UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the year ended December 31, 2024

Commission File Number 1-11758

Morgan Stanley

(Exact name of Registrant as specified in its charter)

Delaware	1585 Broadway New York, NY 10036	36-3145972	(212) 761-4000
(State or other jurisdiction of incorporation or organization)	(Address of principal executive offices, including Zip Code)	(I.R.S. Employer Identification No.)	(Registrant's telephone number, including area code)

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
Depositary 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
Depositary 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
Depositary 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
Depositary 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
Depositary 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
Depositary Shares, each representing 1/1,000th interest in a share of 4.875% Non-Cumulative Preferred Stock, Series L, $0.01 par value	MS/PL	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of 4.250% Non-Cumulative Preferred Stock, Series O, $0.01 par value	MS/PO	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of 6.500% Non-Cumulative Preferred Stock, Series P, $0.01 par value	MS/PP	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series Q, $0.01 par value	MS/PQ	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
Global Medium-Term Notes, Series A, Floating Rate Notes Due 2029 of Morgan Stanley Finance LLC (and Registrant's guarantee with respect thereto)	MS/29	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 June 30, 2024, the aggregate market value of the common stock of the Registrant held by non-affiliates of the Registrant was approximately $151,625,027,283. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of January 31, 2025, there were 1,612,855,585 shares of the Registrant's common stock, $0.01 par value, outstanding.

Documents Incorporated by Reference: Portions of the Registrant's definitive proxy statement for its 2025 annual meeting of shareholders are incorporated by reference in Part III of this Form 10-K.

ANNUAL REPORT ON FORM 10-K
For the year ended December 31, 2024

Morgan Stanley

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Forward-Looking Statements

We have included in or incorporated by reference into this report, and from time to time may make in our public filings, press releases or other public statements, certain statements, including, without limitation, those under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Quantitative and Qualitative Disclosures about Risk” and “Legal Proceedings” that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, our management may make forward-looking statements to analysts, investors, representatives of the media and others. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control.

The nature of our business makes predicting the future trends of our revenues, expenses and net income difficult. The risks and uncertainties involved in our businesses could affect the matters referred to in such statements, and it is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include, without limitation:

- the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate, commercial and residential mortgage lending, real estate and energy markets;
- the level of individual investor participation in the global markets, as well as the level and mix of client assets;
- the flow of investment capital into or from AUM;
- the level and volatility of equity, fixed income and commodity prices, interest rates, inflation and currency values, other market indices or other market factors, such as market liquidity;
- the availability and cost of both credit and capital, as well as the credit ratings assigned to our unsecured short-term and long-term debt;
- technological changes instituted by us, our competitors or counterparties, and technological risks, including risks associated with emerging technologies, business continuity and related operational risks, including breaches or other disruptions of our or a third party’s (or third-parties thereof) operations or systems;
- risk associated with cybersecurity threats, including data protection and cybersecurity risk management;
- our ability to effectively manage our capital and liquidity, including under stress tests designed by our banking regulators;
- the impact of current, pending and future legislation or changes thereto, regulation (including capital, leverage, funding, liquidity, consumer protection, and recovery and resolution requirements) and our ability to address such requirements;
- uncertainty concerning fiscal or monetary policies established by central banks and financial regulators, government shutdowns, debt ceilings or funding;
- changes to global trade policies, tariffs, trade sanctions and investment restrictions;
- legal and regulatory actions, including litigation and enforcement, and other non-financial risks in the U.S. and worldwide;
- changes in tax laws and regulations globally;
- the effectiveness of our risk management processes and related controls;
- our ability to effectively respond to an economic downturn, or other market disruptions;
- the effect of social, economic, and political conditions and geopolitical events, including as a result of government shutdowns, changes as a result of global elections, including changes in U.S. presidential administrations or Congress, sovereign risk, acts of war or aggression, and terrorist activities or military actions;
- the actions and initiatives of current and potential competitors, as well as governments, central banks, regulators and self-regulatory organizations;
- our ability to provide innovative products and services and execute our strategic initiatives, and costs related thereto, including with respect to the operational or technological integration related to such innovative and strategic initiatives;
- the performance and results of our acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances, or other strategic arrangements and related integrations;
- investor, consumer and business sentiment and confidence in the financial markets;
- our reputation and the general perception of the financial services industry;
- our ability to retain, integrate and attract qualified employees or successfully transition key roles;
- climate-related incidents and other sustainability matters, and global pandemics; and
- other risks and uncertainties detailed under “Business—Competition,” “Business—Supervision and Regulation,” “Risk Factors” and elsewhere throughout this report.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made, whether as a result of new information, future events or otherwise, except as required by applicable law. You should, however, consult further disclosures we may make in future filings of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments thereto or in future press releases or other public statements.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). The SEC maintains a website, *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*. You can access our Investor Relations webpage at *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*, our sustainability initiatives at *www.morganstanley.com/about-us/sustainability-at-morgan-stanley*, and our commitment to diversity and inclusion at *www.morganstanley.com/about-us/diversity*. Our webpages include:

- Amended and Restated Certificate of Incorporation;
- Amended and Restated Bylaws;
- Charters for our Audit Committee, Compensation, Management Development and Succession Committee, Governance and Sustainability 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
- 2023 ESG 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 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.

Business

Overview

We are a global financial services firm that, through our subsidiaries and affiliates, advises, and originates, trades, manages and distributes capital for governments, institutions and individuals. We were originally incorporated under the laws of the State of Delaware in 1981, and our predecessor companies date back to 1924. We are a financial holding company ("FHC") regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended ("BHC Act"). We conduct our business from our headquarters in and around New York City, our regional offices and branches throughout the U.S. and our principal offices in London, Frankfurt, Tokyo, Hong Kong and other world financial centers. Unless the context otherwise requires, the terms "Morgan Stanley," the "Firm," "us," "we" and "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 the 2024 Form 10-K.

Financial information concerning us, our business segments and geographic regions for each of the years ended December 31, 2024, December 31, 2023, and December 31, 2022 is included in "Financial Statements and Supplementary Data."

Business Segments

We are a global financial services firm that maintains significant market positions in each of our business segments: Institutional Securities, Wealth Management and Investment Management. Through our subsidiaries and affiliates, we provide a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Additional information related to our business segments, respective clients, and products and services provided is included under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition

All aspects of our businesses are highly competitive, and we expect them to remain so. We compete in the U.S. and globally for clients, market share and human talent. Operating within the financial services industry on a global basis presents, among other things, technological, risk management, regulatory, infrastructure and other challenges that require effective resource allocation in order for us to remain competitive. Our competitive position depends on a number of factors, including our reputation, client experience, the quality and consistency of our long-term investment performance, innovation, execution, relative pricing and other factors, including entering into new or expanding current businesses as a result of acquisitions and other strategic initiatives. Our ability to sustain or improve our competitive position also depends substantially on our ability to continue to attract and retain highly qualified employees while managing compensation and other costs. We compete with commercial banks, global investment banks, regional banks, broker-dealers, private banks, registered investment advisers, digital investing platforms, traditional and alternative asset managers, financial technology firms and other companies offering financial and ancillary services in the U.S. and globally. In addition, restrictive laws and regulations applicable to certain global financial services institutions, which have been increasing in complexity and volume, may prohibit us from engaging in certain transactions, impose more stringent capital and liquidity requirements, and increase costs, and can put us at a competitive disadvantage to competitors in certain businesses not subject to these same requirements. See also "Supervision and Regulation" herein and "Risk Factors."

There is increased competition in the U.S. and globally driven by established financial services firms and emerging firms, including non-financial companies and business models focusing on technology innovation, competing for the same clients and assets, or offering similar products and services to retail and institutional customers. It is also possible that competition may become even more intense as we continue to compete with financial or other institutions that may be, or may become, larger, or better capitalized, or may have a stronger local presence and longer operating history in certain geographies or products. Many of these firms have the ability to offer a wide range of products and services through different platforms that may enhance their competitive position and could result in additional pricing pressure on our businesses.

Our ability to access capital at competitive rates (which is generally impacted by, among other things, our credit spreads and ratings) and to commit and deploy capital efficiently, particularly in our more capital-intensive businesses within our Institutional Securities business segment, including underwriting and sales, financing and market-making activities, also affects our competitive position. We expect clients to continue to request that we provide loans or lending commitments in connection with certain investment banking activities.

We also continue to experience price competition in our Institutional Securities business segment's products. In particular, the ability to execute securities, derivatives and other financial instrument trades electronically on exchanges, swap execution facilities and other automated trading platforms, and the introduction and application of new technologies will likely continue the pressure on our revenues. The trend toward direct access to automated, electronic markets will likely continue as additional markets move to automated trading platforms.

Our Wealth Management business segment is primarily in the U.S., and our ability to effectively compete against many of our competitors across different channels (i.e., advisory led, workplace and digital direct) is affected by multiple factors including our brand and reputation, the breadth, depth and pricing of our product offerings and our technology supporting evolving client needs.

Within our Investment Management business segment, our ability to compete successfully is affected by several factors, including our reputation, quality of investment professionals, performance of investment strategies or product offerings relative to peers and appropriate benchmark indices, advertising and sales promotion efforts, fee levels, the effectiveness of and access to distribution channels and investment pipelines, the types of products offered, and regulatory restrictions specific to FHCs. Our investment products, including alternative investment products, compete with investments offered by other investment managers, including by investment managers who may be subject to less stringent legal and regulatory regimes than us. For certain products and geographies, we have experienced and will also likely continue to experience competitive pressures in our Investment Management business segment as other investment managers and distributors continue to put downward pressure on fees.

Supervision and Regulation

As a major financial services firm, we are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where we conduct our business.

We continue to monitor the changing political, tax and regulatory environment. While it is likely that there will be changes in the way major financial institutions are regulated in both the U.S. and other markets in which we operate, it remains difficult to predict the exact impact these changes will have on our business, financial condition, results of operations and cash flows for a particular future period. We expect to remain subject to extensive supervision and regulation.

Financial Holding Company

Consolidated Supervision. We operate as a bank holding company ("BHC") and FHC under the BHC Act and are subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve. In particular, we are subject to (among other things): significant regulation and supervision; intensive scrutiny of our businesses and plans for expansion of those businesses; limitations on activities; a systemic risk regime that imposes heightened capital and liquidity requirements; restrictions on activities and investments imposed by a section of the BHC Act added by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") referred to as the "Volcker Rule," and comprehensive derivatives regulation. In addition, the Consumer Financial Protection Bureau ("CFPB") has primary rulemaking, enforcement and examination authority over us and our subsidiaries with respect to federal consumer protection laws.

Scope of Permitted Activities. The BHC Act limits the activities of BHCs and FHCs and grants the Federal Reserve authority to limit our ability to conduct activities. We must obtain the Federal Reserve's approval before engaging in certain banking and other financial activities both in the U.S. and internationally.

The BHC Act grandfathers "activities related to the trading, sale or investment in commodities and underlying physical properties," provided that we were engaged in "any of such activities as of September 30, 1997 in the U.S." and provided that certain other conditions that are within our reasonable control are satisfied. We currently engage in our commodities activities pursuant to the BHC Act grandfather exemption, as well as other authorities under the BHC Act.

Activities Restrictions under the Volcker Rule. The Volcker Rule prohibits banking entities, including us and our affiliates, from engaging in certain proprietary trading activities, as defined in the Volcker Rule, subject to exemptions for underwriting, market-making, risk-mitigating hedging and certain other activities. The Volcker Rule also prohibits certain investments and relationships by banking entities with covered funds, as defined in the Volcker Rule, subject to a number of exemptions and exclusions.

Capital Requirements. The Federal Reserve establishes capital requirements largely based on the Basel III capital standards established by the Basel Committee on Banking Supervision ("Basel Committee"), including well-capitalized standards, for large BHCs and evaluates our compliance with such requirements. The Office of the Comptroller of the Currency ("OCC") establishes similar capital requirements and standards for Morgan Stanley Bank, N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association ("MSPBNA") (together, our "U.S. Bank Subsidiaries").

The Federal Reserve, Federal Deposit Insurance Corporation ("FDIC") and the OCC (collectively, "U.S. banking agencies") have proposed a comprehensive set of revisions to their capital requirements based on changes to the Basel III capital standards finalized by the Basel Committee. The impact on us of any revisions to the capital requirements is uncertain and depends on the adoption of final rulemakings by the U.S. banking agencies. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments and Other Matters—Basel III Endgame Proposal."

In addition, many of our regulated subsidiaries are subject to regulatory capital requirements, including regulated subsidiaries registered as swap dealers with the U.S. Commodity Futures Trading Commission ("CFTC") or conditionally registered as security-based swap dealers with the SEC or registered as broker-dealers or futures commission merchants.

For more information about the specific capital requirements applicable to us and our U.S. Bank Subsidiaries, as well as our subsidiaries that are broker-dealers, swap dealers and security-based swap dealers, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements" and Note 16 to the financial statements.

Capital Planning, Stress Tests and Capital Distributions. The Federal Reserve has adopted capital planning and stress test requirements for large BHCs, including Morgan Stanley. For more information about our capital planning and stress test requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements."

In addition, the Federal Reserve, the OCC and the FDIC have the authority to prohibit or limit the payment of dividends by the banking organizations they supervise, including us and our U.S. Bank Subsidiaries, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. For information about the Federal Reserve's restrictions on capital distributions for large BHCs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Capital Plans, Stress Tests and the Stress Capital Buffer." All of these policies and other requirements could affect our ability to pay dividends and/or repurchase stock or require us to provide capital assistance to our U.S. Bank Subsidiaries under circumstances that we would not otherwise decide to do.

Liquidity Requirements. In addition to capital regulations, the U.S. banking agencies have adopted liquidity and funding standards, including the LCR, the NSFR, liquidity stress testing and associated liquidity reserve requirements.

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Balance Sheet—Regulatory Liquidity Framework."

Systemic Risk Regime. Under rules issued by the Federal Reserve, large BHCs, including Morgan Stanley, must conduct internal liquidity stress tests, maintain unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests, and comply with various liquidity risk management requirements. These large BHCs also must comply with a range of risk management and corporate governance requirements.

The Federal Reserve also imposes single-counterparty credit limits ("SCCL") for large banking organizations. U.S. global systemically important banks ("G-SIBs"), including us, are subject to a limit of 15% of Tier 1 capital for aggregate net credit exposures to any "major counterparty" (defined to include other U.S. G-SIBs, foreign G-SIBs and non-bank systemically important financial institutions supervised by the Federal Reserve). In addition, we are subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures to any other unaffiliated counterparty.

The Federal Reserve may establish additional prudential standards for large BHCs, including with respect to an early remediation framework, contingent capital, enhanced public disclosures and limits on short-term debt, including off-balance sheet exposures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements."

If the Federal Reserve or the Financial Stability Oversight Council determines that a BHC with $250 billion or more in consolidated assets poses a "grave threat" to U.S. financial stability, the institution may be, among other things, restricted in its ability to merge or offer financial products and/or required to terminate activities and dispose of assets. See also "Capital Requirements" and "Liquidity Requirements" and "Resolution and Recovery Planning" herein.

Resolution and Recovery Planning. We are required to submit once every two years 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. Interim updates are required in certain limited circumstances, including material mergers or acquisitions or fundamental changes to our resolution strategy.

Our preferred resolution strategy, which is set out in our most recent resolution plan, is an SPOE strategy, which generally contemplates the provision of adequate capital and liquidity by the Parent Company to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy after the Parent Company has filed for bankruptcy.

Our next resolution plan submission will be a targeted resolution plan in July 2025. Further, we submit an annual recovery plan to the Federal Reserve that outlines the steps that management could take over time to generate or conserve financial resources in times of prolonged financial stress.

Certain of our domestic and foreign subsidiaries are also subject to resolution and recovery planning requirements in the jurisdictions in which they operate. The FDIC currently requires certain insured depository institutions ("IDI"), including our U.S. Bank Subsidiaries, to submit full resolution plans every two years and interim targeted information at certain times between full resolution plan submissions that describe the IDI's strategy for a rapid and orderly resolution in the event of material financial distress or failure of the IDI. Submission of interim targeted information by our U.S. Bank Subsidiaries generally will not be required during a year which the Parent Company is required to submit a resolution plan to the Federal Reserve and FDIC. The first submission for our U.S. Bank Subsidiaries under this rule will be in 2026. In addition, the OCC requires IDIs with assets of $100 billion or more, including our U.S. Bank Subsidiaries, to develop recovery plans detailing the actions they would take to remain a going concern when they experience considerable financial or non-financial stress, but have not deteriorated to the point that resolution is imminent. Our U.S. Bank Subsidiaries are required to develop a recovery plan by January 2026.

In addition, certain financial companies, including BHCs such as the Firm and certain of its subsidiaries, can be subject to a resolution proceeding under the orderly liquidation authority, with the FDIC being appointed as receiver, provided that determination of extraordinary financial distress and systemic risk is made by the U.S. Treasury Secretary in consultation with the U.S. president. Regulators have adopted certain orderly liquidation authority implementing regulations and may expand or clarify these regulations in the future. If we were subject to the orderly liquidation authority, the FDIC would have considerable powers, including: the power to remove directors and officers responsible for our failure and to appoint new directors and officers; the power to assign our assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; the ability to differentiate among our creditors, including treating certain creditors within the same class better than others, subject to a minimum recovery right on the part of disfavored creditors to receive at least what they would have received in bankruptcy liquidation; and broad powers to administer the claims process to determine distributions from the assets of the receivership. The FDIC has indicated that it expects to use an SPOE strategy if the FDIC were to implement the orderly liquidation authority for a U.S. G-SIB.

Regulators have also taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority or other resolution regimes.

For more information about our resolution plan-related submissions and associated regulatory actions, see “Risk Factors—Legal, Regulatory and Compliance Risk,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Resolution and Recovery Planning.”

Institutional Securities and Wealth Management

U.S. Bank Subsidiaries. Our U.S. Bank Subsidiaries are FDIC-insured depository institutions subject to supervision, regulation and examination by the OCC and are subject to the OCC’s risk governance guidelines, which establish heightened standards for a large IDI’s risk governance framework and the oversight of that framework by the IDI’s board of directors. Our U.S. Bank Subsidiaries are also subject to prompt corrective action standards, which require the relevant federal banking regulator to take prompt corrective action with respect to a depository institution if that institution does not meet certain capital adequacy standards. In addition, BHCs, such as Morgan Stanley, are required to serve as a source of strength to their U.S. bank subsidiaries and commit resources to support these subsidiaries in the event such subsidiaries are in financial distress. Our U.S. Bank Subsidiaries’ business activities are generally limited to supporting our Institutional Securities and Wealth Management business segments.

Our U.S. Bank Subsidiaries are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on certain transactions with affiliates, including any extension of credit to, or purchase of assets from, an affiliate. These restrictions limit the total amount of credit exposure that our U.S. Bank Subsidiaries may have to any one affiliate and to all affiliates and require collateral for those exposures. Section 23B requires affiliate transactions to be on market terms.

As commonly controlled FDIC-insured depository institutions, each of our U.S. Bank Subsidiaries could be responsible for any loss to the FDIC from the failure of the other U.S. Bank Subsidiary.

Broker-Dealer and Investment Adviser Regulation. Our primary U.S. broker-dealer subsidiaries, Morgan Stanley & Co. LLC (“MS&Co.”) and Morgan Stanley Smith Barney LLC (“MSSB”) are registered broker-dealers with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands and are members of various self-regulatory organizations, including the Financial Industry Regulatory Authority (“FINRA”), and various securities exchanges and clearing organizations. Broker-dealers are subject to laws and regulations covering all aspects of the securities business, including sales and trading practices, securities offerings, publication of research reports, use of customers’ funds and securities, capital structure, risk management controls in connection with market access, recordkeeping and retention, and the conduct of their directors, officers, representatives and other associated persons. Broker-dealers are also regulated by securities administrators in those states where they do business. Our significant broker-dealer subsidiaries are members of the Securities Investor Protection Corporation.

MSSB is also a registered investment adviser with the SEC. MSSB’s relationship with its investment advisory clients is subject to the fiduciary and other obligations imposed on investment advisers. The SEC and other supervisory bodies generally have broad administrative powers to address non-compliance, including the power to restrict or limit MSSB from carrying on its investment advisory and other asset management activities.

The Firm is subject to various regulations that affect broker-dealer sales practices and customer relationships, including the SEC's "Regulation Best Interest," which requires broker-dealers to act in the "best interest" of retail customers at the time a recommendation is made without placing the financial or other interests of the broker-dealer ahead of the interest of the retail customer.

Margin lending by our broker-dealers is regulated by the Federal Reserve's restrictions on lending in connection with purchases and short sales of securities. Our broker-dealers are also subject to maintenance and other margin requirements imposed under FINRA and other self-regulatory organization rules.

Our U.S. broker-dealer subsidiaries are subject to the SEC's net capital rule and the net capital requirements of various exchanges, other regulatory authorities and self-regulatory organizations. For more information about these requirements, see Note 16 to the financial statements.

Research Regulation. In addition to research-related regulations currently in place in the U.S. and other jurisdictions, regulators continue to focus on research conflicts of interest and may impose additional regulations.

Futures Activities and Certain Commodities Activities Regulation. MS&Co. and E*TRADE Futures LLC, as futures commission merchants, and MSSB, as an introducing broker, are subject to net capital requirements of, and certain of their activities are regulated by, the CFTC and the National Futures Association ("NFA"). MS&Co. is also subject to requirements of, and regulation by, the CME Group, in its capacity as MS&Co.'s designated self-regulatory organization, and various commodity futures exchanges of which MS&Co. is a member. Rules and regulations of the CFTC, NFA, the Joint Audit Committee and commodity futures exchanges address obligations related to, among other things, customer asset protections, including rules and regulations governing the segregation of customer funds, the use by futures commission merchants of customer funds, the margining of customer accounts and documentation entered into by futures commission merchants with their customers, record-keeping and reporting obligations of futures commission merchants and introducing brokers, risk disclosure and risk management. Our commodities activities are subject to extensive laws and regulations in the U.S. and abroad.

