Morgan Stanley Bank, N.A.

Unaudited Quarterly Report
As of and for the quarter ended March 31, 2024

QUARTERLY REPORT **Morgan Stanley Bank, N.A.**

For the quarter ended March 31, 2024

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Available Information

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

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

Introduction

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

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

The Bank's lending activities include lending to corporations for specific purposes, such as financing acquisitions and normal operating activities, secured lending facilities, commercial real estate lending, as well as extending securities-based financing to customers.

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

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

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

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

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

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

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

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

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

The Bank provides liquidity to clients in fixed income products by purchasing securities under agreements to resell. These securities are principally securitized products and corporate credit securities.

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

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

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

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

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

Executive Summary

Overview of Financial Results

	Three Months Ended March 31,		
$ in millions	**2024**	2023	**% Change**
Interest income	**$ 2,622**	$ 2,096	**25 %**
Interest expense	**1,377**	758	**82 %**
Net interest	**1,245**	1,338	**(7)%**
Non-interest revenues			
Fee income	**279**	284	**(2)%**
Gains and losses on financial assets and liabilities[1]	**355**	266	**33 %**
Other	**59**	43	**37 %**
Total non-interest revenues	**693**	593	**17 %**
Net revenues	**1,938**	1,931	**— %**
Provision for credit losses	**(9)**	142	**(106)%**
Non-interest expenses			
Compensation and benefits	**32**	32	**— %**
General and administrative	**223**	211	**6 %**
FDIC and regulatory assessments	**40**	26	**54 %**
Total non-interest expenses[2]	**295**	269	**10 %**
Income before provision for income taxes	**1,652**	1,520	**9 %**
Provision for income taxes	**392**	349	**12 %**
Net income	**$ 1,260**	$ 1,171	**8 %**

1. Includes net gains and losses from trading assets and liabilities, hedges, sales of investment securities, as well as loans and lending commitments, all of which are primarily accounted for at fair value.
2. Non-interest expenses are primarily influenced by levels of business activity, headcount and compensation. General and administrative expenses include employment related costs of employees of affiliates pursuant to master service level agreements, and supplemented by task orders (collectively, the "Service Level Agreements"). The above item also includes brokerage and clearing fees, and non-compensation expenses charged by affiliates and vendors who provide services to us pursuant to Service Level Agreements.

Net Income

Net Interest

Net interest revenues of $1,245 million in the quarter ended March 31, 2024 ("current quarter") decreased 7% compared with the quarter ended March 31, 2023 ("prior year quarter"), primarily due to changes in deposit mix, as well as interest expense on borrowings, partially offset by the net effect of higher interest rates.

The level and pace of interest rate changes and other macroeconomic factors continued to impact client preferences for cash allocation to higher-yielding products and the pace of reallocation of client balances, resulting in changes in the deposit mix and associated interest expense, as well as client demand for loans. If these trends persist, net interest income may be further impacted in future periods.

Non-interest Revenues

Non-interest revenues of $693 million in the current quarter increased 17% compared with the prior year quarter, primarily due to growth in equity derivatives, partially offset by lower revenues earned from affiliated entities to compensate the Bank for relationship priced loans granted to their clients.

Provision for Credit Losses

The Provision for credit losses on loans and lending commitments was a net release of $9 million, primarily as a result of improvements in the macroeconomic outlook. This was partially offset by provisions for certain specific commercial real estate and corporate loans. The Provision for credit losses on loans and lending commitments in the prior year quarter was $142 million primarily related to a deterioration in both the commercial real estate portfolio and the macroeconomic outlook.

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

Non-interest Expenses

Non-interest expenses of $295 million in the current quarter increased 10% compared with the prior year quarter, mainly due to the incremental estimated cost of the FDIC special assessment.

Economic and Market Conditions

The market environment continued to improve in the first quarter of 2024, despite heightened geopolitical risks, continued inflationary concerns and uncertainty regarding the future path of interest rates, which have remained persistently high relative to recent years. The timing and pace of interest rate changes remain unknown and could impact the capital markets in 2024. The market environment impacted our businesses as discussed further in "Overview of Financial Results" herein, and, to the extent that it continues to remain uncertain, could adversely impact client confidence and related activity.

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

Accounting Development Updates

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

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

Income Tax Disclosures. This accounting update requires disclosure of additional information in relation to income taxes, including additional disaggregation of the income tax rate reconciliation and income taxes paid. For the income tax rate reconciliation, this update requires (1) disclosure of specific categories of reconciling items; and (2) providing additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pre-tax income (or loss) by the applicable statutory income tax rate). For income taxes paid, this update requires disclosure of information including (1) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes; and (2) the amount of income taxes paid (net of refunds received), disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). Additionally, the update requires disclosure of (1) income (or loss) before income taxes, disaggregated between domestic and foreign; and (2) income taxes disaggregated by federal, state, and foreign. The accounting update is effective for annual periods beginning January 1, 2025, with early adoption permitted.

Critical Accounting Estimates

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

Liquidity and Capital Resources

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

Balance Sheet

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

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

Total Assets

$ in millions	At March 31, 2024	At December 31, 2023
Assets		
Cash and cash equivalents	$ **18,166**	$ 11,859
Trading assets at fair value	**24,163**	22,874
Investment securities:		
Available for sale securities at fair value	**47,132**	48,050
Held-to-maturity securities at cost	**24,009**	23,890
Securities purchased under agreements to resell	**16,686**	17,546
Loans, before ACL:		
Corporate	**7,886**	10,077
Secured lending facilities	**40,627**	40,937
Commercial real estate	**9,355**	8,939
Residential real estate	**2,227**	2,189
Securities-based lending and other	**17,805**	17,984
Total loans, before ACL	**77,900**	80,126
Allowance for credit losses	**(629)**	(654)
Total loans, net of ACL	**77,271**	79,472
Affordable housing tax credit investments	**908**	909
Other assets[1]	**4,388**	4,406
Total assets	$ **212,723**	$ 209,006

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

Total assets increased to $213 billion at March 31, 2024, compared with $209 billion at December 31, 2023, primarily due to Cash and Trading assets. The above increases were partially offset by decreases in Corporate loans and Available for sale securities.

Liquidity Risk Management Framework

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

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

Liquidity Resources

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

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

Liquidity Resources by Type of Investment

	Average Daily Balance Three Months Ended	
$ in millions	March 31, 2024	December 31, 2023
Cash deposits with central banks	$ **18,404**	$ 20,413
Unencumbered HQLA securities[1]:		
U.S. government obligations	**40,890**	34,101
U.S. agency and agency mortgage-backed securities	**29,915**	29,111
Total Liquidity Resources	$ **89,209**	$ 83,625

1. HQLA is presented prior to applying weightings.

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

Regulatory Liquidity Framework

Liquidity Coverage Ratio and Net Stable Funding Ratio

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

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

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

As of March 31, 2024, we were compliant with the minimum LCR and NSFR requirements of 100%.

Funding Management

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

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

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

Unsecured Financing

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

Deposits

$ in millions	At March 31, 2024	At December 31, 2023
Savings and demand deposits:		
Brokerage sweep deposits	$ 73,289	$ 77,196
Savings and other[1]	68,663	64,574
Total savings and demand deposits	141,952	141,770
Time deposits[2,3]	33,967	34,137
Total[4]	$ 175,919	$ 175,907
Annualized weighted average cost of deposits[5]		
Period end	2.87 %	2.78 %
Period average for three months ended	2.78 %	2.74 %

1. Includes deposits from the Parent and affiliates, see Note 11 to the financial statements.
2. Includes Structured CDs at fair value of $3.8 billion and $3.9 billion as of March 31, 2024 and December 31, 2023, respectively.
3. Our Time deposits are predominantly brokered certificates of deposit.
4. Total deposits subject to FDIC insurance at March 31, 2024 and December 31, 2023 were $138.2 billion and $134.6 billion, respectively.
5. Annualized weighted average represents the total annualized weighted average cost of the various deposit products, excluding the effect of related hedging derivatives. The period end cost of deposits is based upon balances and rates as of March 31, 2024 and December 31, 2023. The period average is based on daily balances and rates for the period.

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

Time Deposits by Remaining Maturity at March 31, 2024

$ in millions	
2024	$ 13,280
2025	10,855
2026	4,097
2027	2,697
2028	2,370
Thereafter	668
Total	$ 33,967

Time Deposits of $33 billion as of March 31, 2024 were relatively unchanged from December 31, 2023.

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

Borrowings by Maturity at March 31, 2024[1]

$ in millions	
Original maturities of one year or less:	$ 1,270
Original maturities greater than one year:	
2024	$ 1
2025	2,060
2026	3,937
2027	—
2028	1,976
Thereafter	$ —
Total greater than one year	$ 7,974
Total	$ 9,244
Maturities over the next 12 months[2]	$ 1

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

Borrowings of $9.2 billion as of March 31, 2024 increased from $7.3 billion at December 31, 2023 primarily due to new issuances.

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

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

Credit Ratings

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

MSBNA Issuer Ratings at May 9, 2024

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

Capital Management

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

The Bank is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The OCC is authorized to determine under certain circumstances relating to the financial condition of the Bank that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. Federal regulatory authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

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

There were no cash dividends paid during the current or prior year quarters.

