Morgan Stanley

Morgan Stanley
2Q16 Fixed Income Investor Update

August 30, 2016

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 including the attainment of certain financial and other targets and goals. 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. The Company does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of forward-looking statements. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on www.morganstanley.com. This presentation is not an offer to buy or sell any security.

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

Agenda

1 Business Summary Update

1H 2016 Net Revenues

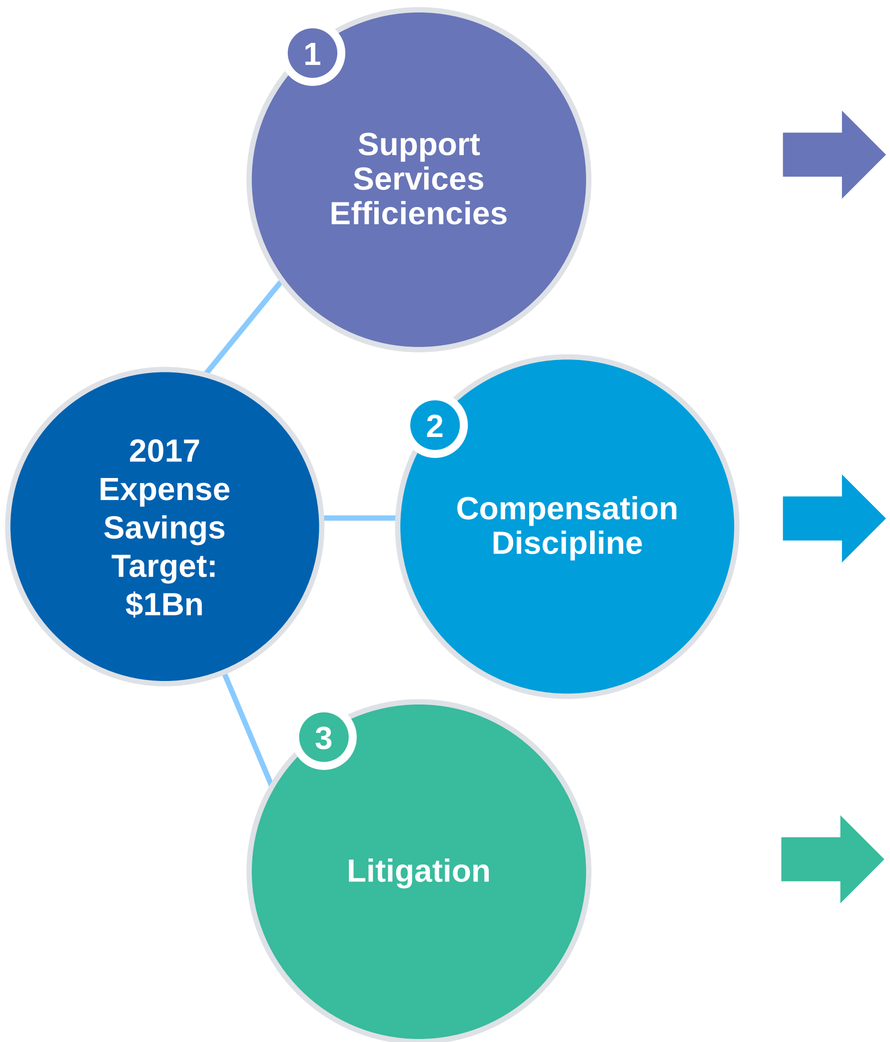
$16.7Bn [1]

Second Quarter Objectives	Results
Manage uncertain environment	• Executed on strategic plan • Performed well in areas of traditional strength • Continued stability and progress in core businesses
Progress in Fixed Income	• 1H16 FIC revenues of ~$2.2Bn
Maintain expense discipline	• Continued execution on Project Streamline (see slides 5 & 6)
Obtain approval for capital plan	• Conditional non-objection to 2016 plan – Increased common dividend to $0.20 per quarter – $3.5Bn repurchase from 3Q16 to 2Q17

1. 1H 2016 Net Revenues represent results for 1Q16 and 2Q16. “Other” includes Other Sales & Trading, Investments, ISG Other Revenue, and Intersegment eliminations.

Project Streamline: Improving Firm Infrastructure

2017 Expense Reduction Target Driven by Three Core Levers



- Workforce Optimization
- Technology Infrastructure

- Reduction in Workforce (2015)
- New Compensation Targets

- No One-time Outsized Litigation Expenses / Penalties

Project Streamline: 1 Support Services Efficiencies[1]

Near-Term Initiatives on Track with Further Structural Initiatives Under Review

Workforce Optimization

Deploy additional ~1,250 support staff roles out of high cost locations (~$100MM savings)

- Hired 250 employees in global centers of excellence through 2Q16, while reducing headcount in metro, higher cost, locations

Reduce professional services spend by ~5-7% (~$100 - $150MM savings)

200+ Initiatives Identified

Technology Infrastructure

Reduce physical servers from 60,000 to 48,000 (plan to further reduce to 33,000 beyond 2017)