Derivatives Regulation. We are subject to comprehensive regulation of our derivatives businesses, including regulations that impose margin requirements, public and regulatory reporting, central clearing and mandatory trading on regulated exchanges or execution facilities for certain types of swaps and security-based swaps (collectively, "Swaps").

CFTC and SEC rules require registration of swap dealers and security-based swap dealers, respectively, and impose numerous obligations on such registrants, including adherence to business conduct standards for all in-scope Swaps. We have registered a number of U.S. and non-U.S. swap dealers and conditionally registered a number of U.S. and non-U.S security-based swap dealers. Swap dealers and security-based swap dealers regulated by a prudential regulator are subject to uncleared Swap margin requirements and minimum capital requirements established by the prudential regulators. Swap dealers and security-based swap dealers not subject to regulation by a prudential regulator are subject to uncleared Swap margin requirements and minimum capital requirements established by the CFTC and SEC, respectively. In some cases, the CFTC and SEC permit non-U.S. swap dealers and security-based swap dealers that do not have a prudential regulator to comply with applicable non-U.S. uncleared Swap margin and minimum capital requirements instead of direct compliance with CFTC or SEC requirements.

Investment Management

Many of the subsidiaries engaged in our investment management activities are registered as investment advisers with the SEC. Many aspects of our investment management activities are also subject to federal and state laws and regulations in place primarily for the protection of the investor or client. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict us from carrying on our investment management activities in the event that we fail to comply with such laws and regulations.

In addition, certain of our subsidiaries are U.S. registered broker-dealers and act as distributors to our proprietary mutual funds and as placement agents to certain private investment funds managed by our Investment Management business segment. Certain of our affiliates are registered as commodity trading advisors and/or commodity pool operators, or are operating under certain exemptions from such registration pursuant to CFTC rules and other guidance, and have certain responsibilities with respect to each pool they advise. Our investment management activities are subject to additional laws and regulations, including restrictions on sponsoring or investing in, or maintaining certain other relationships with, covered funds, as defined by the Volcker Rule, subject to certain limited exemptions. See also "Financial Holding Company—Activities Restrictions under the Volcker Rule," "Institutional Securities and Wealth Management—Broker-Dealer and Investment Adviser Regulation," "Institutional Securities and Wealth Management—Regulation of Futures Activities and Certain Commodities Activities," and "Institutional Securities and Wealth Management—Derivatives Regulation" herein and "Non-U.S. Regulation" herein for a discussion of other regulations that impact our Investment Management business activities.

U.S. Consumer Protection

We are subject to supervision and regulation by the CFPB with respect to U.S. federal consumer protection laws. Federal consumer protection laws to which we are subject include the Gramm-Leach-Bliley Act's privacy provisions, Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Electronic Fund Transfer Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, Truth in Lending Act and Truth in Savings Act, all of which are enforced by the CFPB. We are also subject to certain federal consumer protection laws enforced by the OCC, including the Servicemembers Civil Relief Act. Furthermore, we are subject to certain state consumer protection laws, and under the Dodd-Frank Act, state attorneys general and other state officials are empowered to enforce certain federal consumer protection laws and regulations. These federal and state consumer protection laws apply to a range of our activities.

Non-U.S. Regulation

Our businesses are regulated extensively by non-U.S. regulators, including governments, central banks and regulatory bodies, securities exchanges, commodity exchanges, and self-regulatory organizations, especially in those jurisdictions in which we maintain an office. Certain regulators have prudential, business conduct and other authority over us or our subsidiaries, as well as powers to limit or restrict us from engaging in certain businesses or to conduct administrative proceedings that can result in censures, fines, asset seizures and forfeitures, the issuance of cease-and-desist orders, or the suspension or expulsion of a regulated entity, its affiliates or its employees. Certain of our subsidiaries are subject to capital, liquidity, leverage and other prudential requirements that are applicable under non-U.S. law.

Firmwide Financial Crimes Program

Our Financial Crimes program is coordinated and implemented on an enterprise-wide basis and supports our financial crime prevention efforts across all regions and business units. The program includes anti-money laundering ("AML"), economic sanctions ("Sanctions"), anti-boycott, anti-corruption, anti-tax evasion, and government and political activities compliance programs and aligned business-line risk functions.

In the U.S., the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 and the Anti-Money Laundering Act of 2020, imposes significant obligations on financial institutions to detect and deter money laundering and terrorist financing activity, including requiring banks, broker-dealers, futures commission merchants, introducing brokers and mutual funds to develop and implement AML programs, verify the identity of customers that maintain accounts, and monitor and report suspicious activity to appropriate law enforcement or regulatory authorities. Outside of the U.S., applicable laws, rules and regulations similarly require designated types of financial institutions to implement AML programs.

We are also subject to Sanctions, such as regulations and economic sanctions programs administered by the U.S. government, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and the U.S. Department of State, and similar sanctions programs imposed by foreign governments or global or regional multilateral organizations. In addition, we are subject to anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, in the jurisdictions in which we operate. Anti-corruption laws generally prohibit offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to a government official or private party in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business.

Cyber and Information Security Risk Management and Protection of Client Information

The financial services industry faces increased global regulatory focus regarding cyber and information security risk management practices. Many aspects of our businesses are subject to cybersecurity legal, regulatory and disclosure requirements enacted by U.S. federal and state governments and other non-U.S. jurisdictions. These requirements are generally aimed at codifying basic cybersecurity protections and mandating data breach notification requirements.

Our businesses are also subject to increasing privacy and data protection legal requirements concerning the use and protection of certain personal information with regard to clients, employees and others. These requirements impose mandatory privacy and data protection obligations, including providing for individual rights, enhanced governance and accountability requirements, and significant fines and litigation risk for noncompliance. In addition, several jurisdictions have enacted or proposed personal and other data localization requirements and restrictions on cross-border transfer of personal and other data that may restrict our ability to conduct business in those jurisdictions or create additional financial and regulatory burdens to do so.

Numerous jurisdictions have passed laws, rules and regulations in these areas and many are considering new or updated ones that could impact our businesses, particularly as the application, interpretation and enforcement of these laws, rules and regulations are often uncertain and evolving. Many aspects of our businesses are subject to legal requirements concerning the use and protection of certain customer and other information, as well as the privacy and cybersecurity laws referenced above. We have adopted measures designed to comply with these and related applicable requirements in all relevant jurisdictions.

For additional information on our cybersecurity strategy and processes, see “Quantitative and Qualitative Disclosures about Risk—Operational Risk—Cybersecurity.”

Human Capital

Employees and Culture

Our employees are our most important asset. With offices in 42 countries, we had approximately 80 thousand employees across the globe as of December 31, 2024, whom we depend on to build value for our clients and shareholders. We are committed to a meritocracy based on the principles of rigor, humility and partnership. To facilitate talent attraction and retention, we strive to make Morgan Stanley a diverse and inclusive workplace with a strong culture and opportunities for our employees to grow and develop in their career. We support our employees with competitive compensation, benefits, and health and wellbeing programs.

Our core values guide decision-making aligned with the expectations of our employees, clients, shareholders, regulators, directors and the communities in which we operate. These guiding values—*Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion,* and *Give Back*—are at the heart of our workplace culture and underpin our success. Our Code of Conduct is central to our expectation that employees embody our values. Every new hire and every employee annually is required to certify to their understanding of and adherence to the Code of Conduct. We also invite employee feedback on our culture and workplace through our ongoing employee engagement surveys. For a further discussion of the culture, values and conduct of employees, see “Quantitative and Qualitative Disclosures about Risk—Risk Management.”

Talent Development and Employee Representation

We are committed to the development of our workforce and supporting mobility and career growth. Our talent development programs are designed to provide employees with the resources to help them achieve their career goals, build management skills and lead their organizations. We believe supporting employee development and growth contributes to long-term retention. We continue to offer leadership programs to support employees as they progress in their career at the Firm.

Meritocracy is at the heart of Morgan Stanley’s talent development. We believe a workforce that represents the societies in which we live and work, and our global client base, is integral to Morgan Stanley’s continued success. Furthermore, we believe that an inclusive workplace is in the best interests of our employees and clients. We continue to invest in efforts to recruit, advance and retain a talented and diverse workforce through a holistic approach that centers on professional development, wellness and a culture that allows every employee to thrive.

Compensation, Financial and Employee Wellbeing

We provide responsible and effective compensation programs that reinforce our values and culture through four key objectives: deliver pay for sustainable performance, attract and retain top talent, align with shareholder interests and mitigate excessive risk-taking. In addition to salaries, these programs (which vary by location) include annual bonuses, retirement savings plans with matching contributions, an employee stock purchase plan, student loan refinancing and a financial wellbeing program. To promote equitable rewards for all employees, we have enhanced our practices to support fair and consistent compensation and rewards decisions based on merit, perform ongoing reviews of compensation decisions and conduct regular assessments of our rewards structure.

Our employees’ health is also central to our ongoing success. We support the physical, mental and financial wellbeing of our global workforce and their families by offering programs focusing on awareness, prevention and access. Offerings vary by location and include: health care and insurance benefits, mental health resources, flexible spending and health savings accounts, paid time off, flexible work schedules, family leave, child and elder care resources, financial help with fertility, adoption and surrogacy, and tuition assistance, among many others. On-site services in our principal locations include health centers, mental health counseling, fitness centers and physical therapy.

In 2024, we further enhanced our benefits offerings, introducing a new medical plan administrator and option, and broader benefits decision support for employees and their families. Our Global Wellbeing Board, comprised of senior management from across the Firm’s businesses and geographies, continues to shape and advance our wellbeing strategy with a focus on harmonizing our global benefit programs. This year, we expanded our mental health and wellbeing training program, now available to all businesses Firmwide. For additional detail on our human capital programs and initiatives, see “Human Capital” in our 2023 ESG Report (found on our website). The reports and information elsewhere on our website are not incorporated by reference into, and do not form any part of, this Annual Report.

Human Capital Metrics

Category		Metric	At December 31, 2024
Employees	Employees by geography (thousands)	Americas	53
		Asia	17
		EMEA	10
Culture	Employee engagement[1]	% Proud to work at Morgan Stanley	92 %
Employee Representation	Global gender representation	% Women	40 %
		% Women officer[2]	29 %
	U.S. ethnic diversity representation	% Ethnically diverse[3]	35 %
		% Ethnically diverse officer[2,3]	28 %
Retention	Voluntary attrition in 2024	% Global	9 %
	Tenure	Management Committee average length of service (years)	23
		All employees average length of service (years)	7
Compensation	Compensation and benefits	Total compensation and benefits expense in 2024 (millions)	$ 26,178

1. The percentage disclosed is based on the 2023 biennial employee engagement survey results, which reflect responses from 89% of employees.
2. Officer includes Managing Directors, Executive Directors and Vice Presidents.
3. U.S. ethnically diverse designations align with the Equal Employment Opportunity Commission's ethnicity and race categories and include American Indian or Native Alaskan, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Pacific Islander, and two or more races.

Information about Our Executive Officers

The executive officers of Morgan Stanley and their age and titles as of February 21, 2025 are set forth below. Business experience is provided in accordance with SEC rules.

Mandell L. Crawley (49). Executive Vice President (since February 2021) and Chief Client Officer of Morgan Stanley (since January 2025). Chief Human Resources Officer (February 2021 to January 2025). Head of Private Wealth Management (June 2017 to January 2021). Chief Marketing Officer (September 2014 to June 2017). Head of National Business Development and Talent Management for Wealth Management (June 2011 to September 2014). Divisional Business Development Officer (May 2010 to June 2011). Regional Business Development Officer (May 2009 to May 2010). Head of Field Sales and Marketing (February 2008 to May 2009). Head of Fixed Income Capital Markets Sales and Distribution for Wealth Management (April 2004 to February 2008).

Eric F. Grossman (58). Executive Vice President and Chief Legal Officer of Morgan Stanley (since January 2012) and Chief Administrative Officer (since July 2022). Global Head of Legal (September 2010 to January 2012). Global Head of Litigation (January 2006 to September 2010) and General Counsel of the Americas (May 2009 to September 2010). General Counsel of Wealth Management (November 2008 to September 2010). Partner at the law firm of Davis Polk & Wardwell LLP (June 2001 to December 2005).

Edward Pick (56). Chairman of the Board of Directors of Morgan Stanley (since January 2025) and Chief Executive Officer of Morgan Stanley (since January 2024). Co-President and Co-Head of Corporate Strategy (June 2021 to December 2023). Head of Institutional Securities (July 2018 to December 2023). Global Head of Sales and Trading (October 2015 to July 2018). Head of Global Equities (March 2011 to October 2015). Co-Head of Global Equities (April 2009 to March 2011). Co-Head of Global Capital Markets (July 2008 to April 2009). Co-Head of Global Equity Capital Markets (December 2005 to July 2008).

Michael A. Pizzi (50). Executive Vice President and Head of Technology and Operations (since January 2025), and Head of U.S. Banks and Head of Technology of Morgan Stanley (from January 2023 to January 2025). Chairman and CEO of Morgan Stanley Private Bank, National Association and Morgan Stanley Bank, N.A. (from June 2021 to January 2025). Head of Digital Direct and Co-Head of Equity Administration for Wealth Management (from October 2020 to June 2021). Chief Executive Officer of E*TRADE Financial Corporation (from August 2019 to October 2020) prior to its acquisition by Morgan Stanley in 2020.

Andrew M. Saperstein (58). Co-President of Morgan Stanley (since June 2021). Head of Wealth Management (April 2019 to December 2023). Co-Head of Wealth Management (January 2016 to April 2019). Co-Chief Operating Officer of Institutional Securities (March 2015 to January 2016). Head of Investment Products and Services (June 2012 to March 2015).

Daniel A. Simkowitz (59). Co-President of Morgan Stanley (since January 2024). Head of Investment Management (October 2015 to December 2023) and Co-Head of Corporate Strategy (June 2021 to December 2023). Co-Head of Global Capital Markets (March 2013 to September 2015). Chairman of Global Capital Markets (November 2009 to March 2013). Managing Director in Global Capital Markets (December 2000 to November 2009).

Charles A. Smith (58). Executive Vice President and Chief Risk Officer of Morgan Stanley (since May 2023). Head of Institutional Securities Business Development (March 2017 to May 2023). Chief Financial Officer of Institutional Securities (August 2012 to March 2017). President of Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (September 2011 to August 2012). Head of Firm Strategy and Execution (May 2008 to September 2011). Managing Director in the Investment Banking Division (December 2005 to May 2008).

Sharon Yeshaya (45). Executive Vice President and Chief Financial Officer of Morgan Stanley (since June 2021). Head of Investor Relations (June 2016 to May 2021). Chief of Staff in the Office of the Chairman and CEO (January 2015 to May 2016). Co-Head of New Product Origination for Derivative Structured Products (December 2012 to December 2014).

Risk Factors

For a discussion of the risks and uncertainties that may affect our future results and strategic objectives, see “Forward-Looking Statements” preceding “Business” and “Return on Tangible Common Equity Goal” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. We have direct exposure to market risk. In addition, market risk may also impact our clients and markets in a manner that may indirectly impact us. For more information on how we monitor and manage market risk, see “Quantitative and Qualitative Disclosures about Risk—Market Risk.”

Our results of operations may be materially affected by market fluctuations and by global financial market and economic conditions and other factors.

Our results of operations have been in the past and may, in the future, be materially affected by global financial market and economic conditions, including, in particular, by periods of low or slowing economic growth in the United States and other major markets, both directly and indirectly through their impact on client activity levels. These include the level and volatility of equity, fixed income and commodity prices; the level, term structure and volatility of interest rates; inflation, currency values and unemployment rates; the level of other market indices, fiscal or monetary policies established by governments, central banks and financial regulators; and uncertainty concerning the future path of interest rates, government shutdowns, debt ceilings or funding, which may be driven by economic conditions, recessionary fears, market uncertainty or lack of confidence among investors and clients due to the effects of widespread events such as global pandemics, natural disasters, climate-related incidents, acts of war or aggression, geopolitical instability, changes as a result of global elections, including changes in U.S. presidential administrations or Congress, changes to global trade policies, supply chain complications and the implementation of tariffs, protectionist trade policies, trade sanctions or investment restrictions and other factors, or a combination of these or other factors.

The results of our Institutional Securities business segment, particularly results relating to our involvement in primary and secondary markets for all types of financial products, are subject to substantial market fluctuations due to a variety of factors that we cannot control or predict with great certainty. These fluctuations impact results by causing variations in business flows and activity and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, can be impacted by market uncertainty or lack of investor and client confidence due to unforeseen economic, geopolitical or market conditions that in turn affect the size, number and timing of investment banking client assignments and transactions and the realization of returns from our principal investments.

Periods of unfavorable market or economic conditions, including equity market levels and the level and pace of changes in interest rates and asset valuation, may have adverse impacts on the level of individual investor confidence and participation in the global markets and/or the level of and mix of client assets, including deposits. This could also impact the level of net new asset flows and/or flows into fee-based assets. Any of these factors could negatively impact the results of our Wealth Management business segment.

Substantial market fluctuations or divergence in asset performance could also cause variations in the value of our investments in our funds, the flow of investment capital into or from AUM, and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact the results of our Investment Management business segment.

The value of our financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the markets may make it difficult to value and monetize certain of our financial instruments, particularly during periods of market uncertainty or displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the value of these instruments and may adversely impact historical or prospective fees and performance-based income (also known as incentive fees, which include carried interest) in respect of certain businesses. In addition, at the time of any sales and settlements of these financial instruments, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may adversely affect our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, which could lead to increased individual counterparty risk for our businesses. Although our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves, severe market events have historically been difficult to predict, and we could realize significant losses if extreme market events were to occur.

Significant changes to interest rates could adversely affect our results of operations.

Our net interest income is sensitive to changes in interest rates, generally resulting in higher net interest income in higher interest rate scenarios and lower net interest income in lower interest rate scenarios. The level and pace of interest rate changes, along with other developments, such as pricing changes to certain deposit types due to various competitive dynamics and alternative cash-equivalent products available to depositors, have in the past impacted, and could again impact, client preferences for cash allocation and the pace of reallocation of client balances, resulting in changes in the deposit mix and associated interest expense, as well as client demand for loans. These factors have in the past adversely affected, and may in the future adversely affect, our results of operations, including our net interest income.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in our market-making, investing, underwriting (including block trading) and lending businesses (including margin lending) in the event of unfavorable market movements. We commit substantial amounts of capital to these businesses, which often results in our taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region. In the event we hold a concentrated position larger than those held by competitors, we may incur larger losses. For further information regarding our country risk exposure, see also “Quantitative and Qualitative Disclosures about Risk—Country Risk.”

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. For more information on how we monitor and manage credit risk, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk.”

We are exposed to the risk that third parties that are indebted to us will not perform their obligations.

We incur significant credit risk exposure through our Institutional Securities business segment. This risk may arise from a variety of business activities, including, but not limited to: extending credit to clients through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; acting as clearing broker for listed and over-the-counter derivatives whereby we guarantee client performance to clearinghouses; providing short- or long-term funding that is secured by physical or financial collateral, including, but not limited to, real estate and marketable securities, whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearinghouses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools, whereby the value of these assets may fluctuate based on realized or expected defaults on the underlying obligations or loans.

We also incur credit risk in our Wealth Management business segment lending to mainly individual investors, including, but not limited to, margin- and securities-based loans collateralized by securities, residential mortgage loans, including home equity lines of credit (“HELOCs”), and structured loans to ultra-high net worth clients, that are in most cases secured by various types of collateral whose value may at times be insufficient to fully cover the loan repayment amount, including marketable securities, private investments, commercial real estate and other financial assets.

Our valuations related to, and reserves for losses on, credit exposures rely on complex models, estimates and subjective judgments about the future. While we believe current valuations and reserves adequately address our perceived levels of risk, future economic conditions, including inflation and changes in real estate and other asset values, that differ from or are more severe than forecast, inaccurate models or assumptions, or external factors, such as geopolitical events, changes in international trade policies, global pandemics or natural disasters, could lead to inaccurate measurement of or deterioration of credit quality of our borrowers and counterparties or the value of collateral and result in unexpected losses. We may also incur higher-than-anticipated credit losses as a result of (i) disputes with counterparties over the valuation of collateral or (ii) actions taken by other lenders that may negatively impact the valuation of collateral. In cases where we foreclose on collateral, sudden declines in the value or liquidity of collateral may result in significant losses to us despite our (i) credit monitoring, (ii) over-collateralization, (iii) ability to call for additional collateral or (iv) ability to force repayment of the underlying obligation, especially where there is a single type of collateral supporting the obligation. In addition, in the longer term, climate change may have a negative impact on the financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Certain of our credit exposures may be concentrated by counterparty, product, sector, portfolio, industry or geographic region. Although our models and estimates account for correlations among related types of exposures, a change in the market or economic environment for a concentrated product or an external factor impacting a concentrated counterparty, sector, portfolio, industry or geographic region may result in credit losses in excess of amounts forecast. For further information regarding our country risk exposure, see also “Quantitative and Qualitative Disclosures about Risk—Country Risk.”

In addition, as a clearing member of several central counterparties, we are responsible for the defaults or misconduct of our customers and could incur financial losses in the event of default by other clearing members. Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

A default by a large financial institution could adversely affect financial markets.

The commercial soundness of many financial institutions and certain other large financial services firms may be closely interrelated as a result of credit, trading, clearing or other relationships among such entities. Increased centralization of trading activities through particular clearinghouses, central agents or exchanges may increase our concentration of risk with respect to these entities. As a result, concerns about, or a default or threatened default by, one or more such entities could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions, or require financial commitments to multilateral actions intended to support market stability. This is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearinghouses, clearing agencies, exchanges, banks and securities firms, with which we interact on a daily basis and, therefore, could adversely affect us. See also “Systemic Risk Regime” under “Business—Supervision and Regulation—Financial Holding Company.”

