MORGAN STANLEY
Form 10-Q
November 05, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission File Number 1-11758

(Exact Name of Registrant as specified in its charter)

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

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

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

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

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller reporting company
	Emerging growth company

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

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

As of October 31, 2018, there were 1,720,154,771 shares of the Registrant s Common Stock, par value $0.01 per share, outstanding.

QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2018

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Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains an internet site, *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 internet site.

Our internet site 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 internet site, 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 Corporate Governance webpage includes:

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

Our Code of Ethics and Business Conduct applies to all directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Deputy Chief Financial Officer. We will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange LLC (NYSE) on our internet site. 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 internet site is not incorporated by reference into this report.

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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 Co together with its consolidated subsidiaries. We define the following as part of our consolidated financial statements (financial statements): consolidated income statements (income statements), consolidated balance sheets (balance sheets), and consolidated cash flow statements (cash flow statements). See the Glossary of Common Acronyms for definitions of certain acronyms used throughout this Form 10-Q.

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

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

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering brokerage and investment advisory services, financial and wealth planning services, annuity and insurance products, credit 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 include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are serviced through intermediaries, including affiliated and non-affiliated distributors.

The results of operations in the past have been, and in the future may continue to be, materially affected by competition; risk factors; and legislative, legal and regulatory developments; as well as other factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management s beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see Forward-Looking Statements,

Business Competition, Business Supervision and Regulation and Risk Factors in the 2017 Form 10-K, and Liqu
and Capital Resources herein.

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Management s Discussion and Analysis

Executive Summary

Overview of Financial Results

Consolidated Results

Net Revenues

($ in millions)

Net Income Applicable to Morgan Stanley

($ in millions)

Earnings per Common Share[1]

1. For the calculation of basic and diluted EPS, see Note 15 to the financial statements.

We reported net revenues of $9,872 million in the quarter ended September 30, 2018 (current quarter, or 3Q 2018), compared with $9,197 million in the quarter ended September 30, 2017 (prior year quarter, or 3Q 2017). For the current quarter, net income applicable to Morgan Stanley was $2,112 million, or $1.17 per diluted common share, compared with $1,781 million, or $0.93 per diluted common share, in the prior year quarter.

We reported net revenues of $31,559 million in the nine months ended September 30, 2018 (current year period, or YTD 2018), compared with $28,445 million in the nine months ended September 30, 2017 (prior year period, or YTD 2017). For the current year period, net income applicable to Morgan Stanley was $7,217 million, or $3.92 per diluted common share, compared with $5,468 million, or $2.79 per diluted common share, in the prior year period.

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Management s Discussion and Analysis

Non-interest Expenses[1]

($ in millions)

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

Compensation and benefits expenses of $4,310 million in the current quarter and $13,845 million in the current year period increased 3% and 7%, respectively, from $4,169 million in the prior year quarter and $12,887 million in the prior year period. These results primarily reflected increases in discretionary incentive compensation mainly driven by higher revenues as well as salaries across all business segments. These increases were partially offset by a decrease in the fair value of investments to which certain deferred compensation plans are referenced.

Non-compensation expenses were $2,711 million in the current quarter and $8,334 million in the current year period compared with $2,546 million in the prior year quarter and $7,626 million in the prior year period, representing a 6% and a 9% increase, respectively. These increases were primarily as a result of higher volume-related expenses, the gross presentation of certain expenses due to the adoption of the accounting update *Revenue from Contracts with Customers* (see Notes 2 and 19 to the financial statements for further information) and increased investment in technology. In the current quarter, these increases were partially offset by lower litigation expenses.

Income Taxes

The current year period includes intermittent net discrete tax benefits of $92 million, primarily associated with new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters. The prior year quarter and prior year period included intermittent net discrete tax benefits of $83 million and $65 million, respectively, primarily resulting from the remeasurement of certain deferred taxes. In addition, the effective tax rate is lower in the current quarter and current year period compared with the corresponding prior periods primarily as a result of the enactment of the U.S. Tax Cuts and Jobs Act (Tax Act). For further information, see Supplemental Financial Information and Disclosures Income Tax Matters herein.

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Management s Discussion and Analysis

Selected Financial Information and Other Statistical Data

$ in millions	Three Months Ended September 30, **2018**	2017	Nine Months Ended September 30, **2018**	2017
Income from continuing operations applicable to Morgan Stanley	**$ 2,113**	$ 1,775	**$ 7,222**	$ 5,489
Income (loss) from discontinued operations applicable to Morgan Stanley	**(1)**	6	**(5)**	(21)
Net income applicable to Morgan Stanley	**2,112**	1,781	**7,217**	5,468
Preferred stock dividends and other	**93**	93	**356**	353
Earnings applicable to Morgan Stanley common shareholders	**$ 2,019**	$ 1,688	**$ 6,861**	$ 5,115
Expense efficiency ratio[1]	**71.1%**	73.0%	**70.3%**	72.1%
ROE[2]	**11.5%**	9.6%	**13.1%**	9.8%
ROTCE[2]	**13.2%**	11.0%	**15.1%**	11.3%

in millions, except per share and employee data	**At September 30, 2018**	At December 31, 2017
GLR[3]	**$ 214,848**	$ 192,660
Loans[4]	**$ 109,983**	$ 104,126
Total assets	**$ 865,517**	$ 851,733
Deposits	**$ 175,185**	$ 159,436
Borrowings	**$ 190,889**	$ 192,582
Common shares outstanding	**1,726**	1,788
Common shareholders equity	**$ 70,183**	$ 68,871
Tangible common shareholders equity[2]	**$ 61,265**	$ 59,829
Book value per common share[5]	**$ 40.67**	$ 38.52
Tangible book value per common share[2, 5]	**$ 35.50**	$ 33.46
Worldwide employees	**59,835**	57,633

	At September 30, 2018	At December 31, 2017
Capital ratios[6]		
Common Equity Tier 1 capital ratio	**16.7%**	16.5%
Tier 1 capital ratio	**19.0%**	18.9%
Total capital ratio	**21.6%**	21.7%
Tier 1 leverage ratio	**8.2%**	8.3%

SLR[7]	**6.4%**	6.5%

1. The expense efficiency ratio represents total non-interest expense as a percentage of net revenues.
2. Represents a non-GAAP measure. See Selected Non-GAAP Financial Information herein.
3. For a discussion of the GLR, see Liquidity and Capital Resources Liquidity Risk Management Framework Global Liquidity Reserve herein.
4. Amounts include loans held for investment (net of allowance) and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 7 to the financial statements).
5. Book value per common share and tangible book value per common share equal common shareholders equity and tangible common shareholders equity, respectively, divided by common shares outstanding.
6. Beginning in 2018, our risk based capital ratios are based on the Standardized Approach fully phased-in rules. At December 31, 2017, our risk based capital ratios were based on the Standardized Approach transitional rules. For a discussion of our regulatory capital ratios, see Liquidity and Capital Resources Regulatory Requirements herein.
7. The SLR became effective as a capital standard on January 1, 2018. For a discussion of the SLR, see Liquidity and Capital Resources Regulatory Requirements herein.

Business Segment Results

Net Revenues by Segment[1, 2]

($ in millions)

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Management s Discussion and Analysis

Net Income Applicable to Morgan Stanley by Segment[1, 3]

($ in millions)

1. The percentages in the charts represent the contribution of each business segment to the total. Amounts do not necessarily total to 100% due to intersegment eliminations, where applicable.
2. The total amount of Net Revenues by Segment includes intersegment eliminations of $(109) million and $(74) million in the current quarter and prior year quarter, respectively, and $(344) million and $(223) million in the current year period and prior year period, respectively.
3. The total amount of Net Income Applicable to Morgan Stanley by Segment includes intersegment eliminations of $(1) million and $(4) million in the current quarter and prior year quarter, respectively, and $(1) million and $(2) million in the current year period and the prior year period, respectively.

Institutional Securities net revenues of $4,929 million in the current quarter and $16,743 million in the current year period increased 13% from the prior year quarter and 17% from the prior year period primarily reflecting higher revenues from both sales and trading and Investment banking.

Wealth Management net revenues of $4,399 million in the current quarter and $13,098 million in the current year period increased 4% from the prior year quarter and 5% from the prior year period primarily reflecting growth in Asset management revenues.

Investment Management net revenues of $653 million in the current quarter and $2,062 million in the current year period decreased 3% from the prior year quarter and increased 6% from the prior year period. The current quarter results primarily reflected lower investment gains. The current year period reflected higher Asset management revenues, partially offset by lower investment gains.

Net Revenues by Region[1, 2]

($ in millions)

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

Selected Non-GAAP Financial Information

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

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

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Management s Discussion and Analysis

differences between the U.S. GAAP financial measure and the non-GAAP financial measure.

The principal non-GAAP financial measures presented in this document are set forth below.

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

$ in millions, except per share data	Three Months Ended September 30, **2018**	Three Months Ended September 30, 2017	Nine Months Ended September 30, **2018**	Nine Months Ended September 30, 2017
Net income applicable to Morgan Stanley	**$ 2,112**	$ 1,781	**$ 7,217**	$ 5,468
Impact of adjustments	**(4)**	(83)	**(92)**	(65)
Adjusted net income applicable to Morgan Stanley non-GAAP	**$ 2,108**	1,698	**$ 7,125**	5,403
Earnings per diluted common share	**$ 1.17**	$ 0.93	**$ 3.92**	$ 2.79
Impact of adjustments		(0.05)	**(0.05)**	(0.03)
Adjusted earnings per diluted common share non-GAAP	**$ 1.17**	$ 0.88	**$ 3.87**	$ 2.76
Effective income tax rate	**24.4%**	28.1%	**21.9%**	29.7%
Impact of adjustments	**0.2%**	3.3%	**0.9%**	0.8%
Adjusted effective income tax rate non-GAAP	**24.6%**	31.4%	**22.8%**	30.5%

$ in millions	**At September 30, 2018**	At December 31, 2017
Tangible Equity		
U.S. GAAP		
Morgan Stanley shareholders equity	**$ 78,703**	$ 77,391
Less: Goodwill and net intangible assets	**(8,918)**	(9,042)
Morgan Stanley tangible shareholders equity non-GAAP	**$ 69,785**	$ 68,349
U.S. GAAP		
Common equity	**$ 70,183**	$ 68,871
Less: Goodwill and net intangible assets	**(8,918)**	(9,042)
Tangible common equity non-GAAP	**$ 61,265**	$ 59,829

	Average Monthly Balance			
	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2018**	2017	**2018**	2017
Tangible Equity				
U.S. GAAP				
Morgan Stanley shareholders equity	**$ 78,760**	$ 79,007	**$ 78,165**	$ 78,206
Less: Goodwill and net intangible assets	**(8,970)**	(9,120)	**(9,020)**	(9,192)
Morgan Stanley tangible shareholders equity non-GAAP	**$ 69,790**	$ 69,887	**$ 69,145**	$ 69,014
U.S. GAAP				
Common equity	**$ 70,240**	$ 70,487	**$ 69,645**	$ 69,786
Less: Goodwill and net intangible assets	**(8,970)**	(9,120)	**(9,020)**	(9,192)
Tangible common equity non-GAAP	**$ 61,270**	$ 61,367	**$ 60,625**	$ 60,594

Consolidated Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2018**	2017	**2018**	2017
Average common equity				
Unadjusted	**$ 70.2**	$ 70.5	**$ 69.6**	$ 69.8
Adjusted[1]	**70.2**	70.5	**69.6**	69.8
ROE[2]				
Unadjusted	**11.5%**	9.6%	**13.1%**	9.8%
Adjusted[1, 3]	**11.5%**	9.1%	**13.0%**	9.6%
Average tangible common equity				
Unadjusted	**$ 61.3**	$ 61.4	**$ 60.6**	$ 60.6
Adjusted[1]	**61.3**	61.3	**60.6**	60.6
ROTCE[2]				
Unadjusted	**13.2%**	11.0%	**15.1%**	11.3%
Adjusted[1, 3]	**13.2%**	10.5%	**14.9%**	11.1%

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Management s Discussion and Analysis

Non-GAAP Financial Measures by Business Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2018**	2017	**2018**	2017
Pre-tax profit margin[4]				
Institutional Securities	**32%**	28%	**33%**	31%
Wealth Management	**27%**	27%	**27%**	25%
Investment Management	**16%**	19%	**19%**	19%
Consolidated	**29%**	27%	**30%**	28%
Average common equity[5]				
Institutional Securities	**$ 40.8**	$ 40.2	**$ 40.8**	$ 40.2
Wealth Management	**16.8**	17.2	**16.8**	17.2
Investment Management	**2.6**	2.4	**2.6**	2.4
Parent Company	**10.0**	10.7	**9.4**	10.0
Consolidated average common equity	**$ 70.2**	$ 70.5	**$ 69.6**	$ 69.8
Average tangible common equity[5]				
Institutional Securities	**$ 40.1**	$ 39.6	**$ 40.1**	$ 39.6
Wealth Management	**9.2**	9.3	**9.2**	9.3
Investment Management	**1.7**	1.6	**1.7**	1.6
Parent Company	**10.3**	10.9	**9.6**	10.1
Consolidated average tangible common equity	**$ 61.3**	$ 61.4	**$ 60.6**	$ 60.6
ROE[2, 6]				
Institutional Securities	**10.3%**	8.9%	**12.8%**	9.6%
Wealth Management	**21.3%**	15.8%	**20.9%**	15.0%
Investment Management	**12.0%**	18.8%	**15.7%**	15.4%
Consolidated	**11.5%**	9.6%	**13.1%**	9.8%
ROTCE[2, 6]				
Institutional Securities	**10.4%**	9.1%	**13.0%**	9.8%
Wealth Management	**38.9%**	29.1%	**38.1%**	27.7%
Investment Management	**18.8%**	27.7%	**24.5%**	22.7%
Consolidated	**13.2%**	11.0%	**15.1%**	11.3%

1. Adjusted amounts exclude intermittent net discrete tax provisions (benefits). Income tax consequences associated with employee share-based awards are recognized in Provision for income taxes in the income statements but are excluded from the intermittent net discrete tax provisions (benefits) adjustment as we anticipate conversion activity each quarter. For further information on the net discrete tax provisions (benefits), see Supplemental Financial Information and Disclosures Income Tax Matters herein.
2. ROE and ROTCE equal annualized net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity and average tangible common equity, on a consolidated basis as indicated.

When excluding intermittent net discrete tax provisions (benefits), both the numerator and denominator are adjusted.

3. The calculations used in determining our ROE and ROTCE Targets referred to in the following section are the Adjusted ROE and Adjusted ROTCE amounts shown in this table.
4. Pre-tax profit margin represents income from continuing operations before income taxes as a percentage of net revenues.
5. Average common equity and average tangible common equity for each business segment are 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).
6. The calculation of the ROE and ROTCE by segment uses the annualized net income applicable to Morgan Stanley by segment less preferred dividends allocated to each segment as a percentage of average common equity and average tangible common equity, respectively, allocated to each segment.

Return on Equity and Tangible Common Equity Targets

In January 2018, we established an ROE Target of 10% to 13% and an ROTCE Target of 11.5% to 14.5% for the medium term.

Our ROE and ROTCE Targets are forward-looking statements that may be materially affected by many factors, including, among other things: macroeconomic and market conditions; legislative and regulatory developments; industry trading and investment banking volumes; equity market levels; interest rate environment; outsize legal expenses or penalties and the ability to maintain a reduced level of expenses; and capital levels. For further information on our ROE and ROTCE Targets and related assumptions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary Return on Equity and Tangible Common Equity Targets in the 2017 Form 10-K.

Business Segments

Substantially all of our operating revenues and operating expenses are directly attributable to the 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.

As a result of treating certain intersegment transactions as transactions with external parties, we include an Intersegment Eliminations category to reconcile the business segment results to our consolidated results. See Note 19 to the financial statements for further information.

Net Revenues, Compensation Expense and Income Taxes

For an overview of the components of our net revenues, compensation expense and income taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Business Segments in the 2017 Form 10-K.

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Management s Discussion and Analysis

Institutional Securities

Income Statement Information

	Three Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Revenues			
Investment banking	**$ 1,459**	$ 1,270	**15%**
Trading	**2,573**	2,504	**3%**
Investments	**96**	52	**85%**
Commissions and fees	**589**	561	**5%**
Asset management	**112**	88	**27%**
Other	**244**	143	**71%**
Total non-interest revenues	**5,073**	4,618	**10%**
Interest income	**2,425**	1,421	**71%**
Interest expense	**2,569**	1,663	**54%**
Net interest	**(144)**	(242)	**40%**
Net revenues	**4,929**	4,376	**13%**
Compensation and benefits	**1,626**	1,532	**6%**
Non-compensation expenses	**1,747**	1,608	**9%**
Total non-interest expenses	**3,373**	3,140	**7%**
Income from continuing operations before income taxes	**1,556**	1,236	**26%**
Provision for income taxes	**397**	260	**53%**
Income from continuing operations	**1,159**	976	**19%**
Income (loss) from discontinued operations, net of income taxes	**(3)**	6	**(150)%**
Net income	**1,156**	982	**18%**
Net income applicable to noncontrolling interests	**36**	9	**N/M**
Net income applicable to Morgan Stanley	**$ 1,120**	$ 973	**15%**

	Nine Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Revenues			
Investment banking	**$ 4,671**	$ 4,100	**14%**
Trading	**9,344**	8,241	**13%**
Investments	**234**	155	**51%**
Commissions and fees	**2,007**	1,811	**11%**
Asset management	**324**	268	**21%**
Other	**548**	442	**24%**

Total non-interest revenues	**17,128**	15,017	**14%**
Interest income	**6,424**	3,788	**70%**
Interest expense	**6,809**	4,515	**51%**
Net interest	**(385)**	(727)	**47%**
Net revenues	**16,743**	14,290	**17%**
Compensation and benefits	**5,779**	5,069	**14%**
Non-compensation expenses	**5,484**	4,812	**14%**
Total non-interest expenses	**11,263**	9,881	**14%**
Income from continuing operations before income taxes	**5,480**	4,409	**24%**
Provision for income taxes	**1,169**	1,132	**3%**
Income from continuing operations	**4,311**	3,277	**32%**
Income (loss) from discontinued operations, net of income taxes	**(7)**	(21)	**67%**
Net income	**4,304**	3,256	**32%**
Net income applicable to noncontrolling interests	**100**	77	**30%**
Net income applicable to Morgan Stanley	**$ 4,204**	$ 3,179	**32%**

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Management s Discussion and Analysis

Investment Banking

Investment Banking Revenues

	Three Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Advisory	**$ 510**	$ 555	**(8)%**
Underwriting:			
Equity	**441**	273	**62%**
Fixed income	**508**	442	**15%**
Total underwriting	**949**	715	**33%**
Total investment banking	**$ 1,459**	$ 1,270	**15%**

	Nine Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Advisory	**$ 1,702**	$ 1,555	**9%**
Underwriting:			
Equity	**1,403**	1,068	**31%**
Fixed income	**1,566**	1,477	**6%**
Total underwriting	**2,969**	2,545	**17%**
Total investment banking	**$ 4,671**	$ 4,100	**14%**

Investment Banking Volumes

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2018**	2017	**2018**	2017
Completed mergers and acquisitions[1]	**$ 164**	$ 238	**$ 665**	$ 615
Equity and equity-related offerings[2, 3]	**14**	17	**52**	46
Fixed income offerings[2, 4]	**66**	65	**183**	210

Source: Thomson Reuters, data as of October 1, 2018. 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 or change in the value of a transaction.

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 and 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 are composed of fees from advisory services and revenues from the underwriting of securities offerings and syndication of loans, net of syndication expenses.

Investment banking revenues of $1,459 million in the current quarter and $4,671 million in the current year period increased 15% and 14% from the comparable prior year periods. The adoption of the accounting update *Revenue from Contracts with Customers* had the effect of increasing the revenues reported in investment banking by approximately $69 million in the current quarter and $230 million in the current year period compared with the prior year periods (see Notes 2 and

19 to the financial statements for further information). The drivers of the increase in our Investment banking revenues, other than the effect of this accounting update, were:

Advisory revenues decreased in the current quarter primarily reflecting lower volumes of completed M&A activity (see Investment Banking Volumes table), partially offset by higher fee realizations. In the current year period, advisory revenues increased primarily due to higher volumes of completed M&A activity.

Equity underwriting revenues increased in the current quarter and current year period primarily as a result of higher fee realizations. In both the current quarter and current year period, revenues increased in initial public offerings, convertibles and follow-ons.

Fixed income underwriting revenues increased in the current quarter and current year period primarily due to higher fee realizations. In the current quarter, revenues increased in investment grade bond fees and loan fees, which benefited from event-related financings, partially offset by lower non-investment grade bond fees. Fixed income underwriting revenues increased in the current year period primarily due to higher loan fees, partially offset by lower non-investment grade bond fees.

Sales and Trading Net Revenues

By Income Statement Line Item

	Three Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Trading	**$ 2,573**	$ 2,504	**3%**

Commissions and fees	**589**	561	**5%**
Asset management	**112**	88	**27%**
Net interest	**(144)**	(242)	**40%**
Total	**$ 3,130**	$ 2,911	**8%**

	Nine Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Trading	**$ 9,344**	$ 8,241	**13%**
Commissions and fees	**2,007**	1,811	**11%**
Asset management	**324**	268	**21%**
Net interest	**(385)**	(727)	**47%**
Total	**$ 11,290**	$ 9,593	**18%**

By Business

	Three Months Ended September 30,		
$ in millions	**2018**	2017	% Change
Equity	**$ 2,019**	$ 1,891	**7%**
Fixed income	**1,179**	1,167	**1%**
Other	**(68)**	(147)	**54%**
Total	**$ 3,130**	$ 2,911	**8%**

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Management s Discussion and Analysis

$ in millions	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	% Change
Equity	**$ 7,047**	$ 6,062	**16%**
Fixed income	**4,441**	4,120	**8%**
Other	**(198)**	(589)	**66%**
Total	**$ 11,290**	$ 9,593	**18%**

Sales and Trading Revenues Equity and Fixed Income

Three Months Ended September 30, 2018

$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	**$ 1,097**	**$ 99**	**$ (141)**	**$ 1,055**
Execution services	**554**	**524**	**(114)**	**964**
Total Equity	**$ 1,651**	**$ 623**	**$ (255)**	**$ 2,019**
Total Fixed Income	**$ 1,189**	**$ 78**	**$ (88)**	**$ 1,179**

Three Months Ended September 30, 2017

$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	$ 1,029	$ 92	$ (206)	$ 915
Execution services	540	495	(59)	976
Total Equity	$ 1,569	$ 587	$ (265)	$ 1,891
Total Fixed income	$ 1,073	$ 65	$ 29	$ 1,167

Nine Months Ended September 30, 2018

$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	**$ 3,704**	**$ 295**	**$ (479)**	**$ 3,520**
Execution services	**2,006**	**1,793**	**(272)**	**3,527**

Total Equity	**$**	**5,710**	**$**	**2,088**	**$**	**(751)**	**$**	**7,047**
Total Fixed Income	**$**	**4,203**	**$**	**244**	**$**	**(6)**	**$**	**4,441**

				Nine Months Ended September 30, 2017				
$ in millions		Trading		Fees[1]		Net Interest[2]		Total
Financing	$	3,126	$	269	$	(621)	$	2,774
Execution services		1,805		1,643		(160)		3,288
Total Equity	$	4,931	$	1,912	$	(781)	$	6,062
Total Fixed income	$	3,785	$	167	$	168	$	4,120

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

As discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations Business Segments Net Revenues by Segment in the 2017 Form 10-K, we manage each of the sales and trading businesses based on its aggregate net revenues. We provide qualitative commentary in the discussion of results that follow on the key drivers of period over period variances, as the quantitative impact of the various market dynamics typically cannot be disaggregated.

