

Morgan Stanley

Morgan Stanley
3Q16 Fixed Income Investor Call
November 3, 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.

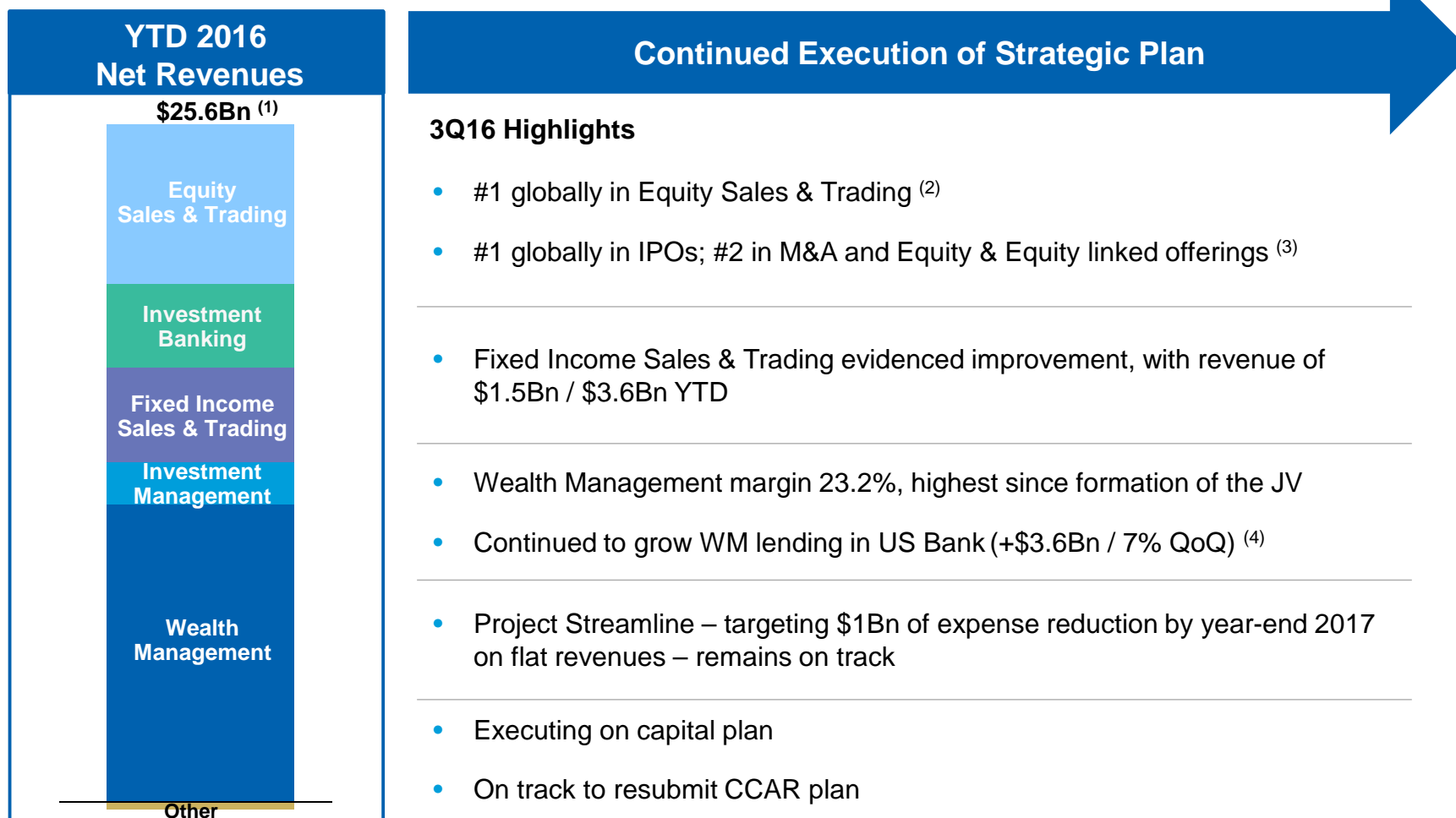
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Agenda

Business Update	Section 1
Liability Management	Section 2
Capital Management	Section 3
Liquidity Management	Section 4