Regulatory Requirements

Regulatory Capital Framework

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

Regulatory Capital Requirements

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

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

Capital Buffer Requirements

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

Risk-Based Regulatory Capital Ratio Requirements

		At March 31, 2024 and December 31, 2023	
	Regulatory Minimum	Standardized	Advanced
Required ratios[1]			
CET1 capital ratio	**4.5 %**	**7.0 %**	**7.0 %**
Tier 1 capital ratio	**6.0 %**	**8.5 %**	**8.5 %**
Total capital ratio	**8.0 %**	**10.5 %**	**10.5 %**

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

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

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

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

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

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

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

Regulatory Capital Ratios

Risk-based capital

	Standardized		Advanced	
$ in millions	**At March 31, 2024**	At December 31, 2023	**At March 31, 2024**	At December 31, 2023
Risk-based capital				
CET1 capital	**$ 23,127**	$ 21,925	**$ 23,127**	$ 21,925
Tier 1 capital	**23,127**	21,925	**23,127**	21,925
Total capital	**24,033**	22,833	**23,562**	22,332
Total RWA	**$ 102,988**	$ 101,178	**$ 83,786**	$ 78,887
Risk-based capital ratios				
CET1 capital	**22.5%**	21.7%	**27.6%**	27.8%
Tier 1 capital	**22.5%**	21.7%	**27.6%**	27.8%
Total capital	**23.3%**	22.6%	**28.1%**	28.3%
Well-Capitalized Requirements[1]				
CET1 capital	**6.5%**	6.5%	**6.5%**	6.5%
Tier 1 capital	**8.0%**	8.0%	**8.0%**	8.0%
Total capital	**10.0%**	10.0%	**10.0%**	10.0%
Required Ratios[2]				
CET1 capital	**7.0%**	7.0%	**7.0%**	7.0%
Tier 1 capital	**8.5%**	8.5%	**8.5%**	8.5%
Total capital	**10.5%**	10.5%	**10.5%**	10.5%

Leveraged-based capital

$ in millions	**At March 31, 2024**	At December 31, 2023
Leveraged-based capital		
Adjusted average assets[3]	**$ 213,141**	$ 207,653
Supplementary leverage exposure[4]	**276,733**	267,812
Leveraged-based capital ratios		
Tier 1 leverage	**10.9%**	10.6%
SLR	**8.4%**	8.2%
Well-Capitalized Requirements[1]		
Tier 1 leverage	**5.0%**	5.0%
SLR	**6.0%**	6.0%
Required Ratios[2]		
Tier 1 leverage	**4.0%**	4.0%
SLR	**3.0%**	3.0%

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

Regulatory Capital

$ in millions	**At March 31, 2024**	At December 31, 2023	**Change**
CET1 Capital			
Common shareholder equity	**$ 23,087**	$ 21,872	**$ 1,215**
Regulatory adjustments and deductions			
Impact of CECL transition	**14**	27	**(13)**
Other adjustments and deductions[1]	**26**	26	**—**
Total CET1 capital and Total Tier 1 capital	**23,127**	21,925	**$ 1,202**
Standardized Tier 2 capital			
Eligible ACL	**906**	908	**$ (2)**
Total Standardized capital	**24,033**	22,833	**$ 1,200**
Advanced Tier 2 capital			
Eligible credit reserves	**435**	407	**$ 28**
Total Advanced capital	**$ 23,562**	$ 22,332	**$ 1,230**

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

RWA Rollforward

	Three Months Ended March 31, 2024	
$ in millions	Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2023	$ 100,203	$ 69,787
Change related to the following items		
Derivatives	330	(136)
Securities financing transactions	(216)	(526)
Investment securities	(461)	(143)
Commitments, guarantees and loans	790	3,807
Equity investments	(2)	(2)
Other credit risk	1,072	1,602
Total change in credit risk RWA	$ 1,513	$ 4,602
Balance at March 31, 2024	**$ 101,716**	**$ 74,389**
Market risk RWA		
Balance at December 31, 2023	$ 975	$ 975
Change related to the following items		
Regulatory VaR	(44)	(44)
Regulatory stressed VaR	16	16
Specific risk	325	325
Total change in market risk RWA	$ 297	$ 297
Balance at March 31, 2024	**$ 1,272**	**$ 1,272**
Operational risk RWA		
Balance at December 31, 2023	N/A	$ 8,125
Change in operational risk RWA	—	—
Balance at March 31, 2024	**N/A**	**$ 8,125**
Total RWA	**$ 102,988**	**$ 83,786**

Regulatory VaR—VaR for regulatory capital requirements

In the current quarter, Credit risk RWA increased under the Standardized and Advanced Approaches. Under the Standardized Approach, the increase was primarily driven by growth in Lending, Derivatives and Other credit risk. The above increases were partially offset by the decreases in Investment securities and Securities financing transactions. Under the Advanced Approach, the increase was primarily driven by growth in Lending and Other credit risk. The above increases were partially offset by a decrease in Securities financing transactions.

Market risk RWA increased in the current quarter under both the Standardized and Advanced Approaches, primarily driven by higher Specific risk charges on non-securitization standardized charges, partially offset by a decrease in Regulatory VaR.

Capital Plans and Stress Tests

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

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

Resolution Planning

Morgan Stanley submitted its 2023 full resolution plan to the Federal Reserve and the FDIC in June 2023, in which we were included as a material operating entity.

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

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

Regulatory Developments and Other Matters

FDIC Final Rulemaking on Special Assessment

Following the failures of certain banks and the resulting losses to the FDIC's Deposit Insurance Fund in the first half of 2023, the FDIC adopted a final rule on November 16, 2023 to implement a special assessment to recover the cost associated with protecting uninsured depositors. Under the final rule, the assessment base for the special assessment is equal to an IDI's estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion of uninsured deposits. The $5 billion exclusion is applied once to the aggregate uninsured deposits of the Bank and our affiliated U.S. national bank, MSPBNA. The final rule provides that, starting in 2024, the FDIC will collect the special assessment at a quarterly rate of 3.36 basis points over eight quarterly assessment periods, subject to change depending on any adjustments to the loss estimate, mergers, failures, or amendments to reported estimates of uninsured deposits. We recorded the cost of the special assessment of $139 million in Non-interest expenses when the final rule was published in the Federal Register, in the fourth quarter of 2023. We recorded an incremental estimated cost of $20 million during the first quarter based on the February notification received from the FDIC which contained revised estimated losses and recoveries from its receivership residual interests from those bank failures.

Basel III Endgame Proposal

On July 27, 2023, the U.S. banking agencies proposed revisions to risk-based capital and related standards applicable to us ("Basel III Endgame Proposal"). For more information on the Basel III Endgame Proposal, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Developments and Other Matters" in the 2023 Annual Report.

Quantitative and Qualitative Disclosures about Risk

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

Credit Risk

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

Loans and Lending Commitments

	At March 31, 2024			
$ in millions	HFI	HFS	FVO	Total
Corporate	$ 3,880	$ 4,006	$ —	$ 7,886
Secured lending facilities	38,348	2,279	—	40,627
Commercial real estate	8,525	158	672	9,355
Residential real estate	—	—	2,227	2,227
Securities-based lending and Other	15,878	1	1,926	17,805
Total loans	66,631	6,444	4,825	77,900
ACL	(629)	—	—	(629)
Total loans, net of ACL	$ 66,002	$ 6,444	$ 4,825	$ 77,271
Lending Commitments[1]				$ 107,612
Total exposure				$ 184,883

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

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

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

The total loans and lending commitments increased by approximately $3.8 billion in the current quarter, primarily due to an increase in Secured lending facilities.

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

Allowance for Credit Losses–Loans and Lending Commitments

$ in millions	Three Months Ended March 31, 2024
ACL—Loans	
Beginning balance	$ 654
Provision for credit losses	(21)
Other	(4)
Ending balance	$ 629
ACL—Lending commitments	
Beginning balance	$ 226
Provision for credit losses	12
Other	(1)
Ending balance	$ 237
Total ending balance	$ 866

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

The allowance for credit losses for loans and lending commitments decreased in the current quarter, primarily related to improvements in the macroeconomic outlook. This was partially offset by provisions for certain specific commercial real estate and corporate loans. There were no charge-offs during the three months ended March 31, 2024. During the three months ended March 31, 2023, our net charge-off ratio was 0.10%.

The base scenario used in our ACL models as of March 31, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes slow economic growth in 2024, followed by a gradual improvement in 2025, as well as lower credit spreads and interest rates relative to the prior forecast. Given the nature of our lending portfolio, the most sensitive model input is U.S. gross domestic product ("GDP").

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

	4Q 2024	4Q 2025
Year-over-year growth rate	1.0 %	2.0 %

See Note 2 to the financial statements in the 2023 Annual Report for a discussion of the Bank's ACL methodology under CECL.

Status of Loans Held for Investment

	At March 31, 2024	At December 31, 2023
Accrual	**99.2 %**	99.3 %
Nonaccrual[1]	**0.8 %**	0.7 %

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

Loans and Lending Commitments by Credit Rating[1]

	At March 31, 2024				
	Contractual Years to Maturity				
$ in millions	< 1	1-5	5-15	>15	Total[3]
Loans					
AA	**$ 1**	**$ —**	**$ 68**	**$ —**	**$ 69**
A	**1,286**	**1,068**	**—**	**—**	**2,354**
BBB	**5,300**	**9,398**	**44**	**—**	**14,742**
BB	**10,125**	**16,304**	**2,477**	**315**	**29,221**
Other NIG	**7,076**	**6,820**	**900**	**70**	**14,866**
Unrated[2]	**4**	**389**	**29**	**2,227**	**2,649**
Total loans, net of ACL	**23,792**	**33,979**	**3,518**	**2,612**	**63,901**
Lending commitments					
AAA	**—**	**50**	**—**	**—**	**50**
AA	**2,331**	**2,774**	**586**	**—**	**5,691**
A	**5,740**	**17,669**	**754**	**—**	**24,163**
BBB	**9,367**	**38,415**	**485**	**—**	**48,267**
BB	**2,982**	**14,453**	**3,517**	**465**	**21,417**
Other NIG	**1,115**	**3,184**	**845**	**—**	**5,144**
Unrated[2]	**2**	**—**	**175**	**—**	**177**
Total lending commitments	**21,537**	**76,545**	**6,362**	**465**	**104,909**
Total exposure	**$ 45,329**	**$110,524**	**$ 9,880**	**$ 3,077**	**$168,810**

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

NIG-Non-investment grade

1. Counterparty credit ratings are internally determined by the CRM. Primarily includes Corporate, Residential real estate, and Commercial real estate loans and lending commitments.
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 “Quantitative and Qualitative Disclosures about Risk—Market Risk” herein.
3. Excludes loans and lending commitments of $16.1 billion and $16.5 billion at March 31, 2024 and December 31, 2023, respectively, which are extended to clients of Morgan Stanley’s Wealth Management business. The above loans and lending commitments are largely subject to collateral maintenance provisions and predominantly over-collateralized.

Loans and Lending Commitments by Industry[1]

$ In millions	At March 31, 2024	At December 31, 2023
Financials	**$ 56,181**	$ 52,920
Real estate	**32,446**	32,643
Industrials	**10,131**	10,981
Health care	**9,946**	11,287
Information technology	**9,221**	7,780
Utilities	**8,920**	9,266
Consumer staples	**8,060**	8,038
Consumer discretionary	**7,969**	6,681
Communication services	**7,203**	7,230
Energy	**6,708**	6,702
Insurance	**5,852**	5,846
Materials	**4,665**	4,342
Other	**1,508**	916
Total exposure	**$ 168,810**	$ 164,632

1. Excludes loans and lending commitments of $16.1 billion and $16.5 billion at March 31, 2024 and December 31, 2023, respectively, which are extended to clients of Morgan Stanley’s Wealth Management business.

