

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

*For the quarterly period ended September 30, 2021*

Commission File Number 1-11758

**Morgan Stanley**

(Exact name of Registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>1585 Broadway</b> <b>New York, NY 10036</b> (Address of principal executive offices, including zip code)	<b>36-3145972</b> (I.R.S. Employer Identification No.)	<b>(212) 761-4000</b> (Registrant's telephone number, including area code)
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**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value	MS	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series A, \$0.01 par value	MS/PA	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series E, \$0.01 par value	MS/PE	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series F, \$0.01 par value	MS/PF	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I, \$0.01 par value	MS/PI	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, \$0.01 par value	MS/PK	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 4.875% Non-Cumulative Preferred Stock, Series L, \$0.01 par value	MS/PL	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 4.250% Non-Cumulative Preferred Stock, Series O, \$0.01 par value	MS/PO	New York Stock Exchange
Global Medium-Term Notes, Series A, Fixed Rate Step-Up Senior Notes Due 2026 of Morgan Stanley Finance LLC (and Registrant's guarantee with respect thereto)	MS/26C	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 29, 2021, there were 1,794,411,954 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

## QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2021

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### Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains a website, [www.sec.gov](http://www.sec.gov), that contains annual, quarterly and current reports, proxy and information statements and other information that issuers file electronically with the SEC. Our electronic SEC filings are available to the public at the SEC's website.

Our website is [www.morganstanley.com](http://www.morganstanley.com). You can access our Investor Relations webpage at [www.morganstanley.com/about-us-ir](http://www.morganstanley.com/about-us-ir). We make available free of charge, on or through our Investor Relations webpage, our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also make available, through our Investor Relations webpage, via a link to the SEC's website, statements of beneficial ownership of our equity securities filed by our directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

You can access information about our corporate governance at [www.morganstanley.com/about-us-governance](http://www.morganstanley.com/about-us-governance), our sustainability initiatives at [www.morganstanley.com/about-us/sustainability-at-morgan-stanley](http://www.morganstanley.com/about-us/sustainability-at-morgan-stanley) and our commitment to diversity and inclusion at [www.morganstanley.com/about-us/diversity](http://www.morganstanley.com/about-us/diversity). Our webpages include:

- Amended and Restated Certificate of Incorporation;
- Amended and Restated Bylaws;
- Charters for our Audit Committee, Compensation, Management Development and Succession Committee, Nominating and Governance Committee, Operations and Technology Committee, and Risk Committee;
- Corporate Governance Policies;
- Policy Regarding Corporate Political Activities;
- Policy Regarding Shareholder Rights Plan;
- Equity Ownership Commitment;
- Code of Ethics and Business Conduct;
- Code of Conduct;
- Integrity Hotline Information;
- Environmental and Social Policies;
- Sustainability Report;
- Task Force on Climate-related Financial Disclosures Report; and
- Diversity and Inclusion Report.

Our Code of Ethics and Business Conduct applies to all directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Deputy Chief Financial Officer. We will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange LLC ("NYSE") on our website. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 1585 Broadway, New York, NY 10036 (212-761-4000). The information on our website is not incorporated by reference into this report.

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

### Introduction

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, 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,” “Firm,” “us,” “we” or “our” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries. Disclosures reflect the effects of the acquisitions of E\*TRADE Financial Corporation (“E\*TRADE”) and Eaton Vance Corp. (“Eaton Vance”) prospectively from the acquisition dates, October 2, 2020 and March 1, 2021, respectively. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Form 10-Q.

A description of the clients and principal products and services of each of our business segments is as follows:

Institutional Securities provides a variety of products and services to corporations, governments, financial institutions and ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending securities-based and other financing to customers. Other activities include research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: financial advisor-led brokerage and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, alternatives and solutions, and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

Management's Discussion and Analysis includes certain metrics that we believe to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an additional means of assessing, our financial condition and operating results. Such metrics, when used, are defined and may be different from or inconsistent with metrics used by other companies.

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; risk factors; legislative, legal and regulatory developments; and other factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see “Forward-Looking Statements,” “Business—Competition,” “Business—Supervision and Regulation,” and “Risk Factors” in the 2020 Form 10-K, and “Liquidity and Capital Resources—Regulatory Requirements” herein.

## Management’s Discussion and Analysis

### Executive Summary

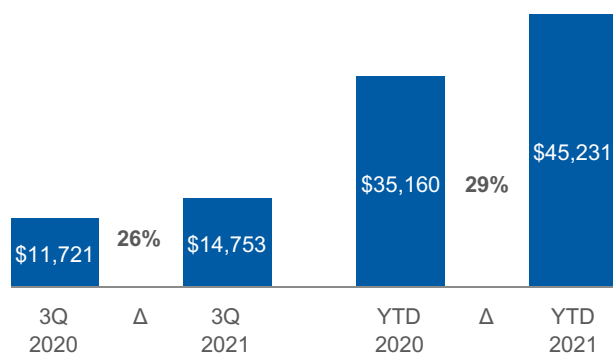
#### Overview of Financial Results

##### Consolidated Results—Three Months Ended September 30, 2021

- Firm net revenues of \$14.8 billion and net income of \$3.7 billion increased more than 25% from the prior year quarter, reflecting strong performance across all business segments and regions.
- The Firm delivered an annualized ROTCE of 19.6% or 20.2% excluding the impact of integration-related expenses (see “Selected Non-GAAP Financial Information” herein).
- The Firm expense efficiency ratio was 67% or 66% excluding the impact of integration-related expenses (see “Selected Non-GAAP Financial Information” herein).
- At September 30, 2021, our standardized Common Equity Tier 1 capital ratio was 16.0%.
- Institutional Securities Net revenues of \$7.5 billion reflect record Investment Banking revenues, led by Advisory, continued strong performance in Equity, and solid results in Fixed income.
- Wealth Management delivered a pre-tax margin of 25.8% or 27.7% excluding integration-related expenses (see “Selected Non-GAAP Financial Information” herein). Results reflect record asset management revenues, continued growth in bank lending. The business added record net new assets of \$135 billion representing a year-to-date 10% annualized growth rate from beginning period assets.
- Investment Management results reflect an increase in fee-based asset management revenues on AUM of \$1.5 trillion.

##### Net Revenues<sup>1</sup>

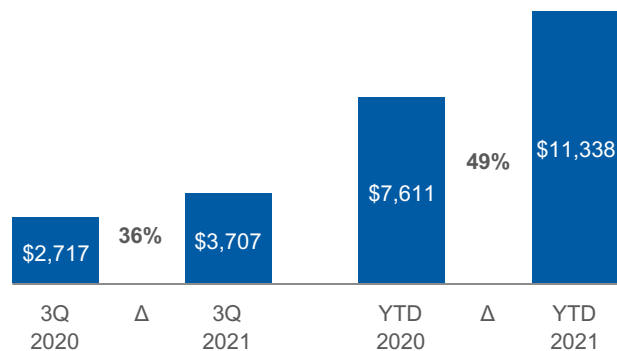
(\$ in millions)



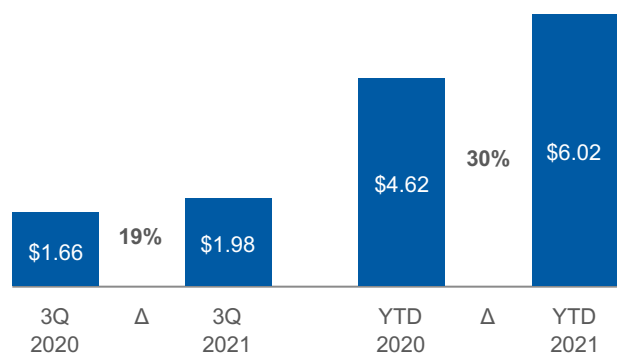
1. Certain prior period amounts have been reclassified to conform to the current presentation. See “Business Segments” herein and Note 1 to the financial statements for more information.

##### Net Income Applicable to Morgan Stanley

(\$ in millions)



##### Earnings per Diluted Common Share<sup>1</sup>



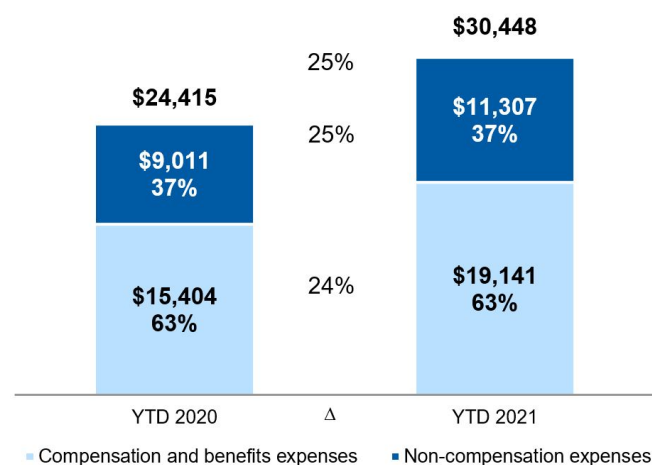
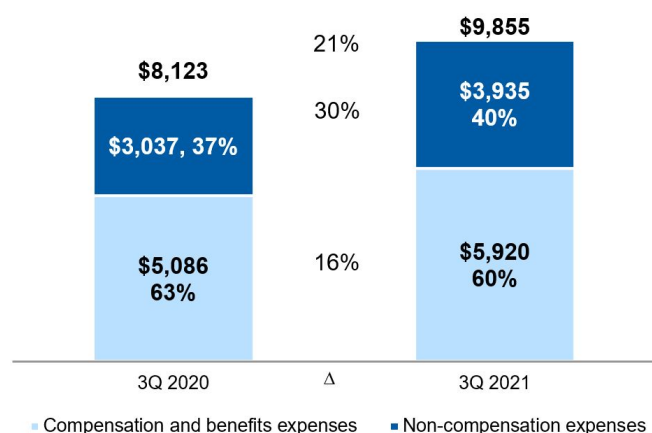
1. Adjusted Diluted EPS for the current quarter and the current year period were \$2.04 and \$6.15, respectively (see “Selected Non-GAAP Financial Information” herein).

We reported net revenues of \$14.8 billion in the quarter ended September 30, 2021 (“current quarter,” or “3Q 2021”), compared with \$11.7 billion in the quarter ended September 30, 2020 (“prior year quarter,” or “3Q 2020”). For the current quarter, net income applicable to Morgan Stanley was \$3.7 billion, or \$1.98 per diluted common share, compared with \$2.7 billion or \$1.66 per diluted common share, in the prior year quarter.

We reported net revenues of \$45.2 billion in the nine months ended September 30, 2021 (“current year period,” or “YTD 2021”), compared with \$35.2 billion in the period ended September 30, 2020 (“prior year period,” or “YTD 2020”). For the current period, net income applicable to Morgan Stanley was \$11.3 billion, or \$6.02 per diluted common share, compared with \$7.6 billion or \$4.62 per diluted common share, in the prior year period.

**Non-interest Expenses<sup>1,2</sup>**

(\$ in millions)



1. The percentages on the bars in the chart represent the contribution of compensation and benefits expenses and non-compensation expenses to the total.  
 2. Certain prior period amounts have been reclassified to conform to the current presentation. See “Business Segments” herein and Note 1 to the financial statements for more information.

- Compensation and benefits expenses of \$5,920 million in the current quarter increased 16% from the prior year quarter, primarily as a result of increases in the formulaic payout to Wealth Management representatives, incremental compensation as a result of the E\*TRADE and Eaton Vance acquisitions, higher discretionary incentive compensation driven by revenues, and higher salaries on increased headcount, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.

Compensation and benefits expenses of \$19,141 million in the current year period increased 24% from the prior year period, primarily as a result of an increase in the formulaic payout to Wealth Management representatives, incremental compensation as a result of the E\*TRADE and Eaton Vance acquisitions, higher discretionary incentive compensation driven by revenues, higher expenses related to certain deferred compensation plans linked to the Firm's share price, and higher salaries on increased headcount.

- Non-compensation expenses of \$3,935 million in the current quarter increased 30% from the prior year quarter, primarily due to incremental expenses as a result of the E\*TRADE and Eaton Vance acquisitions, in addition to higher volume-related expenses and increased investments in technology.

Non-compensation expenses of \$11,307 million in the current year period increased 25% from the prior year period, primarily driven by incremental expenses as a result of the E\*TRADE and Eaton Vance acquisitions, higher volume-related expenses, increased investments in technology and higher professional services expenses, partially offset by lower litigation expenses.

**Provision for Credit Losses**

The Provision for credit losses on loans and lending commitments in the current quarter was \$24 million, primarily driven by growth in corporate lending commitments. The Provision for credit losses on loans and lending commitments of \$111 million in the prior year quarter was primarily driven by the risks related to vulnerable sectors and higher downgrade sensitivity, and changes in asset quality trends.

The Provision for credit losses on loans and lending commitments in the current year period was flat, primarily as a result of paydowns on corporate loans, including by lower-rated borrowers, offset by the provision for one secured lending facility in the second quarter of 2021. The Provision for credit losses on loans and lending commitments of \$757 million in the prior year period was primarily driven by the risks related to vulnerable sectors and higher downgrade sensitivity, changes in asset quality trends, and deterioration in the expected macroeconomic environment at that time.

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

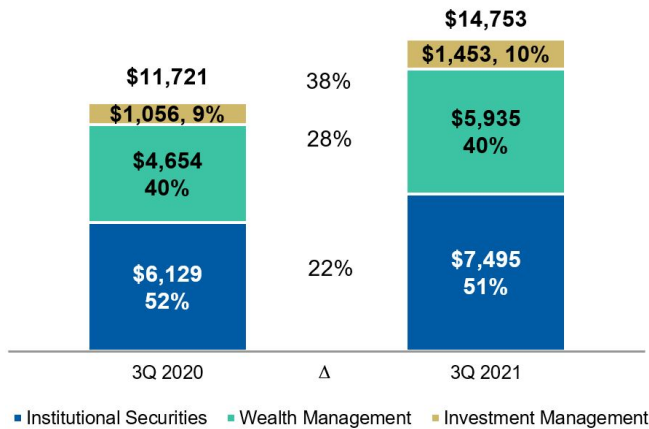
**Income Taxes**

The Firm’s effective tax rate of 23.6% is higher than the prior year quarter which included a net discrete tax benefit from the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of tax examinations in certain jurisdictions.

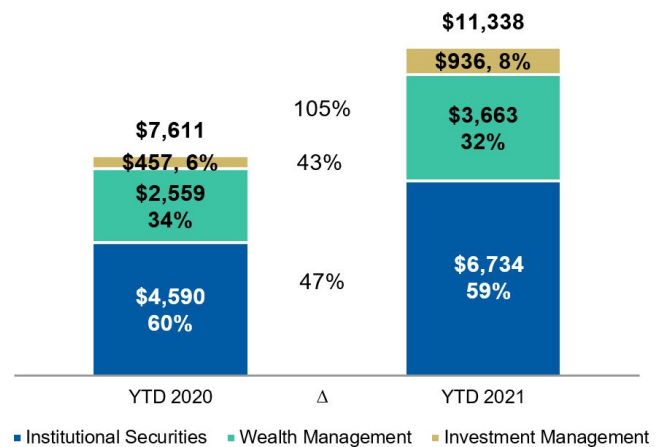
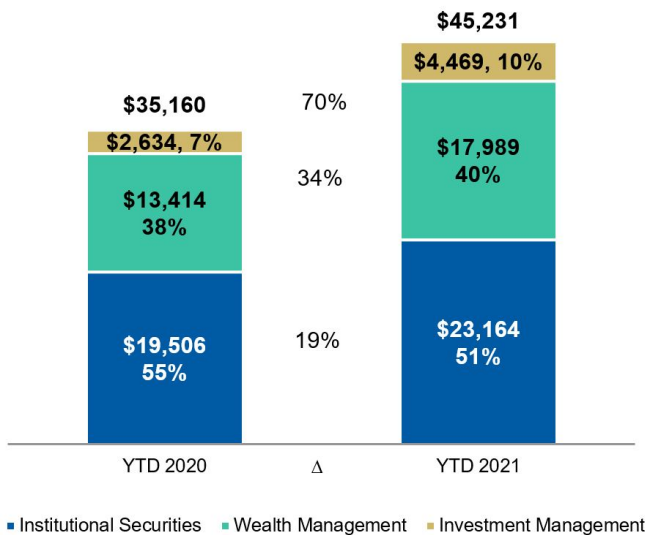
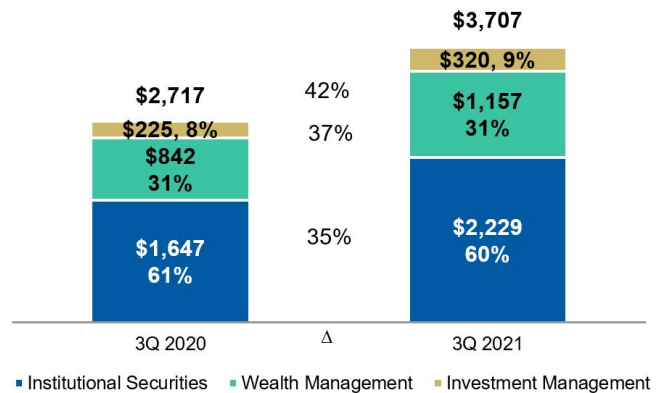


**Business Segment Results**

**Net Revenues by Segment<sup>1, 2</sup>**  
(\$ in millions)



**Net Income Applicable to Morgan Stanley by Segment<sup>1</sup>**  
(\$ in millions)



1. The percentages on the bars in the charts represent the contribution of each business segment to the total of the applicable financial category and may not sum to 100% due to intersegment eliminations. See Note 20 to the financial statements for details of intersegment eliminations.

2. Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for more information.

- Institutional Securities net revenues of \$7,495 million in the current quarter increased 22% from the prior year quarter, primarily reflecting higher Advisory and Equity business revenues. Net revenues of \$23,164 million in the current year period increased 19% from the prior year period, primarily reflecting higher Investment Banking and Equity business revenues.
- Wealth Management net revenues of \$5,935 million in the current quarter increased 28% from the prior year quarter and net revenues of \$17,989 million in the current year period increased 34% from the prior year period, both primarily due to higher Asset management revenues and incremental revenues as a result of the E\*TRADE acquisition.

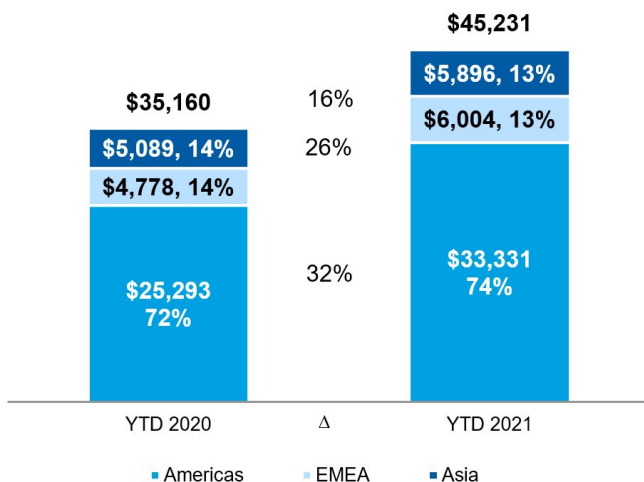
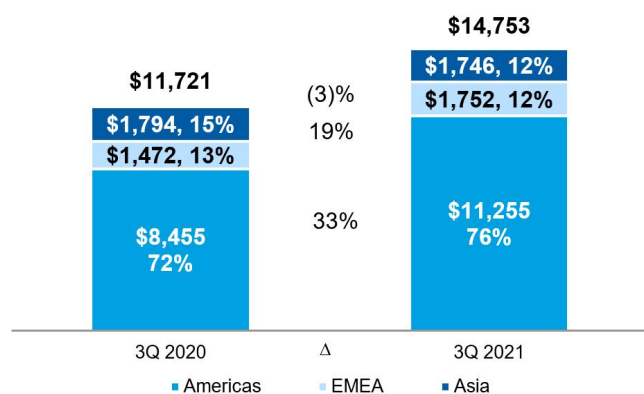
## Management's Discussion and Analysis

- Investment Management net revenues of \$1,453 million in the current quarter increased 38% from the prior year quarter, primarily due to higher Asset management and related fees, including incremental revenues related to the Eaton Vance acquisition, partially offset by lower Performance-based income and other revenues.

Investment Management net revenues of \$4,469 million in the current year period increased 70% from the prior year period, primarily due to higher Asset management and related fees, including incremental revenues related to the Eaton Vance acquisition.

### Net Revenues by Region<sup>1, 2, 3</sup>

(\$ in millions)



- The percentages on the bars in the charts represent the contribution of each region to the total.
- For a discussion of how the geographic breakdown of net revenues is determined, see Note 20 to the financial statements in the 2020 Form 10-K.
- Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for more information.

Americas net revenues in the current quarter increased 33% from the prior year quarter, primarily driven by the Wealth Management business segment, the Investment banking business within the Institutional Securities business segment, and the Investment Management business segment. EMEA net revenues increased 19% from the prior year quarter, primarily driven by the Equity and Investment banking businesses within the Institutional Securities business segment. Asia net revenues decreased 3% from the prior year quarter, primarily driven by the Investment Management business segment, partially offset by an increase in the Equity business within the Institutional Securities business segment.

Americas net revenues in the current year period increased 32% from the prior year period, driven by increases across all business segments. EMEA net revenues increased 26% from the prior year period, primarily driven by the Investment banking and Equity businesses within the Institutional Securities business segment. Asia net revenues increased 16% from the prior year period, primarily driven by the Equity business within the Institutional Securities business segment, partially offset by a decrease in the Investment Management business segment.

### Selected Financial Information and Other Statistical Data

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Consolidated results</b>				
Net revenues <sup>1</sup>	\$14,753	\$11,721	\$45,231	\$35,160
Earnings applicable to Morgan Stanley common shareholders	\$ 3,584	\$ 2,597	\$10,974	\$ 7,234
Earnings per diluted common share	\$ 1.98	\$ 1.66	\$ 6.02	\$ 4.62
<b>Consolidated financial measures</b>				
Expense efficiency ratio <sup>1, 2</sup>	67 %	69 %	67 %	69 %
Adjusted expense efficiency ratio <sup>1, 2, 4</sup>	66 %	69 %	67 %	69 %
ROE <sup>3</sup>	14.5 %	13.2 %	15.1 %	12.6 %
Adjusted ROE <sup>3, 4</sup>	15.0 %	13.2 %	15.4 %	12.6 %
ROTCE <sup>3, 4</sup>	19.6 %	15.0 %	19.7 %	14.3 %
Adjusted ROTCE <sup>3, 4</sup>	20.2 %	15.0 %	20.2 %	14.3 %
Pre-tax margin <sup>1, 5</sup>	33 %	30 %	33 %	28 %
Effective tax rate	23.6 %	21.1 %	22.9 %	22.2 %
<b>Pre-tax margin by segment<sup>5</sup></b>				
Institutional Securities <sup>1</sup>	40 %	33 %	38 %	31 %
Wealth Management <sup>1</sup>	26 %	24 %	26 %	25 %
Wealth Management, adjusted <sup>1, 4</sup>	28 %	24 %	28 %	25 %
Investment Management	25 %	30 %	26 %	26 %
Investment Management, adjusted <sup>4</sup>	28 %	30 %	28 %	26 %



## Management's Discussion and Analysis

<i>in millions, except per share and employee data</i>	At September 30, 2021	At December 31, 2020
Liquidity resources <sup>6</sup>	\$ 346,289	\$ 338,623
Loans <sup>7</sup>	\$ 188,274	\$ 161,745
Total assets	\$ 1,190,476	\$ 1,115,862
Deposits	\$ 329,041	\$ 310,782
Borrowings	\$ 229,762	\$ 217,079
Common shareholders' equity	\$ 98,153	\$ 92,531
Tangible common shareholders' equity <sup>4</sup>	\$ 72,808	\$ 75,916
Common shares outstanding	1,799	1,810
Book value per common share <sup>8</sup>	\$ 54.56	\$ 51.13
Tangible book value per common share <sup>4,8</sup>	\$ 40.47	\$ 41.95
Worldwide employees <sup>9</sup> (in thousands)	74	68
<b>Capital Ratios<sup>10</sup></b>		
Common Equity Tier 1 capital—Standardized	16.0 %	17.4 %
Tier 1 capital—Standardized	17.6 %	19.4 %
Common Equity Tier 1 capital—Advanced	17.2 %	17.7 %
Tier 1 capital—Advanced	18.9 %	19.8 %
Tier 1 leverage	7.3 %	8.4 %
SLR <sup>11</sup>	5.7 %	7.4 %

- Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for more information.
- The expense efficiency ratio represents total non-interest expenses as a percentage of net revenues.
- ROE and ROTCE represent annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively.
- Represents a non-GAAP financial measure. See "Selected Non-GAAP Financial Information" herein.
- Pre-tax margin represents income before income taxes as a percentage of net revenues.
- For a discussion of Liquidity resources, see "Liquidity and Capital Resources—Liquidity Risk Management Framework—Liquidity Resources" herein.
- Includes loans at held for investment, net of ACL, loans held for sale, and also includes loans at fair value, which are included in Trading assets in the balance sheets. Prior period amounts have been revised to conform to the current presentation.
- Book value per common share and tangible book value per common share equal common shareholders' equity and tangible common shareholders' equity, respectively, divided by common shares outstanding.
- As of September 30, 2021, the number of employees includes Eaton Vance.
- For a discussion of our capital ratios, see "Liquidity and Capital Resources—Regulatory Requirements" herein.
- At December 31, 2020, our SLR reflects the impact of a Federal Reserve interim final rule that was in effect until March 31, 2021. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments and Other Matters" herein.

### Coronavirus Disease ("COVID-19") Pandemic

Since its onset, the COVID-19 pandemic has had a significant impact on global economic conditions and the environment in which we operate our businesses and it may continue to do so in the future. The Firm continues to be fully operational with an increasing number of employees now working from the office on a regular basis. We may adjust our return to office plans as deemed necessary, recognizing that local conditions vary for our offices around the world and that the trajectory of the virus continues to be uncertain.

Refer to "Risk Factors" and "Forward-Looking Statements" in the 2020 Form 10-K for more information on the potential effects of the ongoing COVID-19 pandemic on our future operating results.

### Selected Non-GAAP Financial Information

We prepare our financial statements using U.S. GAAP. From time to time, we may disclose certain "non-GAAP financial measures" in this document or in the course of our earnings releases, earnings and other conference calls, financial presentations, definitive proxy statement and otherwise. A "non-GAAP financial measure" excludes, or includes, amounts from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. We consider the non-GAAP financial measures we disclose to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an alternate means of assessing or comparing our financial condition, operating results and capital adequacy.

These measures are not in accordance with, or a substitute for, U.S. GAAP and may be different from or inconsistent with non-GAAP financial measures used by other companies. Whenever we refer to a non-GAAP financial measure, we will also generally define it or present the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, along with a reconciliation of the differences between the U.S. GAAP financial measure and the non-GAAP financial measure.

The principal non-GAAP financial measures presented in this document are set forth in the following tables.

#### Reconciliations from U.S. GAAP to Non-GAAP Consolidated Financial Measures

<i>\$ in millions, except per share data</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Earnings applicable to Morgan Stanley common shareholders</b>	<b>\$ 3,584</b>	<b>\$ 2,597</b>	<b>\$ 10,974</b>	<b>\$ 7,234</b>
Impact of adjustments:				
Integration-related expenses	145	—	310	—
Related tax benefit	(34)	—	(72)	—
Adjusted earnings applicable to Morgan Stanley common shareholders—non-GAAP <sup>1</sup>	\$ 3,695	\$ 2,597	\$ 11,212	\$ 7,234
<b>Earnings per diluted common share</b>	<b>\$ 1.98</b>	<b>\$ 1.66</b>	<b>\$ 6.02</b>	<b>\$ 4.62</b>
Impact of adjustments	0.06	—	0.13	—
Adjusted earnings per diluted common share—non-GAAP <sup>1</sup>	\$ 2.04	\$ 1.66	\$ 6.15	\$ 4.62
<b>Expense efficiency ratio<sup>2</sup></b>	<b>67 %</b>	<b>69 %</b>	<b>67 %</b>	<b>69 %</b>
Impact of adjustments	(1)%	— %	— %	— %
Adjusted expense efficiency ratio—non-GAAP <sup>1,2</sup>	66 %	69 %	67 %	69 %
<b>Wealth Management Pre-tax margin<sup>2</sup></b>	<b>26 %</b>	<b>24 %</b>	<b>26 %</b>	<b>25 %</b>
Impact of adjustments	2 %	— %	2 %	— %
Adjusted Wealth Management pre-tax margin—non-GAAP <sup>1,2</sup>	28 %	24 %	28 %	25 %
<b>Investment Management Pre-tax margin</b>	<b>25 %</b>	<b>30 %</b>	<b>26 %</b>	<b>26 %</b>
Impact of adjustments	3 %	— %	2 %	— %
Adjusted Investment Management pre-tax margin—non-GAAP <sup>1</sup>	28 %	30 %	28 %	26 %

## Management's Discussion and Analysis

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
<b>Tangible equity</b>		
Common shareholders' equity	\$ 98,153	\$ 92,531
Less: Goodwill and net intangible assets	(25,345)	(16,615)
<b>Tangible common shareholders' equity—non-GAAP</b>	<b>\$ 72,808</b>	<b>\$ 75,916</b>

<i>\$ in millions</i>	Average Monthly Balance			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Tangible equity</b>				
Common shareholders' equity	\$ 98,563	\$ 78,690	\$ 96,929	\$ 76,858
Less: Goodwill and net intangible assets	(25,433)	(9,260)	(22,836)	(9,248)
<b>Tangible common shareholders' equity—non-GAAP</b>	<b>\$ 73,130</b>	<b>\$ 69,430</b>	<b>\$ 74,093</b>	<b>\$ 67,610</b>

<i>\$ in billions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<b>Average common equity</b>			
Unadjusted—GAAP	\$ 98.6	\$ 78.7	\$ 96.9	\$ 76.9
Adjusted <sup>1</sup> —Non-GAAP	98.6	78.7	97.0	76.9
<b>ROE<sup>3</sup></b>				
Unadjusted—GAAP	14.5 %	13.2 %	15.1 %	12.6 %
Adjusted <sup>1</sup> —Non-GAAP	15.0 %	13.2 %	15.4 %	12.6 %
<b>Average tangible common equity—Non-GAAP</b>				
Unadjusted	\$ 73.1	\$ 69.4	\$ 74.1	\$ 67.6
Adjusted <sup>1</sup>	73.2	69.4	74.2	67.6
<b>ROTCE<sup>3</sup>—Non-GAAP</b>				
Unadjusted	19.6 %	15.0 %	19.7 %	14.3 %
Adjusted <sup>1</sup>	20.2 %	15.0 %	20.2 %	14.3 %

### Non-GAAP Financial Measures by Business Segment

<i>\$ in billions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Average common equity<sup>4</sup></b>				
Institutional Securities	\$ 43.5	\$ 42.8	\$ 43.5	\$ 42.8
Wealth Management	28.6	18.2	28.6	18.2
Investment Management	10.7	2.6	8.2	2.6
<b>ROE<sup>5</sup></b>				
Institutional Securities	20 %	15 %	20 %	13 %
Wealth Management	16 %	18 %	17 %	18 %
Investment Management	12 %	34 %	15 %	23 %
<b>Average tangible common equity<sup>4</sup></b>				
Institutional Securities	\$ 42.9	\$ 42.3	\$ 42.9	\$ 42.3
Wealth Management	13.4	10.4	13.4	10.4
Investment Management	1.0	1.7	1.0	1.7
<b>ROTCE<sup>5</sup></b>				
Institutional Securities	20 %	15 %	20 %	14 %
Wealth Management	34 %	31 %	35 %	32 %
Investment Management	161 %	53 %	128 %	36 %

- Adjusted amounts exclude the effect of costs related to the integrations of E\*TRADE and Eaton Vance, net of tax as appropriate. The pre-tax adjustments in the current quarter were as follows: Wealth Management—Compensation expenses of \$9 million and Non-compensation expenses of \$104 million; Investment Management—Compensation expenses of \$10 million and Non-compensation expenses of \$22 million. The pre-tax adjustments in the current year period were as follows: Wealth Management—Compensation expenses of \$48 million and Non-compensation expenses of \$189 million; Investment Management—Compensation expenses of \$29 million and Non-compensation expenses of \$44 million.
- Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for more information.
- ROE and ROTCE represent earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively. When excluding integration-related costs, both the numerator and average denominator are adjusted.
- Average common equity and average tangible common equity for each business segment is determined using our Required Capital framework (see "Liquidity and Capital Resources—Regulatory Requirements—Attribution of Average Common Equity According to the Required Capital Framework" herein). The sums of the segments' Average common equity and Average tangible common equity do not equal the Consolidated measures due to Parent equity.
- The calculation of ROE and ROTCE by segment uses net income applicable to Morgan Stanley by segment less preferred dividends allocated to each segment as a percentage of average common equity and average tangible common equity, respectively, allocated to each segment.

### Return on Tangible Common Equity Target

In January 2021, we established a 2-year ROTCE Target of 14% to 16%, excluding integration-related expenses.

Our ROTCE Target is a forward-looking statement that was based on a normal market environment and may be materially affected by many factors, including, among other things: macroeconomic and market conditions, which may be impacted by the future course of COVID-19; legislative, accounting, tax and regulatory developments; industry trading and investment banking volumes; equity market levels; interest rate environment; outsized legal expenses or penalties; the ability to control expenses; capital levels; and mergers and acquisitions.

See "Risk Factors" in the 2020 Form 10-K for further information on market and economic conditions and their potential effects on our future operating results.

## Management's Discussion and Analysis

For further information on non-GAAP measures (ROTCE excluding integration-related expenses), see "Selected Non-GAAP Financial Information" herein.

combined the remaining revenue lines into a new category named Performance-based income and other.

### Business Segments

Substantially all of our operating revenues and operating expenses are directly attributable to our business segments. Certain revenues and expenses have been allocated to each business segment, generally in proportion to its respective net revenues, non-interest expenses or other relevant measures. See Note 20 to the financial statements for segment net revenues by income statement line item and information on intersegment transactions.

For an overview of the components of our business segments, net revenues, compensation expense and income taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments" in the 2020 Form 10-K.

As part of our effort to continually improve the transparency and comparability of our external financial reporting, several updates to our financial presentation were implemented in the first quarter of 2021. Prior period amounts have been reclassified to conform to the current presentation.

### Provision for credit losses

The Provision for credit losses for loans and lending commitments is presented as a separate line in the income statements. Previously, the provision for credit losses for loans was included in Other revenues and the provision for credit losses for lending commitments was included in Other expense.

### Other revenues

Gains and losses on economic derivative hedges associated with certain held-for-sale and held-for-investment corporate loans, which were previously reported in Trading revenues, are reported within Other revenues in the income statements. This presentation better aligns with the recognition of mark-to-market gains and losses on held-for-sale loans which continue to be reported in Other revenues.

### Institutional Securities

Equity—Financing, Equity—Execution services and Fixed income include certain Investments and Other revenues to the extent directly attributable to those businesses. The remaining Investments and Other revenues not included in those businesses' results are reported in Other. Other also includes revenues previously reported as Other Sales and Trading.

### Investment Management

We have renamed the previously disclosed revenue line Asset management to Asset management and related fees and have

**Institutional Securities**
**Income Statement Information**

\$ in millions	Three Months Ended September 30,		% Change
	2021	2020	
<b>Revenues</b>			
Advisory	\$ 1,272	\$ 357	N/M
Equity	1,010	874	16 %
Fixed income	567	476	19 %
Total Underwriting	1,577	1,350	17 %
Total Investment banking	2,849	1,707	67 %
Equity <sup>1</sup>	2,876	2,311	24 %
Fixed income <sup>1</sup>	1,640	1,954	(16)%
Other <sup>1</sup>	130	157	(17)%
<b>Net revenues</b>	<b>\$ 7,495</b>	<b>\$ 6,129</b>	<b>22 %</b>
<b>Provision for credit losses<sup>1</sup></b>	<b>24</b>	<b>113</b>	<b>(79)%</b>
Compensation and benefits	2,248	2,001	12 %
Non-compensation expenses <sup>1</sup>	2,250	1,967	14 %
<b>Total non-interest expenses<sup>1</sup></b>	<b>4,498</b>	<b>3,968</b>	<b>13 %</b>
Income before provision for income taxes	2,973	2,048	45 %
Provision for income taxes	713	385	85 %
Net income	2,260	1,663	36 %
Net income applicable to noncontrolling interests	31	16	94 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,229</b>	<b>\$ 1,647</b>	<b>35 %</b>

\$ in millions	Nine Months Ended September 30,		% Change
	2021	2020	
<b>Revenues</b>			
Advisory	\$ 2,416	\$ 1,181	105 %
Equity	3,584	2,092	71 %
Fixed income	1,838	1,629	13 %
Total Underwriting	5,422	3,721	46 %
Total Investment banking	7,838	4,902	60 %
Equity <sup>1</sup>	8,578	7,387	16 %
Fixed income <sup>1</sup>	6,288	7,057	(11)%
Other <sup>1</sup>	460	160	188 %
<b>Net revenues<sup>1</sup></b>	<b>\$ 23,164</b>	<b>\$ 19,506</b>	<b>19 %</b>
<b>Provision for credit losses<sup>1</sup></b>	<b>1</b>	<b>718</b>	<b>(100)%</b>
Compensation and benefits	7,795	6,767	15 %
Non-compensation expenses <sup>1</sup>	6,526	6,030	8 %
<b>Total non-interest expenses<sup>1</sup></b>	<b>14,321</b>	<b>12,797</b>	<b>12 %</b>
Income before provision for income taxes	8,842	5,991	48 %
Provision for income taxes	2,023	1,326	53 %
Net income	6,819	4,665	46 %
Net income applicable to noncontrolling interests	85	75	13 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 6,734</b>	<b>\$ 4,590</b>	<b>47 %</b>

1. Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for additional information.

**Investment Banking**
**Investment Banking Volumes**

\$ in billions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Completed mergers and acquisitions <sup>1</sup>	\$ 352	\$ 110	\$ 732	\$ 662
Equity and equity-related offerings <sup>2,3</sup>	22	26	92	75
Fixed income offerings <sup>2,4</sup>	73	93	284	308

Source: Refinitiv data as of October 1, 2021. Transaction volumes may not be indicative of net revenues in a given period. In addition, transaction volumes for prior periods may vary from amounts previously reported due to the subsequent withdrawal, change in value or change in timing of certain transactions.

1. Includes transactions of \$100 million or more. Based on full credit to each of the advisors in a transaction.
2. Based on full credit for single book managers and equal credit for joint book managers.
3. Includes Rule 144A issuances and registered public offerings of common stock, convertible securities and rights offerings.
4. Includes Rule 144A and publicly registered issuances, non-convertible preferred stock, mortgage-backed and asset-backed securities, and taxable municipal debt. Excludes leveraged loans and self-led issuances.

**Investment Banking Revenues**

Revenues of \$2,849 million in the current quarter increased 67% compared with the prior year quarter, primarily reflecting increases in advisory and equity underwriting.

- Advisory revenues increased primarily driven by higher completed transactions.
- Equity underwriting revenues increased, primarily in initial public offerings, secondary block share trades, and private placement offerings, partially offset by lower revenues from other equity offerings.
- Fixed income underwriting revenues increased primarily due to higher non-investment grade loan issuances and securitized products revenues, partially offset by lower investment grade bond issuances.

Revenues of \$7,838 million in the current year period increased 60% compared with the prior year period, primarily reflecting increases in equity underwriting and advisory revenues.

- Advisory revenues increased primarily due to higher completed transactions.
- Equity underwriting revenues increased on higher volumes, primarily in initial public offerings, secondary block share trades, and private placement offerings, partially offset by lower revenues from convertible issuances.
- Fixed income underwriting revenues increased primarily due to higher non-investment grade loan issuances and securitized products revenues, partially offset by a decrease investment grade bond issuances.

