

Morgan Stanley Bank, N.A.

Unaudited Quarterly Report

As of and for the quarter ended September 30, 2024

QUARTERLY REPORT

Morgan Stanley Bank, N.A.

For the quarter ended September 30, 2024

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Available Information

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

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

Introduction

Morgan Stanley Bank, N.A., an indirect wholly owned subsidiary of the Parent, is primarily a wholesale commercial bank that offers commercial lending products, certain retail securities-based lending products, certain derivative products and deposit products. Unless the context otherwise requires, the terms “Bank,” “MSBNA,” “us,” “we” and “our” mean Morgan Stanley Bank, N.A. together with its consolidated subsidiaries, and “Morgan Stanley” and the “Firm” mean the Parent and its consolidated subsidiaries, including the Bank. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Quarterly Report.

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

The Bank's lending activities include lending to corporations for specific purposes, such as financing acquisitions and normal operating activities, secured lending facilities, commercial real estate lending, as well as extending securities-based financing, including retail securities-based lending primarily to customers of our affiliated retail broker-dealer, MSSB.

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

Corporate. Corporate loans comprise relationship and event-driven loans and lending commitments supporting general and event-driven financing needs for the Bank's institutional clients, which typically consist of revolving lines of credit, term loans and bridge loans; may have varying terms; may be senior or subordinated; may be secured or unsecured; are generally contingent upon representations, warranties and contractual conditions applicable to the borrower; and may be syndicated or hedged. Relationship loans and lending commitments are extended to select institutional clients, primarily for general corporate purposes and generally with the intent to hold for the foreseeable future. Event-driven loans and lending commitments are extended in connection with specific client transactions.

Secured Lending Facilities. Secured lending facilities include loans provided to clients which are collateralized by various assets, including commercial and residential real estate mortgage loans, investor commitments for capital calls, corporate loans and other assets. These facilities generally provide for overcollateralization. Credit risk with respect to these loans and lending commitments arises from the failure of a borrower to perform according to the terms of the loan agreement and/or a decline in the underlying collateral value. The Bank monitors collateral levels against the requirements of lending agreements.

Commercial Real Estate. Commercial real estate loans are primarily senior, secured by underlying real estate and typically in term loan form. Commercial real estate loans include owner-occupied loans and income-producing loans.

Securities-based lending and Other. Securities-based lending and Other includes loans that allow clients to borrow money against the value of qualifying securities, generally for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of these loans are structured as revolving lines of credit. Also included here are corporate loans purchased in the secondary market.

For a further discussion of our credit risks, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk.” For a further discussion about loans and lending commitments, see Note 3 to the financial statements in the 2023 Annual Report.

Equity Financing. We provide financing services to our clients active in the equity markets through products including margin lending and swaps. Results from this business are largely driven by the difference between financing income earned and financing costs incurred, which are reflected in net interest for lending products, and in non-interest revenues for derivative products.

Other Activities. The Bank enters into derivative transactions with external counterparties and affiliates. Derivative transactions with external counterparties are primarily foreign currency and interest rate swap and forward contracts with institutional clients that prefer or are required to face a rated U.S. bank counterparty. The Bank offsets the risk of these transactions by entering into back-to-back “mirror” derivative instruments with affiliates. The Bank also enters into other derivative transactions with affiliates primarily for hedging purposes, and the derivative instruments used for hedging primarily include interest rate and CDS. CDS are used to hedge the credit risk on certain investments, loan portfolios, and letters of credit; the Bank is not a net seller of credit protection. For further information about our derivative instruments, see Note 12 to the financial statements.

Investment Portfolio. The Bank maintains an investment portfolio to serve as a storehouse of liquidity to satisfy the Bank's current, projected, and contingent funding needs; to act as the primary means to manage the Bank's current and projected interest rate risk profile; and to produce interest income, while maintaining acceptable asset quality, diversification and risk profile. The investment portfolio consists of cash, investment securities, and securities held under repurchase agreements. Our investment securities consist primarily of U.S. Treasuries and agency mortgage-backed securities. For further information about our investment portfolio, see Note 5 to the financial statements.

The Bank provides liquidity to clients in fixed income products by purchasing securities under agreements to resell. These

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securities are principally securitized products and corporate credit securities.

Our trading activities are primarily comprised of certain of the derivatives and Equity Financing services described herein, as well as Residential Real Estate and Corporate loans purchased in the secondary market.

Deposit Taking. We are one of Morgan Stanley's primary deposit-taking entities, along with our affiliated U.S. national bank, MSPBNA. Deposits are the primary source of funding for our assets. We source deposits through clients of Morgan Stanley's Wealth Management business via affiliated entities, as well as through unaffiliated third parties, primarily through "sweep" programs.

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

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

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; risk factors; legislative, legal and regulatory developments; and other factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see "Forward-Looking Statements," "Business—Competition," "Business—Supervision and Regulation" and "Risk Factors" in the 2023 Annual Report and "Liquidity and Capital Resources—Regulatory Requirements" herein.

Executive Summary

Overview of Financial Results

\$ in millions	Three Months Ended September 30,		
	2024	2023	% Change
Interest income	\$ 2,779	\$ 2,515	10 %
Interest expense	1,592	1,259	26 %
Net interest	1,187	1,256	(5)%
Non-interest revenues			
Fee income	212	161	32 %
Gains and losses on financial assets and liabilities ¹	289	316	(9)%
Other	48	44	9 %
Total non-interest revenues	549	521	5 %
Net revenues	1,736	1,777	(2)%
Provision for credit losses	39	107	(64)%
Non-interest expenses			
Compensation and benefits	30	29	3 %
General and administrative	224	225	— %
FDIC and regulatory assessments	11	24	(54)%
Total non-interest expenses²	265	278	(5)%
Income before provision for income taxes	1,432	1,392	3 %
Provision for income taxes	340	325	5 %
Net income	\$ 1,092	\$ 1,067	2 %

\$ in millions	Nine Months Ended September 30,		
	2024	2023	% Change
Interest income	\$ 8,029	\$ 6,892	16 %
Interest expense	4,400	2,973	48 %
Net interest	3,629	3,919	(7)%
Non-interest revenues			
Fee income	772	802	(4)%
Gains and losses on financial assets and liabilities ¹	1,023	922	11 %
Other	153	115	33 %
Total non-interest revenues	1,948	1,839	6 %
Net revenues	5,577	5,758	(3)%
Provision for credit losses	73	313	(77)%
Non-interest expenses			
Compensation and benefits	88	91	(3)%
General and administrative	681	677	1 %
FDIC and regulatory assessments	71	74	(4)%
Total non-interest expenses²	840	842	— %
Income before provision for income taxes	4,664	4,603	1 %
Provision for income taxes	1,101	1,069	3 %
Net income	\$ 3,563	\$ 3,534	1 %

1. Includes net gains and losses from trading assets and liabilities, hedges, loans and lending commitments, as well as sales of investment securities, all of which are primarily accounted for at fair value.

2. Non-interest expenses are primarily influenced by levels of business activity, headcount and compensation. General and administrative expenses primarily include employment related costs of employees of affiliates pursuant to master service level agreements, as well as brokerage, clearing and exchange fees.

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Net Income

Net Interest

Net interest revenues of \$1,187 million in the quarter ended September 30, 2024 ("current quarter") and \$3,629 million in the nine months ended September 30, 2024 ("current year period") decreased 5% and 7% respectively, when compared with the prior periods, primarily due to changes in deposit mix and interest expense on borrowings, partially offset by the effect of higher interest rates on asset yields.

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

Non-interest Revenues

Non-interest revenues of \$549 million in the current quarter increased 5% compared with the quarter ended September 30, 2023 ("prior year quarter"), primarily due to growth in equity derivatives, higher revenue earned from affiliated entities to compensate the Bank for relationship priced loans granted to their clients and lending fees. The above items were partially offset by the impact of mark-to-market on loans and hedges, fund investments and securities.

Non-interest revenues of \$1,948 million in the current year period increased 6% compared with the nine months ended September 30, 2023 ("prior year period"), primarily due to growth in equity derivatives and lending fees, partially offset by the impact of mark-to-market on loans, hedges, and fund investments, as well as lower revenue earned from affiliated entities to compensate the Bank for relationship priced loans granted to their clients.

Provision for Credit Losses

The Provision for credit losses on loans and lending commitments of \$39 million in the current quarter was primarily related to provisions for certain specific Corporate and commercial real estate loans, and growth across certain loan portfolios. This was partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments was \$107 million in the prior year quarter, primarily related to credit deterioration in the commercial real estate sector, including provisions for certain specific loans, mainly in the office portfolio.

The Provision for credit losses on loans and lending commitments of \$73 million in the current year period was primarily related to provisions for certain specific commercial real estate and Corporate loans, and growth across certain loan portfolios. This was partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments was \$313 million in the prior year

period was primarily related to credit deterioration in the commercial real estate sector, including provisions for certain specific loans, mainly in the office portfolio and modest growth in certain other loan portfolios.

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

Non-interest Expenses

Non-interest expenses of \$265 million in the current quarter decreased 5% compared with the prior year quarter, mainly due to lower FDIC assessment which reflected the impact of unsecured financings and a reduction in the estimated special assessment.

Non-interest expenses of \$840 million in the current year period were relatively unchanged from the prior year period.

Economic and Market Conditions

The economic environment, client and investor confidence and overall market sentiment continued to improve in the third quarter of 2024. While inflationary pressures have moderated and interest rates declined, geopolitical risks including ongoing tensions in the Middle East, the U.S. political cycle and the timing and pace of further interest rate reductions present ongoing risks to the economic environment. These factors have impacted, and could continue to impact the capital markets and our businesses as discussed further in "Overview of Financial Results" herein.

For more information on economic and market conditions, and the potential effects of geopolitical events and acts of war or aggression on our future results, refer to "Risk Factors" and "Forward-Looking Statements" in the 2023 Annual Report.

Accounting Development Updates

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

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

Income Tax Disclosures. This accounting update requires disclosure of additional information in relation to income taxes, including additional disaggregation of the income tax rate reconciliation and income taxes paid. For the income tax rate reconciliation, this update requires (1) disclosure of specific categories of reconciling items; and (2) additional information for reconciling items that are greater than or equal to 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate. For income taxes paid, this update requires disclosure of information, including (1) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; and (2) the amount of income taxes paid (net of refunds received), disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent

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of total income taxes paid (net of refunds received). Additionally, the update requires disclosure of (1) income (or loss) before income taxes, disaggregated between domestic and foreign; and (2) income taxes disaggregated by federal, state and foreign. The accounting update is effective for annual periods beginning January 1, 2025, with early adoption permitted.

Critical Accounting Estimates

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements in the 2023 Annual Report and Note 2 to the financial statements), the allowance for credit losses, fair value of financial instruments and income taxes policies involve a higher degree of judgment and complexity. For a further discussion about our critical accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in the 2023 Annual Report.

Liquidity and Capital Resources

Our liquidity and capital policies are established and maintained by the Bank’s senior management, and Risk Committee (“Bank RC”), with oversight by the Bank’s Board of Directors (“Board”) and Risk Committee of the Board (“BRC”). Through various risk and control committees, senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity, interest rate and currency sensitivity of our asset and liability position. The Bank’s Treasury department, the Bank RC, the Bank’s Asset/Liability Committee, and the Bank’s other committees and control groups assist in evaluating, monitoring and managing the impact that the Bank’s business activities have on the Bank’s balance sheet, liquidity and capital structure. Liquidity and capital matters are reported regularly to the Board and the BRC.

Balance Sheet

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

We monitor balance sheet utilization and review variances resulting from business activity and market fluctuations. On a regular basis, we review current performance versus established thresholds and assess balance sheet allocations versus performance and business requirements. We also monitor key metrics, including asset and liability size and capital usage.

Total Assets

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Assets		
Cash and cash equivalents	\$ 13,256	\$ 11,859
Trading assets at fair value	27,439	22,874
Investment securities:		
Available for sale securities at fair value	56,557	48,050
Held-to-maturity securities at cost	23,761	23,890
Securities purchased under agreements to resell	15,918	17,546
Loans, before ACL:		
Corporate	6,392	10,077
Secured lending facilities	47,559	40,937
Commercial real estate	9,146	8,939
Residential real estate	1,834	2,189
Securities-based lending and other	17,940	17,984
Total loans, before ACL	82,871	80,126
Allowance for credit losses	(574)	(654)
Total loans, net of ACL	82,297	79,472
Affordable housing tax credit investments	905	909
Other assets ¹	4,731	4,406
Total assets	\$ 224,864	\$ 209,006

1. Other assets primarily include customer and other receivables, deferred tax assets, loans to affiliate, as well as investments in the Federal Reserve Bank of New York and the Federal Home Loan Bank of New York.

Total assets increased to \$225 billion at September 30, 2024, compared with \$209 billion at December 31, 2023, primarily due to Available for sale securities, Trading assets, Loans, and Cash and cash equivalents, partially offset by a decrease in Securities purchased under agreements to resell.

Liquidity Risk Management Framework

The core components of our Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Resources, which support our target liquidity profile. For a further discussion about the Bank’s Required Liquidity Framework and Liquidity Stress Tests, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity Risk Management Framework” in the 2023 Annual Report.

At September 30, 2024 and December 31, 2023, we maintained sufficient Liquidity Resources to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

Liquidity Resources

We maintain sufficient liquidity resources, which consist of HQLA and cash deposits with banks (“Liquidity Resources”), to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. We actively manage the amount of our Liquidity Resources considering the following components: balance sheet size and composition; funding needs in a stressed environment; liquidity requirements; regulatory requirements; and collateral requirements.

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

Liquidity Resources by Type of Investment

\$ in millions	Average Daily Balance Three Months Ended	
	September 30, 2024	June 30, 2024
Cash deposits with central banks	\$ 8,763	\$ 10,810
Unencumbered HQLA securities ¹ :		
U.S. government obligations	47,067	41,663
U.S. agency and agency mortgage-backed securities	30,919	30,085
Total Liquidity Resources	\$ 86,749	\$ 82,558

1. HQLA is presented prior to applying weightings.

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

Regulatory Liquidity Framework

Liquidity Coverage Ratio and Net Stable Funding Ratio

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

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

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

As of September 30, 2024, we were compliant with the minimum LCR and NSFR requirements of 100%.

Funding Management

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

We fund our balance sheet through diverse sources. These sources include our equity capital, deposits, bank notes and borrowings. We have active financing programs for both standard and structured products.

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

Unsecured Financing

We view deposits and borrowings as stable sources of funding. Our unsecured financings include deposits, bank notes and loans from MSPBNA and the Parent. As part of our asset/liability management strategy, when appropriate, we use derivatives to make adjustments to the interest rate risk profile of our borrowings. See Notes 10, 11 and 12 to the financial statements.

Deposits

\$ in millions	At September 30, 2024	At December 31, 2023
Savings and demand deposits:		
Brokerage sweep deposits	\$ 67,393	\$ 77,196
Savings and other ¹	73,528	64,574
Total savings and demand deposits	140,921	141,770
Time deposits ^{2,3}	39,236	34,137
Total ⁴	\$ 180,157	\$ 175,907
Annualized weighted average cost of deposits ⁵		
Period end	2.91 %	2.78 %
Period average for three months ended	3.08 %	2.74 %

- Includes deposits from the Parent and affiliates, see Note 11 to the financial statements.
- Includes Structured CDs at fair value of \$4.3 billion and \$3.9 billion as of September 30, 2024 and December 31, 2023, respectively.
- Our Time deposits are predominantly brokered certificates of deposit.
- Total deposits subject to FDIC insurance at September 30, 2024 and December 31, 2023 were \$143.9 billion and \$138.5 billion, respectively.
- Annualized weighted average represents the total annualized weighted average cost of the various deposit products, excluding the effect of related hedging derivatives. The period end cost of deposits is based upon balances and rates as of September 30, 2024 and December 31, 2023. The period average is based on daily balances and rates for the period.