Commercial Real Estate Loans and Lending Commitments

By Region

	At March 31, 2024			At December 31, 2023		
$ in millions	Loans[1]	LC[1]	Total	Loans[1]	LC[1]	Total
Americas	**$ 5,879**	**$ 452**	**$ 6,331**	$ 5,601	$ 423	$ 6,024
EMEA	**2,996**	**44**	**3,040**	2,892	49	2,941
Asia	**545**	**2**	**547**	485	—	485
Total	**$ 9,420**	**$ 498**	**$ 9,918**	$ 8,978	$ 472	$ 9,450

By Property Type

	At March 31, 2024			At December 31, 2023		
$ in millions	Loans[1]	LC[1]	Total	Loans[1]	LC[1]	Total
Office	**$ 3,061**	**$ 166**	**$ 3,227**	$ 3,219	$ 186	$ 3,405
Industrial	**2,534**	**3**	**2,537**	2,471	5	2,476
Multifamily	**2,006**	**260**	**2,266**	1,902	208	2,110
Hotel	**983**	**69**	**1,052**	688	73	761
Retail	**836**	**—**	**836**	697	—	697
Other	**—**	**—**	**—**	1	—	1
Total	**$ 9,420**	**$ 498**	**$ 9,918**	$ 8,978	$ 472	$ 9,450

LC-Lending Commitments

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

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

As of March 31, 2024 and December 31, 2023, our direct lending against commercial real estate ("CRE") properties totaled $10 billion and $9.5 billion, which represents 5.4% and 5.2% of total exposure reflected in the Loans and Lending Commitments table above. Those CRE loans are primarily originated for experienced sponsors and are generally secured by specific institutional CRE properties. In many cases, loans are subsequently syndicated or securitized on a full or partial basis, reducing our ongoing exposure.

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

Market Risk

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

The Bank's principal market risk is non-trading interest rate risk in the banking book (amounts classified for regulatory capital purposes under the banking book regime), which refers to the exposure that a change in interest rates will result in prospective earnings changes for these assets and liabilities. For a further discussion of market risk, see "Quantitative and Qualitative Disclosures about Risk—Market Risk" in the 2023 Annual Report.

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

Earnings-At-Risk Sensitivity Analysis

$ in millions	**At March 31, 2024**	At December 31, 2023
Basis point change		
+100	**$ 723**	$ 698
-100	**(718)**	(694)

The previous table presents an analysis of selected instantaneous upward and downward parallel interest rate shocks (subject to a floor of zero percent in the downward scenario) on earnings over the next 12 months for the Bank. These shocks are applied to our 12-month forecast for the Bank, which incorporates market expectations of interest rates, our forecasted business activity and deposit forecasts, which include assumptions around client behavior.

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

Our balance sheet is asset sensitive, given assets reprice faster than liabilities, resulting in higher earnings in increasing interest rate scenarios. The level of interest rates may impact the amount of deposits held at the Bank, given competition for deposits from other institutions and alternative cash-equivalent products available to depositors. Further, the level of interest rates could also impact client demand for loans. Earnings at risk sensitivity to interest rates at March 31, 2024 was relatively unchanged from December 31, 2023.

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

Top 5 Non-U.S. Country Exposures at March 31, 2024

$ in millions	United Kingdom	Germany	Australia	Ireland	Canada
Non-sovereigns					
Net inventory[1]	$ 11	$ —	$ —	$ —	$ (28)
Net Counterparty Exposure[2]	2	—	—	—	—
Loans	6,823	1,182	1,621	1,424	298
Lending commitments	8,560	2,335	850	860	1,403
Exposure before hedges	15,396	3,517	2,471	2,284	1,673
Hedges[3]	(906)	(602)	(2)	—	(83)
Total Net exposure	**$ 14,490**	**$ 2,915**	**$ 2,469**	**$ 2,284**	**$ 1,590**

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

Operational Risk

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

Model Risk

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

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

Liquidity Risk

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

Legal, Regulatory and Compliance Risk

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

Climate Risk

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

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley Bank, N.A. and subsidiaries (the "Bank") as of March 31, 2024, and the related condensed consolidated income statements, comprehensive income statements, statements of changes in shareholder's equity, and cash flow statements for the three-month periods ended March 31, 2024 and 2023, and the related notes (collectively referred to as the "interim financial information").

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

Basis for Review Results

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

Responsibilities of Management for the Interim Financial Information

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

Report on Condensed Balance Sheet as of December 31, 2023

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

Deloitte + Touche LLP

May 16, 2024

Consolidated Income Statement (Unaudited)

$ in millions	Three Months Ended March 31, 2024	2023
Revenues		
Interest income	**$ 2,622**	$ 2,096
Interest expense	**1,377**	758
Net interest	**1,245**	1,338
Non-interest revenues		
Fee income	**279**	284
Gains and losses on financial assets and liabilities	**355**	266
Other	**59**	43
Total non-interest revenues	**693**	593
Net revenues	**1,938**	1,931
Provision for credit losses	**(9)**	142
Non-interest expenses		
Compensation and benefits	**32**	32
General and administrative	**223**	211
FDIC and regulatory assessments	**40**	26
Total non-interest expenses	**295**	269
Income before provision for income taxes	**1,652**	1,520
Provision for income taxes	**392**	349
Net income	**$ 1,260**	$ 1,171

Consolidated Comprehensive Income Statement (Unaudited)

$ in millions	Three Months Ended March 31, 2024	2023
Net income	**$ 1,260**	$ 1,171
Other comprehensive income (loss), net of tax:		
Change in net unrealized gains (losses) on available-for-sale securities	**(16)**	274
Change in net debt valuation adjustment	**(1)**	49
Net change in cash flow hedges	**(28)**	7
Total other comprehensive income (loss)[1]	**$ (45)**	$ 330
Comprehensive income	**$ 1,215**	$ 1,501

1. Amounts are net of (provision)/benefit for income taxes of $14 million and $(100) million for the current quarter and prior year quarter, respectively.

Consolidated Balance Sheet

$ in millions		(Unaudited) At March 31, 2024		At December 31, 2023
Assets				
Cash and cash equivalents	$	**18,166**	$	11,859
Trading assets at fair value		**24,163**		22,874
Investment securities:				
Available-for-sale at fair value (amortized cost of **$49,458** and $50,356)		**47,132**		48,050
Held-to-maturity (fair value of **$20,479** and $20,688)		**24,009**		23,890
Securities purchased under agreements to resell		**16,686**		17,546
Loans:				
Held for investment (net of allowance for credit losses of **$629** and $654)		**66,002**		66,928
Held for sale (lower of cost or fair value)		**6,444**		8,514
Fair value		**4,825**		4,030
Loans to affiliate		**670**		469
Interest receivable		**974**		894
Affordable housing tax credit investments		**908**		909
Deferred taxes		**835**		818
Other assets		**1,909**		2,225
Total assets	**$**	**212,723**	$	209,006
Liabilities				
Deposits (includes **$3,817** and $3,903 at fair value)	**$**	**175,919**	$	175,907
Trading liabilities at fair value		**175**		282
Payable to affiliates		**1,003**		573
Other Secured Financings at fair value		**891**		872
Accrued interest payable		**701**		619
Affordable housing tax credit investment commitments		**323**		311
Other liabilities and accrued expenses		**1,380**		1,265
Borrowings (includes **$1,270 &** $1,124 at fair value)		**9,244**		7,305
Total liabilities		**189,636**		187,134
Shareholder's equity				
Common stock, $1 par value:				
Shares authorized: **50,000**; Shares issued: **100**; Shares outstanding: **100**		**—**		—
Additional paid-in capital		**8,005**		8,005
Retained earnings		**16,894**		15,634
Accumulated other comprehensive income (loss)		**(1,812)**		(1,767)
Total shareholder’s equity		**23,087**		21,872
Total liabilities and shareholder's equity	**$**	**212,723**	$	209,006

Consolidated Statement of Changes in Shareholder's Equity (Unaudited)

Morgan Stanley Bank, N.A.

$ in millions	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Common Stock		
Beginning and ending balance	**$ —**	$ —
Additional Paid-in Capital		
Beginning and ending balance	**8,005**	8,005
Retained Earnings		
Beginning balance	**15,634**	14,341
Net income	**1,260**	1,171
Ending balance	**16,894**	15,512
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	**(1,767)**	(2,369)
Net change in Accumulated other comprehensive income (loss)[1]	**(45)**	330
Ending balance	**(1,812)**	(2,039)
Total Shareholder's Equity	**$ 23,087**	$ 21,478

1. Amounts are net of (provision)/benefit for income taxes of $14 million and $(100) million for the current quarter and prior year quarter, respectively.

Consolidated Cash Flow Statement (Unaudited)

Morgan Stanley Bank, N.A.

$ in millions	Three Months Ended March 31, 2024	2023
Cash flows from operating activities		
Net income	**$ 1,260**	$ 1,171
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	**21**	(13)
Provision for credit losses	**(9)**	142
Deferred income taxes, net	**(3)**	(24)
Other operating adjustments	**165**	(210)
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	**(995)**	(5,338)
Loans at fair value with intent to sell	**(967)**	383
Loans held for sale	**2,046**	(271)
Securities purchased under agreements to resell	**602**	(164)
Net receivable from and payable to affiliates	**182**	(24)
Other liabilities and accrued expenses	**207**	512
Other assets	**(170)**	(541)
Net cash provided by (used for) operating activities	**2,339**	(4,377)
Cash flows from investing activities		
Proceeds from (payments for):		
AFS securities:		
Purchases	**(6,904)**	(2,735)
Proceeds from sales	**4,306**	1,466
Proceeds from paydowns and maturities	**3,900**	2,095
HTM securities:		
Purchases	**(915)**	—
Proceeds from paydowns and maturities	**591**	257
Securities purchased under agreements to resell	**258**	—
Changes in loans at fair value with intent to hold, net	**(27)**	(207)
Changes in loans held for investment, net	**1,002**	(1,636)
Other investing activities	**(26)**	—
Net cash provided by (used for) investing activities	**2,185**	(760)
Cash flows from financing activities		
Net proceeds from (payments for):		
Deposits	**(14)**	1,921
Other secured financings	**(37)**	296
Proceeds from issuance of Borrowings	**1,995**	—
Payments for:		
Borrowings	**(161)**	(36)
Net cash provided by (used for) financing activities	**1,783**	2,181
Effect of exchange rate changes on cash and cash equivalents	**—**	—
Net increase (decrease) in cash and cash equivalents	**6,307**	(2,956)
Cash and cash equivalents, at beginning of period	**11,859**	28,457
Cash and cash equivalents, at end of period	**$ 18,166**	$ 25,501

Supplemental Disclosure of Cash Flow Information:		
Cash payments for:		
Interest	**$ 1,295**	$ 642
Income taxes	**—**	—
Non-cash transactions:		
Loans transferred into held for sale from held for investment	**$ —**	$ 297
Beneficial interests obtained in financial assets transferred to an unconsolidated securitization entity	**49**	14

1. Introduction and Basis of Presentation

The Bank

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

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

The Bank's lending activities include lending to corporations for specific purposes, such as financing acquisitions and normal operating activities, secured lending facilities, commercial real estate lending, as well as extending securities-based financing to customers.