1 Business Summary Update



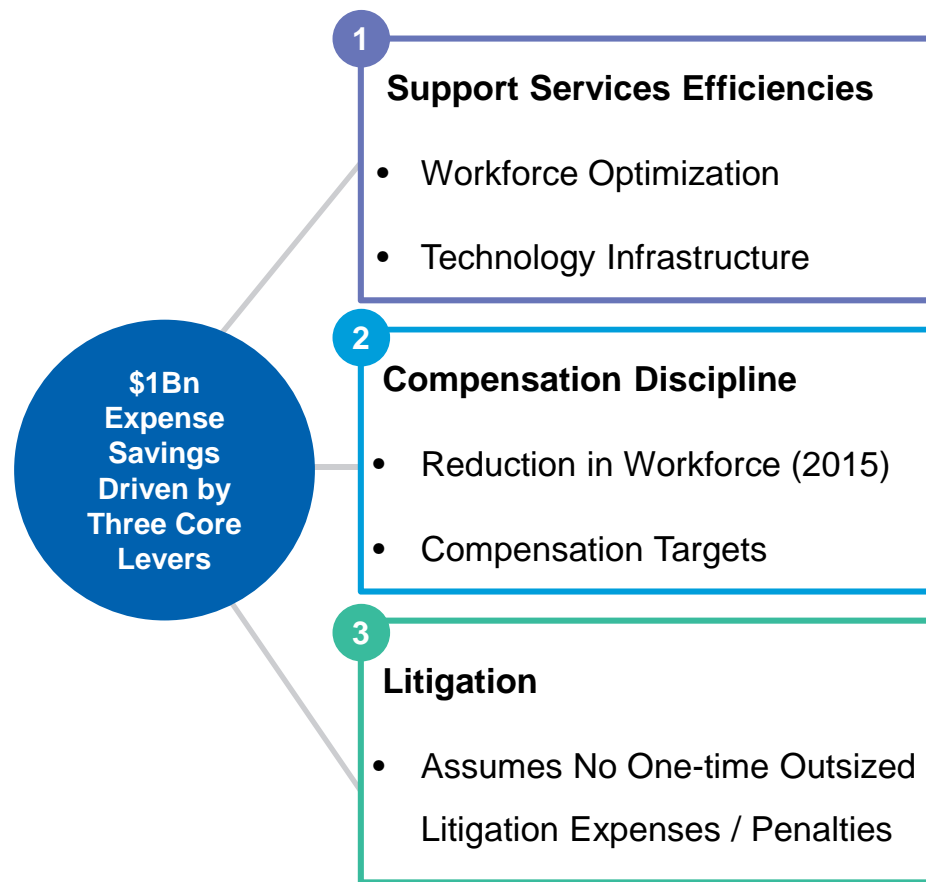
1. YTD 2016 Net Revenues represent results for the nine months ended September 30, 2016. "Other" includes certain ISG components, including Other Sales & Trading, Investments and Other Revenue, and Intersegment eliminations

2. Morgan Stanley Global Revenue Rank as of September 30, 2016, year-to-date. Peers included in Global Rank include Goldman Sachs, JP Morgan, Bank of America, Citigroup, UBS, Deutsche Bank, Credit Suisse and Barclays

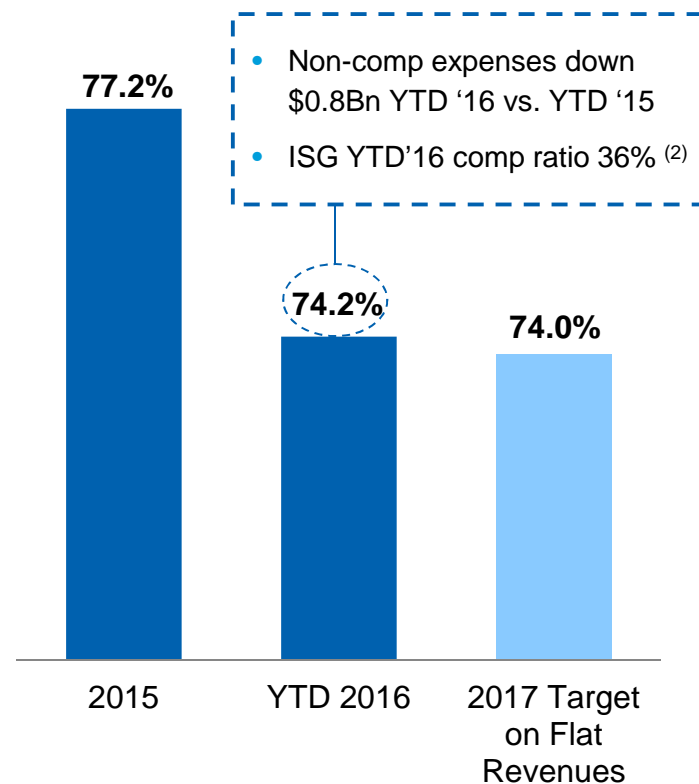
3. Source: Thomson Reuters – for the period of January 1, 2016 to September 30, 2016

