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Morgan Stanley 2Q14 Fixed Income Investor Conference Call

August 1, 2014

Notice

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Report on Form 10-K, Definitive Proxy Statement, Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto, which are available on www.morganstanley.com.

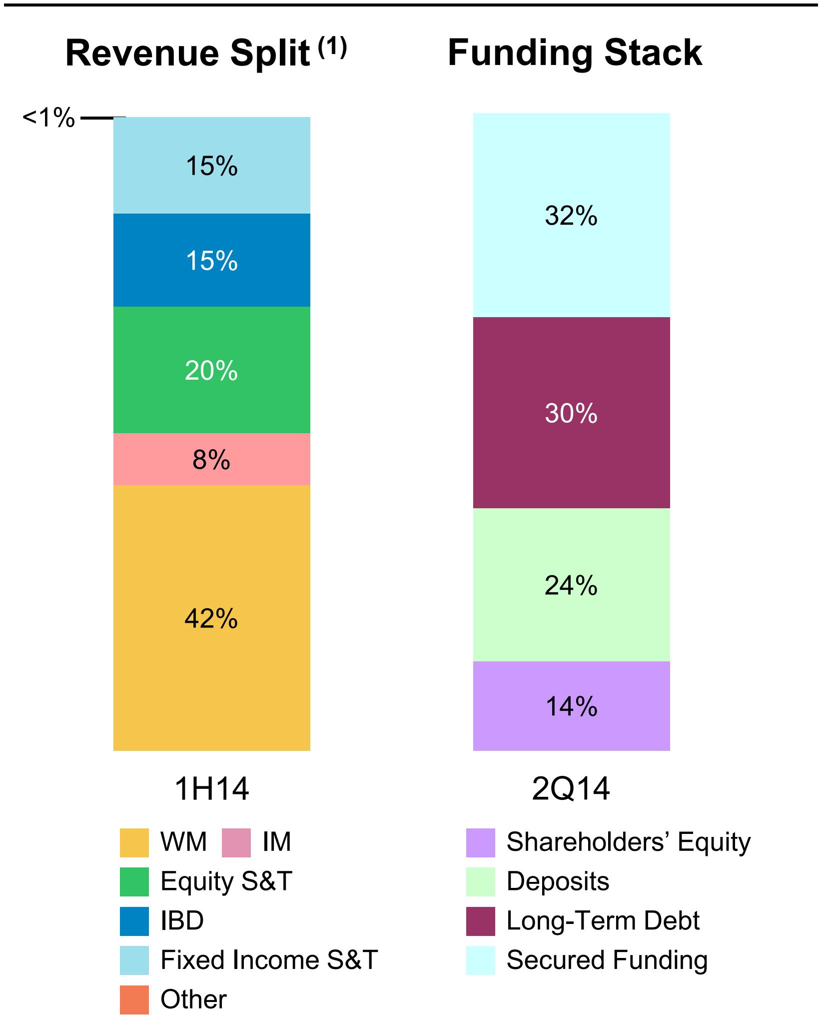
This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto. This presentation is not an offer to buy or sell any security.

Please note this presentation is available at www.morganstanley.com.

Agenda

- **A** Business Update
- **B** Prudent Liability Management
- **C** Liquidity Management
- **D** Regulatory Topics
- **E** Capital Management

A Strategic Moves Enhance Business Outlook and Funding Profile

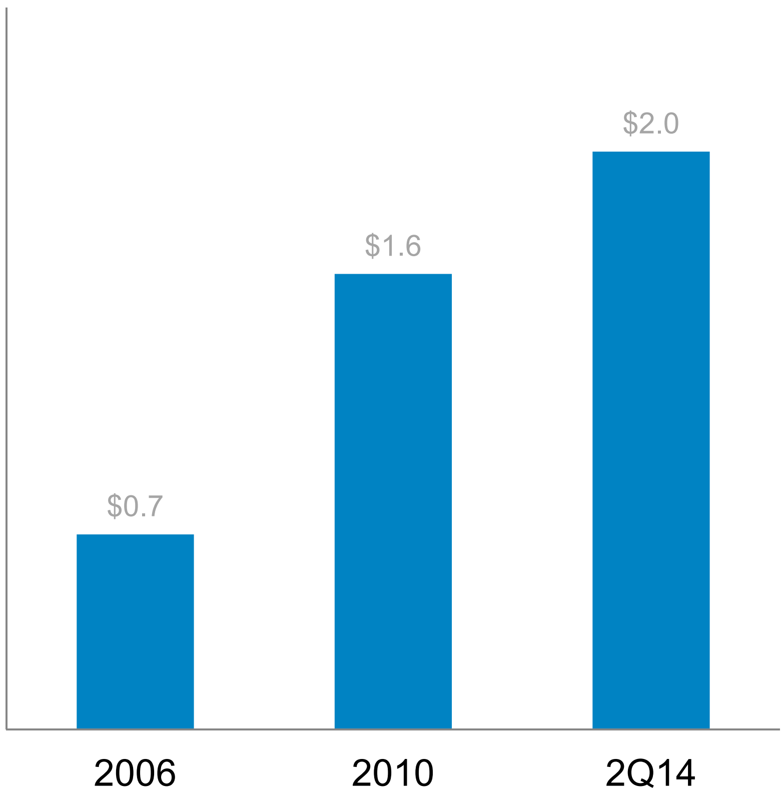


- **Repositioned Business Mix & Balance Sheet…**
  - Powerful set of businesses
  - Enhanced earnings consistency
  - Durable funding; strong balance sheet
- **…Result & Looking Forward**
  - Growth opportunities embedded in existing businesses, with increasing deposits and loan deployment
  - Upside from higher rates, more favorable trading market conditions

(1) Revenues exclude the positive impact of $213 million from DVA in the first half of 2014, ending June 30, 2014. Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.

Wealth Management Benefits From Scale, Revenue Consistency and Significant Asset Growth

Total Client Assets ($Tn)[1]



Assets by Client Segment ($Bn)

	4Q09	1Q14	% Δ
$10MM or more	410	701	+71%
$1MM - $10MM	613	789	+29%
$100K - $1MM	408	412	+1%
<$100K	51	41	-20%

Wealth Management Approximate Daily Revenue Distribution

	2013	1Q14
$40MM - $50MM	7%	0%
$50MM - $60MM	73%	67%
$60MM - $70MM	17%	30%
$70MM+	3%	3%

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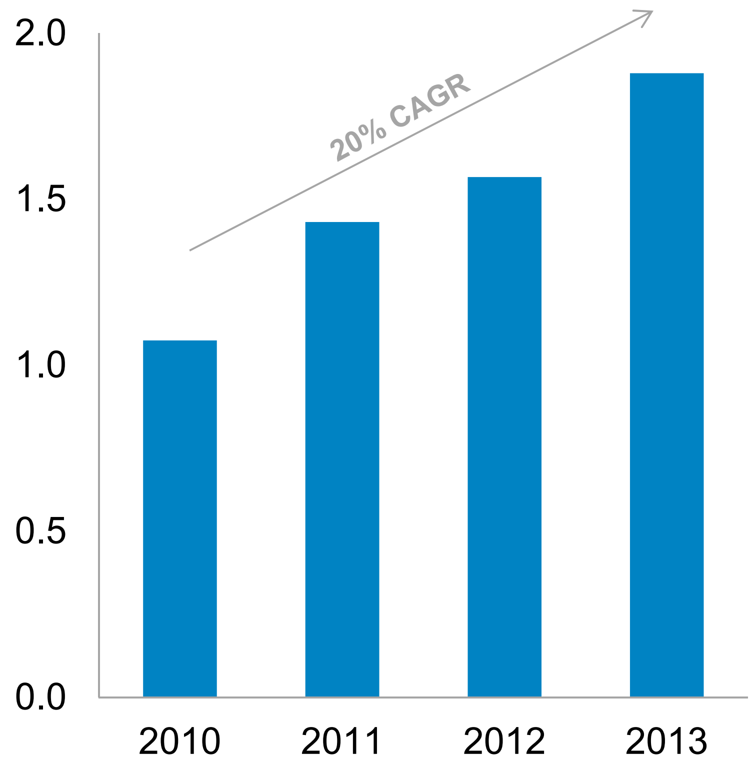
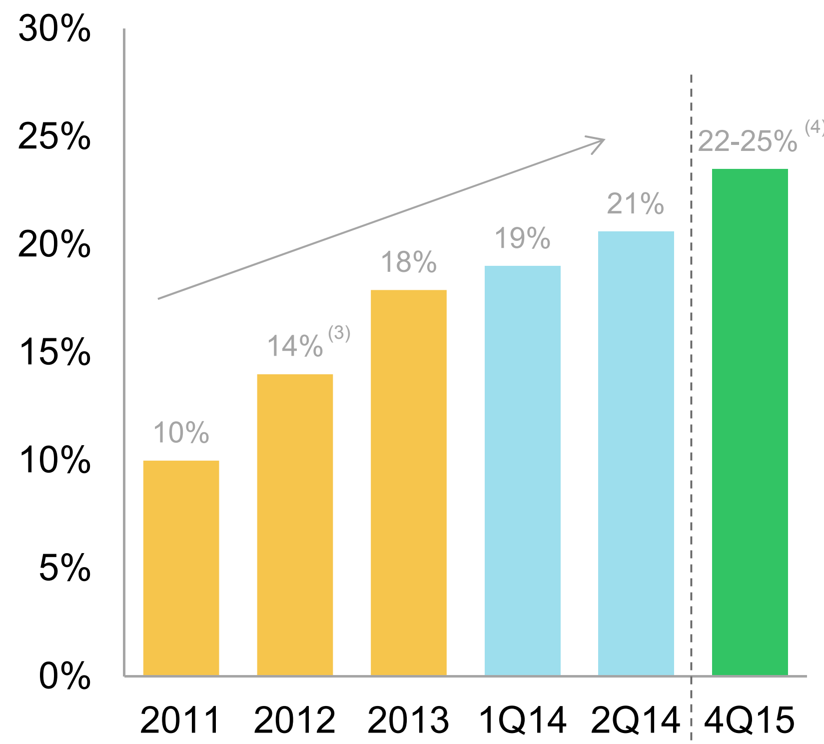
(1) Client Assets for 2006 represent period end assets for fiscal year ending November 30th. Client Assets for 2010 and 2Q14 represent period end assets for fiscal years ending December 31st, or the respective quarters therein.