Deposits are primarily sourced through clients of Morgan Stanley's Wealth Management business via affiliated entities and are considered to have stable, low-cost funding characteristics relative to other sources of funding. Each category of deposits presented above has a different cost profile and clients may respond differently to changes in interest rates and other macroeconomic conditions. Total deposits in the current year period increased as a result of an increase in Time Deposits and Savings and other deposits, partially offset by lower Brokerage sweep deposits, largely due to net outflows to alternative cash equivalent and other investment products.

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

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Borrowings by Maturity at September 30, 2024¹

\$ in millions	
Original maturities of one year or less:	\$ 1,387
Original maturities greater than one year:	
2024	\$ —
2025	2,071
2026	3,998
2027	—
2028	7,340
Thereafter	—
Total greater than one year	\$ 13,409
Total	\$ 14,796
Maturities over the next 12 months ²	\$ 2,003

1. Original maturity in the table is generally based on contractual final maturity. For borrowings with put options, maturity represents the earliest put date.
2. Includes only borrowings with original maturities greater than one year.

Borrowings of \$14.8 billion as of September 30, 2024 increased from \$7.3 billion at December 31, 2023 primarily due to new issuances.

The availability and cost of financing to us can vary depending on market conditions, the volume of certain trading and lending activities, our credit ratings and the overall availability of credit. We may repurchase our borrowings in the ordinary course of business.

For further information on Borrowings, see Note 10 to the financial statements.

Credit Ratings

Our credit ratings are one of the factors in the cost and availability of financing and can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. See also “Risk Factors—Liquidity Risk” in the 2023 Annual Report.

MSBNA Issuer Ratings at November 6, 2024

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

Capital Management

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

The Bank is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The OCC is authorized to determine under certain

circumstances relating to the financial condition of the Bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. Federal regulatory authorities have indicated that paying dividends that deplete a bank’s capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

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

There were no cash dividends paid during the current or prior year quarters. The Bank paid cash dividends to the Parent of \$1.1 billion and \$2.2 billion in the current year and prior year periods, respectively.

Regulatory Requirements

Regulatory Capital Framework

The OCC establishes capital requirements for us, including “well-capitalized” standards, and evaluates our compliance with such capital requirements. Regulatory capital requirements established by the OCC are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Act. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) capital adequacy guidelines and regulatory framework for prompt corrective action (the “PCA Framework”), the Bank must meet specific capital guidelines that involve quantitative measures of the Bank’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. For additional information on our regulatory capital requirements, see Note 15 to the financial statements.

Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Capital Requirements” in the 2023 Annual Report.

Risk-Based Regulatory Capital. Risk-based capital ratio requirements apply to CET1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital), each as a percentage of RWA, and consist of regulatory minimum required ratios plus our capital buffer requirement. Capital requirements require

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certain adjustments to, and deductions from, capital for purposes of determining these ratios.

Capital Buffer Requirements

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

Risk-Based Regulatory Capital Ratio Requirements

	Regulatory Minimum	At September 30, 2024 and December 31, 2023	
		Standardized	Advanced
Required ratios¹			
CET1 capital ratio	4.5 %	7.0 %	7.0 %
Tier 1 capital ratio	6.0 %	8.5 %	8.5 %
Total capital ratio	8.0 %	10.5 %	10.5 %

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

Our risk-based capital ratios are computed under each of (i) the Standardized Approach and (ii) the Advanced Approach. The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights and exposure methodologies, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. At September 30, 2024 and December 31, 2023, the differences between the actual and required ratios were lower under the Standardized Approach.

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

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

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

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

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

Regulatory Capital Ratios

	Standardized		Advanced	
	At September 30, 2024	At December 31, 2023	At September 30, 2024	At December 31, 2023
<i>\$ in millions</i>				
Risk-based capital				
CET1 capital	\$ 24,752	\$ 21,925	\$ 24,752	\$ 21,925
Tier 1 capital	24,752	21,925	24,752	21,925
Total capital	25,607	22,833	25,196	22,332
Total RWA	\$ 107,676	\$ 101,178	\$ 87,340	\$ 78,887
Risk-based capital ratios				
CET1 capital	23.0%	21.7%	28.3%	27.8%
Tier 1 capital	23.0%	21.7%	28.3%	27.8%
Total capital	23.8%	22.6%	28.8%	28.3%
Well-Capitalized Requirements¹				
CET1 capital	6.5%	6.5%	6.5%	6.5%
Tier 1 capital	8.0%	8.0%	8.0%	8.0%
Total capital	10.0%	10.0%	10.0%	10.0%
Required Ratios²				
CET1 capital	7.0%	7.0%	7.0%	7.0%
Tier 1 capital	8.5%	8.5%	8.5%	8.5%
Total capital	10.5%	10.5%	10.5%	10.5%

Management's Discussion and Analysis

Morgan Stanley Bank, N.A.

Leveraged-based capital

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Leveraged-based capital		
Adjusted average assets ³	\$ 218,236	\$ 207,653
Supplementary leverage exposure ⁴	289,136	267,812
Leveraged-based capital ratios		
Tier 1 leverage	11.3%	10.6%
SLR	8.6%	8.2%
Well-Capitalized Requirements¹		
Tier 1 leverage	5.0%	5.0%
SLR	6.0%	6.0%
Required Ratios²		
Tier 1 leverage	4.0%	4.0%
SLR	3.0%	3.0%

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

Regulatory Capital

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023	Change
CET1 Capital			
Common shareholder equity	\$ 24,755	\$ 21,872	\$ 2,883
Regulatory adjustments and deductions:			
Impact of CECL transition	14	27	(13)
Other adjustments and deductions ¹	(17)	26	(43)
Total CET1 capital and Total Tier 1 capital	\$ 24,752	\$ 21,925	\$ 2,827
Standardized Tier 2 capital			
Eligible ACL	855	908	(53)
Total Standardized capital	\$ 25,607	\$ 22,833	\$ 2,774
Advanced Tier 2 capital			
Eligible credit reserves	444	407	37
Total Advanced capital	\$ 25,196	\$ 22,332	\$ 2,864

- Other adjustments and deductions used in the calculation of Common Equity Tier 1 capital primarily includes net after-tax losses on cash flow hedges, net after-tax debt valuation adjustment, and credit spread premium over risk-free rate for derivative liabilities.

RWA Rollforward

<i>\$ in millions</i>	Nine Months Ended September 30, 2024	
	Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2023	\$ 100,203	\$ 69,787
Change related to the following items:		
Derivatives	1,896	1,952
Securities financing transactions	(852)	(856)
Investment securities	598	361
Commitments, guarantees and loans	3,813	5,766
Equity investments	(210)	(223)
Other credit risk	267	467
Total change in credit risk RWA	\$ 5,512	\$ 7,467
Balance at September 30, 2024	\$ 105,715	\$ 77,254
Market risk RWA		
Balance at December 31, 2023	\$ 975	\$ 975
Change related to the following items:		
Regulatory VaR	34	34
Regulatory stressed VaR	376	376
Specific risk	576	576
Total change in market risk RWA	\$ 986	\$ 986
Balance at September 30, 2024	\$ 1,961	\$ 1,961
Operational risk RWA		
Balance at December 31, 2023	N/A	\$ 8,125
Change in operational risk RWA	—	—
Balance at September 30, 2024	N/A	\$ 8,125
Total RWA	\$ 107,676	\$ 87,340

Regulatory VaR—VaR for regulatory capital requirements

In the current year period, Credit risk RWA increased under the Standardized and Advanced Approaches. Under the Standardized Approach, the increase was primarily due to increased exposure in Lending, Derivatives and Investment Securities, partially offset by decreased exposure in Securities financing transactions. Under the Advanced Approach, the increase was primarily due to increased exposure in Lending, Derivatives, and Other credit risk, partially offset by decreased exposure in Securities financing transactions.

Market risk RWA increased in the current year period under both the Standardized and Advanced Approaches, primarily driven by higher Specific risk charges on non-securitization standardized charges and higher Regulatory Stressed VaR.

Capital Plans and Stress Tests

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

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

Resolution Planning

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

We are also required to submit an IDI resolution plan to the FDIC. We submitted our IDI resolution plan on December 1, 2023.

For more information about resolution planning requirements and our activities in these areas, including the implications of such activities in a resolution scenario, see "Business—Supervision and Regulation—Resolution Planning" and "Risk Factors—Legal, Regulatory and Compliance Risk" in the 2023 Annual Report.

Regulatory Developments and Other Matters***FDIC Final Rulemaking on Insured Depository Institution Resolution Plans***

On June 20, 2024, the FDIC adopted a final rule to modify the required cadence and informational content of covered IDI resolution plan submissions, which describe the IDI's strategy for a rapid and orderly resolution in the event of material financial distress or failure of the IDI. As a result of the final rule, we will be required to submit full resolution plans every two years and interim targeted information at certain times between full resolution plan submissions. In addition, the new rule introduces a new credibility standard that will be used to evaluate full resolution plan submissions, which would be subject to FDIC enforcement action. The final rule is effective beginning October 1, 2024, and the first submission for us under the new rule will be in 2026. For more information on our resolution plan-related submissions and associated regulatory actions, see "Business—Supervision and Regulation—Resolution Planning" in the 2023 Annual Report.

FDIC Final Rulemaking on Special Assessment

Following the failures of certain banks and the resulting losses to the FDIC's Deposit Insurance Fund in the first half of 2023, the FDIC adopted a final rule on November 16, 2023 to implement a special assessment to recover the cost associated with protecting uninsured depositors. We recorded the cost of the special assessment of \$139 million in Non-interest expenses when the final rule was published in the Federal Register, in the fourth quarter of 2023. We recorded the incremental estimated cost of \$20 million during the first nine months of 2024 based on subsequent notifications received from the FDIC which contained the revised estimated net losses from those bank failures.

Basel III Endgame Proposal

On July 27, 2023, the U.S. banking agencies proposed revisions to risk-based capital and related standards applicable to us ("Basel III Endgame Proposal"). For more information on the Basel III Endgame Proposal, see "Management's Discussion and

Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Developments and Other Matters" in the 2023 Annual Report.

Risk Disclosures

Morgan Stanley Bank, N.A.

Quantitative and Qualitative Disclosures about Risk

Management believes effective risk management is vital to the success of our business activities. For a discussion of our Risk Governance Framework and risk management functions, see “Quantitative and Qualitative Disclosures about Risk—Risk Management” in the 2023 Annual Report.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We are primarily exposed to credit risk from institutions and individuals. For a further discussion of our credit risks, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” in the 2023 Annual Report.

Loans and Lending Commitments

\$ in millions	At September 30, 2024			
	HFI	HFS	FVO	Total
Corporate	\$ 3,570	\$ 2,822	\$ —	\$ 6,392
Secured lending facilities	45,351	2,208	—	47,559
Commercial real estate	8,512	112	522	9,146
Residential real estate	—	—	1,834	1,834
Securities-based lending and Other	15,899	1	2,040	17,940
Total loans	73,332	5,143	4,396	82,871
ACL	(574)	—	—	(574)
Total loans, net of ACL	\$ 72,758	\$ 5,143	\$ 4,396	\$ 82,297
Lending Commitments¹				\$ 114,103
Total exposure				\$ 196,400

\$ in millions	At December 31, 2023			
	HFI	HFS	FVO	Total
Corporate	\$ 3,702	\$ 6,375	\$ —	\$ 10,077
Secured lending facilities	38,961	1,976	—	40,937
Commercial real estate	8,512	161	266	8,939
Residential real estate	—	—	2,189	2,189
Securities-based lending and Other	16,407	2	1,575	17,984
Total loans	67,582	8,514	4,030	80,126
ACL	(654)	—	—	(654)
Total loans, net of ACL	\$ 66,928	\$ 8,514	\$ 4,030	\$ 79,472
Lending Commitments¹				101,628
Total exposure				\$ 181,100

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

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

We provide loans and lending commitments to a variety of customers, including large corporate and institutional clients, as well as high to ultra-high net worth individuals. In addition, we purchase loans in the secondary market. Loans and lending commitments are either held for investment, held for sale or carried at fair value. For more information on these loan classifications, see Note 2 to the financial statements in the 2023 Annual Report.

Total loans and lending commitments increased by approximately \$15.3 billion since December 31, 2023, primarily due to an increase in Corporate lending commitments and Secured lending facilities.

See Notes 3, 6 and 13 to the financial statements for further information.

Allowance for Credit Losses—Loans and Lending Commitments

\$ in millions	Nine Months Ended September 30, 2024	
ACL—Loans		
Beginning balance	\$	654
Gross charge-offs		(148)
Recoveries		4
Net (charge-offs) recoveries		(144)
Provision for credit losses		62
Other		2
Ending balance	\$	574
ACL—Lending commitments		
Beginning balance	\$	226
Provision for credit losses		11
Other		(3)
Ending balance	\$	234
Total ending balance	\$	808

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

The allowance for credit losses for loans and lending commitments decreased since December 31, 2023, primarily related to charge-offs in commercial real estate loans.

The base scenario used in our ACL models as of September 30, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes modest economic growth in 2024, followed by a gradual improvement in 2025 as well as lower interest rates relative to the prior quarter forecast. The ACL calculation incorporates key macroeconomic variables, including U.S. real gross domestic product (“GDP”) growth rate. The significance of key macroeconomic variables on the ACL calculation varies depending on portfolio composition and economic conditions.

Risk Disclosures

Morgan Stanley Bank, N.A.

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

	4Q 2024	4Q 2025
Year-over-year growth rate	1.6 %	1.9 %

Other key macroeconomic variables used in the ACL calculation include corporate credit spreads, interest rates and commercial real estate indices. See Note 2 to the financial statements in the 2023 Annual Report for a discussion of the Bank's ACL methodology under CECL.

Status of Loans Held for Investment

	At September 30, 2024	At December 31, 2023
Accrual	99.4 %	99.3 %
Nonaccrual ¹	0.6 %	0.7 %

1. Nonaccrual loans are loans where principal or interest is not expected when contractually due or are past due 90 days or more. For further information on our nonaccrual policy, see Note 2 to the financial statements in the 2023 Annual Report.