For additional information on total Trading revenues, see the table Trading Revenues by Product Type in Note 19 to the financial statements.

Sales and Trading Net Revenues during the Current Quarter

Equity

Equity sales and trading net revenues of $2,019 million in the current quarter increased 7% from the prior year quarter, reflecting higher results in our financing businesses.

Financing revenues increased from the prior year quarter, primarily due to client positioning and higher average client balances, which resulted in both increased Trading and Net interest revenues.

Execution services remained relatively unchanged from the prior year quarter as higher commissions revenue was offset by increased funding costs.

Fixed Income

Fixed income net revenues of $1,179 million in the current quarter were 1% higher than the prior year quarter, driven by higher results in commodities products and other, partially offset by lower results in credit products and higher funding costs.

Global macro products revenues remained relatively unchanged from the prior year quarter as higher results in foreign exchange products were offset by lower results in interest rates products, both of which were primarily driven by levels of client activity.

Credit products revenues decreased primarily due to a decline in Trading revenue associated with unfavorable corporate credit products inventory management.

Commodities products and Other increased driven primarily by inventory management gains in power and natural gas products.

Other

Other sales and trading net losses of $68 million in the current quarter decreased from the prior year quarter, primarily from lower net funding costs reflecting changes in the balance sheet.

Sales and Trading Net Revenues during the Current Year Period

Equity

Equity sales and trading net revenues of $7,047 million in the current year period increased 16% from the prior year period, reflecting higher results in both our financing businesses and execution services.

Financing revenues increased from the prior year period, primarily due to higher average client balances and client positioning, which resulted in both increased Trading and Net interest revenues.

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Execution services increased from the prior year period, primarily reflecting higher Trading revenues driven by effective inventory management in derivative products. Commissions and fees also increased due to higher client activity in cash equities products, but were partially offset by increased funding costs.

Fixed Income

Fixed income net revenues of $4,441 million in the current year period were 8% higher than the prior year period, primarily driven by higher results in commodities products and other, partially offset by lower results in credit products and higher funding costs.

Global macro products revenues remained relatively unchanged from the prior year period as higher results in foreign exchange products were offset by lower results in interest rates products, both of which were primarily driven by levels of client activity.

Credit products revenues decreased as a decline in Trading revenues associated with unfavorable corporate credit products inventory management was partially offset by growth in lending products.

Commodities products and Other increased primarily due to increased Commodities structured transactions and client flow and higher Trading revenues principally from a reduction in counterparty credit risk.

Other

Other sales and trading net losses of $198 million in the current year period decreased from the prior year period, primarily reflecting lower net funding costs. In addition, losses associated with corporate loan hedging activity were lower in the current year period compared with the prior year period.

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

Investments

Net investment gains of $96 million in the current quarter and $234 million in the current year period increased from the prior year periods, primarily as a result of higher net gains on business-related investments, partially offset by lower results from real estate limited partnership investments.

Other Revenues

Other revenues of $244 million in the current quarter increased from the prior year quarter, primarily reflecting higher fees associated with corporate lending activity and
improved results from other equity method investments. Other revenues of $548 million in the current year period increased from the prior year period, primarily reflecting improved results from other equity method investments,

the recovery of a previously charged off energy industry loan and higher fees associated with corporate lending activity, partially offset by lower gains associated with held-for-sale corporate loans.

Non-interest Expenses

Non-interest expenses of $3,373 million in the current quarter increased from the prior year quarter, reflecting a 6% increase in Compensation and benefits expenses and a 9% increase in Non-compensation expenses. Non-interest expenses of $11,263 million in the current year period increased from the prior year period reflecting a 14% increase in both Compensation and benefits expenses and Non-compensation expenses.

Compensation and benefits expenses increased in the current quarter and current year period, primarily due to an increase in discretionary incentive compensation driven by higher revenues, as well as salaries, partially offset by a decrease in the fair value of investments to which certain deferred compensation plans are referenced.

Non-compensation expenses increased in the current quarter and current year period, primarily due to higher volume-related expenses, and the gross presentation of certain expenses due to the adoption of the accounting update *Revenue from Contracts with Customers* (see Notes 2 and 19 to the financial statements for further information), partially offset by lower litigation expenses. In addition, in the current year period, the results were partially offset by the reversal of a portion of previously recorded provisions related to U.K. VAT matters.

Income Tax Items

The current year period includes intermittent net discrete tax benefits of $88 million, primarily associated with new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters. The prior year quarter and prior year period included intermittent net discrete tax benefits of $75 million and $60 million, respectively, primarily resulting from the remeasurement of certain deferred taxes. In addition, the effective tax rate in the current year period is lower compared with the prior year period primarily as a result of the enactment of the Tax Act. For a discussion of the Tax Act, see Supplemental Financial Information and Disclosures Income Tax Matters herein.

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Management s Discussion and Analysis

Wealth Management

Income Statement Information

$ in millions	Three Months Ended September 30, 2018	2017	% Change
Revenues			
Investment banking	**$ 129**	$ 125	**3%**
Trading	**160**	212	**(25)%**
Investments		1	**(100)%**
Commissions and fees	**409**	402	**2%**
Asset management	**2,573**	2,393	**8%**
Other	**58**	62	**(6)%**
Total non-interest revenues	**3,329**	3,195	**4%**
Interest income	**1,412**	1,155	**22%**
Interest expense	**342**	130	**163%**
Net interest	**1,070**	1,025	**4%**
Net revenues	**4,399**	4,220	**4%**
Compensation and benefits	**2,415**	2,326	**4%**
Non-compensation expenses	**790**	775	**2%**
Total non-interest expenses	**3,205**	3,101	**3%**
Income from continuing operations before income taxes	**1,194**	1,119	**7%**
Provision for income taxes	**281**	421	**(33)%**
Net income applicable to Morgan Stanley	**$ 913**	$ 698	**31%**

$ in millions	Nine Months Ended September 30, 2018	2017	% Change
Revenues			
Investment banking	**$ 383**	$ 405	**(5)%**
Trading	**404**	657	**(39)%**
Investments	**3**	3	%
Commissions and fees	**1,349**	1,266	**7%**
Asset management	**7,582**	6,879	**10%**
Other	**195**	191	**2%**
Total non-interest revenues	**9,916**	9,401	**5%**
Interest income	**4,012**	3,348	**20%**
Interest expense	**830**	320	**159%**
Net interest	**3,182**	3,028	**5%**

Net revenues	**13,098**	12,429	**5%**
Compensation and benefits	**7,221**	6,940	**4%**
Non-compensation expenses	**2,366**	2,340	**1%**
Total non-interest expenses	**9,587**	9,280	**3%**
Income from continuing operations before income taxes	**3,511**	3,149	**11%**
Provision for income taxes	**808**	1,139	**(29)%**
Net income applicable to Morgan Stanley	**$ 2,703**	$ 2,010	**34%**

Financial Information and Statistical Data

$ in billions	**At September 30, 2018**	At December 31, 2017
Client assets	**$ 2,496**	$ 2,373
Fee-based client assets[1]	**$ 1,120**	$ 1,045
Fee-based client assets as a percentage of total client assets	**45%**	44%
Client liabilities[2]	**$ 83**	$ 80
Investment securities portfolio	**$ 59.8**	$ 59.2
Loans and lending commitments	**$ 81.8**	$ 77.3
Wealth Management representatives	**15,655**	15,712

	Three Months Ended September 30,	
	2018	2017
Per representative:		
Annualized revenues ($ in thousands)[3]	**$ 1,125**	$ 1,071
Client assets ($ in millions)[4]	**$ 159**	$ 146
Fee-based asset flows ($ in billions)[5]	**$ 16.2**	$ 15.8

	Nine Months Ended September 30,	
	2018	2017
Per representative:		
Annualized revenues ($ in thousands)[3]	**$ 1,114**	$ 1,051
Client assets ($ in millions)[4]	**$ 159**	$ 146
Fee-based asset flows ($ in billions)[5]	**$ 49.7**	$ 54.5

1. Fee-based client assets represent the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
2. Client liabilities include securities-based and tailored lending, residential real estate loans and margin lending.
3. Annualized revenues per representative equal Wealth Management s annualized revenues divided by the average representative headcount.
4. Client assets per representative equal total period-end client assets divided by period-end representative headcount.

5. Fee-based asset flows include net new fee-based assets, net account transfers, dividends, interest and client fees and exclude institutional cash management-related activity.

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Management s Discussion and Analysis

Transactional Revenues

$ in millions	Three Months Ended September 30, 2018	2017	% Change
Investment banking	**$ 129**	$ 125	**3%**
Trading	**160**	212	**(25)%**
Commissions and fees	**409**	402	**2%**
Total	**$ 698**	$ 739	**(6)%**
Transactional revenues as a % of Net revenues	**16%**	18%	

$ in millions	Nine Months Ended September 30, 2018	2017	% Change
Investment banking	**$ 383**	$ 405	**(5)%**
Trading	**404**	657	**(39)%**
Commissions and fees	**1,349**	1,266	**7%**
Total	**$ 2,136**	$ 2,328	**(8)%**
Transactional revenues as a % of Net revenues	**16%**	19%	

Net Revenues

Transactional Revenues

Transactional revenues of $698 million in the current quarter and $2,136 million in the current year period decreased 6% and 8%, respectively, from the prior year periods primarily as a result of lower Trading revenues, partially offset by higher Commissions and fees.

Investment banking revenues were relatively unchanged in the current quarter. In the current year period, Investment banking revenues decreased primarily due to lower revenues from equity issuances.

Trading revenues decreased in the current quarter primarily as a result of lower fixed income revenue driven by product mix. In addition to lower fixed income revenue, Trading revenues decreased in the current year period as a result of lower gains related to investments associated with certain employee deferred compensation plans.

Commissions and fees were relatively unchanged in the current quarter. In the current year period, Commissions and fees increased primarily as a result of increased client transactions in alternatives and annuities products, partially offset by decreased activity in mutual funds.

Asset Management

Asset management revenues of $2,573 million in the current quarter and $7,582 million in the current year period increased 8% and 10%, respectively, primarily due to the effect of market appreciation and net positive flows on the respective beginning of period fee-based client assets balances on which billings are generally based, partially offset by lower average fee rates.

See Fee-Based Client Assets Rollforwards herein.

Net Interest

Net interest of $1,070 million in the current quarter and $3,182 million in the current year period increased 4% and 5%, respectively, primarily as a result of higher interest rates and higher loan balances. In the current quarter and current year period, the effect of higher interest rates on loans was partially offset by higher average interest rates on Deposits, due to changes in our deposit mix.

Non-interest Expenses

Non-interest expenses of $3,205 million in the current quarter and $9,587 million in the current year period both increased 3% primarily as a result of higher Compensation and benefits expenses.

Compensation and benefits expenses increased in the current quarter and current year period primarily due to the formulaic payout to Wealth Management representatives linked to higher revenues and increases in salaries. In the current year period, these increases were partially offset by a decrease in the fair value of investments to which certain deferred compensation plans are referenced.

Non-compensation expenses were relatively unchanged in both the current quarter and current year period, with increased investment in technology offset by a decrease in litigation expenses.

Income Tax Items

The effective tax rate in the current quarter and current year period is lower compared with the prior year periods primarily as a result of the enactment of the Tax Act. For a discussion of the Tax Act, see Supplemental Financial Information and Disclosures Income Tax Matters herein.

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Management s Discussion and Analysis

Fee-Based Client Assets

For a description of fee-based client assets, including descriptions of the fee based client asset types and rollforward items in the following tables, see Management s Discussion and Analysis of Financial Condition and Results of Operations Business Segments Wealth Management Fee-Based Client Assets in the 2017 Form 10-K.

Fee-Based Client Assets Rollforwards

$ in billions	At June 30, 2018	Inflows	Outflows	Market Impact	**At September 30, 2018**
Separately managed[1]	$ 267	**$ 14**	**$ (6)**	**$ (3)**	**$ 272**
Unified managed	259	**11**	**(8)**	**5**	**267**
Mutual fund advisory	20	**1**	**(1)**		**20**
Advisor	149	**7**	**(8)**	**5**	**153**
Portfolio manager	367	**18**	**(12)**	**13**	**386**
Subtotal	$ 1,062	**$ 51**	**$ (35)**	**$ 20**	**$ 1,098**
Cash management	22	**4**	**(4)**		**22**
Total fee-based client assets	$ 1,084	**$ 55**	**$ (39)**	**$ 20**	**$ 1,120**

$ in billions	At June 30, 2017	Inflows	Outflows	Market Impact	At September 30, 2017
Separately managed[1]	$ 237	$ 8	$ (5)	$ 3	$ 243
Unified managed	228	11	(7)	7	239
Mutual fund advisory	21	1	(1)		21
Advisor	138	9	(7)	4	144
Portfolio manager	321	18	(11)	10	338
Subtotal	$ 945	$ 47	$ (31)	$ 24	$ 985
Cash management	17	3	(2)		18
Total fee-based client assets	$ 962	$ 50	$ (33)	$ 24	$ 1,003

$ in billions	At December 31, 2017	Inflows	Outflows	Market Impact	**At September 30, 2018**

Separately managed[1]	$	252	**$**	**30**	**$**	**(15)**	**$**	**5**	**$**	**272**
Unified managed		250		**36**		**(23)**		**4**		**267**
Mutual fund advisory		21				**(2)**		**1**		**20**
Advisor		149		**22**		**(22)**		**4**		**153**
Portfolio manager		353		**55**		**(31)**		**9**		**386**
Subtotal	$	1,025	**$**	**143**	**$**	**(93)**	**$**	**23**	**$**	**1,098**
Cash management		20		**14**		**(12)**				**22**
Total fee-based client assets	$	1,045	**$**	**157**	**$**	**(105)**	**$**	**23**	**$**	**1,120**

$ in billions		At December 31, 2016		Inflows		Outflows		Market Impact		At September 30, 2017
Separately managed[1]	$	222	$	24	$	(16)	$	13	$	243
Unified managed		204		36		(22)		21		239
Mutual fund advisory		21		1		(3)		2		21
Advisor		125		27		(20)		12		144
Portfolio manager		285		57		(29)		25		338
Subtotal	$	857	$	145	$	(90)	$	73	$	985
Cash management		20		9		(11)				18
Total fee-based client assets	$	877	$	154	$	(101)	$	73	$	1,003

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

Average Fee Rates

	Three Months Ended September 30,		Nine Months Ended September 30,	
Fee rate in bps	**2018**	2017	**2018**	2017
Separately managed	**15**	17	**16**	16
Unified managed	**97**	97	**97**	98
Mutual fund advisory	**119**	118	**119**	118
Advisor	**84**	84	**84**	84
Portfolio manager	**95**	94	**95**	96
Subtotal	**75**	76	**76**	76
Cash management	**6**	6	**6**	6
Total fee-based client assets	**74**	75	**74**	75

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Management s Discussion and Analysis

Investment Management

Income Statement Information

$ in millions	Three Months Ended September 30, 2018	2017	% Change
Revenues			
Trading	**$ 2**	$ (7)	**N/M**
Investments	**40**	114	**(65)%**
Asset management	**604**	568	**6%**
Other	**(3)**	1	**N/M**
Total non-interest revenues	**643**	676	**(5)%**
Interest income	**19**	1	**N/M**
Interest expense	**9**	2	**N/M**
Net interest	**10**	(1)	**N/M**
Net revenues	**653**	675	**(3)%**
Compensation and benefits	**269**	311	**(14)%**
Non-compensation expenses	**282**	233	**21%**
Total non-interest expenses	**551**	544	**1%**
Income from continuing operations before income taxes	**102**	131	**(22)%**
Provision for income taxes	**18**	16	**13%**
Income from continuing operations	**84**	115	**(27)%**
Income from discontinued operations, net of income taxes	**2**		**N/M**
Net income	**86**	115	**(25)%**
Net income applicable to noncontrolling interests	**6**	1	**N/M**
Net income applicable to Morgan Stanley	**$ 80**	$ 114	**(30)%**

$ in millions	Nine Months Ended September 30, 2018	2017	% Change
Revenues			
Trading	**$ 23**	$ (21)	**N/M**
Investments	**172**	337	**(49)%**
Asset management	**1,840**	1,624	**13%**
Other	**10**	9	**11%**
Total non-interest revenues	**2,045**	1,949	**5%**
Interest income	**37**	3	**N/M**
Interest expense	**20**	3	**N/M**
Net interest	**17**		**N/M**
Net revenues	**2,062**	1,949	**6%**

Compensation and benefits	**845**	878	**(4)%**
Non-compensation expenses	**827**	695	**19%**
Total non-interest expenses	**1,672**	1,573	**6%**
Income from continuing operations before income taxes	**390**	376	**4%**
Provision for income taxes	**73**	87	**(16)%**
Income from continuing operations	**317**	289	**10%**
Income from discontinued operations, net of income taxes	**2**		**N/M**
Net income	**319**	289	**10%**
Net income applicable to noncontrolling interests	**8**	8	**%**
Net income applicable to Morgan Stanley	**$ 311**	$ 281	**11%**

Net Revenues

Investments

Investments gains of $40 million in the current quarter compared with $114 million in the prior year quarter reflect lower carried interest in certain infrastructure and multi-manager private equity funds.

Investments gains of $172 million in the current year period compared with $337 million in the prior year period reflect lower carried interest in certain infrastructure funds and the reversal of previously accrued carried interest in certain Asia private equity funds, primarily due to losses associated with weakening Asia-Pacific currencies.

Asset Management

Asset management revenues of $604 million in the current quarter and $1,840 million in the current year period increased 6% and 13%, respectively, primarily as a result of higher average long-term AUM. See AUM Rollforwards herein.

The adoption of the accounting update *Revenue from Contracts with Customers* had the effect of increasing Asset management revenues due to the gross presentation of distribution fees. This increase (approximately $17 million in the current quarter and $61 million in the current year period) was partially offset by the delayed recognition of certain performance fees not in the form of carried interest until they are no longer probable of reversing. See Notes 2 and 19 to the financial statements for further details.

Non-interest Expenses

Non-interest expenses of $551 million in the current quarter and $1,672 million in the current year period increased 1% and 6%, respectively, primarily due to higher Non-compensation expenses.

Compensation and benefits expenses decreased in the current quarter and current year period due to decreases in deferred compensation associated with carried interest and the fair value of investments to which certain deferred compensation plans are referenced. In the current year period, these decreases were partially offset by increases in salaries and discretionary incentive compensation.

Non-compensation expenses increased in the current quarter and current year period primarily as a result of higher fee sharing on increased average AUM balances and the gross presentation of distribution fees due to the adoption of the accounting update *Revenue from Contracts with Customers.* See Asset Management above.

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Management s Discussion and Analysis

Income Tax Items

The effective tax rate in the current year period is lower compared with the prior year period primarily as a result of the enactment of the Tax Act. For a discussion of the Tax Act, see Supplemental Financial Information and Disclosures Income Tax Matters herein.

Assets Under Management or Supervision

For a description of the asset classes and rollforward items in the following tables, see Management s Discussion and Analysis of Financial Condition and Results of Operations Business Segments Investment Management Assets Under Management or Supervision in the 2017 Form 10-K.

AUM Rollforwards

$ in billions	At June 30, 2018	Inflows	Outflows	Market Impact	Other[1]	**At September 30, 2018**
Equity	$ 114	**$ 10**	**$ (9)**	**$ 3**	**$ (1)**	**$ 117**
Fixed income	69	**6**	**(4)**			**71**
Alternative/Other	132	**5**	**(4)**	**1**	**(1)**	**133**
Long-term AUM subtotal	315	**21**	**(17)**	**4**	**(2)**	**321**
Liquidity[2]	159	**313**	**(322)**	**1**	**(1)**	**150**
Total AUM	$ 474	**$ 334**	**$ (339)**	**$ 5**	**$ (3)**	**$ 471**
Shares of minority stake assets	7					**7**

$ in billions	At June 30, 2017	Inflows	Outflows	Market Impact	Other[1]	At September 30, 2017
Equity	$ 94	$ 5	$ (6)	$ 4	$	$ 97
Fixed income	66	7	(5)	1		69
Alternative/Other	121	5	(3)	1	1	125
Long-term AUM subtotal	281	17	(14)	6	1	291
Liquidity	154	279	(277)	1	(1)	156
Total AUM	$ 435	$ 296	$ (291)	$ 7	$	$ 447
Shares of minority stake assets	8					7

$ in billions	At December 31, 2017	Inflows	Outflows	Market Impact	Other[1]	**At September 30,**

							2018
Equity	$ 105	**$ 30**	**$ (23)**	**$ 6**	**$ (1)**	**$**	**117**
Fixed income	73	**20**	**(20)**	**(1)**	**(1)**		**71**
Alternative/Other	128	**16**	**(13)**	**2**			**133**
Long-term AUM subtotal	306	**66**	**(56)**	**7**	**(2)**		**321**
Liquidity[2]	176	**1,013**	**(1,039)**	**2**	**(2)**		**150**
Total AUM	$ 482	**$ 1,079**	**$ (1,095)**	**$ 9**	**$ (4)**	**$**	**471**
Shares of minority stake assets	7						**7**

$ in billions	At December 31, 2016	Inflows	Outflows	Market Impact	Other[1]	At September 30, 2017
Equity	$ 79	$ 16	$ (16)	$ 17	$ 1	$ 97
Fixed income	60	20	(16)	3	2	69
Alternative/Other	115	18	(13)	5		125
Long-term AUM subtotal	254	54	(45)	25	3	291
Liquidity	163	915	(923)	1		156
Total AUM	$ 417	$ 969	$ (968)	$ 26	$ 3	$ 447
Shares of minority stake assets	8					7

1. Includes distributions and foreign currency impact for all periods and the impact of the Mesa West Capital, LLC acquisition in the current year period.
2. Included in Liquidity products outflows in the current quarter and current year period are $(8) billion and $(18) billion, respectively, related to the redesign of our brokerage sweep deposits program. See Liquidity and Capital Resources Unsecured Financing herein for more information.

Average AUM

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2018**	2017	**2018**	2017
Equity	**$ 116**	$ 96	**$ 112**	$ 90
Fixed income	**70**	68	**72**	65
Alternative/Other	**133**	123	**131**	120
Long-term AUM subtotal	**319**	287	**315**	275
Liquidity	**153**	156	**159**	155
Total AUM	**$ 472**	$ 443	**$ 474**	$ 430
Shares of minority stake assets	**7**	7	**7**	7

Average Fee Rate

	Three Months Ended September 30,		Nine Months Ended September 30,	
Fee rate in bps	**2018**	2017	**2018**	2017
Equity	**76**	75	**76**	74

Fixed income	**33**	34	**34**	33
Alternative/Other	**65**	68	**67**	69
Long-term AUM	**62**	62	**62**	62
Liquidity	**17**	18	**18**	18
Total AUM	**47**	47	**47**	46

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Supplemental Financial Information and Disclosures

Income Tax Matters

Effective Tax Rate from Continuing Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
U.S. GAAP	**24.4%**	28.1%	**21.9%**	29.7%
Adjusted effective income tax rate non-GAAP[1]	**24.6%**	31.4%	**22.8%**	30.5%
Net discrete tax provisions/(benefits)				
Intermittent[2]	**$ (4)**	$ (83)	**$ (92)**	$ (65)
Recurring[3]	**$**	$ (11)	**$ (164)**	$ (139)

1. Adjusted effective income tax rate is a non-GAAP measure which excludes intermittent net discrete tax provisions (benefits). For further information on non-GAAP measures, see Selected Non-GAAP Financial Information herein.
2. Includes all tax provisions (benefits) which have been determined to be discrete, other than recurring-type items as defined below.
3. Recurring-type discrete tax benefits represent income tax consequences associated with employee share-based awards, which are recognized in Provision for income taxes in the income statements but are excluded from the intermittent net discrete tax provisions (benefits) adjustment as we anticipate conversion activity each quarter.