Wealth Management Revenue Mix and Expense Discipline Drive Margins Higher

Wealth Management Net Interest Income ($Bn)(1)



Wealth Management Pre-tax Margin (%)(1),(2)

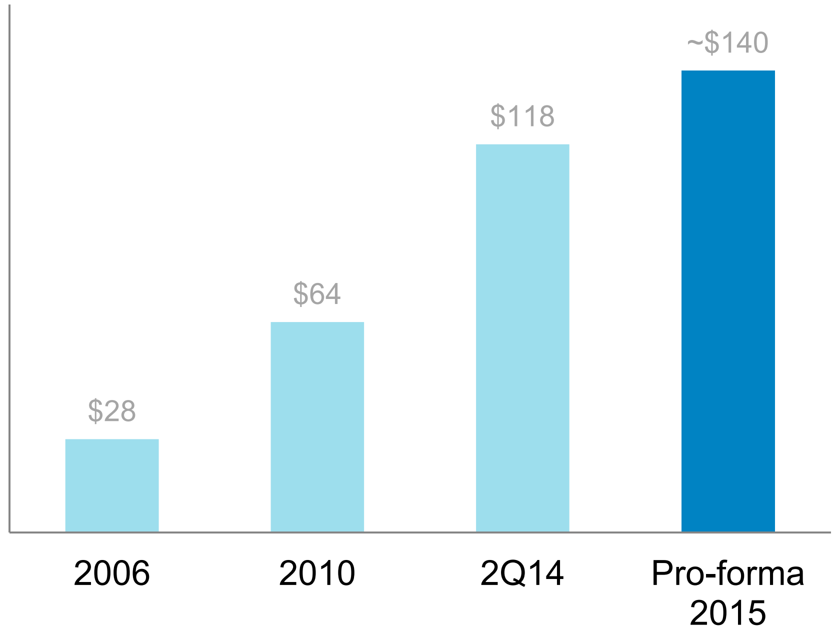


(1) The periods 2010-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.
(2) Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance.
(3) Pre-tax margin for 2012 excludes $193 million of non-recurring costs in 3Q12 associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture.
(4) The attainment of these margins in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations. Assumes flat markets and no increase in interest rates.

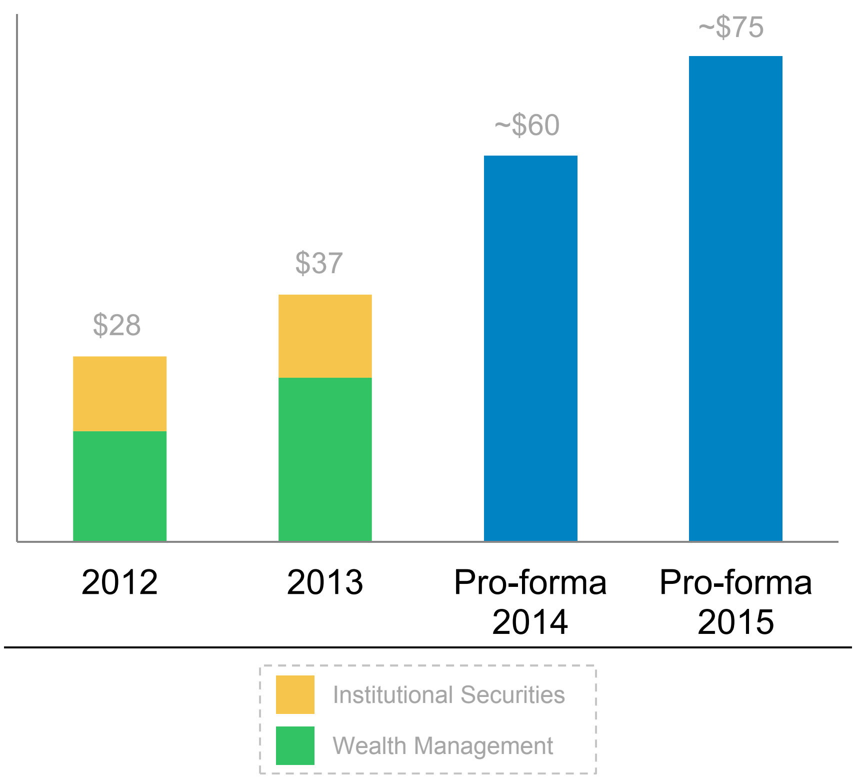
Powerful Growth Opportunity As We Execute Bank Strategy In Wealth Management & Institutional Securities

Lending growth enhancing stability of revenues and earnings

Firmwide Deposits ($Bn)[(1),(2)]



Funded U.S. Banks Loans ($Bn)[(3)]



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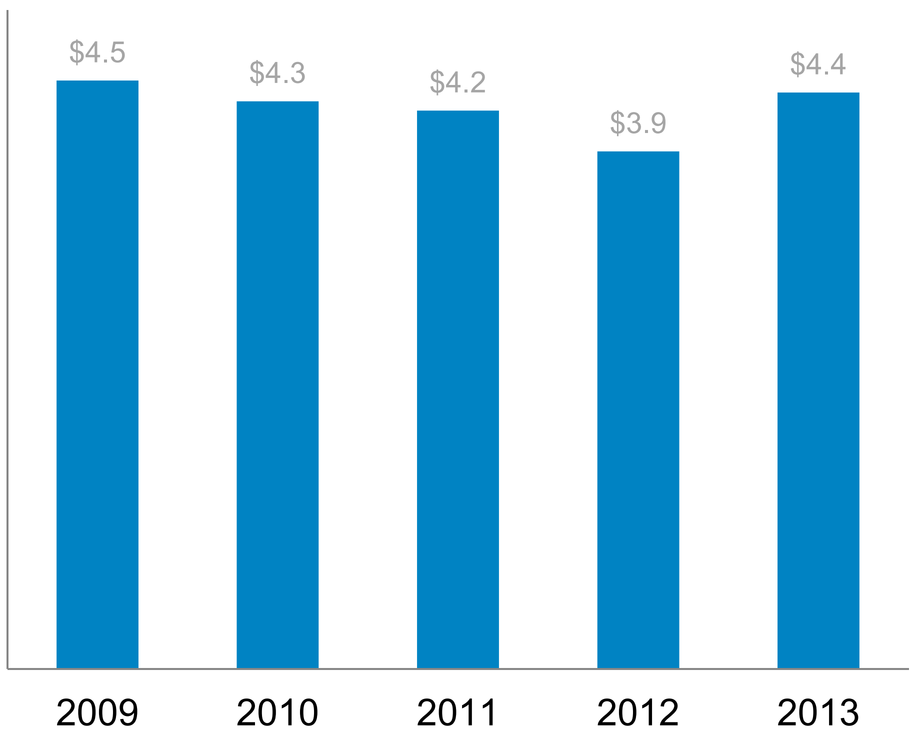
(1) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the joint venture acquisition. Organic account balance growth is assumed to be flat.
(2) Firmwide deposits for 2006 represent period end deposits for fiscal year ending November 30th. Firmwide deposits for 2010 and 2Q14 represent period end deposits for fiscal years ending December 31st or the respective quarters therein.
(3) Bank loan growth represents loans in MSBNA & MSPBNA ('U.S. Banks'). Pro-forma 2014 and 2015 lending balances are the Company's best estimates based on full year projections of deposit deployment and asset optimization. Actual results may be different.

Investment Banking: Revenues Stable in Low Growth Environment – Upside As Pipelines Strengthen

Total Investment Banking Revenues ($Bn)



Growth Opportunities

Increased M&A activity in areas of strength:
- Large transactions
- Cross-border deals
- Situations requiring complex advice

Financing growth associated with M&A and non-U.S. activity

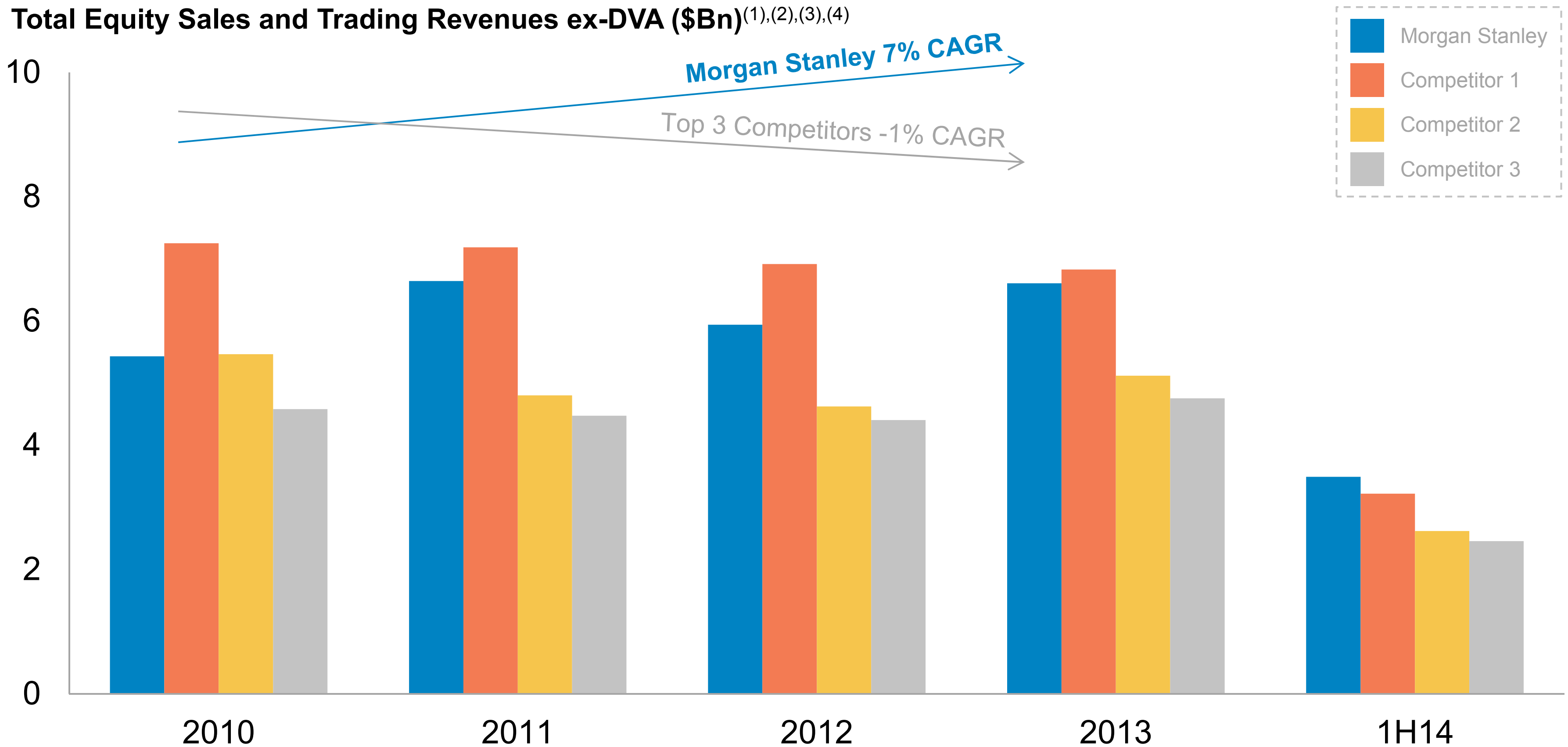
Corporate derivatives

Focus on Japan / MUFG partnership

Synergies with Wealth Management

Equity Sales and Trading: Consistent, Leading Franchise

Total Equity Sales and Trading Revenues ex-DVA ($Bn)(1),(2),(3),(4)