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, human factors (e.g., inappropriate or unlawful conduct) or external events (e.g., cyberattacks or third-party vulnerabilities) that may manifest as, for example, loss of information, business disruption, theft and fraud, legal, regulatory and compliance risks, or damage to physical assets. We may experience operational risk across the full scope of our business activities, including revenue-generating activities and support and control groups (e.g., information technology (“IT”) and trade processing). Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under “Legal, Regulatory and Compliance Risk.” For more information on how we monitor and manage operational risk, see “Quantitative and Qualitative Disclosures about Risk—Operational Risk.”

We are subject to operational risks, including a failure, breach or other disruption of our operations or security systems or those of our third parties (or third parties thereof), as well as human error or malfeasance, which could adversely affect our businesses or reputation.

Our businesses are highly dependent on our ability to process and report, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. We may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, or integration of processes or systems of acquired companies, resulting in new operational risk that we may not fully appreciate or identify.

The trend toward direct access to automated, electronic markets, and the move to more automated trading platforms has resulted in the use of increasingly complex technology that relies on the continued effectiveness of the programming code and integrity of the data to process the trades. We rely on the ability of our employees, our consultants, our internal systems and systems at technology centers maintained by unaffiliated third parties to operate our different businesses and process a high volume of transactions. Unusually high trading volumes or site usage could cause our systems to operate at an unacceptably slow speed or even fail. Disruptions to, destruction of, instability of or other failure to effectively maintain our IT systems or external technology that allows our clients and customers to use our products and services (including our self-directed brokerage platform and mobile services) could harm our business and our reputation.

As a major participant in the global capital markets, we face the risk of incorrect valuation or risk management of our trading positions due to flaws in data, models, electronic trading systems or processes, or due to fraud or cyberattacks. We also face the risk of operational failure or disruption of any of the clearing agents, exchanges, clearinghouses or other financial intermediaries we use to facilitate our lending, securities and derivatives transactions. In addition, in the event of a breakdown or improper operation or disposal of our, or a direct or indirect third party’s (or third parties thereof) systems, processes or information assets, or improper or unauthorized action by third parties, including consultants and subcontractors or our employees, we have received in the past and may receive in the future regulatory sanctions, and could suffer financial loss, an impairment to our liquidity position, a disruption of our businesses or damage to our reputation.

In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearinghouses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industrywide operational failure that could materially impact our ability to conduct business. Furthermore, the concentration of Firm and personal information held by a small number of third parties increases the risk that a breach or disruption at a key third party may cause an industrywide event that could significantly increase the cost and risk of conducting business. These risks may be heightened to the extent that we rely on third parties that are concentrated in a geographic area.

There can be no assurance that our or our third parties’ business contingency and security response plans fully mitigate all potential risks to us. Our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses and the communities where we are located. This may include a disruption involving physical site access; software flaws and vulnerabilities; cybersecurity incidents; terrorist activities; political unrest; disease pandemics; catastrophic events; climate-related incidents and natural disasters (such as earthquakes, tornadoes, floods, hurricanes and wildfires); electrical outages; environmental hazards; computer servers; internet outages; client access to our digital platforms and mobile applications; communication platforms or other services we use; new technologies (such as generative artificial intelligence); and our employees or third parties with whom we conduct business. Although we and the third parties with whom we conduct business employ backup systems for data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, the backup systems may not process data as accurately or efficiently as the primary systems or the backup data may be costly to recover, any of which could adversely affect our business.

Notwithstanding evolving technology and technology-based risk and control systems, our businesses ultimately rely on people, including our employees and those of our third parties (or third parties thereof). As a result of human error or engagement in violations of applicable policies, laws, rules or procedures, certain errors or violations are not always discovered immediately by our technological processes or by our controls and other procedures that are intended to prevent and detect such errors or violations. These can include calculation or input errors, inadvertent or duplicate payments, mistakes in addressing emails or other communications, errors in software or model development or implementation, or errors in judgment, as well as intentional efforts to disregard or circumvent applicable policies, laws, rules or procedures. Our use of new technologies may be undermined by such human errors or misconduct due to undetected flaws or biases in the algorithms or data utilized by such technologies. Human errors and malfeasance, even if promptly discovered and remediated, can result in material losses and liabilities for us, and negatively impact our reputation in the future.

We conduct business in various jurisdictions outside the U.S., including jurisdictions that may not have comparable levels of protection for their corporate assets, such as intellectual property, trademarks, trade secrets, know-how, and customer information and records. The protection afforded in those jurisdictions may be less established and/or predictable than in the U.S. or other jurisdictions in which we operate. As a result, there may also be heightened risks associated with the potential theft of their data, technology and intellectual property in those jurisdictions by domestic or foreign actors, including private parties and those affiliated with or controlled by state actors. Additionally, we are subject to complex and evolving U.S. and international laws and regulations governing areas such as cybersecurity, privacy and data governance, transfer and protection, which may differ and potentially conflict, in various jurisdictions. Any theft of data, technology or intellectual property may negatively impact our operations and reputation, including disrupting the business activities of our subsidiaries, affiliates, joint ventures or clients conducting business in those jurisdictions.

A cyberattack, information or security breach or a technology failure of ours or a third party could adversely affect our ability to conduct our business or manage our exposure to risk, or result in disclosure or misuse of personal, confidential or proprietary information and otherwise adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Cybersecurity risks for financial institutions have significantly increased in recent years, in part because of the proliferation of new technologies; the use of the internet, mobile telecommunications and cloud technologies to conduct financial transactions; and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, state-sponsored actors and other parties. Any of these parties may also attempt to fraudulently induce employees, customers, clients, vendors or other third parties or users of our systems to disclose sensitive information in order to gain access to our networks, systems or data or those of our employees or clients, and such parties may see their effectiveness enhanced by the use of artificial intelligence. Global events and geopolitical instability have also led to increased nation-state targeting of financial institutions in the U.S. and abroad.

Information security risks may also derive from human error, fraud or malice on the part of our employees or third parties, software bugs, server malfunctions, software or hardware failure or other technological failure. For example, human error has led to the loss of the Firm's physical data-bearing devices in the past. These risks may be heightened by several factors, including remote work, reliance on new technologies (such as generative artificial intelligence) or as a result of the integration of acquisitions and other strategic initiatives that may subject us to new technology, customers or third-party providers. In addition, third parties with whom we do business or share information, and each of their service providers, our regulators and the third parties with whom our customers and clients share information used for authentication, may also be sources of cybersecurity and information security risks, particularly where these activities are beyond our security and control systems. There is no guarantee that the measures we take will provide absolute security or recoverability given that the techniques used in cyberattacks are complex, frequently change and are difficult to anticipate.

Like other financial services firms, the Firm, its third-party providers and its clients continue to be the subject of unauthorized access attacks; mishandling, loss, theft or misuse of information; computer viruses or malware; cyberattacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or networks, impede our ability to execute or confirm settlement of transactions or cause other damage; ransomware; denial of service attacks; data breaches; social engineering attacks; phishing attacks; and other events. There can be no assurance that such unauthorized access, mishandling or misuse of information, or cybersecurity incidents will not occur in the future and they could occur more frequently and on a more significant scale.

We maintain a significant amount of personal and confidential information on our customers, clients and certain counterparties that we are required to protect under various state, federal and international data protection and privacy laws. These laws may be in conflict with one another or courts and regulators may interpret them in ways that we had not anticipated or that adversely affect our business. A cyberattack, information or security breach, or a technology failure of ours or of a third party could jeopardize our or our clients', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, our and our third parties' computer systems and networks. Furthermore, such events could cause interruptions or malfunctions in our, our clients', partners', vendors', counterparties' or third parties' operations, as well as the unauthorized release, gathering, monitoring, misuse, loss or destruction of personal, confidential, proprietary and other information of ours, our employees, our customers or of other third parties. Any of these events could result in reputational damage with our clients and the market, client dissatisfaction, additional costs to us to maintain and update our operational and security systems and infrastructure, violation of the applicable data protection and privacy laws, regulatory investigations and enforcement actions, litigation exposure, or fines or penalties, any of which could adversely affect our business, financial condition or results of operations.

Given our global footprint and the high volume of transactions we process; the large number of clients, partners, vendors and counterparties we interact with to conduct business; and the increasing sophistication of cyberattacks; a cyberattack or information or security breach could occur and persist for an extended period of time without detection. It could take considerable time for us to determine the scope, extent, amount and type of information compromised, and the impact of such an attack may not be fully understood. During such time, we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, if at all, all or any of which would further increase the costs and consequences of a cyberattack or information security incident.

While many of our agreements with partners and third parties include indemnification provisions, we may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses we may incur. In addition, although we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover any or all losses we may incur, and we cannot be sure that such insurance will continue to be available to us on commercially reasonable terms, or at all, or that our insurers will not deny coverage as to any future claim.

We continue to make investments with a view toward maintaining and enhancing our cybersecurity, resilience and information security posture, including investments in technology and associated technology risk management activities. The cost of managing cybersecurity and information security risks and attacks, along with complying with new, increasingly expansive and evolving regulatory requirements, could adversely affect our results of operations and business.

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, as well as the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect our liquidity and may impact our ability to raise new funding or the cost of new funding. For more information on how we monitor and manage liquidity risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Quantitative and Qualitative Disclosures about Risk—Liquidity Risk."

Liquidity is essential to our businesses and we rely on external sources to finance a significant portion of our operations.

Liquidity is essential to our businesses. Our liquidity could be negatively affected by our inability to raise funding in the long-term or short-term debt capital markets, our inability to access the secured lending markets, our inability to attract and retain deposits, or unanticipated outflows of cash or collateral by customers or clients. Factors that we cannot control, such as volatility and disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair our ability to raise funding.

In addition, our ability to raise funding could be impaired if investors, depositors or lenders develop a negative perception of our long-term or short-term financial prospects due to factors such as an incurrence of large trading, credit or operational losses, a downgrade by the rating agencies, a decline in the level of our business activity, if regulatory authorities take significant action against us or our industry, or if we discover significant employee misconduct or illegal activity.

If we are unable to raise funding using the methods described above, we would likely need to utilize other funding sources or finance or liquidate unencumbered assets, such as our investment portfolios or trading assets, to meet maturing liabilities or other obligations. We may be unable to sell some of our assets or we may have to sell assets at a discount to market value, either of which could adversely affect our results of operations, cash flows and financial condition.

Our borrowing costs and access to the debt capital markets depend on our credit ratings.

The cost and availability of unsecured financing generally are impacted by (among other things) our long-term and short-term credit ratings. The rating agencies continue to monitor certain Firm-specific and industrywide factors that are important to the determination of our credit ratings. These include governance, capital adequacy, the level and quality of earnings, liquidity and funding, risk appetite and management, asset quality, strategic direction, business mix, regulatory or legislative changes, macroeconomic environment and perceived levels of support, and it is possible that the rating agencies could downgrade our ratings and those of similar institutions.

Our credit ratings also can have an adverse impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as OTC and other derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with our Institutional Securities business segment, we may be required to provide additional collateral to, or immediately settle any outstanding liability balance with, certain counterparties in the event of a credit rating downgrade.

Termination of our trading agreements could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant payments in the form of cash or securities. The additional collateral or termination payments that may occur in the event of a future credit rating downgrade vary by contract and can be based on ratings by Moody's Investors Service, Inc., S&P Global Ratings and/or other rating agencies. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Ratings—Incremental Collateral or Terminating Payments."

We are a holding company and depend on payments from our subsidiaries.

The Parent Company has no business operations and depends on dividends, distributions, loans and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory restrictions, tax restrictions or elections and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, many of our subsidiaries, including our bank and broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organization rules that, in certain circumstances, limit, as well as permit regulatory bodies to block or reduce, the flow of funds to the Parent Company, or that prohibit such transfers or dividends altogether, including steps to "ring fence" entities by regulators outside the U.S. to protect clients and creditors of such entities.

These laws, regulations and rules may hinder our ability to access funds that we may need to make payments on our obligations. Furthermore, as a BHC, we may become subject to a prohibition or to limitations on our ability to pay dividends. The U.S. banking agencies have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends or other capital actions by the banking organizations they supervise, including us and our U.S. Bank Subsidiaries. See "We may be prevented from paying dividends or taking other capital actions because of regulatory constraints or revised regulatory capital requirements" under "Legal, Regulatory and Compliance Risk" herein.

Our liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions.

Our ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and economies.

In particular, our cost and availability of funding in the past have been, and may in the future be, adversely affected by illiquid credit markets, interest rates and wider credit spreads. Significant turbulence in the U.S., the E.U. and other international markets and economies could adversely affect our liquidity and financial condition and the willingness of certain counterparties and customers to do business with us.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions; material financial loss, including fines, penalties, judgments, damages and/or settlements; limitations on our business; or loss to reputation we may suffer as a result of our 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 more information on how we monitor and manage legal, regulatory and compliance risk, see "Quantitative and Qualitative Disclosures about Risk—Legal, Regulatory and Compliance Risk."

The financial services industry is subject to extensive regulation, and changes in regulation will impact our business.

Like other major financial services firms, we are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges, and by regulators and exchanges in each of the major markets where we conduct our business, including an increasing number of complex sanctions and disclosure regimes. These laws and regulations, which may continue to increase in volume and complexity, significantly affect the way and costs of doing business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments.

The Firm and its employees are subject to wide-ranging regulation and supervision, which, among other things, subject us to intensive scrutiny of our businesses and any plans for expansion of those businesses through acquisitions or otherwise, limitations on activities, a systemic risk regime that imposes heightened capital and liquidity and funding requirements, including the global implementation of capital standards established by the Basel Committee, and other enhanced prudential standards, resolution regimes and resolution planning requirements, requirements for maintaining minimum amounts of TLAC and external long-term debt, restrictions on activities and investments imposed by the Volcker Rule, comprehensive derivatives regulation, interest rate benchmark requirements, commodities regulation, market structure regulation, consumer protection regulation, AML, terrorist financing and anti-corruption rules and regulations, tax regulations and interpretations, antitrust laws, trade and transaction reporting obligations, requirements related to preventing the misuse of confidential information, including material non-public information, record-keeping requirements, broadened fiduciary obligations and disclosure requirements.

New laws, rules, regulations and guidelines, as well as ongoing implementation of, our efforts to comply with, and/or changes to laws, rules, regulations and guidelines, including changes in the breadth, application, interpretation or enforcement of laws, rules, regulations and guidelines, could materially impact the profitability of our businesses and the value of assets we hold, impact our income tax provision and effective tax rate, expose us to additional theories of liability and additional costs, require changes to business practices or force us to discontinue businesses, adversely affect our ability to pay dividends and repurchase our stock or require us to raise capital, including in ways that may adversely impact our shareholders or creditors.

In addition, regulatory requirements that are imposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that we are subject to in the U.S. and may adversely affect us.

The application of regulatory requirements and strategies in the U.S. or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for our security holders and subject us to other restrictions.

We are required to submit once every two years 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 material financial distress or failure. If the Federal Reserve and the FDIC were to jointly determine that our resolution plan submission was not credible or would not facilitate an orderly resolution, and if we were unsuccessful in addressing any deficiencies identified by the regulators, we or any of our subsidiaries may be subject to more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations, or after a two-year period, we may be required to divest assets or operations.

In addition, provided that certain procedures are met, we can be subject to a resolution proceeding under the orderly liquidation authority under Title II of the Dodd-Frank Act with the FDIC being appointed as receiver instead of being resolved under the U.S. Bankruptcy Code. The FDIC's power under the orderly liquidation authority to disregard the priority of creditor claims and treat similarly situated creditors differently in certain circumstances, subject to certain limitations, could adversely impact holders of our unsecured debt. See "Business—Supervision and Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements."

Further, because both our resolution plan contemplates an SPOE strategy under the U.S. Bankruptcy Code and the FDIC has indicated that it expects to use an SPOE strategy through which it may apply its orderly liquidation authority powers for a U.S. G-SIB, we believe that the application of an SPOE strategy is the reasonably likely outcome if either our resolution plan were implemented or a resolution proceeding were commenced under the orderly liquidation authority. An SPOE strategy generally contemplates the provision of adequate capital and liquidity by the Parent Company to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy, and the Parent Company has entered into a secured amended and restated support agreement with such entities, pursuant to which it would provide such capital and liquidity to such entities.

In addition, a wholly owned, direct subsidiary of the Parent Company, Morgan Stanley Holdings LLC ("Funding IHC"), serves as a resolution funding vehicle. The Parent Company has transferred, and has agreed to transfer on an ongoing basis, certain assets to the Funding IHC. In the event of a resolution scenario, the Parent Company would be obligated to contribute all of its material assets that can be contributed under the terms of the amended and restated support agreement (other than shares in subsidiaries of the Parent Company and certain other assets) to the Funding IHC. The Funding IHC would be obligated to provide capital and liquidity, as applicable, to certain supported subsidiaries, pursuant to the terms of the secured amended and restated support agreement.

The obligations of the Parent Company and of the Funding IHC, respectively, under the amended and restated support agreement are in most cases secured on a senior basis by the assets of the Parent Company (other than shares in subsidiaries of the Parent Company and certain other assets), and the assets of the Funding IHC, as applicable. As a result, claims of certain supported subsidiaries, including the Funding IHC, against the assets of the Parent Company with respect to such secured assets are effectively senior to unsecured obligations of the Parent Company.

Although an SPOE strategy, whether applied pursuant to our resolution plan or in a resolution proceeding under the orderly liquidation authority, is intended to result in better outcomes for creditors overall, there is no guarantee that the application of an SPOE strategy, including the provision of support to the Parent Company's supported subsidiaries pursuant to the secured amended and restated support agreement, will not result in greater losses for holders of our securities compared with a different resolution strategy for us.

Regulators have taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority and other resolution regimes. For example, the Federal Reserve requires top-tier BHCs of U.S. G-SIBs, including the Firm, to maintain adequate TLAC, including equity and eligible long-term debt, in order to ensure that such institutions have enough loss-absorbing resources at the point of failure to be recapitalized through the conversion of debt to equity or otherwise by imposing losses on eligible TLAC where the SPOE strategy is used. The combined implication of the SPOE resolution strategy and the TLAC requirement is that our losses will 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 creditors of our supported subsidiaries without requiring taxpayer or government financial support.

In addition, certain jurisdictions, including the U.K. and E.U. jurisdictions, have implemented changes to resolution regimes to provide resolution authorities with the ability to recapitalize a failing entity organized in such jurisdiction by writing down certain unsecured liabilities or converting certain unsecured liabilities into equity. Such "bail-in" powers are intended to enable the recapitalization of a failing institution by allocating losses to its shareholders and unsecured creditors. This may increase the overall level of capital and liquidity required by us on a consolidated basis and may result in limitations on our ability to efficiently distribute capital and liquidity among our affiliated entities, including in times of stress. Non-U.S. regulators are also considering requirements that certain subsidiaries of large financial institutions maintain minimum amounts of TLAC that would pass losses up from the subsidiaries to the Parent Company and, ultimately, to security holders of the Parent Company in the event of failure.

We may be prevented from paying dividends or taking other capital actions because of regulatory constraints or revised regulatory capital requirements.

We are subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve, including with respect to regulatory capital requirements, stress testing and capital planning. We submit, on at least an annual basis, a capital plan to the Federal Reserve describing proposed dividend payments to shareholders, proposed repurchases of our outstanding securities and other proposed capital actions that we intend to take. Our ability to take capital actions described in the capital plan is dependent on, among other factors, the results of supervisory stress tests conducted by the Federal Reserve and our compliance with regulatory capital requirements imposed by the Federal Reserve.

In addition, the Federal Reserve may change regulatory capital requirements to impose higher requirements that restrict our ability to take capital actions or may modify or impose other regulatory standards or restrictions that increase our operating expenses or constrain our ability to take capital actions. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

The financial services industry faces substantial litigation and is subject to extensive regulatory and law enforcement investigations, and we may face damage to our reputation and legal liability.

As a global financial services firm, we face the risk of investigations and proceedings by governmental and self-regulatory organizations in all countries in which we conduct our business. These investigations and proceedings, as well as the amount of penalties and fines sought, continue to impact the financial services industry. Certain U.S. and international governmental entities have brought criminal actions against, or have sought criminal convictions, pleas, deferred prosecution agreements or non-prosecution agreements from financial institutions. Significant regulatory or law enforcement action against us could materially adversely affect our business, reputation, financial condition or results of operations, and increase our exposure to civil litigation.

Investigations and proceedings initiated by these authorities may result in adverse judgments, settlements, fines, penalties, disgorgement, restitution, forfeiture, injunctions or other relief, and have included and may in the future include requirements that the Firm admit certain conduct, which may result in increased exposure to civil litigation. In addition, these measures have caused and may in the future cause collateral consequences. For example, such matters could impact our ability to engage in, or impose limitations on, certain of our businesses.

As part of the resolution of certain investigations and proceedings, the Firm has been and may in the future be required to undertake certain measures and failure to do so may result in adverse consequences, such as further investigations or proceedings—both civil and criminal—and additional penalties, fines, judgments or other relief.

The Dodd-Frank Act also provides compensation to whistleblowers who present the SEC or CFTC with information related to securities or commodities law violations that leads to a successful enforcement action. As a result of this compensation, it is possible we could face an increased number of investigations by the SEC or CFTC.

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with our activities as a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages, or may result in material penalties, fines or other results adverse to us.

In some cases, the third-party entities that would otherwise be the primary defendants in such cases are bankrupt, in financial distress or may not honor applicable indemnification obligations. In other cases, including antitrust litigation, we may be subject to claims for joint and several liability with other defendants for treble damages or other relief related to alleged conspiracies involving other institutions. Like any large corporation, we are also subject to risk from potential employee misconduct, including noncompliance with policies, laws, rules and regulations, and improper use or disclosure of confidential information, or improper sales practices or other conduct.

We may be responsible for representations and warranties associated with commercial and residential real estate loans and may incur losses in excess of our reserves.

We originate loans secured by commercial and residential properties. Further, we securitize and trade in a wide range of commercial and residential real estate and real estate-related assets and products. In connection with these activities, we have provided, or otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, we may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached, and may incur losses as a result. We have also made representations and warranties in connection with our role as an originator of certain loans that we securitized in CMBS and RMBS. For additional information, see Note 14 to the financial statements.

