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Morgan Stanley & Co. International plc

2024 Interim Report and Financial Statements

30 June 2024

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MORGAN STANLEY & CO. INTERNATIONAL plc

INTERIM MANAGEMENT REPORT

The Directors present their Interim Management Report and the Condensed Consolidated Financial Statements ("Interim Financial Statements") for Morgan Stanley & Co. International plc (the "Company") and all of its subsidiary undertakings (together the "Group") for the six month period ended 30 June 2024 (the "period").

These Interim Financial Statements should be read in conjunction with, and as an update to the Group's 2023 Report and Financial Statements, available at: https://www.morganstanley.com/about-us-ir/subsidiaries

Group and Company Overview

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

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

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

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

The Directors were deeply saddened by the terrible news that Jonathan Bloomer and his wife, Judy, were among those who lost their lives in the tragic events in the Mediterranean in August 2024. Jonathan had served as Non-Executive Chairman of both the Company and MSI since 2018, and as a Non-Executive Director from 2016. He was a friend and mentor to many and we will all greatly miss his wise counsel and spirit of kindness. Our thoughts and deepest condolences remain with the Bloomer family and all those affected by this tragedy.

Principal Activity

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

The Group conducts business from its headquarters in London, UK, and operates branches in Abu Dhabi, Dubai, Qatar, South Korea and Switzerland. On 30 January 2024, the Company obtained a licence to commence arranging and advising activities through its Abu Dhabi branch, which was expanded on 1 April 2024 by the Financial Services Regulatory Authority allowing the Company to conduct all regulated activity

Details of the Company's subsidiaries can be found in the Appendix of the 2023 Report and Financial Statements.

Supervision and Regulation

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

Capital and liquidity ratios in this Interim Management Report are, therefore, included for the Company only.

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

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

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

Risk Factors and Business Environment

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

Risk Factors

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

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

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

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

Business Environment

The market environment, client and investor confidence and overall market sentiment improved in the first half of 2024. However, geopolitical risks, inflation and uncertainty regarding the U.S. political cycle and the future path of interest rates, which have remained high relative to recent years, present ongoing risks to the economic environment. These factors have impacted and could continue to impact capital markets and the Group, as discussed further in 'Overview of 2024 Financial Results'.

Future Developments

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

Financial Performance and Condition

Performance Indicators

To assess the effectiveness of the execution of the strategy, the Board monitors the results of the Group and/or Company by reference to a range of performance and required regulatory risk-based metrics, including, but not limited to those disclosed below. The Company has consistently been, and continues to be, fully compliant with its financial resources requirements.

Key Performance Indicators

Return on Shareholders' Equity (Group)

in $ millions	At 30 June 2024	At 30 June 2023
Total shareholders' equity at beginning of the period	23,606	24,233
Profit after tax	863	535
Return on shareholders' equity - annualised	7.3%	4.4%

Tier 1 Capital Ratio (Company)

in $ millions	At 30 June 2024	At 31 December 2023
Risk-weighted assets ("RWAs")	121,379	117,819
Tier 1 capital	22,202	21,798
Tier 1 capital ratio	18.3%	18.5%

Leverage Ratio (Company)

in $ millions	At 30 June 2024	At 31 December 2023
Leverage exposure	438,317	422,844
Tier 1 capital	22,202	21,798
Leverage ratio	5.1%	5.2%

Liquidity Coverage Ratio (Company)

in $ millions	At 30 June 2024	At 31 December 2023
Liquidity buffer - High quality liquid assets ("HQLA")	38,525	41,207
Liquidity coverage ratio ("LCR")(1)	189%	193%

1. Calculated as the average of the preceding twelve months

Net Stable Funding Ratio (Company)

	At 30 June 2024	At 31 December 2023
Available stable funding ("ASF")	103,474	100,521
Required stable funding ("RSF")	96,409	91,809
Net Stable Funding Ratio ("NSFR")(1)	107%	109%

1. Calculated as the average of the preceding four quarters

Senior Unsecured Credit Ratings (Company)

At 30 June 2024 and 31 December 2023, the Company's senior unsecured ratings were as follows:

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

Overview of 2024 Financial Results

Income Statement

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

in $ millions	Six Months Ended 30 June 2024	2023	Increase/ (decrease)	Variance %
Investment Banking	443	333	110	33%
Sales and Trading	642	604	38	6%
Investment Management	10	11	(1)	(9%)
Fee and commission income	**1,095**	**948**	**147**	**16%**
Net trading income[1]	**2,811**	**2,521**	**290**	**12%**
Net revenues	**3,906**	**3,469**	**437**	**13%**
Staff related expenses	918	1,005	(87)	(9%)
Non-staff related expenses	1,792	1,729	63	4%
Operating expense	**2,710**	**2,734**	**(24)**	**(1%)**
Net impairment (reversal)/loss on financial instruments	2	(3)	5	(167%)
Non-interest expenses	**2,712**	**2,731**	**(19)**	**(1%)**
Profit before tax	**1,194**	**738**	**456**	**62%**
Income tax expense	331	203	128	63%
Profit after tax	**863**	**535**	**328**	**61%**

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

The condensed consolidated income statement for the period is set out on page 21 and the geographical split is in note 14.

The Group reported a 62% increase in profit before tax for the period as compared to the equivalent comparative period. This increase was driven by higher revenues across all regions.

30 June 2024	Net revenues ($ millions / %)		Profit before tax ($ millions / %)	
EMEA[1]	2,511	64%	570	48%
Asia	1,094	28%	454	38%
Americas	301	8%	170	14%
Total	**3,906**		**1,194**	
30 June 2023				
EMEA[1]	2,279	66%	290	39%
Asia	987	28%	380	52%
Americas	203	6%	68	9%
Total	**3,469**		**738**	

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

Net Revenues

Overall net revenues increased 13%.

Fee and commission income

Investment Banking increased 33%, primarily related to higher underwriting revenues.

Net trading income

The 12% increase in Net trading income was due to increased client activity in derivatives and cash equities, partially offset by decreases in Macro products. Higher gross 'Interest income' and 'Interest expense' were due to increased client financing balances and higher Central Bank interest rates.

Income Tax Expense

The Group's tax expense for the period is $331 million, compared to $203 million for the prior year period. This represents an actual effective tax rate ("ETR") of 27.7% (30 June 2023: 27.5%), compared to the average standard rate of UK corporation tax (inclusive of the UK Banking surcharge) of 28% (30 June 2023: 27.75%).

The Group's ETR is sensitive to the geographic mix of profits and tax rates in non-UK jurisdictions (including the net effect of foreign withholding taxes suffered by the Group).

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Balance Sheet

in $ millions	30 June 2024	31 December 2023 (audited)	Increase/ (decrease)	Variance %
Cash and short term deposits	17,282	18,403	(1,121)	-6%
Trading financial assets	328,704	336,893	(8,189)	-2%
Secured financing	139,095	119,968	19,127	16%
Trade and other receivables	78,426	73,825	4,601	6%
Other assets	699	961	(262)	-27%
Total Assets	**564,206**	**550,050**	**14,156**	**3%**
Trading financial liabilities	278,711	274,538	4,173	2%
Secured borrowing	123,599	105,378	18,221	17%
Trade and other payables	84,182	86,573	(2,391)	-3%
Debt and other borrowings	53,326	59,736	(6,410)	-11%
Other liabilities	188	219	(31)	-14%
Total Liabilities	**540,006**	**526,444**	**13,562**	**3%**
Total Equity	**24,200**	**23,606**	**594**	**3%**

The Balance Sheet is expected to fluctuate at any point of time in line with the underlying business activity as described in the ‘Income Statement’ section.

The increase in ‘Secured financing’ and ‘Secured borrowing’ was due to higher client financing balances, firm funding balances, and stock lending to other Morgan Stanley Group undertakings.

Capital and Liquidity Resource Management and Regulation

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

Capital Management

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

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

Regulatory Capital and Leverage Requirements

As at 30 June 2024, the Company's Total Capital Requirement ("TCR") was $13,267 million (31 December 2023: $12,878 million), equivalent to 10.9% (31 December 2023: 10.9%) of RWAs. In addition, the PRA sets a buffer if required, which is available to support the Company in a stressed market environment.

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

Capital Resources

Set out below are details of the Company's Capital Resources, as at 30 June 2024 and 31 December 2023:

in $ millions	30 June 2024	31 December 2023
Total Company equity	24,169	23,591
Regulatory adjustments	(1,967)	(1,793)
Tier 1 Capital	22,202	21,798
Of which		
CET1	*17,902*	*17,498*
Additional Tier 1 ("AT1")	*4,300*	*4,300*
Tier 2 Capital	5,098	5,096
Total Capital Resources	**27,300**	**26,894**
Risk Weighted Assets ("RWAs")	121,379	117,819
CET1 capital ratio	14.7%	14.9%
Tier 1 capital ratio	18.3%	18.5%
Total capital ratio	22.5%	22.8%

The total capital ratio decreased as compared to 31 December 2023 primarily due to an increase in RWAs (refer to below table), that exceeded the increase in capital from the recognition of the profits for the second half of 2023.

RWAs

in $ millions	30 June 2024	31 December 2023
Credit RWAs	69,664	71,514
Market RWAs	40,969	35,559
Operational risk RWAs	10,746	10,746
Total RWAs	**121,379**	**117,819**

RWAs increased by $3,560 million over the period, largely driven by higher market risk due to portfolio changes.

Leverage Ratio

Since 1 January 2023, the Company is subject to a minimum leverage ratio of 3.25%.

In addition, the Company must maintain an additional countercyclical leverage ratio buffer of CET1 equal to 35% of its current Countercyclical Capital Buffer ("CCyB") rate of 0.63%,

The Company's leverage ratio is detailed below.

in $ millions	30 June 2024	31 December 2023
Tier 1 Capital	22,202	21,798
Leverage Exposure	438,317	422,844
Leverage Ratio	5.1%	5.2%

Leverage exposure increased over the period, primarily due to secured financing products.

Significant Capital Transactions

In accordance with the Company's dividend policy, the Board approved and paid a final dividend on 18 April 2024 of $180 million ($0.014 per ordinary share) and on the 19 September 2024 paid a dividend of $345 million ($0.028 per ordinary share) to Morgan Stanley Investments (UK) ("MSIUK"), the Company's immediate parent.

In addition, on 19 September 2024, the Board approved and paid an extraordinary dividend of $500 million ($0.040 per ordinary share) to MSIUK.

