Morgan Stanley

Registered number: 02068222

Registered office:
25 Cabot Square
Canary Wharf
London
E14 4QA

Morgan Stanley & Co. International plc

2026 Interim Report and Financial Statements

30 June 2026

Table of Contents

The Directors present their Interim Management Report and the Condensed Consolidated Financial Statements ("Interim Financial Statements") for Morgan Stanley & Co. International plc (the "Company") and all of its subsidiary undertakings (together the "Group") for the six month period ended 30 June 2026 (the "period").

These Interim Financial Statements should be read in conjunction with, and as an update to the Group's 2025 Report and Financial Statements, available at: https://www.morganstanley.com/about-us-ir/subsidiaries

Group and Company Overview

The ultimate parent undertaking and controlling entity is Morgan Stanley, which together with the Group and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group". Morgan Stanley is a global financial services firm authorised as a Financial Holding Company and regulated by the Board of Governors of the Federal Reserve System in the United States of America ("US").

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

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

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

Principal Activity

The Morgan Stanley Group's overall strategy is to raise, manage and allocate capital for corporations, individuals, asset managers and asset owners around the world.

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

The Group conducts business from its headquarters in London, UK, and operates branches in Abu Dhabi, Dubai, Qatar, South Korea and Switzerland.

Details of the Company's subsidiaries can be found in the Appendix of the 2025 Report and Financial Statements.

Supervision and Regulation

As a UK-based financial services provider, the Company is authorised by the Prudential Regulation Authority ("PRA") as a PRA-designated investment firm and is primarily regulated by the PRA and the Financial Conduct Authority ("FCA"). The branches and subsidiaries are regulated where subject to local requirements.

Capital and liquidity ratios as reported to the PRA are included in this Interim Management Report for the Company only.

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

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

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

Risk Factors and Business Environment

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

Risk Factors

Risk taking is an inherent part of the Group's business activities. The MSI Group has policies in place to identify, measure, monitor, report, challenge and escalate the principal risks involved in its business activities.

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

The MSI Group has an established Risk Management Framework to support the identification, measurement, monitoring, reporting, challenge and escalation of risk.

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

Business Environment

The economic environment exhibited strength in the first half of 2026 characterised by active equity markets supported by the adoption of AI and improved investor sentiment. Geopolitical risk, inflation, rising asset prices, the rate of economic growth, and the future path of monetary policy represent ongoing uncertainties which could continue to impact the capital markets and the Group. The Group performance in this environment is discussed further in 'Overview of 2026 Financial Results'.

The Group's management continues to monitor the developments in the Middle East and their impact on the regional economy, global economic conditions and financial markets. The Group's direct exposure remains limited.

Future Developments

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

Financial Performance and Condition

Performance Indicators

To assess the effectiveness of the execution of the strategy, the Board monitors the results of the Group and/or Company by reference to a range of key performance indicators and required regulatory metrics, including, but not limited to those disclosed below. The performance indicators are as at the period / year ended 30 June 2026 and 31 December 2025, except where otherwise stated. The Company has consistently been, and continues to be, fully compliant with its financial resources requirements.

Return on Shareholders' Equity (Group)

in $ millions	At 30 June 2026	At 30 June 2025
Total shareholders' equity at beginning of the period	24,889	23,612
Profit after tax	1,698	1,086
Return on shareholders' equity - annualised	13.6%	9.2%

Tier 1 Capital Ratio (Company)

in $ millions	At 30 June 2026	At 31 December 2025
Risk-weighted assets ("RWAs")	164,345	138,766
Tier 1 Capital	26,314	22,440
Tier 1 Capital ratio	16.0%	16.2%

Leverage Ratio (Company)

in $ millions	At 30 June 2026	At 31 December 2025
Leverage exposure	655,985	526,099
Tier 1 Capital	26,314	22,440
Leverage ratio	4.0%	4.3%

Liquidity Coverage Ratio (Company)

in $ millions	At 30 June 2026	At 31 December 2025
Liquidity buffer - High quality liquid assets ("HQLA")	53,567	46,460
Liquidity coverage ratio ("LCR")(1)	187%	197%

(1) Calculated as the average of the preceding twelve months

Net Stable Funding Ratio (Company)

in $ millions	At 30 June 2026	At 31 December 2025
Available stable funding ("ASF")	139,105	119,963
Required stable funding ("RSF")	131,545	112,117
Net Stable Funding Ratio ("NSFR")(1)	106%	107%

(1) Calculated as the average of the preceding four quarters

Senior Unsecured Credit Ratings (Company)

At 30 June 2026 and 31 December 2025, the Company's senior unsecured ratings were as follows:

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

(1) On 12 May 2026, Fitch Ratings upgraded the Long-Term Debt rating of the Company to 'AA' from 'AA-' (31 December 2025).

Table of contents

Overview of 2026 Financial Results

Income Statement

Set out below is an overview of the Group's financial results for the period and the prior year period ended 30 June:

in $ millions	2026	2025	Increase/ (decrease)	Variance %
Investment Banking	608	456	152	33%
Sales and Trading	1,023	752	271	36%
Investment Management	13	13	—	0%
Fee and commission income	**1,644**	**1,221**	**423**	**35%**
Net trading income(1)	**4,958**	**3,458**	**1,500**	**43%**
Net revenue	**6,602**	**4,679**	**1,923**	**41%**
Staff-related expenses	1,305	1,077	228	21%
Non-staff-related expenses	3,002	2,101	901	43%
Operating expense	**4,307**	**3,178**	**1,129**	**36%**
Net impairment (reversal)/loss on financial instruments	6	4	2	50%
Non-interest expenses	**4,313**	**3,182**	**1,131**	**36%**
Profit before tax	**2,289**	**1,497**	**792**	**53%**
Income tax expense	591	411	180	44%
Profit after tax	**1,698**	**1,086**	**612**	**56%**

(1) Net trading income is comprised of 'Net gains from financial instruments at fair value through profit or loss ("FVPL")', 'Other revenue' and 'Net interest expense' as set out in the condensed consolidated income statement on page 20.

Net revenue and Profit before tax split by geographical region:

30 June 2026	Net revenue ($ millions / %)		Profit before tax ($ millions / %)	
EMEA (1)	3,400	52%	850	37%
Asia	2,804	42%	1,223	53%
Americas	398	6%	216	10%
Total	**6,602**		**2,289**	
30 June 2025				
EMEA (1)	2,876	61%	688	46%
Asia	1,432	31%	600	40%
Americas	371	8%	209	14%
Total	**4,679**		**1,497**	

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

Net revenue

Overall Net revenue increased by 41%.

Fee and commission income

Investment Banking increased by 33% driven by advisory revenues from higher completed mergers & acquisitions transactions and underwriting revenues.

Sales and Trading increased by 36%, primarily related to strong performance across businesses and regions, with notable strength in Asia, driven by strong client engagement and favourable market conditions.

Net trading income

Net trading income increased by 43% underpinned by strong Equity performance across all regions and products.

Operating expense

Staff-related expenses

Staff-related expenses increased by 21%, driven by higher discretionary incentive compensation which is directly linked to higher revenue.

Non-staff-related expenses

Non-staff-related expenses increased by 43% driven by volume related execution costs.

Income Tax Expense

The Group's tax expense for the period is $591 million, compared to $411 million for the prior period. This represents an actual effective tax rate ("ETR") of 25.8% (30 June 2025: 27.4%), compared to the average standard rate of UK corporation tax (inclusive of the UK Banking Surcharge) of 28% (30 June 2025: 28%).

Table of contents

Balance Sheet

in $ millions	30 June 2026	31 December 2025 (audited)	Increase/ (decrease)	Variance %
Cash and short term deposits	24,968	18,976	5,992	32%
Trading financial assets	526,957	415,802	111,155	27%
Secured financing	177,112	137,869	39,243	28%
Trade and other receivables	128,214	95,120	33,094	35%
Other assets	965	1,173	(208)	(18%)
Total Assets	**858,216**	**668,940**	**189,276**	**28%**
Trading financial liabilities	428,862	337,224	91,638	27%
Secured borrowing	172,750	134,738	38,012	28%
Trade and other payables	126,336	93,280	33,056	35%
Debt and other borrowings	83,446	63,125	20,321	32%
Subordinated debt	17,313	15,626	1,687	11%
Other liabilities	90	58	32	55%
Total Liabilities	**828,797**	**644,051**	**184,746**	**29%**
Total Equity	**29,419**	**24,889**	**4,530**	**18%**

Assets and Liabilities

The increase across the majority of the Balance Sheet line items was driven by increased client engagement across all markets.

Total Equity increased as a result of the issuance of ordinary shares and issuance of Additional Tier 1 (“AT1”) capital instruments to MSI. Further details of these transactions are set out in the 'Capital Management' section.

Capital and Liquidity Resource Management and Regulation

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

Capital Management

Consistent with the Morgan Stanley Group capital management policies, the MSI Group and the Company manage their capital positions based upon, among other things, business opportunities, risks, capital availability and rate of return together with internal capital policies, future regulatory requirements and rating agency guidelines.

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

Regulatory Capital and Leverage Requirements

As at 30 June 2026, the Company's Total Capital Requirement ("TCR") was $19,524 million (31 December 2025: $16,485 million), equivalent to 11.9% (31 December 2025: 11.9%) of RWAs. In addition, the PRA sets a buffer if required, which is available to support the Company in a stressed market environment.

The Company's capital is monitored on an ongoing basis to ensure compliance with the above requirements.

The Company complied with all of its capital requirements during the period.

Capital Resources

Set out below are details of the Company's Capital Resources, as at 30 June 2026 and 31 December 2025:

in $ millions	30 June 2026	31 December 2025
Total Company equity	29,268	24,745
Regulatory adjustments	(2,954)	(2,305)
Tier 1 Capital	26,314	22,440
Of which		
Common Equity Tier 1 ("CET1")	*20,114*	*18,140*
Additional Tier 1 ("AT1")	*6,200*	*4,300*
Tier 2 Capital	5,212	5,224
Total Capital Resources	**31,526**	**27,664**
RWAs	164,345	138,766
CET1 Capital ratio	12.2%	13.1%
Tier 1 Capital ratio	16.0%	16.2%
Total Capital ratio	19.2%	19.9%

The total capital ratio decreased as compared to 31 December 2025 primarily due to an increase in RWAs (refer to below table).

RWAs

in $ millions	30 June 2026	31 December 2025
Credit RWAs	96,050	83,142
Market RWAs	56,820	44,149
Operational RWAs	11,475	11,475
Total RWAs	**164,345**	**138,766**

RWAs increased by $25,579 million over the period (six month period to 30 June 2025: increase of $21,306 million), largely driven by increased trading activity.

Leverage Ratio

The Company has been subject to a minimum leverage ratio of 3.25% since 1 January 2023.

In addition, at least 75% of the Company's Tier 1 capital must consist of CET1 capital. Furthermore, the Company must also maintain an additional countercyclical leverage ratio buffer of CET1 equal to 35% of its current Countercyclical Capital Buffer ("CCyB") rate of 0.54%.

The Company's leverage ratio is detailed in the 'Performance Indicators' section on page 5.

Leverage exposure increased over the period, primarily due to both an equity market rally and higher business activity within Prime Brokerage, which were the main drivers of balance sheet growth during the period, together with increased derivative exposures.

Significant Capital Transactions

On 26 February 2026, the Company issued $500 million ordinary shares through its immediate parent to MSI and up the ownership chain to Morgan Stanley. On 11 June 2026, the Company issued an additional $400 million ordinary shares through its immediate parent to MSI.

The Company issued a $1,200 million AT1 instrument on 23 February 2026 and a $700 million AT1 instrument on 12 June 2026 to MSI.

Funding and Liquidity Management

Regulatory Liquidity and Funding Requirements

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

The Company complied with all liquidity requirements during the period.

The Company's liquidity ratios are included in the Performance indicators section on page 5.