A failure to address conflicts of interest appropriately could adversely affect our businesses and reputation.

As a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, we face potential conflicts of interest in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between us and a client, among clients, between an employee on the one hand and us or a client on the other, or situations in which we may be a creditor of a client. Moreover, we utilize multiple brands and business channels, including those resulting from our acquisitions, and continue to enhance the collaboration across business segments, which may heighten the potential conflicts of interest or the risk of improper sharing of information.

We have policies, procedures and controls that are designed to identify and address potential conflicts of interest, and we utilize various measures, such as the use of disclosure, to manage these potential conflicts. However, identifying and mitigating potential conflicts of interest can be complex and challenging and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put our reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to our clients being less willing to enter into transactions in which a conflict may occur and could adversely affect our businesses and reputation.

Our regulators also have the ability to scrutinize our activities for potential conflicts of interest, including through detailed examinations of specific transactions. For example, our status as a BHC supervised by the Federal Reserve subjects us to direct Federal Reserve scrutiny with respect to transactions between our U.S. Bank Subsidiaries and their affiliates. Further, the Volcker Rule subjects us to regulatory scrutiny regarding certain transactions between us and our clients.

Risk Management

Our risk management strategies, models and processes may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk, which could result in unexpected losses.

We have devoted significant resources to develop our risk management strategies, models and processes, including our use of various risk models for assessing market, credit, liquidity and operational exposures and hedging strategies, stress testing and other analysis capabilities, and expect to continue to do so in the future. Nonetheless, our risk management capabilities may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated.

As our businesses change and grow, including through acquisitions and the introduction and application of new technologies, such as artificial intelligence, and the markets in which we operate evolve, our risk management strategies, models and processes may not always adapt with those changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate.

In addition, many models we use are based on assumptions or inputs regarding correlations among prices of various asset classes or other market indicators and, therefore, cannot anticipate sudden, unanticipated or unidentified market or economic movements, such as the impact of a pandemic or a sudden geopolitical conflict, which could cause us to incur losses.

Management of market, credit, liquidity, operational, model, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Our trading risk management strategies and techniques also seek to balance our ability to profit from trading positions with our exposure to potential losses.

While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, to the extent that our trading or investing activities involve less liquid trading markets or are otherwise subject to restrictions on sales or hedging, we may not be able to reduce our positions and, therefore, reduce our risk associated with such positions. We may, therefore, incur losses in the course of our trading or investing activities. For more information on how we monitor and manage market and certain other risks and related strategies, models and processes, see "Quantitative and Qualitative Disclosures about Risk—Market Risk."

Climate change manifesting as physical or transition risks could result in increased costs and risks and adversely affect our operations, businesses and clients.

There continues to be increasing concern over the risks of climate change and related sustainability matters. The physical risks of climate change include harm to people and property arising from acute, climate-related events, such as floods, hurricanes, heatwaves, droughts and wildfires, and chronic, longer-term shifts in climate patterns, such as higher global average temperatures, rising sea levels and long-term droughts. Such events could disrupt our operations or those of our clients or third parties on which we rely, including through direct damage to physical assets and indirect impacts from supply chain disruption and market volatility. These events could impact the ability of certain of our clients or customers to repay their obligations, reduce the value of collateral, increase costs, including the cost or availability of insurance coverage, and result in other adverse effects.

The transition risks of climate change include policy, legal, technology and market changes. Examples of these transition risks include changes in consumer and business sentiment, related technologies, shareholder preferences and any additional regulatory and legislative requirements, including increased disclosure or regulation of carbon emissions. These risks could increase our expenses and adversely impact our strategies. Negative impacts to certain of our clients, such as decreased profitability and asset write-downs, could also lead to increased credit and liquidity risk to us.

In addition, our reputation and client relationships may be adversely impacted as a result of our, or our clients', involvement in certain practices that may have, or are associated with having, an adverse impact on climate change. Legislative or regulatory change regarding climate-related risks, including inconsistent requirements and uncertainties, could result in loss of revenue, or increased credit, market, liquidity, regulatory, compliance, reputational and other risks and costs.

Our ability to achieve our climate-related targets and commitments and the way we go about this could also result in reputational harm as a result of public sentiment, legislative and regulatory scrutiny (including from U.S. federal and state governments and foreign policymakers and regulators), litigation and reduced investor and stakeholder confidence. If we are unable to achieve our objectives relating to climate change or our current response to climate change is perceived to be ineffective or insufficient, or the way we respond is perceived negatively, our business and reputation may suffer.

The risks associated with, and the perspective of regulators, governments, shareholders, employees and other stakeholders regarding climate change, as well as geopolitical events, continue to evolve rapidly, making it difficult to assess the ultimate impact on us of climate-related risks and uncertainties. As climate risk is interconnected with other risks, we have developed and continue to enhance processes to embed climate risk considerations into our risk management practices and governance structures. Despite our risk management practices, the unpredictability surrounding the timing and severity of climate-related events, and societal or political changes in reaction to them, make it difficult to predict, identify, monitor and mitigate climate risks.

In addition, the methodologies and data used to manage and monitor climate risk continue to evolve. Current approaches utilize information and estimates that have been derived from information or factors released by third-party sources, which may not reflect the latest or most accurate data. Climate-related data, particularly greenhouse gas emissions for clients and counterparties, remains limited in availability and varies in quality. Certain third-party information may also change over time as methodologies evolve and are refined. While we believe this information is the best available at the time, we may only be able to complete limited validation. Furthermore, modeling capabilities and methodologies to analyze climate-related risks, although improving, remain nascent and emerging and are subject to uncertainty due to limited historical trend information and the absence of standardized and comprehensive data. These and other factors could cause results to differ materially, which could impact our ability to manage climate-related risks.

Competitive Environment

We face strong competition from financial services firms and others, which could lead to pricing pressures that could materially adversely affect our revenues and profitability.

The financial services industry and all aspects of our businesses are intensely competitive, and we expect them to remain so. We compete with commercial banks, global investment banks, regional banks, broker-dealers, wire houses, private banks, registered investment advisers, digital investing platforms, traditional and alternative asset managers, financial technology firms and other companies offering financial and ancillary services in the U.S. and globally. We compete on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, technology, reputation, risk appetite and price.

We have experienced, and will likely continue to experience, increased competition in the U.S. and globally driven by established financial services firms and emerging firms, including non-financial companies and business models focusing on technology innovation, competing for the same clients and assets, or offering similar products and services to retail and institutional customers. It is also possible that competition may become even more intense as we continue to compete with financial or other institutions that may be, or will become, larger, or better capitalized, or may have a stronger local presence and longer operating history in certain geographies or products.

We have experienced, and may continue to experience, pricing pressures as a result of these factors and as some of our competitors seek to obtain market share by reducing prices and fees, paying higher interest rates on deposits, eliminating commissions or other fees or otherwise providing more favorable terms of business. In addition, certain of our competitors may be subject to different and, in some cases, less stringent, legal and regulatory regimes than we are, thereby putting us at a competitive disadvantage. For more information regarding the competitive environment in which we operate, see “Business—Competition” and “Business—Supervision and Regulation.”

Automated trading markets and the introduction and application of new technologies may adversely affect our business and may increase competition.

We continue to experience price competition in some of our businesses. In particular, the ability to execute securities, derivatives and other financial instrument trades electronically on exchanges, swap execution facilities and other automated trading platforms, and the introduction and application of new technologies, including generative artificial intelligence, will likely continue the pressure on revenues. The trend toward direct access to automated, electronic markets will likely continue as additional markets move to more automated trading platforms. We have experienced, and will likely continue to experience, competitive pressures in these and other areas in the future.

Our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance.

Our people are our most important asset. We compete with various other companies in attracting and retaining qualified and skilled personnel. If we are unable to continue to attract, integrate and retain highly qualified employees or successfully transition key roles, or do so at levels or in forms necessary to maintain our competitive position, our performance, including our competitive position and results of operations, could be materially adversely affected. Our ability to attract and retain qualified and skilled personnel depends on numerous factors, some of which are outside of our control.

Compensation costs required to attract and retain employees may increase or the competitive market for talent may further intensify due to factors such as low unemployment, a strong job market and changes in employees’ expectations, concerns and preferences. The financial industry has experienced, and may continue to experience, more stringent regulation of employee compensation than other industries, which may or may not impact competitors. These more stringent regulations have shaped our compensation practices, which could have an adverse effect on our ability to hire or retain the most qualified employees.

International Risk

We are subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of our international operations that could adversely impact our businesses in many ways.

We are subject to numerous political, economic, legal, tax, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies, cybersecurity, data transfer and outsourcing restrictions, regulatory scrutiny regarding the use of new technologies, prohibitions on certain types of foreign and capital market activities, limitations on cross-border listings and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability, including tensions between China and the U.S., the expansion or escalation of hostilities between Russia and Ukraine or in the Middle East, or the initiation or escalation of hostilities or terrorist activity around the world and the potential associated impacts on global and local economies and our operations. In many countries, the laws and regulations applicable to the securities and financial services industries and multinational corporations are uncertain, evolving and subject to sudden change or may be inconsistent with U.S. law. It may also be difficult for us to determine the exact requirements of local laws in every market or adapt to changes in law, which could adversely impact our businesses. Our inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on our business in that market but also on our reputation generally. We are also subject to the risk that transactions we structure might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic or financial disruptions, including significant devaluations of their currencies, defaults or potential defaults on sovereign debt, capital and currency exchange controls, high rates of inflation and low or negative growth rates in their economies. Crime and corruption, as well as issues of security and personal safety, also exist in certain of these countries. These conditions could adversely impact our businesses and increase volatility in financial markets generally.

A disease pandemic or other widespread health emergencies, natural disasters, climate-related incidents, terrorist activities or military actions, or social or political tensions, could create economic and financial disruptions in emerging markets or in other areas of the global economy that could adversely affect our businesses, or could lead to operational difficulties, including travel limitations and supply chain complications, that could impair our ability to manage or conduct our businesses around the world.

As a U.S. company, we are required to comply with the economic sanctions and embargo programs administered by OFAC and similar multinational bodies and governmental agencies worldwide, which may be inconsistent with local law. We and certain of our subsidiaries are also subject to applicable AML and/or anti-corruption laws in the U.S., as well as in the jurisdictions in which we operate, including the Bank Secrecy Act, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. A violation of a sanction, embargo program, AML or anti-corruption law could subject us, and individual employees, to a regulatory enforcement action, as well as significant civil and criminal penalties.

Acquisition, Divestiture and Joint Venture Risk

We may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances, and certain acquisitions may subject our business to new or increased risk.

In connection with past or future acquisitions, divestitures, joint ventures, partnerships, minority stakes or strategic alliances (including with Mitsubishi UFJ Financial Group, Inc. (“MUFG”)), we face numerous risks and uncertainties in combining, transferring, separating or integrating the relevant businesses and systems that may present operational and other risks, including the need to combine or separate accounting, data processing, technology and other systems, management controls and legal entities, and to integrate relationships with clients, trading counterparties and business partners. Certain of these strategic initiatives, and integration thereof, may cause us to incur incremental expenses and may also require incremental financial, management and other resources.

In the case of joint ventures, partnerships and minority stakes, we are subject to additional risks and uncertainties because we may be dependent upon, and subject to liability, losses or franchise and reputational damage relating to systems, controls and personnel that are not under our control, and conflicts or disagreements between us and any of our partners may negatively impact the benefits to be achieved by the relevant partnerships.

There is no assurance that any of our acquisitions, divestitures or investments will be successfully integrated or disaggregated or yield all of the positive benefits and synergies anticipated. If we are not able to integrate or disaggregate successfully our past and future acquisitions or dispositions, including aligning the processes, policies and procedures of the acquired entities with our standards, there is a risk that our results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of our business initiatives, including expansions of existing businesses or the introduction of new products, may change our client or account profile or bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes, services, competitors and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign, compliance and operational risks, as well as franchise and reputational concerns regarding the manner in which these assets are being operated or held, or services are being delivered.

For more information regarding the regulatory environment in which we operate, see also “Business—Supervision and Regulation.”

Cybersecurity

For a discussion of cybersecurity, see "Quantitative and Qualitative Disclosures about Risk— Operational Risk—Cybersecurity."

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-K. For an analysis of 2023 results compared with 2022 results, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the annual report on Form 10-K for the year ended December 31, 2023 filed with the SEC.

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

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

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

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

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

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; legislative, legal and regulatory developments; and other risk 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", "Risk Factors" and "Liquidity and Capital Resources—Regulatory Requirements" herein.

Executive Summary

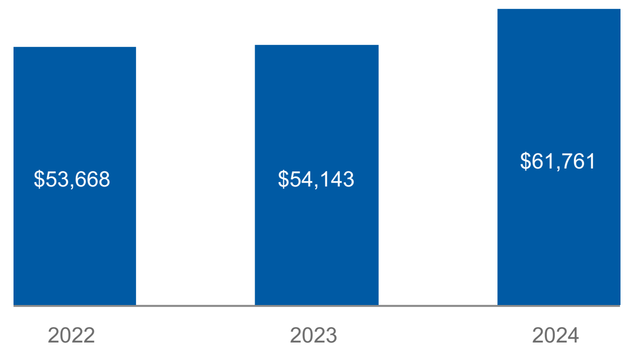
Overview of Financial Results

Consolidated Results—Full Year Ended December 31, 2024

- The Firm reported net revenues of $61.8 billion and net income of $13.4 billion, reflecting strong results across our business segments.
- The Firm delivered ROE of 14.0% and ROTCE of 18.8% (see "Selected Non-GAAP Financial Information" herein).
- The Firm expense efficiency ratio was 71% compared to 77% in the prior year, reflecting higher revenues and expense discipline. In the prior year, the ratio was negatively impacted by specific severance costs of $353 million, integration-related expenses of $293 million, an FDIC special assessment of $286 million and higher legal expenses related to a $249 million settlement in connection with resolutions of investigations into the Firm's blocks business. (See "Expenses" herein for more information).
- The Firm accreted $5.6 billion of Common Equity Tier 1 capital while supporting clients and returning capital to shareholders. At December 31, 2024, the Firm's Standardized Common Equity Tier 1 capital ratio was 15.9%.
- Institutional Securities net revenues of $28.1 billion reflect higher results across businesses and regions on higher client activity and improved market conditions.
- Wealth Management delivered net revenues of $28.4 billion, reflecting higher Asset management and Transactional revenues. The pre-tax margin was 27.2%. Fee-based asset flows were $123 billion and the business added net new assets of $252 billion.
- Investment Management reported net revenues of $5.9 billion, primarily driven by asset management revenues on higher average AUM.

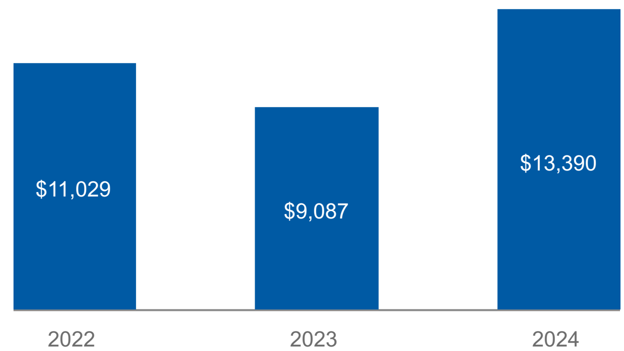
Net Revenues

($ in millions)

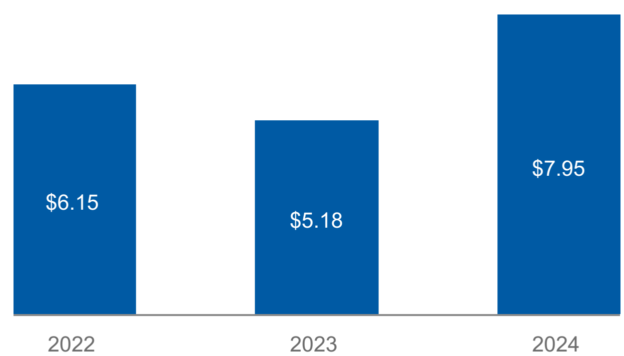


Net Income Applicable to Morgan Stanley

($ in millions)



Earnings per Diluted Common Share

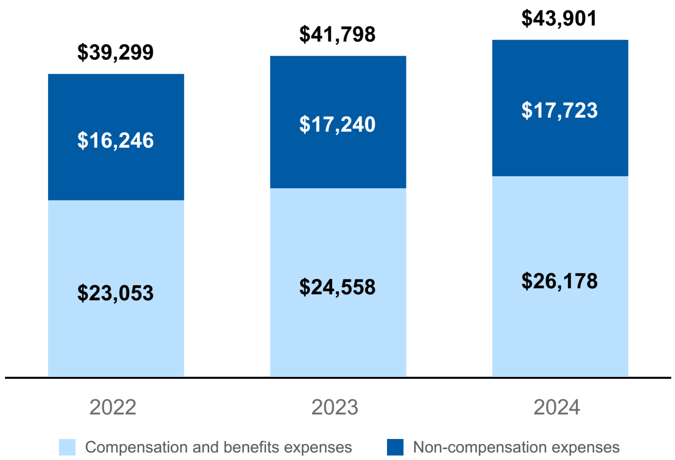


2024 Compared with 2023

- We reported net revenues of $61.8 billion in 2024, which increased by 14% compared with $54.1 billion in 2023. Net income applicable to Morgan Stanley was $13.4 billion in 2024, which increased by 47% compared with $9.1 billion in 2023. Diluted earnings per common share was $7.95 in 2024, which increased by 53% compared with $5.18 in 2023.

Non-Interest Expenses

($ in millions)



- Compensation and benefits expenses of $26,178 million in 2024 increased 7% from the prior year, primarily due to an increase in the formulaic payout to Wealth Management representatives and higher discretionary incentive compensation, both on higher revenues, partially offset by lower severance costs.

  In 2023, Compensation and benefits expenses included severance costs of $353 million, primarily associated with a specific Firmwide reduction in workforce during the second quarter of 2023. We recorded severance costs of $220 million in the Institutional Securities business segment, $105 million in the Wealth Management business segment, and $28 million in the Investment Management business segment for 2023.

  In 2022, Compensation and benefits expenses included severance costs of $133 million, associated with a specific Firmwide reduction in workforce during the fourth quarter of 2022. We recorded severance costs of $88 million in the Institutional Securities business segment, $30 million in the Wealth Management business segment, and $15 million in the Investment Management business segment for 2022. These specific reductions in workforce occurred across the Firm’s business segments and geographic regions, impacted approximately 4% and 1% of the Firm’s global workforce in 2023 and 2022, respectively, and resulted from the Firm’s review of its global workforce, operating expenses and the business environment following the acquisitions of E*TRADE Financial Corporation (“E*TRADE”) and Eaton Vance Corp. (“Eaton Vance”), rather than a change in strategy or exit of businesses. These costs were primarily incurred in the Americas and EMEA, with the majority in the Americas.

- Non-compensation expenses of $17,723 million in 2024 increased 3% from the prior year, primarily driven by higher execution-related expenses and increased technology spend, partially offset by lower legal expenses and lower FDIC special assessment cost.

  In 2023, integration-related expenses were $293 million, of which $201 million related to the integration of E*TRADE within the Wealth Management business segment and $92 million related to the integration of Eaton Vance within the Investment Management business segment. In 2022, integration-related expenses were $470 million, of which $357 million related to the integration of E*TRADE within the Wealth Management business segment and $113 million related to the integration of Eaton Vance within the Investment Management business segment. Integration-related expenses primarily included non-compensation expenses such as information technology expense related to the consolidation of platforms, and professional fees related to changes in legal entity structures and the integration of clients, within both Wealth Management and Investment Management business segments. Integration-related activities were substantially completed as of December 31, 2023.

Provision for Credit Losses

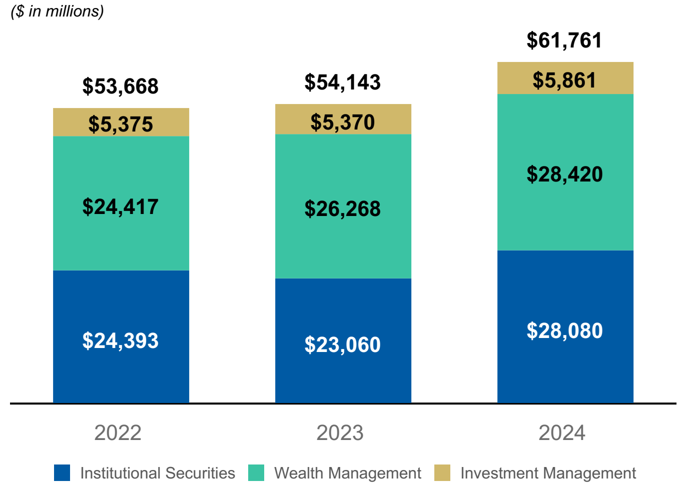
The Provision for credit losses on loans and lending commitments of $264 million in 2024 was primarily related to certain specific commercial real estate loans and growth in the corporate loan portfolio, partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments of $532 million in 2023 was primarily related to credit deterioration in the commercial real estate sector, including provisions for certain specific loans, mainly in the office portfolio, and modest growth in certain other loan portfolios.

