

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

*For the quarterly period ended June 30, 2020*

Commission File Number 1-11758

**Morgan Stanley**

(Exact name of Registrant as specified in its charter)

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$0.01 par value	MS	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series A, \$0.01 par value	MS/PA	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series E, \$0.01 par value	MS/PE	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series F, \$0.01 par value	MS/PF	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I, \$0.01 par value	MS/PI	New York Stock Exchange
Depository Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, \$0.01 par value	MS/PK	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 4.875% Non-Cumulative Preferred Stock, Series L, \$0.01 par value	MS/PL	New York Stock Exchange
Global Medium-Term Notes, Series A, Fixed Rate Step-Up Senior Notes Due 2026 of Morgan Stanley Finance LLC (and Registrant's guarantee with respect thereto)	MS/26C	New York Stock Exchange
Morgan Stanley Cushing® MLP High Income Index ETNs due March 21, 2031	MLPY	NYSE Arca, Inc.

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

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

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

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

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

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

As of July 31, 2020, there were 1,576,760,960 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

## QUARTERLY REPORT ON FORM 10-Q

For the quarter ended June 30, 2020

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### Available Information

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

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

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

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

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

## **Risk Factors**

In addition to “Risk Factors” in Part I, Item 1A of the 2019 Form 10-K, please refer to the risk factor under Item 8.01 “Other Matters,” in the Current Report on Form 8-K filed with the SEC on April 16, 2020 and the additional risk factors under “Risk Factors” in the Registration Statement on Form S-4 filed with the SEC on April 17, 2020, as amended.

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

### Introduction

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Unless the context otherwise requires, the terms “Morgan Stanley,” “Firm,” “us,” “we” or “our” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Form 10-Q.

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

*Institutional Securities* provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in equity and fixed income products, including foreign exchange and commodities. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending financing to sales and trading customers. Other activities include Asia wealth management services, investments and research.

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

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

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

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; risk factors; legislative, legal and regulatory developments; and other factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see “Forward-Looking Statements,” “Business—Competition,” “Business—Supervision and Regulation,” and “Risk Factors” in the 2019 Form 10-K, and “Liquidity and Capital Resources—Regulatory Requirements” herein. In addition, see “Executive Summary” herein and “Risk Factors” for information on the current and possible future effects of the COVID-19 pandemic on our results.

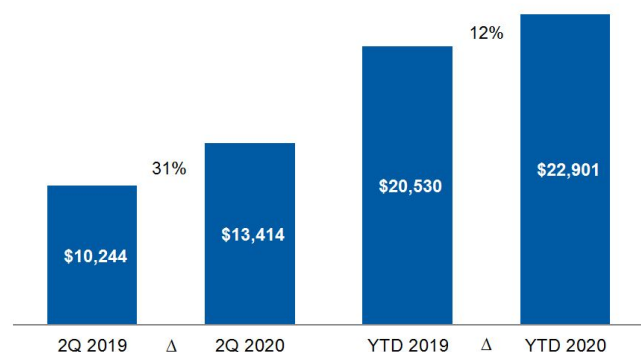
**Executive Summary**

**Overview of Financial Results**

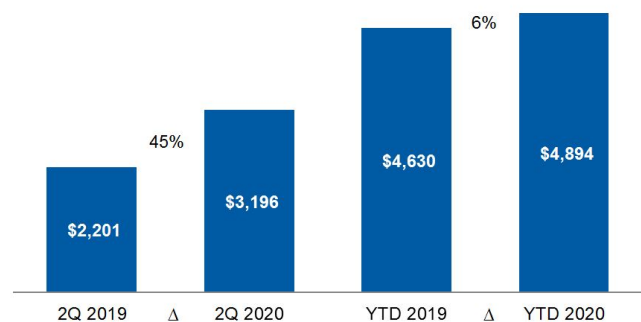
**Consolidated Results—Three Months Ended June 30, 2020**

- The Firm delivered an annualized ROE of 15.7% and an annualized ROTCE of 17.8% (see “Non-GAAP measures” herein).
- Each of our businesses contributed meaningfully to this result, in particular the Institutional Securities business segment, which showed an increase in net revenues of 56% on strong client engagement.
- Wealth Management delivered pre-tax income of \$1.1 billion with a pre-tax margin of 24% despite a challenging market and rate environment.
- Investment Management reported long-term net flows of \$15.4 billion and AUM of \$665 billion driving revenue growth of 6%.
- Given economic conditions, we continued to increase our ACL on loans and lending commitments with a provision of \$239 million.
- Our capital and liquidity ratios remain strong. At June 30, 2020, our Common Equity Tier 1 capital ratio was 16.1% and our Liquidity Coverage ratio was 147%.

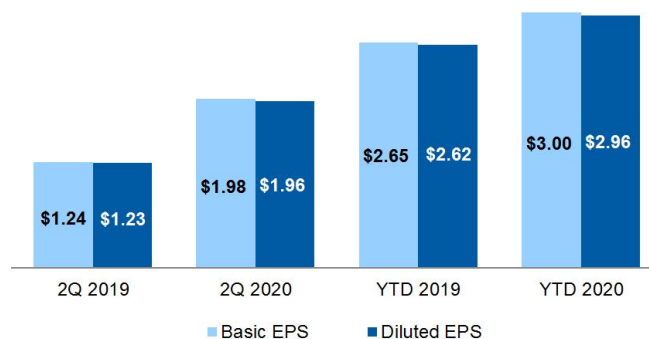
**Net Revenues**  
(\$ in millions)



**Net Income Applicable to Morgan Stanley**  
(\$ in millions)



**Earnings per Common Share**



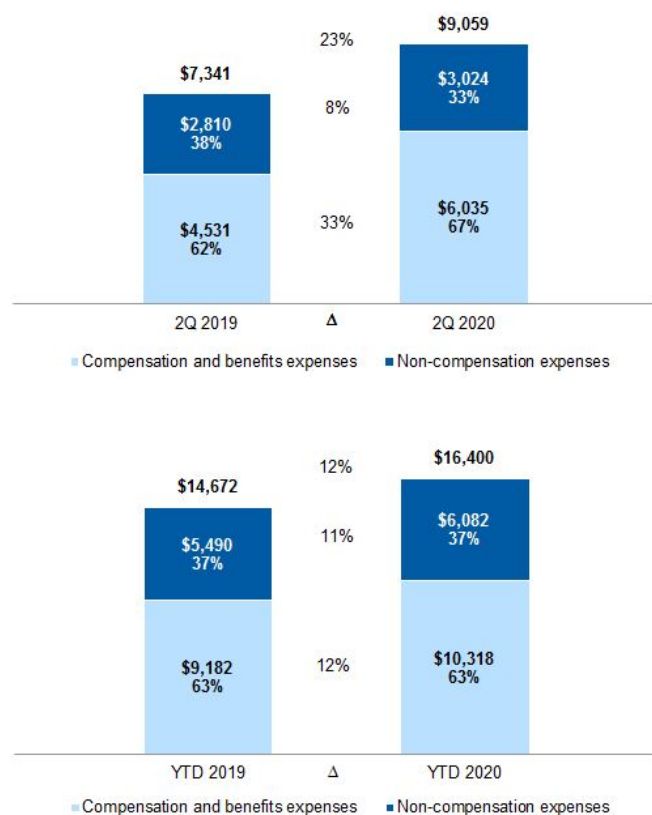
We reported net revenues of \$13,414 million in the quarter ended June 30, 2020 (“current quarter,” or “2Q 2020”), compared with \$10,244 million in the quarter ended June 30, 2019 (“prior year quarter,” or “2Q 2019”). For the current quarter, net income applicable to Morgan Stanley was \$3,196 million, or \$1.96 per diluted common share, compared with \$2,201 million or \$1.23 per diluted common share, in the prior year quarter.

We reported net revenues of \$22,901 million in the six months ended June 30, 2020 (“current year period,” or “YTD 2020”), compared with \$20,530 million in the period ended June 30, 2019 (“prior year period,” or “YTD 2019”). For the current year period, net income applicable to Morgan Stanley was \$4,894 million, or \$2.96 per diluted common share, compared with \$4,630 million or \$2.62 per diluted common share, in the prior year period.

See “Coronavirus Disease (COVID-19) Pandemic” herein for information on the current and possible future effects of the COVID-19 pandemic on our results.

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

(\$ in millions)



1. The percentages on the bars in the chart represent the contribution of compensation and benefits expenses and non-compensation expenses to the total.

- Compensation and benefits expenses of \$6,035 million in the current quarter increased 33% from \$4,531 million in the prior year quarter, primarily as a result of increases in discretionary incentive compensation driven by higher revenues and higher expenses related to certain deferred compensation plans linked to investment performance. Compensation and benefits expenses of \$10,318 million in the current year period increased 12%, from \$9,182 million in the prior year period, primarily as a result of increases in discretionary incentive compensation driven by higher revenues, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses of \$3,024 million in the current quarter and \$6,082 million in the current year period increased 8% and 11%, respectively, from \$2,810 million in the prior year quarter and \$5,490 million in the prior year period, primarily reflecting higher volume-related expenses and increased information processing and communications expenses, partially offset by a decrease in marketing and business development expenses. In addition, the current year period reflects an increase in the provision for credit losses for lending commitments and off-balance sheet instruments.

**Income Taxes**

The current quarter and current year period included intermittent net discrete tax costs of \$134 million and \$103 million, respectively, principally associated with the remeasurement of reserves and interest related to a foreign tax matter.

The prior year period included intermittent net discrete tax benefits of \$101 million, primarily associated with remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations. For further information, see “Supplemental Financial Information—Income Tax Matters” herein.

**Selected Financial Information and Other Statistical Data**

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income applicable to Morgan Stanley	\$ 3,196	\$ 2,201	\$ 4,894	\$ 4,630
Preferred stock dividends	149	170	257	263
<b>Earnings applicable to Morgan Stanley common shareholders</b>	<b>\$ 3,047</b>	<b>\$ 2,031</b>	<b>\$ 4,637</b>	<b>\$ 4,367</b>
Expense efficiency ratio <sup>1</sup>	67.5%	71.7%	71.6%	71.5%
ROE <sup>2</sup>	15.7%	11.2%	12.2%	12.1%
Adjusted ROE <sup>3</sup>	16.4%	11.2%	12.5%	11.8%
ROTCE <sup>2,3</sup>	17.8%	12.8%	13.9%	13.8%
Adjusted ROTCE <sup>3</sup>	18.6%	12.8%	14.2%	13.5%
Pre-tax margin <sup>4</sup>	32.5%	28.0%	28.4%	28.5%
<b>Pre-tax margin by segment<sup>4</sup></b>				
Institutional Securities	38%	29%	31%	30%
Wealth Management	24%	28%	25%	28%
Investment Management	24%	24%	23%	23%

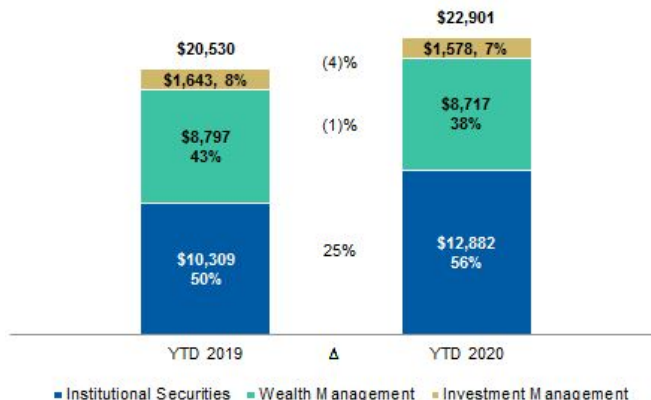
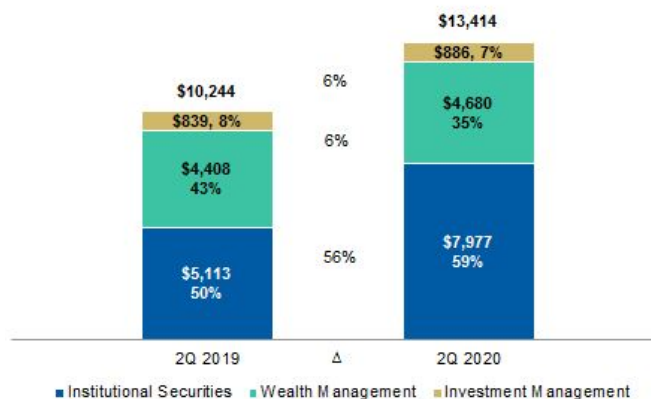
in millions, except per share and employee data	At June 30, 2020	At December 31, 2019
Liquidity resources <sup>5</sup>	\$ 301,407	\$ 215,868
Loans <sup>6</sup>	\$ 141,973	\$ 130,637
Total assets	\$ 975,363	\$ 895,429
Deposits	\$ 236,849	\$ 190,356
Borrowings	\$ 205,464	\$ 192,627
Common shares outstanding	1,576	1,594
Common shareholders' equity	\$ 78,125	\$ 73,029
Tangible common shareholders' equity <sup>3</sup>	\$ 68,839	\$ 63,780
Book value per common share <sup>7</sup>	\$ 49.57	\$ 45.82
Tangible book value per common share <sup>3,7</sup>	\$ 43.68	\$ 40.01
Worldwide employees	61,596	60,431

<b>Capital ratios<sup>8</sup></b>		
Common Equity Tier 1 capital—Advanced	16.1%	16.9%
Common Equity Tier 1 capital—Standardized	16.5%	16.4%
Tier 1 capital—Advanced	18.1%	19.2%
Tier 1 capital—Standardized	18.6%	18.6%
Tier 1 leverage	8.1%	8.3%
SLR <sup>9</sup>	7.3%	6.4%

- The expense efficiency ratio represents total non-interest expenses as a percentage of net revenues.
- ROE and ROTCE represent annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively.
- Represents a non-GAAP measure. See "Selected Non-GAAP Financial Information" herein.
- Pre-tax margin represents income before income taxes as a percentage of net revenues.
- For a discussion of Liquidity resources, see "Liquidity and Capital Resources—Liquidity Risk Management Framework—Liquidity Resources" herein.
- Amounts include loans held for investment (net of allowance) and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 9 to the financial statements).
- Book value per common share and tangible book value per common share equal common shareholders' equity and tangible common shareholders' equity, respectively, divided by common shares outstanding.
- At June 30, 2020 and December 31, 2019, our risk-based capital ratios are based on the Advanced Approach and the Standardized Approach rules, respectively. For a discussion of our capital ratios, see "Liquidity and Capital Resources—Regulatory Requirements" herein.
- At June 30, 2020, our SLR reflects the impact of a Federal Reserve interim final rule in effect until March 31, 2021. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

**Business Segment Results**

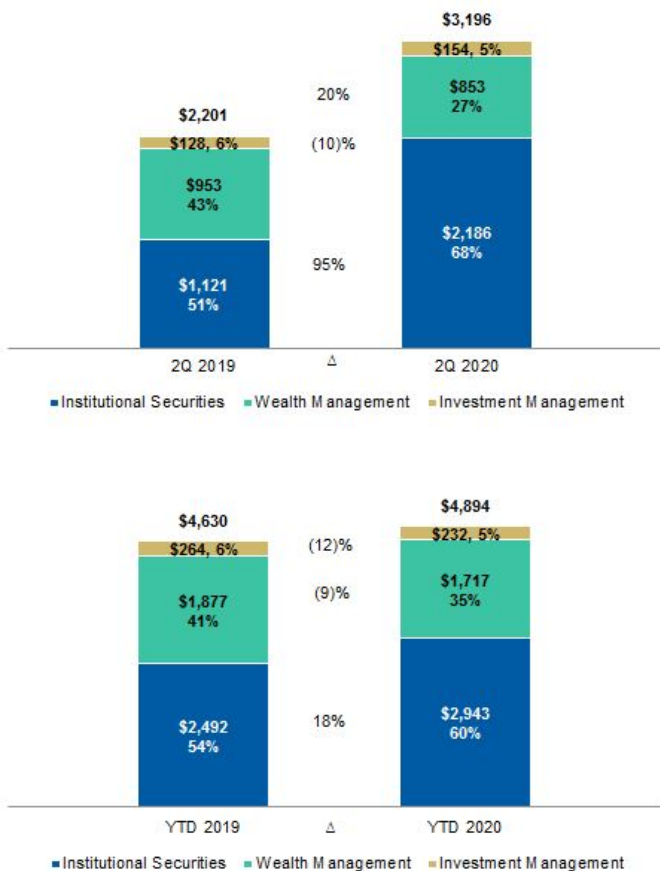
**Net Revenues by Segment<sup>1</sup>**  
(\$ in millions)





**Net Income Applicable to Morgan Stanley by Segment<sup>1</sup>**

(\$ in millions)



1. The percentages on the bars in the charts represent the contribution of each business segment to the total of the applicable financial category and may not sum to 100% due to intersegment eliminations. See Note 19 to the financial statements for details of intersegment eliminations.

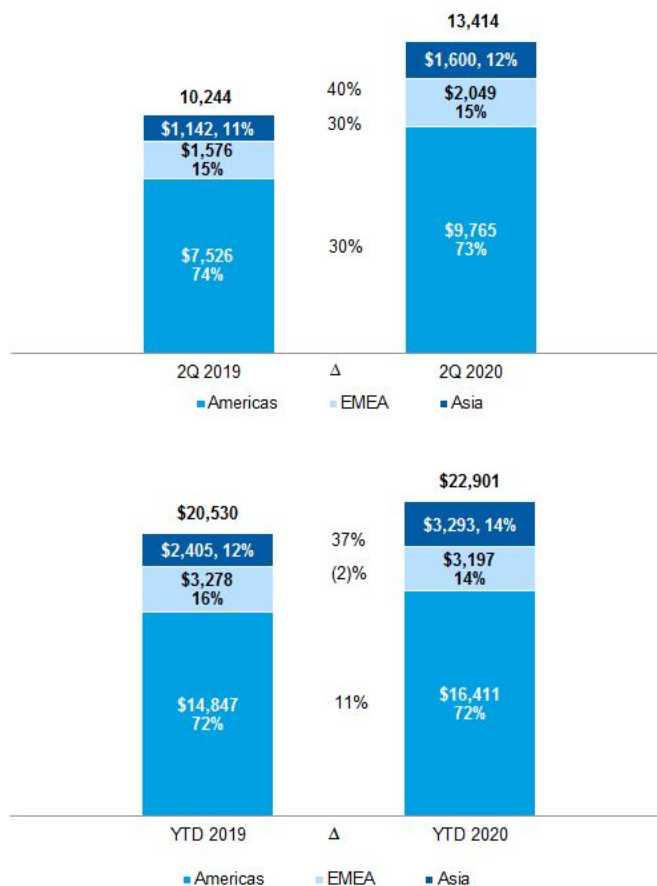
- Institutional Securities net revenues of \$7,977 million in the current quarter increased 56% from \$5,113 million in the prior year quarter. Net revenues of \$12,882 million in the current year period increased 25% from \$10,309 million in the prior year period. Increases in the current quarter and current year period are primarily due to higher sales and trading and underwriting revenues, driven by increased client engagement, partially offset by increases in the provision for credit losses on loans held for investment. In the current year period, the increase in revenues was also partially offset by losses on loans and lending commitments held for sale.
- Wealth Management net revenues of \$4,680 million in the current quarter increased 6% from \$4,408 million in the prior year quarter, primarily due to higher gains from investments associated with certain employee deferred compensation plans, while Asset management revenues and net interest income were relatively unchanged. Net revenues of \$8,717 million in the current year period were relatively unchanged from \$8,797 million in the prior year period, as higher Asset management revenues were offset by the absence of gains

from investments associated with certain employee deferred compensation plans in the current year period and lower net interest income.

- Investment Management net revenues of \$886 million in the current quarter increased 6% from \$839 million in the prior year quarter, primarily due to higher Asset management revenues as a result of higher average AUM. Net revenues of \$1,578 million in the current year period decreased 4% from \$1,643 million in the prior year period primarily due to lower Investments revenues, driven by the reversal of accrued carried interest.

**Net Revenues by Region<sup>1, 2</sup>**

(\$ in millions)



1. The percentages on the bars in the charts represent the contribution of each region to the total.  
 2. For a discussion of how the geographic breakdown of net revenues is determined, see Note 19 to the financial statements in the 2019 Form 10-K.

Current quarter and current year period revenues in the Americas and Asia regions increased, primarily driven by the Institutional Securities business segment. With respect to the EMEA region, revenues increased primarily within Fixed Income sales and trading in the Institutional Securities business segment in the current quarter, while revenues were relatively unchanged in the current year period.

## Management's Discussion and Analysis

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

The COVID-19 pandemic and related government-imposed shelter-in-place restrictions have had, and will likely continue to have, a severe impact on global economic conditions and the environment in which we operate our businesses. We have begun implementing a return-to-workplace program, which is phased based on role, location and employee willingness and ability to return, and focused on the health and safety of all returning staff. Recognizing that our offices around the world face different local conditions, time lines for return may vary significantly, though we are currently planning for the return of additional employees to offices by the end of 2020. The Firm continues to be fully operational, with approximately 90% of global employees and 95% of employees in the Americas working from home as of June 30, 2020.

Economic conditions have had mixed effects on our businesses. High levels of client trading activity, related to market volatility, have significantly increased revenues in the Sales and Trading businesses within the Institutional Securities business segment in both the current quarter and current year period. In addition, in the current quarter, certain of the negative impacts to our results in the first quarter have subsided given recoveries in public asset prices, tightening of credit spreads and an increase in underwriting activity.

We have recognized provisions for credit losses on loans and lending commitments of \$239 million in the current quarter and \$646 million in the current year period. In addition, the persistence of low interest rates will continue to negatively affect our net interest margin in the Wealth Management business segment.

Though we are unable to estimate the extent of the impact, the ongoing COVID-19 pandemic and related global economic crisis may have adverse impacts on our future operating results. In addition, levels of client trading activity may not remain elevated and investment banking advisory activity may be subdued. Refer to "Risk Factors" herein and Forward Looking Statements in the 2019 Form 10-K.

We continue to use the elements of our Enterprise Risk Management framework to manage the significant uncertainty in the present economic and market conditions. See "Quantitative and Qualitative Disclosures about Risk" in the 2019 Form 10-K for further information.

### Selected Non-GAAP Financial Information

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>\$ in millions, except per share data</i>				
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 3,196</b>	<b>\$ 2,201</b>	<b>\$ 4,894</b>	<b>\$ 4,630</b>
Impact of adjustments	134	—	103	(101)
Adjusted net income applicable to Morgan Stanley—non-GAAP <sup>†</sup>	<b>\$ 3,330</b>	<b>\$ 2,201</b>	<b>\$ 4,997</b>	<b>\$ 4,529</b>
<b>Earnings per diluted common share</b>	<b>\$ 1.96</b>	<b>\$ 1.23</b>	<b>\$ 2.96</b>	<b>\$ 2.62</b>
Impact of adjustments	0.08	—	0.07	(0.06)
Adjusted earnings per diluted common share—non-GAAP <sup>1</sup>	<b>\$ 2.04</b>	<b>\$ 1.23</b>	<b>\$ 3.03</b>	<b>\$ 2.56</b>
<b>Effective income tax rate</b>	<b>25.7 %</b>	<b>22.6%</b>	<b>22.8 %</b>	<b>19.5%</b>
Impact of adjustments	(3.1)%	—%	(1.5)%	1.8%
Adjusted effective income tax rate—non-GAAP <sup>1</sup>	<b>22.6 %</b>	<b>22.6%</b>	<b>21.3 %</b>	<b>21.3%</b>

	Average Monthly Balance			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>\$ in millions</i>				
<b>Tangible equity</b>				
Morgan Stanley shareholders' equity	<b>\$ 86,118</b>	<b>\$ 81,155</b>	<b>\$ 84,512</b>	<b>\$ 80,622</b>
Less: Goodwill and net intangible assets	(9,268)	(9,098)	(9,246)	(8,978)
<b>Tangible Morgan Stanley shareholders' equity—Non-GAAP</b>	<b>\$ 76,850</b>	<b>\$ 72,057</b>	<b>\$ 75,266</b>	<b>\$ 71,644</b>
Common shareholders' equity	<b>\$ 77,598</b>	<b>\$ 72,635</b>	<b>\$ 75,992</b>	<b>\$ 72,102</b>
Less: Goodwill and net intangible assets	(9,268)	(9,098)	(9,246)	(8,978)
<b>Tangible common shareholders' equity—Non-GAAP</b>	<b>\$ 68,330</b>	<b>\$ 63,537</b>	<b>\$ 66,746</b>	<b>\$ 63,124</b>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>\$ in billions</i>				
<b>Average common equity</b>				
Unadjusted—GAAP	<b>\$ 77.6</b>	<b>\$ 72.6</b>	<b>\$ 76.0</b>	<b>\$ 72.1</b>
Adjusted <sup>1</sup> —Non-GAAP	<b>77.6</b>	<b>72.6</b>	<b>76.0</b>	<b>72.0</b>
<b>ROE<sup>2</sup></b>				
Unadjusted—GAAP	<b>15.7%</b>	<b>11.2%</b>	<b>12.2%</b>	<b>12.1%</b>
Adjusted—Non-GAAP <sup>1,3</sup>	<b>16.4%</b>	<b>11.2%</b>	<b>12.5%</b>	<b>11.8%</b>
<b>Average tangible common equity—Non-GAAP</b>				
Unadjusted	<b>\$ 68.3</b>	<b>\$ 63.5</b>	<b>\$ 66.7</b>	<b>\$ 63.1</b>
Adjusted <sup>1</sup>	<b>68.4</b>	<b>63.5</b>	<b>66.7</b>	<b>63.1</b>
<b>ROTCE<sup>2</sup>—Non-GAAP</b>				
Unadjusted	<b>17.8%</b>	<b>12.8%</b>	<b>13.9%</b>	<b>13.8%</b>
Adjusted <sup>1,3</sup>	<b>18.6%</b>	<b>12.8%</b>	<b>14.2%</b>	<b>13.5%</b>

## Non-GAAP Financial Measures by Business Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>\$ in billions</i>				
<b>Average common equity<sup>4,5</sup></b>				
Institutional Securities	<b>\$ 42.8</b>	<b>\$ 40.4</b>	<b>\$ 42.8</b>	<b>\$ 40.4</b>
Wealth Management	<b>18.2</b>	<b>18.2</b>	<b>18.2</b>	<b>18.2</b>
Investment Management	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>
<b>Average tangible common equity<sup>4,5</sup></b>				
Institutional Securities	<b>\$ 42.3</b>	<b>\$ 39.9</b>	<b>\$ 42.3</b>	<b>\$ 39.9</b>
Wealth Management	<b>10.4</b>	<b>10.2</b>	<b>10.4</b>	<b>10.2</b>
Investment Management	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.5</b>
<b>ROE<sup>6</sup></b>				
Institutional Securities	<b>19.3%</b>	<b>9.8%</b>	<b>12.8%</b>	<b>11.3%</b>
Wealth Management	<b>18.1%</b>	<b>20.1%</b>	<b>18.3%</b>	<b>20.0%</b>
Investment Management	<b>23.4%</b>	<b>20.5%</b>	<b>17.5%</b>	<b>21.2%</b>
<b>ROTCE<sup>6</sup></b>				
Institutional Securities	<b>19.6%</b>	<b>9.9%</b>	<b>13.0%</b>	<b>11.5%</b>
Wealth Management	<b>31.6%</b>	<b>36.1%</b>	<b>31.9%</b>	<b>35.8%</b>
Investment Management	<b>36.2%</b>	<b>33.0%</b>	<b>27.1%</b>	<b>34.2%</b>

- Adjusted amounts exclude net discrete tax provisions (benefits) that are intermittent and include those that are recurring. Provisions (benefits) related to conversion of employee share-based awards are expected to occur every year and, as such, are considered recurring discrete tax items. For further information on the net discrete tax provisions (benefits), see "Supplemental Financial Information—Income Tax Matters" herein.
- ROE and ROTCE represent annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively. When excluding intermittent net discrete tax provisions (benefits), both the numerator and average denominator are adjusted.
- The calculations used in determining our "ROE and ROTCE Targets" referred to in the following section are the Adjusted ROE and Adjusted ROTCE amounts shown in this table.
- Average common equity and average tangible common equity for each business segment is determined using our Required Capital framework (see "Liquidity and Capital Resources—Regulatory Requirements—Attribution of Average Common Equity According to the Required Capital Framework" herein).
- The sums of the segments' Average common equity and Average tangible common equity do not equal the Consolidated measures due to Parent equity.
- The calculation of ROE and ROTCE by segment uses annualized net income applicable to Morgan Stanley by segment less preferred dividends allocated to each segment as a percentage of average common equity and average tangible common equity, respectively, allocated to each segment.

## Management's Discussion and Analysis

### Return on Tangible Common Equity Target

In January 2020, we established an ROTCE Target of 13% to 15% to be achieved over the next two years.

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

With the COVID-19 pandemic, and the current global economic crisis that includes negative impacts from many of the aforementioned factors, it is uncertain that the ROTCE Target will be met within the originally stated time frame. See "Coronavirus Disease (COVID-19) Pandemic" herein and "Risk Factors" for further information on market and economic conditions and their effects on our financial results.

For further information on non-GAAP measures (ROTCE excluding intermittent net discrete tax items), see "Selected Non-GAAP Financial Information" herein. For information on the impact of intermittent net discrete tax items, see "Supplemental Financial Information—Income Tax Matters" herein.

### Business Segments

Substantially all of our operating revenues and operating expenses are directly attributable to our business segments. Certain revenues and expenses have been allocated to each business segment, generally in proportion to its respective net revenues, non-interest expenses or other relevant measures.

For an overview of the components of our business segments, net revenues, compensation expense and income taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments" in the 2019 Form 10-K.

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

<i>\$ in millions</i>	Three Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ 2,051	\$ 1,472	39 %
Trading	4,152	2,558	62 %
Investments	36	194	(81)%
Commissions and fees	717	625	15 %
Asset management	115	103	12 %
Other	337	143	136 %
Total non-interest revenues	7,408	5,095	45 %
Interest income	1,300	3,289	(60)%
Interest expense	731	3,271	(78)%
Net interest	569	18	N/M
<b>Net revenues</b>	<b>7,977</b>	<b>5,113</b>	<b>56 %</b>
Compensation and benefits	2,952	1,789	65 %
Non-compensation expenses	2,032	1,861	9 %
<b>Total non-interest expenses</b>	<b>4,984</b>	<b>3,650</b>	<b>37 %</b>
Income before provision for income taxes	2,993	1,463	105 %
Provision for income taxes	790	324	144 %
Net income	2,203	1,139	93 %
Net income applicable to noncontrolling interests	17	18	(6)%
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,186</b>	<b>\$ 1,121</b>	<b>95 %</b>

<i>\$ in millions</i>	Six Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ 3,195	\$ 2,623	22 %
Trading	7,568	5,688	33 %
Investments	11	275	(96)%
Commissions and fees	1,591	1,246	28 %
Asset management	228	210	9 %
Other	(742)	365	N/M
Total non-interest revenues	11,851	10,407	14 %
Interest income	3,723	6,345	(41)%
Interest expense	2,692	6,443	(58)%
Net interest	1,031	(98)	N/M
<b>Net revenues</b>	<b>12,882</b>	<b>10,309</b>	<b>25 %</b>
Compensation and benefits	4,766	3,608	32 %
Non-compensation expenses	4,173	3,643	15 %
<b>Total non-interest expenses</b>	<b>8,939</b>	<b>7,251</b>	<b>23 %</b>
Income before provision for income taxes	3,943	3,058	29 %
Provision for income taxes	941	514	83 %
Net income	3,002	2,544	18 %
Net income applicable to noncontrolling interests	59	52	13 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,943</b>	<b>\$ 2,492</b>	<b>18 %</b>

**Investment Banking**
**Investment Banking Revenues**

<i>\$ in millions</i>	Three Months Ended June 30,		
	2020	2019	% Change
Advisory	\$ 462	\$ 506	(9)%
Underwriting:			
Equity	882	546	62 %
Fixed income	707	420	68 %
Total Underwriting	1,589	966	64 %
<b>Total Investment banking</b>	<b>\$ 2,051</b>	<b>\$ 1,472</b>	<b>39 %</b>

<i>\$ in millions</i>	Six Months Ended June 30,		
	2020	2019	% Change
Advisory	\$ 824	\$ 912	(10)%
Underwriting:			
Equity	1,218	885	38 %
Fixed income	1,153	826	40 %
Total Underwriting	2,371	1,711	39 %
<b>Total Investment banking</b>	<b>\$ 3,195</b>	<b>\$ 2,623</b>	<b>22 %</b>

**Investment Banking Volumes**

<i>\$ in billions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Completed mergers and acquisitions <sup>1</sup>	\$ 421	\$ 172	\$ 535	\$ 367
Equity and equity-related offerings <sup>2,3</sup>	35	16	48	30
Fixed income offerings <sup>2,4</sup>	113	63	204	121

Source: Refinitiv data as of July 1, 2020. Transaction volumes may not be indicative of net revenues in a given period. In addition, transaction volumes for prior periods may vary from amounts previously reported due to the subsequent withdrawal, change in value or change in timing of certain transactions.

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

Investment banking revenues of \$2,051 million in the current quarter and \$3,195 million in the current year period increased 39% and 22% from the comparable prior year periods, reflecting an increase in revenues in our underwriting businesses, partially offset by a decrease in revenues in our advisory business.

- Advisory revenues decreased in the current year periods despite increases in completed volumes as there were fewer transactions contributing to revenues.
- Equity underwriting revenues increased on higher overall volumes in the current quarter and current year period, with higher revenues primarily in secondary block share trades, convertible issuances, and follow-on offerings, partially offset by lower revenues in initial public offerings driven by lower volumes.
- Fixed income underwriting revenues increased in the current quarter and in the current year period primarily due to higher revenues in both investment grade and non-investment grade bond issuances on higher volumes in both periods.

See "Investment Banking Volumes" herein.

**Sales and Trading Net Revenues**
**By Income Statement Line Item**

<i>\$ in millions</i>	Three Months Ended June 30,		
	2020	2019	% Change
Trading	\$ 4,152	\$ 2,558	62%
Commissions and fees	717	625	15%
Asset management	115	103	12%
Net interest	569	18	N/M
<b>Total</b>	<b>\$ 5,553</b>	<b>\$ 3,304</b>	<b>68%</b>

<i>\$ in millions</i>	Six Months Ended June 30,		
	2020	2019	% Change
Trading	\$ 7,568	\$ 5,688	33%
Commissions and fees	1,591	1,246	28%
Asset management	228	210	9%
Net interest	1,031	(98)	N/M
<b>Total</b>	<b>\$ 10,418</b>	<b>\$ 7,046</b>	<b>48%</b>

**By Business**

<i>\$ in millions</i>	Three Months Ended June 30,		
	2020	2019	% Change
Equity	\$ 2,619	\$ 2,130	23%
Fixed Income	3,033	1,133	168%
Other	(99)	41	N/M
<b>Total</b>	<b>\$ 5,553</b>	<b>\$ 3,304</b>	<b>68%</b>

<i>\$ in millions</i>	Six Months Ended June 30,		
	2020	2019	% Change
Equity	\$ 5,041	\$ 4,145	22%
Fixed Income	5,236	2,843	84%
Other	141	58	143%
<b>Total</b>	<b>\$ 10,418</b>	<b>\$ 7,046</b>	<b>48%</b>

## Sales and Trading Revenues—Equity and Fixed Income

\$ in millions	Three Months Ended June 30, 2020			
	Net			
	Trading	Fees <sup>1</sup>	Interest <sup>2</sup>	Total
Financing	\$ 884	\$ 115	\$ 94	\$ 1,093
Execution services	948	651	(73)	1,526
<b>Total Equity</b>	<b>\$ 1,832</b>	<b>\$ 766</b>	<b>\$ 21</b>	<b>\$ 2,619</b>
<b>Total Fixed Income</b>	<b>\$ 2,468</b>	<b>\$ 67</b>	<b>\$ 498</b>	<b>\$ 3,033</b>

\$ in millions	Three Months Ended June 30, 2019			
	Net			
	Trading	Fees <sup>1</sup>	Interest <sup>2</sup>	Total
Financing	\$ 1,085	\$ 94	\$ (152)	\$ 1,027
Execution services	600	554	(51)	1,103
<b>Total Equity</b>	<b>\$ 1,685</b>	<b>\$ 648</b>	<b>\$ (203)</b>	<b>\$ 2,130</b>
<b>Total Fixed Income</b>	<b>\$ 1,144</b>	<b>\$ 81</b>	<b>\$ (92)</b>	<b>\$ 1,133</b>

\$ in millions	Six Months Ended June 30, 2020			
	Net			
	Trading	Fees <sup>1</sup>	Interest <sup>2</sup>	Total
Financing	\$ 1,919	\$ 217	\$ 57	\$ 2,193
Execution services	1,527	1,434	(113)	2,848
<b>Total Equity</b>	<b>\$ 3,446</b>	<b>\$ 1,651</b>	<b>\$ (56)</b>	<b>\$ 5,041</b>
<b>Total Fixed Income</b>	<b>\$ 4,241</b>	<b>\$ 169</b>	<b>\$ 826</b>	<b>\$ 5,236</b>

\$ in millions	Six Months Ended June 30, 2019			
	Net			
	Trading	Fees <sup>1</sup>	Interest <sup>2</sup>	Total
Financing	\$ 2,200	\$ 192	\$ (410)	\$ 1,982
Execution services	1,151	1,107	(95)	2,163
<b>Total Equity</b>	<b>\$ 3,351</b>	<b>\$ 1,299</b>	<b>\$ (505)</b>	<b>\$ 4,145</b>
<b>Total Fixed Income</b>	<b>\$ 2,871</b>	<b>\$ 159</b>	<b>\$ (187)</b>	<b>\$ 2,843</b>

1. Includes Commissions and fees and Asset management revenues.
2. Includes funding costs, which are allocated to the businesses based on funding usage.