Funding and Liquidity Management

Regulatory Liquidity and Funding Requirements

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

The Company complied with all liquidity requirements during the period.

in $ millions	30 June 2024	31 December 2023
HQLA	38,525	41,207
LCR[1]	189%	193%

1. Calculated as the average of the preceding twelve months.

in $ millions	30 June 2024	31 December 2023
ASF	103,474	100,521
RSF	96,409	91,809
NSFR[1]	107%	109%

1. Calculated as the average of the preceding four quarters.

Credit Ratings

At 30 June 2024, the Company's senior unsecured ratings are unchanged from 31 December 2023.

Regulatory Developments

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

Finalising Basel III Reforms

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

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

The PRA issued their draft rules to implement these final standards, which are referred to as Basel 3.1, for consultation on 30 November 2022. Near final rules were then published in 2 phases on 12 December 2023 and 12 September 2024.

These rules will be effective from 1 January 2026 with no further material changes expected. The proposed rules are largely consistent with the Basel III reform package with some adjustments to address UK specificities.

Swap dealer requirements for non-US domiciled entities

On the 24 June 2024, the CFTC approved their substituted compliance rules for Non-United States ("US") Nonbank SD's, with the rules being effective from 18 July 2024 (with the exception of certain conditions to be effective 180 days later) and as such from that date, the Company has been complying with home country capital requirements in lieu of CFTC capital requirements pursuant to applicable substituted compliance rules. Prior to the 18 July 2024 and the finalisation of the Non-US Nonbank SD substituted compliance requirements, the Company was operating pursuant to an interim CFTC no-action relief letter which in effect allowed the Company to comply with home country capital requirements in lieu of CFTC capital requirements.

Risk Management

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

The Group has a comprehensive risk management governance framework which includes MSI Board approved policies and a defined senior management risk oversight and escalation process at various levels of the governance structure, including for key legal entities as appropriate.The corporate governance structure within the Group, including the executive and management-level Committees (associated with Risk Governance) is described in further detail within the 'Corporate Governance' section in the Strategic Report in the 2023 Report and Financial Statements.

This section and note 15 'Risk Management' provide qualitative and quantitative disclosures about the Group's management of, and exposure to certain financial risks. The Group's risk strategy, appetite and management framework are outlined in the 'Risk Management' section of the Strategic Report in the 2023 Report and Financial Statements.

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

Credit Risk

Definition

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

Framework

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

For information regarding the management of credit risk driven by climate-related credit risk, refer to the 'Climate and Environmental Risk Management' section.

Exposure to Credit Risk

Counterparty Risk Exposure

The table below shows the Group's maximum exposure to credit risk and credit exposure for certain financial assets which are exposed to credit risk and where the Group has entered into credit enhancements, including receiving cash and securities as collateral and master netting agreements. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements. Exposure to other Morgan Stanley Group undertakings is included in this table.

in $ millions	30 June 2024 Gross credit exposure[1]	Credit enhancements	Net credit exposure
Trading financial assets:			
Derivatives	235,968	(226,650)	9,318
Secured financing	139,095	(138,011)	1,084
Trade and other receivables	832	(193)	639
Loan commitments	29	—	29
Unsettled securities purchased under agreements to resell[2]	69,976	—	69,976
	445,900	**(364,854)**	**81,046**

in $ millions (audited)	31 December 2023 Gross credit exposure[1]	Credit enhancements	Net credit exposure
Trading financial assets:			
Derivatives	237,738	(228,506)	9,232
Secured financing	119,968	(119,365)	603
Trade and other receivables	905	(283)	622
Loan commitments	19	—	19
Unsettled securities purchased under agreements to resell[2]	45,568	—	45,568
	404,198	**(348,154)**	**56,044**

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

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

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

Country and Sovereign Risk Exposure

Definition

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the Group. "Foreign country" means any country other than the UK. Sovereign risk, by contrast, is the risk that a government will be unwilling or unable to meet its debt obligations or will renege on the debt that it guarantees. Sovereign risk is single-name risk for a sovereign government, its agencies and guaranteed entities. For further information on how the Group identifies, monitors and manages country risk exposure refer to 'Credit Risk - Country and Sovereign Risk Exposure' in the Strategic Report to the 2023 Report and Financial Statements.

Risk Management and Measurement

The Group actively manages country risk exposure through a comprehensive risk management framework that combines credit and market fundamentals and allows the Group to effectively identify, monitor and limit country risk. Country risk exposure is measured in accordance with the Group's internal risk management standards. For further information on how the Group manages Country Risk refer to 'Credit Risk - Country and Sovereign Risk Exposure' in the Strategic Report to the 2023 Report and Financial Statements. The following table shows the Company's five largest non-UK net country exposures as at 30 June 2024. Exposure to other Morgan Stanley Group undertakings has been excluded from this table.

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

in $ millions Country	Net inventory(1)	Net counterparty exposure(2)	Funded lending	Exposure before hedges	Hedges(3)	Total net exposure 30 June 2024(4)(5)	Total net exposure 31 December 2023(5)
United States							
Sovereigns	(1,275)	9	—	(1,266)	(29)	(1,295)	(931)
Non-sovereigns	2,106	6,018	28	8,152	(13)	8,139	9,132
Total United States	**831**	**6,027**	**28**	**6,886**	**(42)**	**6,844**	**8,201**
France							
Sovereigns	1,327	—	—	1,327	—	1,327	646
Non-sovereigns	258	1,466	—	1,724	(4)	1,720	2,195
Total France	**1,585**	**1,466**	**—**	**3,051**	**(4)**	**3,047**	**2,841**
Germany							
Sovereigns	1,344	—	—	1,344	(339)	1,005	(2,849)
Non-sovereigns	152	1,630	—	1,782	(185)	1,597	1,782
Total Germany	**1,496**	**1,630**	**—**	**3,126**	**(524)**	**2,602**	**(1,066)**
Republic of Korea							
Sovereigns	1,408	271	—	1,679	—	1,679	518
Non-sovereigns	77	650	—	727	—	727	561
Total Republic of Korea	**1,485**	**921**	**—**	**2,406**	**—**	**2,406**	**1,079**
Norway							
Sovereigns	(5)	1,166	—	1,161	—	1,161	868
Non-sovereigns	65	8	—	73	—	73	64
Total Norway	**60**	**1,174**	**—**	**1,234**	**—**	**1,234**	**932**

(1) Net inventory represents exposure to both long and short single name and index positions (i.e. bonds and equities at fair value and Credit Default Swaps ("CDS") based on notional amount assuming zero recovery adjusted for any fair value receivable or payable). As a market maker, the Company transacts in these CDS positions to facilitate client trading.
(2) Net counterparty exposure (i.e. repurchase transactions, securities lending and Over-the-Counter ("OTC") derivatives) taking into consideration legally enforceable master netting agreements and collateral.
(3) Represents CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures for the Company. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.
(4) In addition, as at 30 June 2024, the Company had exposure to these countries for overnight deposits with banks of approximately $694 million.
(5) Total net exposure represents the sum of net inventory exposure, net counterparty exposure, funded lending, unfunded lending and hedges.

Market Risk

Definition

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

Framework

The Group manages the market risk associated with its trading activities at both a division and an individual product level, and includes consideration of market risk at the legal entity level.
For further information on the Group's market risk, refer to 'Market Risk' in the Strategic Report to the 'Risk Management' section of the Strategic Report in the 2023 Report and Financial Statements.

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

Interim and Year End VaR

The Group's VaR for Primary Risk Categories and Total Management VaR for the period ended 30 June 2024 and 31 December 2023 are shown in the below table. Refer to note 15 for further details.

	95%/ one-day VaR			
	For the six months ended 30 June 2024		For the year ended 31 December 2023	
in $ millions	Period end	Average	Period end	Average
Primary Risk Categories	23	23	18	24
Credit Portfolio(1)	5	6	6	8
Less diversification benefit(2)	(4)	(4)	(4)	(5)
Total Management VaR	**24**	**25**	**20**	**27**

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

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

The increase in VaR from year end 2023 to the end of June 2024 is primarily driven by changes to equity risk exposures.

Liquidity Risk

Definition

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

Framework

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

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

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

Managing Liquidity Risk

The Board owned Liquidity Risk Appetite is a key pillar of the Group's Risk Appetite Framework and is set to ensure sufficient liquidity to meet potential outflows in a stressed environment while maintaining ordinary operations and ensure durability of funding.

The Group's Liquidity Risk Appetite is expressed in its Board owned Liquidity Risk limit, which is determined using Internal Liquidity Stress Tests limits owned by the Board and regulatory minimums.Quantitative information on the regulatory minimums is disclosed in the 'Performance Indicators' section.

The Group maintains Liquidity Risk limits and risk indicators at various levels of the Group's governance structure to support links between the Group's overall Liquidity Risk Appetite and more granular risk-taking decisions and activities.

The information in this Interim Management Report is complemented by note 15.

For further information on the Group's liquidity risk, refer to 'Liquidity Risk' section in the Strategic Report to the 2023 Report and Financial Statements.

Leverage Risk

Definition

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

Framework

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

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

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

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

A quarterly risk identification assessment is in place to monitor both qualitative and quantitative leverage ratio exposure drivers and risks to ensure compliance with internal and regulatory minimums in the event contingent leverage ratio exposure was to crystallise.

Valuation Risk

Definition

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

Framework

Valuation Control ("VC") within Finance is responsible for the Group's fair value valuation policies, processes and procedures. VC implements valuation control processes designed to validate the fair value of the Group's financial instruments measured at fair value including those derived from pricing models.

Managing Valuation Risk

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

- Model Certification Process: All models are certified before use and at least annually thereafter. New models (and enhancements to existing models) are developed by Strategists within the Business Units, who affirm they are appropriate for intended use. Senior Traders in the Business Units sign off that they have been involved in the development of the model and understand the model's assumptions and limitations. VC must approve the model by performing an independent review to ensure the valuation methodology and valuation outputs produced by the model are consistent with accounting standards.
- Mark Review Process: VC performs a mark review process which covers the financial instruments inventory held at fair value by the Group. VC ensures that the valuation generated by the Business Units is in compliance with accounting standards. This is performed by reviewing the appropriateness of the prices or pricing inputs applied to valuation models using approved valuation methodologies and external pricing data.

Variances are reviewed against VC's tolerance framework; breaches are communicated to controllers for consideration as part of the general ledger close. A subjectivity escalation threshold also exists at the legal entity level and is set by the EMEA Head of VC together with the EMEA Chief Financial Officer.

- Significant Transaction Analytical Review Process ("STAR"): This process reconfirms that valuation methodologies are adequate and modelling uncertainty is appropriately addressed in all trades with significant gross day 1 profit and loss as defined by the STAR policy. There are three components to the STAR process: pre-execution review; post-execution review; and trade unwind review. Reviews are documented and must be presented to, and approved by, relevant STAR Committees.

