

April 27, 2016

Dear Fellow Morgan Stanley Shareholder:

Morgan Stanley's Board of Directors recommends that you vote:

- **FOR** the Advisory Vote on Compensation of Named Executive Officers (“Say on Pay”)
- **FOR** the Election of the Nominees to the Board of Directors
- **FOR** the Amendment of the 2007 Equity Incentive Compensation Plan (EICP) to Increase Shares Available by 20 Million Shares and Add Performance Measures as Potential Elements of Performance-Vested Awards
- **FOR** the Ratification of Deloitte & Touche as the Firm's Independent Auditor
- **AGAINST** the Shareholder Proposals: (1) To Exclude Votes to Abstain from Shareholder Proposal Vote Counts and (2) To Adopt a Policy to Prohibit Vesting of Deferred Equity Awards for Senior Executives Who Resign to Enter Government Service

Like last year, the proxy advisory firm Institutional Shareholder Services has recommended that shareholders vote for “Say on Pay” because of the Company's alignment of compensation with overall strategic progress and financial and shareholder performance. However, also like last year, the proxy advisory firm Glass Lewis has recommended against “Say on Pay”. In 2015, 89% of shares voted for “Say on Pay”. Both proxy advisory firms recommended voting for all of the Director nominees and for the EICP Amendment.

Advisory “Say on Pay” Proposal

The “Say on Pay” proposal centers on CEO compensation in relation to Company performance on both an absolute and relative basis. The Board of Directors believes that performance and pay were properly aligned for 2015:

- In 2015, the Company achieved a number of important strategic priorities including: increasing Wealth Management's pre-tax profit margin from 20% to 22%, achieving 46% NII growth in the U.S. Banks, maintaining leadership in Institutional Equities and Investment Banking, receiving a two-notch upgrade from Moody's, and receiving a non-objection from the Federal Reserve Board to increase the Company's authorized share repurchase to \$3.1 billion and quarterly common stock dividend to \$0.15 per share.
- The Company also delivered improved financial performance in 2015: net revenues and pre-tax profit increased year-over-year and return on equity increased from 5% to 9% (4% to 8% excluding DVA).
- Notwithstanding Morgan Stanley's significant strategic progress and improved financial performance, total shareholder return (TSR) of -17% in 2015 trailed peers in a challenging year for global financials. However, over the three year period from 2013 to 2015, Morgan Stanley's TSR ranked 1st among peers at 72%.
- As a result, the CEO's total 2015 compensation was set at \$21 million, a 7% decrease from 2014. 72% of the award is deferred over three years and subject to clawback. CEO compensation includes a 2016-2018 long-term incentive award of \$5.9 million if performance targets are met.

Accordingly, we urge you to vote FOR the advisory “Say on Pay” proposal.

Shareholder Proposals

1. Proposal to amend company bylaws to exclude votes to abstain from vote counts
 - Morgan Stanley's vote counting methodology applies equally to company-sponsored proposals and shareholder proposals and is consistent with the default treatment of abstentions under Delaware law. The treatment and effect of abstentions is clearly disclosed in the proxy statement and, as such, the vote count methodology honors the intent of shareholders who cast abstaining votes.
2. Proposal to adopt a policy to prohibit vesting of deferred equity awards for senior executives who resign to enter government service
 - Morgan Stanley's government service clause reinforces the Company's culture of public service and attracting and retaining talented employees. Morgan Stanley permits employees to enter government service without forfeiting deferred equity when the government position prohibits the employee from continuing to hold Morgan Stanley stock. The deferred equity vests and is paid, but remains subject to cancellation and clawback over the deferral period.

Accordingly, we urge you to vote AGAINST the shareholder proposals.

Conclusion

I hope that this letter, together with the more detailed information in the attached presentation and in the Compensation Discussion & Analysis section of our proxy statement, will help you make a fully informed decision. If you have questions, or need assistance in voting your shares, please feel free to call our proxy solicitor, D.F. King & Co., Inc., at (212) 269-5550.

Very truly yours,



Jim Rosenthal
Chief Operating Officer