Morgan Stanley International Limited Group

Pillar 3 Regulatory Disclosures Report

As at 30 June 2021

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1. Overview and Key Metrics

The principal activity of Morgan Stanley International Limited ("MSI") together with its subsidiaries (the "MSI Group") is the provision of financial services to corporations, governments and financial institutions. There have not been any significant changes in the MSI Group's principal activities during the second quarter of 2021.

As at 30 June 2021, Morgan Stanley & Co. International plc ("MSIP") and Morgan Stanley Europe Holding SE ("MSEHSE Group") are large subsidiaries within the MSI Group. MSIP is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and Financial Conduct Authority ("FCA"). MSEHSE at a consolidated group level is under the direct supervision of the European Central Bank ("ECB") under the Single Supervisory Mechanism.

The Pillar 3 disclosures of the MSI Group as at 30 June 2021 are prepared on the basis of the consolidated MSI Group. In addition, certain disclosures are provided for MSIP and MSEHSE Group.

Key Metrics

Table 1: Key metrics
$MM

MSI Group[1]	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20
Common Equity Tier 1 Capital	21,657	20,885	21,396	21,047	20,150
Additional Tier 1 Capital	3,500	3,500	3,500	3,500	3,500
Tier 1 Capital	**25,157**	**24,385**	**24,896**	**24,547**	**23,650**
Tier 2 Capital	**4,835**	**5,103**	**5,365**	**5,373**	**5,361**
Total Own Funds	**29,992**	**29,488**	**30,261**	**29,920**	**29,011**
Risk Weighted Assets	168,003	181,191	167,445	155,236	158,394
Common Equity Tier 1 Ratio	12.9%	11.5%	12.8%	13.6%	12.7%
Tier 1 Capital Ratio	15.0%	13.5%	14.9%	15.8%	14.9%
Total Capital Ratio	17.9%	16.3%	18.1%	19.3%	18.3%
Leverage Exposure	535,605	537,184	493,282	461,992	454,204
Leverage Ratio	4.7%	4.5%	5.0%	5.3%	5.2%
Liquidity buffer	48,780	47,018	45,310	45,785	46,883
Total net cash outflows	26,017	24,373	22,436	21,507	21,058
Liquidity Coverage Ratio[2]	187%	193%	203%	213%	223%
MSIP[1]	**Q2'21**	**Q1'21**	**Q4'20**	**Q3'20**	**Q2'20**
Common Equity Tier 1 Capital	16,419	15,796	16,106	16,298	15,724
Additional Tier 1 Capital	3,500	3,500	3,500	3,500	3,500
Tier 1 Capital	**19,919**	**19,296**	**19,606**	**19,798**	**19,224**
Tier 2 Capital	**4,480**	**4,729**	**4,975**	**5,000**	**5,000**
Total Own Funds	**24,399**	**24,025**	**24,581**	**24,798**	**24,224**
Risk Weighted Assets	145,033	161,379	155,537	143,871	144,307
Common Equity Tier 1 Ratio	11.3%	9.8%	10.4%	11.3%	10.9%
Tier 1 Capital Ratio	13.7%	12.0%	12.6%	13.8%	13.3%
Total Capital Ratio	16.8%	14.9%	15.8%	17.2%	16.8%
Leverage Exposure	502,756	500,490	474,169	450,574	440,711
Leverage Ratio	4.0%	3.9%	4.1%	4.4%	4.4%

1. The MSI Group and MSIP are required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 30 June 2021, the MSI Group and MSIP are in compliance with the PRA capital requirements.
2. Total weighted adjusted value (12 month average).

Table 1: Key metrics
$MM[3]

MSEHSE Group[4,5]	Q2'21	Q1'21	Q4'20
Common Equity Tier 1 Capital	3,826	3,329	3,478
Additional Tier 1 Capital	711	704	734
Tier 1 Capital	**4,537**	**4,033**	**4,212**
Tier 2 Capital	**1,185**	**1,172**	**1,222**
Total Own Funds	**5,722**	**5,205**	**5,434**
Risk Weighted Assets	22,336	23,136	14,521
Common Equity Tier 1 Ratio	17.1%	14.4%	24.0%
Tier 1 Capital Ratio	20.3%	17.4%	29.0%
Total Capital Ratio	25.6%	22.5%	37.4%
Leverage Exposure	66,358	78,772	56,301
Leverage Ratio	6.8%	5.1%	7.5%

3. MSEHSE Group quantitative data for 30 June 2021 has been converted from EUR to USD at a rate of 1.1847.
4. MSEHSE Group is required to maintain a minimum ratio of Own Funds to RWAs. As at 30 June 2021, MSEHSE Group is in compliance with the regulatory capital requirements.
5. MSEHSE Group adjustment to CET1 due to prudential filters as at 30 June 2021 is $90MM, as at 31 March 2021 was $82MM.

Basis of Consolidation

The MSI Group completes its prudential consolidation in compliance with Capital Requirements Regulation ("CRR") Part One, Title II Chapter 2 as amended, with all entities fully consolidated. The basis of consolidation for prudential purposes is materially the same as consolidation for accounting purposes.

This disclosure is prepared for the MSI Group, rather than on an individual basis for each regulated entity, as permissible by the CRR. The most significant subsidiaries of the MSI Group are MSIP and MSEHSE Group, the results of which are material to the MSI Group. This disclosure comprehensively conveys the risk profile of the MSI Group.

Morgan Stanley Group

The MSI Group's ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a "Financial Holding Company" as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System.

The MSI Group is a wholly owned sub-group of the Morgan Stanley Group. Whilst the MSI Group is a material sub-group, the information disclosed in this document is not necessarily indicative of the Morgan Stanley Group as a whole, nor is it comprehensively representative of the Morgan Stanley Group's activity in any particular region. Investors, stakeholders, creditors or other users seeking information on capital adequacy, liquidity, risk exposure and risk management policies should consult the public disclosures of Morgan Stanley Group.

Details of the latest Morgan Stanley Group Pillar 3 disclosure can be accessed at http://www.morganstanley.com/about-us-ir/pillar-us. Details of the latest Morgan Stanley Group Liquidity Coverage Ratio disclosure can be accessed at https://www.morganstanley.com/about-us-ir/lcr-disclosures-us.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. These can be accessed at http://www.morganstanley.com/pub/content/msdotcom/en/about-us-ir/sec-filings.

2. Regulatory Frameworks

2.1 Regulatory Overview

Basel Committee on Banking Supervision ("BCBS") sets the standard for international banking prudential regulation in a series of accords ("Basel Accords"). It is a forum for regular cooperation on the supervision of the banking system and is made up of national banks and supervisory authorities from 28 countries. The Basel Accords are not directly applicable legislation and they apply only to internationally active banks. The Basel Accords have been updated a number of times, most recently through a series of reforms known collectively as Basel III. The Basel Accords are implemented in the UK via the Capital Requirements Directive ("CRD") and the CRR, both as amended.

The framework consists of three "Pillars":

- Pillar 1 – Minimum capital requirements: defines rules for the calculation of credit, market, operational and liquidity risk;
- Pillar 2 – Supervisory review process: including a requirement for firms to undertake an Internal Capital Adequacy Assessment ("ICAAP") and Internal Liquidity Adequacy Assessment ("ILAAP");
- Pillar 3 – Market discipline: requires expanded disclosures to allow investors and other market participants to understand capital and liquidity adequacy, particular risk exposures and risk management processes of individual firms.

Pillar 3 Disclosure

MSI Group Pillar 3 disclosures are prepared in accordance with the requirements of Part Eight of the CRR. For certain disclosures, these requirements are further detailed through the European Banking Authority ("EBA") Regulatory Technical Standards ("RTS") and Implementing Technical Standards ("ITS") which include a number of common templates. Where applicable, these templates are used within this disclosure.

Both MSIP and MSEHSE Group are considered large subsidiaries of the MSI Group for Pillar 3 disclosures. However, MSEHSE Group, as a non-listed large subsidiary is only required to be disclosed on an annual basis.

The MSI Group has policies and procedures in place to assess the appropriateness of its Pillar 3 disclosure. One or more members of the management body are required to confirm that the disclosure has been prepared in accordance with internal control processes agreed upon at the management body level. The MSI Group's Pillar 3 disclosures are not required to be, and have not been, audited by the MSI Group's auditor. The MSI Group's Pillar 3 disclosure as at 30 June 2021 is based on its current understanding of CRD, CRR and related legislation, which will be subject to change as CRR II comes into effect.

2.2 Regulatory Development

Finalising Basel III reforms

Following the United Kingdom's ("UK") withdrawal from the European Union (the "EU"), the PRA is consulting on draft rules to implement key components of the Basel III reforms that have been finalised in the EU. This includes: Fundamental Review of the Trading Book, Standardised Approach to Counterparty Credit Risk, Net Stable Funding Ratio, revised Leverage Ratio, revised Large Exposure Framework, and revised Pillar 3 disclosure requirements. In the UK, these are expected to be implemented by 1 January 2022. In the EU, these rules have been finalised, effective 27 June 2019 and will be implemented over a four year period, where the majority of new requirements applied from 28 June 2021. These changes are referred to as CRR II.

Following the impact of the COVID-19 pandemic and its impact on the global banking system, the BCBS has decided to defer the remaining standards of the Basel III reform package by one year to 1 January 2023. The key amendments provide updates to the standardised measures for calculating capital requirements and include an aggregate floor for RWA generated by the internal models, which will be set at 72.5% of total standardised RWA. The output floor will be phased in over five years. Banks will also need to disclose their RWA based upon the standardised approaches. The PRA has indicated they intend implementing these requirements in line with the proposed BCBS timetable. However, given no draft rules have yet been proposed, the final timing and impact remains uncertain. The same uncertainty exists in the EU.

Temporary Transitionary Period

Following the end of the transition period of the UK's withdrawal from the EU on 31 December 2020, Her Majesty's Treasury decided to retain the regulators' Temporary Transitional Power ("TTP") which was introduced through the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019.

The TTP will allow the Bank of England ("BOE"), the PRA and the FCA to phase-in changes to UK regulatory requirements so that firms can adjust to the UK's post-Transition Period regime in an orderly way.

The TTP, effective from 1 January 2021, is expected to end by March 31, 2022. During this period, from a prudential regulatory rules perspective, requirements as implemented by the EU will largely continue to apply in the UK in the same way as prior to 31 December 2020.

Investment Firm Regulation / Directive

In December 2019, the European Commission published the Investment Firm Regulation ("IFR") and Investment Firm Directive ("IFD") that introduce a tailored capital adequacy and liquidity framework for EU investment firms based on their size and type of business activity, and make changes to governance and remuneration requirements. Large systemic investment firms remain subject to existing requirements based on the CRR and CRD, whilst the new regime applies to other investment firms.

In the EU, final rules were effective 25 December 2019 with, implementation of the new requirements applied from 26 June 2021.

Following the end of the transition period of the UK's withdrawal from the EU, the UK will introduce the Investment Firms Prudential Regime ("IFPR") that is expected to be largely consistent with that of the EU's IFR and IFD. However, its application date is delayed by six months to 1 January 2022.

The MSI Group, as it includes a credit institution as a subsidiary, will remain subject to existing requirements based on the CRR and CRD.

3. Capital Management

The MSI Group views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements. In line with Morgan Stanley Group capital management policies, the MSI Group manages its capital position based upon, among other things, business opportunities, risks, capital availability and rate of return together with, internal capital policies, regulatory requirements and rating agency guidelines. Therefore, in the future it may adjust its capital base in reaction to the changing needs of its businesses. The appropriate level of capital is determined at a legal entity level to safeguard that entity's ability to continue as a going concern and ensure that it meets all regulatory capital requirements. The key components of the capital management framework used by the MSI Group are set out in the MSI Group Capital Planning and Management Policy and include a point in time risk and leverage based capital assessment, forward looking capital projections and stress testing. The MSI Group conducts an ICAAP at least annually in order to meet its obligations under Capital Requirements Directive.

The ICAAP is a key tool used to inform the MSI Board and the executive management on risk profile and capital adequacy. The MSI Group's ICAAP:

- Is designed to ensure that the risks to which the MSI Group is exposed are appropriately capitalised and risk managed, including those risks that are either not captured, or not fully captured under Pillar 1;
- Uses stress testing to size a capital buffer aimed at ensuring the MSI Group will continue to operate above regulatory requirements under a range of severe but plausible stress scenarios; and

- Assesses capital adequacy under normal and stressed operating environments over the three year capital planning horizon to ensure the MSI Group maintains a capital position in line with internal pre and post stress minimum levels.

The key elements of the ICAAP are embedded in the MSI Group's day-to-day management processes and decision making culture.

The PRA reviews the MSI Group ICAAP through its Supervisory Review and Evaluation Process ("SREP") and sets a Total Capital Requirement ("TCR"), comprising Pillar 1 and Pillar 2A, which establishes the minimum level of regulatory capital for the MSI Group and MSIP. As of 30 June 2021, the MSI Group TCR was $17.9Bn, equivalent to 10.7% of RWAs. If required, the PRA also sets a buffer in addition to the Basel Combined Buffers, which is available to support the MSI Group in a stressed market environment.

The principles of the MSI Group's ICAAP are applied, in a manner consistent with local regulatory requirements, at the subsidiary legal entities.

The Capital Conservation Buffer ("CCB") requires banks to build up a capital buffer that can be utilised to absorb losses during period of stress, whilst remaining compliant with minimum requirements, and must be met with Common Equity Tier 1 ("CET1") capital. The CCB was fully phased in on 1 January 2019 at 2.5%.

The Countercyclical Capital Buffer ("CCyB") was introduced to ensure that excessive growth in specific countries is accounted for by increasing minimum capital ratios by between 0% and 2.5% and must be met with CET1 Capital. The CCyB for the MSI Group stood at 0.04% as of 30 June 2021.

MSI Group capital is managed to ensure risk and leverage based requirements assessed through the ICAAP and SREP are met. Internal capital ratio minima are set by the MSI Board to ensure the MSI Group and its subsidiaries have sufficient capital to meet their regulatory requirements at all times.

The capital managed by the MSI Group broadly includes share capital, Additional Tier 1 ("AT1") capital instruments, subordinated debt and reserves. In order to maintain or adjust its capital structure, the MSI Group may pay dividends, return capital to its shareholders, issue new shares, or issue or repay AT1 capital instruments or subordinated debt.