## Sales and Trading Net Revenues in the Current Quarter

## Equity

Equity sales and trading net revenues of \$2,619 million in the current quarter increased 23% from the prior year quarter, reflecting increases in both our financing and execution services businesses.

- Financing revenues increased from the prior year quarter, primarily due to the impact of higher realized spreads, partially offset by lower average client balances. Net interest revenues increased reflecting a reduction in funding costs.
- Execution services revenues increased from the prior year quarter, reflecting improved inventory management results in derivatives products and cash equities as well as higher client

activity in cash equities, resulting in higher Commissions and fees.

## Fixed Income

Fixed Income sales and trading net revenues of \$3,033 million in the current quarter were 168% higher than the prior year quarter, reflecting increases across product lines.

- Global macro products Trading revenues increased primarily due to higher client activity in both rates and foreign exchange products and wider bid-offer spreads from higher market volatility.
- Credit products Trading revenues increased primarily due to higher client activity in corporate credit and securitized products and the effect of narrowing credit spreads.
- Trading revenues from Commodities products and Other increased, primarily in power and gas, and oil products, as a result of increased client activity, driven by higher market volatility and structured transactions.

Net interest revenues increased reflecting lower funding costs.

## Other

- Other sales and trading losses of \$99 million in the current quarter reflect losses on hedges associated with loans and lending commitments, lower yields on liquidity investments and losses on economic hedges related to certain Borrowings. Partially offsetting these decreases were gains from investments associated with certain employee deferred compensation plans.

## Sales and Trading Net Revenues in the Current Year Period

## Equity

Equity sales and trading net revenues of \$5,041 million in the current year period increased 22% from the prior year period, reflecting increases in both our financing and execution services businesses.

- Financing revenues increased from the prior year period, primarily due to higher average client balances. Net interest revenues increased, reflecting a reduction in funding costs.
- Execution services revenues increased from the prior year period, reflecting improved inventory management results in cash equities and higher client activity in cash equities and derivatives, partially offset by the impact of counterparty exposure losses.

## Management's Discussion and Analysis

### *Fixed Income*

Fixed Income sales and trading net revenues of \$5,236 million in the current year period were 84% higher than the prior year period, primarily driven by global macro and credit products.

- Global macro products Trading revenues increased primarily due to higher client activity in both rates and foreign exchange products and wider bid-offer spreads from continued high market volatility.
- Credit products Trading revenues increased primarily due to higher client activity in corporate credit and securitized products from higher volumes and wider bid-offer spreads, partially offset by the effect of widening spreads on inventory in municipal, securitized and corporate credit products.
- Trading revenues from Commodities products and Other increased as a result of improved inventory management and higher client activity in commodities due to higher market volatility, partially offset by lower client structuring activity within derivatives counterparty credit risk management.

Net interest revenues increased reflecting lower funding costs.

### *Other*

- Other sales and trading revenues of \$141 million in the current year period increased from the prior year period reflecting gains on hedges associated with loans and lending commitments, partially offset by lower yields on liquidity investments and losses from investments associated with certain employee deferred compensation plans.

### *Investments, Other Revenues, Non-interest Expenses, and Income Tax Items*

#### *Investments*

- Net investments gains of \$36 million in the current quarter and \$11 million in the current year period decreased from the prior year periods. The prior year periods included gains associated with an investment's initial public offering and subsequent mark-to-market gains on remaining holdings.

#### *Other Revenues*

- Other revenues of \$337 million in the current quarter increased compared to the prior year quarter primarily as a result of higher mark-to-market gains on loans and lending commitments held for sale, partially offset by an increase in the provision for credit losses on loans held for investment. Other net losses of \$742 million in the current year period were primarily a result of mark-to-market losses on loans and lending commitments held for sale and an increase in the provision for credit losses on loans held for investment.

### *Non-interest Expenses*

Non-interest expenses of \$4,984 million in the current quarter increased from the prior year quarter, primarily reflecting a 65% increase in Compensation and benefits expenses. Non-interest expenses of \$8,939 million in the current year period increased from the prior year period, primarily reflecting a 32% increase in Compensation and benefits expenses and a 15% increase in Non-compensation expenses.

- Compensation and benefits expenses increased in the current year periods primarily due to increases in discretionary incentive compensation, driven by higher revenues. Partially offsetting the increase in the current year period were lower expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses increased in the current year periods primarily due to higher volume-related expenses and information processing and communications expenses, and in the current year period, an increase in the provision for credit losses for lending commitments held for investment. Partially offsetting these increases were lower marketing and business development expenses in the current quarter and current year period.

### *Income Tax Items*

The current quarter and current year period included intermittent net discrete tax costs of \$125 million and \$98 million, respectively. The prior year period included intermittent net discrete tax benefits of \$101 million. For further information, see "Supplemental Financial Information—Income Tax Matters" herein.



**Wealth Management**
**Income Statement Information**

\$ in millions	Three Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ 110	\$ 138	(20)%
Trading	492	162	N/M
Investments	8	—	N/M
Commissions and fees	473	428	11 %
Asset management	2,507	2,544	(1)%
Other	60	120	(50)%
Total non-interest revenues	3,650	3,392	8 %
Interest income	1,210	1,348	(10)%
Interest expense	180	332	(46)%
Net interest	1,030	1,016	1 %
<b>Net revenues</b>	<b>4,680</b>	<b>4,408</b>	<b>6 %</b>
Compensation and benefits	2,729	2,382	15 %
Non-compensation expenses	809	783	3 %
<b>Total non-interest expenses</b>	<b>3,538</b>	<b>3,165</b>	<b>12 %</b>
Income before provision for income taxes	\$ 1,142	\$ 1,243	(8)%
Provision for income taxes	289	290	— %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 853</b>	<b>\$ 953</b>	<b>(10)%</b>

\$ in millions	Six Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ 268	\$ 247	9 %
Trading	145	464	(69)%
Investments	8	1	N/M
Commissions and fees	1,061	834	27 %
Asset management	5,187	4,905	6 %
Other	122	200	(39)%
Total non-interest revenues	6,791	6,651	2 %
Interest income	2,403	2,761	(13)%
Interest expense	477	615	(22)%
Net interest	1,926	2,146	(10)%
<b>Net revenues</b>	<b>8,717</b>	<b>8,797</b>	<b>(1)%</b>
Compensation and benefits	4,941	4,844	2 %
Non-compensation expenses	1,579	1,522	4 %
<b>Total non-interest expenses</b>	<b>6,520</b>	<b>6,366</b>	<b>2 %</b>
Income before provision for income taxes	\$ 2,197	\$ 2,431	(10)%
Provision for income taxes	480	554	(13)%
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 1,717</b>	<b>\$ 1,877</b>	<b>(9)%</b>

**Financial Information and Statistical Data**

\$ in billions, except employee data	At June 30, 2020	At December 31, 2019
	Client assets	\$ 2,661
Fee-based client assets <sup>1</sup>	\$ 1,236	\$ 1,267
Fee-based client assets as a percentage of total client assets	46%	47%
Client liabilities <sup>2</sup>	\$ 94	\$ 90
Investment securities	\$ 89.8	\$ 67.2
Loans and lending commitments	\$ 99.6	\$ 93.2
Wealth Management representatives	15,399	15,468
	Three Months Ended June 30,	
	2020	2019
Per representative:		
Annualized revenues (\$ in thousands) <sup>3</sup>	\$ 1,214	\$ 1,125
Client assets (\$ in millions) <sup>4</sup>	\$ 173	\$ 164
Fee-based asset flows (\$ in billions) <sup>5</sup>	\$ 11.1	\$ 9.8
	Six Months Ended June 30,	
	2020	2019
Per representative:		
Annualized revenues (\$ in thousands) <sup>3</sup>	\$ 1,130	\$ 1,122
Client assets (\$ in millions) <sup>4</sup>	\$ 173	\$ 164
Fee-based asset flows (\$ in billions) <sup>5</sup>	\$ 29.5	\$ 24.6

1. Fee-based client assets represent the amount of assets in client accounts where the fee for services is calculated based on those assets.
2. Client liabilities include securities-based and other loans (including tailored lending), residential real estate loans and margin lending.
3. Revenues per representative equals Wealth Management's annualized net revenues divided by the average number of representatives.
4. Client assets per representative equals total period-end client assets divided by period-end number of representatives.
5. Excludes institutional cash management-related activity. For a description of the Inflows and Outflows included within Fee-based asset flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Wealth Management" in the 2019 Form 10-K.

**Transactional Revenues**

\$ in millions	Three Months Ended June 30,		
	2020	2019	% Change
Investment banking	\$ 110	\$ 138	(20)%
Trading	492	162	N/M
Commissions and fees	473	428	11 %
<b>Total</b>	<b>\$ 1,075</b>	<b>\$ 728</b>	<b>48 %</b>
Transactional revenues as a % of Net revenues	23%	17%	

\$ in millions	Six Months Ended June 30,		
	2020	2019	% Change
Investment banking	\$ 268	\$ 247	9 %
Trading	145	464	(69)%
Commissions and fees	1,061	834	27 %
<b>Total</b>	<b>\$ 1,474</b>	<b>\$ 1,545</b>	<b>(5)%</b>
Transactional revenues as a % of Net revenues	17%	18%	

**Net Revenues****Transactional Revenues**

Transactional revenues of \$1,075 million in the current quarter increased 48% from the prior year quarter primarily as a result of higher Trading revenues. Transactional revenues of \$1,474 million in the current year period decreased 5% from the prior year period primarily as a result of lower Trading revenues, partially offset by higher Commissions and fees.

- Investment banking revenues decreased in the current quarter primarily due to lower revenues from preferred equity and closed-end fund issuances. Investment banking revenues increased in the current year period primarily due to higher revenues from structured product issuances, partially offset by lower revenues from preferred equity issuances.
- Trading revenues increased in the current quarter primarily due to higher gains from investments associated with certain employee deferred compensation plans, partially offset by lower fixed income revenue. Trading revenues decreased in the current year period primarily due to the absence of gains from investments associated with certain employee deferred compensation plans in the current year period, as well as lower fixed income revenue.
- Commissions and fees increased in the current year periods primarily due to increased client activity in equities.

**Asset Management**

Asset management revenues of \$2,507 million in the current quarter were relatively unchanged compared with the prior year quarter. Asset management revenues of \$5,187 million in the

current year period increased 6% from the prior year period primarily due to higher fee-based asset levels in 2020 as a result of market appreciation and positive net flows, partially offset by lower average fee rates.

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

**Other**

Other revenues of \$60 million in the current quarter and \$122 million in the current year period decreased 50% and 39%, respectively, from the prior year periods primarily due to lower realized gains from the AFS securities portfolio and an increase in the provision for credit losses.

**Net Interest**

Net interest of \$1,030 million in the current quarter was relatively unchanged compared with the prior year quarter as growth in Loans, favorable prepayment amortization related to mortgage-backed securities and increases in investment portfolio balances driven by higher brokerage sweep deposits, were offset by the net effect of lower interest rates.

Net interest of \$1,926 million in the current year period decreased 10% from the prior year period primarily due to the net effect of lower interest rates, partially offset by growth in Loans and increases in investment portfolio balances driven by higher brokerage sweep deposits.

**Non-interest Expenses**

Non-interest expenses of \$3,538 million in the current quarter and \$6,520 million in the current year period increased 12% and 2%, respectively, from the prior year periods, primarily as a result of higher Compensation and benefits expenses.

- Compensation and benefits expenses increased in the current quarter, primarily due to higher expenses related to certain deferred compensation plans linked to investment performance. Compensation and benefits expenses increased in the current year period primarily due to an increase in the formulaic payout to Wealth Management representatives, driven by the mix of revenues and higher salaries, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses increased in the current year periods, reflecting E\*TRADE acquisition-related expenses, and in the current year period incremental expenses related to Solium Capital, Inc. Partially offsetting these increases were lower marketing and business development expenses in the current quarter and current year period.

## Fee-Based Client Assets

## Rollforwards

<i>\$ in billions</i>	At March 31, 2020	Inflows	Outflows	Market Impact	At June 30, 2020
Separately managed <sup>1</sup>	\$ 329	\$ 7	\$ (4)	\$ (19)	\$ 313
Unified managed	263	13	(10)	39	305
Advisor	131	8	(8)	18	149
Portfolio manager	379	20	(15)	47	431
Subtotal	\$ 1,102	\$ 48	\$ (37)	\$ 85	\$ 1,198
Cash management	32	10	(4)	—	38
<b>Total fee-based client assets</b>	<b>\$ 1,134</b>	<b>\$ 58</b>	<b>\$ (41)</b>	<b>\$ 85</b>	<b>\$ 1,236</b>

<i>\$ in billions</i>	At March 31, 2019	Inflows	Outflows	Market Impact	At June 30, 2019
Separately managed <sup>1</sup>	\$ 276	\$ 10	\$ (5)	\$ 15	\$ 296
Unified managed	283	12	(11)	8	292
Advisor	147	7	(9)	4	149
Portfolio manager	391	21	(15)	3	400
Subtotal	\$ 1,097	\$ 50	\$ (40)	\$ 30	\$ 1,137
Cash management	19	3	(4)	4	22
<b>Total fee-based client assets</b>	<b>\$ 1,116</b>	<b>\$ 53</b>	<b>\$ (44)</b>	<b>\$ 34</b>	<b>\$ 1,159</b>

<i>\$ in billions</i>	At December 31, 2019	Inflows	Outflows	Market Impact	At June 30, 2020
Separately managed <sup>1</sup>	\$ 322	\$ 19	\$ (10)	\$ (18)	\$ 313
Unified managed	313	29	(22)	(15)	305
Advisor	155	16	(15)	(7)	149
Portfolio manager	435	44	(31)	(17)	431
Subtotal	\$ 1,225	\$ 108	\$ (78)	\$ (57)	\$ 1,198
Cash management	42	9	(13)	—	38
<b>Total fee-based client assets</b>	<b>\$ 1,267</b>	<b>\$ 117</b>	<b>\$ (91)</b>	<b>\$ (57)</b>	<b>\$ 1,236</b>

<i>\$ in billions</i>	At December 31, 2018	Inflows	Outflows	Market Impact	At June 30, 2019
Separately managed <sup>1</sup>	\$ 279	\$ 23	\$ (9)	\$ 3	\$ 296
Unified managed	257	23	(20)	32	292
Advisor	137	14	(17)	15	149
Portfolio manager	353	38	(27)	36	400
Subtotal	\$ 1,026	\$ 98	\$ (73)	\$ 86	\$ 1,137
Cash management	20	7	(9)	4	22
<b>Total fee-based client assets</b>	<b>\$ 1,046</b>	<b>\$ 105</b>	<b>\$ (82)</b>	<b>\$ 90</b>	<b>\$ 1,159</b>

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

## Average Fee Rates

<i>Fee rate in bps</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Separately managed	14	15	14	15
Unified managed	99	100	99	101
Advisor	86	87	85	87
Portfolio manager	94	94	94	95
Subtotal	72	75	72	74
Cash management	6	6	5	6
Total fee-based client assets	70	74	70	73

For a description of fee-based client assets and rollforward items in the previous tables, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Wealth Management—Fee-Based Client Assets” in the 2019 Form 10-K.

## Investment Management

## Income Statement Information

\$ in millions	Three Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ —	\$ (1)	100 %
Trading	22	(1)	N/M
Investments	231	247	(6)%
Asset management	684	612	12 %
Other	(47)	(9)	N/M
Total non-interest revenues	890	848	5 %
Interest income	7	6	17 %
Interest expense	11	15	(27)%
Net interest	(4)	(9)	56 %
<b>Net revenues</b>	<b>886</b>	<b>839</b>	<b>6 %</b>
Compensation and benefits	354	360	(2)%
Non-compensation expenses	316	280	13 %
<b>Total non-interest expenses</b>	<b>670</b>	<b>640</b>	<b>5 %</b>
Income before provision for income taxes	216	199	9 %
Provision for income taxes	39	44	(11)%
Net income	177	155	14 %
Net income applicable to noncontrolling interests	23	27	(15)%
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 154</b>	<b>\$ 128</b>	<b>20 %</b>

\$ in millions	Six Months Ended June 30,		
	2020	2019	% Change
<b>Revenues</b>			
Investment banking	\$ —	\$ (1)	100 %
Trading	(15)	(4)	N/M
Investments	294	438	(33)%
Asset management	1,349	1,229	10 %
Other	(40)	(6)	N/M
Total non-interest revenues	1,588	1,656	(4)%
Interest income	15	10	50 %
Interest expense	25	23	9 %
Net interest	(10)	(13)	23 %
<b>Net revenues</b>	<b>1,578</b>	<b>1,643</b>	<b>(4)%</b>
Compensation and benefits	611	730	(16)%
Non-compensation expenses	608	540	13 %
<b>Total non-interest expenses</b>	<b>1,219</b>	<b>1,270</b>	<b>(4)%</b>
Income before provision for income taxes	359	373	(4)%
Provision for income taxes	64	77	(17)%
Net income	295	296	— %
Net income applicable to noncontrolling interests	63	32	97 %
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 232</b>	<b>\$ 264</b>	<b>(12)%</b>

## Net Revenues

## Investments

Investments revenues of \$231 million in the current quarter decreased 6% from the prior year quarter, primarily in real estate and infrastructure funds, driven by lower carried interest.

Investments revenues of \$294 million in the current year period decreased 33% from the prior year period primarily as a result of the reversal of accrued carried interest and investment losses in real estate, certain private equity and infrastructure funds, partially offset by investment gains in an Asia private equity fund, principally driven by gains from an underlying investment, which is subject to certain sales restrictions.

## Asset Management

Asset management revenues of \$684 million in the current quarter and \$1,349 million in the current year period increased 12% and 10% from the prior year quarter and prior year period, respectively, primarily as a result of higher average AUM.

See “Assets Under Management or Supervision” herein.

## Other

Other losses of \$47 million in the current quarter and \$40 million in the current year period increased from the prior year quarter and prior year period, reflecting an impairment of an investment in a third-party asset manager.

## Non-interest Expenses

Non-interest expenses of \$670 million in the current quarter increased 5% from the prior year quarter primarily as a result of higher Non-compensation expenses. Non-interest expenses of \$1,219 million in the current year period decreased 4% from the prior year period primarily as a result of lower Compensation and benefits expenses.

- Compensation and benefits expenses decreased in the current quarter and current year period, primarily due to lower compensation associated with carried interest, partially offset in the current quarter by higher expenses related to certain deferred compensation plans linked to investment performance.
- Non-compensation expenses in the current quarter increased from the prior year quarter and prior year period primarily as a result of higher fee sharing paid to intermediaries on higher average AUM.

## Assets Under Management or Supervision

## Rollforwards

<i>\$ in billions</i>	At March 31, 2020	Inflows	Outflows	Market Impact	Other	At June 30, 2020
Equity	\$ 121	\$ 18	\$ (9)	\$ 37	\$ 1	\$ 168
Fixed income	75	11	(6)	4	—	84
Alternative/ Other	141	7	(4)	2	(1)	145
Long-term AUM subtotal	337	36	(19)	43	—	397
Liquidity	247	409	(388)	—	—	268
<b>Total AUM</b>	<b>\$ 584</b>	<b>\$ 445</b>	<b>\$ (407)</b>	<b>\$ 43</b>	<b>\$ —</b>	<b>\$ 665</b>

<i>\$ in billions</i>	At March 31, 2019	Inflows	Outflows	Market Impact	Other	At June 30, 2019
Equity	\$ 120	\$ 9	\$ (7)	\$ 6	\$ —	\$ 128
Fixed income	68	5	(4)	2	—	71
Alternative/ Other	133	7	(6)	1	—	135
Long-term AUM subtotal	321	21	(17)	9	—	334
Liquidity	159	311	(307)	1	(1)	163
<b>Total AUM</b>	<b>\$ 480</b>	<b>\$ 332</b>	<b>\$ (324)</b>	<b>\$ 10</b>	<b>\$ (1)</b>	<b>\$ 497</b>

<i>\$ in billions</i>	At December 31, 2019	Inflows	Outflows	Market Impact	Other	At June 30, 2020
Equity	\$ 138	\$ 32	\$ (21)	\$ 19	\$ —	\$ 168
Fixed income	79	21	(15)	—	(1)	84
Alternative/ Other	139	15	(8)	(5)	4	145
Long-term AUM subtotal	356	68	(44)	14	3	397
Liquidity	196	855	(783)	1	(1)	268
<b>Total AUM</b>	<b>\$ 552</b>	<b>\$ 923</b>	<b>\$ (827)</b>	<b>\$ 15</b>	<b>\$ 2</b>	<b>\$ 665</b>

<i>\$ in billions</i>	At December 31, 2018	Inflows	Outflows	Market Impact	Other	At June 30, 2019
Equity	\$ 103	\$ 18	\$ (15)	\$ 22	\$ —	\$ 128
Fixed income	68	11	(11)	3	—	71
Alternative/ Other	128	12	(10)	6	(1)	135
Long-term AUM subtotal	299	41	(36)	31	(1)	334
Liquidity	164	654	(655)	2	(2)	163
<b>Total AUM</b>	<b>\$ 463</b>	<b>\$ 695</b>	<b>\$ (691)</b>	<b>\$ 33</b>	<b>\$ (3)</b>	<b>\$ 497</b>

## Average AUM

<i>\$ in billions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Equity	\$ 146	\$ 123	\$ 142	\$ 117
Fixed income	80	69	80	69
Alternative/Other	143	134	141	132
Long-term AUM subtotal	369	326	363	318
Liquidity	266	163	235	164
<b>Total AUM</b>	<b>\$ 635</b>	<b>489</b>	<b>\$ 598</b>	<b>\$ 482</b>

## Average Fee Rates

<i>Fee rate in bps</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Equity	76	75	75	76
Fixed income	29	33	30	32
Alternative/Other	58	64	59	66
Long-term AUM	59	62	59	62
Liquidity	16	17	16	17
<b>Total AUM</b>	<b>41</b>	<b>47</b>	<b>42</b>	<b>47</b>

For a description of the asset classes and rollforward items in the previous tables, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Investment Management—Assets Under Management or Supervision” in the 2019 Form 10-K.

## Supplemental Financial Information

## Income Tax Matters

## Effective Tax Rate

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
U.S. GAAP	25.7%	22.6%	22.8%	19.5%
Adjusted effective income tax rate—non-GAAP <sup>1</sup>	22.6%	22.6%	21.3%	21.3%
<b>Net discrete tax provisions (benefits)</b>				
Recurring <sup>2</sup>	\$ 5	\$ (20)	\$ (94)	\$ (127)
Intermittent <sup>3</sup>	\$ 134	\$ —	\$ 103	\$ (101)

1. The adjusted effective income tax rate is a non-GAAP measure that excludes net discrete tax provisions (benefits) that are intermittent and includes those that are recurring. For further information on non-GAAP measures, see "Selected Non-GAAP Financial Information" herein.
2. Provisions (benefits) related to conversion of employee share-based awards are expected to occur every year and, as such, are considered recurring discrete tax items.
3. Includes all tax provisions (benefits) that have been determined to be discrete, other than Recurring items as defined above.

The current quarter and current year period included intermittent net discrete tax costs principally associated with the remeasurement of reserves and interest related to a foreign tax matter. The prior year period included intermittent net discrete tax benefits primarily associated with remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations. See Note 18 to the financial statements for further information.

## U.S. Bank Subsidiaries

Our U.S. bank subsidiaries, Morgan Stanley Bank N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association ("MSPBNA") (collectively, "U.S. Bank Subsidiaries") accept deposits; provide loans to corporations, governments, financial institutions and high to ultra-high net worth clients; and invest in securities. Lending activity recorded in the U.S. Bank subsidiaries from the Institutional Securities business segment primarily includes loans and lending commitments to corporate clients. Lending activity recorded in the U.S. Bank subsidiaries from the Wealth Management business segment primarily includes securities-based lending, which allows clients to borrow money against the value of qualifying securities, and residential real estate loans.

For a further discussion of our credit risks, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk." For a further discussion about loans and lending commitments, see Notes 9 and 13 to the financial statements.

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

<i>\$ in billions</i>	At June 30, 2020	At December 31, 2019
Assets	\$ 263.9	\$ 219.6
Investment securities portfolio:		
Investment securities—AFS	63.8	42.4
Investment securities—HTM	28.5	26.1
<b>Total investment securities</b>	<b>\$ 92.3</b>	<b>\$ 68.5</b>
Deposits <sup>2</sup>	\$ 236.0	\$ 189.3
<b>Wealth Management Loans<sup>3</sup></b>		
Residential real estate	\$ 32.1	\$ 30.2
Securities-based lending and Other <sup>4</sup>	53.1	49.9
<b>Total</b>	<b>\$ 85.2</b>	<b>\$ 80.1</b>
<b>Institutional Securities Loans<sup>3</sup></b>		
Corporate	\$ 10.6	\$ 5.6
Secured lending facilities	26.8	26.8
Commercial and Residential real estate	9.2	12.0
Securities-based lending and Other	4.8	5.4
<b>Total</b>	<b>\$ 51.4</b>	<b>\$ 49.8</b>

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

## Other Matters

## Planned Acquisition of E\*TRADE

On February 20, 2020, we entered into a definitive agreement under which we will acquire E\*TRADE Financial Corporation ("E\*TRADE") in an all-stock transaction. In the first quarter of 2020, we filed our application with the Federal Reserve and in early April the Hart-Scott-Rodino Antitrust waiting period expired. On July 17, 2020, E\*TRADE shareholders approved the acquisition. While it remains subject to other customary closing conditions, including regulatory approvals, we continue to expect the acquisition to close in the fourth quarter of 2020.

## Accounting Development Updates

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

## Critical Accounting Policies

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements in the 2019 Form 10-K and Note 2 to the financial statements), the fair value, goodwill and intangible assets, legal and regulatory contingencies and income taxes policies involve a higher degree of judgment and complexity. For a further discussion about our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the 2019 Form 10-K.

## Liquidity and Capital Resources

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

## Balance Sheet

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

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

## Total Assets by Business Segment

\$ in millions	At June 30, 2020			
	IS	WM	IM	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 83,728	\$ 22,445	\$ 103	\$ 106,276
Trading assets at fair value	296,235	324	3,832	300,391
Investment securities	42,867	89,753	—	132,620
Securities purchased under agreements to resell	81,082	15,530	—	96,612
Securities borrowed	105,826	1,008	—	106,834
Customer and other receivables	47,260	14,285	745	62,290
Loans <sup>1</sup>	56,702	85,259	12	141,973
Other assets <sup>2</sup>	13,437	13,047	1,883	28,367
<b>Total assets</b>	<b>\$ 727,137</b>	<b>\$ 241,651</b>	<b>\$ 6,575</b>	<b>\$ 975,363</b>

\$ in millions	At December 31, 2019			
	IS	WM	IM	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 67,657	\$ 14,247	\$ 267	\$ 82,171
Trading assets at fair value	293,477	47	3,586	297,110
Investment securities	38,524	67,201	—	105,725
Securities purchased under agreements to resell	80,744	7,480	—	88,224
Securities borrowed	106,199	350	—	106,549
Customer and other receivables	39,743	15,190	713	55,646
Loans <sup>1</sup>	50,557	80,075	5	130,637
Other assets <sup>2</sup>	14,300	13,092	1,975	29,367
<b>Total assets</b>	<b>\$ 691,201</b>	<b>\$ 197,682</b>	<b>\$ 6,546</b>	<b>\$ 895,429</b>

IS—Institutional Securities  
WM—Wealth Management  
IM—Investment Management

1. Amounts include loans held for investment, net of allowance, and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 9 to the financial statements).
2. Other assets primarily includes Goodwill and Intangible assets, premises, equipment and software, ROU assets related to leases, other investments, and deferred tax assets.

A substantial portion of total assets consists of liquid marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business segment. Total assets increased to \$975 billion at June 30, 2020 from \$895 billion at December 31, 2019.

Wealth Management assets increased, primarily in the investment portfolio comprising Cash and cash equivalents, Investment securities and Securities purchased under agreements to resell, as a result of significantly higher deposits in this segment. Loans continued to grow.

Institutional Securities' assets were also higher, reflecting increases within Cash and cash equivalents and Customer and other receivables, primarily due to higher margin related to derivatives and loan growth in support of client needs.

## Liquidity Risk Management Framework

The core components of our Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity

Stress Tests and Liquidity Resources, which support our target liquidity profile. For a further discussion about the Firm's Required Liquidity Framework and Liquidity Stress Tests, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity Risk Management Framework" in the 2019 Form 10-K.

At June 30, 2020 and December 31, 2019, we maintained sufficient liquidity to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

### Liquidity Resources

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

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

### Liquidity Resources by Type of Investment<sup>1</sup>

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Cash deposits with central banks	\$ 44,986	\$ 35,025
Unencumbered HQLA Securities <sup>2</sup> :		
U.S. government obligations	154,591	88,754
U.S. agency and agency mortgage-backed securities	49,516	50,732
Non-U.S. sovereign obligations <sup>3</sup>	38,631	29,909
Other investment grade securities	1,233	1,591
<b>Total HQLA<sup>2</sup></b>	<b>\$ 288,957</b>	<b>\$ 206,011</b>
Cash deposits with banks (non-HQLA)	12,450	9,857
<b>Total Liquidity Resources</b>	<b>\$ 301,407</b>	<b>\$ 215,868</b>

1. In the first quarter of 2020, we changed our internal measure of liquidity from the Global Liquidity Reserve to Liquidity Resources, which is more closely aligned with the regulatory definition of HQLA. Prior periods have been recast to conform to the current presentation.
2. HQLA is presented prior to applying weightings and includes all HQLA held in subsidiaries.
3. Primarily composed of unencumbered Japanese, UK, French, German and Dutch government obligations.

### Liquidity Resources by Bank and Non-Bank Legal Entities<sup>1</sup>

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019	Average Daily Balance Three Months Ended June 30, 2020
<b>Bank legal entities</b>			
Domestic	\$ 117,476	\$ 75,894	\$ 113,537
Foreign	5,888	4,049	5,432
<b>Total Bank legal entities</b>	<b>123,364</b>	<b>79,943</b>	<b>118,969</b>
<b>Non-Bank legal entities</b>			
Domestic:			
Parent Company	87,338	53,128	75,430
Non-Parent Company	38,553	28,905	36,305
<b>Total Domestic</b>	<b>125,891</b>	<b>82,033</b>	<b>111,735</b>
Foreign	52,152	53,892	51,445
<b>Total Non-Bank legal entities</b>	<b>178,043</b>	<b>135,925</b>	<b>163,180</b>
<b>Total Liquidity Resources</b>	<b>\$ 301,407</b>	<b>\$ 215,868</b>	<b>\$ 282,149</b>

1. In the first quarter of 2020, we changed our internal measure of liquidity from the Global Liquidity Reserve to Liquidity Resources, which is more closely aligned with the regulatory definition of HQLA. Prior periods have been recast to conform to the current presentation.

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

### Regulatory Liquidity Framework

#### Liquidity Coverage Ratio

We and our U.S. Bank Subsidiaries are subject to LCR requirements, including a requirement to calculate each entity's LCR on each business day. The requirements are designed to ensure that banking organizations have sufficient Eligible HQLA to cover net cash outflows arising from significant stress over 30 calendar days, thus promoting the short-term resilience of the liquidity risk profile of banking organizations. In determining Eligible HQLA for LCR purposes, weightings (or asset haircuts) are applied to HQLA and certain HQLA held in subsidiaries are excluded.

As of June 30, 2020, we and our U.S. Bank Subsidiaries are compliant with the minimum required LCR of 100%. For further information on regulatory developments that have impacted our LCR, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.



**Liquidity Coverage Ratio**

<i>\$ in millions</i>	Average Daily Balance Three Months Ended	
	June 30, 2020	March 31, 2020
<b>Eligible HQLA<sup>1</sup></b>		
Cash deposits with central banks	\$ 52,369	\$ 32,778
Securities <sup>2</sup>	155,251	140,336
<b>Total Eligible HQLA<sup>1</sup></b>	<b>\$ 207,620</b>	<b>\$ 173,114</b>
LCR	147%	127%

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

The increase in the LCR in the current quarter is due to increased Eligible HQLA consistent with higher liquidity levels.

**Net Stable Funding Ratio**

The NSFR requires banking organizations to maintain sufficiently stable sources of funding over a one-year horizon. In 2016, the U.S. banking agencies issued a proposal to implement the NSFR in the U.S.; however, a final rule has not yet been issued. For an additional discussion of the NSFR, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Liquidity Framework—Net Stable Funding Ratio" in the 2019 Form 10-K.

**Funding Management**

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

We fund our balance sheet on a global basis through diverse sources. These sources include our equity capital, borrowings, securities sold under agreements to repurchase, securities lending, deposits, letters of credit and lines of credit. We have active financing programs for both standard and structured products targeting global investors and currencies.

**Secured Financing**

For a discussion of our secured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Secured Financing" in the 2019 Form 10-K.

**Collateralized Financing Transactions**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Securities purchased under agreements to resell and Securities borrowed	\$ 203,446	\$ 194,773
Securities sold under agreements to repurchase and Securities loaned	\$ 61,341	\$ 62,706
Securities received as collateral <sup>1</sup>	\$ 7,986	\$ 13,022

<i>\$ in millions</i>	Average Daily Balance Three Months Ended	
	June 30, 2020	December 31, 2019
Securities purchased under agreements to resell and Securities borrowed	\$ 203,005	\$ 210,257
Securities sold under agreements to repurchase and Securities loaned	\$ 59,286	\$ 64,870

- Included within Trading assets in the balance sheets.

See Note 2 to the financial statements in the 2019 Form 10-K and Note 8 to the financial statements for more details on collateralized financing transactions.

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

**Unsecured Financing**

For a discussion of our unsecured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Unsecured Financing" in the 2019 Form 10-K.

## Management's Discussion and Analysis

## Deposits

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Savings and demand deposits:		
Brokerage sweep deposits <sup>1</sup>	\$ 156,903	\$ 121,077
Savings and other	38,683	28,388
Total Savings and demand deposits	195,586	149,465
Time deposits	41,263	40,891
<b>Total</b>	<b>\$ 236,849</b>	<b>\$ 190,356</b>

1. Amounts represent balances swept from client brokerage accounts.

Deposits are primarily sourced from our Wealth Management clients and are considered to have stable, low-cost funding characteristics. Total deposits at June 30, 2020 increased compared with December 31, 2019, primarily driven by higher brokerage sweep and savings deposits as the increases that occurred in the first quarter of 2020 were sustained.

Borrowings by Remaining Maturity at June 30, 2020<sup>1</sup>

<i>\$ in millions</i>	Parent Company	Subsidiaries	Total
Original maturities of one year or less	\$ 28	\$ 3,198	\$ 3,226
Original maturities greater than one year			
2020	\$ 4,699	\$ 2,086	\$ 6,785
2021	19,740	5,687	25,427
2022	16,238	3,784	20,022
2023	15,257	4,163	19,420
2024	15,839	5,341	21,180
Thereafter	84,430	24,974	109,404
Total	\$ 156,203	\$ 46,035	\$ 202,238
Total Borrowings	\$ 156,231	\$ 49,233	\$ 205,464
Maturities over next 12 months <sup>2</sup>			\$ 20,076

1. Original maturity in the table is generally based on contractual final maturity. For borrowings with put options, remaining maturity represents the earliest put date.

2. Includes only borrowings with original maturities greater than one year.

Borrowings of \$205 billion as of June 30, 2020 increased modestly when compared with \$193 billion at December 31, 2019.

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

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

We also engage in, and may continue to engage in, repurchases of our borrowings in the ordinary course of business.

For further information on Borrowings, see Note 12 to the financial statements.

## Credit Ratings

We rely on external sources to finance a significant portion of our daily operations. The cost and availability of financing generally are impacted by our credit ratings, among other things. In addition, our credit ratings can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. These include regulatory or legislative changes, the macroeconomic environment and perceived levels of support, among other things. See also "Risk Factors—Liquidity Risk" in the 2019 Form 10-K.

## Parent Company and U.S. Bank Subsidiaries' Issuer Ratings at July 31, 2020

	Parent Company		
	Short-Term Debt	Long-Term Debt	Rating Outlook
DBRS, Inc.	<b>R-1 (middle)</b>	<b>A (high)</b>	<b>Stable</b>
Fitch Ratings, Inc.	<b>F1</b>	<b>A</b>	<b>Negative</b>
Moody's Investors Service, Inc.	<b>P-2</b>	<b>A3</b>	<b>Ratings Under Review</b>
Rating and Investment Information, Inc.	<b>a-1</b>	<b>A</b>	<b>Stable</b>
S&P Global Ratings	<b>A-2</b>	<b>BBB+</b>	<b>Stable</b>

	MSBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Fitch Ratings, Inc.	<b>F1</b>	<b>A+</b>	<b>Negative</b>
Moody's Investors Service, Inc.	<b>P-1</b>	<b>A1</b>	<b>Ratings Under Review</b>
S&P Global Ratings	<b>A-1</b>	<b>A+</b>	<b>Stable</b>

	MSPBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Moody's Investors Service, Inc.	<b>P-1</b>	<b>A1</b>	<b>Ratings Under Review</b>
S&P Global Ratings	<b>A-1</b>	<b>A+</b>	<b>Stable</b>

On February 21, 2020, Moody's Investors Service, Inc. placed the Parent Company and U.S. Bank Subsidiaries on review for possible upgrade, changing their outlooks from Positive to Ratings Under Review.

On April 22, 2020, Fitch Ratings, Inc. placed the Parent Company and MSBNA ratings on Negative outlook, a change from Stable, related to their expectation of significant operating environment headwinds due to the disruption to economic activity and financial markets from the COVID-19 pandemic.

**Incremental Collateral or Terminating Payments**

In connection with certain OTC derivatives and certain other agreements where we are a liquidity provider to certain financing vehicles associated with the Institutional Securities business segment, we may be required to provide additional collateral, immediately settle any outstanding liability balances with certain counterparties or pledge additional collateral to certain clearing organizations in the event of a future credit rating downgrade irrespective of whether we are in a net asset or net liability position. See Note 6 to the financial statements for additional information on OTC derivatives that contain such contingent features.