Morgan Stanley Rank	3	2	2	2	1

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(1) Revenues ex-DVA for fiscal years ending December 31st, or the respective six month period therein. Data sourced from each company's published financial statements. Equity sales and trading revenues ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow comparability of peers operating performance from period to period.
(2) 2010-2013 Morgan Stanley equity sales and trading revenues ex-DVA have been recast to include the International Wealth Management business, previously reported in the Wealth Management business segment.
(3) Competitors listed include Goldman Sachs, JP Morgan and Credit Suisse. Results for Credit Suisse were converted to USD using average exchange rates in each period.
(4) Revenues ex-DVA for Goldman Sachs exclude Reinsurance revenues in all periods. 2012 also excludes gains from the sale of a hedge fund administration business.

Fixed Income and Commodities Sales and Trading: Executing Against Strategy

Delivering for clients with an appropriately sized franchise

- Global platform sized to meet client demands, with attractive returns in credit and securitized products
- Upside from:
  - Synergies with Wealth Management, Investment Banking, and Equity Sales and Trading
  - Centrally managing resources – balance sheet, capital, and people – to deliver global offering to clients and an attractive return for shareholders

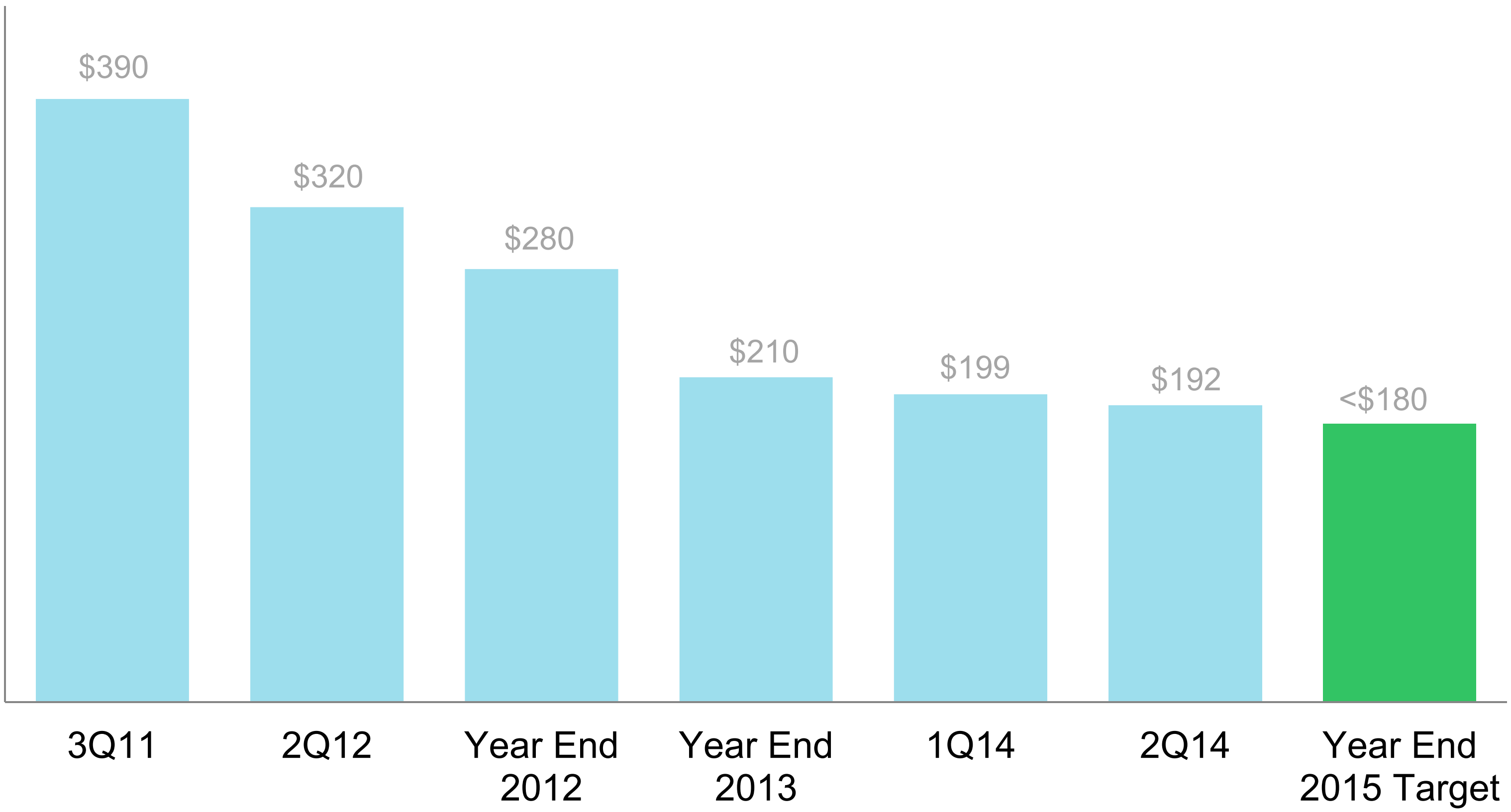
Consistent with fundamental market structure and regulatory changes

- Optimizing business unit and infrastructure headcount for the current opportunity set in Macro products
- Selling Physical Oil businesses
- Maintaining global franchise with a lower balance sheet by leveraging clearing and electronic capabilities
- Changes enhance ROEs and benefit SLR

Have Successfully Reduced RWAs and Capital In Certain Areas of Fixed Income

RWAs down by >50% since 3Q11

Fixed Income and Commodities U.S. Basel III Risk-Weighted Assets ($Bn)[(1),(2)]



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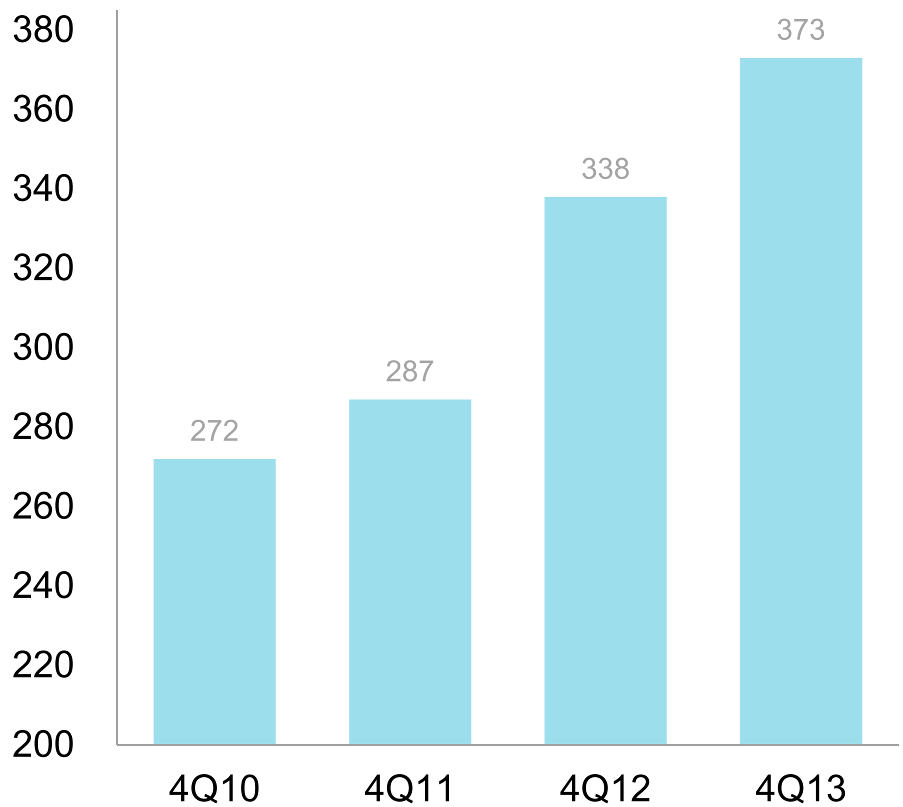
(1) For the periods prior to the second quarter of 2014, the Company estimated its risk-weighted assets based on the Company's analysis of the Advanced Approach framework under the U.S. Basel III rules published to date and other factors. For the second quarter of 2014, the Company calculated its risk-weighted assets under the U.S. Basel III Advanced Approach final rules. This estimate is as of 2Q14 and may change.

(2) Fixed Income and Commodities RWAs for 3Q11, 2Q12 and Year End 2012 include RWAs associated with lending of ~$20Bn. All other figures presented exclude RWAs associated with lending.