On 30 September, the PRA granted both MSI Group and MSIP permission to include the interim profits for the period beginning 1 January 2021 and ending on 30 June 2021 in Common Equity Tier 1 capital.

There are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the MSI Group and its subsidiaries.

COVID-19 Regulatory Measures

Where applicable, reporting throughout this disclosure reflects regulatory relief, previously in place, intended to mitigate the impact of the Covid-19 outbreak. In the UK, the Bank of England reduction to countercyclical buffer requirements remains in place.

4. Capital Resources

The capital resources of the MSI Group and MSIP are set out in Table 2. All capital resources included in Tier 1 and Tier 2 capital are of standard form and the main terms and conditions of the capital instruments are disclosed in Appendix II.

Table 2: Own funds

$MM	MSI Group	MSIP
Capital instruments eligible as CET1 capital	2,403	12,978
Retained earnings	14,342	3,627
Accumulated other comprehensive income	(666)	(343)
Other reserves	7,461	1,403
Adjustments to CET1 due to prudential filters	(1,043)	(995)
Other intangible assets	(473)	(2)
Internal Ratings Based shortfall of credit risk adjustments to expected losses	(346)	(249)
Defined-benefit pension fund assets	(21)	-
CET1 capital	**21,657**	**16,419**
Additional Tier 1 capital	3,500	3,500
Tier 1 capital	**25,157**	**19,919**
Capital instruments and subordinated loans eligible as Tier 2 capital	4,835	4,480
Instruments issued by subsidiaries that are given recognition in Tier 2 capital	-	-
Tier 2 capital	**4,835**	**4,480**
Total own funds	**29,992**	**24,399**

Over the first half of 2021, the MSI Group Own Funds have increased, due to an increase in retained earnings.

The MSI Group relies on its policies, procedures and systems to determine the adequacy of valuation for financial assets and compliance with accounting standards. To comply with the CRD requirements, additional valuation adjustments are applied to capital over and above those that are taken in order to comply with the accounting requirements. The regulatory adjustments are referred to in the above table as prudential filters.

The capital resources of the MSI Group and MSIP are based on unaudited financial information. Table 3 provides a reconciliation of shareholders' equity to regulatory capital.

Table 3: Reconciliation of balance sheet total equity to regulatory capital

$MM	MSI Group				MSIP			
		CET1 capital	AT1 capital	Tier 2 capital		CET1 capital	AT1 capital	Tier 2 capital
Equity instruments	5,866	2,366	3,500	-	15,965	12,465	3,500	-
Share premium	37	37	-	-	513	513	-	-
Other reserves	7,461	7,461	-	-	1,403	1,403	-	-
Other comprehensive income	(666)	(666)	-	-	(343)	(343)	-	-
Retained earnings	15,575	15,575	-	-	4,567	4,567	-	-
Non-controlling interest	22	22	-	-	-	-	-	-
Balance sheet total equity	**28,295**	**24,795**	**3,500**	**-**	**22,105**	**18,605**	**3,500**	**-**
Add:								
Tier 2 instruments classified as debt and other borrowings	**5,396**	**-**	**-**	**5,396**	**5,000**	**-**	**-**	**5,000**
Less:								
Qualifying own funds subordinated debt instruments not included in consolidated Tier 2 capital	-	-	-	-	-	-	-	-
Amortised portion of subordinated debt instruments not included in T2 capital	(561)	-	-	(561)	(520)	-	-	(520)
Part of interim or year-end profit not eligible	(1,233)	(1,233)	-	-	(940)	(940)	-	-
Minority interests (amount not allowed in consolidated CET1)	(22)	(22)	-	-	-	-	-	-
Additional value adjustments	(1,268)	(1,268)	-	-	(1,207)	(1,207)	-	-
Negative amounts resulting from the calculation of expected loss amounts	(346)	(346)	-	-	(249)	(249)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	225	225	-	-	212	212	-	-
Intangible assets (net of related tax liability)	(473)	(473)	-	-	(2)	(2)	-	-
Defined-benefit pension fund assets	(21)	(21)	-	-	-	-	-	-
Total own funds (transitional rules and fully loaded position)	**29,992**	**21,657**	**3,500**	**4,835**	**24,399**	**16,419**	**3,500**	**4,480**

5. Total Loss-Absorbing Capacity

MSI Group is subject to internal TLAC requirements via CRR II. These requirements are designed to enhance the resilience of the financial system by ensuring firms have sufficient capital to absorb losses and recapitalise under resolution. The minimum capacity requirements are set at 16% of risk weighted assets and 6% of leverage exposure, scaled at 90% for MSI Group as the subsidiary of a non-EU Global Systemically Important Institution ("G-SII").

Morgan Stanley's preferred resolution strategy is a Single Point of Entry ("SPOE") strategy. Further information on resolution strategy can be found in Morgan Stanley Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. The MSI Group TLAC key metrics are provided in Table 4.

Table 4: TLAC key metrics
$MM

MSI Group[1]	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20
Total loss absorbing capacity (TLAC) available	**39,553**	**38,780**	**36,288**	**35,920**	**35,011**
Total RWA at the level of the resolution group	**168,003**	**181,191**	**167,445**	**155,236**	**158,394**
TLAC as a percentage of RWA (row 1/row2) (%)[1]	23.5%	21.4%	21.7%	23.1%	22.1%
Leverage ratio exposure measure at the level of the resolution group	535,605	537,184	493,282	461,992	454,204
TLAC at a percentage of leverage ratio exposures measure (row1/row4) (%)	7.4%	7.2%	7.4%	7.8%	7.7%

1. As at 30 June 2021, the MSI Group is in compliance with the TLAC requirements.

Table 5 provides details of the composition of the MSI Group's TLAC.

Table 5: TLAC composition
$MM

MSI Group	Q2'21
Common Equity Tier 1 Capital (CET1)	21,657
Additional Tier 1 Capital (AT1) before TLAC adjustments	3,500
AT1 ineligible as TLAC as issued out of subsidiaries to third parties	-
Other adjustments	-
AT1 instruments eligible under the TLAC framework	3,500
Tier 2 Capital (T2) before TLAC adjustments	4,835
Amortised portion of T2 instruments where remaining maturity >1 year	561
T2 Capital ineligible as TLAC as issued out of subsidiaries to third parties	-
Other adjustments	-
T2 instruments eligible under the TLAC framework	5,396
TLAC arising from regulatory capital	**30,553**
TLAC instruments subordinated to excluded liabilities	9,000
TLAC arising from non-regulatory capital instruments before adjustments	**9,000**
TLAC before deductions	**39,553**
Deduction of investments in own other TLAC liabilities	-
Other adjustments to TLAC	-
TLAC after deductions	**39,553**
Total risk-weighted assets adjusted as permitted under the TLAC regime	168,003
Leverage exposure measure	535,605
TLAC (as a percentage of risk-weighted assets adjusted as permitted under the TLAC regime)	23.5%
TLAC (as a percentage of leverage exposure)	7.4%
CET1 capital (as a percentage of RWA) available after meeting the resolution group's MCR and TLAC requirement	6.3%
Institution-specific buffer requirement	**2.54%**
Of which: capital conservation buffer requirement	2.50%
Of which: bank specific countercyclical buffer requirement	0.04%

Table 6 provides a breakdown of eligible instruments in the creditor hierarchy of the MSI Group.

Table 6: TLAC creditor ranking

	Creditor ranking				
$MM	1	2	3	4	
MSI Group	(most junior)			(most senior)	Total
Description of creditor ranking	Ordinary Shares[1]	AT1 instruments	Subordinated loans	Senior Subordinated loans	
Total capital and liabilities	**2,403**	**3,500**	**5,396**	**9,000**	**20,299**
Excluded liabilities [2]	-	-	-	-	-
Total capital and liabilities less excluded liabilities	2,403	3,500	5,396	9,000	**20,299**
Eligible as TLAC	2,403	3,500	5,396	9,000	**20,299**
with 1 year ≤ residual maturity < 2 years	-	-	-	9,000	**9,000**
with 2 years ≤ residual maturity < 5 years	-	-	5,396	-	**5,396**
with 5 years ≤ residual maturity < 10 years	-	-	-	-	**-**
with residual maturity ≥ 10 years	-	-	-	-	**-**
perpetual securities	2,403	3,500	-	-	**5,903**

1. Ordinary Shares excludes the value of share premium and reserves.
2. As at 30 June 2021 MSI Group has no excluded liabilities as defined in CRR II Article 72a (2).

6. Leverage

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a supplementary measure to the risk-based capital requirements. The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that a credible leverage ratio ensures broad and adequate capture of both the on and off-balance sheet sources of banks' leverage.

The MSI Group and MSIP leverage ratios as at 30 June 2021 exceed the proposed minimum requirement of 3.25% that will apply once new legislation comes into effect, expected to be from 1 January 2023. MSEHSE Group leverage ratio is also in excess of its 3% minimum. MSI Group manages its risk of excessive leverage through the application of business unit leverage exposure limits and leverage ratio early warning trigger levels. Limits are calibrated in line with legal entity capacity and ensure that leverage exposure remains within the MSI Board’s risk appetite. Leverage exposures for MSI Group as well as MSIP and MSEHSE Group are regularly calculated and reported to EMEA ALCO who monitor this, as well as maturity mismatches and asset encumbrance metrics, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately.

The leverage ratios across MSI Group, MSIP and MSEHSE Group have increased from 31 March 2021 to 30 June 2021, primarily due to an increase in Tier1 capital.

The disclosures in the tables below have been made in accordance with the EU Delegated Act and are disclosed on a fully phased in basis. Table 7 provides a reconciliation between total assets in the financial statements and the leverage exposure measure for MSI Group and MSIP as at 30 June 2021.

Table 7: Reconciliation of accounting assets and leverage ratio exposures

$MM	MSI Group	MSIP
Total assets as per published financial statements[1]	**593,786**	**556,801**
Adjustments for derivative financial instruments	(84,572)	(76,400)
Adjustments for securities financing transactions	20,495	20,536
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	8,003	3,758
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	(482)
Other adjustments	(2,107)	(1,457)
Total leverage ratio exposure	**535,605**	**502,756**

1. MSI Group does not publish financial statements and the reported balances are reconciled to unaudited financial statements.

Table 8 provides a detailed breakdown of the components of the leverage ratio exposure for MSI Group and MSIP as at 30 June 2021.

Table 8: Leverage ratio common disclosure

$MM	MSI Group	MSIP
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	255,565	232,606
(Asset amounts deducted in determining Tier 1 capital)	(2,107)	(1,457)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**253,458**	**231,149**
Derivative exposures		
Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	34,722	28,108
Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	178,539	160,492
Gross-up for derivatives collateral provided where deducted from the balance sheet pursuant to the applicable accounting framework	5,420	6,619
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(40,961)	(35,291)
(Exempted CCP leg of client-cleared trade exposures)	(15,271)	(7,512)
Adjusted effective notional amount of written credit derivatives	278,157	267,895
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(272,644)	(263,185)
Total derivative exposures	**167,962**	**157,126**
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	157,322	162,304
(Netted amounts of cash payables and cash receivables of gross SFT assets)	(61,787)	(61,787)
Counterparty credit risk exposure for SFT assets	10,647	10,688
Total securities financing transaction exposures	**106,182**	**111,205**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	22,353	14,098
(Adjustments for conversion to credit equivalent amounts)	(14,350)	(10,340)
Total other off-balance sheet exposures	**8,003**	**3,758**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	(482)
Capital and total exposure measure		
Tier 1 capital	**25,157**	**19,919**
Total leverage ratio exposures	**535,605**	**502,756**
Leverage ratio	**4.7%**	**4.0%**
Choice on transitional arrangements for the definition of the capital measure	**Fully phased in**	**Fully phased in**

Table 9 provides a breakdown of the on-balance sheet exposures into trading and non-trading book exposures for MSI Group and MSIP as at 30 June 2021.

Table 9: Split of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

$MM	MSI Group	MSIP
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**255,565**	**232,606**
Trading Book exposures	208,218	196,736
Non-Trading Book exposures, of which:	47,347	35,870
Regional governments, MDB, international organisations and PSE not treated as sovereigns	20,621	15,073
Exposures treated as sovereigns	9	8
Institutions	20,718	17,641
Corporate	2,837	2,031
Exposures in default	221	53
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2,941	1,064

7. Capital Requirements and RWAs

RWAs reflect both on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following.

Credit and Counterparty Credit Risk ("CCR") refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations. Credit and Counterparty Credit capital requirements are derived from RWAs, determined using approved internal modelling approaches – the Foundation Internal Ratings Based approach ("IRB") for credit risk and the IMM for counterparty risk – as well as the Standardised Approach ("SA") and Mark-to-Market Method ("MTMM") for exposures not covered by internal models.

Credit Valuation Adjustment ("CVA") is the capital requirement that covers the risk of mark-to-market losses on the counterparty risk of Over-the-Counter ("OTC") derivatives. It is calculated using a combination of advanced internal modelling and standardised approaches.

Settlement risk refers to the capital requirement that covers the risk due to the possibility that a counterparty will fail to deliver on the terms of a contract at the agreed-upon time.

Securitisations exposures are a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. Also, the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Market risk refers to the risk that a change in the level of one or more market prices, rates, 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. The Market Risk capital requirements comprise of capital associated with the Internal Modelling Approaches ("IMA") approved by the PRA and those associated with the Standardised Approach.

Large exposures refer to the capital requirement that covers the risk due to concentrated exposures to a single counterparty or group of connected counterparties.

Operational risk refers to the risk of loss, or of damage to 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). Capital requirements for operational risk are currently calculated under the Basic Indicator Approach ("BIA").

Amounts below the thresholds for deduction correspond to items not deducted from Own Funds, as they are below the applicable thresholds for deduction, in accordance with the CRR.

The MSI Group enhances its risk management strategy and incorporates improvements in modelling techniques while maintaining compliance with the regulatory requirements. For further discussion on credit risk, counterparty credit risk, market risk and operational risk, please refer to the specific sections within this document.

Table 10 summarises RWAs and minimum capital requirements ("MCR") for MSI Group and MSIP by risk type. MSI Group and MSIP calculate Pillar 1 capital requirements as 8% of RWAs in accordance with CRD.