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

**Capital Management**

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

**Common Stock Repurchases**

<i>in millions, except for per share data</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Number of shares	—	26	29	54
Average price per share	\$ —	\$ 44.53	\$ 46.01	\$ 43.33
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,180</b>	<b>\$ 1,347</b>	<b>\$ 2,360</b>

On March 15, 2020, the Financial Services Forum announced that its eight U.S. Bank members, including us, had voluntarily suspended their share repurchase programs. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs generally will be restricted in making share repurchases during the third quarter of 2020. For more information on our capital plan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Plans and Stress Tests."

For further information on our common stock repurchases, see Note 16 to the financial statements.

For a description of our capital plan, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans and Stress Tests."

**Common Stock Dividend Announcement**

Announcement date	July 16, 2020
Amount per share	\$0.35
Date to be paid	August 14, 2020
Shareholders of record as of	July 31, 2020

On June 25, 2020, the Federal Reserve announced that it would limit common stock dividend payments in the third quarter of 2020 for all large BHCs. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Plans and Stress Tests."

**Preferred Stock Dividend Announcement**

Announcement date	June 15, 2020
Date paid	July 15, 2020
Shareholders of record as of	June 30, 2020

For additional information on common and preferred stock, see Note 16 to the financial statements.

**Off-Balance Sheet Arrangements and Contractual Obligations****Off-Balance Sheet Arrangements**

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

We utilize SPEs primarily in connection with securitization activities. For information on our securitization activities, see Note 14 to the financial statements in the 2019 Form 10-K.

For information on our commitments, obligations under certain guarantee arrangements and indemnities, see Note 13 to the financial statements. For a further discussion of our lending commitments, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk—Loans and Lending Commitments."

**Contractual Obligations**

For a discussion about our contractual obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations" in the 2019 Form 10-K.

## Regulatory Requirements

### Regulatory Capital Framework

We are an FHC under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and are subject to the regulation and oversight of the Federal Reserve. The Federal Reserve establishes capital requirements for us, including "well-capitalized" standards, and evaluates our compliance with such capital requirements. Regulatory capital requirements established by the Federal Reserve are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The OCC establishes similar capital requirements and standards for our U.S. Bank Subsidiaries. For us to remain an FHC, we must remain well-capitalized in accordance with standards established by the Federal Reserve and our U.S. Bank Subsidiaries must remain well-capitalized in accordance with standards established by the OCC. For additional information on regulatory capital requirements for our U.S. Bank Subsidiaries, see Note 15 to the financial statements.

### Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital and TLAC ratios. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Capital Requirements" in the 2019 Form 10-K. For additional information on TLAC, see "Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" herein.

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

In addition to the minimum risk-based capital ratio requirements, we are subject to the following Common Equity Tier 1 buffers:

- A greater than 2.5% capital conservation buffer;
- The G-SIB capital surcharge, currently at 3%; and
- Up to a 2.5% CCyB, currently set by U.S. banking agencies at zero.

For a further discussion of the G-SIB capital surcharge, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—G-SIB Capital Surcharge" in the 2019 Form 10-K.

Our risk-based capital ratios for purposes of determining regulatory compliance are the lower of the capital ratios computed under (i) the standardized approaches for calculating credit risk and market risk RWA ("Standardized Approach") or (ii) the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA ("Advanced Approach"). The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. At June 30, 2020 and December 31, 2019, our ratios for determining regulatory compliance are based on the Advanced Approach and the Standardized Approach rules, respectively.

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

As of June 30, 2020, our risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

## Regulatory Capital Ratios

\$ in millions	At June 30, 2020		
	Required Ratio <sup>1</sup>	Standardized	Advanced
<b>Risk-based capital</b>			
Common Equity Tier 1 capital		\$ 68,712	\$ 68,712
Tier 1 capital		77,398	77,398
Total capital		87,377	87,048
Total RWA		415,545	427,034
Common Equity Tier 1 capital ratio	10.0%	16.5%	16.1%
Tier 1 capital ratio	11.5%	18.6%	18.1%
Total capital ratio	13.5%	21.0%	20.4%

\$ in millions	Required Ratio <sup>1</sup>	At June 30, 2020	
<b>Leverage-based capital</b>			
Adjusted average assets <sup>2</sup>		\$	952,655
Tier 1 leverage ratio	4.0%		8.1%
Supplementary leverage exposure <sup>3,4</sup>		\$	1,062,137
SLR <sup>4</sup>	5.0%		7.3%

\$ in millions	At December 31, 2019		
	Required Ratio <sup>1</sup>	Standardized	Advanced
<b>Risk-based capital</b>			
Common Equity Tier 1 capital		\$ 64,751	\$ 64,751
Tier 1 capital		73,443	73,443
Total capital		82,708	82,423
Total RWA		394,177	382,496
Common Equity Tier 1 capital ratio	10.0%	16.4%	16.9%
Tier 1 capital ratio	11.5%	18.6%	19.2%
Total capital ratio	13.5%	21.0%	21.5%

\$ in millions	Required Ratio <sup>1</sup>	At December 31, 2019	
<b>Leverage-based capital</b>			
Adjusted average assets <sup>2</sup>		\$	889,195
Tier 1 leverage ratio	4.0%		8.3%
Supplementary leverage exposure <sup>3</sup>		\$	1,155,177
SLR	5.0%		6.4%

1. Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in our own capital instruments, certain deferred tax assets and other capital deductions.
3. Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.
4. Based on a Federal Reserve interim final rule in effect until March 31, 2021, our SLR and Supplementary leverage exposure as of June 30, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks. As of June 30, 2020, the impact of the interim final rule on our SLR was an improvement of 92 bps. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

## Regulatory Capital

\$ in millions	At June 30, 2020		At December 31, 2019		Change
<b>Common Equity Tier 1 capital</b>					
Common stock and surplus	\$	4,109	\$	5,228	\$ (1,119)
Retained earnings		74,280		70,589	3,691
AOCI		1		(2,788)	2,789
Regulatory adjustments and deductions:					
Net goodwill		(7,224)		(7,081)	(143)
Net intangible assets		(1,857)		(2,012)	155
Other adjustments and deductions <sup>1</sup>		(597)		815	(1,412)
<b>Total Common Equity Tier 1 capital</b>	<b>\$</b>	<b>68,712</b>	<b>\$</b>	<b>64,751</b>	<b>\$ 3,961</b>
<b>Additional Tier 1 capital</b>					
Preferred stock	\$	8,520	\$	8,520	\$ —
Noncontrolling interests		525		607	(82)
Additional Tier 1 capital	\$	9,045	\$	9,127	\$ (82)
Deduction for investments in covered funds		(359)		(435)	76
<b>Total Tier 1 capital</b>	<b>\$</b>	<b>77,398</b>	<b>\$</b>	<b>73,443</b>	<b>\$ 3,955</b>
<b>Standardized Tier 2 capital</b>					
Subordinated debt	\$	8,691	\$	8,538	\$ 153
Noncontrolling interests		124		143	(19)
Eligible ACL		1,207		590	617
Other adjustments and deductions		(43)		(6)	(37)
<b>Total Standardized Tier 2 capital</b>	<b>\$</b>	<b>9,979</b>	<b>\$</b>	<b>9,265</b>	<b>\$ 714</b>
<b>Total Standardized capital</b>	<b>\$</b>	<b>87,377</b>	<b>\$</b>	<b>82,708</b>	<b>\$ 4,669</b>
<b>Advanced Tier 2 capital</b>					
Subordinated debt	\$	8,691	\$	8,538	\$ 153
Noncontrolling interests		124		143	(19)
Eligible credit reserves		878		305	573
Other adjustments and deductions		(43)		(6)	(37)
<b>Total Advanced Tier 2 capital</b>	<b>\$</b>	<b>9,650</b>	<b>\$</b>	<b>8,980</b>	<b>\$ 670</b>
<b>Total Advanced capital</b>	<b>\$</b>	<b>87,048</b>	<b>\$</b>	<b>82,423</b>	<b>\$ 4,625</b>

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

## RWA Rollforward

\$ in millions	Six Months Ended June 30, 2020	
	Standardized	Advanced
<b>Credit risk RWA</b>		
Balance at December 31, 2019	\$ 342,684	\$ 228,927
Change related to the following items:		
Derivatives	2,645	29,723
Securities financing transactions	(8,441)	569
Securitizations	(851)	(588)
Investment securities	2,279	4,279
Commitments, guarantees and loans	8,032	(2,693)
Cash	2,066	2,031
Equity investments	2,286	2,419
Other credit risk <sup>1</sup>	(615)	(1,003)
Total change in credit risk RWA	\$ 7,401	\$ 34,737
<b>Balance at June 30, 2020</b>	<b>\$ 350,085</b>	<b>\$ 263,664</b>
<b>Market risk RWA</b>		
Balance at December 31, 2019	\$ 51,493	\$ 51,597
Change related to the following items:		
Regulatory VaR	11,622	11,622
Regulatory stressed VaR	4,690	4,690
Incremental risk charge	227	227
Comprehensive risk measure	114	10
Specific risk:		
Non-securitization	(423)	(423)
Securitization	(2,263)	(2,263)
Total change in market risk RWA	\$ 13,967	\$ 13,863
<b>Balance at June 30, 2020</b>	<b>\$ 65,460</b>	<b>\$ 65,460</b>
<b>Operational risk RWA</b>		
Balance at December 31, 2019	N/A	\$ 101,972
Change in operational risk RWA	N/A	(4,062)
<b>Balance at June 30, 2020</b>	<b>N/A</b>	<b>\$ 97,910</b>
<b>Total RWA</b>	<b>\$ 415,545</b>	<b>\$ 427,034</b>

Regulatory VaR—VaR for regulatory capital requirements

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

Credit risk RWA increased in the current year period under both the Standardized and Advanced Approaches primarily from an increase in Derivatives exposure driven by market volatility, and an increase in Investment Securities mainly due to increased exposures to U.S. government and agency securities. RWA under the Standardized Approach also increased due to Lending activities within the Institutional Securities and Wealth Management business segments, partially offset by a decrease in Securities financing transactions. Under the Advanced Approach, the increased exposure in Derivatives and widening credit spreads also led to an increase in RWA related to CVA.

Market risk RWA increased in the current year period under the Standardized and Advanced Approaches primarily due to an increase in Regulatory VaR mainly as a result of higher market volatility, and an increase in Stressed VaR driven by increased equity and interest rate risk.

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

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

## Required and Actual TLAC and Eligible LTD Ratios

\$ in millions	Regulatory Minimum	Required Ratio <sup>1</sup>	Actual Amount/Ratio	
			At June 30, 2020	At December 31, 2019
External TLAC <sup>2</sup>			\$ 203,608	\$ 196,888
External TLAC as a % of RWA	18.0%	21.5%	47.7%	49.9%
External TLAC as a % of leverage exposure	7.5%	9.5%	19.2%	17.0%
Eligible LTD <sup>3</sup>			\$ 117,808	\$ 113,624
Eligible LTD as a % of RWA	9.0%	9.0%	27.7%	28.8%
Eligible LTD as a % of leverage exposure	4.5%	4.5%	11.1%	9.8%

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

We are in compliance with all TLAC requirements as of June 30, 2020 and December 31, 2019. For a further discussion of TLAC and related requirements, see “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Regulatory Capital Requirements—Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements” in the 2019 Form 10-K.

## Capital Plans and Stress Tests

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

We submitted our 2020 Capital Plan (“Capital Plan”) and company-run stress test results to the Federal Reserve on April

6, 2020. On June 25, 2020, the Federal Reserve published summary results of its supervisory stress tests of each large BHC. On June 29, 2020, we disclosed a summary of the results of our company-run stress tests on our Investor Relations website. Also on June 29, 2020, we announced that we will be subject to a stress capital buffer ("SCB") of 5.9% beginning October 1, 2020. Together with other features of the regulatory capital framework, this SCB results in an aggregate Standardized Approach Common Equity Tier 1 required ratio of 13.4%. Generally, our SCB will be updated annually based on the results of the supervisory stress test. See "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments—Stress Capital Buffer Final Rule" herein for additional information on the SCB.

On June 25, 2020, the Federal Reserve also announced that it will be providing updated scenarios, based on which each large BHC will be required to update and resubmit its capital plan within 45 days after the Federal Reserve makes the updated scenarios available. The Federal Reserve stated that it took this action based on its determination that changes in financial markets or the macro-economic outlook, since submission of each BHC's original capital plan in April 2020, could have a material effect on each BHC's risk profile and financial condition.

Additionally, on June 25, 2020, the Federal Reserve announced that, in the third quarter of 2020, all large BHCs would be subject to capital action restrictions. Except as noted below, these restrictions generally prohibit large BHCs from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the Federal Reserve. Large BHCs are, however, authorized to make share repurchases relating to issuances of common stock related to employee stock ownership plans; provided that a BHC does not increase the amount of its common stock dividends, to pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the Federal Reserve; and to make scheduled payments on additional Tier 1 and Tier 2 capital instruments. The Federal Reserve stated that it may extend these provisions on a quarter-by-quarter basis after September 30, 2020. For a further discussion of our capital plans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Balance Sheet—Capital Management" herein and in the 2019 Form 10-K.

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

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

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

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

We are currently evaluating potential updates to our Required Capital framework to take into account changes to our risk-based capital requirements resulting from the SCB and we will continue to evaluate the framework with respect to the impact of other future regulatory requirements, as appropriate.

#### Average Common Equity Attribution<sup>1</sup>

\$ in billions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Institutional Securities	\$ 42.8	\$ 40.4	\$ 42.8	\$ 40.4
Wealth Management	18.2	18.2	18.2	18.2
Investment Management	2.6	2.5	2.6	2.5
Parent	14.0	11.5	12.4	11.0
<b>Total</b>	<b>\$ 77.6</b>	<b>\$ 72.6</b>	<b>\$ 76.0</b>	<b>\$ 72.1</b>

1. The attribution of average common equity to the business segments is a non-GAAP financial measure. See "Selected Non-GAAP Financial Information" herein.

#### Resolution and Recovery Planning

Pursuant to the Dodd-Frank Act, we are required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes our strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of our material financial distress or failure. Our next resolution plan submission will be a targeted resolution plan in July 2021.

As described in our most recent resolution plan, which was submitted on June 28, 2019, our preferred resolution strategy is an SPOE strategy. In line with our SPOE strategy, the Parent Company has transferred, and has agreed to transfer on an ongoing basis, certain assets to its wholly owned, direct subsidiary Morgan Stanley Holdings LLC (the "Funding IHC"). In addition, the Parent Company has entered into an amended and restated support agreement with its material entities (including the Funding IHC) and certain other subsidiaries. In the event of a resolution scenario, the Parent Company would be obligated to contribute all of its Contributable Assets to our material entities and/or the Funding IHC. The Funding IHC

would be obligated to provide capital and liquidity, as applicable, to our material entities. The combined implication of the SPOE resolution strategy and the requirement to maintain certain levels of TLAC is that losses in resolution would be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by the Parent Company before any losses are imposed on the holders of the debt securities of our operating subsidiaries or before putting U.S. taxpayers at risk.

For more information about resolution and recovery planning requirements and our activities in these areas, including the implications of such activities in a resolution scenario, see “Business—Supervision and Regulation—Financial Holding Company—Resolution and Recovery Planning,” “Risk Factors—Legal, Regulatory and Compliance Risk” and “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Resolution and Recovery Planning” in the 2019 Form 10-K.

## **Regulatory Developments**

### ***CFTC Final Rule on Capital Requirements for Swap Dealers***

The CFTC has finalized rules establishing capital requirements for CFTC-registered swap dealers not subject to regulation by a prudential regulator. Compliance with these rules, which will apply to a number of our subsidiaries that are CFTC-registered swap dealers, is required by October 6, 2021.

### ***Final Rule to Amend the Covered Fund Provisions of the Volcker Rule***

The Federal financial regulatory agencies responsible for the Volcker Rule's implementing regulations have finalized a rule that revises the prohibition on certain investments by banking entities with defined covered funds. The final rule adds certain new exclusions from the definition of covered fund, while streamlining others. It also simplifies certain restrictions on inter-affiliate relationships with covered funds. The final rule is effective beginning October 1, 2020.

### ***Stress Capital Buffer Final Rule***

The Federal Reserve has adopted a final rule to integrate its annual capital planning and stress testing requirements with existing applicable regulatory capital requirements. The final rule, which applies to certain BHCs, introduces an SCB and related changes to the capital planning and stress testing processes.

The SCB applies only with respect to Standardized Approach risk-based capital requirements and replaces the existing Common Equity Tier 1 capital conservation buffer, which is 2.5%. The SCB is the greater of (i) the maximum decline in our Common Equity Tier 1 capital ratio under the severely adverse

scenario over the supervisory stress test measurement period plus the sum of the four quarters of planned common stock dividends divided by the projected RWAs from the quarter in which the Firm's projected Common Equity Tier 1 capital ratio reaches its minimum in the supervisory stress test and (ii) 2.5%. Risk-based regulatory capital requirements under the Standardized Approach will include the SCB, as summarized above, as well as our Common Equity Tier 1 GSIB capital surcharge and any applicable Common Equity Tier 1 CCyB.

The final rule makes related changes to capital planning and stress testing processes for BHCs subject to the SCB. In particular, the supervisory stress test will assume that BHCs generally maintain a constant level of assets and RWAs throughout the projection period. In addition, the supervisory stress test will no longer assume that BHCs make all planned capital distributions, although the SCB will incorporate the dollar amount of four quarters of planned common stock dividends, as summarized above.

The final rule does not change regulatory capital requirements under the Advanced Approach, the Tier 1 leverage ratio or the SLR.

### ***Regulatory Developments in Response to COVID-19***

In the United States, the Federal Reserve, the other U.S. state and federal financial regulatory agencies and Congress have taken actions to mitigate disruptions to economic activity and financial stability resulting from COVID-19.

#### ***Federal Reserve and other U.S. Banking Agency Actions***

The Federal Reserve has established, or has taken steps to establish, a range of facilities and programs to support the U.S. economy and U.S. marketplace participants in response to economic disruptions associated with COVID-19. Through these facilities and programs, the Federal Reserve has taken steps to directly or indirectly purchase assets or debt instruments from, or make loans to, U.S. companies, financial institutions, municipalities and other market participants. In the current year period, we have participated as principal, as well as on behalf of clients, in certain of these facilities and programs and we may participate in other of these facilities and programs in the future.

In addition, the Federal Reserve has taken a range of other actions to support the flow of credit to households and businesses. For example, the Federal Reserve has set the target range for the federal funds rate at 0 to 0.25% and announced that it would increase its holdings of U.S. Treasury securities and agency mortgage-backed securities, begin purchasing agency commercial mortgage-backed securities, and establish a facility to purchase corporate debt securities and shares of exchange-traded funds holding such securities. The Federal Reserve has also encouraged depository institutions to borrow from the discount window and has lowered the primary credit rate for such borrowings by 150 basis points to 0.25% while



extending the term of such loans up to 90 days. In addition, reserve requirements have been reduced to zero.

Acting in concert with the other U.S. banking agencies, the Federal Reserve has also issued statements encouraging banking organizations to use their capital and liquidity buffers as they lend to households and businesses affected by COVID-19.

Further, the Federal Reserve along with the other U.S. banking agencies, issued guidance stating that granting certain concessions to borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of the COVID-19 pandemic, generally would not be considered TDRs under applicable U.S. GAAP. This guidance also clarifies that efforts to work with borrowers of one-to-four family residential mortgages impacted by the COVID-19 pandemic and meeting certain criteria will not result in such loans being deemed restructured or modified for purposes of regulatory capital requirements.

The Federal Reserve and other U.S. banking agencies have also issued a series of rulemakings in response to the COVID-19 pandemic, including to facilitate banking organizations' use of their capital buffers:

- *Supplementary Leverage Ratio Interim Final Rules.* The Federal Reserve has adopted an interim final rule that excludes, on a temporary basis, U.S. Treasury securities and deposits at Federal Reserve Banks from our supplementary leverage exposure from April 1, 2020 to March 31, 2021.

A similar interim final rule issued by the OCC along with the other U.S. banking agencies provides national banks, including MSBNA and MSPBNA, an optional election to apply similar relief. If elected, a national bank must receive prior approval from the OCC before making any capital distributions while the exclusion is in effect. As of June 30, 2020, neither MSBNA nor MSPBNA made this optional election.

- *Revisions to Definition of Eligible Retained Income.* The U.S. banking agencies have adopted an interim final rule amending the definition of eligible retained income in their respective capital rules. As amended, eligible retained income is defined by the U.S. banking agencies as the greater of (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) the average of net income over the preceding four quarters. This definition applies with respect to any payout restrictions applicable in the event of a breach of any regulatory capital buffers, including any applicable CCyB, G-SIB capital surcharge, capital conservation buffer, the enhanced SLR and, once effective, SCB, which replaces the capital conservation buffer under the Standardized Approach. The interim final rule became effective March 20, 2020.

Separately, the Federal Reserve has adopted an interim final rule amending the definition of eligible retained income under its TLAC rule to be consistent with the revised definition of eligible retained income in the regulatory capital framework, as summarized above. The interim final rule became effective March 26, 2020.

- *Regulatory Capital and Stress Testing Developments Related to Implementation of CECL.* The U.S. banking agencies have adopted an interim final rule altering, for purposes of the regulatory capital and TLAC requirements, the required adoption time period for CECL. We have elected to apply a transition method provided by the rule, under which the effects of CECL on our regulatory capital and TLAC requirements are deferred for two years, followed by a three-year phase-in of the aggregate capital effects of the two-year deferral.

#### *Non-U.S. Central Bank Actions*

In addition to actions taken by the Federal Reserve, many non-U.S. central banks have announced similar facilities and programs in response to the economic and market disruptions associated with COVID-19. Firm subsidiaries operating in non-U.S. markets may participate, or perform customer facilitation roles, in such non-U.S. facilities or programs.

#### *The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act")*

The CARES Act was signed into law on March 27, 2020. Pursuant to the CARES Act, the U.S. Treasury has the authority to provide loans, guarantees and other investments in support of eligible businesses, states and municipalities affected by the economic effects of COVID-19. Some of these funds may also be used to support the several Federal Reserve programs and facilities described in "Federal Reserve Actions" previously or additional programs or facilities that are established by the Federal Reserve under its Section 13(3) authority and meet certain criteria. Among other provisions, the CARES Act also includes funding for the Small Business Administration to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorized as TDRs and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts.

The CARES Act also includes several measures that temporarily adjust existing laws or regulations. These include providing the FDIC with additional authority to guarantee the deposits of solvent insured depository institutions held in non-interest-bearing business transaction accounts to a maximum amount specified by the FDIC, reinstating the FDIC's Temporary Liquidity Guarantee Authority to guarantee debt obligations of solvent insured depository institutions or depository institution holding companies, temporarily allowing the U.S. Treasury to fully guarantee money market mutual funds and granting

## Management's Discussion and Analysis

additional authority to the OCC to provide certain exemptions to the lending limits imposed on national banks.

### Other Matters

#### *U.K. Withdrawal from the E.U.*

On January 31, 2020, the U.K. withdrew from the E.U. under the terms of a withdrawal agreement between the U.K. and the E.U. The withdrawal agreement provides for a transition period to the end of December 2020, during which time the U.K. will continue to apply E.U. law as if it were a member state, and U.K. firms' rights to provide financial services in E.U. member states will continue. Access to the E.U. market after the transition period remains subject to negotiation.

We have prepared the structure of our European operations for a range of potential outcomes, including for the possibility that U.K. financial firms' access to E.U. markets after the transition period is limited, and we expect to be able to continue to serve our clients and customers under each of these potential outcomes.

For more information on the U.K.'s withdrawal from the E.U., our related preparations and the potential impact on our operations, see "Risk Factors—International Risk" in the 2019 Form 10-K. For further information regarding our exposure to the U.K., see also "Quantitative and Qualitative Disclosures about Risk—Country and Other Risks."

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

Central banks around the world, including the Federal Reserve, have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks (collectively, the "IBORs"). Accordingly, we have established and are undertaking a Firmwide IBOR transition plan to promote the transition to alternative reference rates, which takes into account the considerable uncertainty regarding the availability of LIBOR beyond 2021.

For a further discussion of the expected replacement of the IBORs and/or reform of interest rate benchmarks, and the related risks and our transition plan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Other Matters" and "Risk Factors—Risk Management," respectively, in the 2019 Form 10-K.

## Quantitative and Qualitative Disclosures about Risk

Management believes effective risk management is vital to the success of our business activities. For a discussion of our Enterprise Risk Management framework and risk management functions, see “Quantitative and Qualitative Disclosures about Risk—Risk Management” in the 2019 Form 10-K.

### Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. Generally, we incur market risk as a result of trading, investing and client facilitation activities, principally within the Institutional Securities business segment where the substantial majority of our VaR for market risk exposures is generated. In addition, we incur non-trading market risk, principally within the Wealth Management and Investment Management business segments. The Wealth Management business segment primarily incurs non-trading market risk from lending and deposit-taking activities. The Investment Management business segment primarily incurs non-trading market risk from capital investments in alternative and other funds. For a further discussion of market risk, see “Quantitative and Qualitative Disclosures about Risk—Market Risk” in the 2019 Form 10-K.

### Trading Risks

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

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

For information regarding our primary risk exposures and market risk management, VaR methodology, assumptions and limitations, see “Quantitative and Qualitative Disclosures about Risk—Market Risk—Trading Risks” in the 2019 Form 10-K.

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

<i>\$ in millions</i>	Three Months Ended			
	June 30, 2020			
	Period End	Average	High <sup>2</sup>	Low <sup>2</sup>
Interest rate and credit spread	\$ 42	\$ 47	\$ 59	\$ 36
Equity price	38	25	38	20
Foreign exchange rate	10	11	15	8
Commodity price	25	16	25	11
Less: Diversification benefit <sup>1</sup>	(68)	(49)	N/A	N/A
Primary Risk Categories	\$ 47	\$ 50	\$ 62	\$ 44
Credit Portfolio	26	25	30	23
Less: Diversification benefit <sup>1</sup>	(1)	(15)	N/A	N/A
Total Management VaR	\$ 72	\$ 60	\$ 78	\$ 47

<i>\$ in millions</i>	Three Months Ended			
	March 31, 2020			
	Period End	Average	High <sup>2</sup>	Low <sup>2</sup>
Interest rate and credit spread	\$ 62	\$ 32	\$ 62	\$ 24
Equity price	22	15	23	12
Foreign exchange rate	11	8	14	5
Commodity price	12	13	19	10
Less: Diversification benefit <sup>1</sup>	(65)	(33)	N/A	N/A
Primary Risk Categories	\$ 42	\$ 35	\$ 52	\$ 28
Credit Portfolio	25	15	25	12
Less: Diversification benefit <sup>1</sup>	(12)	(10)	N/A	N/A
Total Management VaR	\$ 55	\$ 40	\$ 58	\$ 32

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

Average and period-end total Management VaR and Management VaR for the Primary Risk Categories increased from the three months ended March 31, 2020 primarily as a result of increased historical market volatility early in the current quarter amid the COVID-19 pandemic, with the period-end VaR increase being partially offset by risk reduction in the Fixed Income business.

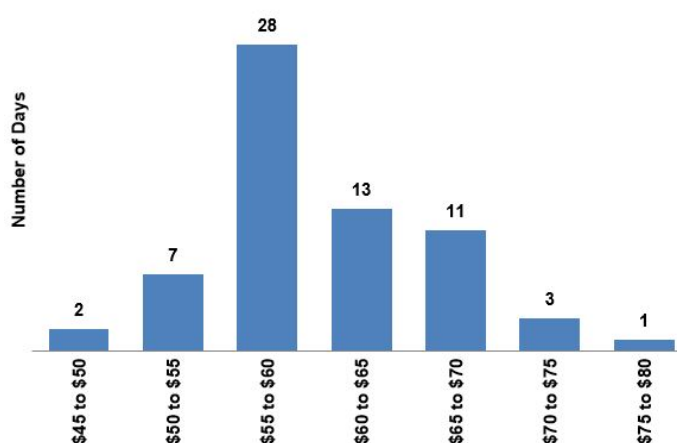
## Risk Disclosures

### Distribution of VaR Statistics and Net Revenues

We evaluate the reasonableness of our VaR model by comparing the potential declines in portfolio values generated by the model with corresponding actual trading results for the Firm, as well as individual business units. For days where losses exceed the VaR statistic, we examine the drivers of trading losses to evaluate the VaR model's accuracy relative to realized trading results. There was one day with trading losses in the current quarter, which did not exceed the 95%/one-day Total Management VaR.

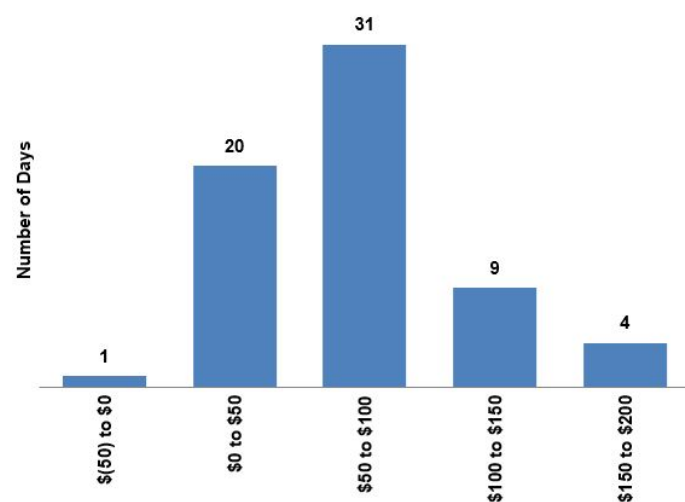
#### Daily 95%/One-Day Total Management VaR for the Current Quarter

(\$ in millions)



#### Daily Net Trading Revenues for the Current Quarter

(\$ in millions)



The previous histogram shows the distribution of daily net trading revenues for the current quarter. Daily net trading revenues include profits and losses from Interest rate and credit spread, Equity price, Foreign exchange rate, Commodity price, and Credit Portfolio positions and intraday trading activities for

our trading businesses. Certain items such as fees, commissions and net interest income are excluded from daily net trading revenues and the VaR model. Revenues required for Regulatory VaR backtesting further exclude intraday trading.

### Non-Trading Risks

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

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

\$ in millions	At June 30, 2020	At March 31, 2020
Derivatives	\$ 7	\$ 6
Funding liabilities <sup>2</sup>	45	39

1. Amounts represent the potential gain for each 1 bps widening of our credit spread.
2. Relates to Borrowings carried at fair value.

The change in sensitivity to funding liabilities between June 30, 2020 and March 31, 2020 was primarily driven by the effects of credit spread tightening and new issuances.

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

\$ in millions	At June 30, 2020	At March 31, 2020
<b>Basis point change</b>		
+100	\$ 599	\$ 850
-100	(351)	(495)

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

We do not manage to any single rate scenario but rather manage net interest income in our U.S. Bank Subsidiaries to optimize across a range of possible outcomes, including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates, and includes subjective assumptions regarding customer and market re-pricing behavior and other factors. The change in sensitivity to interest rates between June 30, 2020 and March 31, 2020 was primarily driven by the effect of changes in the mix of our assets and liabilities and lower market rates.

## Risk Disclosures

## Investments Sensitivity, Including Related Carried Interest

\$ in millions	Loss from 10% Decline	
	At June 30, 2020	At March 31, 2020
Investments related to Investment Management activities	\$ 329	\$ 327
Other investments:		
MUMSS	170	173
Other Firm investments	188	197

MUMSS—Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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

## Equity Market Sensitivity

In the Wealth Management and Investment Management business segments, certain fee-based revenue streams are driven by the value of clients' equity holdings. The overall level of revenues for these streams also depends on multiple additional factors that include, but are not limited to, the level and duration of the equity market increase or decline, price volatility, the geographic and industry mix of client assets, the rate and magnitude of client investments and redemptions, and the impact of such market increase or decline and price volatility on client behavior. Therefore, overall revenues do not correlate completely with changes in the equity markets.

## Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We are primarily exposed to credit risk from institutions and individuals through our Institutional Securities and Wealth Management business segments. For a further discussion of our credit risks, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk" in the 2019 Form 10-K.

## Loans and Lending Commitments

\$ in millions	At June 30, 2020			
	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	\$ 9,974	\$ 9,360	\$ 18	\$ 19,352
Secured lending facilities	24,733	3,779	497	29,009
Commercial and Residential real estate	7,207	1,337	1,888	10,432
Securities-based lending and Other	1,012	56	5,837	6,905
<b>Total Institutional Securities</b>	<b>42,926</b>	<b>14,532</b>	<b>8,240</b>	<b>65,698</b>
Wealth Management:				
Residential real estate	32,193	11	—	32,204
Securities-based lending and Other	53,165	—	—	53,165
<b>Total Wealth Management</b>	<b>85,358</b>	<b>11</b>	<b>—</b>	<b>85,369</b>
<b>Total Investment Management<sup>1</sup></b>	<b>4</b>	<b>8</b>	<b>510</b>	<b>522</b>
<b>Total loans, before ACL</b>	<b>128,288</b>	<b>14,551</b>	<b>8,750</b>	<b>151,589</b>
<b>ACL</b>	<b>(866)</b>			<b>(866)</b>
<b>Total loans, net of ACL</b>	<b>\$127,422</b>	<b>\$ 14,551</b>	<b>\$ 8,750</b>	<b>\$150,723</b>
<b>Lending commitments</b>				<b>\$112,841</b>
<b>Total loans, net of ACL, and lending commitments</b>				<b>\$263,564</b>

\$ in millions	At December 31, 2019			
	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	\$ 5,426	\$ 6,192	\$ 20	\$ 11,638
Secured lending facilities	24,502	4,200	951	29,653
Commercial and Residential real estate	7,859	2,049	3,290	13,198
Securities-based lending and Other	503	123	6,814	7,440
<b>Total Institutional Securities</b>	<b>38,290</b>	<b>12,564</b>	<b>11,075</b>	<b>61,929</b>
Wealth Management:				
Residential real estate	30,184	13	—	30,197
Securities-based lending and Other	49,930	—	—	49,930
<b>Total Wealth Management</b>	<b>80,114</b>	<b>13</b>	<b>—</b>	<b>80,127</b>
<b>Total Investment Management<sup>1</sup></b>	<b>5</b>	<b>—</b>	<b>251</b>	<b>256</b>
<b>Total loans, before ACL</b>	<b>118,409</b>	<b>12,577</b>	<b>11,326</b>	<b>142,312</b>
<b>ACL</b>	<b>(349)</b>			<b>(349)</b>
<b>Total loans, net of ACL</b>	<b>\$118,060</b>	<b>\$ 12,577</b>	<b>\$11,326</b>	<b>\$141,963</b>
<b>Lending commitments</b>				<b>\$120,068</b>
<b>Total loans, net of ACL, and lending commitments</b>				<b>\$262,031</b>

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

- Investment Management business segment loans are related to certain of our activities as an investment advisor and manager. At June 30, 2020 and December 31, 2019, loans held at fair value are predominantly the result of the consolidation of CLO vehicles, managed by Investment Management, composed primarily of senior secured loans to corporations.
- Lending commitments represent the notional amount of legally binding obligations to provide funding to clients for lending transactions. Since commitments associated with these business activities may expire unused or may not be utilized to full capacity, they do not necessarily reflect the actual future cash funding requirements.

We provide loans and lending commitments to a variety of customers including large corporate and institutional clients as well as high to ultra-high net worth individuals. In addition, we

## Risk Disclosures

purchase loans in the secondary market. Loans and lending commitments are either held for investment, held for sale or carried at fair value. For more information on these loan classifications, see Note 2 to the financial statements in the 2019 Form 10-K.

Total loans and lending commitments increased by approximately \$2 billion since December 31, 2019, primarily due to growth in Corporate loans within the Institutional Securities business segment and across all the portfolios within the Wealth Management business segment, partially offset by a decrease in event-driven lending commitments and Commercial real estate loans within the Institutional Securities business segment.

See Notes 4, 9 and 13 to the financial statements for further information.

Beginning late in the first quarter of 2020 and following in part from the U.S. government's enactment of the CARES Act, we have received requests from certain clients for modifications of their credit agreements with us, which in some cases include deferral of their loan payments. Requests for loan payment deferrals related to Residential real estate loans are immediately granted, while Commercial real estate loan deferrals require careful consideration prior to approval. As of June 30, 2020, we have approved requests for forbearance, or deferral of principal and interest payments, on loans with unpaid principal balances of approximately:

- \$1 billion in our Wealth Management business segment tailored lending portfolio, which is included within Securities-based lending and Other. These loans are commercial real estate-related and generally linked to personal guarantees from high to ultra-high net worth individuals;
- \$1 billion in Wealth Management business segment Residential real estate loans; and
- Less than \$1 billion within our Institutional Securities business segment, primarily within Commercial real estate.

In addition to the deferrals noted above, we are also working with clients regarding modifications of certain other terms under their original loan agreements that do not impact loan payments. As of June, 30 2020, we have granted such relief to certain borrowers, primarily within Secured lending facilities and Corporate loans. Such modifications include agreements to modify margin calls for Secured lending facilities, typically in return for additional payments which improve loan-to-value ratios. In some cases we have agreed to temporarily not enforce certain covenants, for example debt or interest coverage ratios, typically in return for other structural enhancements.

Granting loan deferrals or modification requests does not necessarily mean that we will incur credit losses and we do not believe modifications have had a material impact on the risk

profile of our loan portfolio. Modifications are considered in our evaluation of overall credit risk. Generally, loans with payment deferrals remain on accrual status and loans with other modifications remain on current status.

Requests for forbearance and other modifications could continue in future periods given the ongoing uncertain global economic and market conditions. See “Executive Summary—Coronavirus Disease (COVID-19) Pandemic,” and “Risk Factors” herein for further information. See also “Forward Looking Statements” in the 2019 Form 10-K. For additional information on regulatory guidance which permits certain loan modifications for borrowers impacted by COVID-19 to not be accounted for and reported as TDRs and the Firm's accounting policies for such modifications, see “Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments” and Note 2 to the financial statements, respectively.