The current year period includes intermittent net discrete tax benefits primarily associated with new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters. The prior year quarter and prior year period included intermittent net discrete tax benefits primarily resulting from the remeasurement of certain deferred taxes.

The effective tax rate reflects our current assumptions, estimates and interpretations related to the Tax Act and other factors. The Tax Act, enacted on December 22, 2017, significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21%, and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries; imposes a minimum tax on global intangible low-taxed income (GILTI) and an alternative base erosion and anti-abuse tax (BEAT) on U.S. corporations that make deductible payments to non-U.S. related persons in excess of specified amounts; and broadens the tax base by partially or wholly eliminating tax deductions for certain historically deductible expenses. Our income tax estimates may change as additional clarification and implementation guidance continue to be received from the U.S. Treasury Department and as the interpretation of the Tax Act evolves over time.

U.S. Bank Subsidiaries

Our U.S. bank subsidiaries, Morgan Stanley Bank N.A. (MSBNA) and Morgan Stanley Private Bank, National Association (MSPBNA) (collectively, U.S. Bank Subsidiaries) accept deposit accounts, provide loans to a variety of customers, from large corporate and institutional clients to high net worth individuals, and invest in securities. The lending activities in the Institutional Securities business segment primarily include loans and lending commitments to corporate clients. The lending activities in the Wealth Management business segment primarily include: securities-based lending, which allows clients to borrow money against the value of qualifying securities; and residential real estate loans.

We expect our lending activities to continue to grow through further market penetration of our client base. For a further discussion of our credit risks, see Quantitative and Qualitative Disclosures about Risk Credit Risk. For further discussion about loans and lending commitments, see Notes 7 and 11 to the financial statements.

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

$ in billions		**At September 30, 2018**		At December 31, 2017
Assets	**$**	**203.2**	$	185.3
Investment securities portfolio:				
Investment securities AFS		**41.5**		42.0
Investment securities HTM		**19.0**		17.5
Total investment securities	**$**	**60.5**	$	59.5
Deposits[2]	**$**	**174.4**	$	159.1
Wealth Management				
Securities-based lending and other loans[3]	**$**	**44.4**	$	41.2
Residential real estate loans		**26.7**		26.7
Total	**$**	**71.1**	$	67.9
Institutional Securities				
Corporate loans	**$**	**30.0**	$	24.2
Wholesale real estate loans		**10.9**		12.2
Total	**$**	**40.9**	$	36.4

1. Amounts exclude transactions between the bank subsidiaries as well as deposits from the Parent Company and affiliates.
2. For further information on deposits, see Liquidity and Capital Resources Funding Management Unsecured Financing herein.
3. Other loans primarily include tailored lending.

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 are not expected to have a significant impact on our financial statements.

The following accounting updates are currently being evaluated to determine the potential impact of adoption:

Derivatives and Hedging (ASU 2018-16). The amendments in this update permit use of the Overnight Index Swap (OIS) rate based on the Secured Overnight Financing Rate (SOFR) as a U.S. benchmark interest rate for hedge accounting purposes. This update is effective for us as of

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Management s Discussion and Analysis

January 1, 2019, with early adoption permitted. This update does not impact our existing hedges.

Leases. This accounting update requires lessees to recognize in the balance sheet all leases with terms exceeding one year, which results in the recognition of a right of use asset and corresponding lease liability, including for those leases that we currently classify as operating leases. The accounting for leases where we are the lessor is largely unchanged.

The right of use asset and lease liability will initially be measured using the present value of the remaining rental payments. This change to the accounting for leases where we are lessee requires modifications to our lease accounting systems and determining the discount rate to use in calculating the present value of the remaining rental payments. We will adopt this accounting update as of the effective date, January 1, 2019. Based upon our current population of leases, we expect the right of use asset and corresponding lease liability to be less than 1% of our total assets.

Financial Instruments Credit Losses. This accounting update impacts the impairment model for certain financial assets measured at amortized cost by requiring a CECL methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. CECL will replace the loss model currently applicable to loans held for investment, HTM securities and other receivables carried at amortized cost.

The update also eliminates the concept of other-than-temporary impairment for AFS securities. Impairments on AFS securities will be required to be recognized in earnings through an allowance, when the fair value is less than amortized cost and a credit loss exists or the securities are expected to be sold before recovery of amortized cost.

Under the update, there may be an ability to determine there are no expected credit losses in certain circumstances, *e.g.*, based on collateral arrangements for lending and financing transactions or based on the credit quality of the borrower or issuer.

Overall, the amendments in this update are expected to accelerate the recognition of credit losses for portfolios where the CECL models will be applied. This update is effective as of January 1, 2020.

Critical Accounting Policies

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

statements in the 2017 Form 10-K and Note 2 to the financial statements), the fair value, goodwill and intangible assets, legal and regulatory contingencies and income taxes policies involve a higher degree of judgment and complexity. For a further discussion about our critical accounting policies, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in the 2017 Form 10-K.

Liquidity and Capital Resources

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

Balance Sheet

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

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

Total Assets by Business Segment

	At September 30, 2018			
$ in millions	IS	WM	IM	Total
Assets				
Cash and cash equivalents[1]	**$ 73,425**	**$ 18,972**	**$ 84**	**$ 92,481**
Trading assets at fair value	**279,579**	**71**	**3,538**	**283,188**
Investment securities	**22,742**	**59,826**		**82,568**
Securities purchased under agreements to resell	**57,663**	**11,423**		**69,086**
Securities borrowed	**142,177**	**312**		**142,489**
Customer and other receivables	**43,010**	**17,256**	**573**	**60,839**
Loans, net of allowance[2]	**38,878**	**71,100**	**5**	**109,983**
Other assets[3]	**14,034**	**9,206**	**1,643**	**24,883**
Total assets	**$ 671,508**	**$ 188,166**	**$ 5,843**	**$ 865,517**

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	At December 31, 2017			
$ in millions	IS	WM	IM	Total
Assets				
Cash and cash equivalents[1]	$ 63,597	$ 16,733	$ 65	$ 80,395
Trading assets at fair value	295,678	59	2,545	298,282
Investment securities	19,556	59,246		78,802
Securities purchased under agreements to resell	74,732	9,526		84,258
Securities borrowed	123,776	234		124,010
Customer and other receivables	36,803	18,763	621	56,187
Loans, net of allowance[2]	36,269	67,852	5	104,126
Other assets[3]	14,563	9,596	1,514	25,673
Total assets	$ 664,974	$ 182,009	$ 4,750	$ 851,733

IS Institutional Securities

WM Wealth Management

IM Investment Management

1. Cash and cash equivalents includes Cash and due from banks, Interest bearing deposits with banks and Restricted cash.
2. Amounts include loans held for investment (net of allowance) and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 7 to the financial statements).
3. Other assets primarily includes Goodwill, Intangible assets, premises, equipment, software, other investments, and deferred tax assets.

A substantial portion of total assets consists of liquid marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business segment. Total assets increased to $865.5 billion at September 30, 2018 from $851.7 billion at December 31, 2017, primarily due to increases in loans across all segments, as well as a net increase to support client activity in secured financings as reflected in Securities borrowed and Securities purchased under agreements to resell in the Institutional Securities business segment. Trading assets within the Institutional Securities business segment declined due to reductions in Equities inventory to support changes in client positioning, which resulted in greater liquidity, as reflected by increases in Cash and cash equivalents and Investment securities.

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 core components of our Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity Stress Tests and the GLR, which support our target liquidity profile. For further discussion about the Firm s Required Liquidity Framework and Liquidity Stress Tests, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Risk Management Framework in the 2017 Form 10-K.

At September 30, 2018 and December 31, 2017, we maintained sufficient liquidity to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

Global Liquidity Reserve

We maintain sufficient global liquidity reserves pursuant to our Required Liquidity Framework. For further discussion of our GLR, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity Risk Management Framework Global Liquidity Reserve in the 2017 Form 10-K.

GLR by Type of Investment

$ in millions	**At September 30, 2018**	At December 31, 2017
Cash deposits with banks[1]	**$ 10,647**	$ 7,167
Cash deposits with central banks[1]	**43,772**	33,791
Unencumbered highly liquid securities:		
U.S. government obligations	**93,545**	73,422
U.S. agency and agency mortgage-backed securities	**32,422**	55,750
Non-U.S. sovereign obligations[2]	**32,019**	19,424
Other investment grade securities	**2,443**	3,106
Total	**$ 214,848**	$ 192,660

1. Included in Cash and due from banks and Interest bearing deposits with banks in the balance sheets.
2. Non-U.S. sovereign obligations are primarily composed of unencumbered Japanese, U.K., German, Brazilian and French government obligations.

GLR Managed by Bank and Non-Bank Legal Entities

$ in millions	**At September 30, 2018**	At December 31, 2017	Average Daily Balance Three Months Ended **September 30, 2018**
Bank legal entities			
Domestic	**$ 78,320**	$ 70,364	**$ 76,899**
Foreign	**4,628**	4,756	**4,343**
Total Bank legal entities	**82,948**	75,120	**81,242**
Non-Bank legal entities			
Domestic:			
Parent Company	**44,064**	41,642	**63,328**
Non-Parent Company	**31,992**	35,264	**31,208**
Total Domestic	**76,056**	76,906	**94,536**
Foreign	**55,844**	40,634	**53,195**
Total Non-Bank legal entities	**131,900**	117,540	**147,731**
Total	**$ 214,848**	$ 192,660	**$ 228,973**

Regulatory Liquidity Framework

Liquidity Coverage Ratio

We and our U.S. Bank Subsidiaries are subject to LCR requirements including a requirement to calculate each entity s LCR on each business day. The requirements are designed to ensure that banking organizations have sufficient 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.

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The regulatory definition of HQLA is substantially the same as our GLR. GLR includes cash placed at institutions other than central banks that is considered an inflow for LCR purposes. HQLA includes a portion of cash placed at central banks, certain unencumbered investment grade corporate bonds and publicly traded common equities, which do not meet the definition of our GLR.

Based on our daily calculations, we and our U.S. Bank Subsidiaries are compliant with the minimum required LCR of 100%.

HQLA by Type of Asset and LCR

	Average Daily Balance Three Months Ended	
$ in millions	**September 30, 2018**	June 30, 2018
HQLA		
Cash deposits with central banks	**$ 48,962**	$ 38,456
Securities[1]	**140,060**	128,268
Total	**$ 189,022**	$ 166,724
LCR	**135%**	128%

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

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

The Firm s calculations are based on our current understanding of the LCR and other factors, which may be subject to change as we receive additional clarification and implementation guidance from regulators relating to the LCR, and as the interpretation of the LCR evolves over time.

Net Stable Funding Ratio

The objective of the NSFR is to reduce funding risk over a one-year horizon by requiring banking organizations to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The Basel Committee on Banking Supervision (Basel Committee) has previously finalized the NSFR framework. In May 2016, the U.S. banking agencies issued a proposal to implement the NSFR in the U.S., which would apply to us and our U.S. Bank Subsidiaries. Our preliminary estimates, based on the current proposal, indicate that actions will be necessary to meet the requirement, which we would expect to accomplish by the effective date of any final rule. Our preliminary estimates are subject to risks and uncertainties that may cause actual results based on the final rule to differ materially from estimates. For an additional discussion of the NSFR, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Regulatory Liquidity Framework Net

Stable Funding Ratio in the 2017 Form 10-K.

Funding Management

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

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

Secured Financing

For a discussion of our secured financing activities, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Funding Management Secured Financing in the 2017 Form 10-K.

At September 30, 2018 and December 31, 2017, the weighted average maturity of our secured financing of less liquid assets was greater than 120 days.

Collateralized Financing Transactions

$ in millions	**At September 30, 2018**	At December 31, 2017
Securities purchased under agreements to resell and Securities borrowed	**$ 211,575**	$ 208,268
Securities sold under agreements to repurchase and Securities loaned	**$ 72,161**	$ 70,016
Securities received as collateral[1]	**$ 8,865**	$ 13,749

	Average Daily Balance Three Months Ended	
$ in millions	**September 30, 2018**	December 31, 2017
Securities purchased under agreements to resell and Securities borrowed	**$ 229,243**	$ 214,343
Securities sold under agreements to repurchase and Securities loaned	**$ 59,346**	$ 66,879

1. Included in Trading assets in the balance sheets.

See Note 2 to the financial statements in the 2017 Form 10-K and Note 6 to the financial statements for more details on collateralized financing transactions.

In addition to the collateralized financing transactions shown in the previous table, we also engage in financing transactions collateralized by customer-owned securities, which are segregated in accordance with regulatory requirements. Receivables under these financing transactions, primarily margin loans, are included in Customer and other receivables in the balance sheets, and payables under these financing transac-

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tions, primarily to prime brokerage customers, are included in Customer and other payables in the balance sheets. Our risk exposure on these transactions is mitigated by collateral maintenance policies that limit our credit exposure to customers and liquidity reserves held against this risk exposure.

Unsecured Financing

For a discussion of our unsecured financing activities, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Funding Management Unsecured Financing in the 2017 Form 10-K.

Deposits

$ in millions	**At September 30, 2018**	At December 31, 2017
Savings and demand deposits:		
Brokerage sweep deposits[1]	**$ 132,835**	$ 135,946
Savings and other	**11,127**	8,541
Total Savings and demand deposits	**143,962**	144,487
Time deposits[2]	**31,223**	14,949
Total	**$ 175,185**	$ 159,436

1. Represents balances swept from client brokerage accounts.
2. Certain time deposit accounts are carried at fair value under the fair value option (see Note 3 to the financial statements).

Deposits are primarily sourced from our Wealth Management clients and are considered to have stable, low-cost funding characteristics. Total deposits at September 30, 2018 increased compared with December 31, 2017, primarily driven by increases in Time deposits and Savings and other deposits, partially offset by a reduction in Brokerage sweep deposits due to client deployment of cash into investments and typical seasonal client tax payments. While Brokerage sweep deposits declined since December 31, 2017, the redesign of our brokerage sweep deposit program initiated in the second quarter of 2018 resulted in inflows of approximately $18 billion. These inflows corresponded with outflows from Liquidity products AUM in the Investment Management business segment (see Business Segments Investment Management Assets Under Management or Supervision herein for more information).

Borrowings

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

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

Borrowings by Remaining Maturity at September 30, 2018[1]

$ in millions	Parent Company	Subsidiaries	Total
Original maturities of one year or less	**$ 2**	**$ 938**	**$ 940**
Original maturities greater than one year			
2018	**$ 2,673**	**$ 1,380**	**$ 4,053**
2019	**21,352**	**4,350**	**25,702**
2020	**18,705**	**2,713**	**21,418**
2021	**21,236**	**3,167**	**24,403**
2022	**14,935**	**1,961**	**16,896**
Thereafter	**80,300**	**17,177**	**97,477**
Total	**$ 159,201**	**$ 30,748**	**$ 189,949**
Total Borrowings	**$ 159,203**	**$ 31,686**	**$ 190,889**
Maturities over next 12 months[2]			**$ 24,122**

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

Borrowings of $190,889 million as of September 30, 2018 remained relatively unchanged compared with $192,582 million at December 31, 2017.

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

Credit Ratings

We rely on external sources to finance a significant portion of our daily operations. The cost and availability of financing generally are impacted by our credit ratings, among other things. In addition, our credit ratings can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as OTC derivative transactions, including credit derivatives and interest rate swaps. When determining credit ratings, rating agencies consider company-specific factors, other industry factors such as regulatory or legislative changes, and the macroeconomic environment, among other things.

Our credit ratings do not include any uplift from perceived government support from any rating agency given the significant progress of U.S. financial reform legislation and regulations. Some rating agencies have stated that they currently incorporate various degrees of credit rating uplift from non-governmental third-party sources of potential support.

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Parent Company and MSBNA Senior Unsecured Ratings at October 31, 2018

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

	MSBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Fitch Ratings, Inc.	**F1**	**A+**	**Stable**
Moody s Investors Service, Inc.	**P-1**	**A1**	**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 4 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 others, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre-downgrade, individual client behavior and future mitigating actions we might take. The liquidity impact of additional collateral requirements is included in our Liquidity Stress Tests.

Capital Management

We view capital as an important source of financial strength and actively manage our consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines and, therefore, in the future may expand or contract our capital base to address the changing needs of our businesses. We attempt to maintain total capital, on a consolidated basis, at least equal to the sum of our operating subsidiaries required equity.

Common Stock

$ in millions	Three Months Ended September 30, **2018**	Three Months Ended September 30, 2017	Nine Months Ended September 30, **2018**	Nine Months Ended September 30, 2017
Repurchases of common stock under our share repurchase program	**$ 1,180**	$ 1,250	**$ 3,680**	$ 2,500

From time to time we repurchase our outstanding common stock, including as part of our share repurchase program. On April 18, 2018, we entered into a sales plan with Mitsubishi UFJ Financial Group, Inc. (MUFG) whereby MUFG sells shares of the Firm s common stock to us, as part of our share repurchase program. The sales plan is only intended to maintain MUFG s ownership percentage below 24.9% in order to comply with MUFG s passivity commitments to the Board of Governors of the Federal Reserve System (Federal Reserve) and will have no impact on the strategic alliance between MUFG and us, including the joint ventures in Japan. For a description of our share repurchase program, see Unregistered Sales of Equity Securities and Use of Proceeds.

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

Common Stock Dividend Announcement

Announcement date	October 16, 2018
Amount per share	$0.30
Date to be paid	November 15, 2018
Shareholders of record as of	October 31, 2018

Preferred Stock

Preferred Stock Dividend Announcement

Announcement date	September 17, 2018
Date paid	October 15, 2018
Shareholders of record as of	September 28, 2018

For additional information on common and preferred stock, see Note 14 to the financial statements.

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Regulatory Requirements

Regulatory Capital Framework

We are a financial holding company (FHC) under the Bank Holding Company Act of 1956, as amended (BHC Act), and are subject to the regulation and oversight of the Federal Reserve. The Federal Reserve establishes capital requirements for us, including well-capitalized standards, and evaluates our compliance with such capital requirements. The OCC establishes similar capital requirements and standards for our U.S. Bank Subsidiaries. For us to remain an FHC, we must remain well-capitalized in accordance with standards established by the Federal Reserve and our U.S. Bank Subsidiaries must remain well-capitalized in accordance with standards established by the OCC. For additional information on regulatory capital requirements for our U.S. Bank Subsidiaries, see Note 13 to the financial statements.

Regulatory capital requirements established by the Federal Reserve are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital ratios under the regulatory capital requirements. For more information on our regulatory capital requirements, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Regulatory Capital Requirements in the 2017 Form 10-K.

Risk-based Regulatory Capital. Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Certain adjustments to and deductions from capital are required for purposes of determining these ratios, such as goodwill, intangible assets, certain deferred tax assets, other amounts in AOCI and investments in the capital instruments of unconsolidated financial institutions.

In addition to the minimum risk-based capital ratio requirements, by 2019 we will be subject to the following buffers:

- A greater than 2.5% Common Equity Tier 1 capital conservation buffer;
- The Common Equity Tier 1 G-SIB capital surcharge, currently at 3%; and
- Up to a 2.5% Common Equity Tier 1 CCyB, currently set by U.S. banking agencies at zero.

In 2018, each of the buffers is 75% of the 2019 requirement noted above (during 2017, the buffers were 50%). 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. For a further discussion of the G-SIB capital surcharge, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Regulatory Requirements G-SIB Capital Surcharge in the 2017

Form 10-K.

Our risk-based capital ratios for purposes of determining regulatory compliance are the lower of the capital ratios computed under (i) the standardized approaches for calculating credit risk and market risk RWA (Standardized Approach) and (ii) the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA (Advanced Approach). At September 30, 2018 and December 31, 2017, our ratios are based on the Standardized Approach rules.

Effective January 1, 2019, Common Equity Tier 1 capital, Tier 1 capital and Total capital requirements, inclusive of buffers, will increase to 10.0%, 11.5%, and 13.5%, respectively.

See Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements herein for additional capital requirements effective January 1, 2019.

Leverage-based Regulatory Capital. Minimum leverage-based capital requirements include a Tier 1 leverage ratio and an SLR. The SLR became effective as a capital standard on January 1, 2018. We are required to maintain a Tier 1 SLR of 3% as well as an enhanced SLR capital buffer of at least 2% (for a total of at least 5%) in order to avoid potential limitations on capital distributions, including dividends and stock repurchases, and discretionary bonus payments to executive officers.

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Regulatory Capital Ratios

	At September 30, 2018		
	Required	Fully Phased-In	
$ in millions	Ratio	Standardized	Advanced
Risk-based capital			
Common Equity Tier 1 capital		**$ 61,758**	**$ 61,758**
Tier 1 capital		**70,328**	**70,328**
Total capital		**79,899**	**79,649**
Total RWA		**370,714**	**357,055**
Common Equity Tier 1 capital ratio	**8.6%**	**16.7%**	**17.3%**
Tier 1 capital ratio	**10.1%**	**19.0%**	**19.7%**
Total capital ratio	**12.1%**	**21.6%**	**22.3%**
Leverage-based capital			
Adjusted average assets[1]		**$ 858,944**	**N/A**
Tier 1 leverage ratio	**4.0%**	**8.2%**	**N/A**
Supplementary leverage exposure[2]		**N/A**	**$ 1,101,263**
SLR	**5.0%**	**N/A**	**6.4%**

	At December 31, 2017				
	Required	Transitional[3]		Pro Forma Fully Phased-In	
$ in millions	Ratio	Standardized	Advanced	Standardized	Advanced
Risk-based capital					
Common Equity Tier 1 capital		$ 61,134	$ 61,134	$ 60,564	$ 60,564
Tier 1 capital		69,938	69,938	69,120	69,120
Total capital		80,275	80,046	79,470	79,240
Total RWA		369,578	350,212	377,241	358,324
Common Equity Tier 1 capital ratio	7.3%	16.5%	17.5%	16.1%	16.9%
Tier 1 capital ratio	8.8%	18.9%	20.0%	18.3%	19.3%
Total capital ratio	10.8%	21.7%	22.9%	21.1%	22.1%
Leverage-based capital					
Adjusted average assets[1]		$ 842,270	N/A	$ 841,756	N/A
Tier 1 leverage ratio	4.0%	8.3%	N/A	8.2%	N/A
Supplementary leverage exposure[2]		N/A	$ 1,082,683	N/A	$ 1,082,170
Pro forma SLR	5.0%	N/A	6.5%	N/A	6.4%

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 under U.S. GAAP during the current quarter and the quarter ended December 31, 2017, adjusted for disallowed goodwill, intangible assets, certain deferred tax assets, certain investments in the capital instruments of unconsolidated financial institutions 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) potential future exposure for derivative exposures, gross-up for cash collateral netting where qualifying criteria are not met, 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. Regulatory compliance was determined based on capital ratios calculated under transitional rules until December 31, 2017.