Net Charge-off Ratios for Loans Held for Investment

\$ in millions	Secured Lending Facilities		SBL and Other		Total
	Corporate	CRE	Other	Total	
For the Nine Months Ended September 30, 2024					
Net charge-off ratio ¹	0.89 %	0.03 %	1.16 %	— %	0.21 %
Average loans	\$ 3,822	\$ 41,566	\$ 8,475	\$ 15,804	\$ 69,667
For the Nine Months Ended September 30, 2023					
Net charge-off ratio ¹	— %	— %	1.26 %	— %	0.16 %
Average loans	\$ 3,863	\$ 36,874	\$ 8,590	\$ 18,608	\$ 67,935

CRE - Commercial Real Estate

SBL - Securities-based Lending

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

Loans and Lending Commitments by Credit Rating¹

\$ in millions	At September 30, 2024					Total ³
	Contractual Years to Maturity					
	< 1	1-5	5-15	>15		
Loans						
AA	\$ —	\$ 1	\$ 1	\$ —	\$ 2	
A	977	598	—	—	1,575	
BBB	4,985	10,888	71	144	16,088	
BB	10,895	20,701	1,601	317	33,514	
Other NIG	6,679	8,053	997	56	15,785	
Unrated ²	3	184	55	1,833	2,075	
Total loans, net of ACL	23,539	40,425	2,725	2,350	69,039	
Lending commitments						
AAA	—	75	—	—	75	
AA	2,077	3,991	275	—	6,343	
A	7,495	17,675	1,046	—	26,216	
BBB	9,674	43,318	527	93	53,612	
BB	2,179	15,323	2,321	855	20,678	
Other NIG	515	3,865	116	—	4,496	
Unrated ²	—	—	—	—	—	
Total lending commitments	21,940	84,247	4,285	948	111,420	
Total exposure	\$ 45,479	\$ 124,672	\$ 7,010	\$ 3,298	\$ 180,459	

\$ in millions	At December 31, 2023				
	Contractual Years to Maturity				
	< 1	1-5	5-15	>15	Total ³
Loans					
AA	\$ 3	\$ —	\$ 216	\$ —	\$ 219
A	1,046	754	—	—	1,800
BBB	6,984	9,607	1	—	16,592
BB	10,934	14,693	1,741	277	27,645
Other NIG	7,523	8,410	1,009	72	17,014
Unrated ²	2	221	16	2,189	2,428
Total loans, net of ACL	26,492	33,685	2,983	2,538	65,698
Lending commitments					
AAA	—	50	—	—	50
AA	2,410	2,518	154	—	5,082
A	7,318	18,174	427	—	25,919
BBB	7,945	37,147	106	—	45,198
BB	3,742	12,461	1,488	414	18,105
Other NIG	1,316	2,432	830	—	4,578
Unrated ²	2	—	—	—	2
Total lending commitments	22,733	72,782	3,005	414	98,934
Total exposure	\$ 49,225	\$ 106,467	\$ 5,988	\$ 2,952	\$ 164,632

NIG-Non-investment grade

- Counterparty credit ratings are internally determined by the CRM. Primarily includes Corporate, Residential real estate, and Commercial real estate loans and lending commitments.
- Unrated loans and lending commitments are primarily trading positions that are measured at fair value and risk-managed as a component of market risk. For a further discussion of our market risk, see "Quantitative and Qualitative Disclosures about Risk —Market Risk" herein.
- Excludes loans and lending commitments of \$15.9 billion and \$16.5 billion at September 30, 2024 and December 31, 2023, respectively, which are extended to clients of Morgan Stanley's Wealth Management business. The above loans and lending commitments are largely subject to collateral maintenance provisions and predominantly over-collateralized.

Loans and Lending Commitments by Industry¹

\$ in millions	At September 30, 2024	At December 31, 2023
Financials	\$ 60,078	\$ 52,920
Real estate	36,558	32,643
Health care	10,719	11,287
Consumer staples	10,455	8,038
Communication services	9,774	7,230
Utilities	9,154	9,266
Industrials	8,908	10,981
Information technology	8,716	7,780
Consumer discretionary	7,496	6,681
Energy	6,479	6,702
Insurance	6,366	5,846
Materials	4,666	4,342
Other	1,090	916
Total exposure	\$ 180,459	\$ 164,632

1. Excludes loans and lending commitments of \$15.9 billion and \$16.5 billion at September 30, 2024 and December 31, 2023, respectively, which are extended to clients of Morgan Stanley's Wealth Management business.

Risk Disclosures

Morgan Stanley Bank, N.A.

Commercial Real Estate Loans and Lending Commitments

By Region

\$ in millions	At September 30, 2024			At December 31, 2023		
	Loans ¹	LC ¹	Total	Loans ¹	LC ¹	Total
Americas	\$ 5,497	\$ 369	\$ 5,866	\$ 5,601	\$ 423	\$ 6,024
EMEA	3,315	630	3,945	2,892	49	2,941
Asia	518	3	521	485	—	485
Total	\$ 9,330	\$ 1,002	\$ 10,332	\$ 8,978	\$ 472	\$ 9,450

By Property Type

\$ in millions	At September 30, 2024			At December 31, 2023		
	Loans ¹	LC ¹	Total	Loans ¹	LC ¹	Total
Office	\$ 2,953	\$ 134	\$ 3,087	3,219	186	3,405
Industrial	2,623	7	2,630	2,471	5	2,476
Multifamily	2,300	278	2,578	1,902	208	2,110
Retail	672	578	1,250	697	—	697
Hotel	774	5	779	688	73	761
Other	8	—	8	1	—	1
Total	\$ 9,330	\$ 1,002	\$ 10,332	\$ 8,978	\$ 472	\$ 9,450

LC-Lending Commitments

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

The current economic environment and changes in business and consumer behavior have adversely impacted commercial real estate borrowers due to pressure from higher interest rates, tenant lease renewals, and elevated refinancing risks for loans with near-term maturities, among other issues. While we continue to actively monitor all our loan portfolios, the commercial real estate sector remains under heightened focus given the sector's sensitivity to economic and secular factors, credit conditions, and difficulties specific to certain property types, most notably office.

As of September 30, 2024 and December 31, 2023, our direct lending against commercial real estate ("CRE") properties totaled \$10.3 billion and \$9.5 billion, which represents 5.3% and 5.2% of total exposure reflected in the Loans and Lending Commitments table above. Those CRE loans are primarily originated for experienced sponsors and are generally secured by specific institutional CRE properties. In many cases, loans are subsequently syndicated or securitized on a full or partial basis, reducing our ongoing exposure.

In addition to the amounts included in the table above, we provide certain secured lending facilities which are typically collateralized by pooled CRE mortgage loans and are included in Secured lending facilities. These secured lending facilities benefit from structural protections including cross-collateralization and diversification across property types.

Market Risk

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

The Bank's principal market risk is non-trading interest rate risk in the banking book (amounts classified for regulatory capital

purposes under the banking book regime), which refers to the exposure that a change in interest rates will result in prospective earnings changes for these assets and liabilities. For a further discussion of market risk, see "Quantitative and Qualitative Disclosures about Risk—Market Risk" in the 2023 Annual Report.

Earnings-at-Risk measures the estimated impact of changes in interest rates to our earnings for all positions within our consolidated balance sheet over a defined time horizon.

Earnings-At-Risk Sensitivity Analysis

\$ in millions	At September 30, 2024		At June 30, 2024
	Basis point change		
+200	\$	1,076	\$ 1,295
+100		537	665
-100		(532)	(659)
-200		(1,068)	(1,313)

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

We do not manage to any single rate scenario but rather manage earnings in the Bank across a range of possible outcomes, including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates and includes subjective assumptions regarding customer and market re-pricing behavior and other factors.

Our balance sheet is asset sensitive, given assets reprice faster than liabilities, resulting in higher earnings in increasing interest rate scenarios and lower earnings in declining interest rate scenarios. The level of interest rates may impact the amount of deposits held at the Bank, given competition for deposits from other institutions and alternative cash-equivalent products available to depositors. Further, the level of interest rates could also impact client demand for loans. Earnings at risk sensitivity at September 30, 2024 decreased from June 30, 2024, primarily driven by the effect of changes in the mix of our assets and liabilities.

Country Risk

Country risk exposure is the risk that events in, or that affect, a foreign country (any country other than the U.S.) might adversely affect us. We actively manage country risk exposure through a comprehensive risk management framework that

Risk Disclosures

combines credit and other market fundamentals and allows us to effectively identify, monitor and limit country risk. For a further discussion of our country risk exposure see “Quantitative and Qualitative Disclosures about Risk—Country and Other Risks” in the 2023 Annual Report.

Top 5 Non-U.S. Country Exposures at September 30, 2024

<i>\$ in millions</i>	United Kingdom	Germany	Australia	Ireland	Spain
Non-sovereign					
Net inventory ¹	\$ (1)	\$ (3)	\$ (2)	\$ —	\$ 18
Net counterparty exposure ²	1	—	—	—	—
Loans	8,057	1,349	1,893	1,445	978
Lending commitments	7,798	2,622	1,198	454	594
Exposure before hedges	15,855	3,968	3,089	1,899	1,590
Hedges ³	(928)	(610)	(130)	—	—
Total net exposure	\$ 14,927	\$ 3,358	\$ 2,959	\$ 1,899	\$ 1,590

1. Net inventory represents exposure to both long and short single-name and index positions (i.e., bonds and CDS based on a notional amount assuming zero recovery adjusted for the fair value of any receivable or payable).
2. Net counterparty exposure is net of the benefit of collateral received and also is net by counterparty when legally enforceable master netting agreements are in place.
3. Amounts represent net CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures. Amounts are based on the CDS notional amount assuming zero recovery adjusted for the fair value of any receivable or payable.

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., cyberattacks or third-party vulnerabilities) that may manifest as, for example, loss of information, business disruption, theft and fraud, legal, regulatory and compliance risks, or damage to physical assets. We may incur operational risk across the full scope of our business activities, including revenue-generating activities and support and control groups (e.g., information technology and trade processing). For a further discussion about our operational risk, see “Quantitative and Qualitative Disclosures about Risk—Operational Risk” in the 2023 Annual Report.

Model Risk

Model risk refers to the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model risk can lead to financial loss, poor business and strategic decision-making or damage to the Bank’s reputation. The risk inherent in a model is a function of the materiality, complexity and uncertainty around inputs and assumptions.

Model risk is generated from the use of models impacting financial statements, regulatory filings, capital adequacy assessments and the formulation of strategy. For a further discussion about our model risk, see “Quantitative and Qualitative Disclosures about Risk—Model Risk” in the 2023 Annual Report.

Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets, a reduction in deposit balances, or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For a further discussion about our liquidity risk, see “Quantitative and Qualitative Disclosures about Risk—Liquidity Risk” in the 2023 Annual Report and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” herein.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, limitations on our business, or loss to reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty’s performance obligations will be unenforceable. It also includes compliance with BSA/AML and OFAC rules and requirements, terrorist financing, and anti-corruption rules and regulations. For a further discussion about our legal and compliance risk, see “Quantitative and Qualitative Disclosures about Risk—Legal, Regulatory and Compliance Risk” in the 2023 Annual Report.

Climate Risk

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

Climate risk, which is not expected to have a significant effect on our consolidated results of operations or financial condition in the near term, is an overarching risk that can impact other categories of risk. For a further discussion about our climate risk, see “Quantitative and Qualitative Disclosures about Risk—Climate Risk” in the 2023 Annual Report.



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors and Shareholder of
Morgan Stanley Bank, N.A.

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley Bank, N.A. and subsidiaries (the "Bank") as of September 30, 2024, and the related condensed consolidated income statements, comprehensive income statements, statements of changes in shareholder's equity for the three-month and nine-month periods ended September 30, 2024 and 2023, and cash flow statements for the nine-month periods ended September 30, 2024 and 2023, and the related notes (collectively referred to as the "interim financial information").

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of December 31, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2023, and the related consolidated income statement, comprehensive income statement, statement of changes in shareholder's equity, and cash flow statement for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 7, 2024. In our opinion, the accompanying condensed consolidated balance sheet of the Bank as of December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

November 14, 2024

Consolidated Income Statement (Unaudited)

Morgan Stanley Bank, N.A.

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues				
Interest income	\$ 2,779	\$ 2,515	\$ 8,029	\$ 6,892
Interest expense	1,592	1,259	4,400	2,973
Net interest	1,187	1,256	3,629	3,919
Non-interest revenues				
Fee income	212	161	772	802
Gains and losses on financial assets and liabilities	289	316	1,023	922
Other	48	44	153	115
Total non-interest revenues	549	521	1,948	1,839
Net revenues	1,736	1,777	5,577	5,758
Provision for credit losses	39	107	73	313
Non-interest expenses				
Compensation and benefits	30	29	88	91
General and administrative	224	225	681	677
FDIC and regulatory assessments	11	24	71	74
Total non-interest expenses	265	278	840	842
Income before provision for income taxes	1,432	1,392	4,664	4,603
Provision for income taxes	340	325	1,101	1,069
Net income	\$ 1,092	\$ 1,067	\$ 3,563	\$ 3,534

Consolidated Comprehensive Income Statement (Unaudited)

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 1,092	\$ 1,067	\$ 3,563	\$ 3,534
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities	397	(330)	408	(47)
Change in net debt valuation adjustment	(1)	3	7	14
Net change in cash flow hedges	34	(3)	6	(16)
Total other comprehensive income (loss) ^{1,2}	\$ 430	\$ (330)	\$ 421	\$ (49)
Comprehensive income	\$ 1,522	\$ 737	\$ 3,984	\$ 3,485

1. Amounts are net of (provision)/benefit for income taxes of \$(134) million and \$103 million for the current quarter and prior year quarter, respectively.

2. Amounts are net of (provision)/benefit for income taxes of \$(131) million and \$15 million for the current year period and the prior year period, respectively.

Consolidated Balance Sheet

Morgan Stanley Bank, N.A.

	(Unaudited)	
<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Assets		
Cash and cash equivalents	\$ 13,256	\$ 11,859
Trading assets at fair value	27,439	22,874
Investment securities:		
Available-for-sale at fair value (amortized cost of \$58,327 and \$50,356)	56,557	48,050
Held-to-maturity (fair value of \$21,034 and \$20,688)	23,761	23,890
Securities purchased under agreements to resell	15,918	17,546
Loans:		
Held for investment (net of allowance for credit losses of \$574 and \$654)	72,758	66,928
Held for sale (lower of cost or fair value)	5,143	8,514
Fair value	4,396	4,030
Loans to affiliate	710	469
Interest receivable	1,030	894
Affordable housing tax credit investments	905	909
Deferred taxes	708	818
Other assets	2,283	2,225
Total assets	\$ 224,864	\$ 209,006
Liabilities		
Deposits (includes \$4,288 and \$3,903 at fair value)	\$ 180,157	\$ 175,907
Trading liabilities at fair value	995	282
Payable to affiliates	721	573
Other Secured Financings at fair value	1,091	872
Accrued interest payable	765	619
Affordable housing tax credit investment commitments	249	311
Other liabilities and accrued expenses	1,334	1,265
Borrowings (includes \$1,387 and \$1,124 at fair value)	14,796	7,305
Total liabilities	200,108	187,134
Shareholder's equity		
Common stock, \$1 par value:		
Shares authorized: 50,000; Shares issued: 100; Shares outstanding: 100	—	—
Additional paid-in capital	8,005	8,005
Retained earnings	18,097	15,634
Accumulated other comprehensive income (loss)	(1,346)	(1,767)
Total shareholder's equity	24,756	21,872
Total liabilities and shareholder's equity	\$ 224,864	\$ 209,006

**Consolidated Statement of Changes in Shareholder's Equity
(Unaudited)**
Morgan Stanley Bank, N.A.

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Common Stock				
Beginning and ending balance	\$ —	\$ —	\$ —	\$ —
Additional Paid-in Capital				
Beginning and ending balance	8,005	8,005	8,005	8,005
Retained Earnings				
Beginning balance	17,005	14,582	15,634	14,341
Net income	1,092	1,067	3,563	3,534
Dividend to Parent	—	—	(1,100)	(2,225)
Ending balance	18,097	15,649	18,097	15,649
Accumulated Other Comprehensive Income (Loss)				
Beginning balance	(1,776)	(2,088)	(1,767)	(2,369)
Net change in Accumulated other comprehensive income (loss) ^{1,2}	430	(330)	421	(49)
Ending balance	(1,346)	(2,418)	(1,346)	(2,418)
Total Shareholder's Equity	\$ 24,756	\$ 21,236	\$ 24,756	\$ 21,236

1. Amounts are net of (provision)/benefit for income taxes of \$(134) million and \$103 million for the current quarter and prior year quarter, respectively.

2. Amounts are net of (provision)/benefit for income taxes of \$(131) million and \$15 million for the current year period and the prior year period, respectively.

Consolidated Cash Flow Statement (Unaudited)

Morgan Stanley Bank, N.A.