See "Investment Banking Volumes" herein.

## Management's Discussion and Analysis

### Equity, Fixed Income and Other Net Revenues

#### Equity and Fixed Income Net Revenues

\$ in millions	Three Months Ended September 30, 2021				
	Trading	Fees <sup>1</sup>	Net Interest <sup>2</sup>	All Other <sup>3</sup>	Total
Financing	\$ 1,204	\$ 123	\$ 130	\$ 1	\$ 1,458
Execution services	832	612	(62)	36	1,418
<b>Total Equity</b>	<b>\$ 2,036</b>	<b>\$ 735</b>	<b>\$ 68</b>	<b>\$ 37</b>	<b>\$ 2,876</b>
<b>Total Fixed Income</b>	<b>\$ 1,029</b>	<b>\$ 75</b>	<b>\$ 479</b>	<b>\$ 57</b>	<b>\$ 1,640</b>

\$ in millions	Three Months Ended September 30, 2020 <sup>4</sup>				
	Trading	Fees <sup>1</sup>	Net Interest <sup>2</sup>	All Other <sup>3</sup>	Total
Financing	\$ 929	\$ 108	\$ 116	\$ —	\$ 1,153
Execution services	606	580	(77)	49	1,158
<b>Total Equity</b>	<b>\$ 1,535</b>	<b>\$ 688</b>	<b>\$ 39</b>	<b>\$ 49</b>	<b>\$ 2,311</b>
<b>Total Fixed Income</b>	<b>\$ 1,420</b>	<b>\$ 65</b>	<b>\$ 442</b>	<b>\$ 27</b>	<b>\$ 1,954</b>

\$ in millions	Nine Months Ended September 30, 2021				
	Trading	Fees <sup>1</sup>	Net Interest <sup>2</sup>	All Other <sup>3</sup>	Total
Financing	\$ 2,987	\$ 374	\$ 429	\$ 7	\$ 3,797
Execution services	2,764	2,048	(169)	138	4,781
<b>Total Equity</b>	<b>\$ 5,751</b>	<b>\$ 2,422</b>	<b>\$ 260</b>	<b>\$ 145</b>	<b>\$ 8,578</b>
<b>Total Fixed Income</b>	<b>\$ 4,490</b>	<b>\$ 228</b>	<b>\$ 1,335</b>	<b>\$ 235</b>	<b>\$ 6,288</b>

\$ in millions	Nine Months Ended September 30, 2020 <sup>4</sup>				
	Trading	Fees <sup>1</sup>	Net Interest <sup>2</sup>	All Other <sup>3</sup>	Total
Financing	\$ 2,847	\$ 325	\$ 172	\$ 4	\$ 3,348
Execution services	2,134	2,014	(189)	80	4,039
<b>Total Equity</b>	<b>\$ 4,981</b>	<b>\$ 2,339</b>	<b>\$ (17)</b>	<b>\$ 84</b>	<b>\$ 7,387</b>
<b>Total Fixed Income</b>	<b>\$ 5,661</b>	<b>\$ 234</b>	<b>\$ 1,274</b>	<b>\$ (112)</b>	<b>\$ 7,057</b>

1. Includes Commissions and fees and Asset management revenues.
2. Includes funding costs, which are allocated to the businesses based on funding usage.
3. Includes Investments and Other revenues.
4. Certain prior period amounts have been reclassified to conform to the current period presentation. See "Business Segments" herein and Note 1 to the financial statements for additional information.

#### Equity, Fixed Income and Other Net Revenues—Current Quarter

##### Equity

Net revenues of \$2,876 million in the current quarter increased 24% compared with the prior year quarter, reflecting an increase in both our financing and execution services businesses, with particular strength in Asia.

- Financing revenues increased, primarily driven by higher average client balances and higher client activity.
- Execution services revenues increased, primarily due to higher client activity in derivatives and the impact of market conditions on inventory held to facilitate client activity in cash equities.

##### Fixed Income

Net revenues of \$1,640 million in the current quarter decreased 16% compared with the prior year quarter, primarily driven by global macro and credit products.

- Global macro products revenues decreased in rates and foreign exchange products, primarily due to the impact of market conditions on inventory held to facilitate client activity.
- Credit products revenues decreased primarily due to the impact of market conditions on inventory held to facilitate client activity in securitized products and corporate credit products, reflecting the impact of tightening credit spreads in the prior year quarter and the effect of tighter bid-offer spreads in the current quarter.
- Commodities products and other fixed income revenues increased, primarily driven by higher client activity in Commodities.

##### Other Net Revenues

Net revenues of \$130 million in the current quarter decreased 17% compared with the prior year quarter primarily due to losses from investments associated with certain employee deferred compensation plans compared with gains in the prior year quarter, partially offset by improved performance in economic hedges related to certain of the Firm's Borrowings.

##### Net Interest

Net interest revenues of \$716 million in the current quarter are included within Equity, Fixed Income, and Other, and increased 21% compared with the prior year quarter primarily driven by lower net costs associated with maintaining liquidity as well as increased revenues from higher balances in secured lending facilities.

#### Equity, Fixed Income and Other Net Revenues—Current Year Period

##### Equity

Net revenues of \$8,578 million in the current year period increased 16% compared with the prior year period, reflecting an increase in both our execution services and financing businesses, with particular strength in Asia.

- Financing revenues increased, primarily driven by higher average client balances and higher client activity, partially offset by a credit loss related to a single client in the first quarter of 2021.
- Execution services revenues increased, primarily due to higher client activity and the impact of market conditions on inventory held to facilitate client activity in derivatives, partially offset by trading losses related to the aforementioned credit event.



***Fixed Income***

Net revenues of \$6,288 million in the current year period decreased 11% compared with the prior year period, primarily driven by global macro products, partially offset by credit products.

- Global macro products revenues decreased in rates and foreign exchange products, primarily due to the effect of tighter bid-offer spreads and lower market volatility compared with the prior year period, partially offset by the impact of market conditions on inventory held to facilitate client activity.
- Credit products revenues increased, primarily due to the impact of market conditions on inventory held to facilitate client activity across all credit products, partially offset by the effect of tighter bid-offer spreads on corporate credit products.
- Commodities products and other fixed income revenues increased, primarily driven by higher counterparty credit risk management results, partially offset by the impact of market conditions on inventory held to facilitate client activity in Commodities.

***Other Net Revenues***

Net revenues of \$460 million in the current year period increased 188% compared with the prior year period primarily due to lower losses on corporate loans held for sale, net of related economic hedges, higher gains from investments associated with certain employee deferred compensation plans and improved performance in economic hedges related to certain of the Firm's Borrowings.

***Net Interest***

Net interest revenues of \$1,964 million in the current year period are included within Equity, Fixed Income, and Other, and increased 21% compared with the prior year period primarily driven by higher client balances in Equity Financing and increased revenues from higher balances in secured lending facilities.

**Provision for Credit Losses**

In the current quarter, the Provision for credit losses on loans and lending commitments was \$24 million, primarily driven by growth in corporate lending commitments. The Provision for credit losses on loans and lending commitments of \$113 million in the prior year quarter was primarily driven by the risks related to vulnerable sectors and higher downgrade sensitivity, and changes in asset quality trends.

In the current year period, the Provision for credit losses on loans and lending commitments was flat, primarily as a result of provision for one secured lending facility in the second quarter of 2021, offset by the impact of paydowns on corporate loans, including by lower-rated borrowers. The Provision for credit losses on loans and lending commitments

of \$718 million in the prior year period was primarily driven by the risks related to vulnerable sectors and higher downgrade sensitivity, changes in asset quality trends, and deterioration in the expected macroeconomic environment at that time.

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

**Non-interest Expenses**

Non-interest expenses of \$4,498 million in the current quarter increased 13% compared with the prior year quarter, as a result of both higher Non-compensation and Compensation and benefit expenses.

- Compensation and benefits expenses increased in the current quarter, primarily due to an increase in discretionary incentive compensation driven by higher revenues, higher salaries on increased headcount, and higher expenses related to certain deferred compensation plans linked to the Firm's share price, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses increased in the current quarter, primarily due to increased volume-related expenses, investments in technology, and professional services.

In the current year period, non-interest expenses increased 12% compared with the prior year period to \$14,321 million as a result of both higher Compensation and benefits and Non-compensation expenses.

- Compensation and benefits expenses increased in the current year period, primarily due to an increase in discretionary incentive compensation driven by higher revenue, higher expenses related to certain deferred compensation plans linked to the Firm's share price, as well as higher salaries on increased headcount.
- Non-compensation expenses increased in the current year period, primarily due to increased volume-related expenses, investments in technology, and professional services, partially offset by a decrease in litigation expenses.

**Income Tax Items**

The effective tax rate of 24.0% is higher than the prior year quarter which included a net discrete tax benefit from the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of tax examinations in certain jurisdictions.



## Management's Discussion and Analysis

### Wealth Management

#### Income Statement Information

\$ in millions	Three Months Ended September 30,		
	2021	2020	% Change
<b>Revenues</b>			
Asset management	\$ 3,628	\$ 2,793	30 %
Transactional <sup>1</sup>	832	880	(5)%
Net interest	1,348	889	52 %
Other <sup>1,2</sup>	127	92	38 %
<b>Net revenues</b>	<b>5,935</b>	<b>4,654</b>	<b>28 %</b>
<b>Provision for credit losses<sup>2</sup></b>	<b>—</b>	<b>(2)</b>	<b>100 %</b>
Compensation and benefits	3,159	2,684	18 %
Non-compensation expenses	1,246	852	46 %
<b>Total non-interest expenses</b>	<b>4,405</b>	<b>3,536</b>	<b>25 %</b>
Income before provision for income taxes	\$ 1,530	\$ 1,120	37 %
Provision for income taxes	373	278	34 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 1,157</b>	<b>\$ 842</b>	<b>37 %</b>

\$ in millions	Nine Months Ended September 30,		
	2021	2020	% Change
<b>Revenues</b>			
Asset management	\$ 10,266	\$ 7,980	29 %
Transactional <sup>1</sup>	3,232	2,354	37 %
Net interest	3,988	2,815	42 %
Other <sup>1,2</sup>	503	265	90 %
<b>Net revenues</b>	<b>17,989</b>	<b>13,414</b>	<b>34 %</b>
<b>Provision for credit losses<sup>2</sup></b>	<b>(2)</b>	<b>39</b>	<b>(105)%</b>
Compensation and benefits	9,604	7,625	26 %
Non-compensation expenses	3,621	2,433	49 %
<b>Total non-interest expenses</b>	<b>13,225</b>	<b>10,058</b>	<b>31 %</b>
Income before provision for income taxes	\$ 4,766	\$ 3,317	44 %
Provision for income taxes	1,103	758	46 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 3,663</b>	<b>\$ 2,559</b>	<b>43 %</b>

1. Transactional includes Investment banking, Trading, and Commissions and fees revenues. Other includes Investments and Other revenues.

2. Certain prior period amounts have been reclassified to conform to the current presentation. See "Business Segments" herein and Note 1 to the financial statements for additional information.

#### Acquisition of E\*TRADE

The comparisons of current year results to prior periods are impacted by the acquisition of E\*TRADE in the fourth quarter of 2020. For additional information on the acquisition of E\*TRADE, see Note 3 to the financial statements in the Form 2020 10-K.

#### Wealth Management Metrics

\$ in billions	At September 30,		At December 31,					
	2021		2020					
Total client assets	\$	4,629	\$	3,999				
U.S. Bank Subsidiary loans	\$	121	\$	98				
Margin and other lending <sup>1</sup>	\$	29	\$	23				
Deposits <sup>2</sup>	\$	327	\$	306				
Annualized weighted average cost of deposits		0.13%		0.24%				
		Three Months Ended September 30,		Nine Months Ended September 30,				
		2021	2020	2021	2020			
Net new assets <sup>3</sup>	\$	134.5	\$	51.8	\$	310.6	\$	109.3

- Margin and other lending represents margin lending arrangements, which allow customers to borrow against the value of qualifying securities and other lending which includes non-purpose securities-based lending on non-bank entities.
- Deposits are sourced from Wealth Management clients and other sources of funding on the U.S. Bank Subsidiaries. Deposits include sweep deposit programs, savings and other, and time deposits. Excludes approximately \$9 billion and \$25 billion of off-balance sheet deposits as of September 30, 2021 and December 31, 2020, respectively.
- Net new assets represent client inflows, including dividends and interest, and asset acquisitions, less client outflows, and exclude activity from business combinations/divestitures and the impact of fees and commissions.

#### Advisor-led channel

\$ in billions	At September 30,		At December 31,					
	2021		2020					
Advisor-led client assets <sup>1</sup>	\$	3,647	\$	3,167				
Fee-based client assets <sup>2</sup>	\$	1,752	\$	1,472				
Fee-based client assets as a percentage of advisor-led client assets		48%		46%				
		Three Months Ended September 30,		Nine Months Ended September 30,				
		2021	2020	2021	2020			
Fee-based asset flows <sup>3</sup>	\$	70.6	\$	23.8	\$	141.5	\$	53.3

- Advisor-led client assets represent client assets in accounts that have a Wealth Management representative assigned.
- Fee-based client assets represent the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
- Fee-based asset flows include net new fee-based assets (including asset acquisitions), net account transfers, dividends, interest and client fees, and exclude institutional cash management related activity. For a description of the Inflows and Outflows included in Fee-based asset flows, see Fee-based client assets in the 2020 Form 10-K.

#### Self-directed channel

\$ in billions	At September 30,		At December 31,		
	2021		2020		
Self-directed assets <sup>1</sup>	\$	982	\$	832	
Self-directed households (in millions) <sup>2</sup>		7.4		6.7	
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Daily average revenue trades ("DARTs") (in thousands) <sup>3</sup>		959	6	1,200	6

- Self-directed assets represent active accounts which are not advisor led. Active accounts are defined as having at least \$25 in assets.
- Self-directed households represent the total number of households that include at least one account with self-directed assets. Individual households or participants that are engaged in one or more of our Wealth Management channels will be included in each of the respective channel counts.
- DARTs represent the total self-directed trades in a period divided by the number of trading days during that period.

## Management's Discussion and Analysis

### Workplace channel<sup>1</sup>

<i>\$ in billions</i>	At September 30, 2021	At December 31, 2020
Workplace unvested assets <sup>2</sup>	\$ 495	\$ 435
Number of participants (in millions) <sup>3</sup>	5.3	4.9

- The workplace channel includes equity compensation solutions for companies, their executives and employees.
- Workplace unvested assets represent the market value of public company securities at the end of the period.
- Workplace participants represent total accounts with vested and/or unvested assets in the workplace channel. Individuals with accounts in multiple plans are counted as participants in each plan.

### Net Revenues

#### Asset Management

Asset management revenues of \$3,628 million in the current quarter and \$10,266 million in the current year period increased 30% and 29% from the prior year quarter and the prior year period, respectively, primarily due to higher fee-based asset levels in the current year periods as a result of market appreciation and positive fee-based flows since the prior year periods.

See “Fee-Based Client Assets—Rollforwards” herein.

#### Transactional Revenues

Transactional revenues of \$832 million in the current quarter decreased 5% compared with the prior year quarter, primarily due to losses related to investments associated with certain employee deferred compensation plans, partially offset by incremental revenues as a result of the E\*TRADE acquisition.

In the current year period, Transactional revenues increased 37% to \$3,232 million compared with the prior year period, primarily due to incremental revenues as a result of the E\*TRADE acquisition and higher revenues from structured product and closed-end fund issuances.

#### Net Interest

Net interest of \$1,348 million in the current quarter increased 52% compared with the prior year quarter, primarily due to incremental net interest as a result of the E\*TRADE acquisition and continued growth in bank lending.

In the current year period, Net interest increased 42% to \$3,988 million compared with the prior year period, primarily due to incremental net interest as a result of the E\*TRADE acquisition, a decrease in prepayment amortization related to mortgage-backed securities, and continued growth in bank lending. These increases in Net interest were partially offset by the net effect of lower interest rates.

#### Other

Other revenues of \$127 million in the current quarter increased 38% from the prior year quarter primarily due to incremental revenues as a result of the E\*TRADE acquisition.

In the current year period, Other revenues increased 90% to \$503 million compared with the prior year period, primarily due to incremental revenues as a result of the E\*TRADE acquisition and higher realized gains from the AFS securities portfolio.

### Non-interest Expenses

Non-interest expenses of \$4,405 million in the current quarter increased 25% compared with the prior year quarter, as a result of both higher Compensation and benefits and Non-compensation expenses.

- Compensation and benefits expenses increased primarily due to an increase in the formulaic payout to Wealth Management representatives driven by higher compensable revenues and incremental compensation as a result of the E\*TRADE acquisition, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses increased primarily due to incremental expenses as a result of the E\*TRADE acquisition.

In the current year period, Non-interest expenses increased 31% to \$13,225 million compared with the prior year period, as a result of both higher Compensation and benefits and Non-compensation expenses.

- Compensation and benefits expenses increased primarily due to an increase in the formulaic payout to Wealth Management representatives driven by higher compensable revenues, and incremental compensation as a result of the E\*TRADE acquisition.
- Non-compensation expenses increased primarily due to incremental expenses as a result of the E\*TRADE acquisition.

### Fee-Based Client Assets Rollforwards

<i>\$ in billions</i>	At June 30, 2021	Inflows <sup>1</sup>	Outflows	Market Impact	At September 30, 2021
Separately managed <sup>2</sup>	\$ 407	\$ 51	\$ (4)	\$ 14	\$ 468
Unified managed	436	27	(18)	(6)	439
Advisor	201	11	(9)	(2)	201
Portfolio manager	590	29	(16)	(7)	596
Subtotal	\$ 1,634	\$ 118	\$ (47)	\$ (1)	\$ 1,704
Cash management	46	9	(7)	—	48
<b>Total fee-based client assets</b>	<b>\$ 1,680</b>	<b>\$ 127</b>	<b>\$ (54)</b>	<b>\$ (1)</b>	<b>\$ 1,752</b>

<i>\$ in billions</i>	At June 30, 2020	Inflows	Outflows	Market Impact	At September 30, 2020
Separately managed <sup>2</sup>	\$ 313	\$ 19	\$ (4)	\$ 14	\$ 342
Unified managed	305	16	(12)	18	327
Advisor	149	8	(8)	9	158
Portfolio manager	431	21	(16)	23	459
Subtotal	\$ 1,198	\$ 64	\$ (40)	\$ 64	\$ 1,286
Cash management	38	12	(3)	—	47
<b>Total fee-based client assets</b>	<b>\$ 1,236</b>	<b>\$ 76</b>	<b>\$ (43)</b>	<b>\$ 64</b>	<b>\$ 1,333</b>

## Management's Discussion and Analysis

<i>\$ in billions</i>	At December 31, 2020	Inflows <sup>1</sup>	Outflows	Market Impact	At September 30, 2021
Separately managed <sup>2</sup>	\$ 359	\$ 77	\$ (15)	\$ 47	\$ 468
Unified managed	379	75	(42)	27	439
Advisor	177	30	(23)	17	201
Portfolio manager	509	84	(44)	47	596
Subtotal	\$ 1,424	\$ 266	\$ (124)	\$ 138	\$ 1,704
Cash management	48	22	(22)	—	48
<b>Total fee-based client assets</b>	<b>\$ 1,472</b>	<b>\$ 288</b>	<b>\$ (146)</b>	<b>\$ 138</b>	<b>\$ 1,752</b>

<i>\$ in billions</i>	At December 31, 2019	Inflows	Outflows	Market Impact	At September 30, 2020
Separately managed <sup>2</sup>	\$ 322	\$ 37	\$ (14)	\$ (3)	\$ 342
Unified managed	313	43	(33)	4	327
Advisor	155	22	(21)	2	158
Portfolio manager	435	62	(43)	5	459
Subtotal	\$ 1,225	\$ 164	\$ (111)	\$ 8	\$ 1,286
Cash management	42	21	(16)	—	47
<b>Total fee-based client assets</b>	<b>\$ 1,267</b>	<b>\$ 185</b>	<b>\$ (127)</b>	<b>\$ 8</b>	<b>\$ 1,333</b>

1. Includes \$43 billion of fee-based assets acquired in an asset acquisition in the current quarter reflected in Separately managed.

2. Includes non-custody account values reflecting prior quarter-end balances due to a lag in the reporting of asset values by third-party custodians.

### Average Fee Rates

<i>Fee rate in bps</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Separately managed	14	15	14	14
Unified managed	95	99	96	99
Advisor	82	85	82	85
Portfolio manager	93	94	93	94
Subtotal	71	73	72	72
Cash management	5	5	5	5
<b>Total fee-based client assets</b>	<b>70</b>	<b>71</b>	<b>70</b>	<b>70</b>

For a description of fee-based client assets and rollforward items in the previous tables, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Wealth Management Fee-Based Client Assets” in the 2020 Form 10-K.

**Investment Management**
**Income Statement Information**

\$ in millions	Three Months Ended September 30,		
	2021	2020	% Change
<b>Revenues</b>			
Asset management and related fees	\$ 1,470	\$ 795	85 %
Performance-based income and other <sup>1</sup>	(17)	261	(107)%
<b>Net revenues</b>	<b>1,453</b>	<b>1,056</b>	<b>38 %</b>
Compensation and benefits	513	401	28 %
Non-compensation expenses	570	340	68 %
<b>Total non-interest expenses</b>	<b>1,083</b>	<b>741</b>	<b>46 %</b>
Income before provision for income taxes	370	315	17 %
Provision for income taxes	64	72	(11)%
Net income	306	243	26 %
Net income (loss) applicable to noncontrolling interests	(14)	18	(178)%
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 320</b>	<b>\$ 225</b>	<b>42 %</b>

\$ in millions	Nine Months Ended September 30,		
	2021	2020	% Change
<b>Revenues</b>			
Asset management and related fees	\$ 3,991	\$ 2,144	86 %
Performance-based income and other <sup>1</sup>	478	490	(2)%
<b>Net revenues</b>	<b>4,469</b>	<b>2,634</b>	<b>70 %</b>
Compensation and benefits	1,742	1,012	72 %
Non-compensation expenses	1,557	948	64 %
<b>Total non-interest expenses</b>	<b>3,299</b>	<b>1,960</b>	<b>68 %</b>
Income before provision for income taxes	1,170	674	74 %
Provision for income taxes	253	136	86 %
Net income	917	538	70 %
Net income (loss) applicable to noncontrolling interests	(19)	81	(123)%
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 936</b>	<b>\$ 457</b>	<b>105 %</b>

1. Includes Investments, Trading, Commissions and fees, Net interest, and Other revenues.

**Acquisition of Eaton Vance**

The comparisons of current year results to prior periods are impacted by the acquisition of Eaton Vance in the first quarter of 2021. For additional information on the acquisition of Eaton Vance, see Note 3 to the financial statements.

**Net Revenues**
**Asset Management and related fees**

Asset management and related fees of \$1,470 million in the current quarter and \$3,991 million in the current year period increased 85% and 86% from the prior year quarter and prior year period, respectively, primarily due to incremental revenues as a result of the Eaton Vance acquisition, and higher average AUM driven by strong investment performance and positive net flows since the prior year periods.

See "Assets Under Management or Supervision" herein.

**Performance-based income and other**

Performance-based income and other revenues were a loss of \$17 million in the current quarter, representing a 107% decrease from the prior year quarter, primarily due to the reversal of accrued carried interest, as well as investment losses compared with gains in the prior year quarter, in Asia private equity funds.

Performance-based income and other revenues of \$478 million in the current year period decreased 2% from the prior year period, primarily due to the reversal of accrued carried interest, as well as investment losses compared with gains in the prior year period, in an Asia private equity fund, partially offset by higher accrued carried interest in other private credit and equity, real estate and infrastructure funds.

**Non-interest Expenses**

Non-interest expenses of \$1,083 million in the current quarter increased 46% from the prior year quarter as a result of higher Compensation and benefits and higher Non-compensation expenses.

- Compensation and benefits expenses increased in the current quarter primarily due to incremental compensation as a result of the Eaton Vance acquisition, partially offset by lower compensation associated with carried interest.
- Non-compensation expenses in the current quarter increased primarily due to incremental expenses as a result of the Eaton Vance acquisition.

## Management's Discussion and Analysis

Non-interest expenses of \$3,299 million in the current year period increased 68% from the prior year period as a result of higher Compensation and benefits and higher Non-compensation expenses.

- Compensation and benefits expenses increased in the current year period primarily due to incremental compensation as a result of the Eaton Vance acquisition, an increase in discretionary incentive compensation driven by higher asset management revenues, and higher compensation associated with carried interest.
- Non-compensation expenses in the current year period increased primarily due to incremental expenses as a result of the Eaton Vance acquisition and higher fee sharing paid to intermediaries on higher average AUM.

### Assets Under Management or Supervision

#### Rollforwards

<i>\$ in billions</i>	Equity	Fixed income	Alternatives and Solutions	Long-term AUM Subtotal	Liquidity and Overlay Services	Total
June 30, 2021	\$ 404	\$ 207	\$ 445	\$ 1,056	\$ 468	\$1,524
Inflows	18	17	24	59	462	521
Outflows	(19)	(16)	(23)	(58)	(448)	(506)
Market Impact	(12)	—	—	(12)	—	(12)
Other	—	(2)	(3)	(5)	—	(5)
<b>September 30, 2021</b>	<b>\$ 391</b>	<b>\$ 206</b>	<b>\$ 443</b>	<b>\$ 1,040</b>	<b>\$ 482</b>	<b>\$1,522</b>

<i>\$ in billions</i>	Equity	Fixed income	Alternatives and Solutions	Long-term AUM Subtotal	Liquidity and Overlay Services	Total
June 30, 2020	\$ 168	\$ 84	\$ 145	\$ 397	\$ 268	\$ 665
Inflows	24	8	6	38	319	357
Outflows	(14)	(5)	(7)	(26)	(317)	(343)
Market Impact	23	1	4	28	—	28
Other	1	4	2	7	1	8
<b>September 30, 2020</b>	<b>\$ 202</b>	<b>\$ 92</b>	<b>\$ 150</b>	<b>\$ 444</b>	<b>\$ 271</b>	<b>\$ 715</b>

<i>\$ in billions</i>	Equity	Fixed income	Alternatives and Solutions	Long-term AUM Subtotal	Liquidity and Overlay Services	Total
December 31, 2020	\$ 242	\$ 98	\$ 153	\$ 493	\$ 288	\$ 781
Inflows	73	49	68	190	1,375	1,565
Outflows	(63)	(40)	(53)	(156)	(1,300)	(1,456)
Market Impact	23	1	29	53	4	57
Acquired <sup>1</sup>	119	103	251	473	116	589
Other	(3)	(5)	(5)	(13)	(1)	(14)
<b>September 30, 2021</b>	<b>\$ 391</b>	<b>\$ 206</b>	<b>\$ 443</b>	<b>\$ 1,040</b>	<b>\$ 482</b>	<b>\$1,522</b>

1. Related to the Eaton Vance acquisition.

<i>\$ in billions</i>	Equity	Fixed income	Alternatives and Solutions	Long-term AUM Subtotal	Liquidity and Overlay Services	Total
December 31, 2019	\$ 138	\$ 79	\$ 139	\$ 356	\$ 196	\$ 552
Inflows	56	29	21	106	1,174	1,280
Outflows	(35)	(20)	(15)	(70)	(1,100)	(1,170)
Market Impact	42	1	(1)	42	1	43
Other	1	3	6	10	—	10
<b>September 30, 2020</b>	<b>\$ 202</b>	<b>\$ 92</b>	<b>\$ 150</b>	<b>\$ 444</b>	<b>\$ 271</b>	<b>\$ 715</b>

#### Average AUM

<i>\$ in billions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Equity	\$ 402	\$ 190	\$ 350	\$ 159
Fixed income	207	90	173	84
Alternatives and Solutions	451	148	356	143
Long-term AUM subtotal	1,060	428	879	386
Liquidity and Overlay Services	476	267	413	244
<b>Total AUM</b>	<b>\$ 1,536</b>	<b>\$ 695</b>	<b>\$ 1,292</b>	<b>\$ 630</b>

#### Average Fee Rates

<i>Fee rate in bps</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Equity	72	76	76	75
Fixed income	37	29	38	29
Alternatives and Solutions	32	58	37	59
Long-term AUM	48	60	53	59
Liquidity and Overlay Services	5	15	6	16
<b>Total AUM</b>	<b>35</b>	<b>43</b>	<b>38</b>	<b>42</b>

While Asset management and related fees arising from the acquisition are incremental to our revenues, certain Eaton Vance products may have higher or lower average fee rates than similar products prior to the acquisition, with the overall impact yielding a lower average fee rate.

For a description of the asset classes and rollforward items in the previous tables, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Investment Management—Assets Under Management or Supervision” in the 2020 Form 10-K, except for the following updates to the definitions, which reflect the inclusion of certain Eaton Vance products.

- *Alternatives and Solutions*—includes products in fund of funds, real estate, infrastructure, private equity and credit strategies, multi-asset portfolios as well as custom separate account portfolios.
- *Liquidity and Overlay Services*—includes liquidity fund products as well as overlay services, which represent investment strategies that use passive exposure instruments to obtain, offset or substitute specific portfolio exposures, beyond those provided by the underlying holdings of the fund.



**Supplemental Financial Information**
**U.S. Bank Subsidiaries**

Our U.S. bank subsidiaries, Morgan Stanley Bank N.A. (“MSBNA”), Morgan Stanley Private Bank, National Association (“MSPBNA”), E\*TRADE Bank (“ETB”), and E\*TRADE Savings Bank (“ETSB”) (collectively, “U.S. Bank Subsidiaries”) accept deposits, provide loans to a variety of customers, including large corporate and institutional clients as well as high to ultra-high net worth individuals, and invest in securities. Lending activity recorded in the U.S. Bank Subsidiaries from the Institutional Securities business segment primarily includes Secured lending facilities and Commercial real estate loans. Lending activity recorded in the U.S. Bank Subsidiaries from the Wealth Management business segment primarily includes Securities-based lending, which allows clients to borrow money against the value of qualifying securities, and Residential real estate loans.

For a further discussion of our credit risks, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk.” For a further discussion about loans and lending commitments, see Notes 10 and 14 to the financial statements.

**U.S. Bank Subsidiaries’ Supplemental Financial Information<sup>1</sup>**

<i>\$ in billions</i>	At September 30, 2021	At December 31, 2020
Investment securities portfolio:		
Investment securities—AFS	\$ 81.1	\$ 90.3
Investment securities—HTM	63.0	52.6
<b>Total investment securities</b>	<b>\$ 144.1</b>	<b>\$ 142.9</b>
<b>Wealth Management Loans<sup>2</sup></b>		
Residential real estate	\$ 41.4	\$ 35.2
Securities-based lending and Other <sup>3</sup>	79.8	62.9
<b>Total, net of ACL</b>	<b>\$ 121.2</b>	<b>\$ 98.1</b>
<b>Institutional Securities Loans<sup>2</sup></b>		
Corporate	\$ 8.1	\$ 7.9
Secured lending facilities	29.0	27.4
Commercial and Residential real estate	10.1	10.1
Securities-based lending and Other	6.2	5.4
<b>Total, net of ACL</b>	<b>\$ 53.4</b>	<b>\$ 50.8</b>
<b>Total Assets</b>	<b>\$ 367.1</b>	<b>\$ 346.5</b>
Deposits <sup>4</sup>	\$ 326.9	\$ 309.7

1. Amounts exclude transactions between the bank subsidiaries, as well as deposits from the Parent Company and affiliates.
2. For a further discussion of loans in the Wealth Management and Institutional Securities business segments, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” herein.
3. Other loans primarily include tailored lending.
4. For further information on deposits, see “Liquidity and Capital Resources—Funding Management—Unsecured Financing” herein.

**Accounting Development Updates**

The Financial Accounting Standards Board has issued certain accounting updates, which we have either determined are not applicable or are not expected to have a significant impact on our financial statements.

**Critical Accounting Policies**

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements in the 2020 Form 10-K and Note 2 to the financial statements), the fair value, goodwill and intangible assets, legal and regulatory contingencies and income taxes policies involve a higher degree of judgment and complexity. For a further discussion about our critical accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in the 2020 Form 10-K. As discussed in Note 2 to the financial statements, our acquisition of Eaton Vance on March 1, 2021 included indefinite lived intangible assets. The initial valuation of an intangible asset, including indefinite lived intangible assets, as part of the acquisition method of accounting and the subsequent valuation of intangible assets as part of impairment assessments are subjective and based, in part, on inputs that are unobservable. These inputs include, but are not limited to, forecasted cash flows, revenue growth rates, attrition rates and discount rates.

**Liquidity and Capital Resources**

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

**Balance Sheet**

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

We establish balance sheet thresholds at the consolidated and business segment levels. We monitor balance sheet utilization and review variances resulting from business activity and market fluctuations. On a regular basis, we review current performance versus established thresholds and assess the need to re-allocate our balance sheet based on business segment needs. We also monitor key metrics, including asset and liability size and capital usage.



## Management's Discussion and Analysis

### Total Assets by Business Segment

\$ in millions	At September 30, 2021			
	IS	WM	IM	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 98,346	\$ 24,880	\$ 637	\$ 123,863
Trading assets at fair value	309,467	1,339	4,355	315,161
Investment securities	40,631	142,800	—	183,431
Securities purchased under agreements to resell	104,040	15,681	—	119,721
Securities borrowed	124,329	1,593	—	125,922
Customer and other receivables	62,270	34,872	1,211	98,353
Loans <sup>1</sup>	52,117	121,237	5	173,359
Other assets <sup>2</sup>	17,052	22,232	11,382	50,666
<b>Total assets</b>	<b>\$ 808,252</b>	<b>\$ 364,634</b>	<b>\$ 17,590</b>	<b>\$ 1,190,476</b>

\$ in millions	At December 31, 2020			
	IS	WM	IM	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 74,281	\$ 31,275	\$ 98	\$ 105,654
Trading assets at fair value	308,413	280	4,045	312,738
Investment securities	41,630	140,524	—	182,154
Securities purchased under agreements to resell	84,998	31,236	—	116,234
Securities borrowed	110,480	1,911	—	112,391
Customer and other receivables	67,085	29,781	871	97,737
Loans <sup>1</sup>	52,449	98,130	18	150,597
Other assets <sup>2</sup>	13,986	22,458	1,913	38,357
<b>Total assets</b>	<b>\$ 753,322</b>	<b>\$ 355,595</b>	<b>\$ 6,945</b>	<b>\$ 1,115,862</b>

1. Amounts include loans held for investment, net of ACL, and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 10 to the financial statements).

2. Other assets primarily includes Goodwill and Intangible assets, premises, equipment and software, ROU assets related to leases, other investments, and deferred tax assets.

A substantial portion of total assets consists of liquid marketable securities and short-term receivables. In the Institutional Securities business segment, these arise from market-making, financing and prime brokerage activities, and in the Wealth Management business segment, these arise from banking activities, including management of the investment portfolio, comprising Investment securities, Cash and cash equivalents and Securities purchased under agreements to resell. Total assets increased slightly to \$1,190 billion at September 30, 2021 from \$1,116 billion at December 31, 2020.

### Liquidity Risk Management Framework

The core components of our Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Resources, which support our target liquidity profile. For a further discussion about the Firm's Required Liquidity Framework and Liquidity Stress Tests, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity Risk Management Framework" in the 2020 Form 10-K.

At September 30, 2021 and December 31, 2020, we maintained sufficient liquidity to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

### Liquidity Resources

We maintain sufficient liquidity resources, which consist of HQLA and cash deposits with banks ("Liquidity Resources") to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The total amount of Liquidity Resources is actively managed by us considering the following components: unsecured debt maturity profile; balance sheet size and composition; funding needs in a stressed environment, inclusive of contingent cash outflows; legal entity, regional and segment liquidity requirements; regulatory requirements; and collateral requirements.

The amount of Liquidity Resources we hold is based on our risk tolerance and is subject to change depending on market and Firm-specific events. The Liquidity Resources are primarily held within the Parent Company and its major operating subsidiaries. The Total HQLA values in the tables immediately following are different from Eligible HQLA, which, in accordance with the LCR rule, also takes into account certain regulatory weightings and other operational considerations.

### Liquidity Resources by Type of Investment

\$ in millions	At September 30, 2021	At December 31, 2020
Cash deposits with central banks	\$ 62,808	\$ 49,669
Unencumbered HQLA Securities <sup>1</sup> :		
U.S. government obligations	138,588	136,555
U.S. agency and agency mortgage-backed securities	107,714	99,659
Non-U.S. sovereign obligations <sup>2</sup>	28,315	39,745
Other investment grade securities	632	2,053
<b>Total HQLA<sup>1</sup></b>	<b>\$ 338,057</b>	<b>\$ 327,681</b>
Cash deposits with banks (non-HQLA)	8,232	10,942
<b>Total Liquidity Resources</b>	<b>\$ 346,289</b>	<b>\$ 338,623</b>

1. HQLA is presented prior to applying weightings and includes all HQLA held in subsidiaries.

2. Primarily composed of unencumbered Japanese, U.K., German, French and Italian government obligations.

### Liquidity Resources by Bank and Non-Bank Legal Entities

\$ in millions	At September 30, 2021	At December 31, 2020	Average Daily Balance Three Months Ended September 30, 2021
<b>Bank legal entities</b>			
U.S.	\$ 168,880	\$ 178,033	\$ 173,306
Non-U.S.	12,172	7,670	11,451
<b>Total Bank legal entities</b>	<b>181,052</b>	<b>185,703</b>	<b>184,757</b>
<b>Non-Bank legal entities</b>			
U.S.:			
Parent Company	55,918	59,468	71,622
Non-Parent Company	53,565	33,368	45,116
<b>Total U.S.</b>	<b>109,483</b>	<b>92,836</b>	<b>116,738</b>
Non-U.S.	55,754	60,084	56,815
<b>Total Non-Bank legal entities</b>	<b>165,237</b>	<b>152,920</b>	<b>173,553</b>
<b>Total Liquidity Resources</b>	<b>\$ 346,289</b>	<b>\$ 338,623</b>	<b>\$ 358,310</b>

## Management's Discussion and Analysis

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

### Regulatory Liquidity Framework

#### Liquidity Coverage Ratio

The Firm, MSBNA, MSPBNA and ETB are required to maintain a minimum LCR of 100%. The LCR requirements are designed to ensure that banking organizations have sufficient Eligible HQLA to cover net cash outflows arising from significant stress over 30 calendar days, thus promoting the short-term resilience of the liquidity risk profile of banking organizations. In determining Eligible HQLA for LCR purposes, weightings (or asset haircuts) are applied to HQLA, and certain HQLA held in subsidiaries is excluded.

As of September 30, 2021, the Firm, MSBNA, MSPBNA and ETB are compliant with the minimum required LCR of 100%.

#### Liquidity Coverage Ratio

\$ in millions	Average Daily Balance Three Months Ended	
	September 30, 2021	June 30, 2021
<b>Eligible HQLA<sup>1</sup></b>		
Cash deposits with central banks	\$ 66,288	\$ 56,430
Securities <sup>2</sup>	174,068	171,729
<b>Total Eligible HQLA<sup>1</sup></b>	<b>\$ 240,356</b>	<b>\$ 228,159</b>
LCR	134 %	126 %

- Under the LCR rule, Eligible HQLA is calculated using weightings and excluding certain HQLA held in subsidiaries.
- Primarily includes U.S. Treasuries, U.S. agency mortgage-backed securities, sovereign bonds and investment grade corporate bonds.

#### Net Stable Funding Ratio

The Firm, MSBNA, MSPBNA, and ETB are required to maintain a minimum NSFR of 100%. The NSFR requires large banking organizations to maintain sufficiently stable sources of funding over a one-year time horizon.

As of September 30, 2021, the Firm, MSBNA, MSPBNA, and ETB are compliant with the 100% minimum NSFR requirement.