At December 31, 2017, the pro forma fully phased-in estimated amounts and the pro forma estimated SLR utilized fully phased-in Tier 1 capital, including the fully phased-in Tier 1 capital deductions that applied beginning January 1, 2018. These pro forma fully phased-in estimates were non-GAAP financial measures as the related capital rules were not yet effective at December 31, 2017. These estimates were based on our understanding of the capital rules and other factors at the time.

Regulatory compliance was determined based on capital ratios including regulatory capital and RWA calculated under the transitional rules until December 31, 2017. The regulatory capital analyses in the following tables are presented using pro forma fully phased-in estimates as of December 31, 2017, which are equivalent to amounts calculated as of September 30, 2018.

Fully Phased-In Regulatory Capital

$ in millions	**At September 30, 2018**	At December 31, 2017[1]	**Change**
Common Equity Tier 1 capital			
Common stock and surplus	**$ 10,852**	$ 14,354	**$ (3,502)**
Retained earnings	**63,330**	57,577	**5,753**
AOCI	**(3,999)**	(3,060)	**(939)**
Regulatory adjustments and deductions:			
Net goodwill	**(6,654)**	(6,599)	**(55)**
Net intangible assets (other than goodwill and mortgage servicing assets)	**(2,237)**	(2,446)	**209**
Other adjustments and deductions[2]	**466**	738	**(272)**
Total Common Equity Tier 1 capital	**$ 61,758**	$ 60,564	**$ 1,194**
Additional Tier 1 capital			
Preferred stock	**$ 8,520**	$ 8,520	**$**
Noncontrolling interests	**460**	415	**45**
Other adjustments and deductions		(23)	**23**
Additional Tier 1 capital	**$ 8,980**	$ 8,912	**$ 68**
Deduction for investments in covered funds	**(410)**	(356)	**(54)**
Total Tier 1 capital	**$ 70,328**	$ 69,120	**$ 1,208**
Standardized Tier 2 capital			
Subordinated debt	**$ 9,052**	$ 9,839	**$ (787)**

Noncontrolling interests		**108**		98		**10**
Eligible allowance for credit losses		**431**		423		**8**
Other adjustments and deductions		**(20)**		(10)		**(10)**
Total Standardized Tier 2 capital	**$**	**9,571**	$	10,350	**$**	**(779)**
Total Standardized capital	**$**	**79,899**	$	79,470	**$**	**429**
Advanced Tier 2 capital						
Subordinated debt	**$**	**9,052**	$	9,839	**$**	**(787)**
Noncontrolling interests		**108**		98		**10**
Eligible credit reserves		**181**		193		**(12)**
Other adjustments and deductions		**(20)**		(10)		**(10)**
Total Advanced Tier 2 capital	**$**	**9,321**	$	10,120	**$**	**(799)**
Total Advanced capital	**$**	**79,649**	$	79,240	**$**	**409**

1. The pro forma fully phased-in estimates as of December 31, 2017 are non-GAAP financial measures as the related capital rules were not yet effective at December 31, 2017.
2. Other adjustments and deductions used in the calculation of Common Equity Tier 1 capital include credit spread premium over risk-free rate for derivative liabilities, net deferred tax assets, net after-tax DVA and adjustments related to AOCI.

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Fully Phased-In RWA Rollforward

	Nine Months Ended September 30, 2018[1]	
$ in millions	Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2017[2]	$ 301,946	$ 170,754
Change related to the following items:		
Derivatives	**(905)**	**2,431**
Securities financing transactions	**1,269**	**2,583**
Securitizations	**941**	**(639)**
Investment securities	**(271)**	**6,708**
Commitments, guarantees and loans	**9,491**	**8,073**
Cash	**960**	**773**
Equity investments	**(1,346)**	**(1,429)**
Other credit risk[3]	**(1,945)**	**(1,498)**
Total change in credit risk RWA	**$ 8,194**	**$ 17,002**
Balance at September 30, 2018	**$ 310,140**	**$ 187,756**
Market risk RWA		
Balance at December 31, 2017[2]	$ 75,295	$ 74,907
Change related to the following items:		
Regulatory VaR	**179**	**179**
Regulatory stressed VaR	**(5,242)**	**(5,242)**
Incremental risk charge	**1,097**	**1,097**
Comprehensive risk measure	**(2,636)**	**(2,102)**
Specific risk:		
Non-securitizations	**(3,838)**	**(3,838)**
Securitizations	**(4,281)**	**(4,281)**
Total change in market risk RWA	**$ (14,721)**	**$ (14,187)**
Balance at September 30, 2018	**$ 60,574**	**$ 60,720**
Operational risk RWA		
Balance at December 31, 2017[2]	N/A	$ 112,663
Change in operational risk RWA	**N/A**	**(4,084)**
Balance at September 30, 2018	**N/A**	**$ 108,579**
Total RWA	**$ 370,714**	**$ 357,055**

Regulatory VaR VaR for regulatory capital requirements

1. The RWA for each category reflects both on- and off-balance sheet exposures, where appropriate.
2. The pro forma fully phased-in estimates as of December 31, 2017 are non-GAAP financial measures as the related capital rules were not yet effective at December 31, 2017.
3. Amount reflects assets not in a defined category, non-material portfolios of exposures and unsettled transactions, as applicable.

Credit risk RWA increased in the current year period under the Standardized and Advanced Approaches primarily due to increased corporate lending exposures within the Institutional Securities business segment. Credit risk RWA for Investment securities also increased in the current year period under the Advanced Approach driven by model revisions which increased the risk weighting for certain counterparty types.

Market risk RWA decreased in the current year period under the Standardized and Advanced Approaches primarily due to a decrease in Stressed VaR driven by reduced interest rate and credit spread risk, a decrease in securitization specific risk charges mainly as a result of reduced exposures in mortgage-backed securities, and a decrease in non-securitization specific risk charges primarily due to reduced exposures in bonds and equity derivatives.

The decrease in operational risk RWA under the Advanced Approach in the current year period reflects a continued reduction in the frequency and magnitude of internal losses utilized in the operational risk capital model related to litigation and execution and processing.

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

On December 15, 2016, the Federal Reserve adopted a final rule for top-tier BHCs of U.S. G-SIB (covered BHC), including the Parent Company, that establishes external TLAC, long-term debt (LTD) and clean holding company requirements. The final rule contains various definitions and restrictions, such as requiring eligible LTD to be issued by the covered BHC and be unsecured, have a maturity of one year or more from the date of issuance and not have certain derivative-linked features typically associated with certain types of structured notes. We expect to be in compliance with all requirements of the rule by January 1, 2019, the date that compliance is required.

The Federal Reserve s proposed modifications to the enhanced SLR would also make corresponding changes to the calibration of the TLAC leverage-based requirements, as well as certain other technical changes to the TLAC rule. For a further discussion of the enhanced SLR, see Regulatory Developments Proposed Modifications to the Enhanced SLR and to the SLR Applicable to Our U.S. Bank Subsidiaries herein.

For a further discussion of TLAC and LTD requirements, 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 in the 2017 Form 10-K. For discussions about the interaction between the SPOE resolution strategy and the TLAC and LTD requirements, see Business Supervision and Regulation Financial Holding Company Resolution and Recovery Planning and Risk Factors Legal, Regulatory and Compliance Risk in the 2017 Form 10-K.

Capital Plans and Stress Tests

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

We submitted our 2018 Capital Plan (Capital Plan) and company-run stress test results to the Federal Reserve on April 5, 2018. On June 21, 2018, the Federal Reserve published summary results of the Dodd-Frank Act supervisory stress tests of each large BHC, including us. On June 28, 2018, the Federal Reserve published summary results of CCAR and we received a conditional non-objection to our

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Capital Plan, where the only condition was that our capital distributions not exceed the greater of the actual distributions we made over the previous four calendar quarters or the annualized average of actual distributions over the previous eight calendar quarters.

Our 2018 Capital Plan includes the repurchase of up to $4.7 billion of outstanding common stock for the period beginning July 1, 2018 through June 30, 2019, and an increase in our quarterly common stock dividend to $0.30 per share, beginning with the common stock dividend announced on July 18, 2018. The total amount of expected 2018 capital distributions is consistent with the $6.8 billion of actual dividends and gross share repurchases included in our 2017 Capital Plan. We disclosed a summary of the results of our company-run stress tests on June 21, 2018 on our Investor Relations webpage. In addition, we submitted the results of our mid-cycle company-run stress test to the Federal Reserve and on October 22, 2018 disclosed a summary of the results on our Investor Relations webpage.

The Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA), which was enacted on May 24, 2018, modifies certain aspects of the stress-testing process applicable to BHCs, including us. Pursuant to EGRRCPA, on October 31, 2018, the Federal Reserve issued a proposal to tailor prudential standards that would, among other things, modify our obligation to perform company-run stress-tests from semi-annually to annually.

Each of our U.S. Bank Subsidiaries is also currently required to conduct an annual stress test. MSBNA and MSPBNA submitted their 2018 annual company-run stress tests to the OCC on April 5, 2018 and published a summary of their stress test results on June 21, 2018.

EGRRCPA also eliminates the statutory requirement for banks with less than $250 billion of total assets, which includes both of our U.S. Bank Subsidiaries, to conduct stress-testing, effective November 2019. The OCC provided guidance in July 2018 that MSPBNA, as a national bank with less than $100 billion of total consolidated assets, would be immediately exempted from company-run stress-testing requirements.

For a further discussion of our capital plans and stress tests, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Regulatory Requirements Capital Plans and Stress Tests in the 2017 Form 10-K.

Attribution of Average Common Equity According to the Required Capital Framework

Our required capital (Required Capital) estimation is based on the Required Capital framework, an internal capital

adequacy measure. Common equity attribution to the business segments is based on capital usage calculated under the Required Capital framework, as well as each business segment s relative contribution to our total Required Capital.

The Required Capital framework is a risk-based and leverage use-of-capital measure, which is compared with our regulatory capital to ensure that we maintain an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. 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, acquisitions and other capital needs.

The estimation and attribution of common equity to the business segments are based on the fully phased-in regulatory capital rules. 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). Differences between available and Required Capital are attributed to Parent Company common equity during the year.

The Required Capital framework is expected to evolve over time in response to changes in the business and regulatory environment, for example, to incorporate changes in stress testing or enhancements to modeling techniques. We will continue to evaluate the framework with respect to the impact of future regulatory requirements, as appropriate.

Average Common Equity Attribution[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2018**	2017	**2018**	2017
Institutional Securities	**$ 40.8**	$ 40.2	**$ 40.8**	$ 40.2
Wealth Management	**16.8**	17.2	**16.8**	17.2
Investment Management	**2.6**	2.4	**2.6**	2.4
Parent Company	**10.0**	10.7	**9.4**	10.0
Total	**$ 70.2**	$ 70.5	**$ 69.6**	$ 69.8

1. Average common equity is a non-GAAP financial measure. See Selected Non-GAAP Financial Information herein.

Resolution and Recovery Planning

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

Our preferred resolution strategy, which is set out in our 2017 resolution plan, is an SPOE strategy. The Parent Company has amended and restated its secured support agreement with its

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material entities, as defined in our 2017 resolution plan. Under the secured amended and restated support agreement, upon the occurrence of a resolution scenario, the Parent Company would be obligated to contribute or loan on a subordinated basis all of its contributable material assets, other than shares in subsidiaries of the Parent Company and certain intercompany receivables, to provide capital and liquidity, as applicable, to our material entities.

The obligations of the Parent Company under the secured 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). As a result, claims of our material entities against the assets of the Parent Company (other than shares in subsidiaries of the Parent Company) are effectively senior to unsecured obligations of the Parent Company.

In addition, on July 1, 2018, MSBNA and MSPBNA each submitted to the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution in the event of its material financial distress or failure.

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 in the 2017 Form 10-K.

Regulatory Developments

Single-Counterparty Credit Limits

On June 14, 2018, the Federal Reserve finalized rules that establish single-counterparty credit limits (SCCL) for large banking organizations. U.S. 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 nonbank 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. We must comply with the final SCCL rules beginning on January 1, 2020.

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 activities, risk-mitigating hedging and certain other activities. The Volcker Rule also prohibits certain investments and relationships by banking entities with covered funds, with a number of exemptions and exclusions.

On June 5, 2018, the Federal Reserve and the other federal financial regulatory agencies responsible for the Volcker Rule s implementing regulations released an interagency proposal that would revise certain elements of the Volcker Rule regulations. The proposed changes focus on proprietary trading, including the metrics reporting requirements and certain requirements imposed in connection with permitted market making, underwriting and risk-mitigating hedging activities, including market-making in and underwriting of covered funds. The impact of this proposal on us will not be known with certainty until final rules are issued. For more information about the Volcker Rule, see Business Supervision and Regulation Activities Restrictions under the Volcker Rule in the 2017 Form 10-K.

Proposed Stress Buffer Requirements

On April 10, 2018, the Federal Reserve issued a proposal to integrate its annual capital planning and stress testing requirements with certain ongoing regulatory capital requirements. The proposal, which would apply to certain BHCs, including us, would introduce a stress capital buffer and a stress leverage buffer (collectively, Stress Buffer Requirements) and related changes to the capital planning and stress testing processes. Under the proposal, Stress Buffer Requirements would apply only with respect to the Standardized Approach and Tier 1 leverage regulatory capital requirements and would generally be effective on October 1, 2019.

In the Standardized Approach, the stress capital buffer would replace the existing Common Equity Tier 1 capital conservation buffer, which will be 2.5% as of January 1, 2019. The Standardized Approach stress capital buffer would equal 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 ratios of the dollar amount of our planned common stock dividends to our projected RWA for each of the fourth through seventh quarters of the supervisory stress test projection period, and (ii) 2.5%. Regulatory capital requirements under the Standardized Approach would include the stress capital buffer, as summarized above, as well as our Common Equity Tier 1 G-SIB capital surcharge and any applicable Common Equity Tier 1 CCyB.

Like the stress capital buffer, the stress leverage buffer would be calculated based on the results of our annual supervisory stress tests. The stress leverage buffer would equal the maximum decline in our Tier 1 leverage ratio under the severely adverse scenario, plus the sum of the ratios of the dollar amount of our planned common stock dividends to our projected leverage ratio denominator for each of the fourth through seventh quarters of the supervisory stress test projection period. No floor would be established for the stress leverage buffer, which would apply in addition to the current minimum Tier 1 leverage ratio of 4%.

The proposal would make related changes to capital planning and stress testing processes for BHCs subject to the Stress

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Buffer Requirements. In particular, the proposal would limit projected capital actions to planned common stock dividends in the fourth through seventh quarters of the supervisory stress test projection period and would assume that BHCs maintain a constant level of assets and RWA throughout the supervisory stress test projection period.

The proposal does not change regulatory capital requirements under the Advanced Approach or the SLR, although the Federal Reserve and the OCC have separately proposed to modify the enhanced SLR requirements, as summarized below. If the proposal is adopted in its current form, limitations on capital distributions and discretionary bonus payments to executive officers would be determined by the most stringent limitation, if any, as determined under the Standardized Approach or the Tier 1 leverage ratio, inclusive of Stress Buffer Requirements, or the Advanced Approach or SLR or TLAC requirements, inclusive of applicable buffers.

Proposed Modifications to the Enhanced SLR and to the SLR Applicable to Our U.S. Bank Subsidiaries

On April 11, 2018, the Federal Reserve proposed modifications to the enhanced SLR that would replace the current 2% enhanced SLR buffer applicable to U.S. G-SIBs, including us, with a leverage buffer equal to 50% of our Common Equity Tier 1 G-SIB capital surcharge, which is currently 3%. Under the proposal, our enhanced SLR buffer would become 1.5%, for a total enhanced SLR requirement of 4.5%, assuming that our G-SIB capital surcharge remains the same when the proposal becomes effective.

As part of the same proposal, the Federal Reserve and the OCC also proposed to align the well-capitalized SLR standard applicable to our U.S. Bank Subsidiaries with the proposed enhanced SLR buffer applicable to us. Under the proposal, the well-capitalized SLR requirement for our U.S. Bank Subsidiaries would change from the current 6% to 3% plus 50% of our current Common Equity Tier 1 G-SIB capital surcharge, for a total well-capitalized SLR requirement of 4.5%, assuming that our G-SIB capital surcharge remains the same when the proposal becomes effective.

Proposed Regulatory Capital Adjustments Related to Implementation of the Current Expected Credit Losses Methodology

On April 17, 2018, the U.S. banking agencies issued a proposal to revise the regulatory capital framework applicable to banking organizations, including us and our U.S. Bank Subsidiaries, to address the new accounting standard for credit losses, known as a CECL methodology. For a further discussion of CECL, see Accounting Development Updates Financial Instruments Credit Losses herein.

The proposal modifies the regulatory capital rules to identify which credit loss allowances under the new accounting standard are eligible for inclusion in regulatory capital and to

provide banking organizations the option to phase in, over a three-year period, the adverse effects on regulatory capital that may result from the adoption of the new accounting standard. The proposal requires a banking organization that has adopted a CECL methodology to include the provision for credit losses beginning in the 2020 stress test cycle.

Proposed Standardized Approach for Counterparty Credit Risk

On October 30, 2018, the U.S. banking agencies issued a proposal to incorporate the standardized approach for counterparty credit risk (SA-CCR), a new derivatives counterparty exposure methodology, into the regulatory capital framework and related regulatory standards. As proposed, SA-CCR would replace the current exposure method, on a mandatory basis, in our and our U.S. Bank Subsidiaries Standardized Approach RWAs, central counterparty default fund contributions and, in modified form, in Supplementary Leverage Ratio exposure calculations. SA-CCR would be available as an alternative in our and our U.S. Bank Subsidiaries Advanced Approach RWAs for trade exposures, in single counterparty credit limits applicable to us, and in bank lending limits applicable to our U.S. Bank Subsidiaries. The proposal would require us and our U.S. Bank Subsidiaries to implement SA-CCR by July 1, 2020, but would permit voluntary early adoption before that date after a final rule adopting SA-CCR is effective.

U.S. Department of Labor Conflict of Interest Rule and SEC Standards of Conduct for Investment Professionals

The U.S. DOL s final Conflict of Interest Rule under ERISA went into effect on June 9, 2017. On March 15, 2018, the U.S. Court of Appeals for the Fifth Circuit vacated the Conflict of Interest Rule and accompanying exemptions in their entirety. On June 21, 2018, the Court issued the mandate that makes effective its decision to vacate the rule.

On April 18, 2018, the SEC released for public comment a package of proposed rulemaking on the standards of conduct and required disclosures for broker-dealers and investment advisers. One of the proposals, entitled Regulation Best Interest, would require 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. Additionally, the SEC proposed a new requirement for both broker-dealers and investment advisers to provide a brief relationship summary to retail investors with information intended to clarify the relationship between the parties. Finally, the SEC issued a proposed interpretation regarding the fiduciary duty that investment advisers owe their clients.

U.K. Withdrawal from the E.U.

Following the U.K. electorate vote to leave the E.U., the U.K. invoked Article 50 of the Lisbon Treaty on March 29, 2017, which triggered a two-year period, subject to extension (which would need the unanimous approval of the E.U. Member States), during which the U.K. government has been negotiating its with-

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drawal agreement with the E.U. For further discussion of the potential impact of the U.K. s withdrawal from the E.U. on our operations, see Risk Factors International Risk in the 2017 Form 10-K. For further information regarding our exposure to the U.K., see also Quantitative and Qualitative Disclosures about Risk Credit Risk Country Risk Exposure.

Expected Replacement of London Interbank Offered Rate

Central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR based on observable market transactions. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next few years. The U.K. Financial Conduct Authority (FCA), which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021, but that it will not use its powers to compel contributions beyond such date. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond 2021.

On April 3, 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including SOFR, which has been recommended as an alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee. Further, the Bank of England has commenced publication of a reformed Sterling Overnight Index Average (reformed SONIA), comprised of a broader set of overnight Sterling money market transactions, as of April 23, 2018. Reformed SONIA has been recommended as the alternative to Sterling LIBOR by the working group on Sterling Risk-Free Reference Rates. Central bank sponsored committees in other jurisdictions have, or are expected to, select alternative reference rates denominated in other currencies.

Although the full impact of such reforms and actions, together with any transition away from LIBOR, including the potential or actual discontinuance of LIBOR publication, remains unclear, these changes may have an adverse impact on the value of, return on and trading markets for a broad array of financial products, including any LIBOR-based securities,

loans and derivatives that are included in our financial assets and liabilities. Such reforms and actions may also require extensive changes to the contracts that govern these LIBOR-based products, as well as our systems and processes.

Effects of Inflation and Changes in Interest and Foreign Exchange Rates

For a discussion of the effects of inflation and changes in interest and foreign exchange rates on our business and financial results and strategies to mitigate potential exposures, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Effects of Inflation and Changes in Interest and Foreign Exchange Rates in the 2017 Form 10-K.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

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

We utilize SPEs primarily in connection with securitization activities. For information on our securitization activities, see Note 12 to the financial statements.

For information on our commitments, obligations under certain guarantee arrangements and indemnities, see Note 11 to the financial statements. For further information on our lending commitments, see Quantitative and Qualitative Disclosures about Risk Credit Risk Lending Activities Included in Loans and Trading Assets.

Contractual Obligations

For a discussion about our contractual obligations, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Contractual Obligations in the 2017 Form 10-K.

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Quantitative and Qualitative Disclosures about Risk

Management believes effective risk management is vital to the success of our business activities. For a discussion of our risk management functions, see Quantitative and Qualitative Disclosures about Market Risk Risk Management in the 2017 Form 10-K.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. Generally, we incur market risk as a result of trading, investing and client facilitation activities, principally within the Institutional Securities business segment where the substantial majority of our VaR for market risk exposures is generated. In addition, we incur market risk within the Wealth Management and Investment Management business segments. The Wealth Management business segment primarily incurs non-trading market risk from lending and deposit-taking activities. The Investment Management business segment primarily incurs non-trading market risk from capital investments in alternative and other funds. For a further discussion of market risk, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Market Risk in the 2017 Form 10-K.

Trading Risks

Value-at-Risk. The statistical technique known as VaR is one of the tools we use to measure, monitor and review the market risk exposures of our trading portfolios. The Market Risk Department calculates and distributes daily VaR-based risk measures to various levels of management.

VaR Methodology, Assumptions and Limitations. For information regarding our VaR methodology, assumptions and limitations, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Market Risk Sales and Trading and Related Activities VaR Methodology, Assumptions and Limitations in the 2017 Form 10-K.

We utilize the same VaR model for risk management purposes and for regulatory capital calculations. Our regulators have approved our VaR model for use in regulatory calculations.

The portfolio of positions used for our VaR for risk management purposes (Management VaR) differs from that used for regulatory capital requirements (Regulatory VaR). Management VaR contains certain positions that are excluded from Regulatory VaR. Examples include CVA and related hedges, as well as loans that are carried at fair value and associated hedges.