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

Business Segment Results

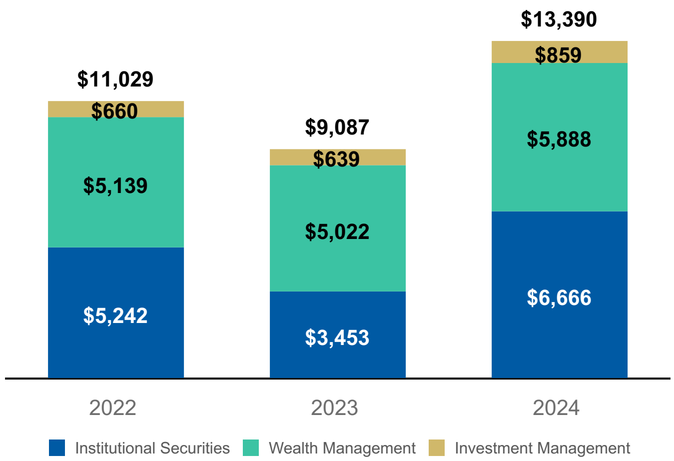
Net Revenues by Segment[1]

($ in millions)



Net Income Applicable to Morgan Stanley by Segment[1]

($ in millions)



1. The amounts in the charts represent the contribution of each business segment to the total of the applicable financial category and may not sum to the total presented on top of the bars due to intersegment eliminations. See Note 22 to the financial statements for details of intersegment eliminations.

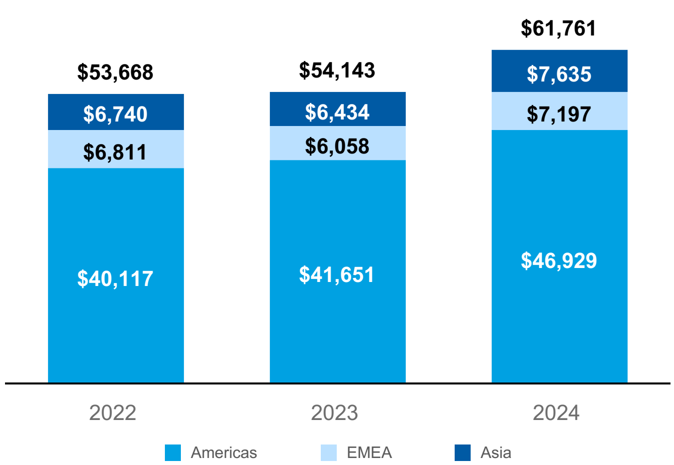
- Institutional Securities net revenues of $28,080 million in 2024 increased 22% from the prior year, reflecting higher results across businesses, particularly in Equity and underwriting results within Investment Banking.

- Wealth Management net revenues of $28,420 million in 2024 increased 8% from the prior year, primarily reflecting higher Asset management revenues and Transactional revenues, partially offset by lower Net interest income.

- Investment Management net revenues of $5,861 million in 2024 increased 9% from the prior year, primarily reflecting higher Asset management and related fees and higher Performance-based income and other revenues.

Net Revenues by Region[1]

($ in millions)



1. For a discussion of how the geographic breakdown of net revenues is determined, see Note 22 to the financial statements.

- Americas net revenues in 2024 increased 13% from the prior year, primarily driven by higher Asset management revenues within the Wealth Management business segment and higher results across businesses within the Institutional Securities business segment.

- EMEA net revenues in 2024 increased 19% from the prior year, primarily driven by higher results across businesses within the Institutional Securities business segment.

- Asia net revenues in 2024 increased 19% from the prior year, primarily driven by higher results from Equity and Investment Banking within the Institutional Securities business segment.

Selected Financial Information and Other Statistical Data

$ in millions, except per share data	**2024**	2023	2022
Consolidated results			
Net revenues	**$ 61,761**	$ 54,143	$ 53,668
Earnings applicable to Morgan Stanley common shareholders	**$ 12,800**	$ 8,530	$ 10,540
Earnings per diluted common share	**$ 7.95**	$ 5.18	$ 6.15
Consolidated financial measures			
Expense efficiency ratio[1]	**71 %**	77 %	73 %
ROE[2]	**14.0 %**	9.4 %	11.2 %
ROTCE[2,3]	**18.8 %**	12.8 %	15.3 %
Pre-tax margin[4]	**28 %**	22 %	26 %
Effective tax rate	**23.1 %**	21.9 %	20.7 %
Pre-tax margin by segment[4]			
Institutional Securities	**31 %**	19 %	28 %
Wealth Management	**27 %**	25 %	27 %
Investment Management	**19 %**	16 %	15 %

$ in millions, except per share data, worldwide employees and client assets	**At December 31, 2024**	At December 31, 2023
Average liquidity resources for three months ended[5]	**$ 345,440**	$ 314,504
Loans[6]	**$ 246,814**	$ 226,828
Total assets	**$ 1,215,071**	$ 1,193,693
Deposits	**$ 376,007**	$ 351,804
Borrowings	**$ 288,819**	$ 263,732
Common equity	**$ 94,761**	$ 90,288
Tangible common equity[3]	**$ 71,604**	$ 66,527
Common shares outstanding	**1,607**	1,627
Book value per common share[7]	**$ 58.98**	$ 55.50
Tangible book value per common share[3,7]	**$ 44.57**	$ 40.89
Worldwide employees (in thousands)	**80**	80
Client assets[8] (in billions)	**$ 7,860**	$ 6,588
Capital ratios[9]		
Common Equity Tier 1 capital—Standardized	**15.9 %**	15.2 %
Tier 1 capital—Standardized	**18.0 %**	17.1 %
Common Equity Tier 1 capital—Advanced	**15.7 %**	15.5 %
Tier 1 capital—Advanced	**17.8 %**	17.4 %
Tier 1 leverage	**6.9 %**	6.7 %
SLR	**5.6 %**	5.5 %

1. The expense efficiency ratio represents total non-interest expenses as a percentage of net revenues.
2. ROE and ROTCE represent earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively.
3. Represents a non-GAAP financial measure. See "Selected Non-GAAP Financial Information" herein.
4. Pre-tax margin represents income before provision for income taxes as a percentage of net revenues.
5. For a discussion of Liquidity resources, see "Liquidity and Capital Resources—Balance Sheet—Liquidity Risk Management Framework—Liquidity Resources" herein.
6. Includes loans held for investment, net of ACL, loans held for sale and also includes loans at fair value, which are included in Trading assets in the balance sheet.
7. Book value per common share and tangible book value per common share equal common equity and tangible common equity, respectively, divided by common shares outstanding.

8. Client assets represent the sum of Wealth Management client assets and Investment Management AUM. Certain Wealth Management client assets are invested in Investment Management products and are therefore also included in Investment Management's AUM.
9. For a discussion of our capital ratios, see "Liquidity and Capital Resources—Regulatory Requirements" herein.

Economic and Market Conditions

The economic environment, client and investor confidence and overall market sentiment improved in 2024. While interest rates declined in recent months, elevated inflation, geopolitical risks including ongoing tensions in the Middle East, uncertainties surrounding government and policy developments in the markets we operate in and the timing and pace of further interest rate actions present ongoing risks to the economic environment. These factors have impacted, and could continue to impact capital markets and our businesses, as discussed further in "Business Segments" herein.

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

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 statements and other public disclosures. A "non-GAAP financial measure" excludes, or includes, amounts from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. We consider the non-GAAP financial measures we disclose to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an alternate means of assessing or comparing our financial condition, operating results and capital adequacy.

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

We present certain non-GAAP financial measures that exclude the impact of mark-to-market gains and losses, net of financing costs on DCP investments from net revenues. We also exclude the impact of mark-to-market gains and losses on DCP from compensation expenses. The impact of DCP investments and DCP are primarily reflected in our Wealth Management business segment results. These measures allow for better comparability of period-to-period underlying operating performance and revenue trends. By excluding the impact of these items, we are better able to describe the business drivers and resulting impact to net revenues and corresponding change to the associated compensation expenses. For additional information on DCP, refer to "Other Matters" herein.

Tangible common equity is a non-GAAP financial measure that we believe analysts, investors and other stakeholders consider useful to allow for comparability to peers and of the period-to-period use of our equity. The calculation of tangible common equity represents common shareholders' equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction. In addition, we believe that certain ratios that utilize tangible common equity, such as return on average tangible common equity ("ROTCE") and tangible book value per common share, also non-GAAP financial measures, are useful for evaluating the operating performance and capital adequacy of the business period-to-period, respectively. The calculation of ROTCE represents annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average tangible common equity. The calculation of tangible book value per common share represents tangible common equity divided by common shares outstanding.

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

$ in millions	**2024**	2023	2022
Net revenues	**$ 61,761**	$ 54,143	$ 53,668
Adjustment for mark-to-market losses (gains) on DCP[1]	**(363)**	(434)	1,198
Adjusted Net revenues—non-GAAP	**$ 61,398**	$ 53,709	$ 54,866
Compensation expense	**$ 26,178**	$ 24,558	$ 23,053
Adjustment for mark-to-market losses (gains) on DCP[1]	**(672)**	(668)	716
Adjusted Compensation expense—non-GAAP	**$ 25,506**	$ 23,890	$ 23,769
Wealth Management Net revenues	**$ 28,420**	$ 26,268	$ 24,417
Adjustment for mark-to-market losses (gains) on DCP[1]	**(239)**	(282)	858
Adjusted Wealth Management Net revenues—non-GAAP	**$ 28,181**	$ 25,986	$ 25,275
Wealth Management Compensation expense	**$ 15,207**	$ 13,972	$ 12,534
Adjustment for mark-to-market losses (gains) on DCP[1]	**(431)**	(412)	530
Adjusted Wealth Management Compensation expense—non-GAAP	**$ 14,776**	$ 13,560	$ 13,064

1. Net revenues and compensation expense are adjusted for DCP for both Firm and Wealth Management business segment. See "Other Matters" herein for more information.

	At December 31,		
$ in millions	**2024**	2023	2022
Tangible equity			
Common equity	**$ 94,761**	$ 90,288	$ 91,391
Less: Goodwill and net intangible assets	**(23,157)**	(23,761)	(24,268)
Tangible common equity—non-GAAP	**$ 71,604**	$ 66,527	$ 67,123

$ in millions	Average Monthly Balance 2024	2023	2022
Tangible equity			
Common equity	**$ 91,699**	$ 90,819	$ 93,873
Less: Goodwill and net intangible assets	**(23,482)**	(24,013)	(24,789)
Tangible common equity—non-GAAP	**$ 68,217**	$ 66,806	$ 69,084

Non-GAAP Financial Measures by Business Segment

$ in billions	2024	2023	2022
Average common equity[1]			
Institutional Securities	**$ 45.0**	$ 45.6	$ 48.8
Wealth Management	**29.1**	28.8	31.0
Investment Management	**10.8**	10.4	10.6
ROE[2]			
Institutional Securities	**14 %**	7 %	10 %
Wealth Management	**20 %**	17 %	16 %
Investment Management	**8 %**	6 %	6 %
Average tangible common equity[1]			
Institutional Securities	**$ 44.6**	$ 45.2	$ 48.3
Wealth Management	**15.5**	14.8	16.3
Investment Management	**1.1**	0.7	0.8
ROTCE[2]			
Institutional Securities	**14 %**	7 %	10 %
Wealth Management	**37 %**	33 %	31 %
Investment Management	**76 %**	88 %	86 %

1. 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 Company equity.
2. The calculation of ROE and ROTCE by segment uses net income applicable to Morgan Stanley by segment less preferred dividends allocated to each segment, annualized as a percentage of average common equity and average tangible common equity, respectively, allocated to each segment.

Return on Tangible Common Equity Goal

We have an ROTCE goal of 20%. Our ROTCE goal is a forward-looking statement that is based on a normal market environment and may be materially affected by many factors.

See "Risk Factors" and "Forward-Looking Statements" herein for further information on market and economic conditions and their potential effects on our future operating results.

ROTCE represents a non-GAAP financial measure. For further information on non-GAAP measures, see "Selected Non-GAAP Financial Information" 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. See Note 22 to the financial statements for segment net revenues by income statement line item and information on intersegment transactions.

Net Revenues

Investment Banking

Investment banking revenues are derived from client engagements in which we act as an advisor, underwriter or distributor of capital.

Within the Institutional Securities business segment, these revenues are primarily composed of fees earned from underwriting equity and fixed income securities, syndicating loans and advisory services in relation to mergers and acquisitions, divestitures and corporate restructurings.

Within the Wealth Management business segment, these revenues are derived from the distribution of newly issued securities.

Trading

Trading revenues include the realized gains and losses from transactions in financial instruments, unrealized gains and losses from ongoing changes in the fair value of our positions, and gains and losses from financial instruments used to economically hedge compensation expense related to DCP.

Within the Institutional Securities business segment, Trading revenues arise from transactions in cash instruments and derivatives in which we act as a market maker for our clients. In this role, we stand ready to buy, sell or otherwise transact with customers under a variety of market conditions and to provide firm or indicative prices in response to customer requests. Our liquidity obligations can be explicit in some cases, and in others, customers expect us to be willing to transact with them. In order to most effectively fulfill our market-making function, we engage in activities across all of our trading businesses that include, but are not limited to:

- taking positions in anticipation of, and in response to, customer demand to buy or sell and—depending on the liquidity of the relevant market and the size of the position—to hold those positions for a period of time;
- building, maintaining and rebalancing inventory held to facilitate client activity through trades with other market participants;
- managing and assuming basis risk (risk associated with imperfect hedging) between risks incurred from the facilitation of client transactions and the standardized products available in the market to hedge those risks;
- trading in the market to remain current on pricing and trends; and
- engaging in other activities to provide efficiency and liquidity for markets.

In many markets, the realized and unrealized gains and losses from purchase and sale transactions will include any spreads between bids and offers. Certain fees received on loans carried at fair value and dividends from equity securities are also recorded in Trading revenues since they relate to positions carried at fair value.

Within the Wealth Management business segment, Trading revenues primarily include revenues from customers' purchases and sales of fixed income instruments in which we act as principal, as well as gains and losses related to DCP investments.

Investments

Investments revenues are composed of realized and unrealized gains and losses derived from investments, including those associated with employee deferred compensation and co-investment plans. Estimates of the fair value of the investments that produce these revenues may involve significant judgment and may fluctuate significantly over time in light of business, market, economic and financial conditions, generally or in relation to specific transactions.

Within the Institutional Securities segment, gains and losses are primarily from business-related investments. Certain investments are subject to sale restrictions.

Within the Investment Management business segment, Investments revenues are primarily from performance-based fees in the form of carried interest, a portion of which is subject to reversal, and gains and losses from investments. The business is entitled to receive carried interest when the return in certain funds exceeds specified performance targets. Additionally, we consolidate certain sponsored Investment Management funds where revenues are primarily attributable to holders of noncontrolling interests.

Commissions and Fees

Commissions and fees result from arrangements in which the client is charged a fee for executing transactions related to securities, services related to sales and trading activities, and sales of other products.

Within the Institutional Securities business segment, commissions and fees include fees earned from market-making activities, such as executing and clearing client transactions on major stock and derivative exchanges, as well as from OTC derivatives.

Within the Wealth Management business segment, commissions and fees arise from client transactions including in equity securities, insurance products, mutual funds, alternative investments, futures and options. Wealth Management also earns revenues from order flow payments for directing customer orders to broker-dealers, exchanges and market centers for execution.

Asset Management

Asset management revenues include fees associated with the management and supervision of assets and the distribution of funds and similar products.

Within the Wealth Management business segment, Asset management revenues are related to advisory services associated with fee-based assets, account service and administration, as well as distribution of products. These revenues are generally based on the net asset value of the account in which a client is invested.

Within the Investment Management business segment, Asset management revenues are primarily composed of fees received from investment vehicles on the basis of assets under management. Performance-based fees, not in the form of carried interest, are earned on certain products and separately managed accounts as a percentage of appreciation in value and, in certain cases, are based upon the achievement of performance criteria. These performance fees are generally recognized on a quarterly or annual basis.

Net Interest

Interest income and Interest expense are functions of the level and mix of total assets and liabilities, including Trading assets and Trading liabilities, Investment securities, Securities borrowed or purchased under agreements to resell, Securities loaned or sold under agreements to repurchase, Loans, Deposits and Borrowings.

Within the Institutional Securities business segment, Net interest is a function of market-making strategies, client activity, and the prevailing level, term structure and volatility of interest rates. Net interest is impacted by market-making, lending and financing activities as we generally earn interest on securities held by the Firm, Securities borrowed, Securities purchased under agreements to resell, Loans and margin loans, while Borrowings, Securities loaned and Securities sold under agreements to repurchase generally incur interest expense.

Within the Wealth Management business segment, Interest income is driven by assets held including Investment securities, Loans and margin loans. Interest expense is driven by Deposits and other funding.

Other

Other revenues for Institutional Securities include revenues and losses from equity method investments, fees earned in association with lending activities, mark-to-market gains and losses on loans and lending commitments held for sale, as well as gains and losses on economic derivative hedges associated with certain held-for-sale and held-for-investment loans and lending commitments.

Other revenues for Wealth Management include realized gains and losses on AFS securities, account handling fees, referral fees and other miscellaneous revenues.

Provision for Credit Losses

The Provision for credit losses includes the provision for credit losses for loans and lending commitments held for investment.

Institutional Securities—Fixed Income and Equities

Fixed income and Equities net revenues are composed of Trading revenues, Commissions and fees, Asset management revenues, Net interest, and certain Investments and Other revenues directly attributable to those businesses. These revenues, which can be affected by a variety of interrelated factors, including market volumes, bid-offer spreads and the impact of market conditions on inventory held to facilitate client activity, as well as the effect of hedging activity, are viewed in the aggregate when assessing the performance and profitability of our businesses.

Following is a description of the revenue-generating activities within our equity and fixed income businesses, as well as how their results impact the income statement line items.

Equity—Financing. We provide financing, prime brokerage and fund administration services to our clients active in the equity markets through a variety of products, including margin lending, securities lending and swaps. Results from this business are largely driven by the difference between financing income earned and financing and liquidity costs incurred, which are reflected in Net interest for securities lending products, and in Trading revenues for derivative products. Fees for providing fund administration services are reflected in Asset management revenues.

Equity—Execution services. A significant portion of the results for this business is generated by commissions and fees from executing and clearing client transactions on major stock and derivative exchanges, as well as from OTC transactions. We make markets for our clients principally in equity-related securities and derivative products, including those that provide liquidity and are utilized for hedging. Market-making also generates gains and losses on inventory held to facilitate client activity, which are reflected in Trading revenues. Execution services also includes certain Investments and Other revenues.

Fixed Income—Within fixed income, we make markets in various flow and structured products in order to facilitate client activity as part of the following products and services:

- *Global macro products.* We make markets for our clients in interest rate, foreign exchange and emerging market products, including exchange-traded and OTC securities and derivative instruments. The results of this market-making activity are primarily driven by gains and losses from buying and selling positions to stand ready for and satisfy client demand and are recorded in Trading revenues.

- *Credit products.* We make markets in credit-sensitive products, such as corporate bonds and mortgage securities and other securitized products, and related derivative instruments. The values of positions in this business are sensitive to changes in credit spreads and interest rates, which result in gains and losses reflected in Trading revenues. We undertake lending activities, which include commercial mortgage lending, secured lending facilities and financing extended to sales and trading customers. Due to the amount and type of the interest-bearing securities and loans making up this business, a significant portion of the results is also reflected in Net interest revenues.

- *Commodities products and Other.* We make markets in various commodity products related primarily to electricity, natural gas, oil and metals. These activities are primarily recorded in Trading revenues.

Fixed income also includes certain Investments and Other revenues.

Institutional Securities—Other Net Revenues

Other net revenues include impacts from certain treasury functions, such as liquidity and funding costs and gains and losses on economic hedges related to certain borrowings. Other net revenues also include mark-to-market gains and losses on held-for-sale corporate loans and lending commitments, as well as net interest and gain and losses on economic hedges associated with held-for-sale and held-for-investment corporate loans and lending commitments. Also included are gains and losses from financial instruments used to economically hedge compensation expense related to certain DCP, income and losses from the equity method investment related to our Japanese securities joint venture with MUFG, as well as Investments and Other revenues that are not directly attributable to Fixed income and Equities businesses.

Compensation Expense

Compensation and benefits expenses include base salaries and fixed allowances, formulaic programs, discretionary incentive compensation, amortization of deferred cash and equity awards, changes in the fair value of DCP investments, carried interest allocated to employees, severance costs, and other items such as health and welfare benefits. For additional information on DCP, refer to "Other Matters" herein.

The factors that drive compensation for our employees vary from period to period, from segment to segment and within a segment. For certain revenue-producing employees in the Wealth Management and Investment Management business segments, compensation is largely paid on the basis of formulaic payouts that link employee compensation to revenues. Compensation for other employees, including revenue-producing employees in the Institutional Securities business segment and employees in corporate support functions, include base salary and benefits and may also include incentive compensation that is determined following the assessment of the performance of the Firm, business unit and individual.

Income Taxes

The Income tax provision for our business segments is generally determined based on the revenues, expenses and activities directly attributable to each business segment. Certain items have been allocated to each business segment, generally in proportion to its respective net revenues or other relevant measures.

Institutional Securities

Income Statement Information

$ in millions	2024	2023	2022	% Change 2024	% Change 2023
Revenues					
Advisory	**$ 2,378**	$ 2,244	$ 2,946	**6 %**	(24)%
Equity	**1,599**	889	851	**80 %**	4 %
Fixed income	**2,193**	1,445	1,438	**52 %**	— %
Total Underwriting	**3,792**	2,334	2,289	**62 %**	2 %
Total Investment banking	**6,170**	4,578	5,235	**35 %**	(13)%
Equity	**12,230**	9,986	10,769	**22 %**	(7)%
Fixed income	**8,418**	7,673	9,022	**10 %**	(15)%
Other	**1,262**	823	(633)	**53 %**	N/M
Net revenues	**28,080**	23,060	24,393	**22 %**	(5)%
Provision for credit losses	**202**	401	211	**(50)%**	90 %
Compensation and benefits	**8,669**	8,369	8,246	**4 %**	1 %
Non-compensation expenses	**10,460**	9,814	9,221	**7 %**	6 %
Total non-interest expenses	**19,129**	18,183	17,467	**5 %**	4 %
Income before provision for income taxes	**8,749**	4,476	6,715	**95 %**	(33)%
Provision for income taxes	**1,947**	884	1,308	**120 %**	(32)%
Net income	**6,802**	3,592	5,407	**89 %**	(34)%
Net income applicable to noncontrolling interests	**136**	139	165	**(2)%**	(16)%
Net income applicable to Morgan Stanley	**$ 6,666**	$ 3,453	$ 5,242	**93 %**	(34)%

Investment Banking

Investment Banking Volumes

$ in billions	2024	2023	2022
Completed mergers and acquisitions[1]	**$ 628**	$ 677	$ 881
Equity and equity-related offerings[2, 3]	**63**	32	23
Fixed income offerings[2, 4]	**323**	236	229

Source: LSEG Data & Risk Analytics (formerly known as Refinitiv) as of January 2, 2025. 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

Net revenues of $6,170 million in 2024 increased 35% compared with the prior year, reflecting an increase in underwriting and Advisory revenues.

