

Morgan Stanley

Net Stable Funding Ratio Disclosures Report

For the Quarterly Period Ended March 31, 2023 and

For the Quarterly Period Ended June 30, 2023

Morgan Stanley

NSFR DISCLOSURES REPORT

For the two quarterly periods ended March 31, 2023 and June 30, 2023

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1. Morgan Stanley

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions, and individuals. Unless the context otherwise requires, the terms “Morgan Stanley,” the “Firm,” “us,” “we,” and “our” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries.

Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. The Firm is a financial holding company under the Bank Holding Company Act of 1956, as amended, and is subject to the regulation and oversight of the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Firm conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the United States of America (“U.S.”), and its principal offices in London, Tokyo, Hong Kong, and other world financial centers. The Federal Reserve establishes liquidity requirements for the Firm and evaluates the Firm’s compliance with such liquidity requirements. The Office of the Comptroller of the Currency (the “OCC”) establishes similar liquidity requirements and standards for the Firm’s U.S. bank subsidiaries, Morgan Stanley Bank N.A. (“MSBNA”) and Morgan Stanley Private Bank, National Association (“MSPBNA”) (collectively, “U.S. Bank Subsidiaries”).

Additional information related to the Firm’s business is included under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Firm’s Annual Report on Form 10-K for the year ended December 31, 2022 (“2022 Form 10-K”).

2. U.S. Net Stable Funding Ratio

The U.S. Net Stable Funding Ratio rule (“NSFR rule”) requires certain U.S. banking organizations (“Covered Companies”), including the Firm and its U.S. Bank Subsidiaries, to maintain an amount of available stable funding (“ASF”), which is their regulatory capital and liabilities subject to standardized weightings, equal to or greater than their required stable funding (“RSF”), which is their projected minimum funding needs, over a one-year time horizon. The Firm, MSBNA and MSPBNA are required to maintain a minimum net stable funding ratio (“NSFR”) of 100%.

A Covered Company’s ASF amount, the numerator of the NSFR, measures the stability of a Covered Company’s regulatory capital elements and liabilities. Regulatory capital elements and liabilities are each assigned an ASF factor in the NSFR rule, which represents the extent to which the capital

element or liability is considered available for use by the Covered Company over a one-year time horizon. The ASF factors are scaled from zero (least stable) to 100 percent (most stable).

A Covered Company’s RSF amount, the denominator of the NSFR, is based on the liquidity characteristics of its assets, commitments, and derivative exposures. The RSF factors are scaled from zero (most liquid and least likely to need ongoing funding during the one-year time horizon) to 100 percent (least liquid and most likely to need ongoing funding during the one-year time horizon).

The NSFR rule recognizes that, under certain circumstances, it may be necessary for a Covered Company’s NSFR to fall temporarily below 100 percent. The NSFR rule establishes a framework for a flexible supervisory response when a Covered Company’s NSFR falls below 100 percent. Under the NSFR rule, a Covered Company must notify the appropriate U.S. banking regulator (which is the Federal Reserve, in the case of the Firm) no later than 10 business days, following the date the shortfall occurred. In addition, if a Covered Company’s NSFR is below 100 percent, the Covered Company must submit to its appropriate U.S. banking regulator a plan for remediation of the shortfall.

3. NSFR Disclosure Requirements

The NSFR rule requires The Firm to make quantitative and qualitative disclosures related to its NSFR calculations and liquidity management practices on a semiannual basis (“NSFR Disclosures”). This report contains the Firm’s NSFR Disclosures for June 30, 2023 (the “current quarter,” or “2Q 2023”) and March 31, 2023 (the “prior quarter,” or “1Q 2023”).

The Firm’s NSFR Disclosures are unaudited and may not be consistent with accounting principles generally accepted in the U.S. (“U.S. GAAP”).

4. NSFR Qualitative Disclosures

The main drivers of the net stable funding ratio

The Firm’s NSFR quantitative disclosures, shown in Section 5, reflect the average daily value of each disclosure category across the quarter. When discussing the main drivers of the Firm’s NSFR, we refer to these average daily values.

Our ASF for this and the prior quarter were principally driven by regulatory capital, unsecured borrowings, and retail deposits. Other ASF amount drivers are noted in Section 5.

Our RSF for the current and the prior quarters were principally driven by Client Loans, Securities, and Derivative Assets, which primarily arose in connection with our Institutional Securities and Wealth Management business segments. Other RSF amount drivers are noted in Section 5.