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

<i>\$ in millions</i>	
December 31, 2019 <sup>1</sup>	\$ 590
Effect of CECL adoption	(41)
Gross charge-offs	(33)
Recovery	2
Net (charge-offs) recoveries	(31)
Provision <sup>2</sup>	646
Other	(1)
<b>June 30, 2020</b>	<b>\$ 1,163</b>
ACL—Loans	\$ 866
ACL—Lending commitments	297

1. At December 31, 2019, the ACL for Loans and Lending commitments was \$349 million and \$241 million, respectively.

2. The provision for loan losses and provision (release) for losses on lending commitments were \$246 million and \$(7) million, respectively, in the current quarter and \$538 million and \$108 million, respectively, in the current year period.

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

The aggregate allowance for loans and lending commitments increased in the current year period, principally reflecting a provision for credit losses within the Institutional Securities business segment primarily resulting from the economic impact of COVID-19. This provision was the result of higher actual and expected future downgrades, revisions to our forecasts reflecting expected future market and macroeconomic conditions and an increase in funded balances. The base scenario

## Risk Disclosures

used in our ACL models as of June 30, 2020 was generated using a combination of industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is U.S. GDP. The base scenario, among other things, includes a continued sharp drop in U.S. GDP in the current quarter, a U.S. recession, and a recovery supported by fiscal stimulus and monetary policy measures in the U.S. and around the world beginning in the second half of 2020. See Note 2 to the financial statements for a discussion of the Firm's ACL methodology under CECL.

## Status of Loans Held for Investment

	At June 30, 2020		At December 31, 2019	
	IS	WM	IS	WM
Accrual	99.0%	99.9%	99.0%	99.9%
Nonaccrual <sup>1</sup>	1.0%	0.1%	1.0%	0.1%

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

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

\$ in millions	At June 30, 2020				
	Contractual Years to Maturity				Total
	Less than 1	1-3	3-5	Over 5	
<b>Loans</b>					
AA	\$ 74	\$ 29	\$ —	\$ 4	\$ 107
A	1,032	1,078	187	228	2,525
BBB	3,284	5,262	4,240	460	13,246
BB	12,221	8,157	7,808	461	28,647
Other NIG	5,527	6,943	4,568	1,870	18,908
Unrated <sup>2</sup>	72	67	121	1,249	1,509
<b>Total loans</b>	<b>22,210</b>	<b>21,536</b>	<b>16,924</b>	<b>4,272</b>	<b>64,942</b>
<b>Lending commitments</b>					
AAA	—	50	—	—	50
AA	3,986	690	2,460	—	7,136
A	6,721	6,869	8,718	296	22,604
BBB	8,851	14,551	15,767	221	39,390
BB	3,020	5,342	7,303	745	16,410
Other NIG	1,151	5,091	6,244	331	12,817
Unrated <sup>2</sup>	3	47	2	1	53
<b>Total lending commitments</b>	<b>23,732</b>	<b>32,640</b>	<b>40,494</b>	<b>1,594</b>	<b>98,460</b>
<b>Total exposure</b>	<b>\$ 45,942</b>	<b>\$ 54,176</b>	<b>\$ 57,418</b>	<b>\$ 5,866</b>	<b>\$ 163,402</b>

\$ in millions	At December 31, 2019				
	Contractual Years to Maturity				Total
	Less than 1	1-3	3-5	Over 5	
<b>Loans</b>					
AA	\$ 7	\$ 50	\$ —	\$ 5	\$ 62
A	955	923	516	277	2,671
BBB	2,297	5,589	3,592	949	12,427
BB	9,031	11,189	9,452	1,449	31,121
Other NIG	4,020	5,635	2,595	1,143	13,393
Unrated <sup>2</sup>	117	82	131	1,628	1,958
<b>Total loans</b>	<b>16,427</b>	<b>23,468</b>	<b>16,286</b>	<b>5,451</b>	<b>61,632</b>
<b>Lending commitments</b>					
AAA	—	50	—	—	50
AA	2,838	908	2,509	—	6,255
A	6,461	7,287	9,371	298	23,417
BBB	7,548	13,780	20,560	753	42,641
BB	2,464	5,610	8,333	1,526	17,933
Other NIG	2,193	4,741	7,062	2,471	16,467
Unrated <sup>2</sup>	—	9	107	7	123
<b>Total lending commitments</b>	<b>21,504</b>	<b>32,385</b>	<b>47,942</b>	<b>5,055</b>	<b>106,886</b>
<b>Total exposure</b>	<b>\$ 37,931</b>	<b>\$ 55,853</b>	<b>\$ 64,228</b>	<b>\$ 10,506</b>	<b>\$ 168,518</b>

NIG—Non-investment grade

- Counterparty credit ratings are internally determined by the Credit Risk Management Department ("CRM").
- Unrated loans and lending commitments are primarily trading positions that are measured at fair value and risk-managed as a component of market risk. For a further discussion of our market risk, see "Market Risk" herein.

As a result of the economic impacts of COVID-19, there was an increase in lending commitments funded during the current year period in the Institutional Securities business segment. In the first quarter of 2020, the increase was primarily driven by clients with non-investment grade credit ratings, who sought liquidity as capital markets alternatives to drawing on lines of credit were less available. In the current quarter, as capital markets became more active, many of these clients paid down on the lines which were drawn upon in the first quarter.

## Risk Disclosures

## Institutional Securities Loans and Lending Commitments by Industry

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
<b>Industry</b>		
Financials	\$ 41,023	\$ 40,992
Real estate	25,195	28,348
Industrials	14,684	13,136
Healthcare	13,063	14,113
Communications services	10,298	12,165
Energy	10,118	9,461
Utilities	9,966	9,905
Consumer staples	9,855	9,724
Consumer discretionary	9,025	9,589
Information technology	8,378	9,201
Materials	5,178	5,577
Insurance	4,401	3,755
Other	2,218	2,552
<b>Total</b>	<b>\$ 163,402</b>	<b>\$ 168,518</b>

## Sectors Currently in Focus due to COVID-19

The continuing effect on economic activity of COVID-19 and related governmental actions have impacted borrowers in many sectors and industries. While we are carefully monitoring all of our Institutional Securities business segment exposures, certain sectors are more sensitive to the current economic environment and are continuing to receive heightened focus. The sectors currently in focus are: air travel, retail, upstream energy, lodging and leisure, and healthcare services and systems. As of June 30, 2020, exposures to these sectors are included across the Industrials, Financials, Real estate, Consumer discretionary, Energy and Healthcare industries in the previous table, and in aggregate represent approximately 10% of total Institutional Securities business segment lending exposure. The substantial majority of these exposures are either investment grade or secured by collateral. The future developments of COVID-19 and related government actions and their effect on the economic environment remain uncertain; therefore, the sectors impacted and the extent of the impacts may change over time. Refer to “Risk Factors” herein.

## Institutional Securities Lending Activities

The Institutional Securities business segment lending activities include Corporate, Secured lending facilities, Commercial real estate and Securities-based lending and Other.

Corporate comprises relationship and event-driven loans and lending commitments, which typically consist of revolving lines of credit, term loans and bridge loans; may have varying terms; may be senior or subordinated; may be secured or unsecured; are generally contingent upon representations, warranties and contractual conditions applicable to the borrower; and may be syndicated, traded or hedged. For additional information on

event-driven loans, see “Institutional Securities Event-Driven Loans and Lending Commitments” herein.

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

Commercial real estate loans are primarily senior, secured by underlying real estate and typically in term loan form. In addition, as part of certain of its trading and securitization activities, Institutional Securities may also hold residential real estate loans.

Securities-based lending and Other includes financing extended to sales and trading customers and corporate loans purchased in the secondary market.

## Institutional Securities Event-Driven Loans and Lending Commitments

<i>\$ in millions</i>	At June 30, 2020				
	Contractual Years to Maturity				
	Less than 1	1-3	3-5	Over 5	Total
Loans	\$ 1,947	\$ 1,307	\$ 1,044	\$ 738	\$ 5,036
Lending commitments	5,504	2,846	2,055	455	10,860
<b>Total loans and lending commitments</b>	<b>\$ 7,451</b>	<b>\$ 4,153</b>	<b>\$ 3,099</b>	<b>\$ 1,193</b>	<b>\$ 15,896</b>

<i>\$ in millions</i>	At December 31, 2019				
	Contractual Years to Maturity				
	Less than 1	1-3	3-5	Over 5	Total
Loans	\$ 1,194	\$ 1,024	\$ 839	\$ 390	\$ 3,447
Lending commitments	7,921	5,012	2,285	3,090	18,308
<b>Total loans and lending commitments</b>	<b>\$ 9,115</b>	<b>\$ 6,036</b>	<b>\$ 3,124</b>	<b>\$ 3,480</b>	<b>\$ 21,755</b>

Event-driven loans and lending commitments are associated with a particular event or transaction, such as to support client merger, acquisition, recapitalization or project finance activities. Balances may fluctuate as such lending is related to transactions that vary in timing and size from period to period. Late in first quarter of 2020, credit spreads in the market for these loans and commitments widened significantly, resulting in a substantial slowdown in the volume of sales and syndications, which impacted this market into the current quarter. By the end of the current quarter, this market had largely normalized; however, liquidity may decline and volatility may return in the future given the current uncertain economic and market conditions. See “Risk Factors” herein, and Forward Looking Statements in the 2019 Form 10-K.



## Risk Disclosures

## Institutional Securities Loans and Lending Commitments Held for Investment

\$ in millions	At June 30, 2020		
	Loans	Lending Commitments	Total
Corporate	\$ 9,974	\$ 61,881	\$ 71,855
Secured lending facilities	24,733	8,379	33,112
Commercial real estate	7,207	306	7,513
Other	1,012	1,079	2,091
<b>Total, before ACL</b>	<b>\$ 42,926</b>	<b>\$ 71,645</b>	<b>\$ 114,571</b>
ACL	\$ (756)	\$ (293)	\$ (1,049)

\$ in millions	At December 31, 2019		
	Loans	Lending Commitments	Total
Corporate	\$ 5,426	\$ 61,716	\$ 67,142
Secured lending facilities	24,502	6,105	30,607
Commercial real estate	7,859	425	8,284
Other	503	832	1,335
<b>Total, before ACL</b>	<b>\$ 38,290</b>	<b>\$ 69,078</b>	<b>\$ 107,368</b>
ACL	\$ (297)	\$ (236)	\$ (533)

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

\$ in millions	Corporate	Secured lending facilities	Commercial real estate	Other	Total
At December 31, 2019					
ACL—Loans	\$ 115	\$ 101	\$ 75	\$ 6	\$ 297
ACL—Lending commitments	\$ 201	\$ 27	\$ 7	\$ 1	\$ 236
<b>Total</b>	<b>\$ 316</b>	<b>\$ 128</b>	<b>\$ 82</b>	<b>\$ 7</b>	<b>\$ 533</b>
Effect of CECL adoption	(43)	(53)	35	3	(58)
Gross charge-offs	(33)	—	—	—	(33)
Recoveries	—	—	—	2	2
Net (charge-offs) recoveries	(33)	—	—	2	(31)
Provision <sup>1</sup>	371	89	162	(16)	606
Other	(1)	—	(42)	42	(1)
<b>Total at June 30, 2020</b>	<b>\$ 610</b>	<b>\$ 164</b>	<b>\$ 237</b>	<b>\$ 38</b>	<b>\$ 1,049</b>
ACL—Loans	\$ 379	\$ 122	\$ 226	\$ 29	\$ 756
ACL—Lending commitments	231	42	11	9	293

1. The provision for loan losses and provision (release) for losses on lending commitments were \$223 million and \$(5) million, respectively, in the current quarter and \$496 million and \$110 million, respectively, in the current year period.

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

	At June 30, 2020	At December 31, 2019
Corporate	3.8%	2.1%
Secured lending facilities	0.5%	0.4%
Commercial real estate	3.1%	1.0%
Other	2.9%	1.2%
<b>Total Institutional Securities loans</b>	<b>1.8%</b>	<b>0.8%</b>

## Wealth Management Loans and Lending Commitments

\$ in millions	At June 30, 2020				
	Contractual Years to Maturity				Total
	Less than 1	1-3	3-5	Over 5	
Securities-based lending and Other	\$ 45,811	\$ 3,798	\$ 1,841	\$ 1,662	\$ 53,112
Residential real estate	12	5	—	32,130	32,147
<b>Total loans</b>	<b>\$ 45,823</b>	<b>\$ 3,803</b>	<b>\$ 1,841</b>	<b>\$ 33,792</b>	<b>\$ 85,259</b>
Lending commitments	11,440	2,276	396	269	14,381
<b>Total loans and lending commitments</b>	<b>\$ 57,263</b>	<b>\$ 6,079</b>	<b>\$ 2,237</b>	<b>\$ 34,061</b>	<b>\$ 99,640</b>

\$ in millions	At December 31, 2019				
	Contractual Years to Maturity				Total
	Less than 1	1-3	3-5	Over 5	
Securities-based lending and Other	\$ 41,863	\$ 3,972	\$ 2,783	\$ 1,284	\$ 49,902
Residential real estate	13	11	—	30,149	30,173
<b>Total loans</b>	<b>\$ 41,876</b>	<b>\$ 3,983</b>	<b>\$ 2,783</b>	<b>\$ 31,433</b>	<b>\$ 80,075</b>
Lending commitments	10,219	2,564	71	307	13,161
<b>Total loans and lending commitments</b>	<b>\$ 52,095</b>	<b>\$ 6,547</b>	<b>\$ 2,854</b>	<b>\$ 31,740</b>	<b>\$ 93,236</b>

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

Securities-based lending allows clients to borrow money against the value of qualifying securities, generally for any purpose other than purchasing, trading or carrying securities, or refinancing margin debt. For more information about our securities-based lending and residential real estate loans, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” in the 2019 Form 10-K.

For the current year period, Loans and Lending commitments associated with the Wealth Management business segment increased due to growth across all portfolios.

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

\$ in millions	
December 31, 2019 <sup>1</sup>	\$ 57
Effect of CECL adoption	17
Provision <sup>2</sup>	40
<b>June 30, 2020</b>	<b>\$ 114</b>
ACL—Loans	\$ 110
ACL—Lending commitments	4

1. At December 31, 2019, the total ACL for Loans and Lending commitments was \$52 million and \$5 million, respectively.

2. The provision for loan losses and provision (release) for losses on lending commitments were \$23 million and \$(2) million, respectively, in the current quarter and \$42 million and \$(2) million, respectively, in the current year period.

At June 30, 2020, more than 75% of Wealth Management residential real estate loans were to borrowers with “Exceptional” or “Very Good” FICO scores (*i.e.*, exceeding 740). Additionally, Wealth Management’s securities-based lending portfolio remains well-collateralized and subject to

## Risk Disclosures

daily client margining, which includes requiring customers to deposit additional collateral, or reduce debt positions, when necessary.

### Customer and Other Receivables

#### Margin Loans

\$ in millions	At June 30, 2020		
	IS	WM	Total
Customer receivables representing margin loans	\$ 24,524	\$ 8,945	\$ 33,469

\$ in millions	At December 31, 2019		
	IS	WM	Total
Customer receivables representing margin loans	\$ 22,216	\$ 9,700	\$ 31,916

The Institutional Securities and Wealth Management business segments provide margin lending arrangements, which allow customers to borrow against the value of qualifying securities, primarily for the purpose of purchasing additional securities, as well as to collateralize short positions. Margin lending activities generally have lower credit risk due to the value of collateral held and their short-term nature. Amounts may fluctuate from period to period as overall client balances change as a result of market levels, client positioning and leverage.

#### Employee Loans

\$ in millions	At June 30, 2020	At December 31, 2019
Currently employed by the Firm	\$ 2,850	N/A
No longer employed by the Firm	147	N/A
Balance	\$ 2,997	\$ 2,980
ACL <sup>1</sup>	(172)	(61)
Balance, net	\$ 2,825	\$ 2,919
Remaining repayment term, weighted average in years	5.0	4.8

1. The change in ACL includes a \$124 million increase due to the adoption of CECL on January 1, 2020.

Employee loans are granted in conjunction with a program established primarily to recruit certain Wealth Management representatives and are full recourse and generally require periodic repayments. The ACL as of June 30, 2020 was calculated under CECL, while the ACL at December 31, 2019 was calculated under the prior incurred loss model. The related provision is recorded in Compensation and benefits expense in the income statements. See Note 2 for a description of the CECL allowance methodology, including credit quality indicators, for employee loans. For additional information on employee loans, see Note 9.

## Derivatives

### Fair Value of OTC Derivative Assets

\$ in millions	Counterparty Credit Rating <sup>1</sup>					Total
	AAA	AA	A	BBB	NIG	
<b>At June 30, 2020</b>						
<1 year	\$ 668	\$ 11,654	\$ 37,871	\$ 24,762	\$ 13,357	\$ 88,312
1-3 years	508	5,687	20,332	14,937	6,850	48,314
3-5 years	478	4,815	12,952	9,427	4,054	31,726
Over 5 years	4,482	32,927	93,134	66,713	17,852	215,108
Total, gross	\$ 6,136	\$ 55,083	\$ 164,289	\$ 115,839	\$ 42,113	\$ 383,460
Counterparty netting	(3,002)	(42,172)	(134,053)	(90,233)	(24,138)	(293,598)
Cash and securities collateral	(2,818)	(10,580)	(25,143)	(19,460)	(12,132)	(70,133)
Total, net	\$ 316	\$ 2,331	\$ 5,093	\$ 6,146	\$ 5,843	\$ 19,729

\$ in millions	Counterparty Credit Rating <sup>1</sup>					Total
	AAA	AA	A	BBB	NIG	
<b>At December 31, 2019</b>						
<1 year	\$ 371	\$ 9,195	\$ 31,789	\$ 22,757	\$ 6,328	\$ 70,440
1-3 years	378	5,150	17,707	11,495	9,016	43,746
3-5 years	502	4,448	9,903	6,881	3,421	25,155
Over 5 years	3,689	24,675	70,765	40,542	14,587	154,258
Total, gross	\$ 4,940	\$ 43,468	\$ 130,164	\$ 81,675	\$ 33,352	\$ 293,599
Counterparty netting	(2,172)	(33,521)	(103,452)	(62,345)	(19,514)	(221,004)
Cash and securities collateral	(2,641)	(8,134)	(22,319)	(14,570)	(10,475)	(58,139)
Total, net	\$ 127	\$ 1,813	\$ 4,393	\$ 4,760	\$ 3,363	\$ 14,456

\$ in millions	At June 30, 2020	At December 31, 2019
<b>Industry</b>		
Utilities	\$ 4,887	\$ 4,275
Financials	4,251	3,448
Industrials	1,900	914
Healthcare	1,633	991
Regional governments	1,104	791
Energy	902	524
Information technology	886	659
Not-for-profit organizations	878	657
Materials	691	325
Sovereign governments	636	403
Communications services	479	381
Consumer staples	474	129
Consumer discretionary	435	370
Insurance	318	214
Real estate	207	315
Other	48	60
<b>Total</b>	<b>\$ 19,729</b>	<b>\$ 14,456</b>

1. Counterparty credit ratings are determined internally by CRM.

We are exposed to credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the possibility that a counterparty may fail to perform according to the terms of the contract. In the current year period, our exposure to credit risk arising from OTC derivatives has increased, primarily as a function of the effect of market factors and

## Risk Disclosures

volatility on the valuation of our positions, although exposure has declined since peaking in March. For more information on derivatives, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives” in the 2019 Form 10-K and Note 6 to the financial statements.

## Country Risk

Country risk exposure is the risk that events in, or that affect, a foreign country (any country other than the U.S.) might adversely affect us. We actively manage country risk exposure through a comprehensive risk management framework that combines credit and market fundamentals and allows us to effectively identify, monitor and limit country risk. For a further discussion of our country risk exposure see, “Quantitative and Qualitative Disclosures about Risk—Country and Other Risks” in the 2019 Form 10-K.

Our sovereign exposures consist of financial contracts and obligations entered into with sovereign and local governments. Our non-sovereign exposures consist of financial contracts and obligations entered into primarily with corporations and financial institutions. Index credit derivatives are included in the following country risk exposure table. Each reference entity within an index is allocated to that reference entity’s country of risk. Index exposures are allocated to the underlying reference entities in proportion to the notional weighting of each reference entity in the index, adjusted for any fair value receivable or payable for that reference entity. Where credit risk crosses multiple jurisdictions, for example, a CDS purchased from an issuer in a specific country that references bonds issued by an entity in a different country, the fair value of the CDS is reflected in the Net Counterparty Exposure row based on the country of the CDS issuer. Further, the notional amount of the CDS adjusted for the fair value of the receivable or payable is reflected in the Net Inventory row based on the country of the underlying reference entity.

## Top 10 Non-U.S. Country Exposures at June 30, 2020

## United Kingdom

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ (205)	\$ 782	\$ 577
Net counterparty exposure <sup>2</sup>	61	10,469	10,530
Loans	—	3,219	3,219
Lending commitments	—	6,247	6,247
Exposure before hedges	(144)	20,717	20,573
Hedges <sup>3</sup>	(311)	(1,253)	(1,564)
Net exposure	\$ (455)	\$ 19,464	\$ 19,009

## Japan

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 8,782	\$ 526	\$ 9,308
Net counterparty exposure <sup>2</sup>	100	4,851	4,951
Loans	—	713	713
Lending commitments	—	2	2
Exposure before hedges	8,882	6,092	14,974
Hedges <sup>3</sup>	(96)	(227)	(323)
Net exposure	\$ 8,786	\$ 5,865	\$ 14,651

## Germany

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 1,745	\$ 12	\$ 1,757
Net counterparty exposure <sup>2</sup>	223	3,290	3,513
Loans	—	1,999	1,999
Lending commitments	—	3,272	3,272
Exposure before hedges	1,968	8,573	10,541
Hedges <sup>3</sup>	(285)	(810)	(1,095)
Net exposure	\$ 1,683	\$ 7,763	\$ 9,446

## France

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 67	\$ (307)	\$ (240)
Net counterparty exposure <sup>2</sup>	15	2,905	2,920
Loans	—	834	834
Lending commitments	—	3,213	3,213
Exposure before hedges	82	6,645	6,727
Hedges <sup>3</sup>	(6)	(755)	(761)
Net exposure	\$ 76	\$ 5,890	\$ 5,966

## Spain

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ —	\$ (19)	\$ (19)
Net counterparty exposure <sup>2</sup>	5	348	353
Loans	—	3,787	3,787
Lending commitments	—	1,780	1,780
Exposure before hedges	5	5,896	5,901
Hedges <sup>3</sup>	—	(119)	(119)
Net exposure	\$ 5	\$ 5,777	\$ 5,782

## Canada

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 152	\$ 401	\$ 553
Net counterparty exposure <sup>2</sup>	130	1,964	2,094
Loans	—	285	285
Lending commitments	—	1,792	1,792
Exposure before hedges	282	4,442	4,724
Hedges <sup>3</sup>	—	(117)	(117)
Net exposure	\$ 282	\$ 4,325	\$ 4,607

## Risk Disclosures

## China

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ (102)	\$ 1,462	\$ 1,360
Net counterparty exposure <sup>2</sup>	85	375	460
Loans	—	1,432	1,432
Lending commitments	—	758	758
Exposure before hedges	(17)	4,027	4,010
Hedges <sup>3</sup>	(82)	(131)	(213)
Net exposure	\$ (99)	\$ 3,896	\$ 3,797

## Australia

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 1,832	\$ 248	\$ 2,080
Net counterparty exposure <sup>2</sup>	17	662	679
Loans	—	319	319
Lending commitments	—	847	847
Exposure before hedges	1,849	2,076	3,925
Hedges <sup>3</sup>	—	(173)	(173)
Net exposure	\$ 1,849	\$ 1,903	\$ 3,752

## India

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 1,763	\$ 716	\$ 2,479
Net counterparty exposure <sup>2</sup>	—	829	829
Loans	—	228	228
Exposure before hedges	1,763	1,773	3,536
Net exposure	\$ 1,763	\$ 1,773	\$ 3,536

## Netherlands

<i>\$ in millions</i>	Sovereigns	Non-sovereigns	Total
Net inventory <sup>1</sup>	\$ 98	\$ 218	\$ 316
Net counterparty exposure <sup>2</sup>	—	704	704
Loans	—	489	489
Lending commitments	—	1,648	1,648
Exposure before hedges	98	3,059	3,157
Hedges <sup>3</sup>	(32)	(162)	(194)
Net exposure	\$ 66	\$ 2,897	\$ 2,963

1. Net inventory represents exposure to both long and short single-name and index positions (*i.e.*, bonds and equities at fair value and CDS based on a notional amount assuming zero recovery adjusted for the fair value of any receivable or payable).
2. Net counterparty exposure (*e.g.*, repurchase transactions, securities lending and OTC derivatives) is net of the benefit of collateral received and also is net by counterparty when legally enforceable master netting agreements are in place. For more information, see "Additional Information—Top 10 Non-U.S. Country Exposures" herein.
3. Amounts represent net CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable. For further description of the contractual terms for purchased credit protection and whether they may limit the effectiveness of our hedges, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives" in the 2019 Form 10-K.

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

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

<i>\$ in millions</i>		At June 30, 2020
Country of Risk	Collateral <sup>2</sup>	
Germany	Spain and France	\$ 12,980
United Kingdom	U.K., U.S. and Spain	12,478
Other	Japan, France and U.S.	25,290

1. The benefit of collateral received is reflected in the Top 10 Non-U.S. Country Exposures at June 30, 2020.
2. Collateral primarily consists of cash and government obligations.

## Country Risk Exposures Related to the U.K.

At June 30, 2020, our country risk exposures in the U.K. included net exposures of \$19,009 million (as shown in the Top 10 Non-U.S. Country Exposures table) and overnight deposits of \$6,225 million. The \$19,464 million of exposures to non-sovereigns were diversified across both names and sectors and include \$7,116 million to U.K.-focused counterparties that generate more than one-third of their revenues in the U.K., \$5,618 million to geographically diversified counterparties, and \$5,988 million to exchanges and clearinghouses.

## Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (*e.g.*, fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities (*e.g.*, sales and trading) and support and control groups (*e.g.*, information technology and trade processing). For a further discussion about our operational risk, see "Quantitative and Qualitative Disclosures about Risk—Operational Risk" in the 2019 Form 10-K. In addition, for further information on market and economic conditions and their effects on risk in general, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—Coronavirus Disease (COVID-19) Pandemic" and "Risk Factors" herein.

## Model Risk

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

## **Risk Disclosures**

model risk, see “Quantitative and Qualitative Disclosures about Risk—Model Risk” in the 2019 Form 10-K.

### **Liquidity Risk**

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For a further discussion about our liquidity risk, see “Quantitative and Qualitative Disclosures about Risk—Liquidity Risk” in the 2019 Form 10-K and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” herein. In addition, for further information on market and economic conditions and their effects on risk in general, see “Risk Factors” herein.

### **Legal and Compliance Risk**

Legal and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss to reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty’s performance obligations will be unenforceable. It also includes compliance with AML, terrorist financing, and anti-corruption rules and regulations. For a further discussion about our legal and compliance risk, see “Quantitative and Qualitative Disclosures about Risk—Legal and Compliance Risk” in the 2019 Form 10-K.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Morgan Stanley:

### Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley and subsidiaries (the “Firm”) as of June 30, 2020, and the related condensed consolidated income statements, comprehensive income statements, and statements of changes in total equity for the three-month and six-month periods ended June 30, 2020 and 2019, and the cash flow statements for the six-month periods ended June 30, 2020 and 2019, and the related notes (collectively referred to as the “interim financial information”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Firm as of December 31, 2019, and the related consolidated income statement, comprehensive income statement, cash flow statement and statement of changes in total equity for the year then ended (not presented herein) included in the Firm’s Annual Report on Form 10-K; and in our report dated February 27, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2019 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York

August 4, 2020

### Basis for Review Results

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

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

**Consolidated Income Statements  
(Unaudited)**

Morgan Stanley

<i>in millions, except per share data</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenues</b>				
Investment banking	\$ 2,142	\$ 1,590	\$ 3,413	\$ 2,832
Trading	4,683	2,732	7,739	6,173
Investments	275	441	313	714
Commissions and fees	1,102	979	2,462	1,945
Asset management	3,265	3,220	6,682	6,269
Other	347	253	(664)	554
Total non-interest revenues	11,814	9,215	19,945	18,487
Interest income	2,358	4,506	5,861	8,796
Interest expense	758	3,477	2,905	6,753
Net interest	1,600	1,029	2,956	2,043
<b>Net revenues</b>	<b>13,414</b>	<b>10,244</b>	<b>22,901</b>	<b>20,530</b>
<b>Non-interest expenses</b>				
Compensation and benefits	6,035	4,531	10,318	9,182
Brokerage, clearing and exchange fees	716	630	1,456	1,223
Information processing and communications	589	538	1,152	1,070
Professional services	535	537	984	1,051
Occupancy and equipment	365	353	730	700
Marketing and business development	63	162	195	303
Other	756	590	1,565	1,143
<b>Total non-interest expenses</b>	<b>9,059</b>	<b>7,341</b>	<b>16,400</b>	<b>14,672</b>
Income before provision for income taxes	4,355	2,903	6,501	5,858
Provision for income taxes	1,119	657	1,485	1,144
Net income	\$ 3,236	\$ 2,246	\$ 5,016	\$ 4,714
Net income applicable to noncontrolling interests	40	45	122	84
Net income applicable to Morgan Stanley	\$ 3,196	\$ 2,201	\$ 4,894	\$ 4,630
Preferred stock dividends	149	170	257	263
<b>Earnings applicable to Morgan Stanley common shareholders</b>	<b>\$ 3,047</b>	<b>\$ 2,031</b>	<b>\$ 4,637</b>	<b>\$ 4,367</b>
<b>Earnings per common share</b>				
Basic	\$ 1.98	\$ 1.24	\$ 3.00	\$ 2.65
Diluted	\$ 1.96	\$ 1.23	\$ 2.96	\$ 2.62
<b>Average common shares outstanding</b>				
Basic	1,541	1,634	1,548	1,646
Diluted	1,557	1,655	1,565	1,666

## Consolidated Comprehensive Income Statements (Unaudited)

Morgan Stanley

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 3,236	\$ 2,246	\$ 5,016	\$ 4,714
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	21	65	(111)	43
Change in net unrealized gains (losses) on available-for-sale securities	295	609	1,620	1,038
Pension, postretirement and other	(1)	3	24	4
Change in net debt valuation adjustment	(2,496)	(246)	1,307	(866)
Total other comprehensive income (loss)	\$ (2,181)	\$ 431	\$ 2,840	\$ 219
Comprehensive income	\$ 1,055	\$ 2,677	\$ 7,856	\$ 4,933
Net income applicable to noncontrolling interests	40	45	122	84
Other comprehensive income (loss) applicable to noncontrolling interests	(87)	9	51	(22)
<b>Comprehensive income applicable to Morgan Stanley</b>	<b>\$ 1,102</b>	<b>\$ 2,623</b>	<b>\$ 7,683</b>	<b>\$ 4,871</b>



## Consolidated Balance Sheets

Morgan Stanley

<i>\$ in millions, except share data</i>	(Unaudited) At June 30, 2020	At December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 106,276	\$ 82,171
Trading assets at fair value ( <b>\$127,153</b> and \$128,386 were pledged to various parties)	300,391	297,110
Investment securities (includes <b>\$85,577</b> and \$62,223 at fair value)	132,620	105,725
Securities purchased under agreements to resell (includes <b>\$19</b> and \$4 at fair value)	96,612	88,224
Securities borrowed	106,834	106,549
Customer and other receivables	62,290	55,646
Loans:		
Held for investment (net of allowance of <b>\$866</b> and \$349)	127,422	118,060
Held for sale	14,551	12,577
Goodwill	7,329	7,143
Intangible assets (net of accumulated amortization of <b>\$3,361</b> and \$3,204)	1,958	2,107
Other assets	19,080	20,117
<b>Total assets</b>	<b>\$ 975,363</b>	<b>\$ 895,429</b>
<b>Liabilities</b>		
Deposits (includes <b>\$4,022</b> and \$2,099 at fair value)	\$ 236,849	\$ 190,356
Trading liabilities at fair value	149,756	133,356
Securities sold under agreements to repurchase (includes <b>\$1,225</b> and \$733 at fair value)	50,848	54,200
Securities loaned	10,493	8,506
Other secured financings (includes <b>\$9,914</b> and \$7,809 at fair value)	13,662	14,698
Customer and other payables	198,971	197,834
Other liabilities and accrued expenses	21,311	21,155
Borrowings (includes <b>\$66,737</b> and \$64,461 at fair value)	205,464	192,627
<b>Total liabilities</b>	<b>887,354</b>	<b>812,732</b>
<b>Commitments and contingent liabilities (see Note 13)</b>		
<b>Equity</b>		
Morgan Stanley shareholders' equity:		
Preferred stock	8,520	8,520
Common stock, \$0.01 par value:		
Shares authorized: <b>3,500,000,000</b> ; Shares issued: <b>2,038,893,979</b> ; Shares outstanding: <b>1,576,105,281</b> and 1,593,973,680	20	20
Additional paid-in capital	23,782	23,935
Retained earnings	74,015	70,589
Employee stock trusts	3,018	2,918
Accumulated other comprehensive income (loss)	1	(2,788)
Common stock held in treasury at cost, \$0.01 par value ( <b>462,788,698</b> and 444,920,299 shares)	(19,693)	(18,727)
Common stock issued to employee stock trusts	(3,018)	(2,918)
<b>Total Morgan Stanley shareholders' equity</b>	<b>86,645</b>	<b>81,549</b>
Noncontrolling interests	1,364	1,148
<b>Total equity</b>	<b>88,009</b>	<b>82,697</b>
<b>Total liabilities and equity</b>	<b>\$ 975,363</b>	<b>\$ 895,429</b>

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

Morgan Stanley

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Preferred Stock</b>				
Beginning and ending balance	\$ 8,520	\$ 8,520	\$ 8,520	\$ 8,520
<b>Common Stock</b>				
Beginning and ending balance	20	20	20	20
<b>Additional Paid-in Capital</b>				
Beginning balance	23,428	23,178	23,935	23,794
Share-based award activity	354	268	(153)	(350)
Other net increases	—	—	—	2
Ending balance	23,782	23,446	23,782	23,446
<b>Retained Earnings</b>				
Beginning balance	71,518	66,061	70,589	64,175
Cumulative adjustments for accounting changes <sup>1</sup>	—	—	(100)	63
Net income applicable to Morgan Stanley	3,196	2,201	4,894	4,630
Preferred stock dividends <sup>2</sup>	(149)	(170)	(257)	(263)
Common stock dividends <sup>2</sup>	(550)	(504)	(1,111)	(1,017)
Ending balance	74,015	67,588	74,015	67,588
<b>Employee Stock Trusts</b>				
Beginning balance	3,088	3,000	2,918	2,836
Share-based award activity	(70)	(111)	100	53
Ending balance	3,018	2,889	3,018	2,889
<b>Accumulated Other Comprehensive Income (Loss)</b>				
Beginning balance	2,095	(2,473)	(2,788)	(2,292)
Net change in Accumulated other comprehensive income (loss)	(2,094)	422	2,789	241
Ending balance	1	(2,051)	1	(2,051)
<b>Common Stock Held In Treasury at Cost</b>				
Beginning balance	(19,721)	(14,582)	(18,727)	(13,971)
Share-based award activity	56	47	844	1,081
Repurchases of common stock and employee tax withholdings	(28)	(1,264)	(1,810)	(2,909)
Ending balance	(19,693)	(15,799)	(19,693)	(15,799)
<b>Common Stock Issued to Employee Stock Trusts</b>				
Beginning balance	(3,088)	(3,000)	(2,918)	(2,836)
Share-based award activity	70	111	(100)	(53)
Ending balance	(3,018)	(2,889)	(3,018)	(2,889)
<b>Non-Controlling Interests</b>				
Beginning balance	1,368	1,168	1,148	1,160
Net income applicable to non-controlling interests	40	45	122	84
Net change in Accumulated other comprehensive income (loss)	(87)	9	51	(22)
Other net increases (decreases)	43	(101)	43	(101)
Ending balance	1,364	1,121	1,364	1,121
<b>Total Equity</b>	<b>\$ 88,009</b>	<b>\$ 82,845</b>	<b>\$ 88,009</b>	<b>\$ 82,845</b>

1. See Notes 2 and 16 for further information regarding cumulative adjustments for accounting changes.

2. See Note 16 for information regarding dividends per share for each class of stock.

## Consolidated Cash Flow Statements (Unaudited)

Morgan Stanley

Six Months Ended  
June 30,

\$ in millions

	2020	2019
<b>Cash flows from operating activities</b>		
Net income	\$ 5,016	\$ 4,714
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Stock-based compensation expense	548	592
Depreciation and amortization	1,510	1,333
Provision for (Release of) credit losses on lending activities	646	54
Other operating adjustments	599	(121)
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	17,539	2,621
Securities borrowed	(285)	(17,267)
Securities loaned	1,987	(1,583)
Customer and other receivables and other assets	(7,789)	48
Customer and other payables and other liabilities	(1,005)	11,522
Securities purchased under agreements to resell	(8,388)	13,124
Securities sold under agreements to repurchase	(3,352)	12,535
<b>Net cash provided by (used for) operating activities</b>	<b>7,026</b>	<b>27,572</b>
<b>Cash flows from investing activities</b>		
Proceeds from (payments for):		
Other assets—Premises, equipment and software, net	(782)	(1,008)
Changes in loans, net	(8,700)	(4,886)
Investment securities:		
Purchases	(33,195)	(26,061)
Proceeds from sales	3,581	9,869
Proceeds from paydowns and maturities	5,616	5,040
Other investing activities	(138)	(776)
<b>Net cash provided by (used for) investing activities</b>	<b>(33,618)</b>	<b>(17,822)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from (payments for):		
Other secured financings	332	214
Deposits	46,287	(11,227)
Proceeds from issuance of Borrowings	32,914	16,692
Payments for:		
Borrowings	(24,632)	(18,513)
Repurchases of common stock and employee tax withholdings	(1,810)	(2,909)
Cash dividends	(1,328)	(1,412)
Other financing activities	(164)	(106)
<b>Net cash provided by (used for) financing activities</b>	<b>51,599</b>	<b>(17,261)</b>
Effect of exchange rate changes on cash and cash equivalents	(902)	(105)
Net increase (decrease) in cash and cash equivalents	24,105	(7,616)
Cash and cash equivalents, at beginning of period	82,171	87,196
<b>Cash and cash equivalents, at end of period</b>	<b>\$ 106,276</b>	<b>\$ 79,580</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for:		
Interest	\$ 2,742	\$ 6,311
Income taxes, net of refunds	679	1,115

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

### 1. Introduction and Basis of Presentation

#### The Firm

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Unless the context otherwise requires, the terms “Morgan Stanley” or the “Firm” mean Morgan Stanley (the “Parent Company”) together with its consolidated subsidiaries. See the “Glossary of Common Terms and Acronyms” for the definition of certain terms and acronyms used throughout this Form 10-Q.