4. U.S. Bank operating subsidiaries include Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association

Project Streamline: \$1Bn Expense Reduction Through 2017



Expense Efficiency Ratio, Ex-DVA ⁽¹⁾



1. Efficiency ratio represents total non-interest expenses as a percentage of Net Revenues. In 2015, the denominator was adjusted to exclude DVA. The Expense Efficiency ratio, ex-DVA, is a non-GAAP financial measure the Company considers useful for investors to assess operating performance
 2. Compensation ratio is calculated as compensation and benefits expense as a percentage of Net Revenues

CCAR Remediation Process on Track

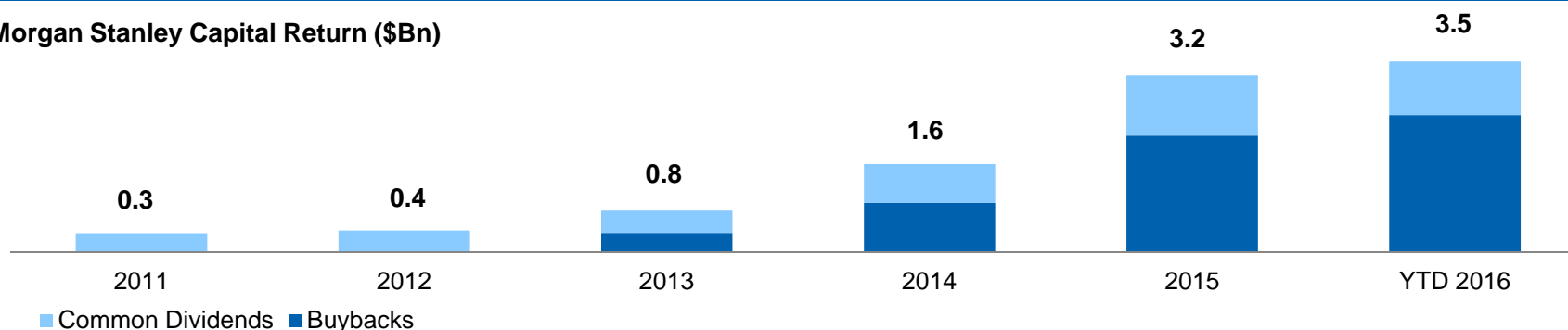
Morgan Stanley CCAR Results

Feedback	<ul style="list-style-type: none">• Weaknesses identified in our capital planning process led to a conditional non-objection by the Federal Reserve• Resubmitting capital plan by December 29, 2016
Capital Actions	<ul style="list-style-type: none">• Increase of quarterly dividend from \$0.15 to \$0.20 per share• Repurchase of up to \$3.5Bn of common stock• Redemption of \$2.8Bn of TruPS
Resubmission Focus Areas	<ul style="list-style-type: none">• Investing in more robust and granular scenario design• Enhancing model and assumption development and validation• Further increasing strength of governance and internal controls around capital planning process

Returning Excess Capital, While Increasing Financial Strength

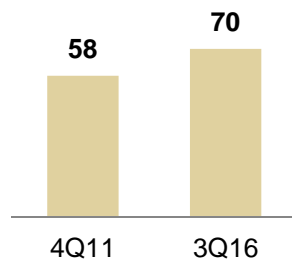
Increased Capital Return to Shareholders...