The following table presents the Management VaR for the Trading portfolio. To further enhance the transparency of the traded market risk, the Credit Portfolio VaR has been disclosed as a separate category from the Primary Risk Categories. The Credit Portfolio includes counterparty CVA and related hedges, as well as loans that are carried at fair value and associated hedges.

95%/One-Day Management VaR

$ in millions	Period End	Three Months Ended **September 30, 2018** Average	High	Low
Interest rate and credit spread	**$ 28**	**$ 29**	**$ 35**	**$ 25**
Equity price	**13**	**15**	**17**	**13**
Foreign exchange rate	**12**	**12**	**13**	**9**
Commodity price	**7**	**8**	**10**	**7**
Less: Diversification benefit[1, 2]	**(25)**	**(27)**	**N/A**	**N/A**
Primary Risk Categories	**$ 35**	**$ 37**	**$ 42**	**$ 33**
Credit Portfolio	**13**	**12**	**14**	**11**
Less: Diversification benefit[1, 2]	**(6)**	**(7)**	**N/A**	**N/A**
Total Management VaR	**$ 42**	**$ 42**	**$ 46**	**$ 38**

$ in millions	Period End	Three Months Ended June 30, 2018 Average	High	Low
Interest rate and credit spread	$ 32	$ 35	$ 43	$ 29
Equity price	13	14	17	12
Foreign exchange rate	11	9	12	7
Commodity price	8	9	12	7
Less: Diversification benefit[1, 2]	(25)	(26)	N/A	N/A
Primary Risk Categories	$ 39	$ 41	$ 51	$ 35
Credit Portfolio	14	11	14	9
Less: Diversification benefit[1, 2]	(10)	(8)	N/A	N/A
Total Management VaR	$ 43	$ 44	$ 54	$ 38

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

Average total Management VaR and average Management VaR for the Primary Risk Categories of $42 million and $37 million, respectively, decreased from the three-months ended June 30, 2018, primarily as a result of reduced interest rate and credit spread risk within the Fixed Income division of the Institutional Securities business segment.

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Risk Disclosures

Distribution of VaR Statistics and Net Revenues. One method of evaluating the reasonableness of our VaR model as a measure of our potential volatility of net revenues is to compare VaR with corresponding actual trading revenues. Assuming no intraday trading, for a 95%/one-day VaR, the expected number of times that trading losses should exceed VaR during the year is 13, and, in general, if trading losses were to exceed VaR more than 21 times in a year, the adequacy of the VaR model would be questioned.

We evaluate the reasonableness of our VaR model by comparing the potential declines in portfolio values generated by the model with corresponding actual trading results for the Firm, as well as individual business units. For days where losses exceed the VaR statistic, we examine the drivers of trading losses to evaluate the VaR model s accuracy relative to realized trading results. There were no days in the current year period on which trading losses exceeded VaR.

The distribution of VaR statistics and net revenues is presented in the following histograms for the Total Trading populations.

Total Trading. As shown in the 95%/One-Day Management VaR table, the average 95%/one-day total Management VaR for the current quarter was $42 million. The following histogram presents the distribution of the daily 95%/one-day total Management VaR for the current quarter.

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

($ in millions)

The following histogram shows the distribution for the current quarter of daily net trading revenues, including profits and losses from Interest rate and credit spread, Equity price, Foreign exchange rate, Commodity price, and Credit Portfolio positions and intraday trading activities, for our trading businesses. Daily net trading revenues exclude certain items not captured in the VaR model, such as fees, commissions and net interest income, and differ from the definition of revenues required for Regulatory VaR backtesting, which further excludes intraday trading.

Daily Net Trading Revenues for the Current Quarter

($ in millions)

Non-Trading Risks

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

Exposure Related to Our Own Credit Spread.

Credit Spread Risk Sensitivity[1]

$ in millions	At September 30, 2018	At June 30, 2018
Derivatives	$ 6	$ 6
Funding liabilities[2]	34	32

1. Amounts represent the increase in value for each 1 bps widening of our credit spread.
2. Relates to structured note liabilities carried at fair value.

Interest Rate Risk Sensitivity. The following table presents an analysis of selected instantaneous upward and downward parallel interest rate shocks on net interest income over the next 12 months for our U.S. Bank Subsidiaries. These shocks are applied to our 12-month forecast for our U.S. Bank Subsidiaries, which incorporates market expectations of interest rates and our forecasted business activity.

U.S. Bank Subsidiaries Net Interest Income Sensitivity Analysis

$ in millions	At September 30, 2018	At June 30, 2018
Basis point change		
+200	$ 493	$ 531
+100	254	273
-100	(389)	(489)

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Risk Disclosures

We do not manage to any single rate scenario but rather manage net interest income in our U.S. Bank Subsidiaries to optimize across a range of possible outcomes, including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates, and includes subjective assumptions regarding customer and market re-pricing behavior and other factors. The change in sensitivity to interest rates in the minus 100 basis point scenario between September 30, 2018 and June 30, 2018 is primarily related to higher interest rates.

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

Investments Sensitivity, Including Related Performance Fees

	Loss from 10% Decline	
$ in millions	**At September 30, 2018**	At June 30, 2018
Investments related to Investment Management activities	**$ 286**	$ 301
Other investments:		
MUMSS	**166**	164
Other Firm investments	**183**	181

MUMSS Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

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

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We primarily incur credit risk exposure to institutions and individuals through our Institutional Securities and Wealth Management business segments. For a further discussion of our credit risks, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Credit Risk in the 2017 Form 10-K. Also, see Notes 7 and 11 to the financial statements for additional information about our loans and lending commitments, respectively.

Lending Activities Included in Loans and Trading Assets

We provide loans and lending commitments to a variety of customers, from large corporate and institutional clients to high net worth individuals. In addition, we purchase loans in the secondary market. In the balance sheets, these loans and lending commitments are carried as held for investment, which are recorded at amortized cost; as held for sale, which are recorded at the lower of cost or fair value; or at fair value with changes in fair value recorded in earnings. Loans held for investment and loans held for sale are classified in Loans, and loans held at fair value are classified in Trading assets in the balance sheets. See Notes 3, 7 and 11 to the financial statements for further information.

Loans and Lending Commitments

	At September 30, 2018			
$ in millions	IS	WM	IM[1]	Total
Corporate loans	**$ 19,284**	**$ 16,150**	**$ 5**	**$ 35,439**
Consumer loans		**28,321**		**28,321**
Residential real estate loans		**26,644**		**26,644**
Wholesale real estate loans	**8,157**			**8,157**
Loans held for investment, gross of allowance	**27,441**	**71,115**	**5**	**98,561**
Allowance for loan losses	**(188)**	**(43)**		**(231)**
Loans held for investment, net of allowance	**27,253**	**71,072**	**5**	**98,330**
Corporate loans	**10,035**			**10,035**
Residential real estate loans	**1**	**28**		**29**
Wholesale real estate loans	**1,589**			**1,589**
Loans held for sale	**11,625**	**28**		**11,653**
Corporate loans	**9,468**		**21**	**9,489**
Residential real estate loans	**912**			**912**
Wholesale real estate loans	**1,209**		**1,156**	**2,365**
Loans held at fair value	**11,589**		**1,177**	**12,766**
Total loans	**50,467**	**71,100**	**1,182**	**122,749**
Lending commitments[2, 3]	**97,903**	**10,740**	**164**	**108,807**
Total loans and lending commitments[2, 3]	**$ 148,370**	**$ 81,840**	**$ 1,346**	**$ 231,556**

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Risk Disclosures

	At December 31, 2017			
$ in millions	IS	WM	IM	Total
Corporate loans	$ 15,332	$ 14,417	$ 5	$ 29,754
Consumer loans		26,808		26,808
Residential real estate loans		26,635		26,635
Wholesale real estate loans	9,980			9,980
Loans held for investment, gross of allowance	25,312	67,860	5	93,177
Allowance for loan losses	(182)	(42)		(224)
Loans held for investment, net of allowance	25,130	67,818	5	92,953
Corporate loans	9,456			9,456
Residential real estate loans	1	34		35
Wholesale real estate loans	1,682			1,682
Loans held for sale	11,139	34		11,173
Corporate loans	8,336		22	8,358
Residential real estate loans	799			799
Wholesale real estate loans	1,579			1,579
Loans held at fair value	10,714		22	10,736
Total loans	46,983	67,852	27	114,862
Lending commitments[2, 3]	92,588	9,481		102,069
Total loans and lending commitments[2, 3]	$ 139,571	$ 77,333	$ 27	$ 216,931

1. Investment Management business segment loans are entered into in conjunction with certain investment advisory activities. The increase in fair value loans in the current year period is a result of the consolidation of a fund managed by Mesa West Capital, LLC that primarily invests in commercial real estate loans with remaining maturities of less than 5 years.
2. Lending commitments represent the notional amount of legally binding obligations to provide funding to clients for lending transactions. Since commitments associated with these business activities may expire unused or may not be utilized to full capacity, they do not necessarily reflect the actual future cash funding requirements.
3. For syndications led by us, any lending commitments accepted by the borrower but not yet closed are net of amounts syndicated. For syndications that we participate in and do not lead, any lending commitments accepted by the borrower but not yet closed include only the amount that we expect will be allocated from the lead syndicate bank. Due to the nature of our obligations under the commitments, these amounts include certain commitments participated to third parties.

Total loans and lending commitments increased by approximately $15 billion in the current year period, primarily due to increases in collateralized and relationship-based loans and lending commitments within the Institutional Securities business segment.

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

Allowance for Loans and Lending Commitments Held for Investment

$ in millions	**At September 30, 2018**	At December 31, 2017
Loans	**$ 231**	$ 224
Lending commitments	**201**	198
Total allowance for loans and lending commitments	**$ 432**	$ 422

The aggregate allowance for loans and lending commitment losses increased during the current year period, primarily due to overall portfolio changes and qualitative and environmental factors impacting the inherent allowance within the Institutional Securities business segment. See Note 7 to the financial statements for further information.

Status of Loans Held for Investment

	At September 30, 2018		At December 31, 2017	
	IS	WM	IS	WM
Current	**99.8%**	**99.9%**	99.5%	99.9%
Nonaccrual[1]	**0.2%**	**0.1%**	0.5%	0.1%

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

Institutional Securities

In connection with certain Institutional Securities business segment activities, we provide loans and lending commitments to a diverse group of corporate and other institutional clients. These activities include originating and purchasing corporate loans, commercial and residential mortgage lending, asset-backed lending and financing extended to equities and commodities customers and municipalities. These loans and lending commitments may have varying terms; may be senior or subordinated; may be secured or unsecured; are generally contingent upon representations, warranties and contractual conditions applicable to the borrower; and may be syndicated, traded or hedged by us.

We also participate in securitization activities, whereby we extend short-term or long-term collateralized lines of credit and term loans with various types of collateral including residential real estate, commercial real estate, corporate and financial assets. These collateralized loans and lending commitments generally provide for over-collateralization. Credit risk with respect to these loans and lending commitments arises from the failure of a borrower to perform according to the terms of the loan agreement or a decline in the underlying collateral value. The Firm monitors collateral levels against the requirements of lending agreements. See Note 12 to the financial statements for information about our securitization activities.

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Risk Disclosures

Institutional Securities Loans and Lending Commitments[1]

	At September 30, 2018				
	Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans					
AA	**$ 10**	**$ 488**	**$**	**$ 19**	**$ 517**
A	**1,172**	**3,259**	**978**	**325**	**5,734**
BBB	**3,042**	**6,108**	**4,252**	**796**	**14,198**
NIG	**7,169**	**11,395**	**7,050**	**2,383**	**27,997**
Unrated[2]	**81**	**184**	**147**	**1,609**	**2,021**
Total loans	**11,474**	**21,434**	**12,427**	**5,132**	**50,467**
Lending commitments					
AAA		**165**			**165**
AA	**2,837**	**803**	**3,119**		**6,759**
A	**4,803**	**10,409**	**9,159**	**370**	**24,741**
BBB	**2,361**	**11,490**	**19,180**	**771**	**33,802**
NIG	**1,244**	**9,401**	**15,129**	**6,603**	**32,377**
Unrated[2]	**1**		**19**	**39**	**59**
Total lending commitments	**11,246**	**32,268**	**46,606**	**7,783**	**97,903**
Total exposure	**$ 22,720**	**$ 53,702**	**$ 59,033**	**$ 12,915**	**$ 148,370**

	At December 31, 2017				
	Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans					
AA	$ 14	$ 503	$ 30	$ 5	$ 552
A	1,608	1,710	1,235	693	5,246
BBB	2,791	6,558	3,752	646	13,747
NIG	4,760	12,311	4,480	3,245	24,796
Unrated[2]	243	291	621	1,487	2,642
Total loans	9,416	21,373	10,118	6,076	46,983
Lending commitments					
AAA		165			165
AA	3,745	1,108	3,002		7,855
A	3,769	5,533	11,774	197	21,273
BBB	3,987	12,345	16,818	1,095	34,245
NIG	4,159	9,776	12,279	2,698	28,912
Unrated[2]	9	40	42	47	138
Total lending commitments	15,669	28,967	43,915	4,037	92,588
Total exposure	$ 25,085	$ 50,340	$ 54,033	$ 10,113	$ 139,571

NIG Non-investment grade

1. Obligor credit ratings are determined by the Credit Risk Management department.
2. Unrated loans and lending commitments are primarily trading positions that are measured at fair value and risk managed as a component of market risk. For a further discussion of our market risk, see Quantitative and Qualitative Disclosures about Risk Market Risk herein.

Institutional Securities Loans and Lending Commitments by Industry

$ in millions	**At September 30, 2018**	At December 31, 2017
Industry		
Financials	**$ 32,546**	$ 22,112
Real estate	**25,005**	28,426
Consumer discretionary	**12,267**	11,555
Industrials	**11,785**	11,090
Information technology	**11,337**	11,862
Utilities	**9,877**	9,592
Healthcare	**9,789**	9,956
Energy	**9,398**	10,233
Consumer staples	**8,640**	8,315
Telecommunications services	**5,720**	4,172
Materials	**5,432**	5,069
Insurance	**4,883**	4,739
Other	**1,691**	2,450
Total	**$ 148,370**	$ 139,571

Event-Driven Loans and Lending Commitments

	At September 30, 2018				
	Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans	**$ 2,565**	**$ 778**	**$ 615**	**$ 662**	**$ 4,620**
Lending commitments	**396**	**3,909**	**2,900**	**2,188**	**9,393**
Total loans and lending commitments	**$ 2,961**	**$ 4,687**	**$ 3,515**	**$ 2,850**	**$ 14,013**

	At December 31, 2017				
	Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans	$ 1,458	$ 1,058	$ 639	$ 2,012	$ 5,167
Lending commitments	1,272	3,206	2,091	1,874	8,443
Total loans and lending commitments	$ 2,730	$ 4,264	$ 2,730	$ 3,886	$ 13,610

Event-driven loans and lending commitments, which comprise a portion of corporate loans and lending commitments within the Institutional Securities business segment, are associated with a particular event or transaction, such as to support client merger, acquisition, recapitalization and project finance activities. Event-driven loans and lending commitments typically consist of revolving lines of credit, term loans and bridge loans. The increase in event-driven lending commitments in the current year period is primarily due to an increase in held-for-sale commitments driven by client M&A transactions.

Wealth Management

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

Securities-based lending provided to our clients is primarily conducted through our Liquidity Access Line platform. For more information about our securities-based lending and residential real estate loans, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Credit Risk Lending Activities in the 2017 Form 10-K.

Risk Disclosures

Wealth Management Loans and Lending Commitments

	At September 30, 2018				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Securities-based lending and other loans	**$ 37,622**	**$ 3,736**	**$ 2,005**	**$ 1,083**	**$ 44,446**
Residential real estate loans		**27**	**5**	**26,622**	**26,654**
Total loans	**$ 37,622**	**$ 3,763**	**$ 2,010**	**$ 27,705**	**$ 71,100**
Lending commitments	**9,247**	**1,129**	**89**	**275**	**10,740**
Total loans and lending commitments	**$ 46,869**	**$ 4,892**	**$ 2,099**	**$ 27,980**	**$ 81,840**
Securities-based lending Liquidity Access Line platform loans					**$ 33,738**

	At December 31, 2017				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Securities-based lending and other loans	$ 34,389	$ 3,687	$ 1,899	$ 1,231	$ 41,206
Residential real estate loans		24	15	26,607	26,646
Total loans	$ 34,389	$ 3,711	$ 1,914	$ 27,838	$ 67,852
Lending commitments	7,253	1,827	120	281	9,481
Total loans and lending commitments	$ 41,642	$ 5,538	$ 2,034	$ 28,119	$ 77,333
Securities-based lending Liquidity Access Line platform loans					$ 32,230

For the current year period, loans and lending commitments associated with the Wealth Management business segment lending activities increased by approximately 6%, primarily due to growth in securities-based lending and other loans.

Lending Activities Included in Customer and Other

Receivables

Margin Loans

	At September 30, 2018		
$ in millions	IS	WM	Total
Net customer receivables representing margin loans	**$ 22,153**	**$ 11,668**	**$ 33,821**

	At December 31, 2017		
$ in millions	IS	WM	Total
Net customer receivables representing margin loans	$ 19,977	$ 12,135	$ 32,112

The Institutional Securities and Wealth Management business segments provide margin lending arrangements which allow customers to borrow against the value of qualifying securities. Margin lending activities generally have minimal credit risk due to the value of collateral held and their short-term nature.

Employee Loans

$ in millions	**At September 30, 2018**	At December 31, 2017
Balance	**$ 3,491**	$ 4,185
Allowance for loan losses	**(70)**	(77)
Balance, net	**$ 3,421**	$ 4,108
Repayment term range, in years	**1 to 20**	1 to 20

Employee loans are generally granted to retain and recruit certain employees, are full recourse and generally require periodic repayments. We establish an allowance for loan amounts to terminated employees that we do not consider recoverable, which is recorded in Compensation and benefits expense.

Credit Exposure Derivatives

We incur credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the possibility that a counterparty may fail to perform according to the terms of the contract. In connection with our OTC derivative activities, we generally enter into master netting agreements and collateral arrangements with counterparties. These agreements provide us with the ability to demand collateral, as well as to liquidate collateral and offset receivables and payables covered under the same master netting agreement in the event of counterparty default.

We manage our trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (*e.g.*, futures, forwards, swaps and options). For a discussion of our credit exposure and related credit derivative contracts, see Quantitative and Qualitative disclosures about Market Risk Risk Management Credit Risk Credit Exposure Derivatives in the 2017 Form 10-K.

Counterparty Credit Rating and Remaining Contractual Maturity of OTC Derivative Assets at Fair Value

			Credit Rating[1]			
$ in millions	AAA	AA	A	BBB	NIG	Total
At September 30, 2018						
< 1 year	**$ 473**	**$ 6,603**	**$ 42,113**	**$ 13,877**	**$ 7,596**	**$ 70,662**
1-3 years	**747**	**3,392**	**23,551**	**9,717**	**7,039**	**44,446**
3-5 years	**821**	**2,396**	**13,462**	**5,584**	**2,607**	**24,870**
Over 5 years	**4,151**	**9,089**	**65,037**	**35,917**	**10,314**	**124,508**
Total, gross	**$ 6,192**	**$ 21,480**	**$ 144,163**	**$ 65,095**	**$ 27,556**	**$ 264,486**
Counterparty netting	**(2,683)**	**(13,855)**	**(116,420)**	**(46,413)**	**(15,519)**	**(194,890)**
Cash and securities collateral	**(3,171)**	**(5,811)**	**(24,039)**	**(13,251)**	**(8,642)**	**(54,914)**
Total, net	**$ 338**	**$ 1,814**	**$ 3,704**	**$ 5,431**	**$ 3,395**	**$ 14,682**

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Risk Disclosures

	Credit Rating[1, 2]					
$ in millions	AAA	AA	A	BBB	NIG	Total
At December 31, 2017						
< 1 year	$ 356	$ 5,302	$ 36,001	$ 11,577	$ 5,904	$ 59,140
1-3 years	558	4,118	23,137	8,887	4,827	41,527
3-5 years	702	3,183	15,577	5,489	4,879	29,830
Over 5 years	5,470	11,667	78,779	37,286	12,079	145,281
Total, gross	$ 7,086	$ 24,270	$ 153,494	$ 63,239	$ 27,689	$ 275,778
Counterparty netting	(3,018)	(15,261)	(125,378)	(45,421)	(15,828)	(204,906)
Cash and securities collateral	(3,188)	(6,785)	(23,257)	(12,844)	(9,123)	(55,197)
Total, net	$ 880	$ 2,224	$ 4,859	$ 4,974	$ 2,738	$ 15,675

1. Obligor credit ratings are determined internally by the Credit Risk Management department.
2. Prior period amounts have been revised to conform to the current presentation.

OTC Derivative Products at Fair Value, Net of Collateral, by Industry

$ in millions	**At September 30, 2018**	At December 31, 2017
Industry		
Utilities	**$ 4,290**	$ 4,382
Financials	**3,487**	3,330
Regional governments	**894**	1,005
Industrials	**858**	1,124
Energy	**781**	646
Healthcare	**705**	882
Information technology	**704**	715
Consumer discretionary	**508**	464
Not-for-profit organizations	**500**	703
Sovereign governments	**486**	1,084
Insurance	**388**	206
Real estate	**341**	374
Materials	**289**	329
Consumer staples	**208**	161
Other	**243**	270
Total	**$ 14,682**	$ 15,675

For additional information on derivative instruments, including credit derivatives, see Note 4 to the financial statements.

Country Risk Exposure

Country risk exposure is the risk that events in, or that affect, a foreign country (any country other than the U.S.) might adversely affect us. We actively manage country risk exposure through a comprehensive risk management framework that combines credit and market fundamentals and allows us to effectively identify, monitor and limit country risk. Country risk exposure before and after hedging is monitored and managed. For a further discussion of our country risk exposure see, Quantitative and Qualitative Disclosures about Market Risk Risk Management Country Risk Exposure in the 2017 Form 10-K.