### Funding Management

We manage our funding in a manner that reduces the risk of disruption to our operations. We pursue a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempt to ensure that the tenor of our liabilities equals or exceeds the expected holding period of the assets being financed.

We fund our balance sheet on a global basis through diverse sources. These sources include our equity capital, borrowings, securities sold under agreements to repurchase, securities lending, deposits, letters of credit and lines of credit. We have

active financing programs for both standard and structured products targeting global investors and currencies.

### Secured Financing

For a discussion of our secured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Secured Financing" in the 2020 Form 10-K.

### Collateralized Financing Transactions

\$ in millions	At	
	September 30, 2021	December 31, 2020
Securities purchased under agreements to resell and Securities borrowed	\$ 245,643	\$ 228,625
Securities sold under agreements to repurchase and Securities loaned	\$ 73,120	\$ 58,318
Securities received as collateral <sup>1</sup>	\$ 7,746	\$ 4,277

\$ in millions	Average Daily Balance Three Months Ended	
	September 30, 2021	December 31, 2020
Securities purchased under agreements to resell and Securities borrowed	\$ 225,388	\$ 195,376
Securities sold under agreements to repurchase and Securities loaned	\$ 69,974	\$ 54,528

- Included within Trading assets in the balance sheets.

See "Total Assets by Business Segment" herein for additional information on the assets shown in the previous table and Note 2 to the financial statements in the 2020 Form 10-K and Note 9 to the financial statements for additional information on collateralized financing transactions.

In addition to the collateralized financing transactions shown in the previous table, we engage in financing transactions collateralized by customer-owned securities, which are segregated in accordance with regulatory requirements. Receivables under these financing transactions, primarily margin loans, are included in Customer and other receivables in the balance sheets, and payables under these financing transactions, primarily to prime brokerage customers, are included in Customer and other payables in the balance sheets. Our risk exposure on these transactions is mitigated by collateral maintenance policies and the elements of our Liquidity Risk Management Framework.

### Unsecured Financing

For a discussion of our unsecured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Unsecured Financing" in the 2020 Form 10-K.

## Management's Discussion and Analysis

### Deposits

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Savings and demand deposits:		
Brokerage sweep deposits <sup>1</sup>	\$ 273,137	\$ 232,071
Savings and other	37,708	47,150
Total Savings and demand deposits	310,845	279,221
Time deposits	18,196	31,561
<b>Total<sup>2</sup></b>	<b>\$ 329,041</b>	<b>\$ 310,782</b>

1. Amounts represent balances swept from client brokerage accounts.
2. Excludes approximately \$9 billion and \$25 billion of off-balance sheet deposits at unaffiliated financial institutions as of September 30, 2021 and December 31, 2020, respectively. This client cash held by third parties is not reflected in our balance sheets and is not immediately available for liquidity purposes.

Deposits are primarily sourced from our Wealth Management clients and are considered to have stable, low-cost funding characteristics. The increase in total deposits in the current year period was primarily driven by increases in Brokerage sweep deposits and the onboarding in the first quarter of 2021 of approximately \$20 billion of E\*TRADE sweep deposits previously held off-balance sheet at unaffiliated financial institutions, partially offset by maturities of Time deposits and lower Savings and other deposits.

### Borrowings by Remaining Maturity at September 30, 2021<sup>1</sup>

<i>\$ in millions</i>	Parent Company	Subsidiaries	Total
Original maturities of one year or less	\$ —	\$ 4,825	\$ 4,825
Original maturities greater than one year			
2021	\$ 3,398	\$ 1,444	\$ 4,842
2022	9,097	7,053	16,150
2023	17,272	5,623	22,895
2024	20,688	8,224	28,912
2025	16,754	6,579	23,333
Thereafter	100,910	27,895	128,805
Total	\$ 168,119	\$ 56,818	\$ 224,937
Total Borrowings	\$ 168,119	\$ 61,643	\$ 229,762
Maturities over next 12 months <sup>2</sup>			\$ 13,899

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

Borrowings of \$230 billion as of September 30, 2021 increased slightly when compared with \$217 billion at December 31, 2020.

We believe that accessing debt investors through multiple distribution channels helps provide consistent access to the unsecured markets. In addition, the issuance of borrowings with original maturities greater than one year allows us to reduce reliance on short-term credit sensitive instruments. Borrowings with original maturities greater than one year are generally managed to achieve staggered maturities, thereby mitigating refinancing risk, and to maximize investor diversification through sales to global institutional and retail clients across regions, currencies and product types.

The availability and cost of financing to us can vary depending on market conditions, the volume of certain trading and lending activities, our credit ratings and the overall

availability of credit. We also engage in, and may continue to engage in, repurchases of our borrowings as part of our market-making activities.

For further information on Borrowings, see Note 13 to the financial statements.

### Credit Ratings

We rely on external sources to finance a significant portion of our daily operations. Our credit ratings are one of the factors in the cost and availability of financing and can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. These include regulatory or legislative changes, the macroeconomic environment and perceived levels of support, among other things. See also "Risk Factors—Liquidity Risk" in the 2020 Form 10-K.

### Parent Company, MSBNA and MSPBNA Issuer Ratings at October 29, 2021

	Parent Company		
	Short-Term Debt	Long-Term Debt	Rating Outlook
DBRS, Inc.	<b>R-1 (middle)</b>	<b>A (high)</b>	<b>Stable</b>
Fitch Ratings, Inc.	<b>F1</b>	<b>A</b>	<b>Stable</b>
Moody's Investors Service, Inc.	<b>P-1</b>	<b>A1</b>	<b>Stable</b>
Rating and Investment Information, Inc.	<b>a-1</b>	<b>A</b>	<b>Stable</b>
S&P Global Ratings	<b>A-2</b>	<b>BBB+</b>	<b>Positive</b>
	MSBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Fitch Ratings, Inc.	<b>F1</b>	<b>A+</b>	<b>Stable</b>
Moody's Investors Service, Inc.	<b>P-1</b>	<b>Aa3</b>	<b>Stable</b>
S&P Global Ratings	<b>A-1</b>	<b>A+</b>	<b>Stable</b>
	MSPBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Moody's Investors Service, Inc.	<b>P-1</b>	<b>Aa3</b>	<b>Stable</b>
S&P Global Ratings	<b>A-1</b>	<b>A+</b>	<b>Stable</b>

On May 24, 2021, S&P Global Ratings revised the Parent Company outlook from stable to positive.

### Incremental Collateral or Terminating Payments

In connection with certain OTC derivatives and certain other agreements where we are a liquidity provider to certain financing vehicles associated with the Institutional Securities business segment, we may be required to provide additional collateral, immediately settle any outstanding liability balances with certain counterparties or pledge additional collateral to certain clearing organizations in the event of a future credit rating downgrade irrespective of whether we are in a net asset or net liability position. See Note 7 to the financial statements for additional information on OTC derivatives that contain such contingent features.

## Management’s Discussion and Analysis

While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact it would have on our business and results of operations in future periods is inherently uncertain and would depend on a number of interrelated factors, including, among other things, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre-downgrade, individual client behavior and future mitigating actions we might take. The liquidity impact of additional collateral requirements is included in our Liquidity Stress Tests.

### Capital Management

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

### Common Stock Repurchases

<i>in millions, except for per share data</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Number of shares	36	—	98	29
Average price per share	\$ 99.44	\$ —	\$ 88.60	\$ 46.01
<b>Total</b>	<b>\$ 3,557</b>	<b>\$ —</b>	<b>\$ 8,631</b>	<b>\$ 1,347</b>

For additional information on our common stock repurchases, see “Liquidity and Capital Resources—Regulatory Requirements—Capital Plans, Stress Tests and the Stress Capital Buffer” herein and Note 17 to the financial statements.

For a description of our capital plan, see “Liquidity and Capital Resources—Regulatory Requirements—Capital Plans, Stress Tests and the Stress Capital Buffer” herein.

### Common Stock Dividend Announcement

Announcement date	October 14, 2021
Amount per share	\$0.70
Date to be paid	November 15, 2021
Shareholders of record as of	October 29, 2021

For additional information on our common stock dividends, see “Liquidity and Capital Resources—Regulatory Requirements—Capital Plans, Stress Tests and the Stress Capital Buffer” herein.

For additional information on our common stock and information on our preferred stock, see Note 17 to the financial statements.

## Off-Balance Sheet Arrangements and Contractual Obligations

### Off-Balance Sheet Arrangements

We enter into various off-balance sheet arrangements, including through unconsolidated SPEs and lending-related financial instruments (*e.g.*, guarantees and commitments), primarily in connection with the Institutional Securities and Investment Management business segments.

We utilize SPEs primarily in connection with securitization activities. For information on our securitization activities, see Note 16 to the financial statements in the 2020 Form 10-K.

For information on our commitments, obligations under certain guarantee arrangements and indemnities, see Note 14 to the financial statements. For a further discussion of our lending commitments, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk—Loans and Lending Commitments” herein.

### Contractual Obligations

For a discussion about our contractual obligations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations” in the 2020 Form 10-K.

## Regulatory Requirements

### Regulatory Capital Framework

We are an FHC under the Bank Holding Company Act of 1956, as amended (“BHC Act”), and are subject to the regulation and oversight of the Federal Reserve. The Federal Reserve establishes capital requirements for us, including “well-capitalized” standards, and evaluates our compliance with such capital requirements. Regulatory capital requirements established by the Federal Reserve are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The OCC establishes similar capital requirements and standards for our U.S. Bank Subsidiaries. For us to remain an FHC, we must remain well-capitalized in accordance with standards established by the Federal Reserve, and our U.S. Bank Subsidiaries must remain well-capitalized in accordance with standards established by the OCC. For additional information on regulatory capital requirements for our U.S. Bank Subsidiaries, see Note 16 to the financial statements.

### Regulatory Capital Requirements

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



## Management's Discussion and Analysis

the 2020 Form 10-K. For additional information on TLAC, see "Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" herein.

*Risk-Based Regulatory Capital.* Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Capital standards require certain adjustments to, and deductions from, capital for purposes of determining these ratios.

### Risk-Based Regulatory Capital Ratio Requirements

	At September 30, 2021 and December 31, 2020		
	Standardized	Advanced	
<b>Capital buffers</b>			
Capital conservation buffer	—	2.5%	
SCB <sup>1</sup>	5.7%	N/A	
G-SIB capital surcharge <sup>2</sup>	3.0%	3.0%	
CCyB <sup>3</sup>	0%	0%	
Capital buffer requirement <sup>4</sup>	8.7%	5.5%	
	At September 30, 2021 and December 31, 2020		
	Regulatory Minimum	Standardized	Advanced
<b>Required ratios<sup>5</sup></b>			
Common Equity Tier 1 capital ratio	4.5%	13.2%	10.0%
Tier 1 capital ratio	6.0%	14.7%	11.5%
Total capital ratio	8.0%	16.7%	13.5%

- For additional information on the SCB, see "Capital Plans, Stress Tests and the Stress Capital Buffer" herein and in the 2020 Form 10-K.
- For a further discussion of the G-SIB capital surcharge, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—G-SIB Capital Surcharge" in the 2020 Form 10-K.
- The CCyB can be set up to 2.5%, but is currently set by the U.S. banking agencies at zero.
- The capital buffer requirement represents the amount of Common Equity Tier 1 capital we must maintain above the minimum risk-based capital requirements in order to avoid restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers. Our Standardized Approach capital buffer requirement is equal to the sum of our SCB, G-SIB capital surcharge and CCyB, and our Advanced Approach capital buffer requirement is equal to our 2.5% capital conservation buffer, G-SIB capital surcharge and CCyB.
- Required ratios represent the regulatory minimum plus the capital buffer requirement.

Our risk-based capital ratios are computed under each of (i) the standardized approaches for calculating credit risk and market risk RWA ("Standardized Approach") and (ii) the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA ("Advanced Approach"). The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. At September 30, 2021 and December 31, 2020, the differences between the actual and required ratios were lower under the Standardized Approach.

*Leverage-Based Regulatory Capital.* Minimum leverage-based capital requirements include a Tier 1 leverage ratio and an SLR. We are required to maintain an SLR of 5%, inclusive of an enhanced SLR capital buffer of at least 2%.

As of September 30, 2021 and December 31, 2020, our risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period which began on January 1, 2020. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" in the 2020 Form 10-K.

### Regulatory Capital Ratios

\$ in millions	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Risk-based capital—Standardized</b>			
Common Equity Tier 1 capital		\$ 75,785	\$ 78,650
Tier 1 capital		83,435	88,079
Total capital		94,062	97,213
Total RWA		473,020	453,106
Common Equity Tier 1 capital ratio	13.2%	16.0%	17.4%
Tier 1 capital ratio	14.7%	17.6%	19.4%
Total capital ratio	16.7%	19.9%	21.5%

\$ in millions	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Risk-based capital—Advanced</b>			
Common Equity Tier 1 capital		\$ 75,785	\$ 78,650
Tier 1 capital		83,435	88,079
Total capital		93,813	96,994
Total RWA		441,214	445,151
Common Equity Tier 1 capital ratio	10.0%	17.2%	17.7%
Tier 1 capital ratio	11.5%	18.9%	19.8%
Total capital ratio	13.5%	21.3%	21.8%

\$ in millions	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Leverage-based capital</b>			
Adjusted average assets <sup>2</sup>		\$ 1,145,682	\$ 1,053,510
Tier 1 leverage ratio	4.0%	7.3%	8.4%
Supplementary leverage exposure <sup>3,4</sup>		\$ 1,459,466	\$ 1,192,506
SLR <sup>4</sup>	5.0%	5.7%	7.4%

- Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
- Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in our own capital instruments, certain deferred tax assets and other capital deductions.
- Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.
- Our SLR and Supplementary leverage exposure as of December 31, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks based on a Federal Reserve interim final rule that was in effect until March 31, 2021. As of December 31, 2020, the impact of the interim final rule on our SLR was an increase of 80 bps. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments and Other Matters" herein and "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" in the 2020 Form 10-K.

## Management's Discussion and Analysis

### Regulatory Capital

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020	Change
<b>Common Equity Tier 1 capital</b>			
Common stock and surplus	\$ 13,755	\$ 15,799	\$ (2,044)
Retained earnings	87,356	78,978	8,378
AOCI	(2,701)	(1,962)	(739)
Regulatory adjustments and deductions:			
Net goodwill	(16,678)	(11,527)	(5,151)
Net intangible assets	(6,878)	(4,165)	(2,713)
Other adjustments and deductions <sup>1</sup>	931	1,527	(596)
<b>Total Common Equity Tier 1 capital</b>	<b>\$ 75,785</b>	<b>\$ 78,650</b>	<b>\$ (2,865)</b>
<b>Additional Tier 1 capital</b>			
Preferred stock	\$ 7,750	\$ 9,250	\$ (1,500)
Noncontrolling interests	534	619	(85)
Additional Tier 1 capital	\$ 8,284	\$ 9,869	\$ (1,585)
Deduction for investments in covered funds	(634)	(440)	(194)
<b>Total Tier 1 capital</b>	<b>\$ 83,435</b>	<b>\$ 88,079</b>	<b>\$ (4,644)</b>
<b>Standardized Tier 2 capital</b>			
Subordinated debt	\$ 9,522	\$ 7,737	\$ 1,785
Eligible ACL	1,182	1,265	(83)
Other adjustments and deductions	(77)	132	(209)
<b>Total Standardized Tier 2 capital</b>	<b>\$ 10,627</b>	<b>\$ 9,134</b>	<b>\$ 1,493</b>
<b>Total Standardized capital</b>	<b>\$ 94,062</b>	<b>\$ 97,213</b>	<b>\$ (3,151)</b>
<b>Advanced Tier 2 capital</b>			
Subordinated debt	\$ 9,522	\$ 7,737	\$ 1,785
Eligible credit reserves	933	1,046	(113)
Other adjustments and deductions	(77)	132	(209)
<b>Total Advanced Tier 2 capital</b>	<b>\$ 10,378</b>	<b>\$ 8,915</b>	<b>\$ 1,463</b>
<b>Total Advanced capital</b>	<b>\$ 93,813</b>	<b>\$ 96,994</b>	<b>\$ (3,181)</b>

1. Other adjustments and deductions used in the calculation of Common Equity Tier 1 capital primarily includes net after-tax DVA, the credit spread premium over risk-free rate for derivative liabilities, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in our own capital instruments and certain deferred tax assets.

### RWA Rollforward

<i>\$ in millions</i>	Nine Months Ended September 30, 2021	
	Standardized	Advanced
<b>Credit risk RWA</b>		
Balance at December 31, 2020	\$ 387,066	\$ 284,930
Change related to the following items:		
Derivatives	10,529	(14,533)
Securities financing transactions	5,914	947
Investment securities	(2,563)	357
Commitments, guarantees and loans	639	4,260
Equity investments	2,117	2,196
Other credit risk <sup>1</sup>	6,884	6,395
<b>Total change in credit risk RWA</b>	<b>\$ 23,520</b>	<b>\$ (378)</b>
<b>Balance at September 30, 2021</b>	<b>\$ 410,586</b>	<b>\$ 284,552</b>
<b>Market risk RWA</b>		
Balance at December 31, 2020	\$ 66,040	\$ 66,040
Change related to the following items:		
Regulatory VaR	(6,747)	(6,747)
Regulatory stressed VaR	(1,908)	(1,908)
Incremental risk charge	3,032	3,032
Comprehensive risk measure	(125)	(125)
Specific risk	2,142	2,142
<b>Total change in market risk RWA</b>	<b>\$ (3,606)</b>	<b>\$ (3,606)</b>
<b>Balance at September 30, 2021</b>	<b>\$ 62,434</b>	<b>\$ 62,434</b>
<b>Operational risk RWA</b>		
Balance at December 31, 2020	N/A	\$ 94,181
Change in operational risk RWA	N/A	47
<b>Balance at September 30, 2021</b>	<b>N/A</b>	<b>\$ 94,228</b>
<b>Total RWA</b>	<b>\$ 473,020</b>	<b>\$ 441,214</b>

Regulatory VaR—VaR for regulatory capital requirements

1. Amounts reflect assets not in a defined category, non-material portfolios of exposures and unsettled transactions.

Credit risk RWA in the current year period increased under the Standardized Approach, while it is relatively unchanged under the Advanced Approach. Under the Standardized Approach, the increase was primarily from Derivatives and Securities financing transactions driven by increased exposure. Under the Advanced Approach, decreased CVA in Derivatives due to lower credit spread volatility was offset by increased exposure in event lending within the Institutional Securities business segment and other increases.

Market risk RWA decreased in the current year period under both the Standardized and Advanced Approaches primarily due to a decrease in Regulatory VaR mainly as a result of reduced volatility as the peak COVID-19 market stress in 2020 is no longer included in VaR. This was partially offset by an increase in the Incremental risk charge and non-securitization charges due to increased exposure.

### Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements

The Federal Reserve has established external TLAC, long-term debt (“LTD”) and clean holding company requirements for top-tier BHCs of U.S. G-SIBs (“covered BHCs”), including the Parent Company. These requirements are designed to ensure that covered BHCs will have enough loss-absorbing resources at the point of failure to be recapitalized through the conversion of eligible LTD to equity or otherwise



## Management's Discussion and Analysis

by imposing losses on eligible LTD or other forms of TLAC where an SPOE resolution strategy is used.

### Required and Actual TLAC and Eligible LTD Ratios

\$ in millions	Regulatory Minimum	Required Ratio <sup>1</sup>	Actual Amount/Ratio	
			At September 30, 2021	At December 31, 2020
External TLAC <sup>2</sup>			\$ 234,639	\$ 216,129
External TLAC as a % of RWA	18.0%	21.5%	49.6%	47.7%
External TLAC as a % of leverage exposure	7.5%	9.5%	16.1%	18.1%
Eligible LTD <sup>3</sup>			\$ 142,978	\$ 120,561
Eligible LTD as a % of RWA	9.0%	9.0%	30.2%	26.6%
Eligible LTD as a % of leverage exposure	4.5%	4.5%	9.8%	10.1%

1. Required ratios are inclusive of applicable buffers. The final rule imposes TLAC buffer requirements on top of both the risk-based and leverage exposure-based external TLAC minimum requirements. The risk-based TLAC buffer is equal to the sum of 2.5%, our Method 1 G-SIB surcharge and the CCyB, if any, as a percentage of total RWA. The leverage exposure-based TLAC buffer is equal to 2% of our total leverage exposure. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. External TLAC consists of Common Equity Tier 1 capital and Additional Tier 1 capital (each excluding any noncontrolling minority interests), as well as eligible LTD.
3. Consists of TLAC-eligible LTD reduced by 50% for amounts of unpaid principal due to be paid in more than one year but less than two years from each respective balance sheet date.

We are in compliance with all TLAC requirements as of September 30, 2021 and December 31, 2020. For a further discussion of TLAC and related requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Regulatory Capital Requirements—Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" in the 2020 Form 10-K.

### Capital Plans, Stress Tests and the Stress Capital Buffer

Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large BHCs, which form part of the Federal Reserve's annual CCAR framework.

We must submit, on at least an annual basis, a capital plan to the Federal Reserve, taking into account the results of separate annual stress tests designed by us and the Federal Reserve, so that the Federal Reserve may assess our systems and processes that incorporate forward-looking projections of revenues and losses to monitor and maintain our internal capital adequacy. As banks with less than \$250 billion of total assets, our U.S. Bank Subsidiaries are not subject to company-run stress test regulatory requirements.

For the 2021 capital planning and stress test cycle, we submitted our capital plan and company-run stress test results to the Federal Reserve on April 5, 2021. On June 24, 2021, the Federal Reserve published summary results of its supervisory stress tests of each large BHC, and following the publication of the supervisory stress test results, we

announced that our SCB will remain at 5.7% from October 1, 2021 through September 30, 2022. Together with other features of the regulatory capital framework, this SCB results in an aggregate Standardized Approach Common Equity Tier 1 required ratio of 13.2%. Generally, our SCB is determined annually based on the results of the supervisory stress test.

Additionally, under the modified capital action restrictions announced previously by the Federal Reserve, in the first two quarters of 2021 large BHCs were permitted to pay common stock dividends, provided they did not increase the amount of common stock dividends to be larger than the level paid in the second quarter of 2020, and make share repurchases that, in the aggregate, did not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters; make share repurchases that equal the amount of share issuances related to expensed employee compensation; and redeem and make scheduled payments on additional Tier 1 and Tier 2 capital instruments. The Federal Reserve subsequently announced that the restrictions described above would end on June 30, 2021 for all firms whose capital levels are above minimum risk-based requirements in the Federal Reserve's annual supervisory stress test.

Based on the results of the 2021 supervisory stress tests, the temporary capital action supervisory restrictions previously applicable to us ended on June 30, 2021. Beginning July 1, 2021, the Firm is permitted, in its discretion, to adjust its capital distributions without seeking prior approval from the Federal Reserve, provided that it remains in compliance with all applicable regulatory capital requirements, including the SCB. We disclosed a summary of the results of our company-run stress tests on our Investor Relations website, and announced that our Board of Directors authorized the increase of our quarterly common stock dividend to \$0.70 per share from \$0.35 per share beginning with the common stock dividend announced on July 15, 2021, and authorized the repurchase of up to \$12 billion of outstanding common stock from July 1, 2021 through June 30, 2022, from time to time as conditions warrant, which supersedes the previous common stock repurchase authorization.

For additional information, on our capital planning and stress tests, including the SCB, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Plans, Stress Tests and the Stress Capital Buffer" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Action Supervisory Restrictions" in the 2020 Form 10-K.

### Attribution of Average Common Equity According to the Required Capital Framework

Our required capital ("Required Capital") estimation is based on the Required Capital framework, an internal capital adequacy measure. Common equity attribution to the business segments is based on capital usage calculated under the

## Management’s Discussion and Analysis

Required Capital framework, as well as each business segment’s relative contribution to our total Required Capital.

The Required Capital framework is a risk-based and leverage-based capital measure, which is compared with our regulatory capital to ensure that we maintain an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. The amount of capital allocated to the business segments is generally set at the beginning of each year and remains fixed throughout the year until the next annual reset unless a significant business change occurs (e.g., acquisition or disposition). We define the difference between our total average common equity and the sum of the average common equity amounts allocated to our business segments as Parent common equity. We generally hold Parent common equity for prospective regulatory requirements, organic growth, potential future acquisitions and other capital needs.

### Average Common Equity Attribution under the Required Capital Framework<sup>1</sup>

\$ in billions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Institutional Securities	\$ 43.5	\$ 42.8	\$ 43.5	\$ 42.8
Wealth Management <sup>2</sup>	28.6	18.2	28.6	18.2
Investment Management <sup>3</sup>	10.7	2.6	8.2	2.6
Parent	15.8	15.1	16.6	13.3
<b>Total</b>	<b>\$ 98.6</b>	<b>\$ 78.7</b>	<b>\$ 96.9</b>	<b>\$ 76.9</b>

1. The attribution of average common equity to the business segments is a non-GAAP financial measure. See “Selected Non-GAAP Financial Information” herein.
2. The total average common equity and the allocation to the Wealth Management business segment in 2021 reflect the E\*TRADE acquisition on October 2, 2020.
3. The total average common equity and the allocation to the Investment Management business segment in 2021 reflect the Eaton Vance acquisition on March 1, 2021.

The Firm has made updates to its Required Capital framework for 2021 and continues to evaluate the impact of evolving regulatory requirements, as appropriate.

### Resolution and Recovery Planning

Pursuant to the Dodd-Frank Act, we are required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes our strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of our material financial distress or failure. We submitted our 2021 targeted resolution plan on June 30, 2021.

As described in our most recent resolution plan, our preferred resolution strategy is an SPOE strategy. In line with our SPOE strategy, the Parent Company has transferred, and has agreed to transfer on an ongoing basis, certain assets to its wholly owned, direct subsidiary Morgan Stanley Holdings LLC (the “Funding IHC”). In addition, the Parent Company has entered into an amended and restated support agreement with its material entities (including the Funding IHC) and certain other subsidiaries. In the event of a resolution scenario, the Parent Company would be obligated to contribute all of its Contributable Assets to our material entities and/or the Funding IHC. The Funding IHC would be

obligated to provide capital and liquidity, as applicable, to our material entities. The combined implication of the SPOE resolution strategy and the requirement to maintain certain levels of TLAC is that losses in resolution would be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by the Parent Company before any losses are imposed on creditors of our material entities and without requiring taxpayer or government financial support.

For more information about resolution and recovery planning requirements and our activities in these areas, including the implications of such activities in a resolution scenario, see “Business—Supervision and Regulation—Financial Holding Company—Resolution and Recovery Planning,” “Risk Factors—Legal, Regulatory and Compliance Risk” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Resolution and Recovery Planning” in the 2020 Form 10-K.

### Regulatory Developments and Other Matters

#### *Planned Adoption of the Standardized Approach for Counterparty Credit Risk (“SA-CCR”)*

The U.S. banking agencies’ final rule to implement SA-CCR requires compliance by January 1, 2022 for Advanced Approaches banking organizations, such as the Parent Company. We intend to early adopt SA-CCR under the final rule in the fourth quarter of 2021. SA-CCR replaces the current exposure method used to measure derivatives counterparty exposure on the Standardized Approach RWA and Supplementary leverage exposure calculations in the regulatory capital framework. In the absence of further mitigation, the adoption of SA-CCR could increase our RWA under the Standardized Approach by \$35 billion to \$45 billion and reduce our Standardized Common Equity Tier 1 capital ratio by approximately 120 basis points. This preliminary estimate of the initial impact of adopting SA-CCR is subject to risks and uncertainties, including regarding portfolio composition and mitigation efforts as of the adoption date, that may cause the actual impact to differ materially and should not be taken as a projection of what our capital ratios and RWA will be in future periods.

#### *Swap Dealer and Security-based Swap Dealer Regulations*

CFTC rules establishing capital requirements for swap dealers not subject to regulation by a prudential regulator required compliance by October 6, 2021. A number of our U.S. and non-U.S. CFTC-regulated swap dealers have been required to comply with these rules since such date. Additionally, the compliance date for SEC rules requiring the registration of security-based swap dealers was November 1, 2021. Compliance by our security-based swap dealers with associated SEC requirements, including but not limited to those related to capital and business conduct standards, is now also required. Each entity subject to these rules was compliant with the applicable requirements as of the compliance dates.

## Management's Discussion and Analysis

### *Expiration of the Supplementary Leverage Ratio Interim Final Rule*

On March 19, 2021, the Federal Reserve announced that the temporary change to the SLR for bank holding companies, which allowed for the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks, would expire as scheduled on March 31, 2021. As a result, this exclusion was eliminated beginning in the second quarter of 2021. For a summary of the impact of this interim final rule, see "Regulatory Capital Requirements" herein.

### *Planned Replacement of London Interbank Offered Rate and Replacement or Reform of Other Interest Rates*

Central banks around the world, including the Federal Reserve, have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks (collectively, the "IBORs"). On March 5, 2021, ICE Benchmark Administration, which administers LIBOR publication, announced that it will cease the publication of most LIBOR rates as of the end of December 2021, except for the publication until June 30, 2023 of the most widely used U.S. dollar LIBOR tenors, and the U.K. Financial Conduct Authority ("FCA"), which regulates LIBOR publication, announced that it would not compel panel banks to submit to LIBOR beyond those dates.

Subsequently, the International Swaps and Derivatives Association ("ISDA") confirmed that the FCA's announcement constituted an "Index Cessation Event" as defined in the IBOR Fallbacks Supplement, which amended ISDA's interest rate definitions to include robust fallbacks for derivatives linked to LIBOR and certain other interest rate benchmarks, and the ISDA 2020 IBOR Fallbacks Protocol, which incorporates the fallbacks into legacy non-cleared derivatives entered into between Protocol adherents. The FCA's announcement therefore triggered a fixing of the ISDA fallback spread adjustments for all LIBOR benchmarks, to be effective when the contractual fallbacks are implemented. The Alternative Reference Rates Committee ("ARRC") also confirmed that the ICE Benchmark Administration and FCA announcements also constituted a "Benchmark Transition Event" with respect to all U.S. dollar LIBOR settings pursuant to the ARRC's fallback recommendations for new issuances or originations of certain cash products.

Separately, the U.S. banking agencies and the FCA have been encouraging banks to cease entering into new contracts referencing LIBOR no later than December 31, 2021.

Further, New York State has enacted legislation that is intended to minimize legal and economic uncertainty following U.S. dollar LIBOR's cessation by replacing LIBOR references in certain contracts governed by New York law with a benchmark based on the Secured Overnight Financing Rate, including any spread adjustment, recommended by the

Federal Reserve, the Federal Reserve Bank of New York or the ARRC.

We remain a party to a significant number of LIBOR-linked contracts, many of which extend beyond 2021 and, in the case of U.S. dollar LIBOR, June 30, 2023, composed of derivatives, securitizations, floating rate notes, loans and mortgages and we continue to execute against our Firm-wide IBOR transition plan to promote the transition to alternative reference rates in accordance with industry transition timelines. Our IBOR transition plan is overseen by a global steering committee, with senior management oversight. Firm entities engaged in derivative activities have adhered to the ISDA 2020 IBOR Fallbacks Protocol. As noted above, the Protocol is designed to facilitate the transition of covered derivatives contracts to alternative reference rates. The New York State legislation also provides safeguards that help facilitate the transition to alternative reference rates for certain U.S. dollar LIBOR contracts, although additional regulatory clarity may be needed in some instances.

See also "Risk Factors—Risk Management" in the 2020 Form 10-K for a further discussion of risks related to the planned replacement of the IBORs and/or reform of interest rate benchmarks.

For a further discussion of regulatory developments and other matters, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Other Matters," respectively, in the 2020 Form 10-K.

## Quantitative and Qualitative Disclosures about Risk

Management believes effective risk management is vital to the success of our business activities. For a discussion of our Enterprise Risk Management framework and risk management functions, see “Quantitative and Qualitative Disclosures about Risk—Risk Management” in the 2020 Form 10-K.

### Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. Generally, we incur market risk as a result of trading, investing and client facilitation activities, principally within the Institutional Securities business segment where the substantial majority of our VaR for market risk exposures is generated. In addition, we incur non-trading market risk, principally within the Wealth Management and Investment Management business segments. The Wealth Management business segment primarily incurs non-trading market risk (including interest rate risk) from lending and deposit-taking activities. The Investment Management business segment primarily incurs non-trading market risk from capital investments in its funds. For a further discussion of market risk, see “Quantitative and Qualitative Disclosures about Risk—Market Risk” in the 2020 Form 10-K.

### Trading Risks

We are exposed to a wide range of risks related to interest rates and credit spreads, equity prices, foreign exchange rates and commodity prices, and the associated implied volatilities and spreads, related to the global markets in which we conduct our trading activities.

The statistical technique known as VaR is one of the tools we use to measure, monitor and review the market risk exposures of our trading portfolios.

For information regarding our primary risk exposures and market risk management, VaR methodology, assumptions and limitations, see “Quantitative and Qualitative Disclosures about Risk—Market Risk—Trading Risks” in the 2020 Form 10-K.

### 95%/One-Day Management VaR for the Trading Portfolio

<i>\$ in millions</i>	Three Months Ended September 30, 2021			
	Period End	Average	High <sup>2</sup>	Low <sup>2</sup>
Interest rate and credit spread	\$ 27	\$ 28	\$ 33	\$ 23
Equity price	28	24	32	20
Foreign exchange rate	7	8	11	6
Commodity price	19	12	19	9
Less: Diversification benefit <sup>1</sup>	(34)	(29)	N/A	N/A
Primary Risk Categories	\$ 47	\$ 43	\$ 53	\$ 38
Credit Portfolio	12	12	13	11
Less: Diversification benefit <sup>1</sup>	(11)	(10)	N/A	N/A
<b>Total Management VaR</b>	<b>\$ 48</b>	<b>\$ 45</b>	<b>\$ 56</b>	<b>\$ 41</b>

<i>\$ in millions</i>	Three Months Ended June 30, 2021			
	Period End	Average	High <sup>2</sup>	Low <sup>2</sup>
Interest rate and credit spread	\$ 29	\$ 31	\$ 39	\$ 28
Equity price	21	24	32	19
Foreign exchange rate	8	8	15	5
Commodity price	10	11	16	8
Less: Diversification benefit <sup>1</sup>	(28)	(29)	N/A	N/A
Primary Risk Categories	\$ 40	\$ 45	\$ 58	\$ 37
Credit Portfolio	12	13	17	11
Less: Diversification benefit <sup>1</sup>	(9)	(10)	N/A	N/A
<b>Total Management VaR</b>	<b>\$ 43</b>	<b>\$ 48</b>	<b>\$ 60</b>	<b>\$ 41</b>

1. Diversification benefit equals the difference between the total VaR and the sum of the component VaRs. This benefit arises because the simulated one-day losses for each of the components occur on different days; similar diversification benefits also are taken into account within each component.
2. The high and low VaR values for the total Management VaR and each of the component VaRs might have occurred on different days during the quarter, and therefore, the diversification benefit is not an applicable measure.

Average total Management VaR and average Management VaR for the Primary Risk Categories were relatively unchanged from the three months ended June 30, 2021.

### Distribution of VaR Statistics and Net Revenues

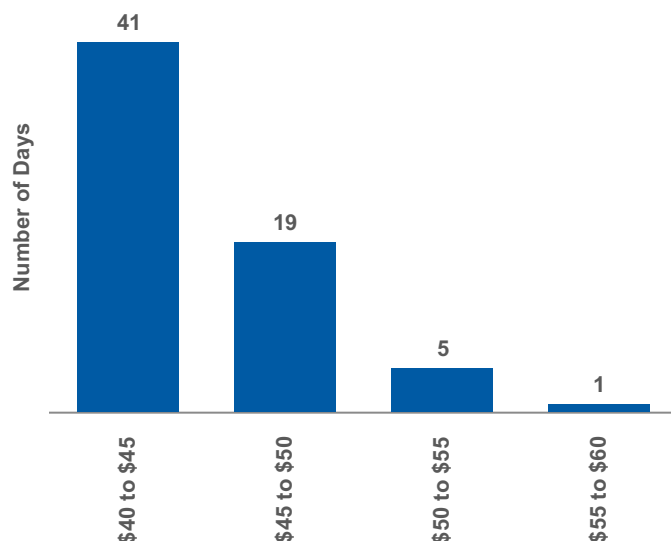
We evaluate the reasonableness of our VaR model by comparing the potential declines in portfolio values generated by the model with corresponding actual trading results for the Firm, as well as individual business units. For days where losses exceed the VaR statistic, we examine the drivers of trading losses to evaluate the VaR model’s accuracy relative to realized trading results. There were two loss days in the current quarter, which did not exceed the Firm’s VaR.



## Risk Disclosures

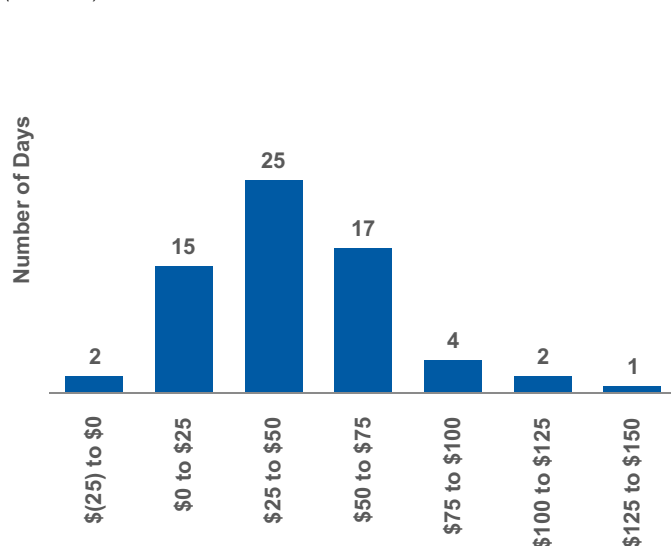
### Daily 95%/One-Day Total Management VaR for the Current Quarter

(\$ in millions)



### Daily Net Trading Revenues for the Current Quarter

(\$ in millions)



The previous histogram shows the distribution of daily net trading revenues for the current quarter. Daily net trading revenues include profits and losses from Interest rate and credit spread, Equity price, Foreign exchange rate, Commodity price, and Credit Portfolio positions and intraday trading activities for our trading businesses. Certain items such as fees, commissions, net interest income, and counterparty default risk are excluded from daily net trading revenues and the VaR model. Revenues required for Regulatory VaR backtesting further exclude intraday trading.

### Non-Trading Risks

We believe that sensitivity analysis is an appropriate representation of our non-trading risks. The following sensitivity analyses cover substantially all of the non-trading risk in our portfolio.

### Credit Spread Risk Sensitivity<sup>1</sup>

\$ in millions	At September 30, 2021		At June 30, 2021	
	\$		\$	
Derivatives	7		7	
Borrowings carried at fair value	48		48	

1. Amounts represent the potential gain for each 1 bps widening of our credit spread.

### U.S. Bank Subsidiaries' Net Interest Income Sensitivity Analysis

\$ in millions	At September 30, 2021		At June 30, 2021	
	\$		\$	
<b>Basis point change</b>				
+100	1,540		1,463	
-100	(494)		(498)	

The previous table presents an analysis of selected instantaneous upward and downward parallel interest rate shocks (subject to a floor of zero percent in the downward scenario) on net interest income over the next 12 months for our U.S. Bank Subsidiaries. These shocks are applied to our 12-month forecast for our U.S. Bank Subsidiaries, which incorporates market expectations of interest rates and our forecasted business activity.

We do not manage to any single rate scenario but rather manage net interest income in our U.S. Bank Subsidiaries to optimize across a range of possible outcomes, including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates, and includes subjective assumptions regarding customer and market re-pricing behavior and other factors. Net interest income sensitivity was relatively unchanged from June 30, 2021.

### Investments Sensitivity, Including Related Carried Interest

\$ in millions	Loss from 10% Decline	
	At September 30, 2021	At June 30, 2021
Investments related to Investment Management activities	\$ 422	\$ 477
Other investments:		
MUMSS	174	172
Other Firm investments	261	232

We have exposure to public and private companies through direct investments, as well as through funds that invest in these assets. These investments are predominantly equity positions with long investment horizons, a portion of which is for business facilitation purposes. The market risk related to these investments is measured by estimating the potential reduction in net revenues associated with a reasonably possible 10% decline in investment values and related impact on performance-based income, as applicable.