Regulatory Developments

The Company continues to monitor the changing political, tax and regulatory environment, with specific changes expected as part of the Bank of England ("BOE") implementation of Basel 3.1 standards, as described below. The Company expects to remain subject to extensive supervision and regulation.

Finalising Basel III Reforms

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

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

In the UK, the PRA have issued their final rules, referred to as Basel 3.1. These rules are effective from 1 January 2027 with the exception of new advanced approaches for market risk which are effective from 1 January 2028. The proposed rules are largely consistent with the Basel III reform package with some adjustments to address UK specificities. These changes require significant changes in calculation processes. The above developments have been considered in the capital planning, funding plan, Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment Process, and the Company remains adequately capitalised.

Risk Management

Risk taking is an inherent part of the Group's business activities and effective risk management is vital to the Group's success. The MSI Group has established a Risk Management Framework, encompassing the risk management culture, risk governance, approach and practices that support risk identification, measurement, monitoring, reporting, challenge and escalation.

The MSI Group has a comprehensive risk management governance framework which includes MSI Board approved policies and a defined senior management risk oversight and escalation process at various levels of the governance structure, including for key MSI Group legal entities as appropriate.

The corporate governance structure between MSI and the Company, including the executive and management-level Committees (associated with risk governance) is described in further detail within the 'Corporate Governance' section in the Strategic Report in the 2025 Report and Financial Statements.

This section and note 16 'Risk Management' provide qualitative and quantitative disclosures about the Group's management of, and exposure to certain financial risks. The Group's risk strategy, appetite and management framework are outlined in the 'Risk Management' section of the Strategic Report to the 2025 Report and Financial Statements.

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

Market Risk

Definition

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

Governance

The MSI Group manages the market risk associated with its trading activities at both an overall group level and at a product level, in consideration of each significant legal entity.

For further information on the Group's Market Risk governance, refer to 'Market Risk - Governance' section in the Strategic Report to the 2025 Report and Financial Statements.

Measurement and Management of Risk

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

Interim and Year End VaR

The Group's VaR for Primary Risk Categories and Total Management VaR for the period ended 30 June 2026 and 31 December 2025 are shown in the below table. Refer to note 16 for further details.

	95%/ one-day VaR			
	For the six months ended 30 June 2026		For the year ended 31 December 2025	
in $ millions	Period end	Average	Year end	Average
Primary Risk Categories	27	27	22	28
Credit Portfolio[1]	3	4	5	5
Less diversification benefit[2]	(2)	(3)	(4)	(4)
Total Management VaR	**28**	**28**	**23**	**29**

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

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

The increase in VaR from 31 December 2025 to the end of June 2026 is primarily driven by changes to equity risk exposures and increased market volatility in the one year VaR window.

Credit Risk

Definition

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

Governance

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures applicable to MSI Group establish the framework for identification, measurement, monitoring, reporting, challenge and escalation of credit risks. The policies and procedures also ensure transparency of material credit risks, compliance with established limits, requisite approvals for extensions of credit and escalation of risk concentrations to appropriate senior management. For further information on the Group's Credit Risk governance, refer to 'Credit Risk - Governance' section in the Strategic Report to the 2025 Report and Financial Statements.

For information regarding the management of credit risk driven by climate change, refer to the 'Climate and Environmental Risks' section.

Measurement and Management of Risk

The Group is exposed to credit risk primarily from the extension of credit to clients through derivatives, securities financing, prime brokerage activities, and deposits. The Group is also exposed to credit risk via inventory holdings to service client requirements. The table below shows the Group's maximum exposure to credit risk and credit exposure for certain financial assets which are exposed to credit risk and where the Group has entered into credit enhancements, including receiving cash and securities as collateral and master netting agreements. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements. Exposure to other Morgan Stanley Group undertakings is included in this table.

	30 June 2026		
in $ millions	Gross credit exposure(1)	Credit enhancements (2)	Net credit exposure
Trading financial assets:			
Derivatives	349,769	(330,308)	19,461
Secured financing	177,112	(175,343)	1,769
Trade and other receivables (3)	49,787	(49,664)	123
Unrecognised financial instruments			
Loan commitments	146	(30)	116
	576,814	**(555,345)**	**21,469**

	31 December 2025		
in $ millions (audited)	Gross credit exposure(1)	Credit enhancements (2)	Net credit exposure
Trading financial assets:			
Derivatives	279,467	(267,167)	12,300
Secured financing	137,869	(136,734)	1,135
Trade and other receivables	142	(49)	93
Unrecognised financial instruments			
Loan commitments	21	—	21
	417,499	**(403,950)**	**13,549**

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

(2) Credit enhancements include collateral received and netting allowable under master netting agreements used to manage credit exposure.

(3) During the period, $49,578 million of Trade and other receivables due from Morgan Stanley Group undertakings moved from amortised cost measurement basis to fair value through profit or loss and has a nil net credit exposure.

Additional information on the exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in 'Risk Management' note 16.

Country and Sovereign Exposures

Country risk is the risk that events in, or affecting, a foreign country might adversely affect the MSI Group. "Events" can include changes to global trade policies, the implementation of tariffs or imposition of capital controls resulting from risks such as tensions between the US and China. "Foreign country" means any country other than the UK. Sovereign risk, by contrast, is the risk that a government will be unwilling or unable to meet its debt obligations or will renege on the debt that it guarantees. Sovereign risk is single-name risk for a sovereign government, its agencies and guaranteed entities. For further information on how the Group identifies, measures, monitors, reports, challenges and escalates country risk exposure refer to 'Country and Sovereign Exposures' in the Strategic Report to the 2025 Report and Financial Statements. The following table shows the Company's five largest non-UK net country exposures as at 30 June 2026.

Five Largest Non-UK Country Risk Total Net Exposures for the Company(1):

in $ millions Country	Net inventory(2)	Net counterparty exposure(3)	Exposure before hedges	Hedges(4)	Total net exposure 30 June 2026(5)	Total net exposure 31 December 2025 (5)
United States						
Sovereigns	(776)	19	(757)	(27)	(784)	(1,106)
Non-sovereigns	1,228	13,880	15,108	(69)	15,039	14,642
Total United States	**452**	**13,899**	**14,351**	**(96)**	**14,255**	**13,536**
Germany						
Sovereigns	1,639	—	1,639	2	1,641	1,543
Non-sovereigns	133	3,004	3,137	(193)	2,944	1,929
Total Germany	**1,772**	**3,004**	**4,776**	**(191)**	**4,585**	**3,472**
France						
Sovereigns	1,978	—	1,978	(137)	1,841	2,202
Non-sovereigns	419	2,142	2,561	(39)	2,522	1,611
Total France	**2,397**	**2,142**	**4,539**	**(176)**	**4,363**	**3,813**
The People's Republic of China						
Sovereigns	(155)	175	20	(225)	(205)	125
Non-sovereigns	2,352	472	2,824	(167)	2,657	433
Total The People's Republic of China	**2,197**	**647**	**2,844**	**(392)**	**2,452**	**558**
Japan						
Sovereigns	146	—	146	(158)	(12)	(192)
Non-sovereigns	347	2,089	2,436	(36)	2,400	2,008
Total Japan	**493**	**2,089**	**2,582**	**(194)**	**2,388**	**1,816**

(1) In addition, as at 30 June 2026, the Company had exposure to these countries for overnight deposits with banks of approximately $2,851 million.

(2) Net inventory represents exposure to both long and short single name and index positions (i.e. bonds and equities at fair value and Credit Default Swaps ("CDS") based on notional amount assuming zero recovery adjusted for any fair value receivable or payable). As a market maker, the Company transacts in these CDS positions to facilitate client trading.

(3) Current exposure of repurchase transactions, securities lending and derivatives taking into consideration legally enforceable master netting agreements and collateral as well as relevant valuation adjustments.

(4) Represents CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures for the Company. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.

(5) Total net exposure represents the sum of net inventory exposure, net counterparty exposure, funded lending, unfunded lending and hedges. As of 30 June 2026, the Company did not have any funded or unfunded lending commitments.

Valuation Risk

Definition

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

Governance

Valuation Control ("VC") within Finance is responsible for the Group's valuation policies and procedures which ensure compliance with the relevant accounting standards and regulatory requirements. VC implements valuation control processes designed to validate the fair value of the Group's financial instruments measured at fair value including those derived from pricing models.

Measurement and Management of Risk

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

- Model Certification: All models are certified before use and at least annually thereafter. New models (and enhancements to existing models) are developed by Strategists within the Business Units ("BU"), who affirm that they are appropriate for intended use. Senior Traders in the Business Units sign off that they have been involved in the development of the model and understand the model's assumptions and limitations. VC must approve the model by performing an independent review to ensure the valuation methodology and valuation outputs produced by the model are consistent with accounting standards. Model Risk Management ("MRM"), within Firm Risk Management, must approve the application of all models, being responsible for the independent oversight of model risks.
- Mark Review: VC performs mark reviews which cover the financial instruments inventory held at fair value by the Group. VC ensures that the valuation generated by the Business Units is in compliance with accounting standards. This is performed by reviewing the appropriateness of the prices or pricing inputs applied to valuation models using approved valuation methodologies and external pricing data. Variances are reviewed against VC's tolerance framework; breaches are communicated to controllers for consideration as part of the general ledger close.
- Significant Transaction Analytical Review ("STAR"): As defined by the STAR policy, for all trades with significant gross day 1 profit and loss, VC reconfirms that the valuation methodologies are adequate and the modelling uncertainty is appropriately addressed. STAR reviews may be conducted before trade execution, post-execution review and at the point of early unwind of the trade, if it occurs. Reviews are documented, presented to, and approved by, relevant STAR Committees.

Leverage Risk

Definition

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

Governance

The leverage ratio exposures of the Company, (including business unit limit utilisation) are regularly calculated and reported to the EMEA Asset and Liability Committee ("ALCO"), alongside other additional factors that are considered, such as maturity and funding profiles considering both assets and liabilities and asset encumbrance metrics. Additionally, weekly capital resource meetings occur between senior cross-functional stakeholders to monitor, analyse, and optimise resources including but not limited to leverage ratio exposure. In addition to reporting of the leverage ratio, a quarterly risk identification assessment and quantification of contingent leverage exposures are shared with the EMEA ALCO, which is responsible for monitoring the Group's leverage ratio.

Measurement and Management of Risk

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

In addition to reporting of the leverage ratio, the quarterly risk identification assessment is in place to monitor both qualitative and quantitative leverage ratio exposure drivers, risks and quantify contingent leverage exposures to ensure compliance with internal and regulatory minimums in the event they were to crystallise.

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

In addition to capital planning, the Large Transaction Approval process requires the leverage ratio exposure impact to be assessed prior to execution. Trades are approved based on, amongst others, capacity and return metrics. Large transactions are defined as transactions that are anticipated to generate Risk Weighted Assets, Leverage Exposure, Affiliated Exposure and Liquidity/Funding usage in excess of defined thresholds. If a transaction exceeds the defined thresholds, management provides approval before the execution takes place.

Liquidity Risk

Definition

Liquidity risk is the risk that the Group's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner. Liquidity risk encompasses the associated funding risks triggered by stress events, which may cause unexpected changes in funding needs or an inability to raise new funding.

Governance

The MSI Group manages the Liquidity Risk associated with its activities at both an overall group level and at a product level, including consideration of each significant legal entity.
The Liquidity Risk Management policies and procedures establish the framework for identification, measurement, monitoring, reporting, challenge and escalation of liquidity risk whilst ensuring transparency of material Liquidity and Funding Risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

To execute these responsibilities, the Group establishes and maintains limits and risk indicators in line with the Morgan Stanley Group's Liquidity and Funding Risk Appetite, identifies and analyses emerging Liquidity and Funding Risks to ensure such risks are appropriately mitigated, and monitors and reports risk exposures against metrics and limits. The Liquidity and Funding Risks identified by these processes are summarised and reported to senior management.

Measurement and Management of Risk

In order to measure liquidity risk, the Group uses a range of approaches (point-in-time, forward-looking and backward-looking) at product and BU levels.