Operational Risk

Definition

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

For further information on the Group's operational risk including conduct risk and legal, regulatory and compliance risk, refer to 'Operational Risk' section in the Strategic Report to the 2023 Report and Financial Statements.

Climate and Environmental Risks

Managing Climate and Environmental Risks

The integration of climate and environmental financial risk into MSI Group's Risk Framework continued to evolve in the period. In September 2024, the Morgan Stanley Group published its 2023 ESG Report, which includes disclosure guided by the Sustainability Accounting Standards Board ("SASB") standards and recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). The full report can be found at:

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

For further information on the Group's Climate and environmental risks, refer to 'Climate and Environmental Risk' in the Strategic Report to the 2023 Report and Financial Statements.

Going Concern

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

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

Approved by the Board and signed on its behalf by

DocuSigned by:

ANTHONY MULLINEAUX

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A Mullineaux

Director

19 September 2024

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MORGAN STANLEY & CO. INTERNATIONAL plc

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

a. the condensed set of Interim Financial Statements, which has been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as adopted by the EU and the UK, gives a true and fair view of the assets, liabilities, financial position and result of the Group; and

b. the Interim Management Report includes an indication of the important events that have occurred during the period and their impact on the condensed consolidated Interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Board of Directors:

J Bloomer (deceased 19 August 2024)
C Beatty
M Butler
D Cannon
D Cantillon
T Duhon
K Lazaroo
A Mullineaux
S Orlacchio
J Pearce
M Richards
A Sekhar
P Taylor
N Whyte
C Woodman

By order of the Board

DocuSigned by:
ANTHONY MULLINEAUX
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A Mullineaux

Director

19 September 2024

Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related notes 1 to 19.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with EU adopted International Accounting Standard 34 'Interim Financial Reporting.

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with EU adopted International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the UK Companies Act.. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with EU adopted International Accounting Standard 34 'Interim Financial Reporting.

Conclusion Relating to Going Concern

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

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

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with Article 4(2)(a) of the Luxembourg Transparency Law.

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

Auditor's Responsibilities for the Review of the Financial Information

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

Use of Our Report

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

DocuSigned by:

Deloitte LLP

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Deloitte LLP

Statutory Auditor

London

19 September 2024

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2024

in $ millions	Note	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Net gains from financial instruments at fair value through profit or loss	2	3,615	2,954
Fee and commission income	3	1,095	948
Other revenue		11	19
Interest income	4	6,163	5,212
Interest expense	4	(6,978)	(5,664)
Net interest expense		(815)	(452)
Net revenue		**3,906**	**3,469**
Non-interest expenses:			
Operating expense	5	(2,710)	(2,734)
Net impairment (loss) / reversal on financial instruments		(2)	3
PROFIT BEFORE TAX		**1,194**	**738**
Income tax expense	6	(331)	(203)
PROFIT FOR THE PERIOD		**863**	**535**

All operations were continuing in the current and prior periods.

The notes on pages 26 to 53 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2024

in $ millions	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
PROFIT FOR THE PERIOD	**863**	**535**
OTHER COMPREHENSIVE INCOME / (EXPENSE) AFTER INCOME TAX		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	(48)	(98)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency differences arising on translation of foreign operations	(39)	(21)
OTHER COMPREHENSIVE EXPENSE AFTER INCOME TAX	**(87)**	**(119)**
TOTAL COMPREHENSIVE INCOME	**776**	**416**

The notes on pages 26 to 53 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2024

in $ millions	Note	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
Share capital and other equity instruments – at 1 January		**16,765**	**16,765**
Issuance of AT1 instrument		—	—
Share capital and other equity instruments – at 30 June		**16,765**	**16,765**
Share premium account – at 1 January and 30 June		**513**	**513**
Currency translation reserve - at 1 January		**52**	**60**
Foreign currency differences arising on translation of foreign operations		(39)	(21)
Currency translation reserve - at 30 June		**13**	**39**
Capital contribution reserve – at 1 January and 30 June		**3**	**3**
Capital redemption reserve – at 1 January and 30 June		**1,400**	**1,400**
Debt valuation reserve - at 1 January		**(303)**	**(122)**
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value		(48)	(98)
Realised debt valuation gains/(losses)		3	3
Debt valuation reserve - at 30 June		**(348)**	**(217)**
Retained earnings and pension reserve - at 1 January		**5,176**	**5,614**
Profit for the period		863	535
Realised debt valuation gains/(losses)		(3)	(3)
Dividends	13	(180)	(1,000)
Income tax - current and deferred Tax		(2)	6
Retained earnings and pension reserve - at 30 June		**5,854**	**5,152**
Other comprehensive expense for the year		(87)	(119)
Total comprehensive income for the year		776	416
Total equity at 30 June		**24,200**	**23,655**

The notes on pages 26 to 53 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

in $ millions	Note	30 June 2024 (unaudited)	31 December 2023
ASSETS			
Cash and short term deposits		17,282	18,403
Trading financial assets (of which $47,275 million (2023: $42,831 million) were pledged to various parties)	8	328,704	336,893
Secured financing	7	139,095	119,968
Loans and advances		68	133
Investment securities		72	126
Trade and other receivables		78,426	73,825
Current tax assets		261	411
Deferred tax assets		234	231
Property, plant and equipment		32	33
Other assets		32	27
TOTAL ASSETS		**564,206**	**550,050**
LIABILITIES			
Bank loans and overdrafts		2	2
Trading financial liabilities	8	278,711	274,538
Secured borrowing	7	123,599	105,378
Trade and other payables		84,182	86,573
Debt and other borrowings	11	53,326	59,736
Provisions	12	143	125
Current tax liabilities		39	88
Post-employment benefit obligations		4	4
TOTAL LIABILITIES		**540,006**	**526,444**
EQUITY			
Share capital		12,465	12,465
Other equity instruments		4,300	4,300
Share premium account		513	513
Currency translation reserve		13	52
Capital contribution reserve		3	3
Capital redemption reserve		1,400	1,400
Pension reserve		(1)	(1)
Debt valuation reserve		(348)	(303)
Retained earnings		5,855	5,177
TOTAL EQUITY		**24,200**	**23,606**
TOTAL LIABILITIES AND EQUITY		**564,206**	**550,050**

The notes on pages 26 to 53 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2024

in $ millions	Note	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(64)	1,056
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2)	—
Proceeds from sale of property, plant and equipment		1	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1)**	**—**
FINANCING ACTIVITIES			
Dividends paid	13	(180)	(1,000)
Interest on subordinated loan liabilities		(194)	(151)
Issuance of senior subordinated loan liabilities	11	—	1,000
Repayment of subordinated loan liabilities	11	—	(1,000)
Interest on senior subordinated loan liabilities		(230)	(127)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(604)**	**(1,278)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(669)	(222)
Currency translation differences		(452)	12
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**18,401**	**18,695**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**17,280**	**18,485**

The notes on pages 26 to 53 form an integral part of the Interim Financial Statements.

1. BASIS OF PREPARATION

a. General Information

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

Statutory accounts for the year ended 31 December 2023 were approved by the Board on 18 April 2024 and delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2016. Other comparative information for the six months ended 30 June 2024 is included in certain instances.

b. Accounting Policies

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

In the period, the Group has applied the amendments to IFRS accounting standards issued by the IASB which are effective for accounting periods beginning on or after 1 January 2024. Except for accounting policies impacted by the new standards adopted during the period (refer to note 1(c) below), in preparing these Interim Financial Statements the Group has applied consistently the accounting policies and methods of computation used in the Group’s 2023 Report and Financial Statements.

c. New Standards and Interpretations Adopted during the Period

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

Amendments to IFRS 16 ‘Leases’: Lease Liability in a Sale and Leaseback were issued by the IASB in September 2022 for prospective application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in May 2023 and endorsed by the EU in November 2023.

Amendments to IAS 1 'Presentation of Financial Statements' ('IAS 1'): Classification of Liabilities as Current or Non-current were issued by the IASB in January 2020 and revised in July 2020 and October 2022, for retrospective application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in July 2023 and endorsed by the EU in January 2024.

Amendments to IAS 1: Non-current Liabilities with Covenants were issued by the IASB in October 2022 for application in accounting periods beginning on or after 1 January 2024. The amendments were adopted by the UK in July 2023 and endorsed by the EU in January 2024.

d. New Standards and Interpretations Not Yet Adopted

At the date of authorisation of these condensed consolidated financial statements, the following standards and amendments to standards relevant to the Group’s operations were issued by the IASB but were not mandatory for accounting periods beginning 1 January 2024.

Amendments to IAS 21 ‘*The Effects of Changes in Foreign Exchange Rates’:* Lack of Exchangeability were issued by the IASB in August 2023 for prospective application in accounting periods beginning on or after 1 January 2025. Earlier application is permitted.
Amendments to IFRS 9 *‘Financial Instruments’* ("IFRS 9") and IFRS 7 *‘Financial Instruments: Disclosures’* ("IFRS 7") were issued by the IASB in May 2024 for retrospective application in annual periods beginning on or after 1 January 2026. Earlier application is permitted. The Group is currently assessing the impact of IFRS 9 and IFRS 7 on its consolidated financial statements.

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

e. Critical Accounting Judgements and Sources of Estimation Uncertainty

In preparing these condensed consolidated financial statements, the critical judgements made in applying the Group's accounting policies and the Group's critical sources of estimation uncertainty are consistent with those applied to the 2023 Report and Financial Statements. The Group evaluates the critical accounting judgements and accounting estimates on an ongoing basis and believes that these are reasonable.

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

	30 June	
in $ millions	2024	2023
Assets and liabilities held for trading	**3,659**	**3,700**
Non-trading financial assets at FVPL		
Secured financing	191	104
Investment securities	12	4
Trade and other receivables - prepaid OTC contracts	11	(20)
Total non-trading financial assets at FVPL	**214**	**88**
Financial liabilities designated at FVPL		
Secured borrowing	(345)	(147)
Trade and other payables - prepaid OTC contracts	(8)	20
Debt and other borrowings - issued structured notes	95	(707)
Total financial liabilities designated at FVPL	**(258)**	**(834)**
Net gains from financial instruments at fair value through profit or loss	**3,615**	**2,954**

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

3. FEE AND COMMISSION INCOME

	30 June	
in $ millions	2024	2023
Investment banking[(1)]	443	333
Commission income	398	368
Trust and other fiduciary activities	72	63
Other fee and commission income	182	184
Total fee and commission income	**1,095**	**948**
Of which, revenue from contracts with customers	*1,124*	*955*

(1) Includes advisory and underwriting revenues

Total fee and commission income is stated after the transfer of revenues totalling $29 million (30 June 2023: $7 million) to other Morgan Stanley Group undertakings. These transfers are in accordance with the Morgan Stanley Group Global Transfer Pricing Policy, refer to note 33 of the 2023 Report and Financial Statements, and do not relate to revenue from contracts with customers.