<i>\$ in millions</i>	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 3,563	\$ 3,534
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	79	(34)
Provision for credit losses	73	313
Deferred income taxes, net	(21)	(110)
Other operating adjustments	749	139
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	(4,793)	(7,981)
Loans at fair value with intent to sell	(815)	228
Loans held for sale	3,461	(568)
Securities purchased under agreements to resell	1,038	(474)
Net receivable from and payable to affiliates	(135)	273
Other liabilities and accrued expenses	150	87
Other assets	(1,307)	(553)
Net cash provided by (used for) operating activities	2,042	(5,146)
Cash flows from investing activities		
Proceeds from (payments for):		
AFS securities:		
Purchases	(20,492)	(5,651)
Proceeds from sales	5,294	4,478
Proceeds from paydowns and maturities	8,970	6,637
HTM securities:		
Purchases	(2,033)	—
Proceeds from paydowns and maturities	2,273	1,082
Securities purchased under agreements to resell	590	—
Changes in loans at fair value with intent to hold, net	23	47
Changes in loans held for investment, net	(5,257)	(357)
Other Investing Activities	(77)	—
Net cash provided by (used for) investing activities	(10,709)	6,236
Cash flows from financing activities		
Net proceeds from (payments for):		
Deposits	3,961	(832)
Other secured financings	110	534
Proceeds from issuance of Borrowings	7,232	4,604
Payments for:		
Borrowings	(139)	—
Cash dividends	(1,100)	(2,225)
Net cash provided by (used for) financing activities	10,064	2,081
Effect of exchange rate changes on cash and cash equivalents	—	1
Net increase (decrease) in cash and cash equivalents	1,397	3,171
Cash and cash equivalents, at beginning of period	11,859	28,457
Cash and cash equivalents, at end of period	\$ 13,256	\$ 31,628
Supplemental Disclosure of Cash Flow Information:		
Cash payments for:		
Interest	\$ 4,254	\$ 888
Income taxes	696	1,057
Non-cash transactions:		
Loans transferred into held for sale from held for investment	\$ 381	\$ 336
Beneficial interests obtained in financial assets transferred to an unconsolidated securitization entity	152	78

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

1. Introduction and Basis of Presentation

The Bank

Morgan Stanley Bank, N.A. is a nationally chartered bank and a wholly owned subsidiary of MSCM, which is a direct wholly owned subsidiary of Morgan Stanley. The Bank is regulated by the OCC and its qualifying deposits are insured by the FDIC. The Bank is also registered as a swap dealer with the CFTC and conditionally registered as a security-based swap dealer with the SEC. Unless the context otherwise requires, the term “Bank” means Morgan Stanley Bank, N.A. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Quarterly Report.

MSBNA is primarily a wholesale commercial bank that offers commercial lending products, certain retail securities-based lending products, certain derivative products, and deposit products. The Bank’s activities also include providing certain financing services to our clients active in the equity markets, entering into certain derivative transactions, and maintaining an investment portfolio.

The Bank’s lending activities include lending to corporations for specific purposes, such as financing acquisitions and normal operating activities, secured lending facilities, commercial real estate lending, as well as extending securities-based financing, including retail securities-based lending primarily to customers of our affiliated retail broker-dealer, MSSB.

The deposit accounts the Bank accepts are principally used to fund lending activities and the Bank’s investment portfolio. The Bank accepts demand deposits, and issues CDs that are principally used to fund lending and trading activities and invest in securities.

Basis of Financial Information

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

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

The accompanying financial statements should be read in conjunction with the Bank’s financial statements and notes thereto included in the 2023 Annual Report. Certain footnote disclosures included in the 2023 Annual Report have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The

financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Consolidation

The financial statements include the accounts of the Bank and its wholly owned subsidiaries, including certain VIEs (see Note 14). Intercompany balances and transactions have been eliminated.

2. Significant Accounting Policies

For a detailed discussion about the Bank’s significant accounting policies and for further information on accounting updates adopted in the prior year, see Note 2 to the financial statements in the 2023 Annual Report.

During the nine months ended September 30, 2024, there were no significant updates to the Bank’s significant accounting policies, other than for the accounting update adopted.

Accounting Update Adopted in 2024

Investments - Tax Credit Structures

The Bank adopted the *Investments - Equity Method and Joint Ventures - Tax Credit Structures* accounting update on January 1, 2024 using the modified retrospective method. This accounting update permits an election to account for tax equity investments using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the income tax credits and other income tax benefits received and recognized net in the income statement as a component of provision for income taxes. The update requires a separate accounting policy election to be made for each tax credit program. Additional disclosures are required regarding (i) the nature of our tax equity investments and (ii) the effect of our tax equity investments and related income tax credits on the financial condition and results of operations (see Note 14).

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

**Notes to Consolidated Financial Statements
(Unaudited)**

Morgan Stanley Bank, N.A.

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

Loans by Type

\$ in millions	At September 30, 2024			
	HFI Loans	HFS Loans	Loans at Fair Value	Total Loans
Corporate	\$ 3,570	\$ 2,822	\$ —	\$ 6,392
Secured lending facilities	45,351	2,208	—	47,559
Commercial real estate	8,512	112	522	9,146
Residential real estate	—	—	1,834	1,834
Securities-based lending and Other	15,899	1	2,040	17,940
Total loans	73,332	5,143	4,396	82,871
ACL	(574)	—	—	(574)
Total loans, net	\$ 72,758	\$ 5,143	\$ 4,396	\$ 82,297
Loans to non-U.S. borrowers, net	\$ 17,948	\$ 2,104	\$ —	\$ 20,052

\$ in millions	At December 31, 2023			
	HFI Loans	HFS Loans	Loans at Fair Value	Total Loans
Corporate	\$ 3,702	\$ 6,375	\$ —	\$ 10,077
Secured lending facilities	38,961	1,976	—	40,937
Commercial real estate	8,512	161	266	8,939
Residential real estate	—	—	2,189	2,189
Securities-based lending and Other	16,407	2	1,575	17,984
Total loans	67,582	8,514	4,030	80,126
ACL	(654)	—	—	(654)
Total loans, net	\$ 66,928	\$ 8,514	\$ 4,030	\$ 79,472
Loans to non-U.S. borrowers, net	\$ 15,399	\$ 3,396	\$ —	\$ 18,795

For additional information on the Bank's held-for-investment, held-for-sale loan and loans at fair value portfolios, see Note 3 to the financial statements in the 2023 Annual Report.

Loans by Interest Rate Type

\$ in millions	At September 30, 2024		At December 31, 2023	
	Fixed Rate	Floating or Adjustable Rate	Fixed Rate	Floating or Adjustable Rate
Corporate	\$ —	\$ 6,392	\$ —	\$ 10,077
Secured lending facilities	—	47,559	—	40,937
Commercial real estate	142	8,482	141	8,532
Securities-based lending and Other	3,238	12,662	3,516	12,893
Total loans, before ACL	\$ 3,380	\$ 75,095	\$ 3,657	\$ 72,439

See Note 6 for further information regarding Loans and lending commitments held at fair value. See Note 13 for details of current commitments to lend in the future.

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

\$ in millions	At September 30, 2024			At December 31, 2023		
	IG	NIG	Total	IG	NIG	Total
Revolving	\$ 1,666	\$ 1,764	\$ 3,430	\$ 2,000	\$ 1,572	\$ 3,572
2024	53	—	53	—	—	—
2023	—	50	50	—	69	69
2022	—	—	—	—	2	2
2021	5	—	5	5	—	5
2020	9	23	32	29	25	54
Prior	—	—	—	—	—	—
Total	\$ 1,733	\$ 1,837	\$ 3,570	\$ 2,034	\$ 1,668	\$ 3,702

\$ in millions	At September 30, 2024			At December 31, 2023		
	IG	NIG	Total	IG	NIG	Total
Revolving	\$ 10,504	\$ 25,351	\$ 35,855	\$ 9,494	\$ 22,192	\$ 31,686
2024	819	2,390	3,209	—	—	—
2023	1,423	1,314	2,737	1,535	1,436	2,971
2022	286	2,095	2,381	392	2,141	2,533
2021	—	285	285	—	365	365
2020	—	—	—	—	80	80
Prior	100	784	884	356	970	1,326
Total	\$ 13,132	\$ 32,219	\$ 45,351	\$ 11,777	\$ 27,184	\$ 38,961

\$ in millions	At September 30, 2024			At December 31, 2023		
	IG	NIG	Total	IG	NIG	Total
Revolving	\$ —	\$ 170	\$ 170	\$ —	\$ 171	\$ 171
2024	112	1,698	1,810	—	—	—
2023	399	797	1,196	251	1,055	1,306
2022	244	1,855	2,099	284	1,900	2,184
2021	123	1,620	1,743	348	1,371	1,719
2020	—	430	430	—	756	756
Prior	—	1,064	1,064	195	2,181	2,376
Total	\$ 878	\$ 7,634	\$ 8,512	\$ 1,078	\$ 7,434	\$ 8,512

\$ in millions	At September 30, 2024			
	Securities-based Lending ¹	IG	NIG	Total
Revolving	\$ 12,906	\$ 16	\$ 142	\$ 13,064
2024	966	64	142	1,172
2023	443	—	135	578
2022	561	—	102	663
2021	100	—	130	230
2020	—	—	90	90
Prior	—	—	102	102
Total	\$ 14,976	\$ 80	\$ 843	\$ 15,899

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

\$ in millions	At December 31, 2023			
	Securities-based Lending ¹	Other		Total
		IG	NIG	
Revolving	\$ 13,516	\$ 47	\$ 113	\$ 13,676
2023	983	—	27	1,010
2022	1,063	—	95	1,158
2021	165	—	163	328
2020	—	11	107	118
2019	—	—	32	32
Prior	—	—	85	85
Total	\$ 15,727	\$ 58	\$ 622	\$ 16,407

IG—Investment Grade

NIG—Non-investment Grade

1. Securities-based loans are subject to collateral maintenance provisions, and at September 30, 2024 and December 31, 2023, these loans are predominantly over-collateralized. For more information on the ACL methodology related to securities-based loans, see Note 2.

Past Due Loans Held for Investment before Allowance¹

\$ in millions	At September 30, 2024	At December 31, 2023
Commercial real estate	\$ 182	\$ 185

1. As of September 30, 2024, the majority of the amounts are 90 days or more past due. As of December 31, 2023, the majority of the amounts are past due for a period of less than 90 days.

Nonaccrual Loans Held for Investment before Allowance¹

\$ in millions	At September 30, 2024	At December 31, 2023
Secured lending facilities	—	80
Commercial real estate	469	426
Total	\$ 469	\$ 506
Nonaccrual loans without an ACL	\$ 96	\$ —

1. There were no loans held for investment that were 90 days or more past due and still accruing as of September 30, 2024 and December 31, 2023. For further information on the Bank's nonaccrual policy, see Note 2 to the financial statements in the 2023 Annual Report.

See Note 2 to the financial statements in the 2023 Annual Report for a description of the ACL calculated under the CECL methodology, including credit quality indicators, used for HFI loans.

Loan Modifications to Borrowers Experiencing Financial Difficulty

The Bank may modify the terms of certain loans for economic or legal reasons related to a borrower's financial difficulties, and these modifications include interest rate reductions, principal forgiveness, term extensions and other-than-insignificant payment delays or a combination of these aforementioned modifications. Modified loans are typically evaluated individually for allowance for credit losses.

Modified Loans Held for Investment

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

\$ in millions	Three Months Ended September 30,			
	2024		2023	
	Amortized Cost	% of Total Loans ²	Amortized Cost	% of Total Loans ²
Term Extension				
Corporate	\$ —	— %	\$ 12	0.3 %
Commercial real estate	56	0.7 %	198	2.4 %
Securities-based lending and Other	21	0.1 %	—	— %
Total	\$ 77	0.1 %	\$ 210	0.3 %
Total Modifications	\$ 77	0.1 %	\$ 210	0.3 %

\$ in millions	Nine Months Ended September 30,			
	2024		2023	
	Amortized Cost	% of Total Loans ²	Amortized Cost	% of Total Loans ²
Term Extension				
Corporate	\$ —	— %	\$ 12	0.3 %
Commercial real estate	136	1.6 %	219	2.6 %
Securities-based lending and Other	21	0.1 %	—	— %
Total	\$ 157	0.2 %	\$ 231	0.3 %
Multiple Modifications - Term Extension and Other-than-insignificant Payment Delay				
Commercial real estate	—	— %	40	0.5 %
Total	\$ —	— %	\$ 40	0.1 %
Total Modifications	\$ 157	0.2 %	\$ 271	0.4 %

1. Lending commitments to borrowers for which the Bank had modified the terms of receivable, during the three months and nine months ended September 30, 2024 were \$7 million. Lending commitments to borrowers for which the bank has modified terms of the receivable were \$60 million and \$217 million during the prior year quarter and prior year period, respectively.
2. Percentage of total loans represents the percentage of modified loans to total loans held for investment by loan type.

Financial Effect of Modifications on Loans Held for Investment¹

	Three Months Ended September 30,			
	2024		2023	
	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)
Single Modifications				
Corporate	—	—	48	—
Commercial real estate	27	—	3	—
Securities-based lending and Other	12	—	—	—
Multiple Modifications - Term Extension and Other-than-insignificant Payment Delay				
Commercial real estate	—	—	7	6

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

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

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

\$ in millions	At September 30, 2024	
	30-89 Days Past Due	90+ days Past Due
Commercial real estate	\$ —	\$ 67

\$ in millions	At September 30, 2023	
	30-89 Days Past Due	90+ days Past Due
Commercial real estate	\$ 21	\$ —

At September 30, 2024, there was one commercial real estate loan held for investment with an amortized cost of \$67 million that defaulted during the nine months ended September 30, 2024 that had been modified in the 12 month period prior to default. There were no loans held for investment that defaulted during the nine months ended September 30, 2023 that had been modified in the 12 month period prior.

Provision for credit losses

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Loans	\$ 13	\$ 87	\$ 62	\$ 263
Lending commitments	\$ 26	\$ 20	\$ 11	\$ 50

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

\$ in millions	Nine Months Ended September 30, 2024				
	Corporate	Secured Lending Facilities	CRE	SBL and Other	Total
ACL—Loans					
Beginning balance	\$ 27	\$ 142	\$ 461	\$ 24	\$ 654
Gross charge-offs	(34)	(11)	(103)	—	(148)
Recoveries	—	—	4	—	4
Net (charge-offs) Recoveries	(34)	(11)	(99)	—	(144)
Provision (release)	28	(7)	43	(2)	62
Other	—	—	2	—	2
Ending balance	\$ 21	\$ 124	\$ 407	\$ 22	\$ 574
Percentage of loans to total loans ¹	5 %	62 %	12 %	22 %	100 %
ACL—Lending commitments					
Beginning balance	\$ 120	\$ 70	\$ 26	\$ 10	\$ 226
Provision (release)	(12)	15	8	—	11
Other	(3)	—	—	—	(3)
Ending balance	\$ 105	\$ 85	\$ 34	\$ 10	\$ 234
Total ending balance	\$ 126	\$ 209	\$ 441	\$ 32	\$ 808

\$ in millions	Nine Months Ended September 30, 2023				
	Corporate	Secured Lending Facilities	CRE	SBL and Other	Total
ACL—Loans					
Beginning balance	\$ 27	\$ 149	\$ 274	\$ 18	\$ 468
Gross charge-offs	—	—	(108)	—	(108)
Net (charge-offs) Recoveries	—	—	(108)	—	(108)
Provision (release)	(2)	(2)	260	7	263
Other	—	—	(2)	(2)	(4)
Ending balance	\$ 25	\$ 147	\$ 424	\$ 23	\$ 619
Percentage of loans to total loans ¹	6%	57%	12%	25%	100%
ACL—Lending commitments					
Beginning balance	\$ 103	\$ 51	\$ 15	\$ 12	\$ 181
Provision (release)	16	24	11	(1)	50
Other	(1)	—	—	1	—
Ending balance	\$ 118	\$ 75	\$ 26	\$ 12	\$ 231
Total ending balance	\$ 143	\$ 222	\$ 450	\$ 35	\$ 850

CRE—Commercial real estate

SBL—Securities-based lending

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

The allowance for credit losses for loans and lending commitments decreased for the nine months ended September 30, 2024, primarily related to charge-offs in commercial real estate loans. The base scenario used in our ACL models as of September 30, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes modest economic growth in 2024, followed by a gradual improvement in 2025, as well as lower interest rates relative to the prior quarter forecast. The ACL calculation incorporates key macroeconomic variables, including U.S. real gross domestic product (“GDP”) growth rate. The significance of key macroeconomic variables on the ACL calculation varies depending on portfolio composition and economic conditions.