MSI Group maintains Liquidity Risk limits and risk indicators at various levels of the Group's governance structure to support links between the Group's overall Liquidity Risk Appetite and more granular risk-taking decisions and activities. These more granular limits and risk indicators on the various products also serve to promote risk reducing behaviour, ensure an appropriate liquidity and funding profile, and to assist senior management in the early identification of a stressed environment.

These scenarios contain various combinations of idiosyncratic and systemic stress events of different severity and duration. Quantitative information on the regulatory requirements for LCR and NSFR is disclosed in the 'Performance Indicators' section.

The information in this Interim Management Report is complemented by 'Risk Management' note 16.

For further information on the Group's liquidity risk, refer to 'Liquidity Risk' section in the Strategic Report to the 2025 Report and Financial Statements.

Operational Risk

Definition

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

For further information on the Group's operational risk, refer to 'Operational Risk' section in the Strategic Report to the 2025 Report and Financial Statements.

Climate and Environmental Risk

Evolving Regulatory Developments

On 26 February 2026, the Omnibus Sustainability package was published in the Official Journal of the European Union and entered into force on 18 March 2026. The package amended the scope and timing of certain EU sustainability reporting requirements. Based on the legislation currently in force and subject to transposition into Luxembourg law, the Group expects to be required to report in accordance with the Corporate Sustainability Reporting Directive ("CSRD") for the financial year ending 31 December 2026.

Managing Climate and Environmental Risks

The integration of Climate and Environmental financial risk into MSI Group's Risk Management Framework continued to evolve in the period. For further information on the Group's Climate and Environmental risks, refer to 'Climate and Environmental Risk' in the Strategic Report to the 2025 Report and Financial Statements.

The Group's approach to sustainability is consistent with that of the Morgan Stanley Group. The Morgan Stanley Group is committed to transparent disclosure, and its latest sustainability-related disclosures can be found in the Morgan Stanley Group's Sustainability Report, the data, content and narrative of which are informed by the Sustainability Accounting Standards Board ("SASB") standards for Investment Banking and Brokerage, Asset Management and Custody Activities, and Commercial Banking, and the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). Both frameworks are now part of the International Sustainability Standards Board ("ISSB") under the IFRS Foundation.

The Morgan Stanley Group's Sustainability Report can be found at: https://www.morganstanley.com/about-us/sustainability-reports-research. As at the publication date of this Interim Management Report, the latest Morgan Stanley Group Sustainability Report is the 2024 Sustainability Report. The 2025 Report will be available at the above-listed site when published.

Table of contents

Going Concern

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

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

Approved by the Board and signed on its behalf by

DocuSigned by:

Anthony Mullineaux

6AD9FC79503A4E6...

A Mullineaux

Director

22 September 2026

Table of contents

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

Board of Directors:

R Talma Stheeman	(Appointed as a director on 5 February 2026 and appointed as Chair on 1 July 2026)
C Beatty	
M Butler	
D Cannon	(Resigned as a Director and Chair on 1 July 2026)
D Cantillon	
T Duhon	(Resigned 1 May 2026)
P Kahre	
A Khazen	
K Lazaroo	(Resigned 3 April 2026)
A Mullineaux	
S Orlacchio	
J Pearce	
M Richards	
P Taylor	
N Whyte	
C Woodman	

By order of the Board

DocuSigned by:
Anthony Mullineaux
6AD9FC79503A4E6...

A Mullineaux

Director

22 September 2026

Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related notes 1 to 21.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 is not prepared, in all material respects, in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with European ("EU") adopted International Accounting Standard 34 'Interim Financial Reporting'.

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with EU adopted International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the UK Companies Act 2006. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with Article 4(2)(a) of the Luxembourg Transparency Law and in accordance with EU adopted International Accounting Standard 34 'Interim Financial Reporting'.

Conclusion Relating to Going Concern

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

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

Responsibilities of the Directors

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

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

Auditor's Responsibilities for the Review of the Financial Information

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

Use of Our Report

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

Signed by:

Deloitte LLP

BBEACEF6E3F342E...

Deloitte LLP

Statutory Auditor

London

22 September 2026

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2026

in $ millions	Note	Six months ended 30 June 2026 (unaudited)	Six months ended 30 June 2025 (unaudited)
Net gains from financial instruments at fair value through profit or loss	2	6,177	4,391
Fee and commission income	3	1,644	1,221
Other revenue		4	20
Interest income	4	6,271	5,862
Interest expense	4	(7,494)	(6,815)
Net interest expense		(1,223)	(953)
Net revenue		**6,602**	**4,679**
Non-interest expenses:			
Operating expense	5	(4,307)	(3,178)
Net impairment loss on financial instruments		(6)	(4)
PROFIT BEFORE TAX		**2,289**	**1,497**
Income tax expense	6	(591)	(411)
PROFIT FOR THE PERIOD		**1,698**	**1,086**

All operations were continuing in the current and prior periods.

The notes on pages 25 to 57 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2026

in $ millions	Six months ended 30 June 2026 (unaudited)	Six months ended 30 June 2025 (unaudited)
PROFIT FOR THE PERIOD	**1,698**	**1,086**
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value	57	(38)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising on foreign operations	(48)	81
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX	**9**	**43**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,707**	**1,129**

The notes on pages 25 to 57 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2026

in $ millions	Note	Six months ended 30 June 2026 (unaudited)	Six months ended 30 June 2025 (unaudited)
Share capital and other equity instruments – at 1 January		**16,765**	**16,765**
Issuance of Share capital	14	900	—
Issuance of AT1 Instruments	14	1,900	—
Share capital and other equity instruments – at 30 June		**19,565**	**16,765**
Share premium account – at 1 January and 30 June		**513**	**513**
Currency translation reserve - at 1 January		**9**	**(23)**
Foreign currency translation differences arising on foreign operations		(48)	81
Currency translation reserve - at 30 June		**(39)**	**58**
Capital contribution reserve – at 1 January and 30 June		**3**	**3**
Capital redemption reserve – at 1 January and 30 June		**1,400**	**1,400**
Debt valuation reserve - at 1 January		**(496)**	**(365)**
Changes in fair value attributable to own credit risk on financial liabilities designated at fair value		57	(38)
Realised debt valuation losses		4	2
Debt valuation reserve - at 30 June		**(435)**	**(401)**
Retained earnings and pension reserve - at 1 January		**6,695**	**5,319**
Profit for the period		1,698	1,086
Remeasurement of net defined benefit liability		—	1
Realised debt valuation losses		(4)	(2)
Dividends		—	(160)
Income tax - Current and Deferred Tax		24	26
Others		(1)	—
Retained earnings and pension reserve - at 30 June		**8,412**	**6,270**
Other comprehensive income for the year		9	44
Total comprehensive income for the year		1,707	1,130
Total equity at 30 June		**29,419**	**24,608**

The notes on pages 25 to 57 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

in $ millions	Note	30 June 2026 (unaudited)	31 December 2025
ASSETS			
Cash and short term deposits		24,968	18,976
Trading financial assets (of which $73,022 million (2025: $58,315 million) were pledged to various parties)	8	526,957	415,802
Secured financing	7	177,112	137,869
Loans and advances		53	118
Investment securities		13	13
Trade and other receivables		128,214	95,120
Current tax assets		457	566
Deferred tax assets		359	394
Property, plant and equipment		37	41
Other assets		46	41
TOTAL ASSETS		**858,216**	**668,940**
LIABILITIES			
Bank loans and overdrafts		1	1
Trading financial liabilities	8	428,862	337,224
Secured borrowing	7	172,750	134,738
Trade and other payables		126,336	93,280
Debt and other borrowings	11	83,446	63,125
Subordinated Loans	12	17,313	15,626
Provisions	13	52	26
Current tax liabilities		30	24
Post-employment benefit obligations		7	7
TOTAL LIABILITIES		**828,797**	**644,051**
EQUITY			
Share capital	14	13,365	12,465
Other equity instruments	14	6,200	4,300
Share premium account		513	513
Currency translation reserve		(39)	9
Capital contribution reserve		3	3
Capital redemption reserve		1,400	1,400
Pension reserve		(2)	(1)
Debt valuation reserve		(435)	(496)
Retained earnings		8,414	6,696
TOTAL EQUITY		**29,419**	**24,889**
TOTAL LIABILITIES AND EQUITY		**858,216**	**668,940**

The notes on pages 25 to 57 form an integral part of the Interim Financial Statements.

MORGAN STANLEY & CO. INTERNATIONAL plc

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

As at 30 June 2026

in $ millions	Note	Six months ended 30 June 2026 (unaudited)	Six months ended 30 June 2025 (unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**2,311**	**(516)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1)	(16)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1)**	**(16)**
FINANCING ACTIVITIES			
Dividends paid		—	(160)
Issuance of Ordinary share capital	14	900	—
Issuance of AT1 instrument	14	1,900	—
Interest on subordinated loan liabilities		(160)	(178)
Issuance of senior subordinated loan liabilities	12	1,700	2,200
Interest on senior subordinated loan liabilities		(279)	(201)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**4,061**	**1,661**
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,371	1,129
Currency translation differences		(379)	975
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**18,975**	**16,709**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**24,967**	**18,813**

The notes on pages 25 to 57 form an integral part of the Interim Financial Statements.

1. BASIS OF PREPARATION

a. General Information

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

Statutory accounts for the year ended 31 December 2025 were approved by the Board on 1 April 2026 and delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. Other comparative information for the six months ended 30 June 2026 is included in certain instances.

b. Accounting Policies

The Group has prepared its Annual Consolidated Financial Statements in accordance with UK-adopted international accounting standards, IFRSs as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the UK Companies Act 2006. The Interim Financial Statements have been prepared in accordance with Article 4(2) of the Luxembourg Transparency Law and in accordance with IAS 34 '*Interim Financial Reporting*', as adopted by the EU and the UK.

In the period, the Group has applied the amendments to IFRS accounting standards issued by the IASB which are effective for accounting periods beginning on or after 1 January 2025. Except for accounting policies impacted by the new standards adopted during the period (refer to note 1(c) below), in preparing these Interim Financial Statements the Group has applied consistently the accounting policies and methods of computation used in the Group's 2025 Report and audited Financial Statements.

c. New Standards and Interpretations Adopted during the Period

The following amendments to standards relevant to the Group's operations were adopted during the period. These amendments to standards did not have a material impact on the Group's Condensed Consolidated Financial Statements.

Amendments to IFRS 9 '*Financial Instruments*' ("IFRS 9") and IFRS 7 '*Financial Instruments: Disclosures' ("IFRS 7")* were issued by the IASB in May 2024 for retrospective application except where otherwise prescribed by transitional provisions of the standard and are effective for annual periods beginning on or after 1 January 2026. The amendments were adopted by the UK in April 2025 and endorsed by the EU in May 2025.

Annual improvements to IFRS 7 '*Financial Instruments: Disclosures*', IFRS 9 '*Financial Instruments*', IFRS 10 '*Consolidated Financial Statements*' and IAS 7 '*Statement of Cash Flows*' were issued by IASB in July 2024, for application in annual periods beginning on or after 1 January 2026. The amendments were adopted by the UK in February 2025 and endorsed by the EU in July 2025.

There were no other standards or interpretations relevant to the Group's operations which were adopted during the period.

d. New Standards and Interpretations Not Yet Adopted

At the date of authorisation of these Condensed Consolidated Financial Statements, the following standard relevant to the Group's operations was issued by the IASB but not mandatory for accounting periods beginning 1 January 2026. Except where otherwise stated, the Group does not expect that the adoption of the following standard will have a material impact on the Group's Condensed Consolidated Financial Statements.

Morgan Stanley Group entities will be implementing IFRS 18 '*Presentation and Disclosure in Financial Statements*' for annual reporting periods beginning 1 January 2027. The standard introduces a revised structure for the Consolidated Income Statement, including the requirement to classify income and expenses into defined categories (Operating, Investing and Financing), as well as new subtotals, enhanced disclosure requirements, and specific requirements relating to management defined performance measures ("MPMs").