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

Top Ten Non-U.S. Country Exposures at September 30, 2018

United Kingdom

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ **(594)**	$ **1,958**	$ **1,364**
Net counterparty exposure[2]		**8,129**	**8,129**
Loans		**1,894**	**1,894**
Lending commitments		**5,702**	**5,702**
Exposure before hedges	**(594)**	**17,683**	**17,089**
Hedges[3]	**(355)**	**(1,550)**	**(1,905)**
Net exposure	$ **(949)**	$ **16,133**	$ **15,184**

Japan

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ **7,266**	$ **120**	$ **7,386**
Net counterparty exposure[2]	**43**	**3,199**	**3,242**
Loans			
Lending commitments			
Exposure before hedges	**7,309**	**3,319**	**10,628**
Hedges[3]	**(118)**	**(114)**	**(232)**
Net exposure	$ **7,191**	$ **3,205**	$ **10,396**

Spain

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ **(101)**	$ **(49)**	$ **(150)**
Net counterparty exposure[2]		**115**	**115**
Loans		**1,894**	**1,894**
Lending commitments		**4,110**	**4,110**
Exposure before hedges	**(101)**	**6,070**	**5,969**
Hedges[3]		**(199)**	**(199)**

Net exposure	$ (101)	$ 5,871	$ 5,770

Brazil

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 3,955	$ 98	$ 4,053
Net counterparty exposure[2]		337	337
Loans		68	68
Lending commitments		279	279
Exposure before hedges	3,955	782	4,737
Hedges[3]	(12)	(18)	(30)
Net exposure	$ 3,943	$ 764	$ 4,707

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Risk Disclosures

France

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	**$ 66**	**$ 539**	**$ 605**
Net counterparty exposure[2]		**1,813**	**1,813**
Loans		**284**	**284**
Lending commitments		**2,102**	**2,102**
Exposure before hedges	**66**	**4,738**	**4,804**
Hedges[3]	**(56)**	**(655)**	**(711)**
Net exposure	**$ 10**	**$ 4,083**	**$ 4,093**

China

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	**$ 434**	**$ 1,082**	**$ 1,516**
Net counterparty exposure[2]	**281**	**128**	**409**
Loans		**1,304**	**1,304**
Lending commitments		**630**	**630**
Exposure before hedges	**715**	**3,144**	**3,859**
Hedges[3]	**(40)**	**(10)**	**(50)**
Net exposure	**$ 675**	**$ 3,134**	**$ 3,809**

Netherlands

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	**$ (77)**	**$ 569**	**$ 492**
Net counterparty exposure[2]		**732**	**732**
Loans		**1,540**	**1,540**
Lending commitments		**1,119**	**1,119**
Exposure before hedges	**(77)**	**3,960**	**3,883**
Hedges[3]	**(32)**	**(252)**	**(284)**
Net exposure	**$ (109)**	**$ 3,708**	**$ 3,599**

Germany

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	**$ (2,450)**	**$ 684**	**$ (1,766)**
Net counterparty exposure[2]	**476**	**1,746**	**2,222**
Loans		**947**	**947**
Lending commitments		**3,260**	**3,260**
Exposure before hedges	**(1,974)**	**6,637**	**4,663**
Hedges[3]	**(510)**	**(1,048)**	**(1,558)**
Net exposure	**$ (2,484)**	**$ 5,589**	**$ 3,105**

Italy

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	**$ 1,218**	**$ 642**	**$ 1,860**
Net counterparty exposure[2]	**(16)**	**392**	**376**
Loans		**122**	**122**
Lending commitments		**410**	**410**
Exposure before hedges	**1,202**	**1,566**	**2,768**

Hedges[3]	16	(77)	(61)
Net exposure	$ 1,218	$ 1,489	$ 2,707

Canada

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (913)	$ 246	$ (667)
Net counterparty exposure[2]	35	1,845	1,880
Loans		60	60
Lending commitments		1,401	1,401
Exposure before hedges	(878)	3,552	2,674
Hedges[3]		(149)	(149)
Net exposure	$ (878)	$ 3,403	$ 2,525

1. Net inventory represents exposure to both long and short single-name and index positions (*i.e.*, bonds and equities at fair value and CDS based on a notional amount assuming zero recovery adjusted for the fair value of any receivable or payable).
2. Net counterparty exposure (*i.e.*, repurchase transactions, securities lending and OTC derivatives) takes into consideration legally enforceable master netting agreements and collateral.
3. Amounts represent CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable. For a further description of the contractual terms for purchased credit protection and whether they may limit the effectiveness of our hedges, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Credit Risk Credit Exposure Derivatives in the 2017 Form 10-K.

Credit Derivatives Included in Net Inventory

$ in millions	At September 30, 2018
Gross purchased protection	$ (77,227)
Gross written protection	76,461
Net exposure	$ (766)

As a market maker, we may transact in CDS positions to facilitate client trading. The previous table includes exposures related to single-name and index credit derivatives for those countries shown in the Top Ten Non-U.S. Country Exposures table.

Benefit of Collateral Received against Counterparty Credit

Exposure

$ in millions		At September 30, 2018
Counterparty credit exposure	**Collateral[1]**	
United Kingdom	U.K., U.S. and France	$ 9,653
Germany	Germany and France	8,818

Other	U.S., Japan and France	**15,448**

1. Collateral primarily consists of cash and government obligations.

Net counterparty exposure shown in the Top Ten Non-U.S. Country Exposures table is net of the benefit of collateral received shown in the previous table.

Country Risk Exposures Related to the U.K. At September 30, 2018, our country risk exposures in the U.K. included net exposures of $15,184 million as shown in the Top Ten Country Exposures table, and overnight deposits of $6,483 million. The $16,133 million of exposures to non-sovereigns were diversified across both names and

Risk Disclosures

sectors. Of these exposures, $4,928 million were to U.K.-focused counterparties that generate more than one-third of their revenues in the U.K., $4,591 million were to geographically diversified counterparties, and $4,706 million were to exchanges and clearinghouses.

Country Risk Exposures Related to Brazil. At September 30, 2018, our country risk exposures in Brazil included net exposures of $4,707 million as shown in the Top Ten Country Exposures table. Our sovereign net exposures in Brazil were principally in the form of local currency government bonds held onshore to support client activity. The $764 million of exposures to non-sovereigns were diversified across both names and sectors.

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (*e.g.*, fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities (*e.g.*, sales and trading) and support and control groups (*e.g.*, information technology and trade processing). For a further discussion about our operational risk, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Operational Risk in the 2017 Form 10-K.

Model Risk

Model risk refers to the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model risk can lead to financial loss, poor business and strategic decision making, or damage to the Firm s reputation. The risk inherent in a model is a function of the materiality, complexity and uncertainty around inputs and assumptions. Model risk is generated from the use of models impacting financial statements, regulatory filings, capital adequacy assessments and the formulation of strategy. For a further discussion about our model risk, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Model Risk in the 2017 Form 10-K.

Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For a further discussion about our liquidity risk, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Liquidity Risk in the 2017 Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources herein.

Legal and Compliance Risk

Legal and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss to reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty s performance obligations will be unenforceable. It also includes compliance with AML and terrorist financing rules and regulations. For a further discussion about our legal and compliance risk, see Quantitative and Qualitative Disclosures about Market Risk Risk Management Legal and Compliance Risk in the 2017 Form 10-K.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Morgan Stanley:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley and subsidiaries (the Firm) as of September 30, 2018, and the related condensed consolidated income statements and comprehensive income statements for the three-month and nine-month periods ended September 30, 2018 and 2017, and the cash flow statements and statements of changes in total equity for the nine-month periods ended September 30, 2018 and 2017, and the related notes (collectively referred to as the interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Firm as of December 31, 2017, and the related consolidated income statement, comprehensive income statement, cash flow statement and statement of changes in total equity for the year then ended (not presented herein) included in the Firm s Annual Report on Form 10-K; and in our report dated February 27, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2017 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

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

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

/s/ Deloitte & Touche LLP

New York, New York

November 5, 2018

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Consolidated Income Statements

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
in millions, except per share data	**2018**	2017	**2018**	2017
Revenues				
Investment banking	**$ 1,567**	$ 1,380	**$ 4,994**	$ 4,455
Trading	**2,752**	2,704	**9,815**	8,870
Investments	**136**	167	**409**	495
Commissions and fees	**932**	937	**3,144**	2,997
Asset management	**3,251**	3,026	**9,632**	8,695
Other	**298**	200	**748**	628
Total non-interest revenues	**8,936**	8,414	**28,742**	26,140
Interest income	**3,627**	2,340	**9,781**	6,411
Interest expense	**2,691**	1,557	**6,964**	4,106
Net interest	**936**	783	**2,817**	2,305
Net revenues	**9,872**	9,197	**31,559**	28,445
Non-interest expenses				
Compensation and benefits	**4,310**	4,169	**13,845**	12,887
Occupancy and equipment	**351**	330	**1,033**	990
Brokerage, clearing and exchange fees	**559**	522	**1,795**	1,556
Information processing and communications	**513**	459	**1,487**	1,320
Marketing and business development	**152**	128	**471**	419
Professional services	**570**	534	**1,660**	1,622
Other	**566**	573	**1,888**	1,719
Total non-interest expenses	**7,021**	6,715	**22,179**	20,513
Income from continuing operations before income taxes	**2,851**	2,482	**9,380**	7,932
Provision for income taxes	**696**	697	**2,050**	2,358
Income from continuing operations	**2,155**	1,785	**7,330**	5,574
Income (loss) from discontinued operations, net of income taxes	**(1)**	6	**(5)**	(21)
Net income	**$ 2,154**	$ 1,791	**$ 7,325**	$ 5,553
Net income applicable to noncontrolling interests	**42**	10	**108**	85
Net income applicable to Morgan Stanley	**$ 2,112**	$ 1,781	**$ 7,217**	$ 5,468
Preferred stock dividends and other	**93**	93	**356**	353
Earnings applicable to Morgan Stanley common shareholders	**$ 2,019**	$ 1,688	**$ 6,861**	$ 5,115
Earnings per basic common share				
Income from continuing operations	**$ 1.19**	$ 0.95	**$ 3.99**	$ 2.87
Income (loss) from discontinued operations				(0.01)
Earnings per basic common share	**$ 1.19**	$ 0.95	**$ 3.99**	$ 2.86
Earnings per diluted common share				
Income from continuing operations	**$ 1.17**	$ 0.93	**$ 3.92**	$ 2.81

Income (loss) from discontinued operations				(0.02)
Earnings per diluted common share	**$ 1.17**	$ 0.93	**$ 3.92**	$ 2.79
Dividends declared per common share	**$ 0.30**	$ 0.25	**$ 0.80**	$ 0.65
Average common shares outstanding				
Basic	**1,697**	1,776	**1,719**	1,789
Diluted	**1,727**	1,818	**1,749**	1,830

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Consolidated Comprehensive Income Statements

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2018**	2017	**2018**	2017
Net income	**$ 2,154**	$ 1,791	**$ 7,325**	$ 5,553
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**$ (79)**	$ 61	**$ (154)**	$ 223
Change in net unrealized gains (losses) on available-for-sale securities	**(171)**	26	**(707)**	218
Pension, postretirement and other	**5**		**16**	4
Change in net debt valuation adjustment	**(743)**	(149)	**347**	(323)
Total other comprehensive income (loss)	**$ (988)**	$ (62)	**$ (498)**	$ 122
Comprehensive income	**$ 1,166**	$ 1,729	**$ 6,827**	$ 5,675
Net income applicable to noncontrolling interests	**42**	10	**108**	85
Other comprehensive income (loss) applicable to noncontrolling interests	**(59)**	(6)	**4**	23
Comprehensive income applicable to Morgan Stanley	**$ 1,183**	$ 1,725	**$ 6,715**	$ 5,567

See Notes to Consolidated Financial Statements

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Consolidated Balance Sheets

$ in millions, except share data	**(Unaudited) At September 30, 2018**	At December 31, 2017
Assets		
Cash and cash equivalents:		
Cash and due from banks	**$ 36,641**	$ 24,816
Interest bearing deposits with banks	**22,638**	21,348
Restricted cash	**33,202**	34,231
Trading assets at fair value (**$127,919** and $169,735 were pledged to various parties)	**283,188**	298,282
Investment securities (includes **$57,232** and $55,203 at fair value)	**82,568**	78,802
Securities purchased under agreements to resell	**69,086**	84,258
Securities borrowed	**142,489**	124,010
Customer and other receivables	**60,839**	56,187
Loans:		
Held for investment (net of allowance of **$231** and $224)	**98,330**	92,953
Held for sale	**11,653**	11,173
Goodwill	**6,680**	6,597
Intangible assets (net of accumulated amortization of **$2,995** and $2,730)	**2,240**	2,448
Other assets	**15,963**	16,628
Total assets	**$ 865,517**	$ 851,733
Liabilities		
Deposits (includes **$382** and $204 at fair value)	**$ 175,185**	$ 159,436
Trading liabilities at fair value	**129,032**	131,295
Securities sold under agreements to repurchase (includes **$784** and $800 at fair value)	**60,328**	56,424
Securities loaned	**11,833**	13,592
Other secured financings (includes **$4,554** and $3,863 at fair value)	**10,057**	11,271
Customer and other payables	**191,026**	191,510
Other liabilities and accrued expenses	**17,093**	17,157
Borrowings (includes **$50,506** and $46,912 at fair value)	**190,889**	192,582
Total liabilities	**785,443**	773,267
Commitments and contingent liabilities (see Note 11)		
Equity		
Morgan Stanley shareholders equity:		
Preferred stock	**8,520**	8,520
Common stock, $0.01 par value:		
Shares authorized: **3,500,000,000**; Shares issued: **2,038,893,979**; Shares outstanding: **1,725,792,278** and 1,788,086,805	**20**	20
Additional paid-in capital	**23,664**	23,545
Retained earnings	**63,330**	57,577

Employee stock trusts		**2,797**		2,907
Accumulated other comprehensive income (loss)		**(3,999)**		(3,060)
Common stock held in treasury at cost, $0.01 par value (**313,101,701** and 250,807,174 shares)		**(12,832)**		(9,211)
Common stock issued to employee stock trusts		**(2,797)**		(2,907)
Total Morgan Stanley shareholders equity		**78,703**		77,391
Noncontrolling interests		**1,371**		1,075
Total equity		**80,074**		78,466
Total liabilities and equity	**$**	**865,517**	$	851,733

 See Notes to Consolidated Financial Statements

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Consolidated Statements of Changes in Total Equity

(Unaudited)

$ in millions	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Employee Stock Trusts	Accumulated Other Comprehensive Income (Loss)	Common Stock Held in Treasury at Cost	Common Stock Issued to Employee Stock Trusts	Non-controlling Interests	Total Equity
Balance at December 31, 2017	$ 8,520	$ 20	$ 23,545	$ 57,577	$ 2,907	$ (3,060)	$ (9,211)	$ (2,907)	$ 1,075	$ 78,466
Cumulative adjustment for accounting changes[1]				**306**		**(437)**				**(131)**
Net income applicable to Morgan Stanley				**7,217**						**7,217**
Net income applicable to noncontrolling interests									**108**	**108**
Dividends				**(1,770)**						**(1,770)**
Shares issued under employee plans			**119**		**(110)**		**759**	**110**		**878**
Repurchases of common stock and employee tax withholdings							**(4,380)**			**(4,380)**
Net change in Accumulated other comprehensive income (loss)						**(502)**			**4**	**(498)**
Other net increases									**184**	**184**
Balance at September 30,	**$ 8,520**	**$ 20**	**$ 23,664**	**$ 63,330**	**$ 2,797**	**$ (3,999)**	**$ (12,832)**	**$ (2,797)**	**$ 1,371**	**$ 80,074**

2018

Balance at December 31, 2016	$ 7,520	$ 20	$ 23,271	$ 53,679	$ 2,851	$ (2,643)	$ (5,797)	$ (2,851)	$ 1,127	$ 77,177
Cumulative adjustment for accounting changes[1]			45	(35)						10
Net income applicable to Morgan Stanley				5,468						5,468
Net income applicable to noncontrolling interests									85	85
Dividends				(1,558)						(1,558)
Shares issued under employee plans			79		48		844	(48)		923
Repurchases of common stock and employee tax withholdings							(3,008)			(3,008)
Net change in Accumulated other comprehensive income (loss)						99			23	122
Issuance of preferred stock	1,000		(6)							994
Other net decreases									(99)	(99)
Balance at September 30, 2017	$ 8,520	$ 20	$ 23,389	$ 57,554	$ 2,899	$ (2,544)	$ (7,961)	$ (2,899)	$ 1,136	$ 80,114

1. The cumulative adjustments relate to the adoption of certain accounting updates during the current and prior year periods. See Notes 2 and 14 for further information.

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Consolidated Cash Flow Statements

(Unaudited)

$ in millions	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	**$ 7,325**	$ 5,553
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
(Income) loss from equity method investments	**(62)**	
Stock-based compensation expense	**743**	775
Depreciation and amortization	**1,375**	1,340
(Release of) Provision for credit losses on lending activities	**(27)**	32
Other operating adjustments	**35**	(62)
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	**10,039**	(19,646)
Securities borrowed	**(18,479)**	(7,656)
Securities loaned	**(1,759)**	(214)
Customer and other receivables and other assets	**(4,092)**	(7,930)
Customer and other payables and other liabilities	**310**	8,055
Securities purchased under agreements to resell	**15,172**	11,849
Securities sold under agreements to repurchase	**3,904**	(645)
Net cash provided by (used for) operating activities	**14,484**	(8,549)
Cash flows from investing activities		
Proceeds from (payments for):		
Other assets Premises, equipment and software, net	**(1,361)**	(1,177)
Changes in loans, net	**(7,697)**	(9,350)
Investment securities:		
Purchases	**(16,836)**	(19,713)
Proceeds from sales	**2,947**	16,111
Proceeds from paydowns and maturities	**9,126**	5,378
Other investing activities	**(245)**	(77)
Net cash provided by (used for) investing activities	**(14,066)**	(8,828)
Cash flows from financing activities		
Net proceeds from (payments for):		
Noncontrolling interests	**(95)**	(43)
Other secured financings	**(1,874)**	1,400
Deposits	**15,749**	(1,224)
Proceeds from:		
Derivatives financing activities		73
Issuance of preferred stock, net of issuance costs		994
Issuance of Borrowings	**34,233**	46,121
Payments for:		
Borrowings	**(28,235)**	(25,097)
Derivatives financing activities		(73)

Repurchases of common stock and employee tax withholdings	**(4,380)**	(3,008)
Cash dividends	**(1,788)**	(1,562)
Other financing activities	**(248)**	(48)
Net cash provided by (used for) financing activities	**13,362**	17,533
Effect of exchange rate changes on cash and cash equivalents	**(1,694)**	3,406
Net increase (decrease) in cash and cash equivalents	**12,086**	3,562
Cash and cash equivalents, at beginning of period	**80,395**	77,360
Cash and cash equivalents, at end of period	**$ 92,481**	$ 80,922
Cash and cash equivalents:		
Cash and due from banks	**$ 36,641**	$ 24,047
Interest bearing deposits with banks	**22,638**	24,144
Restricted cash	**33,202**	32,731
Cash and cash equivalents, at end of period	**$ 92,481**	$ 80,922
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 6,818**	$ 3,422
Income taxes, net of refunds	**1,009**	967

Notes to Consolidated Financial Statements

(Unaudited)

1. Introduction and Basis of Presentation

The Firm

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

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

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

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering brokerage and investment advisory services, financial and wealth planning services, annuity and insurance products, credit 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 include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are serviced through intermediaries, including affiliated and non-affiliated distributors.

Basis of Financial Information

The unaudited consolidated financial statements (financial statements) are prepared in accordance with U.S. GAAP, which requires the Firm to make estimates and assumptions regarding the valuations of certain financial instruments, the valuation of goodwill and intangible assets, compensation, deferred tax assets, the outcome of legal and tax matters, allowance for credit losses and other matters that affect its financial statements and related disclosures. The

Firm believes that the estimates utilized in the preparation of its financial statements are prudent and reasonable. Actual results could differ materially from these estimates. Intercompany balances and transactions have been eliminated. Certain reclassifications have been made to prior periods to conform to the current presentation.

The accompanying financial statements should be read in conjunction with the Firm s financial statements and notes thereto included in the 2017 Form 10-K. Certain footnote disclosures included in the 2017 Form 10-K have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Consolidation

The financial statements include the accounts of the Firm, its wholly owned subsidiaries and other entities in which the Firm has a controlling financial interest, including certain VIEs (see Note 12). For consolidated subsidiaries that are less than wholly owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The net income attributable to noncontrolling interests for such subsidiaries is presented as Net income applicable to noncontrolling interests in the consolidated income statements (income statements). The portion of shareholders equity that is attributable to noncontrolling interests for such subsidiaries is presented as noncontrolling interests, a component of total equity, in the consolidated balance sheets (balance sheets).

For a discussion of the Firm s involvement with VIEs and its significant regulated U.S. and international subsidiaries, see Notes 1 and 2 to the financial statements in the 2017 Form 10-K.

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Notes to Consolidated Financial Statements

(Unaudited)

2. Significant Accounting Policies

For a detailed discussion about the Firm s significant accounting policies, see Note 2 to the financial statements in the 2017 Form 10-K.

During the nine months ended September 30, 2018 (current year period), there were no significant revisions to the Firm s significant accounting policies, other than for Carried Interest and the accounting updates adopted.

Carried Interest

The Firm is entitled to receive performance-based fees (also referred to as incentive fees, and includes carried interest) when the return on assets under management exceeds certain benchmark returns or other performance targets. Beginning January 1, 2018, when the Firm earns carried interest from funds as specified performance thresholds are met, that carried interest and any related general or limited partner interest is accounted for under the equity method of accounting and measured based on the Firm s claim on the NAV of the fund at the reporting date, taking into account the distribution terms applicable to the interest held. Performance-based fees in the form of carried interest considered equity method investments are therefore outside the scope of the policies for revenue from contracts with customers discussed below. See Note 11 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received.

Accounting Updates Adopted

The Firm adopted the following accounting updates in the current year period. Prior period results are presented under previous policies. See Note 14 for a summary of the Retained earnings impacts of these and other minor adoptions effective in the current year period.

Revenue from Contracts with Customers

On January 1, 2018, we adopted *Revenue from Contracts with Customers* using the modified retrospective method, which resulted in a net decrease to Retained earnings of $32 million, net of tax. Prior period amounts were not restated.

Our revised accounting policy in accordance with this adoption is effective January 1, 2018, and is discussed below.

Revenue Recognition

Revenues are recognized when the promised goods or services are delivered to our customers, in an amount that is based on the consideration the Firm expects to receive in exchange for those goods or services when such amounts are not probable of significant reversal.

Investment Banking

Revenue from investment banking activities consists of revenues earned from underwriting primarily equity and fixed income securities and advisory fees for mergers, acquisitions, restructuring and advisory assignments.

Underwriting revenues are generally recognized on trade date if there is no uncertainty or contingency related to the amount to be paid. Underwriting costs are deferred and recognized in the relevant non-interest expenses line items when the related underwriting revenues are recorded.

Advisory fees are recognized as advice is provided to the client, based on the estimated progress of work and when the revenue is not probable of a significant reversal. Advisory costs are recognized as incurred in the relevant non-interest expenses line items, including when reimbursed.

Commissions and Fees

Commission and fee revenues result from transaction-based arrangements in which the client is charged a fee for the execution of transactions. Such revenues primarily arise from transactions in equity securities; services related to sales and trading activities; and sales of mutual funds, alternative funds, futures, insurance products and options. Commission and fee revenues are recognized on trade date when the performance obligation is satisfied.

Asset Management Revenues

Asset management, distribution and administration fees are generally based on related asset levels being managed, such as the AUM of a customer s account, or the net asset value of a fund. These fees are generally recognized when services are performed and the fees become known. Management fees are reduced by estimated fee waivers and expense caps, if any, provided to the customer.

Performance-based fees not in the form of carried interest are recorded when the annual performance target is met and the revenue is not probable of a significant reversal. Performance-based fees in the form of carried interest are considered equity method investments and are therefore outside the scope of these policies for revenue from contracts with customers.

Sales commissions paid by the Firm in connection with the sale of certain classes of shares of its open-end mutual fund products are accounted for as deferred commission assets and amortized to expense over the expected life of the contract.

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Notes to Consolidated Financial Statements

(Unaudited)

The Firm periodically tests deferred commission assets for recoverability based on cash flows expected to be received in future periods. Other asset management and distribution costs are recognized as incurred in the relevant non-interest expenses line items.

Other Items

Revenue from commodities-related contracts is recognized as the promised goods or services are delivered to the customer.