- Advisory revenues increased primarily due to higher completed M&A transactions.
- Equity underwriting revenues increased primarily on higher initial public offerings and follow-on offerings.
- Fixed income underwriting revenues increased primarily reflecting higher bond issuances, non-investment grade loan issuances and securitized products revenues.

While Investment Banking results improved from the prior year, we continue to operate in a market environment with lower completed M&A activity relative to longer-term averages.

See "Investment Banking Volumes" herein.

Equity, Fixed Income and Other Net Revenues

Equity and Fixed Income Net Revenues

2024 $ in millions	Trading	Fees[1]	Net Interest[2]	All Other[3]	Total
Financing	**$ 8,135**	**$ 566**	**$ (2,840)**	**$ 17**	**$ 5,878**
Execution services	**3,702**	**2,591**	**(291)**	**350**	**6,352**
Total Equity	**$ 11,837**	**$ 3,157**	**$ (3,131)**	**$ 367**	**$ 12,230**
Total Fixed income	**$ 8,464**	**$ 394**	**$ (730)**	**$ 290**	**$ 8,418**

2023 $ in millions	Trading	Fees[1]	Net Interest[2]	All Other[3]	Total
Financing	$ 7,206	$ 524	$ (2,886)	$ 66	$ 4,910
Execution services	2,919	2,235	(190)	112	5,076
Total Equity	$ 10,125	$ 2,759	$ (3,076)	$ 178	$ 9,986
Total Fixed income	$ 7,848	$ 375	$ (975)	$ 425	$ 7,673

2022 $ in millions	Trading	Fees[1]	Net Interest[2]	All Other[3]	Total
Financing	$ 5,223	$ 535	$ (257)	$ 36	$ 5,537
Execution services	2,947	2,462	(81)	(96)	5,232
Total Equity	$ 8,170	$ 2,997	$ (338)	$ (60)	$ 10,769
Total Fixed income	$ 7,711	$ 341	$ 922	$ 48	$ 9,022

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

Equity

Net revenues of $12,230 million in 2024 increased 22% compared with the prior year, reflecting an increase in both Execution services and Financing, particularly in Asia and the Americas.

- Financing revenues increased primarily due to higher client activity and lower funding and liquidity costs.
- Execution services revenues increased primarily due to higher gains on inventory held to facilitate client activity and increased client activity in derivatives and cash equities.

Fixed Income

Net revenues of $8,418 million in 2024 increased 10% compared with the prior year, reflecting an increase across businesses, particularly in Credit and Global macro products.

- Global macro products increased primarily due to lower losses on foreign exchange products and higher gains on rates products, on inventory held to facilitate client activity.
- Credit products revenues increased primarily due to higher lending and securitized products revenues and lower losses

on inventory held to facilitate client activity in corporate credit products.

- Commodities products and other fixed income revenues were relatively unchanged.

Other Net Revenues

Other net revenues were $1,262 million in 2024 compared with $823 million in the prior year, primarily due to lower mark-to-market losses on corporate loans, inclusive of hedges, and higher net interest income and fees on corporate loans.

Provision for Credit Losses

In 2024, the Provision for credit losses on loans and lending commitments of $202 million was primarily related to growth in the corporate loan portfolio and provisions for certain specific commercial real estate loans, partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments of $401 million in 2023 was primarily related to credit deterioration in the commercial real estate sector, including provisions for certain specific loans, mainly in the office portfolio, and modest growth in certain other loan portfolios.

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

Non-Interest Expenses

Non-interest expenses of $19,129 million in 2024 increased 5% compared with the prior year as a result of higher Non-compensation expenses and Compensation and benefits expenses.

- Compensation and benefits expenses increased primarily reflecting higher discretionary incentive compensation on higher revenues, partially offset by lower severance costs.
- Non-compensation expenses increased primarily reflecting higher execution-related expenses and increased technology spend, partially offset by lower legal expenses and lower FDIC special assessment cost.

Wealth Management

Income Statement Information

$ in millions	2024	2023	2022	% Change 2024	% Change 2023
Revenues					
Asset management	**$16,501**	$14,019	$13,872	**18 %**	1 %
Transactional[1]	**3,864**	3,556	2,473	**9 %**	44 %
Net interest	**7,313**	8,118	7,429	**(10)%**	9 %
Other[2]	**742**	575	643	**29 %**	(11)%
Net revenues	**28,420**	26,268	24,417	**8 %**	8 %
Provision for credit losses	**62**	131	69	**(53)%**	90 %
Compensation and benefits	**15,207**	13,972	12,534	**9 %**	11 %
Non-compensation expenses	**5,411**	5,635	5,231	**(4)%**	8 %
Total non-interest expenses	**20,618**	19,607	17,765	**5 %**	10 %
Income before provision for income taxes	**7,740**	6,530	6,583	**19 %**	(1)%
Provision for income taxes	**1,852**	1,508	1,444	**23 %**	4 %
Net income applicable to Morgan Stanley	**$ 5,888**	$ 5,022	$ 5,139	**17 %**	(2)%

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

Wealth Management Metrics

$ in billions	At December 31, 2024	At December 31, 2023
Total client assets[1]	**$ 6,194**	$ 5,129
U.S. Bank Subsidiary loans	**$ 160**	$ 147
Margin and other lending[2]	**$ 28**	$ 21
Deposits[3]	**$ 370**	$ 346
Annualized weighted average cost of deposits[4]		
Period end	**2.73%**	2.92%
Period average	**3.05%**	2.43%

	2024	2023	2022
Net new assets	**$ 251.7**	$ 282.3	$ 311.3

1. Client assets represent those for which Wealth Management is providing services including financial advisor-led brokerage, custody, administrative and investment advisory services; self-directed brokerage and investment advisory services; financial and wealth planning services; workplace services, including stock plan administration, and retirement plan services. See "Advisor-Led Channel" and "Self-Directed Channel" herein for additional information.
2. Margin and other lending represents margin lending arrangements, which allow customers to borrow against the value of qualifying securities and other lending which includes non-purpose securities-based lending on non-bank entities.
3. Deposits reflect liabilities sourced from Wealth Management clients and other sources of funding on our U.S. Bank Subsidiaries. Deposits include sweep deposit programs, savings and other deposits, and time deposits.
4. Annualized weighted average represents the total annualized weighted average cost of the various deposit products. Amounts at December 31, 2024 include the effect of related hedging derivatives. Amounts at December 31, 2023 exclude the effect of related hedging derivatives, which did not have a material impact on the cost of deposits. The period end cost of deposits is based upon balances and rates as of December 31, 2024 and December 31, 2023. The period average is based on daily balances and rates for the period.

Net New Assets (NNA)

NNA represent client asset inflows, inclusive of interest, dividends and asset acquisitions, less client asset outflows, and exclude the impact of business combinations/divestitures and the impact of fees and commissions. The level of NNA in a given period is influenced by a variety of factors, including macroeconomic factors that impact client investment and spending behaviors, seasonality, our ability to attract and retain financial advisors and clients, capital market and corporate activities which may impact the amount of assets in certain client channels, and large idiosyncratic inflows and outflows. These factors have had an impact on our NNA in recent periods. Should these factors continue, the growth rate of our NNA may be impacted.

Advisor-Led Channel

$ in billions	At December 31, 2024	At December 31, 2023
Advisor-led client assets[1]	**$ 4,758**	$ 3,979
Fee-based client assets[2]	**$ 2,347**	$ 1,983
Fee-based client assets as a percentage of advisor-led client assets	**49%**	50%

	2024	2023	2022
Fee-based asset flows[3]	**$ 123.1**	$ 109.2	$ 162.8

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

Self-Directed Channel

	At December 31, 2024	At December 31, 2023
Self-directed assets (in billions)[1]	**$ 1,437**	$ 1,150
Self-directed households (in millions)[2]	**8.3**	8.1

	2024	2023	2022
Daily average revenue trades ("DARTs") (in thousands)[3]	**837**	759	864

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

Workplace Channel[1]

	At December 31, 2024	At December 31, 2023
Workplace unvested assets (in billions)[2]	**$ 475**	$ 416
Number of participants (in millions)[3]	**6.6**	6.6

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

Net Revenues

Asset Management

Asset management revenues of $16,501 million in 2024 increased 18% compared with the prior year, reflecting higher fee-based assets due to higher market levels and the cumulative impact of positive fee-based flows.

See "Fee-Based Client Assets Rollforwards" herein.

Transactional Revenues

Transactional revenues of $3,864 million in 2024 increased 9% compared with the prior year, reflecting higher client activity particularly in equity-related transactions.

Net Interest

Net interest revenues of $7,313 million in 2024 decreased 10% compared with the prior year, primarily due to lower average sweep deposits, partially offset by higher yields on our investment portfolio and lending growth.

The level and pace of interest rate changes and other macroeconomic factors have impacted client preferences for cash allocation to higher-yielding products and client demand for loans. These factors, along with other developments, such as pricing changes to certain deposit types due to various competitive dynamics, have impacted our net interest income. To the extent they persist, or other factors arise, such as central bank actions and changes in the path of interest rates, net interest income may be impacted in future periods.

Provision for Credit Losses

The Provision for credit losses on loans and lending commitments of $62 million in 2024 was primarily related to certain specific commercial real estate and securities-based loans, and portfolio growth, partially offset by improvements in the macroeconomic outlook. The Provision for credit losses on loans and lending commitments of $131 million in 2023 was primarily related to deteriorating conditions in the commercial real estate sector including provisions for certain specific loans, mainly in the office portfolio.

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

Non-Interest Expenses

Non-interest expenses of $20,618 million in 2024 increased 5% compared with the prior year, as a result of higher Compensation and benefits expenses, partially offset by lower Non-compensation expenses.

- Compensation and benefits expenses increased, primarily due to an increase in the formulaic payout to Wealth Management representatives on higher compensable revenues.
- Non-compensation expenses decreased, primarily driven by lower professional services and legal expenses and lower FDIC special assessment cost, partially offset by higher technology spend.

Fee-Based Client Assets Rollforwards

$ in billions	At December 31, 2023	Inflows[1]	Outflows[2]	Market Impact[3]	**At December 31, 2024**
Separately managed[4]	$ 589	**$ 69**	**$ (38)**	**$ 99**	**$ 719**
Unified managed	501	**120**	**(56)**	**48**	**613**
Advisor	188	**31**	**(35)**	**23**	**207**
Portfolio manager	645	**120**	**(88)**	**73**	**750**
Subtotal	$ 1,923	**$ 340**	**$ (217)**	**$ 243**	**$ 2,289**
Cash management	60	**57**	**(59)**	**—**	**58**
Total fee-based client assets	$ 1,983	**$ 397**	**$ (276)**	**$ 243**	**$ 2,347**

$ in billions	At December 31, 2022	Inflows[1]	Outflows[2]	Market Impact[3]	At December 31, 2023
Separately managed[4]	$ 501	$ 70	$ (23)	$ 41	$ 589
Unified managed	408	96	(56)	53	501
Advisor	167	29	(32)	24	188
Portfolio manager	552	98	(73)	68	645
Subtotal	$ 1,628	$ 293	$ (184)	$ 186	$ 1,923
Cash management	50	60	(50)	—	60
Total fee-based client assets	$ 1,678	$ 353	$ (234)	$ 186	$ 1,983

$ in billions	At December 31, 2021	Inflows[1,5]	Outflows[2]	Market Impact[3]	At December 31, 2022
Separately managed[4]	$ 479	$ 141	$ (25)	$ (94)	$ 501
Unified managed	467	76	(50)	(85)	408
Advisor	211	29	(35)	(38)	167
Portfolio manager	636	94	(67)	(111)	552
Subtotal	$ 1,793	$ 340	$ (177)	$ (328)	$ 1,628
Cash management	46	38	(34)	—	50
Total fee-based client assets	$ 1,839	$ 378	$ (211)	$ (328)	$ 1,678

1. Inflows include new accounts, account transfers, deposits, dividends and interest.
2. Outflows include closed or terminated accounts, account transfers, withdrawals and client fees.
3. Market impact includes realized and unrealized gains and losses on portfolio investments.
4. Includes non-custody account values based on asset values reported on a quarter lag by third-party custodians.
5. Includes $75 billion of fee-based assets acquired in an asset acquisition in the first quarter of 2022, reflected in Separately managed.

Average Fee Rates[1]

Fee rate in bps	**2024**	2023	2022
Separately managed	**12**	12	12
Unified managed	**91**	92	94
Advisor	**79**	80	81
Portfolio manager	**89**	91	92
Subtotal	**65**	65	66
Cash management	**6**	6	6
Total fee-based client assets	**63**	64	65

1. Based on Asset management revenues related to advisory services associated with fee-based assets.

Asset management revenues within the Wealth Management segment are primarily generated from the following types of accounts:

- *Separately managed*—accounts by which third party and affiliated asset managers are engaged to manage clients' assets with investment decisions made by the asset manager. Only one third-party asset manager strategy can be held per account.

- *Unified managed*—accounts that provide the client with the ability to combine separately managed accounts, mutual funds and exchange-traded funds, all in one aggregate account. Investment decisions and discretionary authority may be exercised by the client, financial advisor or portfolio manager. Also includes accounts that give the client the ability to systematically allocate assets across a wide range of mutual funds, for which the investment decisions are made by the client.
- *Advisor*—accounts where the investment decisions must be approved by the client, and the financial advisor must obtain approval each time a change is made to the account or its investments.
- *Portfolio manager*—accounts where a financial advisor has discretion (contractually approved by the client) to make ongoing investment decisions without the client's approval for each individual change.
- *Cash management*—accounts where the financial advisor provides discretionary cash management services to institutional clients, whereby securities or proceeds are invested and reinvested in accordance with the client's investment criteria. Generally, the portfolio will be invested in short-term fixed income and cash equivalent investments.

Investment Management

Income Statement Information

$ in millions	2024	2023	2022	% Change 2024	% Change 2023
Revenues					
Asset management and related fees	**$ 5,627**	$ 5,231	$ 5,332	**8 %**	(2)%
Performance-based income and other[1]	**234**	139	43	**68 %**	N/M
Net revenues	**5,861**	5,370	5,375	**9 %**	— %
Compensation and benefits	**2,302**	2,217	2,273	**4 %**	(2)%
Non-compensation expenses	**2,422**	2,311	2,295	**5 %**	1 %
Total non-interest expenses	**4,724**	4,528	4,568	**4 %**	(1)%
Income before provision for income taxes	**1,137**	842	807	**35 %**	4 %
Provision for income taxes	**275**	199	162	**38 %**	23 %
Net income	**862**	643	645	**34 %**	— %
Net income applicable to noncontrolling interests	**3**	4	(15)	**(25)%**	127 %
Net income applicable to Morgan Stanley	**$ 859**	$ 639	$ 660	**34 %**	(3)%

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

Net Revenues

Asset Management and Related Fees

Asset management and related fees of $5,627 million in 2024 increased 8% compared with the prior year, primarily driven by higher average AUM on higher market levels.

Asset management revenues are influenced by the level, relative mix of AUM and related fee rates. While higher market levels drove increases in average AUM in the current year period, there were continued net outflows in the Equity asset class, which may be influenced by the structure and performance of our investment strategies and products relative to their benchmarks, offset by higher net inflows in the Alternatives and Solutions and Fixed Income asset classes reflecting client preferences. To the extent these conditions continue, we would expect our Asset management revenue to continue to be impacted.

See "Assets Under Management or Supervision" herein.

Performance-based Income and Other

Performance-based income and other revenues increased to $234 million in 2024, from $139 million in the prior year, primarily due to higher accrued carried interest in infrastructure and real estate funds, partially offset by lower accrued carried interest in certain private equity funds.

Non-Interest Expenses

Non-interest expenses of $4,724 million in 2024 increased 4% from the prior year, as a result of higher Non-compensation and Compensation and benefits expenses.

- Compensation and benefits expenses increased primarily due to higher compensation associated with carried interest.
- Non-compensation expenses increased primarily due to higher distribution expenses on higher AUM.

Assets Under Management or Supervision Rollforwards

$ in billions	At Dec 31, 2023	Inflows[1]	Outflows[2]	Market Impact[3]	Other[4]	At Dec 31, 2024
Equity	$ 295	$ **44**	$ **(66)**	$ **49**	$ **(10)**	$ **312**
Fixed Income	171	**69**	**(49)**	**7**	**(6)**	**192**
Alternatives and Solutions	508	**140**	**(108)**	**62**	**(9)**	**593**
Long-Term AUM	$ 974	$ **253**	$ **(223)**	$ **118**	$ **(25)**	$ **1,097**
Liquidity and Overlay Services	485	**2,349**	**(2,268)**	**20**	**(17)**	**569**
Total	$ 1,459	$ **2,602**	$ **(2,491)**	$ **138**	$ **(42)**	$ **1,666**

$ in billions	At Dec 31, 2022	Inflows[1]	Outflows[2]	Market Impact[3]	Other[4,5]	At Dec 31, 2023
Equity	$ 259	$ 40	$ (57)	$ 57	$ (4)	$ 295
Fixed Income	173	56	(62)	11	(7)	171
Alternatives and Solutions	431	108	(91)	57	3	508
Long-Term AUM	$ 863	$ 204	$ (210)	$ 125	$ (8)	$ 974
Liquidity and Overlay Services	442	2,282	(2,244)	20	(15)	485
Total	$ 1,305	$ 2,486	$ (2,454)	$ 145	$ (23)	$ 1,459

$ in billions	At Dec 31, 2021	Inflows[1]	Outflows[2]	Market Impact[3]	Other[4]	At Dec 31, 2022
Equity	$ 395	$ 56	$ (74)	$ (106)	$ (12)	$ 259
Fixed Income	207	66	(78)	(16)	(6)	173
Alternatives and Solutions	466	102	(83)	(47)	(7)	431
Long-Term AUM	$ 1,068	$ 224	$ (235)	$ (169)	$ (25)	$ 863
Liquidity and Overlay Services	497	2,224	(2,268)	(6)	(5)	442
Total	$ 1,565	$ 2,448	$ (2,503)	$ (175)	$ (30)	$ 1,305

1. Inflows represent investments or commitments from new and existing clients in new or existing investment products, including reinvestments of client dividends and increases in invested capital. Inflows exclude the impact of exchanges, whereby a client changes positions within the same asset class.
2. Outflows represent redemptions from clients' funds, transition of funds from the committed capital period to the invested capital period and decreases in invested capital. Outflows exclude the impact of exchanges, whereby a client changes positions within the same asset class.
3. Market impact includes realized and unrealized gains and losses on portfolio investments. This excludes any funds where market impact does not impact management fees.
4. Other contains both distributions and foreign currency impact for all periods. Distributions represent decreases in invested capital due to returns of capital after the investment period of a fund. It also includes fund dividends that the client has not reinvested. Foreign currency impact reflects foreign currency changes for non-U.S. dollar denominated funds.
5. In 2023, our Retail Municipal and Corporate Fixed Income business ("FIMS") was combined with our Parametric retail customized solutions business. The impact of the change was a $6 billion movement in AUM from Fixed Income to the Alternatives and Solutions asset class included in Other.

Average AUM

$ in billions	2024	2023	2022
Equity	$ **305**	$ 279	$ 298
Fixed income	**180**	170	186
Alternatives and Solutions	**557**	466	435
Long-Term AUM Subtotal	**1,042**	915	919
Liquidity and Overlay Services	**498**	464	462
Total AUM	$ **1,540**	$ 1,379	$ 1,381

Average Fee Rates[1]

Fee rate in bps	2024	2023	2022
Equity	**71**	71	70
Fixed income	**36**	35	35
Alternatives and Solutions	**28**	32	34
Long-Term AUM	**42**	44	46
Liquidity and Overlay Services	**12**	13	11
Total AUM	**32**	34	34

1. Based on Asset management revenues, net of waivers, excluding performance-based fees and other non-management fees. For certain non-U.S. funds, it includes the portion of advisory fees that the advisor collects on behalf of third-party distributors. The payment of those fees to the distributor is included in Non-compensation expenses in the income statement.

Asset management and other related fees within the Investment Management segment are primarily generated from Equity, Fixed Income and the following products:

Alternatives and Solutions. Includes products in fund of funds, real estate, infrastructure, private equity and credit strategies and multi-asset portfolios, as well as systematic strategies that create custom investment solutions.

Liquidity and Overlay Services. Includes liquidity fund products, as well as overlay services, which represent investment strategies that use passive exposure instruments to obtain, offset or substitute specific portfolio exposures, beyond those provided by the underlying holdings of the fund.

Supplemental Financial Information

U.S. Bank Subsidiaries

Our U.S. Bank Subsidiaries accept deposits, provide loans to a variety of customers, including large corporate and institutional clients, as well as high to ultra-high net worth individuals, and invest in securities. Lending activity in our U.S. Bank Subsidiaries from the Institutional Securities business segment primarily includes Secured lending facilities, Commercial and Residential real estate and Corporate loans. Lending activity in our 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" herein. For a further discussion about loans and lending commitments, see Notes 9 and 14 to the financial statements.