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

*Institutional Securities* provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in equity and fixed income products, including foreign exchange and commodities. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending financing to sales and trading customers. Other activities include Asia wealth management services, investments and research.

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

*Investment Management* provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds,

insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

#### Basis of Financial Information

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

Certain reclassifications have been made to prior periods to conform to the current presentation. The Notes are an integral part of the Firm's financial statements. The Firm has evaluated subsequent events for adjustment to or disclosure in these financial statements through the date of this report and has not identified any recordable or disclosable events not otherwise reported in these financial statements or the notes thereto.

The accompanying financial statements should be read in conjunction with the Firm’s financial statements and notes thereto included in the 2019 Form 10-K. Certain footnote disclosures included in the 2019 Form 10-K have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

#### Consolidation

The financial statements include the accounts of the Firm, its wholly owned subsidiaries and other entities in which the Firm has a controlling financial interest, including certain VIEs (see Note 14). Intercompany balances and transactions have been eliminated. For consolidated subsidiaries that are not wholly owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The net income attributable to noncontrolling interests for such subsidiaries is presented as Net income applicable to noncontrolling interests in the income statements. The portion of shareholders’ equity that is attributable to noncontrolling interests for such subsidiaries is presented as noncontrolling interests, a component of Total equity, in the balance sheets.

For a discussion of the Firm’s significant regulated U.S. and international subsidiaries and its involvement with VIEs, see Note 1 to the financial statements in the 2019 Form 10-K.

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

### 2. Significant Accounting Policies

For a detailed discussion about the Firm's significant accounting policies and for further information on accounting updates adopted in the prior year, see Note 2 to the financial statements in the 2019 Form 10-K.

During the six months ended June 30, 2020 ("current year period"), there were no significant revisions to the Firm's significant accounting policies, other than for the accounting updates adopted.

#### Accounting Updates Adopted in 2020

##### Reference Rate Reform

The Firm adopted the *Reference Rate Reform* accounting update in the current quarter. There was no impact to the Firm's financial statements upon initial adoption.

This accounting update provides optional accounting relief to entities with contracts, hedge accounting relationships or other transactions that reference LIBOR or other interest rate benchmarks for which the referenced rate is expected to be discontinued or replaced. The Firm is applying the accounting relief as relevant contract and hedge accounting relationship modifications are made during the course of the reference rate reform transition period. The optional relief generally allows for contract modifications solely related to the replacement of the reference rate to be accounted for as a continuation of the existing contract instead of as an extinguishment of the contract, and would therefore not trigger certain accounting impacts that would otherwise be required. It also allows entities to change certain critical terms of existing hedge accounting relationships that are affected by reference rate reform, and these changes would not require de-designating the hedge accounting relationship. The optional relief ends December 31, 2022.

##### Financial Instruments—Credit Losses

The Firm adopted the *Financial Instruments—Credit Losses* accounting update on January 1, 2020.

This accounting update impacted the impairment model for certain financial assets measured at amortized cost by requiring a CECL methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. CECL replaced the loss model previously applicable to loans held for investment, HTM securities and other receivables carried at amortized cost, such as employee loans.

The update also eliminated the concept of other-than-temporary impairment for AFS securities and instead requires impairments on AFS securities to be recognized in earnings through an allowance when the fair value is less than amortized cost and a credit loss exists, and through a permanent reduction of the

amortized cost basis when the securities are expected to be sold before recovery of amortized cost.

For certain portfolios, we determined that there are *de minimus* or zero expected credit losses, for example, for lending and financing transactions, such as Securities borrowed, Securities purchased under agreements to resell and certain other portfolios where collateral arrangements are being followed. Also, we have zero expected credit losses for certain financial assets based on the credit quality of the borrower or issuer, such as U.S. government and agency securities.

At transition on January 1, 2020, the adoption of this accounting standard resulted in an increase in the allowance for credit losses of \$131 million with a corresponding reduction in Retained earnings of \$100 million, net of tax. The adoption impact was primarily attributable to a \$124 million increase in the allowance for credit losses on employee loans.

The following discussion highlights changes to the Firm's accounting policies as a result of this adoption.

##### Instruments Measured at Amortized Cost and Certain Off-Balance Sheet Credit Exposures

###### *Allowance for Credit Losses*

The ACL for financial instruments measured at amortized cost and certain off-balance sheet exposures (*e.g.*, HFI loans and lending commitments, HTM securities, customer and other receivables and certain guarantees) represents an estimate of expected credit losses over the entire life of the financial instrument.

Factors considered by management when determining the ACL include payment status, fair value of collateral, expected payments of principal and interest, as well as internal or external information relating to past events, current conditions and reasonable and supportable forecasts. The Firm's three forecasts include assumptions about certain macroeconomic variables including, but not limited to, U.S. gross domestic product, equity market indices, unemployment rates, as well as commercial real estate and home price indices. At the conclusion of the Firm's reasonable and supportable forecast period of 13 quarters, there is a gradual reversion back to historical averages.

The ACL is measured on a collective basis when similar risk characteristics exist for multiple instruments considering all available information relevant to assessing the collectability of cash flows. Generally, the Firm applies a probability of default/loss given default model for instruments that are collectively assessed, under which the ACL is calculated as the product of probability of default, loss given default and exposure at default. These parameters are forecast for each collective group of assets using a scenario-based statistical model and at the conclusion of the Firm's reasonable and supportable forecast period, the parameters gradually revert back to historical averages.

## Notes to Consolidated Financial Statements (Unaudited)

If the instrument does not share similar risk characteristics with other instruments, including when it is probable that the Firm will be unable to collect the full payment of principal and interest on the instrument when due, the ACL is measured on an individual basis. The Firm generally applies a discounted cash flow method for instruments that are individually assessed.

The Firm may also elect to use an approach that considers the fair value of the collateral when measuring the ACL if the loan is collateral dependent (*i.e.*, repayment of the loan is expected to be provided substantially by the sale or operation of the underlying collateral and the borrower is experiencing financial difficulty).

Additionally, the Firm can elect to use an approach to measure the ACL using the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral. The Firm has elected to use this approach for certain securities-based loans, customer receivables representing margin loans, Securities purchased under agreements to resell and Securities borrowed.

Credit quality indicators considered in developing the ACL include:

- Corporate loans, Secured lending facilities, Commercial real estate loans and securities, and Other loans: Internal risk ratings developed by the Credit Risk Management Department which are refreshed at least annually, and more frequently as necessary. These ratings generally correspond to external ratings published by S&P. The Firm also considers transaction structure, including type of collateral, collateral terms, and position of the obligation within the capital structure. In addition, for Commercial real estate, the Firm considers property type and location, net operating income, LTV ratios, among others, as well as commercial real estate price and credit spread indices and capitalization rates.
- Residential real estate loans: Loan origination Fair Isaac Corporation (“FICO”) credit scores as determined by independent credit agencies in the United States and loan-to-value (“LTV”) ratios.
- Employee loans: Employment status, which includes those currently employed by the Firm and for which the Firm can deduct any unpaid amounts due to it through certain compensation arrangements; and those no longer employed by the Firm where such compensation arrangements are no longer applicable.

For Securities-based loans, the Firm generally measures the ACL based on the fair value of collateral.

Qualitative and environmental factors such as economic and business conditions, the nature and volume of the portfolio, and

lending terms and the volume and severity of past due loans are also considered in the ACL calculations.

*Recognition.* The Firm recognizes its ACL and provision for credit losses in its balance sheets and income statements, respectively, for on- and off-balance sheet instruments as follows.

	ACL	Provision for credit losses
Instruments measured at amortized cost ( <i>e.g.</i> , HFI loans, HTM securities and customer and other receivables)	Contra asset	Other revenue
Employee loans	Contra asset	Compensation and benefits expense
Off-balance sheet instruments ( <i>e.g.</i> , HFI lending commitments and certain guarantees)	Other liabilities and accrued expenses	Other expense

### ***Troubled Debt Restructurings (“TDRs”)***

The Firm may modify the terms of certain loans for economic or legal reasons related to a borrower’s financial difficulties by granting one or more concessions that the Firm would not otherwise consider. Such modifications are accounted for and reported as a TDR, except for certain modifications related to the Coronavirus Disease (“COVID-19”) as noted in “Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19” herein. A loan that has been modified in a TDR is generally considered to be impaired and is evaluated individually. TDRs are also generally classified as nonaccrual and may be returned to accrual status only after the Firm expects repayment of the remaining contractual principal and interest and there is sustained repayment performance for a reasonable period.

### ***Nonaccrual***

The Firm places financial instruments on nonaccrual status if principal or interest is past due for a period of 90 days or more or payment of principal or interest is in doubt unless the obligation is well-secured and in the process of collection, or in certain cases when related to COVID-19 as noted in “Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19” herein. For any instrument placed on nonaccrual status, the Firm reverses any unpaid interest accrued with an offsetting reduction to Interest income. Principal and interest payments received on nonaccrual instruments are applied to principal if there is doubt regarding the ultimate collectability of principal. If collection of the principal is not in doubt, interest income is realized on a cash basis. If neither principal nor interest collection is in doubt and the instruments are brought current, instruments are generally placed on accrual status and interest income is recognized using the effective interest method.

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

**Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19**

In the first quarter of 2020, the Firm elected to apply the guidance issued by Congress in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) as well as by the U.S. banking agencies stating that certain concessions granted to borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered TDRs. Additionally, these loans generally would not be considered nonaccrual status unless collectability concerns exist despite the modification provided. For loans remaining on accrual status, the Firm elected to continue recognizing interest income during the modification periods.

**ACL Write-offs**

The Firm writes-off a financial instrument in the period that it is deemed uncollectible and records a reduction in the ACL and the balance of the financial instrument in the balance sheet. However, for accrued interest receivable balances that are separately recorded from the related financial instruments, the Firm’s nonaccrual policy requires that accrued interest receivable be written off against Interest income when the related financial instrument is placed in nonaccrual status. Accordingly, the Firm elected not to measure an ACL for accrued interest receivables. However, in the case of loans which are modified as a result of COVID-19 and remain on accrual status due to the relief noted in “Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19,” accrued interest receivable balances are assessed for any required ACL.

**Available-for-Sale (“AFS”) Investment Securities**

AFS securities are reported at fair value in the balance sheets. Interest income, including amortization of premiums and accretion of discounts, is included in Interest income in the Income statements. AFS securities in an unrealized gain position at the end of the reporting period are reflected in AOCI and AFS securities in an unrealized loss position are treated as follows.

**Unrealized Losses on AFS Securities**

AFS securities in an unrealized loss position that the Firm either has the intent to sell or that the Firm is likely to be required to sell before recovery of its amortized cost basis require a write-off of any previously established ACL as well as a write-down of amortized cost basis to the security’s fair value, with any incremental unrealized losses reported in Other revenues.

For all other AFS securities in an unrealized loss position, the Firm assesses whether credit losses exist at the individual security level and reflects the credit losses in the ACL accordingly. When considering if a credit loss exists, the Firm considers relevant information as discussed in Note 2 of the

2019 Form 10-K. Upon the adoption of *Financial Instruments—Credit Losses*, the Firm no longer considers the length of time the fair value has been less than the amortized cost basis in determining whether a credit loss exists.

*Recognition.* If a credit loss exists, the Firm recognizes its ACL and provision for credit losses for AFS securities in its balance sheets and income statements, respectively, as follows.

	ACL	Provision for credit losses
AFS securities	Contra Investment securities	Other revenue

The Firm recognizes the non-credit loss component of the unrealized loss as an adjustment to the security’s value with an offsetting entry to AOCI in the balance sheets.

**Nonaccrual & ACL Write-Offs on AFS Securities**

AFS securities follow the same nonaccrual and write-off guidance as discussed in “Instruments Measured at Amortized Cost and Certain Off-Balance Sheet Credit Exposures” herein, except as set forth in “Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19.”

**3. Cash and Cash Equivalents**

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Cash and due from banks	\$ 12,411	\$ 6,763
Interest bearing deposits with banks	93,865	75,408
<b>Total Cash and cash equivalents</b>	<b>\$ 106,276</b>	<b>\$ 82,171</b>
Restricted cash	\$ 42,885	\$ 32,512

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

Notes to Consolidated Financial Statements  
(Unaudited)

4. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

\$ in millions	At June 30, 2020				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Assets at fair value</b>					
Trading assets:					
U.S. Treasury and agency securities	\$ 47,902	\$ 26,585	\$ 97	\$ —	\$ 74,584
Other sovereign government obligations	39,287	6,249	11	—	45,547
State and municipal securities	—	1,408	—	—	1,408
MABS	—	1,104	379	—	1,483
Loans and lending commitments <sup>2</sup>	—	4,682	4,068	—	8,750
Corporate and other debt	—	24,126	2,686	—	26,812
Corporate equities <sup>3</sup>	94,672	940	83	—	95,695
Derivative and other contracts:					
Interest rate	3,229	253,908	1,189	—	258,326
Credit	—	8,429	741	—	9,170
Foreign exchange	26	73,816	91	—	73,933
Equity	1,703	63,139	1,286	—	66,128
Commodity and other	2,337	13,049	3,362	—	18,748
Netting <sup>1</sup>	(6,355)	(321,335)	(1,065)	(58,899)	(387,654)
Total derivative and other contracts	940	91,006	5,604	(58,899)	38,651
Investments <sup>4</sup>	615	115	759	—	1,489
Physical commodities	—	2,396	—	—	2,396
Total trading assets <sup>4</sup>	183,416	158,611	13,687	(58,899)	296,815
Investment securities—AFS	49,018	36,559	—	—	85,577
Securities purchased under agreements to resell	—	19	—	—	19
<b>Total assets at fair value</b>	<b>\$232,434</b>	<b>\$195,189</b>	<b>\$13,687</b>	<b>\$(58,899)</b>	<b>\$382,411</b>

\$ in millions	At June 30, 2020				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Liabilities at fair value</b>					
Deposits	\$ —	\$ 3,932	\$ 90	\$ —	\$ 4,022
Trading liabilities:					
U.S. Treasury and agency securities	14,862	1,994	—	—	16,856
Other sovereign government obligations	24,147	1,460	1	—	25,608
Corporate and other debt	—	8,399	4	—	8,403
Corporate equities <sup>3</sup>	59,944	353	69	—	60,366
Derivative and other contracts:					
Interest rate	3,317	240,593	429	—	244,339
Credit	—	8,739	610	—	9,349
Foreign exchange	19	77,030	74	—	77,123
Equity	1,967	70,055	3,170	—	75,192
Commodity and other	2,486	11,729	1,275	—	15,490
Netting <sup>1</sup>	(6,355)	(321,335)	(1,065)	(54,215)	(382,970)
Total derivative and other contracts	1,434	86,811	4,493	(54,215)	38,523
Total trading liabilities	100,387	99,017	4,567	(54,215)	149,756
Securities sold under agreements to repurchase	—	785	440	—	1,225
Other secured financings	—	9,614	300	—	9,914
Borrowings	—	62,602	4,135	—	66,737
<b>Total liabilities at fair value</b>	<b>\$100,387</b>	<b>\$175,950</b>	<b>\$9,532</b>	<b>\$(54,215)</b>	<b>\$231,654</b>

\$ in millions	At December 31, 2019				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Assets at fair value</b>					
Trading assets:					
U.S. Treasury and agency securities	\$ 36,866	\$ 28,992	\$ 22	\$ —	\$ 65,880
Other sovereign government obligations	23,402	4,347	5	—	27,754
State and municipal securities	—	2,790	1	—	2,791
MABS	—	1,690	438	—	2,128
Loans and lending commitments <sup>2</sup>	—	6,253	5,073	—	11,326
Corporate and other debt	—	22,124	1,396	—	23,520
Corporate equities <sup>3</sup>	123,942	652	97	—	124,691
Derivative and other contracts:					
Interest rate	1,265	182,977	1,239	—	185,481
Credit	—	6,658	654	—	7,312
Foreign exchange	15	64,260	145	—	64,420
Equity	1,219	48,927	922	—	51,068
Commodity and other	1,079	7,255	2,924	—	11,258
Netting <sup>1</sup>	(2,794)	(235,947)	(993)	(47,804)	(287,538)
Total derivative and other contracts	784	74,130	4,891	(47,804)	32,001
Investments <sup>4</sup>	481	252	858	—	1,591
Physical commodities	—	1,907	—	—	1,907
Total trading assets <sup>4</sup>	185,475	143,137	12,781	(47,804)	293,589
Investment securities—AFS	32,902	29,321	—	—	62,223
Securities purchased under agreements to resell	—	4	—	—	4
<b>Total assets at fair value</b>	<b>\$218,377</b>	<b>\$172,462</b>	<b>\$12,781</b>	<b>\$(47,804)</b>	<b>\$355,816</b>



## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	At December 31, 2019				
	Level 1	Level 2	Level 3	Netting <sup>1</sup>	Total
<b>Liabilities at fair value</b>					
Deposits	\$ —	\$ 1,920	\$ 179	\$ —	\$ 2,099
Trading liabilities:					
U.S. Treasury and agency securities	11,191	34	—	—	11,225
Other sovereign government obligations	21,837	1,332	1	—	23,170
Corporate and other debt	—	7,410	—	—	7,410
Corporate equities <sup>3</sup>	63,002	79	36	—	63,117
Derivative and other contracts:					
Interest rate	1,144	171,025	462	—	172,631
Credit	—	7,391	530	—	7,921
Foreign exchange	6	67,473	176	—	67,655
Equity	1,200	49,062	2,606	—	52,868
Commodity and other	1,194	7,118	1,312	—	9,624
Netting <sup>1</sup>	(2,794)	(235,947)	(993)	(42,531)	(282,265)
Total derivative and other contracts	750	66,122	4,093	(42,531)	28,434
Total trading liabilities	96,780	74,977	4,130	(42,531)	133,356
Securities sold under agreements to repurchase	—	733	—	—	733
Other secured financings	—	7,700	109	—	7,809
Borrowings	—	60,373	4,088	—	64,461
<b>Total liabilities at fair value</b>	<b>\$ 96,780</b>	<b>\$ 145,703</b>	<b>\$ 8,506</b>	<b>\$ (42,531)</b>	<b>\$ 208,458</b>

MABS—Mortgage- and asset-backed securities

- For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled "Netting." Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 6.
- For a further breakdown by type, see the following Detail of Loans and Lending Commitments at Fair Value table.
- For trading purposes, the Firm holds or sells short equity securities issued by entities in diverse industries and of varying sizes.
- Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see "Net Asset Value Measurements" herein.

### Detail of Loans and Lending Commitments at Fair Value<sup>1</sup>

\$ in millions	At June 30, 2020	At December 31, 2019
Corporate	\$ 18	\$ 20
Secured lending facilities	497	951
Commercial Real Estate	942	2,098
Residential Real Estate	946	1,192
Securities-based lending and Other loans	6,347	7,065
<b>Total</b>	<b>\$ 8,750</b>	<b>\$ 11,326</b>

- Loans previously classified as corporate have been further disaggregated in the current period; prior period balances have been revised to conform with current period presentation.

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

\$ in millions	At June 30, 2020	At December 31, 2019
Customer and other receivables, net	\$ 556	\$ 365

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

For a description of the valuation techniques applied to the Firm's major categories of assets and liabilities measured at fair value on a recurring basis, see Note 3 to the financial statements in the 2019 Form 10-K. During the current quarter, there were no significant revisions made to the Firm's valuation techniques.

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

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>U.S. Treasury and agency securities</b>				
Beginning balance	\$ 99	\$ 7	\$ 22	\$ 54
Realized and unrealized gains (losses)	(3)	—	(20)	—
Purchases	81	5	108	5
Sales	(38)	(4)	(23)	(54)
Net transfers	(42)	(3)	10	—
Ending balance	\$ 97	\$ 5	\$ 97	\$ 5
Unrealized gains (losses)	\$ (1)	\$ —	\$ (21)	\$ —
<b>Other sovereign government obligations</b>				
Beginning balance	\$ 17	\$ 5	\$ 5	\$ 17
Realized and unrealized gains (losses)	(1)	—	—	—
Purchases	—	8	9	8
Sales	(3)	(3)	(4)	(4)
Net transfers	(2)	—	1	(11)
Ending balance	\$ 11	\$ 10	\$ 11	\$ 10
Unrealized gains (losses)	\$ (1)	\$ —	\$ —	\$ —
<b>State and municipal securities</b>				
Beginning balance	\$ 1	\$ 12	\$ 1	\$ 148
Purchases	—	15	—	15
Sales	—	(11)	—	(43)
Net transfers	(1)	—	(1)	(104)
Ending balance	\$ —	\$ 16	\$ —	\$ 16
Unrealized gains (losses)	\$ —	\$ —	\$ —	\$ —
<b>MABS</b>				
Beginning balance	\$ 483	\$ 301	\$ 438	\$ 354
Realized and unrealized gains (losses)	11	(5)	(62)	3
Purchases	274	52	384	63
Sales	(401)	(43)	(418)	(133)
Settlements	—	(19)	—	(22)
Net transfers	12	194	37	215
Ending balance	\$ 379	\$ 480	\$ 379	\$ 480
Unrealized gains (losses)	\$ 8	\$ (12)	\$ (60)	\$ (24)
<b>Loans and lending commitments</b>				
Beginning balance	\$ 5,980	\$ 6,343	\$ 5,073	\$ 6,870
Realized and unrealized gains (losses)	(2)	73	(119)	44
Purchases and originations	808	957	1,160	1,548
Sales	(672)	(1,021)	(755)	(588)
Settlements	(901)	(733)	(1,508)	(1,487)
Net transfers <sup>1</sup>	(1,145)	(15)	217	(783)
Ending balance	\$ 4,068	\$ 5,604	\$ 4,068	\$ 5,604
Unrealized gains (losses)	\$ 5	\$ 66	\$ (116)	\$ 44

# Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Corporate and other debt</b>				
Beginning balance	\$ 1,708	\$ 1,061	\$ 1,396	\$ 1,076
Realized and unrealized gains (losses)	55	86	(87)	161
Purchases	2,859	407	2,522	428
Sales	(1,726)	(101)	(861)	(267)
Settlements	(232)	(3)	(311)	(5)
Net transfers	22	(86)	27	(29)
Ending balance	\$ 2,686	\$ 1,364	\$ 2,686	\$ 1,364
Unrealized gains (losses)	\$ 46	\$ 85	\$ (92)	\$ 152
<b>Corporate equities</b>				
Beginning balance	\$ 146	\$ 152	\$ 97	\$ 95
Realized and unrealized gains (losses)	(12)	(12)	(100)	(10)
Purchases	13	21	24	28
Sales	(25)	(13)	(127)	(31)
Net transfers	(39)	(50)	189	16
Ending balance	\$ 83	\$ 98	\$ 83	\$ 98
Unrealized gains (losses)	\$ (9)	\$ (10)	\$ (91)	\$ (7)
<b>Investments</b>				
Beginning balance	\$ 725	\$ 974	\$ 858	\$ 757
Realized and unrealized gains (losses)	(23)	26	(49)	38
Purchases	14	9	17	14
Sales	(11)	(32)	(20)	(36)
Net transfers	54	(192)	(47)	12
Ending balance	\$ 759	\$ 785	\$ 759	\$ 785
Unrealized gains (losses)	\$ (22)	\$ 29	\$ (50)	\$ 38
<b>Net derivatives: Interest rate</b>				
Beginning balance	\$ 873	\$ 551	\$ 777	\$ 618
Realized and unrealized gains (losses)	(126)	238	70	183
Purchases	11	53	129	59
Issuances	(24)	(19)	(27)	(30)
Settlements	(12)	(1)	(26)	(15)
Net transfers	38	(6)	(163)	1
Ending balance	\$ 760	\$ 816	\$ 760	\$ 816
Unrealized gains (losses)	\$ (160)	\$ 230	\$ 27	\$ 234
<b>Net derivatives: Credit</b>				
Beginning balance	\$ 198	\$ (261)	\$ 124	\$ 40
Realized and unrealized gains (losses)	(74)	30	(60)	217
Purchases	13	28	44	93
Issuances	(22)	(19)	(39)	(470)
Settlements	54	39	102	(8)
Net transfers	(38)	45	(40)	(10)
Ending balance	\$ 131	\$ (138)	\$ 131	\$ (138)
Unrealized gains (losses)	\$ (143)	\$ 30	\$ (63)	\$ 224

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Net derivatives: Foreign exchange</b>				
Beginning balance	\$ (150)	\$ 5	\$ (31)	\$ 75
Realized and unrealized gains (losses)	122	(33)	94	(154)
Purchases	—	—	3	—
Issuances	—	—	(9)	—
Settlements	2	(22)	(11)	(12)
Net transfers	43	21	(29)	62
Ending balance	\$ 17	\$ (29)	\$ 17	\$ (29)
Unrealized gains (losses)	\$ 44	\$ (37)	\$ 35	\$ (45)
<b>Net derivatives: Equity</b>				
Beginning balance	\$ (1,376)	\$ (1,760)	\$ (1,684)	\$ (1,485)
Realized and unrealized gains (losses)	(135)	86	181	(92)
Purchases	149	60	237	96
Issuances	(391)	(158)	(595)	(359)
Settlements	10	43	(52)	185
Net transfers	(141)	14	29	(60)
Ending balance	\$ (1,884)	\$ (1,715)	\$ (1,884)	\$ (1,715)
Unrealized gains (losses)	\$ (156)	\$ 70	\$ (4)	\$ (106)
<b>Net derivatives: Commodity and other</b>				
Beginning balance	\$ 1,849	\$ 2,106	\$ 1,612	\$ 2,052
Realized and unrealized gains (losses)	338	(145)	448	(113)
Purchases	3	8	21	16
Issuances	(2)	(2)	(17)	(17)
Settlements	(119)	(106)	7	(183)
Net transfers	18	—	16	106
Ending balance	\$ 2,087	\$ 1,861	\$ 2,087	\$ 1,861
Unrealized gains (losses)	\$ 182	\$ (272)	\$ 257	\$ (306)
<b>Deposits</b>				
Beginning balance	\$ 117	\$ 99	\$ 179	\$ 27
Realized and unrealized losses (gains)	6	6	3	12
Issuances	—	24	—	51
Settlements	(4)	(4)	(9)	(4)
Net transfers	(29)	13	(83)	52
Ending balance	\$ 90	\$ 138	\$ 90	\$ 138
Unrealized losses (gains)	\$ 7	\$ 6	\$ 3	\$ 12
<b>Nonderivative trading liabilities</b>				
Beginning balance	\$ 64	\$ 43	\$ 37	\$ 16
Realized and unrealized losses (gains)	5	(9)	(10)	(10)
Purchases	(42)	(24)	(45)	(30)
Sales	24	11	22	28
Settlements	—	—	3	—
Net transfers	23	15	67	32
Ending balance	\$ 74	\$ 36	\$ 74	\$ 36
Unrealized losses (gains)	\$ 5	\$ (9)	\$ (10)	\$ (10)
<b>Securities sold under agreements to repurchase</b>				
Beginning balance	\$ —	\$ —	\$ —	\$ —
Realized and unrealized losses (gains)	(31)	—	(31)	—
Issuances	471	—	471	—
Ending balance	\$ 440	\$ —	\$ 440	\$ —
Unrealized losses (gains)	\$ (31)	\$ —	\$ (31)	\$ —

## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Other secured financings</b>				
Beginning balance	\$ 389	\$ 153	\$ 109	\$ 208
Realized and unrealized losses (gains)	—	2	(12)	6
Issuances	5	—	7	—
Settlements	(88)	(1)	(203)	(8)
Net transfers	(6)	—	399	(52)
Ending balance	\$ 300	\$ 154	\$ 300	\$ 154
Unrealized losses (gains)	\$ —	\$ 2	\$ (12)	\$ 6
<b>Borrowings</b>				
Beginning balance	\$ 3,998	\$ 3,775	\$ 4,088	\$ 3,806
Realized and unrealized losses (gains)	500	172	(202)	444
Issuances	385	354	766	598
Settlements	(92)	(99)	(283)	(243)
Net transfers	(656)	(263)	(234)	(666)
Ending balance	\$ 4,135	\$ 3,939	\$ 4,135	\$ 3,939
Unrealized losses (gains)	\$ 496	\$ 173	\$ (200)	\$ 419
Portion of Unrealized losses (gains) recorded in OCI— Change in net DVA	281	35	(125)	91

1. Net transfers in the current year period reflect the largely offsetting impacts of transfers in of \$857 million of equity margin loans in the first quarter and transfers out of \$707 million of equity margin loans in the current quarter. The loans were transferred in in the first quarter as the significance of the margin loan rate input increased as a result of reduced liquidity, and transferred out in the second quarter as liquidity conditions improved reducing the significance of the input.

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

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

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

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

### Valuation Techniques and Unobservable Inputs

\$ in millions, except inputs	Balance / Range (Average) <sup>1</sup>	
	At June 30, 2020	At December 31, 2019
<b>Assets Measured at Fair Value on a Recurring Basis</b>		
<b>U.S. Treasury and agency securities</b>	\$ 97	\$ 22
Comparable pricing:		
Bond price	18 to 109 points (68 points)	N/M
<b>MABS</b>	\$ 379	\$ 438
Comparable pricing:		
Bond price	0 to 80 points (44 points)	0 to 96 points (47 points)
<b>Loans and lending commitments</b>	\$ 4,068	\$ 5,073
Margin loan model:		
Discount rate	N/A	1% to 9% (2%)
Volatility skew	N/A	15% to 80% (28%)
Credit Spread	N/A	9 to 39 bps (19 bps)
Margin loan rate	1% to 6% (3%)	N/A
Comparable pricing:		
Loan price	68 to 110 points (92 points)	69 to 100 points (93 points)
<b>Corporate and other debt</b>	\$ 2,686	\$ 1,396
Comparable pricing:		
Bond price	10 to 104 points (89 points)	11 to 108 points (84 points)
Discounted cash flow:		
Recovery rate	51% to 62% (53% / 51%)	35%
Option model:		
At the money volatility	21%	21%
<b>Corporate equities</b>	\$ 83	\$ 97
Comparable pricing:		
Equity price	100%	100%
<b>Investments</b>	\$ 759	\$ 858
Discounted cash flow:		
WACC	10% to 20% (15%)	8% to 17% (15%)
Exit multiple	7 to 17 times (12 times)	7 to 16 times (11 times)
Market approach:		
EBITDA multiple	6 to 23 times (10 times)	7 to 24 times (11 times)
Comparable pricing:		
Equity price	50% to 100% (98%)	75% to 100% (99%)

# Notes to Consolidated Financial Statements (Unaudited)

\$ in millions, except inputs	Balance / Range (Average) <sup>1</sup>	
	At June 30, 2020	At December 31, 2019
<b>Net derivative and other contracts:</b>		
<b>Interest rate</b>	\$ 760	\$ 777
Option model:		
IR volatility skew	0% to 191% (66% / 80%)	24% to 156% (63% / 59%)
IR curve correlation	59% to 97% (86% / 90%)	47% to 90% (72% / 72%)
Bond volatility	4% to 37% (21% / 20%)	4% to 15% (13% / 14%)
Inflation volatility	24% to 63% (44% / 41%)	24% to 63% (44% / 41%)
IR curve	1%	1%
<b>Credit</b>	\$ 131	\$ 124
Credit default swap model:		
Cash-synthetic basis	6 points	6 points
Bond price	0 to 98 points (54 points)	0 to 104 points (45 points)
Credit spread	20 to 435 bps (82 bps)	9 to 469 bps (81 bps)
Funding spread	178 to 250 bps (215 bps)	47 to 117 bps (84 bps)
Correlation model:		
Credit correlation	31% to 68% (39%)	29% to 62% (36%)
<b>Foreign exchange<sup>2</sup></b>	\$ 17	\$ (31)
Option model:		
IR - FX correlation	16% to 59% (38%)	32% to 56% (46% / 46%)
IR volatility skew	0% to 191% (66% / 80%)	24% to 156% (63% / 59%)
IR curve	10% to 11% (11%)	10% to 11% (10% / 10%)
Contingency probability	95% (95%)	85% to 95% (94% / 95%)
<b>Equity<sup>2</sup></b>	\$ (1,884)	\$ (1,684)
Option model:		
At the money volatility	16% to 89% (43%)	9% to 90% (36%)
Volatility skew	-3% to 0% (-1%)	-2% to 0% (-1%)
Equity correlation	5% to 96% (73%)	5% to 98% (70%)
FX correlation	-60% to 55% (-35%)	-79% to 60% (-37%)
IR correlation	-7% to 45% (20% / 18%)	-11% to 44% (18% / 16%)
<b>Commodity and other</b>	\$ 2,087	\$ 1,612
Option model:		
Forward power price	\$0 to \$148 (\$27) per MWh	\$3 to \$182 (\$28) per MWh
Commodity volatility	8% to 210% (19%)	7% to 183% (18%)
Cross-commodity correlation	43% to 99% (93%)	43% to 99% (93%)
<b>Liabilities Measured at Fair Value on a Recurring Basis</b>		
<b>Deposits</b>	\$ 90	\$ 179
Option Model:		
Equity at the money volatility	7% to 23% (7%)	16% to 37% (20%)
<b>Corporate equities</b>	\$ 69	\$ 36
Comparable pricing:		
Equity price	100%	N/A
<b>Securities sold under agreements to repurchase</b>	\$ 440	\$ —
Discounted cash flow		
Funding spread	121 to 154 bps (143 bps)	N/A

\$ in millions, except inputs	Balance / Range (Average) <sup>1</sup>	
	At June 30, 2020	At December 31, 2019
<b>Other secured financings</b>	\$ 300	\$ 109
Discounted cash flow:		
Funding spread	107 bps (107 bps)	111 to 124 bps (117 bps)
Comparable pricing:		
Loan price	25 to 101 points (73 points)	N/M
<b>Borrowings</b>	\$ 4,135	\$ 4,088
Option model:		
At the money volatility	6% to 73% (25%)	5% to 44% (21%)
Volatility skew	-2% to 0% (0%)	-2% to 0% (0%)
Equity correlation	38% to 98% (78%)	38% to 94% (78%)
Equity - FX correlation	-72% to 13% (-30%)	-75% to 26% (-25%)
IR - FX Correlation	-27% to 6% (-6% / -6%)	-26% to 10% (-7% / -7%)
<b>Nonrecurring Fair Value Measurement</b>		
<b>Loans</b>	\$ 2,193	\$ 1,500
Corporate loan model:		
Credit spread	42 to 591 bps (301 bps)	69 to 446 bps (225 bps)
Warehouse model:		
Credit spread	193 to 714 bps (371 bps)	287 to 318 bps (297 bps)

Points—Percentage of par

IR—Interest rate

FX—Foreign exchange

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

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

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

Other than as follows, during the current quarter, there were no significant revisions made to the descriptions of the Firm's significant unobservable inputs. For margin loans, the margin loan rate is the annualized rate that reflects the possibility of losses as a result of movements in the price of the underlying margin loan collateral. The rate is calibrated from the previously disclosed discount rate, credit spread and/or volatility measures. For a description of the Firm's significant unobservable inputs and qualitative information about the effect of hypothetical changes in the values of those inputs, see Note 3 to the financial statements in the 2019 Form 10-K.

Notes to Consolidated Financial Statements  
(Unaudited)

Net Asset Value Measurements

Fund Interests

\$ in millions	At June 30, 2020		At December 31, 2019	
	Carrying Value	Commitment	Carrying Value	Commitment
Private equity	\$ 2,210	\$ 635	\$ 2,078	\$ 450
Real estate	1,284	147	1,349	150
Hedge <sup>1</sup>	82	—	94	4
<b>Total</b>	<b>\$ 3,576</b>	<b>\$ 782</b>	<b>\$ 3,521</b>	<b>\$ 604</b>

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

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

For a description of the Firm's investments in private equity funds, real estate funds and hedge funds, which are measured based on NAV, see Note 3 to the financial statements in the 2019 Form 10-K.

See Note 13 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received. See Note 19 for information regarding unrealized carried interest at risk of reversal.