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

Other key macroeconomic variables used in the ACL calculation include corporate credit spreads, interest rates and commercial real estate indices. For a further discussion of the Bank's loans as well as the Bank's allowance methodology, refer to Notes 2 and 3 to the financial statements in the 2023 Annual Report.

Gross Charge-offs by Origination Year

\$ in millions	Three Months Ended September 30, 2024			
	Corporate	Secured Lending Facilities	CRE	Total
Revolving	\$ (34)	\$ —	\$ —	\$ (34)
2022	—	—	(18)	(18)
Prior	—	—	(44)	(44)
Total	\$ (34)	\$ —	\$ (62)	\$ (96)

\$ in millions	Three Months Ended September 30, 2023			
	Corporate	Secured Lending Facilities	CRE	Total
2019	\$ —	\$ —	(39)	(39)
Total	\$ —	\$ —	\$ (39)	\$ (39)

\$ in millions	Nine Months Ended September 30, 2024			
	Corporate	Secured Lending Facilities	CRE	Total
Revolving	\$ (34)	\$ —	\$ —	\$ (34)
2022	—	—	(18)	(18)
2020	—	(11)	—	(11)
Prior	—	—	(85)	(85)
Total	\$ (34)	\$ (11)	\$ (103)	\$ (148)

\$ in millions	Nine Months Ended September 30, 2023			
	Corporate	Secured Lending Facilities	CRE	Total
2019	\$ —	\$ —	(68)	(68)
Prior	—	—	(40)	(40)
Total	\$ —	\$ —	\$ (108)	\$ (108)

Selected Credit Ratios

	At September 30, 2024	At December 31, 2023
ACL for loans to total HFI loans	0.8 %	1.0 %
Nonaccrual HFI loans to total HFI loans	0.6 %	0.7 %
ACL for loans to nonaccrual HFI loans	122.4 %	129.1 %

4. Interest Income and Interest Expense

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income				
Cash and cash equivalents	\$ 176	\$ 403	\$ 689	\$ 1,008
Investment securities	752	547	2,098	1,541
Securities purchased under agreements to resell	187	84	514	221
Loans, including fees and Other ¹	1,664	1,481	4,728	4,122
Total interest income	\$ 2,779	\$ 2,515	\$ 8,029	\$ 6,892
Interest expense				
Deposits and Other ²	\$ 1,390	\$ 1,203	\$ 3,936	\$ 2,888
Borrowings	202	56	464	85
Total interest expense	\$ 1,592	\$ 1,259	\$ 4,400	\$ 2,973
Net interest	\$ 1,187	\$ 1,256	\$ 3,629	\$ 3,919

1. Other includes the impact of certain trading activities, loans to affiliate, and dividends on FRB and FHLB capital stock.
2. Other primarily includes the impact of net advances from and payables to the Parent and certain trading activities.

5. Investment Securities

AFS and HTM Securities

\$ in millions	At September 30, 2024			
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. Treasury securities	\$ 36,311	\$ 50	\$ 200	\$ 36,161
U.S. agency securities ²	17,670	4	1,455	16,219
Agency CMBS	2,302	—	155	2,147
State and municipal securities	1,620	5	13	1,612
FFELP student loan ABS ³	424	—	6	418
Total AFS securities	58,327	59	1,829	56,557
HTM securities				
U.S. Treasury securities	7,289	—	472	6,817
U.S. agency securities ²	15,144	52	2,213	12,983
Non-agency CMBS	1,328	6	100	1,234
Total HTM securities	23,761	58	2,785	21,034
Total investment securities	\$ 82,088	\$ 117	\$ 4,614	\$ 77,591

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\$ in millions	At December 31, 2023			
	Amortized Cost ¹	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. Treasury securities	\$ 27,754	\$ 9	\$ 400	\$ 27,363
U.S. agency securities ²	18,621	2	1,741	16,882
Agency CMBS	2,314	—	203	2,111
State and municipal securities	1,133	45	5	1,173
FFELP student loan ABS ³	534	—	13	521
Total AFS securities	50,356	56	2,362	48,050
HTM securities				
U.S. Treasury securities	8,640	—	614	8,026
U.S. agency securities ²	14,009	—	2,451	11,558
Non-agency CMBS	1,241	2	139	1,104
Total HTM securities	23,890	2	3,204	20,688
Total investment securities	\$ 74,246	\$ 58	\$ 5,566	\$ 68,738

1. Amounts are net of ACL.

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

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

AFS Securities in an Unrealized Loss Position

\$ in millions	At September 30, 2024		At December 31, 2023	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities				
Less than 12 months	\$ 18,350	\$ 27	\$ 7,523	\$ 15
12 months or longer	9,172	173	13,631	385
Total	27,522	200	21,154	400
U.S. agency securities				
Less than 12 months	637	1	4,109	40
12 months or longer	14,540	1,454	12,501	1,701
Total	15,177	1,455	16,610	1,741
Agency CMBS				
12 months or longer	2,147	155	2,111	203
Total	2,147	155	2,111	203
State and municipal securities				
Less than 12 months	621	11	524	3
12 months or longer	36	2	35	2
Total	657	13	559	5
FFELP student loan ABS				
Less than 12 months	24	—	32	1
12 months or longer	332	6	415	12
Total	356	6	447	13
Total AFS securities in an unrealized loss position				
Less than 12 months	19,632	39	12,188	59
12 months or longer	26,227	1,790	28,693	2,303
Total	\$ 45,859	\$ 1,829	\$ 40,881	\$ 2,362

For AFS securities, the Bank believes there are no securities in an unrealized loss position that have credit losses after performing the analysis described in Note 2. Additionally, the Bank does not intend to sell these securities and is not likely to be required to sell these securities prior to recovery of the amortized cost basis. As of September 30, 2024 and December 31, 2023, the securities in an unrealized loss position are predominantly investment grade.

The HTM securities net carrying amounts at September 30, 2024 and December 31, 2023 reflect an ACL of \$54 million and \$44 million, respectively, related to Non-agency CMBS. See Note 2 for a description of the ACL methodology used for HTM Securities.

As of September 30, 2024 and December 31, 2023, 97% of the Bank's portfolio of HTM securities were investment grade U.S. agency securities and U.S. Treasury securities which were on accrual status and for which there is an underlying assumption of zero credit losses. Non-investment grade HTM securities primarily consisted of certain Non-agency CMBS securities, for which the expected credit losses were insignificant and were predominantly on accrual status at September 30, 2024 and December 31, 2023.

See Note 14 for additional information on securities issued by VIEs, including U.S. agency mortgage-backed securities, Non-agency CMBS, and FFELP student loan ABS.

Investment Securities by Contractual Maturity

\$ in millions	At September 30, 2024		
	Amortized Cost ¹	Fair Value	Annualized Average Yield ^{2,3}
AFS securities			
U.S. Treasury securities:			
Due within 1 year	\$ 4,137	\$ 4,075	1.1 %
After 1 year through 5 years	26,162	26,086	3.6 %
After 5 years through 10 years	6,012	6,000	4.1 %
Total	36,311	36,161	
U.S. agency securities:			
Due within 1 year	1	1	2.2 %
After 1 year through 5 years	232	224	1.8 %
After 5 years through 10 years	258	243	1.9 %
After 10 years	17,179	15,751	3.9 %
Total	17,670	16,219	
Agency CMBS:			
After 1 year through 5 years	1,909	1,800	2.4 %
After 5 years through 10 years	226	202	2.2 %
After 10 years	167	145	1.7 %
Total	2,302	2,147	
State and municipal securities:			
Due within 1 year	861	861	5.1 %
After 1 year through 5 years	305	304	4.6 %
After 5 years through 10 years	95	94	4.7 %
After 10 years	359	353	4.0 %
Total	1,620	1,612	
FFELP student loan ABS:			
Due within 1 year	6	7	5.9 %
After 1 year through 5 years	103	100	6.1 %
After 5 years through 10 years	25	24	5.9 %
After 10 years	290	287	6.3 %
Total	424	418	
Total AFS securities	\$ 58,327	\$ 56,557	3.5 %

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\$ in millions	At September 30, 2024		
	Amortized Cost ¹	Fair Value	Annualized Average Yield ²
HTM securities			
U.S. Treasury securities:			
Due within 1 year	\$ 300	\$ 297	2.2 %
After 1 year through 5 years	5,910	5,709	2.1 %
After 10 years	1,079	811	2.5 %
Total	7,289	6,817	
U.S. agency securities:			
After 1 year through 5 years	4	4	1.8 %
After 5 years through 10 years	223	213	2.0 %
After 10 years	14,917	12,766	2.4 %
Total	15,144	12,983	
Non-agency CMBS:			
Due within 1 year	130	108	3.9 %
After 1 year through 5 years	476	464	5.0 %
After 5 years through 10 years	604	545	3.7 %
After 10 years	118	117	7.0 %
Total	1,328	1,234	
Total HTM securities	23,761	21,034	2.4 %
Total Investment securities	\$ 82,088	\$ 77,591	3.2 %

- Amounts are net of any ACL.
- Annualized average yield is computed using the effective yield, weighted based on the amortized cost of each security. The effective yield is shown pre-tax and excludes the effect of related hedging derivatives.
- At September 30, 2024, the annualized average yield, including the interest rate swap accrual of related hedges, was 2.5% for AFS securities contractually maturing within 1 year and 4.2% for all AFS securities.

Gross Realized Gains (Losses) on Sales of AFS Securities

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross realized gains	\$ —	\$ 13	\$ 50	\$ 64
Gross realized (losses)	—	—	—	(20)
Total¹	\$ —	\$ 13	\$ 50	\$ 44

- Gross realized gains and losses are recognized in Non-interest revenues—Gains and losses on financial assets and liabilities in the income statement.

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

\$ in millions	Changes in Net Unrealized Gains (Losses) on AFS Securities			
	Three Months Ended September 30,	2023	2024	2023
Beginning Balance	\$ (1,754)	\$ (2,055)	\$ (1,765)	\$ (2,338)
Other comprehensive income (loss) before reclassifications	397	(320)	446	(13)
Amounts reclassified from AOCI	—	(10)	(38)	(34)
Net other comprehensive income (loss) during the period	397	(330)	408	(47)
Ending Balance	\$ (1,357)	\$ (2,385)	\$ (1,357)	\$ (2,385)

6. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

\$ in millions	At September 30, 2024				
	Level 1	Level 2	Level 3	Netting	Total
Assets at fair value					
Trading assets:					
State and municipal securities	\$ —	\$ 361	\$ 13	\$ —	\$ 374
Corporate and other debt ¹	—	5,884	30	—	5,914
Corporate equity	19,071	—	1	—	19,072
Derivative contracts:					
Foreign exchange	—	1,387	—	—	1,387
Interest rate	1	1,169	—	—	1,170
Credit	—	98	137	—	235
Equity and other	—	1,576	195	—	1,771
Netting ²	—	(3,484)	(5)	(231)	(3,720)
Total derivative contracts	1	746	327	(231)	843
Total trading assets³	19,072	6,991	371	(231)	26,203
Investment securities—AFS					
U.S. Treasury securities	36,161	—	—	—	36,161
U.S. agency securities	—	16,219	—	—	16,219
MABS	—	2,565	—	—	2,565
State and municipal securities	—	1,612	—	—	1,612
Total Investment securities—AFS	36,161	20,396	—	—	56,557
Loans at fair value	—	4,012	384	—	4,396
Total assets at fair value	\$ 55,233	\$ 31,399	\$ 755	\$ (231)	\$ 87,156

\$ in millions	At September 30, 2024				
	Level 1	Level 2	Level 3	Netting	Total
Liabilities at fair value					
Interest-bearing deposits	\$ —	\$ 4,287	\$ 1	\$ —	\$ 4,288
Trading liabilities:					
Derivative contracts:					
Foreign exchange	—	1,723	—	—	1,723
Interest rate	4	1,114	27	—	1,145
Credit	—	613	94	—	707
Equity and other	—	4,018	151	—	4,169
Netting ²	—	(3,484)	(5)	(3,260)	(6,749)
Total trading liabilities	4	3,984	267	(3,260)	995
Other secured financings	—	1,091	—	—	1,091
Borrowings	—	1,387	—	—	1,387
Total liabilities at fair value	\$ 4	\$ 10,749	\$ 268	\$ (3,260)	\$ 7,761

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\$ in millions	At December 31, 2023				
	Level 1	Level 2	Level 3	Netting	Total
Assets at fair value					
Trading assets:					
State and municipal securities	\$ —	\$ 237	\$ —	\$ —	\$ 237
Corporate and other debt ¹	—	4,417	33	—	4,450
Corporate equity	16,405	—	—	—	16,405
Derivative contracts:					
Foreign exchange	—	810	1	—	811
Interest rate	7	1,700	2	—	1,709
Credit	—	64	145	—	209
Equity and other	—	899	205	—	1,104
Netting ²	(5)	(3,063)	(54)	(355)	(3,477)
Total derivative contracts	2	410	299	(355)	356
Total trading assets ³	16,407	5,064	332	(355)	21,448
Investment securities—AFS					
U.S. Treasury securities	27,363	—	—	—	27,363
U.S. agency securities	—	16,882	—	—	16,882
MABS	—	2,632	—	—	2,632
State and municipal securities	—	1,173	—	—	1,173
Total investment securities—AFS	\$ 27,363	\$ 20,687	\$ —	\$ —	\$ 48,050
Loans at fair value	—	3,290	740	—	4,030
Total assets at fair value	\$ 43,770	\$ 29,041	\$ 1,072	\$ (355)	\$ 73,528

\$ in millions	At December 31, 2023				
	Level 1	Level 2	Level 3	Netting	Total
Liabilities at fair value					
Interest-bearing deposits	\$ —	\$ 3,870	\$ 33	\$ —	\$ 3,903
Trading liabilities					
Derivative contracts:					
Foreign exchange	—	1,163	—	—	1,163
Interest rate	26	1,330	—	—	1,356
Credit	—	533	90	—	623
Equity and other	—	652	167	—	819
Netting ²	(5)	(3,063)	(54)	(557)	(3,679)
Total trading liabilities	\$ 21	\$ 615	\$ 203	\$ (557)	\$ 282
Other secured financings	—	872	—	—	872
Borrowings	\$ —	\$ 1,124	\$ —	\$ —	\$ 1,124
Total liabilities at fair value	\$ 21	\$ 6,481	\$ 236	\$ (557)	\$ 6,181

- Includes equity contracts with financing features, and MABS.
- For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled "Netting". Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 12.
- Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see "Net Asset Value Measurements" herein.

For a description of the valuation techniques applied to the Bank's major categories of assets and liabilities measured at fair value on a recurring basis, see Note 6 to the financial statements in the 2023 Annual Report. During the current quarter, there were no significant revisions made to the Bank's valuation techniques.

