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Morgan Stanley
4Q16 Fixed Income Investor Update

March 7, 2017

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.

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Agenda

1 Mark to Market: 2017 Strategic Objectives[1]

Objective	2016 Status
1 Streamline: $1Bn Expense Reduction	On Track for $1Bn in Expense Reduction by 2017
2 Complete Fixed Income Restructuring and Maintain Revenue Footprint	Retained Revenue Footprint, with 25% Headcount Reduction and Reduced Resources
3 Wealth Mgmt. Pre-Tax Margin[2]: 23 – 25%	Achieved 22% Margin, Despite Transactional Revenue Headwinds
4 Increase Capital Return to Shareholders	Received Non-Objection to Increase Dividend (+33%) and Buyback (+40%)[3]
5 ROE: 9 – 11%[4]	Ongoing

1. Represents progress during the current calendar year against the 2017 Strategic Objectives established at the beginning of 2016.
2. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues.
3. In June 2016, we received a conditional non-objection from the Federal Reserve to our 2016 capital plan. Pursuant to the conditional non-objection, we were able to execute the capital actions set forth in our 2016 capital plan, which include increasing our common stock dividend to $0.20 per share beginning in the third quarter of 2016 and executing share repurchases of $3.5 billion during the period July 1, 2016 through June 30, 2017. The Federal Reserve Board also asked us to submit an additional capital plan by December 29, 2016 addressing weaknesses identified in our capital planning process. On March 2, 2017 the Federal Reserve Board announced that it would not object to the resubmitted capital plan. Our 2015 capital plan approved by the Federal Reserve was for share repurchases of $3,125 million for the periods 2Q15 through 2Q16 (for comparative purposes the percent change of buyback is based on 80% of the total 2015 approval representing 4 of the 5 approved quarters).
4. Represents return on average common equity ("ROE"), ex DVA. ROE, ex DVA is a non-GAAP financial measure that the Firm considers useful for us, investors, and analysts to assess operating performance. ROE equals consolidated net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity.

Opportunities for Future Operational Improvements

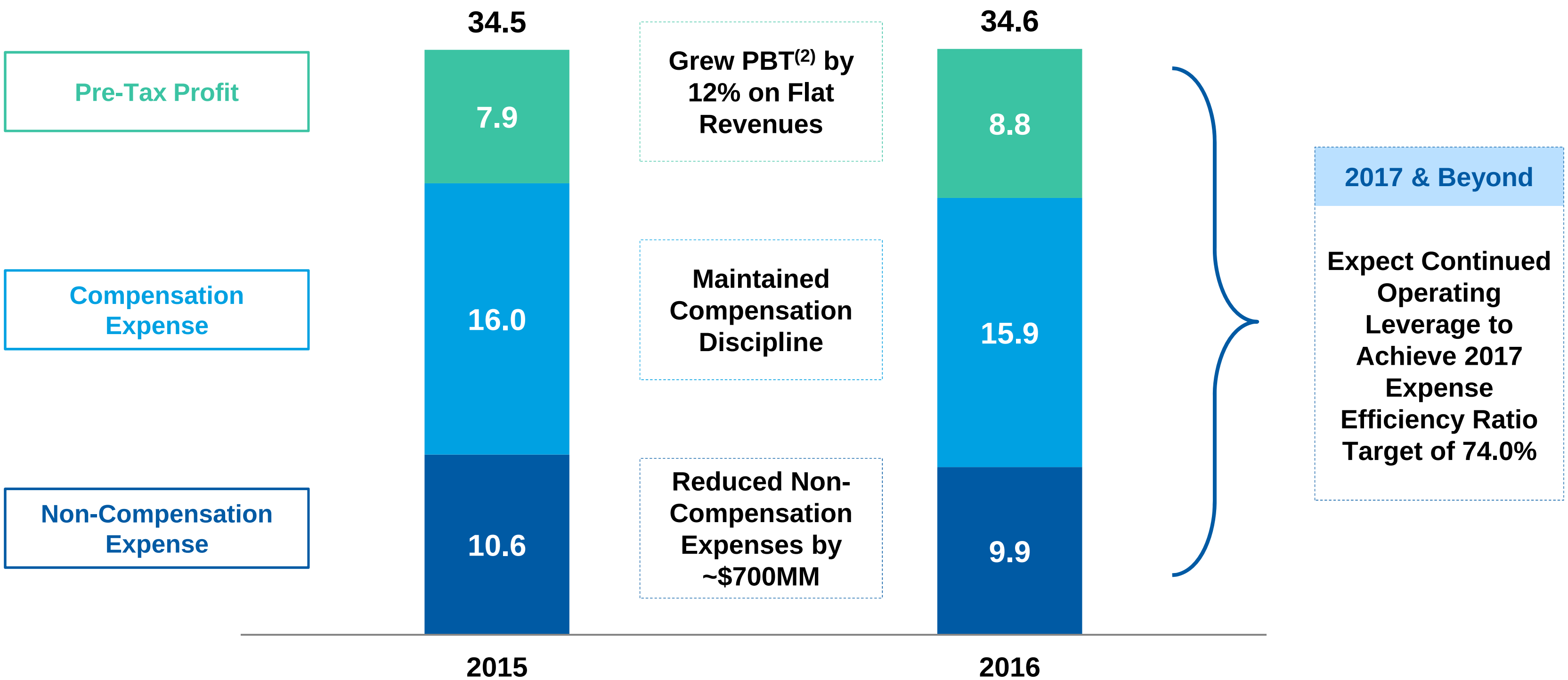
- **A** Maintain Expense Discipline and Fully Realize Streamline Savings
- **B** Press Advantages in Businesses of Traditional Strength
- **C** Deepen Relationships to Grow Wealth Management
- **D** Drive Consistent Profit Growth in Investment Management
- **E** Continue to Return Capital to Shareholders

Deliver on Target ROE

A Maintain Expense Discipline and Fully Realize Streamline Savings

Focused on Operating Leverage

Firm Revenues, ex-DVA ($Bn)[1]



	2015	2016
Expense Efficiency Ratio, ex-DVA[3]:	**77.2%**	**74.5%**

1. 2015 Net Revenues were $34,537 million, excluding the positive impact of $618 million from DVA. Net Revenue, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance.
2. Pre-tax profit ("PBT") represents income (loss) from continuing operations before income taxes. PBT is a non-GAAP financial measure that we consider to be a useful measure for us, investors and analysts to access operating performance. The growth in PBT is calculated as the percentage increase of 2016 PBT ($8,848) over 2015 PBT, ex DVA ($7,877 million, which excludes the positive impact of $618 million from DVA).
3. Firm Expense Efficiency ratio represents total non-interest expenses as a percentage of Net Revenues (or in 2015, Net Revenues, ex-DVA). For 2015, the Expense Efficiency ratio was calculated as non-interest expenses of $26,660 million, divided by Net Revenues of $34,537, which excludes the positive impact of $618 million from DVA for 2015. The Expense Efficiency ratio, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to assess operating performance.