Based on a preliminary assessment, the Group has identified 'providing finance to customers' as a specified main business activity, consistent with its principal activities. As such, the Group expects minimal changes as a result of IFRS 18 implementation but will see some changes to the presentation of income and expense line items, as well as to the disaggregation and subtotals presented on the face of the Income statement. The Group continues to finalise its assessment as part of the Morgan Stanley Group-wide implementation project during 2026.

e. Critical Accounting Judgements and Sources of Estimation Uncertainty

In preparing these Condensed Consolidated Financial Statements, the critical judgements made in applying the Group's accounting policies and the Group's critical sources of estimation uncertainty are consistent with those applied to the 2025 Report and Financial Statements. The Group evaluates the critical accounting judgements and accounting estimates on an ongoing basis and believes that these are reasonable.

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

	30 June	
in $ millions	2026	2025
Assets and liabilities held for trading	**6,435**	**6,763**
Non-trading financial assets at FVPL		
Secured financing	107	127
Investment securities	—	1
Trade and other receivables - prepaid OTC contracts	(11)	28
Total non-trading financial assets at FVPL	**96**	**156**
Financial liabilities designated at FVPL		
Secured borrowing	(327)	(340)
Trade and other payables - prepaid OTC contracts	17	(60)
Debt and other borrowings - issued structured notes	(44)	(2,128)
Total financial liabilities designated at FVPL	**(354)**	**(2,528)**
Net gains from financial instruments at fair value through profit or loss	**6,177**	**4,391**

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

3. FEE AND COMMISSION INCOME

	30 June	
in $ millions	2026	2025
Investment banking[(1)]	608	456
Commission income	702	489
Trust and other fiduciary activities	106	92
Other fee and commission income	228	184
Total fee and commission income	**1,644**	**1,221**
Of which, revenue from contracts with customers	*1,470*	*1,264*

(1) Includes advisory and underwriting revenues

Total fee and commission income is stated after the net transfer of revenues totaling $174 million from undertakings (30 June 2025: $44 million transfer to other Morgan Stanley Group undertakings). These transfers are in accordance with the Morgan Stanley Group Global Transfer Pricing Policy, refer to note 34 of the 2025 Report and Financial Statements, and do not relate to revenue from contracts with customers.

4. INTEREST INCOME AND INTEREST EXPENSE

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

in $ millions	30 June 2026	2025
Financial assets measured at amortised cost	**1,783**	**1,883**
Net interest from trading financial instruments	329	246
Non-trading financial assets at FVPL	4,159	3,733
Financial assets measured at FVPL	**4,488**	**3,979**
Total interest income	**6,271**	**5,862**
Of which, negative interest income	*(123)*	*(59)*
Financial liabilities measured at amortised cost	4,717	4,098
Financial liabilities designated at FVPL	2,777	2,717
Total interest expense	**7,494**	**6,815**
Of which, positive interest expense	*(103)*	*(122)*

'Interest income' includes fees paid on securities borrowed transactions recognised as negative interest income. 'Interest expense' includes fees received on securities loaned and fees from prime brokerage customers for stock loan transactions entered into to cover customers' short positions recognised as positive interest expense.

5. OPERATING EXPENSE

in $ millions	30 June 2026	2025
Direct staff costs	928	738
Management charges from other Morgan Stanley Group undertakings relating to staff costs	377	339
Staff-related expenses	**1,305**	**1,077**
Management charges from other Morgan Stanley Group undertakings relating to other services	870	769
Brokerage fees	888	652
Administration and corporate services	59	53
Professional services	62	31
UK Bank Levy	15	—
Other taxes	919	418
Commission and other similar arrangements	144	145
Other	45	33
Non-staff-related expenses	**3,002**	**2,101**
Total Operating expense	**4,307**	**3,178**

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

6. INCOME TAX

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

The UK Bank Levy (the "Levy") is an annual charge on a bank's balance sheet. Under IFRIC 21, '*Levies*', the Levy relating to current year is not recognised in the Interim Financial Statements, since the Levy's obligating event has not yet arisen. An expense is recognised in the Interim Financial Statements in relation to prior periods for which the obligating event has arisen.

However, for the purposes of calculating the ETR, an adjustment has been made for the forecast Levy (since it is non-deductible for UK corporation tax purposes). As such, the Levy impacts the annual ETR and the tax expense for the six months ended 30 June 2026.

The Group's ETR for the period is 25.8% (30 June 2025: 27.4%), which is lower than the standard rate of corporation tax (inclusive of the UK Banking Surcharge) in the UK of 28% (30 June 2025: 28%). The Group's 2026 ETR is sensitive to the geographic mix of profits and tax rates in non-UK jurisdictions (including the net effect of foreign withholding taxes suffered by the Group).

In addition to the amount charged to the condensed consolidated income statement and the condensed consolidated statement of comprehensive income, a $24 million benefit (30 June 2025: $26 million benefit) in relation to current and deferred tax on share based payments is recognised directly in the condensed consolidated statement of changes in equity.

The Group is subject to the OECD Pillar Two Model Rules legislation that is effective from 1 January 2024. The Group has applied the mandatory exception to deferred tax recognition and disclosure as provided in the amendments to IAS 12: International Tax Reform - Pillar Two Model Rules.

The Group has a policy in place of surrendering tax-deductible losses ('group relief') to other members of the Morgan Stanley UK tax group (which consists of entities within the Group and the wider Morgan Stanley Group). The surrenders are for no cash consideration except for certain entities surrendering to the Company, where the cash consideration is equal to the amount of tax relief received.

Within the Group, a number of subsidiary companies generated tax-deductible losses that were surrendered both inside and outside the Group in the current and prior years.

7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities presented in the Group's condensed consolidated statement of financial position by IFRS 9 classifications as at 30 June 2026 and 31 December 2025.

	30 June 2026				31 December 2025			
in $ millions	FVPL	FVPL designated	Amortised cost	Total	FVPL	FVPL designated	Amortised cost	Total
Cash and short term deposits	—	—	24,968	24,968	—	—	18,976	18,976
Trading financial assets	526,957	—	—	526,957	415,802	—	—	415,802
Secured financing:								
Cash collateral on securities borrowed	34,094	—	—	34,094	23,152	—	—	23,152
Securities purchased under agreements to resell	128,925	—	—	128,925	103,683	—	—	103,683
Other secured financing	14,093	—	—	14,093	11,034	—	—	11,034
Loans and advances	—	—	53	53	9	—	109	118
Investment securities	13	—	—	13	13	—	—	13
Trade and other receivables(1)	49,747	40	78,222	128,009	142	—	94,956	95,098
Total financial assets	**753,829**	**40**	**103,243**	**857,112**	**553,835**	**—**	**114,041**	**667,876**
Bank loans and overdrafts	—	—	1	1	—	—	1	1
Trading financial liabilities	428,862	—	—	428,862	337,224	—	—	337,224
Secured borrowings:								
Cash collateral on securities loaned	—	43,131	22,269	65,400	—	26,923	17,150	44,073
Securities sold under agreements to repurchase	—	24,617	45,338	69,955	—	26,255	38,114	64,369
Other financial liabilities	—	31,790	5,605	37,395	—	21,559	4,737	26,296
Trade and other payables	—	178	124,974	125,152	—	248	91,771	92,019
Debt and other borrowings	—	26,271	57,175	83,446	—	21,702	41,423	63,125
Subordinated debt	—	—	17,313	17,313	—	—	15,626	15,626
Total financial liabilities	**428,862**	**125,987**	**272,675**	**827,524**	**337,224**	**96,687**	**208,822**	**642,733**

(1) During the period, $49,578 million of Trade and other receivables due from Morgan Stanley Group undertakings moved from amortised cost measurement basis to fair value through profit or loss.

8. TRADING FINANCIAL ASSETS AND LIABILITIES

	30 June 2026		31 December 2025	
in $ millions	Assets	Liabilities	Assets	Liabilities
Government debt securities	23,911	7,936	14,546	6,472
Corporate and other debt	16,668	5,564	12,473	4,032
Corporate equities	136,609	47,580	109,316	38,214
Derivatives (see note 9)	349,769	367,782	279,467	288,506
	526,957	**428,862**	**415,802**	**337,224**

9. DERIVATIVES

in $ millions	30 June 2026 Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets:				
Interest rate contracts	71,789	125	4	**71,918**
Credit contracts	14,184	2,083	—	**16,267**
Foreign exchange and gold contracts	136,519	5,116	—	**141,635**
Equity contracts	92,209	—	18,222	**110,431**
Commodity contracts	8,865	—	653	**9,518**
	323,566	**7,324**	**18,879**	**349,769**
Derivative liabilities:				
Interest rate contracts	66,423	80	13	**66,516**
Credit contracts	14,155	1,897	—	**16,052**
Foreign exchange and gold contracts	132,059	4,464	5	**136,528**
Equity contracts	123,501	—	15,818	**139,319**
Commodity contracts	8,744	—	623	**9,367**
	344,882	**6,441**	**16,459**	**367,782**

in $ millions	31 December 2025 Bilateral OTC	Cleared OTC	Listed derivative contracts	Total
Derivative assets:				
Interest rate contracts	69,356	272	—	**69,628**
Credit contracts	10,125	2,036	—	**12,161**
Foreign exchange and gold contracts	107,746	4,354	—	**112,100**
Equity contracts	66,172	—	11,330	**77,502**
Commodity contracts	7,272	—	804	**8,076**
	260,671	**6,662**	**12,134**	**279,467**
Derivative liabilities:				
Interest rate contracts	66,133	92	5	**66,230**
Credit contracts	9,944	1,927	—	**11,871**
Foreign exchange and gold contracts	106,747	4,268	8	**111,023**
Equity contracts	82,568	—	8,508	**91,076**
Commodity contracts	7,570	—	736	**8,306**
	272,962	**6,287**	**9,257**	**288,506**

10. INTERESTS IN STRUCTURED ENTITIES

The Group's involvement with structured entities, including those of which it considers itself the sponsor, is consistent with that described in note 14 of the Group's 2025 Report and Financial Statements.

Consolidated Structured Entities

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

Mortgage and asset-backed securitisations in $ millions	30 June 2026	31 December 2025
Assets of structured entities	953	217
Liabilities of structured entities	477	—

Unconsolidated Structured Entities

The table below shows certain non-consolidated structured entities in which the Group has an interest at 30 June 2026 and at 31 December 2025. The table includes all structured entities in which the Group has determined that its maximum exposure to loss is greater than specific thresholds or meets certain other criteria. In addition, the table includes structured entities sponsored by unrelated parties, as well as structured entities sponsored by the Group; an example of the Group's involvement with these structured entities is its secondary market-making activities.

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

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
30 June 2026				
Assets of the structured entity	22,780	4,358	1,667	**28,805**
Maximum exposure to loss:				
Debt and equity interests	986	288	95	**1,369**
Derivative and other contracts	4,256	—	—	**4,256**
Total maximum exposure to loss	**5,242**	**288**	**95**	**5,625**
Carrying value of interests - assets[(1)]:				
Debt and equity interests	986	288	95	**1,369**
Derivative and other contracts	2,178	—	—	**2,178**
Total carrying value of exposure to loss - assets	**3,164**	**288**	**95**	**3,547**
Carrying value of interests - liabilities[(1)]:				
Debt and equity interests	1,607	—	—	**1,607**
Derivative and other contracts	1,065	—	—	**1,065**
Total carrying value of exposure to loss - liabilities	**2,672**	**—**	**—**	**2,672**
Additional interests in structured entities - Other[(2)]				**384**

in $ millions	Client intermed-iation	Mortgage and asset-backed securitis-ations	Collateral-ised debt obligations	Total
31 December 2025				
Assets of the structured entity	19,117	4,853	1,600	**25,570**
Maximum exposure to loss:				
Debt and equity interests	789	257	108	**1,154**
Derivative and other contracts	3,457	—	—	**3,457**
Total maximum exposure to loss	**4,246**	**257**	**108**	**4,611**
Carrying value of interests - assets[(1)]:				
Debt and equity interests	789	257	108	**1,154**
Derivative and other contracts	1,861	—	—	**1,861**
Total carrying value of exposure to loss - assets	**2,650**	**257**	**108**	**3,015**
Carrying value of interests - liabilities[(1)]:				
Debt and equity interests	1,348	—	—	**1,348**
Derivative and other contracts	745	—	—	**745**
Total carrying value of exposure to loss - liabilities	**2,093**	**—**	**—**	**2,093**
Additional interests in structured entities - Other[(2)]				**406**

(1) The carrying value of the interests in structured entities are recognised in the consolidated statement of financial position in Trading financial assets or Trading financial liabilities - derivatives or Trading financial liabilities - Corporate and other debt.
(2) Primarily as a result of its secondary market-making activities, the Group owned additional securities issued by securitisation structured entities for which the maximum exposure to loss is less than the specific thresholds noted earlier.