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

Basis of Financial Information

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

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

The accompanying financial statements should be read in conjunction with the Bank's financial statements and notes thereto included in the 2023 Annual Report. Certain footnote disclosures included in the 2023 Annual Report have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Consolidation

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

2. Significant Accounting Policies

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

During the three months ended March 31, 2024, there were no significant updates to the Bank's significant accounting policies, other than for the accounting update adopted.

Accounting Update Adopted in 2024

Investments - Tax Credit Structures

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

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

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

Loans by Type

	At March 31, 2024			
$ in millions	HFI Loans	HFS Loans	Loans at Fair Value	Total Loans
Corporate	$ 3,880	$ 4,006	$ —	$ 7,886
Secured lending facilities	38,348	2,279	—	40,627
Commercial real estate	8,525	158	672	9,355
Residential real estate	—	—	2,227	2,227
Securities-based lending and Other	15,878	1	1,926	17,805
Total loans	66,631	6,444	4,825	77,900
ACL	(629)	—	—	(629)
Total loans, net	$ 66,002	$ 6,444	$ 4,825	$ 77,271
Loans to non-U.S. borrowers, net	$ 15,968	$ 2,971	$ —	$ 18,940

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

Loans by Interest Rate Type

	At March 31, 2024		At December 31, 2023	
$ in millions	Fixed Rate	Floating or Adjustable Rate	Fixed Rate	Floating or Adjustable Rate
Corporate	$ —	$ 7,886	$ —	$ 10,077
Secured lending facilities	—	40,627	—	40,937
Commercial real estate	141	8,542	141	8,532
Securities-based lending and Other	3,376	12,503	3,516	12,893
Total loans, before ACL	$ 3,517	$ 69,558	$ 3,657	$ 72,439

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

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

	At March 31, 2024			At December 31, 2023		
	Corporate					
$ in millions	IG	NIG	Total	IG	NIG	Total
Revolving	$ 1,944	$ 1,828	$ 3,772	$ 2,000	$ 1,572	$ 3,572
2024	—	—	—	—	—	—
2023	—	50	50	—	69	69
2022	—	—	—	—	2	2
2021	5	—	5	5	—	5
2020	28	25	53	29	25	54
Prior	—	—	—	—	—	—
Total	$ 1,977	$ 1,903	$ 3,880	$ 2,034	$ 1,668	$ 3,702

	At March 31, 2024			At December 31, 2023		
	Secured Lending Facilities					
$ in millions	IG	NIG	Total	IG	NIG	Total
Revolving	$ 8,861	$ 22,085	$ 30,946	$ 9,494	$ 22,192	$ 31,686
2024	—	374	374	—	—	—
2023	1,512	1,371	2,883	1,535	1,436	2,971
2022	385	2,027	2,412	392	2,141	2,533
2021	—	359	359	—	365	365
2020	—	76	76	—	80	80
Prior	355	943	1,298	356	970	1,326
Total	$ 11,113	$ 27,235	$ 38,348	$ 11,777	$ 27,184	$ 38,961

	At March 31, 2024			At December 31, 2023		
	Commercial Real Estate					
$ in millions	IG	NIG	Total	IG	NIG	Total
Revolving	$ —	$ 170	$ 170	$ —	$ 171	$ 171
2024	—	753	753	—	—	—
2023	355	935	1,290	251	1,055	1,306
2022	283	1,883	2,166	284	1,900	2,184
2021	274	1,434	1,708	348	1,371	1,719
2020	—	755	755	—	756	756
Prior	55	1,628	1,683	195	2,181	2,376
Total	$ 967	$ 7,558	$ 8,525	$ 1,078	$ 7,434	$ 8,512

	At March 31, 2024			
		Other		
$ in millions	Securities-based Lending[1]	IG	NIG	Total
Revolving	$ 13,005	$ 32	$ 124	$ 13,161
2024	231	—	14	245
2023	875	—	46	921
2022	981	—	103	1,084
2021	100	—	149	249
2020	—	—	106	106
Prior	—	—	112	112
Total	$ 15,192	$ 32	$ 654	$ 15,878

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

IG–Investment Grade
NIG–Non-investment Grade

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

Past Due Loans Held for Investment before Allowance[1]

$ in millions	At March 31, 2024	At December 31, 2023
Commercial real estate	**$ 291**	$ 185
Securities-based lending and Other	**16**	—
Total	**$ 307**	$ 185

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

Nonaccrual Loans Held for Investment before Allowance[1]

$ in millions	At March 31, 2024	At December 31, 2023
Secured lending facilities	**76**	80
Commercial real estate	**432**	426
Total	**$ 508**	$ 506
Nonaccrual loans without an ACL	**$ —**	$ —

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

Loans Modifications to Borrowers Experiencing Financial Difficulty

The Bank may modify the terms of certain loans for economic or legal reasons related to a borrower's financial difficulties, and these modifications include interest rate reductions, principal forgiveness, term extensions and other-than-insignificant payment delays or a combination of these aforementioned modifications. Modified loans are typically evaluated individually for allowance for credit losses. There were no loans held for investment that had been modified in the 12 months prior and subsequently defaulted during the three months ended March 31, 2024.

Modified Loans Held for Investment

Period-end loans held for investment modified during the following periods[1]:

$ in millions	Three Months Ended March 31, 2024 Amortized Cost	2024 % of Total Loans[2]	2023 Amortized Cost	2023 % of Total Loans[2]
Term Extension				
Commercial real estate	**127**	**1.5 %**	**62**	**0.7 %**
Total	**$ 127**	**1.5 %**	**$ 62**	**0.7 %**
Other-than-insignificant Payment Delay				
Commercial real estate	**—**	**— %**	**67**	**0.8 %**
Total	**$ —**	**— %**	**$ 67**	**0.8 %**
Multiple Modifications - Term Extension and Other-than-insignificant Payment Delay				
Commercial real estate	**40**	**0.5 %**	**—**	**— %**
Total	**$ 40**	**0.5 %**	**$ —**	**— %**
Total Modifications	**$ 167**	**2.0 %**	**$ 129**	**1.5 %**

1. A of March 31, 2024, there were no lending commitments to borrowers for which the Bank had modified terms of receivable. As of March 31, 2023, there were $171 million lending commitments to borrowers for which the Bank had modified terms of the receivable.
2. Percentage of total loans represents the percentage of modified loans to total loans held for investment by loan type.

Financial Effect of Modifications on Loans Held for Investment

Three Months Ended March 31, 2024[1]	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)	Principal Forgiveness ($ millions)	Interest Rate Reduction (%)
Single Modifications				
Commercial Real Estate	5	—	—	— %
Multiple Modifications - [Term Extension and Interest Rate Reduction]				
Commercial Real Estate	16	16	—	— %

Three Months Ended March 31, 2023[1]	Term Extension (Months)	Other-than-insignificant Payment Delay (Months)	Principal Forgiveness ($ millions)	Interest Rate Reduction (%)
Single Modifications				
Commercial Real Estate	2	8	—	— %

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

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

$ in millions	At March 31, 2024 30-89 Days Past Due	90+ days Past Due	Total
Commercial real estate	**—**	**45**	**45**
Total	**—**	**45**	**45**

As of March 31, 2023, there were no past due loans held for investment modified during the 12 months prior.

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

	Three Months Ended March 31, 2024				
$ in millions	Corporate	Secured Lending Facilities	CRE	SBL and Other	Total
ACL—Loans					
Beginning balance	$ 27	$ 142	$ 461	$ 24	$ 654
Provision (release)	**(2)**	**(15)**	**(2)**	**(2)**	**(21)**
Other	**—**	**(1)**	**(3)**	**—**	**(4)**
Ending balance	**$ 25**	**$ 126**	**$ 456**	**$ 22**	**$ 629**
Percentage of loans to total loans[1]	**6 %**	**58 %**	**13 %**	**24 %**	**100 %**
ACL— Lending commitments					
Beginning balance	$ 120	$ 70	$ 26	$ 10	$ 226
Provision (release)	**(8)**	**25**	**(3)**	**(2)**	**12**
Other	**(1)**	**(1)**	**—**	**1**	**(1)**
Ending balance	**$ 111**	**$ 94**	**$ 23**	**$ 9**	**$ 237**
Total ending balance	**$ 136**	**$ 220**	**$ 479**	**$ 31**	**$ 866**

	Three Months Ended March 31, 2023				
$ in millions	Corporate	Secured Lending Facilities	CRE	SBL and Other	Total
ACL—Loans					
Beginning balance	$ 27	$ 149	$ 274	$ 18	$ 468
Gross charge-offs	—	—	(69)	—	(69)
Net (charge-offs) Recoveries	—	—	(69)	—	(69)
Provision (release)	1	—	129	—	130
Other	—	1	1	(2)	—
Ending balance	**$ 28**	**$ 150**	**$ 335**	**$ 16**	**$ 529**
Percentage of loans to total loans[1]	6%	54%	13%	27%	100%
ACL—Lending commitments					
Beginning balance	$ 103	$ 51	$ 15	$ 12	$ 181
Provision (release)	**7**	**—**	**7**	**(2)**	**12**
Ending balance	**$ 110**	**$ 51**	**$ 22**	**$ 10**	**$ 193**
Total ending balance	**$ 138**	**$ 201**	**$ 357**	**$ 26**	**$ 722**

CRE—Commercial real estate
SBL—Securities-based lending

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

Provision for credit losses

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Loans	**$ (21)**	$ 130
Lending commitments	**$ 12**	$ 12

The allowance for credit losses for loans and lending commitments decreased for the three months ended March 31, 2024, reflecting improvements in the macroeconomic outlook. This was partially offset by provision for certain specific commercial real estate and corporate loans. There were no charge-offs during the three months ended March 31, 2024. During the three months ended March 31, 2023, charge-offs were $69 million, related to commercial real estate loans. The base scenario used in our ACL models as of March 31, 2024 was generated using a combination of consensus economic forecasts, forward rates, and internally developed and validated models. This scenario assumes slow economic growth in 2024 followed by a gradual improvement in 2025, as well as lower credit spreads and interest rates relative to the prior forecast. Given the nature of our lending portfolio, the most sensitive model input is U.S. GDP.