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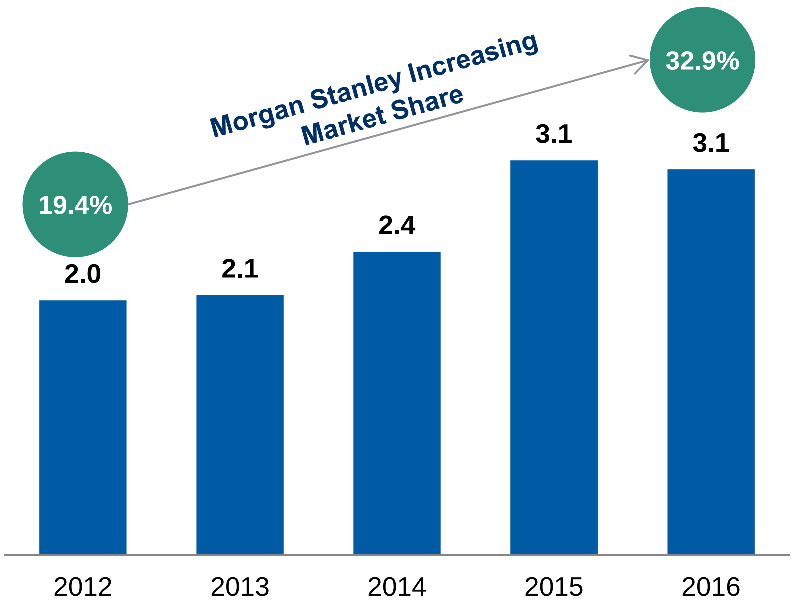
B Leading Investment Banking Franchise

Continued Strength in Advisory

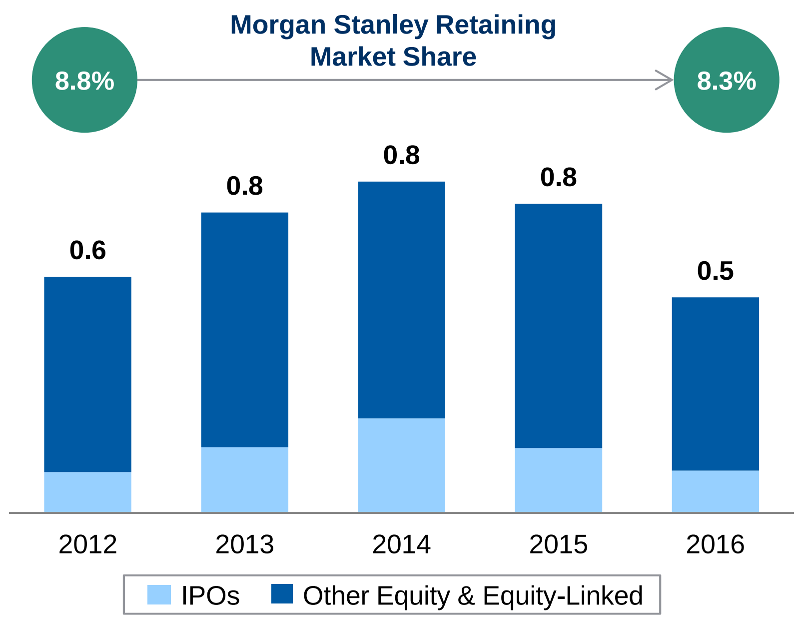
Industry Completed M&A Volumes ($Tn)(1)



2016: #2 In Global Announced & Completed M&A

Upside from Normalization of Underwriting

Industry Equity Underwriting Volumes ($Tn)(2)



2016: #2 in Global IPOs
#2 in Global Equity & Equity Linked

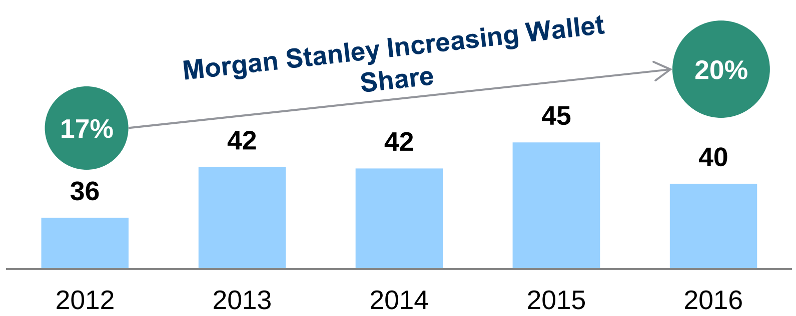
1. M&A Completed Industry volumes, M&A Completed Market Shares and M&A Completed and Announced League Table Rankings are from Thomson Reuters as of January 9, 2017. Market Share is calculated as the percentage of Morgan Stanley's volume to the Industry volume. M&A Completed and Announced League Table Rankings are for the period of January 1, 2016 to December 31, 2016.
2. Equity Underwriting Industry volumes, Equity Underwriting Market Shares and Equity Underwriting League Table Rankings are from Thomson Reuters. Each periods' data is as of January of the following calendar year. Market Share is calculated as the percentage of Morgan Stanley's volume to the Industry volume. Equity Underwriting League Table Rankings are for the period of January 1, 2016 to December 31, 2016.

B Sales & Trading Positioned for Market Opportunities

Monetizing Strength Across Equities

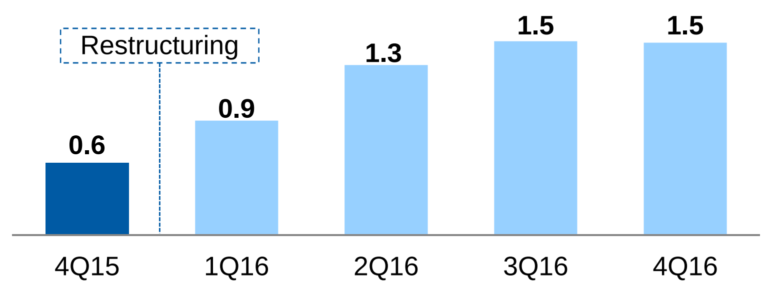
- ✓ #1 Globally 3 Years Running
- ✓ Gained Share in 2014, 2015 and 2016
- ✓ Opportunity to Deploy Balance Sheet Profitably Across the Franchise with Strong Returns
- ✓ Client Demand for Content, Liquidity, and Financing Solutions

Equity Sales & Trading Total Wallet, ex-DVA ($Bn)(1)

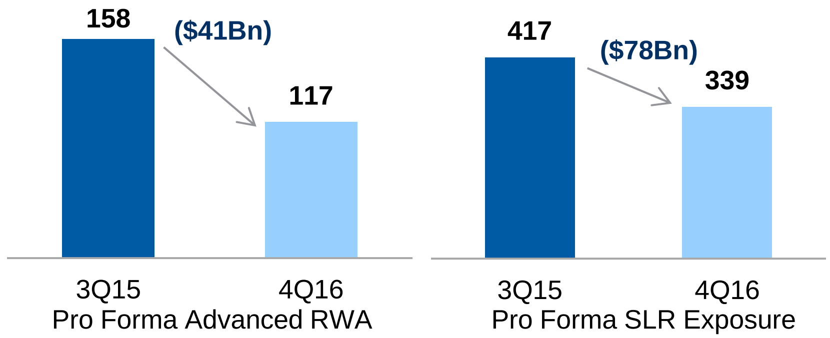


Fixed Income Restructuring in Progress

Fixed Income Sales & Trading Revenues, ex-DVA ($Bn)(2)