## Risk Disclosures

### Asset Management Revenue Sensitivity

Certain asset management revenues in the Wealth Management and Investment Management business segments are derived from management fees, which are based on fee-based client assets in Wealth Management or AUM in Investment Management (together, “client holdings”). The assets underlying client holdings are primarily composed of equity, fixed income and alternative investments, and are sensitive to changes in related markets. The overall level of these revenues depends on multiple factors that include, but are not limited to, the level and duration of a market increase or decline, price volatility, the geographic and industry mix of client assets, and client behavior such as the rate and magnitude of client investments and redemptions. Therefore, overall revenues do not correlate completely with changes in the related markets.

### Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We are primarily exposed to credit risk from institutions and individuals through our Institutional Securities and Wealth Management business segments. For a further discussion of our credit risks, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” in the 2020 Form 10-K.

### Loans and Lending Commitments

\$ in millions	At September 30, 2021			
	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	\$ 4,774	\$ 8,998	\$ 13	\$ 13,785
Secured lending facilities	27,345	3,650	350	31,345
Commercial and Residential real estate	6,915	434	5,536	12,885
Securities-based lending and Other	520	56	8,889	9,465
<b>Total Institutional Securities</b>	<b>39,554</b>	<b>13,138</b>	<b>14,788</b>	<b>67,480</b>
Wealth Management:				
Residential real estate	41,428	8	—	41,436
Securities-based lending and Other	79,888	22	—	79,910
<b>Total Wealth Management</b>	<b>121,316</b>	<b>30</b>	<b>—</b>	<b>121,346</b>
<b>Total Investment Management<sup>1</sup></b>	<b>5</b>	<b>—</b>	<b>127</b>	<b>132</b>
<b>Total loans<sup>2</sup></b>	<b>160,875</b>	<b>13,168</b>	<b>14,915</b>	<b>188,958</b>
<b>ACL</b>	<b>(684)</b>			<b>(684)</b>
<b>Total loans, net of ACL</b>	<b>\$160,191</b>	<b>\$ 13,168</b>	<b>\$14,915</b>	<b>\$ 188,274</b>
<b>Lending commitments<sup>3</sup></b>				<b>\$137,116</b>
<b>Total exposure</b>				<b>\$325,390</b>

\$ in millions	At December 31, 2020			
	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	\$ 6,046	\$ 8,580	\$ 13	\$ 14,639
Secured lending facilities	25,727	3,296	648	29,671
Commercial and Residential real estate	7,346	859	3,061	11,266
Securities-based lending and Other	1,279	55	7,001	8,335
<b>Total Institutional Securities</b>	<b>40,398</b>	<b>12,790</b>	<b>10,723</b>	<b>63,911</b>
Wealth Management:				
Residential real estate	35,268	11	—	35,279
Securities-based lending and Other	62,947	—	—	62,947
<b>Total Wealth Management</b>	<b>98,215</b>	<b>11</b>	<b>—</b>	<b>98,226</b>
<b>Total Investment Management<sup>1</sup></b>	<b>6</b>	<b>12</b>	<b>425</b>	<b>443</b>
<b>Total loans<sup>2</sup></b>	<b>138,619</b>	<b>12,813</b>	<b>11,148</b>	<b>162,580</b>
<b>ACL</b>	<b>(835)</b>			<b>(835)</b>
<b>Total loans, net of ACL</b>	<b>\$137,784</b>	<b>\$ 12,813</b>	<b>\$11,148</b>	<b>\$ 161,745</b>
<b>Lending commitments<sup>3</sup></b>				<b>\$ 127,855</b>
<b>Total exposure</b>				<b>\$ 289,600</b>

HFI—Held for investment; HFS—Held for sale; FVO—Fair value option

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

- Investment Management business segment loans are related to certain of our activities as an investment advisor and manager. Loans held at fair value are the result of the consolidation of investment vehicles (including CLOs) managed by Investment Management, composed primarily of senior secured loans to corporations.
- FVO also includes the fair value of certain unfunded lending commitments.
- Lending commitments represent the notional amount of legally binding obligations to provide funding to clients for lending transactions. Since commitments associated with these business activities may expire unused or may not be utilized to full capacity, they do not necessarily reflect the actual future cash funding requirements.

We provide loans and lending commitments to a variety of customers, including large corporate and institutional clients, as well as high to ultra-high net worth individuals. In addition, we purchase loans in the secondary market. Loans and lending commitments are either held for investment, held for sale or carried at fair value. For more information on these loan classifications, see Note 2 to the financial statements in the 2020 Form 10-K.

Total loans and lending commitments increased by approximately \$36 billion since December 31, 2020, primarily due to growth in Securities-based and Residential real estate loans within the Wealth Management business segment, as well as increases in Corporate lending commitments and Secured lending facilities within the Institutional Securities business segment.

See Notes 5, 6, 10 and 14 to the financial statements for further information.

Beginning late in the first quarter of 2020 and following in part from the U.S. government’s enactment of the CARES Act, we have granted requests from certain clients for modifications of their credit agreements with us, which in some cases include deferral of their loan payments. In addition to these principal and interest deferrals, we continue to work with certain clients regarding modifications of other terms under their original loan agreements that do not impact contractual loan payments. We do not believe these

## Risk Disclosures

modifications have had a material impact on the risk profile of our loan portfolio.

Requests for deferrals and other modifications could continue in future periods. See “Executive Summary—Coronavirus Disease (COVID-19) Pandemic” herein and “Risk Factors” and “Forward Looking Statements” in the 2020 Form 10-K.

For additional information on regulatory guidance which permits certain loan modifications for borrowers impacted by COVID-19 to not be accounted for and reported as TDRs as well as the Firm’s accounting policies for such modifications, see “Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments” and Note 2 to the financial statements in the 2020 Form 10-K, respectively. For information on HFI loans on nonaccrual status and HFI loans modified and reported as TDRs, see “Status of Loans Held for Investment” herein and Note 10 to the financial statements, and for a discussion of the related accounting policies see Note 2 to the financial statements in the 2020 Form 10-K.

### Allowance for Credit Losses—Loans and Lending Commitments

<i>\$ in millions</i>	
ACL—Loans	\$ 835
ACL—Lending Commitments	396
Total at December 31, 2020	1,231
Gross charge-offs	(107)
Provision for credit losses	(1)
Other	(10)
<b>Total at September 30, 2021</b>	<b>\$ 1,113</b>
ACL—Loans	\$ 684
ACL—Lending commitments	429

### Provision for Credit Losses by Business Segment

<i>\$ in millions</i>	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	IS	WM	Total	IS	WM	Total
Loans	\$ 3	\$ 2	\$ 5	\$ (38)	\$ 1	\$ (37)
Lending commitments	21	(2)	19	39	(3)	36
<b>Total</b>	<b>\$ 24</b>	<b>\$ —</b>	<b>\$ 24</b>	<b>\$ 1</b>	<b>\$ (2)</b>	<b>\$ (1)</b>

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

The aggregate allowance for loans and lending commitments decreased in the current year period, primarily reflecting charge-offs, as well as an allowance release as a result of paydowns on Corporate loans, including by lower-rated borrowers, offset by the provision for one Secured lending facility. The base scenario used in our ACL models as of September 30, 2021 was generated using a combination of

industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is U.S. gross domestic product. The base scenario, among other things, assumes continued growth over the forecast period and a year-over-year U.S. GDP effective growth rate of approximately 6% in the fourth quarter of 2021, supported by fiscal stimulus and accommodative monetary policy. See Notes 10 and 14 to the financial statements for further information. See Note 2 to the financial statements in the 2020 Form 10-K for a discussion of the Firm’s ACL methodology under CECL.

### Status of Loans Held for Investment

	At September 30, 2021		At December 31, 2020	
	IS	WM	IS	WM
Accrual	98.6%	99.8%	99.2%	99.7%
Nonaccrual <sup>1</sup>	1.4%	0.2%	0.8%	0.3%

1. These loans are on nonaccrual status because the loans were past due for a period of 90 days or more or payment of principal or interest was in doubt.

### Institutional Securities Loans and Lending Commitments<sup>1</sup>

<i>\$ in millions</i>	At September 30, 2021				
	Contractual Years to Maturity				
	Less than 1	1-3	3-5	Over 5	Total
<b>Loans</b>					
AA	\$ —	\$ 36	\$ —	\$ —	\$ 36
A	1,138	814	371	377	2,700
BBB	5,459	5,273	2,444	1,178	14,354
BB	10,886	10,260	4,290	954	26,390
Other NIG	4,328	7,286	3,937	3,305	18,856
Unrated <sup>2</sup>	178	334	511	3,546	4,569
<b>Total loans, net of ACL</b>	<b>21,989</b>	<b>24,003</b>	<b>11,553</b>	<b>9,360</b>	<b>66,905</b>
<b>Lending commitments</b>					
AAA	—	50	—	—	50
AA	2,938	1,120	2,449	—	6,507
A	4,327	7,482	10,456	446	22,711
BBB	10,509	16,834	19,487	1,050	47,880
BB	3,202	11,489	7,932	1,790	24,413
Other NIG	1,142	6,742	7,574	5,104	20,562
Unrated <sup>2</sup>	1	—	17	15	33
<b>Total lending commitments</b>	<b>22,119</b>	<b>43,717</b>	<b>47,915</b>	<b>8,405</b>	<b>122,156</b>
<b>Total exposure</b>	<b>\$ 44,108</b>	<b>\$ 67,720</b>	<b>\$ 59,468</b>	<b>\$ 17,765</b>	<b>\$ 189,061</b>

## Risk Disclosures

\$ in millions	At December 31, 2020					Total
	Contractual Years to Maturity				Total	
	Less than 1	1-3	3-5	Over 5		
<b>Loans</b>						
AA	\$ 279	\$ 10	\$ —	\$ —	\$ 289	
A	759	798	36	391	1,984	
BBB	5,043	5,726	2,746	469	13,984	
BB	10,963	7,749	5,324	503	24,539	
Other NIG	5,214	6,956	4,002	3,269	19,441	
Unrated <sup>2</sup>	141	142	330	2,322	2,935	
<b>Total loans, net of ACL</b>	<b>22,399</b>	<b>21,381</b>	<b>12,438</b>	<b>6,954</b>	<b>63,172</b>	
<b>Lending commitments</b>						
AAA	—	50	—	—	50	
AA	4,047	1,038	2,135	—	7,220	
A	6,025	8,359	9,808	425	24,617	
BBB	6,783	17,782	15,500	460	40,525	
BB	4,357	8,958	7,958	3,103	24,376	
Other NIG	664	7,275	6,077	2,652	16,668	
Unrated <sup>2</sup>	4	—	—	—	4	
<b>Total lending commitments</b>	<b>21,880</b>	<b>43,462</b>	<b>41,478</b>	<b>6,640</b>	<b>113,460</b>	
<b>Total exposure</b>	<b>\$ 44,279</b>	<b>\$ 64,843</b>	<b>\$ 53,916</b>	<b>\$ 13,594</b>	<b>\$ 176,632</b>	

NIG—Non-investment grade

1. Counterparty credit ratings are internally determined by the CRM.

2. Unrated loans and lending commitments are primarily trading positions that are measured at fair value and risk-managed as a component of market risk. For a further discussion of our market risk, see "Market Risk" herein.

### Institutional Securities Loans and Lending Commitments by Industry

\$ in millions	At	
	September 30, 2021	December 31, 2020
<b>Industry</b>		
Financials	\$ 50,404	\$ 44,358
Real estate	30,411	25,484
Industrials	17,409	15,861
Communications services	14,382	12,600
Healthcare	14,021	12,650
Consumer discretionary	11,763	11,177
Information technology	10,601	11,358
Utilities	10,150	9,504
Energy	8,456	10,064
Consumer staples	8,170	9,088
Materials	6,434	6,084
Insurance	4,249	3,889
Other	2,611	4,515
<b>Total exposure</b>	<b>\$ 189,061</b>	<b>\$ 176,632</b>

### Sectors Currently in Focus due to COVID-19

The economic effects of COVID-19 have impacted borrowers in many sectors and industries, though certain sectors remain more sensitive to the current economic environment and are continuing to receive heightened focus. The sectors currently in focus are air travel, lodging and leisure, retail, upstream energy, and healthcare services and systems. As of September 30, 2021, exposures to these sectors are included across the Industrials, Financials, Real estate, Consumer discretionary, Energy and Healthcare industries in the previous table, and in aggregate represent approximately 10% of total Institutional Securities business segment lending exposure. Further, as of September 30, 2021, approximately 90% of these exposures

are either investment grade and/or secured by collateral. The future developments of COVID-19 and its effect on the economic environment remain uncertain; therefore, the sectors impacted may change over time. Refer to "Risk Factors" in the 2020 Form 10-K.

### Institutional Securities Lending Activities

The Institutional Securities business segment lending activities include Corporate, Secured lending facilities, Commercial real estate and Securities-based lending and Other. As of September 30, 2021, over 90% of our total lending exposure, which consists of loans and lending commitments, is investment grade and/or secured by collateral. For a description of Institutional Securities' lending activities, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk" in the 2020 Form 10-K.

### Institutional Securities Event-Driven Loans and Lending Commitments

\$ in millions	At September 30, 2021					Total
	Contractual Years to Maturity				Total	
	Less than 1	1-3	3-5	Over 5		
Loans, net of ACL	\$ 1,331	\$ 609	\$ 479	\$ 3,148	\$ 5,567	
Lending commitments	5,861	5,078	2,877	6,442	20,258	
<b>Total exposure</b>	<b>\$ 7,192</b>	<b>\$ 5,687</b>	<b>\$ 3,356</b>	<b>\$ 9,590</b>	<b>\$ 25,825</b>	

\$ in millions	At December 31, 2020					Total
	Contractual Years to Maturity				Total	
	Less than 1	1-3	3-5	Over 5		
Loans, net of ACL	\$ 1,241	\$ 907	\$ 873	\$ 2,090	\$ 5,111	
Lending commitments	2,810	4,649	2,678	4,650	14,787	
<b>Total exposure</b>	<b>\$ 4,051</b>	<b>\$ 5,556</b>	<b>\$ 3,551</b>	<b>\$ 6,740</b>	<b>\$ 19,898</b>	

Event-driven loans and lending commitments are associated with a particular event or transaction, such as to support client merger, acquisition, recapitalization or project finance activities. Balances may fluctuate as such lending is related to transactions that vary in timing and size from period to period.

### Institutional Securities Loans and Lending Commitments Held for Investment

\$ in millions	At September 30, 2021		
	Loans	Lending Commitments	Total
Corporate	\$ 4,774	\$ 73,264	\$ 78,038
Secured lending facilities	27,345	9,434	36,779
Commercial real estate	6,915	341	7,256
Other	520	645	1,165
<b>Total, before ACL</b>	<b>\$ 39,554</b>	<b>\$ 83,684</b>	<b>\$ 123,238</b>
ACL	\$ (575)	\$ (416)	\$ (991)

\$ in millions	At December 31, 2020		
	Loans	Lending Commitments	Total
Corporate	\$ 6,046	\$ 69,488	\$ 75,534
Secured lending facilities	25,727	8,312	34,039
Commercial real estate	7,346	334	7,680
Other	1,279	1,135	2,414
<b>Total, before ACL</b>	<b>\$ 40,398</b>	<b>\$ 79,269</b>	<b>\$ 119,667</b>
ACL	\$ (739)	\$ (391)	\$ (1,130)

## Risk Disclosures

### Institutional Securities Allowance for Credit Losses—Loans and Lending Commitments

<i>\$ in millions</i>	Corporate	Secured lending facilities	Commercial real estate	Other	Total
ACL—Loans	\$ 309	\$ 198	\$ 211	\$ 21	\$ 739
ACL—Lending commitments	323	38	11	19	391
Total at December 31, 2020	\$ 632	\$ 236	\$ 222	\$ 40	\$ 1,130
Gross charge-offs	(19)	(67)	(21)	—	(107)
Provision for credit losses	(52)	49	4	—	1
Other <sup>1</sup>	(5)	(2)	(2)	(24)	(33)
<b>Total at September 30, 2021</b>	<b>\$ 556</b>	<b>\$ 216</b>	<b>\$ 203</b>	<b>\$ 16</b>	<b>\$ 991</b>
ACL—Loans	\$ 197	\$ 175	\$ 193	\$ 10	\$ 575
ACL—Lending commitments	359	41	10	6	416

1. Other primarily reflects the allowance for credit losses associated with the Community Development Fund loans portfolio that was transferred to the Wealth Management business segment from the Institutional Securities business segment in the second quarter of 2021.

### Institutional Securities HFI Loans—Ratios of Allowance for Credit Losses to Balance Before Allowance

	At September 30, 2021	At December 31, 2020
Corporate	4.1%	5.1%
Secured lending facilities	0.6%	0.8%
Commercial real estate	2.8%	2.9%
Other	1.9%	1.7%
Total Institutional Securities loans	1.5%	1.8%

### Wealth Management Loans and Lending Commitments

<i>\$ in millions</i>	At September 30, 2021					Total
	Contractual Years to Maturity					
	Less than 1	1-3	3-5	Over 5		
Securities-based lending and Other	\$ 70,226	\$ 5,411	\$ 2,503	\$ 1,717	\$ 79,857	
Residential real estate	6	—	7	41,367	41,380	
Total loans, net of ACL	\$ 70,232	\$ 5,411	\$ 2,510	\$ 43,084	\$ 121,237	
Lending commitments	12,005	2,513	116	326	14,960	
<b>Total exposure</b>	<b>\$ 82,237</b>	<b>\$ 7,924</b>	<b>\$ 2,626</b>	<b>\$ 43,410</b>	<b>\$ 136,197</b>	

<i>\$ in millions</i>	At December 31, 2020					Total
	Contractual Years to Maturity					
	Less than 1	1-3	3-5	Over 5		
Securities-based lending and Other	\$ 54,483	\$ 4,587	\$ 2,167	\$ 1,672	\$ 62,909	
Residential real estate	9	1	1	35,210	35,221	
Total loans, net of ACL	\$ 54,492	\$ 4,588	\$ 2,168	\$ 36,882	\$ 98,130	
Lending commitments	11,666	2,356	120	253	14,395	
<b>Total exposure</b>	<b>\$ 66,158</b>	<b>\$ 6,944</b>	<b>\$ 2,288</b>	<b>\$ 37,135</b>	<b>\$ 112,525</b>	

The principal Wealth Management business segment lending activities include Securities-based lending and Residential real estate loans.

Securities-based lending allows clients to borrow money against the value of qualifying securities, generally for any purpose other than purchasing, trading or carrying securities, or refinancing margin debt. For more information about our Securities-based lending and Residential real estate loans, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” in the 2020 Form 10-K.

### Wealth Management Allowance for Credit Losses—Loans and Lending Commitments

<i>\$ in millions</i>	
ACL—Loans	\$ 96
ACL—Lending commitments	5
Total at December 31, 2020	101
Provision for credit losses	(2)
Other <sup>1</sup>	23
<b>Total at September 30, 2021</b>	<b>\$ 122</b>
ACL—Loans	\$ 109
ACL—Lending commitments	13

1. Other primarily reflects the allowance for credit losses associated with the Community Development Fund loans portfolio that was transferred to the Wealth Management business segment from the Institutional Securities business segment in the second quarter of 2021.

At September 30, 2021, more than 75% of Wealth Management Residential real estate loans were to borrowers with “Exceptional” or “Very Good” FICO scores (*i.e.*, exceeding 740). Additionally, Wealth Management’s Securities-based lending portfolio remains well-collateralized and subject to daily client margining, which includes requiring customers to deposit additional collateral, or reduce debt positions, when necessary.

### Customer and Other Receivables

#### Margin Loans and Other lending

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Institutional Securities	\$ 41,060	\$ 51,570
Wealth Management	28,548	23,144
<b>Total</b>	<b>\$ 69,608</b>	<b>\$ 74,714</b>

The Institutional Securities and Wealth Management business segments provide margin lending arrangements that allow customers to borrow against the value of qualifying securities, primarily for the purpose of purchasing additional securities, as well as to collateralize short positions. Institutional Securities primarily includes margin loans in the Equity Financing business. Wealth Management includes margin loans as well as non-purpose securities-based lending on non-bank entities.

Margin lending activities generally have lower credit risk due to the value of collateral held and their short-term nature. Amounts may fluctuate from period to period as overall client balances change as a result of market levels, client positioning and leverage.

### Employee Loans

For information on employee loans and related ACL, see Note 10 to the financial statements.

## Risk Disclosures

### Derivatives

#### Fair Value of OTC Derivative Assets

\$ in millions	Counterparty Credit Rating <sup>1</sup>					Total
	AAA	AA	A	BBB	NIG	
<b>At September 30, 2021</b>						
Less than 1 year	\$ 1,503	\$ 13,004	\$ 36,932	\$ 23,620	\$ 14,141	\$ 89,200
1-3 years	790	4,478	15,274	15,286	7,802	43,630
3-5 years	457	4,766	7,382	8,247	3,790	24,642
Over 5 years	4,260	26,468	64,816	44,303	6,184	146,031
<b>Total, gross</b>	<b>\$ 7,010</b>	<b>\$ 48,716</b>	<b>\$ 124,404</b>	<b>\$ 91,456</b>	<b>\$ 31,917</b>	<b>\$ 303,503</b>
Counterparty netting	(2,867)	(37,546)	(96,338)	(65,345)	(14,619)	(216,715)
Cash and securities collateral	(3,244)	(8,123)	(22,438)	(18,083)	(7,453)	(59,341)
<b>Total, net</b>	<b>\$ 899</b>	<b>\$ 3,047</b>	<b>\$ 5,628</b>	<b>\$ 8,028</b>	<b>\$ 9,845</b>	<b>\$ 27,447</b>

\$ in millions	Counterparty Credit Rating <sup>1</sup>					Total
	AAA	AA	A	BBB	NIG	
<b>At December 31, 2020</b>						
Less than 1 year	\$ 1,179	\$ 16,166	\$ 52,164	\$ 26,088	\$ 12,175	\$ 107,772
1-3 years	572	5,225	17,560	13,750	8,134	45,241
3-5 years	359	4,326	11,328	8,363	4,488	28,864
Over 5 years	4,545	32,049	84,845	63,084	13,680	198,203
<b>Total, gross</b>	<b>\$ 6,655</b>	<b>\$ 57,766</b>	<b>\$ 165,897</b>	<b>\$ 111,285</b>	<b>\$ 38,477</b>	<b>\$ 380,080</b>
Counterparty netting	(3,269)	(44,306)	(134,310)	(84,171)	(22,227)	(288,283)
Cash and securities collateral	(3,124)	(10,973)	(26,712)	(20,708)	(8,979)	(70,496)
<b>Total, net</b>	<b>\$ 262</b>	<b>\$ 2,487</b>	<b>\$ 4,875</b>	<b>\$ 6,406</b>	<b>\$ 7,271</b>	<b>\$ 21,301</b>

\$ in millions	At	
	September 30, 2021	December 31, 2020
<b>Industry</b>		
Financials	\$ 7,421	\$ 6,195
Utilities	6,218	3,954
Energy	4,097	965
Consumer Discretionary	2,230	1,866
Industrials	1,029	1,291
Information technology	1,000	1,104
Regional governments	980	806
Healthcare	798	1,494
Sovereign governments	684	650
Insurance	682	518
Not-for-profit organizations	571	701
Communications services	328	529
Materials	299	430
Consumer staples	288	339
Real estate	198	378
Other	624	81
<b>Total</b>	<b>\$ 27,447</b>	<b>\$ 21,301</b>

1. Counterparty credit ratings are determined internally by the CRM.

We are exposed to credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the possibility that a counterparty may fail to perform according to the terms of the contract. For more information on derivatives, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives” in the 2020 Form 10-K and Note 7 to the financial statements.

### Country Risk

Country risk exposure is the risk that events in, or that affect, a foreign country (any country other than the U.S.) might adversely affect us. We actively manage country risk exposure through a comprehensive risk management framework that combines credit and market fundamentals and allows us to effectively identify, monitor and limit country risk. For a further discussion of our country risk exposure see “Quantitative and Qualitative Disclosures about Risk—Country and Other Risks” in the 2020 Form 10-K.

#### Top 10 Non-U.S. Country Exposures at September 30, 2021

\$ in millions	United Kingdom	Japan	France	Germany	Spain
<b>Sovereign</b>					
Net inventory <sup>1</sup>	\$ (794)	\$ 7,006	\$ 1,361	\$ (3,085)	\$ 355
Net counterparty exposure <sup>2</sup>	9	32	6	69	38
Lending commitments	—	—	—	637	—
Exposure before hedges	(785)	7,038	1,367	(2,379)	393
Hedges <sup>3</sup>	(307)	(79)	(6)	(287)	—
<b>Net exposure</b>	<b>\$ (1,092)</b>	<b>\$ 6,959</b>	<b>\$ 1,361</b>	<b>\$ (2,666)</b>	<b>\$ 393</b>
<b>Non-sovereign</b>					
Net inventory <sup>1</sup>	\$ 729	\$ 873	\$ (877)	\$ (455)	\$ 10
Net counterparty exposure <sup>2</sup>	13,517	4,297	2,757	2,519	794
Loans	3,461	380	579	1,694	3,168
Lending commitments	6,791	180	4,344	5,768	874
Exposure before hedges	24,498	5,730	6,803	9,526	4,846
Hedges <sup>3</sup>	(1,401)	(155)	(1,167)	(1,033)	(540)
<b>Net exposure</b>	<b>\$ 23,097</b>	<b>\$ 5,575</b>	<b>\$ 5,636</b>	<b>\$ 8,493</b>	<b>\$ 4,306</b>
<b>Total net exposure</b>	<b>\$ 22,005</b>	<b>\$ 12,534</b>	<b>\$ 6,997</b>	<b>\$ 5,827</b>	<b>\$ 4,699</b>



## Risk Disclosures

<i>\$ in millions</i>	China	Netherlands	India	Canada	Italy
<b>Sovereign</b>					
Net inventory <sup>1</sup>	\$ (17)	\$ 256	\$ 972	\$ (523)	\$ 845
Net counterparty exposure <sup>2</sup>	73	—	—	67	53
Exposure before hedges	56	256	972	(456)	898
Hedges <sup>3</sup>	(81)	(32)	—	—	(25)
Net exposure	\$ (25)	\$ 224	\$ 972	\$ (456)	\$ 873
<b>Non-sovereign</b>					
Net inventory <sup>1</sup>	\$ 1,142	\$ (359)	\$ 752	\$ 263	\$ 123
Net counterparty exposure <sup>2</sup>	908	1,064	978	1,473	1,042
Loans	800	373	235	58	193
Lending commitments	1,786	2,847	—	1,547	367
Exposure before hedges	4,636	3,925	1,965	3,341	1,725
Hedges <sup>3</sup>	(200)	(271)	—	(86)	(94)
Net exposure	\$ 4,436	\$ 3,654	\$ 1,965	\$ 3,255	\$ 1,631
<b>Total net exposure</b>	<b>\$ 4,411</b>	<b>\$ 3,878</b>	<b>\$ 2,937</b>	<b>\$ 2,799</b>	<b>\$ 2,504</b>

1. Net inventory represents exposure to both long and short single-name and index positions (*i.e.*, bonds and equities at fair value and CDS based on a notional amount assuming zero recovery adjusted for the fair value of any receivable or payable).

2. Net counterparty exposure (*e.g.*, repurchase transactions, securities lending and OTC derivatives) is net of the benefit of collateral received and also is net by counterparty when legally enforceable master netting agreements are in place. For more information, see “Additional Information—Top 10 Non-U.S. Country Exposures” herein.

3. Amounts represent net CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable. For further description of the contractual terms for purchased credit protection and whether they may limit the effectiveness of our hedges, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives” in the 2020 Form 10-K.

### Additional Information—Top 10 Non-U.S. Country Exposures

#### Collateral Held against Net Counterparty Exposure<sup>1</sup>

<i>\$ in millions</i>		At September 30, 2021
<b>Country of Risk</b>	<b>Collateral<sup>2</sup></b>	
Germany	Croatia and France	\$ 11,815
United Kingdom	U.K., U.S. and Spain	8,703
Other	Japan, Italy and France	21,322

1. The benefit of collateral received is reflected in the Top 10 Non-U.S. Country Exposures at September 30, 2021.

2. Primarily consists of cash, as well as government obligations of the countries listed.

### Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (*e.g.*, fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities and support and control groups (*e.g.*, information technology and trade processing). For a further discussion about our operational risk, see “Quantitative and Qualitative Disclosures about Risk—Operational Risk” in the 2020 Form 10-K. In addition, for further information on market and economic conditions and their effects on risk in general, see “Management’s

Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—Coronavirus Disease (COVID-19) Pandemic” herein and “Risk Factors” in the 2020 Form 10-K.

### Model Risk

Model risk refers to the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model risk can lead to financial loss, poor business and strategic decision making or damage to our reputation. The risk inherent in a model is a function of the materiality, complexity and uncertainty around inputs and assumptions. Model risk is generated from the use of models impacting financial statements, regulatory filings, capital adequacy assessments and the formulation of strategy. For a further discussion about our model risk, see “Quantitative and Qualitative Disclosures about Risk—Model Risk” in the 2020 Form 10-K.

### Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For a further discussion about our liquidity risk, see “Quantitative and Qualitative Disclosures about Risk—Liquidity Risk” in the 2020 Form 10-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” herein. In addition, for further information on market and economic conditions and their effects on risk in general, see “Risk Factors” in the 2020 Form 10-K.

### Legal and Compliance Risk

Legal and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss to reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty’s performance obligations will be unenforceable. It also includes compliance with AML, terrorist financing, and anti-corruption rules and regulations. For a further discussion about our legal and compliance risk, see “Quantitative and Qualitative Disclosures about Risk—Legal and Compliance Risk” in the 2020 Form 10-K.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Morgan Stanley:

### Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley and subsidiaries (the “Firm”) as of September 30, 2021, and the related condensed consolidated income statements, comprehensive income statements and statements of changes in total equity for the three-month and nine-month periods ended September 30, 2021 and 2020, and the cash flow statements for the nine-month periods ended September 30, 2021 and 2020, and the related notes (collectively referred to as the “interim financial information”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Firm as of December 31, 2020, and the related consolidated income statement, comprehensive income statement, cash flow statement and statement of changes in total equity for the year then ended (not presented herein) included in the Firm’s Annual Report on Form 10-K; and in our report dated February 26, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2020 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York

November 3, 2021

### Basis for Review Results

This interim financial information is the responsibility of the Firm’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Firm in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

## Consolidated Income Statements (Unaudited)

Morgan Stanley

<i>in millions, except per share data</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
Investment banking	\$ 3,013	\$ 1,826	\$ 8,413	\$ 5,239
Trading	2,861	3,150	10,416	10,754
Investments	45	346	744	659
Commissions and fees	1,280	1,037	4,214	3,499
Asset management	5,201	3,664	14,572	10,346
Other	290	212	916	221
Total non-interest revenues	12,690	10,235	39,275	30,718
Interest income	2,351	2,056	7,000	7,917
Interest expense	288	570	1,044	3,475
Net interest	2,063	1,486	5,956	4,442
<b>Net revenues</b>	<b>14,753</b>	<b>11,721</b>	<b>45,231</b>	<b>35,160</b>
<b>Provision for credit losses</b>	<b>24</b>	<b>111</b>	<b>(1)</b>	<b>757</b>
<b>Non-interest expenses</b>				
Compensation and benefits	5,920	5,086	19,141	15,404
Brokerage, clearing and exchange fees	825	697	2,530	2,153
Information processing and communications	788	616	2,286	1,768
Professional services	734	542	2,104	1,526
Occupancy and equipment	427	373	1,246	1,103
Marketing and business development	146	78	438	273
Other	1,015	731	2,703	2,188
<b>Total non-interest expenses</b>	<b>9,855</b>	<b>8,123</b>	<b>30,448</b>	<b>24,415</b>
Income before provision for income taxes	4,874	3,487	14,784	9,988
Provision for income taxes	1,150	736	3,380	2,221
Net income	\$ 3,724	\$ 2,751	\$ 11,404	\$ 7,767
Net income applicable to noncontrolling interests	17	34	66	156
Net income applicable to Morgan Stanley	\$ 3,707	\$ 2,717	\$ 11,338	\$ 7,611
Preferred stock dividends	123	120	364	377
<b>Earnings applicable to Morgan Stanley common shareholders</b>	<b>\$ 3,584</b>	<b>\$ 2,597</b>	<b>\$ 10,974</b>	<b>\$ 7,234</b>
<b>Earnings per common share</b>				
Basic	\$ 2.01	\$ 1.68	\$ 6.11	\$ 4.68
Diluted	\$ 1.98	\$ 1.66	\$ 6.02	\$ 4.62
<b>Average common shares outstanding</b>				
Basic	1,781	1,542	1,797	1,546
Diluted	1,812	1,566	1,824	1,565

## Consolidated Comprehensive Income Statements (Unaudited)

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 3,724	\$ 2,751	\$ 11,404	\$ 7,767
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(78)	110	(256)	(1)
Change in net unrealized gains (losses) on available-for-sale securities	(256)	(62)	(1,039)	1,558
Pension and other	5	5	22	29
Change in net debt valuation adjustment	147	(563)	470	744
Total other comprehensive income (loss)	\$ (182)	\$ (510)	\$ (803)	\$ 2,330
Comprehensive income	\$ 3,542	\$ 2,241	\$ 10,601	\$ 10,097
Net income applicable to noncontrolling interests	17	34	66	156
Other comprehensive income (loss) applicable to noncontrolling interests	(4)	28	(64)	79
<b>Comprehensive income applicable to Morgan Stanley</b>	<b>\$ 3,529</b>	<b>\$ 2,179</b>	<b>\$ 10,599</b>	<b>\$ 9,862</b>

## Consolidated Balance Sheets

Morgan Stanley

	(Unaudited) At September 30, 2021	At December 31, 2020
<i>\$ in millions, except share data</i>		
<b>Assets</b>		
Cash and cash equivalents	\$ 123,863	\$ 105,654
Trading assets at fair value (\$109,494 and \$132,578 were pledged to various parties)	315,161	312,738
Investment securities (includes \$101,594 and \$110,383 at fair value)	183,431	182,154
Securities purchased under agreements to resell (includes \$7 and \$15 at fair value)	119,721	116,234
Securities borrowed	125,922	112,391
Customer and other receivables	98,353	97,737
Loans:		
Held for investment (net of allowance for credit losses of \$684 and \$835)	160,191	137,784
Held for sale	13,168	12,813
Goodwill	16,832	11,635
Intangible assets (net of accumulated amortization of \$3,671 and \$3,265)	8,514	4,980
Other assets	25,320	21,742
<b>Total assets</b>	<b>\$ 1,190,476</b>	<b>\$ 1,115,862</b>
<b>Liabilities</b>		
Deposits (includes \$2,010 and \$3,521 at fair value)	\$ 329,041	\$ 310,782
Trading liabilities at fair value	169,959	157,631
Securities sold under agreements to repurchase (includes \$928 and \$1,115 at fair value)	61,987	50,587
Securities loaned	11,133	7,731
Other secured financings (includes \$5,614 and \$11,701 at fair value)	10,272	15,863
Customer and other payables	240,319	227,437
Other liabilities and accrued expenses	30,884	25,603
Borrowings (includes \$75,752 and \$73,701 at fair value)	229,762	217,079
<b>Total liabilities</b>	<b>1,083,357</b>	<b>1,012,713</b>
<b>Commitments and contingent liabilities (see Note 14)</b>		
<b>Equity</b>		
Morgan Stanley shareholders' equity:		
Preferred stock	7,750	9,250
Common stock, \$0.01 par value:		
Shares authorized: 3,500,000,000; Shares issued: 2,038,893,979; Shares outstanding: 1,798,908,848 and 1,809,624,144	20	20
Additional paid-in capital	28,504	25,546
Retained earnings	87,099	78,694
Employee stock trusts	3,770	3,043
Accumulated other comprehensive income (loss)	(2,701)	(1,962)
Common stock held in treasury at cost, \$0.01 par value (239,985,131 and 229,269,835 shares)	(14,769)	(9,767)
Common stock issued to employee stock trusts	(3,770)	(3,043)
<b>Total Morgan Stanley shareholders' equity</b>	<b>105,903</b>	<b>101,781</b>
Noncontrolling interests	1,216	1,368
<b>Total equity</b>	<b>107,119</b>	<b>103,149</b>
<b>Total liabilities and equity</b>	<b>\$ 1,190,476</b>	<b>\$ 1,115,862</b>

## Consolidated Statements of Changes in Total Equity (Unaudited)

Morgan Stanley

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Preferred Stock</b>				
Beginning balance	\$ 7,750	\$ 8,520	\$ 9,250	\$ 8,520
Redemption of Series J preferred stock	—	—	(1,500)	—
Ending balance	7,750	8,520	7,750	8,520
<b>Common Stock</b>				
Beginning and ending balance	20	20	20	20
<b>Additional Paid-in Capital</b>				
Beginning balance	28,030	23,782	25,546	23,935
Share-based award activity	473	232	765	79
Issuance of common stock for the acquisition of Eaton Vance	—	—	2,185	—
Other net increases (decreases)	1	1	8	1
Ending balance	28,504	24,015	28,504	24,015
<b>Retained Earnings</b>				
Beginning balance	84,791	74,015	78,694	70,589
Cumulative adjustment related to the adoption of financial instruments-credit losses accounting update <sup>1</sup>	—	—	—	(100)
Net income applicable to Morgan Stanley	3,707	2,717	11,338	7,611
Preferred stock dividends <sup>2</sup>	(123)	(120)	(364)	(377)
Common stock dividends <sup>2</sup>	(1,276)	(551)	(2,562)	(1,662)
Other net increases (decreases)	—	—	(7)	—
Ending balance	87,099	76,061	87,099	76,061
<b>Employee Stock Trusts</b>				
Beginning balance	3,768	3,018	3,043	2,918
Share-based award activity	2	(26)	727	74
Ending balance	3,770	2,992	3,770	2,992
<b>Accumulated Other Comprehensive Income (Loss)</b>				
Beginning balance	(2,523)	1	(1,962)	(2,788)
Net change in Accumulated other comprehensive income (loss)	(178)	(538)	(739)	2,251
Ending balance	(2,701)	(537)	(2,701)	(537)
<b>Common Stock Held in Treasury at Cost</b>				
Beginning balance	(11,198)	(19,693)	(9,767)	(18,727)
Share-based award activity	57	38	1,094	882
Repurchases of common stock and employee tax withholdings	(3,628)	(30)	(9,228)	(1,840)
Issuance of common stock for the acquisition of Eaton Vance	—	—	3,132	—
Ending balance	(14,769)	(19,685)	(14,769)	(19,685)
<b>Common Stock Issued to Employee Stock Trusts</b>				
Beginning balance	(3,768)	(3,018)	(3,043)	(2,918)
Share-based award activity	(2)	26	(727)	(74)
Ending balance	(3,770)	(2,992)	(3,770)	(2,992)
<b>Noncontrolling Interests</b>				
Beginning balance	1,292	1,364	1,368	1,148
Net income applicable to noncontrolling interests	17	34	66	156
Net change in Accumulated other comprehensive income (loss) applicable to noncontrolling interests	(4)	28	(64)	79
Other net increases (decreases)	(89)	(2)	(154)	41
Ending balance	1,216	1,424	1,216	1,424
<b>Total Equity</b>	<b>\$ 107,119</b>	<b>\$ 89,818</b>	<b>\$ 107,119</b>	<b>\$ 89,818</b>

1. See Notes 2 and 18 in the 2020 Form 10-K for further information regarding cumulative adjustments for accounting changes.