4. INTEREST INCOME AND INTEREST EXPENSE

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

	30 June	
in $ millions	2024	2023
Financial assets measured at amortised cost	**2,068**	**2,368**
Trading financial assets	201	151
Non-trading financial assets at FVPL	3,894	2,693
Financial assets measured at FVPL	**4,095**	**2,844**
Total interest income	**6,163**	**5,212**
Of which, negative interest income	*(66)*	*(18)*
Financial liabilities measured at amortised cost	4,368	4,097
Financial liabilities designated at FVPL	2,610	1,567
Total interest expense	**6,978**	**5,664**
Of which, positive interest expense	*(68)*	*(11)*

The recognition of negative interest income and positive interest expense may result from transactions in certain currencies which may at times have negative interest rates. In addition, 'Interest income' includes fees paid on securities borrowed transactions. 'Interest expense' includes fees received on securities loaned and fees from prime brokerage customers for stock loan transactions entered into to cover customers' short positions.

5. OPERATING EXPENSE

	30 June	
in $ millions	2024	2023
Direct staff costs	625	674
Management charges from other Morgan Stanley Group undertakings relating to staff costs	293	331
Staff-related expenses	**918**	**1,005**
Management charges from other Morgan Stanley Group undertakings relating to other services	717	723
Brokerage fees	446	399
Administration and corporate services	46	44
Professional services	59	60
Other taxes	360	333
Commission and other similar arrangements	122	142
Other expenses	42	28
Non-staff related expenses	**1,792**	**1,729**
Total operating expense	**2,710**	**2,734**

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

6. INCOME TAX

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

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

However, for the purposes of calculating the ETR, an adjustment has been made for the forecast Levy (since it is non-deductible for UK corporation tax purposes). As such, the Levy impacts the annual ETR and the tax expense for the six months ended 30 June 2024.

The Group's actual ETR for the period is 27.7% (six months ended 30 June 2023: 27.5%), which is lower than the standard rate of corporation tax (inclusive of the UK Banking Surcharge) in the UK of 28% (six months ended 30 June 2023: 27.75%). The Group's 2024 ETR is sensitive to the geographic mix of profits and tax rates in non-UK jurisdictions (including the net effect of foreign withholding taxes suffered by the Group).

In addition to the amount charged to the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, a $2 million expense (30 June 2023: $6 million benefit) in relation to current and deferred tax on share based payments is recognised directly in the condensed consolidated statement of changes in equity.

The Group is subject to Pillar Two legislation that is effective from 1 January 2024. The Group has no current tax exposure in relation to the Pillar Two legislation and has applied the mandatory exception to deferred tax recognition and disclosure as provided in the amendments to IAS 12: International Tax Reform –Pillar Two Model Rules.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities presented in the Group's condensed consolidated statement of financial position by IFRS 9 classifications as at 30 June 2024 and 31 December 2023.

	30 June 2024				31 December 2023			
in $ millions	FVPL	FVPL designated	Amortised cost	Total	FVPL	FVPL designated	Amortised cost	Total
Cash and short term deposits	—	—	17,282	**17,282**	—	—	18,403	**18,403**
Trading financial assets	328,704	—	—	**328,704**	336,893	—	—	**336,893**
Secured financing:								
Cash collateral on securities borrowed	16,803	—	—	**16,803**	14,502	—	—	**14,502**
Securities purchased under agreements to resell	105,469	—	—	**105,469**	90,195	—	—	**90,195**
Other secured financing	16,823	—	—	**16,823**	15,271	—	—	**15,271**
Loans and advances	—	—	68	**68**	—	—	133	**133**
Investment securities	72	—	—	**72**	126	—	—	**126**
Trade and other receivables	832	—	77,449	**78,281**	905	—	72,806	**73,711**
Total financial assets	**468,703**	**—**	**94,799**	**563,502**	**457,892**	**—**	**91,342**	**549,234**
Bank loans and overdrafts	—	—	2	**2**	—	—	2	**2**
Trading financial liabilities	278,711	—	—	**278,711**	274,538	—	—	**274,538**
Secured borrowings:								
Cash collateral on securities loaned	—	30,307	9,927	**40,234**	—	22,578	7,925	**30,503**
Securities sold under agreements to repurchase	—	25,940	30,235	**56,175**	—	19,284	33,016	**52,300**
Other financial liabilities	—	22,961	4,229	**27,190**	—	19,513	3,062	**22,575**
Trade and other payables	—	411	83,030	**83,441**	—	395	85,313	**85,708**
Debt and other borrowings	—	15,422	37,904	**53,326**	—	15,523	44,213	**59,736**
Total financial liabilities	**278,711**	**95,041**	**165,327**	**539,079**	**274,538**	**77,293**	**173,531**	**525,362**

8. TRADING FINANCIAL ASSETS AND LIABILITIES

	30 June 2024		31 December 2023	
in $ millions	Assets	Liabilities	Assets	Liabilities
Government debt securities	11,400	9,038	8,725	8,357
Corporate and other debt	10,880	3,237	14,922	5,100
Corporate equities	70,456	26,451	75,508	22,321
Derivatives (see note 9)	235,968	239,985	237,738	238,760
	328,704	**278,711**	**336,893**	**274,538**

9. DERIVATIVES

30 June 2024 in $ millions	Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets				
Interest rate contracts	66,316	5,657	37	**72,010**
Credit contracts	8,152	1,209	—	**9,361**
Foreign exchange and gold contracts	85,520	3,022	3	**88,545**
Equity contracts	50,584	—	8,119	**58,703**
Commodity contracts	6,389	—	960	**7,349**
	216,961	**9,888**	**9,119**	**235,968**
Derivative liabilities				
Interest rate contracts	68,063	5,621	49	**73,733**
Credit contracts	7,217	1,369	—	**8,586**
Foreign exchange and gold contracts	83,219	2,940	12	**86,171**
Equity contracts	57,423	—	6,599	**64,022**
Commodity contracts	6,464	—	1,009	**7,473**
	222,386	**9,930**	**7,669**	**239,985**

31 December 2023 in $ millions	Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets				
Interest rate contracts	72,669	7,853	41	**80,563**
Credit contracts	7,068	2,100	—	**9,168**
Foreign exchange and gold contracts	92,967	2,575	—	**95,542**
Equity contracts	39,533	—	6,937	**46,470**
Commodity contracts	5,399	—	596	**5,995**
	217,636	**12,528**	**7,574**	**237,738**
Derivative liabilities				
Interest rate contracts	75,755	6,409	50	**82,214**
Credit contracts	7,414	2,135	—	**9,549**
Foreign exchange and gold contracts	87,979	2,738	16	**90,733**
Equity contracts	44,279	—	5,891	**50,170**
Commodity contracts	5,177	—	917	**6,094**
	220,604	**11,282**	**6,874**	**238,760**

10. INTERESTS IN STRUCTURED ENTITIES

The Group's involvement with structured entities, including those of which it considers itself the sponsor, is consistent with that described in note 14 of the Group's 2023 Report and Financial Statements.

Consolidated Structured Entities

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

30 June 2024 **in $ millions**	Client intermediation	Mortgage and asset-backed securitisations	Total
Assets of structured entities	92	404	**496**
Liabilities of structured entities	92	247	**339**

31 December 2023 **in $ millions**	Client intermediation	Mortgage and asset-backed securitisations	Total
Assets of structured entities	94	471	**565**
Liabilities of structured entities	93	248	**341**

Unconsolidated Structured Entities

The table below shows certain non-consolidated structured entities in which the Group has an interest at 30 June 2024 and at 31 December 2023. The table includes all structured entities in which the Group has determined that its maximum exposure to loss is greater than specific thresholds or meets certain other criteria. In addition, the table includes structured entities sponsored by unrelated parties, as well as structured entities sponsored by the Group; an example of the Group's involvement with these structured entities is its secondary market-making activities.

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

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
30 June 2024				
Assets of the structured entity	15,510	6,298		**21,808**
Maximum exposure to loss:				
Debt and equity interests	275	350		**625**
Derivative and other contracts	3,776			**3,776**
Total maximum exposure to loss	**4,051**	**350**		**4,401**
Carrying value of interests - assets(1):				
Debt and equity interests	275	350		**625**
Derivative and other contracts	1,538			**1,538**
Total carrying value of exposure to loss - assets	**1,813**	**350**		**2,163**
Carrying value of interests - liabilities(1):				
Debt and equity interests	1,138			**1,138**
Derivative and other contracts	410			**410**
Total carrying value of exposure to loss - liabilities	**1,548**			**1,548**
Additional interests in structured entities - Other(2)				**413**

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
31 December 2023				
Assets of the structured entity	18,699	8,335	709	**27,743**
Maximum exposure to loss:				
Debt and equity interests	949	457	26	**1,432**
Derivative and other contracts	4,066	—	—	**4,066**
Total maximum exposure to loss	**5,015**	**457**	**26**	**5,498**
Carrying value of interests - assets(1):				
Debt and equity interests	948	457	26	**1,431**
Derivative and other contracts	1,310	—	—	**1,310**
Total carrying value of exposure to loss - assets	**2,258**	**457**	**26**	**2,741**
Carrying value of interests - liabilities(1):				
Debt and equity interests	1,363	—	—	**1,363**
Derivative and other contracts	446	—	—	**446**
Total carrying value of exposure to loss - liabilities	**1,809**	**—**	**—**	**1,809**
Additional interests in structured entities - Other(2)				**631**

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

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

For further detail on the type of transactions in the above table, refer to the explanations provided in note 14 of the 2023 Report and Financial Statements.

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

Sponsored unconsolidated structured entities

Details of when the Group considers itself the sponsor of certain non-consolidated structured entities are provided in note 14 of the 2023 Report and Financial Statements.

In some sponsored entities, the Group has been involved with the structured entity through establishing the structured entity, marketing of products associated with the structured entity in its own name, and/ or through involvement in the design of the structured entity. The Group has no interest in these entities as at 30 June 2024 (31 December 2023: $nil).