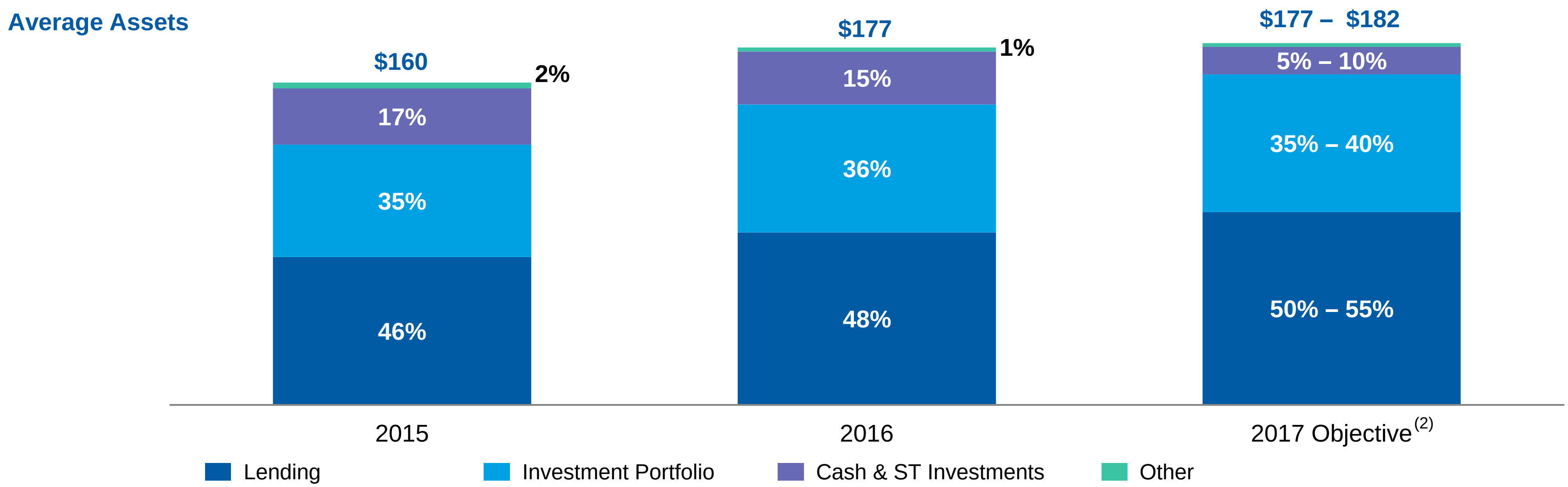
Fixed Income and Commodities, ex-Lending ($Bn)(3)



1. Total Wallet represents the aggregated reported net revenues for Goldman Sachs, JP Morgan, Bank of America, Citigroup, UBS, Deutsche Bank, Credit Suisse, and Barclays. Wallet share calculated as the percentage of Morgan Stanley's Net Revenues, ex-DVA to Total Wallet. Equity Sales & Trading Net Revenues, ex DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance. European peer results were translated to USD using average exchange rates for the appropriate period; sourced from S&P Capital IQ. Peer data has been adjusted for DVA, where it is reported and where applicable. Goldman Sachs results also exclude the Americas Reinsurance business in 2012 and 2013 and the gain on sale of a hedge fund administration business in 2012.
2. Fixed Income Sales & Trading Net Revenues, ex-DVA for the quarter ending December 31, 2015 were $550 million, excluding a $90 million negative impact from DVA in the quarter. Fixed Income Sales and Trading Net Revenues, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance.
3. All figures presented exclude RWAs and leverage exposure associated with lending activities. The Company estimates its pro forma fully phased-in Advanced risk-weighted assets ('RWA') and pro forma fully phased-in Supplementary Leverage Ratio ('SLR') exposure 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, which may be subject to change as the Company receives additional clarification and guidance from the Federal Reserve. Pro forma fully phased-in Advanced RWA and pro forma fully phased-in SLR Exposure, 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.

Ⓒ Wealth Management Net Interest Income Upside Driven by Rates and Ongoing Execution of U.S. Bank Strategy

Combined U.S. Bank Assets ($Bn)[1]



Average Yields[3]	2015	2016	Future Yield Opportunity[3]
Cash & ST Investments	~0.4%	~0.6%	~1.0%
Investment Portfolio	~1.3%	~1.5%	~1.8%
Lending	~2.8%	~2.9%	~3.2%

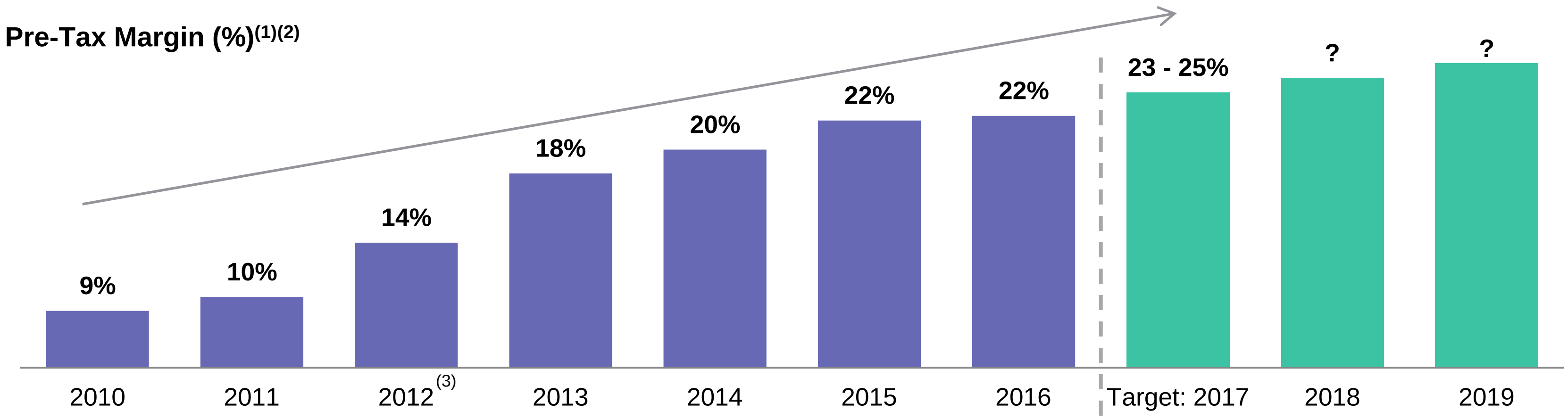
Assumes Two 25bp Hikes by YE 2017 (Mid'17 & End'17)

U.S. Banks' net interest income primarily benefits Wealth Management segment results

1. Combined bank assets represent assets in U.S. Bank Subsidiaries, MSBNA and MSPBNA. Figures may not sum due to rounding.
2. The attainment of these objective asset targets and future yield opportunity in 2017 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.
3. Yield on average assets does not include cost of funds. Objective Future Yield Opportunity is based off forward interest rate curves as of YE 2016.