Reduce North America data centers from 9 to 5

- 50% complete as of 2Q16; on schedule to close the remaining two by 2017

Other

- Rolled out cloud-based procurement platform resulting in more straight-through processing and payments, and greater intelligence in purchasing decisions

Reduce non-essential travel and conferences (~$40 - 75MM savings)

- Achieved 50% non-essential travel reduction in 1H16 vs. 1H15

Increase WM e-Delivery usage by 15 - 20% (~$20 - 25MM savings)

Leverage technology enabling optimization of transaction execution costs

Continue to reduce complexity – structure / processes

1. The attainment of these savings may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

2 Liability Management: Centralized Structure and Strong Governance

- Liability management framework supported by strong, centralized governance, ensuring funding durability and providing stability in all environments

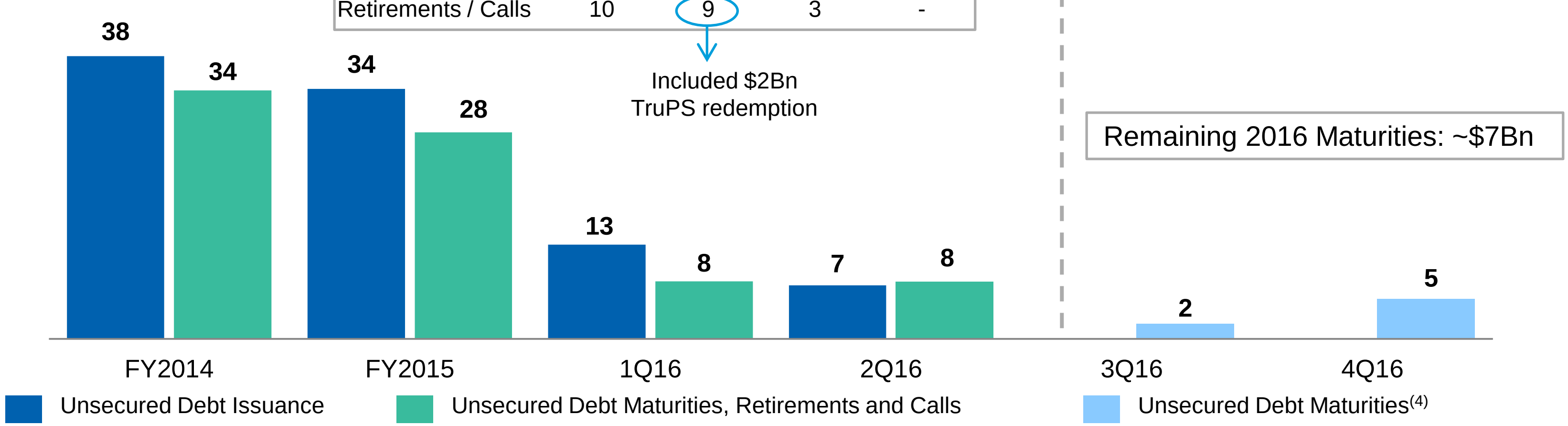
PRIMARY SOURCES OF FUNDING		% OF FUNDING SINCE 3Q13
Long-Term Debt	Weighted average maturity of ~6 years; Morgan Stanley issues predominantly from the holding company	↑
Deposits	Primarily sweep deposits sourced from Wealth Management clients	↑
Secured Funding	Duration of liabilities greater than duration of assets; weighted average maturity against less liquid assets in excess of 120 days	↓

Unsecured Borrowings: Key Source of Funding

- In 2015, we issued ~$34Bn of unsecured debt, which includes:
  - ~$32Bn of senior unsecured debt
  - ~$2Bn of subordinated debt
- Exceeded 1H16 maturities and redemptions with ~$20Bn of unsecured debt issuance across tenors, currencies, and channels
  - Continue to issue majority of unsecured debt from the Parent while optimizing issuance on other entities
- Long-term unsecured debt outstanding at June 30, 2016 was $163Bn, flat vs. March 31, 2016[(1)]
- In 3Q16 we redeemed all outstanding Trust Preferred Securities ("TruPS") of ~$2.8Bn

Unsecured Debt Issuance ($Bn)

($Bn)	FY2014[(2)]	FY2015	1H16	2H16[(3)]
Maturities	23	19	13	7
Retirements / Calls	10	9	3	-

