



PUBLIC DISCLOSURE

December 6, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Morgan Stanley Private Bank, N.A.
Charter Number 24981

2000 Westchester Avenue
Purchase, New York 10577

Office of the Comptroller of the Currency
Large Bank Supervision
400 7th Street, S.W.
Washington, DC 20219

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.



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Overall CRA Rating

Institution's CRA Rating: This institution is rated Outstanding.

CONCLUSIONS:

The bank exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating.

- The institution exhibits an excellent level of qualified loans. Morgan Stanley Private Bank, National Association (MSPBNA) exceeded the lending goals for outstanding performance set forth in the bank's strategic plans for the 2018 to 2020 evaluation period. The bank made nearly \$485 million in community development (CD) loans during the three-year period. Most of loans addressed the need of affordable housing.
- The institution exhibits an excellent level of qualified investments. MSPBNA exceeded the investment goals for outstanding performance set forth in the bank's strategic plans for the 2018 to 2020 evaluation period. The bank made over \$1.8 billion in CD investments and grants during the three-year period. Most of the investments helped fund mortgages to low- and moderate income (LMI) persons in the assessment area (AA) through the purchase of state housing bonds.
- The institution exhibits an excellent level of CD services. MSPBNA exceeded the service goals for outstanding performance set forth in its strategic plan for 2018 and 2019, but did not achieve its goal for 2020, due to the Covid-19 pandemic. The bank is responsive to identified community needs and supports services that target affordable housing, financial education, social services for LMI individuals, and services for small businesses.

Description of Institution

MSPBNA is an intrastate national bank headquartered in Purchase, New York and is a wholly owned subsidiary of Morgan Stanley Delta Holdings LLC (MSDH). MSDH is a wholly-owned indirect subsidiary of Morgan Stanley & Company (Morgan Stanley). Morgan Stanley is a global financial services institution with over 75,000 employees providing a wide range of securities, investment banking, investment management, and wealth management services.

MSPBNA offers a limited range of deposit and lending products and services primarily for clients of Morgan Stanley's Wealth Management channel and for Morgan Stanley employees through various channels, including by mail, telephone, and online. MSPBNA provides lending and deposit product support through its loan and deposit production offices (LDPOs). However, these LDPOs are not branches, do not make loans, do not accept deposits, and do not cash checks.

MSPBNA has no branches, automated teller machines (ATMs), or subsidiaries. As of December 31, 2020, total assets were \$119.9 billion, net income was \$1.2 billion, and Tier 1 Capital was \$8.2 billion. Despite the Covid-19 pandemic, MSPBNA had an asset growth of 44.4 percent in 2020.

MSPBNA ranked 7th in deposits in its AA based on the Federal Deposit Insurance Corporation Deposit Market Share report dated June 30, 2020. Major deposit taking banks and their market share in the AA include JPM Chase Bank (38.7 percent), Goldman Sachs Bank (10.3 percent), and BNY Mellon (8.8 percent). The bank's peers include Charles Schwab, Ally Bank, and Discover Bank.

The bank's deposit base is sweep deposits from the firm's wealth management clients' brokerage accounts and brokered deposits. MSPBNA has no foreign deposits. MSPBNA offers lending products primarily to customers of its affiliates and to Morgan Stanley's employees.

MSPBNA has the following key lending businesses: residential mortgage, tailored lending, and liquidity access line. Tailored lending provides credit through MSPBNA to ultra-high net worth clients of Morgan Stanley, including individuals, trusts, foundations, not-for-profits, limited partnerships, or private corporations for a variety of purposes, including working capital and asset acquisitions. The portfolio includes Capital Call Subscription Facilities, Commercial Real Estate, Securities-Based Loans, and unsecured loan types. The liquidity access line provides credit through MSPBNA to Morgan Stanley clients, including financial flexibility to borrow against eligible securities for multiple purposes including purchasing real estate, paying tax obligations, paying education expenses, investing in small business opportunities, debt consolidation, and unexpected expenses.