Summary Margin Expansion and Growth Opportunities

Consistent Margin Improvement Since the Acquisition of Smith Barney

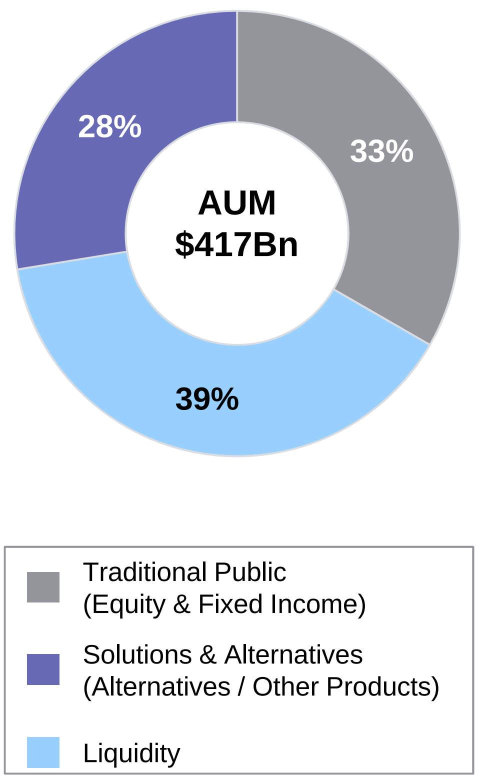


Key Drivers	Additional Drivers
Merger Synergies	Retail Investor Engagement
Building the Bank	Rising Rates
Cost Discipline	Lending Penetration
Annuitizing Revenues	Continued Cost Discipline
	Wallet Share Opportunities

1. 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. The attainment of margins in 2017 and beyond may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.
2. All periods have been recast to exclude the Managed Futures business, which is now reported in the Investment Management business segment. Additionally, the periods 2010-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.
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.

D Investment Management Enters Period of Stability and Growth

Balanced Business Mix



Strategic Focus

- ✓ **Organizational Realignment**
- ✓ **Rationalized Cost Base**
- ✓ **Legacy Third Party Fund LP Positions**

Growth Opportunities

Enhance Distribution Capabilities

- U.S. Intermediary and Asia
- Solutions & Partnerships Focus

New Product Launches

- Differentiated Alternative Origination Platform
- Leverage Morgan Stanley Connectivity

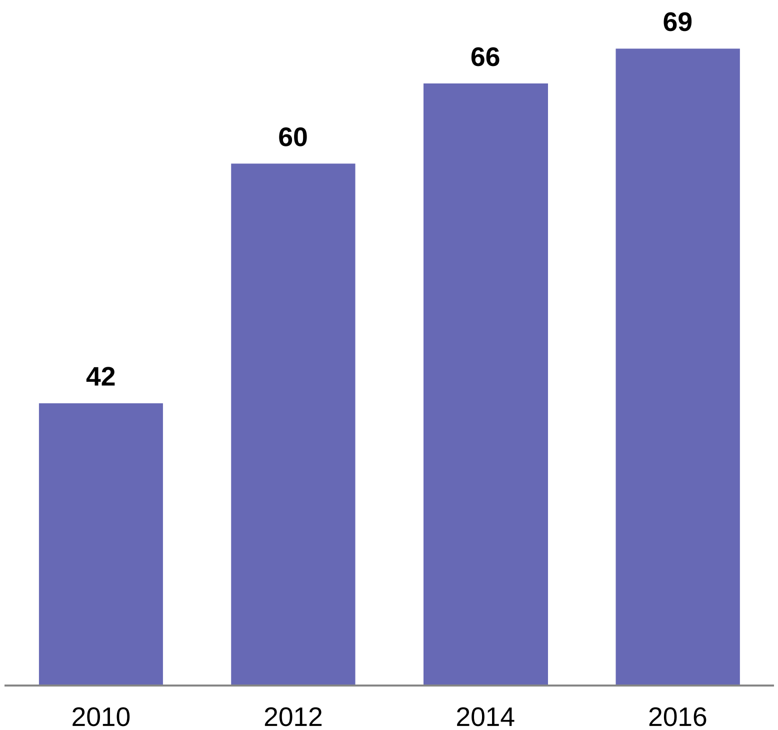
Growth with Limited Balance Sheet & Cost Requirements

- Synergies and Efficiencies with Existing Platforms

E Continue To Return Capital To Shareholders

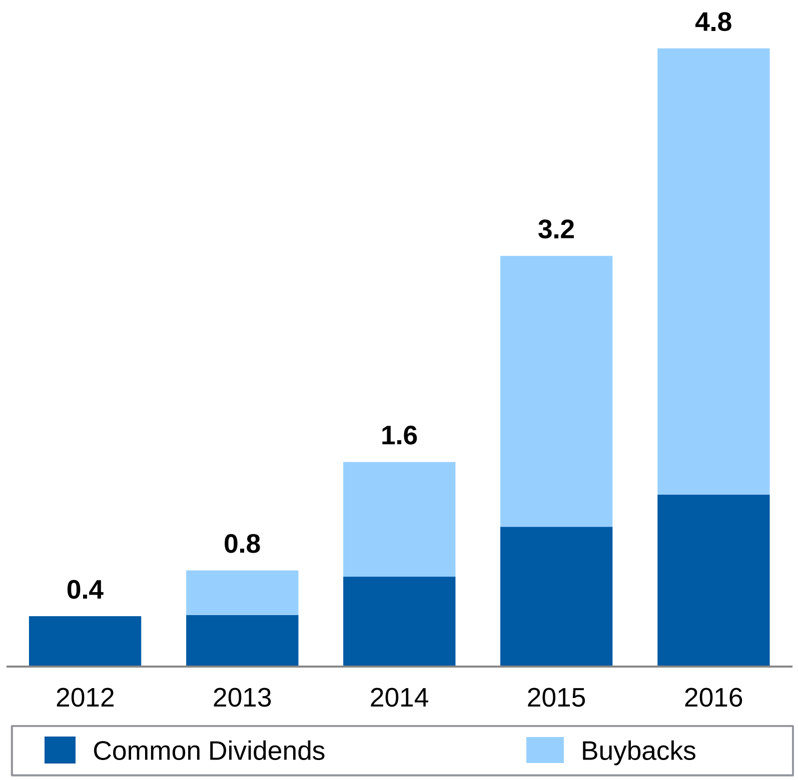
Capital Sufficiency…

Average Common Equity, ex-DVA ($Bn)(1)



…Supporting Growth in Capital Return

Total Capital Return ($Bn)



1. Represents the Firm's average common equity excluding DVA for all periods prior to 2016. Average common equity excluding DVA is a non-GAAP financial measures that the Firm considers useful for investors to assess capital adequacy and capital returns.