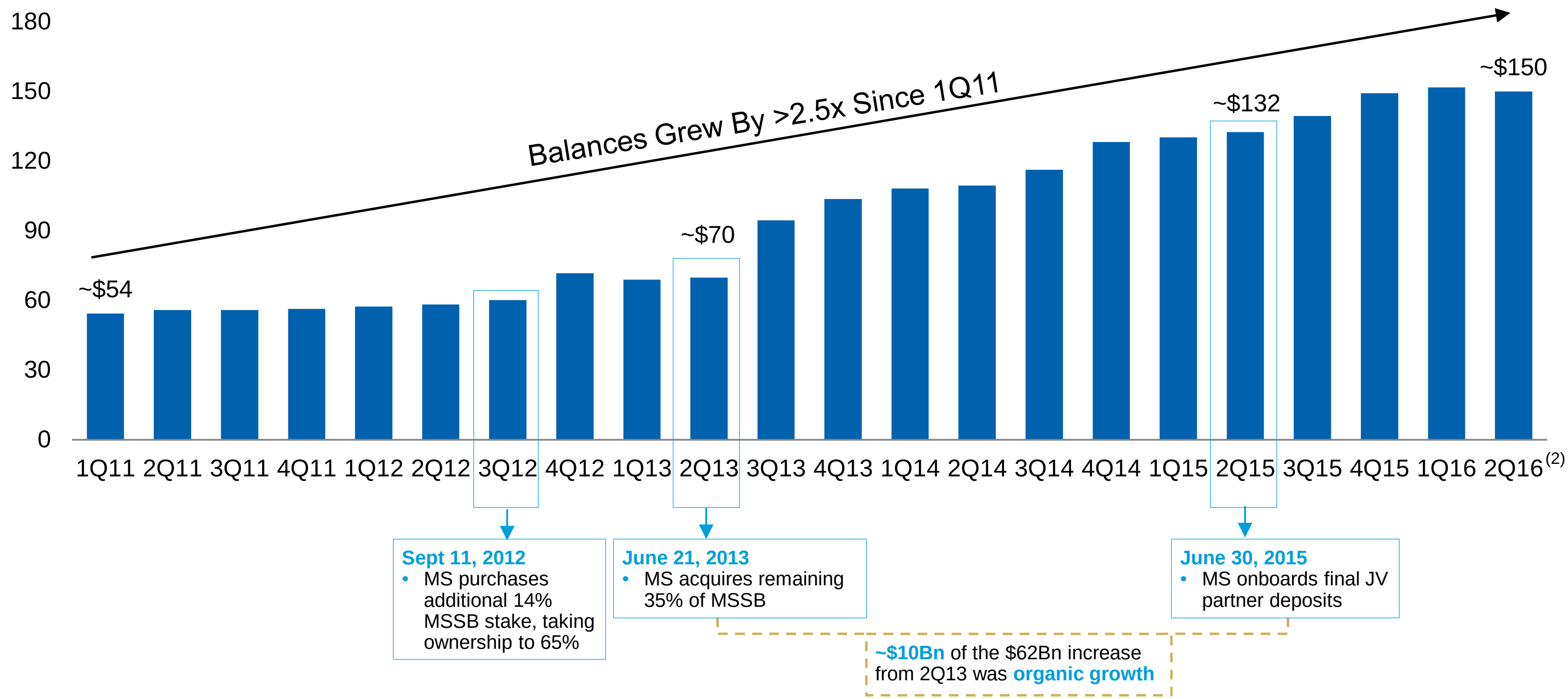


1. Includes positive net issuance, and changes related to FX, interest rates, or movements in the reference price or index for structured notes
2. Figures may not sum due to rounding
3. Does not include the $2.8Bn of TruPS redemption in 3Q16
4. Based on contractual maturity date

Deposits Have Grown Steadily Due to Transfers from Former JV Partner and Organic Growth

Morgan Stanley's Bank Deposit Program (BDP) Balances (1)

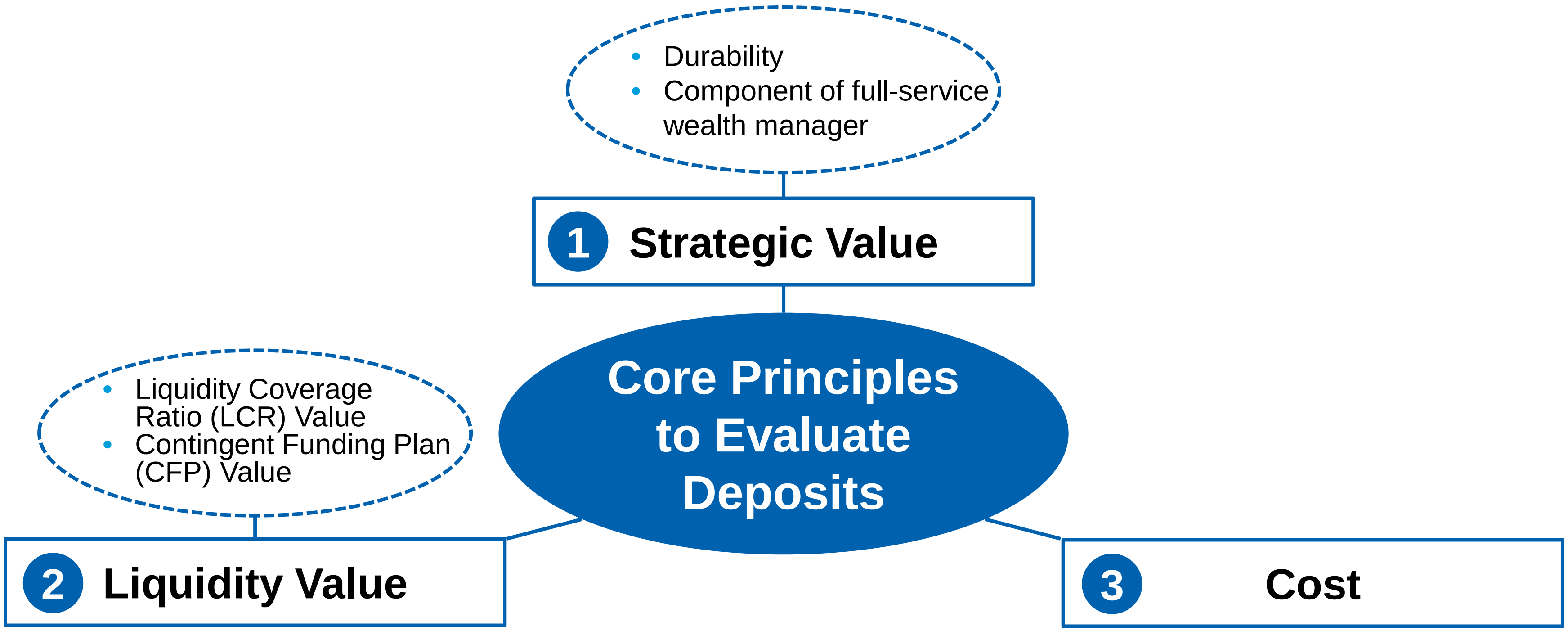
($Bn)