Investment Management: Steady Growth in AUM With Continued Upside From Fundraising and Asset Gathering

Increased AUM driven by higher flows and markets

Total Assets Under Management or Supervision ($Bn)



Merchant Banking and Real Estate

- Raising new funds
- Wide range of products
- Leveraging Morgan Stanley global platform and relationships

Traditional Asset Management

- Strong performance and investments in distribution drive Traditional AUM higher
- Developing holistic solutions to meet client demand for new / innovative products
- Investments in North American distribution
- Wealth Management / MUFG cross-selling efforts

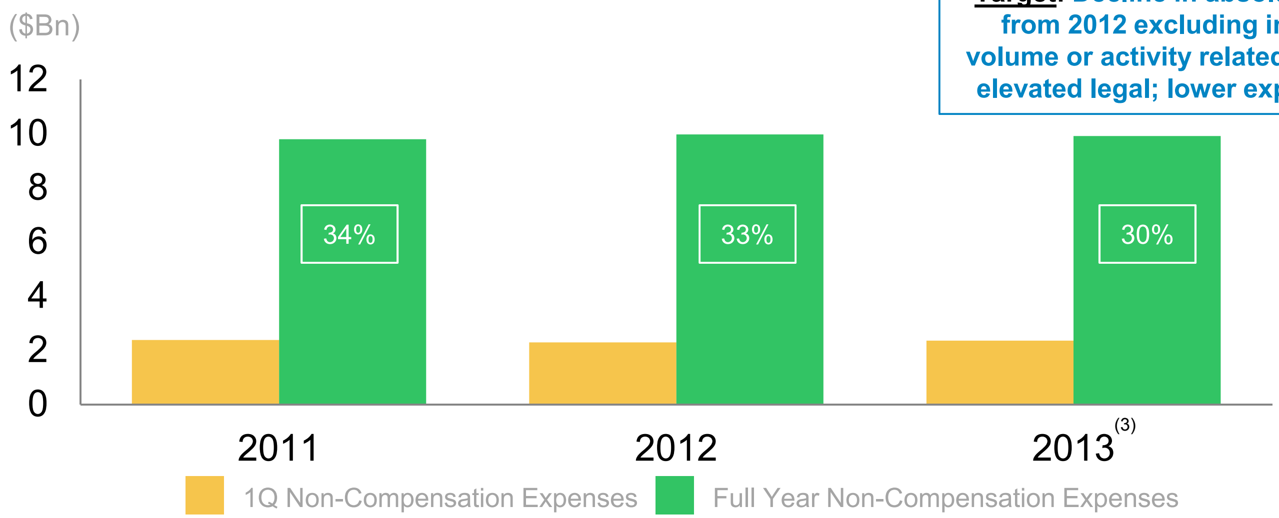
Disciplined Expense Management

Compensation Metrics Will Continue to Improve

- Target Future Compensation/Net Revenue ratios[1]:
  - Institutional Securities ≤ 40%
  - Wealth Management ≤ 55%
  - Investment Management ≤ 40%

Non-Compensation Ratios Declining

Non-Compensation Efficiency Ratio[2]



Target: **Decline in absolute terms[3] from 2012 excluding increased volume or activity related costs, and elevated legal; lower expense ratio**

(1) The attainment of these ratios may be impacted by external factors that cannot be determined at this time, including macroeconomic and market conditions.
(2) Non-compensation efficiency ratio is calculated as non-compensation expenses, or adjusted non-compensation expenses, divided by net revenues excluding DVA. Non-compensation efficiency ratio is a non-GAAP financial measure the Company considers useful for investors to allow comparability of period to period operating performance.
(3) 2013 non-compensation expenses exclude $1.4Bn of increased legal expenses versus 2012 levels and investments/impairments/write-offs of ~$300MM (‘adjusted non-compensation expenses’).

B Prudent Liability Management: Centralized Structure and Strict Governance

Prudent Liability Management & Funding Durability – Setting the Stage

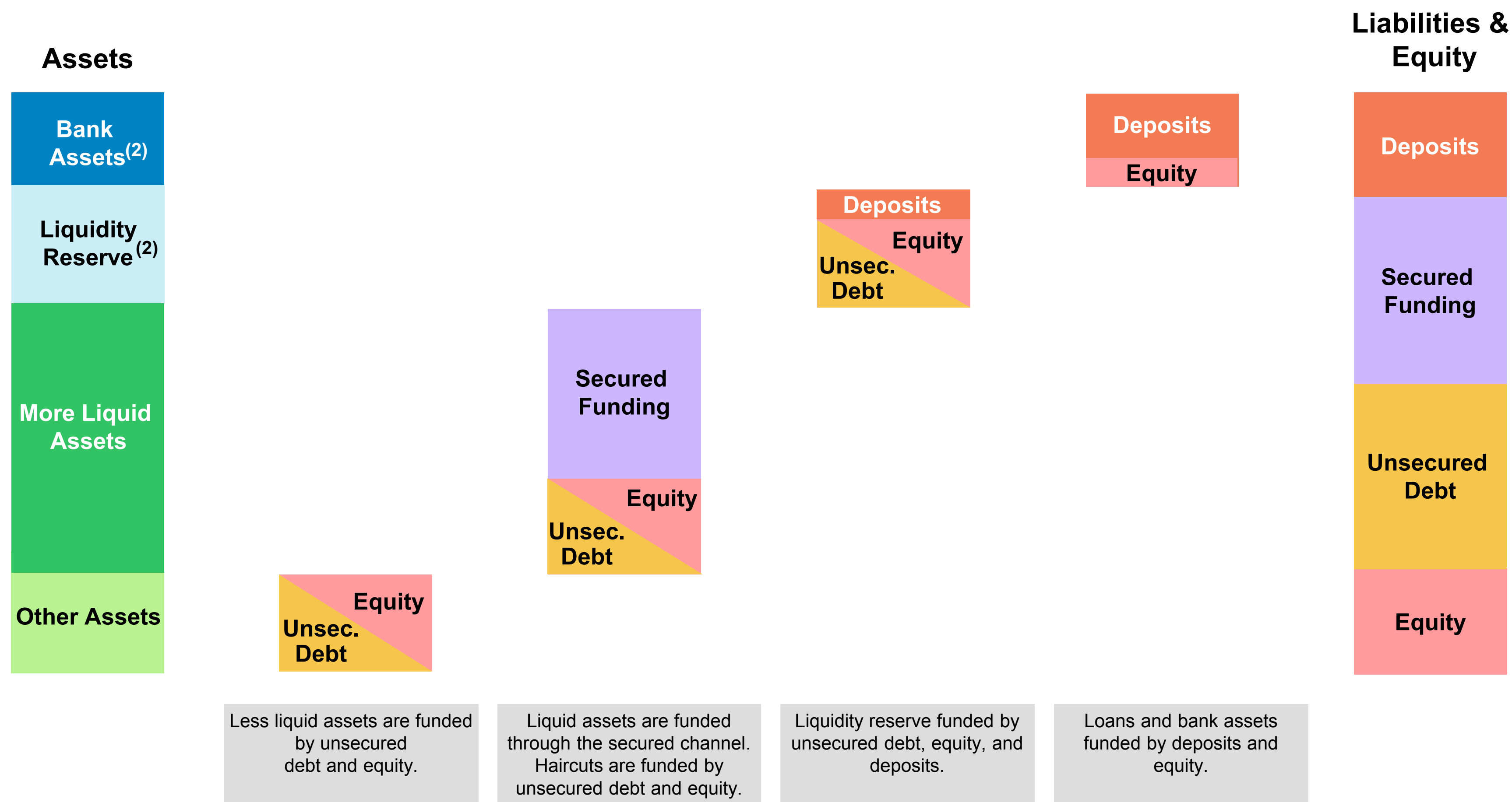
- A prudent liability management framework supported by centralized, strong governance ensuring funding durability, providing critical stability in all environments

Defining Durability of Funding Sources

- Liabilities should be considered across a range from most durable to least durable due to their nature and based on governance
  - Long-Term Debt: Contractually durable and most appropriate to fund longer duration, less liquid assets
  - Deposits: Durable when insured
  - Wholesale (Secured) Funding: Durable when managed to match / exceed asset liquidity horizon
  - Commercial Paper: Not sufficiently durable for banks

Prudent Liability Management: Illustrative Asset-Liability Funding Model[1]

- Funding governance requires alignment of more liquid assets with shorter-term liabilities and less liquid assets with longer-term liabilities and equity



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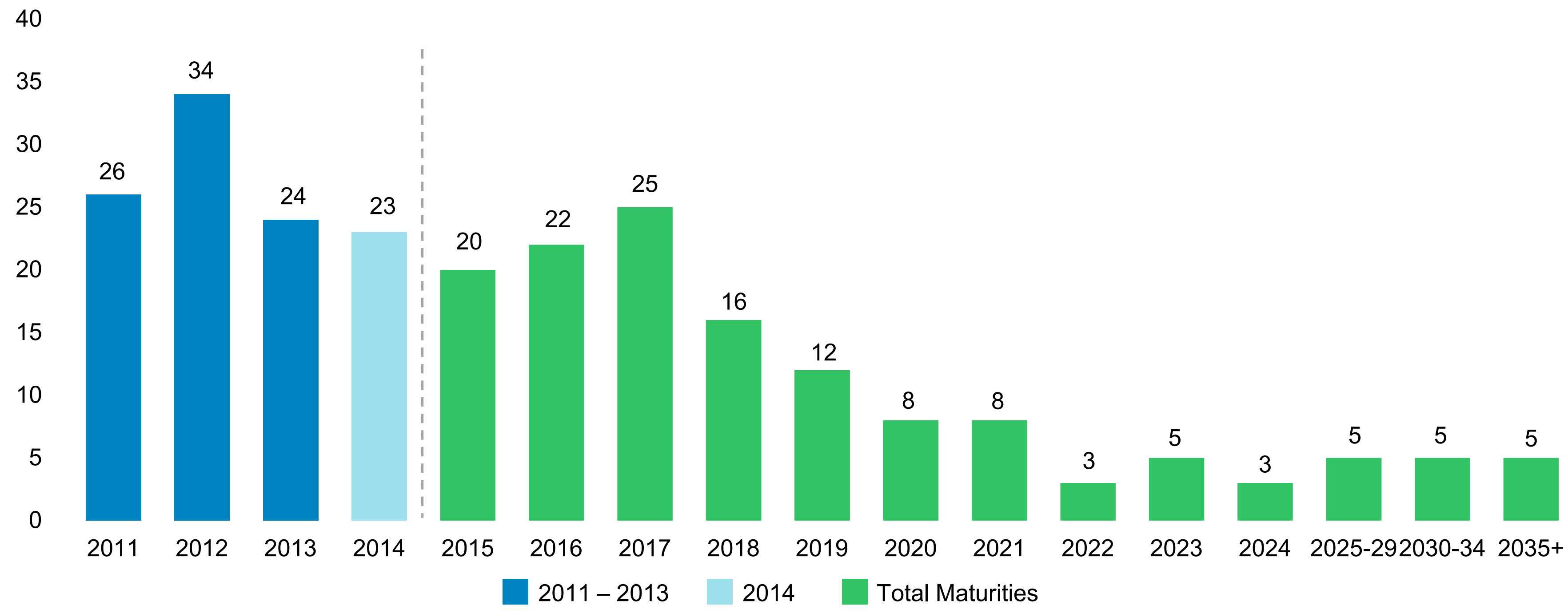
(1) Illustrative; not to scale.
(2) AFS portfolio is a component of both Bank Assets and Liquidity Reserve.