2 Liability Management: Executed Shift in Funding Mix to More Durable Sources

PRIMARY SOURCES OF FUNDING

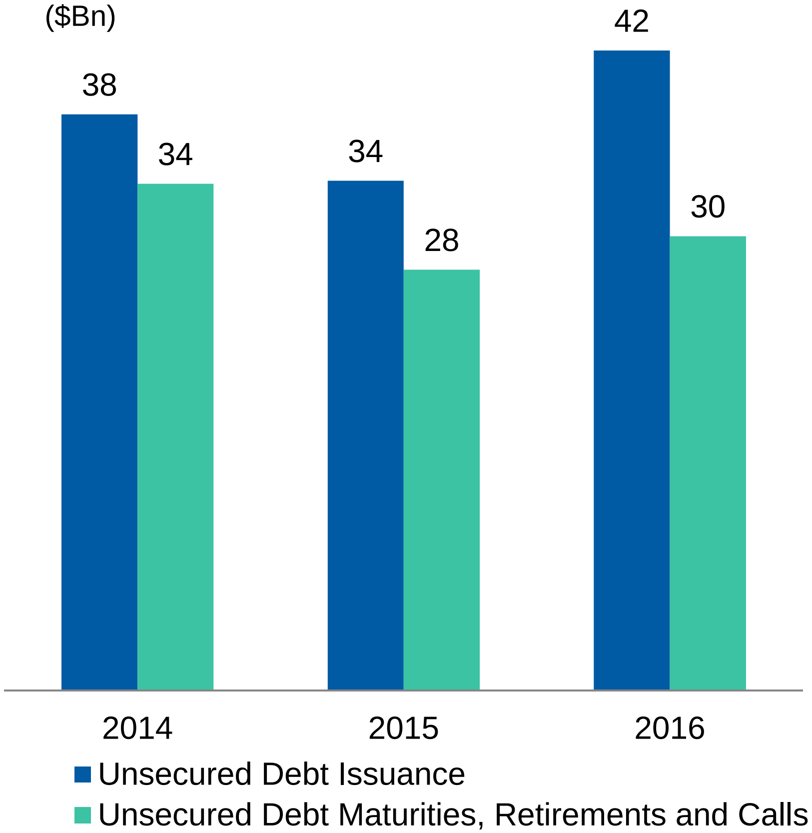
		% OF FUNDING MIX[1]	PERCENTAGE POINT FUNDING MIX CHANGE SINCE YE 2013[1]
Long-Term Debt	Weighted average maturity of ~6 years; Morgan Stanley issues predominantly from the holding company	34%	5%
Deposits	Primarily sweep deposits sourced from Wealth Management clients	33%	11%
Secured Funding	Duration of liabilities greater than duration of assets; weighted average maturity against less liquid assets in excess of 120 days	17%	20%
Shareholders' Equity	Grew common equity while reducing RWAs; issued over $5Bn of additional preferred stock to optimize capital composition	16%	3%

1. As of December 31, 2016. Figures may not sum due to rounding.

Unsecured Borrowings: Key Source of Funding

Unsecured Debt Issuance[1]

($Bn)



2016 Highlights

- Issued $42Bn in 2016[2]
- Net positive issuance
  - Continue to issue majority of unsecured debt from the Parent while optimizing issuance on other entities
  - Diversified across tenors, currencies and channels
- Long-term unsecured debt outstanding at December 30, 2016 was $165Bn
  - Weighted average maturity 5.9 years

1. Includes Plain Vanilla (Senior Unsecured Debt and Subordinated Debt) and Structured Notes.
2. Subsequent to December 31, 2016 and through February 21 2017, long-term borrowings increased by approximately $7.1Bn, net of maturities. This amount includes the issuances of senior debt; $7.0Bn on January 20, 2017 and $3.0Bn on February 17, 2017.

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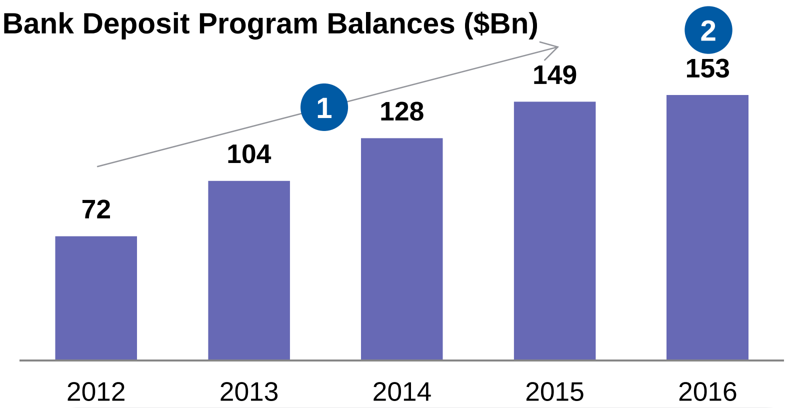
Deposit Profile Provides Durable Funding Source and Supports Asset Sensitivity

Bank Deposit Program Evolution

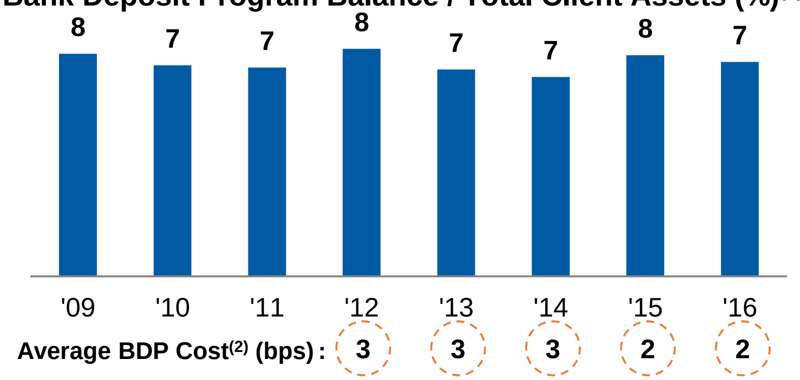
Bank Deposit Program Balances ($Bn)



1. Onboarding of legacy Smith Barney client deposits drove strong **balance growth**
2. Refined program as part of an effort to meet client cash management needs, **delivering value** to Morgan Stanley and clients
   - Changed sweep thresholds, increasing proportion of insured deposits
   - Changed deposit pricing criteria, increasing expected asset sensitivity[3]

Attractive Deposit Characteristics

Bank Deposit Program Balance / Total Client Assets (%)[1]



- ✓ **Strategic value** – critical component of full service Wealth Management offering
- ✓ **Liquidity value** – durable source of funding for loan growth
- ✓ **Cost** – attractive funding cost
  - Expected deposit beta of ~50%[4]

1. Bank Deposit Program Balance / Total Client Assets represents balances in the bank deposit program divided by client assets in the Wealth Management segment. For periods prior to 2016, the balances in the BDP included deposits held by the Firm's U.S. Bank Subsidiaries (MSBNA and MSPBNA) as well as those held at Citigroup Inc. affiliated FDIC-insured depositories, which were contractually scheduled to be transferred to Morgan Stanley Smith Barney.
2. Average BDP Cost represents interest paid on BDP balances divided by the average annual BDP balance for each calendar year.
3. During the fourth quarter of 2016, we changed the criteria used to determine the pricing for our deposit liabilities to client cash balances from client assets under management. As a result of the change, the U.S. Bank Subsidiaries balance sheet is expected to have greater sensitivity to higher rates than in prior periods.
4. Deposit beta measures deposit rate changes relative to market rate changes. Approximate deposit beta noted is based on internal Company modeling and is subject to change. The deposit beta is an estimate and may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