1. Balances in the bank deposit program held by the Firm's U.S. Bank Subsidiaries
2. The Firm's total deposits are ~$153Bn as of 2Q16, including BDP as well as deposits from non-U.S. banks and other deposits

Deposit Strategy Supported By Three Core Principles

- **Key near-term focus is to optimize existing deposit levels to support loan growth**



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

Underlying Principles of the Four Pillars of Secured Funding

Four Pillars of Secured Funding

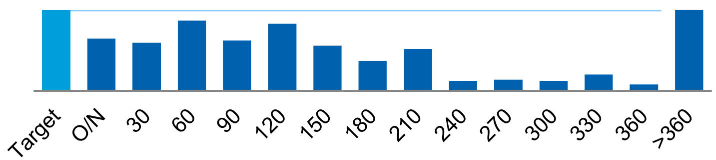
1 SIGNIFICANT WEIGHTED AVERAGE MATURITY (WAM)

- Criteria-based model sources appropriate term funding consistent with liquidity profile of underlying assets
- Durability and transparency are at the core of Morgan Stanley's secured funding model
  - In 2009, began WAM extension
  - Became a leader in 2011 in disclosing WAM for less-liquid assets, with **a target of >120 days [1]**

2 MATURITY LIMIT STRUCTURE

- Less than 15% of non-Super Green[2] liabilities maturing in any given month
- At least 25% of non-Super Green liabilities maturing greater than 180 days

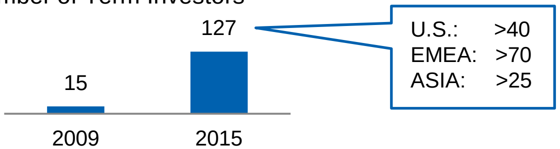
Illustrative Non-Super Green Maturity Profile [3][4]



3 INVESTOR LIMIT STRUCTURE

- Top investor may not provide more than 15% of total non-Super Green[2] liabilities
- Top three investors may not provide more than 30% of total non-Super Green liabilities
- Maximum monthly investor concentration is the greater of 25% of the maturities allowed in any given month or $3Bn

Diversified Global Investor Base
Number of Term Investors [3][5]



4 SPARE CAPACITY

- Sourcing non-Super Green[2] liabilities in excess of non-Super
  Green inventory
- In favorable markets, Spare Capacity supports business growth
- In stressed markets, Spare Capacity serves as a first line of defense against reduced roll rates
  - Eliminates liquidity outflows for first 30 days of a stress event that impairs secured markets, and reduces the need thereafter

1. As of June 30, 2016 the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days.
2. See slide 13 for a definition of Super Green and non-Super Green.
3. As of June 30, 2016.
4. Represents secured funding balance maturing in 30-day increments. Illustrative; not to scale.
5. Represents unique investors providing term financing >30 days for non-Super Green assets; geographic breakdown includes some overlap across regions.