Nonredeemable Funds by Contractual Maturity

\$ in millions	Carrying Value at June 30, 2020	
	Private Equity	Real Estate
Less than 5 years	\$ 1,433	\$ 436
5-10 years	726	177
Over 10 years	51	671
<b>Total</b>	<b>\$ 2,210</b>	<b>\$ 1,284</b>

Nonrecurring Fair Value Measurements

Carrying and Fair Values

\$ in millions	At June 30, 2020		
	Fair Value		
	Level 2	Level 3 <sup>1</sup>	Total
<b>Assets</b>			
Loans	\$ 4,748	\$ 2,193	\$ 6,941
Other assets—Other investments	—	50	50
<b>Total</b>	<b>\$ 4,748</b>	<b>\$ 2,243</b>	<b>\$ 6,991</b>
<b>Liabilities</b>			
Other liabilities and accrued expenses—Lending commitments	\$ 194	\$ 82	\$ 276
<b>Total</b>	<b>\$ 194</b>	<b>\$ 82</b>	<b>\$ 276</b>

\$ in millions	At December 31, 2019		
	Fair Value		
	Level 2	Level 3 <sup>1</sup>	Total
<b>Assets</b>			
Loans	\$ 1,543	\$ 1,500	\$ 3,043
Other assets—Other investments	—	113	113
<b>Total</b>	<b>\$ 1,543</b>	<b>\$ 1,613</b>	<b>\$ 3,156</b>
<b>Liabilities</b>			
Other liabilities and accrued expenses—Lending commitments	\$ 132	\$ 69	\$ 201
<b>Total</b>	<b>\$ 132</b>	<b>\$ 69</b>	<b>\$ 201</b>

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

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

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Assets</b>				
Loans <sup>2</sup>	\$ (13)	\$ (10)	\$ (488)	\$ 17
Other assets—Other investments <sup>3</sup>	(52)	—	(52)	(5)
Other assets—Premises, equipment and software <sup>4</sup>	(3)	(2)	(6)	(4)
<b>Total</b>	<b>\$ (68)</b>	<b>\$ (12)</b>	<b>\$ (546)</b>	<b>\$ 8</b>
<b>Liabilities</b>				
Other liabilities and accrued expenses—Lending commitments <sup>2</sup>	\$ 130	\$ 7	\$ (88)	\$ 74
<b>Total</b>	<b>\$ 130</b>	<b>\$ 7</b>	<b>\$ (88)</b>	<b>\$ 74</b>

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

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

**Financial Instruments Not Measured at Fair Value**

<i>\$ in millions</i>	At June 30, 2020				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 106,276	\$ 106,276	\$ —	\$ —	\$ 106,276
Investment securities—HTM	47,043	31,890	17,194	844	49,928
Securities purchased under agreements to resell	96,593	—	95,383	1,269	96,652
Securities borrowed	106,834	—	106,835	—	106,835
Customer and other receivables <sup>1</sup>	57,969	—	55,143	2,885	58,028
Loans <sup>2</sup>	141,973	—	28,054	114,691	142,745
Other assets	466	—	466	—	466
<b>Financial liabilities</b>					
Deposits	\$ 232,827	\$ —	\$ 233,592	\$ —	\$ 233,592
Securities sold under agreements to repurchase	49,623	—	49,681	—	49,681
Securities loaned	10,493	—	10,489	—	10,489
Other secured financings	3,748	—	3,713	36	3,749
Customer and other payables <sup>1</sup>	195,877	—	195,877	—	195,877
Borrowings	138,727	—	142,234	5	142,239
	Commitment Amount				
Lending commitments <sup>3</sup>	\$ 112,225	\$ —	\$ 1,218	\$ 547	\$ 1,765

<i>\$ in millions</i>	At December 31, 2019				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Cash and cash equivalents	\$ 82,171	\$ 82,171	\$ —	\$ —	\$ 82,171
Investment securities—HTM	43,502	30,661	12,683	789	44,133
Securities purchased under agreements to resell	88,220	—	86,794	1,442	88,236
Securities borrowed	106,549	—	106,551	—	106,551
Customer and other receivables <sup>1</sup>	51,134	—	48,215	2,872	51,087
Loans <sup>2</sup>	130,637	—	22,293	108,059	130,352
Other assets	495	—	495	—	495
<b>Financial liabilities</b>					
Deposits	\$ 188,257	\$ —	\$ 188,639	\$ —	\$ 188,639
Securities sold under agreements to repurchase	53,467	—	53,486	—	53,486
Securities loaned	8,506	—	8,506	—	8,506
Other secured financings	6,889	—	6,800	92	6,892
Customer and other payables <sup>1</sup>	195,035	—	195,035	—	195,035
Borrowings	128,166	—	133,563	10	133,573
	Commitment Amount				
Lending commitments <sup>3</sup>	\$ 119,004	\$ —	\$ 748	\$ 338	\$ 1,086

1. Accrued interest and dividend receivables and payables have been excluded. Carrying value approximates fair value for these receivables and payables.
2. Amounts include loans measured at fair value on a nonrecurring basis.
3. Represents Lending commitments accounted for as Held for Investment and Held for Sale. For a further discussion on lending commitments, see Note 13.

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

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

**5. Fair Value Option**

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

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
<b>Business Unit Responsible for Risk Management</b>		
Equity	\$ 31,555	\$ 30,214
Interest rates	27,918	27,298
Commodities	5,020	4,501
Credit	1,267	1,246
Foreign exchange	977	1,202
<b>Total</b>	<b>\$ 66,737</b>	<b>\$ 64,461</b>

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

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Trading revenues	\$ (3,439)	\$ (2,190)	\$ 8	\$ (5,093)
Interest expense	81	94	164	187
<b>Net revenues<sup>1</sup></b>	<b>\$ (3,520)</b>	<b>\$ (2,284)</b>	<b>\$ (156)</b>	<b>\$ (5,280)</b>

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

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

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

<i>\$ in millions</i>	Three Months Ended June 30,			
	2020		2019	
	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	\$ (1)	\$ (3,237)	\$ (3)	\$ (328)
Loans and other debt <sup>1</sup>	(40)	—	58	—
Lending commitments	(1)	—	(1)	—
Deposits	—	(63)	—	1

<i>\$ in millions</i>	Six Months Ended June 30,			
	2020		2019	
	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	\$ (6)	\$ 1,711	\$ (7)	\$ (1,144)
Loans and other debt <sup>1</sup>	(239)	—	151	—
Lending commitments	1	—	(2)	—
Deposits	—	9	—	(3)

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Cumulative pre-tax DVA gain (loss) recognized in AOCI	\$ (278)	\$ (1,998)

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

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Loans and other debt <sup>2</sup>	\$ 13,245	\$ 13,037
Nonaccrual loans <sup>2</sup>	11,154	10,849
Borrowings <sup>3</sup>	(1,946)	(1,665)

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

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

**Fair Value Loans on Nonaccrual Status**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Nonaccrual loans	\$ 1,214	\$ 1,100
Nonaccrual loans 90 or more days past due	\$ 231	\$ 330

# Notes to Consolidated Financial Statements (Unaudited)

## 6. Derivative Instruments and Hedging Activities

### Fair Values of Derivative Contracts

At June 30, 2020

\$ in millions	Assets			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 1,311	\$ —	\$ —	\$ 1,311
Foreign exchange	28	30	—	58
<b>Total</b>	<b>1,339</b>	<b>30</b>	<b>—</b>	<b>1,369</b>
<b>Not designated as accounting hedges</b>				
Interest rate	247,795	8,246	974	257,015
Credit	7,137	2,033	—	9,170
Foreign exchange	72,188	1,567	120	73,875
Equity	28,794	—	37,334	66,128
Commodity and other	14,331	—	4,417	18,748
<b>Total</b>	<b>370,245</b>	<b>11,846</b>	<b>42,845</b>	<b>424,936</b>
<b>Total gross derivatives</b>	<b>\$ 371,584</b>	<b>\$ 11,876</b>	<b>\$ 42,845</b>	<b>\$ 426,305</b>
<b>Amounts offset</b>				
Counterparty netting	(284,053)	(9,545)	(41,233)	(334,831)
Cash collateral netting	(50,799)	(2,024)	—	(52,823)
<b>Total in Trading assets</b>	<b>\$ 36,732</b>	<b>\$ 307</b>	<b>\$ 1,612</b>	<b>\$ 38,651</b>
<b>Amounts not offset<sup>1</sup></b>				
Financial instruments collateral	(17,219)	—	—	(17,219)
Other cash collateral	(90)	(1)	—	(91)
<b>Net amounts</b>	<b>\$ 19,423</b>	<b>\$ 306</b>	<b>\$ 1,612</b>	<b>\$ 21,341</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				\$ 3,099

\$ in millions	Liabilities			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ —	\$ 1	\$ —	\$ 1
Foreign exchange	142	19	—	161
<b>Total</b>	<b>142</b>	<b>20</b>	<b>—</b>	<b>162</b>
<b>Not designated as accounting hedges</b>				
Interest rate	237,040	6,180	1,118	244,338
Credit	6,876	2,473	—	9,349
Foreign exchange	75,279	1,610	73	76,962
Equity	34,447	—	40,745	75,192
Commodity and other	10,965	—	4,525	15,490
<b>Total</b>	<b>364,607</b>	<b>10,263</b>	<b>46,461</b>	<b>421,331</b>
<b>Total gross derivatives</b>	<b>\$ 364,749</b>	<b>\$ 10,283</b>	<b>\$ 46,461</b>	<b>\$ 421,493</b>
<b>Amounts offset</b>				
Counterparty netting	(284,053)	(9,545)	(41,233)	(334,831)
Cash collateral netting	(47,645)	(494)	—	(48,139)
<b>Total in Trading liabilities</b>	<b>\$ 33,051</b>	<b>\$ 244</b>	<b>\$ 5,228</b>	<b>\$ 38,523</b>
<b>Amounts not offset<sup>1</sup></b>				
Financial instruments collateral	(9,813)	—	(3,266)	(13,079)
Other cash collateral	(21)	(15)	—	(36)
<b>Net amounts</b>	<b>\$ 23,217</b>	<b>\$ 229</b>	<b>\$ 1,962</b>	<b>\$ 25,408</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				5,259

At December 31, 2019

\$ in millions	Assets			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 673	\$ —	\$ —	\$ 673
Foreign exchange	41	1	—	42
<b>Total</b>	<b>714</b>	<b>1</b>	<b>—</b>	<b>715</b>
<b>Not designated as accounting hedges</b>				
Interest rate	179,450	4,839	519	184,808
Credit	4,895	2,417	—	7,312
Foreign exchange	62,957	1,399	22	64,378
Equity	27,621	—	23,447	51,068
Commodity and other	9,306	—	1,952	11,258
<b>Total</b>	<b>284,229</b>	<b>8,655</b>	<b>25,940</b>	<b>318,824</b>
<b>Total gross derivatives</b>	<b>\$ 284,943</b>	<b>\$ 8,656</b>	<b>\$ 25,940</b>	<b>\$ 319,539</b>
<b>Amounts offset</b>				
Counterparty netting	(213,710)	(7,294)	(24,037)	(245,041)
Cash collateral netting	(41,222)	(1,275)	—	(42,497)
<b>Total in Trading assets</b>	<b>\$ 30,011</b>	<b>\$ 87</b>	<b>\$ 1,903</b>	<b>\$ 32,001</b>
<b>Amounts not offset<sup>1</sup></b>				
Financial instruments collateral	(15,596)	—	—	(15,596)
Other cash collateral	(46)	—	—	(46)
<b>Net amounts</b>	<b>\$ 14,369</b>	<b>\$ 87</b>	<b>\$ 1,903</b>	<b>\$ 16,359</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				\$ 1,900

\$ in millions	Liabilities			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 1	\$ —	\$ —	\$ 1
Foreign exchange	121	38	—	159
<b>Total</b>	<b>122</b>	<b>38</b>	<b>—</b>	<b>160</b>
<b>Not designated as accounting hedges</b>				
Interest rate	168,597	3,597	436	172,630
Credit	4,798	3,123	—	7,921
Foreign exchange	65,965	1,492	39	67,496
Equity	30,135	—	22,733	52,868
Commodity and other	7,713	—	1,911	9,624
<b>Total</b>	<b>277,208</b>	<b>8,212</b>	<b>25,119</b>	<b>310,539</b>
<b>Total gross derivatives</b>	<b>\$ 277,330</b>	<b>\$ 8,250</b>	<b>\$ 25,119</b>	<b>\$ 310,699</b>
<b>Amounts offset</b>				
Counterparty netting	(213,710)	(7,294)	(24,037)	(245,041)
Cash collateral netting	(36,392)	(832)	—	(37,224)
<b>Total in Trading liabilities</b>	<b>\$ 27,228</b>	<b>\$ 124</b>	<b>\$ 1,082</b>	<b>\$ 28,434</b>
<b>Amounts not offset<sup>1</sup></b>				
Financial instruments collateral	(7,747)	—	(287)	(8,034)
Other cash collateral	(14)	—	—	(14)
<b>Net amounts</b>	<b>\$ 19,467</b>	<b>\$ 124</b>	<b>\$ 795</b>	<b>\$ 20,386</b>
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				\$ 3,680

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

See Note 4 for information related to the unsettled fair value of futures contracts not designated as accounting hedges, which are excluded from the previous tables.



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

**Notionals of Derivative Contracts**

At June 30, 2020

\$ in billions	Assets			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 10	\$ 133	\$ —	\$ 143
Foreign exchange	3	1	—	4
Total	13	134	—	147
<b>Not designated as accounting hedges</b>				
Interest rate	4,088	6,742	543	11,373
Credit	133	95	—	228
Foreign exchange	2,814	87	11	2,912
Equity	440	—	404	844
Commodity and other	107	—	72	179
Total	7,582	6,924	1,030	15,536
<b>Total gross derivatives</b>	<b>\$ 7,595</b>	<b>\$ 7,058</b>	<b>\$ 1,030</b>	<b>\$ 15,683</b>

\$ in billions	Liabilities			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ —	\$ 56	\$ —	\$ 56
Foreign exchange	9	1	—	10
Total	9	57	—	66
<b>Not designated as accounting hedges</b>				
Interest rate	4,150	6,571	540	11,261
Credit	141	100	—	241
Foreign exchange	2,893	87	14	2,994
Equity	441	—	525	966
Commodity and other	87	—	69	156
Total	7,712	6,758	1,148	15,618
<b>Total gross derivatives</b>	<b>\$ 7,721</b>	<b>\$ 6,815</b>	<b>\$ 1,148</b>	<b>\$ 15,684</b>

At December 31, 2019

\$ in billions	Assets			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ 14	\$ 94	\$ —	\$ 108
Foreign exchange	2	—	—	2
Total	16	94	—	110
<b>Not designated as accounting hedges</b>				
Interest rate	4,230	7,398	732	12,360
Credit	136	79	—	215
Foreign exchange	2,667	91	10	2,768
Equity	429	—	419	848
Commodity and other	99	—	61	160
Total	7,561	7,568	1,222	16,351
<b>Total gross derivatives</b>	<b>\$ 7,577</b>	<b>\$ 7,662</b>	<b>\$ 1,222</b>	<b>\$ 16,461</b>

\$ in billions	Liabilities			
	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
<b>Designated as accounting hedges</b>				
Interest rate	\$ —	\$ 71	\$ —	\$ 71
Foreign exchange	9	2	—	11
Total	9	73	—	82
<b>Not designated as accounting hedges</b>				
Interest rate	4,185	6,866	666	11,717
Credit	153	84	—	237
Foreign exchange	2,841	91	14	2,946
Equity	455	—	515	970
Commodity and other	85	—	61	146
Total	7,719	7,041	1,256	16,016
<b>Total gross derivatives</b>	<b>\$ 7,728</b>	<b>\$ 7,114</b>	<b>\$ 1,256</b>	<b>\$ 16,098</b>

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

For a discussion of the Firm's derivative instruments and hedging activities, see Note 5 to the financial statements in the 2019 Form 10-K.

Notes to Consolidated Financial Statements  
(Unaudited)

Gains (Losses) on Accounting Hedges

\$ in millions	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
<b>Fair value hedges—Recognized in Interest income</b>				
Interest rate contracts	\$ (16)	\$ (14)	\$ (80)	\$ (19)
Investment Securities—AFS	23	14	89	19
<b>Fair value hedges—Recognized in Interest expense</b>				
Interest rate contracts	\$ 245	\$ 2,470	\$ 6,912	\$ 4,047
Deposits <sup>1</sup>	46	—	(215)	—
Borrowings	(327)	(2,494)	(6,759)	(4,115)
<b>Net investment hedges—Foreign exchange contracts</b>				
Recognized in OCI	\$ (96)	\$ (114)	\$ 314	\$ (50)
Forward points excluded from hedge effectiveness testing—Recognized in Interest income	(8)	42	25	77

Fair Value Hedges—Hedged Items

\$ in millions	At June 30, 2020	At December 31, 2019
<b>Investment Securities—AFS</b>		
Amortized cost basis currently or previously hedged	\$ 2,131	\$ 917
Basis adjustments included in amortized cost <sup>2</sup>	\$ 91	\$ 14
<b>Deposits<sup>1</sup></b>		
Carrying amount currently or previously hedged	\$ 18,296	\$ 5,435
Basis adjustments included in carrying amount <sup>2</sup>	\$ 208	\$ (7)
<b>Borrowings</b>		
Carrying amount currently or previously hedged	\$ 111,182	\$ 102,456
Basis adjustments included in carrying amount <sup>2</sup>	\$ 9,347	\$ 2,593

- The Firm began designating interest rate swaps as fair value hedges of certain Deposits in the fourth quarter of 2019.
- Hedge accounting basis adjustments are primarily related to outstanding hedges.

Net Derivative Liabilities and Collateral Posted

\$ in millions	At June 30, 2020	At December 31, 2019
Net derivative liabilities with credit risk-related contingent features	\$ 28,973	\$ 21,620
Collateral posted	23,631	17,392

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

Incremental Collateral and Termination Payments upon Potential Future Ratings Downgrade

\$ in millions	At June 30, 2020
One-notch downgrade	\$ 370
Two-notch downgrade	350
Bilateral downgrade agreements included in the amounts above <sup>1</sup>	\$ 598

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

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

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

\$ in billions	Years to Maturity at June 30, 2020				
	< 1	1-3	3-5	Over 5	Total
<b>Single-name CDS</b>					
Investment grade	\$ 13	\$ 16	\$ 32	\$ 9	\$ 70
Non-investment grade	8	10	17	2	37
Total	\$ 21	\$ 26	\$ 49	\$ 11	\$ 107
<b>Index and basket CDS</b>					
Investment grade	\$ 3	\$ 12	\$ 43	\$ 18	\$ 76
Non-investment grade	5	5	22	11	43
Total	\$ 8	\$ 17	\$ 65	\$ 29	\$ 119
<b>Total CDS sold</b>	<b>\$ 29</b>	<b>\$ 43</b>	<b>\$ 114</b>	<b>\$ 40</b>	<b>\$ 226</b>
Other credit contracts	—	—	—	—	—
<b>Total credit protection sold</b>	<b>\$ 29</b>	<b>\$ 43</b>	<b>\$ 114</b>	<b>\$ 40</b>	<b>\$ 226</b>
CDS protection sold with identical protection purchased					\$ 192

\$ in billions	Years to Maturity at December 31, 2019				
	< 1	1-3	3-5	Over 5	Total
<b>Single-name CDS</b>					
Investment grade	\$ 16	\$ 17	\$ 33	\$ 9	\$ 75
Non-investment grade	9	9	16	1	35
Total	\$ 25	\$ 26	\$ 49	\$ 10	\$ 110
<b>Index and basket CDS</b>					
Investment grade	\$ 4	\$ 7	\$ 46	\$ 11	\$ 68
Non-investment grade	7	4	17	10	38
Total	\$ 11	\$ 11	\$ 63	\$ 21	\$ 106
<b>Total CDS sold</b>	<b>\$ 36</b>	<b>\$ 37</b>	<b>\$ 112</b>	<b>\$ 31</b>	<b>\$ 216</b>
Other credit contracts	—	—	—	—	—
<b>Total credit protection sold</b>	<b>\$ 36</b>	<b>\$ 37</b>	<b>\$ 112</b>	<b>\$ 31</b>	<b>\$ 216</b>
CDS protection sold with identical protection purchased					\$ 187

## Notes to Consolidated Financial Statements (Unaudited)

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
<b>Single-name CDS</b>		
Investment grade	\$ 373	\$ 1,057
Non-investment grade	(1,348)	(540)
<b>Total</b>	<b>\$ (975)</b>	<b>\$ 517</b>
<b>Index and basket CDS</b>		
Investment grade	\$ 691	\$ 1,052
Non-investment grade	(3,157)	134
<b>Total</b>	<b>\$ (2,466)</b>	<b>\$ 1,186</b>
<b>Total CDS sold</b>	<b>\$ (3,441)</b>	<b>\$ 1,703</b>
Other credit contracts	(4)	(17)
<b>Total credit protection sold</b>	<b>\$ (3,445)</b>	<b>\$ 1,686</b>

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

### Protection Purchased with CDS

<i>\$ in billions</i>	Notional	
	At June 30, 2020	At December 31, 2019
Single name	\$ 114	\$ 118
Index and basket	112	103
Tranched index and basket	17	15
<b>Total</b>	<b>\$ 243</b>	<b>\$ 236</b>

<i>\$ in millions</i>	Fair Value Asset (Liability)	
	At June 30, 2020	At December 31, 2019
Single name	\$ 791	\$ (723)
Index and basket	1,986	(1,139)
Tranched index and basket	485	(450)
<b>Total</b>	<b>\$ 3,262</b>	<b>\$ (2,312)</b>

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

The fair value amounts as shown in the previous tables are prior to cash collateral or counterparty netting. For further information on credit derivatives and other contracts, see Note 5 to the financial statements in the 2019 Form 10-K.

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

**7. Investment Securities**

**AFS and HTM Securities**

	At June 30, 2020			
<i>\$ in millions</i>	Amortized Cost <sup>1</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>AFS securities</b>				
U.S. government and agency securities:				
U.S. Treasury securities	\$ 47,754	\$ 1,264	\$ —	\$ 49,018
U.S. agency securities <sup>2</sup>	25,803	755	18	26,540
Total U.S. government and agency securities	73,557	2,019	18	75,558
Corporate and other debt:				
Agency CMBS	4,712	359	1	5,070
Corporate bonds	1,777	46	2	1,821
State and municipal securities	1,650	75	22	1,703
FFELP student loan ABS <sup>3</sup>	1,493	—	68	1,425
Total corporate and other debt	9,632	480	93	10,019
Total AFS securities	83,189	2,499	111	85,577
<b>HTM securities</b>				
U.S. government and agency securities:				
U.S. Treasury securities	29,654	2,236	—	31,890
U.S. agency securities <sup>2</sup>	16,576	619	1	17,194
Total U.S. government and agency securities	46,230	2,855	1	49,084
Corporate and other debt:				
Non-agency CMBS	813	33	2	844
Total HTM securities	47,043	2,888	3	49,928
<b>Total investment securities</b>	<b>\$ 130,232</b>	<b>\$ 5,387</b>	<b>\$ 114</b>	<b>\$ 135,505</b>

	At December 31, 2019			
<i>\$ in millions</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>AFS securities</b>				
U.S. government and agency securities:				
U.S. Treasury securities	\$ 32,465	\$ 224	\$ 111	\$ 32,578
U.S. agency securities <sup>2</sup>	20,725	249	100	20,874
Total U.S. government and agency securities	53,190	473	211	53,452
Corporate and other debt:				
Agency CMBS	4,810	55	57	4,808
Corporate bonds	1,891	17	1	1,907
State and municipal securities	481	22	—	503
FFELP student loan ABS <sup>3</sup>	1,580	1	28	1,553
Total corporate and other debt	8,762	95	86	8,771
Total AFS securities	61,952	568	297	62,223
<b>HTM securities</b>				
U.S. government and agency securities:				
U.S. Treasury securities	30,145	568	52	30,661
U.S. agency securities <sup>2</sup>	12,589	151	57	12,683
Total U.S. government and agency securities	42,734	719	109	43,344
Corporate and other debt:				
Non-agency CMBS	768	22	1	789
Total HTM securities	43,502	741	110	44,133
<b>Total investment securities</b>	<b>\$ 105,454</b>	<b>\$ 1,309</b>	<b>\$ 407</b>	<b>\$ 106,356</b>

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

In the first quarter of 2020, the Firm transferred certain municipal securities from Trading assets into AFS securities as a result of a change in intent due to the severe deterioration in liquidity for these instruments. These securities had a fair value of \$441 million at the end of the first quarter of 2020.

## Notes to Consolidated Financial Statements (Unaudited)

### Investment Securities in an Unrealized Loss Position

	At June 30, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>\$ in millions</i>						
<b>AFS securities</b>						
U.S. government and agency securities:						
U.S. agency securities	\$ 653	\$ 2	\$ 3,524	\$ 16	\$ 4,177	\$ 18
Corporate and other debt:						
Agency CMBS	27	—	207	1	234	1
Corporate bonds	246	1	40	1	286	2
State and municipal securities	569	22	—	—	569	22
FFELP student loan ABS	345	10	1,080	58	1,425	68
Total corporate and other debt	1,187	33	1,327	60	2,514	93
<b>Total AFS securities</b>	<b>\$ 1,840</b>	<b>\$ 35</b>	<b>\$ 4,851</b>	<b>\$ 76</b>	<b>\$ 6,691</b>	<b>\$ 111</b>

	At December 31, 2019					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>\$ in millions</i>						
<b>AFS securities</b>						
U.S. government and agency securities:						
U.S. Treasury securities	\$ 4,793	\$ 28	\$ 7,904	\$ 83	\$ 12,697	\$ 111
U.S. agency securities	2,641	20	7,697	80	10,338	100
Total U.S. government and agency securities	7,434	48	15,601	163	23,035	211
Corporate and other debt:						
Agency CMBS	2,294	26	681	31	2,975	57
Corporate bonds	194	1	44	—	238	1
FFELP student loan ABS	91	—	1,165	28	1,256	28
Total corporate and other debt	2,579	27	1,890	59	4,469	86
<b>Total AFS securities</b>	<b>\$ 10,013</b>	<b>\$ 75</b>	<b>\$ 17,491</b>	<b>\$ 222</b>	<b>\$ 27,504</b>	<b>\$ 297</b>

For AFS securities, the Firm believes there are no securities in an unrealized loss position that have credit losses after performing the analysis described in Note 2. Additionally, the Firm does not intend to sell the securities and is not likely to be required to sell the securities prior to recovery of the amortized cost basis. Furthermore, the securities have not experienced credit losses as they are predominantly investment grade and the Firm expects to recover the amortized cost basis.

As of June 30, 2020, the HTM securities net carrying amount reflects an ACL of \$28 million related to Non-agency CMBS. See Note 2 for a description of the ACL methodology used beginning in 2020 following the Firm's adoption of CECL and see Note 2 to the financial statements in the 2019 Form 10-K for prior period credit loss considerations. There were no HTM securities in an unrealized loss position as of December 31, 2019 that were other-than-temporarily impaired. As of June 30, 2020, and December 31, 2019, Non-Agency CMBS HTM securities were all on accrual status and were predominantly investment grade.

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

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

**Investment Securities by Contractual Maturity**

\$ in millions	At June 30, 2020		
	Amortized Cost <sup>1</sup>	Fair Value	Annualized Average Yield
<b>AFS securities</b>			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	\$ 15,167	\$ 15,243	0.9%
After 1 year through 5 years	29,674	30,645	1.4%
After 5 years through 10 years	2,913	3,130	1.6%
<b>Total</b>	<b>47,754</b>	<b>49,018</b>	
U.S. agency securities:			
Due within 1 year	225	225	0.8%
After 1 year through 5 years	66	67	1.4%
After 5 years through 10 years	1,204	1,239	1.8%
After 10 years	24,308	25,009	2.1%
<b>Total</b>	<b>25,803</b>	<b>26,540</b>	
<b>Total U.S. government and agency securities</b>	<b>73,557</b>	<b>75,558</b>	<b>1.6%</b>
Corporate and other debt:			
Agency CMBS:			
After 1 year through 5 years	589	602	1.8%
After 5 years through 10 years	3,269	3,584	2.5%
After 10 years	854	884	2.0%
<b>Total</b>	<b>4,712</b>	<b>5,070</b>	
Corporate bonds:			
Due within 1 year	169	171	2.4%
After 1 year through 5 years	1,322	1,359	2.6%
After 5 years through 10 years	286	291	2.9%
<b>Total</b>	<b>1,777</b>	<b>1,821</b>	
State and municipal securities:			
After 1 year through 5 years	3	3	3.6%
After 5 years through 10 years	152	160	2.6%
After 10 Years	1,495	1,540	2.7%
<b>Total</b>	<b>1,650</b>	<b>1,703</b>	
FFELP student loan ABS:			
After 1 year through 5 years	95	88	0.8%
After 5 years through 10 years	299	278	0.8%
After 10 years	1,099	1,059	1.2%
<b>Total</b>	<b>1,493</b>	<b>1,425</b>	
<b>Total corporate and other debt</b>	<b>9,632</b>	<b>10,019</b>	<b>2.3%</b>
<b>Total AFS securities</b>	<b>83,189</b>	<b>85,577</b>	<b>1.6%</b>

\$ in millions	At June 30, 2020		
	Amortized Cost <sup>1</sup>	Fair Value	Annualized Average Yield
<b>HTM securities</b>			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	\$ 3,437	\$ 3,477	2.7%
After 1 year through 5 years	17,414	18,370	2.0%
After 5 years through 10 years	7,720	8,692	2.2%
After 10 years	1,083	1,351	2.5%
<b>Total</b>	<b>29,654</b>	<b>31,890</b>	
U.S. agency securities:			
After 5 years through 10 years	93	96	2.0%
After 10 years	16,483	17,098	2.4%
<b>Total</b>	<b>16,576</b>	<b>17,194</b>	
<b>Total U.S. government and agency securities</b>	<b>46,230</b>	<b>49,084</b>	<b>2.2%</b>
Corporate and other debt:			
Non-agency CMBS:			
Due within 1 year	114	114	4.7%
After 1 year through 5 years	90	90	3.6%
After 5 years through 10 years	572	600	3.8%
After 10 years	37	40	4.4%
<b>Total corporate and other debt</b>	<b>813</b>	<b>844</b>	<b>3.9%</b>
<b>Total HTM securities</b>	<b>47,043</b>	<b>49,928</b>	<b>2.3%</b>
<b>Total investment securities</b>	<b>\$ 130,232</b>	<b>\$ 135,505</b>	<b>1.9%</b>

1. Amounts are net of any ACL.

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

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gross realized gains	\$ 16	\$ 53	\$ 65	\$ 72
Gross realized (losses)	(6)	—	(14)	(9)
<b>Total<sup>1</sup></b>	<b>\$ 10</b>	<b>\$ 53</b>	<b>\$ 51</b>	<b>\$ 63</b>

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

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8. Collateralized Transactions

Offsetting of Certain Collateralized Transactions

At June 30, 2020					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Net Amounts Presented	Amounts Not Offset <sup>1</sup>	Net Amounts
<b>Assets</b>					
Securities purchased under agreements to resell	\$243,285	\$(146,673)	\$ 96,612	\$( 94,255)	\$ 2,357
Securities borrowed	115,709	(8,875)	106,834	(102,237)	4,597
<b>Liabilities</b>					
Securities sold under agreements to repurchase	\$197,521	\$(146,673)	\$ 50,848	\$( 45,881)	\$ 4,967
Securities loaned	19,368	(8,875)	10,493	(10,040)	453
<b>Net amounts for which master netting agreements are not in place or may not be legally enforceable</b>					
Securities purchased under agreements to resell					\$ 1,653
Securities borrowed					1,520
Securities sold under agreements to repurchase					3,994
Securities loaned					238

At December 31, 2019					
<i>\$ in millions</i>	Gross Amounts	Amounts Offset	Net Amounts Presented	Amounts Not Offset <sup>1</sup>	Net Amounts
<b>Assets</b>					
Securities purchased under agreements to resell	\$247,545	\$(159,321)	\$ 88,224	\$( 85,200)	\$ 3,024
Securities borrowed	109,528	(2,979)	106,549	(101,850)	4,699
<b>Liabilities</b>					
Securities sold under agreements to repurchase	\$213,519	\$(159,319)	\$ 54,200	\$( 44,549)	\$ 9,651
Securities loaned	11,487	(2,981)	8,506	(8,324)	182
<b>Net amounts for which master netting agreements are not in place or may not be legally enforceable</b>					
Securities purchased under agreements to resell					\$ 2,255
Securities borrowed					1,181
Securities sold under agreements to repurchase					8,033
Securities loaned					101

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

For further discussion of the Firm's collateralized transactions, see Note 7 to the financial statements in the 2019 Form 10-K. For information related to offsetting of derivatives, see Note 6.

Gross Secured Financing Balances by Remaining Contractual Maturity

<i>\$ in millions</i>	At June 30, 2020				
	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	\$ 88,303	\$ 49,496	\$27,807	\$ 31,915	\$197,521
Securities loaned	11,254	335	2,438	5,341	19,368
Total included in the offsetting disclosure	\$ 99,557	\$ 49,831	\$30,245	\$ 37,256	\$216,889
Trading liabilities—Obligation to return securities received as collateral	21,311	—	—	—	21,311
<b>Total</b>	<b>\$ 120,868</b>	<b>\$ 49,831</b>	<b>\$30,245</b>	<b>\$ 37,256</b>	<b>\$238,200</b>

<i>\$ in millions</i>	At December 31, 2019				
	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	\$ 67,158	\$ 81,300	\$26,904	\$ 38,157	\$213,519
Securities loaned	2,378	3,286	516	5,307	11,487
Total included in the offsetting disclosure	\$ 69,536	\$ 84,586	\$27,420	\$ 43,464	\$225,006
Trading liabilities—Obligation to return securities received as collateral	23,877	—	—	—	23,877
<b>Total</b>	<b>\$ 93,413</b>	<b>\$ 84,586</b>	<b>\$27,420</b>	<b>\$ 43,464</b>	<b>\$248,883</b>

Gross Secured Financing Balances by Class of Collateral Pledged

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
<b>Securities sold under agreements to repurchase</b>		
U.S. Treasury and agency securities	\$ 72,901	\$ 68,895
State and municipal securities	546	905
Other sovereign government obligations	91,141	109,414
ABS	2,548	2,218
Corporate and other debt	4,928	6,066
Corporate equities	24,368	25,563
Other	1,089	458
<b>Total</b>	<b>\$ 197,521</b>	<b>\$ 213,519</b>
<b>Securities loaned</b>		
Other sovereign government obligations	\$ 9,440	\$ 3,026
Corporate equities	9,482	8,422
Other	446	39
<b>Total</b>	<b>\$ 19,368</b>	<b>\$ 11,487</b>
Total included in the offsetting disclosure	\$ 216,889	\$ 225,006
<b>Trading liabilities—Obligation to return securities received as collateral</b>		
Corporate equities	\$ 21,251	\$ 23,873
Other	60	4
<b>Total</b>	<b>\$ 21,311</b>	<b>\$ 23,877</b>
<b>Total</b>	<b>\$ 238,200</b>	<b>\$ 248,883</b>

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

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Trading assets	\$ 37,171	\$ 41,201
Loans, before ACL	—	750
<b>Total</b>	<b>\$ 37,171</b>	<b>\$ 41,951</b>

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

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

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Collateral received with right to sell or repledge	\$ 641,888	\$ 679,280
Collateral that was sold or repledged <sup>1</sup>	488,024	539,412

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

**Securities Segregated for Regulatory Purposes**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Segregated securities <sup>1</sup>	30,017	25,061

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

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

**Customer Margin Lending**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Customer receivables representing margin loans	\$ 33,469	\$ 31,916

The Firm provides margin lending arrangements which allow customers to borrow against the value of qualifying securities. Receivables under margin lending arrangements are included within Customer and other receivables in the balance sheets.

Under these agreements and transactions, the Firm receives collateral, which includes U.S. government and agency securities, other sovereign government obligations, corporate and other debt, and corporate equities. Customer receivables generated from margin lending activities are collateralized by customer-owned securities held by the Firm. The Firm monitors required margin levels and established credit terms daily and, pursuant to such guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

For a further discussion of the Firm's margin lending activities, see Note 7 to the financial statements in the 2019 Form 10-K.

The Firm has additional secured liabilities. For a further discussion of other secured financings, see Note 12.

**9. Loans, Lending Commitments and Related  
Allowance for Credit Losses**

As of June 30, 2020, the Firm's loan portfolio consists of the following types of loans:

- *Corporate.* Corporate includes revolving lines of credit, term loans and bridge loans made to corporate entities for a variety of purposes.
- *Secured lending facilities.* Secured lending facilities include loans provided to clients, which are primarily secured by loans which are, in turn, collateralized by various assets including residential real estate, commercial real estate, corporate and financial assets.
- *Residential Real Estate.* Residential real estate loans mainly include non-conforming loans and HELOC.
- *Commercial Real Estate.* Commercial real estate loans include owner-occupied loans and income-producing loans.
- *Securities-based lending and Other.* Securities-based lending includes loans which allow clients to borrow money against the value of qualifying securities for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of these loans are structured as revolving lines of credit. Other primarily includes certain loans originated in the tailored lending business within the Wealth Management business segment.



# Notes to Consolidated Financial Statements (Unaudited)

## Loans by Type<sup>1</sup>

\$ in millions	At June 30, 2020		
	Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	\$ 9,974	\$ 9,360	\$ 19,334
Secured lending facilities	24,733	3,779	28,512
Commercial real estate	7,207	1,337	8,544
Residential real estate	32,193	11	32,204
Securities-based lending and Other loans	54,181	64	54,245
Total loans, before ACL	128,288	14,551	142,839
ACL	(866)		(866)
<b>Total loans, net</b>	<b>\$ 127,422</b>	<b>\$ 14,551</b>	<b>\$ 141,973</b>
Fixed rate loans, net			\$ 28,944
Floating or adjustable rate loans, net			113,029
Loans to non-U.S. borrowers, net			23,165

\$ in millions	At December 31, 2019		
	Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	\$ 5,426	\$ 6,192	\$ 11,618
Secured lending facilities	24,502	4,200	28,702
Commercial real estate	7,859	2,049	9,908
Residential real estate	30,184	13	30,197
Securities-based lending and Other loans	50,438	123	50,561
Total loans, before ACL	118,409	12,577	130,986
ACL	(349)	—	(349)
<b>Total loans, net</b>	<b>\$ 118,060</b>	<b>\$ 12,577</b>	<b>\$ 130,637</b>
Fixed rate loans, net			\$ 22,716
Floating or adjustable rate loans, net			107,921
Loans to non-U.S. borrowers, net			21,617

1. Loans previously classified as corporate have been further disaggregated in the current period; prior period balances have been revised to conform with current period presentation.