U.S. Bank Subsidiaries' Supplemental Financial Information[1]

$ in billions	At December 31, 2024	At December 31, 2023
Investment securities:		
Available-for-sale at fair value	**$ 76.5**	$ 66.6
Held-to-maturity	**47.8**	51.4
Total Investment securities	**$ 124.3**	$ 118.0
Wealth Management loans[2]		
Residential real estate	**$ 66.6**	$ 60.3
Securities-based lending and Other[3]	**92.9**	86.2
Total Wealth Management loans	**$ 159.5**	$ 146.5
Institutional Securities loans[2]		
Corporate	**$ 7.1**	$ 10.1
Secured lending facilities	**50.2**	40.8
Commercial and Residential real estate	**10.5**	10.7
Securities-based lending and Other	**5.6**	4.1
Total Institutional Securities loans	**$ 73.4**	$ 65.7
Total assets	**$ 434.8**	$ 396.1
Deposits[4]	**$ 369.7**	$ 346.1

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

Other Matters

Deferred Cash-Based Compensation

The Firm sponsors a number of deferred cash-based compensation programs for current and former employees, which generally contain vesting, clawback and cancellation provisions.

Employees are permitted to allocate the value of their deferred awards among a menu of notional investments, whereby the value of their awards will track the performance of the referenced notional investments. The menu of investments, which is selected by the Firm, includes fixed income, equity, commodity and money market funds.

Compensation expense for DCP awards is calculated based on the notional value of the award granted, adjusted for changes in the fair value of the referenced investments that employees select. Compensation expense is recognized over the vesting period relevant to each separately vesting portion of deferred awards.

We invest directly, as principal, in financial instruments and other investments to economically hedge certain of our obligations under these DCP awards. Changes in the fair value of such investments, net of financing costs, are recorded in net revenues, and included in Transactional revenues in the Wealth Management business segment. Although changes in compensation expense resulting from changes in the fair value of the referenced investments will generally be offset by changes in the fair value of investments recognized in net revenues, there is typically a timing difference between the immediate recognition of gains and losses on our investments and the deferred recognition of the related compensation expense over the vesting period. While this timing difference may not be material to our Income before provision for income taxes in any individual period, it may impact the Wealth Management business segment reported ratios and operating metrics in certain periods due to potentially significant impacts to net revenues and compensation expenses. At December 31, 2024 and December 31, 2023, substantially all employee-referenced investments that subjected the Firm to price risk were economically hedged.

Amounts Recognized in Compensation Expense

$ in millions	2024	2023	2022
Deferred cash-based awards	**$ 770**	$ 693	$ 761
Return on referenced investments	**672**	668	(716)
Total recognized in compensation expense	**$ 1,442**	$ 1,361	$ 45

Amounts Recognized in Compensation Expense by Segment

$ in millions	2024	2023	2022
Institutional Securities	**$ 150**	$ 162	$ (97)
Wealth Management	**1,100**	984	11
Investment Management	**192**	215	131
Total recognized in compensation expense	**$ 1,442**	$ 1,361	$ 45

Projected Future Compensation Obligation[1]

$ in millions		
Award liabilities at December 31, 2024[2, 3]	$	5,658
Fully vested amounts to be distributed by the end of February 2025[4]		(772)
Unrecognized portion of prior awards at December 31, 2024[3]		1,590
2024 performance year awards granted in 2025[3]		432
Total[5]	**$**	**6,908**

1. Amounts relate to performance years 2024 and prior.
2. Balance is reflected in Other liabilities and accrued expenses in the balance sheet as of December 31, 2024.
3. Amounts do not include assumptions regarding forfeitures or assumptions about future market conditions with respect to referenced investments.
4. Distributions after February of each year are generally immaterial.
5. Of the total projected future compensation obligation, approximately 18% relates to Institutional Securities, approximately 74% relates to Wealth Management and approximately 8% relates to Investment Management.

The previous table presents a rollforward of the Firm's estimated projected future compensation obligation for existing deferred cash-based compensation awards, exclusive of any assumptions about future market conditions with respect to referenced investments.

Projected Future Compensation Expense[1]

$ in millions		
Estimated to be recognized in:		
2025	$	623
2026		389
Thereafter		1,010
Total	**$**	**2,022**

1. Amounts relate to performance years 2024 and prior, and do not include assumptions regarding forfeitures or assumptions about future market conditions with respect to referenced investments.

The previous table sets forth an estimate of compensation expense associated with the projected future compensation obligation. Our projected future compensation obligation and expense for DCP for performance years 2024 and prior are forward-looking statements subject to uncertainty. Actual results may be materially affected by various factors, including, among other things: the performance of each participant's referenced investments; changes in market conditions; participants' allocation of their deferred awards; and participant cancellations or accelerations. See "Forward-Looking Statements" and "Risk Factors" for additional information.

For further information on the Firm's deferred stock-based plans and carried interest compensation, which are excluded from the previous tables, see Notes 2 and 19 to the financial statements.

Accounting Development Updates

The Financial Accounting Standards Board has issued certain accounting updates that apply to us. Accounting updates not listed below were assessed and determined to be either not applicable or to not have a material impact on our financial condition or results of operations upon adoption.

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

- *Disaggregation of Income Statement Expenses.* This update requires quantitative and qualitative disclosure of certain expense categories contained within their relevant expense lines in the income statement, including but not limited to: (1) employee compensation; (2) depreciation; and (3) intangible asset amortization. The update requires the disaggregation of these expense lines in a tabular format in the notes to the financial statements, including the separate disclosure of certain other expenses and gains or losses included within these expense lines which are required under existing U.S. GAAP, with all other expenses permitted to be disclosed in an "other items" category. Additionally, the update requires disclosure of the total amount and definition of the Firm's selling expenses. The update is effective for annual periods beginning January 1, 2027, and interim reporting periods beginning January 1, 2028, with early adoption permitted.

- *Income Tax Disclosures.* This update enhances annual income tax disclosures primarily to further disaggregate disclosures related to the income tax rate reconciliation and income taxes paid. For the income tax rate reconciliation, this update requires (1) disclosure of specific categories of reconciling items (where applicable), and (2) providing additional information for reconciling items that meet a quantitative threshold. For income taxes paid (net of refunds), this update requires disclosure of amounts disaggregated by (1) federal, state, and foreign taxes; and (2) individual jurisdictions that meet a quantitative threshold. Additionally, the update requires disclosure of (1) income (or loss) before income taxes, disaggregated between domestic and foreign; and (2) income tax expense disaggregated by federal, state and foreign. The update is effective for annual periods beginning January 1, 2025, with early adoption permitted.

Critical Accounting Estimates

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements), the following policies involve a higher degree of judgment and complexity.

Fair Value

Financial Instruments Measured at Fair Value

A significant number of our financial instruments are carried at fair value. The use of fair value to measure financial instruments is fundamental to our risk management practices and is our most critical accounting estimate. We make estimates regarding the valuation of assets and liabilities measured at fair value in preparing the financial statements. These assets and liabilities include, but are not limited to:

- Trading assets and Trading liabilities;
- Investment Securities—AFS;
- Certain Securities purchased under agreements to resell;
- Loans held-for-sale (measured at the lower of amortized cost or fair value);
- Certain Deposits, primarily certificates of deposit;
- Certain Securities sold under agreements to repurchase;
- Certain Other secured financings; and
- Certain Borrowings.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, we use various valuation approaches. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable prices and inputs, and minimizes the use of unobservable prices and inputs by requiring that the relevant observable inputs be used when available. The hierarchy is broken down into three levels: wherein Level 1 represents quoted prices in active markets, Level 2 represents valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, and Level 3 consists of valuation techniques that incorporate significant unobservable inputs and, therefore, require the greatest use of judgment. The fair values for the substantial majority of our financial assets and liabilities carried at fair value are based on observable prices and inputs and are classified in level 1 or 2, of the fair value hierarchy. Level 3 financial assets represented 0.9% and 1.2% of our total assets, as of December 31, 2024 and December 31, 2023, respectively.

In periods of market disruption, the observability of prices and inputs, as well as market liquidity, may be reduced for many instruments, which could cause an instrument to be recategorized from Level 1 to Level 2 or from Level 2 to Level 3. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments carried at fair value. Imprecision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. The Firm uses various methodologies and assumptions in the determination of fair value. The use of methodologies or assumptions different than those used by the Firm could result in a different estimate of fair value at the reporting date. For further information on the definition of fair value, Level 1, Level 2, Level 3 and related valuation techniques, and quantitative information about and sensitivity of significant unobservable inputs used in Level 3 fair value measurements, see Notes 2 and 4 to the financial statements.

Where appropriate, valuation adjustments are made to account for various factors, such as liquidity risk (bid-ask adjustments), credit quality, model uncertainty, concentration risk and funding, in order to arrive at fair value. For a further discussion of valuation adjustments that we apply, see Note 2 to the financial statements.

Goodwill and Intangible Assets

Goodwill

We test goodwill for impairment on an annual basis as of July 1 and on an interim basis when certain events or circumstances exist. Evaluating goodwill for impairment requires management to make significant judgments, including, in part, the use of unobservable inputs that are subject to uncertainty. Goodwill impairment tests are performed at the reporting unit level, which is generally at the level of or one level below our business segments. Goodwill no longer retains its association with a particular acquisition once it has been assigned to a reporting unit. As such, all the activities of a reporting unit, whether acquired or organically developed, are available to support the value of the goodwill.

For both the annual and interim tests, we have the option to either (i) perform a quantitative impairment test or (ii) first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, in which case the quantitative test would be performed.

When performing a quantitative impairment test, we compare the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying amount, the goodwill impairment loss is equal to the excess of the carrying value over the fair value, limited by the carrying amount of goodwill allocated to that reporting unit.

The carrying value of each reporting unit is determined based on the capital allocated to the reporting unit. The estimated fair value of the reporting units is derived based on valuation techniques we believe market participants would use for each of the reporting units. The estimated fair value is generally determined by utilizing a discounted cash flow methodology. In certain instances, we may also utilize methodologies that incorporate price-to-book and price-to-earnings multiples of comparable companies.

The discounted cash flow methodology uses projected future cash flows based on the reporting units' earnings forecast. The discount rate used represents an estimate of the cost of equity for that reporting unit based on the Capital Asset Pricing Model.

At each annual goodwill impairment testing date, each of our reporting units with goodwill had a fair value that was substantially in excess of its carrying value.

Intangible Assets

Intangible assets are initially recorded at cost, or in the situation where acquired as part of a business combination, at the fair value determined as part of the acquisition method of accounting. Subsequently, amortizable intangible assets are carried in the balance sheet at amortized cost, where amortization is recognized over their estimated useful lives. Indefinite-lived intangible assets are not amortized but are tested for impairment on an annual basis as of July 1 and on an interim basis when certain events or circumstances exist.

On a quarterly basis:
- All intangible assets are assessed for the presence of impairment indicators. Where such indicators are present, an evaluation for impairment is conducted.
- For amortizable intangible assets, an impairment loss exists if the carrying amount of the intangible asset is not recoverable and exceeds its fair value. The carrying amount of the intangible asset is not recoverable if it exceeds the sum of the expected undiscounted cash flows.
- For indefinite-lived intangible assets, an impairment exists if the carrying amount of the intangible asset exceeds its fair value.
- Amortizable intangible assets are assessed for any indication that the remaining useful life or the finite life classification should be revised. In such cases, the remaining carrying amount is amortized prospectively over the revised useful life, unless it is determined that the life of the intangible asset is indefinite, in which case the intangible asset is not amortized.
- Indefinite-lived intangible assets are assessed for any indication that the life of the intangible asset is no longer indefinite; in such cases, the carrying amount of the intangible asset is amortized prospectively over its remaining useful life.

The initial valuation of an intangible asset as part of the acquisition method of accounting and the subsequent valuation of intangible assets as part of an impairment assessment are subjective and based, in part, on inputs that are unobservable and can be subject to uncertainty. These inputs include, but are not limited to, forecasted cash flows, revenue growth rates, customer attrition rates and discount rates.

For both goodwill and intangible assets, to the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. For amortizable intangible assets, the new cost basis is amortized over the remaining useful life of that asset. Unanticipated declines in our revenue-generating capability, adverse market or economic events, and regulatory actions, could result in material impairment charges in future periods.

See Notes 2 and 10 to the financial statements for additional information about goodwill and intangible assets.

Legal and Regulatory Contingencies

In the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our 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 third-party entities that are, or would otherwise be, the primary defendants in such cases are bankrupt, in financial distress, or may not honor applicable indemnification obligations. These actions have included, but are not limited to, antitrust claims, claims under various false claims act statutes, and matters arising from our sales and trading businesses and our activities in the capital markets.

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

We contest 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 we can reasonably estimate the amount of that loss or the range of loss, we accrue an estimated loss by a charge to income.

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

Significant judgment is required in deciding when and if to make these accruals, and the actual cost of a legal claim or regulatory fine/penalty may ultimately be materially different from the recorded accruals.

See Note 14 to the financial statements for additional information on legal contingencies.

Income Taxes

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we have business operations. These tax laws are complex and subject to interpretation by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws and make estimates about certain items affecting taxable income when determining the provision for income taxes in the various tax jurisdictions.

Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. We periodically evaluate the likelihood of assessments in each taxing jurisdiction resulting from current and subsequent years' examinations, and unrecognized tax benefits related to potential losses that may arise from tax audits are established in accordance with the relevant accounting guidance. Once established, unrecognized tax benefits are adjusted when there is more information available or when an event occurs requiring a change.

Our provision for income taxes is composed of current and deferred taxes. Current income taxes approximate taxes to be paid or refunded for the current period. Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the applicable enacted tax rates and laws that will be in effect when such differences are expected to reverse.

Our deferred tax balances may also include deferred assets related to tax attribute carryforwards, such as net operating losses and tax credits that will be realized through reduction of future tax liabilities and, in some cases, are subject to expiration if not utilized within certain periods. We perform regular reviews to ascertain whether deferred tax assets are realizable. These reviews include management's estimates and assumptions regarding future taxable income and incorporate various tax-planning strategies, including strategies that may be available to tax attribute carryforwards before they expire.

Once the deferred tax asset balances have been determined, we may record a valuation allowance against the deferred tax asset balances to reflect the amount we estimate is more likely than not to be realized at a future date. Both current and deferred income taxes may reflect adjustments related to our unrecognized tax benefits.

Significant judgment is required in estimating the consolidated provision for (benefit from) income taxes, current and deferred tax balances (including valuation allowance, if any), accrued interest or penalties and uncertain tax positions. Revisions in estimates and/or the actual costs of a tax assessment may ultimately be materially different from the recorded accruals and unrecognized tax benefits, if any.

See Note 2 to the financial statements for additional information on our significant assumptions, judgments and interpretations associated with the accounting for income taxes and Note 21 to the financial statements for additional information on our tax examinations.

Liquidity and Capital Resources

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

Balance Sheet

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

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

Total Assets by Business Segment

$ in millions	At December 31, 2024 IS	WM	IM	Total
Assets				
Cash and cash equivalents	**$ 74,079**	**$ 31,072**	**$ 235**	**$ 105,386**
Trading assets at fair value	**320,003**	**6,915**	**4,966**	**331,884**
Investment securities	**38,096**	**121,583**	**—**	**159,679**
Securities purchased under agreements to resell	**100,404**	**18,161**	**—**	**118,565**
Securities borrowed	**121,901**	**1,958**	**—**	**123,859**
Customer and other receivables	**47,321**	**37,196**	**1,641**	**86,158**
Loans[1]	**78,607**	**159,542**	**4**	**238,153**
Goodwill	**435**	**10,190**	**6,081**	**16,706**
Intangible assets	**27**	**2,939**	**3,487**	**6,453**
Other assets[2]	**15,735**	**11,292**	**1,201**	**28,228**
Total assets	**$ 796,608**	**$ 400,848**	**$17,615**	**$ 1,215,071**

$ in millions	At December 31, 2023 IS	WM	IM	Total
Assets				
Cash and cash equivalents	$ 72,928	$ 16,172	$ 132	$ 89,232
Trading assets at fair value	353,841	7,962	5,271	367,074
Investment securities	39,212	115,595	—	154,807
Securities purchased under agreements to resell	90,701	20,039	—	110,740
Securities borrowed	119,823	1,268	—	121,091
Customer and other receivables	47,333	31,237	1,535	80,105
Loans[1]	72,110	146,526	4	218,640
Goodwill	424	10,199	6,084	16,707
Intangible assets	26	3,427	3,602	7,055
Other assets[2]	14,108	12,743	1,391	28,242
Total assets	$ 810,506	$ 365,168	$18,019	$ 1,193,693

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

A substantial portion of total assets consists of cash and cash equivalents, liquid marketable securities and short-term receivables. In the Institutional Securities business segment, these arise from market-making, financing and prime brokerage activities, and in the Wealth Management business segment, these arise from banking activities, including management of the investment portfolio.

Liquidity Risk Management Framework

The primary goal of our Liquidity Risk Management Framework is to ensure that we have access to adequate funding across a wide range of market conditions and time horizons. The framework is designed to enable us to fulfill our financial obligations and support the execution of our business strategies.

The following principles guide our Liquidity Risk Management Framework:

- Sufficient liquidity resources, which consist of HQLA and cash deposits with banks ("Liquidity Resources") should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region and term of funding should be diversified; and
- Liquidity Stress Tests should anticipate, and account for, periods of limited access to funding.

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.

Required Liquidity Framework

Our Required Liquidity Framework establishes the amount of liquidity we must hold in both normal and stressed environments to ensure that our financial condition and overall soundness are not adversely affected by an inability (or perceived inability) to meet our financial obligations in a timely manner. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a consolidated and legal entity level.

Liquidity Stress Tests

We use Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and a range of time horizons. These scenarios contain various combinations of idiosyncratic and systemic stress events of different severity and duration. The methodology, implementation, production and analysis of our Liquidity Stress Tests are important components of the Required Liquidity Framework.

The assumptions used in our various Liquidity Stress Test scenarios include, but are not limited to, the following:

- No government support;
- No access to equity and limited access to unsecured debt markets;
- Repayment of all unsecured debt maturing within the stress horizon;
- Higher haircuts for and significantly lower availability of secured funding;
- Additional collateral that would be required by trading counterparties, certain exchanges and clearing organizations related to credit rating downgrades;
- Additional collateral that would be required due to collateral substitutions, collateral disputes and uncalled collateral;
- Discretionary unsecured debt buybacks;
- Drawdowns on lending commitments provided to third parties; and
- Client cash withdrawals and reduction in customer short positions that fund long positions.

Liquidity Stress Tests are produced and results are reported at different levels, including major operating subsidiaries and major currencies, to capture specific cash requirements and cash availability across the Firm, including a limited number of asset sales in a stressed environment. The Liquidity Stress

Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from the Parent Company and that the Parent Company will support its subsidiaries and will not have access to subsidiaries' liquidity reserves. In addition to the assumptions underpinning the Liquidity Stress Tests, we take into consideration settlement risk related to intraday settlement and clearing of securities and financing activities.

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

Liquidity Resources

We maintain sufficient liquidity resources, which consist of HQLA and cash deposits with banks ("Liquidity Resources"), to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. We actively manage the amount of our Liquidity Resources considering the following components: 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 appetite and is calibrated to meet various internal and regulatory requirements and to fund prospective business activities. 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

	Average Daily Balance Three Months Ended	
$ in millions	**December 31, 2024**	September 30, 2024
Cash deposits with central banks	**$ 58,493**	$ 48,848
Unencumbered HQLA securities[1]:		
U.S. government obligations	**161,952**	171,663
U.S. agency and agency mortgage-backed securities	**94,512**	90,290
Non-U.S. sovereign obligations[2]	**22,646**	24,011
Other investment grade securities	**600**	810
Total HQLA[1]	**$ 338,203**	$ 335,622
Cash deposits with banks (non-HQLA)	**7,237**	6,998
Total Liquidity Resources	**$ 345,440**	$ 342,620

1. HQLA is presented prior to applying weightings and includes all HQLA held in subsidiaries.
2. Primarily composed of unencumbered French, U.K., Japanese, Italian, German, and Spanish government obligations

Liquidity Resources by Non-Bank and Bank Legal Entities

	Average Daily Balance Three Months Ended	
$ in millions	**December 31, 2024**	September 30, 2024
Non-Bank legal entities		
U.S.:		
Parent Company	**$ 71,981**	$ 76,366
Non-Parent Company	**61,684**	60,537
Total U.S.	**133,665**	136,903
Non-U.S.	**61,432**	63,965
Total Non-Bank legal entities	**195,097**	200,868
Bank legal entities		
U.S.	**144,735**	136,171
Non-U.S.	**5,608**	5,581
Total Bank legal entities	**150,343**	141,752
Total Liquidity Resources	**$ 345,440**	$ 342,620

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

Regulatory Liquidity Framework

Liquidity Coverage Ratio and Net Stable Funding Ratio

We and our U.S. Bank Subsidiaries are required to maintain a minimum LCR and NSFR of 100%.

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

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

As of December 31, 2024, we and our U.S. Bank Subsidiaries are compliant with the minimum LCR and NSFR requirements of 100%.

Liquidity Coverage Ratio

$ in millions	Average Daily Balance Three Months Ended December 31, 2024	Average Daily Balance Three Months Ended September 30, 2024
Eligible HQLA		
Cash deposits with central banks	**$ 53,836**	$ 40,406
Securities[1]	**213,394**	234,710
Total Eligible HQLA	**$ 267,230**	$ 275,116
Net cash outflows	**$ 205,780**	$ 205,868
LCR	**130 %**	134 %

1. Primarily includes U.S. Treasuries, U.S. agency mortgage-backed securities, sovereign bonds and investment grade corporate bonds.

Net Stable Funding Ratio

$ in millions	Average Daily Balance Three Months Ended December 31, 2024	Average Daily Balance Three Months Ended September 30, 2024
Available stable funding	**$ 616,689**	$ 610,727
Required stable funding	**507,022**	502,318
NSFR	**122 %**	122 %

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. Our goal is to achieve an optimal mix of durable secured and unsecured financing.

We fund our balance sheet on a global basis through diverse sources. These sources include our equity capital, borrowings, bank notes, 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.

Treasury allocates interest expense to our businesses based on the tenor and interest rate profile of the assets being funded. Treasury similarly allocates interest income to businesses carrying deposit products and other liabilities across the businesses based on the characteristics of those deposits and other liabilities.