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

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Trading Assets^{1,3}				
Beginning balance	\$ 43	\$ 37	\$ 33	\$ 46
Realized and unrealized gains (losses)	(14)	(3)	(10)	(9)
Purchases ⁴	2	30	9	65
Sales	—	(1)	(2)	(28)
Net transfers ⁵	13	12	14	1
Ending balance	\$ 44	\$ 75	\$ 44	\$ 75
Unrealized gains (losses) ^{6,7}	\$ (4)	\$ (3)	\$ (6)	\$ (8)
Loans²				
Beginning balance	\$ 576	\$ 1,067	\$ 740	\$ 877
Realized and unrealized gains (losses)	(1)	1	(1)	11
Purchases and originations ⁴	18	431	55	687
Sales	(136)	(12)	(138)	(36)
Settlements	(4)	(662)	(173)	(698)
Net transfers ⁵	(69)	—	(99)	(16)
Ending balance	\$ 384	\$ 825	\$ 384	\$ 825
Unrealized gains (losses) ^{6,7}	\$ —	\$ 1	\$ 1	\$ 14
Derivative contracts, net³				
Beginning balance	\$ 38	\$ 20	\$ 96	\$ 14
Realized and unrealized gains (losses)	13	20	41	9
Purchases	1	—	3	—
Settlements	2	8	(170)	23
Net transfers ⁵	6	2	90	4
Ending balance	\$ 60	\$ 50	\$ 60	\$ 50
Unrealized gains (losses) ^{6,7}	\$ 12	\$ 22	\$ (8)	\$ 10
Investment securities—AFS				
Beginning balance	\$ —	\$ —	\$ —	\$ 35
Realized and unrealized gains (losses)	—	(5)	—	(4)
Net transfers ⁵	—	40	—	4
Ending balance	\$ —	\$ 35	\$ —	\$ 35
Unrealized gains (losses) ^{6,7}	\$ —	\$ (5)	\$ —	\$ (4)
Deposits				
Beginning balance	\$ 34	\$ 37	\$ 33	\$ 20
Realized and unrealized gains (losses)	—	—	—	—
Issuances	—	7	—	26
Settlements	(2)	(1)	1	—
Net transfers ⁵	(31)	(26)	(33)	(29)
Ending balance	\$ 1	\$ 16	\$ 1	\$ 16
Unrealized gains (losses) ^{6,7}	\$ (1)	\$ (1)	\$ (1)	\$ (1)

- Trading assets include Corporate and other debt, State and municipal securities and Corporate equity at September 30, 2024 and Corporate and other debt and Corporate equity at September 30, 2023.
- Realized and unrealized gains (losses) are included in Non-interest revenue—Gain on loans in the income statement.
- Realized and unrealized gains (losses) are included in Non-interest revenue within Gains and losses on financial assets and liabilities in the income statement.
- Loan originations are included in purchases.
- Reclassifications between levels are driven by the unobservable inputs and whether such inputs are significant to the valuation.
- Amounts represent unrealized gains (losses) for the three months ended September 30, 2024 and September 30, 2023 related to Level 3 assets and liabilities still held by the Bank at September 30, 2024 and September 30, 2023, respectively.
- Amounts represent unrealized gains (losses) for the nine months ended September 30, 2024 and September 30, 2023 related to Level 3 assets and liabilities still held by the Bank at September 30, 2024 and September 30, 2023, respectively.

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

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

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

Valuation Techniques and Unobservable Inputs

	Balance / Range (Average ¹)	
<i>\$ in millions, except inputs</i>	At September 30, 2024	At December 31, 2023
Trading assets: State and Municipal Securities	\$ 13	\$ —
Comparable pricing:		
Comparable bond price	100 points (100 points)	—
Trading assets: Corporate and other debt	\$ 10	\$ 13
Comparable pricing:		
Comparable bond price	0 to 1 points (0.25 points)	0 to 1 points (0.28 points)
MABS	\$ 20	\$ 20
Comparable pricing:		
Comparable bond pricing	94 to 96 points (95 points)	93 to 94 points (94 points)
Loans	\$ 384	\$ 740
Securities-based lending model:		
Securities-based lending rate	1% to 4% (3%)	2% to 4% (3%)
Comparable pricing:		
Comparable loan price	87 to 101 points (94 points)	96 to 100 points (98 points)
Net Derivative contracts		
Equity	\$ 49	\$ 40
Option model:		
Equity volatility model	15% to 38% (26%)	7% to 36% (9%)
Equity volatility skew model	0% (0%)	-1% to 0% (0%)
Credit	\$ 43	\$ 55
ISWAP model:		
Lapse rate	1.75% (1.75%)	1.75% (1.75%)
Interest Rate	\$ (27)	\$ 2
Option model:		
Interest rate volatility skew	103% to 130% (112%)	108% to 133% (116%)
Liabilities		
Interest-bearing deposits	\$ 1	\$ 33
Option model:		
Equity volatility	17% to 18% (17%)	7% to 13% (7%)
Nonrecurring Fair Value Measurement		
Loans	\$ 1,470	\$ 803
Corporate Loan Model:		
Credit spread	80 bps to 257 bps (192 bps)	99 bps to 449 bps (257 bps)
Warehouse Model:		
Credit spread	108 bps to 311 bps (246 bps)	115 bps to 268 bps (185 bps)
Comparable Pricing:		
Comparable Loan Price	29 - 99 pts (77 pts)	68 points

Points—Percentage of par

ISWAP—Insurance Swap

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 more relevant.

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For a description of the Bank's significant unobservable inputs and qualitative information about the effect of hypothetical changes in the values of those inputs, see Note 6 to the financial statements in the 2023 Annual Report. During the three months ended September 30, 2024, there were no significant revisions made to the descriptions of the Bank's significant unobservable inputs.

Net Asset Value Measurements

Fund Interests

\$ in millions	At September 30, 2024		At December 31, 2023	
	Carrying Value	Unfunded Commitments	Carrying Value	Unfunded Commitments
Private equity funds	\$ 133	\$ 67	\$ 130	\$ 82
Real estate funds	1,103	2	1,296	3
Total	\$ 1,236	\$ 69	\$ 1,426	\$ 85

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

For a description of the Bank's investments in private equity funds and real estate funds, which are measured based on NAV, see Note 6 to the financial statements in the 2023 Annual Report.

Nonredeemable Funds by Contractual Maturity

\$ in millions	Carrying value at September 30, 2024	
	Private Equity	Real Estate
Less than 5 years	\$ 51	\$ 109
5-10 years	82	994
Total	\$ 133	\$ 1,103

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

\$ in millions	At September 30, 2024		
	Carrying Value	Level 2	Level 3
Assets			
Loans	\$ 2,494	\$ 1,024	\$ 1,470
Liabilities			
Other liabilities and accrued expenses	\$ 25	\$ 18	\$ 7
\$ in millions	At December 31, 2023		
	Carrying Value	Level 2	Level 3
Assets			
Loans	\$ 3,189	\$ 2,386	\$ 803
Liabilities			
Other liabilities and accrued expenses	\$ 52	\$ 43	\$ 9

Gains (Losses) from Nonrecurring Fair Value Remeasurements

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Assets				
Loans ¹	\$ (58)	\$ (34)	\$ (106)	\$ (52)
Liabilities				
Accrued expenses and other liabilities ²	\$ —	\$ (2)	\$ 7	\$ 11

- Gains (losses) are recorded within Gains and losses on financial assets and liabilities in the income statement.
- Non-recurring changes in the fair value of loans and lending commitments, which exclude the impact of related economic hedges, are calculated as follows: for the held for investment category, based on the value of the underlying collateral; and for the held for sale category, based on recently executed transactions, market price quotations, valuation models that incorporate market observable inputs where possible, such as comparable loan or debt prices and CDS spread levels adjusted for any basis difference between cash and derivative instruments, or default recovery analysis where such transactions and quotations are unobservable.

Financial Instruments Not Measured at Fair Value

\$ in millions	Carrying Value	At September 30, 2024			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	\$ 13,256	\$ 13,256	\$ —	\$ —	\$ 13,256
Securities purchased under agreements to resell	15,918	—	14,939	992	15,931
Investment securities—HTM	23,761	6,817	12,983	1,234	21,034
Loans ¹	—	—	—	—	—
Held for investment	72,758	—	6,537	66,493	73,030
Held for sale	5,143	—	2,766	2,390	5,156
Affordable housing tax credit investments	905	—	—	767	767
Loans to affiliate	710	—	716	—	716
Accrued Interest Receivable	1,030	—	1,030	—	1,030
Other assets	2,283	—	2,283	—	2,283
Financial liabilities					
Deposits	\$ 175,869	\$ —	\$ 176,027	\$ —	\$ 176,027
Payable to affiliates	111	—	112	—	112
Borrowings	13,409	—	13,545	—	13,545
Affordable housing tax credit investments	249	—	—	249	249
Accrued interest payable	765	—	765	—	765
Other liabilities and accrued expenses	1,091	—	1,091	—	1,091
		Commitment Amount			
Lending commitments ²	\$ 113,701	\$ —	\$ 738	\$ 545	\$ 1,283

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

\$ in millions	At December 31, 2023				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	\$ 11,859	\$ 11,859	\$ —	\$ —	\$ 11,859
Securities purchased under agreements to resell	17,546	—	15,739	1,835	17,574
Investment securities—HTM	23,890	8,026	11,558	1,104	20,688
Loans¹					
Held for investment	66,928	—	18,037	49,045	67,082
Held for sale	8,514	—	6,266	2,254	8,520
Affordable housing tax credit investments	909	—	—	774	774
Loans to affiliate	469	—	474	—	474
Accrued Interest Receivable	894	—	894	—	894
Other assets	2,225	—	2,225	—	2,225
Financial liabilities					
Deposits	172,004	—	172,050	—	172,050
Payable to affiliates	573	—	574	—	574
Borrowings	6,181	—	6,258	—	6,258
Affordable housing tax credit investments	311	—	—	311	311
Accrued interest payable	619	—	619	—	619
Other liabilities and accrued expenses	1,024	—	1,024	—	1,024
	Commitment Amount				
Lending commitments ²	\$ 101,183	\$ —	\$ 847	\$ 417	\$ 1,264

1. Amounts include all loans measured at fair value on a non-recurring basis.

2. Represents Lending commitments accounted for as Held for Investment and Held for Sale. For a further discussion on lending commitments, see Note 13.

Fair Value Option

The Bank has elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models. Net loss due to fair value option was \$(314) million and \$(49) million for the current quarter and the prior year quarter, respectively. Net loss due to fair value option was \$(632) million and \$(139) million for the current year period and the prior year period, respectively.

Loss due to changes in instrument-specific credit risk was \$3 million and \$(5) million for the current quarter and the prior year quarter, respectively. Loss due to changes in instrument-specific credit risk was \$(10) and \$(21) million for the current year period and the prior year period, respectively.

In addition, changes in instrument-specific credit risk increased other comprehensive income by \$(2) million and decreased by \$5 million for the current quarter and the prior year quarter, respectively. Changes in instrument-specific credit risk increased other comprehensive income by \$8 million and \$19 million for the current year period and the prior year period, respectively.

For certain loans that are classified as Trading Assets—Corporate and other debt, contractual principal amounts were

(lower)/higher than fair value by \$(27) million and \$76 million as of September 30, 2024 and December 31, 2023, respectively.

7. Cash and Cash Equivalents

\$ in millions	At September 30, 2024	At December 31, 2023
Cash and due from banks	\$ 24	\$ 20
Interest bearing deposits with banks	13,232	11,839
Total Cash and cash equivalents	\$ 13,256	\$ 11,859
Restricted cash	\$ 20	\$ 15

For additional information on cash and cash equivalents, including restricted cash, see Note 2 to the financial statements in the 2023 Annual Report.

8. Collateralized Transactions

Offsetting of Certain Collateralized Transactions

\$ in millions	At September 30, 2024				
	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset ¹	Net Amounts
Assets					
Securities purchased under agreements	\$ 15,918	\$ —	\$ 15,918	\$ (15,849)	\$ 69
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					\$ 68

\$ in millions	At December 31, 2023				
	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset ¹	Net Amounts
Assets					
Securities purchased under agreements to resell	\$ 17,746	\$ (200)	\$ 17,546	\$ (17,509)	\$ 37
Liabilities					
Securities sold under agreement to repurchase	\$ 200	\$ (200)	\$ —	\$ —	\$ —
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					\$ 37

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

Fair Value of Collateral Received with Right to Sell or Repledge

At September 30, 2024, and December 31, 2023, the fair value of financial instruments received as collateral where the Bank is permitted to sell or repledge the securities was \$18.0 billion and \$20.6 billion, respectively. No securities had been sold or repledged at either date.

For further discussion on Bank's collateralized transactions, see Note 2 and Note 8 to the financial statements in the 2023 Annual Report. For information related to offsetting of derivatives, see Note 12.

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

9. Deposits

Deposits

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Savings and demand deposits ¹	\$ 140,921	\$ 141,770
Time deposits ^{2,3}	39,236	34,137
Total deposits	\$ 180,157	\$ 175,907
Deposits subject to FDIC insurance	\$ 143,861	\$ 138,522
Deposits not subject to FDIC insurance	\$ 36,296	\$ 37,385

1. Includes deposits from the Parent and affiliates, see Note 11.
2. Includes Structured CDs at fair value of \$4.3 billion and \$3.9 billion as of September 30, 2024 and December 31, 2023, respectively.
3. The contractual liability to depositors is \$39.2 billion and \$34.1 billion at September 30, 2024 and December 31, 2023, respectively.

Time Deposit Maturities

<i>\$ in millions</i>	At September 30, 2024
2024	\$ 4,330
2025	16,508
2026	8,013
2027	4,978
2028	3,228
Thereafter	2,179
Total	\$ 39,236

10. Borrowings; and Other Secured Financings

Borrowings¹

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Original maturities:		
One year or less	\$ 1,387	\$ —
Greater than one year	13,409	7,305
Total	\$ 14,796	\$ 7,305
Weighted average stated maturity, in years ²	2.6	2.5

1. Primarily includes only senior debt issued by the Bank; the Bank had no subordinated debt for all periods presented.
2. Only includes borrowings with original maturities greater than one year.

Other Secured Financings

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Original maturities:		
One year or less	\$ 190	\$ —
Greater than one year	901	872
Total	\$ 1,091	\$ 872
Transfers of assets accounted for as secured financings	\$ 543	\$ 434

Other secured financings include the liabilities related to transfers of financial assets that are accounted for as financings rather than sales and consolidated VIEs where the Bank is deemed to be the primary beneficiary. These liabilities are generally payable from the cash flows of the related assets accounted for as Trading assets and AFS securities. See Note 14

for further information on other secured financings related to VIEs and securitization activities.

For transfers of assets that fail to meet accounting criteria for a sale, the Bank continues to record the assets and recognizes the associated liabilities in the balance sheet.

11. Transactions with Affiliated Companies

Assets and receivables from Parent and affiliated companies

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Trading assets, at fair value	\$ 26	\$ 25
Securities purchased under agreements to resell	10,990	11,023
Loans to affiliate	710	469
Other assets	192	150
Total	\$ 11,918	\$ 11,667

Liabilities and payables to Parent and affiliated companies

<i>\$ in millions</i>	At September 30, 2024	At December 31, 2023
Deposits	\$ 4,359	\$ 4,500
Trading liabilities, at fair value	850	91
Payable to affiliates	721	573
Accrued Interest Payable	2	2
Other liabilities and accrued expenses	47	14
Borrowings	565	690
Total	\$ 6,544	\$ 5,870

Revenues and expenses resulting from transactions with Parent and affiliated companies

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Revenues				
Interest income	\$ (609)	\$ 304	\$ 176	\$ 625
Interest Expense	(211)	141	(4)	152
Net Interest	\$ (398)	\$ 163	\$ 180	\$ 473
Non-interest revenues				
Fee income	198	143	731	761
Gains and losses on financial assets and liabilities	(2,629)	648	(3,726)	(529)
Total Non-interest revenues	\$ (2,431)	\$ 791	\$ (2,992)	\$ 232
Net Revenues	\$ (2,829)	\$ 954	\$ (2,812)	\$ 705
Non-interest expenses				
General and administrative	178	169	543	502
Compensation and benefits	8	7	22	21
Total Non-interest expenses	\$ 186	\$ 176	\$ 565	\$ 523

Assets

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

Loans to affiliate were with MSPBNA in accordance with the U.S. Bank Master Funding Agreement, starting March 23, 2022.