## Loans Held for Investment before Allowance by Origination Year

\$ in millions	At June 30, 2020		
	Investment Grade	Non-Investment Grade	Total
Revolving Loans	\$ 2,253	\$ 5,695	\$ 7,948
2020	701	166	867
2019	304	159	463
2018	277	—	277
2017	—	67	67
2016	115	—	115
Prior	122	115	237
<b>Total</b>	<b>\$ 3,772</b>	<b>\$ 6,202</b>	<b>\$ 9,974</b>

\$ in millions	At June 30, 2020		
	Secured lending facilities		
	Investment Grade	Non-Investment Grade	Total
Revolving Loans	\$ 3,692	\$ 14,423	\$ 18,115
2020	49	174	223
2019	278	1,868	2,146
2018	1,181	1,338	2,519
2017	245	515	760
2016	—	479	479
Prior	—	491	491
<b>Total</b>	<b>\$ 5,445</b>	<b>\$ 19,288</b>	<b>\$ 24,733</b>

\$ in millions	At June 30, 2020		
	Commercial real estate		
	Investment Grade	Non-Investment Grade	Total
Revolving Loans	\$ 5	\$ —	\$ 5
2020	17	573	590
2019	529	2,365	2,894
2018	432	1,237	1,669
2017	108	860	968
2016	235	443	678
Prior	10	393	403
<b>Total</b>	<b>\$ 1,336</b>	<b>\$ 5,871</b>	<b>\$ 7,207</b>

\$ in millions	At June 30, 2020					
	Residential real estate					
	by FICO Scores			by LTV Ratio		Total
≥ 740	680-739	≤ 679	≤ 80%	> 80%		
Revolving Loans	\$ 95	\$ 40	\$ 5	\$ 140	\$ —	\$ 140
2020	3,973	799	66	4,602	236	4,838
2019	6,032	1,353	177	7,058	504	7,562
2018	2,579	723	86	3,119	269	3,388
2017	3,052	781	112	3,660	285	3,945
2016	3,725	1,011	149	4,561	324	4,885
Prior	5,241	1,862	332	6,621	814	7,435
<b>Total</b>	<b>\$ 24,697</b>	<b>\$ 6,569</b>	<b>\$ 927</b>	<b>\$ 29,761</b>	<b>\$ 2,432</b>	<b>\$ 32,193</b>

\$ in millions	At June 30, 2020			
	Securities-based lending <sup>1</sup>	Investment Grade	Non-Investment Grade	Total
Revolving Loans	\$ 42,967	\$ 3,936	\$ 740	\$ 47,643
2020	—	472	424	896
2019	17	1,216	615	1,848
2018	232	232	547	1,011
2017	—	692	118	810
2016	—	551	146	697
Prior	16	1,069	191	1,276
<b>Total</b>	<b>\$ 43,232</b>	<b>\$ 8,168</b>	<b>\$ 2,781</b>	<b>\$ 54,181</b>

1. Securities-based loans are subject to collateral maintenance provisions, and at June 30, 2020, these loans are predominantly over-collateralized. For more information on the ACL methodology related to securities-based loans, see Note 2.

2. Other loans primarily include certain loans originated in the tailored lending business within the Wealth Management business segment.

Notes to Consolidated Financial Statements  
(Unaudited)

Past Due Status of Loans Held for Investment before Allowance

\$ in millions	At June 30, 2020		
	Current	Past Due <sup>1</sup>	Total
Corporate	\$ 9,974	\$ —	\$ 9,974
Secured lending facilities	24,733	—	24,733
Commercial real estate	7,207	—	7,207
Residential real estate	31,289	904	32,193
Securities-based lending and Other loans	54,181	—	54,181
<b>Total</b>	<b>\$ 127,384</b>	<b>\$ 904</b>	<b>\$ 128,288</b>

1. The majority of the amounts are less than 90 days past due as of June 30, 2020.

See Note 2 for a description of the ACL calculated under the CECL methodology, including credit quality indicators, used for HFI loans beginning in 2020.

Troubled Debt Restructurings

\$ in millions	At June 30, 2020	At December 31, 2019
Loans, before ACL	\$ 138	\$ 92
Lending commitments	24	32
ACL on Loans and Lending commitments	44	16

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

For a discussion of the Firm's ACL methodology under the prior incurred loss model, including credit quality indicators, used for HFI loans as of December 31, 2019, and a further discussion of the Firm's loans, see Notes 2 and 8 in the 2019 Form 10-K.

Allowance for Credit Losses Rollforward—Loans

\$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	\$ 115	\$ 101	\$ 75	\$ 25	\$ 33	\$ 349
Effect of CECL adoption	(2)	(42)	34	21	(2)	9
Gross charge-offs	(33)	—	—	—	—	(33)
Recovery	—	—	—	—	2	2
Net (charge-offs) recoveries	(33)	—	—	—	2	(31)
Provision (release) <sup>1</sup>	298	63	155	13	9	538
Other	1	—	(38)	—	38	1
<b>June 30, 2020</b>	<b>\$ 379</b>	<b>\$ 122</b>	<b>\$ 226</b>	<b>\$ 59</b>	<b>\$ 80</b>	<b>\$ 866</b>

\$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2018	\$ 62	\$ 60	\$ 67	\$ 20	\$ 29	\$ 238
Gross charge-offs	—	—	—	(1)	—	(1)
Provision (release) <sup>1</sup>	26	8	(3)	4	(1)	34
Other	(5)	(1)	—	—	—	(6)
<b>June 30, 2019</b>	<b>\$ 83</b>	<b>\$ 67</b>	<b>\$ 64</b>	<b>\$ 23</b>	<b>\$ 28</b>	<b>\$ 265</b>

1. The provision for loan losses was \$246 million in the current quarter and \$7 million in the prior year quarter.

Allowance for Credit Losses Rollforward—Lending Commitments

\$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	\$ 201	\$ 27	\$ 7	\$ —	\$ 6	\$ 241
Effect of CECL adoption	(41)	(11)	1	2	(1)	(50)
Provision (release) <sup>1</sup>	73	26	7	(1)	3	108
Other	(2)	—	(4)	—	4	(2)
<b>June 30, 2020</b>	<b>\$ 231</b>	<b>\$ 42</b>	<b>\$ 11</b>	<b>\$ 1</b>	<b>\$ 12</b>	<b>\$ 297</b>

\$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2018	\$ 178	\$ 16	\$ 3	\$ —	\$ 6	\$ 203
Provision (release) <sup>1</sup>	10	7	2	—	1	20
Other	(1)	—	—	—	(1)	(2)
<b>June 30, 2019</b>	<b>\$ 187</b>	<b>\$ 23</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 6</b>	<b>\$ 221</b>

CRE—Commercial real estate  
SBL—Securities-based lending

1. The provision (release) for lending commitments was \$(7) million in the current quarter and \$11 million in the prior year quarter.

The aggregate allowance for loans and lending commitments increased in the current year period, principally reflecting a provision for credit losses within the Institutional Securities business segment primarily resulting from the economic impact of COVID-19. This provision was the result of higher actual and expected future downgrades, revisions to our forecasts reflecting expected future market and macroeconomic conditions and an increase in funded balances. The base scenario used in our ACL models as of June 30, 2020 was generated using a combination of industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is U.S. GDP. The base scenario, among other things, includes a continued sharp drop in U.S. GDP in the current quarter, a U.S. recession, and a recovery supported by fiscal stimulus and monetary policy measures in the U.S. and around

## Notes to Consolidated Financial Statements (Unaudited)

the world beginning in the second half of 2020. For a further discussion of the Firm’s loans as well as the Firm’s allowance methodology prior to the adoption of CECL, refer to Notes 2 and 8 to the financial statements in the 2019 Form 10-K. See Note 4 for further information regarding Loans and lending commitments held at fair value. See Note 13 for details of current commitments to lend in the future.

### Employee Loans

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Currently employed by the Firm <sup>1</sup>	\$ 2,850	N/A
No longer employed by the Firm <sup>2</sup>	147	N/A
Balance	\$ 2,997	\$ 2,980
ACL <sup>3</sup>	(172)	(61)
Balance, net	\$ 2,825	\$ 2,919
Remaining repayment term, weighted average in years	5.0	4.8

- These loans are predominantly current.
- These loans are predominantly past due for a period of 90 days or more.
- The change in ACL includes a \$124 million increase due to the adoption of CECL in the first quarter of 2020.

Employee loans are granted in conjunction with a program established primarily to recruit certain Wealth Management representatives, are full recourse and generally require periodic repayments, and are due in full upon termination of employment with the Firm. These loans are recorded in Customer and other receivables in the balance sheets. The ACL as of June 30, 2020 was calculated under the CECL methodology, while the ACL at December 31, 2019 was calculated under the prior incurred loss model. The related provision is recorded in Compensation and benefits expense in the income statements. See Note 2 for a description of the CECL allowance methodology, including credit quality indicators, for employee loans.

## 10. Other Assets—Equity Method Investments

### Equity Method Investments

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Investments	\$ 2,254	\$ 2,363

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) <sup>1</sup>	\$ (63)	\$ (16)	\$ (34)	\$ (26)

- The current quarter and current year period include an impairment of the Investment Management business segment’s investment in a third-party asset manager.

Equity method investments, other than investments in certain fund interests, are summarized above and are included in Other assets in the balance sheets with related income or loss included in Other revenues in the income statements. See “Net Asset Value Measurements—Fund Interests” in Note 4 for the carrying value of certain of the Firm’s fund interests, which are comprised

of general and limited partnership interests, as well as any related carried interest.

### Japanese Securities Joint Venture

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) from investment in MUMSS	\$ (1)	\$ 6	\$ 31	\$ 9

The Firm and Mitsubishi UFJ Financial Group, Inc. (“MUFG”) formed a joint venture in Japan comprising their respective investment banking and securities businesses by forming two joint venture companies, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“MUMSS”) and Morgan Stanley MUFG Securities Co., Ltd. (“MSMS”) (the “Joint Venture”). The Firm owns a 40% economic interest in the Joint Venture and MUFG owns the other 60%.

The Firm’s 40% voting interest in MUMSS is accounted for under the equity method within the Institutional Securities business segment, and is included in the equity method investment balances above. The Firm consolidates MSMS into the Institutional Securities business segment, based on its 51% voting interest.

The Firm engages in transactions in the ordinary course of business with MUFG and its affiliates, for example investment banking, financial advisory, sales and trading, derivatives, investment management, lending, securitization and other financial services transactions. Such transactions are on substantially the same terms as those that would be available to unrelated third parties for comparable transactions.

## Notes to Consolidated Financial Statements (Unaudited)

Morgan Stanley

### 11. Deposits

#### Deposits

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Savings and demand deposits	\$ 195,586	\$ 149,465
Time deposits	41,263	40,891
<b>Total</b>	<b>\$ 236,849</b>	<b>\$ 190,356</b>
Deposits subject to FDIC insurance	\$ 174,085	\$ 149,966
Time deposits that equal or exceed the FDIC insurance limit	\$ 18	\$ 12

#### Time Deposit Maturities

<i>\$ in millions</i>	At June 30, 2020
2020	\$ 10,342
2021	17,361
2022	4,990
2023	4,164
2024	2,764
Thereafter	1,642
<b>Total</b>	<b>\$ 41,263</b>

### 12. Borrowings and Other Secured Financings

#### Borrowings

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Original maturities of one year or less	\$ 3,226	\$ 2,567
<b>Original maturities greater than one year</b>		
Senior	\$ 191,044	\$ 179,519
Subordinated	11,194	10,541
<b>Total</b>	<b>\$ 202,238</b>	<b>\$ 190,060</b>
<b>Total borrowings</b>	<b>\$ 205,464</b>	<b>\$ 192,627</b>
Weighted average stated maturity, in years <sup>1</sup>	7.5	6.9

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

#### Other Secured Financings

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Original maturities:		
One year or less	\$ 7,256	\$ 7,103
Greater than one year	5,342	6,480
Transfers of assets accounted for as secured financings	1,064	1,115
<b>Total</b>	<b>\$ 13,662</b>	<b>\$ 14,698</b>

Other secured financings include the liabilities related to certain ELNs, transfers of financial assets that are accounted for as financings rather than sales, pledged commodities, consolidated VIEs where the Firm is deemed to be the primary beneficiary and other secured borrowings. These liabilities are generally payable from the cash flows of the related assets accounted for as Trading assets. See Note 14 for further information on other secured financings related to VIEs and securitization activities.

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

### 13. Commitments, Guarantees and Contingencies

#### Commitments

<i>\$ in millions</i>	Years to Maturity at June 30, 2020				
	Less than 1	1-3	3-5	Over 5	Total
Lending:					
Corporate	\$ 17,450	\$ 28,792	\$ 38,624	\$ 1,029	\$ 85,895
Secured lending facilities	5,645	2,956	1,697	194	10,492
Commercial and Residential real estate	132	267	43	260	702
Securities-based lending and Other	11,944	2,902	526	380	15,752
Forward-starting secured financing receivables	83,464	223	—	—	83,687
Central counterparty <sup>1</sup>	300	—	—	12,336	12,636
Investment activities	1,039	245	53	282	1,619
Letters of credit and other financial guarantees	177	2	—	2	181
<b>Total</b>	<b>\$ 120,151</b>	<b>\$ 35,387</b>	<b>\$ 40,943</b>	<b>\$ 14,483</b>	<b>\$ 210,964</b>
Lending commitments participated to third parties					\$ 8,126
Forward-starting secured financing receivables settled within three business days					\$ 68,742

1. Beginning in the first quarter of 2020, commitments to central counterparties are presented separately; these commitments were previously included in Corporate Lending commitments and Forward-starting secured financing receivables depending on the type of agreement. These commitments relate to the Firm's membership in certain clearinghouses and are contingent upon the default of a clearinghouse member or other stress events.

## Notes to Consolidated Financial Statements (Unaudited)

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

For a further description of these commitments, refer to Note 13 to the financial statements in the 2019 Form 10-K.

### Guarantees

#### Maximum Potential Payout/Notional of Obligations under Guarantee Arrangements

\$ in millions	Years to Maturity at June 30, 2020				
	Less than 1	1-3	3-5	Over 5	Total
Credit derivatives	\$ 29,339	\$ 42,620	\$ 113,770	\$ 39,648	\$ 225,377
Other credit contracts	—	—	—	102	102
Non-credit derivatives	1,460,683	1,210,765	403,879	782,142	3,857,469
Standby letters of credit and other financial guarantees issued <sup>1</sup>	1,155	2,243	847	4,131	8,376
Market value guarantees	97	31	—	—	128
Liquidity facilities	4,243	—	—	—	4,243
Whole loan sales guarantees	—	—	3	23,188	23,191
Securitization representations and warranties	—	—	—	67,773	67,773
General partner guarantees	59	154	12	114	339
Client clearing guarantees	4	—	—	—	4

\$ in millions	Carrying Amount Asset (Liability)
Credit derivatives <sup>2</sup>	\$ (3,441)
Other credit contracts	(4)
Non-credit derivatives <sup>2</sup>	(103,176)
Standby letters of credit and other financial guarantees issued <sup>1</sup>	113
Market value guarantees	—
Liquidity facilities	5
Whole loan sales guarantees	—
Securitization representations and warranties <sup>3</sup>	(42)
General partner guarantees	(66)
Client clearing guarantees	—

1. These amounts include certain issued standby letters of credit participated to third parties, totaling \$0.6 billion of notional and collateral/recourse, due to the nature of the Firm's obligations under these arrangements. As of June 30, 2020, the carrying amount of standby letters of credit and other financial guarantees issued includes an allowance for credit losses of \$78 million.

2. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivatives contracts, see Note 6.

3. Primarily related to residential mortgage securitizations.

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

contracts that contingently require the Firm to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

*Client Clearing Guarantees.* In the first quarter of 2020, FICC's sponsored clearing model was updated such that the Firm could be responsible for liquidation of a sponsored member's account and guarantees any resulting loss to the FICC in the event the sponsored member fails to fully pay any net liquidation amount due from the sponsored member to the FICC. Accordingly, the Firm's maximum potential payout amount as of June 30, 2020 reflects the total of the estimated net liquidation amounts for sponsored member accounts.

For more information on the nature of the obligations and related business activities for our guarantees, see Note 13 to the financial statements in the 2019 Form 10-K.

### Other Guarantees and Indemnities

In the normal course of business, the Firm provides guarantees and indemnifications in a variety of transactions. These provisions generally are standard contractual terms. Certain of these guarantees and indemnifications related to indemnities, exchange and clearinghouse member guarantees and merger and acquisition guarantees are described in Note 13 to the financial statements in the 2019 Form 10-K.

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

### Finance Subsidiary

The Parent Company fully and unconditionally guarantees the securities issued by Morgan Stanley Finance LLC, a wholly owned finance subsidiary.

### Contingencies

#### Legal

In addition to the matters described in the following paragraphs, in the normal course of business, the Firm has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the

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primary defendants in such cases are bankrupt or are in financial distress. These actions have included, but are not limited to, residential mortgage and credit crisis-related matters.

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

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

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal proceedings and investigations, the Firm cannot reasonably estimate such losses, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional range of loss can be reasonably estimated for a proceeding or investigation.

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

On July 15, 2010, China Development Industrial Bank ("CDIB") filed a complaint against the Firm, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of the State of New York, New York County ("Supreme Court of NY"). The complaint relates to a \$275 million CDS referencing

the super senior portion of the STACK 2006-1 CDO. The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the Firm misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the Firm knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, fees and costs. On February 28, 2011, the court denied the Firm's motion to dismiss the complaint. On December 21, 2018, the court denied the Firm's motion for summary judgment and granted in part the Firm's motion for sanctions relating to spoliation of evidence. On January 24, 2019, CDIB filed a notice of appeal from the court's December 21, 2018 order, and on January 25, 2019, the Firm filed a notice of appeal from the same order. On March 7, 2019, the court denied the relief that CDIB sought in a motion to clarify and resettle the portion of the court's December 21, 2018 order granting spoliation sanctions. On May 21, 2020, the Appellate Division, First Department ("First Department"), modified the Supreme Court of NY's order to deny the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirmed the denial of the Firm's motion for summary judgment. On June 19, 2020, the Firm moved for leave to appeal the First Department's decision to the New York Court of Appeals ("Court of Appeals"). Based on currently available information, the Firm believes it could incur a loss in this action of up to approximately \$240 million plus pre- and post-judgment interest, fees and costs.

On July 8, 2013, U.S. Bank National Association, in its capacity as trustee, filed a complaint against the Firm styled *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$650 million, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages and interest. On November 24, 2014, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On April 4, 2019, the court denied the Firm's motion to renew its motion to dismiss. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately \$240 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands that it did not repurchase, plus pre- and post-judgment interest, fees and costs, but plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

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

On January 23, 2015, Deutsche Bank National Trust Company, in its capacity as trustee, filed a complaint against the Firm styled *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS Capital I Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.05 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory, equitable and punitive damages, attorneys’ fees, costs and other related expenses, and interest. On December 11, 2015, the court granted in part and denied in part the Firm’s motion to dismiss the complaint. On October 19, 2018, the court granted the Firm’s motion for leave to amend its answer and to stay the case pending resolution of Deutsche Bank National Trust Company’s appeal to the Court of Appeals in another case, styled *Deutsche Bank National Trust Company v. Barclays Bank PLC*, regarding the applicable statute of limitations. On January 17, 2019, the First Department reversed the trial court’s order to the extent that it had granted

in part the Firm’s motion to dismiss the complaint. On June 4, 2019, the First Department granted the Firm’s motion for leave to appeal to the Court of Appeals. On March 19, 2020, the Firm filed a motion for partial summary judgment. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately \$277 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands from a certificate holder and a monoline insurer that the Firm did not repurchase, plus pre- and post-judgment interest, fees and costs, but plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

### Tax

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Tax Authority (“Dutch Authority”) is challenging in the Dutch courts, the prior set-off by the Firm of approximately €124 million (approximately \$139 million) plus accrued interest of withholding tax credits against the Firm’s corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the Firm was not entitled to receive the withholding tax credits on the basis, inter alia, that a Firm subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the Firm failed to provide certain information to the Dutch Authority and keep adequate books and records. On April 26, 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority’s claims with respect to certain of the tax years in dispute. On May 12, 2020, the Court of Appeal in Amsterdam granted the Dutch Authority’s appeal in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On June 22, 2020, the Firm filed an appeal against the decision of the Court of Appeal in Amsterdam before the Dutch High Court.

## 14. Variable Interest Entities and Securitization Activities

### Consolidated VIE Assets and Liabilities by Type of Activity

\$ in millions	At June 30, 2020		At December 31, 2019	
	VIE Assets	VIE Liabilities	VIE Assets	VIE Liabilities
OSF	\$ 718	\$ 392	\$ 696	\$ 391
MABS <sup>1</sup>	411	107	265	4
Other <sup>2</sup>	884	41	987	66
<b>Total</b>	<b>\$ 2,013</b>	<b>\$ 540</b>	<b>\$ 1,948</b>	<b>\$ 461</b>

OSF—Other structured financings

- Amounts include transactions backed by residential mortgage loans, commercial mortgage loans and other types of assets, including consumer or commercial assets and may be in loan or security form. The value of assets is determined based on the fair value of the liabilities and the interests owned by the Firm in such VIEs as the fair values for the liabilities and interests owned are more observable.
- Other primarily includes operating entities, investment funds and structured transactions.

## Notes to Consolidated Financial Statements (Unaudited)

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

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 315	\$ 488
Trading assets at fair value	1,251	943
Customer and other receivables	13	18
Intangible assets	104	111
Other assets	330	388
<b>Total</b>	<b>\$ 2,013</b>	<b>\$ 1,948</b>
<b>Liabilities</b>		
Other secured financings	\$ 493	\$ 422
Other liabilities and accrued expenses	47	39
<b>Total</b>	<b>\$ 540</b>	<b>\$ 461</b>
Noncontrolling interests	\$ 238	\$ 192

Consolidated VIE assets and liabilities are presented in the previous tables after intercompany eliminations. Generally, most assets owned by consolidated VIEs cannot be removed unilaterally by the Firm and are not available to the Firm while the related liabilities issued by consolidated VIEs are non-recourse to the Firm. However, in certain consolidated VIEs, the Firm either has the unilateral right to remove assets or provides additional recourse through derivatives such as total return swaps, guarantees or other forms of involvement.

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

### Non-consolidated VIEs

<i>\$ in millions</i>	At June 30, 2020				
	MABS <sup>1</sup>	CDO	MTOB	OSF	Other <sup>2</sup>
VIE assets (UPB)	\$ 136,083	\$ 2,661	\$ 6,391	\$ 2,198	\$ 45,504
<b>Maximum exposure to loss<sup>3</sup></b>					
Debt and equity interests	\$ 17,721	\$ 240	\$ 25	\$ 1,039	\$ 9,800
Derivative and other contracts	—	—	4,243	—	3,320
Commitments, guarantees and other	664	—	—	—	195
<b>Total</b>	<b>\$ 18,385</b>	<b>\$ 240</b>	<b>\$ 4,268</b>	<b>\$ 1,039</b>	<b>\$ 13,315</b>
<b>Carrying value of variable interests—Assets</b>					
Debt and equity interests	\$ 17,721	\$ 240	\$ 25	\$ 1,038	\$ 9,800
Derivative and other contracts	—	—	5	—	589
<b>Total</b>	<b>\$ 17,721</b>	<b>\$ 240</b>	<b>\$ 30</b>	<b>\$ 1,038</b>	<b>\$ 10,389</b>
Additional VIE assets owned <sup>4</sup>	\$ 11,954				
<b>Carrying value of variable interests—Liabilities</b>					
Derivative and other contracts	\$ —	\$ —	\$ —	\$ —	\$ 168

<i>\$ in millions</i>	At December 31, 2019				
	MABS <sup>1</sup>	CDO	MTOB	OSF	Other <sup>2</sup>
VIE assets (UPB)	\$ 125,603	\$ 2,976	\$ 6,965	\$ 2,288	\$ 51,305
<b>Maximum exposure to loss<sup>3</sup></b>					
Debt and equity interests	\$ 16,314	\$ 240	\$ —	\$ 1,009	\$ 11,977
Derivative and other contracts	—	—	4,599	—	2,995
Commitments, guarantees and other	631	—	—	—	266
<b>Total</b>	<b>\$ 16,945</b>	<b>\$ 240</b>	<b>\$ 4,599</b>	<b>\$ 1,009</b>	<b>\$ 15,238</b>
<b>Carrying value of variable interests—Assets</b>					
Debt and equity interests	\$ 16,314	\$ 240	\$ —	\$ 1,008	\$ 11,977
Derivative and other contracts	—	—	6	—	388
<b>Total</b>	<b>\$ 16,314</b>	<b>\$ 240</b>	<b>\$ 6</b>	<b>\$ 1,008</b>	<b>\$ 12,365</b>
Additional VIE assets owned <sup>4</sup>	\$ 11,453				
<b>Carrying value of variable interests—Liabilities</b>					
Derivative and other contracts	\$ —	\$ —	\$ —	\$ —	\$ 444

MTOB—Municipal tender option bonds

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

The majority of the VIEs included in the previous tables are sponsored by unrelated parties; examples of the Firm's involvement with these VIEs include its secondary market-making activities and the securities held in its Investment securities portfolio (see Note 7).

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

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

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



# Notes to Consolidated Financial Statements (Unaudited)

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

\$ in millions	At June 30, 2020		At December 31, 2019	
	UPB	Debt and Equity Interests	UPB	Debt and Equity Interests
Residential mortgages	\$ 20,347	\$ 3,227	\$ 30,353	\$ 3,993
Commercial mortgages	57,628	3,946	53,892	3,881
U.S. agency collateralized mortgage obligations	53,220	8,832	36,366	6,365
Other consumer or commercial loans	4,888	1,716	4,992	2,075
<b>Total</b>	<b>\$ 136,083</b>	<b>\$ 17,721</b>	<b>\$ 125,603</b>	<b>\$ 16,314</b>

## Transferred Assets with Continuing Involvement<sup>1</sup>

\$ in millions	At June 30, 2020			
	RML	CML	U.S. Agency CMO	CLN and Other <sup>2</sup>
SPE assets (UPB) <sup>3</sup>	\$ 8,583	\$ 81,567	\$ 15,677	\$ 9,131
<b>Retained interests</b>				
Investment grade	\$ 46	\$ 816	\$ 1,427	\$ —
Non-investment grade	15	224	—	88
<b>Total</b>	<b>\$ 61</b>	<b>\$ 1,040</b>	<b>\$ 1,427</b>	<b>\$ 88</b>
<b>Interests purchased in the secondary market</b>				
Investment grade	\$ 1	\$ 169	\$ 43	\$ —
Non-investment grade	31	59	—	—
<b>Total</b>	<b>\$ 32</b>	<b>\$ 228</b>	<b>\$ 43</b>	<b>\$ —</b>
Derivative assets	\$ —	\$ —	\$ —	\$ 529
Derivative liabilities	—	—	—	150

\$ in millions	At December 31, 2019			
	RML	CML	U.S. Agency CMO	CLN and Other <sup>2</sup>
SPE assets (UPB) <sup>3</sup>	\$ 9,850	\$ 86,203	\$ 19,132	\$ 8,410
<b>Retained interests</b>				
Investment grade	\$ 29	\$ 720	\$ 2,376	\$ 1
Non-investment grade	17	254	—	92
<b>Total</b>	<b>\$ 46</b>	<b>\$ 974</b>	<b>\$ 2,376</b>	<b>\$ 93</b>
<b>Interests purchased in the secondary market</b>				
Investment grade	\$ 6	\$ 197	\$ 77	\$ —
Non-investment grade	75	51	—	—
<b>Total</b>	<b>\$ 81</b>	<b>\$ 248</b>	<b>\$ 77</b>	<b>\$ —</b>
Derivative assets	\$ —	\$ —	\$ —	\$ 339
Derivative liabilities	—	—	—	145

\$ in millions	Fair Value At June 30, 2020		
	Level 2	Level 3	Total
<b>Retained interests</b>			
Investment grade	\$ 1,441	\$ 32	\$ 1,473
Non-investment grade	6	78	84
<b>Total</b>	<b>\$ 1,447</b>	<b>\$ 110</b>	<b>\$ 1,557</b>
<b>Interests purchased in the secondary market</b>			
Investment grade	\$ 208	\$ 5	\$ 213
Non-investment grade	45	45	90
<b>Total</b>	<b>\$ 253</b>	<b>\$ 50</b>	<b>\$ 303</b>
Derivative assets	\$ 523	\$ 6	\$ 529
Derivative liabilities	150	—	150

\$ in millions	Fair Value at December 31, 2019		
	Level 2	Level 3	Total
<b>Retained interests</b>			
Investment grade	\$ 2,401	\$ 4	\$ 2,405
Non-investment grade	6	97	103
<b>Total</b>	<b>\$ 2,407</b>	<b>\$ 101</b>	<b>\$ 2,508</b>
<b>Interests purchased in the secondary market</b>			
Investment grade	\$ 278	\$ 2	\$ 280
Non-investment grade	68	58	126
<b>Total</b>	<b>\$ 346</b>	<b>\$ 60</b>	<b>\$ 406</b>
Derivative assets	\$ 337	\$ 2	\$ 339
Derivative liabilities	144	1	145

RML—Residential mortgage loans

CML—Commercial mortgage loans

1. The Transferred Assets with Continuing Involvement tables include transactions with SPEs in which the Firm, acting as principal, transferred financial assets with continuing involvement and received sales treatment.

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

3. Amounts include assets transferred by unrelated transferors.

Transferred assets are carried at fair value prior to securitization, and any changes in fair value are recognized in the income statements. The Firm may act as underwriter of the beneficial interests issued by these securitization vehicles, for which Investment banking revenues are recognized. The Firm may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are generally carried at fair value in the balance sheets with changes in fair value recognized in the income statements. Fair value for these interests is measured using techniques that are consistent with the valuation techniques applied to the Firm's major categories of assets and liabilities as described in Note 2 in the 2019 Form 10-K and Note 4 herein. Further, as permitted by applicable guidance, certain transfers of assets where the Firm's only continuing involvement is a derivative are only reported in the following Assets Sold with Retained Exposure table.

## Proceeds from New Securitization Transactions and Sales of Loans

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
New transactions <sup>1</sup>	\$ 9,189	\$ 7,513	\$ 17,660	\$ 12,246
Retained interests	1,136	635	5,224	3,522
Sales of corporate loans to CLO SPEs <sup>1,2</sup>	73	—	139	—

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

2. Sponsored by non-affiliates.

The Firm has provided, or otherwise agreed to be responsible for, representations and warranties regarding certain assets transferred in securitization transactions sponsored by the Firm (see Note 13).

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**Assets Sold with Retained Exposure**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Gross cash proceeds from sale of assets <sup>1</sup>	\$ 30,190	\$ 38,661
<b>Fair value</b>		
Assets sold	\$ 30,821	\$ 39,137
Derivative assets recognized in the balance sheets	775	647
Derivative liabilities recognized in the balance sheets	138	152

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

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

For a discussion of the Firm's VIEs, the determination and structure of VIEs and securitization activities, see Note 14 to the financial statements in the 2019 Form 10-K.

**15. Regulatory Requirements**

**Regulatory Capital Framework and Requirements**

For a discussion of the Firm's regulatory capital framework, see Note 15 to the financial statements in the 2019 Form 10-K.

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

Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Capital standards require certain adjustments to, and deductions from, capital for purposes of determining these ratios. At June 30, 2020 and December 31, 2019, the Firm's ratios for determining regulatory compliance are based on the Advanced Approach and the Standardized Approach rules, respectively.

In the current year period, the U.S. banking agencies have adopted an interim final rule altering, for purposes of the regulatory capital rules, the required adoption time period for CECL. As of June 30, 2020, the risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period in accordance with the interim final rule.

In addition to the minimum risk-based capital ratio requirements, the Firm is subject to the following Common Equity Tier 1 buffers:

- A greater than 2.5% capital conservation buffer;
- The G-SIB capital surcharge, currently at 3%; and
- Up to a 2.5% CCyB, currently set by U.S. banking agencies at zero.

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

<i>\$ in millions</i>	At June 30, 2020		
	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>			
Common Equity Tier 1 capital	10.0%	\$ 68,712	16.1%
Tier 1 capital	11.5%	77,398	18.1%
Total capital	13.5%	87,048	20.4%
Total RWA		427,034	
<b>Leverage-based capital</b>			
Tier 1 leverage	4.0%	\$ 77,398	8.1%
Adjusted average assets <sup>2</sup>		952,655	
SLR <sup>3</sup>	5.0%	77,398	7.3%
Supplementary leverage exposure <sup>3,4</sup>		1,062,137	

<i>\$ in millions</i>	At December 31, 2019		
	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>			
Common Equity Tier 1 capital	10.0%	\$ 64,751	16.4%
Tier 1 capital	11.5%	73,443	18.6%
Total capital	13.5%	82,708	21.0%
Total RWA		394,177	
<b>Leverage-based capital</b>			
Tier 1 leverage	4.0%	\$ 73,443	8.3%
Adjusted average assets <sup>2</sup>		889,195	
SLR	5.0%	73,443	6.4%
Supplementary leverage exposure <sup>4</sup>		1,155,177	

1. Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on the Firm's ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in the Firm's own capital instruments, certain defined tax assets and other capital deductions.
3. Based on a Federal Reserve interim final rule in effect until March 31, 2021, the Firm's SLR and Supplementary leverage exposure as of June 30, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks.
4. Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.

**Notes to Consolidated Financial Statements  
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**U.S. Bank Subsidiaries' Regulatory Capital and Capital Ratios**

The OCC establishes capital requirements for the Firm's U.S. Bank Subsidiaries and evaluates their compliance with such capital requirements. Regulatory capital requirements for the U.S. Bank Subsidiaries are calculated in a similar manner to the Firm's regulatory capital requirements, although G-SIB capital surcharge requirements do not apply to the U.S. Bank Subsidiaries.

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

At June 30, 2020 and December 31, 2019, the U.S. Bank Subsidiaries' risk-based capital ratios are based on the Standardized Approach rules. At June 30, 2020, the risk-based and leverage-based capital amounts and ratios are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period.

**MSBNA's Regulatory Capital**

At June 30, 2020				
<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5%	7.0%	\$ 17,228	18.9%
Tier 1 capital	8.0%	8.5%	17,228	18.9%
Total capital	10.0%	10.5%	17,844	19.6%
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0%	4.0%	\$ 17,228	10.1%
SLR	6.0%	3.0%	17,228	8.1%
At December 31, 2019				
<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5%	7.0%	\$ 15,919	18.5%
Tier 1 capital	8.0%	8.5%	15,919	18.5%
Total capital	10.0%	10.5%	16,282	18.9%
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0%	4.0%	\$ 15,919	11.3%
SLR	6.0%	3.0%	15,919	8.7%

**MSPBNA's Regulatory Capital**

At June 30, 2020				
<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5%	7.0%	\$ 8,232	21.9%
Tier 1 capital	8.0%	8.5%	8,232	21.9%
Total capital	10.0%	10.5%	8,317	22.2%
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0%	4.0%	\$ 8,232	7.9%
SLR	6.0%	3.0%	8,232	7.6%
At December 31, 2019				
<i>\$ in millions</i>	Well-Capitalized Requirement	Required Ratio <sup>1</sup>	Amount	Ratio
<b>Risk-based capital</b>				
Common Equity Tier 1 capital	6.5%	7.0%	\$ 7,962	24.8%
Tier 1 capital	8.0%	8.5%	7,962	24.8%
Total capital	10.0%	10.5%	8,016	25.0%
<b>Leverage-based capital</b>				
Tier 1 leverage	5.0%	4.0%	\$ 7,962	9.9%
SLR	6.0%	3.0%	7,962	9.4%

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

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

**MS&Co. Regulatory Capital**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Net capital	\$ 13,606	\$ 13,708
Excess net capital	9,411	10,686

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

As an Alternative Net Capital broker-dealer, and in accordance with Securities Exchange Act of 1934 ("Exchange Act") Rule 15c3-1, Appendix E, MS&Co. is subject to minimum net capital and tentative net capital requirements. In addition, MS&Co. must notify the SEC if its tentative net capital falls below certain levels. At June 30, 2020 and December 31, 2019, MS&Co. has exceeded its net capital requirement and has tentative net capital in excess of the minimum and notification requirements.

## Notes to Consolidated Financial Statements (Unaudited)

### MSSB Regulatory Capital

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Net capital	\$ 3,031	\$ 3,387
Excess net capital	2,860	3,238

MSSB is a registered U.S. broker-dealer and introducing broker for the futures business and, accordingly, is subject to the minimum net capital requirements of the SEC. MSSB has consistently operated with capital in excess of its regulatory capital requirements.

### Other Regulated Subsidiaries

MSIP, a London-based broker-dealer subsidiary, is subject to the capital requirements of the PRA, and MSMS, a Tokyo-based broker-dealer subsidiary, is subject to the capital requirements of the Financial Services Agency. MSIP and MSMS have consistently operated with capital in excess of their respective regulatory capital requirements.

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

## 16. Total Equity

### Preferred Stock

<i>\$ in millions, except per share data</i>	Shares Outstanding		Carrying Value	
	At June 30, 2020	Liquidation Preference per Share	At June 30, 2020	At December 31, 2019
<b>Series</b>				
A	44,000	\$ 25,000	\$ 1,100	\$ 1,100
C <sup>1</sup>	519,882	1,000	408	408
E	34,500	25,000	862	862
F	34,000	25,000	850	850
H	52,000	25,000	1,300	1,300
I	40,000	25,000	1,000	1,000
J	60,000	25,000	1,500	1,500
K	40,000	25,000	1,000	1,000
L	20,000	25,000	500	500
<b>Total</b>			<b>\$ 8,520</b>	<b>\$ 8,520</b>
Shares authorized				30,000,000

1. Series C preferred stock is held by MUFG.

For a description of Series A through Series L preferred stock issuances, see Note 16 to the financial statements in the 2019 Form 10-K. The preferred stock has a preference over the common stock upon liquidation. The Firm's preferred stock qualifies as and is included in Tier 1 capital in accordance with regulatory capital requirements (see Note 15).