Morgan Stanley Capital Return (\$Bn)

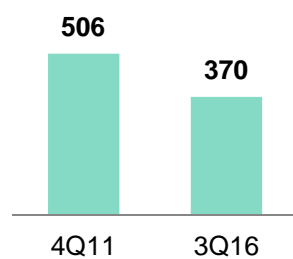


...while Strengthening Capital Position and De-Risking Business

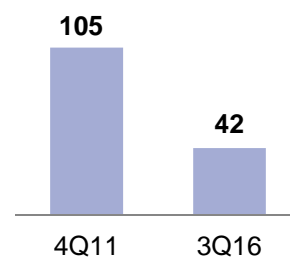
Avg. Common Equity, ex-DVA (\$Bn) ⁽¹⁾



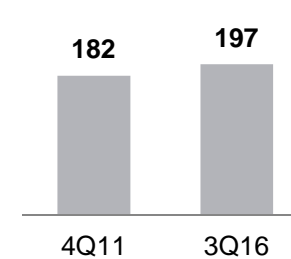
Fully Phased-in Advanced RWAs (\$Bn) ⁽²⁾



Avg. Daily 95% / One Day Trading Value-at-Risk (\$MM)



Global Liquidity Reserve (\$Bn) ⁽³⁾



1. Average Common Equity, ex-DVA is adjusted for inception-to-date DVA. Average Common Equity, ex-DVA is a non-GAAP financial measure that the Firm considers useful for investors to assess capital adequacy
2. The pro forma estimate of Fully Phased-in Advanced Risk Weighted Assets ("RWAs") for 2011 is reported under the then proposed Federal Reserve guidelines. RWAs for 3Q16 are based on the Company's current understanding of U.S. Basel III and other factors, which may be subject to change as the Company receives additional clarification and implementation guidance from the Federal Reserve. The pro forma estimate of Fully Phased-in Advanced RWAs is a non-GAAP financial measure that the Company considers to be useful measure for evaluating compliance with new regulatory capital requirements that have not yet become effective
3. The global liquidity reserve, which is held within the bank and non-bank operating subsidiaries, is comprised of highly liquid and diversified cash and cash equivalents and unencumbered securities. Eligible unencumbered securities include U.S. government securities, U.S. agency securities, U.S. agency mortgage-backed securities, non-U.S. government securities and other highly liquid investment grade securities

Morgan Stanley's Commitment to Resolution Planning

Resolution Strategy Supported by Three Verticals


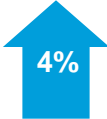





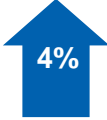
- Submitted status report to U.S. Agencies on September 30, 2016, which set forth enhancements underway with respect to shortcomings identified in 2015 Resolution Plan and requirements detailed in 2017 Guidance
- Will complete all enhancements prior to July 2017

Resolution Strategy: Three Verticals

Strategic and Legal Framework	<ul style="list-style-type: none">• Comply with clean holding company guidance• Amending and restating Morgan Stanley Parent support agreement<ul style="list-style-type: none">- In event of material financial distress, Morgan Stanley Parent will be obligated to contribute or loan on a subordinated basis all of its material assets ⁽¹⁾ to provide capital and liquidity to material subsidiaries- Obligations will be secured on a senior basis by the assets of Morgan Stanley Parent
Financial Adequacy	<ul style="list-style-type: none">• Enhanced overall durability of funding structure• Maintain a substantial liquidity reserve and enhancing liquidity modeling
Operational Continuity and Capabilities	<ul style="list-style-type: none">• Developed a service entity network to facilitate operational continuity of services• Migrated U.S. technology organization from U.S. broker dealers into primary U.S.-domiciled material service entity