Table 10: Overview of RWAs (EU OV1)

	MSI Group			MSIP		
$MM **MSI Group**	**RWAs Q2'21**	**RWAs Q1'21**	**MCR Q2'21**	**RWAs Q2'21**	**RWAs Q1'21**	**MCR Q2'21**
Credit risk (excluding CCR)	**14,339**	**13,789**	**1,148**	**9,521**	**8,451**	**761**
Of which standardised approach	3,695	3,313	296	2,091	1,585	167
Of which foundation IRB (FIRB) approach	6,759	6,312	541	3,856	2,990	308
Of which advanced IRB (AIRB) approach	-	-	-	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	3,885	4,164	311	3,574	3,876	286
CCR	**68,611**	**71,762**	**5,489**	**62,537**	**65,983**	**5,003**
Of which mark-to-market	9,501	12,523	760	8,972	9,936	718
Of which original exposure	-	-	-	-	-	-
Of which standardised approach	207	401	17	326	371	26
Of which internal model method	29,251	27,780	2,340	25,692	25,588	2,055
Of which Financial collateral comprehensive method (for SFTs)	11,800	11,703	944	11,839	12,229	947
Of which risk exposure amount for contributions to the default fund of a CCP	499	348	40	357	254	29
Of which CVA	17,353	19,007	1,388	15,351	17,605	1,228
Settlement risk	**393**	**305**	**31**	**449**	**293**	**36**
Securitisation exposures in banking book (after cap)[1]	**1,665**	**1,336**	**133**	**1,665**	**1,336**	**133**
Of which IRB	-	-	-	-	-	-
Of which IRB supervisory formula approach (SFA)[1]	-	-	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-	-	-
Of which standardised approach	-	-	-	-	-	-
Market risk	**61,321**	**73,336**	**4,906**	**48,009**	**59,664**	**3,841**
Of which standardised approach	12,938	13,344	1,035	6,432	7,383	515
Of which IMA	48,383	59,992	3,871	41,577	52,281	3,326
Large exposures	**8,006**	**7,073**	**640**	**12,916**	**15,835**	**1,033**
Operational risk	**12,760**	**12,760**	**1,020**	**9,083**	**9,083**	**728**
Of which basic indicator approach	12,760	12,760	1,020	9,083	9,083	728
Of which standardised approach	-	-	-	-	-	-
Of which advanced measurement approach	-	-	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**908**	**830**	**73**	**853**	**734**	**68**
Floor adjustment	-	-	-	-	-	-
Total	**168,003**	**181,191**	**13,440**	**145,033**	**161,379**	**11,603**

1. As of 1 Jan 2020, these positions were subject to the hierarchy of methods laid down in the revised securitisation framework.

Over the second quarter RWAs decreased primarily driven by Market Risk, due to RNIVs, and Counterparty Credit Risk due to temporary exposures associated with significant capital markets transaction.

8. Credit Risk

8.1 Credit and Counterparty Credit Risk Management

Credit and counterparty risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the MSI Group. The MSI Group is exposed to Credit Risk from the extension of credit to clients through lending commitments, derivatives, securities financing and prime brokerage activities. The MSI Group primarily incurs credit risk exposure to Corporates, Institutions, Central Governments and Central Banks through its Institutional Securities business segment.

The MSI Group Credit Risk Management department is an independent risk oversight group headed by the Head of Credit who reports directly to the EMEA Chief Risk Officer. The MSI Group Credit Risk Management department ("CRM") is responsible for managing and overseeing the credit risk profile of the MSI Group, including the design and oversight of the credit risk and limits framework covering the independent identification, analysis, monitoring, reporting and escalation of credit risks. In order to help protect the MSI Group from losses resulting from its business activities, CRM establishes practices to evaluate, monitor and control credit risk exposure at the transaction, obligor and portfolio levels. CRM analyses material lending and derivative transactions and helps ensure that the creditworthiness of the MSI Group's counterparties and borrowers is periodically reviewed and that credit exposure is actively monitored and managed.

Credit Risk Policies and Procedures

CRM policies and procedures applicable to the MSI Group aim to ensure the identification of credit risks, compliance with established limits, requisite approvals for extensions of credit, and escalation of risk concentrations to appropriate senior management.

Credit Risk Limits

The MSI Group Credit Limits Framework ("CLF") is one of the primary tools used to monitor, manage, and control credit risk exposures. The MSI Board approves limits that reflect the credit risk tolerance of the MSI Group and serve as a basis from which more detailed limits are established. The CLF includes single name limits (e.g., counterparty, lending, settlement and treasury) and portfolio concentration limits by country, industry and product type. The MSI Group credit limit restricts potential credit exposure to any one borrower or counterparty and to groups of connected borrowers or counterparties. The limits are assigned based on multiple factors including the size of counterparty, the counterparty's Probability of Default ("PD"), the perceived correlation between the credit exposure and the counterparty's credit quality, and the Loss-Given Default ("LGD") and tenor profile of the specific credit exposure taking into account the effect of enforceable netting and eligible collateral.

Credit Evaluation

The MSI Group is exposed to single-name credit risk and country risk, requiring credit analysis of specific counterparties, both initially and on an ongoing basis. Credit risk management takes place at the transaction, counterparty and portfolio levels. For lending transactions, CRM evaluates the relative position of its particular exposure in the borrower's capital structure and relative recovery prospects. CRM also considers collateral arrangements and other structural elements of the particular transaction.

8.2 Counterparty and Credit Risk Capital Requirements

The regulatory framework distinguishes between Credit Risk and Counterparty Credit Risk capital requirements. The Credit Risk capital component reflects the capital requirements attributable to the risk of loss arising from a borrower failing to meet its obligations and relates to investments made in the Non-Trading Book such as loans and other securities that the MSI Group holds until maturity with no intention to trade. Counterparty credit exposure arises from the risk that counterparties are unable to meet their payment obligations under contracts for traded products including OTC derivatives and securities financing transactions. The distinction between Credit Risk and Counterparty Credit Risk exposures is due to the bilateral nature of the risk for Counterparty Credit Risk exposures, see Section 9 Counterparty Credit Risk.

RWAs are determined using the IRB approach which reflects the MSI Group's internal estimate of a borrower or counterparty's creditworthiness.

For exposures not covered by the IRB approach, the standardised approach is applied, typically for certain business units which are non-significant and certain exposure classes or types of exposures which are immaterial in terms of size and perceived risk profile.

The standardised approach assigns fixed risk weights to the following exposures classes in accordance with the CRR: Central Governments and Central Banks, Corporates, Institutions, Multilateral Development Banks, International Organisations, Regional Governments and Local Authorities.

The exception to this is exposures to European Central Governments denominated in local currency which are risk-weighted at 0%.

Table 11 shows Credit Risk and Counterparty Credit Risk for MSI Group and MSIP as at 30 June 2021.

Table 11: Credit and counterparty risk RWA summary

$MM	MSI Group			MSIP		
	RWAs Q2'21	RWAs Q1'21	MCR Q2'21	RWAs Q2'21	RWAs Q1'21	MCR Q2'21
Credit risk	14,339	13,789	1,148	9,521	8,451	761
Of which FIRB	6,759	6,312	541	3,856	2,990	308
Counterparty credit risk (excluding CVA)	51,258	52,755	4,101	47,186	48,378	3,775
Of which IMM	29,251	27,780	2,340	25,692	25,588	2,055
Securitisation[1]	1,665	1,336	133	1,665	1,336	133
Amounts below the thresholds for deduction	908	830	73	853	734	68
Total (excluding CVA)	**68,170**	**68,710**	**5,455**	**59,225**	**58,899**	**4,737**
CVA	17,353	19,007	1,388	15,351	17,605	1,228
Total	**85,523**	**87,717**	**6,843**	**74,576**	**76,504**	**5,965**

1. As of 1 Jan 2020, these positions were subject to the hierarchy of methods laid down in the revised securitisation framework.

Table 12 shows the Credit Risk and Counterparty Credit Risk for MSI Group and MSIP as at 30 June 2021, for each exposure class as per the classification set out in the CRR.

Table 12: Credit and counterparty credit risk summary

$MM	MSI Group			MSIP		
	EAD[2]	RWAs	MCR	EAD	RWAs	MCR
IRB[1]						
Central governments or central banks	31,744	3,209	257	24,727	1,878	150
Corporates	72,125	35,673	2,854	58,310	30,157	2,413
Equity	1,291	3,885	311	1,313	3,893	311
Institutions	62,578	15,885	1,271	63,522	16,140	1,291
Total (IRB)	**167,738**	**58,652**	**4,693**	**147,872**	**52,068**	**4,165**
Standardised[1]						
Central governments or central banks	612	283	23	596	268	21
Corporates	2,398	2,422	194	1,932	2,104	168
High Risk	-	-	-	-	-	-
Institutions	32,414	2,345	188	30,096	2,133	171
Multilateral development banks	16	9	1	16	9	1
International organisations	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Exposures in default	2	2	-	-	1	-
Regional government or local authorities	5	10	1	5	10	1
Other items	1,738	2,283	183	290	611	49
Total (standardised)	**37,185**	**7,354**	**590**	**32,935**	**5,136**	**411**
Total (CCP default fund)[3]	**1,462**	**499**	**39**	**768**	**356**	**28**
Securitisation	**474**	**1,665**	**133**	**474**	**1,665**	**133**
Total[4]	**206,859**	**68,170**	**5,455**	**182,049**	**59,225**	**4,737**

1. Exposure classes which have no exposure are not shown in the table.
2. EAD figures are post credit risk mitigation ("CRM") and post Credit Conversion Factor ("CCF")
3. CCP Default Fund requirements have been included in the table to reflect the full population of Credit and CCR. CCP Default Fund exposures are shown in Table CCR8.
4. Exposures calculated under the FIRB approach account for 82% and the Standardised Approach account for 18%.

Credit Risk RWA flow statements

Table 13 summarises the movements of RWAs and MCR for MSI Group and MSIP's credit risk exposures under the IRB approach.

Table 13: RWA flow statements of credit risk exposures under the IRB approach (EU CR8)

$MM	MSI Group		MSIP	
	RWAs	MCR	RWAs	MCR
RWAs at the end of the previous reporting period[1]	**6,312**	**505**	**2,990**	**239**
Asset size	438	35	823	66
Asset quality	9	1	43	3
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**6,759**	**541**	**3,856**	**308**

1. Previous reporting period was Q1'21.

Over the second quarter, MSI Group RWAs increased, primarily driven by loans and intercompany receivables. MSIP RWAs increased due to cash exposures.

8.3 Non-Trading Book Equity Exposure and Specialised Lending

The MSI Group applies the IRB simple risk weight approach for equity exposures falling outside of the Trading Book. The majority of the equity positions are held as hedges for employee long-term compensation schemes. A Specialised Lending Slotting methodology is used in capital calculation for loans secured by Income Producing Real Estate. Table 14 shows the MSI Group's specialised lending and equity exposures using the simple risk-weighted approach.

Table 14: IRB (Specialised Lending and Equities) (EU CR10)

	Equities under the simple risk-weight approach					
MSI Group[1]	On-balance sheet amount $MM	Off-balance sheet amount $MM	Risk weight %	Exposure amount $MM	RWAs $MM	Capital requirements $MM
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	245	870	290%	1,115	3,234	259
Other equity exposures	176	-	370%	176	651	52
Total	**421**	**870**	**-**	**1,291**	**3,885**	**311**
MSIP[1]						
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	244	770	290%	1,014	2,941	235
Other equity exposures	171	-	370%	171	633	51
Total	**415**	**770**	**-**	**1,185**	**3,574**	**286**

1. There is no specialised lending information to report for MSI Group or MSIP.

Over the first half of 2021, equity exposures increased due to the share price of Morgan Stanley units held in association with the employee compensation plan.

8.4 Credit Risk Mitigation

The MSI Group may seek to mitigate credit risk from its lending and trading activities in multiple ways, including netting, collateral, guarantees and hedges. At the transaction level, the MSI Group seeks to mitigate risk through management of key risk elements such as size, tenor, financial covenants, seniority and collateral. The MSI Group actively hedges its lending and derivatives exposure through various financial instruments that may include single-name and structured credit derivatives. Additionally, the MSI Group may sell, assign or syndicate funded loans and lending commitments to other financial institutions in the primary and secondary loan market. In connection with its derivatives trading activities, the MSI Group generally enters into master netting and collateral arrangements with counterparties. These agreements provide the MSI Group with the ability to demand collateral, as well as to liquidate collateral and offset receivables and payables covered under the same master agreement in the event of a counterparty default.

9. Counterparty Credit Risk

9.1 Counterparty Credit exposures

The MSI Groups leverages on models under IMM and MTMM method for calculation of Counterparty Credit Risk Exposures. The majority of OTC derivatives within the MSI Group are in scope of the IMM permission. The central process in calculating CCR exposure under IMM is a Monte Carlo simulation, which generates independent realizations of market risk factors at future time horizons across a number of simulation paths. Each trade is revalued under the simulated market conditions with future collateral requirements, along each simulation path determined by the simulated trade valuations. Finally, simulated trade values and collateral balances are aggregated based on netting agreements and legally confirmed enforceability to yield a distribution of CCR exposure across the simulation paths at each future time horizon. Selected measures of this distribution are then calculated to report CCR exposure and full distribution is used for capital calculation. The most material risk factors are calibrated daily to market implied data, while other risk factors are calibrated based on three years or more of historical data. The MTMM is MTM plus add-on method used for both credit exposure and capital purposes.

Table 15 shows a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method for the MSI Group as at 30 June 2021.

Table 15: Analysis of the CCR exposure by approach (EU CCR1)

$MM MSI Group	Notional	Replacement cost/current market value	Potential future exposure	Effective expected positive exposure	Multiplier	EAD post CRM	RWAs
Mark-to-market		5,114	32,197			27,794	9,028
Original exposure	-					-	-
Standardised approach		1,326			-	389	207
IMM (for derivatives and SFTs)				40,914	1.4	56,373	29,251
Of which securities financing transactions				-	-	-	-
Of which derivatives & long settlement transactions				40,914	1.4	56,373	29,251
Of which from contractual cross product netting				-	-	-	-
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						51,306	11,706
VaR for SFTs						-	-
Total							**50,192**

Table 16 summarises the movements of RWAs and MCR for MSI Group and MSIP's CCR exposures under the IMM Model.

