

Morgan Stanley

Credit Suisse Financial Services Forum

Jonathan Pruzan, Chief Financial Officer & Executive Vice President

February 7, 2017

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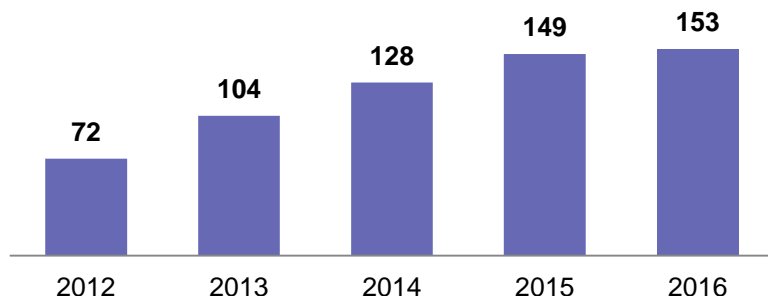
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Net Interest Income – A Significant Driver of Wealth Management Revenue and Margin Opportunity

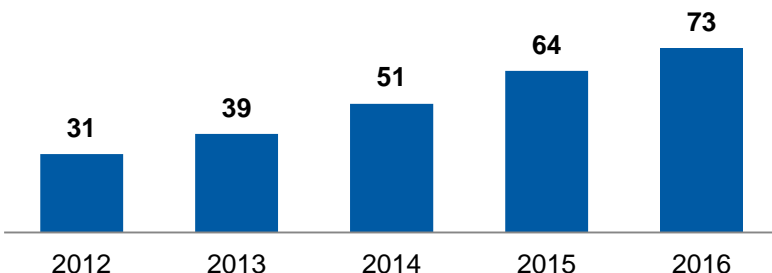
Growth in Deposit Funding...

Bank Deposit Program (“BDP”) Balances (\$Bn)⁽¹⁾



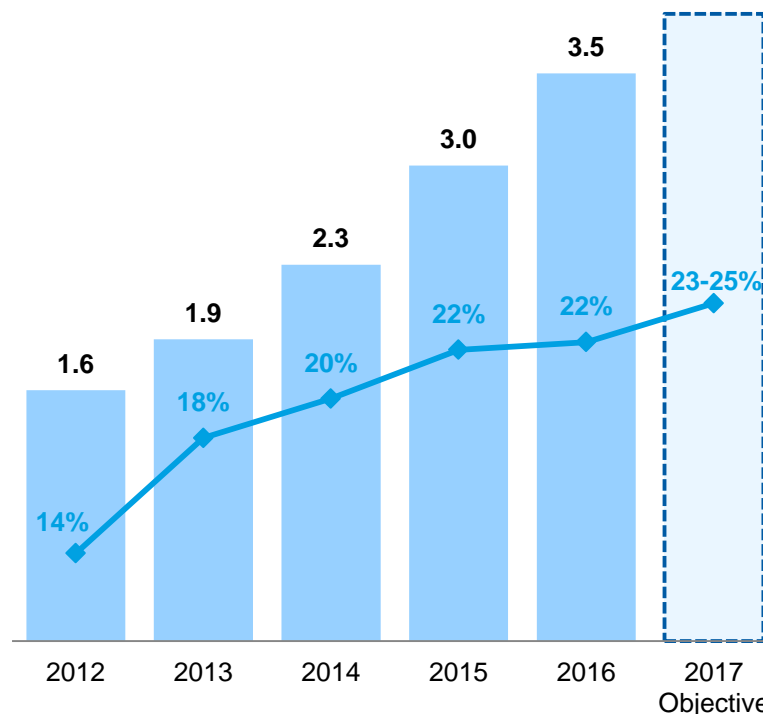
...Supporting Lending Growth...

WM Lending Balances (\$Bn)