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

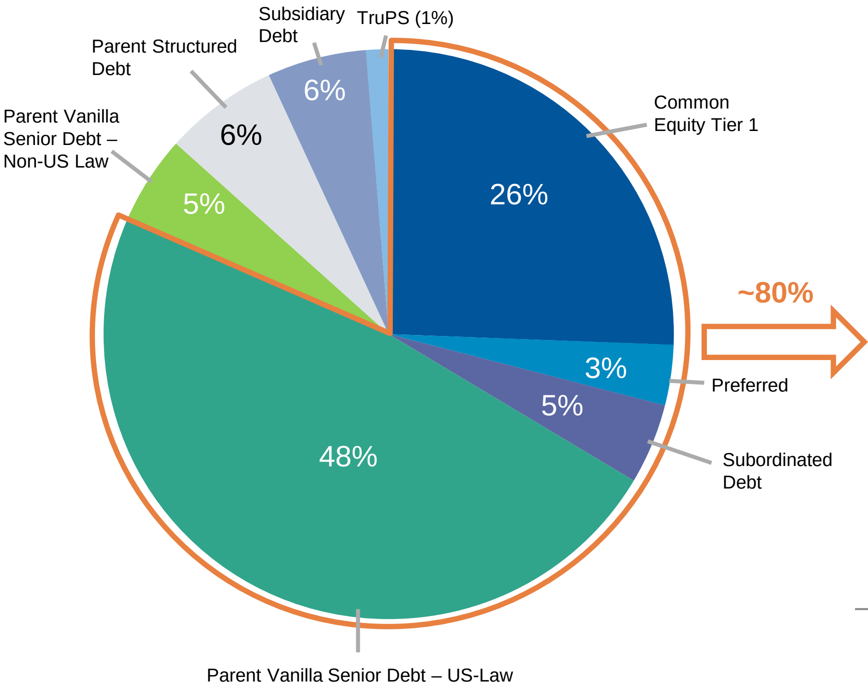
FUNDABILITY	OMO ELIGIBLE AND / OR 23A EXEMPT AND FED DW ELIGIBLE	CCP ELIGIBLE	GOVT. SEC / GOVT. FULL FAITH AND CREDIT	MARKET HAIRCUT	INVESTOR DEPTH	SECURED FINANCING CAPACITY	% OF BOOK [1]
SUPER GREEN	✓	✓	✓	< 10%	> 50	100%	61%
GREEN				<= 15%	>= 15	>= 95%	36%
AMBER				> 15%	>= 10	>= 60%	3%
RED				> 20%	< 10	< 60%	1%

1. As of June 30, 2016. Figures may not sum due to rounding.

3 Positioned For Upcoming TLAC Regulation

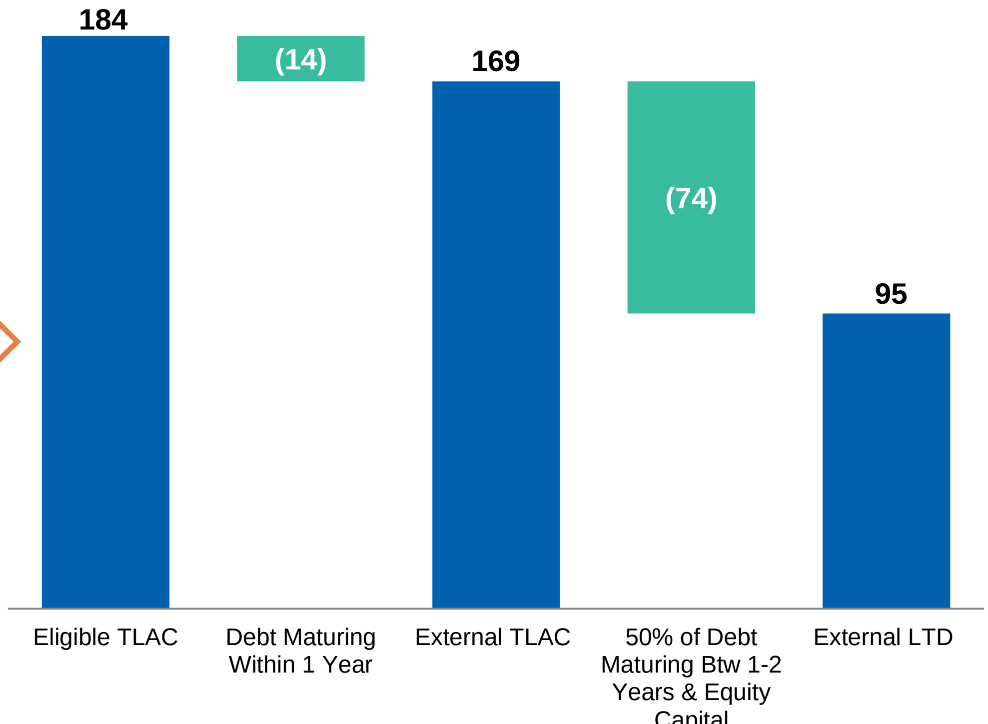
Based on Morgan Stanley's Interpretation of U.S. NPR Released on October 30, 2015[(1)(2)(3)(4)]

2Q16 Outstanding Debt & Capital Instruments (%)



Total Outstanding: $225Bn

External TLAC & Long-Term Debt ($Bn)