There are no known legal, financial, or other factors that affect MSPBNA's ability to meet the credit and CD needs of its AA.

MSPBNA's previous CRA rating is Outstanding with an evaluation date of December 31, 2018.



MSPBNA has chosen to include the following activities from affiliates in this evaluation:

- Morgan Stanley & Co., LLC provides equity financing and philanthropic contributions to support LMI communities and neighborhood revitalization efforts;
- Morgan Stanley Bank, N.A. provides debt financing that supports affordable housing and LMI communities;
- Morgan Stanley Community Investments LLC, Morgan Stanley's community development corporation, provides debt financing to meet the needs of LMI geographies and individuals;
- MS Affordable Housing LLC provides CD investments; and
- Morgan Stanley Foundation provides contributions and other philanthropic assistance to nonprofit organizations to help strengthen local communities.

None of the affiliate activities included for consideration in this CRA evaluation are included in any other affiliate bank CRA performance evaluation.

Community Contact Information

As part of the CRA evaluation, the OCC reviewed information from seven community contacts made within the AA to determine local economic conditions and community needs. These contacts included representatives from affordable housing organizations, community and economic development organizations, and social service groups. Needs identified include more affordable rental and owner-occupied housing, small business loans, workforce development, high quality and affordable day care and afterschool programs, and financial literacy and education.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period is January 1, 2018, through December 31, 2020. MSPBNA is operating under two strategic plans. The OCC approved MSPBNA's CRA Strategic Plan II on May 22, 2014, which was in effect from July 1, 2014 to June 30, 2019, and approved MSPBNA's CRA Strategic Plan III on June 24, 2019, which is in effect from July 1, 2019 to December 31, 2023. CRA Strategic Plan II Goals were restated by the bank at the request of the OCC to reflect full-year goals by dividing each yearly goal in half to represent a six-month goal and adding two six months goals to calculate a calendar year goal.¹

The OCC reviewed community development loans, investments, and services as outlined in the strategic plans.

Selection of Areas for Full-Scope Review

The bank's only AA, consisting of the five boroughs of New York City and Westchester County (NY AA), received a full-scope review.

Ratings

The bank's overall rating is based on the performance as agreed upon in the strategic planning application process.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

¹ For example, with respect to CD Loans: To calculate the six-month period (January 1, 2018 - June 30, 2018): $(\$58,646 / 2) = \$29,323$. To calculate the six-month period (July 1, 2018 - December 31, 2018): $(\$64,510 / 2) = \$32,255$. To calculate the six-month period (January 1, 2019 - June 30, 2019): $(\$64,510 / 2) = \$32,255$. To calculate the twelve months period (January 1, 2018 - December 31, 2018): $(\$29,323 + \$32,255) = \$61,578$. To calculate the twelve months period (January 1, 2019 - December 31, 2019): $(\$32,255 + \$25,000) = \$57,255$.



The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of New York

CRA Rating for the State of New York: Outstanding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE IN NEW YORK:

The bank exceeds its plan goals for a satisfactory rating and substantially achieves its plan goals for an outstanding rating within the state of New York.



DISCUSSION OF PERFORMANCE IN NY AA

STRATEGIC PLAN GOALS AND ACTUAL PERFORMANCE NY AA			
Year	Strategic Plan Goal	Actual Performance	Percent of Goal
2018	Lending (\$): 61,578,000	63,925,000	104
	Investments (\$): 246,313,000	575,582,000	234
	Services (hours): 1,374	4,084	297
2019	Lending (\$): 57,255,000	288,107,000	503
	Investments (\$): 229,021,000	633,233,000	276
	Services (hours): 1,470	3,673	250
2020	Lending (\$): 56,000,000	135,482,000	242
	Investments (\$): 226,000,000	1,341,201,000	593
	Services (hours): 1,500	331	22
Total	Lending (\$): 174,833,000	487,513,000	279
	Investments (\$): 701,334,000	2,550,015,000	364
	Services (hours): 4,344	8,088	186