Four Pillars of Secured Funding Ensure Durability and Stability

Underlying Principles of the 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
  - WAM for less-liquid assets in excess of 120 days
  - In 2009, began WAM extension

2 MATURITY LIMIT STRUCTURE

- Reduces roll-over risk
- Less than 15% of non-Super Green[1] liabilities mature in any given month
- At least 25% of non-Super Green liabilities mature in more than 180 days

3 INVESTOR LIMIT STRUCTURE

- Minimizes concentration with any single investor, in aggregate, and in any given month
- Top investor may not provide more than 15% of total non-Super Green [1] 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

4 SPARE CAPACITY

- Sourcing non-Super Green[1] liabilities in excess of non-Super Green inventory
- Valuable additional funding for managing through both favorable and stressed markets
- In favorable markets, supports business growth
- In stressed markets, 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. See slide 17 for a definition of Super Green and non-Super Green.

Strict Governance Framework Ensures Appropriate Term Consistent with Asset Fundability

Rules-based Criteria Determine Asset Fundability

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
- In addition, consider HQLA regulatory definitions

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%	35%
AMBER				> 15%	>= 10	>= 60%	1%
RED				> 20%	< 10	< 60%	3%

Highly Liquid
- Governments
- Agencies
- Open Market Operations and Central Clearing Counterparty eligible collateral

Liquid
- Investment Grade Debt
- Primary/Secondary Index Equities

Less Liquid
- Convertible Bonds
- Emerging Market Sovereigns

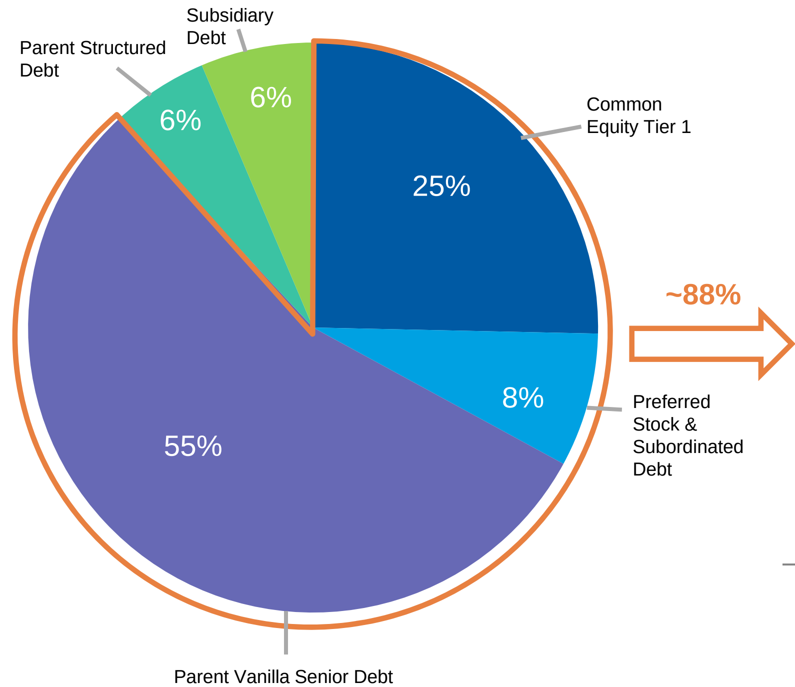
Illiquid
- Sub-Investment Grade ABS
- Non Index Equities
- Non-Rated Debt

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

3 Well Positioned For Upcoming TLAC Requirements

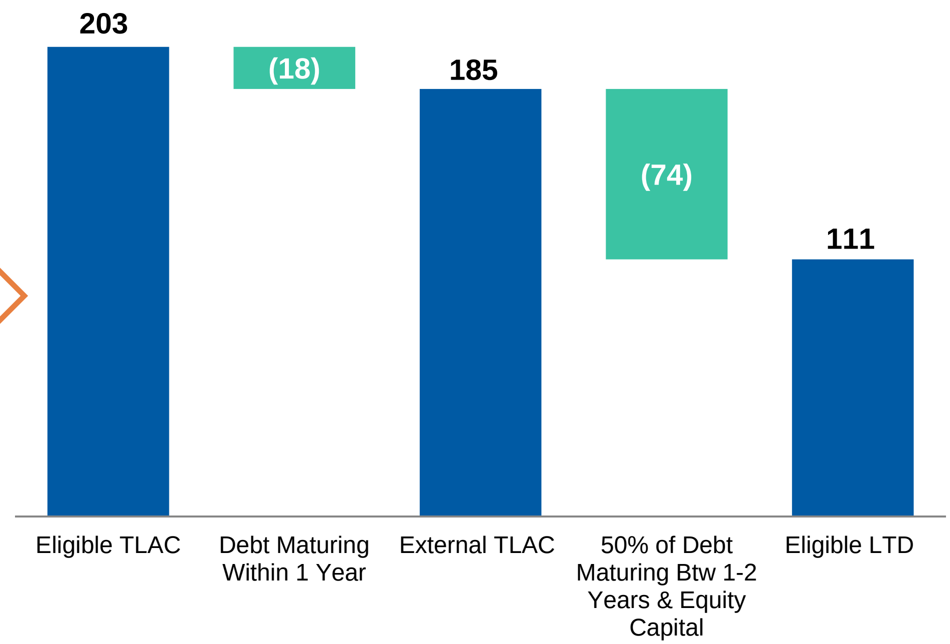
Based on Final U.S. TLAC Rule Released on December 15, 2016[(1)(2)(3)]

4Q16 Outstanding Debt & Capital Instruments (%)



Total Outstanding: $231Bn

External TLAC & Long-Term Debt ($Bn)



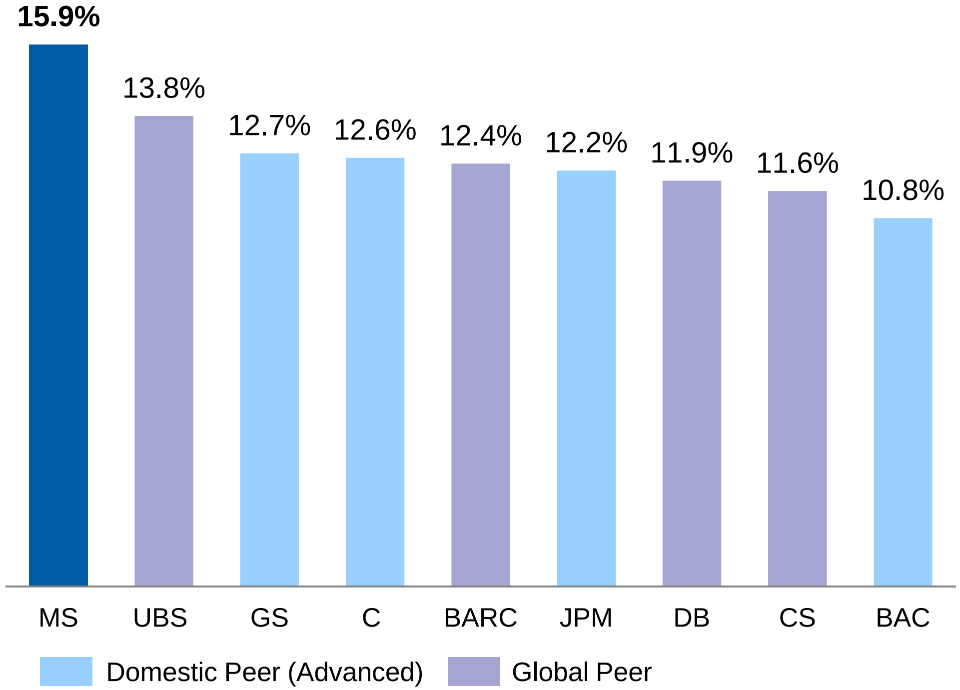
Estimated Current / 2019 Required Ratios