Prudent Liability Management: Maturity Profile of Long-Term Debt

Total Short-Term and Long-Term Maturities[(1),(2),(3)]

($Bn)



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(1) As of June 30, 2014.
(2) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.
(3) Excludes assumptions for secondary buyback activity.

Four Pillars of Secured Funding Ensure Durability and Stability

1 Significant Weighted Average Maturity

- Enhances durability

2 Maturity Limit Structure

- Reduces roll-over risk

3 Investor Limit Structure

- Minimizes concentration with any single investor, in aggregate and in any given month

4 Spare Capacity

- Valuable additional funding for managing through both favorable and stressed markets

Strict Governance Framework Ensures Appropriate Term Consistent with Asset Fundability

Rules-Based Criteria Determine Asset Fundability…

- **Highly Liquid (Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral)**
- **Liquid (Investment Grade Debt and Primary/Secondary Index Equities)**
- **Less Liquid (Convertible Bonds, Emerging Market Sovereigns)**
- **Illiquid (Sub-Investment Grade ABS, Non Index Equities, Non-Rated Debt)**

Fundability Criteria

- Eligible for financing through Open Market Operations (OMO) and/or 23A Exempt and Fed Discount Window eligible
- Central Counterparty Clearing (CCP) eligible
- Government securities or other securities with full faith and credit of the Government
- Market haircuts
- Investor depth (number of investors who accept the asset class)
- Capacity in secured financing market, consistent with term limits

Fundability Definition

Fundability	OMO Eligible and / Or 23A Exempt and Fed DW Eligible	CCP Eligible	Govt. Sec / Govt. Full Faith and Credit	Market Haircut	Investor Depth	Secured Financing Capacity	% of Book
Super Green	✓	✓	✓	< 10%	> 50	100%	55%
Green				<= 15%	>= 15	>= 95%	41%
Amber				> 15%	>= 10	>= 60%	2%
Red				> 20%	< 10	< 60%	2%

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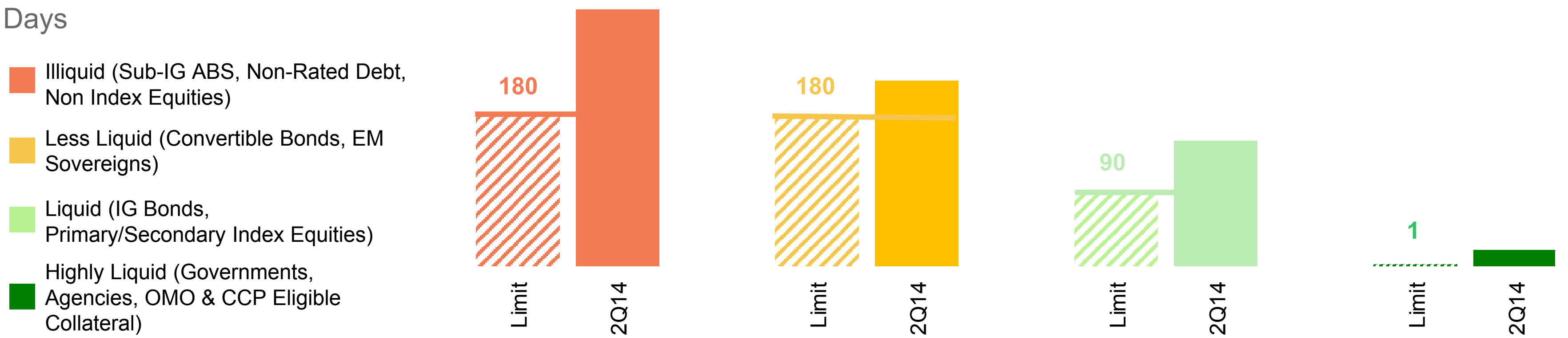
Secured Funding Pillar 1: Longer WAM Provides Appropriate Flexibility

…Fundability Category Determines Required Weighted Average Maturity: >120 Days(1)

- Criteria-based model sources appropriate term funding consistent with liquidity profile of underlying assets
  - Assets tiered by fundability
  - Maturity limits set for each tier
  - Dynamic measurement of asset composition
  - Cost to fund assets allocated to corresponding desks

- Durability and transparency are at the core of Morgan Stanley's secured funding model
  - In 2009, began WAM extension efforts by terming out the Firm's secured funding profile for less-liquid assets (non-Super Green)
  - In 2011, a leader in disclosing WAM for less-liquid assets, with a target of >120 days

Weighted Average Maturity and Limits by Fundability Bucket(2)



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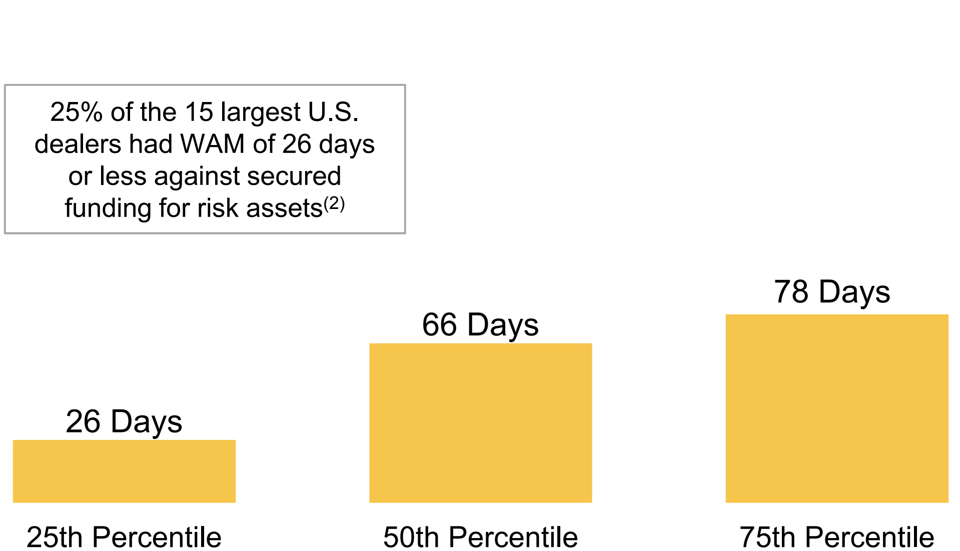
(1) As of June 30, 2014, the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days.
(2) Illustrative; not to scale.

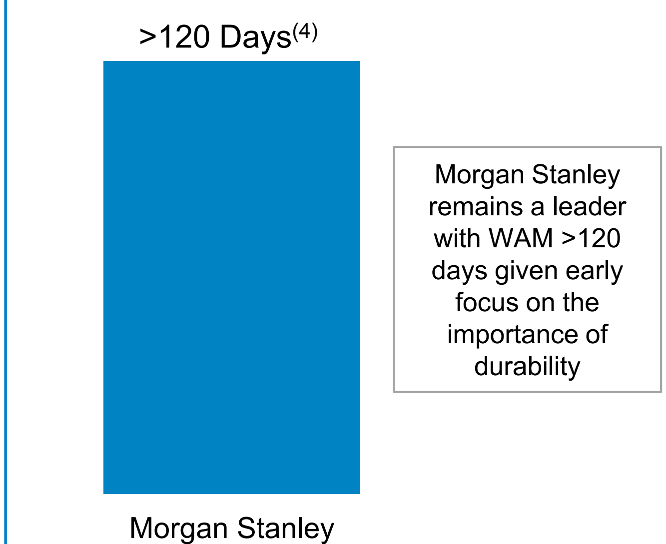
Weighted Average Maturity: Importance of Durability– Morgan Stanley Early Leader

- The Federal Reserve Bank of New York published a study[1] in June 2014 on weighted average maturity (WAM) of risk assets[2] within the U.S. tri-party repo market
- The study concluded that while the maturity in tri-party repos collateralized by risk assets[2] has lengthened, "progress varies considerably across firms"

June 2014 Federal Reserve Study:
Weighted Average Maturity of Risk Assets Secured Funding[1],[2]



Morgan Stanley's Weighted Average Maturity[3]

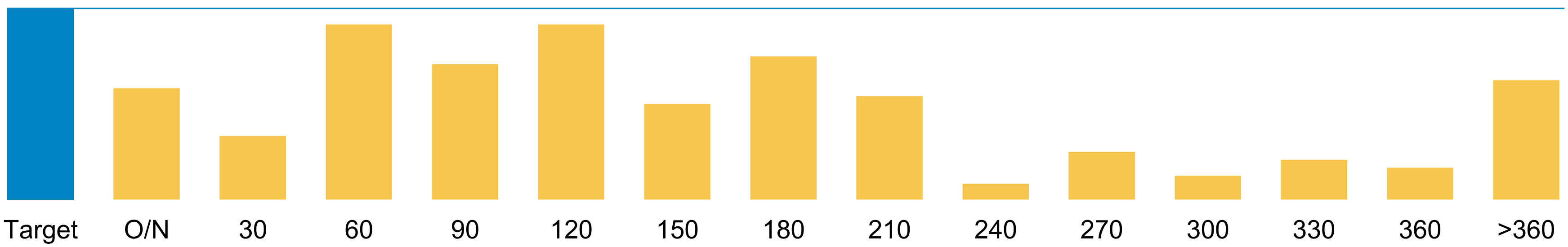


(1) Source: Liberty Street Economics, "What's Your WAM? Taking Stock of Dealers' Funding Durability", June 9, 2014, Federal Reserve Bank of New York.
(2) Risk assets represent repo trades collateralized by assets other than government and agency securities.
(3) Illustrative; not to scale.
(4) As of 2Q14.