2. See Note 17 for information regarding dividends per share for each class of stock.



## Consolidated Cash Flow Statements (Unaudited)

Morgan Stanley

<i>\$ in millions</i>	Nine Months Ended September 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Net income	\$ 11,404	\$ 7,767
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Stock-based compensation expense	1,636	802
Depreciation and amortization	2,979	2,363
Provision for credit losses	(1)	757
Other operating adjustments	(149)	663
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	2,832	18,442
Securities borrowed	(13,531)	5,746
Securities loaned	3,402	(582)
Customer and other receivables and other assets	(2,692)	(17,098)
Customer and other payables and other liabilities	19,829	(5,818)
Securities purchased under agreements to resell	(3,487)	(59)
Securities sold under agreements to repurchase	11,400	(12,824)
<b>Net cash provided by (used for) operating activities</b>	<b>33,622</b>	<b>159</b>
<b>Cash flows from investing activities</b>		
Proceeds from (payments for):		
Other assets—Premises, equipment and software, net	(1,658)	(905)
Changes in loans, net	(23,197)	(13,592)
Investment securities:		
Purchases	(57,334)	(41,147)
Proceeds from sales	18,325	7,220
Proceeds from paydowns and maturities	32,368	11,240
Cash paid as part of the Eaton Vance acquisition, net of cash acquired	(2,648)	—
Other investing activities	(447)	(254)
<b>Net cash provided by (used for) investing activities</b>	<b>(34,591)</b>	<b>(37,438)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from (payments for):		
Other secured financings	(1,125)	229
Deposits	18,347	48,734
Proceeds from issuance of Borrowings	73,591	42,169
Payments for:		
Borrowings	(56,699)	(38,151)
Repurchases of common stock and employee tax withholdings	(9,228)	(1,840)
Cash dividends	(2,857)	(2,008)
Other financing activities	(197)	(208)
<b>Net cash provided by (used for) financing activities</b>	<b>21,832</b>	<b>48,925</b>
Effect of exchange rate changes on cash and cash equivalents	(2,654)	955
Net increase (decrease) in cash and cash equivalents	18,209	12,601
Cash and cash equivalents, at beginning of period	105,654	82,171
<b>Cash and cash equivalents, at end of period</b>	<b>\$ 123,863</b>	<b>\$ 94,772</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for:		
Interest	\$ 1,236	\$ 3,747
Income taxes, net of refunds	3,303	1,675

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

### 1. Introduction and Basis of Presentation

#### The Firm

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, 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” or the “Firm” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Form 10-Q.

A description of the clients and principal products and services of each of the Firm’s business segments is as follows:

Institutional Securities provides a variety of products and services to corporations, governments, financial institutions and ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings and project finance. Our Equity and Fixed Income businesses include sales, financing, prime brokerage, market-making, Asia wealth management services and certain business-related investments. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending securities-based and other financing to customers. Other activities include research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: financial advisor-led brokerage and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services including stock plan administration; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, alternatives and solutions, and liquidity and overlay services. Institutional clients include defined benefit/defined contribution plans, foundations,

endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

#### Basis of Financial Information

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

The financial statements reflect the effects of the following reclassifications to prior period amounts. The Provision for credit losses for loans and lending commitments is presented as a separate line in the income statements. Previously, the provision for credit losses for loans was included in Other revenues, and the provision for credit losses for lending commitments was included in Other expenses. In addition, economic hedges of certain held-for-sale and held-for-investment loans, which were previously reported in Trading revenues, are reported in Other revenues.

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

The accompanying financial statements should be read in conjunction with the Firm’s financial statements and notes thereto included in the 2020 Form 10-K. Certain footnote disclosures included in the 2020 Form 10-K have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

#### Consolidation

The financial statements include the accounts of the Firm, its wholly owned subsidiaries and other entities in which the Firm has a controlling financial interest, including certain VIEs (see Note 15). Intercompany balances and transactions have been eliminated. For consolidated subsidiaries that are not wholly owned, the third-party holdings of equity interests are referred to as Noncontrolling interests. The net income attributable to Noncontrolling interests for such subsidiaries is

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

presented as Net income applicable to noncontrolling interests in the income statements. The portion of shareholders' equity that is attributable to noncontrolling interests for such subsidiaries is presented as noncontrolling interests, a component of Total equity, in the balance sheets.

For a discussion of the Firm's significant regulated U.S. and international subsidiaries and its involvement with VIEs, see Note 1 to the financial statements in the 2020 Form 10-K.

### 2. Significant Accounting Policies

For a detailed discussion about the Firm's significant accounting policies and for further information on accounting updates adopted in the prior year, see Note 2 to the financial statements in the 2020 Form 10-K.

During the nine months ended September 30, 2021 ("current year period"), there were no significant updates to the Firm's significant accounting policies, other than as described below and in Note 1 to the financial statements.

The Firm's acquisition of Eaton Vance Corp. ("Eaton Vance") on March 1, 2021 added indefinite lived intangible assets to the Firm's balance sheet. Indefinite lived intangible assets are not amortized but are tested for impairment on an annual basis and on an interim basis when certain events or circumstances exist. For both the annual and interim tests, the Firm has the option to either (i) perform a quantitative impairment test or (ii) first perform a qualitative assessment to determine whether it is more likely than not that the asset is impaired, in which case the quantitative test would be performed.

### Goodwill

The Firm completed its annual goodwill impairment testing as of July 1, 2021. The Firm's impairment testing did not indicate any goodwill impairment, as each of the Firm's reporting units with goodwill had a fair value that was in excess of its carrying value.

### 3. Acquisitions

#### Acquisition of Eaton Vance

On March 1, 2021, the Firm completed the acquisition of 100% of Eaton Vance in a stock and cash transaction, which increases the scale and breadth of the Investment Management business segment. Total consideration for the transaction was approximately \$8.7 billion, which consists of the \$5.3 billion fair value of 69 million common shares issued from Common stock held in treasury and cash of approximately \$3.4 billion.

Upon acquisition, the assets and liabilities of Eaton Vance were adjusted to their respective fair values as of the closing date of the transaction, including the identifiable intangible assets acquired. In addition, the excess of the purchase price

over the fair value of the net assets acquired has been recorded as goodwill. The fair value estimates used in valuing certain acquired assets and liabilities are based, in part, on inputs that are unobservable. For intangible assets, these include, but are not limited to, forecasted future cash flows, revenue growth rates, attrition rates and discount rates.

#### Eaton Vance Purchase Price Allocation

<i>\$ in millions</i>	At March 1, 2021
<b>Assets</b>	
Cash and cash equivalents	\$ 691
Trading assets at fair value:	
Loans and lending commitments	445
Investments	299
Corporate and other debt	52
Customer and other receivables	331
Goodwill	5,270
Intangible assets	3,956
Other assets	836
<b>Total assets</b>	<b>\$ 11,880</b>
<b>Liabilities</b>	
Other secured financings	\$ 399
Other liabilities and accrued expenses	2,147
Borrowings	678
<b>Total liabilities</b>	<b>\$ 3,224</b>

#### Acquired Intangible Assets

<i>\$ in millions</i>	Weighted average life (years)	At March 1, 2021
<b>Non-amortizable</b>		
Management contracts	indefinite	\$ 2,120
<b>Amortizable</b>		
Customer relationships	16	1,455
Tradenames	23	221
Management contracts	16	160
<b>Total acquired intangible assets</b>		<b>\$ 3,956</b>

#### Eaton Vance Results Included in the Firm's Consolidated Results

<i>\$ in millions</i>	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021 <sup>1</sup>
Net revenues	\$ 549	\$ 1,258
Net income	137	287

1. Reflects Eaton Vance results from March 1, 2021 through September 30, 2021.

#### Morgan Stanley and Eaton Vance Proforma Combined Financial Information

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021 <sup>1</sup>	2020	2021	2020
Net revenues	\$ 14,753	\$ 12,072	\$ 45,527	\$ 36,313
Net income	3,724	2,729	11,504	7,420

1. Amounts are the same as those presented in the Consolidated Income Statement for the current quarter.

The proforma financial information presented in the previous table was computed by combining the historical financial information of the Firm and Eaton Vance along with the effects of the acquisition method of accounting for business

## Notes to Consolidated Financial Statements (Unaudited)

combinations as though the companies were combined on January 1, 2020.

The proforma information does not reflect the potential benefits of cost and funding synergies, opportunities to earn additional revenues, or other factors, and therefore does not represent what the actual Net revenues and Net income would have been had the companies actually been combined as of this date.

### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of Cash and due from banks and Interest bearing deposits with banks. Cash equivalents are highly liquid investments with remaining maturities of three months or less from the acquisition date that are readily convertible to cash and are not held for trading purposes.

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Cash and due from banks	\$ 10,216	\$ 9,792
Interest bearing deposits with banks	113,647	95,862
<b>Total Cash and cash equivalents</b>	<b>\$ 123,863</b>	<b>\$ 105,654</b>
Restricted cash	\$ 43,829	\$ 38,202

Cash and cash equivalents also include Restricted cash such as cash segregated in compliance with federal or other regulations, including minimum reserve requirements set by the Federal Reserve Bank and other central banks, and the Firm's initial margin deposited with clearing organizations.

## 5. Fair Values

### Recurring Fair Value Measurements

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

<i>\$ in millions</i>	At September 30, 2021				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Assets at fair value</b>					
Trading assets:					
U.S. Treasury and agency securities	\$ 44,238	\$ 26,312	\$ 4	\$ —	\$ 70,554
Other sovereign government obligations	32,668	5,246	127	—	38,041
State and municipal securities	—	1,960	—	—	1,960
MABS	—	1,249	366	—	1,615
Loans and lending commitments <sup>2</sup>	—	10,611	4,304	—	14,915
Corporate and other debt	—	31,242	1,563	—	32,805
Corporate equities <sup>3</sup>	100,903	1,126	214	—	102,243
Derivative and other contracts:					
Interest rate	3,382	158,164	1,311	—	162,857
Credit	—	9,063	510	—	9,573
Foreign exchange	32	73,464	147	—	73,643
Equity	1,211	69,495	464	—	71,170
Commodity and other	12,547	27,294	2,882	—	42,723
Netting <sup>1</sup>	(15,382)	(248,815)	(869)	(51,501)	(316,567)
Total derivative and other contracts	1,790	88,665	4,445	(51,501)	43,399
Investments <sup>4</sup>	795	648	781	—	2,224
Physical commodities	—	3,049	—	—	3,049
Total trading assets <sup>4</sup>	180,394	170,108	11,804	(51,501)	310,805
Investment securities—AFS	55,839	45,755	—	—	101,594
Securities purchased under agreements to resell	—	7	—	—	7
<b>Total assets at fair value</b>	<b>\$236,233</b>	<b>\$215,870</b>	<b>\$11,804</b>	<b>\$(51,501)</b>	<b>\$412,406</b>

<i>\$ in millions</i>	At September 30, 2021				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Liabilities at fair value</b>					
Deposits					
	\$ —	\$ 1,948	\$ 62	\$ —	\$ 2,010
Trading liabilities:					
U.S. Treasury and agency securities	19,623	1,142	—	—	20,765
Other sovereign government obligations	23,194	1,814	3	—	25,011
Corporate and other debt	—	10,565	5	—	10,570
Corporate equities <sup>3</sup>	74,549	314	34	—	74,897
Derivative and other contracts:					
Interest rate	3,251	148,188	515	—	151,954
Credit	—	9,671	544	—	10,215
Foreign exchange	35	69,491	50	—	69,576
Equity	1,477	80,045	1,464	—	82,986
Commodity and other	12,445	23,170	1,573	—	37,188
Netting <sup>1</sup>	(15,382)	(248,815)	(869)	(48,137)	(313,203)
Total derivative and other contracts	1,826	81,750	3,277	(48,137)	38,716
Total trading liabilities	119,192	95,585	3,319	(48,137)	169,959
Securities sold under agreements to repurchase	—	480	448	—	928
Other secured financings	—	5,219	395	—	5,614
Borrowings	—	73,696	2,056	—	75,752
<b>Total liabilities at fair value</b>	<b>\$119,192</b>	<b>\$176,928</b>	<b>\$ 6,280</b>	<b>\$(48,137)</b>	<b>\$254,263</b>

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

\$ in millions	At December 31, 2020				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Assets at fair value</b>					
Trading assets:					
U.S. Treasury and agency securities	\$ 43,084	\$ 31,524	\$ 9	\$ —	\$ 74,617
Other sovereign government obligations	26,174	5,048	268	—	31,490
State and municipal securities	—	1,135	—	—	1,135
MABS	—	1,070	322	—	1,392
Loans and lending commitments <sup>2</sup>	—	5,389	5,759	—	11,148
Corporate and other debt	—	30,093	3,435	—	33,528
Corporate equities <sup>3</sup>	111,575	1,142	86	—	112,803
Derivative and other contracts:					
Interest rate	4,458	227,818	1,210	—	233,486
Credit	—	6,840	701	—	7,541
Foreign exchange	29	93,770	260	—	94,059
Equity	1,132	65,943	1,369	—	68,444
Commodity and other	1,818	10,108	2,723	—	14,649
Netting <sup>1</sup>	(5,488)	(310,534)	(1,351)	(62,956)	(380,329)
Total derivative and other contracts	1,949	93,945	4,912	(62,956)	37,850
Investments <sup>4</sup>	624	234	828	—	1,686
Physical commodities	—	3,260	—	—	3,260
Total trading assets <sup>4</sup>	183,406	172,840	15,619	(62,956)	308,909
Investment securities—AFS	46,354	61,225	2,804	—	110,383
Securities purchased under agreements to resell	—	12	3	—	15
<b>Total assets at fair value</b>	<b>\$229,760</b>	<b>\$234,077</b>	<b>\$18,426</b>	<b>\$(62,956)</b>	<b>\$419,307</b>

\$ in millions	At December 31, 2020				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Liabilities at fair value</b>					
Deposits	\$ —	\$ 3,395	\$ 126	\$ —	\$ 3,521
Trading liabilities:					
U.S. Treasury and agency securities	10,204	1	—	—	10,205
Other sovereign government obligations	24,209	1,738	16	—	25,963
Corporate and other debt	—	8,468	—	—	8,468
Corporate equities <sup>3</sup>	67,822	172	63	—	68,057
Derivative and other contracts:					
Interest rate	4,789	213,321	528	—	218,638
Credit	—	7,500	652	—	8,152
Foreign exchange	11	94,698	199	—	94,908
Equity	1,245	81,683	3,600	—	86,528
Commodity and other	1,758	9,418	1,014	—	12,190
Netting <sup>1</sup>	(5,488)	(310,534)	(1,351)	(58,105)	(375,478)
Total derivative and other contracts	2,315	96,086	4,642	(58,105)	44,938
Total trading liabilities	104,550	106,465	4,721	(58,105)	157,631
Securities sold under agreements to repurchase	—	671	444	—	1,115
Other secured financings	—	11,185	516	—	11,701
Borrowings	—	69,327	4,374	—	73,701
<b>Total liabilities at fair value</b>	<b>\$104,550</b>	<b>\$191,043</b>	<b>\$10,181</b>	<b>\$(58,105)</b>	<b>\$247,669</b>

MABS—Mortgage- and asset-backed securities

- For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled "Netting." Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 7.
- For a further breakdown by type, see the following Detail of Loans and Lending Commitments at Fair Value table.
- For trading purposes, the Firm holds or sells short equity securities issued by entities in diverse industries and of varying sizes.
- Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see "Net Asset Value Measurements" herein.

### Detail of Loans and Lending Commitments at Fair Value

\$ in millions	At September 30, 2021	At December 31, 2020
	Corporate	\$ 13
Secured lending facilities	350	648
Commercial Real Estate	2,418	916
Residential Real Estate	3,118	2,145
Securities-based lending and Other loans	9,016	7,426
<b>Total</b>	<b>\$ 14,915</b>	<b>\$ 11,148</b>

### Unsettled Fair Value of Futures Contracts<sup>1</sup>

\$ in millions	At September 30, 2021	At December 31, 2020
	Customer and other receivables (payables), net	\$ (26)

- These contracts are primarily Level 1, actively traded, valued based on quoted prices from the exchange and are excluded from the previous recurring fair value tables.

For a description of the valuation techniques applied to the Firm's major categories of assets and liabilities measured at fair value on a recurring basis, see Note 5 to the financial statements in the 2020 Form 10-K. During the current quarter,



## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

there were no significant revisions made to the Firm's valuation techniques.

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

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>U.S. Treasury and agency securities</b>				
Beginning balance	\$ 25	\$ 97	\$ 9	\$ 22
Realized and unrealized gains (losses)	(1)	(1)	—	—
Purchases	4	109	28	133
Sales	(24)	(36)	(33)	(42)
Net transfers	—	(47)	—	9
Ending balance	\$ 4	\$ 122	\$ 4	\$ 122
Unrealized gains (losses)	\$ (1)	\$ (1)	\$ —	\$ —
<b>Other sovereign government obligations</b>				
Beginning balance	\$ 78	\$ 11	\$ 268	\$ 5
Realized and unrealized gains (losses)	(3)	(1)	(1)	—
Purchases	59	1	129	8
Sales	(4)	(1)	(269)	(3)
Net transfers	(3)	—	—	—
Ending balance	\$ 127	\$ 10	\$ 127	\$ 10
Unrealized gains (losses)	\$ (3)	\$ —	\$ —	\$ —
<b>State and municipal securities</b>				
Beginning balance	\$ 4	\$ —	\$ —	\$ 1
Purchases	—	—	4	—
Sales	(4)	—	(4)	—
Net transfers	—	—	—	(1)
Ending balance	\$ —	\$ —	\$ —	\$ —
Unrealized gains (losses)	\$ —	\$ —	\$ —	\$ —
<b>MABS</b>				
Beginning balance	\$ 357	\$ 379	\$ 322	\$ 438
Realized and unrealized gains (losses)	11	13	67	(60)
Purchases	96	13	263	172
Sales	(23)	(54)	(216)	(162)
Net transfers	(75)	92	(70)	55
Ending balance	\$ 366	\$ 443	\$ 366	\$ 443
Unrealized gains (losses)	\$ 11	\$ 8	\$ 8	\$ (35)
<b>Loans and lending commitments</b>				
Beginning balance	\$ 4,896	\$ 4,068	\$ 5,759	\$ 5,073
Realized and unrealized gains (losses)	47	20	33	(161)
Purchases and originations	1,373	846	2,467	1,926
Sales	(768)	(725)	(2,314)	(1,139)
Settlements	(414)	(285)	(1,082)	(1,907)
Net transfers <sup>1</sup>	(830)	427	(559)	559
Ending balance	\$ 4,304	\$ 4,351	\$ 4,304	\$ 4,351
Unrealized gains (losses)	\$ 21	\$ 27	\$ (5)	\$ (137)
<b>Corporate and other debt</b>				
Beginning balance	\$ 1,801	\$ 2,686	\$ 3,435	\$ 1,396
Realized and unrealized gains (losses)	173	(107)	(151)	(184)
Purchases and originations	639	451	1,505	2,217
Sales	(594)	(325)	(1,698)	(425)
Settlements	—	—	—	(311)
Net transfers <sup>2</sup>	(456)	22	(1,528)	34
Ending balance	\$ 1,563	\$ 2,727	\$ 1,563	\$ 2,727
Unrealized gains (losses)	\$ 173	\$ (96)	\$ 10	\$ (186)

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Corporate equities</b>				
Beginning balance	\$ 150	\$ 83	\$ 86	\$ 97
Realized and unrealized gains (losses)	4	32	(15)	—
Purchases	83	32	367	42
Sales	(7)	(27)	(193)	(27)
Net transfers	(16)	15	(31)	23
Ending balance	\$ 214	\$ 135	\$ 214	\$ 135
Unrealized gains (losses)	\$ 4	\$ 39	\$ (5)	\$ 14
<b>Investments</b>				
Beginning balance	\$ 978	\$ 759	\$ 828	\$ 858
Realized and unrealized gains (losses)	18	55	58	(6)
Purchases	59	7	150	37
Sales	(23)	(16)	(46)	(37)
Net transfers	(251)	16	(209)	(31)
Ending balance	\$ 781	\$ 821	\$ 781	\$ 821
Unrealized gains (losses)	\$ 13	\$ 44	\$ 39	\$ (19)
<b>Investment securities — AFS</b>				
Beginning balance	\$ —	\$ —	\$ 2,804	\$ —
Realized and unrealized gains (losses)	—	—	(4)	—
Sales	—	—	(203)	—
Net transfers <sup>3</sup>	—	—	(2,597)	—
Ending balance	\$ —	\$ —	\$ —	\$ —
Unrealized gains (losses)	\$ —	\$ —	\$ —	\$ —
<b>Securities purchased under agreements to resell</b>				
Beginning balance	\$ —	\$ —	\$ 3	\$ —
Net transfers	—	—	(3)	—
Ending balance	\$ —	\$ —	\$ —	\$ —
Unrealized gains (losses)	\$ —	\$ —	\$ —	\$ —
<b>Net derivatives: Interest rate</b>				
Beginning balance	\$ 668	\$ 760	\$ 682	\$ 777
Realized and unrealized gains (losses)	70	(147)	(223)	(95)
Purchases	22	36	48	153
Issuances	(9)	(15)	(41)	(41)
Settlements	18	(31)	101	36
Net transfers	27	33	229	(194)
Ending balance	\$ 796	\$ 636	\$ 796	\$ 636
Unrealized gains (losses)	\$ 165	\$ (139)	\$ (168)	\$ (37)
<b>Net derivatives: Credit</b>				
Beginning balance	\$ (203)	\$ 131	\$ 49	\$ 124
Realized and unrealized gains (losses)	59	(16)	(2)	11
Purchases	12	17	23	66
Issuances	(19)	(51)	(44)	(101)
Settlements	102	10	16	61
Net transfers	15	25	(76)	(45)
Ending balance	\$ (34)	\$ 116	\$ (34)	\$ 116
Unrealized gains (losses)	\$ (26)	\$ (16)	\$ —	\$ 2

## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net derivatives: Foreign exchange</b>				
Beginning balance	\$ 33	\$ 17	\$ 61	\$ (31)
Realized and unrealized gains (losses)	32	86	41	202
Purchases	12	—	19	3
Issuances	(15)	(4)	(21)	(5)
Settlements	46	(9)	(45)	(27)
Net transfers	(11)	9	42	(43)
Ending balance	\$ 97	\$ 99	\$ 97	\$ 99
Unrealized gains (losses)	\$ 29	\$ 75	\$ 73	\$ 136
<b>Net derivatives: Equity</b>				
Beginning balance	\$ (837)	\$ (1,884)	\$ (2,231)	\$ (1,684)
Realized and unrealized gains (losses)	(45)	3	366	75
Purchases	24	19	69	192
Issuances	(122)	(181)	(362)	(706)
Settlements	(3)	(151)	(196)	(167)
Net transfers <sup>2</sup>	(17)	49	1,354	145
Ending balance	\$ (1,000)	\$ (2,145)	\$ (1,000)	\$ (2,145)
Unrealized gains (losses)	\$ (96)	\$ 32	\$ (57)	\$ (143)
<b>Net derivatives: Commodity and other</b>				
Beginning balance	\$ 1,430	\$ 2,087	\$ 1,709	\$ 1,612
Realized and unrealized gains (losses)	(167)	(29)	43	373
Purchases	44	1	324	26
Issuances	(31)	(40)	(137)	(65)
Settlements	(97)	(181)	(371)	(101)
Net transfers	130	(34)	(259)	(41)
Ending balance	\$ 1,309	\$ 1,804	\$ 1,309	\$ 1,804
Unrealized gains (losses)	\$ (96)	\$ (251)	\$ (243)	\$ (6)
<b>Deposits</b>				
Beginning balance	\$ 86	\$ 90	\$ 126	\$ 179
Realized and unrealized losses (gains)	(1)	4	1	8
Settlements	(4)	(2)	(12)	(13)
Net transfers	(19)	13	(53)	(69)
Ending balance	\$ 62	\$ 105	\$ 62	\$ 105
Unrealized losses (gains)	\$ (1)	\$ 4	\$ 1	\$ 8
<b>Nonderivative trading liabilities</b>				
Beginning balance	\$ 59	\$ 74	\$ 79	\$ 37
Realized and unrealized losses (gains)	(11)	(6)	(20)	(21)
Purchases	(16)	(7)	(88)	(23)
Sales	11	5	83	23
Settlements	—	—	—	3
Net transfers	(1)	(6)	(12)	41
Ending balance	\$ 42	\$ 60	\$ 42	\$ 60
Unrealized losses (gains)	\$ (11)	\$ (4)	\$ 1	\$ (21)
<b>Securities sold under agreements to repurchase</b>				
Beginning balance	\$ 449	\$ 440	\$ 444	\$ —
Realized and unrealized losses (gains)	(1)	8	5	(22)
Issuances	—	—	—	470
Net transfers	—	—	(1)	—
Ending balance	\$ 448	\$ 448	\$ 448	\$ 448
Unrealized losses (gains)	\$ (1)	\$ 8	\$ 5	\$ (22)

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Other secured financings</b>				
Beginning balance	\$ 401	\$ 300	\$ 516	\$ 109
Realized and unrealized losses (gains)	(17)	11	(14)	(1)
Issuances	14	3	421	10
Settlements	(3)	(5)	(500)	(208)
Net transfers	—	—	(28)	399
Ending balance	\$ 395	\$ 309	\$ 395	\$ 309
Unrealized losses (gains)	\$ (17)	\$ 11	\$ (13)	\$ (1)
<b>Borrowings</b>				
Beginning balance	\$ 1,975	\$ 4,135	\$ 4,374	\$ 4,088
Realized and unrealized losses (gains)	(87)	(32)	(37)	(284)
Issuances	197	194	411	992
Settlements	(67)	(70)	(347)	(346)
Net transfers <sup>2</sup>	38	(146)	(2,345)	(369)
Ending balance	\$ 2,056	\$ 4,081	\$ 2,056	\$ 4,081
Unrealized losses (gains)	\$ (86)	\$ (33)	\$ (8)	\$ (282)
Portion of Unrealized losses (gains) recorded in OCI— Change in net DVA				
	(4)	22	(18)	(124)

1. Net transfers in the current quarter reflect the transfer of \$895 million of equity margin loans from Level 3 to Level 2 as a result of the reduced significance of the margin loan rate input. Net transfers in the prior year periods reflect the largely offsetting impacts of equity margin loan transfers of \$857 million into Level 3 in the first quarter of the prior year and \$707 million out of Level 3 in the second quarter of the prior year, both driven by changes in the significance level of the margin loan rate input based on changes in liquidity conditions.
2. Net transfers in the current year period reflect the transfer in the second quarter of \$2.0 billion of Corporate and Other Debt, \$1.0 billion of net Equity derivatives, and \$2.2 billion of Borrowings from Level 3 to Level 2 as the unobservable inputs were not significant to the overall fair value measurements.
3. Net transfers in the current year period reflect the transfer in the first quarter of \$2.5 billion of AFS securities from Level 3 to Level 2 due to increased trading activity and observability of pricing inputs.

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

The unrealized gains (losses) during the period for assets and liabilities within the Level 3 category may include changes in fair value during the period that were attributable to both observable and unobservable inputs. Total realized and unrealized gains (losses) are primarily included in Trading revenues in the income statements.

Additionally, in the previous tables, consolidations of VIEs are included in Purchases, and deconsolidations of VIEs are included in Settlements.

## Notes to Consolidated Financial Statements (Unaudited)

### Significant Unobservable Inputs Used in Recurring and Nonrecurring Level 3 Fair Value Measurements

#### Valuation Techniques and Unobservable Inputs

\$ in millions, except inputs	Balance / Range (Average <sup>1</sup> )	
	At September 30, 2021	At December 31, 2020
<b>Assets at Fair Value on a Recurring Basis</b>		
<b>Other sovereign government obligations</b>		
	\$	268
Comparable pricing:		
Bond price	96 to 152 points (125 points)	106 points
<b>MABS</b>	\$	322
Comparable pricing:		
Bond price	0 to 86 points (53 points)	0 to 80 points (50 points)
<b>Loans and lending commitments</b>		
	\$	5,759
Margin loan model:		
Margin loan rate	1% to 4% (3%)	1% to 5% (3%)
Comparable pricing:		
Loan price	91 to 102 points (99 points)	75 to 102 points (93 points)
<b>Corporate and other debt</b>		
	\$	3,435
Comparable pricing:		
Bond price	90 to 110 points (99 points)	10 to 133 points (101 points)
Discounted cash flow:		
Recovery rate	40% to 62% (46% / 40%)	40% to 62% (46% / 40%)
Option model:		
Equity volatility	22% to 134% (70%)	18% to 21% (19%)
<b>Corporate equities</b>	\$	86
Comparable pricing:		
Equity price	100%	100%
<b>Investments</b>	\$	828
Discounted cash flow:		
WACC	10% to 16% (15%)	8% to 18% (15%)
Exit multiple	8 to 17 times (12 times)	7 to 17 times (12 times)
Market approach:		
EBITDA multiple	8 to 29 times (10 times)	8 to 32 times (11 times)
Comparable pricing:		
Equity price	43% to 100% (99%)	45% to 100% (99%)
<b>Investment securities —AFS</b>		
	\$	2,804
Comparable pricing:		
Bond price	N/A	97 to 107 points (101 points)
<b>Net derivative and other contracts:</b>		
<b>Interest rate</b>	\$	682
Option model:		
IR volatility skew	33% to 99% (60% / 59%)	0% to 349% (62% / 59%)
IR curve correlation	65% to 98% (83% / 83%)	54% to 99% (87% / 89%)
Bond volatility	5% to 14% (7% / 6%)	6% to 24% (13% / 13%)
Inflation volatility	25% to 65% (45% / 43%)	25% to 66% (45% / 43%)
IR curve	2%	1%

\$ in millions, except inputs	Balance / Range (Average <sup>1</sup> )	
	At September 30, 2021	At December 31, 2020
<b>Credit</b>	\$	49
Credit default swap model:		
Cash-synthetic basis	7 points	7 points
Bond price	0 to 83 points (46 points)	0 to 85 points (47 points)
Credit spread	14 to 463 bps (74 bps)	20 to 435 bps (74 bps)
Funding spread	18 to 95 bps (60 bps)	65 to 118 bps (86 bps)
Correlation model:		
Credit correlation	23% to 39% (26%)	27% to 44% (32%)
<b>Foreign exchange<sup>2</sup></b>	\$	61
Option model:		
IR - FX correlation	53% to 57% (55% / 55%)	55% to 59% (56% / 56%)
IR volatility skew	33% to 99% (60% / 59%)	0% to 349% (62% / 59%)
IR curve	7%	6% to 8% (7% / 8%)
Foreign exchange volatility skew	-4% to -2% (-3% / -3%)	-22% to 28% (3% / 1%)
Contingency probability	95%	50% to 95% (83% / 93%)
<b>Equity<sup>2</sup></b>	\$	(2,231)
Option model:		
Equity volatility	5% to 92% (23%)	16% to 97% (43%)
Equity volatility skew	-4% to 0% (-1%)	-3% to 0% (-1%)
Equity correlation	5% to 99% (74%)	24% to 96% (74%)
FX correlation	-85% to 50% (-33%)	-79% to 60% (-16%)
IR correlation	-13% to 35% (15%)	-13% to 47% (21% / 20%)
<b>Commodity and other</b>		
	\$	1,709
Option model:		
Forward power price	\$1 to \$248 (\$39) per MWh	\$-1 to \$157 (\$28) per MWh
Commodity volatility	8% to 212% (24%)	8% to 183% (19%)
Cross-commodity correlation	43% to 100% (94%)	43% to 99% (92%)
<b>Liabilities Measured at Fair Value on a Recurring Basis</b>		
<b>Deposits</b>	\$	126
Option model:		
Equity volatility	7%	7% to 22% (8%)
<b>Nonderivative trading liabilities —Corporate equities</b>		
	\$	63
Comparable pricing:		
Equity price	100%	100%
<b>Securities sold under agreements to repurchase</b>		
	\$	444
Discounted cash flow:		
Funding spread	116 to 122 bps (119 bps)	107 to 127 bps (115 bps)
<b>Other secured financings</b>		
	\$	516
Discounted cash flow:		
Funding spread	N/A	111 bps (111 bps)
Comparable pricing:		
Loan price	30 to 100 points (83 points)	30 to 101 points (56 points)

## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions, except inputs	Balance / Range (Average <sup>1</sup> )	
	At September 30, 2021	At December 31, 2020
<b>Borrowings</b>	\$ 2,056	\$ 4,374
Option model:		
Equity volatility	7% to 51% (19%)	6% to 66% (23%)
Equity volatility skew	-1% to 0% (0%)	-2% to 0% (0%)
Equity correlation	39% to 98% (91%)	37% to 95% (78%)
Equity - FX correlation	-60% to 10% (-16%)	-72% to 13% (-24%)
IR FX Correlation	-27% to 7% (-5% / -5%)	-28% to 6% (-6% / -6%)
Discounted cash flow:		
Recovery rate	40% to 62% (46% / 40%)	N/M
<b>Nonrecurring Fair Value Measurement</b>		
<b>Loans</b>	\$ 1,603	\$ 3,134
Corporate loan model:		
Credit spread	95 to 562 bps (298 bps)	36 to 636 bps (336 bps)
Comparable pricing:		
Loan price	48 to 80 points (63 points)	N/M
Warehouse model:		
Credit spread	197 to 450 bps (374 bps)	200 to 413 bps (368 bps)
Comparable pricing:		
Bond Price	N/A	88 to 99 bps (94 bps)

Points—Percentage of par

IR—Interest rate

FX—Foreign exchange

1. A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are more relevant.

2. Includes derivative contracts with multiple risks (*i.e.*, hybrid products).

The previous tables provide information on the valuation techniques, significant unobservable inputs, and the ranges and averages for each major category of assets and liabilities measured at fair value on a recurring and nonrecurring basis with a significant Level 3 balance. The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory of financial instruments. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm's inventory. Generally, there are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique.

For a description of the Firm's significant unobservable inputs and qualitative information about the effect of hypothetical changes in the values of those inputs, see Note 5 to the financial statements in the 2020 Form 10-K. During the current quarter, there were no significant revisions made to the descriptions of the Firm's significant unobservable inputs.

## Net Asset Value Measurements

### Fund Interests

\$ in millions	At September 30, 2021		At December 31, 2020	
	Carrying Value	Commitment	Carrying Value	Commitment
Private equity	\$ 2,430	\$ 640	\$ 2,367	\$ 644
Real estate	1,747	255	1,403	136
Hedge <sup>1</sup>	179	3	59	—
<b>Total</b>	<b>\$ 4,356</b>	<b>\$ 898</b>	<b>\$ 3,829</b>	<b>\$ 780</b>

1. Investments in hedge funds may be subject to initial period lock-up or gate provisions, which restrict an investor from withdrawing from the fund during a certain initial period or restrict the redemption amount on any redemption date, respectively.

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

For a description of the Firm's investments in private equity funds, real estate funds and hedge funds, which are measured based on NAV, see Note 5 to the financial statements in the 2020 Form 10-K.

See Note 14 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received. See Note 20 for information regarding unrealized carried interest at risk of reversal.

### Nonredeemable Funds by Contractual Maturity

\$ in millions	Carrying Value at September 30, 2021	
	Private Equity	Real Estate
Less than 5 years	\$ 1,094	\$ 408
5-10 years	1,094	678
Over 10 years	242	661
<b>Total</b>	<b>\$ 2,430</b>	<b>\$ 1,747</b>

### Nonrecurring Fair Value Measurements

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

\$ in millions	At September 30, 2021		
	Fair Value		
	Level 2	Level 3 <sup>1</sup>	Total
<b>Assets</b>			
Loans	\$ 3,310	\$ 1,603	\$ 4,913
Other assets—Other investments	—	76	76
<b>Total</b>	<b>\$ 3,310</b>	<b>\$ 1,679</b>	<b>\$ 4,989</b>
<b>Liabilities</b>			
Other liabilities and accrued expenses—Lending commitments	\$ 156	\$ 67	\$ 223
<b>Total</b>	<b>\$ 156</b>	<b>\$ 67</b>	<b>\$ 223</b>

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

\$ in millions	At December 31, 2020		
	Fair Value		
	Level 2	Level 3 <sup>1</sup>	Total
<b>Assets</b>			
Loans	\$ 2,566	\$ 3,134	\$ 5,700
Other assets—Other investments	—	16	16
Other assets—ROU assets	21	—	21
<b>Total</b>	<b>\$ 2,587</b>	<b>\$ 3,150</b>	<b>\$ 5,737</b>
<b>Liabilities</b>			
Other liabilities and accrued expenses—Lending commitments	\$ 193	\$ 72	\$ 265
<b>Total</b>	<b>\$ 193</b>	<b>\$ 72</b>	<b>\$ 265</b>

1. For significant Level 3 balances, refer to “Significant Unobservable Inputs Used in Recurring and Nonrecurring Level 3 Fair Value Measurements” section herein for details of the significant unobservable inputs used for nonrecurring fair value measurement.

**Gains (Losses) from Nonrecurring Fair Value Remeasurements<sup>1</sup>**

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	<b>Assets</b>			
Loans <sup>2</sup>	\$ (22)	\$ (43)	\$ (75)	\$ (467)
Goodwill	—	—	(8)	—
Intangibles	—	(1)	(3)	(1)
Other assets—Other investments <sup>3</sup>	(2)	(2)	(55)	(54)
Other assets—Premises, equipment and software <sup>4</sup>	(10)	(29)	(14)	(35)
<b>Total</b>	<b>\$ (34)</b>	<b>\$ (75)</b>	<b>\$ (155)</b>	<b>\$ (557)</b>
<b>Liabilities</b>				
Other liabilities and accrued expenses—Lending commitments <sup>2</sup>	\$ (2)	\$ 25	\$ 34	\$ (54)
<b>Total</b>	<b>\$ (2)</b>	<b>\$ 25</b>	<b>\$ 34</b>	<b>\$ (54)</b>

- Gains and losses for Loans and Other assets—Other investments are classified in Other revenues. For other items, gains and losses are recorded in Other revenues if the item is held for sale; otherwise, they are recorded in Other expenses.
- Nonrecurring changes in the fair value of loans and lending commitments were calculated as follows: for the held-for-investment category, based on the value of the underlying collateral; and for the held-for-sale category, based on recently executed transactions, market price quotations, valuation models that incorporate market observable inputs where possible, such as comparable loan or debt prices and CDS spread levels adjusted for any basis difference between cash and derivative instruments, or default recovery analysis where such transactions and quotations are unobservable.
- Losses related to Other assets—Other investments were determined using techniques that included discounted cash flow models, methodologies that incorporate multiples of certain comparable companies and recently executed transactions.
- Losses related to Other assets—Premises, equipment and software generally include impairments as well as write-offs related to the disposal of certain assets.

**Financial Instruments Not Measured at Fair Value**

\$ in millions	At September 30, 2021				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 123,863	\$ 123,863	\$ —	\$ —	\$ 123,863
Investment securities—HTM	81,837	30,726	50,380	982	82,088
Securities purchased under agreements to resell	119,714	—	117,863	1,868	119,731
Securities borrowed	125,922	—	125,923	—	125,923
Customer and other receivables	95,022	—	91,571	3,349	94,920
Loans <sup>1</sup>	173,359	—	23,242	151,341	174,583
Other assets	528	—	528	—	528
<b>Financial liabilities</b>					
Deposits	\$ 327,031	\$ —	\$ 327,384	\$ —	\$ 327,384
Securities sold under agreements to repurchase	61,059	—	61,100	—	61,100
Securities loaned	11,133	—	11,131	—	11,131
Other secured financings	4,658	—	4,659	—	4,659
Customer and other payables	240,293	—	240,293	—	240,293
Borrowings	154,010	—	160,131	4	160,135
		Commitment Amount			
Lending commitments <sup>2</sup>	\$ 136,040	\$ —	\$ 682	\$ 423	\$ 1,105

\$ in millions	At December 31, 2020				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 105,654	\$ 105,654	\$ —	\$ —	\$ 105,654
Investment securities—HTM	71,771	31,239	42,281	900	74,420
Securities purchased under agreements to resell	116,219	—	114,046	2,173	116,219
Securities borrowed	112,391	—	112,392	—	112,392
Customer and other receivables	92,907	—	89,832	3,041	92,873
Loans <sup>1</sup>	150,597	—	16,635	135,277	151,912
Other assets	485	—	485	—	485
<b>Financial liabilities</b>					
Deposits	\$ 307,261	\$ —	\$ 307,807	\$ —	\$ 307,807
Securities sold under agreements to repurchase	49,472	—	49,315	195	49,510
Securities loaned	7,731	—	7,731	—	7,731
Other secured financings	4,162	—	4,162	—	4,162
Customer and other payables	224,951	—	224,951	—	224,951
Borrowings	143,378	—	150,824	5	150,829
		Commitment Amount			
Lending commitments <sup>2</sup>	\$ 125,498	\$ —	\$ 709	\$ 395	\$ 1,104

- Amounts include loans measured at fair value on a nonrecurring basis.
- Represents Lending commitments accounted for as Held for Investment and Held for Sale. For a further discussion on lending commitments, see Note 14.



## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

The previous tables exclude all non-financial assets and liabilities, such as the value of the long-term relationships with the Firm's deposit customers, and certain financial instruments such as equity method investments and certain receivables.

### 6. Fair Value Option

The Firm has elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models.

#### Borrowings Measured at Fair Value on a Recurring Basis

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
<b>Business Unit Responsible for Risk Management</b>		
Equity	\$ 35,708	\$ 33,952
Interest rates	29,213	31,222
Commodities	7,968	5,078
Credit	1,274	1,344
Foreign exchange	1,589	2,105
<b>Total</b>	<b>\$ 75,752</b>	<b>\$ 73,701</b>

#### Net Revenues from Borrowings under the Fair Value Option

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Trading revenues	\$ 1,383	\$ (1,455)	\$ 937	\$ (1,447)
Interest expense	77	77	234	241
<b>Net revenues<sup>1</sup></b>	<b>\$ 1,306</b>	<b>\$ (1,532)</b>	<b>\$ 703</b>	<b>\$ (1,688)</b>

1. Amounts do not reflect any gains or losses from related economic hedges.

Gains (losses) from changes in fair value are recorded in Trading revenues and are mainly attributable to movements in the reference price or index, interest rates or foreign exchange rates.

#### Gains (Losses) Due to Changes in Instrument-Specific Credit Risk

<i>\$ in millions</i>	Three Months Ended September 30,			
	2021		2020	
	Trading Revenues	OCI	Trading Revenues	OCI
Loans and other debt <sup>1</sup>	\$ 58	\$ —	\$ 56	\$ —
Lending commitments	(3)	—	(3)	—
Deposits	—	6	—	(19)
Borrowings	(9)	190	(8)	(720)

<i>\$ in millions</i>	Nine Months Ended September 30,			
	2021		2020	
	Trading Revenues	OCI	Trading Revenues	OCI
Loans and other debt <sup>1</sup>	\$ 311	\$ —	\$ (183)	\$ —
Lending commitments	(2)	—	(2)	—
Deposits	—	15	—	(10)
Borrowings	(36)	612	(14)	991

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Cumulative pre-tax DVA gain (loss) recognized in AOCI	\$ (2,730)	\$ (3,357)

1. Loans and other debt instrument-specific credit gains (losses) were determined by excluding the non-credit components of gains and losses.

#### Difference Between Contractual Principal and Fair Value<sup>1</sup>

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Loans and other debt <sup>2</sup>	\$ 13,053	\$ 14,042
Nonaccrual loans <sup>2</sup>	10,732	11,551
Borrowings <sup>3</sup>	(2,382)	(3,773)

- Amounts indicate contractual principal greater than or (less than) fair value.
- The majority of the difference between principal and fair value amounts for loans and other debt relates to distressed debt positions purchased at amounts well below par.
- Excludes borrowings where the repayment of the initial principal amount fluctuates based on changes in a reference price or index.

The previous tables exclude non-recourse debt from consolidated VIEs, liabilities related to transfers of financial assets treated as collateralized financings, pledged commodities and other liabilities that have specified assets attributable to them.

#### Fair Value Loans on Nonaccrual Status

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Nonaccrual loans	\$ 943	\$ 1,407
Nonaccrual loans 90 or more days past due	321	239

# Notes to Consolidated Financial Statements (Unaudited)

## 7. Derivative Instruments and Hedging Activities

### Fair Values of Derivative Contracts

					Assets at September 30, 2021			
					Bilateral	Cleared	Exchange-	Total
					OTC	OTC	Traded	
					in millions			
<b>Designated as accounting hedges</b>								
Interest rate	\$	578	\$	9	\$	—	\$	587
Foreign exchange		145		15		—		160
Total		723		24		—		747
<b>Not designated as accounting hedges</b>								
<b>Economic loan hedges</b>								
Credit		1		16		—		17
<b>Other derivatives</b>								
Interest rate		154,421		7,628		221		162,270
Credit		5,624		3,932		—		9,556
Foreign exchange		72,129		1,301		53		73,483
Equity		29,159		—		42,011		71,170
Commodity and other		28,545		—		14,178		42,723
Total		289,879		12,877		56,463		359,219
<b>Total gross derivatives</b>		<b>\$ 290,602</b>		<b>\$ 12,901</b>		<b>\$ 56,463</b>		<b>\$ 359,966</b>
<b>Amounts offset</b>								
Counterparty netting		(205,701)		(11,014)		(52,930)		(269,645)
Cash collateral netting		(45,163)		(1,759)		—		(46,922)
<b>Total in Trading assets</b>		<b>\$ 39,738</b>		<b>\$ 128</b>		<b>\$ 3,533</b>		<b>\$ 43,399</b>
<b>Amounts not offset<sup>1</sup></b>								
Financial instruments collateral		(12,419)		—		—		(12,419)
<b>Net amounts</b>		<b>\$ 27,319</b>		<b>\$ 128</b>		<b>\$ 3,533</b>		<b>\$ 30,980</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable								
								<b>\$ 4,385</b>

					Liabilities at September 30, 2021			
					Bilateral	Cleared	Exchange-	Total
					OTC	OTC	Traded	
					in millions			
<b>Designated as accounting hedges</b>								
Interest rate	\$	—	\$	—	\$	—	\$	—
Foreign exchange		7		20		—		27
Total		7		20		—		27
<b>Not designated as accounting hedges</b>								
<b>Economic loan hedges</b>								
Credit		15		229		—		244
<b>Other derivatives</b>								
Interest rate		144,921		6,683		350		151,954
Credit		5,508		4,463		—		9,971
Foreign exchange		68,163		1,334		52		69,549
Equity		39,690		—		43,296		82,986
Commodity and other		22,708		—		14,480		37,188
Total		281,005		12,709		58,178		351,892
<b>Total gross derivatives</b>		<b>\$ 281,012</b>		<b>\$ 12,729</b>		<b>\$ 58,178</b>		<b>\$ 351,919</b>
<b>Amounts offset</b>								
Counterparty netting		(205,701)		(11,014)		(52,930)		(269,645)
Cash collateral netting		(42,471)		(1,087)		—		(43,558)
<b>Total in Trading liabilities</b>		<b>\$ 32,840</b>		<b>\$ 628</b>		<b>\$ 5,248</b>		<b>\$ 38,716</b>
<b>Amounts not offset<sup>1</sup></b>								
Financial instruments collateral		(6,226)		—		(1,007)		(7,233)
<b>Net amounts</b>		<b>\$ 26,614</b>		<b>\$ 628</b>		<b>\$ 4,241</b>		<b>\$ 31,483</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable								
								<b>7,103</b>

					Assets at December 31, 2020			
					Bilateral	Cleared	Exchange-	Total
					OTC	OTC	Traded	
					in millions			
<b>Designated as accounting hedges</b>								
Interest rate	\$	946	\$	2	\$	—	\$	948
Foreign exchange		5		2		—		7
Total		951		4		—		955
<b>Not designated as accounting hedges</b>								
<b>Economic loan hedges</b>								
Credit <sup>2</sup>		2		51		—		53
<b>Other derivatives</b>								
Interest rate		221,895		10,343		300		232,538
Credit <sup>2</sup>		5,341		2,147		—		7,488
Foreign exchange		92,334		1,639		79		94,052
Equity		34,278		—		34,166		68,444
Commodity and other		11,095		—		3,554		14,649
Total		364,945		14,180		38,099		417,224
<b>Total gross derivatives</b>		<b>\$ 365,896</b>		<b>\$ 14,184</b>		<b>\$ 38,099</b>		<b>\$ 418,179</b>
<b>Amounts offset</b>								
Counterparty netting		(276,682)		(11,601)		(35,260)		(323,543)
Cash collateral netting		(54,921)		(1,865)		—		(56,786)
<b>Total in Trading assets</b>		<b>\$ 34,293</b>		<b>\$ 718</b>		<b>\$ 2,839</b>		<b>\$ 37,850</b>
<b>Amounts not offset<sup>1</sup></b>								
Financial instruments collateral		(13,319)		—		—		(13,319)
Other cash collateral		(391)		—		—		(391)
<b>Net amounts</b>		<b>\$ 20,583</b>		<b>\$ 718</b>		<b>\$ 2,839</b>		<b>\$ 24,140</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable								
								<b>\$ 3,743</b>

					Liabilities at December 31, 2020			
					Bilateral	Cleared	Exchange-	Total
					OTC	OTC	Traded	
					in millions			
<b>Designated as accounting hedges</b>								
Interest rate	\$	—	\$	19	\$	—	\$	19
Foreign exchange		291		99		—		390
Total		291		118		—		409
<b>Not designated as accounting hedges</b>								
<b>Economic loan hedges</b>								
Credit <sup>2</sup>		18		177		—		195
<b>Other derivatives</b>								
Interest rate		210,015		7,965		639		218,619
Credit <sup>2</sup>		5,275		2,682		—		7,957
Foreign exchange		92,975		1,500		43		94,518
Equity		49,943		—		36,585		86,528
Commodity and other		8,831		—		3,359		12,190
Total		367,057		12,324		40,626		420,007
<b>Total gross derivatives</b>		<b>\$ 367,348</b>		<b>\$ 12,442</b>		<b>\$ 40,626</b>		<b>\$ 420,416</b>
<b>Amounts offset</b>								
Counterparty netting		(276,682)		(11,601)		(35,260)		(323,543)
Cash collateral netting		(51,112)		(823)		—		(51,935)
<b>Total in Trading liabilities</b>		<b>\$ 39,554</b>		<b>\$ 18</b>		<b>\$ 5,366</b>		<b>\$ 44,938</b>
<b>Amounts not offset<sup>1</sup></b>								
Financial instruments collateral		(10,598)		—		(1,520)		(12,118)
Other cash collateral		(62)		(3)		—		(65)
<b>Net amounts</b>		<b>\$ 28,894</b>		<b>\$ 15</b>		<b>\$ 3,846</b>		<b>\$ 32,755</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable								
								<b>\$ 6,746</b>

1. Amounts relate to master netting agreements and collateral agreements that have been determined by the Firm to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.
2. Certain prior period amounts have been reclassified to conform to the current presentation.

## Notes to Consolidated Financial Statements (Unaudited)

See Note 5 for information related to the unsettled fair value of futures contracts not designated as accounting hedges, which are excluded from the previous tables.

### Notionals of Derivative Contracts

Assets at September 30, 2021				
<i>\$ in billions</i>	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 4	\$ 103	\$ —	\$ 107
Foreign exchange	12	1	—	13
Total	16	104	—	120
<b>Not designated as accounting hedges</b>				
<b>Economic loan hedges</b>				
Credit	—	—	—	—
<b>Other derivatives</b>				
Interest rate	3,836	7,950	558	12,344
Credit	213	130	—	343
Foreign exchange	3,363	89	9	3,461
Equity	522	—	459	981
Commodity and other	142	—	83	225
Total	8,076	8,169	1,109	17,354
<b>Total gross derivatives</b>	<b>\$ 8,092</b>	<b>\$ 8,273</b>	<b>\$ 1,109</b>	<b>\$ 17,474</b>
Liabilities at September 30, 2021				
<i>\$ in billions</i>	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ —	\$ 99	\$ —	\$ 99
Foreign exchange	3	2	—	5
Total	3	101	—	104
<b>Not designated as accounting hedges</b>				
<b>Economic loan hedges</b>				
Credit	—	7	—	7
<b>Other derivatives</b>				
Interest rate	3,924	7,979	505	12,408
Credit	204	140	—	344
Foreign exchange	3,230	87	20	3,337
Equity	538	—	766	1,304
Commodity and other	119	—	87	206
Total	8,015	8,213	1,378	17,606
<b>Total gross derivatives</b>	<b>\$ 8,018</b>	<b>\$ 8,314</b>	<b>\$ 1,378</b>	<b>\$ 17,710</b>
Assets at December 31, 2020				
<i>\$ in billions</i>	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 6	\$ 123	\$ —	\$ 129
Foreign exchange	2	—	—	2
Total	8	123	—	131
<b>Not designated as accounting hedges</b>				
<b>Economic loan hedges</b>				
Credit <sup>1</sup>	—	1	—	1
<b>Other derivatives</b>				
Interest rate	3,847	6,946	409	11,202
Credit <sup>1</sup>	140	87	—	227
Foreign exchange	3,046	103	10	3,159
Equity	444	—	367	811
Commodity and other	107	—	68	175
Total	7,584	7,137	854	15,575
<b>Total gross derivatives</b>	<b>\$ 7,592</b>	<b>\$ 7,260</b>	<b>\$ 854</b>	<b>\$ 15,706</b>

Liabilities at December 31, 2020				
<i>\$ in billions</i>	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ —	\$ 80	\$ —	\$ 80
Foreign exchange	11	3	—	14
Total	11	83	—	94
<b>Not designated as accounting hedges</b>				
<b>Economic loan hedges</b>				
Credit <sup>1</sup>	1	5	—	6
<b>Other derivatives</b>				
Interest rate	4,000	6,915	511	11,426
Credit <sup>1</sup>	142	93	—	235
Foreign exchange	3,180	102	11	3,293
Equity	474	—	591	1,065
Commodity and other	93	—	68	161
Total	7,890	7,115	1,181	16,186
<b>Total gross derivatives</b>	<b>\$ 7,901</b>	<b>\$ 7,198</b>	<b>\$ 1,181</b>	<b>\$ 16,280</b>

1. Certain prior period amounts have been reclassified to conform to the current presentation.

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

For a discussion of the Firm's derivative instruments and hedging activities, see Note 7 to the financial statements in the 2020 Form 10-K.

### Gains (Losses) on Accounting Hedges

<i>\$ in millions</i>	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Fair value hedges—Recognized in Interest income</b>				
Interest rate contracts	\$ 107	\$ 12	\$ 607	\$ (68)
Investment Securities—AFS	(82)	(11)	(509)	78
<b>Fair value hedges—Recognized in Interest expense</b>				
Interest rate contracts	\$ (763)	\$ (1,004)	\$ (3,633)	\$ 5,908
Deposits	15	62	73	(153)
Borrowings	796	915	3,547	(5,844)
<b>Net investment hedges—Foreign exchange contracts</b>				
Recognized in OCI	\$ 225	\$ (260)	\$ 524	\$ 54
Forward points excluded from hedge effectiveness testing—Recognized in Interest income	(19)	(6)	(32)	19

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

### Fair Value Hedges—Hedged Items

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
<b>Investment Securities—AFS</b>		
Amortized cost basis currently or previously hedged	\$ 17,823	\$ 16,288
Basis adjustments included in amortized cost <sup>1</sup>	\$ (459)	\$ (39)
<b>Deposits</b>		
Carrying amount currently or previously hedged	\$ 4,672	\$ 15,059
Basis adjustments included in carrying amount <sup>1</sup>	\$ 20	\$ 93
<b>Borrowings</b>		
Carrying amount currently or previously hedged	\$ 120,111	\$ 114,349
Basis adjustments included in carrying amount—Outstanding hedges	\$ 2,996	\$ 6,575
Basis adjustments included in carrying amount—Terminated hedges	\$ (750)	\$ (756)

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

### Gains (Losses) on Economic Loan Hedges

<i>\$ in millions</i>	Three Months Ended		Nine Months Ended	
	September 30, 2021	2020	September 30, 2021	2020
<b>Recognized in Other revenues</b>				
Credit contracts <sup>1</sup>	\$ (21)	\$ (58)	\$ (170)	\$ 77

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

### Net Derivative Liabilities and Collateral Posted

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Net derivative liabilities with credit risk-related contingent features	\$ 22,199	\$ 30,421
Collateral posted	15,433	23,842

The previous table presents the aggregate fair value of certain derivative contracts that contain credit risk-related contingent features that are in a net liability position for which the Firm has posted collateral in the normal course of business.

### Incremental Collateral and Termination Payments upon Potential Future Ratings Downgrade

<i>\$ in millions</i>	At September 30, 2021
One-notch downgrade	\$ 264
Two-notch downgrade	434
Bilateral downgrade agreements included in the amounts above <sup>1</sup>	\$ 587

1. Amount represents arrangements between the Firm and other parties where upon the downgrade of one party, the downgraded party must deliver collateral to the other party. These bilateral downgrade arrangements are used by the Firm to manage the risk of counterparty downgrades.

The additional collateral or termination payments that may be called in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's Investors Service, Inc. and S&P Global Ratings. The previous table shows the future potential collateral amounts and termination payments that could be called or required by counterparties or exchange and clearing organizations in the

event of one-notch or two-notch downgrade scenarios based on the relevant contractual downgrade triggers.

### Maximum Potential Payout/Notional of Credit Protection Sold<sup>1</sup>

<i>\$ in billions</i>	Years to Maturity at September 30, 2021				
	< 1	1-3	3-5	Over 5	Total
<b>Single-name CDS</b>					
Investment grade	\$ 9	\$ 22	\$ 30	\$ 14	\$ 75
Non-investment grade	5	12	16	5	38
<b>Total</b>	<b>\$ 14</b>	<b>\$ 34</b>	<b>\$ 46</b>	<b>\$ 19</b>	<b>\$ 113</b>
<b>Index and basket CDS</b>					
Investment grade	\$ 2	\$ 8	\$ 84	\$ 37	\$ 131
Non-investment grade	7	14	37	25	83
<b>Total</b>	<b>\$ 9</b>	<b>\$ 22</b>	<b>\$ 121</b>	<b>\$ 62</b>	<b>\$ 214</b>
<b>Total CDS sold</b>	<b>\$ 23</b>	<b>\$ 56</b>	<b>\$ 167</b>	<b>\$ 81</b>	<b>\$ 327</b>
Other credit contracts	—	—	—	—	—
<b>Total credit protection sold</b>	<b>\$ 23</b>	<b>\$ 56</b>	<b>\$ 167</b>	<b>\$ 81</b>	<b>\$ 327</b>
CDS protection sold with identical protection purchased					\$ 283

<i>\$ in billions</i>	Years to Maturity at December 31, 2020				
	< 1	1-3	3-5	Over 5	Total
<b>Single-name CDS</b>					
Investment grade	\$ 9	\$ 19	\$ 32	\$ 9	\$ 69
Non-investment grade	7	10	17	2	36
<b>Total</b>	<b>\$ 16</b>	<b>\$ 29</b>	<b>\$ 49</b>	<b>\$ 11</b>	<b>\$ 105</b>
<b>Index and basket CDS</b>					
Investment grade	\$ 2	\$ 5	\$ 39	\$ 14	\$ 60
Non-investment grade	6	9	29	14	58
<b>Total</b>	<b>\$ 8</b>	<b>\$ 14</b>	<b>\$ 68</b>	<b>\$ 28</b>	<b>\$ 118</b>
<b>Total CDS sold</b>	<b>\$ 24</b>	<b>\$ 43</b>	<b>\$ 117</b>	<b>\$ 39</b>	<b>\$ 223</b>
Other credit contracts	—	—	—	—	—
<b>Total credit protection sold</b>	<b>\$ 24</b>	<b>\$ 43</b>	<b>\$ 117</b>	<b>\$ 39</b>	<b>\$ 223</b>
CDS protection sold with identical protection purchased					\$ 196

### Fair Value Asset (Liability) of Credit Protection Sold<sup>1</sup>

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
<b>Single-name CDS</b>		
Investment grade	\$ 1,532	\$ 1,230
Non-investment grade	(18)	(22)
<b>Total</b>	<b>\$ 1,514</b>	<b>\$ 1,208</b>
<b>Index and basket CDS</b>		
Investment grade	\$ 1,590	\$ 843
Non-investment grade	(82)	(824)
<b>Total</b>	<b>\$ 1,508</b>	<b>\$ 19</b>
<b>Total CDS sold</b>	<b>\$ 3,022</b>	<b>\$ 1,227</b>
Other credit contracts	(3)	(4)
<b>Total credit protection sold</b>	<b>\$ 3,019</b>	<b>\$ 1,223</b>

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

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### Protection Purchased with CDS

	Notional	
	At September 30, 2021	At December 31, 2020
<i>\$ in billions</i>		
Single name	\$ 123	\$ 116
Index and basket	228	116
Tranched index and basket	16	14
<b>Total</b>	<b>\$ 367</b>	<b>\$ 246</b>
	Fair Value Asset (Liability)	
	At September 30, 2021	At December 31, 2020
<i>\$ in millions</i>		
Single name	\$ (1,811)	\$ (1,452)
Index and basket	(1,535)	(57)
Tranched index and basket	(318)	(329)
<b>Total</b>	<b>\$ (3,664)</b>	<b>\$ (1,838)</b>

The Firm enters into credit derivatives, principally CDS, under which it receives or provides protection against the risk of default on a set of debt obligations issued by a specified reference entity or entities. A majority of the Firm's counterparties for these derivatives are banks, broker-dealers, and insurance and other financial institutions.

The fair value amounts as shown in the previous tables are prior to cash collateral or counterparty netting. For further information on credit derivatives and other credit contracts, see Note 7 to the financial statements in the 2020 Form 10-K.

## 8. Investment Securities

### AFS and HTM Securities

	At September 30, 2021			
	Amortized Cost <sup>1</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>\$ in millions</i>				
<b>AFS securities</b>				
U.S. Treasury securities	\$ 55,344	\$ 555	\$ 83	\$ 55,816
U.S. agency securities <sup>2</sup>	28,383	386	188	28,581
Agency CMBS	14,881	342	65	15,158
State and municipal securities	285	26	6	305
FFELP student loan ABS <sup>3</sup>	1,728	15	9	1,734
<b>Total AFS securities</b>	<b>100,621</b>	<b>1,324</b>	<b>351</b>	<b>101,594</b>
<b>HTM securities</b>				
U.S. Treasury securities	29,684	1,103	61	30,726
U.S. agency securities <sup>2</sup>	48,871	267	1,055	48,083
Agency CMBS	2,331	—	34	2,297
Non-agency CMBS	951	34	3	982
<b>Total HTM securities</b>	<b>81,837</b>	<b>1,404</b>	<b>1,153</b>	<b>82,088</b>
<b>Total investment securities</b>	<b>\$ 182,458</b>	<b>\$ 2,728</b>	<b>\$ 1,504</b>	<b>\$ 183,682</b>

	At December 31, 2020			
	Amortized Cost <sup>1</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>\$ in millions</i>				
<b>AFS securities</b>				
U.S. Treasury securities	\$ 45,345	\$ 1,010	\$ —	\$ 46,355
U.S. agency securities <sup>2</sup>	37,389	762	25	38,126
Agency CMBS	19,982	465	9	20,438
Corporate bonds	1,694	42	—	1,736
State and municipal securities	1,461	103	1	1,563
FFELP student loan ABS <sup>3</sup>	1,735	7	26	1,716
Other ABS	449	—	—	449
<b>Total AFS securities</b>	<b>108,055</b>	<b>2,389</b>	<b>61</b>	<b>110,383</b>
<b>HTM securities</b>				
U.S. Treasury securities	29,346	1,893	—	31,239
U.S. agency securities <sup>2</sup>	38,951	704	8	39,647
Agency CMBS	2,632	4	2	2,634
Non-agency CMBS	842	58	—	900
<b>Total HTM securities</b>	<b>71,771</b>	<b>2,659</b>	<b>10</b>	<b>74,420</b>
<b>Total investment securities</b>	<b>\$ 179,826</b>	<b>\$ 5,048</b>	<b>\$ 71</b>	<b>\$ 184,803</b>

1. Amounts are net of any ACL.

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

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

### Investment Securities in an Unrealized Loss Position

	At September 30, 2021		At December 31, 2020	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>\$ in millions</i>				
U.S. Treasury securities				
Less than 12 months	\$ 23,587	\$ 83	\$ 151	\$ —
<b>Total</b>	<b>23,587</b>	<b>83</b>	<b>151</b>	<b>—</b>
U.S. agency securities				
Less than 12 months	11,116	170	5,808	22
12 months or longer	839	18	1,168	3
<b>Total</b>	<b>11,955</b>	<b>188</b>	<b>6,976</b>	<b>25</b>
Agency CMBS				
Less than 12 months	2,738	65	2,779	9
12 months or longer	22	—	46	—
<b>Total</b>	<b>2,760</b>	<b>65</b>	<b>2,825</b>	<b>9</b>
Corporate bonds				
12 months or longer	—	—	31	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>31</b>	<b>—</b>
State and municipal securities				
Less than 12 months	102	6	86	—
12 months or longer	—	—	36	1
<b>Total</b>	<b>102</b>	<b>6</b>	<b>122</b>	<b>1</b>
FFELP student loan ABS				
Less than 12 months	39	—	—	—
12 months or longer	759	9	1,077	26
<b>Total</b>	<b>798</b>	<b>9</b>	<b>1,077</b>	<b>26</b>
<b>Total AFS securities in an unrealized loss position</b>				
Less than 12 months	37,582	324	8,824	31
12 months or longer	1,620	27	2,358	30
<b>Total</b>	<b>\$ 39,202</b>	<b>\$ 351</b>	<b>\$ 11,182</b>	<b>\$ 61</b>

For AFS securities, the Firm believes there are no securities in an unrealized loss position that have credit losses after



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performing the analysis described in Note 2 in the 2020 Form 10-K and the Firm expects to recover the amortized cost basis of these securities. Additionally, the Firm does not intend to sell these securities and is not likely to be required to sell these securities prior to recovery of the amortized cost basis. As of September 30, 2021 and December 31, 2020, the securities in an unrealized loss position are predominantly investment grade.

The HTM securities net carrying amounts at September 30, 2021 and December 31, 2020 reflect an ACL of \$35 million and \$26 million, respectively, related to Non-agency CMBS. See Note 2 in the 2020 Form 10-K for a description of the ACL methodology used for HTM Securities. As of September 30, 2021, and December 31, 2020, Non-Agency CMBS HTM securities were predominantly on accrual status and investment grade.

See Note 15 for additional information on securities issued by VIEs, including U.S. agency mortgage-backed securities, non-agency CMBS, FFELP student loan ABS and other ABS.

### Investment Securities by Contractual Maturity

\$ in millions	At September 30, 2021		
	Amortized Cost <sup>1</sup>	Fair Value	Annualized Average Yield
<b>AFS securities</b>			
U.S. Treasury securities:			
Due within 1 year	\$ 11,941	\$ 12,031	1.4 %
After 1 year through 5 years	34,704	35,070	1.1 %
After 5 years through 10 years	8,699	8,715	1.2 %
<b>Total</b>	<b>55,344</b>	<b>55,816</b>	
U.S. agency securities:			
Due within 1 year	3	3	1.2 %
After 1 year through 5 years	132	134	1.3 %
After 5 years through 10 years	1,402	1,438	1.8 %
After 10 years	26,846	27,006	1.5 %
<b>Total</b>	<b>28,383</b>	<b>28,581</b>	
Agency CMBS:			
Due within 1 year	193	194	1.7 %
After 1 year through 5 years	1,926	1,964	1.7 %
After 5 years through 10 years	9,974	10,257	1.6 %
After 10 years	2,788	2,743	1.4 %
<b>Total</b>	<b>14,881</b>	<b>15,158</b>	
State and municipal securities:			
Due within 1 year	4	4	1.9 %
After 1 year through 5 years	22	22	1.8 %
After 5 years through 10 years	49	58	2.1 %
After 10 Years	210	221	2.0 %
<b>Total</b>	<b>285</b>	<b>305</b>	
FFELP student loan ABS:			
Due within 1 year	31	31	0.8 %
After 1 year through 5 years	183	180	0.9 %
After 5 years through 10 years	148	144	0.7 %
After 10 years	1,366	1,379	1.2 %
<b>Total</b>	<b>1,728</b>	<b>1,734</b>	
<b>Total AFS securities</b>	<b>100,621</b>	<b>101,594</b>	<b>1.3 %</b>

\$ in millions	At September 30, 2021		
	Amortized Cost <sup>1</sup>	Fair Value	Annualized Average Yield
<b>HTM securities</b>			
U.S. Treasury securities:			
Due within 1 year	4,022	4,058	1.9 %
After 1 year through 5 years	18,673	19,217	1.7 %
After 5 years through 10 years	5,426	5,811	2.4 %
After 10 years	1,563	1,640	2.3 %
<b>Total</b>	<b>29,684</b>	<b>30,726</b>	
U.S. agency securities:			
After 5 years through 10 years	497	512	2.0 %
After 10 years	48,374	47,571	1.6 %
<b>Total</b>	<b>48,871</b>	<b>48,083</b>	
Agency CMBS:			
Due within 1 year	46	46	1.1 %
After 1 year through 5 years	1,193	1,181	1.3 %
After 5 years through 10 years	939	922	1.4 %
After 10 years	153	148	1.5 %
<b>Total</b>	<b>2,331</b>	<b>2,297</b>	
Non-agency CMBS:			
Due within 1 year	151	151	4.5 %
After 1 year through 5 years	61	62	2.6 %
After 5 years through 10 years	703	730	3.6 %
After 10 years	36	39	4.4 %
<b>Total</b>	<b>951</b>	<b>982</b>	
<b>Total HTM securities</b>	<b>81,837</b>	<b>82,088</b>	<b>1.7 %</b>
<b>Total investment securities</b>	<b>\$ 182,458</b>	<b>\$ 183,682</b>	<b>1.5 %</b>

1. Amounts are net of any ACL.

### Gross Realized Gains (Losses) on Sales of AFS Securities

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gross realized gains	\$ 17	\$ 55	\$ 236	\$ 120
Gross realized (losses)	—	—	(27)	(14)
<b>Total<sup>1</sup></b>	<b>\$ 17</b>	<b>\$ 55</b>	<b>\$ 209</b>	<b>\$ 106</b>

1. Realized gains and losses are recognized in Other revenues in the income statements.

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### 9. Collateralized Transactions

#### Offsetting of Certain Collateralized Transactions

At September 30, 2021					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset <sup>1</sup>	Net Amounts
<b>Assets</b>					
Securities purchased under agreements to resell	\$215,672	\$(95,951)	\$119,721	\$(116,787)	\$2,934
Securities borrowed	136,731	(10,809)	125,922	(119,047)	6,875
<b>Liabilities</b>					
Securities sold under agreements to repurchase	\$157,938	\$(95,951)	\$61,987	\$(54,226)	\$7,761
Securities loaned	21,942	(10,809)	11,133	(10,822)	311
<b>Net amounts for which master netting agreements are not in place or may not be legally enforceable</b>					
Securities purchased under agreements to resell					\$2,417
Securities borrowed					2,006
Securities sold under agreements to repurchase					7,167
Securities loaned					173

At December 31, 2020					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset <sup>1</sup>	Net Amounts
<b>Assets</b>					
Securities purchased under agreements to resell	\$264,140	\$(147,906)	\$116,234	\$(114,108)	\$2,126
Securities borrowed	124,921	(12,530)	112,391	(107,434)	4,957
<b>Liabilities</b>					
Securities sold under agreements to repurchase	\$198,493	\$(147,906)	\$50,587	\$(43,960)	\$6,627
Securities loaned	20,261	(12,530)	7,731	(7,430)	301
<b>Net amounts for which master netting agreements are not in place or may not be legally enforceable</b>					
Securities purchased under agreements to resell					\$1,870
Securities borrowed					596
Securities sold under agreements to repurchase					6,282
Securities loaned					128

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

For further discussion of the Firm's collateralized transactions, see Note 2 and Note 9 to the financial statements in the 2020 Form 10-K. For information related to offsetting of derivatives, see Note 7.

#### Gross Secured Financing Balances by Remaining Contractual Maturity

At September 30, 2021					
<i>\$ in millions</i>	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	\$48,461	\$53,458	\$12,529	\$43,490	\$157,938
Securities loaned	12,675	—	150	9,117	21,942
Total included in the offsetting disclosure	\$61,136	\$53,458	\$12,679	\$52,607	\$179,880
Trading liabilities—Obligation to return securities received as collateral	22,528	—	—	—	22,528
<b>Total</b>	<b>\$83,664</b>	<b>\$53,458</b>	<b>\$12,679</b>	<b>\$52,607</b>	<b>\$202,408</b>

<i>\$ in millions</i>	At December 31, 2020				
	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	\$84,349	\$60,853	\$26,221	\$27,070	\$198,493
Securities loaned	15,267	247	—	4,747	20,261
Total included in the offsetting disclosure	\$99,616	\$61,100	\$26,221	\$31,817	\$218,754
Trading liabilities—Obligation to return securities received as collateral	16,389	—	—	—	16,389
<b>Total</b>	<b>\$116,005</b>	<b>\$61,100</b>	<b>\$26,221</b>	<b>\$31,817</b>	<b>\$235,143</b>

#### Gross Secured Financing Balances by Class of Collateral Pledged

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
<b>Securities sold under agreements to repurchase</b>		
U.S. Treasury and agency securities	\$40,104	\$94,662
Other sovereign government obligations	83,996	71,140
Corporate equities	24,508	24,692
Other	9,330	7,999
<b>Total</b>	<b>\$157,938</b>	<b>\$198,493</b>
<b>Securities loaned</b>		
Other sovereign government obligations	\$1,359	\$3,430
Corporate equities	20,195	16,536
Other	388	295
<b>Total</b>	<b>\$21,942</b>	<b>\$20,261</b>
Total included in the offsetting disclosure	\$179,880	\$218,754
<b>Trading liabilities—Obligation to return securities received as collateral</b>		
Corporate equities	\$22,487	\$16,365
Other	41	24
<b>Total</b>	<b>\$22,528</b>	<b>\$16,389</b>
<b>Total</b>	<b>\$202,408</b>	<b>\$235,143</b>

#### Carrying Value of Assets Loaned or Pledged without Counterparty Right to Sell or Repledge

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Trading assets	\$33,926	\$30,954

The Firm pledges certain of its trading assets to collateralize securities sold under agreements to repurchase, securities loaned, other secured financings and derivatives and to cover customer short sales. Counterparties may or may not have the right to sell or repledge the collateral.

Pledged financial instruments that can be sold or repledged by the secured party are identified as Trading assets (pledged to various parties) in the balance sheets.

#### Fair Value of Collateral Received with Right to Sell or Repledge

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Collateral received with right to sell or repledge	\$706,446	\$724,818
Collateral that was sold or repledged <sup>1</sup>	535,697	523,648

1. Does not include securities used to meet federal regulations for the Firm's U.S. broker-dealers.

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The Firm receives collateral in the form of securities in connection with securities purchased under agreements to resell, securities borrowed, securities-for-securities transactions, derivative transactions, customer margin loans and securities-based lending. In many cases, the Firm is permitted to sell or repledge this collateral to secure securities sold under agreements to repurchase, to enter into securities lending and derivative transactions or for delivery to counterparties to cover short positions.

### Securities Segregated for Regulatory Purposes

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Segregated securities <sup>1</sup>	\$ 20,552	\$ 34,106

1. Securities segregated under federal regulations for the Firm's U.S. broker-dealers are sourced from Securities purchased under agreements to resell and Trading assets in the balance sheets.

### Customer Margin and Other Lending

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Margin and other lending	\$ 69,608	\$ 74,714

The Firm provides margin lending arrangements that allow customers to borrow against the value of qualifying securities. Receivables from these arrangements are included within Customer and other receivables in the balance sheets. Under these arrangements, the Firm receives collateral, which includes U.S. government and agency securities, other sovereign government obligations, corporate and other debt, and corporate equities. Margin loans are collateralized by customer-owned securities held by the Firm. The Firm monitors required margin levels and established credit terms daily and, pursuant to such guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

For a further discussion of the Firm's margin lending activities, see Note 9 to the financial statements in the 2020 Form 10-K.

Also included in the amounts in the previous table is non-purpose securities-based lending on non-bank entities in the Wealth Management business segment.

### Other Secured Financings

The Firm has additional secured liabilities. For a further discussion of other secured financings, see Note 13.

## 10. Loans, Lending Commitments and Related Allowance for Credit Losses

### Loans by Type

<i>\$ in millions</i>	At September 30, 2021		
	Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	\$ 4,774	\$ 8,998	\$ 13,772
Secured lending facilities	27,345	3,650	30,995
Commercial real estate	6,915	434	7,349
Residential real estate	41,428	8	41,436
Securities-based lending and Other loans	80,413	78	80,491
Total loans	160,875	13,168	174,043
ACL	(684)		(684)
<b>Total loans, net</b>	<b>\$ 160,191</b>	<b>\$ 13,168</b>	<b>\$ 173,359</b>
Fixed rate loans, net			\$ 40,590
Floating or adjustable rate loans, net			132,769
Loans to non-U.S. borrowers, net			21,260

<i>\$ in millions</i>	At December 31, 2020		
	Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	\$ 6,046	\$ 8,580	\$ 14,626
Secured lending facilities	25,727	3,296	29,023
Commercial real estate	7,346	822	8,168
Residential real estate	35,268	48	35,316
Securities-based lending and Other loans	64,232	67	64,299
Total loans	138,619	12,813	151,432
ACL	(835)		(835)
<b>Total loans, net</b>	<b>\$ 137,784</b>	<b>\$ 12,813</b>	<b>\$ 150,597</b>
Fixed rate loans, net			\$ 32,796
Floating or adjustable rate loans, net			117,801
Loans to non-U.S. borrowers, net			21,081

For additional information on the Firm's held-for-investment and held-for-sale loan portfolios, see Note 10 to the financial statements in the 2020 Form 10-K.

Note 5 for further information regarding Loans and lending commitments held at fair value. See Note 14 for details of current commitments to lend in the future.