For a further discussion of the Bank's loans as well as the Bank's allowance methodology, refer to Notes 2 and 3 to the financial statements in the 2023 Annual Report.

Selected Credit Ratios

	At March 31, 2024	At December 31, 2023
ACL for loans to total HFI loans	**0.9 %**	1.0 %
Nonaccrual HFI loans to total HFI loans	**0.8 %**	0.7 %
ACL for loans to nonaccrual HFI loans	**123.6 %**	129.1 %

4. Interest Income and Interest Expense

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Interest income		
Cash and cash equivalents	**$ 313**	$ 300
Investment securities	**638**	481
Securities purchased under agreements to resell	**179**	62
Loans, including fees and Other[1]	**1,492**	1,253
Total interest income	**$ 2,622**	$ 2,096
Interest expense		
Deposits and Other[2]	**$ 1,256**	$ 754
Borrowings	**121**	4
Total interest expense	**$ 1,377**	$ 758
Net interest	**$ 1,245**	$ 1,338

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

5. Investment Securities

AFS and HTM Securities

$ in millions	At March 31, 2024 Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. Treasury securities	**$ 27,987**	**$ 33**	**$ 290**	**$ 27,730**
U.S. agency securities[2]	**18,219**	**3**	**1,895**	**16,327**
Agency CMBS	**2,275**	**—**	**184**	**2,091**
State and municipal securities	**477**	**18**	**3**	**492**
FFELP student loan ABS[3]	**500**	**1**	**9**	**492**
Total AFS securities	**49,458**	**55**	**2,381**	**47,132**
HTM securities				
U.S. Treasury securities	**8,041**	**—**	**683**	**7,358**
U.S. agency securities[2]	**14,681**	**3**	**2,723**	**11,961**
Non-agency CMBS	**1,287**	**1**	**128**	**1,160**
Total HTM securities	**24,009**	**4**	**3,534**	**20,479**
Total investment securities	**$ 73,467**	**$ 59**	**$ 5,915**	**$ 67,611**

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

1. Amounts are net of ACL.
2. U.S. agency securities consist mainly of agency mortgage pass-through pool securities, CMOs and agency-issued debt.
3. Underlying loans are backed by a guarantee, ultimately from the U.S. Department of Education, of at least 95% of the principal balance and interest outstanding.

AFS Securities in an Unrealized Loss Position

$ in millions	At March 31, 2024 Fair Value	Gross Unrealized Losses	At December 31, 2023 Fair Value	Gross Unrealized Losses
U.S. Treasury securities				
Less than 12 months	**$ 1,389**	**$ 6**	$ 7,523	$ 15
12 months or longer	**11,517**	**284**	13,631	385
Total	**12,906**	**290**	21,154	400
U.S. agency securities				
Less than 12 months	**2,278**	**8**	4,109	40
12 months or longer	**13,227**	**1,887**	12,501	1,701
Total	**15,505**	**1,895**	16,610	1,741
Agency CMBS				
12 months or longer	**2,091**	**184**	2,111	203
Total	**2,091**	**184**	2,111	203
State and municipal securities				
Less than 12 months	**180**	**1**	524	3
12 months or longer	**34**	**2**	35	2
Total	**214**	**3**	559	5
FFELP student loan ABS				
Less than 12 months	**30**	**1**	32	1
12 months or longer	**390**	**8**	415	12
Total	**420**	**9**	447	13
Total AFS securities in an unrealized loss position				
Less than 12 months	**3,877**	**16**	12,188	59
12 months or longer	**27,259**	**2,365**	28,693	2,303
Total	**$ 31,136**	**$ 2,381**	$ 40,881	$ 2,362

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

The HTM securities net carrying amounts at March 31, 2024 and December 31, 2023 reflect an ACL of $41 million and $44 million, respectively, related to Non-agency CMBS. See Note 2 for a description of the ACL methodology used for HTM Securities. As of March 31, 2024 and December 31, 2023, Non-agency CMBS HTM securities were predominantly on accrual status and investment grade.

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

Investment Securities by Contractual Maturity

$ in millions	At March 31, 2024 Amortized Cost[1]	Fair Value	Annualized Average Yield[2,3]
AFS securities			
U.S. Treasury securities:			
Due within 1 year	$ 5,625	$ 5,546	1.0 %
After 1 year through 5 years	17,958	17,773	3.1 %
After 5 years through 10 years	4,404	4,411	4.0 %
Total	27,987	27,730	
U.S. agency securities:			
After 1 year through 5 years	289	272	1.8 %
After 5 years through 10 years	298	274	1.9 %
After 10 years	17,632	15,781	3.8 %
Total	18,219	16,327	
Agency CMBS:			
After 1 year through 5 years	1,438	1,355	2.4 %
After 5 years through 10 years	635	564	2.3 %
After 10 years	202	172	1.8 %
Total	2,275	2,091	
State and municipal securities:			
Due within 1 year	27	27	5.1 %
After 1 year through 5 years	178	179	4.8 %
After 5 years through 10 years	3	5	4.7 %
After 10 years	269	281	4.5 %
Total	477	492	
FFELP student loan ABS:			
Due within 1 year	9	9	6.1 %
After 1 year through 5 years	119	115	6.0 %
After 5 years through 10 years	32	31	5.9 %
After 10 years	340	337	6.3 %
Total	500	492	
Total AFS securities	$ 49,458	$ 47,132	3.2 %

$ in millions	At March 31, 2024 Amortized Cost[1]	Fair Value	Annualized Average Yield[2]
HTM securities			
U.S. Treasury securities:			
Due within 1 year	$ 849	$ 842	2.3 %
After 1 year through 5 years	6,113	5,736	2.1 %
After 10 years	1,079	780	2.5 %
Total	8,041	7,358	
U.S. agency securities:			
After 1 year through 5 years	5	5	1.8 %
After 5 years through 10 years	255	238	2.0 %
After 10 years	14,421	11,718	2.1 %
Total	14,681	11,961	
Non-agency CMBS:			
Due within 1 year	194	175	4.1 %
After 1 year through 5 years	391	369	4.7 %
After 5 years through 10 years	621	538	3.7 %
After 10 years	81	78	6.4 %
Total	1,287	1,160	
Total HTM securities	24,009	20,479	2.3 %
Total Investment securities	$ 73,467	$ 67,611	2.9 %

1. Amounts are net of any ACL.
2. Annualized average yield is computed using the effective yield, weighted based on the amortized cost of each security. The effective yield is shown pre-tax and excludes the effect of related hedging derivatives.
3. At March 31, 2024, the annualized average yield, including the interest rate swap accrual of related hedges, was 1.7% for AFS securities contractually maturing within 1 year and 4.1% for all AFS securities.

Gross Realized Gains (Losses) on Sales of AFS Securities

$ in millions	Three Months Ended March 31, 2024	2023
Gross realized gains	$ 43	$ 44
Gross realized (losses)	—	(3)
Total[1]	$ 43	$ 41

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

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

$ in millions	Changes in Net Unrealized Gains (Losses) on AFS Securities, Three Months Ended March 31, 2024	2023
Beginning Balance	$ (1,765)	$ (2,338)
Other comprehensive income (loss) before reclassifications	17	305
Amounts reclassified from AOCI	(33)	(31)
Net other comprehensive income (loss) during the period	(16)	274
Ending Balance	$ (1,781)	$ (2,064)

6. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At March 31, 2024				
$ in millions	Level 1	Level 2	Level 3	Netting	Total
Assets at fair value					
Trading assets:					
State and municipal securities	$ —	$ 222	$ 13	$ —	$ 235
Corporate and other debt[1]	—	4,481	32	—	4,513
Corporate equity	17,491		—	—	17,491
Derivative contracts:					
Foreign exchange	—	709	—	—	709
Interest rate	2	1,943	—	—	1,945
Credit	—	60	140	—	200
Equity and other	—	1,030	126	—	1,156
Netting[2]	(2)	(2,982)	(9)	(527)	(3,520)
Total derivative contracts		760	257	(527)	490
Total trading assets[3]	17,491	5,463	302	(527)	22,729
Investment securities—AFS					
U.S. Treasury securities	27,730	—	—	—	27,730
U.S. agency securities	—	16,327	—	—	16,327
MABS	—	2,583	—	—	2,583
State and municipal securities	—	492	—	—	492
Total Investment securities—AFS	27,730	19,402	—	—	47,132
Loans at fair value	—	4,175	650	—	4,825
Total assets at fair value	$ 45,221	$ 29,040	$ 952	$ (527)	$ 74,686

	At March 31, 2024				
$ in millions	Level 1	Level 2	Level 3	Netting	Total
Liabilities at fair value					
Interest-bearing deposits	$ —	$ 3,767	$ 50	$ —	$ 3,817
Trading liabilities:					
Corporate equity	—	—	—	—	—
Derivative contracts:					
Foreign exchange	—	664	—	—	664
Interest rate	12	1,573		—	1,585
Credit	—	602	87	—	689
Equity and other	—	680	88	—	768
Netting[2]	(2)	(2,982)	(9)	(538)	(3,531)
Total trading liabilities	10	537	166	(538)	175
Other secured financings	—	891	—	—	891
Borrowings	—	1,270	—	—	1,270
Total liabilities at fair value	$ 10	$ 6,465	$ 216	$ (538)	$ 6,153