The loss related to sponsored entities during the period was $125 million (30 June 2023: loss of $64 million). Gains or losses are reported under 'Net gains from financial instruments at fair value through profit or loss' in the condensed consolidated income statement alongside any offsetting benefit of hedges. For the period, $205 million of assets were transferred to those sponsored entities (30 June 2023: $146 million). It is the investors in the structured entity, rather than the Group, that are exposed to the carrying value of assets transferred. The Group's exposure to the structured entity is limited to net amounts receivable from swap transactions with the entity and is not directly linked to the transferred assets themselves.

11. DEBT AND OTHER BORROWINGS

in $ millions	30 June 2024	31 December 2023
Debt and other borrowings (amortised cost)		
Subordinated loan liabilities	5,098	5,096
Senior subordinated loan liabilities	6,700	6,700
Other borrowings(1)	26,106	32,417
	37,904	**44,213**
Debt and other borrowings (designated FVPL)		
Issued structured notes	15,422	15,523
	53,326	**59,736**

(1) There is a floating charge over a pool of assets in favour of MSIUK to secure certain intercompany loans which MSIUK has provided to the Company and which are presented within 'Other borrowings'. The value of assets subject to this charge at 30 June 2024 was $23,470 million (31 December 2023: $29,967 million). The floating charge is limited to the amount of the funding received from MSIUK of $20,983 million (31 December 2023: $32,086 million).

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

in $ millions			30 June 2024	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR(1) plus 1.44%	85	1,400
MSIUK	13 June 2033	SOFR(1) plus 2.34%	10	2,500
MSIUK	15 December 2034	SOFR(1) plus 2.29%	50	1,200

in $ millions			31 December 2023	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR(1) plus 1.44%	38	1,400
MSIUK	13 June 2033	SOFR(1) plus 2.34%	106	2,500
MSIUK	15 December 2034	SOFR(1) plus 2.29%	4	1,200

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

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

in $ millions			30 June 2024	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	30 July 2025[(1)]	MS Proxy[(2)]	—	6,700

in $ millions			31 December 2023	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	29 January 2025[(1)]	MS Proxy[(2)]	—	6,700

(1) The repayment date can be extended for 395 days on each business day but no later than 49 years from utilisation date.
(2) Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

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

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

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

12. PROVISIONS AND CONTINGENT LIABILITIES

in $ millions	Property	Litigation	Taxes	Total
At 1 January 2024	2	123	—	**125**
Additional provisions	—	—	22	**22**
Unused provisions reversed	—	(2)	—	**(2)**
Foreign exchange revaluation	—	(2)	—	**(2)**
At 30 June 2024	**2**	**119**	**22**	**143**

As at 30 June 2024 and 31 December 2023, the Company's provisions for litigation matters were the same as the Group, and as at 30 June 2024, the provisions for property matters were $1 million (31 December 2023: $1 million).

Litigation Matters

In addition to the matters described below, in the normal course of business, the Group has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the third-party entities that are, or would otherwise be, the primary defendants in such cases are bankrupt, in financial distress, or may not honour applicable indemnification obligations. These actions have included, but are not limited to, antitrust claims, and matters arising from the Group's sales and trading businesses, and activities in the capital markets.

The Group is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental or other regulatory agencies regarding the Group's business, and involving, among other matters, sales, trading, financing, prime brokerage, market making activities, investment banking advisory services, capital market activities, financial products or offerings sponsored, underwritten or sold by the Group, wealth and investment management services, and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, disgorgement, restitution, forfeiture, injunctions, limitations on the Group's ability to conduct certain business, or other relief.

The Group contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Group can reliably estimate the amount of that loss, or the range of loss, the Group accrues an estimated loss by a charge to income, including with respect to certain of the individual proceedings or investigations described below.

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

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

The Group has identified, in Note 17 to the 2023 Report and Financial Statements and below, any individual proceedings or investigations where the Group believes a material economic outflow to be more than remotely possible. In certain legal proceedings, in which the Group has determined that a material economic outflow is more than remotely possible, the Group is unable to reliably estimate the loss or range of loss. There are other matters in which the Group has determined a loss or range of loss to be more than remotely possible, but the Group does not believe, based on current knowledge and after consultation with counsel, that such losses could have a material adverse effect on the Group's financial statements as a whole, although the outcome of such proceedings or investigations may significantly impact the Group's business or results of operations for any particular reporting period, or cause significant reputational harm.

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

While the Group has identified, in Note 17 to the 2023 Report and Financial Statements and below, certain proceedings or investigations that the Group believes to be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or those where potential losses have not yet been determined to be probable or more than remotely possible.

Note 17 to the 2023 Report and Financial Statements contains the full list of specific disclosures. The matters referred to in the paragraphs below are the only specific disclosures requiring an update from the year end.

In the matters styled *Case number B-803-18, Case number B-2073-16,* and *Case number B-2564-17* ("the Cases"), on 1 July 2024, defendants reached a conditional settlement agreement with the plaintiffs in the Cases. A conditional settlement agreement was reached in an additional related claim to which the Group is not a party but which formed part of the complex of cases proceeding before the High Court of Eastern Denmark in connection with the bankruptcy of OW Bunker (*Case number B-407-17*). The conditional settlement agreements were conditioned upon approval of the settlement of *Case number B-407-17* by the 14th Division of the Danish Court of Appeal Eastern Division. Approval was granted on 26 August 2024.

In the matter styled *In Re: Interest Rate Swaps Antitrust Litigation*, on 11 July 2024, the court granted preliminary approval of the settlement.

In the matter styled *Oklahoma Firefighters Pension and Retirement System v. Deutsche Bank Aktiengesellschaft, et al.*, on 28 September 2023, the defendants filed a joint motion to dismiss the complaint. On 16 September 2024, the joint motion to dismiss the complaint was granted and the complaint was dismissed without prejudice.

Tax Matters

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

13. DIVIDENDS

In accordance with the Company's dividend policy, the Board approved and paid a final dividend on 18 April 2024 of $180 million ($0.014 per ordinary share) and on the 19 September 2024 paid a dividend of $345 million ($0.028 per ordinary share) to Morgan Stanley Investments (UK) ("MSIUK"), the Company's immediate parent.

In addition, on 19 September 2024, the Board approved and paid an extraordinary dividend of $500 million ($0.040 per ordinary share) to MSIUK.

14. SEGMENT REPORTING

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

Business Segment

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

The Group has one reportable business segment, Institutional Securities, which includes capital raising and financial advisory services; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including global macro, credit and commodities products and investment activities.

Geographical Regions

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

The following table presents selected condensed consolidated income statement and condensed consolidated statement of financial position information of the Group's operations by geographic area. The external revenues (net of interest expense) and total assets disclosed in the following table reflect the regional view of the Group's operations, on a managed basis. The attribution of external revenues (net of interest expense) and total assets is determined by a combination of client and trading desk location.

	Net Revenue		Profit before Tax	
Geographical Segments	30 June		30 June	
in $ millions	2024	2023	2024	2023
EMEA	2,511	2,279	570	290
Asia	1,094	987	454	380
Americas	301	203	170	68
Total	**3,906**	**3,469**	**1,194**	**738**

	Total Assets	
in $ millions	30 June 2024	31 December 2023
EMEA	287,648	291,853
Asia	119,559	113,131
Americas	156,999	145,066
Total	**564,206**	**550,050**

15. RISK MANAGEMENT

15.1 Risk Management procedures

The Group's risk management procedures are consistent with those disclosed in the Group's 2023 Report and Financial Statements. This disclosure is therefore limited to quantitative data for each risk category which is material or which has had a significant update from the year end disclosure.

15.2 Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Group. Credit risk also includes country risk, which is described in the Interim Management Report. Refer to 25.2.1 Primary Credit Risk Exposure in the notes to the 2023 Report and Financial Statements for details on the Group's credit exposures. Refer to 'Credit Risk - Country and Sovereign Risk Exposure' in the Strategic Report to the 2023 Report and Financial Statements for details on country risk.

15.2.1 Credit Risk Management

Refer to 25.2.2 Risk Management and 25.2.3 Risk Mitigation in the notes to the 2023 Report and Financial Statements for details of the Group's credit risk management processes.

15.2.2 Exposure to Credit Risk

The maximum exposure to credit risk ("gross credit exposure") of the Group as at 30 June 2024 is disclosed below, based on the carrying amounts of the financial assets and the maximum amount that the Group could have to pay in relation to unrecognised financial instruments, which the Group believes are subject to credit risk. The table below includes both financial instruments subject to expected credit loss ("ECL") and those not subject to ECL.

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

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

Exposure to Credit Risk by Class

Class in $ millions	30 June 2024 Gross credit exposure	Credit enhance-ments	Net credit exposure[1]	31 December 2023 Gross credit exposure	Credit enhance-ments	Net credit exposure[1]
Subject to ECL:						
Cash and short-term deposits	17,282	—	17,282	18,403	—	18,403
Loans and advances	68	—	68	133	—	133
Trade and other receivables[2]	77,449	—	77,449	72,806	—	72,806
Not subject to ECL:						
Trading financial assets:						
Derivatives	235,968	(226,650)	9,318	237,738	(228,506)	9,232
Secured financing	139,095	(138,011)	1,084	119,968	(119,365)	603
Trade and other receivables	832	(193)	639	905	(283)	622
	470,694	**(364,854)**	**105,840**	**449,953**	**(348,154)**	**101,799**
Unrecognised financial instruments						
Not subject to ECL:						
Loan commitments	29	—	29	19	—	19
Unsettled securities purchased under agreements to resell[3]	69,976	—	69,976	45,568	—	45,568
Total unrecognised financial instruments	**70,005**	**—**	**70,005**	**45,587**	**—**	**45,587**
	540,699	**(364,854)**	**175,845**	**495,540**	**(348,154)**	**147,386**

(1) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow Group an additional $9,748 million of an available $35,699 million (31 December 2023: $7,835 million of an available $31,933 million) to be offset in the event of default by certain Morgan Stanley counterparties.
(2) Trade and other receivables primarily include cash collateral pledged against the payable on OTC derivative positions. These derivative liabilities are included within trading financial liabilities in the consolidated statement of financial position.
(3) For unsettled securities purchased under agreements to resell, collateral in the form of securities will be received at the point of settlement. Since the value of collateral is determined at a future date, it is currently unquantifiable and not included in the table.

The impact of master netting arrangements and similar agreements on the Group's ability to offset financial assets and financial liabilities is disclosed in note 16.