Secured Funding Pillar 2: Monthly Maturity Target
Secured Funding Pillar 3: Investor Concentration Target

- **Monthly Maturity Target**: Target less than 15% of non-Super Green liabilities maturing in any given month
- **Investor Concentration Target**: Maximum total exposure per investor of 15% of non-Super Green book
  - Sub-Target: Maximum monthly investor concentration of 25% of the maturities allowed in any given month

Illustrative Non-Super Green Maturity Profile (1),(2)



Top Investor by Maturity Bucket as % of Monthly Maturity Target	4%	23%	10%	16%	12%	21%	21%	2%	4%	9%	7%	8%

Diversified Global Investor Base – Non-Super Green

	2009	2014
# of Term Investors >30 days(3)	15	130

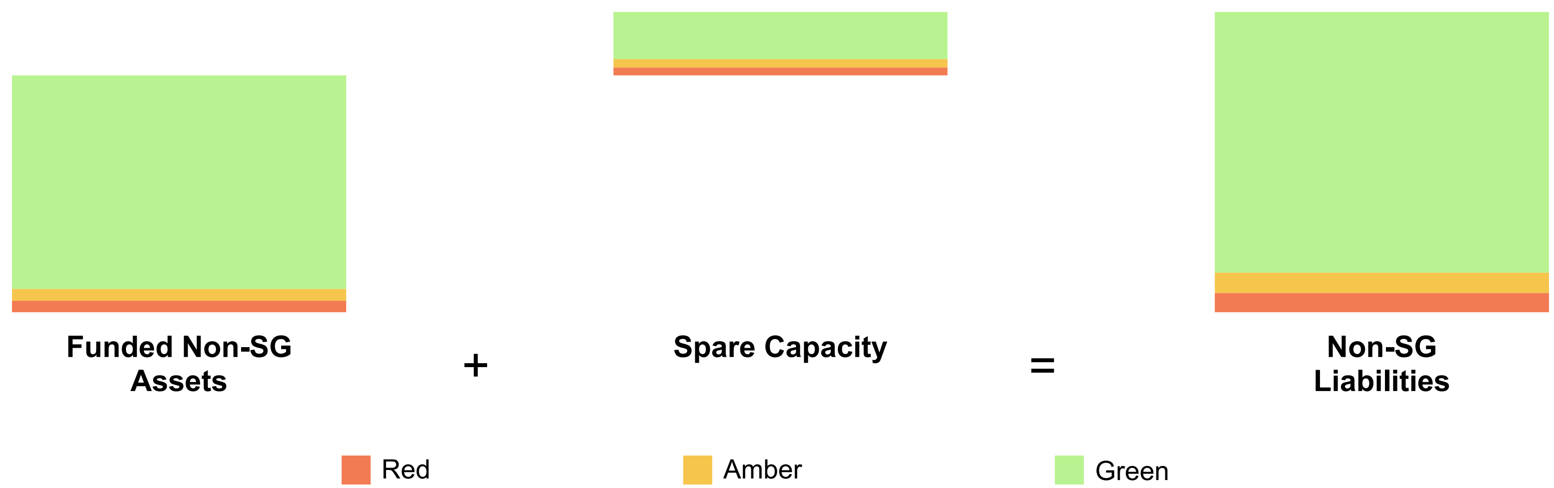
	2009	2014
Americas	<10	>50
Europe	<10	>70
Asia	<5	>30

(1) Represents secured funding balance maturing in 30-day increments.
(2) Illustrative; not to scale.
(3) Represents unique investors; geographic breakdown includes some overlap across regions.

Secured Funding Pillar 4: Spare Capacity Provides Flexibility in Both Favorable and Stressed Markets

- Spare Capacity is equivalent to total non-Super Green liabilities in excess of non-Super Green inventory
- Spare Capacity has created excess contractual term-funding, which provides valuable flexibility to accommodate both favorable and stressed market environments
- Combined with the other pillars of our secured funding governance, Spare Capacity is the first line of defense during market stress events, prior to use of Global Liquidity Reserve
  - Eliminates need to access markets for first 30 days of stress event; reduces needs for 60 days thereafter
- In favorable markets, spare capacity serves as additional on-hand funding to support increased client demand

Non-Super Green Spare Capacity(1)



(1) Illustrative; not to scale.

More Durable Liquidity: Significant Global Liquidity Position

C

Highly Liquid and Unencumbered

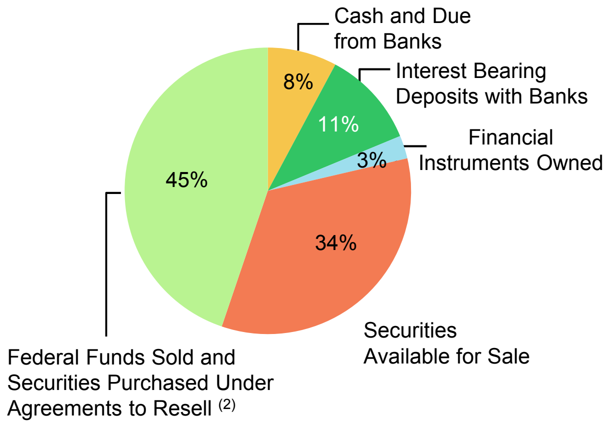
- Changes in bank liquidity levels reflect execution of bank strategy

Period End Liquidity
($Bn)

Composition of the Liquidity Reserve at 2Q14

Type of Investment	($Bn)
Cash / Cash Equivalents	$35
Unencumbered Liquid Securities	157
Total	**$192**

Detailed Breakdown of Liquidity Reserve[1]



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(1) Figures may not sum due to rounding.
(2) Primarily overnight reverse repurchase agreements that unwind to cash.

More Durable Liquidity: Build and Stress Test Liquidity on a Legal Entity Basis

- Stress testing sizes contingency outflow requirements at a legal entity level
  - Contingent cash outflows are measured independently from the inflows resulting from mitigating actions
- Parent stress test model represents the sum of all legal entities
  - Does not assume diversification benefit across legal entities
- Stress tests assume the subsidiaries will initially use their own liquidity before drawing from the Parent
  - Reflects local regulations regarding Parent support
- Parent does not have access to the subsidiaries' excess liquidity reserves

Liquidity (% of Total) [1]	
Parent	30%
Non-Bank Subsidiaries:	
Domestic	8%
Foreign	18%
Total Non-Bank Subsidiaries	26%
Total Parent & Non-Bank Subsidiaries	**56%**
Bank Subsidiaries:	
Domestic	41%
Foreign	3%
Total Bank Subsidiaries	**44%**

(1) Represents entity liquidity as a percentage of the Global Liquidity Reserve as of June 30, 2014.

D Estimated LCR Reflects Benefits of Funding Governance & Liquidity Risk Management

Basel III Liquidity Coverage Ratio (LCR)(1)

- **Morgan Stanley's Position:** Pro-forma LCR estimate based on the Basel Committee's final standards continues to be >100%
  - The Firm's stress test scenarios incorporate and build on the current Basel Committee standards

- **Key Drivers:**
  - Extension of weighted average maturity of secured funding
  - Size of liquidity reserve
  - Virtually no reliance on commercial paper and short duration commercial deposits
  - Size and composition of unfunded lending portfolio

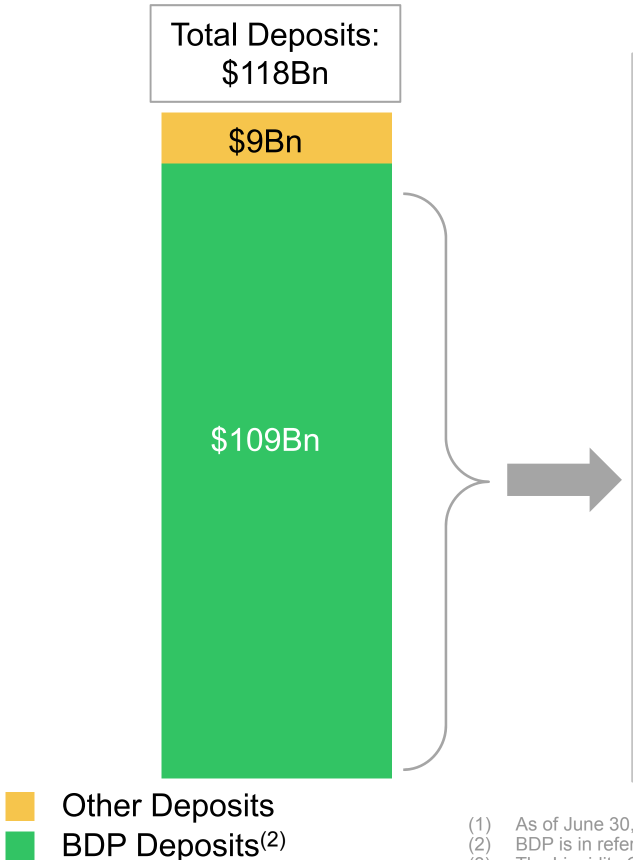
- **Objective:** To promote the short-term resilience of the liquidity risk profile of banks and bank holding companies
  - Specifically, to ensure banks have sufficient high-quality liquid assets to cover net outflows arising from significant stress lasting 30 calendar days

(1) The Company estimates its pro-forma LCR based on a preliminary analysis of the Basel Committee guidelines published to date and other factors. This is a preliminary estimate and may change based on final rules to be issued by the Federal Reserve. In October 2013, the U.S. banking regulators proposed a rule to implement the LCR in the United States. The Company continues to evaluate the U.S. LCR proposal and its potential impact on the Company's current liquidity and funding requirements. The LCR is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory requirements.