These ASF and RSF amounts reflect prescribed, industry-wide mapping in the NSFR rule required to maintain sufficient stable funding in the Firm's business lines, activities and products, as measured over a one-year time horizon.

Changes in the net stable funding ratio over time and causes of such changes

The Firm's NSFR will fluctuate over time in response to changes in our funding profile, market conditions, client and counterparty behavior, monetary policy, legal or regulatory developments, or other factors in the markets in which we operate.

The Firm's average NSFR in the current quarter is consistent with the prior quarter. As of March 31, 2023, and June 30, 2023, the Firm and its U.S. Bank Subsidiaries were compliant with the minimum required NSFR of 100%.

Concentration of funding sources and changes in funding structure

The Firm has adopted a comprehensive risk management program to ensure the durability of our funding, including concentration limits on certain funding sources. For the current and prior quarter, our core sources of funding were borrowings, deposits, secured funding, and shareholders' equity. Our borrowings are diversified across tenors, currencies and distribution channels, and our deposits are diversified across millions of Wealth Management business segment household relationships. We execute our secured funding program in accordance with risk management

principles that include risk limits on maturity and investor concentration.

Concentrations of available and required stable funding within the Firm's corporate structure

Our ASF is principally driven by regulatory capital and securities, and retail deposits. Our borrowings are diversified across tenors, currencies and distribution channels and primarily issued by the parent company. The retail deposits, which are primarily sourced from our Wealth Management Clients and are primarily held by our U.S. Bank Subsidiaries"). For a discussion of our Funding Management, see "MD&A—Liquidity and Capital Resources—Liquidity Risk Management Framework—Liquidity Resources" in Part II, Item 7 of the 2022 Form 10-K.

Our RSF is principally driven by Client Loans and Securities which are diversified across both our Institutional Securities and Wealth Management business segments and diversified across the U.S. Bank Subsidiaries and non-bank entities both within the U.S. and international subsidiaries.

5. NSFR Quantitative Disclosures

In the following tables, the figures reported in the "Average Weighted Amount" column reflect the prescribed, industry-wide assumptions defined by the NSFR rule to determine the Firm's eligible ASF and RSF. The figures reported in the "Average Unweighted Amount" columns reflect gross values that are not included in the calculation used to determine the Firm's compliance with NSFR rule requirements.

NSFR Quantitative Disclosures
Quarter ended 03/31/2023

\$ in millions		Average Unweighted Amount					Average Weighted Amount
		Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
ASF Item							
1	Capital and securities:	1	15,111	12,595	215,280	101,152	322,729
2	NSFR regulatory capital elements	-	-	-	12,895	101,152	114,047
3	Other capital elements and securities	1	15,111	12,595	202,385	-	208,682
4	Retail funding:	280,615	7,510	15,247	15,268	-	255,936
5	Stable deposits	8,544	-	-	-	-	8,117
6	Less stable deposits	82,841	-	-	-	-	74,557
7	Sweep deposits, brokered reciprocal deposits, and brokered deposits	170,151	7,406	15,247	14,422	-	163,248
8	Other retail funding	19,079	104	-	847	-	10,015
9	Wholesale funding:	177,176	49,141	17,672	20,537	-	61,253
10	Operational deposits	-	-	-	-	-	-
11	Other wholesale funding	177,176	49,141	17,672	20,537	-	61,253
Other liabilities:							
12	NSFR derivatives liability amount					243	
13	Total derivatives liability amount					41,004	
14	All other liabilities not included in the above categories	97,607	63,650	455	13,223	-	-
15	Total ASF¹						553,056
RSF Item							
16	Total high-quality liquid assets (HQLA)	70,269	30,180	15,422	223,049	9,557	21,058
17	Level 1 liquid assets	66,395	29,446	14,991	134,119	25	-
18	Level 2A liquid assets	292	450	396	86,424	129	13,154
19	Level 2B liquid assets	3,582	283	35	2,505	9,403	7,905
20	Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	6,169	2,622	32	5,572	-	-
21	Operational deposits placed at financial sector entities or their consolidated subsidiaries	1,240	-	-	-	-	620
22	Loans and securities:	241,471	163,351	22,666	167,735	71,333	298,559
23	Loans to financial sector entities secured by level 1 liquid assets	10,083	99,668	1,473	106	-	874
24	Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	122,312	41,833	10,840	21,472	-	51,514
25	Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	104,999	21,412	10,341	64,709	-	123,380
26	Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	11,843	2,916	196	-	-	7,478
27	Retail mortgages	1	-	-	54,606	-	35,494
28	Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	1	-	-	54,606	-	35,494
29	Securities that do not qualify as HQLA	4,077	438	12	26,843	71,333	87,297
Other assets:							
30	Commodities					2,537	2,156
31	Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements					43,632	37,068
32	NSFR derivatives asset amount					3,532	3,532
33	Total derivatives asset amount					44,294	
34	RSF for potential derivatives portfolio valuation changes					96,028	4,801
35	All other assets not included in the above categories, including nonperforming assets	5,066	6,710	1,946	45,738	37,254	92,275
36	Undrawn commitments					157,033	7,852
37	Total RSF prior to application of required stable funding adjustment percentage						467,923
38	Required stable funding adjustment percentage						100%
39	Total adjusted RSF						467,923
40	Net Stable Funding Ratio (%)						118%