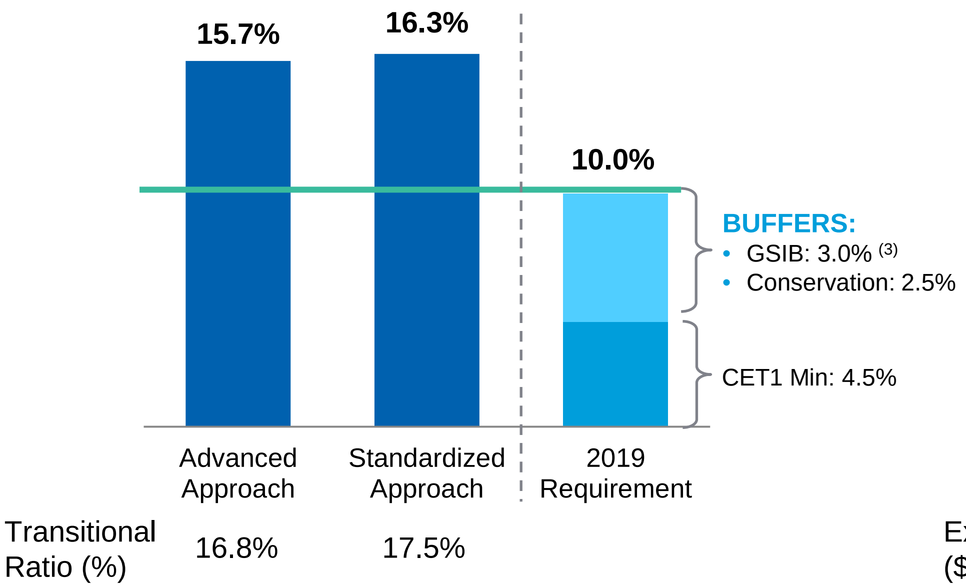


% RWAs	~46%	~25%
% Leverage	~15%	~8%

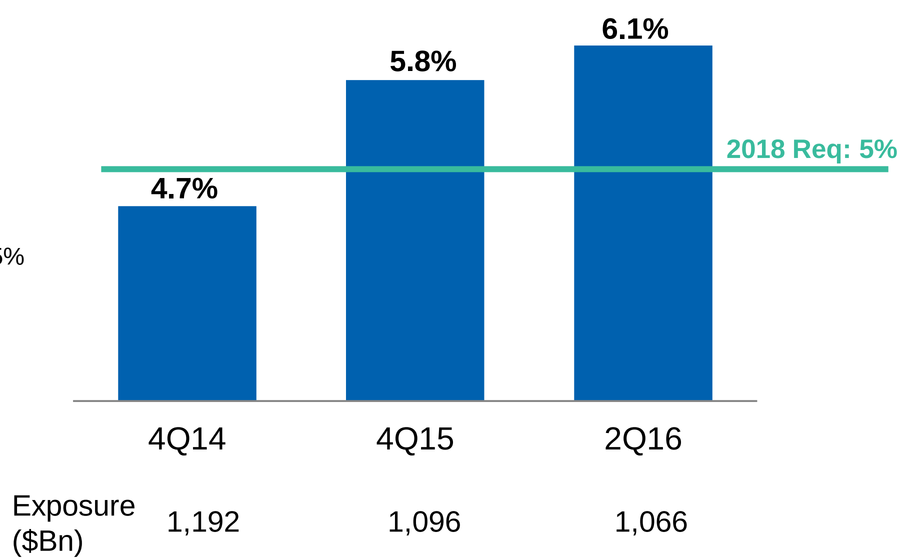
1. The Company estimates its pro forma External Total Loss Absorbing Capacity ("TLAC") and pro forma External Long Term Debt ("LTD") based on the Company's current assessment of the notice of proposed rule making ("NPR") released on October 30, 2015. Our interpretation of the NPR includes the Company's expectations of the proposed requirements, which may be subject to change as the Company receives additional clarification and guidance. These pro forma calculations 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. Eligible instruments include debt with acceleration clauses for reasons other than insolvency or payment default
3. Debt securities reported at outstanding notional value
4. Capital ratios and components calculated on a U.S. Basel III fully phased-in basis

Common Equity Tier 1 and Supplementary Leverage Ratios Above Fully Phased-in Requirements[1]

2Q16 Pro Forma Fully Phased-In Common Equity Tier 1 Ratio (%) [2]



Pro Forma Fully Phased-In U.S. Supplementary Leverage Ratio (%) [2]