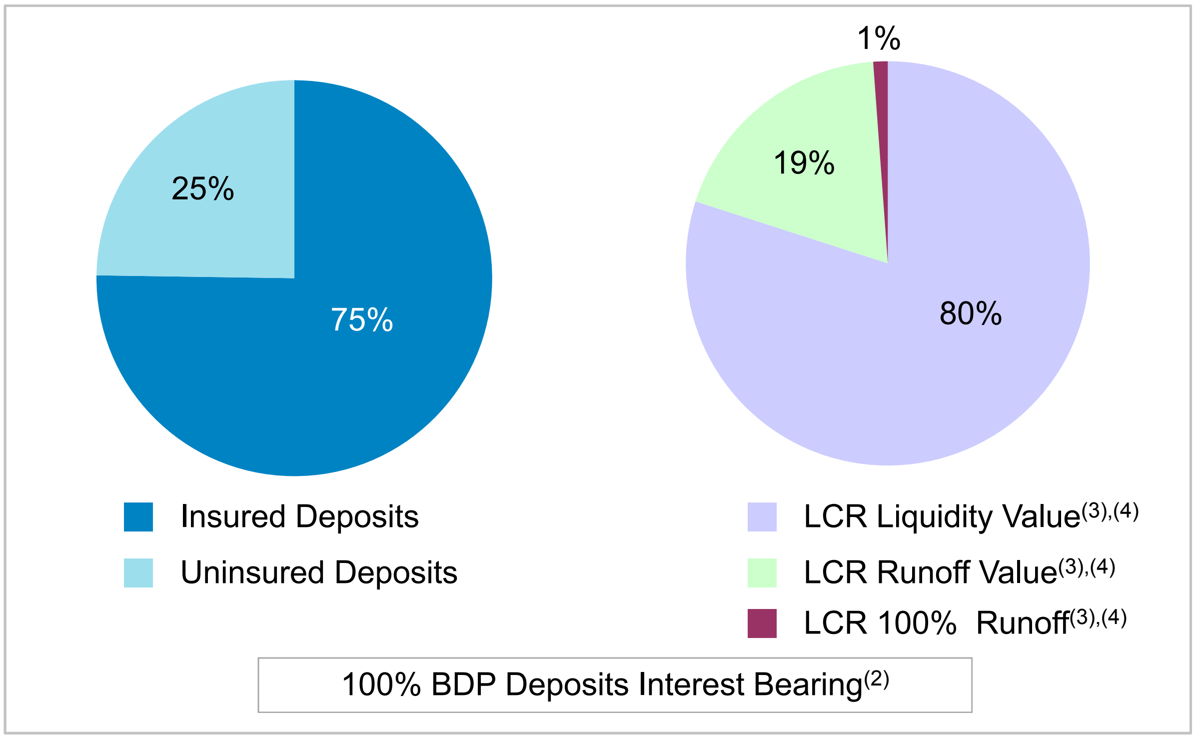
Composition of Morgan Stanley's Deposits

- Deposits are primarily sourced from the Firm's Wealth Management clients
- Default sweep for clients' excess cash – effectively working capital in client accounts – rooted in deep and broad franchise relationships anchored in investment advice; highly tenured client base
  - The deposits are stable over economic cycles and observed periods of both market and idiosyncratic stress

Firmwide Deposits ($Bn)[1]



BDP Deposits: $109Bn[1],[2]

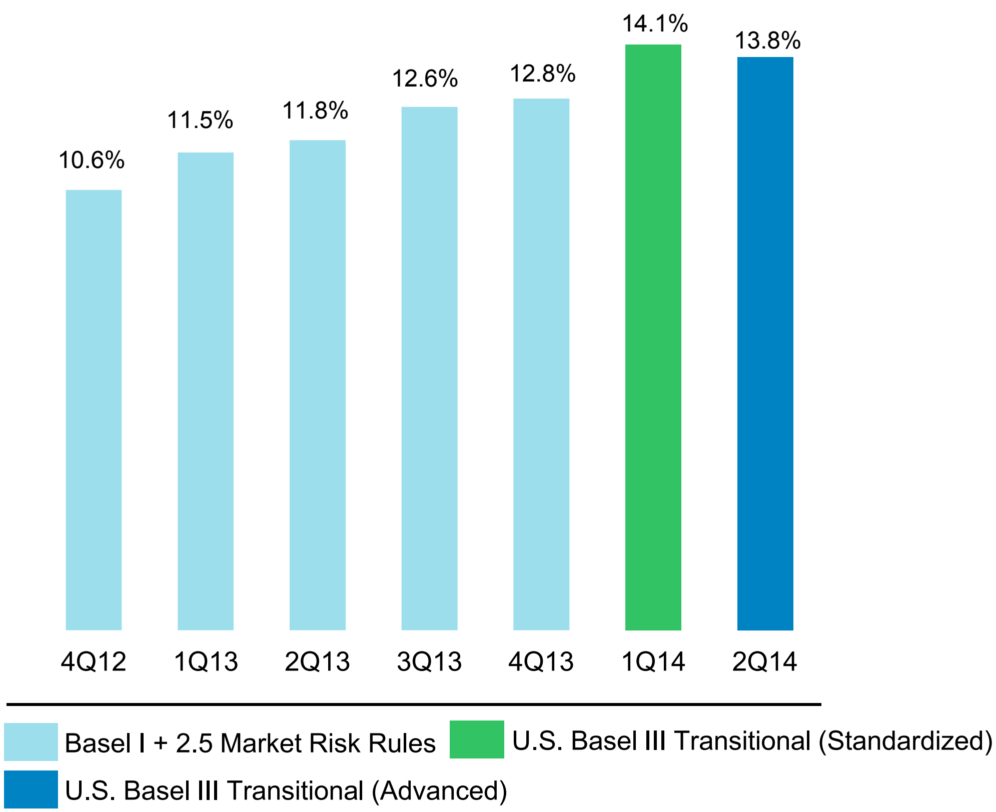


(1) As of June 30, 2014.
(2) BDP is in reference to the Firm's U.S. Banks Deposit Program.
(3) The Liquidity Coverage Ratio ("LCR") is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory liquidity requirements. This is a preliminary assessment and is subject to change.
(4) The LCR rule assigns run-off rates to deposits based on certain characteristics. For certain deposits, 100% are assumed to run-off for purposes of calculating the LCR (shown as "LCR 100% Runoff"). For other deposits, amounts are subject to an assumed partial run-off for purposes of calculating the LCR; the amount of partial run-off applied to these deposits is shown as "LCR Runoff Value" and the amount remaining after partial run-off is shown as "LCR Liquidity Value".

E Capital Management: Strong Capital Under Basel I and Basel III Regimes

Tier 1 Common Ratio & Common Equity Tier 1 Ratio(1)

(Common after deductions and adjustments) / RWA (%)



- Common Equity Tier 1 capital ratio is 13.8%(1)
  - Tier 1 Capital ratio is 15.2%(1)
- As of June 30, 2014 pro-forma estimate of U.S. Basel III Common Equity Tier 1 ratio was 12.1% under the fully phased-in Advanced Approach(2)(3)

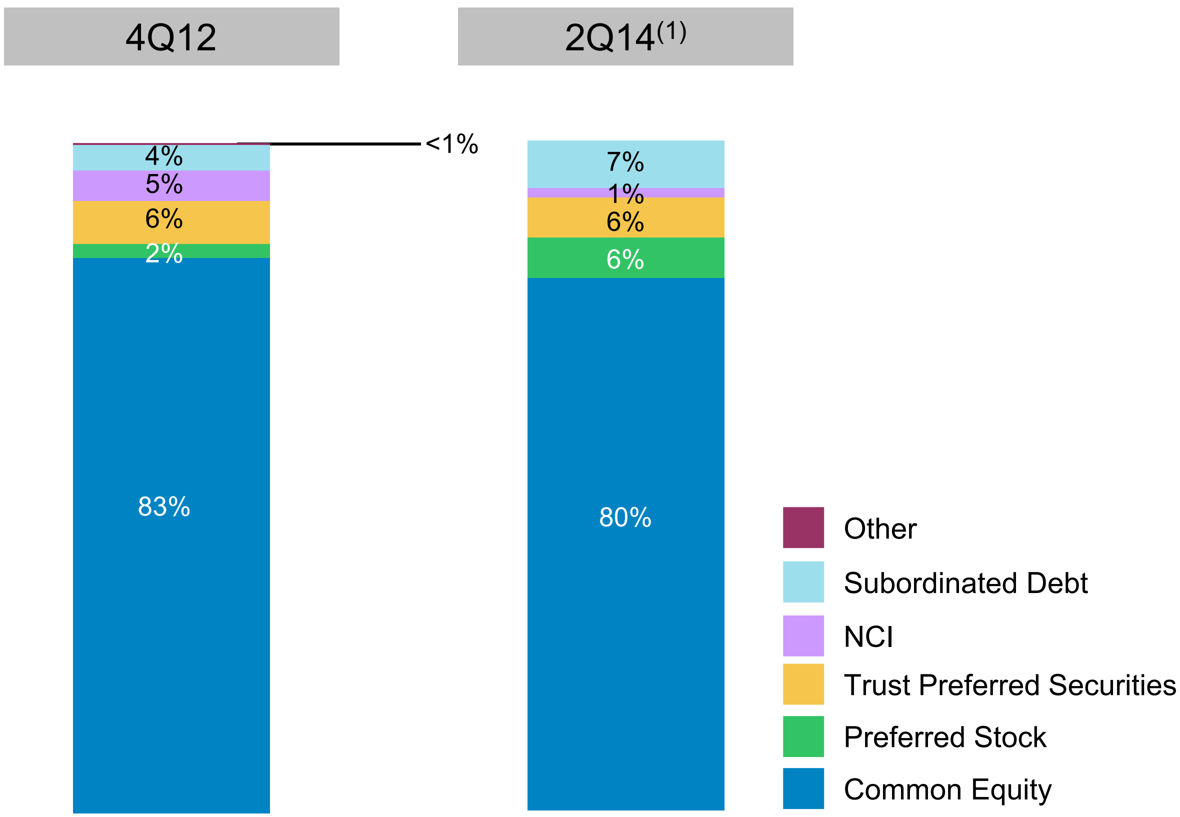
(1) In February 2014, the Federal Reserve approved the Firm's use of the U.S. Basel III Advanced Approach to calculate and publicly disclose its regulatory capital requirements beginning in 2Q14. The Firm is subject to a "capital floor" such that its regulatory capital ratios currently reflect the lower of its ratios calculated under the transitional Advanced Approach and transitional U.S. Basel I and Basel 2.5 capital rules. Due to the capital floor, as of 2Q14, the Firm's regulatory capital ratios were calculated under the Advanced Approach transitional rules.

(2) Basel III pro-forma Common Equity Tier 1 Common ratio is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to evaluate compliance with future regulatory capital requirements.