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

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

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

Liabilities

Deposits primarily included overnight deposits from the Parent and affiliates of \$3.9 billion as of both September 30, 2024, and December 31, 2023. Additionally, the balance included cash collateral primarily received from the Parent for the purpose of securing credit transactions between the Bank and its affiliates of \$0.5 billion and \$0.6 billion at September 30, 2024, and December 31, 2023, respectively.

Borrowings primarily consisted of the intercompany loan the Bank received from MSPBNA in accordance with the U.S. Bank Master Funding Agreement, starting October 1, 2021.

Payables to affiliates were primarily driven by intercompany transactions that occurred in the normal course of business. The balance also included taxes payable to Parent of \$610 million and \$262 million at September 30, 2024 and December 31, 2023, respectively.

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

Interest Income and Interest Expense

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

Other Transactions

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

Gains and losses on financial assets and liabilities were driven by certain of the Bank's lending activities and economic hedges, and were primarily with MSIP, MSCS and MS&Co.

General and administrative expenses primarily consist of the following:

- Service Level Agreements whereby affiliates provided securities and loan processing, credit risk, human resources, finance, tax and other services. The amount of expenses incurred by the Bank for these services was \$108 million and \$96 million in current and prior year quarter, respectively. The amount of expenses incurred for these services was \$314 million and \$285 million in the current and prior year periods, respectively.

- The Bank paid service fees to MSSB and ETS in connection with deposits sourced from clients of those affiliates. The amount of service fees incurred was \$23 million and \$37 million in current and prior year quarter, respectively. The amount of expenses incurred for these services was \$97 million and \$104 million in the current and prior year periods, respectively.
- Service Level Agreements whereby affiliates provided information technology services, for which the Bank incurred expenses of \$17 million and \$14 million in current and prior year quarter, respectively. The amount of expenses incurred for these services was \$49 million and \$40 million in the current and prior year periods, respectively.
- Service Level Agreements whereby affiliates provided specialized distribution, national sales and business management services, in connection with Securities based lending and other facilities. The amount of expenses incurred for these services was \$10 million and \$11 million in current and prior year quarter, respectively. The amount of expenses incurred for these services was \$29 million and \$34 million in the current and prior year periods, respectively.

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

At both September 30, 2024 and December 31, 2023, \$1.9 billion in a standby letter of credit participated to an affiliate.

At both September 30, 2024 and December 31, 2023, the Bank had a commitment with MS&Co. to enter into securities purchased under agreements to resell of \$3.0 billion, on an intra-day basis. The above commitment had a contractual term of 28 days.

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

12. Derivative Instruments and Hedging Activities

Fair Values of Derivative Contracts

\$ in millions	Assets at September 30, 2024		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 585	\$ —	\$ 585
Not designated as accounting hedges			
Economic hedges of loans			
Credit	10	—	10
Other derivatives			
Interest rate	585	—	585
Credit	225	—	225
Foreign exchange	1,387	—	1,387
Equity and other	1,771	—	1,771
Total	3,978	—	3,978
Total gross derivatives	\$ 4,563	\$ —	\$ 4,563
Amounts offset			
Counterparty netting	(3,467)	—	(3,467)
Cash collateral netting	(253)	—	(253)
Total in Trading assets	\$ 843	\$ —	\$ 843
Amounts not offset¹			
Financial instruments collateral	(516)	—	(516)
Net amounts	\$ 327	\$ —	\$ 327
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable			\$ 21

\$ in millions	Assets at December 31, 2023		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 687	\$ —	\$ 687
Not designated as accounting hedges			
Economic hedges of loans			
Credit	16	—	16
Other derivatives			
Interest rate	1,020	2	1,022
Credit	193	—	193
Foreign exchange	811	—	811
Equity and other	1,104	—	1,104
Total	3,144	2	3,146
Total gross derivatives	\$ 3,831	\$ 2	\$ 3,833
Amounts offset			
Counterparty netting	(3,114)	—	(3,114)
Cash collateral netting	(363)	—	(363)
Total in Trading assets	\$ 354	\$ 2	\$ 356
Amounts not offset¹			
Financial instruments collateral	(146)	—	(146)
Net amounts	\$ 208	\$ 2	\$ 210
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable			\$ 23

\$ in millions	Bilateral OTC Liabilities	
	At September 30, 2024	At December 31, 2023
Designated as accounting hedges		
Interest rate	\$ 526	\$ 306
Not designated as accounting hedges		
Economic hedges of loans		
Credit	520	473
Other derivatives		
Interest rate	619	1,050
Credit	187	150
Foreign exchange	1,723	1,163
Equity and other	4,169	819
Total	7,218	3,655
Total gross derivatives	\$ 7,744	\$ 3,961
Amounts offset		
Counterparty netting	(3,466)	(3,114)
Cash collateral netting	(3,283)	(565)
Total in Trading liabilities	\$ 995	\$ 282
Amounts not offset¹		
Financial instruments collateral	(21)	(2)
Net amounts	\$ 974	\$ 280
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable		
	\$ 7	\$ 10

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

Notional of Derivative Contracts

\$ in millions	Assets at September 30, 2024		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 29,702	\$ —	\$ 29,702
Not designated as accounting hedges			
Economic hedges of loans			
Credit	289	—	289
Other derivatives			
Interest rate	59,447	200	59,647
Credit	5,270	—	5,270
Foreign exchange	64,103	—	64,103
Equity and other	21,757	—	21,757
Total	150,866	200	151,066
Total gross derivatives	\$ 180,568	\$ 200	\$ 180,768

\$ in millions	Assets at December 31, 2023		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 21,555	\$ —	\$ 21,555
Not designated as accounting hedges			
Economic hedges of loans			
Credit	533	—	533
Other derivatives			
Interest rate	26,281	699	26,980
Credit	3,963	—	3,963
Foreign exchange	34,663	—	34,663
Equity and other	17,081	—	17,081
Total	82,521	699	83,220
Total gross derivatives	\$ 104,076	\$ 699	\$ 104,775

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

\$ in millions	Liabilities at September 30, 2024		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 27,052	\$ —	\$ 27,052
Not designated as accounting hedges			
Economic hedges of loans			
Credit	17,151	—	17,151
Other derivatives			
Interest rate	44,894	1,602	46,496
Credit	5,053	—	5,053
Foreign exchange	74,379	—	74,379
Equity and other	37,171	—	37,171
Total	178,648	1,602	180,250
Total gross derivatives	\$ 205,700	\$ 1,602	\$ 207,302

\$ in millions	Liabilities at December 31, 2023		
	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	\$ 18,009	\$ —	\$ 18,009
Not designated as accounting hedges			
Economic hedges of loans			
Credit	16,253	—	16,253
Other derivatives			
Interest rate	24,631	1,113	25,744
Credit	3,682	—	3,682
Foreign exchange	45,280	—	45,280
Equity and other	25,805	—	25,805
Total	115,651	1,113	116,764
Total gross derivatives	\$ 133,660	\$ 1,113	\$ 134,773

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

For a discussion of the Bank's derivative instruments and hedging activities, see Note 12 to the financial statements in the 2023 Annual Report.

Gains (Losses) on Accounting Hedges

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Fair value hedges—Recognized in Interest income				
Interest rate contracts	\$ (860)	\$ 178	\$ (475)	\$ 310
Investment Securities—AFS	872	(175)	505	(307)
Fair value hedges—Recognized in Interest expense				
Interest rate contracts	\$ 305	\$ (2)	\$ 281	\$ (14)
Deposits	(159)	(14)	(166)	(26)
Borrowings	(146)	16	(115)	38
Cash flow hedges—Interest rate contracts¹				
Recognized in OCI	\$ 34	\$ (12)	\$ (26)	\$ (30)
Less: Realized gains (losses) (pre-tax) reclassified from AOCI to interest income	(12)	(6)	(34)	(9)
Net change in cash flow hedges included within AOCI	45	(6)	8	(21)

1. For the three months ended September 2024, there were no forecasted transactions that failed to occur. The net gains (losses) associated with cash flow hedges expected to be reclassified from AOCI within 12 months as of September 30, 2024 is approximately \$(5) million. The maximum length of time over which forecasted cash flows are hedged is 18 months.

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

\$ in millions	Changes in Net Unrealized Gains (Losses) on Cash Flow Hedges			
	Three Months Ended September 30,	2023	2024	2023
Beginning Balance	\$ (12)	\$ (17)	\$ 16	\$ (4)
Other comprehensive income (loss) before reclassifications	25	(9)	(20)	(24)
Amounts reclassified from AOCI	9	6	26	8
Net other comprehensive income (loss) during the period	34	(3)	6	(16)
Ending Balance	\$ 22	\$ (20)	\$ 22	\$ (20)

Fair Value Hedges—Hedged Items

\$ in millions	At September 30, 2024	At December 31, 2023
	Investment securities—AFS	
Amortized cost basis currently or previously hedged	\$ 33,567	\$ 26,693
Basis adjustments included in amortized cost ¹	\$ 414	\$ (280)
Deposits		
Carrying amount currently or previously hedged	\$ 15,972	\$ 10,352
Basis adjustments included in carrying amount ¹	\$ 135	\$ (32)
Borrowings		
Carrying amount currently or previously hedged	\$ 7,953	\$ 2,698
Basis adjustments included in carrying amount ¹	\$ 118	\$ 3

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

Gains (Losses) on Economic Hedges of Loans

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Recognized in Gains and losses on financial assets and liabilities				
Credit ¹	\$ (65)	\$ (53)	\$ (170)	\$ (182)

1. Amounts related to hedges of certain held-for-investment and held-for-sale loans.

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

The table below summarizes realized and unrealized gains and losses included in gains or losses on financial assets and liabilities in the income statement. These revenues are related to derivative and non-derivative financial instruments, and primarily result from the Bank's trading activities. Revenues below exclude impacts realized from AFS securities, fund investments, loans, structured CDs, and hedges. The Bank generally utilizes financial instruments across a variety of product types in connection with its market-making and related risk management strategies. Accordingly, the gains and losses presented below are not representative of the manner in which the Bank manages its business activities and are prepared in a manner similar to the presentation of gains and losses from financial assets and liabilities for regulatory reporting purposes.

Gains and (Losses) on Financial Assets and Liabilities

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest rate	\$ 7	\$ —	\$ 10	\$ —
Foreign exchange	(1)	(1)	(7)	(2)
Equity ¹	379	302	1,088	849
Credit	(20)	3	(36)	32
Total	\$ 365	\$ 304	\$ 1,055	\$ 879

1. Dividend income is included within equity contracts.

Credit Derivatives

The Bank enters into CDS to hedge the credit risk on certain investments, loan portfolios, and letters of credit. In order to economically hedge loans and lending commitments, the Bank may purchase and sell credit protection with identical underlying references. The Bank does not sell credit protection on an underlying reference unless it has also purchased protection on the underlying reference and does not ever sell protection in excess of the purchased protection on that underlying reference. Thus, where the Bank is a purchaser and seller of protection on an identical underlying reference, the Bank is always a net purchaser of protection.

Protection Purchased with CDS

\$ in millions	Notional	
	At September 30, 2024	At December 31, 2023
Single name	\$ 19,450	\$ 18,914
Index and basket	3,227	1,623
Total	\$ 22,677	\$ 20,537

\$ in millions	Fair Value Asset (Liability)	
	At September 30, 2024	At December 31, 2023
Single name	\$ (603)	\$ (559)
Index and basket	(23)	28
Total	\$ (626)	\$ (531)

Maximum Potential Payout/Notional of Credit Protection Sold¹

\$ in millions	Years to Maturity at September 30, 2024				
	< 1	1-3	3-5	Over 5	Total
Index and basket CDS non-investment grade	\$ —	\$ —	\$ 1,747	\$ 845	\$ 2,592
Other credit contracts	—	—	—	2,493	2,493
Total credit protection sold	\$ —	\$ —	\$ 1,747	\$ 3,338	\$ 5,085
CDS protection sold with identical protection purchased					\$ 2,591

\$ in millions	Years to Maturity at December 31, 2023				
	<1	1-3	3-5	Over 5	Total
Index and basket CDS non-investment grade	\$ —	\$ —	\$ 549	\$ 845	\$ 1,394
Other credit contracts	—	—	—	2,499	2,499
Total credit protection sold	\$ —	\$ —	\$ 549	\$ 3,344	\$ 3,893
CDS protection sold with identical protection purchased					\$ 1,394

1. Investment grade/non-investment grade determination is based on the internal credit rating of the reference obligation. Internal credit ratings serve as the CRM's assessment of credit risk and the basis for a comprehensive credit limits framework used to control credit risk. The Bank uses quantitative models and judgment to estimate the various risk parameters related to each obligor.

Fair Value Asset (Liability) of Credit Protection Sold^{1,2}

\$ in millions	At September 30, 2024	At December 31, 2023
	Index and basket CDS non-investment grade	\$ 18
Other credit contracts	136	147
Total credit protection sold	\$ 154	\$ 115

1. Investment grade/non-investment grade determination is based on the internal credit rating of the reference obligation. Internal credit ratings serve as the CRM's assessment of credit risk and the basis for a comprehensive credit limits framework used to control credit risk. The Bank uses quantitative models and judgment to estimate the various risk parameters related to each obligor.

2. Fair value amounts of certain credit default swaps where the Bank sold protection have an asset carrying value because credit spreads of the underlying reference entity or entities tightened during the terms of the contracts.

The fair value amounts as shown in the previous tables are prior to cash collateral or counterparty netting.

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Morgan Stanley Bank, N.A.

13. Commitments, Contingencies and Guarantees

Commitments

\$ in millions	Years to Maturity at September 30, 2024				Total
	Less than 1	1-3	3-5	Over 5	
Lending:					
Corporate	\$ 14,946	\$ 27,160	\$ 43,740	\$ 1,410	\$ 87,256
Secured lending facilities	6,733	6,834	5,241	3,412	22,220
Commercial and Residential real estate	250	476	18	—	744
Securities-based lending and Other	2,430	818	200	435	3,883
Reverse repurchase commitment ¹	3,000	—	—	—	3,000
Forward-starting secured financing receivables ²	24	—	—	—	24
Central counterparty	300	—	—	—	300
Investment activities	270	21	18	—	309
Total	\$ 27,953	\$ 35,310	\$ 49,217	\$ 5,257	\$117,736
Lending commitments participated to third parties					\$ 6,239

1. For further information, see Note 11.

2. These amounts primarily include secured financing receivables yet to settle as of September 30, 2024, with settlement generally occurring within three-business days.

Since commitments associated with these instruments may expire unused, the amounts shown do not necessarily reflect the actual future funding requirements.

For a further description of these commitments, refer to Note 13 to the financial statements in 2023 Annual Report.

Contingencies

Legal

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

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

The Bank contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the

date of the financial statements and the Bank can reasonably estimate the amount of that loss or the range of loss, the Bank accrues an estimated loss by a charge to income.

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

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

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

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

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

Guarantees

\$ in millions	At September 30, 2024					Carrying Amount Asset (Liability)
	Maximum Potential Payout/Notional of Obligations by Years to Maturity					
	Less than 1	1-3	3-5	Over 5		
Non-credit derivatives ¹	\$ 1,690	\$ 3,385	\$ 4,033	\$ 778	\$ 245	
Letters of credit ²	745	584	462	2,607	104	
Liquidity facilities	2,347	—	—	—	2	

1. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivative contracts, see Note 12.