Receivables from contracts with customers are recognized in Customer and other receivables in the balance sheets when the underlying performance obligations have been satisfied and the Firm has the right per the contract to bill the customer. Contract assets are recognized in Other assets when the Firm has satisfied its performance obligations, but customer payment is conditional. Contract liabilities are recognized in Other liabilities when the Firm has collected payment from a customer based on the terms of the contract, but the underlying performance obligations are not yet satisfied.

For contracts with a term less than one year, incremental costs to obtain the contract are expensed as incurred. Revenues are not discounted when payment is expected within one year.

The Firm presents, net within revenues, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Firm from a customer.

Derivatives and Hedging Targeted Improvements to Accounting for Hedging Activities

This accounting update aims to better align the hedge accounting requirements with an entity s risk management strategies and improve the financial reporting of hedging relationships. It also results in simplification of the application of hedge accounting related to the assessment of hedge effectiveness.

The Firm early adopted this accounting update in the first quarter of 2018. Upon adoption, the Firm recorded a cumulative catch-up adjustment, decreasing Retained earnings by $99 million, net of tax. This adjustment represents the cumulative effect of applying the new rules from the inception of certain fair value hedges of the interest rate risk of our borrowings, in particular the provision allowing only the benchmark rate component of coupon cash flows to be hedged.

Effective January 1, 2018, in accordance with this adoption, the Firm has updated its accounting policies to permit the hedged item in a fair value hedge of interest rate risk to be defined as including only the benchmark

rate component of contractual coupon cash flows, and to allow for hedging part of the contractual term of the hedged instrument. The accounting policy also requires the entire gain or loss from revaluing hedges of net investments in foreign operations at the spot rate to be reported within AOCI.

In the current quarter, the Firm began designating interest rate swaps as fair value hedges of changes in the benchmark interest rate of certain AFS securities. Consistent with the Firm s existing fair value hedges of borrowings, the Firm uses regression analysis to perform an ongoing prospective and retrospective assessment of the effectiveness of these hedging relationships.

For qualifying fair value hedges of benchmark interest rates, the changes in the fair value of the derivative and the changes in the fair value of the hedged asset due to changes in the benchmark interest rate provide an offset of one another and are recorded in Interest income. When a derivative is de-designated as a hedge, any basis adjustment remaining on the hedged asset is amortized to Interest income over the remaining life of the asset using the effective interest method.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

This accounting update, which the Firm elected to early adopt as of January 1, 2018, allows companies to reclassify from AOCI to Retained earnings the stranded tax effects associated with enactment of the Tax Act on December 22, 2017. These stranded tax effects resulted from the requirement to reflect the total amount of the remeasurement of and other adjustments to deferred tax assets and liabilities in 2017 in income from continuing operations, regardless of whether the deferred taxes were originally recorded in AOCI. Accordingly, as of January 1, 2018, the Firm recorded a net increase to Retained earnings as a result of the reclassification of $443 million of such stranded tax effects previously recorded in AOCI, which were primarily the result of the remeasurement of deferred tax assets and liabilities associated with the change in tax rates.

Aside from the above treatment related to the Tax Act, the Firm releases stranded tax effects from AOCI into earnings once the related category of instruments or transactions giving rise to these effects no longer exists. For further detail on the tax effects reclassified, refer to Note 14 to the financial statements.

Goodwill

The Firm completed its annual goodwill impairment testing as of July 1, 2018. The Firm s impairment testing did not indicate any goodwill impairment, as each of the Firm s reporting units with goodwill had a fair value that was substantially in excess of its carrying value.

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Notes to Consolidated Financial Statements

(Unaudited)

3. Fair Values

Fair Value Measurement

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At September 30, 2018				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Assets at fair value					
Trading assets:					
U.S. Treasury and agency securities	$ 25,578	$ 24,183	$ 5	$	$ 49,766
Other sovereign government obligations	26,698	5,016	36		31,750
State and municipal securities		3,002	4		3,006
MABS		2,652	316		2,968
Loans and lending commitments[2]		6,031	6,735		12,766
Corporate and other debt		21,722	710		22,432
Corporate equities[3]	125,028	413	106		125,547
Derivative and other contracts:					
Interest rate	1,883	156,753	1,029		159,665
Credit		5,740	416		6,156
Foreign exchange	72	63,647	10		63,729
Equity	3,206	45,505	1,207		49,918
Commodity and other	519	7,105	3,487		11,111
Netting[1]	(4,417)	(208,658)	(1,003)	(45,862)	(259,940)
Total derivative and other contracts	1,263	70,092	5,146	(45,862)	30,639
Investments[4]	603	255	818		1,676
Physical commodities		226			226
Total trading assets[4]	179,170	133,592	13,876	(45,862)	280,776
Investment securities AFS	32,846	24,386			57,232
Intangible assets		3			3
Total assets at fair value	$ 212,016	$ 157,981	$ 13,876	$ (45,862)	$ 338,011

	At September 30, 2018				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	**Total**
Liabilities at fair value					
Deposits	$	$ 309	$ 73	$	$ 382
Trading liabilities:					
U.S. Treasury and agency securities	14,169	245			14,414
Other sovereign government obligations	18,779	1,770			20,549
		8,421	1		8,422

Corporate and other debt					
Corporate equities[3]	**59,630**	**178**	**13**		**59,821**
Derivative and other contracts:					
Interest rate	**1,860**	**141,016**	**452**		**143,328**
Credit		**6,156**	**395**		**6,551**
Foreign exchange	**12**	**61,662**	**54**		**61,728**
Equity	**3,070**	**45,439**	**2,878**		**51,387**
Commodity and other	**659**	**8,255**	**1,467**		**10,381**
Netting[1]	**(4,417)**	**(208,658)**	**(1,003)**	**(33,471)**	**(247,549)**
Total derivative and other contracts	**1,184**	**53,870**	**4,243**	**(33,471)**	**25,826**
Total trading liabilities	**93,762**	**64,484**	**4,257**	**(33,471)**	**129,032**
Securities sold under agreements to repurchase		**784**			**784**
Other secured financings		**4,382**	**172**		**4,554**
Borrowings		**46,886**	**3,620**		**50,506**
Total liabilities at fair value	**$ 93,762**	**$ 116,845**	**$ 8,122**	**$ (33,471)**	**$ 185,258**

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(Unaudited)

	At December 31, 2017				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Assets at fair value					
Trading assets:					
U.S. Treasury and agency securities	$ 22,077	$ 26,888	$	$	$ 48,965
Other sovereign government obligations	20,234	7,825	1		28,060
State and municipal securities		3,592	8		3,600
MABS		2,364	423		2,787
Loans and lending commitments[2]		4,791	5,945		10,736
Corporate and other debt		16,837	701		17,538
Corporate equities[3]	149,697	492	166		150,355
Derivative and other contracts:					
Interest rate	472	178,704	1,763		180,939
Credit		7,602	420		8,022
Foreign exchange	58	53,724	15		53,797
Equity	1,101	40,359	3,530		44,990
Commodity and other	1,126	5,390	4,147		10,663
Netting[1]	(2,088)	(216,764)	(1,575)	(47,171)	(267,598)
Total derivative and other contracts	669	69,015	8,300	(47,171)	30,813
Investments[4]	297	523	1,020		1,840
Physical commodities		1,024			1,024
Total trading assets[4]	192,974	133,351	16,564	(47,171)	295,718
Investment securities AFS	27,522	27,681			55,203
Intangible assets		3			3
Total assets at fair value	$ 220,496	$ 161,035	$ 16,564	$ (47,171)	$ 350,924

	At December 31, 2017				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Liabilities at fair value					
Deposits	$	$ 157	$ 47	$	$ 204
Trading liabilities:					
U.S. Treasury and agency securities	17,802	24			17,826
Other sovereign government obligations	24,857	2,016			26,873
Corporate and other debt		7,141	3		7,144
Corporate equities[3]	52,653	82	22		52,757
Derivative and other contracts:					
Interest rate	364	162,239	545		163,148
Credit		8,166	379		8,545
Foreign exchange	23	55,118	127		55,268
Equity	1,001	44,666	2,322		47,989
Commodity and other	1,032	5,156	2,701		8,889
Netting[1]	(2,088)	(216,764)	(1,575)	(36,717)	(257,144)
Total derivative and other contracts	332	58,581	4,499	(36,717)	26,695
Total trading liabilities	95,644	67,844	4,524	(36,717)	131,295

Securities sold under agreements to repurchase		650	150		800
Other secured financings		3,624	239		3,863
Borrowings		43,928	2,984		46,912
Total liabilities at fair value	$ 95,644	$ 116,203	$ 7,944	$ (36,717)	$ 183,074

MABS Mortgage- and asset-backed securities

1. For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled Netting. Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 4.
2. For a further breakdown by type, see the following Loans and Lending Commitments at Fair Value table.
3. For trading purposes, the Firm holds or sells short equity securities issued by entities in diverse industries and of varying sizes.
4. Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see Measured Based on Net Asset Value herein.

Loans and Lending Commitments at Fair Value

$ in millions	**At September 30, 2018**	At December 31, 2017
Corporate	**$ 9,489**	$ 8,358
Residential real estate	**912**	799
Wholesale real estate	**2,365**	1,579
Total	**$ 12,766**	$ 10,736

Unsettled Fair Value of Futures Contracts[1]

$ in millions	**At September 30, 2018**	At December 31, 2017
Customer and other receivables, net	**$ 660**	$ 831

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

For a description of the valuation techniques applied to the Firm s major categories of assets and liabilities measured at fair value on a recurring basis, see Note 3 to the financial statements in the 2017 Form 10-K. During the current year period, there were no significant revisions made to the Firm s valuation techniques.

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Notes to Consolidated Financial Statements

(Unaudited)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended September 30, 2018 (current quarter) and September 30, 2017 (prior year quarter), the current year period and the nine months ended September 30, 2017 (prior year period). Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. The realized and unrealized gains (losses) for assets and liabilities within the Level 3 category presented in the

following tables do not reflect the related realized and unrealized gains (losses) on hedging instruments that have been classified by the Firm within the Level 1 and/or Level 2 categories.

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

Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Current Quarter

$ in millions	Beginning Balance at June 30, 2018	Realized and Unrealized Gains (Losses)	Purchases[1]	Sales and Issuances[2]	Settlements[1]	Net Transfers	**Ending Balance at September 30, 2018**	Unrealized Gains (Losses)
Assets at Fair Value								
Trading assets:								
U.S. Treasury and agency securities	$	**$**	**$ 5**	**$**	**$**	**$**	**$ 5**	**$**
Other sovereign government obligations	5		**32**	**(2)**		**1**	**36**	
State and municipal securities	2		**2**				**4**	
MABS	327	**(1)**	**23**	**(46)**	**(14)**	**27**	**316**	**(8)**
Loans and lending commitments	6,923	**17**	**2,076**	**(1,184)**	**(777)**	**(320)**	**6,735**	**12**
Corporate and other debt	701	**(4)**	**109**	**(153)**	**(6)**	**63**	**710**	**9**

Corporate equities	171	**(7)**	**15**	**(50)**		**(23)**	**106**	**5**
Net derivative and other contracts[3]:								
Interest rate	567	**(3)**	**12**	**(9)**	**(2)**	**12**	**577**	**24**
Credit	(2)	**(39)**	**4**		**58**		**21**	**(41)**
Foreign exchange	(26)	**(35)**			**2**	**15**	**(44)**	**(9)**
Equity	(1,535)	**(149)**	**29**	**(138)**	**84**	**38**	**(1,671)**	**(132)**
Commodity and other	2,032	**(29)**		**(11)**	**(1)**	**29**	**2,020**	**(105)**
Total net derivative and other contracts	1,036	**(255)**	**45**	**(158)**	**141**	**94**	**903**	**(263)**
Investments	941	**5**	**72**	**(103)**		**(97)**	**818**	**2**
Liabilities at Fair Value								
Deposits	$ 37	**$ (2)**	**$**	**$ 11**	**$**	**$ 23**	**$ 73**	**$ (2)**
Trading liabilities:								
Corporate and other debt	1						**1**	
Corporate equities	24		**(12)**	**3**		**(2)**	**13**	
Other secured financings	170	**(2)**					**172**	**(2)**
Borrowings	3,295	**(56)**		**344**	**(81)**	**6**	**3,620**	**(55)**

1. Loan originations and consolidations of VIEs are included in purchases and deconsolidations of VIEs are included in Settlements.
2. Amounts related to entering into Net derivatives and other contracts, Deposits, Other secured financings and Borrowings primarily represent issuances. Amounts for other line items primarily represent sales.
3. Net derivative and other contracts represent Trading assets Derivative and other contracts, net of Trading liabilities Derivative and other contracts. Amounts are presented before counterparty netting.

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(Unaudited)

Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Prior Year Quarter

$ in millions	Beginning Balance at June 30, 2017	Realized and Unrealized Gains (Losses)	Purchases[1]	Sales and Issuances[2]	Settlements[1]	Net Transfers	Ending Balance at September 30, 2017	Unrealized Gains (Losses)
Assets at Fair Value								
Trading assets:								
Other sovereign government obligations	$ 100	$ 2	$ 86	$ (82)	$	$ (2)	$ 104	$ 1
State and municipal securities	9		4	(3)			10	
MABS	264	4	52	(54)		8	274	1
Loans and lending commitments	4,864	25	1,772	(1,431)	(236)	(129)	4,865	17
Corporate and other debt	693	41	220	(241)	(4)	(21)	688	34
Corporate equities	500	(9)	24	(268)		49	296	
Net derivative and other contracts[3]:								
Interest rate	970	105	13	(29)	33	(16)	1,076	92
Credit	(305)	(33)	7	(9)	35	2	(303)	(33)
Foreign exchange	2	(59)	9		17	(47)	(78)	(50)
Equity	1,093	114	60	(77)	79	(38)	1,231	110
Commodity and other	1,509	158	1	(1)	(112)	(21)	1,534	45
Total net derivative and other contracts	3,269	285	90	(116)	52	(120)	3,460	164
Investments	946	(4)	13	(17)	(16)	3	925	(5)
Liabilities at Fair Value								
Deposits	$ 79	$ (1)	$	$ 32	$	$ (6)	$ 106	$ (1)
Trading liabilities:								
Corporate and other debt	15	(2)	(18)	9			8	(1)
Corporate equities	28	1	(10)	24		10	51	2
Securities sold under agreements to repurchase	148	(1)					149	(1)
Other secured financings	244	(5)		2	(1)		250	(5)
Borrowings	2,646	(53)		679	(49)	(726)	2,603	(47)

1.

Loan originations and consolidations of VIEs are included in purchases and deconsolidations of VIEs are included in Settlements.

2. Amounts related to entering into Net derivatives and other contracts, Deposits, Other secured financings and Borrowings primarily represent issuances. Amounts for other line items primarily represent sales.
3. Net derivative and other contracts represent Trading assets Derivative and other contracts, net of Trading liabilities Derivative and other contracts. Amounts are presented before counterparty netting.

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(Unaudited)

Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Current Year Period

$ in millions	Beginning Balance at December 31, 2017	Realized and Unrealized Gains (Losses)	Purchases[1]	Sales and Issuances[2]	Settlements	Net Transfers	**Ending Balance at September 30, 2018**	Unrealized Gains (Losses)
Assets at fair value								
Trading assets:								
U.S. Treasury and agency securities	$	$	$ **5**	$	$	$	$ **5**	$
Other sovereign government obligations	1		**35**				**36**	
State and municipal securities	8		**3**	**(7)**			**4**	
MABS	423	**88**	**73**	**(317)**	**(16)**	**65**	**316**	**(6)**
Loans and lending commitments	5,945	**16**	**4,030**	**(978)**	**(1,926)**	**(352)**	**6,735**	**(8)**
Corporate and other debt	701	**51**	**276**	**(227)**	**(8)**	**(83)**	**710**	**16**
Corporate equities	166	**17**	**69**	**(134)**		**(12)**	**106**	**14**
Net derivative and other contracts[3]:								
Interest rate	1,218	**(46)**	**84**	**(38)**	**(92)**	**(549)**	**577**	**(47)**
Credit	41	**(17)**	**9**	**(40)**	**30**	**(2)**	**21**	**(20)**
Foreign exchange	(112)	**71**	**2**	**(48)**	**43**		**(44)**	**1**
Equity[4]	1,208	**83**	**120**	**(1,052)**	**319**	**(2,349)**	**(1,671)**	**19**
Commodity and other	1,446	**332**	**80**	**(18)**	**17**	**163**	**2,020**	**33**
Total net derivative and other contracts	3,801	**423**	**295**	**(1,196)**	**317**	**(2,737)**	**903**	**(14)**
Investments	1,020	**5**	**134**	**(209)**		**(132)**	**818**	**5**
Liabilities at fair value								
Deposits	$ 47	$ **1**	$	$ **27**	$ **(2)**	$ **2**	$ **73**	$ **1**
Trading liabilities:								
Corporate and other debt	3		**(3)**	**1**			**1**	
Corporate equities	22	**4**	**(12)**	**11**		**(4)**	**13**	**4**
Securities sold under agreements to repurchase	150					**(150)**		

Other secured financings	239	**16**	**8**	**(18)**	**(41)**	**172**	**16**
Borrowings	2,984	**156**	**1,275**	**(339)**	**(144)**	**3,620**	**168**

1. Loan originations and consolidations of VIEs are included in Purchases and deconsolidations of VIEs are included in Settlements.
2. Amounts related to entering into Net derivative and other contracts, Deposits, Other secured financings and Borrowings primarily represent issuances. Amounts for other line items primarily represent sales.
3. Net derivative and other contracts represent Trading assets Derivative and other contracts, net of Trading liabilities Derivative and other contracts. Amounts are presented before counterparty netting.
4. During the current year period, the Firm transferred from Level 3 to Level 2 $2.4 billion of Equity Derivatives due to a reduction in the significance of the unobservable inputs relating to volatility.

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Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Prior Year Period

$ in millions	Beginning Balance at December 31, 2016	Realized and Unrealized Gains (Losses)	Purchases[1]	Sales and Issuances[2]	Settlements	Net Transfers	Ending Balance at September 30, 2017	Unrealized Gains (Losses)
Assets at fair value								
Trading assets:								
U.S. Treasury and agency securities	$ 74	$ (1)	$	$ (240)	$	$ 167	$	$
Other sovereign government obligations	6		104	(5)		(1)	104	
State and municipal securities	250	3	6	(81)		(168)	10	
MABS	217	49	120	(120)	(16)	24	274	13
Loans and lending commitments	5,122	88	2,470	(1,927)	(964)	76	4,865	85
Corporate and other debt	475	67	437	(383)	(7)	99	688	3
Corporate equities	446	8	74	(604)		372	296	3
Net derivative and other contracts[3]:								
Interest rate	420	137	36	(42)	658	(133)	1,076	146
Credit	(373)	(18)	6	(9)	96	(5)	(303)	(34)
Foreign exchange	(43)	(92)	9		48		(78)	(72)
Equity	184	168	816	(231)	209	85	1,231	277
Commodity and other	1,600	523	13	(21)	(431)	(150)	1,534	88
Total net derivative and other contracts	1,788	718	880	(303)	580	(203)	3,460	405
Investments	958	16	96	(44)	(78)	(23)	925	10
Liabilities at fair value								
Deposits	$ 42	$ (2)	$	$ 62	$	$	$ 106	$ (2)
Trading liabilities:								
Corporate and other debt	36	(1)	(55)	99		(73)	8	
Corporate equities	35		(69)	27		58	51	(1)
	149						149	1

Securities sold under agreements to repurchase								
Other secured financings	434	(28)		54	(223)	(43)	250	(21)
Borrowings	2,014	(142)		1,418	(328)	(643)	2,603	(136)

1. Loan originations and consolidations of VIEs are included in Purchases and deconsolidations of VIEs are included in Settlements.
2. Amounts related to entering into Net derivative and other contracts, Deposits, Other secured financings and Borrowings primarily represent issuances. Amounts for other line items primarily represent sales.
3. Net derivative and other contracts represent Trading assets Derivative and other contracts, net of Trading liabilities Derivative and other contracts. Amounts are presented before counterparty netting.

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

The following disclosures provide information on the valuation techniques, significant unobservable inputs, and their ranges and averages for each major category of assets and liabilities measured at fair value on a recurring and nonrecurring basis with a significant Level 3 balance. The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm s inventory. For qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs, see Note 3 to the financial statements in the 2017 Form 10-K. There are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique. A single amount is disclosed when there is no significant difference between the minimum, maximum and average.

Valuation Techniques and Sensitivity of Unobservable Inputs

Used in Level 3 Fair Value Measurements

Recurring Fair Value Measurement

	Balance / Range (Average[1])	
$ in millions, except inputs	**At September 30, 2018**	At December 31, 2017
Assets at Fair Value		
MABS	**$ 316**	$ 423
Comparable pricing:		
Bond price	**0 to 100 points (34 points)**	0 to 95 points (26 points)
Loans and lending commitments	**$ 6,735**	$ 5,945
Margin loan model:		
Discount rate	**1% to 6% (2%)**	0% to 3% (1%)
Volatility skew	**14% to 59% (27%)**	7% to 41% (22%)

Comparable pricing:		
Loan price	**56 to 105 points (97 points)**	55 to 102 points (95 points)
Corporate and other debt	**$ 710**	$ 701
Comparable pricing:		
Bond price	**0 to 100 points (62 points)**	3 to 134 points (59 points)
Discounted cash flow:		
Recovery rate	**20%**	6% to 36% (27%)
Discount rate	**15% to 25% (16%)**	7% to 20% (14%)
Option model:		
At the money volatility	**23% to 51% (34%)**	17% to 52% (52%)
Corporate equities	**$ 106**	$ 166
Comparable pricing:		
Equity price	**100%**	100%

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	Balance / Range (Average[1])	
$ in millions, except inputs	**At September 30, 2018**	At December 31, 2017
Net derivative and other contracts[2]:		
Interest rate	**$ 577**	$ 1,218
Option model:		
IR volatility skew	**27% to 95% (43% / 41%)**	31% to 97% (41% / 47%)
Inflation volatility	**26% to 66% (46% / 43%)**	23% to 63% (44% / 41%)
IR curve	**2%**	2%
Credit	**$ 21**	$ 41
Comparable pricing:		
Cash synthetic basis	**8 to 9 points (9 points)**	12 to 13 points (12 points)
Bond price	**0 to 75 points (28 points)**	0 to 75 points (25 points)
Credit spread	**195 to 474 bps (349 bps)**	N/M
Correlation model:		
Credit correlation	**35% to 74% (48%)**	38% to 100% (48%)
Foreign exchange[3]	**$ (44)**	$ (112)
Option model:		
IR - FX correlation	**53% to 57% (55% / 55%)**	54% to 57% (56% / 56%)
IR volatility skew	**27% to 95% (43% / 41%)**	31% to 97% (41% / 47%)
Contingency probability	**85% to 95% (93% / 95%)**	95% to 100% (96% / 95%)
Equity[3]	**$ (1,671)**	$ 1,208
Option model:		
At the money volatility	**12% to 56% (34%)**	7% to 54% (32%)
Volatility skew	**-2% to 0% (-1%)**	-5% to 0% (-1%)
Equity correlation	**5% to 99% (67%)**	5% to 99% (76%)
FX correlation	**-64% to 10% (-47%)**	-55% to 40% (36%)
IR correlation	**-7% to 44% (15% /10%)**	-7% to 49% (18% / 20%)
Commodity and other	**$ 2,020**	$ 1,446
Option model:		
Forward power price	**$3 to $169 ($30) per MWh**	$4 to $102 ($31) per MWh
Commodity volatility	**5% to 104% (15%)**	7% to 205% (17%)
Cross-commodity correlation	**5% to 99% (92%)**	5% to 99% (92%)
Investments	**$ 818**	$ 1,020
Discounted cash flow:		
WACC	**8% to 15% (9%)**	8% to 15% (9%)
Exit multiple	**7 to 10 times (10 times)**	8 to 11 times (10 times)
Market approach:		
EBITDA multiple	**3 to 23 times (13 times)**	6 to 25 times (11 times)
Comparable pricing:		
Equity price	**25% to 100% (95%)**	45% to 100% (92%)
Liabilities at Fair Value		
Deposits	**$ 73**	$ 47

Option Model				
At the money volatility		**17% to 38% (20%)**		N/M
Volatility skew		**0%**		N/M
Other secured financings	**$**	**172**	$	239
Discounted cash flow:				
Funding spread		**60 to 260 bps (160 bps)**		39 to 76 bps (57 bps)
Option model:				
Volatility skew		**N/A**		-1%
At the money volatility		**10% to 40% (26%)**		10% to 40% (26%)

	Balance / Range (Average[1])			
$ in millions, except inputs		**At September 30, 2018**		At December 31, 2017
Borrowings	**$**	**3,620**	$	2,984
Option model:				
At the money volatility		**5% to 35% (23%)**		5% to 35% (22%)
Volatility skew		**-2% to 0% (0%)**		-2% to 0% (0%)
Equity correlation		**38% to 98% (75%)**		39% to 95% (86%)
Equity - FX correlation		**-75% to 50% (-28%)**		-55% to 10% (-18%)
Nonrecurring Fair Value Measurement				
Loans	**$**	**1,096**	$	924
Corporate loan model:				
Credit spread		**96 to 400 bps (160 bps)**		93 to 563 bps (239 bps)
Expected recovery:				
Asset coverage		**N/M**		95% to 99% (95%)

Points Percentage of par

IR Interest rate

FX Foreign exchange

1. Amounts represent weighted averages except where simple averages and the median of the inputs are more relevant.
2. CVA and FVA are included in the balance but excluded from the Valuation Technique(s) and Significant Unobservable Inputs. CVA is a Level 3 input when the underlying counterparty credit curve is unobservable. FVA is a Level 3 input in its entirety given the lack of observability of funding spreads in the principal market.
3. Includes derivative contracts with multiple risks (*i.e.*, hybrid products).