Table 16: RWA flow statements of CCR exposures under the IMM (EU CCR7)

$MM	MSI Group		MSIP	
	RWAs	MCR	RWAs	MCR
RWAs at the end of the previous reporting period[1]	**27,780**	**2,222**	**25,588**	**2,047**
Asset size	1,457	117	121	9
Credit quality of counterparties	14	1	(17)	(1)
Model updates (IMM only)	-	-	-	-
Methodology and policy (IMM only)	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**29,251**	**2,340**	**25,692**	**2,055**

1. Previous reporting period was Q1'21.

Over the second quarter, the increase in RWAs was primarily driven by portfolio and market movements.

9.2 Credit Valuation Adjustment

CVA is the capital requirement that covers the risk of mark-to-market losses on the counterparty risk of OTC derivatives. It is calculated using a combination of an advanced approach based on using internal modelling approaches and a standardised approach.

Table 17 shows CVA by approach for the MSI Group as at 30 June 2021.

Table 17: CVA capital charge (EU CCR2) $MM MSI Group	Exposure value	RWAs
Total portfolios subject to the advanced method	33,654	11,868
(i) VaR component (including the 3× multiplier)		2,120
(ii) Stressed VaR component (including the 3× multiplier)		9,748
All portfolios subject to the standardised method	21,873	5,485
Based on the original exposure method	-	-
Total subject to the CVA capital charge	**55,527**	**17,353**

Over the first half of 2021, the increase in exposures is primarily due to market movements.

9.3 Derivatives and SFTs credit exposure

Table 18 shows the impact of netting and collateral held on exposures on derivative and SFTs held as at 30 June 2021 for the MSI Group.

Table 18: Impact of netting and collateral held on exposure values (EU CCR5-A) $MM MSI Group	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives[1]	338,874	279,192	59,682	38,282	21,400
SFTs[2]	643,955	-	643,955	547,956	96,000
Total	**982,829**	**279,192**	**703,637**	**586,238**	**117,400**

1. Derivatives exposures are predominately driven by OTC derivatives.
2. SFTs carrying amount reflects netting benefit. MSI Group does not engage in any cross product netting.

Gross positive fair value represents any long market value on derivative transactions before netting benefits are applied but after any regulatory eliminations and exemptions are applied. Collateral held represents the market value of enforceable collateral received after regulatory eliminations and exemptions are applied. Net derivatives credit exposure represents the net exposure after collateral received has been applied.

Table 19 shows the breakdown of all types of collateral posted or received by banks to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a Central Counterparty ("CCP") as at 30 June 2021 for the MSI Group.

Table 19: Composition of collateral for exposures to CCR (EU CCR5-B) $MM	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
MSI Group	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	682	86,503	1,441	62,692	400,384	420,041
Corporate bonds	1,349	3,272	2,382	808	12,324	6,847
Equity securities	2,149	4,140	1,730	-	160,759	106,968
Government agency debt	2,490	2,739	-	361	21,307	5,586
Sovereign debt	3,093	8,949	2,525	2,298	168,804	148,435
Total	**9,763**	**105,603**	**8,078**	**66,159**	**763,578**	**687,877**

Over the first half of 2021, collateral used in derivatives transactions decreased primarily due to a reduction in sovereign debt posted on OTC derivatives. SFTs collateral received increased primarily in cash and equity securities.

9.4 Exposures to CCPs

Table 20 shows the breakdown of the exposures by qualifying and non-qualifying CCPs as at 30 June 2021 for the MSI Group.

Table 20: Exposures to CCPs (EU CCR8) $MM MSI Group	EAD post CRM	RWAs
Exposures to Qualifying CCPs ("QCCP") (total)		**1,265**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	22,356	448
(i) OTC derivatives	7,381	148
(ii) Exchange-traded derivatives	10,281	206
(iii) SFTs	4,694	94
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	15,899	318
Prefunded default fund contributions	1,403	499
Alternative calculation of own funds requirements for exposures		-
Exposures to non-QCCPs (total)		**71**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	353	71
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	353	71
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

Over the first half of 2021, the decrease in RWAs is primarily due to reduced exposures with certain QCCPs.

Credit Derivative Transactions

Table 21 shows the extent of an institution's exposures to credit derivative transactions broken down between derivatives bought or sold for the MSI Group.

Table 21: Credit derivatives exposures (EU CCR6) $MM MSI Group[1]	Credit derivative hedges Protection bought	 Protection sold	Other credit derivatives
Notionals			
Credit Derivative Products used for own credit portfolio			
Single-name credit default swaps	-	-	1,128
Index credit default swaps	-	-	-
Total return swaps	-	-	728
Credit options	-	-	-
Other credit derivatives	-	-	473
Total Notionals used for own credit portfolio	-	-	**2,329**
Credit Derivative Products used for intermediation			
Single-name credit default swaps	-	-	265,413
Index credit default swaps	-	-	221,156
Total return swaps	-	-	23,060
Credit options	-	-	124,796
Other credit derivatives	-	-	30,427
Total Notionals used for intermediation	-	-	**664,852**
Total credit derivative notionals	-	-	**667,181**
Fair values			
Positive fair value (asset)	-	-	8,865
Negative fair value (liability)	-	-	(9,035)

1. Credit Derivatives are not used as a CRM technique for RWA benefits.

Over the first half of 2021, credit derivative products used for intermediation increased, primarily on credit options and index credit default swaps.

10. Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, 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.

The MSI Group manages the market risk associated with its trading activities at both a division, business area and individual product level, and includes consideration of market risk at the legal entity level.

Sound market risk management is an integral part of the Morgan Stanley Group culture. The MSI Group is responsible for ensuring that market risk exposures are well-managed and monitored. The MSI Group Market Risk Department ("MRD") is responsible for ensuring transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management. MRD is an independent risk oversight group headed by the EMEA Head of Market Risk, who reports directly to both the EMEA Chief Risk Officer and the Global Head of Market Risk.

To execute these responsibilities, MRD monitors the market risk against limits on aggregate risk exposures and performs a variety of risk analyses. This includes monitoring VaR, stress testing and scenario analyses, routine reporting of risk exposures, and maintenance of the VaR and scenario analysis methodologies. The material risks identified by these processes are summarised and reported to senior management.

An IMA permission has been granted by the PRA to MSIP and MSEHSE Group entities for use in the MSI consolidation. IMA Models are applied consistently across all sub-portfolios; with the population in scope defined according to permission criteria. Models are independently reviewed on an annual basis by Model Risk Management, and changes to methodologies are approved by the Model Oversight Committee ("MOC"). The model validation process is independent of the internal models' development, implementation and operation. The validation process includes tests of the model's sensitivity to key inputs and assumptions and evaluation of conceptual soundness.

The market risk management policies and procedures for the MSI Group are consistent with those of the Morgan Stanley Group and include escalation to the MSI Group's Board of Directors and appropriate management personnel.

Risk Mitigation Policies

The MSI Group manages its trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (e.g. futures, forwards, swaps and options). Hedging activities may not always provide effective mitigation against trading losses due to differences in the terms, specific characteristics or other basis risks that may exist between the hedge instrument and the risk exposure that is being hedged. The MSI Group manages and monitors its market risk exposures, including outright and basis risks, in such a way as to maintain a portfolio that the MSI Group believes is well-diversified in the aggregate with respect to market risk factors, and that reflects the MSI Group's aggregate risk tolerance as established by the MSI Group senior management. The effectiveness of hedges and mitigants is monitored using processes such as risk and limit reporting.

Data Quality

MRD has a data quality control process to monitor, validate, remediate, escalate and report data quality issues that impact market risk and capital reporting. The market risk middle office team is responsible for coordinating data quality control with the aim of providing MRD with high quality data that is accurate, complete and delivered in a timely manner. Threshold based checks are performed on input data for IMA models. Large moves are validated, and data adjustments are made where necessary, along with the appropriate escalation to ensure ongoing remediation. Completeness, accuracy and timeliness Key Performance Indicators ("KPIs") for market risk metrics are reported to the Senior Management risk committees.

10.1 Value at Risk

The MSI Group uses the statistical technique known as VaR as one of the tools used 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.

VaR Methodology, Assumptions and Limitations

The MSI Group calculates VaR using a model based on historical simulation for general market risk factors and for name-specific equity risk and on Monte Carlo simulation for name-specific risk in bonds, loans and related derivatives. Market risk factors' daily moves are modelled either as absolute changes or relative changes, dependent on the most suitable stochastic process (normal or lognormal diffusion process) to describe the daily risk factor changes. The model constructs a distribution of hypothetical daily changes in the value of trading portfolios based on historical observation of daily changes in key market indices or other market risk factors, and information on the sensitivity of the portfolio values to these market risk factor changes.

The methodology for VaR at Morgan Stanley is 1-year historical simulation. The risk exposures used for the daily VaR calculation are based on greeks and full-revaluation grids, and simulations cover both systematic and specific risk components. The total simulated profit and loss of a given position for each simulation date in the historical window is calculated taking into account both systematic and specific risk components of the market factor moves. The final profit and loss distribution is a result of profit and losses of all risk factors and all positions being aggregated. The same valuation and aggregation approach is used for Stressed Value at Risk (“SVaR”). The time series data is updated on a weekly basis, with the exception of idiosyncratic risk factors which are updated quarterly.

A set of internal processes and controls ensure that all relevant trading positions booked by the MSI Group are included in VaR. The MSI Group’s 99%/one-day VaR corresponds to the unrealised loss in portfolio value that, based on historically observed market risk factor movements, would have been exceeded with a frequency of 1%, or once every 100 trading days, if the portfolio were held constant for one day. The 99th percentile is computed and is scaled by the square root of 10 to arrive at a 10-day VaR for regulatory purposes. The 95th percentile 1-day VaR is used by MRD internally to manage risk and to base the legal entity VaR limits.

The MSI Group uses VaR as one of a range of risk management tools. Among their benefits, VaR models permit estimation of a portfolio’s aggregate market risk exposure, incorporating a range of market risks and portfolio assets. One key element of the VaR model is that it reflects portfolio diversification or hedging activities. However, VaR has various limitations, which include, but are not limited to: use of historical changes in market risk factors, which may not be accurate predictors of future market conditions, and may not fully incorporate the risk of extreme market events that are outsized relative to observed historical market behaviour or reflect the historical distribution of results beyond the 99% confidence interval; and reporting of losses in a single day, which does not reflect the risk of positions that cannot be liquidated or hedged in one day. The modelling of the risk characteristics of some positions relies on approximations that, under certain circumstances, could produce significantly different results from those produced using more precise measures. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events such as periods of extreme illiquidity. The MSI Group is aware of these and other limitations and therefore uses VaR as only one component in its risk management oversight process. This process also incorporates stress testing and scenario analyses and extensive risk monitoring, analysis, quantification of risk not captured in VaR, and control at the trading desk, division and the MSI Group levels.

The MSI Group is committed to continuous review and enhancement of VaR methodologies and assumptions in order to capture evolving risks associated with changes in market structure and dynamics. As part of regular process improvement, additional systematic and name-specific risk factors may be added to improve the VaR model’s ability to more accurately estimate risks to specific asset classes or industry sectors.

Since the reported VaR statistics are estimates based on historical data, VaR should not be viewed as predictive of the MSI Group’s future revenues or financial performance or of its ability to manage risk. There can be no assurance that the MSI Group's actual losses on a particular day will not exceed the VaR amounts indicated below or that such losses will not occur more than once in 100 trading days. VaR does not predict the magnitude of losses which, should they occur, may be significantly greater than the VaR amount.

VaR statistics are not readily comparable across firms because of differences in the firms' portfolios, modelling assumptions and methodologies. These differences can result in materially different VaR estimates across firms for similar portfolios. The impact of such differences varies depending on the factor history assumptions, the frequency with which the factor history is updated and the confidence level. As a result, VaR statistics are more useful when interpreted as indicators of trends in a firm's risk profile rather than as an absolute measure of risk to be compared across firms.

10.2 Market Risk Capital Requirements

The market risk capital requirements of the MSI Group comprises of capital which is calculated using IMA in accordance with regulatory approved models, and of capital which is calculated under the Standardised Approach. Table 22 summarises the capital requirements under the respective approaches for the MSI Group. Ongoing assessment is carried out to ensure that the capital calculations meets the required soundness standard is carried out on a quarterly basis with the results reported to the PRA.

Table 22: Market risk RWA summary

$MM	MSI Group			MSIP		
	RWAs Q2'21	RWAs Q1'21	MCR Q2'21	RWAs Q2'21	RWAs Q1'21	MCR Q2'21
Standardised approach	12,938	13,344	1,035	6,432	7,383	515
Internal models approach	48,383	59,992	3,871	41,577	52,281	3,326
Total	**61,321**	**73,336**	**4,906**	**48,009**	**59,664**	**3,841**

Standardised Approach

Table 23 shows the market risk capital requirements for the MSI Group as at 30 June 2021, calculated in accordance with the standardised approach and categorised by component type.

Table 23: Market risk under the standardised approach (EU MR1)

$MM MSI Group	RWAs	MCR
Outright products		
Interest rate risk (general and specific)	2,399	192
Equity risk (general and specific)	11	1
Foreign exchange risk	5,593	447
Commodity risk	655	53
Securitisation (specific risk)[1]	3,115	249
Options		
Simplified approach	-	-
Delta-plus method	1,165	93
Scenario approach	-	-
Total	**12,938**	**1,035**

Over the first half of 2021, capital requirements under the Standardised Approach decreased, primarily as a result of reduced exposures across the risk categories.

IMA Approach

The VaR-based capital and the SVaR-based capital are determined by the higher of the 60-day average of the 10-day VaR / 10-day SVaR numbers, multiplied by the regulatory internal model multiplication factor as prescribed by the PRA, and the 10-day VaR/ 10-day SVaR for the relevant day. The Incremental Risk Charge ("IRC") and Comprehensive Risk Measure charges are determined by the higher of the average of the latest 12 weeks IRC/CRM and the IRC/CRM charge for the relevant day.

Table 24 shows the VaR and SVaR, as well as the IRC and CRM measures for the MSI Group, for the quarter end 30 June 2021.