Secured Financing

The liquid nature of the marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business segment provides us with flexibility in managing the composition of our balance sheet. Secured financing investors principally focus on the quality of the eligible collateral posted. Accordingly, we actively manage our secured financings based on the quality of the assets being funded.

We have established longer-tenor secured funding requirements for less liquid asset classes, for which funding may be at risk in the event of a market disruption. We define highly liquid assets as government-issued or government-guaranteed securities with a high degree of fundability and less liquid assets as those that do not meet these criteria.

To further minimize the refinancing risk of secured financing for less liquid assets, we have established concentration limits to diversify our investor base and reduce the amount of monthly maturities for secured financing of less liquid assets. As a component of the Liquidity Risk Management Framework, we hold a portion of our Liquidity Resources against the potential disruption to our secured financing capabilities.

In general, we maintain a pool of liquid and easily fundable securities, which takes into account HQLA classifications consistent with LCR definitions, and other regulatory requirements, and provides a valuable future source of liquidity.

Collateralized Financing Transactions

$ in millions	At December 31, 2024	At December 31, 2023
Securities purchased under agreements to resell and Securities borrowed	**$ 242,424**	$ 231,831
Securities sold under agreements to repurchase and Securities loaned	**$ 65,293**	$ 77,708
Securities received as collateral[1]	**$ 9,625**	$ 6,219

1. Included within Trading assets in the balance sheet.

$ in millions	Average Daily Balance Three Months Ended December 31, 2024	Average Daily Balance Three Months Ended December 31, 2023
Securities purchased under agreements to resell and Securities borrowed	**$ 250,354**	$ 235,928
Securities sold under agreements to repurchase and Securities loaned	**$ 74,949**	$ 87,285

See "Total Assets by Business Segment" herein for additional information on the assets shown in the previous table and Notes 2 and 8 to the financial statements for additional information on collateralized financing transactions.

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

Unsecured Financing

We view deposits and borrowings as stable sources of funding for unencumbered securities and non-security assets. Our unsecured financings include borrowings and certificates of deposit carried at fair value, which are primarily composed of: instruments whose payments and redemption values are linked to the performance of a specific index, a basket of stocks, a specific equity security, a commodity, a credit exposure or basket of credit exposures; and instruments with various interest rate-related features, including step-ups, step-downs and zero coupons. Also included are unsecured contracts that are not classified as OTC derivatives because they fail initial net investment criteria. As part of our asset/liability management strategy, when appropriate, we use derivatives to make adjustments to the interest rate risk profile of our borrowings (see Notes 6 and 13 to the financial statements).

Deposits

$ in millions	At December 31, 2024	At December 31, 2023
Savings and demand deposits:		
Brokerage sweep deposits[1]	**$ 142,550**	$ 148,274
Savings and other	**157,348**	139,978
Total Savings and demand deposits	**299,898**	288,252
Time deposits[2]	**76,109**	63,552
Total[3]	**$ 376,007**	$ 351,804

1. Amounts represent balances swept from client brokerage accounts.
2. Our Time deposits are predominantly brokered certificates of deposit.
3. Our deposits are primarily held in U.S. offices.

Deposits are primarily sourced from our Wealth Management clients and are considered to have stable, low-cost funding characteristics relative to other sources of funding. Each category of deposits presented above has a different cost profile and clients may respond differently to changes in interest rates and other macroeconomic conditions. Total deposits in 2024 increased primarily due to increases in Savings and Time deposits, partially offset by a reduction in Brokerage sweep deposits, largely due to net outflows to alternative cash equivalent and other investment products.

Borrowings by Maturity at December 31, 2024[1]

$ in millions	Parent Company	Subsidiaries	Total
Original maturities of one year or less	**$ —**	**$ 4,512**	**$ 4,512**
Original maturities greater than one year			
2025	**$ 7,544**	**$ 14,377**	**$ 21,921**
2026	**24,738**	**13,231**	**37,969**
2027	**20,716**	**13,334**	**34,050**
2028	**13,844**	**14,875**	**28,719**
2029	**16,318**	**9,841**	**26,159**
Thereafter	**98,886**	**36,603**	**135,489**
Total greater than one year	**$ 182,046**	**$ 102,261**	**$ 284,307**
Total	**$ 182,046**	**$ 106,773**	**$ 288,819**

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

Borrowings of $289 billion at December 31, 2024 increased when compared with $264 billion at December 31, 2023, primarily due to issuances net of maturities and redemptions.

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

The availability and cost of financing to us can vary depending on market conditions, the volume of certain trading and lending activities, our credit ratings and the overall availability of credit. We also engage in, and may continue to engage in, repurchases of our borrowings as part of our market-making activities.

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

Credit Ratings

We rely on external sources to finance a significant portion of our daily operations. Our credit ratings are one of the factors in the cost and availability of financing and can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. See also "Risk Factors—Liquidity Risk."

Parent Company and U.S. Bank Subsidiaries Issuer Ratings at February 14, 2025

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

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

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

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 before the 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, such as the SCB, 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

in millions, except for per share data	**2024**	2023	2022
Number of shares	**33**	62	113
Average price per share	**$ 99.16**	$ 85.35	$ 87.25
Total	**$ 3,250**	$ 5,300	$ 9,865

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

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

Common Stock Dividend Announcement

Announcement date	January 16, 2025
Amount per share	$0.925
Date paid	February 14, 2025
Shareholders of record as of	January 31, 2025

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

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

Off-Balance Sheet Arrangements

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 15 to the financial statements.

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

Regulatory Requirements

Regulatory Capital Framework

We are an FHC under the 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. The OCC establishes similar capital requirements and standards for our U.S. Bank Subsidiaries. The regulatory capital requirements are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Act. 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. In addition, many of our regulated subsidiaries are subject to regulatory capital requirements, including regulated subsidiaries registered as swap dealers with the CFTC or conditionally registered as security-based swap dealers with the SEC or registered as broker-dealers or futures commission merchants. For additional information on regulatory capital requirements for our U.S. Bank Subsidiaries, as well as our subsidiaries that are swap entities, see Note 16 to the financial statements.

Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital and TLAC ratios. For additional information on TLAC, see "Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" herein.

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

Capital Buffer Requirements

	At December 31, 2024	At December 31, 2023	At December 31, 2024 and December 31, 2023
	Standardized	Standardized	Advanced
Capital buffers			
Capital conservation buffer	**—**	—	**2.5%**
SCB[1]	**6.0%**	5.4%	**N/A**
G-SIB capital surcharge[2]	**3.0%**	3.0%	**3.0%**
CCyB[3]	**0%**	0%	**0%**
Capital buffer requirement	**9.0%**	**8.4%**	**5.5%**

1. For additional information on the SCB, see "Capital Plans, Stress Tests and the Stress Capital Buffer" herein.
2. For a further discussion of the G-SIB capital surcharge, see "G-SIB Capital Surcharge" herein.
3. The CCyB can be set up to 2.5% but is currently set by the Federal Reserve at zero.

The capital buffer requirement represents the amount of CET1 capital we must maintain above the minimum risk-based capital requirements in order to avoid restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers. Our capital buffer requirement computed under the standardized approaches for calculating credit risk and market RWAs ("Standardized Approach") is equal to the sum of our SCB, G-SIB capital surcharge and CCyB, and our capital buffer requirement computed under the applicable advanced approaches for calculating credit risk, market risk and operational risk RWAs ("Advanced Approach") is equal to our 2.5% capital conservation buffer, G-SIB capital surcharge and CCyB.

Risk-Based Regulatory Capital Ratio Requirements

	Regulatory Minimum	At December 31, 2024	At December 31, 2023	At December 31, 2024 and December 31, 2023
		Standardized	Standardized	Advanced
Required ratios[1]				
CET1 capital ratio	**4.5%**	**13.5%**	12.9%	**10.0%**
Tier 1 capital ratio	**6.0%**	**15.0%**	14.4%	**11.5%**
Total capital ratio	**8.0%**	**17.0%**	16.4%	**13.5%**

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

Risk-Weighted Assets. RWA reflects both our on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following:

- Credit risk: The failure of a borrower, counterparty or issuer to meet its financial obligations to us;
- Market risk: Adverse changes in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity; and
- Operational risk: 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).

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

Leverage-Based Regulatory Capital. Leverage-based capital requirements include a minimum Tier 1 leverage ratio of 4%, a minimum SLR of 3% and an enhanced SLR capital buffer of at least 2%.

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

Regulatory Capital Ratios

Risk-based capital

$ in millions	Standardized At December 31, 2024	Standardized At December 31, 2023	Advanced At December 31, 2024	Advanced At December 31, 2023
Risk-based capital				
CET1 capital	**$ 75,095**	$ 69,448	**$ 75,095**	$ 69,448
Tier 1 capital	**84,790**	78,183	**84,790**	78,183
Total capital	**95,567**	88,874	**94,846**	88,190
Total RWA	**471,834**	456,053	**477,331**	448,154
Risk-based capital ratios				
CET1 capital	**15.9%**	15.2%	**15.7%**	15.5%
Tier 1 capital	**18.0%**	17.1%	**17.8%**	17.4%
Total capital	**20.3%**	19.5%	**19.9%**	19.7%
Required ratios[1]				
CET1 capital	**13.5%**	12.9%	**10.0%**	10.0%
Tier 1 capital	**15.0%**	14.4%	**11.5%**	11.5%
Total capital	**17.0%**	16.4%	**13.5%**	13.5%

1. Required ratios are inclusive of any buffers applicable as of the date presented.

Leveraged-based capital

$ in millions	At December 31, 2024	At December 31, 2023
Leveraged-based capital		
Adjusted average assets[1]	**$ 1,223,779**	$ 1,159,626
Supplementary leverage exposure[2]	**1,517,687**	1,429,552
Leveraged-based capital ratios		
Tier 1 leverage	**6.9%**	6.7%
SLR	**5.6%**	5.5%
Required ratios[3]		
Tier 1 leverage	**4.0%**	4.0%
SLR	**5.0%**	5.0%

1. 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.
2. 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.
3. Required ratios are inclusive of any buffers applicable as of the date presented.

Regulatory Capital

$ in millions	At December 31, 2024	At December 31, 2023	Change
CET1 capital			
Common shareholders’ equity	**$ 94,761**	$ 90,288	**$ 4,473**
Regulatory adjustments and deductions:			
Net goodwill	**(16,354)**	(16,394)	**40**
Net intangible assets	**(5,003)**	(5,509)	**506**
Impact of CECL transition	**62**	124	**(61)**
Other adjustments and deductions[1]	**1,629**	939	**690**
Total CET1 capital	**$ 75,095**	$ 69,448	**$ 5,647**
Additional Tier 1 capital			
Preferred stock	**$ 9,750**	$ 8,750	**$ 1,000**
Noncontrolling interests	**807**	758	**49**
Additional Tier 1 capital	**$ 10,557**	$ 9,508	**$ 1,049**
Deduction for investments in covered funds	**(862)**	(773)	**(89)**
Total Tier 1 capital	**$ 84,790**	$ 78,183	**$ 6,607**
Standardized Tier 2 capital			
Subordinated debt	**$ 8,851**	$ 8,760	**$ 91**
Eligible ACL	**2,065**	2,051	**14**
Other adjustments and deductions	**(139)**	(120)	**(19)**
Total Standardized Tier 2 capital	**$ 10,777**	$ 10,691	**$ 86**
Total Standardized capital	**$ 95,567**	$ 88,874	**$ 6,693**
Advanced Tier 2 capital			
Subordinated debt	**$ 8,851**	$ 8,760	**$ 91**
Eligible credit reserves	**1,344**	1,367	**(23)**
Other adjustments and deductions	**(139)**	(120)	**(19)**
Total Advanced Tier 2 capital	**$ 10,056**	$ 10,007	**$ 49**
Total Advanced capital	**$ 94,846**	$ 88,190	**$ 6,656**

1. Other adjustments and deductions used in the calculation of CET1 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	Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2023	$ 407,731	$ 297,858
Change related to the following items:		
Derivatives	(8,690)	3,106
Securities financing transactions	9,699	1,871
Investment securities	(133)	(2,515)
Commitments, guarantees and loans	7,956	15,523
Equity investments	(50)	(279)
Other credit risk	1,469	865
Total change in credit risk RWA	$ 10,251	$ 18,571
Balance at December 31, 2024	**$ 417,982**	**$ 316,429**
Market risk RWA		
Balance at December 31, 2023	$ 48,322	$ 48,201
Change related to the following items:		
Regulatory VaR	124	124
Regulatory stressed VaR	643	643
Incremental risk charge	1,577	1,577
Comprehensive risk measure	(98)	493
Specific risk	3,284	3,284
Total change in market risk RWA	$ 5,530	$ 6,121
Balance at December 31, 2024	**$ 53,852**	**$ 54,322**
Operational risk RWA		
Balance at December 31, 2023	N/A	$ 102,095
Change in operational risk RWA	N/A	4,485
Balance at December 31, 2024	**N/A**	**$ 106,580**
Total RWA	**$ 471,834**	**$ 477,331**

Regulatory VaR—VaR for regulatory capital requirements

In 2024, Credit risk RWA increased under both the Standardized and Advanced Approaches. Under the Standardized Approach, the increase was primarily due to higher Securities financing transactions, growth in Corporate lending, as well as an increase in Other credit risk driven by securitizations. These increases were partially offset by decreased exposure in derivatives. Under the Advanced Approach, the increase was primarily due to growth in Corporate lending, increase in Derivatives driven by counterparty credit risk, and higher Securities financing transactions. These increases were partially offset by decreased exposure in investment securities.

Market risk RWA increased in 2024 under both the Standardized and Advanced Approaches, primarily driven by higher charges on Specific risk and Incremental risk due to increased exposures.

The increase in Operational risk RWA in 2024 is related to legal expenses and execution losses.

G-SIB Capital Surcharge

We and other U.S. G-SIBs are subject to an additional risk-based capital surcharge, the G-SIB capital surcharge, which must be satisfied using CET1 capital and which functions as an extension of the capital conservation buffer. The surcharge is calculated based on the G-SIB's size, interconnectedness, cross-jurisdictional activity, and complexity and substitutability ("Method 1") or use of short-term wholesale funding ("Method 2"), whichever is higher.

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 (see "Business—Supervision and Regulation—Financial Holding Company—Resolution and Recovery Planning" and "Risk Factors—Legal, Regulatory and Compliance Risk").

These TLAC and eligible LTD requirements include various restrictions, such as requiring eligible LTD to: be issued by the covered BHC; be unsecured; have a maturity of one year or more from the date of issuance; and not contain certain embedded features, such as a principal or redemption amount subject to reduction based on the performance of an asset, entity or index, or a similar feature. In addition, the requirements provide permanent grandfathering for debt instruments issued prior to December 31, 2016 that would be eligible LTD but for having impermissible acceleration clauses or being governed by foreign law.

A covered BHC is also required to maintain minimum external TLAC equal to the greater of (i) 18% of total RWA or (ii) 7.5% of its total leverage exposure (the denominator of its SLR). Covered BHCs must also meet a minimum external LTD requirement equal to the greater of (i) total RWA multiplied by the sum of 6% plus the higher of the Method 1 or Method 2 G-SIB capital surcharge applicable to the Parent Company or (ii) 4.5% of its total leverage exposure.

TLAC buffer requirements are imposed on top of both the risk-based and leverage exposure-based external TLAC minimum requirements. The risk-based TLAC buffer is equal to the sum of 2.5%, our Method 1 G-SIB surcharge and the CCyB, if any, as a percentage of total RWA. The leverage exposure-based TLAC buffer is equal to 2% of our total leverage exposure. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.

Required and Actual TLAC and Eligible LTD Ratios

			Actual Amount/Ratio	
$ in millions	Regulatory Minimum	Required Ratio[1]	**At December 31, 2024**	At December 31, 2023
External TLAC[2]			**$ 266,146**	$ 250,914
External TLAC as a % of RWA	**18.0%**	**21.5%**	**55.8%**	55.0%
External TLAC as a % of leverage exposure	**7.5%**	**9.5%**	**17.5%**	17.6%
Eligible LTD[3]			**$ 169,690**	$ 162,547
Eligible LTD as a % of RWA	**9.0%**	**9.0%**	**35.5%**	35.6%
Eligible LTD as a % of leverage exposure	**4.5%**	**4.5%**	**11.2%**	11.4%

1. Required ratios are inclusive of applicable buffers.
2. External TLAC consists of CET1 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.

Furthermore, under the clean holding company requirements, a covered BHC is prohibited from incurring any external debt with an original maturity of less than one year or certain other liabilities, regardless of whether the liabilities are fully secured or otherwise senior to eligible LTD, or entering into certain other prohibited transactions. Certain other external liabilities, including those with certain embedded features noted above, are subject to a cap equal to 5% of the covered BHC's outstanding external TLAC amount. Additionally, as of April 1, 2021, we and our U.S. Bank Subsidiaries are required to make certain deductions from regulatory capital for investments in certain unsecured debt instruments (including eligible LTD in the TLAC framework) issued by the Parent Company or other G-SIBs.

We are in compliance with all TLAC requirements as of December 31, 2024 and December 31, 2023.

Capital Plans, Stress Tests and the Stress Capital Buffer

The Federal Reserve has capital planning and stress test requirements for large BHCs, which form part of the Federal Reserve's annual CCAR framework.

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

The capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance or redemption of a debt or equity capital instrument, any capital distribution (i.e., payments of dividends or stock repurchases) and any similar action that the Federal Reserve determines could impact our consolidated capital. The capital plan must include a discussion of how we will maintain capital above the minimum regulatory capital ratios and how we will serve as a source of strength to our U.S. Bank Subsidiaries under supervisory stress scenarios. In addition, the Federal Reserve has issued guidance setting out its heightened expectations for capital planning practices at certain large financial institutions, including us.

As part of its annual capital supervisory stress testing process, the Federal Reserve determines an SCB for each large BHC, including us. The SCB applies only with respect to Standardized Approach risk-based capital requirements and replaced the CET1 capital conservation buffer of 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%.

The supervisory stress test assumes that BHCs generally maintain a constant level of assets and RWAs throughout the projection period.

A firm's SCB is subject to revision each year, taking effect from October 1 to reflect the results of the Federal Reserve's annual supervisory stress test. The Federal Reserve has discretion to recalculate a firm's SCB outside of the October 1 annual cycle and to require approval for certain actions, in some circumstances. The Federal Reserve also has the authority to impose restrictions on capital actions as a supervisory matter.

For the 2024 capital planning and stress test cycle, we submitted our capital plan and company-run stress test results to the Federal Reserve on April 5, 2024. On June 26, 2024, the Federal Reserve published summary results of its supervisory stress tests of each large BHC, in which the projected decline in our CET1 ratio in the severely adverse scenario increased from the prior annual supervisory stress test by 50 basis points, from 4.1% to 4.6%. Following the publication of the supervisory stress test results, we announced that our SCB will be 6.0% from October 1, 2024 through September 30, 2025. In addition to the projected decline in our Common Equity Tier 1 ratio in the severely adverse scenario, our SCB reflects the increase in our common stock dividend in the dividend add-on. Together with other features of the regulatory capital framework, this SCB results in an aggregate Standardized Approach Common Equity Tier 1 ratio of 13.5%. Generally, our SCB is determined annually based on the results of the supervisory stress test.

We also disclosed a summary of the results of our company-run stress tests on our Investor Relations website and increased our quarterly common stock dividend to $0.925 per share from $0.85, beginning with the common stock dividend announced on July 16, 2024.

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

Average Common Equity Attribution under the Required Capital Framework[1]

$ in billions	**2024**	2023	2022
Institutional Securities	**$ 45.0**	$ 45.6	$ 48.8
Wealth Management	**29.1**	28.8	31.0
Investment Management	**10.8**	10.4	10.6
Parent	**6.8**	6.0	3.5
Total	**$ 91.7**	$ 90.8	$ 93.9

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

We continue to evaluate our Required Capital framework with respect to the impact of evolving regulatory requirements, as appropriate.

Resolution and Recovery Planning

We are required to submit once every two years to the Federal Reserve and the FDIC ("Agencies") a resolution plan that describes our strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of our material financial distress or failure. We submitted our 2023 full resolution plan on June 30, 2023. In June 2024, we received joint feedback on our 2023 resolution plan from the Agencies, with no shortcomings or deficiencies identified. Our next resolution plan submission will be a targeted resolution plan in July 2025. For more information about resolution planning requirements, see "Business—Supervision and Regulation—Financial Holding Company—Resolution and Recovery Planning."

As described in our most recent resolution plan, our preferred resolution strategy is an SPOE strategy. In line with our SPOE strategy, the Parent Company has transferred, and has agreed to transfer on an ongoing basis, certain assets to its wholly owned, direct subsidiary Morgan Stanley Holdings LLC (the "Funding IHC"). In addition, the Parent Company has entered into an amended and restated support agreement with its material entities (including the Funding IHC) and certain other subsidiaries. In the event of a resolution scenario, the Parent Company would be obligated to contribute all of its contributable assets to our supported entities and/or the Funding IHC. The Funding IHC would be obligated to provide capital and liquidity, as applicable, to our supported 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 LTD and other forms of eligible TLAC issued by the Parent Company before any losses are imposed on creditors of our supported entities and without requiring taxpayer or government financial support.

The obligations of the Parent Company and the Funding IHC under the amended and restated support agreement are in most cases secured on a senior basis by the assets of the Parent Company (other than shares in subsidiaries of the Parent Company and certain other assets) and the assets of the Funding IHC. As a result, claims of our supported entities, including the Funding IHC, with respect to the secured assets, are effectively senior to unsecured obligations of the Parent Company.

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" and "Risk Factors—Legal, Regulatory and Compliance Risk."

Regulatory Developments and Other Matters

Basel III Endgame and G-SIB Surcharge Proposals

On July 27, 2023, U.S. banking agencies proposed revisions to risk-based capital and related standards applicable to us and our U.S. Bank Subsidiaries ("Basel III Endgame Proposal"). We continue to monitor developments related to this rulemaking as well as the proposed revisions to the G-SIB capital surcharge framework.