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

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

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

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

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

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Trading Assets[1,3]		
Beginning balance	**$ 34**	$ 46
Realized and unrealized gains (losses)	**(3)**	4
Purchases[4]	**2**	—
Sales	**(1)**	(1)
Net transfers[5]	**13**	—
Ending balance	**$ 45**	$ 49
Unrealized gains (losses)[6]	**$ (3)**	$ 4
Loans[2]		
Beginning balance	**$ 740**	$ 877
Realized and unrealized gains (losses)	**(1)**	1
Purchases and originations[4]	**83**	266
Sales	**(50)**	(3)
Settlements	**(122)**	(221)
Net transfers[5]	**—**	(30)
Ending balance	**$ 650**	$ 890
Unrealized gains (losses)[6]	**$ (1)**	$ 1
Derivative contracts, net[3]		
Beginning balance	**$ 96**	$ 14
Realized and unrealized gains (losses)	**230**	86
Purchases[4]	**42**	—
Issuances	**—**	—
Settlements	**(296)**	(77)
Net transfers[5]	**19**	2
Ending balance	**$ 91**	$ 25
Unrealized gains (losses)[6]	**$ 230**	$ 82
Investment securities—AFS		
Beginning balance	**$ —**	$ 35
Realized and unrealized gains (losses)	**—**	1
Sales	**—**	—
Net transfers[5]	**—**	(36)
Ending balance	**$ —**	$ —
Unrealized gains (losses)[6]	**$ —**	$ —
Deposits		
Beginning balance	**$ 32**	$ 20
Realized and unrealized gains (losses)	**1**	—
Issuances	**2**	6
Settlements	**(1)**	(1)
Net transfers[5]	**16**	4
Ending balance	**$ 50**	$ 29
Unrealized gains (losses)[6]	**$ 1**	$ —

1. Trading assets include state and municipal securities, and other debt at March 31, 2024 and include other debt at March 31, 2023.
2. Realized and unrealized gains (losses) are included in Non-interest revenue—Gain on loans in the income statement.
3. Realized and unrealized gains (losses) are included in Non-interest revenue within Gains and losses on financial assets and liabilities in the income statement.
4. Loan originations are included in purchases.
5. Reclassifications between levels are driven by the unobservable inputs and whether such inputs are significant to the valuation.
6. Amounts represent unrealized gains (losses) for the three months ended March 31, 2024 and March 31, 2023 related to Level 3 assets and liabilities still held by the Bank at March 31, 2024 and March 31, 2023, respectively.

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

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

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

Valuation Techniques and Unobservable Inputs

	Balance / Range (Average[1])	
$ in millions, except inputs	**At March 31, 2024**	At December 31, 2023
Assets		
Trading assets: State and municipal securities	**$ 13**	$ —
Comparable pricing:		
Comparable bond price	**100 points**	—
Trading assets: Corporate and other debt	**$ 11**	$ 13
Comparable pricing:		
Comparable bond price	**0 to 1 points (0.25 points)**	0 to 1 points (0.28 points)
MABS	**$ 21**	$ 20
Comparable pricing:		
Comparable bond pricing	**93 to 95 points (94 points)**	93 to 94 points (94 points)
Loans	**$ 650**	$ 740
Securities-based lending model:		
Securities-based lending rate	**2% to 4% (3%)**	2% to 4% (3%)
Comparable pricing:		
Comparable loan price	**96 to 100 points (99 points)**	96 to 100 points (98 points)
Net Derivative contracts		
Equity	**$ 40**	$ 40
Option model:		
Equity volatility model	**7% to 30% (8%)**	7% to 36% (9%)
Equity volatility skew model	**-2% to 0% (-1%)**	-1% to 0% (0%)
Interest Rate	**$ —**	$ 2
Option model:		
Interest rate volatility skew		108% to 133% (116%)
Credit	**$ 53**	$ 55
ISWAP model:		
Lapse rate	**1.75% (1.75%)**	1.75% (1.75%)
Liabilities		
Interest-bearing deposits	**$ 50**	$ 33
Option model:		
Equity volatility	**7% to 13% (7%)**	7% to 13% (7%)
Nonrecurring Fair Value Measurement		
Loans	**1,417**	803
Corporate Loan Model:		
Credit spread	**58 bps to 357 bps (189 bps)**	99 bps to 449 bps (257 bps)
Warehouse Model:		
Credit spread	**110 bps to 275 bps (163 bps)**	115 bps to 268 bps (185 bps)
Comparable Pricing		
Loan Price	**42 to100 points (90 points)**	68 Points

Points—Percentage of par

ISWAP—Insurance Swap

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

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

Net Asset Value Measurements

Fund Interests

	At March 31, 2024		At December 31, 2023	
$ in millions	Carrying Value	Unfunded Commitments	Carrying Value	Unfunded Commitments
Private equity funds	**$ 136**	**$ 73**	$ 130	$ 82
Real estate funds	**1,298**	**3**	1,296	3
Total	**$ 1,434**	**$ 76**	$ 1,426	$ 85

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

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

Nonredeemable Funds by Contractual Maturity

	Carrying value at March 31, 2024	
$ in millions	Private Equity	Real Estate
Less than 5 years	**$ 55**	**$ 146**
5-10 years	**81**	**1,152**
Total	**$ 136**	**$ 1,298**

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

	At March 31, 2024			
$ in millions	Carrying Value	Level 2	Level 3	Total gains (losses)[1]
Assets				
Loans[1]	**$ 2,264**	**$ 847**	**$ 1,417**	**$ (3)**
Liabilities				
Other liabilities and accrued expenses[2]	**$ 25**	**$ 20**	**$ 5**	**$ 8**

	At December 31, 2023			
$ in millions	Carrying Value	Level 2	Level 3	Total gains (losses)[1]
Assets				
Loans[1]	$ 3,189	$ 2,386	$ 803	$ (127)
Liabilities				
Other liabilities and accrued expenses[2]	$ 52	$ 43	$ 9	$ 17

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

Financial Instruments Not Measured at Fair Value

	At March 31, 2024				
		Fair Value			
$ in millions	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	**$ 18,166**	**$ 18,166**	**$ —**	**$ —**	**$ 18,166**
Securities purchased under agreement to resell	**16,686**	**—**	**15,321**	**1,377**	**16,698**
Investment securities—HTM	**24,009**	**7,358**	**11,961**	**1,160**	**20,479**
Loans[1]					
Held for investment	**66,002**	**—**	**13,527**	**52,677**	**66,204**
Held for sale	**6,444**	**—**	**3,831**	**2,629**	**6,460**
Affordable housing tax credit investments	**908**	**—**	**—**	**732**	**732**
Loans to affiliate	**670**	**—**	**677**	**—**	**677**
Accrued Interest Receivable	**974**	**—**	**974**	**—**	**974**
Other assets	**1,909**	**—**	**1,909**	**—**	**1,909**
Financial liabilities					
Deposits	**$ 172,102**	**$ —**	**$172,176**	**$ —**	**$172,176**
Payable to affiliates	**376**	**—**	**377**	**—**	**377**
Borrowings	**7,974**	**—**	**8,067**	**—**	**8,067**
Affordable housing tax credit investments	**323**	**—**	**—**	**323**	**323**
Accrued interest payable	**701**	**—**	**701**	**—**	**701**
Other liabilities and accrued expenses	**1,129**	**—**	**1,129**	**—**	**1,129**
	Commitment Amount				
Lending commitments[2]	**$ 107,154**	**$ —**	**$ 666**	**$ 509**	**$ 1,175**

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

1. Amounts include all loans measured at fair value on a non-recurring basis.
2. Represents Lending commitments accounted for as Held for Investment and Held for Sale. For a further discussion on lending commitments, see Note 13.

Fair Value Option

The Bank has elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models. Net (losses) gains due to fair value option were $(317) million and $(82) million for the quarter ended March 31, 2024 and March 31, 2023, respectively.

(Losses) due to changes in instrument-specific credit risk were $(4) million and $(10) million for quarter ended March 31, 2024 and March 31, 2023, respectively.

In addition, changes in instrument-specific credit risk increased (decreased) other comprehensive income by $(1) million and $64 million for years ended March 31, 2024 and March 31, 2023, respectively.

For certain loans that are classified as Trading Assets—Corporate and other debt, contractual principal amounts were higher than fair value by $15 million and $115 million as of March 31, 2024 and December 31, 2023, respectively.

7. Cash and Cash Equivalents

$ in millions	At March 31, 2024	At December 31, 2023
Cash and due from banks	$ 26	$ 20
Interest bearing deposits with banks	18,140	11,839
Total Cash and cash equivalents	**$ 18,166**	$ 11,859
Restricted cash	$ 19	$ 15

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

8. Collateralized Transactions

Offsetting of Certain Collateralized Transactions

	At March 31, 2024				
$ in millions	Gross Amounts	Amounts Offset	Balance Sheet Net Amounts	Amounts Not Offset[1]	Net Amounts
Assets					
Securities purchased under agreements to resell	$ 16,880	$ (194)	$ 16,686	$ (16,632)	$ 54
Liabilities					
Securities sold under agreements to repurchase	$ 194	$ (194)	$ —	$ —	$ —
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					$ 54

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

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

Fair Value of Collateral Received with Right to Sell or Repledge

At March 31, 2024, and December 31, 2023, the fair value of financial instruments received as collateral where the Bank is permitted to sell or repledge the securities was $19.3 billion and $20.6 billion, respectively. No securities had been sold or repledged at either date.

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

9. Deposits

Deposits

$ in millions	At March 31, 2024	At December 31, 2023
Savings and demand deposits[1]	$ 141,952	$ 141,770
Time deposits[2,3]	33,967	34,137
Total deposits	**$ 175,919**	$ 175,907
Deposits subject to FDIC insurance	$ 138,213	$ 138,522
Deposits not subject to FDIC insurance	$ 37,706	$ 37,385

1. Includes deposits from the Parent and affiliates, see Note 11.
2. Includes Structured CDs at fair value of $3.8 billion and $3.9 billion as of March 31, 2024 and December 31, 2023, respectively.
3. The contractual liability to depositors is $34.0 billion and $34.1 billion at March 31, 2024 and December 31, 2023, respectively.

Time Deposit Maturities

$ in millions	At March 31, 2024
2024	$ 13,280
2025	10,855
2026	4,097
2027	2,697
2028	2,370
Thereafter	668
Total	**$ 33,967**

10. Borrowings; and Other Secured Financings

Borrowings[1]

$ in millions	At March 31, 2024	At December 31, 2023
Original maturities:		
One year or less	$ 1,270	$ —
Greater than one year	7,974	7,305
Total	$ 9,244	$ 7,305
Weighted average stated maturity, in years[2]	2.4	2.5

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

Other Secured Financings

Other secured financings were $891 million and $872 million as of March 31, 2024 and December 31, 2023, respectively.

Other secured financings include the liabilities related to transfers of financial assets that are accounted for as consolidated VIEs where the Bank is deemed to be the primary beneficiary. These liabilities are generally payable from the cash flows of the related assets, which are accounted for as Trading assets, see Note 14.