Table 24: Market risk under internal models approach (EU MR2-A)

$MM MSI Group		RWAs	MCR
VaR (higher of values a and b)		**5,488**	**439**
(a)	Previous day's VaR (Article 365(1) (VaRt-1))	1,453	116
(b)	Average of the daily VaR (Article 365(1)) of the CRR on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	5,488	439
SVaR (higher of values a and b)		**11,189**	**895**
(a)	Latest SVaR (Article 365(2) (sVaRt-1))	4,340	347
(b)	Average of the SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)	11,189	895
IRC (higher of values a and b)		**6,307**	**505**
(a)	Most recent IRC value (incremental default and migration risks calculated in accordance with Article 370 and Article 371 of the CRR)	6,307	505
(b)	Average of the IRC number over the preceding 12 weeks	6,060	485
Comprehensive risk measure (higher of values a, b and c)		**0**	**0**
(a)	Most recent risk number for the correlation trading portfolio (Article 377 of the CRR)	0	0
(b)	Average of the risk number for the correlation trading portfolio over the preceding 12 weeks	0	0
(c)	8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio (Article 338(4) of the CRR)	0	0
Other		**25,399**	**2,032**
Total		**48,383**	**3,871**

Table 25 summarises the key drivers of RWAs and MCR for MSI Groups and MSIP's market risk exposures under the Internal IMA Model.

Table 25: RWA flow statements of market risk exposures under the IMA (EU MR2-B)

$MM MSI Group	VAR	Stressed VAR	IRC	Comprehensive risk measure	Other[4]	RWAs	MCR
RWAs at previous quarter end[1]	**9,004**	**11,854**	**6,157**	**1**	**32,976**	**59,992**	**4,799**
Regulatory adjustment[2]	(5,635)	(7,907)	-	(1)	(16,197)	(29,740)	(2,378)
RWAs at end of day previous quarter end	3,369	3,947	6,157	-	16,779	30,252	2,421
Movement in risk levels	(1,619)	503	210	-	(1,573)	(2,479)	(199)
Model updates/changes	(2)	(4)	(33)	-	(927)	(966)	(76)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	3	10	5	-	28	46	4
Other[3]	(298)	(116)	(32)	-	(187)	(633)	(51)
RWAs at end of day current quarter end	1,453	4,340	6,307	-	14,120	26,220	2,099
Regulatory adjustment[2]	4,035	6,849	-	-	11,279	22,163	1,772
RWAs at end of reporting period	**5,488**	**11,189**	**6,307**	**0**	**25,399**	**48,383**	**3,871**
MSIP							
RWAs at previous quarter end[1]	**8,293**	**9,669**	**5,811**	**1**	**28,507**	**52,281**	**4,182**
Regulatory adjustment[2]	(5,141)	(6,377)	-	(1)	(14,433)	(25,952)	(2,076)
RWAs at end of day previous quarter end	3,152	3,292	5,811	-	14,074	26,329	2,106
Movement in risk levels	(1,662)	155	257	-	(1,408)	(2,658)	(213)
Model updates/changes	(2)	(3)	(32)	-	(442)	(479)	(38)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other[3]	(177)	(115)	(39)	-	(234)	(565)	(45)
RWAs at end of day current quarter end	1,311	3,329	5,997	-	11,990	22,627	1,810
Regulatory adjustment[2]	3,599	5,452	-	-	9,899	18,950	1,516
RWAs at end of reporting period	**4,910**	**8,781**	**5,997**	**0**	**21,889**	**41,577**	**3,326**

1. Previous reporting period was Q1'21.
2. Regulatory adjustment accounts for the difference between the RWA calculated based on the end-of-day position, compared with the RWA calculated based on the 60-day average position in the case of VaR/SVaR, and 12-week average position in the case of IRC and CRM. The regulatory adjustments also account for the multiplication factors mc and ms, per Article 366 of the CRR, for the VaR, SVaR and Other respectively.
3. Other (flow driver) represents low impact data and implementation changes including time series updates and periodic parameter updates to the respective models.
4. Other (risk measure) represents Risks not in VaR ("RNIV").

Over the second quarter of 2021, Modelled Market Risk RWAs decreased primarily due to elevated market volatility moving out of the one-year time series window and due to reduced equity risk.

Table 26 provides a summary of the maximum, minimum, average and period-end values over the six months to 30 June 2021, for the MSI Group, resulting from the different types of models approved to be used for computing the regulatory capital charge.

Table 26: IMA values for trading portfolios (EU MR3)

MSI Group	$MM
VaR (10 day 99%)	
Maximum value	405
Average value	197
Minimum value	115
Period end	116
SVaR (10 day 99%)	
Maximum value	445
Average value	308
Minimum value	234
Period end	347
IRC (99.9%)	
Maximum value	1064
Average value	474
Minimum value	276
Period end	505
Comprehensive Risk capital charge (99.9%)	
Maximum value	0
Average value	0
Minimum value	0
Period end	0

Over the first half of 2021, VaR reduced, largely due to periodic VaR time series update while IRC trended higher, mainly driven by trading activities.

10.3 Positions Included in the Trading Book

The MSI Group has a comprehensive framework of policies, controls and reporting to meet the requirements of the CRR for inclusion of positions in the Trading Book. The underlying policies, controls and reporting mechanisms cover a range of different aspects including Trading Intent, Valuation, Liquidity, Restrictions, Hedgeability, Active Management and transfers between the Trading and Non-Trading Books. Governance is provided by the Firm's Banking/Trading Committee whose role with respect to the banking/trading boundary is to oversee the determination of the banking / trading / covered position designation in accordance with regulatory requirements. The committee acts as the adjudication forum for any positions where the appropriate banking / trading / covered position designation is unclear. The Banking/Trading Committee reports to the firm's Basel Capital Steering Committee.

The Trading Book comprises financial instruments that are: held for trading intent or intent to hedge a trading position; free from restrictive covenants on tradability or for which the material risk elements can be hedged in a two-way market; frequently/accurately valued and actively managed on a trading desk. If a position fails to meet the Trading Book criteria, it will be classified as Non-Trading Book.

Trading Book positions are subject to market risk based rules, with market risk capital requirements calculated using regulatory approved internal models or a non-modelled standardised approach.

The Firm methodology for determining Non-Trading Book versus Trading Book classification is documented within the Firm's Trading Book, Banking Book and Covered Positions Boundary Policy. The policy outlines criteria for identifying and classifying trading book positions for the purpose of regulatory capital and market risk measurement and sets out associated roles and responsibilities across the business unit, finance and other stakeholder groups. This policy is subject to annual review and sign-off. The firm carries out a CRR self-assessment of the articles governing Trading Book/Non-Trading Book classification.

A firm-wide framework establishes controls around initial Banking/Trading classification as well as ongoing monitoring to ensure the initial classification remains appropriate over time.

10.4 Backtesting

Morgan Stanley performs regulatory backtesting for MSIP and MSEHSE Group on a daily basis at various levels of the business hierarchy to validate the accuracy of the VaR model. Backtesting is performed against the VaR model in accordance with requirements under the regulation, and per the Firm's Backtesting Policy and Procedures. As of 30 June 2021, 79% of total MSI Group Market Risk Capital requirements are covered by the internal models. VaR represents a subset of total model-based Market Risk capital requirements.

Backtesting compares the profit and loss (for the MSIP Group) for trade date T against the 99%/one-day Regulatory Trading VaR for T-1. As per the requirements of the CRR rules, backtesting uses 'Actual' and 'Hypothetical' definitions of the profit and loss. Backtesting on Hypothetical changes in the portfolio's value refers to a comparison between the portfolio's end-of-day value and, assuming unchanged positions, its value at the end of the subsequent day. Backtesting on Actual changes in the portfolio's value refers to a comparison between the portfolio's end-of-day value and its actual value at the end of the subsequent day (i.e. inclusive of intra-day trading/new activity). Both measures of the backtesting profit and loss exclude non risk based fees (i.e. service fees), commissions, and net interest income. For the purposes of the Regulatory backtest, Actual profit and loss incorporates liquidity and model-driven fair value adjustments whist Hypothetical profit and loss retains only the latter.

Performance is measured across a rolling 250 business day period and is expressed by the number of exceptions observed (instances where MSIP or MSEHSE Group level, Actual or Hypothetical, losses exceed 99% VaR). These exceptions are reported to the regulator. Firms observing five or more exceptions within the measurement period are required to set aside additional Market Risk Capital based on a sliding scale.

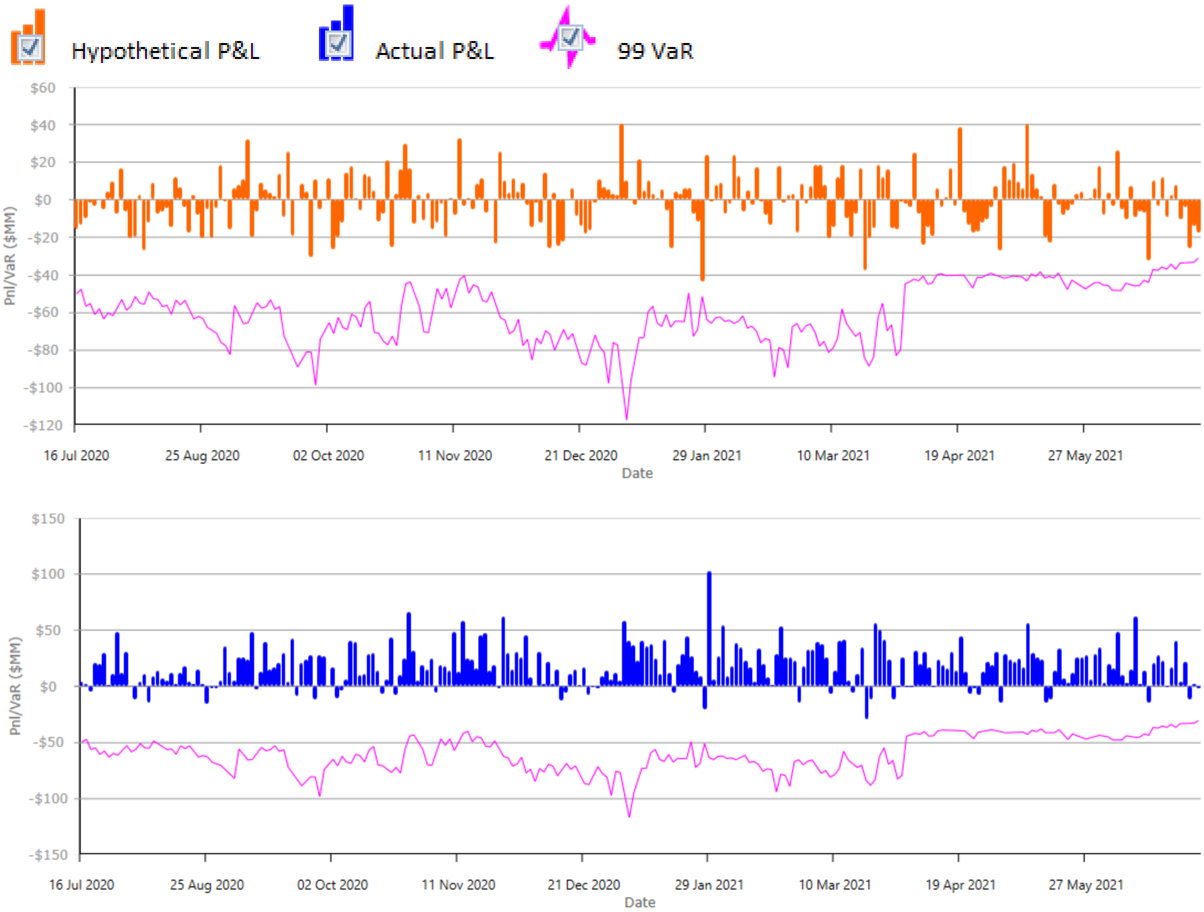
Any backtesting results that may point to weaknesses in model performance or data inaccuracies, are reported, analysed and discussed by the firm's MSI Group Market Risk Backtesting Review Forum. Findings or recommendations from this forum are escalated to Model Oversight and Risk Committees who are responsible for authorising any further model analysis or model remediation efforts. The results of backtesting and model performance monitoring are also reported to the regulator on a periodic basis.

For the measurement period ended 30 June 2021, no Hypothetical or Actual profit and loss exceptions were observed for MSIP which equates to the Green zone for capital multiplier purposes (less than five exceptions).