Lending:

CD lending performance is excellent. MSPBNA exceeded the CD lending goals established for outstanding performance. The bank generated over \$487.5 million in CD loans against the evaluation period goal of \$174.8 million, or 279 percent of goal. As MSPBNA has adequately addressed the needs of its AA, CD activities that benefit geographies or individuals located somewhere within the broader statewide or regional area (BSRA) that includes the bank's AA, received consideration. Under the bank's strategic plans, the BSRA is defined as U.S. Census Region I: Northeast, which consists of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. During the evaluation period, the bank originated 57 CD loans of which 48 (84 percent) and approximately \$428.3 million (88 percent) were inside the AA.

Examples of CD loans include:

- \$45 million construction loan participation for the rehabilitation and Rental Assistance Demonstration (RAD) conversion of 949 units across 47 buildings in the rapidly gentrifying Bushwick neighborhood of Brooklyn as part of New York City Housing Authority's PACT redevelopment program. The RAD program is a HUD initiative that was enacted in 2012 and allows public housing agencies to leverage public and private capital to preserve public housing.
- \$16.7 million letter of credit for an affordable housing portfolio sponsored by a minority-owned developer in New York City. The developer is preserving and rehabilitating housing acquired from a struggling local development corporation as the properties were entering the end of their 15-year Low Income Housing Tax Credits (LIHTC) compliance period. The acquisition, rehab and long-term preservation included a portfolio of affordable multifamily apartment properties including 350 rental units.
- \$5.7 million construction loan to a community development financial institution (CDFI) for a multifamily building with 41 LIHTC apartments. The project qualifies as responsive as it includes eight units set aside as Veterans Affairs Supportive Housing for tenants that meet the federal definition of homelessness. The developer is partnership formed between a not-for-profit community development corporation (CDC) and a for profit developer.
- \$75 million loan participation in a new non-revolving line of credit to a CDFI that makes construction and permanent mortgage loans to private sector developers for the development and preservation of residential properties in LMI areas of New York, with a concentration in New York City.

Investments

CD investment performance is excellent. MSPBNA exceeded the CD investment goals established for outstanding performance. The bank originated nearly \$2.6 billion in CD investments against the evaluation period goal of \$701.3 million, or 364 percent of goal. As MSPBNA has adequately

addressed the needs of its AA, CD investments activities that benefit geographies or individuals located somewhere within the BSRA) that includes the bank's AA, received consideration. During the evaluation period, the bank originated 158 CD loans of which 123 (78 percent) and approximately \$1.8 billion (72 percent) were inside the AA.

Examples of CD investments include:

- \$10.1 million LIHTC investment through a CDFI to support the substantial rehabilitation of 86 one-bedroom units for seniors in two separate buildings located in Yonkers, NY. All units will be income restricted to 60 percent of area median income (AMI). The project is sponsored by the Municipal Housing Authority of the City of Yonkers. This project is part of the housing authority's overall strategy to convert all their public housing to RAD units.
- \$9.1 million investment in a distressed multifamily housing fund managed by a national CDFI for the acquisition of a distressed multifamily property with 48 occupied units in Brooklyn. All units are available to renters at 60 percent of AMI. The investment will support the preservation of the units' affordability, while supporting a sponsor who will partner with the city and local non-profits.
- \$15.3 million LIHTC investment for new construction of 53-units of family housing and 6,267 square feet of commercial space in the Bronx, NY. The project will serve households with a range of incomes up to 80 percent AMI under the income averaging set-aside. Eight units have a hard set-aside for formerly homeless households. These units will receive Section 8 project-based vouchers pursuant to a 15-year contract from New York State Homes and Community Renewal.
- \$9.4 million LIHTC investment through a CDFI, in a 101-unit moderate rehab serving families in the Tremont section of The Bronx, NY. The development consists of six closely scattered buildings in four apartment complexes. All units will be restricted to residents earning at or below 60 percent AMI.