% RWAs[(4)]	~50% / 21.5%	~30% / 9.0%
% Leverage	~17% / 9.5%	~10% / 4.5%

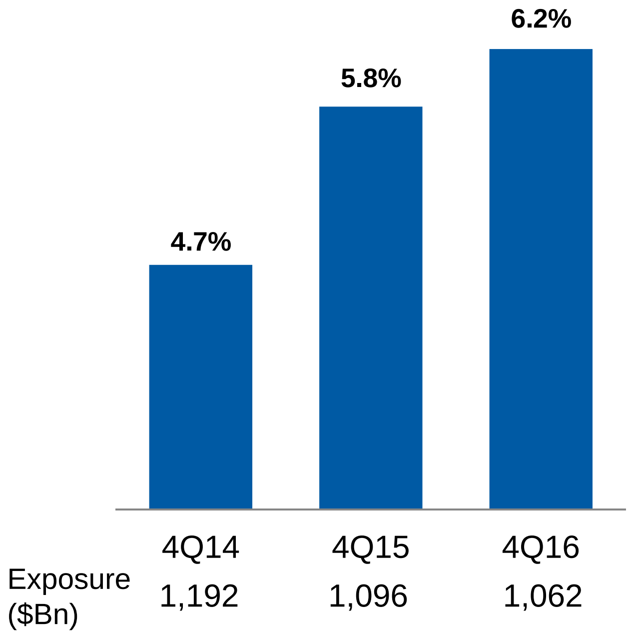
1. The Company estimates its pro forma External Total Loss Absorbing Capacity ("TLAC") and pro forma TLAC eligible Long Term Debt ("LTD") based on the Final TLAC Rule released on December 15, 2016. These pro forma calculations are non-GAAP financial measures that the Company consider to be useful measures to the Company and investors to evaluate compliance with future regulatory capital requirements.
2. Debt securities reported at outstanding notional value.
3. Capital ratios and components calculated on a U.S. Basel III fully phased-in basis.
4. January 1, 2019, risk-based requirements assume Method 1 and Method 2 G-SIB capital surcharges of 1.0% and 3.0% respectively.

Strong Risk-Based and Strengthening Leverage Ratios

4Q16 Pro Forma Fully Phased-In Common Equity Tier 1 Ratio vs. Peers (%)(1)



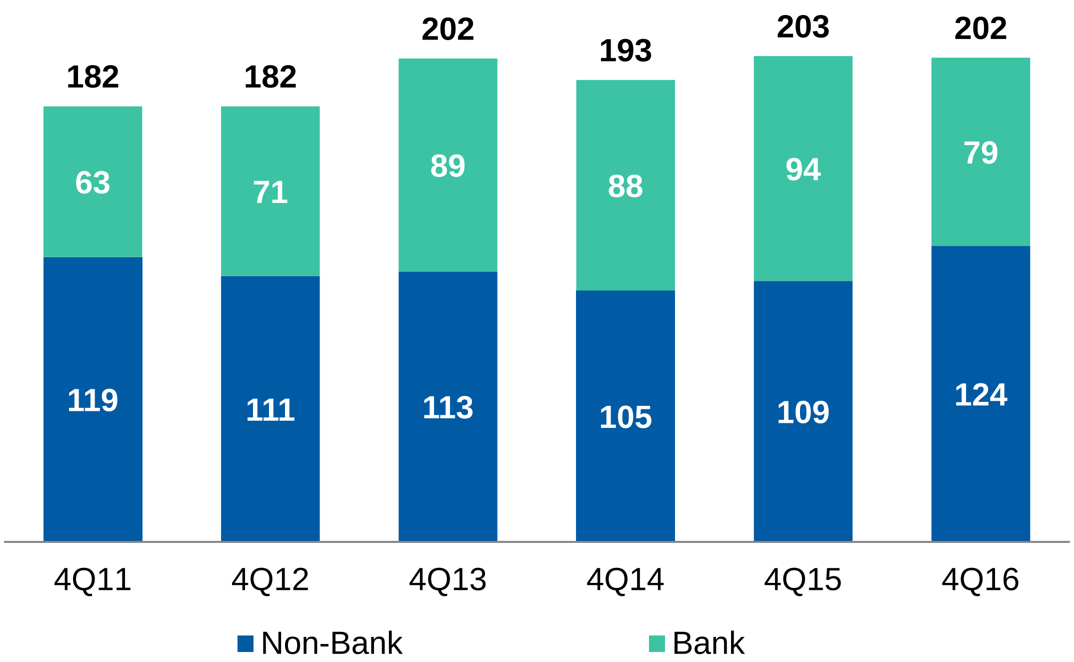
Pro Forma Fully Phased-In U.S. Supplementary Leverage Ratio (%)(1)



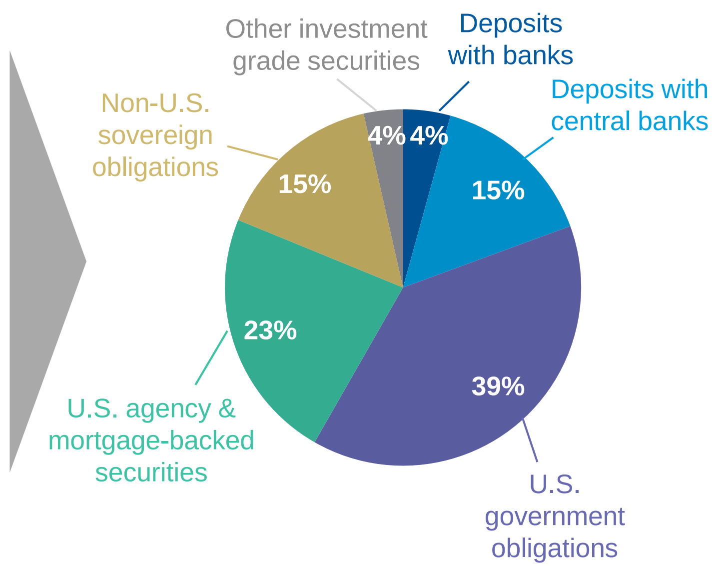
1. The Company estimates pro forma fully phased-in Common Equity Tier 1 ratio and pro forma fully phased-in Supplementary Leverage ratio based on the Company's current assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. These estimates may be subject to change as the Company receives additional clarification and guidance from the Federal Reserve. These estimates 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.