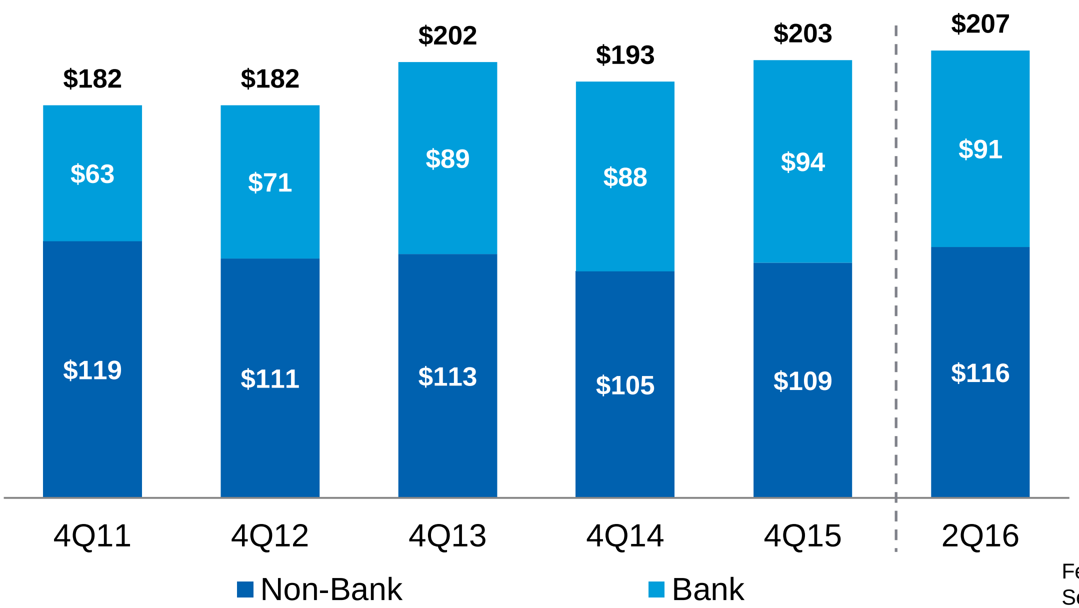
1. Pro forma Basel III Common Equity Tier 1 ratio and pro forma Supplementary Leverage ratio are non-GAAP financial measures that the Company considers to be useful measures to the Company and investors to evaluate compliance with future regulatory capital requirements.
2. The Company estimates pro forma fully phased-in Common Equity Tier 1 ratio and pro forma fully phased-in Supplementary Leverage ratio based on the Company's current assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. These estimates may be subject to change as the Company receives additional clarification and guidance from the Federal Reserve.
3. GSIB buffer calculated under the July 20, 2015, FRB final rule for determining a global systemically important bank's GSIB surcharge.

4 Significant Global Liquidity Position

Pro Forma Liquidity Coverage Ratio [1]

- The Company is compliant with the U.S. LCR requirements

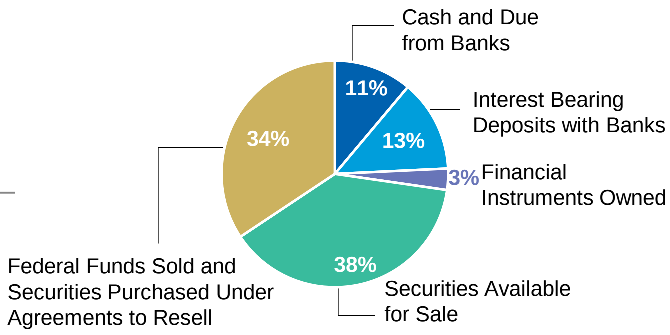
Period End Liquidity ($Bn)



Composition of the Liquidity Reserve at 2Q16

TYPE OF INVESTMENT	($Bn)
CASH / CASH EQUIVALENTS	51
UNENCUMBERED LIQUID SECURITIES	156
TOTAL	**207**

Detailed Breakdown of Liquidity Reserve [2]



1. The Company calculates its pro forma LCR based on its current interpretation of the final Federal Reserve Bank rule published in September 2014. Pro forma LCR 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.
2. Numbers may not sum due to rounding.