For further detail on the type of transactions in the above table, refer to the explanations provided in Note 14 of the 2025 Report and Financial Statements.

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

Sponsored unconsolidated structured entities

Details of when the Group considers itself the sponsor of certain non-consolidated structured entities are provided in note 14 of the 2025 Report and Financial Statements.

In some sponsored entities, the Group has been involved with the structured entity through establishing the structured entity, marketing of products associated with the structured entity in its own name, and/ or through involvement in the design of the structured entity. The Group has no interest in these entities as at 30 June 2026 (31 December 2025: $nil).

The loss related to sponsored entities during the period was $117 million (30 June 2025: loss of $43 million). Gains or losses are reported under ‘Net gains from financial instruments at fair value through profit or loss’ in the condensed consolidated income statement alongside any offsetting benefit of hedges. For the period, $45 million of assets were transferred to those sponsored entities (30 June 2025: $393 million). It is the investors in the structured entity, rather than the Group, that are exposed to the carrying value of assets transferred. The Group’s exposure to the structured entity is limited to net amounts receivable from swap transactions with the entity and is not directly linked to the transferred assets themselves.

11. DEBT AND OTHER BORROWINGS

in $ millions	30 June 2026	31 December 2025
Debt and other borrowings (amortised cost)		
Other borrowings[1]	56,944	41,423
Issued structured notes	231	—
Debt and other borrowings (designated FVPL)		
Issued structured notes	26,271	21,702
Total	**83,446**	**63,125**

(1) There is a floating charge over a pool of assets in favour of MSIUK to secure certain intercompany loans which MSIUK has provided to the Company and which are presented within ‘Other borrowings’. The value of assets subject to this charge at 30 June 2026 was $54,936 million (2025: $41,015 million). The floating charge is limited to $41,729 million (2025: $34,148 million) being the amount of the funding received by MSI down the ownership chain into the Company.

12. SUBORDINATED DEBT

in $ millions	30 June 2026	31 December 2025
Subordinated debt (amortised cost)		
Subordinated debt(1)	5,211	5,224
Senior subordinated debt (1)	12,102	10,402
Total	**17,313**	**15,626**

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

in $ millions		30 June 2026		
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR(1) plus 1.44%	66	1,400
MSIUK	13 June 2033	SOFR(1) plus 2.34%	7	2,500
MSIUK	15 December 2034	SOFR(1) plus 2.29%	39	1,200

in $ millions		31 December 2025		
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	11 August 2032	SOFR(1) plus 1.44%	31	1,400
MSIUK	13 June 2033	SOFR(1) plus 2.34%	91	2,500
MSIUK	15 December 2034	SOFR(1) plus 2.29%	3	1,200

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

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

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

in $ millions			30 June 2026	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	30 July 2027(1)	MS Proxy(2)	2	12,100

in $ millions			31 December 2025	
Counterparty	Repayment Date	Interest Rate	Accrued Interest	Balance
MSIUK	30 January 2027(1)	MS Proxy(2)	2	10,400

(1) The repayment date can be extended for 395 days on each business day but no later than 49 years from utilisation date.

(2) Interest rate at which Morgan Stanley is offering loans, in the relevant currency, to members of the Morgan Stanley Group on such day, which counterparties have acknowledged and agreed to apply to any loan, acting on an arm's length basis.

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

During the period, the Group issued an additional $1,700 million of senior subordinated debt, comprising $700 million issued on 31 March 2026 and $1,000 million on 18 May 2026.

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

13. PROVISIONS AND CONTINGENT LIABILITIES

in $ millions	Property	Litigation	Taxes	Total
At 1 January 2026	2	24	—	**26**
Additional provisions	—	8	20	**28**
Foreign exchange revaluation	—	(1)	(1)	**(2)**
At 30 June 2026	**2**	**31**	**19**	**52**

As at 30 June 2026 and 31 December 2025, the Company's provisions for litigation matters were the same as the Group, and as at 30 June 2026, the provisions for property matters were $2 million (31 December 2025: $2 million).

Litigation Matters

In addition to the matters described below, in the normal course of business, the Group has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions 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 honour applicable indemnification obligations. These actions have included, but are not limited to, antitrust claims, and matters arising from the Group's sales and trading businesses, and activities in the capital markets.

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

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

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

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

The Group has identified, in Note 18 to the 2025 Report and Financial Statements and below, any individual proceedings or investigations where the Group believes a material economic outflow to be more than remotely possible. In certain legal proceedings, in which the Group has determined that a material economic outflow is more than remotely possible, the Group is unable to reliably estimate the loss or range of loss. There are other matters in which the Group has determined a loss or range of loss to be more than remotely possible, but the Group does not believe, based on current knowledge and after consultation with counsel, that such losses could have a material adverse effect on the Group's financial statements as a whole, although the outcome of such proceedings or investigations may significantly impact the Group's business or results of operations for any particular reporting period, or cause significant reputational harm.

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

While the Group has identified, in Note 18 to the 2025 Report and Financial Statements and below, certain proceedings or investigations that the Group believes to be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or those where potential losses have not yet been determined to be probable or more than remotely possible.

Note 18 to the 2025 Report and Financial Statements contains the full list of specific disclosures. The matter referred to in the paragraph below is the only specific disclosure requiring an update from the year end.

In the matter styled *In Re: Interest Rate Swaps Antitrust Litigation*, the claims brought by the three operators of swap execution facilities remain pending, and on 12 March 2026, defendants filed a motion for summary judgment.

Tax Matters

The Group is responding to inquiries from authorities in relation to tax matters in various jurisdictions, including requests for information and documents.

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

14. EQUITY INSTRUMENTS

At 30 June 2026, the total equity instruments which the Company authorised and had in issue amounted to $19,565 million (31 December 2025: $16,765 million) comprising 11,835,105,148 ordinary shares of $1 each, 17,615,107 ordinary shares of £1 each, 1,500,000,000 Class A Non-voting ordinary shares of $1 each and Additional Tier 1 capital instruments of $6,200 million (31 December 2025: $4,300 million). All equity instruments are fully paid.

Other than the sections described below, the rights, preferences and restrictions attaching to the equity instruments issued in the period are identical to those attaching to those already in issue.

Ordinary Shares

On 26 February 2026, the Company issued 500 million ordinary shares of $1 each through its immediate parent to MSI and up the ownership chain to Morgan Stanley. On 11 June 2026 the Company issued an additional 400 million ordinary shares of $1 each through its immediate parent to MSI.

Ordinary shares of $1 each carry 99.9% of the voting rights (31 December 2025: 99.8%). Ordinary shares of £1 each carry 0.1% of the voting rights 31 December 2025: 0.2%). Ordinary shares are pari passu with each other regardless of currency.

AT1 Capital

The Company issued a $1,200 million AT1 instrument on 23 February 2026 and a $700 million AT1 instrument on 12 June 2026 to MSI (31 December 2025: no change).

	30 June 2026	
Instruments issued	Callable from	Coupon rate (%)
$2,200 million AT1	30 November 2023	7.50 %
$1,300 million AT1	30 November 2025	5.45 %
$800 million AT1	30 November 2027	7.42 %
$1,200 million AT1	23 February 2031	7.00 %
$700 million AT1	12 June 2031	7.34 %

	31 December 2025	
Instruments issued	Callable from	Coupon rate (%)
$2,200 million AT1	30 November 2023	7.50 %
$1,300 million AT1	30 November 2025	5.45 %
$800 million AT1	30 November 2027	7.42 %

The two Instruments issued in 2026 include a trigger mechanism whereby, if the CET1 capital ratio of the Company falls below 7%, the BOE as the UK Resolution Authority also has the authority to trigger the write down of the instruments upon the exercise of statutory powers in a resolution scenario. In this situation, Morgan Stanley International Limited, the holder of the AT1, would have no further rights against the Group in respect of the AT1.

15. SEGMENT REPORTING

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

Reportable Operating Segment

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

The Group has one reportable operating segment, Institutional Securities, which includes capital raising and financial advisory services; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including global macro, credit and commodities products and investment activities. The Group is a key contributor to the execution of the Morgan Stanley Group's global Institutional Securities segment strategy.

Geographical Information

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

The following table presents selected condensed consolidated income statement and condensed consolidated statement of financial position information of the Group's operations by geographic area. The Net revenue, Profit before tax and total assets reported in the tables below are based on the financial information that is used to produce the Group's financial statements. This reflects the regional managed view of the Group's operations based on the location where the transactions are recorded.

Geographical Information	Net revenue 30 June		Profit before tax 30 June	
in $ millions	2026	2025	2026	2025
EMEA	3,400	2,876	850	688
Asia	2,804	1,432	1,223	600
Americas	398	371	216	209
Total	**6,602**	**4,679**	**2,289**	**1,497**

Geographical Information	Total Assets	
in $ millions	30 June 2026	31 December 2025
EMEA	391,351	321,495
Asia	242,703	160,802
Americas	224,162	186,643
Total	**858,216**	**668,940**

The majority of the Group's net revenue is attributed to the United Kingdom based on the country of incorporation, with smaller amounts attributed to the Company's non-UK branches and subsidiaries.

16. RISK MANAGEMENT

16.1 Risk Management Procedures

The Group's risk management procedures are consistent with those disclosed in the Group's 2025 Report and Financial Statements. This disclosure is therefore limited to quantitative data for each risk category which is material or which has had a significant update from the year end disclosure.

16.2 Market Risk

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

16.2.1 Primary Market Risk Exposures

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

16.2.2 Risk Management

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

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

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

16.2.3 Measurement - Value at Risk

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

16.2.4 VaR Methodology, Assumptions and Limitations

The methodology for VaR at Morgan Stanley Group is 1-year historical simulation. VaR profit and losses are composed of greek and full-revaluation grid based risk measures in combination with complete full-revaluation based profit and losses. Historical simulations cover both systematic and specific risk components. The time series data is updated on a weekly basis, with the exception of idiosyncratic risk factors which are updated quarterly.

For further information, refer to Note 26.1 'Market Risk' section in the 2025 Report and Financial Statements.

16.2.5 VaR for the Period

The table below presents the Management VaR for the Group's trading portfolio on a period end, average and annual high and low basis for the period ended 30 June 2026 and compared to the year ended 31 December 2025.

	95%/one-day VaR for the six months ended 30 June 2026				95%/one-day VaR for the year ended 31 December 2025			
in $ millions	Period end	Average	High	Low	Period end	Average	High	Low
Market risk category:								
Interest rate and credit spread	12	13	16	9	11	12	20	9
Equity price	27	21	28	16	17	23	30	12
Foreign exchange rate	4	6	12	3	3	5	15	2
Commodity price	1	2	5	1	2	1	9	—
Less diversification benefit(1)(2)	(17)	(15)	N/A	N/A	(11)	(13)	N/A	N/A
Primary Market Risk Categories	27	27	35	21	22	28	36	20
Credit Portfolio(3)	3	4	6	3	5	5	7	4
Less diversification benefit(1)(2)	(2)	(3)	N/A	N/A	(4)	(4)	N/A	N/A
Total Management VaR	**28**	**28**	**36**	**21**	**23**	**29**	**37**	**20**

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

The Group's total Management VaR for 30 June 2026 was $28 million compared to $23 million at the end of 2025. The increase in VaR from year end 2025 to the end of June is primarily driven by changes to equity risk exposures and increased market volatility in the one year VaR window.