Exposure to Credit Risk by Internal Rating Grades

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

Investment grade: AAA - BBB

Non-investment grade: BB – CCC

Default: D

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

30 June 2024	Investment Grade AAA	AA	A	BBB	Non-Investment Grade	Unrated(1)/ Default(2)	Total	Net of ECL
in $ millions								
Subject to ECL:								
Cash and short term deposit								
Stage 1	—	5,845	10,282	1,025	130	—	17,282	17,282
Stage 3	—	—	—	—	81	1	82	—
Loans and advances								
Stage 1	—	—	68	—	—	—	68	68
Trade and other receivables								
Stage 1	1,668	4,962	48,154	12,849	8,996	782	77,411	77,411
Stage 3	4	10	8	10	4	46	82	38
	1,672	**10,817**	**58,512**	**13,884**	**9,211**	**829**	**94,925**	**94,799**
Not subject to ECL:								
Trading financial assets - derivatives	3,021	12,688	169,303	38,226	12,355	375	235,968	235,968
Secured financing	778	8,708	106,922	11,673	10,967	47	139,095	139,095
Trade and other receivables	406	—	413	13	—	—	832	832
	4,205	**21,396**	**276,638**	**49,912**	**23,322**	**422**	**375,895**	**375,895**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	36	7,390	40,490	3,682	18,378	—	69,976	69,976
Loan commitments	—	2	—	—	7	20	29	29
	36	**7,392**	**40,490**	**3,682**	**18,385**	**20**	**70,005**	**70,005**

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether SICR has occurred.
(2) At 30 June 2024 there were $nil of Stage 3 in default.

The Cash and short term deposit loss allowance as at 30 June 2024 is $82 million (31 December 2023: $77 million) and Trade and other receivables loss allowance as at 30 June 2024 is $44 million (31 December 2023: $50 million).

	Investment Grade				Non-Investment Grade	Unrated[1]/ Default[2]	Total	Net of ECL
31 December 2023	**AAA**	**AA**	**A**	**BBB**				
in $ millions								
Subject to ECL:								
Cash and short term deposit								
Stage 1	—	6,922	10,445	870	166	—	18,403	18,403
Stage 3	—	—	—	—	70	7	77	—
Loans and advances								
Stage 1	—	—	133	—	—	—	133	133
Trade and other receivables								
Stage 1	1,362	6,026	43,865	12,209	8,793	528	72,783	72,783
Stage 3	2	2	5	5	2	57	73	23
	1,364	**12,950**	**54,448**	**13,084**	**9,031**	**592**	**91,469**	**91,342**
Not subject to ECL:								
Trading financial assets - derivatives	3,488	17,959	161,181	41,158	13,872	80	237,738	237,738
Secured financing	453	9,286	86,280	15,643	8,306	—	119,968	119,968
Trade and other receivables	518	—	382	—	5	—	905	905
	4,459	**27,245**	**247,843**	**56,801**	**22,183**	**80**	**358,611**	**358,611**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	—	5,498	35,972	646	3,452	—	45,568	45,568
Loan commitments	—	2	—	—	17	—	19	19
	—	**5,500**	**35,972**	**646**	**3,469**	**—**	**45,587**	**45,587**

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether SICR has occurred.
(2) At 31 December 2023 there were $nil of Stage 3 in default.

15.3 Market Risk

15.3.1 Primary Market Risk Exposures

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

15.3.2 Risk Management

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

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

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

15.3.3 Measurement - Value at Risk

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

15.3.3.1 VaR for the Period

The table below presents the Management VaR for the Group's trading portfolio on a period end, average and annual high and low basis for the period ended 30 June 2024 and compared to the year ended 31 December 2023.

	95%/one-day VaR for the six months ended 30 June 2024				95%/one-day VaR for the year ended 31 December 2023			
in $ millions	Period end	Average	High	Low	Period end	Average	High	Low
Market risk category:								
Interest rate and credit spread	12	15	21	10	13	17	25	13
Equity price	17	15	21	10	12	18	24	11
Foreign exchange rate	7	6	11	3	5	6	13	3
Commodity price	1	3	9	1	1	9	13	1
Less diversification benefit(1)(2)	(14)	(16)	N/A	N/A	(13)	(26)	N/A	N/A
Primary Market Risk Categories	23	23	28	17	18	24	30	17
Credit Portfolio(3)	5	6	6	5	6	8	12	6
Less diversification benefit(1)(2)	(4)	(4)	N/A	N/A	(4)	(5)	N/A	N/A
Total Management VaR	**24**	**25**	**30**	**18**	**20**	**27**	**36**	**20**

(1) Diversification benefit equals the difference between total trading VaR and the sum of the VaRs for the four risk categories. This benefit arises because the simulated one-day losses for each of the four primary market risk categories occur on different days; similar diversification benefits also are taken into account within each category.
(2) N/A - Not Applicable. The minimum and maximum VaR values for the total VaR and each of the component VaRs might have occurred on different days during the year and therefore the diversification benefit is not an applicable measure.
(3) The Credit Portfolio VaR is disclosed as a separate category from the Primary Risk Categories and includes loans that are carried at fair value and associated hedges as well as counterparty credit valuation adjustments and related hedges.

The Group's total Management VaR for 30 June 2024 was $24 million compared to $20 million at the end of 2023. The increase in VaR from year end 2023 to the end of June is primarily driven by changes to equity risk exposures.

15.3.4 Non-Trading Risks for the Period

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

15.3.5 Interest Rate Risk

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

The application of a parallel shift in interest rates of 200 basis points increase or decrease to these positions would result in a net loss or gain, respectively, of $39.8 million as at 30 June 2024, compared to a net loss or gain of $64.2 million as at 31 December 2023. The decrease is driven by a reduction in Banking Book interest rate exposure in Institutional Securities Other.

15.3.6 Funding Liabilities

The credit spread risk sensitivity of the Group's mark-to-market funding liabilities corresponds to an increase in value of approximately $6.4 million and $6.9 million for each 1 basis point widening in the Group's credit spread level at 30 June 2024 and 31 December 2023, respectively.

15.4 Liquidity Risk

Liquidity risk refers to the risk that the Group will be unable to finance its operations due to a loss of access to capital markets or difficulty in liquidating its assets. Liquidity risk also encompasses the Group's ability to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

Additional information on liquidity risk management is presented in the 'Liquidity Risk' of the Interim Management Report and the 2023 Report and Financial Statements.

15.4.1 Required Liquidity Framework

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

Additional information on liquidity risk management is presented in the 'Liquidity Risk' section of the Interim Management Report and the 2023 Report and Financial Statements.

15.4.2 Maturity Analysis

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

All other amounts represent undiscounted cash flows payable by the Group arising from its financial liabilities to their earliest contractual maturities as at 30 June 2024 and 31 December 2023.

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

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in $ millions	On demand	Less than 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Greater than 5 years	Total
30 June 2024							
Financial liabilities							
Bank loans and overdrafts	2						2
Trading financial liabilities:							
Derivatives	239,985						239,985
Other	38,726	—	—	—	—	—	38,726
Secured borrowing	91,464	10,988	5,824	10,981	5,185	126	124,568
Trade and other payables	82,956	—	145	200	119	21	83,441
Debt and other borrowings	2,517	502	7,815	5,610	29,252	11,970	57,666
Total financial liabilities	**455,650**	**11,490**	**13,784**	**16,791**	**34,556**	**12,117**	**544,388**
Unrecognised financial instruments							
Guarantees	458	—	—	—	—	—	458
Loan commitments	29	—	—	—	—	—	29
Unsettled securities purchased under agreements to resell(1)	69,256	720	—	—	—	—	69,976
Other commitments	12	—	—	—	—	—	12
Total unrecognised financial instruments	**69,755**	**720**	**—**	**—**	**—**	**—**	**70,475**
31 December 2023							
Financial liabilities							
Bank loans and overdrafts	2	—	—	—	—	—	2
Trading financial liabilities:							
Derivatives	238,760	—	—	—	—	—	238,760
Other	35,778	—	—	—	—	—	35,778
Secured borrowing	73,750	13,322	7,563	9,094	2,083	152	105,964
Trade and other payables	85,214	—	33	299	148	14	85,708
Debt and other borrowings	2,521	437	8,727	3,241	36,845	12,761	64,532
Total financial liabilities	**436,025**	**13,759**	**16,323**	**12,634**	**39,076**	**12,927**	**530,744**
Unrecognised financial instruments							
Guarantees	340	—	—	—	—	—	340
Loan commitments	19	—	—	—	—	—	19
Unsettled securities purchased under agreements to resell(1)	42,678	2,380	—	510	—	—	45,568
Other commitments	42	—	—	—	—	—	42
Total unrecognised financial instruments	**43,079**	**2,380**	**—**	**510**	**—**	**—**	**45,969**

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

To manage credit exposure arising from its business activities, the Group applies various credit risk management policies and procedures, see note 28 of the 2023 Report and Financial Statement for further details.

The following tables present information about the offsetting of financial instruments and related collateral amounts. The tables do not include information about financial instruments that are subject only to a collateral agreement. The effect of master netting arrangements, collateral agreements and other credit enhancements, on the Group's exposure to credit risk is disclosed in note 15.

		Amounts offset(1)			Amounts not offset			
					Collateralised by:			
in $ millions	Gross amounts	Counterparty netting	Derivative Cash collateral netting(2)	Net amounts	Financial instruments	Cash collateral(2)	Net exposure(3)	Not subject to legally enforceable master netting agreement
30 June 2024								
Secured Financing:								
Cash collateral on securities borrowed	23,527	(6,724)	—	16,803	(16,282)	—	521	85
Securities purchased under agreement to resell	211,902	(106,433)	—	105,469	(104,954)	—	515	470
Other secured financing	19,827	(3,004)	—	16,823	(16,775)	—	48	—
Trading financial assets - derivatives	528,030	(265,662)	(26,400)	235,968	(197,697)	(28,953)	9,318	2,007
TOTAL ASSETS	**783,286**	**(381,823)**	**(26,400)**	**375,063**	**(335,708)**	**(28,953)**	**10,402**	**2,562**
Secured borrowing:								
Cash collateral on securities loaned	46,958	(6,724)	—	40,234	(40,234)	—	—	—
Securities sold under agreement to repurchase	162,608	(106,433)	—	56,175	(55,929)	—	246	123
Other secured borrowing	25,965	(3,004)	—	22,961	(22,044)	—	917	—
Trading financial liabilities - derivatives	510,789	(265,662)	(5,142)	239,985	(202,322)	(26,837)	10,826	2,944
TOTAL LIABILITIES	**746,320**	**(381,823)**	**(5,142)**	**359,355**	**(320,529)**	**(26,837)**	**11,989**	**3,067**
31 December 2023								
Secured Financing:								
Cash collateral on securities borrowed	20,955	(6,453)	—	14,502	(14,120)	—	382	85
Securities purchased under agreement to resell	190,110	(99,915)	—	90,195	(89,988)	—	207	205
Other secured financing	20,494	(5,223)	—	15,271	(15,257)	—	14	14
Trading financial assets - derivatives	530,089	(278,274)	(14,077)	237,738	(201,807)	(26,699)	9,232	1,564
TOTAL ASSETS	**761,648**	**(389,865)**	**(14,077)**	**357,706**	**(321,172)**	**(26,699)**	**9,835**	**1,868**
Secured borrowing:								
Cash collateral on securities loaned	36,956	(6,453)	—	30,503	(30,501)	—	2	—
Securities sold under agreement to repurchase	152,215	(99,915)	—	52,300	(52,150)	—	150	37
Other secured borrowing	24,736	(5,223)	—	19,513	(19,504)	—	9	9
Trading financial liabilities - derivatives	520,963	(278,274)	(3,929)	238,760	(203,379)	(23,678)	11,703	3,001
TOTAL LIABILITIES	**734,870**	**(389,865)**	**(3,929)**	**341,076**	**(305,534)**	**(23,678)**	**11,864**	**3,047**

(1) In addition to the balances disclosed in the table above, legally enforceable master netting agreements are in place for $nil (31 December 2023: $nil) of certain trade and other receivables and trade and other payables which are not presented net.
(2) Derivatives cash collateral netting relates to the margin posted or received being offset against the derivative balance where all offsetting criteria is met. All Cash Collateral are recognised within Trade and other receivables and Trade and other payables whether it is offset or not and represents the total variation margin paid or received by counterparties.
(3) Intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional $9,748 million (31 December 2023: $7,835 million) of the condensed consolidated statement of financial position, to be offset in the ordinary course of business and/ or in the event of default.

17. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

a. Financial Assets and Liabilities Recognised at Fair Value on a Recurring Basis

The following tables present the carrying value of the Group's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy. The information below is limited to quantitative information and should be read in conjunction with note 29 of the 2023 Report and Financial Statements.

30 June 2024 in $ millions	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading financial assets				
Government debt securities	5,686	5,672	42	**11,400**
Corporate and other debt	—	9,605	1,275	**10,880**
Corporate equities	69,229	1,193	34	**70,456**
Derivatives:				
Interest rate contracts	37	71,258	715	**72,010**
Credit contracts	—	9,164	197	**9,361**
Foreign exchange and gold contracts	3	88,272	270	**88,545**
Equity contracts	373	57,414	916	**58,703**
Commodity contracts	263	7,052	34	**7,349**
Total trading financial assets	**75,591**	**249,630**	**3,483**	**328,704**
Secured financing:				
Cash collateral on securities borrowed	—	16,803	—	**16,803**
Securities purchased under agreements to resell	—	104,628	841	**105,469**
Other secured financing	—	16,823	—	**16,823**
Total secured financing	**—**	**138,254**	**841**	**139,095**
Investment securities - corporate equities	**—**	**15**	**57**	**72**
Trade and other receivables:				
Prepaid OTC contracts	—	316	110	**426**
Other	—	406	—	**406**
Total trade and other receivables	**—**	**722**	**110**	**832**
Total financial assets measured at fair value	**75,591**	**388,621**	**4,491**	**468,703**
Trading financial liabilities:				
Government debt securities	7,885	1,151	2	**9,038**
Corporate and other debt	—	3,230	7	**3,237**
Corporate equities	26,246	187	18	**26,451**
Derivatives:				
Interest rate contracts	46	73,295	392	**73,733**
Credit contracts	—	8,426	160	**8,586**
Foreign exchange and gold contracts	9	85,907	255	**86,171**
Equity contracts	307	62,514	1,201	**64,022**
Commodity contracts	252	7,180	41	**7,473**
Total trading financial liabilities	**34,745**	**241,890**	**2,076**	**278,711**
Secured borrowing:				
Cash collateral on securities loaned	—	30,307	—	**30,307**
Securities sold under agreements to repurchase	—	25,940	—	**25,940**
Other secured borrowing	—	22,961	—	**22,961**
Total secured borrowing	**—**	**79,208**	**—**	**79,208**
Trade and other payables - prepaid OTC contracts	**—**	**301**	**110**	**411**
Debt and other borrowings - issued structured notes	**—**	**14,958**	**464**	**15,422**
Total financial liabilities measured at fair value	**34,745**	**336,357**	**2,650**	**373,752**

31 December 2023 in $ millions	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading financial assets:				
Government debt securities	4,207	4,457	61	8,725
Corporate and other debt	—	13,584	1,338	14,922
Corporate equities	74,602	838	68	75,508
Derivatives:	—	—	—	—
Interest rate contracts	390	79,420	753	80,563
Credit contracts	—	8,946	222	9,168
Foreign exchange and gold contracts	—	95,009	533	95,542
Equity contracts	298	45,387	785	46,470
Commodity contracts	—	5,978	17	5,995
Total trading financial assets	**79,497**	**253,619**	**3,777**	**336,893**
Secured financing:				
Cash collateral on securities borrowed	—	14,502	—	14,502
Securities purchased under agreements to resell	—	89,363	832	90,195
Other secured financing	—	15,271	—	15,271
Total secured financing	**—**	**119,136**	**832**	**119,968**
Investment securities - corporate equities	**—**	**—**	**126**	**126**
Trade and other receivables:				
Prepaid OTC contracts	—	237	150	387
Other	—	518	—	518
Total trade and other receivables	**—**	**755**	**150**	**905**
Total financial assets measured at fair value	**79,497**	**373,510**	**4,885**	**457,892**
Trading financial liabilities:				
Government debt securities	7,249	1,107	1	8,357
Corporate and other debt	—	5,092	8	5,100
Corporate equities	22,169	140	12	22,321
Derivatives:	—	—	—	—
Interest rate contracts	420	81,160	634	82,214
Credit contracts	—	9,318	231	9,549
Foreign exchange and gold contracts	11	90,270	452	90,733
Equity contracts	265	48,668	1,237	50,170
Commodity contracts	—	6,065	29	6,094
Total trading financial liabilities	**30,114**	**241,820**	**2,604**	**274,538**
Secured borrowing:				
Cash collateral on securities loaned	—	22,578	—	22,578
Securities sold under agreements to repurchase	—	19,284	—	19,284
Other secured borrowing	—	19,513	—	19,513
Total secured borrowing	**—**	**61,375**	**—**	**61,375**
Trade and other payables - prepaid OTC contracts	**—**	**245**	**150**	**395**
Debt and other borrowings - issued structured notes	**—**	**15,347**	**176**	**15,523**
Total financial liabilities measured at fair value	**30,114**	**318,787**	**2,930**	**351,831**

b. Transfers between Level 1 and Level 2 of the Fair Value Hierarchy for Financial Assets and Liabilities Recognised at Fair Value on a Recurring Basis

During the period, the Group reclassified approximately $510 million (year ended 2023: $nil) of corporate equities assets from Level 2 to Level 1. These reclassifications were due to external benchmarks being readily available.

There were no material transfers from Level 1 to Level 2 during the period (year ended 2023: $nil).There were no material transfers of government debt securities liabilities from Level 2 to Level 1 during the period (year ended 2023: $673 million)

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

in $ millions	30 June 2024	31 December 2023
TRADING FINANCIAL ASSETS		
Government debt securities		
Beginning balance	61	133
Total (losses) recognised in the condensed consolidated income statement[1]	(2)	5
Purchases	6	21
Sales	(14)	(65)
Net transfers in/(out) of Level 3[2]	(9)	(33)
Ending balance	**42**	**61**
Unrealised (losses)/gains[3]	—	3
Corporate and other debt		
Beginning balance	1,338	1,115
Total (losses) recognised in the condensed consolidated income statement[1]	34	(20)
Purchases	431	522
Sales	(502)	(356)
Net transfers in/(out) of Level 3[2]	(26)	77
Ending balance	**1,275**	**1,338**
Unrealised (losses)[3]	13	(9)
Corporate equities		
Beginning balance	68	31
Total (losses) recognised in the condensed consolidated income statement[1]	(46)	41
Purchases	30	19
Sales	(17)	(39)
Net transfers in/(out) of Level 3[2]	(1)	16
Ending balance	**34**	**68**
Unrealised (losses)/gains[3]	—	44

in $ millions	30 June 2024	31 December 2023
Net derivative contracts(4)		
Beginning balance	(273)	264
Total gains recognised in the condensed consolidated income statement(1)	(191)	(204)
Purchases	551	118
Issuances	(805)	(272)
Settlements	666	(164)
Net transfers in/(out) of Level 3(2)	135	(15)
Ending balance	**83**	**(273)**
Unrealised gains/(losses)(3)	69	(468)
SECURED FINANCING		
Securities purchased under agreements to resell		
Beginning balance	832	962
Purchases	841	832
Sales	(832)	(962)
Ending balance	**841**	**832**
INVESTMENT SECURITIES		
Corporate equities		
Beginning balance	126	142
Total (losses) recognised in the condensed consolidated income statement(1)	(5)	(20)
Purchases	17	26
Sales	(67)	(22)
Net transfers in/(out) of Level 3(2)	(14)	—
Ending balance	**57**	**126**
Unrealised (losses)(3)	(5)	(20)
TRADE AND OTHER RECEIVABLES		
Prepaid OTC contracts		
Beginning balance	150	192
Total gains/(losses) recognised in the condensed consolidated income statement(1)	(18)	—
Purchases	—	—
Sales	(22)	(38)
Net transfers in/(out) of Level 3(2)	—	(4)
Ending balance	**110**	**150**
Unrealised gains/(losses)(3)	(18)	—
Other		
Beginning balance	—	3
Purchases	—	—
Settlements	—	(3)
Net transfers in and/or (out) of Level 3(2)	—	—
Ending balance	**—**	**—**

in $ millions	30 June 2024	31 December 2023
TRADING FINANCIAL LIABILITIES		
Government debt securities		
Beginning balance	1	2
Total losses recognised in the condensed consolidated income statement(1)	—	—
Purchases	1	(1)
Sales	—	—
Net transfers in and/or (out) of Level 3(2)	—	—
Ending balance	**2**	**1**
Unrealised losses(3)		—
Corporate and other debt		
Beginning balance	8	3
Total losses recognised in the condensed consolidated income statement(1)	—	(4)
Purchases	(1)	(2)
Sales	—	11
Net transfers out of Level 3(2)	—	—
Ending balance	**7**	**8**
Unrealised losses(3)	—	(4)
Corporate equities		
Beginning balance	12	19
Total (gains) recognised in the condensed consolidated income statement(1)	—	(3)
Purchases	4	(13)
Sales	2	3
Net transfers in/(out) of Level 3(2)	—	6
Ending balance	**18**	**12**
Unrealised gains/(losses)(3)	—	(2)

in $ millions	30 June 2024	31 December 2023
TRADE AND OTHER PAYABLES		
Prepaid OTC contracts		
Beginning balance	150	188
Total (gains)/losses recognised in the condensed consolidated income statement(1)	(18)	(37)
Issuances	—	—
Settlements	(22)	(1)
Net transfers in Level 3(2)	—	—
Ending balance	**110**	**150**
Unrealised gains/(losses)(3)	(18)	(37)
DEBT AND OTHER BORROWINGS		
Issued structured notes		
Beginning balance	176	77
Total (gains) recognised in the condensed consolidated income statement(1)	14	25
Total (gains)/losses recognised in condensed consolidated statement of comprehensive income(1)	(1)	2
Issuances	75	121
Settlements	(33)	(32)
Net transfers in/(out) of Level 3(2)	233	(17)
Ending balance	**464**	**176**
Unrealised (gains)/losses(3)	15	8