The plots of Actual and Hypothetical profit and loss, covering 250 business days of MSIP backtesting monitoring to 30 June 2021 are displayed below:

Figure 1: Comparison of VaR Estimates with Gains/Losses – MSIP (EU MR4)

The graphs below show the 1 day Regulatory Trading VaR against Actual and Hypothetical profit and loss for MSIP, values in millions of dollars:

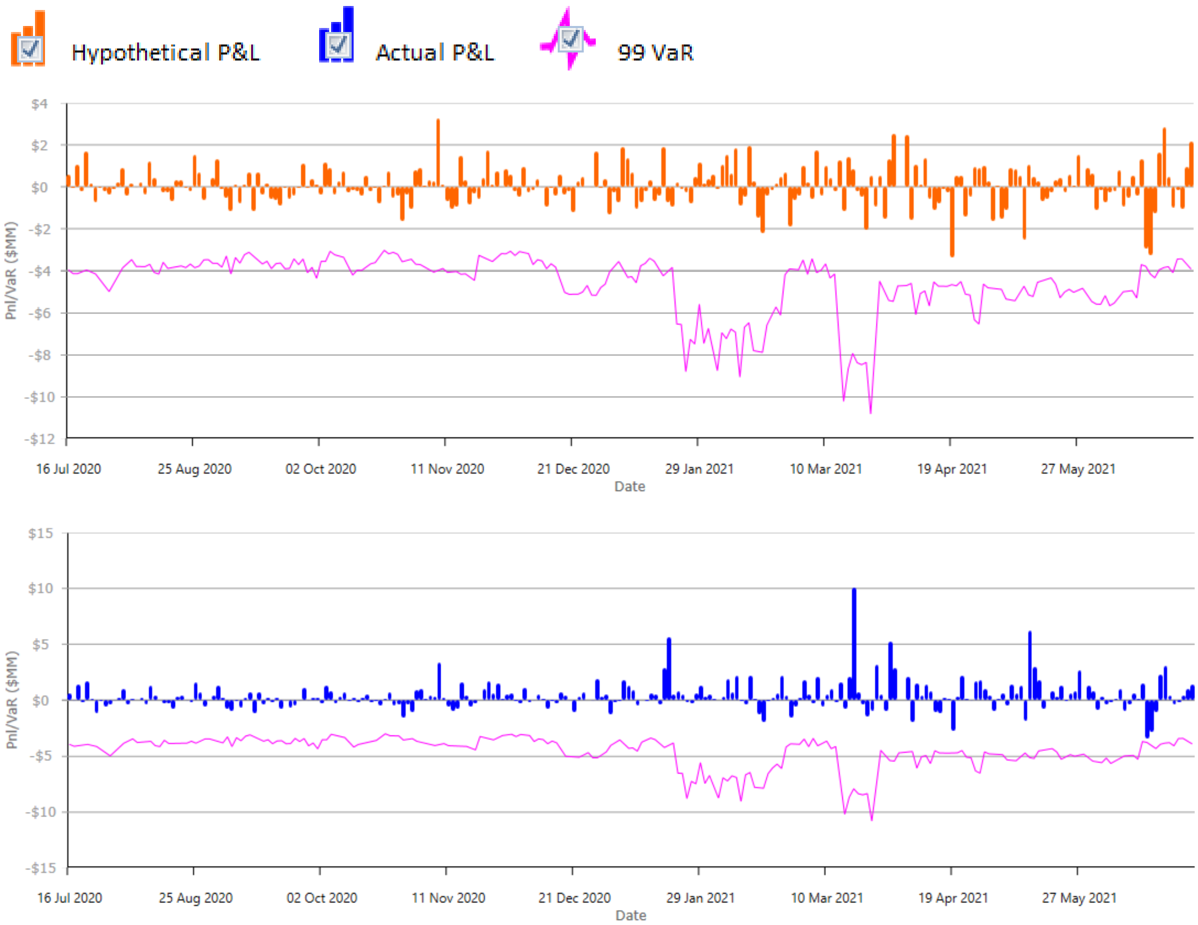


For the measurement period ended 30 June 2021, no Hypothetical or Actual profit and loss exceptions were observed for MSEHSE Group which equates to the Green zone for capital multiplier purposes (less than five exceptions).

The plots of Actual and Hypothetical profit and loss, covering 250 business days of MSEHSE Group backtesting monitoring to 30 June 2021 are displayed below:

Figure 2: Comparison of VaR Estimates with Gains/Losses – MSEHSE Group (EU MR4)

1 day Regulatory Trading VaR against Actual and Hypothetical profit and loss for MSEHSE Group, values in millions of dollars:



11. Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR"), as per the Commission Delegated Regulation (EU) 2015/61, requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress. MSI Group is compliant with the minimum required LCR of 100%.

The weighted adjusted value of the liquidity buffer is the value of the total high quality liquid assets after the application of both haircuts and any applicable cap. The weighted adjusted value of net cash outflows is calculated after the inflows and outflows rates are applied and after any applicable cap on inflows.

The liquidity buffer disclosed covers both Pillar I and Pillar II liquidity risk.

12. Appendix I: MSI Group & MSIP Capital Instruments & Eligible Liabilities

Table 27: MSI Group & MSIP capital instruments and eligible liabilities

	CET1		AT1		Subordinated Debt			Senior Subordinated Debt
MSI Group[1 2 3]	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Issuer	Morgan Stanley International Limited							
Unique Identifier	N/A							
Governing law(s) of the instrument	Companies Act 2006		English Law					
Transitional CRR rules	CET1		AT1		Tier 2			Eligible Liability
Post-transitional CRR rules	CET1		AT1		Tier 2			Eligible Liability
Eligible at solo/(sub-) consolidated/ solo&(sub-) consolidated	(Sub-) Consolidated							
Instrument type	Ordinary Shares		Perpetual Unsecured Fixed Rate Securities		Long-term subordinated multicurrency loan facility			Subordinated non-T2 Loan
Amount recognised in regulatory capital $MM	USD 2,366MM	USD 0MM	USD 1,300MM	USD 2,200MM	USD 4,480MM	USD 46MM	USD 309MM	USD 9,000MM
Currency of issuance and Nominal amount of instrument	$1 per ordinary share	£1 per ordinary share	USD 1,300MM	USD 2,200MM	USD 5,000MM	USD 51MM	GBP 250MM	USD 9,000MM
Reporting Currency and Nominal amount of instrument	$1 per ordinary share	N/A	USD 1,300MM	USD 2,200MM	USD 5,000MM	USD 51MM	USD 345MM	USD 9,000MM
Issue Price	N/A		USD 1,300MM	USD 2,200MM	USD 5,000MM	USD 51MM	GBP 250MM	USD 9,000MM
Redemption Price	N/A		USD 1,300MM	USD 2,200MM	USD 5,000MM	USD 51MM	GBP 250MM	USD 9,000MM
Accounting Classification	Shareholders' Equity				Liability - amortised cost			
Original date of issuance	13/11/98	18/06/98	25/11/20	23/08/18	08/02/17	21/12/15		27/11/18
Perpetual or dated	Perpetual				Dated			
Original maturity date	No Maturity				21/12/25			395 days from issuance
Issuer call subject to prior supervisory approval	N/A		Yes		N/A			
Option call date, contingent call dates	N/A		30/11/25	30/11/23	N/A			
Redemption amount			100% plus tax and regulatory calls at 100%		N/A			
Subsequent call dates, if applicable	N/A		Daily thereafter		N/A			
Fixed or floating dividend / coupon	Floating		Fixed		Floating			
Coupon rate and any related index	N/A		5.5%	7.5%	OBFR + 2.300%	OBFR + 2.086%	SONIA + 2.121%	Proxy
Existence of a dividend stopper	No							
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary				Mandatory			
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary				Mandatory			
Existence of step up or other incentive to redeem	No							
Noncumulative or cumulative	Noncumulative				Cumulative			
Convertible or non-convertible	Non-convertible							
If convertible,								
conversion trigger(s)	N/A							
fully or partially	N/A							
conversion rate	N/A							
mandatory or optional conversion	N/A							
specify instrument type convertible into	N/A							
specify issuer of instrument it converts into	N/A							
Write-down features	No		Yes		No			Yes
If write-down, write-down trigger(s)	N/A		Contractual write down if CET1 Capital Ratio of MSI Group falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers		BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers			BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument under the contractual terms if they deem the entity is failing or likely to fail, or if the MS resolution entity enters a resolution
If write-down, full or partial	N/A		Full		N/A			Partial
If write-down, permanent or temporary	N/A		Permanent		N/A			Permanent
If temporary write-down, description of write-up mechanism	N/A							
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Unsecured Fixed Rate Securities [column C, D]		Long-term subordinated loan facility [columns E, F, G]		Senior Subordinated Facility [columns H and I]			Other Liabilities
Non-compliant transitioned features	No							
If yes, specify non-compliant features	N/A							
TLAC Eligibility	Yes		No		Yes			

1. All capital instruments issued by the MSI Group are issued within Morgan Stanley and are not marketable instruments.
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.
3. The repayment date can be extended by 395 days on each business day but no later than 49 years from utilisation date, and unless a term-out notice is sent.

Description	Common Equity Tier 1			Additional Tier 1		Subordinated Debt
MSIP [1 2 3]	A	B	C	D	E	F
Issuer	Morgan Stanley & Co. International plc					
Unique Identifier	N/A					
Governing law(s) of the instrument	Companies Act 2006			English Law		
Transitional CRR rules	CET1			AT1		Tier 2
Post-transitional CRR rules	CET1			AT1		Tier 2
Eligible at solo/(sub-) consolidated/solo&(sub-) consolidated	Solo and (Sub-) Consolidated					
Instrument type	Ordinary Shares			Perpetual Unsecured Fixed Rate Securities		Long-term subordinated multicurrency loan facility
Amount recognised in regulatory capital $MM	USD 10,935MM	USD 30MM	USD 1,500MM	USD 1,300MM	USD 2,200MM	USD 4,480MM
Currency of issuance and Nominal amount of instrument	$1 per ordinary share	£1 per ordinary share	$1 per ordinary share	USD 1,300MM	USD 2,200MM	USD 5,000MM
Reporting Currency and Nominal amount of instrument	$1 per ordinary share	N/A	$1 per ordinary share	USD 1,300MM	USD 2,200MM	USD 5,000MM
Issue Price	N/A			USD 1,300MM	USD 2,200MM	USD 5,000MM
Redemption Price	N/A			USD 1,300MM	USD 2,200MM	USD 5,000MM
Accounting Classification	Shareholders' Equity					Liability - amortised cost
Original date of issuance	01/02/94	28/10/86	22/12/11	25/11/20	23/08/18	08/02/17
Perpetual or dated	Perpetual					Dated
Original maturity date	No maturity					21/12/25
Issuer call subject to prior supervisory approval	N/A			Yes		N/A
Option call date, contingent call dates	N/A			30/11/25	30/11/23	N/A
Redemption amount	N/A			100% plus tax and regulatory calls at 100%		N/A
Subsequent call dates, if applicable	N/A			Daily thereafter		N/A
Fixed or floating dividend / coupon	Floating			Fixed		Floating
Coupon rate and any related index	N/A			5.5%	7.5%	OBFR + 2.300%
Existence of a dividend stopper	No					
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary					Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary					Mandatory
Existence of step up or other incentive to redeem	No					
Noncumulative or cumulative	Noncumulative					Cumulative
Convertible or non-convertible	Nonconvertible					
If convertible						
conversion trigger(s)	N/A					
fully or partially	N/A					
conversion rate	N/A					
mandatory or optional conversion	N/A					
specify instrument type convertible into	N/A					
specify issuer of instrument it converts into	N/A					
Write-down features	No			Yes		No
If write-down, write-down trigger(s)	N/A			Contractual write down if CET1 Capital Ratio of MSIP or MSI Group falls below 7%. BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers		BoE as the UK Resolution Authority has the authority to trigger the write down of the instrument upon the exercise of statutory powers
If write-down, full or partial	N/A			Full		N/A
If write-down, permanent or temporary	N/A			Permanent		N/A
If temporary write-down, description of write-up mechanism	N/A					
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Unsecured Fixed Rate Securities			Long-term subordinated loan facility		Senior Subordinated Facility
Non-compliant transitioned features	No					
If yes, specify non-compliant features	N/A					

1. All capital instruments issued by MSIP are issued within Morgan Stanley and are not marketable instruments.
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.
3. The repayment date can be extended by 395 days on each business day but no later than 49 years from utilisation date, and unless a term-out notice is sent.

13. Appendix II: MSI Group & MSIP Own Funds Disclosure Template

Table 28: MSI Group and MSIP own funds disclosure template

$MM[1]	MSI Group	MSIP
Capital instruments and the related share premium accounts	2,403	12,978
Paid up capital instruments	2,366	12,465
Of which: Ordinary shares	2,366	10,965
Of which: Class A Ordinary shares (non-voting)	-	1,500
Share premium	37	513
Retained earnings	14,342	3,627
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	6,795	1,060
Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**23,540**	**17,665**
Additional value adjustments (negative amount)	(1,268)	(1,207)
Intangible assets (net of related tax liability) (negative amount)	(473)	(2)
Negative amounts resulting from the calculation of expected loss amounts	(346)	(249)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	225	212
Defined-benefit pension fund assets (negative amount)	(21)	-
Total regulatory adjustments to Common equity Tier 1 (CET1)	**(1,883)**	**(1,246)**
Common Equity Tier 1 (CET1) capital	**21,657**	**16,419**
Capital instruments and the related share premium accounts	3,500	3,500
Of which: classified as equity under applicable accounting standards	3,500	3,500
Additional Tier 1 (AT1) capital	**3,500**	**3,500**
Tier 1 capital (T1 = CET1 + AT1)	**25,157**	**19,919**
Capital instruments and the related share premium accounts	4,835	4,480
Qualifying own funds instruments included in consolidated Tier 2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
Of which: Instruments issued by subsidiaries subject to phase out	-	-
Tier 2 capital before regulatory adjustments	**4,835**	**4,480**
Tier 2 capital	**4,835**	**4,480**
Total capital (TC = T1 + T2)	**29,992**	**24,399**
Total risk weighted assets	**168,003**	**145,033**
Common Equity Tier 1 (as a percentage of risk exposure amount)	12.9%	11.3%
Tier 1 (as a percentage of risk exposure amount)	15.0%	13.7%
Total capital (as a percentage of risk exposure amount)	17.9%	16.8%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.04%	7.04%
Of which: Capital conservation buffer requirement	2.50%	2.50%
Of which: Countercyclical buffer requirement	0.04%	0.04%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.9%	5.2%
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,135	1,138
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	130
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	363	214

1. Under PRA and ECB supervision respectively, the MSI Group and MSIP are required to maintain a minimum ratio of Own Funds to RWAs. As at 30 June 2021, the MSI Group and MSIP are in compliance with the capital requirements as defined by the CRR.

14. Appendix III: Additional Credit and Counterparty Credit Risk Tables

Table 29 shows the credit quality of exposures by exposure class and instruments as at 30 June 2021 for the MSI Group and MSIP.