11. Transactions with Affiliated Companies

Assets and receivables from Parent and affiliated companies

$ in millions	At March 31, 2024	At December 31, 2023
Trading assets, at fair value	$ 12	$ 25
Securities purchased under agreements to resell	10,868	11,023
Loans to affiliate	670	469
Other assets	197	150
Total	$ 11,747	$ 11,667

Liabilities and payables to Parent and affiliated companies

$ in millions	At March 31, 2024	At December 31, 2023
Deposits	$ 4,481	$ 4,500
Trading liabilities, at fair value	113	91
Payable to affiliates	1,003	573
Accrued Interest Payable	2	2
Other liabilities and accrued expenses	14	14
Borrowings	529	690
Total	$ 6,142	$ 5,870

Revenues and expenses resulting from transactions with Parent and affiliated companies

	Three Months Ended March 31,	
$ in millions	2024	2023
Net Revenues		
Interest income	$ 569	$ (138)
Interest Expense	141	(58)
Net Interest	428	(80)
Non-interest revenues		
Fee income	260	277
Gains and losses on financial assets and liabilities	(678)	(1,529)
Total Non-interest revenues	$ (418)	$ (1,252)
Net Revenues	10	(1,448)
Non-interest expenses		
General and administrative	176	164
Compensation and benefits	8	7
Total Non-interest expenses	$ 184	$ 171

Assets

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

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

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

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

Liabilities

Deposits primarily included overnight deposits from the Parent and affiliates of $3.8 billion and $3.9 billion as of March 31, 2024, and December 31, 2023, respectively. Additionally, the balance included cash collateral primarily received from the Parent for the purpose of securing credit transactions between the Bank and its affiliates of $0.6 billion at both March 31, 2024, and December 31, 2023.

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

Payables to affiliates were primarily driven by intercompany transactions that occurred in the normal course of business. The balance also included taxes payable to Parent of $627 million and $262 million at March 31, 2024 and December 31, 2023, respectively.

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

Interest Income and Interest Expense

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

Other Transactions

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

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

General and administrative expenses primarily consist of the following:

- Service Level Agreements whereby affiliates provided securities and loan processing, credit risk, human resources, finance, tax and other services. The amount of expenses incurred by the Bank for these services was $101 million and $96 million in current and prior year quarter, respectively.
- The Bank paid service fees to MSSB and ETS in connection with deposits sourced from clients of those affiliates. The amount of service fees incurred was for $37 million and $30 million in current and prior year quarter, respectively.
- Service Level Agreements whereby affiliates provided information technology services, for which the Bank incurred expenses of $16 million and $14 million in current and prior year quarter, respectively.

- Service Level Agreements whereby affiliates provided specialized distribution, national sales and business management services, in connection with Securities based lending and other facilities. The amount of expenses incurred for these services was $10 million and $12 million in current and prior year quarter, respectively.

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

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

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

12. Derivative Instruments and Hedging Activities

Fair Values of Derivative Contracts

	Assets at March 31, 2024		
$ in millions	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	**$ 647**	**$ —**	**$ 647**
Not designated as accounting hedges			
Economic hedges of loans			
Credit	**8**	**—**	**8**
Other derivatives			
Interest rate	**1,298**	**—**	**1,298**
Credit	**192**	**—**	**192**
Foreign exchange	**709**	**—**	**709**
Equity and other	**1,156**	**—**	**1,156**
Total	**3,363**	**—**	**3,363**
Total gross derivatives	**$ 4,010**	**$ —**	**$ 4,010**
Amounts offset			
Counterparty netting	**(3,202)**	**—**	**(3,202)**
Cash collateral netting	**(318)**	**—**	**(318)**
Total in Trading assets	**$ 490**	**$ —**	**$ 490**
Amounts not offset[1]			
Financial instruments collateral	**(320)**	**—**	**(320)**
Net amounts	**$ 170**	**$ —**	**$ 170**
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable			**$ 4**

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

	Bilateral OTC Liabilities	
$ in millions	**At March 31, 2024**	At December 31, 2023
Designated as accounting hedges		
Interest rate	**$ 180**	$ 306
Not designated as accounting hedges		
Economic hedges of loans		
Credit	**525**	473
Other derivatives		
Interest rate	**1,404**	1,050
Credit	**164**	150
Foreign exchange	**664**	1,163
Equity and other	**768**	819
Total	**3,525**	3,655
Total gross derivatives	**$ 3,705**	$ 3,961
Amounts offset		
Counterparty netting	**(3,201)**	(3,114)
Cash collateral netting	**(330)**	(565)
Total in Trading liabilities	**$ 175**	$ 282
Amounts not offset[1]		
Financial instruments collateral	**(17)**	(2)
Net amounts	**$ 158**	$ 280
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable	**$ 7**	$ 10

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

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Notional of Derivative Contracts

	Assets at March 31, 2024		
$ in millions	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	**$ 21,885**	**$ —**	**$ 21,885**
Not designated as accounting hedges			
Economic hedges of loans			
Credit	**332**	**—**	**332**
Other derivatives			
Interest rate	**26,121**	**138**	**26,259**
Credit	**4,893**	**—**	**4,893**
Foreign exchange	**61,609**	**—**	**61,609**
Equity and other	**15,695**	**—**	**15,695**
Total	**108,650**	**138**	**108,788**
Total gross derivatives	**$ 130,535**	**$ 138**	**$ 130,673**

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

	Liabilities at March 31, 2024		
$ in millions	Bilateral OTC	Exchange-Traded	Total
Designated as accounting hedges			
Interest rate	**$ 19,962**	**$ —**	**$ 19,962**
Not designated as accounting hedges			
Economic hedges of loans			
Credit	**17,162**	**—**	**17,162**
Other derivatives			
Interest rate	**38,501**	**1,040**	**39,541**
Credit	**4,535**	**—**	**4,535**
Foreign exchange	**52,515**	**—**	**52,515**
Equity and other	**26,997**	**—**	**26,997**
Total	**139,710**	**1,040**	**140,750**
Total gross derivatives	**$ 159,672**	**$ 1,040**	**$ 160,712**

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

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

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

Gains (Losses) on Accounting Hedges

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Fair value hedges–Recognized in Interest income		
Interest rate contracts	**$ 362**	$ (220)
Investment Securities—AFS	**(356)**	225
Fair value hedges–Recognized in Interest expense		
Interest rate contracts	**$ (50)**	$ 50
Deposits	**7**	(51)
Borrowings	**42**	—
Cash flow hedges–Interest rate contracts[1]		
Recognized in OCI	**$ (47)**	$ 7
Less: Realized gains (losses) (pre-tax) reclassified from AOCI to interest income	**(11)**	(1)
Net change in cash flow hedges included within AOCI	**(36)**	8

1. For the current quarter ended March 2024, there were no forecasted transactions that failed to occur. The net gains (losses) associated with cash flow hedges expected to be reclassified from AOCI within 12 months as of March 31, 2024 is approximately $(46) million. The maximum length of time over which forecasted cash flows are hedged is 15 months.

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

	Changes in Net Unrealized Gains (Losses) on Cash Flow Hedges	
	Three Months Ended March 31,	
$ in millions	**2024**	2023
Beginning Balance	$ **16**	$ (4)
Other comprehensive income (loss) before reclassifications	**(36)**	6
Amounts reclassified from AOCI	**8**	1
Net other comprehensive income (loss) during the period	**(28)**	7
Ending Balance	$ **(12)**	$ 3

Fair Value Hedges–Hedged Items

$ in millions	**At March 31, 2024**	At December 31, 2023
Investment securities–AFS		
Amortized cost basis currently or previously hedged	$ **26,696**	$ 26,693
Basis adjustments included in amortized cost[1]	**(478)**	(280)
Deposits		
Carrying amount currently or previously hedged	**10,674**	10,352
Basis adjustments included in carrying amount[1]	$ **(39)**	$ (32)
Borrowings		
Carrying amount currently or previously hedged	$ **4,202**	$ 2,698
Basis adjustments included in carrying amount[1]	$ **(39)**	$ 3

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

Gains (Losses) on Economic Hedges of Loans

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Recognized in Gains and losses on financial assets and liabilities		
Credit[1]	$ **(90)**	$ (87)

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

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

Gains and (Losses) on Financial Assets and Liabilities

	Three Months Ended March 31,	
$ in millions	**2024**	2023
Interest rate	$ **1**	$ —
Foreign exchange	**(3)**	—
Equity[1]	**347**	207
Credit	**(4)**	14
Total	$ **341**	$ 221

1. Dividend income is included within equity contracts.

Credit Derivatives

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

Protection Purchased with CDS

	Notional	
$ in millions	**At March 31, 2024**	At December 31, 2023
Single name	$ **19,616**	$ 18,914
Index and basket	**2,906**	1,623
Total	$ **22,522**	$ 20,537

	Fair Value Asset (Liability)	
$ in millions	**At March 31, 2024**	At December 31, 2023
Single name	$ **(615)**	$ (559)
Index and basket	**(5)**	28
Total	$ **(620)**	$ (531)

Maximum Potential Payout/Notional of Credit Protection Sold[1]

	Years to Maturity at March 31, 2024				
$ in millions	< 1	1-3	3-5	Over 5	Total
Index and basket CDS non-investment grade	$ —	$ —	$ 1,057	$ 845	$ 1,902
Other credit contracts	—	—	—	2,497	2,497
Total credit protection sold	$ —	$ —	$ 1,057	$ 3,342	$ 4,399
CDS protection sold with identical protection purchased					$ 1,902

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

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

Fair Value Asset (Liability) of Credit Protection Sold[1,2]

$ in millions	At March 31, 2024	At December 31, 2023
Index and basket CDS non-investment grade	**$ (11)**	$ (32)
Other credit contracts	**142**	147
Total credit protection sold	**131**	115
CDS protection sold with identical protection purchased	**$ (11)**	$ (32)

1. Investment grade/non-investment grade determination is based on the internal credit rating of the reference obligation. Internal credit ratings serve as the CRM's assessment of credit risk and the basis for a comprehensive credit limits framework used to control credit risk. The Bank uses quantitative models and judgment to estimate the various risk parameters related to each obligor.
2. Fair value amounts of certain credit default swaps where the Bank sold protection have an asset carrying value because credit spreads of the underlying reference entity or entities tightened during the terms of the contracts.