(1) The total gains or (losses) are recognised in the condensed consolidated income statement as detailed in the financial instruments accounting policy (note 3c to the 2023 Report and Financial Statements).
(2) For financial assets and financial liabilities that were transferred into or out of Level 3 during the year, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the year.
(3) Amounts represent unrealised gains or (losses) for the period ended 30 June 2024 related to assets and liabilities still outstanding at 31 December 2023. The unrealised gains or (losses) are recognised in the condensed consolidated income statement or condensed consolidated statement of comprehensive income as detailed in the financial instruments accounting policy
(4) Net derivative contracts represent trading financial liabilities derivative contracts net of trading financial assets - derivative contracts.

During the period, there were no material transfers (2023: $nil) from Level 3 to Level 2 of the fair value hierarchy. There were no material transfers from Level 2 to Level 3 of the fair value hierarchy (2023: $nil).

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

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

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

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

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

30 June 2024	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Government debt securities	42	Comparable pricing	
		Comparable bond price	41 to 196 pts (91 pts)
Corporate and other debt:			
Mortgage and asset-backed securities	263	Comparable pricing	
		Comparable bond price	31 to 101 pts (81 pts)
Corporate bonds	785	Comparable pricing	
		Comparable bond price	1 to 145 pts (68 pts)
Loans and lending commitments	185	Comparable pricing	
		Comparable loan price	27 to 101 pts (79 pts)
Other debt	42	Comparable pricing	
		Comparable bond price	100 to 101 pts (100 pts)
Corporate equities	34	Comparable pricing	
		Comparable equity price	100% (100%)
Net derivatives contracts:[2]			
Interest rate	323	Option Model	
		Inflation Volatility	31% to 70% (45%/41%)
		Interest rate - Foreign exchange correlation	N/M(N/M)
		Interest rate curve correlation	54% to 91% (78%/79%)
		Inflation curve	N/M(N/M)
		Interest rate volatility skew	65% to 89% (73%/82%)
		Foreign exchange volatility skew	N/M(N/M)
		Deal contingent probability	N/M(N/M)
		Currency Basis	N/M(N/M)
		Bond Volatility	N/M(N/M)
Credit	37	Credit default swap model	
		Credit spread	1 bps to 245 bps (87 bps)
		Comparable pricing	
		Comparable bond price	8 to 99 pts (60 pts)
		Discounted Cashflow	
		Funding spread	119 bps to 122 bps (119 bps)
Foreign exchange and gold[3]	15	Option model	
		Interest rate-foreign exchange correlation	N/M(N/M)
		Interest rate volatility skew	N/M(N/M)
		Deal execution probability	70%-95% (82%/95%)
		Foreign exchange volatility skew	N/M(N/M)
		Currency basis	-1% to 13% (6%/10%)
Equity	(285)	Option model	
		Equity volatility	6% to 89% (20%)
		Equity volatility skew	-3% to 0% (0%)
		Equity equity correlation	19% to 99% (76%)
		Equity FX correlation	-71% to 60% (-9%)

30 June 2024	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Investment securities:			
Corporate equities	57	Comparable pricing	
		Comparable equity price	80% to 100% (95%)
		Discounted Cash flows	
		Implied Weighted Average Cost of Capital ("WACC")	16% (16%)
Trade and other receivables:			
Prepaid OTC contracts	110	Discounted cash flows	
		Loss Given Default	54% to 84% (62%/54%)
Secured financing:			
Securities purchased under agreements to resell	841	Discounted cash flows	
		Funding spread	32bps to 107bps (66bps)
LIABILITIES			
Debt and other borrowings:			
Issued structured notes	464	Option model	
		Equity volatility	6% to 87% (22%)
		Equity volatility skew	-4% to 0% (0%)
		Equity equity correlation	52% to 86% (72%)
		Equity FX correlation	-55% to 10% (-32%)
Trade and other payables:			
Prepaid OTC contracts	110	Discounted cash flow	
		Loss Given Default	54% to 84% (62%/54%)

(1) A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.
(2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.
(3) Includes derivative contracts with multiple risks (i.e. hybrid products).

31 December 2023	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Government debt securities	61	Comparable pricing	
		Comparable bond price	50 to 199 pts (91 pts)
Corporate and other debt:			
Mortgage and asset-backed securities	344	Comparable pricing	
		Comparable bond price	30 to 100 pts (76 pts)
Corporate bonds	797	Comparable pricing	
		Comparable bond price	38 to 138 pts (81 pts)
Loans and lending commitments	139	Comparable pricing	
		Comparable loan price	27 to 100 pts (75 pts)
Other Debt	58	Comparable pricing	
		Comparable bond price	101 to 101 pts (101 pts)
Corporate Equities	68	Comparable pricing	
		Comparable equity price	100%(100%)
Investment securities:			
Corporate equities	126	Comparable pricing	
		Comparable equity price	95% to 100% (98%)
		Discounted Cash Flow	
		Implied Weighted Average Cost of Capital ("WACC")	16%(16%)
Secured financing:			
Securities purchased under agreements to resell	832	Discounted cash flows	
		Funding spread	32 bps to 104 bps (63 bps)
Trade and other receivables:			
Prepaid OTC contracts	150	Discounted cash flows	
		Loss Given Default	54% to 84% (62%/54%)
LIABILITIES			
Trading Financial Liabilities			
Net derivatives contracts:[2]			
Interest rate	120	Option model	
		Inflation volatility	27% to 70% (43%/39%)
		Interest rate-foreign exchange correlation	N/M(N/M)
		Interest rate curve correlation	70% to 93% (76%/77%)
		Inflation curve	N/M(N/M)
		Interest rate Volatility Skew	74% to 90% (79%/81%)
		Currency Basis	4% to 4% (1%/1%)
		Deal Contingent Probability	95% to 95% (95%/95%)
		Bond Volatility	84% to 152% (108%/103%)
Credit	(10)	Credit default swap model	
		Credit spread	1 to 262 bps (89 bps)
		Comparable pricing	
		Comparable bond price	7 to 99 pts (58 pts)
		Funding spread	90 to 126 bps (118 bps)
Foreign exchange and gold[3]	81	Option model	
		Interest rate - Foreign exchange correlation	N/M(N/M)

31 December 2023	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
		Interest rate volatility skew	N/M(N/M)
		Deal execution probability	95% to 95% (95%/95%)
		Foreign exchange volatility skew	N/M(N/M)
		Currency basis	-4% to -26% (5%/0%)
Equity	(452)	Option model	
		Equity volatility	4% to 71% (16%)
		Equity volatility skew	-3% to 0% (0%)
		Equity correlation	17% to 99% (65%)
		Equity FX correlation	-74% to 40% (-26%)
Debt and other borrowings:			
Issued structured notes	176	Option model	
		Equity volatility	6% to 72% (21%)
		Equity volatility skew	-1.3% to 0% (-0.5%)
		Equity correlation	41% to 97% (66%)
		Equity FX correlation	-65% to 40% (-35%)
Trade and other payables:			
Prepaid OTC contracts	150	Discounted cash flow	
		Loss Given Default	54% to 84% (62%/54%)

(1) A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.
(2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.
(3) Includes derivative contracts with multiple risks (i.e. hybrid products).

A description of the significant unobservable inputs and qualitative sensitivity included in the table above for all major categories of assets and liabilities is included within note 29 of the 2023 Report and Financial Statements.

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

The following table presents the potential impact of both favourable and unfavourable changes, both of which would be reflected in the condensed consolidated income statement. The information below is limited to quantitative information and should be read in conjunction with note 29 of the 2023 Report and Financial Statements.

	30 June 2024	
in $ millions	Favourable changes	Unfavourable changes
Trading financial assets:		
Government debt securities	—	—
Corporate and other debt	62	(57)
Corporate equities	11	(11)
Net derivative contracts[1][2]	82	(131)
Secured Financing:		
Securities purchased under agreements to resell	1	(1)
Investment securities:		
Corporate equities	12	(7)
Debt and other borrowings:		
Issued structured notes	3	(2)
	171	**(209)**

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

in $ millions	31 December 2023 Favourable changes	Unfavourable changes
Trading financial assets:		
Government debt securities	—	—
Corporate and other debt	36	(34)
Corporate equities	23	(23)
Net derivative contracts(1)(2)	126	(135)
Secured Financing:		
Securities purchased under agreements to resell	1	(1)
Investment securities:		
Corporate equities	11	(12)
Debt and other borrowings:		
Issued structured notes	1	(1)
	198	**(206)**

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

e. Financial Instruments Valued Using Unobservable Market Data

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

$ millions	30 June 2024	31 December 2023
At 1 January	463	473
New transactions	82	243
Amounts recognised in the consolidated income statement during the period	(129)	(253)
At 30 June 2024 / 31 December 2023	**416**	**463**

The balance above predominately relates to derivatives. The Group has financial instruments valued using unobservable market data of $76 million (2023: $66 million) related to other Morgan Stanley Group undertakings.

f. Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

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

18. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

$ millions			Fair value measurement using:
30 June 2024	Carrying value	Fair value	Observable inputs (Level 2)
Subordinated loan liabilities	5,098	5,326	5,326
31 December 2023			
Subordinated loan liabilities	5,096	5,243	5,243

19. RELATED PARTY DISCLOSURES

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

The Group receives and incurs management charges to and from other Morgan Stanley Group undertakings for infrastructure services, including the provision of staff and office facilities. For the period, 'Management charges from other Morgan Stanley Group undertakings relating to staff costs' were $293 million (30 June 2023: $331 million) and 'Management charges from other Morgan Stanley Group undertakings relating to other services' and 'Commission and other similar arrangements' were $839 million (30 June 2023: $865 million). See note 5 for further details.