### Loans Held for Investment before Allowance by Origination Year

<i>\$ in millions</i>	At September 30, 2021			At December 31, 2020		
	Corporate					
	IG	NIG	Total	IG	NIG	Total
Revolving	\$ 1,529	\$ 2,302	\$ 3,831	\$ 1,138	\$ 3,231	\$ 4,369
2021	—	71	71			
2020	179	26	205	585	80	665
2019	—	181	181	204	202	406
2018	195	—	195	195	—	195
2017	—	60	60	—	64	64
Prior	231	—	231	247	100	347
<b>Total</b>	<b>\$ 2,134</b>	<b>\$ 2,640</b>	<b>\$ 4,774</b>	<b>\$ 2,369</b>	<b>\$ 3,677</b>	<b>\$ 6,046</b>

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

\$ in millions	At September 30, 2021			At December 31, 2020		
	Secured lending facilities					
	IG	NIG	Total	IG	NIG	Total
Revolving	\$ 7,000	\$ 16,034	\$ 23,034	\$ 4,711	\$ 14,510	\$ 19,221
2021	33	354	387			
2020	84	175	259	162	253	415
2019	173	1,065	1,238	260	1,904	2,164
2018	310	786	1,096	614	1,432	2,046
2017	144	306	450	245	581	826
Prior	—	881	881	—	1,055	1,055
<b>Total</b>	<b>\$ 7,744</b>	<b>\$ 19,601</b>	<b>\$ 27,345</b>	<b>\$ 5,992</b>	<b>\$ 19,735</b>	<b>\$ 25,727</b>

\$ in millions	At September 30, 2021			At December 31, 2020		
	Commercial real estate					
	IG	NIG	Total	IG	NIG	Total
2021	260	537	797			
2020	160	813	973	95	943	1,038
2019	1,148	1,400	2,548	1,074	1,848	2,922
2018	533	415	948	746	774	1,520
2017	334	339	673	412	387	799
Prior	100	876	976	100	967	1,067
<b>Total</b>	<b>\$ 2,535</b>	<b>\$ 4,380</b>	<b>\$ 6,915</b>	<b>\$ 2,427</b>	<b>\$ 4,919</b>	<b>\$ 7,346</b>

\$ in millions	At September 30, 2021					
	Residential real estate					
	by FICO Scores			by LTV Ratio		Total
	≥ 740	680-739	≤ 679	≤ 80%	> 80%	
Revolving	\$ 66	\$ 26	\$ 4	\$ 96	\$ —	\$ 96
2021	8,749	1,863	164	10,099	677	10,776
2020	8,245	1,711	133	9,557	532	10,089
2019	4,941	1,130	149	5,836	384	6,220
2018	1,977	519	65	2,369	192	2,561
2017	2,282	584	76	2,736	206	2,942
Prior	6,350	2,060	334	7,967	777	8,744
<b>Total</b>	<b>\$ 32,610</b>	<b>\$ 7,893</b>	<b>\$ 925</b>	<b>\$ 38,660</b>	<b>\$ 2,768</b>	<b>\$ 41,428</b>

\$ in millions	At December 31, 2020					
	Residential real estate					
	by FICO Scores			by LTV Ratio		Total
	≥ 740	680-739	≤ 679	≤ 80%	> 80%	
Revolving	\$ 85	\$ 32	\$ 5	\$ 122	\$ —	\$ 122
2020	8,948	1,824	149	10,338	583	10,921
2019	5,592	1,265	168	6,584	441	7,025
2018	2,320	604	75	2,756	243	2,999
2017	2,721	690	89	3,251	249	3,500
2016	3,324	884	118	4,035	291	4,326
Prior	4,465	1,626	284	5,684	691	6,375
<b>Total</b>	<b>\$ 27,455</b>	<b>\$ 6,925</b>	<b>\$ 888</b>	<b>\$ 32,770</b>	<b>\$ 2,498</b>	<b>\$ 35,268</b>

\$ in millions	At September 30, 2021			
	Securities-based lending <sup>1</sup>	Other <sup>2</sup>		Total
		Investment Grade	Non-Investment Grade	
Revolving	\$ 67,009	\$ 5,783	\$ 670	\$ 73,462
2021	31	346	64	441
2020	—	729	590	1,319
2019	19	1,105	627	1,751
2018	232	288	384	904
2017	—	521	262	783
Prior	16	1,395	342	1,753
<b>Total</b>	<b>\$ 67,307</b>	<b>\$ 10,167</b>	<b>\$ 2,939</b>	<b>\$ 80,413</b>

\$ in millions	December 31, 2020			
	Securities-based lending <sup>1</sup>	Other <sup>2</sup>		Total
		Investment Grade	Non-Investment Grade	
Revolving	\$ 51,667	\$ 4,816	\$ 555	\$ 57,038
2020	—	1,073	590	1,663
2019	18	1,156	623	1,797
2018	232	407	403	1,042
2017	—	654	122	776
2016	—	566	111	677
Prior	16	1,066	157	1,239
<b>Total</b>	<b>\$ 51,933</b>	<b>\$ 9,738</b>	<b>\$ 2,561</b>	<b>\$ 64,232</b>

- Securities-based loans are subject to collateral maintenance provisions, and at September 30, 2021 and December 31, 2020, these loans are predominantly over-collateralized. For more information on the ACL methodology related to securities-based loans, see Note 2 to the financial statements in the 2020 Form 10-K.
- Other loans primarily include certain loans originated in the tailored lending business within the Wealth Management business segment.

**Past Due Loans Held for Investment before Allowance<sup>1</sup>**

\$ in millions	At September 30, 2021	At December 31, 2020
Corporate	\$ 4	\$ —
Residential real estate	235	332
Securities-based lending and Other loans	—	31
<b>Total</b>	<b>\$ 239</b>	<b>\$ 363</b>

- The majority of the amounts are past due for a period of greater than 90 days as of September 30, 2021, and the majority of the amounts are past due for a period of less than 90 days as of December 31, 2020.

**Nonaccrual Loans Held for Investment before Allowance**

\$ in millions	At September 30, 2021	At December 31, 2020
Corporate	\$ 82	\$ 164
Secured lending facilities	388	—
Commercial real estate	68	152
Residential real estate	127	97
Securities-based lending and Other loans	161	178
<b>Total<sup>1</sup></b>	<b>\$ 826</b>	<b>\$ 591</b>
Nonaccrual loans without an ACL	\$ 125	\$ 90

- Includes all HFI loans that are 90 days or more past due as of September 30, 2021 and December 31, 2020.

See Note 2 to the financial statements in the 2020 Form 10-K for a description of the ACL calculated under the CECL methodology, including credit quality indicators, used for HFI loans.

**Troubled Debt Restructurings**

\$ in millions	At September 30, 2021	At December 31, 2020
Loans, before ACL	\$ 65	\$ 167
Lending commitments	—	27
ACL on Loans and Lending commitments	9	36

Troubled debt restructurings typically include modifications of interest rates, collateral requirements, other loan covenants and payment extensions. See Note 2 to the financial statements in the 2020 Form 10-K for further information on TDR guidance issued by Congress in the CARES Act as well as by the U.S. banking agencies.

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### Allowance for Credit Losses Rollforward—Loans

<i>\$ in millions</i>	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2020	\$ 309	\$ 198	\$ 211	\$ 59	\$ 58	\$ 835
Gross charge-offs	(19)	(67)	(21)	—	—	(107)
Provision for credit losses	(91)	47	4	(2)	5	(37)
Other	(2)	(3)	(1)	1	(2)	(7)
<b>September 30, 2021</b>	<b>\$ 197</b>	<b>\$ 175</b>	<b>\$ 193</b>	<b>\$ 58</b>	<b>\$ 61</b>	<b>\$ 684</b>

<i>\$ in millions</i>	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	\$ 115	\$ 101	\$ 75	\$ 25	\$ 33	\$ 349
Effect of CECL adoption	(2)	(42)	34	21	(2)	9
Gross charge-offs	(33)	—	(26)	—	—	(59)
Recoveries	3	—	—	—	2	5
Net recoveries (charge-offs)	(30)	—	(26)	—	2	(54)
Provision for credit losses	281	131	173	12	4	601
Other	3	1	(34)	—	38	8
<b>September 30, 2020</b>	<b>\$ 367</b>	<b>\$ 191</b>	<b>\$ 222</b>	<b>\$ 58</b>	<b>\$ 75</b>	<b>\$ 913</b>

### Allowance for Credit Losses Rollforward—Lending Commitments

<i>\$ in millions</i>	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2020	\$ 323	\$ 38	\$ 11	\$ 1	\$ 23	\$ 396
Provision for credit losses	39	2	—	—	(5)	36
Other	(3)	1	(1)	—	—	(3)
<b>September 30, 2021</b>	<b>\$ 359</b>	<b>\$ 41</b>	<b>\$ 10</b>	<b>\$ 1</b>	<b>\$ 18</b>	<b>\$ 429</b>

<i>\$ in millions</i>	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	\$ 201	\$ 27	\$ 7	\$ —	\$ 6	\$ 241
Effect of CECL adoption	(41)	(11)	1	2	(1)	(50)
Provision for credit losses	119	24	7	(1)	7	156
Other	—	—	(4)	—	4	—
<b>September 30, 2020</b>	<b>\$ 279</b>	<b>\$ 40</b>	<b>\$ 11</b>	<b>\$ 1</b>	<b>\$ 16</b>	<b>\$ 347</b>

CRE—Commercial real estate  
SBL—Securities-based lending

### Provision for Credit Losses

<i>\$ in millions</i>	Three Months Ended September 30,	
	2021	2020
Loans	\$ 5	\$ 63
Lending commitments	19	48

The aggregate allowance for loans and lending commitments decreased in the current year period, primarily reflecting charge-offs, as well as an allowance release as a result of paydowns on Corporate loans, including by lower-rated borrowers, offset by the provision for one Secured lending facility. The base scenario used in our ACL models as of September 30, 2021 was generated using a combination of industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is

U.S. gross domestic product. The base scenario, among other things, assumes continued growth over the forecast period and a year-over-year U.S. GDP effective growth rate of approximately 6% in the fourth quarter of 2021, supported by fiscal stimulus and accommodative monetary policy. For a further discussion of the Firm's loans as well as the Firm's allowance methodology, refer to Notes 2 and 10 to the financial statements in the 2020 Form 10-K.

### Employee Loans

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Currently employed by the Firm <sup>1</sup>	\$ 3,486	\$ 3,100
No longer employed by the Firm <sup>2</sup>	128	140
Employee loans	\$ 3,614	\$ 3,240
ACL	(163)	(165)
Employee loans, net of ACL	\$ 3,451	\$ 3,075
Remaining repayment term, weighted average in years	5.6	5.3

1. These loans were predominantly current as of September 30, 2021 and December 31, 2020.
2. These loans were predominantly past due for a period of 90 days or more as of September 30, 2021 and December 31, 2020.

Employee loans are granted in conjunction with a program established primarily to recruit certain Wealth Management representatives, are full recourse and generally require periodic repayments, and are due in full upon termination of employment with the Firm. These loans are recorded in Customer and other receivables in the balance sheets. The ACL as of September 30, 2021 and December 31, 2020 was calculated under the CECL methodology. The related provision is recorded in Compensation and benefits expense in the income statements. See Note 2 to the financial statements in the 2020 Form 10-K for a description of the CECL allowance methodology, including credit quality indicators, for employee loans.

## 11. Other Assets—Equity Method Investments

### Equity Method Investments

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
	Investments	\$ 2,298
	Three Months Ended September 30,	Nine Months Ended September 30,
<i>\$ in millions</i>	2021	2020
Income (loss)	\$ 24	\$ 51
	\$ 10	\$ (24)

Equity method investments, other than investments in certain fund interests, are summarized above and are included in Other assets in the balance sheets with related income or loss included in Other revenues in the income statements. See "Net Asset Value Measurements—Fund Interests" in Note 5 for the carrying value of certain of the Firm's fund interests, which are comprised of general and limited partnership interests, as well as any related carried interest.



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### Japanese Securities Joint Venture

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income (loss) from investment in MUMSS	\$ 29	\$ 15	\$ 113	\$ 46

For more information on Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“MUMSS”) and other relationships with Mitsubishi UFJ Financial Group, Inc., see Note 12 to the financial statements in the 2020 Form 10-K.

## 12. Deposits

### Deposits

\$ in millions	At September 30, 2021	At December 31, 2020
Savings and demand deposits	\$ 310,845	\$ 279,221
Time deposits	18,196	31,561
<b>Total</b>	<b>\$ 329,041</b>	<b>\$ 310,782</b>
Deposits subject to FDIC insurance	\$ 226,605	\$ 234,211
Time deposits that equal or exceed the FDIC insurance limit	\$ —	\$ 16

### Time Deposit Maturities

\$ in millions	At September 30, 2021
2021	\$ 3,544
2022	6,124
2023	4,243
2024	2,813
2025	793
Thereafter	679
<b>Total</b>	<b>\$ 18,196</b>

## 13. Borrowings and Other Secured Financings

### Borrowings

\$ in millions	At September 30, 2021	At December 31, 2020
Original maturities of one year or less	\$ 4,825	\$ 3,691
<b>Original maturities greater than one year</b>		
Senior	\$ 211,226	\$ 202,305
Subordinated	13,711	11,083
<b>Total</b>	<b>\$ 224,937</b>	<b>\$ 213,388</b>
<b>Total borrowings</b>	<b>\$ 229,762</b>	<b>\$ 217,079</b>
Weighted average stated maturity, in years <sup>1</sup>	7.7	7.3

1. Only includes borrowings with original maturities greater than one year.

### Other Secured Financings

\$ in millions	At September 30, 2021	At December 31, 2020
Original maturities:		
One year or less	\$ 4,947	\$ 10,453
Greater than one year	5,325	5,410
<b>Total</b>	<b>\$ 10,272</b>	<b>\$ 15,863</b>
Transfers of assets accounted for as secured financings	\$ 1,255	\$ 1,529

Other secured financings include the liabilities related to certain ELNs, transfers of financial assets that are accounted for as financings rather than sales, pledged commodities, consolidated VIEs where the Firm is deemed to be the primary beneficiary and other secured borrowings. These liabilities are generally payable from the cash flows of the related assets accounted for as Trading assets. See Note 15 for further information on other secured financings related to VIEs and securitization activities.

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

## 14. Commitments, Guarantees and Contingencies

### Commitments

\$ in millions	Years to Maturity at September 30, 2021				Total
	Less than 1	1-3	3-5	Over 5	
Lending:					
Corporate	\$ 16,994	\$ 36,794	\$ 45,711	\$ 7,396	\$106,895
Secured lending facilities	4,799	6,061	1,717	630	13,207
Commercial and Residential real estate	303	242	133	270	948
Securities-based lending and Other	12,028	3,132	470	436	16,066
Forward-starting secured financing receivables	64,603	—	—	—	64,603
Central counterparty	300	—	—	11,807	12,107
Underwriting	428	14	—	—	442
Investment activities	1,119	240	60	409	1,828
Letters of credit and other financial guarantees	26	—	—	3	29
<b>Total</b>	<b>\$100,600</b>	<b>\$ 46,483</b>	<b>\$ 48,091</b>	<b>\$ 20,951</b>	<b>\$216,125</b>
Lending commitments participated to third parties					\$ 8,380
Forward-starting secured financing receivables settled within three business days					\$ 55,387

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

For a further description of these commitments, refer to Note 15 to the financial statements in the 2020 Form 10-K.

## Notes to Consolidated Financial Statements (Unaudited)

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### Guarantees

\$ in millions	At September 30, 2021				Carrying Amount Asset (Liability)
	Maximum Potential Payout/Notional of Obligations by Years to Maturity				
	Less than 1	1-3	3-5	Over 5	
Non-credit derivatives <sup>1</sup>	\$1,231,656	\$1,036,489	\$396,233	\$933,946	\$ (48,593)
Standby letters of credit and other financial guarantees issued <sup>2</sup>	1,466	1,053	770	3,573	88
Market value guarantees	75	20	—	—	—
Liquidity facilities	4,022	—	—	—	5
Whole loan sales guarantees	—	—	69	23,112	—
Securitization representations and warranties <sup>3</sup>	—	—	—	74,446	(42)
General partner guarantees	327	12	32	114	(65)
Client clearing guarantees	54	—	—	—	—

1. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivatives contracts, see Note 7.
2. These amounts include certain issued standby letters of credit participated to third parties, totaling \$0.6 billion of notional and collateral/recourse, due to the nature of the Firm's obligations under these arrangements. As of September 30, 2021, the carrying amount of standby letters of credit and other financial guarantees issued includes an allowance for credit losses of \$85 million.
3. Primarily related to residential mortgage securitizations.

The Firm has obligations under certain guarantee arrangements, including contracts and indemnification agreements, that contingently require the Firm to make payments to the guaranteed party based on changes in an underlying measure (such as an interest or foreign exchange rate, security or commodity price, an index, or the occurrence or non-occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. Also included as guarantees are contracts that contingently require the Firm to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

For more information on the nature of the obligations and related business activities for our guarantees, see Note 15 to the financial statements in the 2020 Form 10-K.

### Other Guarantees and Indemnities

In the normal course of business, the Firm provides guarantees and indemnifications in a variety of transactions. These provisions generally are standard contractual terms. Certain of these guarantees and indemnifications related to indemnities, exchange and clearinghouse member guarantees and merger and acquisition guarantees are described in Note 15 to the financial statements in the 2020 Form 10-K.

In addition, in the ordinary course of business, the Firm guarantees the debt and/or certain trading obligations (including obligations associated with derivatives, foreign exchange contracts and the settlement of physical commodities) of certain subsidiaries. These guarantees generally are entity or product specific and are required by investors or trading counterparties. The activities of the

Firm's subsidiaries covered by these guarantees (including any related debt or trading obligations) are included in the financial statements.

### Finance Subsidiary

The Parent Company fully and unconditionally guarantees the securities issued by Morgan Stanley Finance LLC, a wholly owned finance subsidiary. No other subsidiary of the Parent Company guarantees these securities.

### Contingencies

#### Legal

In addition to the matters described in the following paragraphs, in the normal course of business, the Firm has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. These actions have included, but are not limited to, residential mortgage and credit crisis-related matters.

While the Firm has identified below any individual proceedings where the Firm believes a material loss to be reasonably possible and reasonably estimable, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or those where potential losses have not yet been determined to be probable or possible, and reasonably estimable.

The Firm 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 Firm can reasonably estimate the amount of that loss, the Firm accrues the estimated loss by a charge to income.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved before a loss or additional loss, or range of loss or additional range of loss, can be reasonably estimated for a proceeding or investigation, including through potentially lengthy discovery and

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determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question.

For certain other legal proceedings and investigations, the Firm can estimate reasonably possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued but does not believe, based on current knowledge and after consultation with counsel, that such losses could have a material adverse effect on the Firm's financial statements as a whole, other than the matters referred to in the following paragraphs.

On September 23, 2014, Financial Guaranty Insurance Company ("FGIC") filed a complaint against the Firm in the Supreme Court of the State of New York County ("Supreme Court of NY") styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* relating to the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4. The complaint asserts claims for breach of contract and fraudulent inducement and alleges, among other things, that the loans in the trust breached various representations and warranties and defendants made untrue statements and material omissions to induce FGIC to issue a financial guaranty policy on certain classes of certificates that had an original balance of approximately \$876 million. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential and punitive damages, attorneys' fees, interest and costs. On January 23, 2017, the court denied the Firm's motion to dismiss the complaint. On September 13, 2018, the Appellate Division, First Department ("First Department") affirmed in part and reversed in part the lower court's order denying the Firm's motion to dismiss the complaint. On December 20, 2018, the First Department denied plaintiff's motion for leave to appeal to the New York Court of Appeals ("Court of Appeals") or, in the alternative, for re-argument. On July 30, 2021, the Firm filed a motion for summary judgment. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately \$277 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands from a certificate holder and FGIC that the Firm did not repurchase, plus pre- and post-judgment interest, fees and costs, as well as claim payments that FGIC has made and will make in the future. In addition, plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

On January 23, 2015, Deutsche Bank National Trust Company, in its capacity as trustee, filed a complaint against the Firm styled *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS*

*Capital I Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.05 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory, equitable and punitive damages, attorneys' fees, costs and other related expenses, and interest. On December 11, 2015, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On October 19, 2018, the court granted the Firm's motion for leave to amend its answer and to stay the case pending resolution of Deutsche Bank National Trust Company's appeal to the Court of Appeals in another case, styled *Deutsche Bank National Trust Company v. Barclays Bank PLC*, regarding the applicable statute of limitations. On January 17, 2019, the First Department reversed the trial court's order to the extent that it had granted in part the Firm's motion to dismiss the complaint. On June 4, 2019, the First Department granted the Firm's motion for leave to appeal its January 17, 2019 decision to the Court of Appeals. On March 19, 2020, the Firm filed a motion for partial summary judgment. On December 22, 2020, the Court of Appeals reversed the First Department and reinstated the trial court's order to the extent it had granted in part the Firm's motion to dismiss the complaint. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately \$277 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands from a certificate holder and a monoline insurer that the Firm did not repurchase, plus pre- and post-judgment interest, fees and costs, but plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

### Tax

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Tax Authority ("Dutch Authority") is challenging in the Dutch courts, the prior set-off by the Firm of approximately €124 million (approximately \$144 million) plus accrued interest of withholding tax credits against the Firm's corporation tax liabilities for the tax years 2007 to 2012. The Dutch Authority alleges that the Firm was not entitled to receive the withholding tax credits on the basis, inter alia, that a Firm subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the Firm failed to provide certain information to the Dutch Authority and keep adequate books and records. On April 26, 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims with respect to certain of the tax years in dispute. On May 12, 2020, the Court of Appeal in Amsterdam granted the Dutch Authority's appeal in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On June 22, 2020, the Firm filed an appeal against the decision of the Court of Appeal in Amsterdam before the

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Dutch High Court. On January 29, 2021, the Advocate General of the Dutch High Court issued an advisory opinion on the Firm's appeal, which rejected the Firm's principal grounds of appeal. On February 11, 2021, the Firm and the Dutch Authority each responded to this opinion. On June 22, 2021, Dutch criminal authorities sought various documents in connection with an investigation of the Firm related to the civil claims asserted by the Dutch Authority concerning the accuracy of the Firm subsidiary's tax returns and the maintenance of its books and records for 2007 to 2012.

**15. Variable Interest Entities and Securitization Activities**

**Consolidated VIE Assets and Liabilities by Type of Activity<sup>1</sup>**

\$ in millions	At September 30, 2021		At December 31, 2020	
	VIE Assets	VIE Liabilities	VIE Assets	VIE Liabilities
MABS <sup>2</sup>	\$ 774	\$ 234	\$ 590	\$ 17
Investment vehicles <sup>3</sup>	696	216	776	355
Operating entities	497	38	504	39
Other	452	220	248	3
<b>Total</b>	<b>\$ 2,419</b>	<b>\$ 708</b>	<b>\$ 2,118</b>	<b>\$ 414</b>

1. Certain prior period amounts have been reclassified to conform to the current presentation.
2. Amounts include transactions backed by residential mortgage loans, commercial mortgage loans and other types of assets, including consumer or commercial assets and may be in loan or security form. The value of assets is determined based on the fair value of the liabilities and the interests owned by the Firm in such VIEs as the fair values for the liabilities and interests owned are more observable.
3. Amounts include investment funds and CLOs.

**Consolidated VIE Assets and Liabilities by Balance Sheet Caption**

\$ in millions	At September 30, 2021	At December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 270	\$ 269
Trading assets at fair value	1,550	1,445
Investment securities	33	—
Securities purchased under agreements to resell	200	—
Customer and other receivables	18	23
Intangible assets	89	98
Other assets	259	283
<b>Total</b>	<b>\$ 2,419</b>	<b>\$ 2,118</b>
<b>Liabilities</b>		
Other secured financings	\$ 505	\$ 366
Other liabilities and accrued expenses	203	48
<b>Total</b>	<b>\$ 708</b>	<b>\$ 414</b>
Noncontrolling interests	\$ 130	\$ 196

Consolidated VIE assets and liabilities are presented in the previous tables after intercompany eliminations. Generally, most assets owned by consolidated VIEs cannot be removed unilaterally by the Firm and are not available to the Firm while the related liabilities issued by consolidated VIEs are non-recourse to the Firm. However, in certain consolidated VIEs, the Firm either has the unilateral right to remove assets

or provides additional recourse through derivatives such as total return swaps, guarantees or other forms of involvement.

In general, the Firm's exposure to loss in consolidated VIEs is limited to losses that would be absorbed on the VIE net assets recognized in its financial statements, net of amounts absorbed by third-party variable interest holders.

**Non-consolidated VIEs**

\$ in millions	At September 30, 2021				
	MABS <sup>1</sup>	CDO	MTOB	OSF	Other <sup>2</sup>
VIE assets (UPB)	\$157,608	\$1,968	\$6,048	\$2,014	\$53,835
<b>Maximum exposure to loss<sup>3</sup></b>					
Debt and equity interests	\$ 19,539	\$ 169	\$ —	\$ 1,239	\$10,497
Derivative and other contracts	—	—	4,022	—	6,345
Commitments, guarantees and other	530	—	—	—	1,119
<b>Total</b>	<b>\$ 20,069</b>	<b>\$ 169</b>	<b>\$ 4,022</b>	<b>\$ 1,239</b>	<b>\$17,961</b>
<b>Carrying value of variable interests—Assets</b>					
Debt and equity interests	\$ 19,539	\$ 169	\$ —	\$ 1,239	\$10,497
Derivative and other contracts	—	—	6	—	2,307
<b>Total</b>	<b>\$ 19,539</b>	<b>\$ 169</b>	<b>\$ 6</b>	<b>\$ 1,239</b>	<b>\$12,804</b>
Additional VIE assets owned <sup>4</sup>					\$15,975
<b>Carrying value of variable interests—Liabilities</b>					
Derivative and other contracts	\$ —	\$ —	\$ —	\$ —	\$ 224

\$ in millions	At December 31, 2020				
	MABS <sup>1</sup>	CDO	MTOB	OSF	Other <sup>2</sup>
VIE assets (UPB)	\$184,153	\$3,527	\$6,524	\$2,161	\$48,241
<b>Maximum exposure to loss<sup>3</sup></b>					
Debt and equity interests	\$ 26,247	\$ 257	\$ —	\$ 1,187	\$11,008
Derivative and other contracts	—	—	4,425	—	5,639
Commitments, guarantees and other	929	—	—	—	749
<b>Total</b>	<b>\$ 27,176</b>	<b>\$ 257</b>	<b>\$ 4,425</b>	<b>\$ 1,187</b>	<b>\$17,396</b>
<b>Carrying value of variable interests—Assets</b>					
Debt and equity interests	\$ 26,247	\$ 257	\$ —	\$ 1,187	\$11,008
Derivative and other contracts	—	—	5	—	851
<b>Total</b>	<b>\$ 26,247</b>	<b>\$ 257</b>	<b>\$ 5</b>	<b>\$ 1,187</b>	<b>\$11,859</b>
Additional VIE assets owned <sup>4</sup>					\$20,019
<b>Carrying value of variable interests—Liabilities</b>					
Derivative and other contracts	\$ —	\$ —	\$ —	\$ —	\$ 222

MTOB—Municipal tender option bonds

1. Amounts include transactions backed by residential mortgage loans, commercial mortgage loans and other types of assets, including consumer or commercial assets, and may be in loan or security form.
2. Other primarily includes exposures to commercial real estate property and investment funds.
3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Firm.
4. Additional VIE assets owned represents the carrying value of total exposure to non-consolidated VIEs for which the maximum exposure to loss is less than specific thresholds, primarily interests issued by securitization SPEs. The Firm's maximum exposure to loss generally equals the fair value of the assets owned. These assets are primarily included in Trading assets and Investment securities and are measured at fair value (see Note 5). The Firm does not provide additional support in these transactions through contractual facilities, guarantees or similar derivatives.

The majority of the VIEs included in the previous tables are sponsored by unrelated parties; examples of the Firm's involvement with these VIEs include its secondary market-making activities and the securities held in its Investment securities portfolio (see Note 8).



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The Firm's maximum exposure to loss is dependent on the nature of the Firm's variable interest in the VIE and is limited to the notional amounts of certain liquidity facilities and other credit support, total return swaps and written put options, as well as the fair value of certain other derivatives and investments the Firm has made in the VIE.

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

Liabilities issued by VIEs generally are non-recourse to the Firm.

### Detail of Mortgage- and Asset-Backed Securitization Assets

\$ in millions	At September 30, 2021		At December 31, 2020	
	UPB	Debt and Equity Interests	UPB	Debt and Equity Interests
Residential mortgages	\$ 23,049	\$ 2,536	\$ 17,775	\$ 3,175
Commercial mortgages	67,858	3,741	62,093	4,131
U.S. agency collateralized mortgage obligations	62,470	10,881	99,182	17,224
Other consumer or commercial loans	4,231	2,381	5,103	1,717
<b>Total</b>	<b>\$ 157,608</b>	<b>\$ 19,539</b>	<b>\$ 184,153</b>	<b>\$ 26,247</b>

### Transferred Assets with Continuing Involvement

\$ in millions	At September 30, 2021			
	RML	CML	U.S. Agency CMO	CLN and Other <sup>1</sup>
SPE assets (UPB) <sup>2</sup>	\$ 7,528	\$ 92,588	\$ 38,788	\$ 13,481
<b>Retained interests</b>				
Investment grade	\$ 93	\$ 938	\$ 629	\$ —
Non-investment grade	21	287	—	74
<b>Total</b>	<b>\$ 114</b>	<b>\$ 1,225</b>	<b>\$ 629</b>	<b>\$ 74</b>
<b>Interests purchased in the secondary market</b>				
Investment grade	\$ 7	\$ 83	\$ 41	\$ —
Non-investment grade	34	77	—	—
<b>Total</b>	<b>\$ 41</b>	<b>\$ 160</b>	<b>\$ 41</b>	<b>\$ —</b>
Derivative assets	\$ —	\$ —	\$ —	\$ 586
Derivative liabilities	—	—	—	178

\$ in millions	At December 31, 2020			
	RML	CML	U.S. Agency CMO	CLN and Other <sup>1</sup>
SPE assets (UPB) <sup>2</sup>	\$ 7,515	\$ 84,674	\$ 21,061	\$ 12,978
<b>Retained interests</b>				
Investment grade	\$ 49	\$ 822	\$ 615	\$ —
Non-investment grade	16	195	—	114
<b>Total</b>	<b>\$ 65</b>	<b>\$ 1,017</b>	<b>\$ 615</b>	<b>\$ 114</b>
<b>Interests purchased in the secondary market</b>				
Investment grade	\$ —	\$ 96	\$ 116	\$ —
Non-investment grade	43	80	—	21
<b>Total</b>	<b>\$ 43</b>	<b>\$ 176</b>	<b>\$ 116</b>	<b>\$ 21</b>
Derivative assets	\$ —	\$ —	\$ —	\$ 400
Derivative liabilities	—	—	—	436

\$ in millions	Fair Value At September 30, 2021		
	Level 2	Level 3	Total
<b>Retained interests</b>			
Investment grade	\$ 725	\$ —	\$ 725
Non-investment grade	38	52	90
<b>Total</b>	<b>\$ 763</b>	<b>\$ 52</b>	<b>\$ 815</b>
<b>Interests purchased in the secondary market</b>			
Investment grade	\$ 124	\$ 7	\$ 131
Non-investment grade	74	37	111
<b>Total</b>	<b>\$ 198</b>	<b>\$ 44</b>	<b>\$ 242</b>
Derivative assets	\$ 585	\$ 1	\$ 586
Derivative liabilities	149	29	178

\$ in millions	Fair Value at December 31, 2020		
	Level 2	Level 3	Total
<b>Retained interests</b>			
Investment grade	\$ 663	\$ —	\$ 663
Non-investment grade	6	63	69
<b>Total</b>	<b>\$ 669</b>	<b>\$ 63</b>	<b>\$ 732</b>
<b>Interests purchased in the secondary market</b>			
Investment grade	\$ 196	\$ 16	\$ 212
Non-investment grade	62	82	144
<b>Total</b>	<b>\$ 258</b>	<b>\$ 98</b>	<b>\$ 356</b>
Derivative assets	\$ 388	\$ 12	\$ 400
Derivative liabilities	435	1	436

RML—Residential mortgage loans

CML—Commercial mortgage loans

1. Amounts include CLO transactions managed by unrelated third parties.

2. Amounts include assets transferred by unrelated transferors.

The previous tables include transactions with SPEs in which the Firm, acting as principal, transferred financial assets with continuing involvement and received sales treatment. The transferred assets are carried at fair value prior to securitization, and any changes in fair value are recognized in the income statements. The Firm may act as underwriter of the beneficial interests issued by these securitization vehicles, for which Investment banking revenues are recognized. The Firm may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are generally carried at fair value in the balance sheets with changes in fair value recognized in the income statements. Fair value for these interests is measured using techniques that are consistent with the valuation techniques applied to the Firm's major categories of assets and liabilities as described in Note 2 in the 2020 Form 10-K and Note 5 herein. Further, as permitted by applicable guidance, certain transfers of assets where the Firm's only continuing involvement is a derivative are only reported in the following Assets Sold with Retained Exposure table.

### Proceeds from New Securitization Transactions and Sales of Loans

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
New transactions <sup>1</sup>	\$ 12,103	\$ 12,969	\$ 43,303	\$ 30,629
Retained interests	2,396	1,991	7,960	7,215
Sales of corporate loans to CLO SPEs <sup>1,2</sup>	144	234	217	373

1. Net gains on new transactions and sales of corporate loans to CLO entities at the time of the sale were not material for all periods presented.

2. Sponsored by non-affiliates.



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The Firm has provided, or otherwise agreed to be responsible for, representations and warranties regarding certain assets transferred in securitization transactions sponsored by the Firm (see Note 14).

### Assets Sold with Retained Exposure

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Gross cash proceeds from sale of assets <sup>1</sup>	\$ 64,054	\$ 45,051
<b>Fair value</b>		
Assets sold	\$ 64,185	\$ 46,609
Derivative assets recognized in the balance sheets	901	1,592
Derivative liabilities recognized in the balance sheets	771	64

1. The carrying value of assets derecognized at the time of sale approximates gross cash proceeds.

The Firm enters into transactions in which it sells securities, primarily equities, and contemporaneously enters into bilateral OTC derivatives with the purchasers of the securities, through which it retains exposure to the sold securities.

For a discussion of the Firm's VIEs, the determination and structure of VIEs and securitization activities, see Note 16 to the financial statements in the 2020 Form 10-K.

## 16. Regulatory Requirements

### Regulatory Capital Framework and Requirements

For a discussion of the Firm's regulatory capital framework, see Note 17 to the financial statements in the 2020 Form 10-K.

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

Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Capital standards require certain adjustments to, and deductions from, capital for purposes of determining these ratios. At September 30, 2021 and December 31, 2020, the differences between the actual and required ratios were lower under the Standardized Approach.

In 2020, the U.S. banking agencies adopted a final rule, consistent with an interim final rule that was effective March 31, 2020, altering, for purposes of the regulatory capital rules, the required adoption time period for CECL. As of September 30, 2021 and December 31, 2020, the risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on the Firm's election to defer this effect over a five-

year transition period which began on January 1, 2020 in accordance with the final rule.

### Risk-Based Regulatory Capital Ratio Requirements

	At September 30, 2021 and December 31, 2020		
	Standardized	Advanced	
<b>Capital buffers</b>			
Capital conservation buffer	—	2.5%	
SCB	5.7%	N/A	
G-SIB capital surcharge	3.0%	3.0%	
CCyB <sup>1</sup>	0%	0%	
Capital buffer requirement <sup>2</sup>	8.7%	5.5%	
		<b>At September 30, 2021 and December 31, 2020</b>	
	Regulatory Minimum	Standardized	Advanced
<b>Required ratios<sup>3</sup></b>			
Common Equity Tier 1 capital ratio	4.5%	13.2%	10.0%
Tier 1 capital ratio	6.0%	14.7%	11.5%
Total capital ratio	8.0%	16.7%	13.5%

1. The CCyB can be set up to 2.5%, but is currently set by the U.S. banking agencies at zero.
2. The capital buffer requirement represents the amount of Common Equity Tier 1 capital the Firm must maintain above the minimum risk-based capital requirements in order to avoid restrictions on the Firm's ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers. The Firm's Standardized Approach capital buffer requirement is equal to the sum of the SCB, G-SIB capital surcharge and CCyB, and the Advanced Approach capital buffer requirement is equal to the 2.5% capital conservation buffer, G-SIB capital surcharge and CCyB.
3. Required ratios represent the regulatory minimum plus the capital buffer requirement.

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### The Firm's Regulatory Capital and Capital Ratios

<i>\$ in millions</i>	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Risk-based capital</b>			
Common Equity Tier 1 capital		\$ 75,785	\$ 78,650
Tier 1 capital		83,435	88,079
Total capital		94,062	97,213
Total RWA		473,020	453,106
Common Equity Tier 1 capital ratio	13.2%	16.0%	17.4%
Tier 1 capital ratio	14.7%	17.6%	19.4%
Total capital ratio	16.7%	19.9%	21.5%

<i>\$ in millions</i>	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Leverage-based capital</b>			
Adjusted average assets <sup>2</sup>		\$ 1,145,682	\$ 1,053,510
Tier 1 leverage ratio	4.0%	7.3%	8.4%
Supplementary leverage exposure <sup>3,4</sup>		\$ 1,459,466	\$ 1,192,506
SLR <sup>4</sup>	5.0%	5.7%	7.4%

- Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on the Firm's ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
- Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in the Firm's own capital instruments, certain defined tax assets and other capital deductions.
- Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.
- The Firm's SLR and Supplementary leverage exposure as of December 31, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks based on a Federal Reserve interim final rule that was in effect until March 31, 2021.

### Certain U.S. Bank Subsidiaries' Regulatory Capital and Capital Ratios

The OCC establishes capital requirements for the Firm's U.S. bank subsidiaries, which as of September 30, 2021 and December 31, 2020 include, among others, Morgan Stanley Bank, N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association ("MSPBNA"), and evaluates their compliance with such capital requirements. Regulatory capital requirements for MSBNA and MSPBNA are calculated in a similar manner to the Firm's regulatory capital requirements, although G-SIB capital surcharge and SCB requirements do not apply to the U.S. bank subsidiaries.

The OCC's regulatory capital framework includes Prompt Corrective Action ("PCA") standards, including "well-capitalized" PCA standards that are based on specified regulatory capital ratio minimums. For the Firm to remain an FHC, its U.S. bank subsidiaries must remain well-capitalized in accordance with the OCC's PCA standards. In addition, failure by the U.S. bank subsidiaries to meet minimum capital requirements may result in certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on the U.S. bank subsidiaries' and the Firm's financial statements.

At September 30, 2021 and December 31, 2020, MSBNA and MSPBNA risk-based capital ratios are based on the Standardized Approach rules. At September 30, 2021 and December 31, 2020, the risk-based and leverage-based capital amounts and ratios are calculated excluding the effect of the adoption of CECL based on MSBNA's and MSPBNA's election to defer this effect over a five-year transition period, which began on January 1, 2020.

### MSBNA's Regulatory Capital

<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5 %	7.0 %	\$18,562	\$17,238
Tier 1 capital	8.0 %	8.5 %	18,562	17,238
Total capital	10.0 %	10.5 %	19,149	17,882
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0 %	4.0 %	\$18,562	\$17,238
SLR	6.0 %	3.0 %	18,562	17,238

### MSPBNA's Regulatory Capital

<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	At September 30, 2021	At December 31, 2020
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5 %	7.0 %	\$ 9,972	\$ 8,213
Tier 1 capital	8.0 %	8.5 %	9,972	8,213
Total capital	10.0 %	10.5 %	10,045	8,287
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0 %	4.0 %	\$ 9,972	\$ 8,213
SLR	6.0 %	3.0 %	9,972	8,213

- Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on the ability to make capital distributions, including the payment of dividends.

### U.S. Broker-Dealer Regulatory Capital Requirements

#### MS&Co. Regulatory Capital

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Net capital	\$ 15,922	\$ 12,869
Excess net capital	12,043	9,034

MS&Co. is a registered U.S. broker-dealer and registered futures commission merchant and, accordingly, is subject to the minimum net capital requirements of the SEC and the CFTC. MS&Co. has consistently operated with capital in excess of its regulatory capital requirements.

As an Alternative Net Capital broker-dealer, and in accordance with Securities Exchange Act of 1934 ("Exchange Act") Rule 15c3-1, Appendix E, MS&Co. is subject to minimum net capital and tentative net capital requirements. In addition, MS&Co. must notify the SEC if its tentative net capital falls below certain levels. At September 30, 2021 and December 31, 2020, MS&Co. exceeded its net capital

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requirement and had tentative net capital in excess of the minimum and notification requirements.

### Other Regulated Subsidiaries

MSSB, a registered U.S. broker-dealer and introducing broker for the futures business, is subject to the minimum net capital requirements of the SEC. MSIP, a London-based broker-dealer subsidiary, is subject to the capital requirements of the PRA, and the Morgan Stanley Europe Holdings SE Group (“MSEHSE Group”) is subject to the capital requirements of the European Central Bank, BaFin and the German Central Bank. MSSB, MSIP and the MSEHSE Group, including MSESE, a Germany-based broker-dealer, have consistently operated with capital in excess of their respective regulatory capital requirements. Additionally, E\*TRADE Bank and E\*TRADE Savings Bank are subject to the capital requirements of the OCC, and E\*TRADE Securities LLC is subject to the minimum net capital requirements of the SEC; each of these entities has consistently operated with capital in excess of their respective regulatory capital requirements.