...Driving Steady Growth in Net Interest Income

Wealth Management NII (\$Bn) and Pre-Tax Margin (%)⁽²⁾⁽³⁾

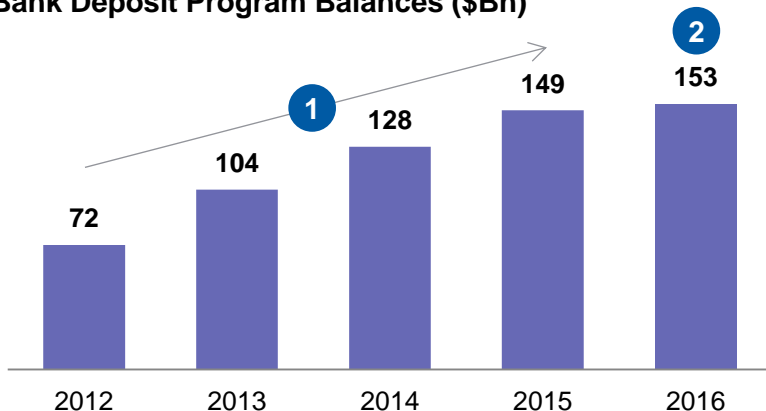


- Balances in the bank deposit program held by the Firm’s U.S. Bank Subsidiaries: Morgan Stanley Bank, N.A. (MSBNA) and Morgan Stanley Private Bank, National Association (MSPBNA)
- Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues. Pre-tax margin 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
- All periods have been recast to exclude the Managed Futures business, which is now reported in the Investment Management business segment. Additionally, the periods 2012 and 2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment. Pre-tax margin for 2012 excludes \$193 million of non-recurring costs associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture

Deposit Profile Provides Durable Funding Source and Supports Asset Sensitivity

Bank Deposit Program Evolution

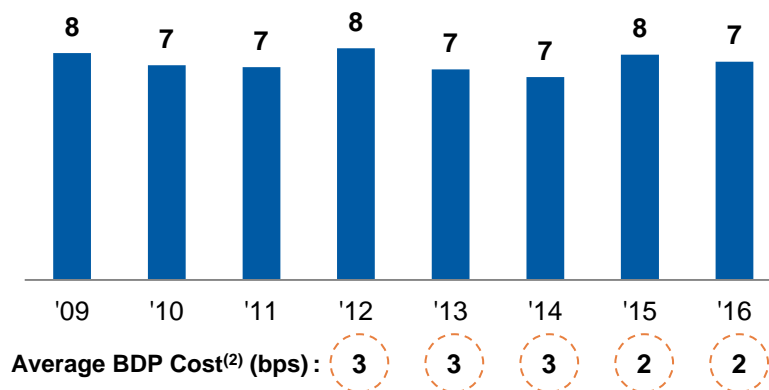
Bank Deposit Program Balances (\$Bn)



- 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
 - Revised deposit pricing to align with traditional banks

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%⁽³⁾

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

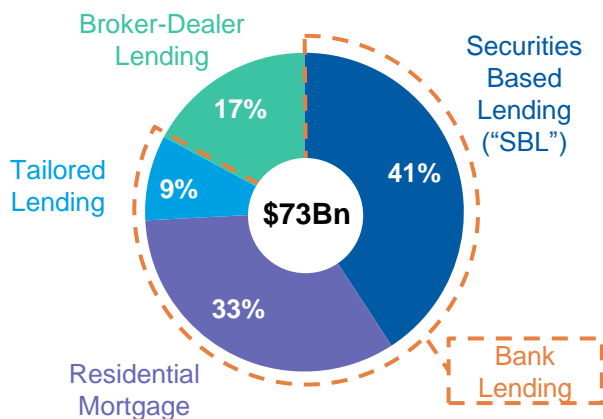
2. Average BDP Cost represents interest paid on BDP balances divided by the average annual BDP balance for each calendar year

3. 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

High Quality Wealth Management Asset Profile with Potential for Growth

High Quality Loan Portfolio

Wealth Management Loan Portfolio (%)



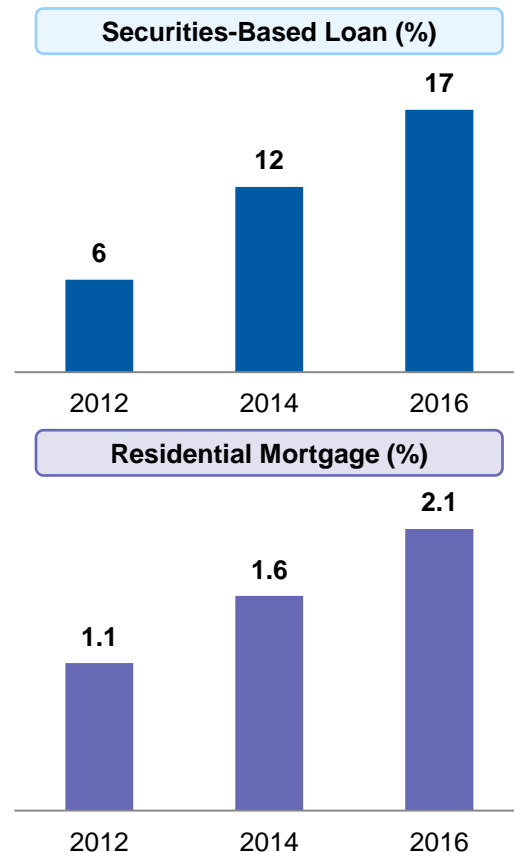
- ✓ Secured loan portfolio with strong LTVs
 - Mortgage: 63% LTV, FICO>750, nominal delinquencies
 - SBL: 42% LTV, daily margining limits credit risk