Table 29: Credit quality of exposures by exposure class and instrument (EU CR1-A)

$MM	Gross carrying values of						
MSI Group	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net Values[1]
Central governments or central banks	-	19,738	-	-	-	-	19,738
Institutions	3	10,694	-	-	-	-	10,697
Corporates	230	10,311	-	-	-	-	10,541
Of which: Specialised lending	-	-	-	-	-	-	-
Equity	-	1,291	-	-	-	-	1,291
Total IRB approach	**233**	**42,034**	**-**	**-**	**-**	**-**	**42,267**
Central governments or central banks	-	465	-	-	-	-	465
Regional governments or local authorities	-	4	-	-	-	-	4
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	5	-	-	-	-	5
International organisations	-	-	-	-	-	-	-
Institutions	6	709	6	-	-	1	709
Corporates	2	869	2	-	-	(2)	869
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Exposures in default	2	-	-	-	-	-	2
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	1,738	-	-	-	-	1,738
Total standardised approach	**10**	**3,790**	**8**	**-**	**-**	**(1)**	**3,792**
Total	**243**	**45,824**	**8**	**-**	**-**	**(1)**	**46,059**
Of which: Loans and advances	229	34,794	8	-	-	(1)	35,015
Of which: Off-balance sheet	14	9,479	-	-	-	-	9,493
Of which: Equity	-	1,291	-	-	-	-	1,291
Of which: Debt securities	-	260	-	-	-	-	260
MSIP							
Central governments or central banks	-	14,357	-	-	-	-	14,357
Institutions	1	10,061	-	-	-	-	10,062
Corporates	51	1,329	-	-	-	-	1,380
Of which: Specialised lending	-	-	-	-	-	-	-
Equity	-	1,185	-	-	-	-	1,185
Total IRB approach	**52**	**26,932**	**-**	**-**	**-**	**-**	**26,984**
Central governments or central banks	-	454	-	-	-	-	454
Regional governments or local authorities	-	4	-	-	-	-	4
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	5	-	-	-	-	5
International organisations	-	-	-	-	-	-	-
Institutions	4	741	4	-	-	1	741
Corporates	1	585	1	-	-	(1)	585
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	-	-	-
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings (CIU)	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	290	-	-	-	-	290
Total standardised approach	**5**	**2,079**	**5**	**-**	**-**	**-**	**2,079**
Total	**57**	**29,011**	**5**	**-**	**-**	**-**	**29,063**
Of which: Loans and advances	57	26,531	5	-	-	-	26,583
Of which: Off-balance sheet	-	1,022	-	-	-	-	1,022
Of which: Equity	-	1,185	-	-	-	-	1,185
Of which: Debt securities	-	273	-	-	-	-	273

1. Net value is the total of defaulted, non defaulted exposures, less specific credit risk adjustments.

Over the first half of 2021, MSI Group and MSIP IRB exposures to Central Government and Central Banks increased due to liquidity management and loans to corporates.

Table 30 shows the credit quality of on-balance-sheet and off-balance-sheet by industry as at 30 June 2021 for MSI Group and MSIP.

Table 30: Credit quality of exposures by industry or counterparty types (EU CR1-B)

$MM	Gross carrying values of						
MSI Group	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-Offs	Credit risk adjustment charge	Net values[1]
Public Administration and Defence; Compulsory Social Security	-	20,081	-	-	-	-	20,081
Financial and Insurance Activities	38	14,758	6	-	-	1	14,790
Manufacturing	7	2,233	1	-	-	-	2,239
Electricity, Gas, Steam and Air Conditioning Supply	-	2,052	-	-	-	-	2,052
Professional, Scientific and Technical Activities	-	732	-	-	-	-	732
Information and Communication	-	727	-	-	-	-	727
Transportation and Storage	11	493	-	-	-	-	504
Other	187	4,748	1	-	-	(2)	4,934
Total	**243**	**45,824**	**8**	**-**	**-**	**(1)**	**46,059**
MSIP							
Public Administration and Defence; Compulsory Social Security	-	14,586	-	-	-	-	14,586
Financial and Insurance Activities	9	12,936	4	-	-	1	12,941
Manufacturing	6	156	1	-	-	-	161
Electricity, Gas, Steam and Air Conditioning Supply	-	39	-	-	-	-	39
Professional, Scientific and Technical Activities	-	79	-	-	-	-	79
Information and Communication	-	105	-	-	-	-	105
Transportation and Storage	11	73	-	-	-	-	84
Other	31	1,037	-	-	-	(1)	1,068
Total	**57**	**29,011**	**5**	**-**	**-**	**-**	**29,063**

1. Net value is the total of defaulted, non defaulted exposures, less specific credit risk adjustments.

Over the first half of 2021, MSI Group and MSIP exposures to Public Administration and Defence, Compulsory Social Security increased due to liquidity management.

Table 31 shows the credit quality of on-balance-sheet and off-balance-sheet by geography as at 30 June 2021 for the MSI Group and MSIP.

Table 31: Credit quality of exposures by geography (EU CR1-C)

$MM	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net Values[2]
MSI Group[1]	Defaulted exposures	Non-defaulted exposures					
EMEA	**235**	**36,057**	**4**	-	-	**(1)**	**36,288**
France	17	14,404	1	-	-	-	14,420
United Kingdom	86	10,046	1	-	-	-	10,131
Germany	62	7,200	1	-	-	-	7,261
Luxembourg	-	631	-	-	-	-	631
Switzerland	1	538	1	-	-	-	538
Other countries	69	3,238	-	-	-	(1)	3,307
Asia	**1**	**4,746**	**-**	-	-	-	**4,747**
Japan	-	2,053	-	-	-	-	2,053
Hong Kong	-	1,346	-	-	-	-	1,346
Taiwan	-	586	-	-	-	-	586
Other Countries	1	761	-	-	-	-	762
Americas	**7**	**5,011**	**4**	-	-	-	**5,014**
United States	2	4,763	2	-	-	-	4,763
Other countries	5	248	2	-	-	-	251
Other geographical areas	**-**	**10**	-	-	-	-	**10**
Total	**243**	**45,824**	**8**	-	-	**(1)**	**46,059**
MSIP[1]							
EMEA	**49**	**20,363**	**2**	-	-	-	**20,410**
France	-	9,539	-	-	-	-	9,539
United Kingdom	19	8,460	1	-	-	-	8,478
Germany	17	478	-	-	-	-	495
Luxembourg	-	236	-	-	-	-	236
Switzerland	1	220	1	-	-	1	220
Other countries	12	1,430	-	-	-	(1)	1,442
Asia	**1**	**4,147**	-	-	-	-	**4,148**
Japan	-	2,048	-	-	-	-	2,048
Hong Kong	-	1,334	-	-	-	-	1,334
Taiwan	-	211	-	-	-	-	211
Other Countries	1	554	-	-	-	-	555
Americas	**7**	**4,491**	**3**	-	-	-	**4,495**
United States	2	4,232	2	-	-	-	4,232
Other countries	5	259	1	-	-	-	263
Other geographical areas	**-**	**10**	-	-	-	-	**10**
Total	**57**	**29,011**	**5**	-	-	-	**29,063**

1. A threshold based on the Gross Carrying Value or credit risk exposure is applied to identify material geographical areas.
2. Net value is the total of defaulted, non defaulted exposures, less specific credit risk adjustments.

Over the first half of 2021, MSI Group and MSIP exposures on France and United Kingdom increased driven by cash balances at Central Banks due to liquidity management.

Table 32 provides a breakdown of performing and non-performing exposures by portfolio, exposure class and days past due as at 30 June 2021 for the MSI Group and MSIP.

Table 32: Credit Quality of Performing and Non-Performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
$MM		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
MSI Group[1,2]												
Loans and advances	**134,817**	**134,645**	**172**	**60**	**-**	**38**	**12**	**7**	**2**	**1**	**-**	**61**
Central banks	20,307	20,307	-	-	-	-	-	-	-	-	-	-
General governments	1,844	1,841	3	-	-	-	-	-	-	-	-	1
Credit institutions	28,526	28,499	27	13	-	7	3	2	1	-	-	12
Other financial corporations	82,952	82,880	72	22	-	14	4	3	1	-	-	23
Non-financial corporations	1,188	1,118	70	25	-	17	5	2	-	1	-	25
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**3,006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	43	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	617	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	2,346	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Total	**137,823**	**134,645**	**172**	**60**	**-**	**38**	**12**	**7**	**2**	**1**	**-**	**61**
MSIP[1]												
Loans and advances	**116,660**	**116,509**	**149**	**52**	**-**	**33**	**12**	**4**	**2**	**1**	**-**	**52**
Central banks	14,898	14,898	-	-	-	-	-	-	-	-	-	-
General governments	1,448	1,448	-	1	-	-	-	-	-	-	-	1
Credit institutions	25,486	25,464	22	10	-	5	3	1	1	-	-	10
Other financial corporations	73,827	73,761	65	20	-	13	4	2	1	-	-	20
Non-financial corporations	1,001	938	62	21	-	15	5	1	-	1	-	21
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	12	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Total	**116,672**	**116,509**	**149**	**52**	**-**	**33**	**12**	**4**	**2**	**1**	**-**	**52**

1. The Gross Non-Performing Loan ("NPL") ratio as of 30 June 2021 was MSI Group 0.05% and MSIP 0.05%
2. The MSI Group has no forborne exposures.

Over the first half of 2021, there have been no material movements.

Table 33 shows an overview of performing and non-performing exposures and the related provisions as at 30 June 2021 for the MSI Group and MSIP.

Table 33: Performing and Non-performing exposures and related provisions

$MM	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
MSI Group[1]		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	**134,817**	**80,791**	**54,026**	**61**	**26**	**35**	**-**	**-**	**-**	**(8)**	**-**	**(8)**	**-**	**-**	**-**
Central banks	20,307	19,741	566	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,844	63	1,781	1	-	1	-	-	-	-	-	-	-	-	-
Credit institutions	28,526	17,673	10,853	12	4	8	-	-	-	(3)	-	(3)	-	-	-
Other financial corporations	82,852	43,307	39,645	23	-	23	-	-	-	(3)	-	(3)	-	-	-
Non-financial corporations	1,188	7	1,181	25	22	3	-	-	-	(2)	-	(2)	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**3,006**	**2,994**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**172**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	43	43	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	617	605	-	-	-	-	-	-	-	-	-	-	-	172	-
Non-financial corporations	2,346	2,346	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**137,823**	**83,785**	**54,026**	**61**	**26**	**35**	**-**	**-**	**-**	**(8)**	**-**	**(8)**	**-**	**172**	**-**
MSIP															
Loans and advances	**116,660**	**73,419**	**43,241**	**52**	**23**	**29**	**-**	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**-**	**-**
Central banks	14,898	14,353	545	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,448	53	1,395	1	-	1	-	-	-	-	-	-	-	-	-
Credit institutions	25,486	17,255	8,231	10	4	6	-	-	-	(2)	-	(2)	-	-	-
Other financial corporations	73,827	41,754	32,073	20	-	20	-	-	-	(2)	-	(2)	-	-	-
Non-financial corporations	1,001	4	997	21	19	2	-	-	-	(1)	-	(1)	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**116,672**	**73,419**	**43,241**	**52**	**23**	**29**	**-**	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**-**	**-**

1. The MSI Group has no foreclosed assets obtained from non-performing exposures.

Over the first half of 2021, there have been no material movements.

Table 34 shows the changes in stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired as at 30 June 2021 for the MSI Group and MSIP.

Table 34: Changes in stock of general and specific credit risk adjustments (EU CR2-A)

$MM	MSI Group		MSIP	
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**9**	**-**	**6**	-
Increases due to amounts set aside for estimated loan losses during the period	2	-	-	-
Decreases due to amounts reversed for estimated loan losses during the period	(3)	-	(1)	-
Decreases due to amounts taken against accumulated credit risk adjustments	-	-	-	-
Transfers between credit risk adjustments	-	-	-	-
Impact of exchange rate differences	-	-	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-	-	-
Other adjustments	-	-	-	-
Closing balance	**8**	**-**	**5**	-
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	-	-	-
Specific credit risk adjustments recorded directly to the statement of profit or loss	-	-	-	-

Over the first half of 2021, there have been no material changes.

Table 35 shows the changes in stock of defaulted loans and debt securities as at 30 June 2021 for the MSI Group and MSIP.

Table 35: Changes in stock of defaulted and impaired loans and debt securities (EU CR2-B)

$MM	MSI Group	MSIP
	Gross carrying value defaulted exposures	Gross carrying value defaulted exposures
Opening balance	**31**	**25**
Loans and debt securities that have defaulted or impaired since the last reporting period	69	58
Returned to non-defaulted status	(38)	(31)
Amounts written off	-	-
Other changes	-	-
Closing balance	**62**	**52**

Over the first half of 2021, there have been no material changes.

Table 36 shows the extent of the use of CRM techniques as at 30 June 2021 for the MSI Group and MSIP.

Table 36: Credit risk mitigation techniques – overview (EU CR3)

$MM	Exposures unsecured: carrying amount	Exposures secured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
MSI Group					
Total loans	34,774	240	240	-	-
Total debt securities	260	-	-	-	-
Equity exposures	421	-	-	-	-
Total exposures	**35,455**	**240**	**240**	**-**	**-**
Of which defaulted	229	-	-	-	-
MSIP					
Total loans	26,339	246	246	-	-
Total debt securities	273	-	-	-	-
Equity exposures	415	-	-	-	-
Total exposures	**27,027**	**246**	**246**	**-**	**-**
Of which defaulted	57	-	-	-	-

Over the first half of 2021, the increase in loans is primarily driven by cash balances at central banks due to liquidity management.

Table 37 shows the effect of all CRM techniques as at 30 June 2021 for the MSI Group and MSIP.

Table 37: Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects (EU CR4)

	Exposures before CCF[1] and CRM		Exposures post CCF and CRM		RWAs and RWA density	
MSI Group	On-balance sheet amount $MM	Off-balance sheet amount $MM	On-balance sheet amount $MM	Off-balance sheet amount $MM	RWAs $MM	RWA density %
Central governments or central banks	465	-	465	-	168	36%
Regional government or local authorities	4	-	4	-	9	217%
Public sector entities	-	-	-	-	-	32%
Multilateral development banks	5	-	5	-	-	0%
International organisations	-	-	-	-	-	0%
Institutions	301	407	301	164	1,051	226%
Corporates	869	-	869	-	1,090	125%
Retail	-	-	-	-	-	0%
Secured by mortgages on immovable property	-	-	-	-	-	0%
Exposures in default	2	-	2	-	2	150%
Higher-risk categories	-	-	-	-	-	0%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short term credit assessment	-	-	-	-	-	0%
Collective investment undertakings	-	-	-	-	-	0%
Equity	-	-	-	-	-	0%
Other items	1,738	-	1,738	-	2,283	131%
Total	**3,384**	**407**	**3,384**	**164**	**4,603**	**130%**
MSIP						
Central governments or central banks	454	-	454	-	157	35%
Regional government or local authorities	4	-	4	-	9	225%
Public sector entities	-	-	-	-	-	31%
Multilateral development banks	5	-	5	-	-	0%
International organisations	-	-	-	-	-	0%
Institutions	334	407	334	164	1,054	212%
Corporates	585	-	585	-	794	136%
Retail	-	-	-	-	-	0%
Secured by mortgages on immovable property	-	-	-	-	-	0%
Exposures in default	-	-	-	-	1	150%
Higher-risk categories	-	-	-	-	-	0%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short term credit assessment	-	-	-	-	-	0%
Collective investment undertakings	-	-	-	-	-	0%
Equity	-	-	-	-	-	0%
Other items	290	-	290	-	611	211%
Total	**1,672**	**407**	**1,672**	**164**	**2,626**	**143%**

Over the first half of 2021, the RWA increase was driven by settlement risk and deferred tax assets and receivables against institutions and corporates.