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

13. Commitments, Contingencies and Guarantees

Commitments

$ in millions	Years to Maturity at March 31, 2024 Less than 1	1-3	3-5	Over 5	Total
Lending:					
Corporate	**$ 12,999**	**$ 22,536**	**$ 42,027**	**$ 1,978**	**$ 79,540**
Secured lending facilities	**8,322**	**6,886**	**4,353**	**4,465**	**24,026**
Commercial and Residential real estate	**207**	**21**	**15**	**—**	**243**
Securities-based lending and Other	**2,486**	**804**	**125**	**388**	**3,803**
Reverse repurchase commitment[1]	**3,000**	**—**	**—**	**—**	**3,000**
Forward-starting secured financing receivables[2]	**5,129**	**—**	**—**	**—**	**5,129**
Central counterparty	**300**	**—**	**—**	**—**	**300**
Investment activities	**273**	**25**	**18**	**—**	**316**
Total	**$ 32,716**	**$ 30,272**	**$ 46,538**	**$ 6,831**	**$116,357**
Lending commitments participated to third parties					**$ 5,606**

1. For further information, see Note 11.
2. Forward-starting secured financing receivables are generally settled within three-business days.

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

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

Contingencies

Legal

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

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

The Bank contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Bank can reasonably estimate the amount of that loss or the range of loss, the Bank accrues an estimated loss by a charge to income.

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

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

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

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

Guarantees

	At March 31, 2024				
	Maximum Potential Payout/Notional of Obligations by Years to Maturity				Carrying Amount Asset (Liability)
$ in millions	Less than 1	1-3	3-5	Over 5	
Non-credit derivatives[1]	$ 530	$ 1,952	$ 3,739	$ 232	$ (135)
Letters of credit[2]	767	690	614	2,499	142
Liquidity facilities	2,193	—	—	—	(1)

1. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivative contracts, see Note 12.
2. These amounts include certain issued standby letters of credit participated to third parties and affiliates, totaling $2.6 billion of notional and collateral/recourse, due to the nature of the Bank's obligations under these arrangements. As of March 31, 2024, the carrying amount of standby letters of credit and other financial guarantees issued includes allowance for credit losses of $11 million.

Types of Guarantees

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

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

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

14. Variable Interest Entities

As of March 31, 2024, the Bank consolidated VIEs with assets and liabilities of $436 million and $401 million, respectively; as of the prior year end, comparable assets and liabilities were $493 million and $438 million, respectively.

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

Non-consolidated VIEs

	At March 31, 2024			
$ in millions	MABS[1]	MTOB	OSF	Other[2]
VIE assets (UPB)	**$121,411**	**$ 3,311**	**$ 945**	**$ 33,584**
Maximum exposure to loss[3]				
Debt and equity interests	**$ 18,746**	**$ —**	**$ 973**	**$ 4,297**
Derivative and other contracts	**—**	**2,193**	**—**	**—**
Commitments, guarantees and other	**3,884**	**—**	**—**	**46**
Total	**$ 22,630**	**$ 2,193**	**$ 973**	**$ 4,343**
Carrying value of variable interest—Assets				
Debt and equity interests	**$ 18,746**	**$ —**	**$ 867**	**$ 4,296**
Derivative and other contracts	**—**	**2**	**—**	**—**
Total	**$ 18,746**	**$ 2**	**$ 867**	**$ 4,296**
Additional VIE assets owned[4]				**$ 6,610**
Carrying value of variable interest—Liabilities				
Derivative and other contracts	**$ —**	**$ 4**	**$ —**	**$ —**

MTOB—Municipal tender option bonds
OSF—Other structured financing

1. MABS include VIE assets as follows: $71.7 billion of commercial mortgages; $31.8 billion of U.S agency collateralized mortgage obligations; $6.8 billion of residential mortgages; and $11.1 billion of other consumer or commercial loans.
   MABS include VIE debt and equity interests as follows: $7.8 billion of commercial mortgages; $5.0 billion of U.S agency collateralized mortgage obligations; $3.9 billion of other consumer or commercial loans; and $2.0 billion of residential mortgages.
2. Amounts primarily include transactions backed by commercial real estate property.
3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Bank.
4. Additional VIE assets owned represents the carrying value of total exposure to non-consolidated VIEs for which the maximum exposure to loss is less than specific thresholds, primarily interests issued by securitization SPEs. The Bank's maximum exposure to loss generally equals the fair value of the assets owned. These assets are primarily included in Investment securities and are measured at fair value (see Note 6). The Bank does not provide additional support in these transactions through contractual facilities, guarantees or similar derivatives.

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

1. MABS include VIE assets as follows: $68.5 billion of commercial mortgages; $30.7 billion of U.S agency collateralized mortgage obligations; $6.8 billion of residential mortgages; and $9.6 billion of other consumer or commercial loans.
MABS include VIE debt and equity interests as follows: $7.3 billion of commercial mortgages; $5.1 billion of U.S agency collateralized mortgage obligations; $2.7 billion of other consumer or commercial loans; and $2.2 billion of residential mortgages.
2. Amounts primarily include transactions backed by commercial real estate property.
3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Bank.
4. Additional VIE assets owned represents the carrying value of total exposure to non-consolidated VIEs for which the maximum exposure to loss is less than specific thresholds, primarily interests issued by securitization SPEs. The Bank's maximum exposure to loss generally equals the fair value of the assets owned. These assets are primarily included in Investment securities and are measured at fair value (see Note 6). The Bank does not provide additional support in these transactions through contractual facilities, guarantees or similar derivatives.

The Bank's maximum exposure to loss often differs from the carrying value of the variable interest held by the Bank. The maximum exposure to loss is dependent on the nature of the Bank's variable interest in the VIEs and is limited to the notional amounts of certain liquidity facilities the Bank has provided to the VIEs. Liabilities issued by VIEs generally are non-recourse to the Bank.

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

Transferred Assets with Continuing Involvement

$ in millions	**At March 31, 2024** RML	CML	At December 31, 2023 RML	CML
SPE assets (UPB)	**$ 1,617**	**$ 68,067**	$ 989	$ 67,946
Retained interests:				
Investment grade	**50**	**652**	33	652
Non-investment grade	**32**	**612**	16	601
Total	**$ 82**	**$ 1,264**	$ 49	$ 1,253

RML—Residential mortgage loans
CML—Commercial mortgage loans

Tax Equity Investments

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

Tax Equity Investments under the Proportional Amortization Method

Low-income housing tax equity investments under the proportional amortization method were $908 million and $909 million as of March 31, 2024 and December 31, 2023, respectively.

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

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

$ in millions	**Three Months Ended March 31, 2024**	2023
Income tax credits and other income tax benefits	**$ 34**	$ 32
Proportional amortization	**(27)**	(24)
Net benefits	**$ 7**	$ 8

15. Regulatory Requirements

Regulatory Capital Framework and Requirements

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

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

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

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

Capital Buffer Requirements

The capital buffer requirement represents the amount of Common Equity Tier 1 capital the Bank must maintain above the minimum risk-based capital requirements in order to avoid

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

Risk-Based Regulatory Capital Ratio Requirements

		At March 31, 2024 and December 31, 2023	
	Regulatory Minimum	Standardized	Advanced
Required ratios[1]			
CET1 capital ratio	**4.5 %**	**7.0 %**	**7.0 %**
Tier 1 capital ratio	**6.0 %**	**8.5 %**	**8.5 %**
Total capital ratio	**8.0 %**	**10.5 %**	**10.5 %**

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

Regulatory Capital and Capital Ratios

Risk-based capital

	Standardized	
$ in millions	At March 31, 2024	At December 31, 2023
Risk-based capital		
CET1 capital	**$ 23,127**	$ 21,925
Tier 1 capital	**23,127**	21,925
Total capital	**24,033**	22,833
Total RWA	**102,988**	101,178
Risk-based capital ratio		
CET1 capital	**22.5%**	21.7%
Tier 1 capital	**22.5%**	21.7%
Total capital	**23.3%**	22.6%
Well-Capitalized Requirements[1]		
CET1 capital	**6.5%**	6.5%
Tier 1 capital	**8.0%**	8.0%
Total capital	**10.0%**	10.0%
Required Ratio[2]		
CET1 capital	**7.0%**	7.0%
Tier 1 capital	**8.5%**	8.5%
Total capital	**10.5%**	10.5%

Leveraged-based capital

$ in millions	At March 31, 2024	At December 31, 2023
Leveraged-based capital		
Adjusted average assets[3]	**$ 213,141**	$ 207,653
Supplementary leverage exposure[4]	**276,733**	267,812
Leveraged-based capital ratio		
Tier 1 leverage	**10.9%**	10.6%
SLR	**8.4%**	8.2%
Well-Capitalized Requirements[1]		
Tier 1 leverage	**5.0%**	5.0%
SLR	**6.0%**	6.0%
Required Ratio[2]		
Tier 1 leverage	**4.0%**	4.0%
SLR	**3.0%**	3.0%

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

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

16. Income Taxes

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

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

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

Average Balances and Interest Rates and Net Interest Income

	Three Months Ended March 31,					
	2024			2023		
$ in millions	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
Interest earning assets[1]						
Cash and cash equivalents	**$ 22,963**	**$ 313**	**5.5 %**	$ 26,328	$ 300	4.6 %
Investment securities	**71,438**	**638**	**3.6 %**	73,607	481	2.7 %
Securities purchased under agreements to resell	**11,392**	**179**	**6.3 %**	4,538	62	5.5 %
Loans and Other[2]	**79,759**	**1,492**	**7.5 %**	80,091	1,253	6.3 %
Total	**$185,552**	**$ 2,622**	**5.7 %**	$184,564	$ 2,096	4.6 %
Interest bearing liabilities[1]						
Deposits and Other[3]	**$175,897**	**$ 1,256**	**2.9 %**	$179,260	$ 754	1.7 %
Borrowings	**7,684**	**121**	**6.3 %**	553	4	2.9 %
Total	**$183,581**	**$ 1,377**	**3.0 %**	$179,813	$ 758	1.7 %
Net interest income and net interest rate spread		**$ 1,245**	**2.7 %**		$ 1,338	2.9 %

1. Amounts include primarily U.S. balances.
2. Interest on other assets includes the impact of certain trading activities, loans to affiliate, and dividends on FRB and FHLB capital stock. The average balance of other interest-earning assets was $0.8 billion and $1.3 billion for the quarter ended March 31, 2024 and March 31, 2023, respectively.
3. Interest on other liabilities primarily includes the impact of net advances from and payables to the Parent and certain trading activities. The average balance of other interest-bearing liabilities was $0.9 billion and $0.8 billion for the quarter ended March 31, 2024 and March 31, 2023, respectively.

Ratios

	Three Months Ended March 31,	
	2024	2023
ROE[1]	**22.6 %**	22.9 %

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

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

Risk Factors

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