(3) The Company estimates Basel III capital and risk-weighted assets based on a preliminary assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. This is a preliminary estimate and may change.

Capital Management: Optimizing Capital Stack Under Basel III

Morgan Stanley Total Capital



- Issued ~$1.7Bn of preferred stock in 2013 and ~$1.8Bn in 2014 to date
- TruPS qualify as either Tier 1 or Tier 2 capital in 2014; TruPS phase-out of capital over time
- Subordinated debt is valuable Tier 2 capital; issued $4Bn in 2013

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(1) Capital metrics as of 2Q14 are reported under a transitional Basel III numerator.

Strong Risk-Based And Leverage Capital Ratios

Risk-Based & Leverage Capital Ratios[1],[2]

2Q14 Basel III CET1 Under Advanced Approach

- Fully Phased-in (Pro-forma): 12.1%
- Transitional: 13.8%

2Q14 Basel III CET1 Under Standardized Approach

- Fully Phased-in (Pro-forma): 10.8%
- Transitional: 14.4%

2Q14 Pro-Forma U.S. Supplementary Leverage Ratio[3]

- U.S. SLR: 4.6%

(1) Pro-forma Basel III Common Equity Tier 1 Common ratios are non-GAAP financial measures that the Company consider to be useful measures to the Company and investors to evaluate compliance with future regulatory capital requirements.
(2) The Company estimates Basel III capital and risk-weighted assets based on a preliminary assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. These estimates are preliminary and are subject to change.
(3) Pro-forma U.S. Supplementary Leverage Ratio is based on preliminary analysis of the U.S. proposed rules from April 2014 and estimated as of June 30, 2014. These estimates are preliminary and are subject to change. Pro-forma U.S. Supplementary Leverage Ratio is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to evaluate compliance with future regulatory capital requirements.

Appendix

Pro-Forma Top 10 U.S.-Based Depository Institution With Remaining Deposits

Top U.S.-Based Depositories as of 1Q14[(1),(2)]

($Bn)

1.	JPMorgan Chase & Co.	1,283
2.	Bank of America Corporation	1,134
3.	Wells Fargo & Company	1,095
4.	Citigroup Inc.	966
5.	U.S. Bancorp	261
6.	Bank of New York Mellon Corporation	252
7.	PNC Financial Services Group, Inc.	222
8.	Capital One Financial Corporation	208
9.	State Street Corporation	195
10.	Morgan Stanley Pro Forma [(3)]	~140
10.	SunTrust Banks, Inc.	133
11.	BB&T Corporation	127
12.	Morgan Stanley	117
13.	Fifth Third Bancorp	97
14.	Charles Schwab Corporation	96
15.	Regions Financial Corporation	93
16.	Northern Trust Corporation	86
17.	Goldman Sachs Group, Inc.	71
18.	M&T Bank Corporation	69
19.	KeyCorp	67
20.	Comerica Incorporated	54
21.	Huntington Bancshares Incorporated	49
22.	Zions Bancorporation	47
23.	First Republic Bank	34
24.	First Niagara Financial Group, Inc.	28
25.	Popular, Inc.	27

(1) Excludes U.S. subsidiaries of foreign based banks.
(2) Source: SNL Financial as of 1Q14. Based on company SEC Filings as of 1Q14.
(3) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the acquisition. Organic account balance growth is assumed to be flat.

Securities Available for Sale

	At March 31, 2014 ($MM)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Fair Value
Debt Securities Available for Sale					
Total U.S. Government and Agency Securities	$44,823	$78	$304	–	$44,597
Corporate and Other Debt					
Commercial mortgage-backed securities	3,880	3	97	–	3,786
Auto Loan Asset-Backed Securities	2,050	2	1	–	2,051
Corporate Bonds	3,466	7	36	–	3,437
Collateralized debt and loan obligations	1,087	–	18	–	1,069
FFELP Student Loan Asset-backed Securities [1]	3,912	16	5	–	3,923
Total Corporate and Other Debt	$14,395	$28	$157	–	$14,266
Equity Securities Available for Sale	$15	$8	–	–	$23
Total ($MM)	**$59,233**	**$114**	**$461**	–	**$58,886**

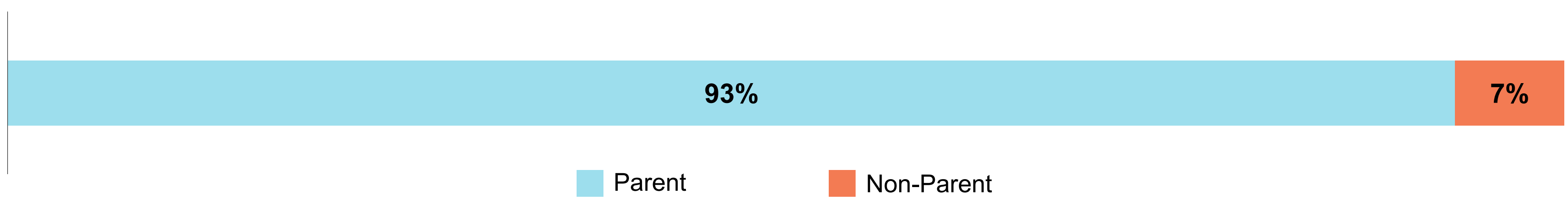
(1) Amounts are backed by a guarantee from the U.S. Department of Education of at least 95% of the principal balance and interest on such loans.

Orderly Liquidation Authority

- Well positioned for “minimum bail-in capacity” rules
- Long-term debt issued at Parent was approximately 17% of total consolidated assets and 36% of consolidated U.S. Basel 1+2.5 risk-weighted assets as of March 31, 2014

Long-Term Borrowings (% of Total) (1)	
Senior debt	91%
Subordinated debt	6%
Junior subordinated debentures	3%

Legal Entity Issuance of Long-Term Borrowings (1)



(1) As of March 31, 2014.

Loans and Lending Commitments

	Quarter Ended			Percentage Change From:	
	June 30, 2014	Mar 31, 2014	June 30, 2013	Mar 31, 2014	June 30, 2013
Institutional Securities					
Corporate Funded Loans					
Loans held for investment, net of allowance	$ 9.3	$ 8.4	$ 6.6	11%	41%
Loans held for sale	5.3	4.7	5.5	13%	(4%)
Loans held at fair value (1)	1.2	1.9	4.5	(37%)	(73%)
Total corporate funded loans	$ 15.8	$ 15.0	$ 16.6	5%	(5%)
Corporate Lending Commitments					
Loans held for investment	$ 67.1	$ 63.5	$ 51.3	6%	31%
Loans held for sale	19.9	10.5	12.3	90%	62%
Loans held at fair value (2)	5.5	7.8	16.3	(29%)	(66%)
Total corporate lending commitments	$ 92.5	$ 81.8	$ 79.9	13%	16%
Corporate Loans and Lending Commitments (3) (4)	$ 108.3	$ 96.8	$ 96.5	12%	12%
Other Funded Loans					
Loans held for investment, net of allowance	$ 8.2	$ 5.7	$ 2.1	44%	*
Loans held for sale	1.2	0.0	0.0	*	*
Loans held at fair value	12.5	11.5	9.7	9%	29%
Total other funded loans	$ 21.9	$ 17.2	$ 11.8	27%	86%
Other Lending Commitments					
Loans held for investment	$ 1.8	$ 1.6	$ 0.5	13%	*
Loans held for sale	0.2	0.0	0.0	*	*
Loans held at fair value	2.3	1.7	1.2	35%	92%
Total other lending commitments	$ 4.3	$ 3.3	$ 1.7	30%	153%
Total Other Loans and Lending Commitments (5)	$ 26.2	$ 20.5	$ 13.5	28%	94%
Institutional Securities Loans and Lending Commitments (3)	$ 134.5	$ 117.3	$ 110.0	15%	22%
Wealth Management					
Funded Loans					
Loans held for investment, net of allowance	$ 31.2	$ 27.5	$ 20.2	13%	54%
Loans held for sale	0.1	0.1	0.1	--	--
Total funded loans	$ 31.3	$ 27.6	$ 20.3	13%	54%
Lending Commitments					
Loans held for investment	$ 4.3	$ 5.3	$ 4.4	(19%)	(2%)
Loans held for sale	0.0	0.0	0.2	--	*
Total lending commitments	$ 4.3	$ 5.3	$ 4.6	(19%)	(7%)
Wealth Management Loans and Lending Commitments (6)	$ 35.6	$ 32.9	$ 24.9	8%	43%
Firm Loans and Lending Commitments	$ 170.1	$ 150.2	$ 134.9	13%	26%

(1) For the quarters ended June 30, 2014, March 31, 2014 and June 30, 2013 the percentage of Institutional Securities corporate funded loans held at fair value by credit rating was as follows: % investment grade: 35%, 45% and 53%, % non-investment grade: 65%, 55% and 47%.
(2) For the quarters ended June 30, 2014, March 31, 2014 and June 30, 2013 the percentage of Institutional Securities corporate lending commitments held at fair value by credit rating was as follows: % investment grade: 71%, 74% and 74%, % non-investment grade: 29%, 26% and 26%.
(3) For the quarters ended June 30, 2014, March 31, 2014 and June 30, 2013, Institutional Securities recorded a provision for credit losses (release) of $13.1 million, $(31.0) million and $6.0 million, respectively, related to funded loans and $11.1 million, $18.5 million and $16.8 million related to unfunded commitments, respectively.
(4) On June 30, 2014, March 31, 2014 and June 30, 2013, the "event-driven" portfolio of pipeline commitments and closed deals to non-investment grade borrowers were $12.2 billion, $8.7 billion and $10.3 billion, respectively.
(5) In addition to primary corporate lending activity, the Institutional Securities business segment engages in other lending activity. These loans include corporate loans purchased in the secondary market, commercial and residential mortgage loans, asset-backed loans and financing extended to equities and commodities customers.
(6) For the quarters ended June 30, 2014, March 31, 2014 and June 30, 2013, Wealth Management recorded a provision for credit losses of $1.2 million, $2.0 million and $1.0 million, respectively, related to funded loans and there was no material provision recorded related to the unfunded commitments for each of the quarterly periods presented.

Morgan Stanley

Morgan Stanley 2Q14 Fixed Income Investor Conference Call

August 1, 2014