Positioned for Rising Rates

- ✓ Predominantly floating rate loan portfolio
 - SBL and Tailored Lending > 90% floating rate
 - Mortgage loans majority shorter duration hybrid ARMs
- ✓ High quality and liquid investment portfolio
 - Limited credit risk: 93% AA rated or better; >99% investment grade
 - Total portfolio duration <3.5 years; AFS <3 years

Loan Growth Opportunity

Loan Penetration (%)⁽¹⁾

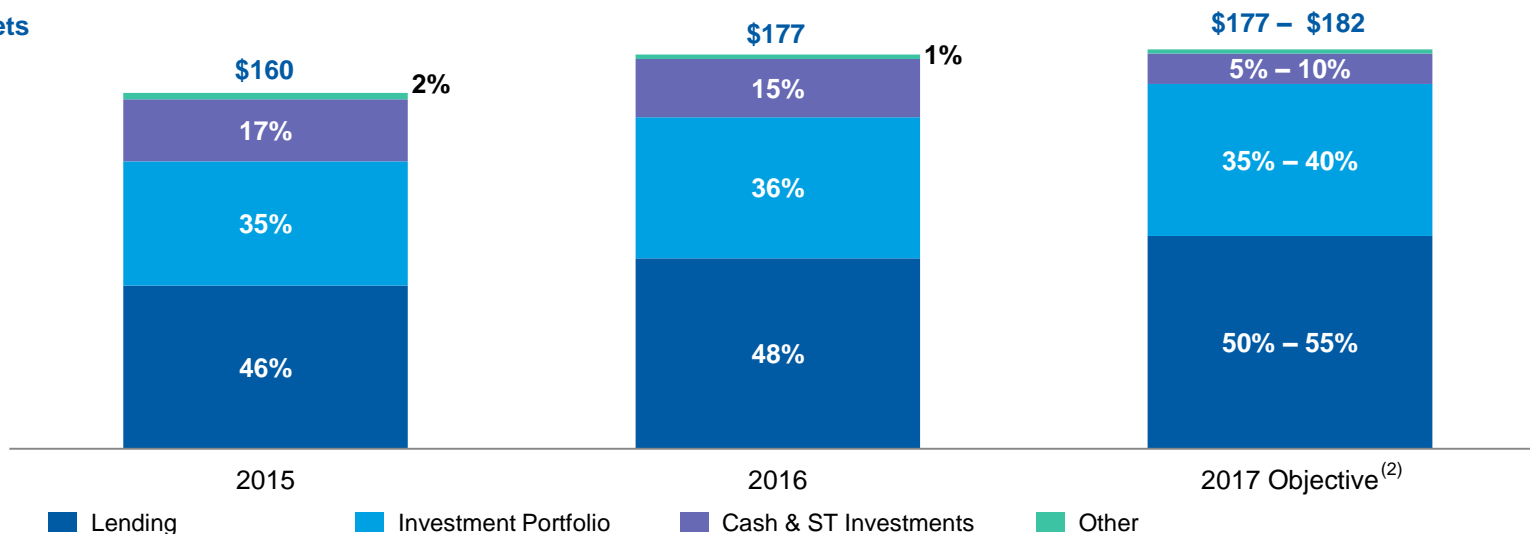


1. Loan Penetration is a Morgan Stanley designation referring to the percentage of eligible clients who have one of these lending products with Morgan Stanley

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

Combined U.S. Bank Assets (\$Bn)⁽¹⁾

Average Assets



Average Yields⁽³⁾

Cash & ST Investments	~0.4%
Investment Portfolio	~1.3%
Lending	~2.8%

Future Yield Opportunity⁽³⁾

Cash & ST Investments	~0.6%	Assume Forward Curve Materializes: Two 25bp Hikes by YE 2017 (Mid'17 & End'17)	~1.0%
Investment Portfolio	~1.5%		~1.8%
Lending	~2.9%		~3.2%

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

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