2. These amounts include certain issued standby letters of credit participated to third parties and affiliates, totaling \$2.4 billion of notional and collateral/recourse, due to the nature of the Bank's obligations under these arrangements. As of September 30, 2024, the carrying amount of standby letters of credit and other financial guarantees issued includes allowance for credit losses of \$5 million.

Types of Guarantees

Non-Credit Derivatives. Certain derivative contracts meet the accounting definition of a guarantee, including certain written options (see Note 12 regarding credit derivatives in which the Bank has sold credit protection to the counterparty which are excluded from the previous table). For non-credit derivative contracts that meet the accounting definition of a guarantee the notional amount is used as the maximum potential payout for certain derivative contracts. The Bank evaluates collateral requirements for all derivatives, including derivatives that do not meet the accounting definition of a guarantee. For the effects of cash collateral and counterparty netting, see Note 12.

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

For more information on the nature of the obligations and related business activities for our guarantees, see Note 13 to the financial statements in the 2023 Annual Report.

14. Variable Interest Entities

As of September 30, 2024, the Bank consolidated VIEs with assets and liabilities of \$592 million and \$548 million, respectively; as of the prior year end, comparable assets and liabilities were \$493 million and \$438 million, respectively.

The following tables present information about non-consolidated VIEs in which the Bank had variable interests at September 30, 2024 and December 31, 2023. The tables include all VIEs in which the Bank had determined that its maximum exposure to loss is greater than specific thresholds or meet certain other criteria.

Non-consolidated VIEs

\$ in millions	At September 30, 2024			
	MABS ¹	MTOB	OSF	Other ²
VIE assets (UPB)	\$ 129,867	\$ 3,529	\$ 896	\$ 47,948
Maximum exposure to loss³				
Debt and equity interests	\$ 21,830	\$ —	\$ 965	\$ 5,428
Derivative and other contracts	—	2,347	—	—
Commitments, guarantees and other	6,669	—	—	165
Total	\$ 28,499	\$ 2,347	\$ 965	\$ 5,593
Carrying value of variable interest—Assets				
Debt and equity interests	\$ 21,830	\$ —	\$ 840	\$ 5,428
Derivative and other contracts	—	5	—	—
Total	\$ 21,830	\$ 5	\$ 840	\$ 5,428
Additional VIE assets owned ⁴				\$ 7,167
Carrying value of variable interest—Liabilities				
Derivative and other contracts	\$ —	\$ 3	\$ —	\$ —

MTOB—Municipal tender option bonds

OSF—Other structured financing

1. MABS include VIE assets as follows: \$70.2 billion of commercial mortgages; \$29.6 billion of U.S. agency collateralized mortgage obligations; \$7.5 billion of residential mortgages; and \$22.6 billion of other consumer or commercial loans.

MABS include VIE debt and equity interests as follows: \$8.0 billion of commercial mortgages; \$4.5 billion of U.S. agency collateralized mortgage obligations; \$7.3 billion of other consumer or commercial loans; and \$2.0 billion of residential mortgages.

2. Amounts primarily include transactions backed by commercial real estate property.

3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Bank.

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

\$ in millions	At December 31, 2023			
	MABS ¹	MTOB	OSF	Other ²
VIE assets (UPB)	\$ 115,565	\$ 3,152	\$ 929	\$ 25,913
Maximum exposure to loss³				
Debt and equity interests	\$ 17,337	\$ —	\$ 964	\$ 4,012
Derivative and other contracts	—	2,092	—	—
Commitments, guarantees and other	3,279	—	—	48
Total	\$ 20,616	\$ 2,092	\$ 964	\$ 4,060
Carrying value of variable interest—Assets				
Debt and equity interests	\$ 17,337	\$ —	\$ 866	\$ 4,012
Derivative and other contracts	—	2	—	—
Total	\$ 17,337	\$ 2	\$ 866	\$ 4,012
Additional VIE assets owned ⁴				\$ 6,610
Carrying value of variable interest—Liabilities				
Derivative and other contracts	\$ —	\$ 3	\$ —	\$ —

1. MABS include VIE assets as follows: \$68.5 billion of commercial mortgages; \$30.7 billion of U.S. agency collateralized mortgage obligations; \$6.8 billion of residential mortgages; and \$9.6 billion of other consumer or commercial loans.

MABS include VIE debt and equity interests as follows: \$7.3 billion of commercial mortgages; \$5.1 billion of U.S. agency collateralized mortgage obligations; \$2.7 billion of other consumer or commercial loans; and \$2.2 billion of residential mortgages.

2. Amounts primarily include transactions backed by commercial real estate property.

3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Bank.

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

The Bank's maximum exposure to loss often differs from the carrying value of the variable interest held by the Bank. The maximum exposure to loss is dependent on the nature of the

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

Bank's variable interest in the VIEs and is limited to the notional amounts of certain liquidity facilities the Bank has provided to the VIEs. Liabilities issued by VIEs generally are non-recourse to the Bank.

The Bank's maximum exposure to loss in the previous tables does not include the offsetting benefit of hedges or any reductions associated with the amount of collateral held as part of transaction with the VIE or any party to the VIE directly against a specific exposure to loss.

Transferred Assets with Continuing Involvement

\$ in millions	At September 30, 2024		At December 31, 2023	
	RML	CML	RML	CML
SPE assets (UPB)	\$ 2,341	\$ 70,476	\$ 989	\$ 67,946
Retained interests:				
Investment grade	76	542	33	652
Non-investment grade	43	740	16	601
Total	\$ 119	\$ 1,282	\$ 49	\$ 1,253

RML—Residential mortgage loans
CML—Commercial mortgage loans

Tax Equity Investments

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

Tax Equity Investments under the Proportional Amortization Method

Low-income housing tax equity investments under the proportional amortization method were \$905 million and \$909 million as of September 30, 2024 and December 31, 2023, respectively. The above amounts include unfunded equity contributions of \$249 million and \$311 million as of September 30, 2024 and December 31, 2023, respectively; the majority of these are expected to be funded within 5 years.

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

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

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income tax credits and other income tax benefits	\$ 33	\$ 27	\$ 102	\$ 86
Proportional amortization	(28)	(23)	(82)	(69)
Net benefits	\$ 5	\$ 4	\$ 20	\$ 17

15. Regulatory Requirements

Regulatory Capital Framework and Requirements

For a discussion of the Bank's regulatory capital framework, see Note 15 to the financial statements in the 2023 Annual Report.

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

Risk-Based Regulatory Capital. Risk-based capital ratio requirements apply to CET1, Tier 1 capital and Total capital (which includes Tier 2 capital), each as a percentage of RWA, and consist of regulatory minimum required ratios plus the Bank's capital buffer requirement. Capital requirements require certain adjustments to, and deductions from, capital for purposes of determining these ratios. At September 30, 2024 and December 31, 2023, the difference between the actual and required ratios were lower under the Standardized Approach.

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

Capital Buffer Requirements

The capital buffer requirement represents the amount of Common Equity Tier 1 capital the Bank must maintain above the minimum risk-based capital requirements in order to avoid restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. The capital buffer requirements computed under the standardized approaches for calculating credit risk and market RWA ("Standardized Approach") and the Bank's capital buffer requirement computed under the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA ("Advanced Approach") is equal to the sum of the 2.5% capital conservation buffer and CCyB. The CCyB can be set up to 2.5% but is currently set by U.S. banking agencies at zero.

Risk-Based Regulatory Capital Ratio Requirements

	At September 30, 2024 and December 31, 2023		
	Regulatory Minimum	Standardized	Advanced
Required ratios¹			
CET1 capital ratio	4.5 %	7.0 %	7.0 %
Tier 1 capital ratio	6.0 %	8.5 %	8.5 %
Total capital ratio	8.0 %	10.5 %	10.5 %

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

Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley Bank, N.A.

Regulatory Capital and Capital Ratios

Risk-based capital

\$ in millions	Standardized	
	At September 30, 2024	At December 31, 2023
Risk-based capital		
CET1 capital	\$ 24,752	\$ 21,925
Tier 1 capital	24,752	21,925
Total capital	25,607	22,833
Total RWA	107,676	101,178
Risk-based capital ratio		
CET1 capital	23.0%	21.7%
Tier 1 capital	23.0%	21.7%
Total capital	23.8%	22.6%
Well-Capitalized Requirements¹		
CET1 capital	6.5%	6.5%
Tier 1 capital	8.0%	8.0%
Total capital	10.0%	10.0%
Required Ratio²		
CET1 capital	7.0%	7.0%
Tier 1 capital	8.5%	8.5%
Total capital	10.5%	10.5%

Leveraged-based capital

\$ in millions	At September 30, 2024		At December 31, 2023	
	Leveraged-based capital			
Adjusted average assets ³	\$ 218,236	\$ 207,653		
Supplementary leverage exposure ⁴	289,136	267,812		
Leveraged-based capital ratio				
Tier 1 leverage	11.3%	10.6%		
SLR	8.6%	8.2%		
Well-Capitalized Requirements¹				
Tier 1 leverage	5.0%	5.0%		
SLR	6.0%	6.0%		
Required Ratio²				
Tier 1 leverage	4.0%	4.0%		
SLR	3.0%	3.0%		

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

Additionally, the Bank is registered as a swap dealer with the CFTC and conditionally registered as a security-based swap dealer with the SEC. However, as we are prudentially regulated as a bank, we continue to be subject to the OCC capital regulations.

16. Income Taxes

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

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

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

Financial Data Supplement (Unaudited)

Morgan Stanley Bank, N.A.

Average Balances and Interest Rates and Net Interest Income

\$ in millions	Three Months Ended September 30,					
	2024			2023		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
Interest earning assets¹						
Cash and cash equivalents	\$ 12,968	\$ 176	5.3 %	\$ 29,433	\$ 403	5.4 %
Investment securities	76,930	752	3.9 %	69,507	547	3.1 %
Securities purchased under agreements to resell	12,243	187	6.1 %	5,160	84	6.5 %
Loans and Other ²	87,640	1,664	7.5 %	80,654	1,481	7.3 %
Total	\$ 189,781	\$ 2,779	5.8 %	\$ 184,754	\$ 2,515	5.4 %
Interest bearing liabilities¹						
Deposits and Other ³	\$ 175,375	\$ 1,390	3.2 %	\$ 177,805	\$ 1,203	2.7 %
Borrowings	12,783	202	6.3 %	3,614	56	6.1 %
Total	\$ 188,158	\$ 1,592	3.4 %	\$ 181,419	\$ 1,259	2.8 %
Net interest income and net interest rate spread	\$ 1,187		2.4 %		\$ 1,256	2.6 %

\$ in millions	Nine Months Ended September 30,					
	2024			2023		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
Interest earning assets¹						
Cash and cash equivalents	\$ 16,872	\$ 689	5.4 %	\$ 26,564	\$ 1,008	5.1 %
Investment securities	74,166	2,098	3.8 %	71,558	1,541	2.9 %
Securities purchased under agreements to resell	10,954	514	6.3 %	4,795	221	6.2 %
Loans and Other ⁴	83,498	4,728	7.6 %	80,722	4,122	6.8 %
Total	\$ 185,490	\$ 8,029	5.8 %	\$ 183,639	\$ 6,892	5.0 %
Interest bearing liabilities¹						
Deposits and Other ⁵	\$ 173,976	\$ 3,936	3.0 %	\$ 177,806	\$ 2,888	2.2 %
Borrowings	9,791	464	6.3 %	1,984	85	5.7 %
Total	\$ 183,767	\$ 4,400	3.2 %	\$ 179,790	\$ 2,973	2.2 %
Net interest income and net interest rate spread	\$ 3,629		2.6 %		\$ 3,919	2.8 %

1. Amounts include primarily U.S. balances.
2. Interest on other assets includes the impact of certain trading activities, loans to affiliate, and dividends on FRB and FHLB capital stock. The average balance of other interest-earning assets was \$1.0 billion and \$1.5 billion for the current and prior year quarter, respectively.
3. Interest on other liabilities primarily includes the impact of net advances from and payables to the Parent and certain trading activities. The average balance of other interest-bearing liabilities was \$1.1 billion for both the current and prior year quarters.
4. Interest on other assets includes the impact of certain trading activities, loans to affiliate, and dividends on FRB and FHLB capital stock. The average balance of other interest-earning assets was \$0.8 billion and \$1.4 billion for the current and prior year period, respectively.
5. Interest on other liabilities primarily includes the impact of net advances from and payables to the Parent and certain trading activities. The average balance of other interest-bearing liabilities was \$1.0 billion for both the current and prior year periods.

Ratios

	Three Months Ended September 30,	
	2024	2023
ROE ¹	18.1 %	20.2 %

	Nine Months Ended September 30,	
	2024	2023
ROE ¹	20.5 %	22.6 %

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

Glossary of Common Terms and Acronyms
Morgan Stanley Bank, N.A.

ABS	Asset-backed securities	MSIP	Morgan Stanley & Co. International plc
ACL	Allowance for credit losses	MSPBNA	Morgan Stanley Private Bank, National Association
AFS	Available-for-sale	MSSB	Morgan Stanley Smith Barney LLC
AML	Anti-money laundering	N/A	Not Applicable
AOCI	Accumulated other comprehensive income (loss)	N/M	Not Meaningful
Balance sheet	Consolidated balance sheet	NAV	Net asset value
BHC	Bank holding company	NSFR	Net stable funding ratio, as adopted by the U.S. banking agencies
bps	Basis points; one basis point equals 1/100th of 1%	OCC	Office of the Comptroller of the Currency
BSA	Bank Secrecy Act	OCI	Other comprehensive income (loss)
Cash flow statement	Consolidated cash flow statement	OFAC	Office of Foreign Assets Control
CCyB	Countercyclical capital buffer	OTC	Over-the-counter
CDs	Certificates of deposit	ROE	Return on average common equity
CDS	Credit default swaps	RSU	Restricted stock unit
CECL	Current Expected Credit Losses, as calculated under the Financial Instruments—Credit Losses accounting update	RWA	Risk-weighted assets
CET1	Common Equity Tier 1	SEC	U.S. Securities and Exchange Commission
CFTC	U.S. Commodity Futures Trading Commission	SLR	Supplementary leverage ratio
CMBS	Commercial mortgage-backed securities	SOFR	Secured Overnight Financing Rate
CMO	Collateralized mortgage obligation(s)	S&P	Standard & Poor's
CRM	Credit Risk Management Department	SPE	Special purpose entity
DDAs	Demand deposit accounts	SPOE	Single point of entry
DVA	Debt valuation adjustment	U.K.	United Kingdom
EMEA	Europe, Middle East and Africa	UPB	Unpaid principal balance
ETS	E*TRADE Securities LLC	U.S.	United States of America
E.U.	European Union	U.S. GAAP	Accounting principles generally accepted in the U.S.
FDIC	Federal Deposit Insurance Corporation	VaR	Value-at-Risk
FDICIA	Federal Deposit Insurance Corporation Improvement Act	VIE	Variable interest entity
FRB	Federal Reserve Bank		
FHLB	Federal Home Loan Bank		
FFELP	Federal Family Education Loan Program		
Financial statement	Consolidated financial statements		
FVA	Funding valuation adjustment		
FVO	Fair value option		
HFI	Held-for-investment		
HFS	Held-for-sale		
HQLA	High-quality liquid assets		
HTM	Held-to-maturity		
Income statement	Consolidated income statement		
IRS	Internal Revenue Service		
LCR	Liquidity coverage ratio, as adopted by the U.S. banking agencies		
LTV	Loan-to-value		
MABS	Mortgage- and asset-backed securities		
MS&Co.	Morgan Stanley & Co. LLC		
MSCM	Morgan Stanley Capital Management LLC		
MSCS	Morgan Stanley Capital Services LLC		

Risk Factors

For a discussion of the risk factors affecting the Bank, see “Risk Factors” in the 2023 Annual Report.