16.2.6 Non-Trading Risks for the Period

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

16.2.7 Interest Rate Risk

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

The application of a parallel shift in interest rates of 200 basis points increase or decrease to these positions would result in a net loss or gain, respectively, of $63.9 million as at 30 June 2026, compared to a net loss or gain of $41.5 million as at 31 December 2025 for the Company.

The increase is driven by reduction of client financing positions in the Fixed Income Division and increase in liquidity resources in Treasury Capital Markets.

16.2.8 Funding Liabilities

The credit spread risk sensitivity of the Company's mark-to-market funding liabilities corresponds to an increase in value of approximately $8.8 million and $8.5 million for each 1 basis point widening in the Company's credit spread level at 30 June 2026 and 31 December 2025, respectively.

16.2.9 Equity Investments Price Risk

The Group is exposed to equity price risk as a result of changes in the fair value of its investments in listed and private equities classified as FVPL financial assets. These investments are predominantly equity positions with long investment horizons, the majority of which are for business facilitation purposes. The market risk related to these investments is measured by estimating the potential reduction in Net revenue associated with a 10% decline in asset values as shown in the table below.

	30 June 2026	31 December 2025
in $ millions	10% sensitivity	10% sensitivity
Investment securities	1	1

16.2.10 Currency Risk

The Group has foreign currency exposure arising from foreign operations. The majority of this foreign currency risk has been hedged by other members of the Morgan Stanley Group, primarily Morgan Stanley, by utilising forward foreign currency exchange contracts.

The Group also has foreign currency exposure arising from its trading activities in currencies other than US dollars. The Group actively manages this exposure by hedging with other Morgan Stanley Group undertakings.

For further information, refer to Note 26.1 'Market Risk' section in the 2025 Report and Financial Statements.

16.3 Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSI Group. Credit risk also includes country risk. Refer to 'Credit Risk - Country and Sovereign Risk Exposures' in the Interim Management Report for details on country risk.

16.3.1 Measurement and Management of Risk

In order to help protect the Group from losses resulting from its business activities, the Credit Risk Management Department identifies, measures, monitors, reports, challenges and escalates credit risk at the transaction, obligor and portfolio levels. The Credit Risk Management Department also helps to ensure that the creditworthiness of the Group's counterparties is reviewed on a regular basis. The MSI Group Credit Limits Framework is one of the primary tools used to identify, measure, monitor, report, challenge and escalate credit risk exposures.

For further details on the Group's Credit Risk Management and Measurement, refer to Note 26.2 'Credit Risk' in the 2025 Report and Financial Statements.

16.3.2 Risk Mitigation

The Credit Risk Management Department may seek to mitigate credit risk from its lending and trading activities at the transaction and obligor levels, may actively hedge its credit exposure through various financial instruments and also sell, assign or syndicate lending positions.

For further details on the Group's Credit Risk Mitigation, refer to Note 26.2 'Credit Risk' in the 2025 Report and Financial Statements.

16.3.3 Exposure to Credit Risk

The maximum exposure to credit risk ("gross credit exposure") of the Group as at 30 June 2026 is disclosed below, based on the carrying amounts of the financial assets and the maximum amount that the Group could have to pay in relation to unrecognised financial instruments, which the Group believes are subject to credit risk. The table below includes financial instruments subject to expected credit loss ("ECL") and not subject to ECL.

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

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

For further details on the Group's Exposure to Credit Risk, refer to Note 26.2 'Credit Risk' in the 2025 Report and Financial Statements.

Exposure to Credit Risk by Class

Class in $ millions	30 June 2026 Gross credit exposure	30 June 2026 Credit enhance-ments	30 June 2026 Net credit exposure[(1)]	31 December 2025 Gross credit exposure	31 December 2025 Credit enhance-ments	31 December 2025 Net credit exposure[(1)]
Subject to ECL:						
Cash and short-term deposits	24,968	—	24,968	18,976	—	18,976
Loans and advances	53	—	53	109	—	109
Trade and other receivables[(2)]	78,222	—	78,222	94,956	—	94,956
Not subject to ECL:						
Trading financial assets:						
Derivatives	349,769	(330,308)	19,461	279,467	(267,167)	12,300
Secured financing	177,112	(175,343)	1,769	137,869	(136,734)	1,135
Loans and advances	—	—	—	9	—	9
Trade and other receivables[(2)(4)]	49,787	(49,664)	123	142	(49)	93
	679,911	**(555,315)**	**124,596**	**531,528**	**(403,950)**	**127,578**
Unrecognised financial instruments						
Not subject to ECL:						
Unsettled securities purchased under agreements to resell[(3)]	81,993	—	81,993	59,283	—	59,283
Loan commitments	146	(30)	116	21	—	21
Total unrecognised financial instruments	**82,139**	**(30)**	**82,109**	**59,304**	**—**	**59,304**
	762,050	**(555,345)**	**206,705**	**590,832**	**(403,950)**	**186,882**

(1) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow Group an additional $4,351 million of an available $55,013 million (31 December 2025: $3,584 million of an available $41,673 million) to be offset in the event of default by certain Morgan Stanley counterparties.
(2) Trade and other receivables primarily include cash collateral pledged against the payable on OTC derivative positions. These derivative liabilities are included within trading financial liabilities in the consolidated statement of financial position.
(3) For unsettled securities purchased under agreements to resell, collateral in the form of securities will be received at the point of settlement. Since the value of collateral is determined at a future date, it is currently unquantifiable and not included in the table.
(4) During the period, $49,578 million of Trade and other receivables due from Morgan Stanley Group undertakings moved from amortised cost measurement basis to fair value through profit or loss and has a nil net credit exposure.

The impact of master netting arrangements and similar agreements on the Group's ability to offset financial assets and financial liabilities is disclosed in note 17.

Exposure to Credit Risk by Internal Rating Grades

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

Investment grade: AAA - BBB

Non-investment grade: BB – CCC

Default: D

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

30 June 2026	Investment Grade AAA	AA	A	BBB	Non-Investment Grade	Unrated[1]/ Default[2]	Total	Net of ECL
in $ millions								
Subject to ECL:								
Cash and short term deposits								
Stage 1	—	10,436	13,206	1,078	248	—	24,968	24,968
Stage 3	—	—	—	—	124	—	124	—
Loans and advances								
Stage 1	—	—	36	14	—	3	53	53
Trade and other receivables								
Stage 1	2,506	4,584	34,882	18,033	17,475	702	78,182	78,182
Stage 3	1	2	15	8	5	36	67	40
	2,507	**15,022**	**48,139**	**19,133**	**17,852**	**741**	**103,394**	**103,243**
Not subject to ECL:								
Trading financial assets - derivatives	3,522	23,190	258,478	46,141	17,765	673	349,769	349,769
Secured financing	321	11,312	138,229	8,897	18,305	48	177,112	177,112
Loans and advances	—	—	—	—	—	—	—	—
Trade and other receivables	51	5	49,659	—	—	72	49,787	49,787
	3,894	**34,507**	**446,366**	**55,038**	**36,070**	**793**	**576,668**	**576,668**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	445	6,410	53,913	3,588	17,635	2	81,993	81,993
Loan commitments	—	—	—	—	26	120	146	146
	445	**6,410**	**53,913**	**3,588**	**17,661**	**122**	**82,139**	**82,139**

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether a significant increase in credit risk ("SICR") has occurred.

(2) At 30 June 2026 there were $nil of Stage 3 in default.

The Cash and short term deposit loss allowance as at 30 June 2026 is $124 million (31 December 2025: $136 million) and Trade and other receivables loss allowance as at 30 June 2026 is $27 million (31 December 2025: $4 million).

31 December 2025	Investment Grade AAA	AA	A	BBB	Non-Investment Grade	Unrated[(1)]/ Default[(2)]	Total	Net of ECL
in $ millions								
Subject to ECL:								
Cash and short term deposits								
Stage 1	—	7,938	9,615	1,169	254	—	18,976	18,976
Stage 3	—	—	—	—	136	—	136	—
Loans and advances								
Stage 1	—	—	39	70	—	—	109	109
Stage 2	—	—	—	—	—	—	—	—
Trade and other receivables								
Stage 1	2,588	4,368	59,047	14,931	13,055	948	94,937	94,937
Stage 3	2	2	5	3	4	12	28	19
	2,590	**12,308**	**68,706**	**16,173**	**13,449**	**960**	**114,186**	**114,041**
Not subject to ECL:								
Trading financial assets - derivatives	2,782	14,061	208,426	40,112	13,536	550	279,467	279,467
Secured financing	1,846	7,998	106,109	6,562	15,255	99	137,869	137,869
Loans and advances	—	—	—	—	9	—	9	9
Trade and other receivables	61	5	67	—	—	9	142	142
	4,689	**22,064**	**314,602**	**46,674**	**28,800**	**658**	**417,487**	**417,487**
Unrecognised financial instruments not subject to ECL:								
Unsettled securities purchased under agreements to resell	—	6,292	48,170	1,653	3,168	—	59,283	59,283
Loan commitments	—	—	—	—	21	—	21	21
	—	**6,292**	**48,170**	**1,653**	**3,189**	**—**	**59,304**	**59,304**

(1) For the unrated trade receivables, a lifetime ECL is calculated without considering whether SICR has occurred.

(2) At 31 December 2025 there were $nil of Stage 3 in default.

16.4 Liquidity Risk

Liquidity risk is the risk that the Group's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner. Liquidity risk encompasses the associated funding risks triggered by stress events, which may cause unexpected changes in funding needs or an inability to raise new funding.

Additional information on liquidity risk management is presented in the 'Liquidity Risk' section of the Interim Management Report and the 2025 Report and Financial Statements.

16.4.1 Required Liquidity Framework

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

Additional information on liquidity risk management is presented in the 'Liquidity Risk' section of the Interim Management Report and the 2025 Report and Financial Statements.

16.4.2 Liquidity Limits

The Group has a comprehensive set of limits, KRIs and targets to manage liquidity risk within the defined liquidity risk appetite. The Liquidity risk limit and KRI framework is owned by the LRD, who then recommend and set the Company's liquidity risk limits and KRIs taking into consideration the risk profile, complexity, activities and size. LRD maintains limits at various levels of governance structure to support linkages between overall risk appetite, which is determined by the MSI Board, and more granular risk-taking decisions and activities. Liquidity limits are set to manage various risk drivers, e.g. Minimum Liquidity requirements, Minimum Cash requirements, Secured Funding, Unsecured funding, Prime Brokerage, Derivatives and Currency risk.

LRD ensures transparency of material liquidity risks, compliance with established risk limits and KRIs as well as escalation of risk concentrations to appropriate senior management. The liquidity risk metrics and limits are summarised in reports produced by LRD that are circulated to and discussed with the EMEA ALCO, EMEA Risk Committee and the MSI Risk Committee as appropriate.

16.4.3 Maturity Analysis

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

All other amounts represent undiscounted cash flows payable by the Group arising from its financial liabilities to their earliest contractual maturities as at 30 June 2026 and 31 December 2025.