¹ Total ASF excludes ASF held at subsidiaries after accounting for NSFR restrictions related to the transferability of ASF across subsidiaries.

NSFR Quantitative Disclosures
Quarter ended 06/30/2023

\$ in millions		Average Unweighted Amount					Average Weighted Amount
		Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
ASF Item							
1	Capital and securities:	-	14,939	17,958	213,510	101,440	323,929
2	NSFR regulatory capital elements	-	-	-	13,250	101,440	114,690
3	Other capital elements and securities	-	14,939	17,958	200,260	-	209,238
4	Retail funding:	260,266	14,032	16,647	25,857	-	247,584
5	Stable deposits	8,724	-	-	-	-	8,288
6	Less stable deposits	81,909	-	-	-	-	73,718
7	Sweep deposits, brokered reciprocal deposits, and brokered deposits	151,288	13,936	16,647	24,085	-	155,472
8	Other retail funding	18,345	96	-	1,772	-	10,106
9	Wholesale funding:	172,067	48,035	18,402	19,735	-	59,060
10	Operational deposits	-	-	-	-	-	-
11	Other wholesale funding	172,067	48,035	18,402	19,735	-	59,060
Other liabilities:							
12	NSFR derivatives liability amount	-	-	-	-	-	-
13	Total derivatives liability amount	-	-	-	-	38,534	-
14	All other liabilities not included in the above categories	104,265	61,247	553	12,741	-	-
15	Total ASF¹						556,203
RSF Item							
16	Total high-quality liquid assets (HQLA)	64,518	24,592	17,632	224,119	9,803	19,907
17	Level 1 liquid assets	61,399	24,029	17,166	141,566	91	-
18	Level 2A liquid assets	38	172	425	79,825	395	12,128
19	Level 2B liquid assets	3,080	391	41	2,728	9,316	7,779
20	Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	5,105	2,981	38	6,341	-	-
21	Operational deposits placed at financial sector entities or their consolidated subsidiaries	2,375	-	-	-	-	1,188
22	Loans and securities:	233,358	167,681	27,470	177,055	71,007	308,297
23	Loans to financial sector entities secured by level 1 liquid assets	6,404	99,672	1,924	298	-	1,269
24	Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	119,001	44,843	11,009	22,698	-	52,779
25	Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	104,694	22,676	14,518	64,665	-	125,898
26	Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	13,615	3,889	680	55	-	9,127
27	Retail mortgages	1	-	-	55,966	-	36,378
28	Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	1	-	-	55,966	-	36,378
29	Securities that do not qualify as HQLA	3,259	490	18	33,429	71,007	91,973
Other assets:							
30	Commodities	-	-	-	-	2,419	2,056
31	Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements	-	-	-	-	41,417	35,168
32	NSFR derivatives asset amount	-	-	-	-	5,554	5,554
33	Total derivatives asset amount	-	-	-	-	44,088	-
34	RSF for potential derivatives portfolio valuation changes	-	-	-	-	89,264	4,463
35	All other assets not included in the above categories, including nonperforming assets	4,836	5,490	3,327	41,538	37,125	87,315
36	Undrawn commitments	-	-	-	-	163,648	8,182
37	Total RSF prior to application of required stable funding adjustment percentage						472,130
38	Required stable funding adjustment percentage						100%
39	Total adjusted RSF						472,130
40	Net Stable Funding Ratio (%)						118%

¹ Total ASF excludes ASF held at subsidiaries after accounting for NSFR restrictions related to the transferability of ASF across subsidiaries.