Services

CD services performance is excellent. The bank exceeded its strategic plan goals for CD services hours in 2018 and 2019. The bank did not exceed the satisfactory goal for CD service hours in 2020 due to the COVID-19 pandemic, which presented unique challenges for the delivery of volunteer hours. In early 2020, when the Covid-19 crisis took hold, the bank faced challenges in its ability to deliver in-person seminars, which included topics such as the homebuying process as well as pre-and post-purchase counseling. However, the bank was able to pivot and delivered 10 on-line seminars, which resulted in a 5 percent increase in the average attendance rate, as compared to the in-person seminars delivered over the previous two years. Additionally, bank employees on CRA-qualified Boards also turned to volunteer service through a variety of remote platforms in response to the pandemic related challenges. The bank



provided 8,088 hours of service against the evaluation period goal of 4,344 hours, or 186 percent of goal.

Launched in 2010 and 2018, respectively, two signature efforts of Morgan Stanley's CD service program have been Morgan Stanley's Strategy Challenge (Challenge) and the Scopeathon. The Challenge provides ten weeks of pro-bono consulting focused on answering key strategic questions at selected non-profits and the Scopeathon is a half-day, skills-based consulting event that pair teams of Morgan Stanley employees with local nonprofit organizations. During the evaluation period, the Challenge contributed 6,833 hours to six CD-qualified New York based groups and the Scopeathon contributed 488 hours to 26 organizations.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, loan products considered, and affiliate activities that were reviewed. The table also reflects the MSAs and non-MSAs that received comprehensive examination review

Time Period Reviewed:	01/01/2018 to 12/31/2020	
Bank Products Reviewed:	CD loans, qualified investments, CD services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Morgan Stanley & Co., LLC Morgan Stanley Bank, N.A. Morgan Stanley Community Investments LLC MS Affordable Housing LLC Morgan Stanley Foundation	<p>Morgan Stanley & Co. LLC, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association are each wholly-owned subsidiaries of Morgan Stanley Domestic Holdings, Inc., which is a wholly-owned subsidiary of Morgan Stanley Capital Management, LLC, which is a wholly-owned subsidiary of Morgan Stanley, the ultimate parent company.</p> <p>Morgan Stanley Community Investments LLC is a wholly-owned direct subsidiary of Morgan Stanley.</p> <p>MS Affordable Housing LLC is a wholly-owned subsidiary of MS Low Income Housing II Corporation LLC, which is a wholly-owned subsidiary of Morgan Stanley.</p> <p>Morgan Stanley Foundation is comprised of two legal entities formed by Morgan Stanley. Morgan Stanley Foundation (New York trust) and Morgan Stanley Foundation, Inc. (Delaware corporation).</p>	<p>Morgan Stanley & Co., LLC provides CD Loans and qualified investments/grants;</p> <p>Morgan Stanley Bank, N.A. provides CD loans, qualified investments/grants, and CD services;</p> <p>Morgan Stanley Community Investments LLC provides CD loans;</p> <p>MS Affordable Housing LLC provides qualified investments/grants; and</p> <p>Morgan Stanley Foundation provides qualified investments/grants.</p>
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Other Information	
New York		
New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area (Partial)	Bronx, Kings, New York, Queens, Richmond, and Westchester Counties	



Appendix B - Summary of State and Multistate Metropolitan Area Ratings

State or Multistate Metropolitan Area Name	State or Multistate Metropolitan Area Rating
New York	Outstanding

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. Census tracts ideally contain about 4,000 people and 1,600 housing units.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is

further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

MMSA (state): Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.



Small Loan(s) to Farm(s): A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders’ equity, perpetual preferred shareholders’ equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.