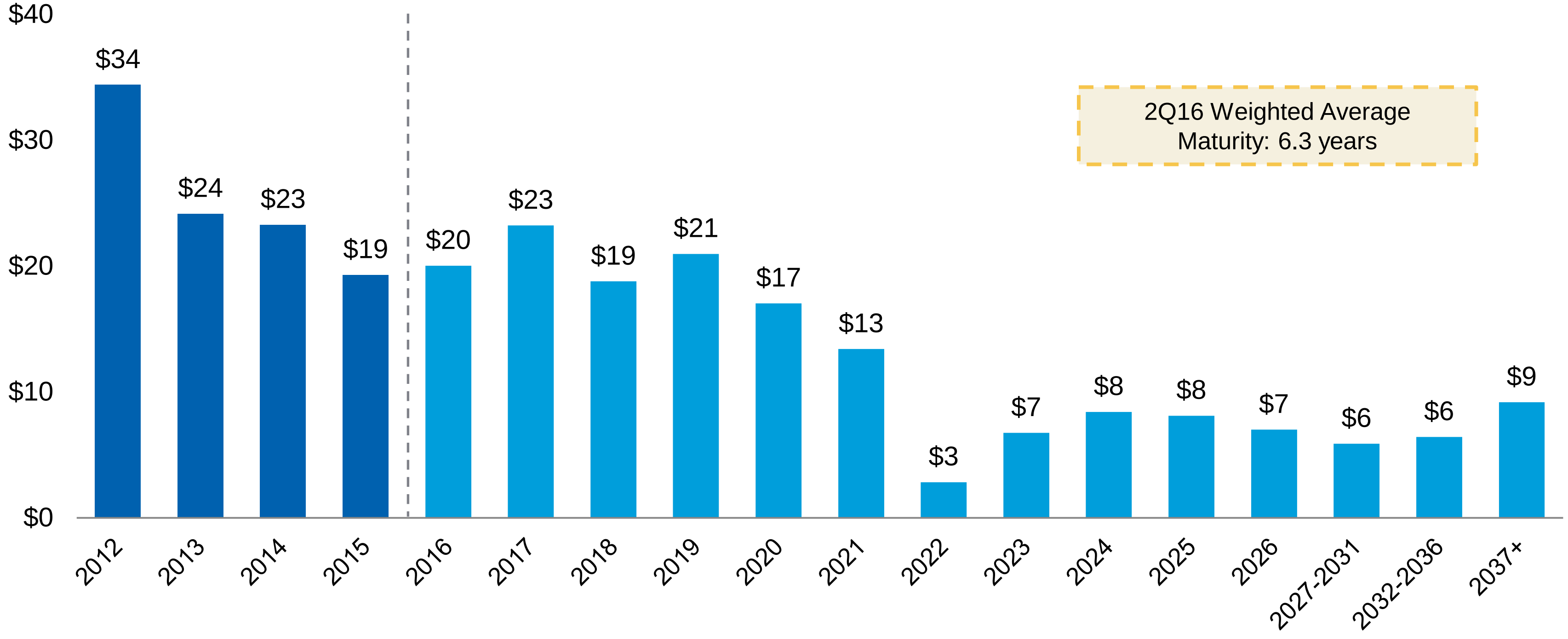
Morgan Stanley

Appendix

Extending Maturity Profile of Unsecured Borrowings

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

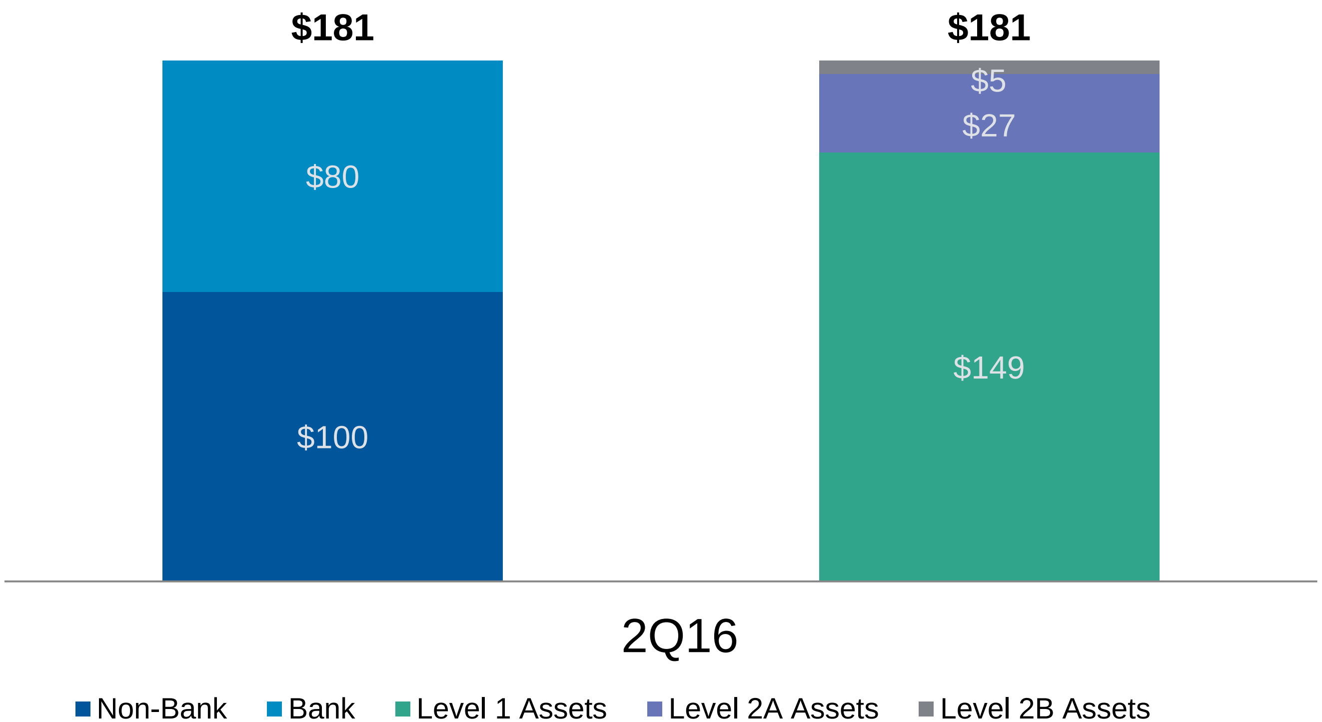
($Bn)



1. As of June 30, 2016
2. Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Maturities are based on contractual maturities.
3. Excludes assumptions for secondary buyback activity.

High Quality Liquid Assets (HQLA)

Pro Forma High Quality Liquidity Assets ($Bn)[(1)]



1. Pro forma High Quality Liquid Assets is based on the current interpretation of the final Federal Reserve Bank LCR rule published in September 2014 and estimated as of June 30, 2016. These estimates are preliminary and are subject to change. Pro forma HQLA 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.

Morgan Stanley

Morgan Stanley
2Q16 Fixed Income Investor Update

August 30, 2016