For a description of the Firm s significant unobservable inputs and related sensitivity, see Note 3 to the financial statements in the 2017 Form 10-K. During the current year period, there were no significant revisions made to the Firm s significant unobservable inputs.

Measured Based on Net Asset Value

	At September 30, 2018		At December 31, 2017	
$ in millions	Carrying Value	Commitment	Carrying Value	Commitment
Private equity	**$ 1,568**	**$ 328**	$ 1,674	$ 308
Real estate	**749**	**168**	800	183
Hedge[1]	**95**	**4**	90	4

Total	**$ 2,412**	**$ 500**	$ 2,564	$ 495

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

For a description of the Firm s investments in private equity funds, real estate funds and hedge funds, which are measured based on NAV, see Note 3 to the financial statements in the 2017 Form 10-K.

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

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See Note 11 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received. See Note 19 for information regarding related performance fees at risk of reversal, including performance fees in the form of carried interest.

Nonredeemable Funds by Contractual Maturity

	Carrying Value at September 30, 2018	
$ in millions	Private Equity	Real Estate
Less than 5 years	**$ 621**	**$ 408**
5-10 years	**816**	**313**
Over 10 years	**131**	**28**
Total	**$ 1,568**	**$ 749**

Fair Value Option

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

Borrowings Measured at Fair Value on a Recurring Basis

$ in millions	**At September 30, 2018**	At December 31, 2017
Business Unit Responsible for Risk Management		
Equity	**$ 25,049**	$ 25,903
Interest rates	**22,101**	19,230
Foreign exchange	**504**	666
Credit	**863**	815
Commodities	**1,989**	298
Total	**$ 50,506**	$ 46,912

Earnings Impact of Borrowings under the Fair Value Option

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2018**	2017	**2018**	2017
Trading revenues	**$ 449**	$ (964)	**$ 1,334**	$ (3,484)
Interest expense	**(59)**	(107)	**(234)**	(338)

Net revenues[1]	**$ 390**	$ (1,071)	**$ 1,100**	$ (3,822)

1. Amounts do not reflect any gains or losses on related hedging instruments.

Gains (losses) are mainly attributable to changes in foreign exchange rates, or interest rates or movements in the reference price or index.

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

	Three Months Ended September 30,			
	2018		2017	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	**$ (4)**	**$ (1,010)**	$ 9	$ (226)
Loans and other debt[1]	**55**		49	
Lending commitments[2]	**(6)**			
Other	**(32)**	**28**		(3)

	Nine Months Ended September 30,			
	2018		2017	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	**$ (22)**	**$ 425**	$ 1	$ (493)
Loans and other debt[1]	**199**		94	
Lending commitments[2]	**(3)**			
Other	**(32)**	**32**		(6)

$ in millions	**At September 30, 2018**	At December 31, 2017
Cumulative pre-tax DVA gain (loss) recognized in AOCI	**$ (1,374)**	$ (1,831)

1. Loans and other debt instrument-specific credit gains (losses) were determined by excluding the non-credit components of gains and losses.
2. Gains (losses) on lending commitments were generally determined based on the difference between estimated expected client yields and contractual yields at each respective period-end.

Excess of Contractual Principal Amount Over Fair Value

$ in millions	**At September 30, 2018**	At December 31, 2017
Loans and other debt[1]	**$ 12,809**	$ 13,481

Loans 90 or more days past due and/or on nonaccrual status[1]	**10,678**	11,253
Borrowings[2]	**1,438**	71

1. The majority of the difference between principal and fair value amounts for loans and other debt relates to distressed debt positions purchased at amounts well below par.
2. Borrowings in this table do not include structured notes where the repayment of the initial principal amount fluctuates based on changes in a reference price or index.

Fair Value Loans on Nonaccrual Status

$ in millions	**At September 30, 2018**	At December 31, 2017
Nonaccrual loans	**$ 1,522**	$ 1,240
Nonaccrual loans 90 or more days past due	**$ 802**	$ 779

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

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Measured at Fair Value on a Nonrecurring Basis

Carrying and Fair Values

	At September 30, 2018		
	Fair Value		
$ in millions	Level 2	Level 3[1]	Total
Assets			
Loans	**$ 1,460**	**$ 1,096**	**$ 2,556**
Other assets Other investments	**15**	**36**	**51**
Other assets Premises, equipment and software			
Total	**$ 1,475**	**$ 1,132**	**$ 2,607**
Liabilities			
Other liabilities and accrued expenses Lending commitments	**$ 185**	**$ 48**	**$ 233**
Total	**$ 185**	**$ 48**	**$ 233**

	At December 31, 2017		
	Fair Value		
$ in millions	Level 2	Level 3[1]	Total
Assets			
Loans	$ 1,394	$ 924	$ 2,318
Other assets Other investments		144	144
Total	$ 1,394	$ 1,068	$ 2,462
Liabilities			
Other liabilities and accrued expenses Lending commitments	$ 158	$ 38	$ 196
Total	$ 158	$ 38	$ 196

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

Gains (Losses) from Fair Value Remeasurements[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2018**	2017	**2018**	2017
Assets				

Loans[2]	**$ (5)**	$	**$ 1**	$ 41
Other assets Other investments[3]	**(2)**	(6)	**(9)**	(6)
Other assets Premises, equipment and software[4]	**(3)**	(1)	**(13)**	(7)
Total	**$ (10)**	$ (7)	**$ (21)**	$ 28
Liabilities				
Other liabilities and accrued expenses Lending commitments[2]	**$ 31**	$ 4	**$ 41**	$ 64
Total	**$ 31**	$ 4	**$ 41**	$ 64

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

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Financial Instruments Not Measured at Fair Value

	At September 30, 2018				
	Carrying	Fair Value			
$ in millions	Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents:					
Cash and due from banks	**$ 36,641**	**$ 36,641**	**$**	**$**	**$ 36,641**
Interest bearing deposits with banks	**22,638**	**22,638**			**22,638**
Restricted cash	**33,202**	**33,202**			**33,202**
Investment securities HTM	**25,336**	**12,757**	**10,883**	**442**	**24,082**
Securities purchased under agreements to resell	**69,086**		**69,026**		**69,026**
Securities borrowed	**142,489**		**142,433**		**142,433**
Customer and other receivables[1]	**55,189**		**51,768**	**3,251**	**55,019**
Loans[2]	**109,983**		**21,259**	**88,321**	**109,580**
Other assets	**483**		**483**		**483**
Financial Liabilities					
Deposits	**$ 174,803**	**$**	**$ 174,764**	**$**	**$ 174,764**
Securities sold under agreements to repurchase	**59,544**		**59,495**		**59,495**
Securities loaned	**11,833**		**11,909**		**11,909**
Other secured financings	**5,503**		**3,876**	**1,634**	**5,510**
Customer and other payables[1]	**188,054**		**188,054**		**188,054**
Borrowings	**140,383**		**145,076**	**30**	**145,106**

	At December 31, 2017				
	Carrying	Fair Value			
$ in millions	Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents:					
Cash and due from banks	$ 24,816	$ 24,816	$	$	$ 24,816
Interest bearing deposits with banks	21,348	21,348			21,348
Restricted cash	34,231	34,231			34,231
Investment securities HTM	23,599	11,119	11,673	289	23,081
Securities purchased under agreements to resell	84,258		78,239	5,978	84,217
Securities borrowed	124,010		124,018	1	124,019
Customer and other receivables[1]	51,269		47,159	3,984	51,143
Loans[2]	104,126		21,290	82,928	104,218
Other assets	433		433		433

Financial Liabilities					
Deposits	$ 159,232	$	$ 159,232	$	$ 159,232
Securities sold under agreements to repurchase	55,624		51,752	3,867	55,619
Securities loaned	13,592		13,191	401	13,592
Other secured financings	7,408		5,987	1,431	7,418
Customer and other payables[1]	188,464		188,464		188,464
Borrowings	145,670		151,692	30	151,722

1. Accrued interest and dividend receivables and payables where carrying value approximates fair value have been excluded.
2. Amounts include loans measured at fair value on a nonrecurring basis.

Lending Commitments Held for Investment and Held for Sale

	Commitment	Fair Value		
$ in millions	Amount[1]	Level 2	Level 3	Total
September 30, 2018	**$ 106,904**	**$ 702**	**$ 204**	**$ 906**
December 31, 2017	100,151	620	174	794

1. For further discussion on lending commitments, see Note 11.

The previous tables exclude certain financial instruments such as equity method investments and all non-financial assets and liabilities such as the value of the long-term relationships with the Firm s deposit customers. During the current year period, there were no significant updates made to the Firm s valuation techniques for financial instruments not measured at fair value.

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4. Derivative Instruments and Hedging Activities

Derivative Fair Values

At September 30, 2018

	Assets			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ 467	$	$	$ 467
Foreign exchange contracts	107	46		153
Total	574	46		620
Not designated as accounting hedges				
Interest rate contracts	156,859	1,960	379	159,198
Credit contracts	4,446	1,710		6,156
Foreign exchange contracts	61,596	1,798	182	63,576
Equity contracts	26,522		23,396	49,918
Commodity and other contracts	8,975		2,136	11,111
Total	258,398	5,468	26,093	289,959
Total gross derivatives	$ 258,972	$ 5,514	$ 26,093	$ 290,579
Amounts offset				
Counterparty netting	(190,040)	(4,850)	(24,242)	(219,132)
Cash collateral netting	(40,294)	(514)		(40,808)
Total in Trading assets	$ 28,638	$ 150	$ 1,851	$ 30,639
Amounts not offset[1]				
Financial instruments collateral	(14,077)			(14,077)
Other cash collateral	(29)			(29)
Net amounts	$ 14,532	$ 150	$ 1,851	$ 16,533
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 3,590

	Liabilities			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ 270	$ 1	$	$ 271
Foreign exchange contracts	19	14		33
Total	289	15		304
Not designated as accounting hedges				

Interest rate contracts	**140,816**	**1,733**	**508**	**143,057**
Credit contracts	**4,452**	**2,099**		**6,551**
Foreign exchange contracts	**59,763**	**1,848**	**84**	**61,695**
Equity contracts	**28,920**		**22,467**	**51,387**
Commodity and other contracts	**8,308**		**2,073**	**10,381**
Total	**242,259**	**5,680**	**25,132**	**273,071**
Total gross derivatives	**$ 242,548**	**$ 5,695**	**$ 25,132**	**$ 273,375**
Amounts offset				
Counterparty netting	**(190,040)**	**(4,850)**	**(24,242)**	**(219,132)**
Cash collateral netting	**(27,777)**	**(640)**		**(28,417)**
Total in Trading liabilities	**$ 24,731**	**$ 205**	**$ 890**	**$ 25,826**
Amounts not offset[1]				
Financial instruments collateral	**(4,729)**		**(143)**	**(4,872)**
Other cash collateral	**(33)**			**(33)**
Net amounts	**$ 19,969**	**$ 205**	**$ 747**	**$ 20,921**
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				**$ 5,763**

At December 31, 2017

	Assets			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ 1,057	$	$	$ 1,057
Foreign exchange contracts	57	6		63
Total	1,114	6		1,120
Not designated as accounting hedges				
Interest rate contracts	177,948	1,700	234	179,882
Credit contracts	5,740	2,282		8,022
Foreign exchange contracts	52,878	798	58	53,734
Equity contracts	24,452		20,538	44,990
Commodity and other contracts	8,861		1,802	10,663
Total	269,879	4,780	22,632	297,291
Total gross derivatives	$ 270,993	$ 4,786	$ 22,632	$ 298,411
Amounts offset				
Counterparty netting	(201,051)	(3,856)	(19,861)	(224,768)
Cash collateral netting	(42,141)	(689)		(42,830)
Total in Trading assets	$ 27,801	$ 241	$ 2,771	$ 30,813
Amounts not offset[1]				
Financial instruments collateral	(12,363)			(12,363)
Other cash collateral	(4)			(4)
Net amounts	$ 15,434	$ 241	$ 2,771	$ 18,446
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 3,154

	Liabilities			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total

Designated as accounting hedges				
Interest rate contracts	$ 67	$ 1	$	$ 68
Foreign exchange contracts	72	57		129
Total	139	58		197
Not designated as accounting hedges				
Interest rate contracts	161,758	1,178	144	163,080
Credit contracts	6,273	2,272		8,545
Foreign exchange contracts	54,191	925	23	55,139
Equity contracts	27,993		19,996	47,989
Commodity and other contracts	7,117		1,772	8,889
Total	257,332	4,375	21,935	283,642
Total gross derivatives	$ 257,471	$ 4,433	$ 21,935	$ 283,839
Amounts offset				
Counterparty netting	(201,051)	(3,856)	(19,861)	(224,768)
Cash collateral netting	(31,892)	(484)		(32,376)
Total in Trading liabilities	$ 24,528	$ 93	$ 2,074	$ 26,695
Amounts not offset[1]				
Financial instruments collateral	(5,523)		(412)	(5,935)
Other cash collateral	(18)	(14)		(32)
Net amounts	$ 18,987	$ 79	$ 1,662	$ 20,728
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 3,751

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

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See Note 3 for information related to the unsettled fair value of futures contracts not designated as accounting hedges, which are excluded from the previous tables.

Derivative Notionals

At September 30, 2018

	Assets			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ **16**	$ **8**	$	$ **24**
Foreign exchange contracts	**5**	**1**		**6**
Total	**21**	**9**		**30**
Not designated as accounting hedges				
Interest rate contracts	**5,359**	**7,067**	**1,206**	**13,632**
Credit contracts	**139**	**71**		**210**
Foreign exchange contracts	**2,160**	**91**	**18**	**2,269**
Equity contracts	**433**		**406**	**839**
Commodity and other contracts	**95**		**64**	**159**
Total	**8,186**	**7,229**	**1,694**	**17,109**
Total gross derivatives	$ **8,207**	$ **7,238**	$ **1,694**	$ **17,139**

	Liabilities			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ **2**	$ **153**	$	$ **155**
Foreign exchange contracts	**3**	**1**		**4**
Total	**5**	**154**		**159**
Not designated as accounting hedges				
Interest rate contracts	**5,317**	**6,361**	**710**	**12,388**
Credit contracts	**146**	**79**		**225**
Foreign exchange contracts	**2,155**	**87**	**17**	**2,259**
Equity contracts	**462**		**578**	**1,040**
Commodity and other contracts	**77**		**62**	**139**
Total	**8,157**	**6,527**	**1,367**	**16,051**
Total gross derivatives	$ **8,162**	$ **6,681**	$ **1,367**	$ **16,210**

At December 31, 2017

	Assets			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ 20	$ 46	$	$ 66
Foreign exchange contracts	4			4
Total	24	46		70
Not designated as accounting hedges				
Interest rate contracts	3,999	6,458	2,714	13,171
Credit contracts	194	100		294
Foreign exchange contracts	1,960	67	9	2,036
Equity contracts	397		334	731
Commodity and other contracts	86		72	158
Total	6,636	6,625	3,129	16,390
Total gross derivatives	$ 6,660	$ 6,671	$ 3,129	$ 16,460

	Liabilities			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate contracts	$ 2	$ 102	$	$ 104
Foreign exchange contracts	4	2		6
Total	6	104		110
Not designated as accounting hedges				
Interest rate contracts	4,199	6,325	1,089	11,613
Credit contracts	226	80		306
Foreign exchange contracts	2,014	78	51	2,143
Equity contracts	394		405	799
Commodity and other contracts	68		61	129
Total	6,901	6,483	1,606	14,990
Total gross derivatives	$ 6,907	$ 6,587	$ 1,606	$ 15,100

The Firm believes that the notional amounts of derivative contracts generally overstate its exposure.

For information related to offsetting of certain collateralized transactions, see Note 6. For a discussion of the Firm s derivative instruments and hedging activities, see Note 4 to the financial statements in the 2017 Form 10-K.

Gains (Losses) on Accounting Hedges

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2018**	2017	**2018**	2017
Fair Value Hedges Recognized in Interest Expense				
Interest rate contracts	**$ (1,124)**	$ (218)	**$ (3,584)**	$ (878)
Borrowings	**1,124**	175	**3,563**	670
Net Investment Hedges Foreign exchange contracts				
Recognized in OCI	**$ 107**	$ (88)	**$ 354**	$ (340)
Forward points excluded from hedge effectiveness testing Recognized in Interest income	**13**	(3)	**44**	(22)
Fair Value Hedges Hedged Items				

$ in millions	At September 30, 2018
Investment Securities AFS[1]	
Carrying amount[2] currently or previously hedged	$ **86**
Borrowings	
Carrying amount[2] currently or previously hedged	$ **103,269**
Basis adjustments included in carrying amount[3]	$ **(3,744)**

1. In the current quarter, the Firm began designating interest rate swaps as fair value hedges of certain AFS securities. Amounts recognized in interest income and basis adjustments related to AFS securities were not material.
2. Carrying amount represents amortized cost basis.
3. Hedge accounting basis adjustments for Borrowings are primarily related to outstanding hedges.

Credit Risk-Related Contingencies

In connection with certain OTC trading agreements, the Firm may be required to provide additional collateral or immediately settle any outstanding liability balances with certain counterparties in the event of a credit rating downgrade of the Firm.

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Net Derivative Liabilities and Collateral Posted

$ in millions	**At September 30, 2018**	At December 31, 2017
Net derivative liabilities with credit risk-related contingent features	**$ 16,081**	$ 20,675
Collateral posted	**12,745**	16,642

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

Incremental Collateral or Termination Payments upon Potential Future Ratings Downgrade

$ in millions	**At September 30, 2018**
One-notch downgrade	**$ 429**
Two-notch downgrade	**325**
Bilateral downgrade agreements included in the amounts above[1]	**$ 653**

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

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

Credit Derivatives and Other Credit Contracts

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

For further information on credit derivatives and other credit contracts, see Note 4 to the financial statements in the 2017 Form 10-K.

Protection Sold and Purchased with CDS

	At September 30, 2018			
	Fair Value (Asset)/Liability		Notional	
$ in millions	Protection Sold	Protection Purchased	Protection Sold	Protection Purchased
Single name	**$ (326)**	**$ 469**	**$ 111,848**	**$ 127,114**
Index and basket	**159**	**(67)**	**81,810**	**94,320**
Tranched index and basket	**(207)**	**367**	**6,844**	**12,738**
Total	**$ (374)**	**$ 769**	**$ 200,502**	**$ 234,172**

	At December 31, 2017			
	Fair Value (Asset)/Liability		Notional	
$ in millions	Protection Sold	Protection Purchased	Protection Sold	Protection Purchased
Single name	$ (1,277)	$ 1,658	$ 146,948	$ 164,773
Index and basket	(341)	209	131,073	120,348
Tranched index and basket	(342)	616	11,864	24,498
Total	$ (1,960)	$ 2,483	$ 289,885	$ 309,619

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

	Years to maturity at September 30, 2018				
$ in millions	< 1	1-3	3-5	Over 5	Total
Single name CDS					
Investment grade	**$ 24,275**	**$ 25,802**	**$ 17,512**	**$ 9,721**	**$ 77,310**
Non-investment grade	**11,777**	**12,006**	**8,743**	**2,012**	**34,538**
Total	**$ 36,052**	**$ 37,808**	**$ 26,255**	**$ 11,733**	**$ 111,848**
Index and basket CDS					
Investment grade	**$ 6,594**	**$ 8,975**	**$ 22,203**	**$ 16,832**	**$ 54,604**
Non-investment grade	**5,300**	**6,884**	**9,727**	**12,139**	**34,050**
Total	**$ 11,894**	**$ 15,859**	**$ 31,930**	**$ 28,971**	**$ 88,654**
Total CDS sold	**$ 47,946**	**$ 53,667**	**$ 58,185**	**$ 40,704**	**$ 200,502**
Other credit contracts				**129**	**129**
Total credit protection sold	**$ 47,946**	**$ 53,667**	**$ 58,185**	**$ 40,833**	**$ 200,631**
CDS protection sold with identical protection purchased					**$ 186,961**

	Years to maturity at December 31, 2017				
$ in millions	< 1	1-3	3-5	Over 5	Total
Single name CDS					
Investment grade	$ 39,721	$ 42,591	$ 18,157	$ 8,872	$ 109,341
Non-investment grade	14,213	16,293	6,193	908	37,607
Total	$ 53,934	$ 58,884	$ 24,350	$ 9,780	$ 146,948

Index and basket CDS					
Investment grade	$ 29,046	$ 15,418	$ 37,343	$ 6,807	$ 88,614
Non-investment grade	5,246	7,371	32,417	9,289	54,323
Total	$ 34,292	$ 22,789	$ 69,760	$ 16,096	$ 142,937
Total CDS sold	$ 88,226	$ 81,673	$ 94,110	$ 25,876	$ 289,885
Other credit contracts	2			134	136
Total credit protection sold	$ 88,228	$ 81,673	$ 94,110	$ 26,010	$ 290,021
CDS protection sold with identical protection purchased					$ 274,473

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

$ in millions	**At September 30, 2018**	At December 31, 2017
Single name CDS		