Certain other U.S. and non-U.S. subsidiaries of the Firm are subject to various securities, commodities and banking regulations, and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries have also consistently operated with capital in excess of their local capital adequacy requirements.

## 17. Total Equity

### Preferred Stock

\$ in millions, except per share data	Shares Outstanding		Carrying Value	
	At September 30, 2021	Liquidation Preference per Share	At September 30, 2021	At December 31, 2020
<b>Series</b>				
A	44,000	\$ 25,000	\$ 1,100	\$ 1,100
C <sup>1</sup>	519,882	1,000	408	408
E	34,500	25,000	862	862
F	34,000	25,000	850	850
H	52,000	25,000	1,300	1,300
I	40,000	25,000	1,000	1,000
J <sup>2</sup>	—	—	—	1,500
K	40,000	25,000	1,000	1,000
L	20,000	25,000	500	500
M	400,000	1,000	430	430
N	3,000	100,000	300	300
<b>Total</b>			<b>\$ 7,750</b>	<b>\$ 9,250</b>
Shares authorized				30,000,000

- Series C preferred stock is held by MUFG.
- On March 15, 2021, the Firm announced the redemption in whole of its outstanding Series J preferred stock. On notice of redemption, the amount due to holders of Series J Preferred Stock was reclassified to Borrowings, and on April 15, 2021 the redemption settled at the carrying value of \$1.5 billion.

For a description of Series A through Series N preferred stock issuances, see Note 18 to the financial statements in the 2020 Form 10-K. The Firm’s preferred stock has a preference over its common stock upon liquidation. The Firm’s preferred

stock qualifies as and is included in Tier 1 capital in accordance with regulatory capital requirements (see Note 16).

On October 25, 2021, the Firm issued 52 million Depositary Shares of Series O Preferred Stock, for an aggregate price of \$1.3 billion. Each Depositary Share represents a 1/1000th interest in a share of 4.250% Non-Cumulative Preferred Stock, Series O, \$0.01 par value (“Series O Preferred Stock”). The Series O Preferred Stock is redeemable at the Firm’s option, (i) in whole or in part, from time to time, on any dividend payment date on or after January 15, 2027 or (ii) in whole but not in part at any time within 90 days following a regulatory capital treatment event (as described in the terms of that series), in each case at a redemption price of \$25,000 per share (equivalent to \$25 per Depositary Share). The Series O Preferred Stock also has a preference over the Firm’s common stock upon liquidation.

### Share Repurchases

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Repurchases of common stock under the Firm’s Share Repurchase Program	\$ 3,557	\$ —	\$ 8,631	\$ 1,347

Beginning late in the first quarter of 2020, the Firm suspended its share repurchase program, however the Federal Reserve permitted the resumption of share repurchases for the current year period. On June 28, 2021, the Firm announced its Board of Directors authorized the repurchase of up to \$12 billion of outstanding common stock from July 1, 2021 through June 30, 2022, from time to time as conditions warrant, which supersedes the previous common stock repurchase authorization. For more information on share repurchases, see Note 18 to the financial statements in the 2020 Form 10-K.

### Common Shares Outstanding for Basic and Diluted EPS

in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted average common shares outstanding, basic	1,781	1,542	1,797	1,546
Effect of dilutive Stock options, RSUs and PSUs	31	24	27	19
Weighted average common shares outstanding and common stock equivalents, diluted	1,812	1,566	1,824	1,565
Weighted average antidilutive common stock equivalents (excluded from the computation of diluted EPS)	—	—	—	7

# Notes to Consolidated Financial Statements (Unaudited)

## Dividends

\$ in millions, except per share data	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Per Share <sup>1</sup>	Total	Per Share <sup>1</sup>	Total
<b>Preferred stock series</b>				
A	\$ 256	\$ 11	\$ 256	\$ 11
C	25	13	25	13
E	445	15	445	15
F	430	15	430	15
H	239	12	248	13
I	398	16	398	16
J <sup>2</sup>	—	—	261	16
K	366	15	366	15
L	305	6	305	6
M <sup>3</sup>	29	12	—	—
N <sup>4</sup>	2,650	8	—	—
<b>Total Preferred stock</b>	<b>\$ 123</b>	<b>\$ 120</b>		
<b>Common stock</b>	<b>0.70</b>	<b>\$ 1,276</b>	<b>0.35</b>	<b>\$ 551</b>

\$ in millions, except per share data	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Per Share <sup>1</sup>	Total	Per Share <sup>1</sup>	Total
<b>Preferred stock series</b>				
A	\$ 758	\$ 33	\$ 761	\$ 33
C	75	39	75	39
E	1,336	45	1,336	45
F	1,289	44	1,289	44
H	719	37	897	47
I	1,195	48	1,195	48
J <sup>2</sup>	253	15	955	58
K	1,097	45	1,097	45
L	914	18	914	18
M <sup>3</sup>	59	24	—	—
N <sup>4</sup>	5,300	16	—	—
<b>Total Preferred stock</b>	<b>\$ 364</b>	<b>\$ 377</b>		
<b>Common stock</b>	<b>\$ 1.40</b>	<b>\$ 2,562</b>	<b>1.05</b>	<b>\$ 1,662</b>

1. Common and Preferred Stock dividends are payable quarterly, unless otherwise noted.
2. Series J was payable semiannually until July 15, 2020, after which it was payable quarterly until its redemption.
3. Series M is payable semiannually until September 15, 2026, and thereafter will be payable quarterly.
4. Series N is payable semiannually until March 15, 2023, and thereafter will be payable quarterly.

## Accumulated Other Comprehensive Income (Loss)<sup>1</sup>

\$ in millions	September 30, 2021				September 30, 2020					
	CTA	AFS Securities	Pension and Other	DVA	Total	CTA	AFS Securities	Pension and Other	DVA	Total
June 30, 2021	\$ (895)	\$ 1,004	\$ (481)	\$ (2,151)	\$ (2,523)	\$ (1,017)	\$ 1,827	\$ (620)	\$ (189)	\$ 1
OCI during the period	(65)	(256)	5	138	(178)	81	(62)	5	(562)	(538)
<b>September 30, 2021</b>	<b>\$ (960)</b>	<b>\$ 748</b>	<b>\$ (476)</b>	<b>\$ (2,013)</b>	<b>\$ (2,701)</b>	<b>\$ (936)</b>	<b>\$ 1,765</b>	<b>\$ (615)</b>	<b>\$ (751)</b>	<b>\$ (537)</b>
December 31, 2020	\$ (897)	\$ 207	\$ (644)	\$ (1,454)	\$ (2,788)	\$ (795)	\$ 1,787	\$ (498)	\$ (2,456)	\$ (1,962)
OCI during the period	(165)	(1,039)	22	443	(739)	(39)	1,558	29	703	2,251
<b>September 30, 2021</b>	<b>\$ (960)</b>	<b>\$ 748</b>	<b>\$ (476)</b>	<b>\$ (2,013)</b>	<b>\$ (2,701)</b>	<b>\$ (936)</b>	<b>\$ 1,765</b>	<b>\$ (615)</b>	<b>\$ (751)</b>	<b>\$ (537)</b>

CTA—Cumulative foreign currency translation adjustments

1. Amounts are net of tax and noncontrolling interests.

## Components of Period Changes in OCI

\$ in millions	Three Months Ended September 30, 2021				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ (14)	\$ (64)	\$ (78)	\$ (13)	\$ (65)
Reclassified to earnings	—	—	—	—	—
<b>Net OCI</b>	<b>\$ (14)</b>	<b>\$ (64)</b>	<b>\$ (78)</b>	<b>\$ (13)</b>	<b>\$ (65)</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ (317)	\$ 74	\$ (243)	\$ —	\$ (243)
Reclassified to earnings	(17)	4	(13)	—	(13)
<b>Net OCI</b>	<b>\$ (334)</b>	<b>\$ 78</b>	<b>\$ (256)</b>	<b>\$ —</b>	<b>\$ (256)</b>
<b>Pension and other</b>					
OCI activity	\$ —	\$ —	\$ —	\$ —	\$ —
Reclassified to earnings	7	(2)	5	—	5
<b>Net OCI</b>	<b>\$ 7</b>	<b>\$ (2)</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>
<b>Change in net DVA</b>					
OCI activity	\$ 187	\$ (46)	\$ 141	\$ 9	\$ 132
Reclassified to earnings	9	(3)	6	—	6
<b>Net OCI</b>	<b>\$ 196</b>	<b>\$ (49)</b>	<b>\$ 147</b>	<b>\$ 9</b>	<b>\$ 138</b>

\$ in millions	Three Months Ended September 30, 2020				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ 34	\$ 76	\$ 110	\$ 29	\$ 81
Reclassified to earnings	—	—	—	—	—
<b>Net OCI</b>	<b>\$ 34</b>	<b>\$ 76</b>	<b>\$ 110</b>	<b>\$ 29</b>	<b>\$ 81</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ (26)	\$ 6	\$ (20)	\$ —	\$ (20)
Reclassified to earnings	(55)	13	(42)	—	(42)
<b>Net OCI</b>	<b>\$ (81)</b>	<b>\$ 19</b>	<b>\$ (62)</b>	<b>\$ —</b>	<b>\$ (62)</b>
<b>Pension and other</b>					
OCI activity	\$ (1)	\$ 1	\$ —	\$ —	\$ —
Reclassified to earnings	6	(1)	5	—	5
<b>Net OCI</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>
<b>Change in net DVA</b>					
OCI activity	\$ (747)	\$ 178	\$ (569)	\$ (1)	\$ (568)
Reclassified to earnings	8	(2)	6	—	6
<b>Net OCI</b>	<b>\$ (739)</b>	<b>\$ 176</b>	<b>\$ (563)</b>	<b>\$ (1)</b>	<b>\$ (562)</b>

\$ in millions	Nine Months Ended September 30, 2021				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ (106)	\$ (150)	\$ (256)	\$ (91)	\$ (165)
Reclassified to earnings	—	—	—	—	—
<b>Net OCI</b>	<b>\$ (106)</b>	<b>\$ (150)</b>	<b>\$ (256)</b>	<b>\$ (91)</b>	<b>\$ (165)</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ (1,146)	\$ 267	\$ (879)	\$ —	\$ (879)
Reclassified to earnings	(209)	49	(160)	—	(160)
<b>Net OCI</b>	<b>\$ (1,355)</b>	<b>\$ 316</b>	<b>\$ (1,039)</b>	<b>\$ —</b>	<b>\$ (1,039)</b>
<b>Pension and other</b>					
OCI activity	\$ 8	\$ —	\$ 8	\$ —	\$ 8
Reclassified to earnings	21	(7)	14	—	14
<b>Net OCI</b>	<b>\$ 29</b>	<b>\$ (7)</b>	<b>\$ 22</b>	<b>\$ —</b>	<b>\$ 22</b>
<b>Change in net DVA</b>					
OCI activity	\$ 591	\$ (148)	\$ 443	\$ 27	\$ 416
Reclassified to earnings	36	(9)	27	—	27
<b>Net OCI</b>	<b>\$ 627</b>	<b>\$ (157)</b>	<b>\$ 470</b>	<b>\$ 27</b>	<b>\$ 443</b>

## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Nine Months Ended September 30, 2020				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ 19	\$ (17)	\$ 2	\$ 38	\$ (36)
Reclassified to earnings	(3)	—	(3)	—	(3)
<b>Net OCI</b>	<b>\$ 16</b>	<b>\$ (17)</b>	<b>\$ (1)</b>	<b>\$ 38</b>	<b>\$ (39)</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ 2,142	\$ (503)	\$ 1,639	\$ —	\$ 1,639
Reclassified to earnings	(106)	25	(81)	—	(81)
<b>Net OCI</b>	<b>\$ 2,036</b>	<b>\$ (478)</b>	<b>\$ 1,558</b>	<b>\$ —</b>	<b>\$ 1,558</b>
<b>Pension and other</b>					
OCI activity	\$ 20	\$ (4)	\$ 16	\$ —	\$ 16
Reclassified to earnings	16	(3)	13	—	13
<b>Net OCI</b>	<b>\$ 36</b>	<b>\$ (7)</b>	<b>\$ 29</b>	<b>\$ —</b>	<b>\$ 29</b>
<b>Change in net DVA</b>					
OCI activity	\$ 967	\$ (233)	\$ 734	\$ 41	\$ 693
Reclassified to earnings	14	(4)	10	—	10
<b>Net OCI</b>	<b>\$ 981</b>	<b>\$ (237)</b>	<b>\$ 744</b>	<b>\$ 41</b>	<b>\$ 703</b>

### 18. Interest Income and Interest Expense

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Interest income</b>				
Investment securities	\$ 643	\$ 529	\$ 2,100	\$ 1,603
Loans	1,063	967	3,091	3,171
Securities purchased under agreements to resell and Securities borrowed <sup>1</sup>	(282)	(187)	(899)	70
Trading assets, net of Trading liabilities	525	537	1,521	1,902
Customer receivables and Other <sup>2</sup>	402	210	1,187	1,171
<b>Total interest income</b>	<b>\$ 2,351</b>	<b>\$ 2,056</b>	<b>\$ 7,000</b>	<b>\$ 7,917</b>
<b>Interest expense</b>				
Deposits	\$ 102	\$ 178	\$ 330	\$ 804
Borrowings	597	714	2,030	2,534
Securities sold under agreements to repurchase and Securities loaned <sup>3</sup>	131	165	361	883
Customer payables and Other <sup>4</sup>	(542)	(487)	(1,677)	(746)
<b>Total interest expense</b>	<b>\$ 288</b>	<b>\$ 570</b>	<b>\$ 1,044</b>	<b>\$ 3,475</b>
<b>Net interest</b>	<b>\$ 2,063</b>	<b>\$ 1,486</b>	<b>\$ 5,956</b>	<b>\$ 4,442</b>

1. Includes fees paid on Securities borrowed.
2. Includes interest from Cash and cash equivalents.
3. Includes fees received on Securities loaned.
4. Includes fees received from Equity Financing customers for stock loan transactions entered into to cover customers' short positions.

Interest income and Interest expense are classified in the income statements based on the nature of the instrument and related market conventions. When included as a component of the instrument's fair value, interest is included within Trading revenues or Investments revenues. Otherwise, it is included within Interest income or Interest expense.

### Accrued Interest

\$ in millions	At September 30, 2021	At December 31, 2020
Customer and other receivables	\$ 2,229	\$ 1,652
Customer and other payables	2,374	2,119

### 19. Income Taxes

The Firm is under continuous examination by the IRS and other tax authorities in certain countries, such as Japan and the U.K., and in states and localities in which it has significant business operations, such as New York.

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

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

### 20. Segment, Geographic and Revenue Information

#### Selected Financial Information by Business Segment

\$ in millions	Three Months Ended September 30, 2021				
	IS	WM	IM	I/E	Total
Investment banking	\$ 2,849	\$ 186	\$ —	\$ (22)	\$ 3,013
Trading	2,897	(58)	1	21	2,861
Investments	52	8	(15)	—	45
Commissions and fees <sup>1</sup>	664	704	—	(88)	1,280
Asset management <sup>1,2</sup>	145	3,628	1,470	(42)	5,201
Other	172	119	—	(1)	290
<b>Total non-interest revenues</b>	<b>6,779</b>	<b>4,587</b>	<b>1,456</b>	<b>(132)</b>	<b>12,690</b>
Interest income	948	1,464	8	(69)	2,351
Interest expense	232	116	11	(71)	288
Net interest	716	1,348	(3)	2	2,063
<b>Net revenues</b>	<b>\$ 7,495</b>	<b>\$ 5,935</b>	<b>\$ 1,453</b>	<b>\$(130)</b>	<b>\$ 14,753</b>
<b>Provision for credit losses</b>	<b>\$ 24</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24</b>
Compensation and benefits	2,248	3,159	513	—	5,920
Non-compensation expenses	2,250	1,246	570	(131)	3,935
<b>Total non-interest expenses</b>	<b>\$ 4,498</b>	<b>\$ 4,405</b>	<b>\$ 1,083</b>	<b>\$(131)</b>	<b>\$ 9,855</b>
Income before provision for income taxes	\$ 2,973	\$ 1,530	\$ 370	\$ 1	\$ 4,874
Provision for income taxes	713	373	64	—	1,150
Net income	2,260	1,157	306	1	3,724
Net income applicable to noncontrolling interests	31	—	(14)	—	17
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,229</b>	<b>\$ 1,157</b>	<b>\$ 320</b>	<b>\$ 1</b>	<b>\$ 3,707</b>



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\$ in millions	Three Months Ended September 30, 2020				
	IS	WM	IM	I/E	Total
Investment banking	\$ 1,707	\$ 135	\$ —	\$ (16)	\$ 1,826
Trading <sup>3</sup>	2,865	268	2	15	3,150
Investments	87	1	258	—	346
Commissions and fees <sup>1</sup>	639	477	1	(80)	1,037
Asset management <sup>1,2</sup>	114	2,793	795	(38)	3,664
Other <sup>3</sup>	123	91	1	(3)	212
<b>Total non-interest revenues</b>	<b>5,535</b>	<b>3,765</b>	<b>1,057</b>	<b>(122)</b>	<b>10,235</b>
Interest income	1,086	1,065	7	(102)	2,056
Interest expense	492	176	8	(106)	570
Net interest	594	889	(1)	4	1,486
<b>Net revenues<sup>3</sup></b>	<b>\$ 6,129</b>	<b>\$ 4,654</b>	<b>\$ 1,056</b>	<b>\$ (118)</b>	<b>\$ 11,721</b>
<b>Provision for credit losses<sup>3</sup></b>	<b>\$ 113</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 111</b>
Compensation and benefits	2,001	2,684	401	—	5,086
Non-compensation expenses <sup>3</sup>	1,967	852	340	(122)	3,037
<b>Total non-interest expenses<sup>3</sup></b>	<b>\$ 3,968</b>	<b>\$ 3,536</b>	<b>\$ 741</b>	<b>\$ (122)</b>	<b>\$ 8,123</b>
Income before provision for income taxes	\$ 2,048	\$ 1,120	\$ 315	\$ 4	\$ 3,487
Provision for income taxes	385	278	72	1	736
Net income	1,663	842	243	3	2,751
Net income applicable to noncontrolling interests	16	—	18	—	34
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 1,647</b>	<b>\$ 842</b>	<b>\$ 225</b>	<b>\$ 3</b>	<b>\$ 2,717</b>

\$ in millions	Nine Months Ended September 30, 2021				
	IS	WM	IM	I/E	Total
Investment banking	\$ 7,838	\$ 640	\$ —	\$ (65)	\$ 8,413
Trading	10,048	323	(18)	63	10,416
Investments	199	24	521	—	744
Commissions and fees <sup>1</sup>	2,216	2,269	1	(272)	4,214
Asset management <sup>1,2</sup>	432	10,266	3,991	(117)	14,572
Other	467	479	(23)	(7)	916
<b>Total non-interest revenues</b>	<b>21,200</b>	<b>14,001</b>	<b>4,472</b>	<b>(398)</b>	<b>39,275</b>
Interest income	2,791	4,316	26	(133)	7,000
Interest expense	827	328	29	(140)	1,044
Net interest	1,964	3,988	(3)	7	5,956
<b>Net revenues</b>	<b>\$ 23,164</b>	<b>\$ 17,989</b>	<b>\$ 4,469</b>	<b>\$ (391)</b>	<b>\$ 45,231</b>
<b>Provision for credit losses</b>	<b>\$ 1</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1)</b>
Compensation and benefits	7,795	9,604	1,742	—	19,141
Non-compensation expenses	6,526	3,621	1,557	(397)	11,307
<b>Total non-interest expenses</b>	<b>\$ 14,321</b>	<b>\$ 13,225</b>	<b>\$ 3,299</b>	<b>\$ (397)</b>	<b>\$ 30,448</b>
Income before provision for income taxes	\$ 8,842	\$ 4,766	\$ 1,170	\$ 6	\$ 14,784
Provision for income taxes	2,023	1,103	253	1	3,380
Net income	6,819	3,663	917	5	11,404
Net income applicable to noncontrolling interests	85	—	(19)	—	66
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 6,734</b>	<b>\$ 3,663</b>	<b>\$ 936</b>	<b>\$ 5</b>	<b>\$ 11,338</b>

\$ in millions	Nine Months Ended September 30, 2020				
	IS	WM	IM	I/E	Total
Investment banking	\$ 4,902	\$ 403	\$ —	\$ (66)	\$ 5,239
Trading <sup>3</sup>	10,298	413	(13)	56	10,754
Investments	98	9	552	—	659
Commissions and fees <sup>1</sup>	2,230	1,538	1	(270)	3,499
Asset management <sup>1,2</sup>	342	7,980	2,144	(120)	10,346
Other <sup>3</sup>	11	256	(39)	(7)	221
<b>Total non-interest revenues</b>	<b>17,881</b>	<b>10,599</b>	<b>2,645</b>	<b>(407)</b>	<b>30,718</b>
Interest income	4,809	3,468	22	(382)	7,917
Interest expense	3,184	653	33	(395)	3,475
Net interest	1,625	2,815	(11)	13	4,442
<b>Net revenues<sup>3</sup></b>	<b>\$ 19,506</b>	<b>\$ 13,414</b>	<b>\$ 2,634</b>	<b>\$ (394)</b>	<b>\$ 35,160</b>
<b>Provision for credit losses<sup>3</sup></b>	<b>\$ 718</b>	<b>\$ 39</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 757</b>
Compensation and benefits	6,767	7,625	1,012	—	15,404
Non-compensation expenses <sup>3</sup>	6,030	2,433	948	(400)	9,011
<b>Total non-interest expenses<sup>3</sup></b>	<b>\$ 12,797</b>	<b>\$ 10,058</b>	<b>\$ 1,960</b>	<b>\$ (400)</b>	<b>\$ 24,415</b>
Income before provision for income taxes	\$ 5,991	\$ 3,317	\$ 674	\$ 6	\$ 9,988
Provision for income taxes	1,326	758	136	1	2,221
Net income	4,665	2,559	538	5	7,767
Net income applicable to noncontrolling interests	75	—	81	—	156
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 4,590</b>	<b>\$ 2,559</b>	<b>\$ 457</b>	<b>\$ 5</b>	<b>\$ 7,611</b>

I/E—Intersegment Eliminations

- Substantially all revenues are from contracts with customers.
- Includes certain fees which may relate to services performed in prior periods.
- Certain prior period amounts have been reclassified to conform to the current presentation. See Note 1 for additional information.

For a discussion about the Firm's business segments, see Note 23 to the financial statements in the 2020 Form 10-K.

## Detail of Investment Banking Revenues

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Institutional Securities Advisory	\$ 1,272	\$ 357	\$ 2,416	\$ 1,181
Institutional Securities Underwriting	1,577	1,350	5,422	3,721
Firm investment banking revenues from contracts with customers	91 %	95 %	91 %	92 %

## Trading Revenues by Product Type<sup>1</sup>

\$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest rate	\$ (32)	\$ 511	\$ 844	\$ 2,593
Foreign exchange	253	138	841	603
Equity security and index <sup>2</sup>	1,903	1,478	5,631	4,494
Commodity and other	538	553	2,079	1,286
Credit	199	470	1,021	1,778
<b>Total</b>	<b>\$ 2,861</b>	<b>\$ 3,150</b>	<b>\$ 10,416</b>	<b>\$ 10,754</b>

- Certain prior period amounts have been reclassified to conform to the current presentation. See Note 1 for additional information.
- Dividend income is included within equity security and index contracts.

The previous table summarizes realized and unrealized gains and losses, from derivative and non-derivative financial

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instruments, included in Trading revenues in the income statements. The Firm generally utilizes financial instruments across a variety of product types in connection with its market-making and related risk management strategies. The trading revenues presented in the table are not representative of the manner in which the Firm manages its business activities and are prepared in a manner similar to the presentation of trading revenues for regulatory reporting purposes.

### Investment Management Investments Revenues—Net Cumulative Unrealized Carried Interest

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Net cumulative unrealized performance-based income at risk of reversing	\$ 774	\$ 735

The Firm's portion of net cumulative performance-based income in the form of unrealized carried interest, for which the Firm is not obligated to pay compensation, is at risk of reversing when the return in certain funds fall below specified performance targets. See Note 14 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received.

### Investment Management Asset Management Revenues—Reduction of Fees Due to Fee Waivers

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Fee waivers	\$ 139	\$ 37	\$ 364	\$ 70

The Firm waives a portion of its fees in the Investment Management business segment from certain registered money market funds that comply with the requirements of Rule 2a-7 of the Investment Company Act of 1940.

### Certain Other Fee Waivers

Separately, the Firm's employees, including its senior officers, may participate on the same terms and conditions as other investors in certain funds that the Firm sponsors primarily for client investment, and the Firm may waive or lower applicable fees and charges for its employees.

### Other Expenses—Transaction Taxes

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Transaction taxes	\$ 262	\$ 194	\$ 717	\$ 524

Transaction taxes are composed of securities transaction taxes and stamp duties, which are levied on the sale or purchase of securities listed on recognized stock exchanges in certain markets. These taxes are imposed mainly on trades of equity securities in Asia and EMEA. Similar transaction taxes are

levied on trades of listed derivative instruments in certain countries.

### Net Revenues by Region<sup>1</sup>

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Americas	\$ 11,255	\$ 8,455	\$ 33,331	\$ 25,293
EMEA	1,752	1,472	6,004	4,778
Asia	1,746	1,794	5,896	5,089
<b>Total</b>	<b>\$ 14,753</b>	<b>\$ 11,721</b>	<b>\$ 45,231</b>	<b>\$ 35,160</b>

1. Certain prior period amounts have been reclassified to conform to the current presentation. See Note 1 for additional information.

For a discussion about the Firm's geographic net revenues, see Note 23 to the financial statements in the 2020 Form 10-K.

### Revenues Recognized from Prior Services

<i>\$ in millions</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Non-interest revenues	\$ 1,308	\$ 556	\$ 1,862	\$ 1,616

The previous table includes revenues from contracts with customers recognized where some or all services were performed in prior periods. For the three and nine months ended September 30, 2021 these revenues primarily include investment banking advisory fees, and for the three and nine months ended September 30, 2020, these revenues primarily include investment banking advisory fees and distribution fees.

### Receivables from Contracts with Customers

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Customer and other receivables	\$ 3,592	\$ 3,200

Receivables from contracts with customers, which are included within Customer and other receivables in the balance sheets, arise when the Firm has both recorded revenues and the right per the contract to bill the customer.

### Assets by Business Segment

<i>\$ in millions</i>	At September 30, 2021	At December 31, 2020
Institutional Securities	\$ 808,252	\$ 753,322
Wealth Management	364,634	355,595
Investment Management	17,590	6,945
<b>Total<sup>1</sup></b>	<b>\$ 1,190,476</b>	<b>\$ 1,115,862</b>

1. Parent assets have been fully allocated to the business segments.

# Financial Data Supplement (Unaudited)

## Average Balances and Interest Rates and Net Interest Income

\$ in millions	Three Months Ended September 30,					
	2021			2020		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
<b>Interest earning assets</b>						
Investment securities <sup>1</sup>	\$179,626	\$ 643	1.4 %	\$133,726	\$ 529	1.6 %
Loans <sup>1</sup>	170,656	1,063	2.5 %	144,985	967	2.7 %
Securities purchased under agreements to resell and Securities borrowed <sup>2</sup> :						
U.S.	154,122	(177)	(0.5)%	123,614	(99)	(0.3)%
Non-U.S.	71,266	(105)	(0.6)%	58,567	(88)	(0.6)%
Trading assets, net of Trading liabilities <sup>3</sup> :						
U.S.	77,576	411	2.1 %	78,417	443	2.2 %
Non-U.S.	22,880	114	2.0 %	21,092	94	1.8 %
Customer receivables and Other <sup>4</sup> :						
U.S.	137,525	358	1.0 %	81,908	171	0.8 %
Non-U.S.	73,130	44	0.2 %	63,657	39	0.2 %
<b>Total</b>	<b>\$886,781</b>	<b>\$ 2,351</b>	<b>1.1 %</b>	<b>\$705,966</b>	<b>\$ 2,056</b>	<b>1.2 %</b>
<b>Interest bearing liabilities</b>						
Deposits <sup>1</sup>	\$325,520	\$ 102	0.1 %	\$236,119	\$ 178	0.3 %
Borrowings <sup>1,5</sup>	227,880	597	1.0 %	205,166	714	1.4 %
Securities sold under agreements to repurchase and Securities loaned <sup>6</sup> :						
U.S.	34,755	52	0.6 %	30,154	81	1.1 %
Non-U.S.	35,219	79	0.9 %	28,320	84	1.2 %
Customer payables and Other <sup>7</sup> :						
U.S.	129,298	(431)	(1.3)%	119,846	(399)	(1.3)%
Non-U.S.	76,248	(111)	(0.6)%	64,524	(88)	(0.5)%
<b>Total</b>	<b>\$828,920</b>	<b>\$ 288</b>	<b>0.1 %</b>	<b>\$684,129</b>	<b>\$ 570</b>	<b>0.3 %</b>
<b>Net interest income and net interest rate spread</b>	<b>\$ 2,063</b>	<b>1.0 %</b>		<b>\$ 1,486</b>	<b>0.9 %</b>	

\$ in millions	Nine Months Ended September 30,					
	2021			2020		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
<b>Interest earning assets</b>						
Investment securities <sup>1</sup>	\$182,804	\$ 2,100	1.5 %	\$122,613	\$ 1,603	1.7 %
Loans <sup>1</sup>	161,422	3,091	2.6 %	142,261	3,171	3.0 %
Securities purchased under agreements to resell and Securities borrowed <sup>2</sup> :						
U.S.	150,985	(546)	(0.5)%	127,868	194	0.2 %
Non-U.S.	71,060	(353)	(0.7)%	59,831	(124)	(0.3)%
Trading assets, net of Trading liabilities <sup>3</sup> :						
U.S.	76,456	1,230	2.2 %	76,418	1,558	2.7 %
Non-U.S.	19,103	291	2.0 %	22,570	344	2.0 %
Customer receivables and Other <sup>4</sup> :						
U.S.	135,596	1,035	1.0 %	78,705	892	1.5 %
Non-U.S.	74,527	152	0.3 %	61,699	279	0.6 %
<b>Total</b>	<b>\$871,953</b>	<b>\$ 7,000</b>	<b>1.1 %</b>	<b>\$691,965</b>	<b>\$ 7,917</b>	<b>1.5 %</b>
<b>Interest bearing liabilities</b>						
Deposits <sup>1</sup>	\$322,304	\$ 330	0.1 %	\$223,733	\$ 804	0.5 %
Borrowings <sup>1,5</sup>	221,875	2,030	1.2 %	199,855	2,534	1.7 %
Securities sold under agreements to repurchase and Securities loaned <sup>6</sup> :						
U.S.	35,335	129	0.5 %	30,315	501	2.2 %
Non-U.S.	30,917	232	1.0 %	29,315	382	1.7 %
Customer payables and Other <sup>7</sup> :						
U.S.	129,883	(1,349)	(1.4)%	123,662	(693)	(0.7)%
Non-U.S.	73,415	(328)	(0.6)%	64,608	(53)	(0.1)%
<b>Total</b>	<b>\$813,729</b>	<b>\$ 1,044</b>	<b>0.2 %</b>	<b>\$671,488</b>	<b>\$ 3,475</b>	<b>0.7 %</b>
<b>Net interest income and net interest rate spread</b>	<b>\$ 5,956</b>	<b>0.9 %</b>		<b>\$ 4,442</b>	<b>0.8 %</b>	

1. Amounts include primarily U.S. balances.
2. Includes fees paid on Securities borrowed.
3. Excludes non-interest earning assets and non-interest bearing liabilities, such as equity securities.
4. Includes Cash and cash equivalents.
5. Includes borrowings carried at fair value, whose interest expense is considered part of fair value and therefore is recorded within Trading revenues.
6. Includes fees received on Securities loaned. The annualized average rate was calculated using (a) interest expense incurred on all securities sold under agreements to repurchase and securities loaned transactions, whether or not such transactions were reported in the balance sheets and (b) net average on-balance sheet balances, which exclude certain securities-for-securities transactions.
7. Includes fees received from Equity Financing customers for securities lending transactions entered into to cover customers' short positions.

**Glossary of Common Terms and Acronyms**

<b>2020 Form 10-K</b>	Annual report on Form 10-K for year ended December 31, 2020 filed with the SEC	<b>IRS</b>	Internal Revenue Service
<b>ABS</b>	Asset-backed securities	<b>IS</b>	Institutional Securities
<b>ACL</b>	Allowance for credit losses	<b>LCR</b>	Liquidity coverage ratio, as adopted by the U.S. banking agencies
<b>AFS</b>	Available-for-sale	<b>LIBOR</b>	London Interbank Offered Rate
<b>AML</b>	Anti-money laundering	<b>LTV</b>	Loan-to-value
<b>AOCI</b>	Accumulated other comprehensive income (loss)	<b>MSBNA</b>	Morgan Stanley Bank, N.A.
<b>AUM</b>	Assets under management or supervision	<b>MS&amp;Co.</b>	Morgan Stanley & Co. LLC
<b>Balance sheets</b>	Consolidated balance sheets	<b>MSIP</b>	Morgan Stanley & Co. International plc
<b>BHC</b>	Bank holding company	<b>MSPBNA</b>	Morgan Stanley Private Bank, National Association
<b>bps</b>	Basis points; one basis point equals 1/100th of 1%	<b>MSSB</b>	Morgan Stanley Smith Barney LLC
<b>Cash flow statements</b>	Consolidated cash flow statements	<b>MUFJ</b>	Mitsubishi UFJ Financial Group, Inc.
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>MUMSS</b>	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
<b>CCyB</b>	Countercyclical capital buffer	<b>MWh</b>	Megawatt hour
<b>CDO</b>	Collateralized debt obligation(s), including Collateralized loan obligation(s)	<b>N/A</b>	Not Applicable
<b>CDS</b>	Credit default swaps	<b>N/M</b>	Not Meaningful
<b>CECL</b>	Current Expected Credit Losses, as calculated under the Financial Instruments—Credit Losses accounting update	<b>NAV</b>	Net asset value
<b>CFTC</b>	U.S. Commodity Futures Trading Commission	<b>Non-GAAP</b>	Non-generally accepted accounting principles
<b>CLN</b>	Credit-linked note(s)	<b>NSFR</b>	Net stable funding ratio, as adopted by the U.S. banking agencies
<b>CLO</b>	Collateralized loan obligation(s)	<b>OCC</b>	Office of the Comptroller of the Currency
<b>CMBS</b>	Commercial mortgage-backed securities	<b>OCI</b>	Other comprehensive income (loss)
<b>CMO</b>	Collateralized mortgage obligation(s)	<b>OTC</b>	Over-the-counter
<b>CRM</b>	Credit Risk Management Department	<b>PRA</b>	Prudential Regulation Authority
<b>CVA</b>	Credit valuation adjustment	<b>PSU</b>	Performance-based stock unit
<b>DVA</b>	Debt valuation adjustment	<b>ROE</b>	Return on average common equity
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization	<b>ROTCE</b>	Return on average tangible common equity
<b>ELN</b>	Equity-linked note(s)	<b>ROU</b>	Right-of-use
<b>EMEA</b>	Europe, Middle East and Africa	<b>RSU</b>	Restricted stock unit
<b>EPS</b>	Earnings per common share	<b>RWA</b>	Risk-weighted assets
<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>SCB</b>	Stress capital buffer
<b>FFELP</b>	Federal Family Education Loan Program	<b>SEC</b>	U.S. Securities and Exchange Commission
<b>FHC</b>	Financial Holding Company	<b>SLR</b>	Supplementary leverage ratio
<b>FICO</b>	Fair Isaac Corporation	<b>S&amp;P</b>	Standard & Poor's
<b>Financial statements</b>	Consolidated financial statements	<b>SPE</b>	Special purpose entity
<b>G-SIB</b>	Global systemically important banks	<b>SPOE</b>	Single point of entry
<b>HQLA</b>	High-quality liquid assets	<b>TDR</b>	Troubled debt restructuring
<b>HTM</b>	Held-to-maturity	<b>TLAC</b>	Total loss-absorbing capacity
<b>I/E</b>	Intersegment eliminations	<b>U.K.</b>	United Kingdom
<b>IHC</b>	Intermediate holding company	<b>UPB</b>	Unpaid principal balance
<b>IM</b>	Investment Management	<b>U.S.</b>	United States of America
<b>Income statements</b>	Consolidated income statements	<b>U.S. GAAP</b>	Accounting principles generally accepted in the United States of America
		<b>VaR</b>	Value-at-Risk
		<b>VIE</b>	Variable interest entity
		<b>WACC</b>	Implied weighted average cost of capital
		<b>WM</b>	Wealth Management

## Controls and Procedures

Under the supervision and with the participation of the Firm's management, including the Chief Executive Officer and Chief Financial Officer, the Firm conducted an evaluation of the effectiveness of the Firm's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Firm's disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in the Firm's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

## Legal Proceedings

The following developments have occurred since previously reporting certain matters in the Firm's 2020 Form 10-K and the Firm's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (the "First Quarter Form 10-Q") and the quarterly period ended June 30, 2021 (the "Second Quarter Form 10-Q"). See also the disclosures set forth under "Legal Proceedings" in the 2020 Form 10-K, the First Quarter Form 10-Q, and the Second Quarter Form 10-Q.

### Residential Mortgage and Credit Crisis Matters

On July 30, 2021, the Firm filed a motion for summary judgment in *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.*

On August 13, 2021, the parties in *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.*, filed a stipulation of voluntary discontinuance with prejudice.

## Risk Factors

For a discussion of the risk factors affecting the Firm, see "Risk Factors" in Part I, Item 1A of the 2020 Form 10-K.

## Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

<i>\$ in millions, except per share data</i>	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid per Share	Total Shares Purchased as Part of Share Repurchase Program <sup>2,3</sup>	Dollar Value of Remaining Authorized Repurchase
July	10,456,550	\$ 93.94	10,284,648	\$ 11,033
August	14,721,794	\$ 100.55	14,152,826	\$ 9,608
September	11,343,989	\$ 102.79	11,328,590	\$ 8,443
<b>Three Months Ended September 30, 2021</b>	<b>36,522,333</b>	<b>\$ 99.35</b>	<b>35,766,064</b>	

- Includes 756,269 shares acquired by the Firm in satisfaction of the tax withholding obligations on stock-based awards granted under the Firm's stock-based compensation plans during the three months ended September 30, 2021.
- Share purchases under publicly announced programs are made pursuant to open-market purchases, Rule 10b5-1 plans or privately negotiated transactions (including with employee benefit plans) as market conditions warrant and at prices the Firm deems appropriate and may be suspended at any time.
- The Firm's Board of Directors has authorized the repurchase of the Firm's outstanding common stock under a share repurchase program (the "Share Repurchase Program") from time to time as conditions warrant and subject to limitations on distributions from the Federal Reserve. The Share Repurchase Program is a program for capital management purposes that considers, among other things, business segment capital needs, as well as equity-based compensation and benefit plan requirements. The Share Repurchase Program has no set expiration or termination date.

On June 28, 2021, the Firm announced its Board of Directors authorized the repurchase of up to \$12 billion of outstanding common stock from July 1, 2021 through June 30, 2022, from time to time as conditions warrant, which supersedes the previous common stock repurchase authorization. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans, Stress Tests and the Stress Capital Buffer."

## Other Information

None.

## Exhibits

Exhibit No.	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Morgan Stanley, as amended to date.</a>
15	<a href="#">Letter of awareness from Deloitte &amp; Touche LLP, dated November 3, 2021, concerning unaudited interim financial information.</a>
31.1	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer.</a>
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer.</a>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer.</a>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer.</a>
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline eXtensible Business Reporting Language ("Inline XBRL").
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).