### Common Shares Outstanding for Basic and Diluted EPS

<i>in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Weighted average common shares outstanding, basic	1,541	1,634	1,548	1,646
Effect of dilutive Stock options, RSUs and PSUs	16	21	17	20
<b>Weighted average common shares outstanding and common stock equivalents, diluted</b>	<b>1,557</b>	<b>1,655</b>	<b>1,565</b>	<b>1,666</b>
Weighted average antidilutive common stock equivalents (excluded from the computation of diluted EPS)	8	—	10	3

### Share Repurchases

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Repurchases of common stock under the Firm's Share Repurchase Program	\$ —	\$ 1,180	\$ 1,347	\$ 2,360

On March 15, 2020, the Financial Services Forum announced that each of its eight member banks, including the Firm, had voluntarily suspended their share repurchase programs. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs, including the Firm, generally will be restricted in making share repurchases during the third quarter of 2020.

A portion of common stock repurchases was conducted under a sales plan with MUFG, whereby MUFG sold shares of the Firm's common stock to the Firm, as part of the Firm's Share Repurchase Program. The sales plan is only intended to maintain MUFG's ownership percentage below 24.9% in order to comply with MUFG's passivity commitments to the Board of Governors of the Federal Reserve System and has no impact on the strategic alliance between MUFG and the Firm, including the joint ventures in Japan.

### Dividends

<i>\$ in millions, except per share data</i>	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Per Share <sup>1</sup>	Total	Per Share <sup>1</sup>	Total
<b>Preferred Stock Series</b>				
A	\$ 253	\$ 11	\$ 253	\$ 11
C	25	13	25	13
E	445	15	445	15
F	430	15	430	15
G <sup>2</sup>	—	—	414	8
H <sup>3</sup>	305	16	681	35
I	398	16	398	16
J <sup>4</sup>	694	42	694	42
K	366	15	366	15
L	305	6	—	—
<b>Total Preferred stock</b>	<b>\$ 149</b>	<b>\$ 170</b>		
<b>Common stock</b>	<b>0.35</b>	<b>\$ 550</b>	<b>0.30</b>	<b>\$ 504</b>

# Notes to Consolidated Financial Statements (Unaudited)

\$ in millions, except per share data	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Per Share <sup>1</sup>	Total	Per Share <sup>1</sup>	Total
<b>Preferred Stock Series</b>				
A	\$ 506	\$ 22	\$ 503	\$ 22
C	50	26	50	26
E	891	30	891	30
F	859	29	859	30
G <sup>2</sup>	—	—	828	16
H <sup>3</sup>	649	34	681	35
I	797	32	797	32
J <sup>4</sup>	694	42	694	42
K	731	30	731	30
L	609	12	—	—
<b>Total Preferred stock</b>	<b>\$ 257</b>	<b>\$ 263</b>		
<b>Common stock</b>	<b>0.70</b>	<b>\$ 1,111</b>	<b>0.60</b>	<b>\$ 1,017</b>

1. Common and Preferred Stock dividends are payable quarterly, unless otherwise noted.
2. Series G preferred stock was redeemed during the first quarter of 2020. For further information, see Note 16 to the 2019 Form 10-K.
3. Series H was payable semiannually until July 15, 2019, and is now payable quarterly.
4. Series J is payable semiannually until July 15, 2020, and then quarterly thereafter.

## Cumulative Adjustments to Beginning Retained Earnings Related to the Adoption of Accounting Updates

\$ in millions	Six Months Ended June 30, 2020	
	Financial Instruments—Credit Losses	\$

\$ in millions	Six Months Ended June 30, 2019	
	Leases	\$

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

\$ in millions	CTA	AFS Securities	Pension, Postretirement and Other	DVA	Total
March 31, 2020	\$(1,038)	\$ 1,532	\$(619)	\$ 2,220	\$ 2,095
OCI during the period	21	295	(1)	(2,409)	(2,094)
<b>June 30, 2020</b>	<b>\$(1,017)</b>	<b>\$ 1,827</b>	<b>\$(620)</b>	<b>\$ (189)</b>	<b>\$ 1</b>
March 31, 2019	\$(901)	\$(501)	\$(577)	\$(494)	\$(2,473)
OCI during the period	36	609	3	(226)	422
June 30, 2019	\$(865)	\$ 108	\$(574)	\$(720)	\$(2,051)
December 31, 2019	\$(897)	\$ 207	\$(644)	\$(1,454)	\$(2,788)
OCI during the period	(120)	1,620	24	1,265	2,789
<b>June 30, 2020</b>	<b>\$(1,017)</b>	<b>\$ 1,827</b>	<b>\$(620)</b>	<b>\$ (189)</b>	<b>\$ 1</b>
December 31, 2018	\$(889)	\$(930)	\$(578)	\$ 105	\$(2,292)
OCI during the period	24	1,038	4	(825)	241
June 30, 2019	\$(865)	\$ 108	\$(574)	\$(720)	\$(2,051)

CTA—Cumulative foreign currency translation adjustments

1. Amounts are net of tax and noncontrolling interests.

## Components of Period Changes in OCI

\$ in millions	Three Months Ended June 30, 2020				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ 5	\$ 19	\$ 24	—	\$ 24
Reclassified to earnings	(3)	—	(3)	—	(3)
<b>Net OCI</b>	<b>\$ 2</b>	<b>\$ 19</b>	<b>\$ 21</b>	<b>—</b>	<b>\$ 21</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ 395	\$(93)	\$ 302	—	\$ 302
Reclassified to earnings	(10)	3	(7)	—	(7)
<b>Net OCI</b>	<b>\$ 385</b>	<b>\$(90)</b>	<b>\$ 295</b>	<b>—</b>	<b>\$ 295</b>
<b>Pension, postretirement and other</b>					
OCI activity	\$ (4)	\$(1)	\$(5)	—	\$(5)
Reclassified to earnings	5	(1)	4	—	4
<b>Net OCI</b>	<b>\$ 1</b>	<b>\$(2)</b>	<b>\$(1)</b>	<b>—</b>	<b>\$(1)</b>
<b>Change in net DVA</b>					
OCI activity	\$(3,301)	\$ 805	\$(2,496)	\$(87)	\$(2,409)
Reclassified to earnings	1	(1)	—	—	—
<b>Net OCI</b>	<b>\$(3,300)</b>	<b>\$ 804</b>	<b>\$(2,496)</b>	<b>\$(87)</b>	<b>\$(2,409)</b>

\$ in millions	Three Months Ended June 30, 2019				
	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ 32	\$ 33	\$ 65	\$ 29	\$ 36
Reclassified to earnings	—	—	—	—	—
<b>Net OCI</b>	<b>\$ 32</b>	<b>\$ 33</b>	<b>\$ 65</b>	<b>\$ 29</b>	<b>\$ 36</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ 849	\$(200)	\$ 649	—	\$ 649
Reclassified to earnings	(53)	13	(40)	—	(40)
<b>Net OCI</b>	<b>\$ 796</b>	<b>\$(187)</b>	<b>\$ 609</b>	<b>—</b>	<b>\$ 609</b>
<b>Pension, postretirement and other</b>					
OCI activity	—	—	—	—	—
Reclassified to earnings	3	—	3	—	3
<b>Net OCI</b>	<b>\$ 3</b>	<b>—</b>	<b>\$ 3</b>	<b>—</b>	<b>\$ 3</b>
<b>Change in net DVA</b>					
OCI activity	\$(330)	\$ 82	\$(248)	\$(20)	\$(228)
Reclassified to earnings	3	(1)	2	—	2
<b>Net OCI</b>	<b>\$(327)</b>	<b>\$ 81</b>	<b>\$(246)</b>	<b>\$(20)</b>	<b>\$(226)</b>

## Notes to Consolidated Financial Statements (Unaudited)

### Six Months Ended June 30, 2020

<i>\$ in millions</i>	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non- controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ (15)	\$ (93)	\$ (108)	\$ 9	\$ (117)
Reclassified to earnings	(3)	—	(3)	—	(3)
<b>Net OCI</b>	<b>\$ (18)</b>	<b>\$ (93)</b>	<b>\$ (111)</b>	<b>\$ 9</b>	<b>\$ (120)</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ 2,168	\$ (509)	\$ 1,659	\$ —	\$ 1,659
Reclassified to earnings	(51)	12	(39)	—	(39)
<b>Net OCI</b>	<b>\$ 2,117</b>	<b>\$ (497)</b>	<b>\$ 1,620</b>	<b>\$ —</b>	<b>\$ 1,620</b>
<b>Pension, postretirement and other</b>					
OCI activity	\$ 21	\$ (5)	\$ 16	\$ —	\$ 16
Reclassified to earnings	10	(2)	8	—	8
<b>Net OCI</b>	<b>\$ 31</b>	<b>\$ (7)</b>	<b>\$ 24</b>	<b>\$ —</b>	<b>\$ 24</b>
<b>Change in net DVA</b>					
OCI activity	\$ 1,714	\$ (411)	\$ 1,303	\$ 42	\$ 1,261
Reclassified to earnings	6	(2)	4	—	4
<b>Net OCI</b>	<b>\$ 1,720</b>	<b>\$ (413)</b>	<b>\$ 1,307</b>	<b>\$ 42</b>	<b>\$ 1,265</b>

### Six Months Ended June 30, 2019

<i>\$ in millions</i>	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non- controlling Interests	Net
<b>CTA</b>					
OCI activity	\$ 28	\$ 15	\$ 43	\$ 19	\$ 24
Reclassified to earnings	—	—	—	—	—
<b>Net OCI</b>	<b>\$ 28</b>	<b>\$ 15</b>	<b>\$ 43</b>	<b>\$ 19</b>	<b>\$ 24</b>
<b>Change in net unrealized gains (losses) on AFS securities</b>					
OCI activity	\$ 1,419	\$ (333)	\$ 1,086	\$ —	\$ 1,086
Reclassified to earnings	(63)	15	(48)	—	(48)
<b>Net OCI</b>	<b>\$ 1,356</b>	<b>\$ (318)</b>	<b>\$ 1,038</b>	<b>\$ —</b>	<b>\$ 1,038</b>
<b>Pension, postretirement and other</b>					
OCI activity	\$ —	\$ (1)	\$ (1)	\$ —	\$ (1)
Reclassified to earnings	6	(1)	5	—	5
<b>Net OCI</b>	<b>\$ 6</b>	<b>\$ (2)</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ 4</b>
<b>Change in net DVA</b>					
OCI activity	\$(1,154)	\$ 283	\$(871)	\$(41)	\$(830)
Reclassified to earnings	7	(2)	5	—	5
<b>Net OCI</b>	<b>\$(1,147)</b>	<b>\$ 281</b>	<b>\$(866)</b>	<b>\$(41)</b>	<b>\$(825)</b>

## 17. Interest Income and Interest Expense

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Interest income</b>				
Investment securities	\$ 629	\$ 509	\$ 1,074	\$ 984
Loans	1,050	1,196	2,204	2,391
Securities purchased under agreements to resell and Securities borrowed <sup>1</sup>	(141)	1,047	257	1,994
Trading assets, net of Trading liabilities	616	747	1,365	1,460
Customer receivables and Other <sup>2</sup>	204	1,007	961	1,967
<b>Total interest income</b>	<b>\$ 2,358</b>	<b>\$ 4,506</b>	<b>\$ 5,861</b>	<b>\$ 8,796</b>
<b>Interest expense</b>				
Deposits	\$ 220	\$ 493	\$ 626	\$ 955
Borrowings	823	1,342	1,820	2,722
Securities sold under agreements to repurchase and Securities loaned <sup>3</sup>	209	735	718	1,335
Customer payables and Other <sup>4</sup>	(494)	907	(259)	1,741
<b>Total interest expense</b>	<b>\$ 758</b>	<b>\$ 3,477</b>	<b>\$ 2,905</b>	<b>\$ 6,753</b>
<b>Net interest</b>	<b>\$ 1,600</b>	<b>\$ 1,029</b>	<b>\$ 2,956</b>	<b>\$ 2,043</b>

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

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

### Accrued Interest

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Customer and other receivables	\$ 1,986	\$ 1,661
Customer and other payables	2,558	2,223

## 18. Income Taxes

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

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

## Notes to Consolidated Financial Statements (Unaudited)

The Firm has established a liability for unrecognized tax benefits, and associated interest, if applicable (“tax liabilities”), that it believes is adequate in relation to the potential for additional assessments. Once established, the Firm adjusts such tax liabilities only when new information is available or when an event occurs necessitating a change.

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

### Net Discrete Tax Provisions (Benefits)

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Recurring <sup>1</sup>	\$ 5	\$ (20)	\$ (94)	\$ (127)
Intermittent	134	—	103	(101)

1. Recurring discrete tax items are related to conversion of employee share-based awards.

The current quarter and current year period included intermittent net discrete tax costs principally associated with the remeasurement of reserves and interest related to a foreign tax matter.

The prior year period included intermittent net discrete tax benefits primarily associated with remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations.

## 19. Segment, Geographic and Revenue Information

### Selected Financial Information by Business Segment

\$ in millions	Three Months Ended June 30, 2020				
	IS	WM	IM	I/E	Total
Investment banking	\$ 2,051	\$ 110	\$ —	\$ (19)	\$ 2,142
Trading	4,152	492	22	17	4,683
Investments	36	8	231	—	275
Commissions and fees <sup>1</sup>	717	473	—	(88)	1,102
Asset management <sup>1</sup>	115	2,507	684	(41)	3,265
Other	337	60	(47)	(3)	347
Total non-interest revenues	7,408	3,650	890	(134)	11,814
Interest income	1,300	1,210	7	(159)	2,358
Interest expense	731	180	11	(164)	758
Net interest	569	1,030	(4)	5	1,600
<b>Net revenues</b>	<b>\$ 7,977</b>	<b>\$ 4,680</b>	<b>\$ 886</b>	<b>\$ (129)</b>	<b>\$13,414</b>
Income before provision for income taxes	\$ 2,993	\$ 1,142	\$ 216	\$ 4	\$ 4,355
Provision for income taxes	790	289	39	1	1,119
Net income	2,203	853	177	3	3,236
Net income applicable to noncontrolling interests	17	—	23	—	40
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,186</b>	<b>\$ 853</b>	<b>\$ 154</b>	<b>\$ 3</b>	<b>\$ 3,196</b>

\$ in millions	Three Months Ended June 30, 2019				
	IS	WM	IM	I/E	Total
Investment banking	\$ 1,472	\$ 138	\$ (1)	\$ (19)	\$ 1,590
Trading	2,558	162	(1)	13	2,732
Investments	194	—	247	—	441
Commissions and fees <sup>1</sup>	625	428	—	(74)	979
Asset management <sup>1</sup>	103	2,544	612	(39)	3,220
Other	143	120	(9)	(1)	253
Total non-interest revenues	5,095	3,392	848	(120)	9,215
Interest income	3,289	1,348	6	(137)	4,506
Interest expense	3,271	332	15	(141)	3,477
Net interest	18	1,016	(9)	4	1,029
<b>Net revenues</b>	<b>\$ 5,113</b>	<b>\$ 4,408</b>	<b>\$ 839</b>	<b>\$ (116)</b>	<b>\$10,244</b>
Income before provision for income taxes	\$ 1,463	\$ 1,243	\$ 199	\$ (2)	\$ 2,903
Provision for income taxes	324	290	44	(1)	657
Net income	1,139	953	155	(1)	2,246
Net income applicable to noncontrolling interests	18	—	27	—	45
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 1,121</b>	<b>\$ 953</b>	<b>\$ 128</b>	<b>\$ (1)</b>	<b>\$ 2,201</b>

## Notes to Consolidated Financial Statements (Unaudited)

\$ in millions	Six Months Ended June 30, 2020				
	IS	WM	IM	I/E	Total
Investment banking	\$ 3,195	\$ 268	\$ —	\$ (50)	\$ 3,413
Trading	7,568	145	(15)	41	7,739
Investments	11	8	294	—	313
Commissions and fees <sup>1</sup>	1,591	1,061	—	(190)	2,462
Asset management <sup>1</sup>	228	5,187	1,349	(82)	6,682
Other	(742)	122	(40)	(4)	(664)
Total non-interest revenues	11,851	6,791	1,588	(285)	19,945
Interest income	3,723	2,403	15	(280)	5,861
Interest expense	2,692	477	25	(289)	2,905
Net interest	1,031	1,926	(10)	9	2,956
<b>Net revenues</b>	<b>\$12,882</b>	<b>\$ 8,717</b>	<b>\$1,578</b>	<b>\$ (276)</b>	<b>\$22,901</b>
Income before provision for income taxes	\$ 3,943	\$ 2,197	\$ 359	\$ 2	\$ 6,501
Provision for income taxes	941	480	64	—	1,485
Net income	3,002	1,717	295	2	5,016
Net income applicable to noncontrolling interests	59	—	63	—	122
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,943</b>	<b>\$ 1,717</b>	<b>\$ 232</b>	<b>\$ 2</b>	<b>\$ 4,894</b>

\$ in millions	Six Months Ended June 30, 2019				
	IS	WM	IM	I/E	Total
Investment banking	\$ 2,623	\$ 247	\$ (1)	\$ (37)	\$ 2,832
Trading	5,688	464	(4)	25	6,173
Investments	275	1	438	—	714
Commissions and fees <sup>1</sup>	1,246	834	—	(135)	1,945
Asset management <sup>1</sup>	210	4,905	1,229	(75)	6,269
Other	365	200	(6)	(5)	554
Total non-interest revenues	10,407	6,651	1,656	(227)	18,487
Interest income	6,345	2,761	10	(320)	8,796
Interest expense	6,443	615	23	(328)	6,753
Net interest	(98)	2,146	(13)	8	2,043
<b>Net revenues</b>	<b>\$10,309</b>	<b>\$ 8,797</b>	<b>\$1,643</b>	<b>\$ (219)</b>	<b>\$20,530</b>
Income before provision for income taxes	\$ 3,058	\$ 2,431	\$ 373	\$ (4)	\$ 5,858
Provision for income taxes	514	554	77	(1)	1,144
Net income	2,544	1,877	296	(3)	4,714
Net income applicable to noncontrolling interests	52	—	32	—	84
<b>Net income applicable to Morgan Stanley</b>	<b>\$ 2,492</b>	<b>\$ 1,877</b>	<b>\$ 264</b>	<b>\$ (3)</b>	<b>\$ 4,630</b>

I/E—Intersegment Eliminations

1. Substantially all revenues are from contracts with customers.

For a discussion about the Firm's business segments, see Note 21 to the financial statements in the 2019 Form 10-K.

### Detail of Investment Banking Revenues

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Institutional Securities Advisory	\$ 462	\$ 506	\$ 824	\$ 912
Institutional Securities Underwriting	1,589	966	2,371	1,711
Firm Investment banking revenues from contracts with customers	92%	90%	91%	90%

### Trading Revenues by Product Type

\$ in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest rate	\$ 1,008	\$ 604	\$ 2,082	\$ 1,389
Foreign exchange	127	73	465	314
Equity security and index <sup>1</sup>	1,943	1,478	3,016	2,929
Commodity and other	603	264	868	686
Credit	1,002	313	1,308	855
<b>Total</b>	<b>\$ 4,683</b>	<b>\$ 2,732</b>	<b>\$ 7,739</b>	<b>\$ 6,173</b>

1. Dividend income is included within equity security and index contracts.

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

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

\$ in millions	At June 30, 2020	At December 31, 2019
	Net cumulative unrealized performance-based fees at risk of reversing	\$ 730

The Firm's portion of net cumulative performance-based fees in the form of unrealized carried interest (for which the Firm is not obligated to pay compensation) are at risk of reversing when the return in certain funds fall below specified performance targets. See Note 13 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received.



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

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

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Fee waivers	\$ 22	\$ 10	\$ 33	\$ 21

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

***Certain Other Fee Waivers***

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

**Net Revenues by Region**

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Americas	\$ 9,765	\$ 7,526	\$ 16,411	\$ 14,847
EMEA	2,049	1,576	3,197	3,278
Asia	1,600	1,142	3,293	2,405
<b>Total</b>	<b>\$ 13,414</b>	<b>\$ 10,244</b>	<b>\$ 22,901</b>	<b>\$ 20,530</b>

For a discussion about the Firm's geographic net revenues, see Note 21 to the financial statements in the 2019 Form 10-K.

**Revenue Recognized from Prior Services**

<i>\$ in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Non-interest revenues	\$ 680	\$ 725	\$ 1,242	\$ 1,344

The previous table includes revenue from contracts with customers recognized where some or all services were performed in prior periods and is primarily composed of investment banking advisory fees and distribution fees.

**Receivables from Contracts with Customers**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Customer and other receivables	\$ 3,009	\$ 2,916

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

**Assets by Business Segment**

<i>\$ in millions</i>	At June 30, 2020	At December 31, 2019
Institutional Securities	\$ 727,137	\$ 691,201
Wealth Management	241,651	197,682
Investment Management	6,575	6,546
<b>Total<sup>1</sup></b>	<b>\$ 975,363</b>	<b>\$ 895,429</b>

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

## Average Balances and Interest Rates and Net Interest Income

\$ in millions	Three Months Ended June 30,					
	2020			2019		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
<b>Interest earning assets</b>						
Investment securities <sup>1</sup>	\$ 123,713	\$ 629	2.0 %	\$ 99,634	\$ 509	2.0 %
Loans <sup>1</sup>	147,326	1,050	2.9	118,091	1,196	4.1
Securities purchased under agreements to resell and Securities borrowed <sup>2</sup> :						
U.S.	141,722	(85)	(0.2)	145,795	1,005	2.8
Non-U.S.	61,283	(56)	(0.4)	76,144	42	0.2
Trading assets, net of Trading liabilities <sup>3</sup> :						
U.S.	70,641	489	2.8	81,129	661	3.3
Non-U.S.	24,757	127	2.1	12,749	86	2.7
Customer receivables and Other <sup>4</sup> :						
U.S.	87,620	166	0.8	60,536	710	4.7
Non-U.S.	62,126	38	0.2	60,807	297	2.0
<b>Total</b>	<b>\$ 719,188</b>	<b>\$ 2,358</b>	<b>1.3 %</b>	<b>\$ 654,885</b>	<b>\$ 4,506</b>	<b>2.8 %</b>
<b>Interest bearing liabilities</b>						
Deposits <sup>1</sup>	\$ 235,370	\$ 220	0.4 %	\$ 175,967	\$ 493	1.1 %
Borrowings <sup>1,5</sup>	202,280	823	1.6	192,518	1,342	2.8
Securities sold under agreements to repurchase and Securities loaned <sup>6</sup> :						
U.S.	28,840	92	1.3	35,268	534	6.1
Non-U.S.	30,446	117	1.5	31,342	201	2.6
Customer payables and Other <sup>7</sup> :						
U.S.	121,977	(403)	(1.3)	124,119	585	1.9
Non-U.S.	63,778	(91)	(0.6)	64,693	322	2.0
<b>Total</b>	<b>\$ 682,691</b>	<b>\$ 758</b>	<b>0.4 %</b>	<b>\$ 623,907</b>	<b>\$ 3,477</b>	<b>2.2 %</b>
<b>Net interest income and net interest rate spread</b>		<b>\$ 1,600</b>	<b>0.9 %</b>		<b>\$ 1,029</b>	<b>0.6 %</b>

\$ in millions	Six Months Ended June 30,					
	2020			2019		
	Average Daily Balance	Interest	Annualized Average Rate	Average Daily Balance	Interest	Annualized Average Rate
<b>Interest earning assets</b>						
Investment securities <sup>1</sup>	\$ 116,995	\$ 1,074	1.8 %	\$ 97,283	\$ 984	2.0 %
Loans <sup>1</sup>	140,884	2,204	3.1	117,398	2,391	4.1
Securities purchased under agreements to resell and Securities borrowed <sup>2</sup> :						
U.S.	131,357	293	0.4	143,119	1,939	2.7
Non-U.S.	59,131	(36)	(0.1)	77,389	55	0.1
Trading assets, net of Trading liabilities <sup>3</sup> :						
U.S.	74,663	1,115	3.0	77,646	1,292	3.4
Non-U.S.	23,905	250	2.1	12,488	168	2.7
Customer receivables and Other <sup>4</sup> :						
U.S.	77,694	721	1.9	61,756	1,407	4.6
Non-U.S.	61,078	240	0.8	58,824	560	1.9
<b>Total</b>	<b>\$ 685,707</b>	<b>\$ 5,861</b>	<b>1.7 %</b>	<b>\$ 645,903</b>	<b>\$ 8,796</b>	<b>2.7 %</b>
<b>Interest bearing liabilities</b>						
Deposits <sup>1</sup>	\$ 217,472	\$ 626	0.6 %	\$ 178,478	\$ 955	1.1 %
Borrowings <sup>1,5</sup>	197,171	1,820	1.9	190,859	2,722	2.9
Securities sold under agreements to repurchase and Securities loaned <sup>6</sup> :						
U.S.	29,954	420	2.8	31,192	984	6.4
Non-U.S.	30,261	298	2.0	31,617	351	2.2
Customer payables and Other <sup>7</sup> :						
U.S.	125,797	(294)	(0.5)	121,002	1,139	1.9
Non-U.S.	63,375	35	0.1	65,076	602	1.9
<b>Total</b>	<b>\$ 664,030</b>	<b>\$ 2,905</b>	<b>0.9 %</b>	<b>\$ 618,224</b>	<b>\$ 6,753</b>	<b>2.2 %</b>
<b>Net interest income and net interest rate spread</b>		<b>\$ 2,956</b>	<b>0.8 %</b>		<b>\$ 2,043</b>	<b>0.5 %</b>

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

## Glossary of Common Terms and Acronyms

<b>2019 Form 10-K</b>	Annual report on Form 10-K for year ended December 31, 2019 filed with the SEC	<b>ELN</b>	Equity-linked note(s)
<b>ABS</b>	Asset-backed securities	<b>EMEA</b>	Europe, Middle East and Africa
<b>ACL</b>	Allowance for credit losses	<b>EPS</b>	Earnings per common share
<b>AFS</b>	Available-for-sale	<b>E.U.</b>	European Union
<b>AML</b>	Anti-money laundering	<b>FDIC</b>	Federal Deposit Insurance Corporation
<b>AOCI</b>	Accumulated other comprehensive income (loss)	<b>FFELP</b>	Federal Family Education Loan Program
<b>AUM</b>	Assets under management or supervision	<b>FFIEC</b>	Federal Financial Institutions Examination Council
<b>Balance sheets</b>	Consolidated balance sheets	<b>FHC</b>	Financial Holding Company
<b>BEAT</b>	Base erosion and anti-abuse tax	<b>FICC</b>	Fixed Income Clearing Corporation
<b>BHC</b>	Bank holding company	<b>FICO</b>	Fair Isaac Corporation
<b>bps</b>	Basis points; one basis point equals 1/100th of 1%	<b>Financial statements</b>	Consolidated financial statements
<b>Cash flow statements</b>	Consolidated cash flow statements	<b>FVA</b>	Funding valuation adjustment
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>GILTI</b>	Global Intangible Low-Taxed Income
<b>CCyB</b>	Countercyclical capital buffer	<b>G-SIB</b>	Global systemically important banks
<b>CDO</b>	Collateralized debt obligation(s), including Collateralized loan obligation (s)	<b>HELOC</b>	Home Equity Line of Credit
<b>CDS</b>	Credit default swaps	<b>HQLA</b>	High-quality liquid assets
<b>CECL</b>	Current Expected Credit Losses, as calculated under the Financial Instruments—Credit Losses accounting update	<b>HTM</b>	Held-to-maturity
<b>CFTC</b>	U.S. Commodity Futures Trading Commission	<b>I/E</b>	Intersegment eliminations
<b>CLN</b>	Credit-linked note(s)	<b>IHC</b>	Intermediate holding company
<b>CLO</b>	Collateralized loan obligation(s)	<b>IM</b>	Investment Management
<b>CMBS</b>	Commercial mortgage-backed securities	<b>Income statements</b>	Consolidated income statements
<b>CMO</b>	Collateralized mortgage obligation(s)	<b>IRS</b>	Internal Revenue Service
<b>CVA</b>	Credit valuation adjustment	<b>IS</b>	Institutional Securities
<b>DVA</b>	Debt valuation adjustment	<b>LCR</b>	Liquidity coverage ratio, as adopted by the U.S. banking agencies
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortization	<b>LIBOR</b>	London Interbank Offered Rate
		<b>M&amp;A</b>	Merger, acquisition and restructuring transaction
		<b>MSBNA</b>	Morgan Stanley Bank, N.A.
		<b>MS&amp;Co.</b>	Morgan Stanley & Co. LLC

**Glossary of Common Terms and Acronyms**

<b>MSIP</b>	Morgan Stanley & Co. International plc	<b>ROE</b>	Return on average common equity
<b>MSMS</b>	Morgan Stanley MUFG Securities Co., Ltd.	<b>ROTCE</b>	Return on average tangible common equity
<b>MSPBNA</b>	Morgan Stanley Private Bank, National Association	<b>ROU</b>	Right-of-use
<b>MSSB</b>	Morgan Stanley Smith Barney LLC	<b>RSU</b>	Restricted stock unit
<b>MUFG</b>	Mitsubishi UFJ Financial Group, Inc.	<b>RWA</b>	Risk-weighted assets
<b>MUMSS</b>	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	<b>SEC</b>	U.S. Securities and Exchange Commission
<b>MWh</b>	Megawatt hour	<b>SLR</b>	Supplementary leverage ratio
<b>N/A</b>	Not Applicable	<b>SOFR</b>	Secured Overnight Financing Rate
<b>N/M</b>	Not Meaningful	<b>S&amp;P</b>	Standard & Poor's
<b>NAV</b>	Net asset value	<b>SPE</b>	Special purpose entity
<b>Non-GAAP</b>	Non-generally accepted accounting principles	<b>SPOE</b>	Single point of entry
<b>NSFR</b>	Net stable funding ratio, as proposed by the U.S. banking agencies	<b>TDR</b>	Troubled debt restructuring
<b>OCC</b>	Office of the Comptroller of the Currency	<b>TLAC</b>	Total loss-absorbing capacity
<b>OCI</b>	Other comprehensive income (loss)	<b>U.K.</b>	United Kingdom
<b>OIS</b>	Overnight index swap	<b>UPB</b>	Unpaid principal balance
<b>OTC</b>	Over-the-counter	<b>U.S.</b>	United States of America
<b>OTTI</b>	Other-than-temporary impairment	<b>U.S. GAAP</b>	Accounting principles generally accepted in the United States of America
<b>PRA</b>	Prudential Regulation Authority	<b>VaR</b>	Value-at-Risk
<b>PSU</b>	Performance-based stock unit	<b>VIE</b>	Variable interest entity
<b>RMBS</b>	Residential mortgage-backed securities	<b>WACC</b>	Implied weighted average cost of capital
		<b>WM</b>	Wealth Management

## Other Information

None.

## Legal Proceedings

The following developments have occurred since previously reporting certain matters in the Firm's 2019 Form 10-K and the Firm's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (the "First Quarter Form 10-Q"). See also the disclosures set forth under "Legal Proceedings" in the 2019 Form 10-K and the First Quarter Form 10-Q.

### Residential Mortgage and Credit Crisis Related Matter

On May 21, 2020, the First Department, modified the order of the Supreme Court of NY in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.*, to deny the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirmed the denial of the Firm's motion for summary judgment. On June 19, 2020, the Firm moved for leave to appeal the First Department's decision to the Court of Appeals.

### European Matters

#### Tax

On May 12, 2020, the Court of Appeal in Amsterdam granted the Dutch Authority's appeal in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On June 22, 2020, the Firm filed an appeal against the decision of the Court of Appeal in Amsterdam before the Dutch High Court.

#### Other

On July 14, 2020, the Italian Supreme Court in the matter styled *Case number 2012/00406/MNV* scheduled a hearing to take place on November 17, 2020.

## Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

Three Months Ended June 30, 2020

<i>\$ in millions, except per share data</i>	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid Per Share	Total Shares Purchased as Part of Share Repurchase Program <sup>2-3</sup>	Dollar Value of Remaining Authorized Repurchase
April	763,709	\$ 33.98	—	\$ 1,653
May	19,727	\$ 39.41	—	\$ 1,653
June	20,993	\$ 43.89	—	\$ —
<b>Total</b>	<b>804,429</b>	<b>\$ 34.37</b>	<b>—</b>	

1. Refers to shares acquired by the Firm in satisfaction of the tax withholding obligations on stock-based awards granted under the Firm's stock-based compensation plans during the three months ended June 30, 2020.
2. Share purchases under publicly announced programs are made pursuant to open-market purchases, Rule 10b5-1 plans or privately negotiated transactions (including with employee benefit plans) as market conditions warrant and at prices the Firm deems appropriate and may be suspended at any time. On April 18, 2018, the Firm entered into a sales plan with Mitsubishi UFJ Financial Group, Inc. ("MUFG"). See Note 16 to the financial statements for further information on the sales plan.
3. The Firm's Board of Directors has authorized the repurchase of the Firm's outstanding stock under a share repurchase program (the "Share Repurchase Program") from time to time as conditions warrant and subject to regulatory non-objection. The Share Repurchase Program is a program for capital management purposes that considers, among other things, business segment capital needs, as well as equity-based compensation and benefit plan requirements. The Share Repurchase Program has no set expiration or termination date.

Share repurchases by the Firm are subject to regulatory non-objection. On June 27, 2019, the Federal Reserve published summary results of CCAR and the Firm received a non-objection to its 2019 Capital Plan. The Firm's 2019 Capital Plan includes a share repurchase of up to \$6.0 billion of its outstanding common stock during the period beginning July 1, 2019 through June 30, 2020. On March 15, 2020, the Financial Services Forum announced that each of its eight member banks, including the Firm, had voluntarily suspended their share repurchase programs. As a result, \$1.7 billion of share repurchase authorization expired unused on June 30, 2020. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs, including the Firm, generally will be restricted in making share repurchases during the third quarter of 2020. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans and Stress Tests."

## Controls and Procedures

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

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

## Exhibits

### Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
15	<a href="#">Letter of awareness from Deloitte &amp; Touche LLP, dated August 4, 2020, concerning unaudited interim financial information.</a>
31.1	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer.</a>
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer.</a>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer.</a>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer.</a>
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline eXtensible Business Reporting Language ("Inline XBRL").
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

**SIGNATURES**

**Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.**

**MORGAN STANLEY  
(Registrant)**

By:   /s/ JONATHAN PRUZAN  
**Jonathan Pruzan**  
**Executive Vice President and**  
**Chief Financial Officer**

By:   /s/ RAJA J. AKRAM  
**Raja J. Akram**  
**Deputy Chief Financial Officer,**  
**Chief Accounting Officer and Controller**

Date: August 4, 2020

To the Board of Directors and Shareholders of Morgan Stanley:

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited condensed consolidated interim financial statements of Morgan Stanley and subsidiaries (the “Firm”) for the three-month and six-month periods ended June 30, 2020 and 2019, as indicated in our report dated August 4, 2020; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, is incorporated by reference in the following Registration Statements of the Firm:

**Filed on Form S-3:**

Registration Statement No. 33-57202  
 Registration Statement No. 33-60734  
 Registration Statement No. 33-89748  
 Registration Statement No. 33-92172  
 Registration Statement No. 333-07947  
 Registration Statement No. 333-27881  
 Registration Statement No. 333-27893  
 Registration Statement No. 333-27919  
 Registration Statement No. 333-46403  
 Registration Statement No. 333-46935  
 Registration Statement No. 333-76111  
 Registration Statement No. 333-75289  
 Registration Statement No. 333-34392  
 Registration Statement No. 333-47576  
 Registration Statement No. 333-83616  
 Registration Statement No. 333-106789  
 Registration Statement No. 333-117752  
 Registration Statement No. 333-129243  
 Registration Statement No. 333-131266  
 Registration Statement No. 333-155622  
 Registration Statement No. 333-156423  
 Registration Statement No. 333-178081  
 Registration Statement No. 333-200365  
 Registration Statement No. 333-200365-12  
 Registration Statement No. 333-221595  
 Registration Statement No. 333-221595-01

**Filed on Form S-4:**

Registration Statement No. 333-25003  
 Registration Statement No. 333-237743

**Filed on Form S-8:**

Registration Statement No. 33-63024  
 Registration Statement No. 33-63026  
 Registration Statement No. 33-78038  
 Registration Statement No. 33-79516  
 Registration Statement No. 33-82240  
 Registration Statement No. 33-82242  
 Registration Statement No. 33-82244  
 Registration Statement No. 333-04212  
 Registration Statement No. 333-28141  
 Registration Statement No. 333-28263  
 Registration Statement No. 333-62869  
 Registration Statement No. 333-78081  
 Registration Statement No. 333-95303  
 Registration Statement No. 333-55972  
 Registration Statement No. 333-85148  
 Registration Statement No. 333-85150  
 Registration Statement No. 333-108223  
 Registration Statement No. 333-142874  
 Registration Statement No. 333-146954  
 Registration Statement No. 333-159503  
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 Registration Statement No. 333-168278  
 Registration Statement No. 333-172634  
 Registration Statement No. 333-177454  
 Registration Statement No. 333-183595  
 Registration Statement No. 333-188649  
 Registration Statement No. 333-192448  
 Registration Statement No. 333-204504  
 Registration Statement No. 333-211723  
 Registration Statement No. 333-218377  
 Registration Statement No. 333-231913

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

New York, New York

August 4, 2020



## Certification

I, James P. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Morgan Stanley;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

/s/ JAMES P. GORMAN

James P. Gorman

Chairman of the Board and Chief Executive Officer

## Certification

I, Jonathan Pruzan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Morgan Stanley;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2020

/s/ JONATHAN PRUZAN

Jonathan Pruzan

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Morgan Stanley (the “Firm”) on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James P. Gorman, Chairman of the Board and Chief Executive Officer of the Firm, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Firm.

/s/ JAMES P. GORMAN

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James P. Gorman  
Chairman of the Board and  
Chief Executive Officer

Date: August 4, 2020

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Morgan Stanley (the “Firm”) on Form 10-Q for the quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan Pruzan, Executive Vice President and Chief Financial Officer of the Firm, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Firm.

/s/ JONATHAN PRUZAN

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Jonathan Pruzan  
Executive Vice President and  
Chief Financial Officer

Date: August 4, 2020