Table 38 shows the breakdown of exposures under the standardised approach by asset class and risk weight as at 30 June 2021 for the MSI Group.

Table 38: Standardised approach (EU CR5)

$MM MSI Group	Risk Weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which unrated
Central governments or central banks	21	-	-	-	183	-	260	-	-	1	-	-	-	-	-	-	**465**	2
Regional government or local authorities	-	-	-	-	-	-	3	-	-	-	-	-	-	1	-	-	**4**	2
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Multilateral development banks	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5**	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Institutions	-	164	-	-	97	-	70	-	-	60	1	-	-	75	-	-	**467**	40
Corporates	-	-	-	-	4	-	50	-	-	744	52	-	-	19	-	-	**869**	597
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Exposures in default	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	**2**	-
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Other items	-	-	-	-	-	-	-	-	-	1,374	-	363	-	-	-	-	**1,737**	-
Total	**26**	**164**	**-**	**-**	**284**	**-**	**383**	**-**	**-**	**2,179**	**55**	**363**	**-**	**95**	**-**	**-**	**3,549**	**641**

Over the first half of 2021, the decrease in exposures was driven by settlement risk, deferred tax assets and receivables against central governments, institutions and corporates.

Table 39 shows the exposures for the MSI Group, calculated using the Standardised approach for each exposure class and broken down by Credit Quality Step ("CQS").

Table 39: Standardised approach EAD by credit quality step

$MM MSI Group[1]		CQS1	CQS2	CQS3	CQS4	CQS5	CQS6	Other[2]	Unrated	Total
Central Governments or Central Banks	GROSS EAD	215	7	89	9	12	-	-	281	**613**
	EAD	215	7	89	9	12	-	-	281	**613**
Corporates	GROSS EAD	25	135	222	23	46	4	1	1,943	**2,399**
	EAD	25	135	222	23	46	4	1	1,943	**2,399**
High risk	GROSS EAD	-	-	-	-	-	-	-	-	**-**
	EAD	-	-	-	-	-	-	-	-	**-**
Institutions	GROSS EAD	10,979	6,252	140	83	10	2	16,578	986	**35,030**
	EAD	9,833	6,252	140	83	10	2	15,107	986	**32,413**
Multilateral developments banks	GROSS EAD	16	-	-	-	-	-	-	-	**16**
	EAD	16	-	-	-	-	-	-	-	**16**
Public sector entities	GROSS EAD	-	-	-	-	-	-	-	-	**-**
	EAD	-	-	-	-	-	-	-	-	**-**
Regional governments or Local Authorities	GROSS EAD	3	-	-	-	-	-	-	2	**5**
	EAD	3	-	-	-	-	-	-	2	**5**
International Organisations	GROSS EAD	-	-	-	-	-	-	-	-	**-**
	EAD	-	-	-	-	-	-	-	-	**-**
Securitisation	GROSS EAD	-	-	178	-	12	-	283	1	**474**
	EAD	-	-	178	-	12	-	283	1	**474**
Other Items	GROSS EAD	83	-	-	-	-	-	-	1,655	**1,738**
	EAD	83	-	-	-	-	-	-	1,655	**1,738**
Total	**GROSS EAD**	**11,321**	**6,394**	**629**	**115**	**80**	**6**	**16,862**	**4,868**	**40,275**
	EAD	**10,175**	**6,394**	**629**	**115**	**80**	**6**	**15,391**	**4,868**	**37,658**

1. Under the Standardised Approach, risk weights are generally applied according to the relevant exposure class and the associated credit quality (CRR Article 113). Credit quality may be determined by reference to the credit assessments of an External Credit Assessment Institutions ("ECAI"), which are then mapped to a CQS. The unrated segment represents exposure for which no ECAI credit assessment is available.
2. The OTHER segment represents exposures where alternative rules to the CQS treatment described in the note above apply. The majority of exposures in this segment are exposures to central counterparties to which a fixed risk weight is applied.

Table 40 shows the breakdown of exposures under the IRB approach by asset class and risk weight as at 30 June 2021 for the MSI Group and MSIP. Credit Derivatives are not used as a CRM technique for RWA benefits.

Table 40: IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques (EU CR7)

$MM	MSI Group		MSIP	
	Pre-credit derivatives RWAs	Actual RWAs	Pre-credit derivatives RWAs	Actual RWAs
Exposures under Foundation IRB	**6,758**	**6,758**	**3,856**	**3,856**
Central governments and central banks	1,136	1,136	825	825
Institutions	2,412	2,412	2,111	2,111
Corporates – SME	-	-	-	-
Corporates - specialised lending	-	-	-	-
Corporates – other	3,210	3,210	920	920
Exposures under Advanced IRB	**-**	**-**	**-**	**-**
Total	**6,758**	**6,758**	**3,856**	**3,856**

Table 41 shows the parameters used for the calculation of capital requirements for IRB models as at 30 June 2021 for the MSI Group.

Table 41: IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)

MSI Group	Original on-balance sheet gross exposure $MM	Off-balance sheet exposures pre-CCF $MM	Average CCF %	EAD post-CRM and post-CCF $MM	Average PD %	Number of obligors #	Average LGD %	Average maturity Years	RWAs $MM	RWA density %	EL $MM	Value adjustments and provisions $MM
0.00 to <0.15	19,732	6	75.00%	19,736	0.02%	8	45%	-	1,136	6%	2	
0.15 to <0.25	-	-	0.00%	-	-	-	-	-	-	-	-	
0.25 to <0.50	-	-	0.00%	-	-	-	-	-	-	-	-	
0.50 to <0.75	-	-	0.00%	-	-	-	-	-	-	-	-	
0.75 to <2.50	-	-	0.00%	-	-	-	-	-	-	-	-	
2.50 to <10.00	-	-	0.00%	-	-	-	-	-	-	-	-	
10.00 to <100.00	-	-	0.00%	-	27.91%	1	45%	4	-	287%	-	
100.00 (Default)	-	-	0.00%	-	-	-	-	-	-	-	-	
Central governments or central banks	**19,732**	**6**	**75.00%**	**19,736**	**0.02%**	**9**	**45%**	**-**	**1,136**	**6%**	**2**	**-**
0.00 to <0.15	9,452	658	146.61%	10,413	0.06%	75	45%	1	1,934	19%	3	
0.15 to <0.25	90	8	75.00%	96	0.20%	10	45%	0	40	41%	-	
0.25 to <0.50	266	-	75.00%	266	0.29%	9	45%	0	142	53%	-	
0.50 to <0.75	114	-	0.00%	125	0.71%	7	45%	1	112	90%	-	
0.75 to <2.50	18	-	0.00%	18	1.34%	2	45%	1	21	118%	-	
2.50 to <10.00	83	5	75.00%	87	6.16%	62	44%	1	164	188%	2	
10.00 to <100.00	-	-	0.00%	-	-	-	-	-	-	-	-	
100.00 (Default)	3	-	0.00%	3	100.00%	4	45%	4	-	0%	1	
Institutions	**10,026**	**671**	**146.86%**	**11,008**	**0.15%**	**169**	**45%**	**1**	**2,413**	**21%**	**6**	**-**
0.00 to <0.15	1,329	4,739	108.81%	6,485	0.09%	69	45%	2	1,713	26%	2	
0.15 to <0.25	47	2,108	14.26%	348	0.20%	22	45%	3	200	58%	-	
0.25 to <0.50	38	583	58.18%	674	0.33%	40	45%	2	256	38%	1	
0.50 to <0.75	69	57	41.71%	93	0.71%	10	45%	2	86	93%	-	
0.75 to <2.50	72	195	32.86%	136	1.70%	14	45%	3	167	123%	1	
2.50 to <10.00	261	712	1.16%	269	7.60%	149	45%	2	517	192%	9	
10.00 to <100.00	101	-	0.69%	101	27.91%	20	45%	3	271	269%	13	
100.00 (Default)	216	14	0.00%	216	100.00%	34	45%	3	-	-	97	
Corporates	**2,133**	**8,408**	**70.08%**	**8,322**	**3.43%**	**358**	**45%**	**2**	**3,210**	**39%**	**123**	**-**
Total	**31,891**	**9,085**	**75.76%**	**39,066**	**0.76%**	**536**	**45%**	**1**	**6,759**	**17%**	**131**	**-**

Over the first half of 2021, the increase in RWAs driven by Corporates and Institutions due to Loans and Cash Balances.

Table 42 shows the all relevant parameters used for the calculation of CCR capital requirements under the Standardised Approach as at 30 June 2021 for the MSI Group.

Table 42: Standardised approach – CCR exposures by regulatory portfolio and risk weight (EU CCR3)

$MM	Risk weight													
MSI Group	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	1250%	Others	Total	Of which unrated
Central governments or central banks	32	-	-	-	-	-	-	-	115	-	-	-	**147**	98
Regional governments or local authorities	-	-	-	-	-	-	-	-	1	-	-	-	**1**	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Multilateral development banks	3	-	-	-	-	-	-	-	9	-	-	-	**12**	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Institutions	-	24,803	6,230	-	487	7	-	-	370	52	-	-	**31,949**	351
Corporates	-	-	-	-	357	70	-	-	854	247	-	-	**1,528**	446
Retail	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Other Items	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
Total standardised approach	**35**	**24,803**	**6,230**	**-**	**844**	**77**	**-**	**-**	**1,349**	**299**	**-**	**-**	**33,637**	**895**

Table 43 shows the all relevant parameters used for the calculation of CCR capital requirements for IRB models as at 30 June 2021 for the MSI Group.

Table 43: IRB approach – CCR exposures by portfolio and PD scale (EU CCR4)

	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
MSI Group	$MM	%	#	%	Years	$MM	%
Central governments and central banks	**12,008**	**0.13%**	**197**	**43.32%**	**1**	**2,072**	**17%**
0.00 to <0.15	11,223	0.03%	166	42.22%	1	1,049	9%
0.15 to <0.25	225	0.20%	6	45.00%	1	78	35%
0.25 to <0.50	320	0.29%	13	45.00%	4	259	81%
0.50 to <0.75	7	0.71%	3	45.00%	0	5	63%
0.75 to <2.50	-	2.32%	1	45.00%	0	0	107%
2.50 to <10.00	233	4.58%	8	92.27%	1	681	293%
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Default)	-	-	-	-	-	-	-
Corporates	**63,803**	**0.74%**	**10,647**	**45.21%**	**1**	**32,463**	**51%**
0.00 to <0.15	35,770	0.07%	4,900	44.97%	1	9,644	27%
0.15 to <0.25	6,212	0.20%	328	51.52%	2	3,729	60%
0.25 to <0.50	12,172	0.34%	2,954	42.77%	1	6,672	55%
0.50 to <0.75	1,535	0.71%	347	45.00%	1	1,305	85%
0.75 to <2.50	4,626	1.32%	243	45.00%	1	4,524	98%
2.50 to <10.00	3,212	6.99%	1,297	45.45%	1	5,966	186%
10.00 to <100.00	246	27.91%	574	45.00%	0	623	254%
100.00 (Default)	30	100.00%	4	45.00%	1	-	0%
Institutions	**51,570**	**0.14%**	**589**	**45.41%**	**1**	**13,473**	**26%**
0.00 to <0.15	48,240	0.07%	262	45.29%	0	10,142	21%
0.15 to <0.25	901	0.20%	53	45.00%	2	521	58%
0.25 to <0.50	1,209	0.34%	101	45.15%	1	866	72%
0.50 to <0.75	535	0.71%	52	45.67%	1	557	104%
0.75 to <2.50	308	1.51%	38	45.00%	1	338	110%
2.50 to <10.00	371	5.59%	80	61.70%	2	1,033	278%
10.00 to <100.00	6	27.91%	3	45.00%	1	16	249%
100.00 (Default	-	0.00%	-	0.00%	-	-	-
Total (all portfolios)	**127,381**	**0.44%**	**11,433**	**45.11%**	**1**	**48,008**	**38%**

Over the first half of 2021 institutions and corporates increased due to exposure on derivatives and stock loan.

15. Appendix IV: Abbreviations

Term	Definition
AT1	Additional Tier 1 Capital
BCBS	Basel Committee on Banking Supervision
BOE	Bank of England
BIA	Basic Indicator Approach
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1 Capital
CLF	Credit Limits Framework
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ECB	European Central Bank
EMEA	Europe, the Middle East and Africa
EMEA ALCO	EMEA Asset and Liability Committee
EU	European Union
FCA	Financial Conduct Authority
G-SIIs	Global Systematically Important Institutions
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFD	Investment Firm Directive
IFPR	Investment Firms Prudential Regime
IFR	Investment Firm Regulation
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
IMA	Internal Modelling Approach
IMM	Internal Models Method
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
LGD	Loss-Given Default
MCR	Minimum Capital Requirements
MM	Millions
MOC	Model Oversight Committee
MRD	Market Risk Department
MSEHSE	Morgan Stanley Europe Holding SE
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Limited (and its subsidiaries)
MSIP	Morgan Stanley & Co. International plc
MSIP Group	Morgan Stanley & Co. International plc and its subsidiaries
MTMM	Mark-to-Market Method
NPL	Non-Performing Loan
O-SII	Other Systemic Important Institutions
OTC	Over-the-counter
PD	Probability of Default
QCCP	Qualifying Central Counterparty
PRA	Prudential Regulation Authority
RNIV	Risks Not In VaR
RTS	Regulatory Technical Standards
RWAs	Risk Weighted Assets
SA	Standardised Approach
SFTs	Securities Financing Transactions
SPOE	Single Point of Entry
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
T1	Tier 1
TCR	Total Capital Requirement
TLAC	Total Loss-Absorbing Capacity
TTP	Temporary Transitional Power
VaR	Value at Risk