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

30 June 2026	On demand	Less than 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Greater than 5 years	Total
Financial liabilities							
Bank loans and overdrafts	1	—	—	—	—	—	1
Trading financial liabilities:							
Derivatives	367,782	—	—	—	—	—	367,782
Other	61,080	—	—	—	—	—	61,080
Secured borrowing	99,132	14,775	12,644	29,032	18,102	484	174,169
Trade and other payables	124,957	2	7	90	86	10	125,152
Debt and other borrowings	5,455	565	4,802	5,733	57,784	10,873	85,212
Subordinated debt	—	53	181	723	13,332	5,808	20,097
Total financial liabilities	**658,407**	**15,395**	**17,634**	**35,578**	**89,304**	**17,175**	**833,493**

Unrecognised financial instruments							
Guarantees	427	—	—	—	—	—	427
Loan commitments	146	—	—	—	—	—	146
Other commitments	81	—	—	—	—	—	81
Unsettled securities purchased under agreements to resell	73,735	64	4,983	1,783	1,428	—	81,993
Total unrecognised financial instruments	**74,389**	**64**	**4,983**	**1,783**	**1,428**	**—**	**82,647**

31 December 2025							
Financial liabilities							
Bank loans and overdrafts	1	—	—	—	—	—	1
Trading financial liabilities:							
Derivatives	288,506	—	—	—	—	—	288,506
Other	48,718	—	—	—	—	—	48,718
Secured borrowing	107,829	10,940	4,659	8,074	3,701	79	135,282
Trade and other payables	91,746	—	2	174	80	17	92,019
Debt and other borrowings	6,264	414	7,239	3,232	38,740	8,540	64,429
Subordinated debt	—	44	87	670	11,520	5,957	18,278
Total financial liabilities	**543,064**	**11,398**	**11,987**	**12,150**	**54,041**	**14,593**	**647,233**

Unrecognised financial instruments							
Guarantees	317	—	—	—	—	—	317
Loan commitments	21	—	—	—	—	—	21
Other commitments	13	—	—	—	—	—	13
Unsettled securities purchased under agreements to resell	53,992	221	—	2,731	2,339	—	59,283
Total unrecognised financial instruments	**54,343**	**221**	**—**	**2,731**	**2,339**	**—**	**59,634**

Table of contents

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

To manage credit exposure arising from its business activities, the Group applies various credit risk management policies and procedures, see note 26 of the 2025 Report and Financial Statements for further details.

The following tables present information about the offsetting of financial instruments and related collateral amounts. The tables do not include information about financial instruments that are subject only to a collateral agreement. The effect of master netting arrangements, collateral agreements and other credit enhancements, on the Group's exposure to credit risk is disclosed in note 16.

		Amounts offset			Amounts not offset			
					Collateralised by:			
in $ millions	Gross amounts	Counterparty netting	Derivative Cash collateral netting[1]	Net amounts	Financial instruments	Cash collateral	Net exposure [2]	Not subject to legally enforceable master netting agreement
30 June 2026								
Secured Financing:								
Cash collateral on securities borrowed	46,678	(12,584)	—	34,094	(33,181)	—	913	43
Securities purchased under agreement to resell	247,462	(118,537)	—	128,925	(128,466)	—	459	443
Other secured financing	21,014	(6,921)	—	14,093	(13,696)	—	397	—
Trading financial assets - derivatives	657,124	(302,578)	(4,777)	349,769	(299,902)	(30,406)	19,461	1,978
Total Assets	**972,278**	**(440,620)**	**(4,777)**	**526,881**	**(475,245)**	**(30,406)**	**21,230**	**2,464**
Secured borrowing:								
Cash collateral on securities loaned	77,984	(12,584)	—	65,400	(65,139)	—	261	100
Securities sold under agreement to repurchase	188,492	(118,537)	—	69,955	(69,637)	—	318	229
Other secured borrowing	38,711	(6,921)	—	31,790	(31,393)	—	397	—
Trading financial liabilities - derivatives	677,598	(302,578)	(7,238)	367,782	(312,426)	(28,001)	27,355	3,200
Total Liabilities	**982,785**	**(440,620)**	**(7,238)**	**534,927**	**(478,595)**	**(28,001)**	**28,331**	**3,529**
31 December 2025								
Secured Financing:								
Cash collateral on securities borrowed	37,570	(14,418)	—	23,152	(22,442)	—	710	26
Securities purchased under agreement to resell	238,738	(135,055)	—	103,683	(103,258)	—	425	412
Other secured financing	17,138	(6,104)	—	11,034	(11,034)	—	—	—
Trading financial assets - derivatives	541,809	(255,966)	(6,376)	279,467	(240,069)	(27,098)	12,300	1,303
Total Assets	**835,255**	**(411,543)**	**(6,376)**	**417,336**	**(376,803)**	**(27,098)**	**13,435**	**1,741**
Secured borrowing:								
Cash collateral on securities loaned	58,491	(14,418)	—	44,073	(44,038)	—	35	—
Securities sold under agreement to repurchase	199,424	(135,055)	—	64,369	(63,506)	—	863	787
Other secured borrowing	27,663	(6,104)	—	21,559	(21,559)	—	—	—
Trading financial liabilities - derivatives	550,795	(255,966)	(6,323)	288,506	(245,342)	(27,563)	15,601	1,649
Total Liabilities	**836,373**	**(411,543)**	**(6,323)**	**418,507**	**(374,445)**	**(27,563)**	**16,499**	**2,436**

(1) Derivatives cash collateral netting relates to the margin posted or received being offset against the derivative balance where all offsetting criteria is met. All Cash Collateral are recognised within Trade and other receivables and Trade and other payables whether it is offset or not and represents the total variation margin paid or received by counterparties.

(2) Intercompany cross-product legally enforceable netting arrangements are in place which would allow for an additional $4,351 million (31 December 2025: $3,584 million) of the condensed consolidated statement of financial position, to be offset in the ordinary course of business and/or in the event of default.

18. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

The following tables present the carrying value of the Group's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy. The information below is limited to quantitative information and should be read in conjunction with note 30 of the 2025 Report and Financial Statements.

30 June 2026 **in $ millions**	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading financial assets				
Government debt securities	23,541	348	22	**23,911**
Corporate and other debt	5,887	9,506	1,275	**16,668**
Corporate equities	135,940	606	63	**136,609**
Derivatives:				
Interest rate contracts	8	70,955	954	**71,917**
Credit contracts	—	15,960	307	**16,267**
Foreign exchange and gold contracts	—	141,175	461	**141,636**
Equity contracts	6,946	101,935	1,550	**110,431**
Commodity contracts	—	9,221	297	**9,518**
Total trading financial assets	**172,322**	**349,706**	**4,929**	**526,957**
Secured financing:				
Cash collateral on securities borrowed	—	34,094	—	**34,094**
Securities purchased under agreements to resell	—	128,754	171	**128,925**
Other secured financing	—	14,093	—	**14,093**
Total secured financing	**—**	**176,941**	**171**	**177,112**
Investment securities - corporate equities	**—**	**—**	**13**	**13**
Trade and other receivables:				
Prepaid OTC contracts	—	118	—	**118**
Customer receivables[1]	—	49,578	—	**49,578**
Other	—	87	4	**91**
Total trade and other receivables	**—**	**49,783**	**4**	**49,787**
Total financial assets measured at fair value	**172,322**	**576,430**	**5,117**	**753,869**
Trading financial liabilities:				
Government debt securities	7,918	18	—	**7,936**
Corporate and other debt	2,582	2,957	25	**5,564**
Corporate equities	47,497	65	18	**47,580**
Derivatives:				
Interest rate contracts	57	64,957	1,501	**66,515**
Credit contracts	—	15,954	98	**16,052**
Foreign exchange and gold contracts	2	136,054	473	**136,529**
Equity contracts	6,267	130,610	2,442	**139,319**
Commodity contracts	—	9,063	304	**9,367**
Total trading financial liabilities	**64,323**	**359,678**	**4,861**	**428,862**
Secured borrowing:				
Cash collateral on securities loaned	—	43,131	—	**43,131**
Securities sold under agreements to repurchase	—	24,617	—	**24,617**
Other secured borrowing	—	31,790	—	**31,790**
Total secured borrowing	**—**	**99,538**	**—**	**99,538**
Trade and other payables:				
Prepaid OTC contracts	—	170	—	**170**
Other	—	4	4	**8**
Total trade and other payables	**—**	**174**	**4**	**178**
Debt and other borrowings - issued structured notes	**—**	**26,112**	**159**	**26,271**
Total financial liabilities measured at fair value	**64,323**	**485,502**	**5,024**	**554,849**

1. The valuation approach and categorisation for Customer receivables should be read in conjunction with note 30.1.9 of the 2025 Report and Financial Statements.

31 December 2025 **in $ millions**	Quoted prices in active market (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading financial assets:				
Government debt securities	14,287	232	27	14,546
Corporate and other debt	3,451	7,756	1,266	12,473
Corporate equities	107,838	1,299	179	109,316
Derivatives:				
Interest rate contracts	—	68,927	701	69,628
Credit contracts	—	12,037	124	12,161
Foreign exchange and gold contracts	—	111,798	302	112,100
Equity contracts	4,367	72,251	884	77,502
Commodity contracts	23	7,889	164	8,076
Total trading financial assets	**129,966**	**282,189**	**3,647**	**415,802**
Secured financing:				
Cash collateral on securities borrowed	—	23,152	—	23,152
Securities purchased under agreements to resell	—	103,460	223	103,683
Other secured financing	—	11,034	—	11,034
Total secured financing	**—**	**137,646**	**223**	**137,869**
Loans and advances - corporate loans	**—**	**9**	**—**	**9**
Investment securities - corporate equities	**—**	**—**	**13**	**13**
Trade and other receivables:				
Prepaid OTC contracts	—	81	—	81
Other	—	61	—	61
Total trade and other receivables	**—**	**142**	**—**	**142**
Total financial assets measured at fair value	**129,966**	**419,986**	**3,883**	**553,835**
Trading financial liabilities:				
Government debt securities	6,449	23	—	6,472
Corporate and other debt	1,339	2,650	43	4,032
Corporate equities	38,194	15	5	38,214
Derivatives:				
Interest rate contracts	3	65,082	1,145	66,230
Credit contracts	—	11,811	60	11,871
Foreign exchange and gold contracts	2	110,691	330	111,023
Equity contracts	2,251	87,055	1,770	91,076
Commodity contracts	37	8,115	154	8,306
Total trading financial liabilities	**48,275**	**285,442**	**3,507**	**337,224**
Secured borrowing:				
Cash collateral on securities loaned	—	26,923	—	26,923
Securities sold under agreements to repurchase	—	26,255	—	26,255
Other secured borrowing	—	21,559	—	21,559
Total secured borrowing	**—**	**74,737**	**—**	**74,737**
Trade and other payables - prepaid OTC contracts	**—**	**248**	**—**	**248**
Debt and other borrowings - issued structured notes	**—**	**21,652**	**50**	**21,702**
Total financial liabilities measured at fair value	**48,275**	**382,079**	**3,557**	**433,911**

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

There were no material transfers between Level 1 and Level 2 of the fair value hierarchy during the current period and prior year.