4 Significant Global Liquidity Position

Period End Global Liquidity Reserve ("GLR") ($Bn)



4Q16 GLR Composition



Pro Forma Liquidity Coverage Ratio: The Company is compliant with the U.S. LCR requirements(1)

1. The Company calculates its pro forma Liquidity Coverage Ratio ("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.

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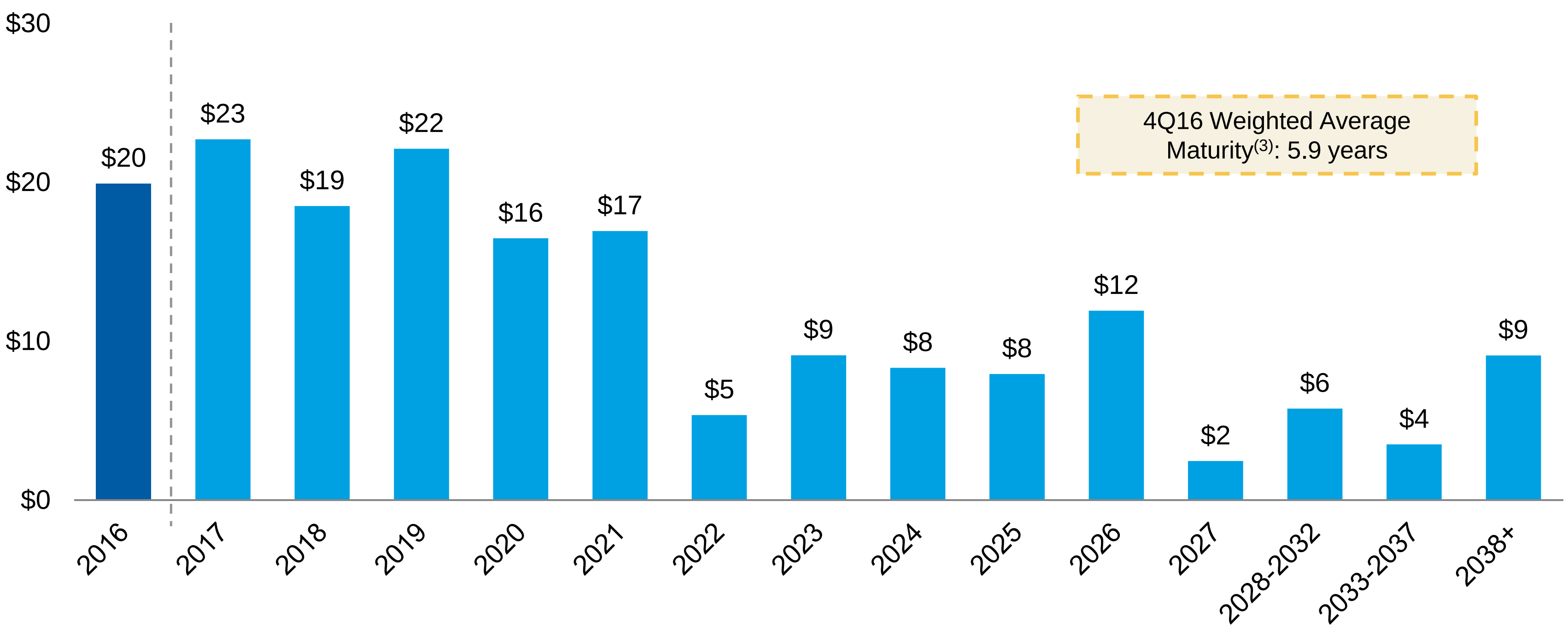
Appendix

Maturity Profile of Unsecured Borrowings

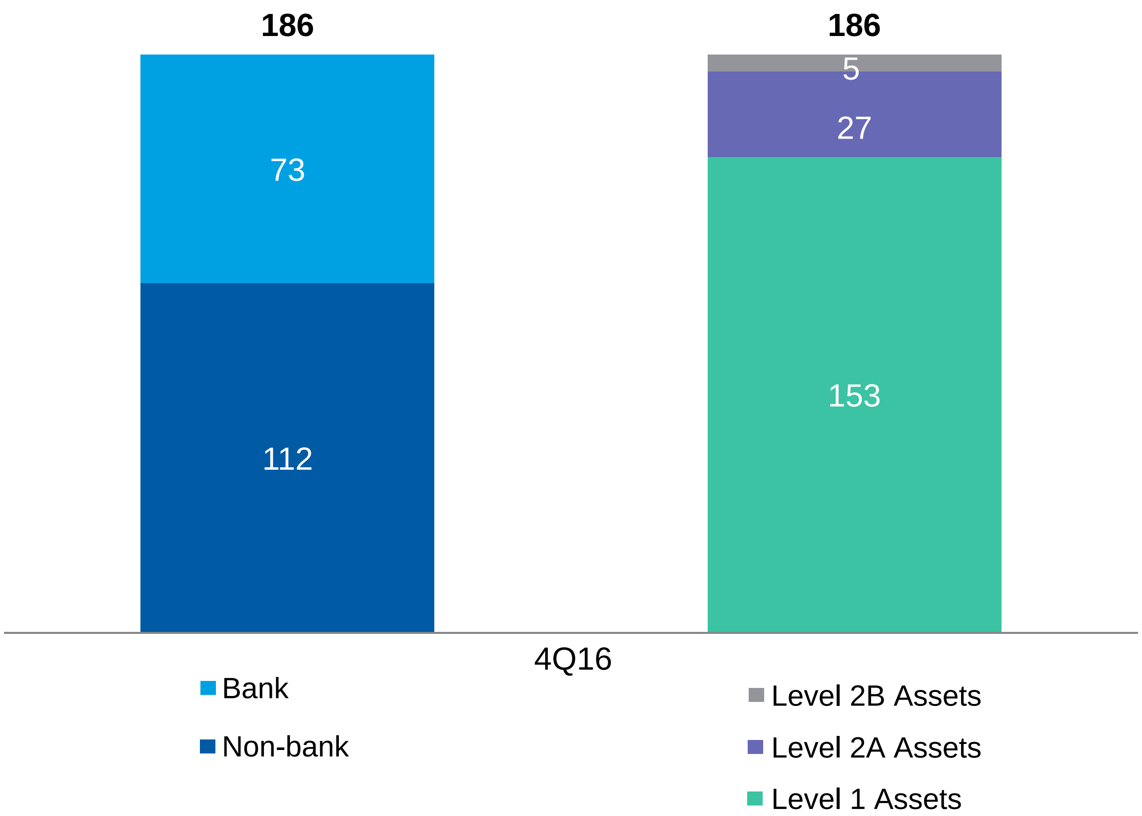
Total Short-Term and Long-Term Maturities[1][2]
($Bn)



1. As of December 30, 2016.
2. Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt and Subordinated Debt) and Structured Notes. Maturities are based on contractual maturities.
3. Weighted average maturity of long-term borrowings.

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 December 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.

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4Q16 Fixed Income Investor Update

March 7, 2017