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

in $ millions	30 June 2026	31 December 2025
TRADING FINANCIAL ASSETS		
Government debt securities		
Beginning balance	27	16
Total (losses) recognised in the condensed consolidated income statement[1]	—	(1)
Purchases	12	9
Sales	(2)	(7)
Gross transfers in[2]	2	20
Gross transfers out[2]	(17)	(10)
Ending balance	**22**	**27**
Unrealised (losses)/gains[3]	—	(1)
Corporate and other debt		
Beginning balance	1,266	790
Total losses recognised in the consolidated income statement[1]	(102)	(9)
Purchases	340	683
Sales	(242)	(294)
Gross transfers in[2]	314	248
Gross transfers out[2]	(301)	(152)
Ending balance	**1,275**	**1,266**
Unrealised (losses)/gains[3]	(91)	29
Corporate equities		
Beginning balance	179	30
Total (losses) recognised in the condensed consolidated income statement[1]	(10)	(9)
Purchases	8	69
Sales	(85)	(62)
Gross transfers in[2]	100	158
Gross transfers out[2]	(129)	(7)
Ending balance	**63**	**179**
Unrealised (losses)/gains[3]	(11)	(5)

in $ millions	30 June 2026	31 December 2025
SECURED FINANCING		
Securities purchased under agreements to resell		
Beginning balance	223	711
Purchases	171	223
Sales	(223)	(711)
Ending balance	**171**	**223**
INVESTMENT SECURITIES		
Corporate equities		
Beginning balance	13	12
Purchases	—	3
Sales	—	(2)
Ending balance	**13**	**13**
TRADE AND OTHER RECEIVABLES		
Prepaid OTC contracts		
Beginning balance	—	133
Total gains/(losses) recognised in the condensed consolidated income statement[1]	—	(56)
Sales	—	(77)
Ending balance	**—**	**—**
Other		
Beginning balance	—	—
Purchases	4	—
Ending balance	**4**	**—**

in $ millions	30 June 2026	31 December 2025
TRADING FINANCIAL LIABILITIES		
Government debt securities		
Beginning balance	—	10
Gross transfers out(2)	—	(10)
Ending balance	**—**	**—**
Corporate and other debt		
Beginning balance	43	3
Total losses recognised in the condensed consolidated income statement(1)	(21)	—
Purchases	(1)	(1)
Sales	9	41
Gross transfers out(2)	(5)	—
Ending balance	**25**	**43**
Unrealised losses(3)	21	—
Corporate equities		
Beginning balance	5	5
Total (gains) recognised in the condensed consolidated income statement(1)	(1)	—
Purchases	(1)	(5)
Sales	9	5
Gross transfers in(2)	7	(3)
Gross transfers out(2)	(1)	3
Ending balance	**18**	**5**
Unrealised gains/(losses)(3)	(1)	—
TRADE AND OTHER PAYABLES		
Prepaid OTC contracts		
Beginning balance	—	133
Total (gains)/losses recognised in the condensed consolidated income statement(1)	—	(56)
Settlements	—	(77)
Ending balance	**—**	**—**
Other		
Beginning balance	—	—
Issuances	4	—
Ending balance	**4**	**—**

in $ millions	30 June 2026	31 December 2025
Net derivative contracts(4)		
Beginning balance	(1,284)	(470)
Total (losses)/gains recognised in the consolidated income statement(1)	(276)	(329)
Purchases	511	465
Issuances	(453)	(745)
Settlements	30	(452)
Gross transfers in(2)	10	55
Gross transfers out(2)	213	192
Ending balance	**(1,249)**	**(1,284)**
Unrealised (losses)/gains(3)	(44)	(296)
DEBT AND OTHER BORROWINGS		
Issued structured notes		
Beginning balance	50	117
Total (gains) recognised in the condensed consolidated income statement(1)	(21)	22
Total (gains)/losses recognised in condensed consolidated statement of comprehensive income(1)	—	1
Issuances	143	52
Settlements	(5)	(60)
Gross transfers in(2)	20	3
Gross transfers out(2)	(28)	(85)
Ending balance	**159**	**50**
Unrealised (gains)/losses(3)	21	—

(1) The total gains or losses are recognised in the consolidated income statement as detailed in the financial instruments accounting policy (note 3c within 2025 Report and Financial Statements).
(2) For financial assets and financial liabilities that were transferred into or out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.
(3) Amounts represent unrealised gains or (losses) for the year ended 31 December 2025 related to assets and liabilities still outstanding at 31 December 2025. The unrealised gains or (losses) are recognised in the consolidated income statement or consolidated statement of comprehensive income as detailed in the financial instruments accounting policy (note 3c within 2025 Report and Financial Statements).
(4) Net derivative contracts represent trading financial liabilities derivative contracts net of trading financial assets - derivative contracts.

During the period, there were no material transfers (2025: $nil) from Level 3 to Level 2 of the fair value hierarchy. There were no material transfers from Level 2 to Level 3 of the fair value hierarchy (2025: $nil).

During the period, the Group's Level 3 assets and liabilities balance increased by $1,234 million and $1,467 million, respectively, spread across various instruments.

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

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

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

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

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

30 June 2026	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Corporate and other debt:			
Mortgage and asset-backed securities	65	Comparable pricing	
		Comparable bond price	0 to 96 pts (36 pts)
Corporate bonds	807	Comparable pricing	
		Comparable bond price	1 to 153 pts (72 pts)
Loans and lending commitments	396	Comparable pricing	
		Comparable loan price	43 to 119 pts (84 pts)
Corporate equities:	63	Comparable pricing	
		Comparable equity price	100% (100%)
Investment securities:			
Corporate equities	13	Comparable pricing	
		Comparable equity price	N/M (N/M)
		Discounted cash flow	
		Implied Weighted Average Cost of Capital ("WACC")	N/M (N/M)
Secured financing:			
Securities purchased under agreements to resell	171	Discounted cash flow	
		Funding spread	77 to 124 pts (97 pts)

30 June 2026	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
LIABILITIES			
Trading financial liabilities:			
Corporate and other debt:	(25)		
		Option Model	
		Equity volatility	N/M (N/M)
		Equity volatility skew	N/M (N/M)
		Equity correlation	N/M (N/M)
		Equity FX correlation	N/M (N/M)
Net derivatives contracts:[2]			
Interest rate	(547)	Option Model	
		Inflation volatility	32% to 67% (44%/40%)
		Interest rate curve correlation	53% to 99% (85%/87%)
		Interest rate curve	0% to 10% (1%/0%)
		Interest rate volatility skew	58% to 100% (73%/76%)
		Bond volatility	62 to 84 (64 bps/66 bps)
Credit	209	Credit default swap model	
		Credit spread	2 to 294 bps (83 bps)
		Comparable pricing	
		Comparable bond price	11 to 111 pts (48 pts)
		Discounted cash flow	
		Funding spread	N/M (N/M)
Foreign exchange and gold[3]	(12)	Option model	
		Interest rate volatility skew	33% to 85% (48%)
		Interest rate curve	0% to 7% (0%/0%)
		Deal execution probability	95% to 95% (95%/95%)
		Foreign exchange volatility skew	5% to 10% (7%/7%)
		Currency basis	N/M (N/M)
Equity	(892)	Option model	
		Equity volatility	1% to 130% (25%)
		Equity volatility skew	-12% to 2% (0%)
		Equity correlation	0% to 100% (63%)
		Equity FX correlation	-90% to 90% (-18%)
Debt and other borrowings:			
Issued structured notes	(159)	Option model	
		Equity volatility	19% to 105% (41%)
		Equity volatility skew	-2% to 1% (0%)
		Equity correlation	17% to 100% (75%)
		Equity FX correlation	-70% to 23% (-14%)

N/M- Not Material
(1) A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.
(2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.
(3) Includes derivative contracts with multiple risks (i.e. hybrid products).

31 December 2025	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
ASSETS			
Trading financial assets:			
Government debt securities	27	Comparable pricing	
		Comparable bond price	N/M (N/M)
Corporate and other debt:			
Mortgage and asset-backed securities	101	Comparable pricing	
		Comparable bond price	0 to 96 pts (51 pts)
Corporate bonds	731	Comparable pricing	
		Comparable bond price	1 to 153 pts (79 pts)
Loans and lending commitments	423	Comparable pricing	
		Comparable loan price	40 to 120 pts (86 pts)
Other Debt	—	Comparable pricing	
		Comparable bond price	N/M (N/M)
Corporate equities	179	Comparable pricing	
		Comparable equity price	100% (100%)
Investment securities:			
Corporate equities	13	Comparable pricing	
		Comparable equity price	N/M (N/M)
		Discounted cash flow	
		Implied Weighted Average Cost of Capital ("WACC")	N/M (N/M)
Secured financing			
Securities purchased under agreements to resell	223	Discounted cash flow	
		Funding spread	72 to 105 bps (95bps)

31 December 2025	Fair value $ millions	Predominant valuation techniques/ Significant unobservable inputs	Range (Average)[1]
LIABILITIES			
Trading financial liabilities			
Corporate and other debt:	(43)		
		Option model	
		Equity volatility	19% to 58% (43%)
		Equity volatility skew	-5% to 1%(0%)
		Equity correlation	21% to 90% (74%)
		Equity FX correlation	-48% to 90% (45%)
Net derivatives contracts:[2]			
Interest rate	(444)	Option Model	
		Inflation volatility	32% to 67% (44%, 40%)
		Interest rate curve correlation	75% to 89% (80%, 79%)
		Interest rate volatility skew	47% to 113% (88%, 97%)
		Currency basis	N/M (N/M)
		Deal contingent probability	N/M (N/M)
		Bond volatility	59 to 79 bps (71 bps, 71 bps)
Credit	65	Credit default swap model	
		Credit spread	2 to 300 bps (73 bps)
		Comparable pricing	
		Comparable bond price	1 to 96 pts (38 pts)
		Discounted cash flow	
		Funding spread	N/M (N/M)
Foreign exchange and gold[3]	(29)	Option model	
		Deal execution probability	95% to 95% (95%, 95%)
		Interest rate volatility skew	75% to 89% (80%, 79%)
		Foreign exchange volatility skew	5% to 14% (8%, 8%)
		Currency basis	-1% to 19%(2%,0%)
Equity	(886)	Option model	
		Equity volatility	3% to 108% (21%)
		Equity volatility skew	-11% to 2% (-2%)
		Equity correlation	0% to 100% (58%)
		Equity FX correlation	-90% to 60% (-25%)
Debt and other borrowings:			
Issued structured notes	(50)	Option model	
		Equity volatility	23% to 80% (44%)
		Equity volatility skew	-1% to 1% (-1%)
		Equity correlation	22% to 100% (78%)
		Equity FX correlation	-55% to 23% (-20%)
Trade and other payables:			
Prepaid OTC contracts	—	Discounted cash flow	
		Loss given default	N/A (N/A)

(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, respectively, are provided when more relevant.
(2) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts
(3) Includes derivative contracts with multiple risks (i.e. hybrid products)

A description of the significant unobservable inputs and qualitative sensitivity included in the table above for all major categories of assets and liabilities is included within note 30 of the 2025 Report and Financial Statements.

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

The following table presents the potential impact of both favourable and unfavourable changes, both of which would be reflected in the condensed consolidated income statement. The information below is limited to quantitative information and should be read in conjunction with note 30 of the 2025 Report and Financial Statements.

	30 June 2026		31 December 2025	
in $ millions	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Trading financial assets:				
Corporate and other debt	23	(23)	28	(19)
Corporate equities	12	(12)	46	(46)
Net derivative contracts[1]	181	(239)	124	(157)
	216	**(274)**	**198**	**(222)**

(1) Net derivative contracts represent trading financial assets - derivative contracts net of trading financial liabilities - derivative contracts.

e. Financial Instruments Valued Using Unobservable Market Data

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

in $ millions	30 June 2026	31 December 2025
Opening balance	457	437
New transactions	386	295
Amounts recognised in the consolidated income statement during the period	(199)	(275)
Total closing balance	**644**	**457**

The balance above predominately relates to derivatives. The Group has financial instruments valued using unobservable market data of $76 million (2025: $42 million) related to other Morgan Stanley Group undertakings.

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

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

19. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

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

in $ millions	Carrying value	Fair value	Fair value measurement using: Observable inputs (Level 2)
30 June 2026			
Other borrowings	57,175	57,631	57,631
31 December 2025			
Other borrowings	41,423	41,766	41,766

20. RELATED PARTY DISCLOSURES

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

The Group receives and incurs management charges to and from other Morgan Stanley Group undertakings for infrastructure services, including the provision of staff and office facilities. For the period, 'Management charges from other Morgan Stanley Group undertakings relating to staff costs' were $377 million (30 June 2025: $339 million) and 'Management charges from other Morgan Stanley Group undertakings relating to other services' and 'Commission and other similar arrangements' were $1,014 million (30 June 2025: $914 million). See note 5 for further details.

21. EVENTS AFTER THE REPORTING PERIOD

On 30 July 2026, the Group issued an additional $1,400 million of Senior subordinated debt. The issuance is considered a non-adjusting event after the reporting period and has not been recognised within these interim financial statements.