1. Other than shares in subsidiaries of Morgan Stanley Parent and certain intercompany payables

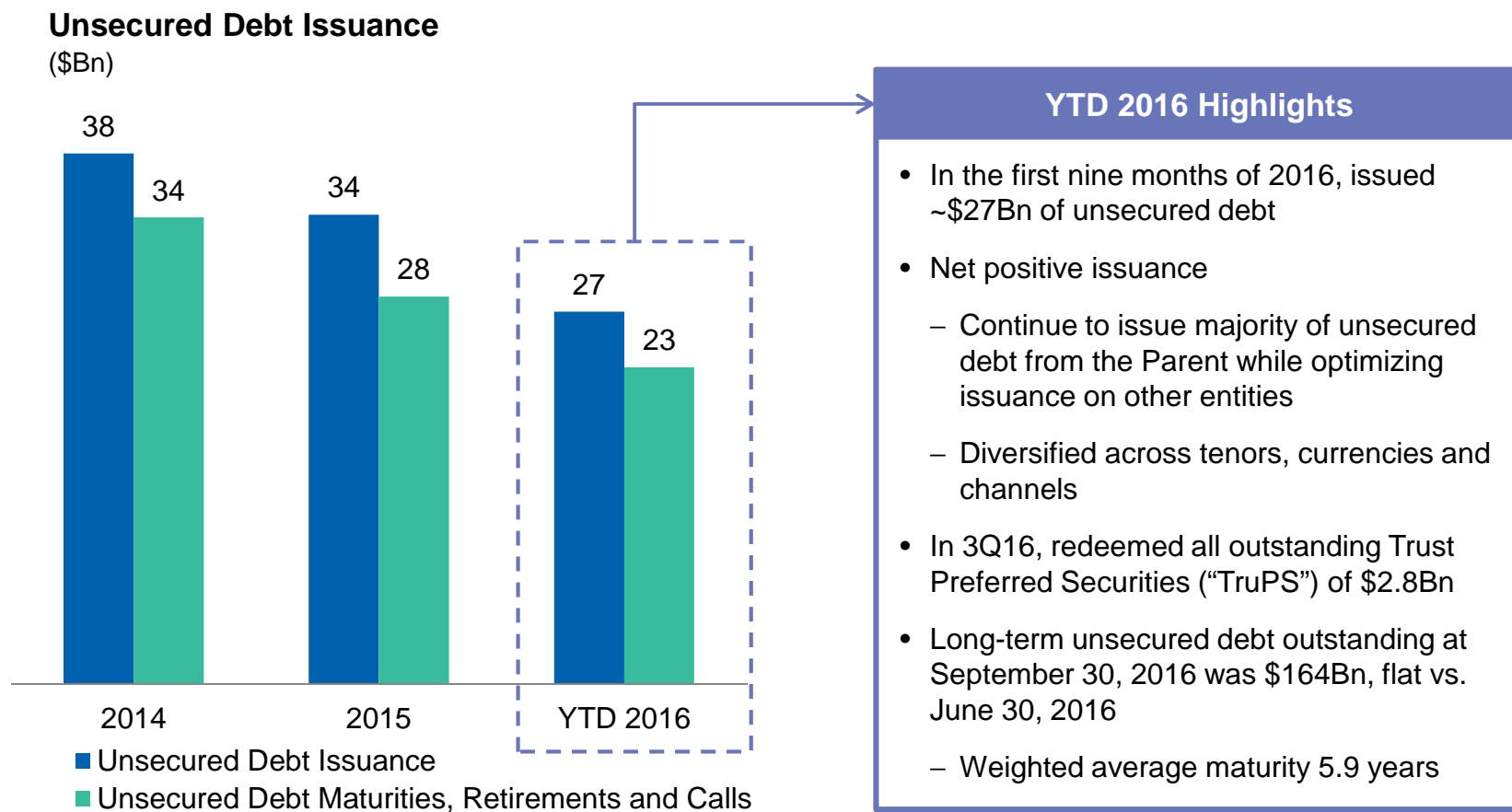
2 Liability Management: Executed Shift in Funding Mix to More Durable Sources

PRIMARY SOURCES OF FUNDING		% OF FUNDING MIX ⁽¹⁾	% CHANGE SINCE 3Q13 ⁽¹⁾
Long-Term Debt	Weighted average maturity of ~6 years; Morgan Stanley issues predominantly from the holding company	 35%	 4%
Deposits	Primarily sweep deposits sourced from Wealth Management clients	 33%	 12%
Secured Funding	Duration of liabilities greater than duration of assets; weighted average maturity against less liquid assets in excess of 120 days	 16%	 21%
Shareholders' Equity	Grew common equity while reducing RWAs; issued over \$6Bn of preferred stock to optimize capital composition	 17%	 4%

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

Unsecured Borrowings: Key Source of Funding

Expect Unsecured Debt to Increase over Next Several Quarters as the Firm Addresses Various Regulatory Requirements (Resolution and Recovery Planning, U.S. NSFR)

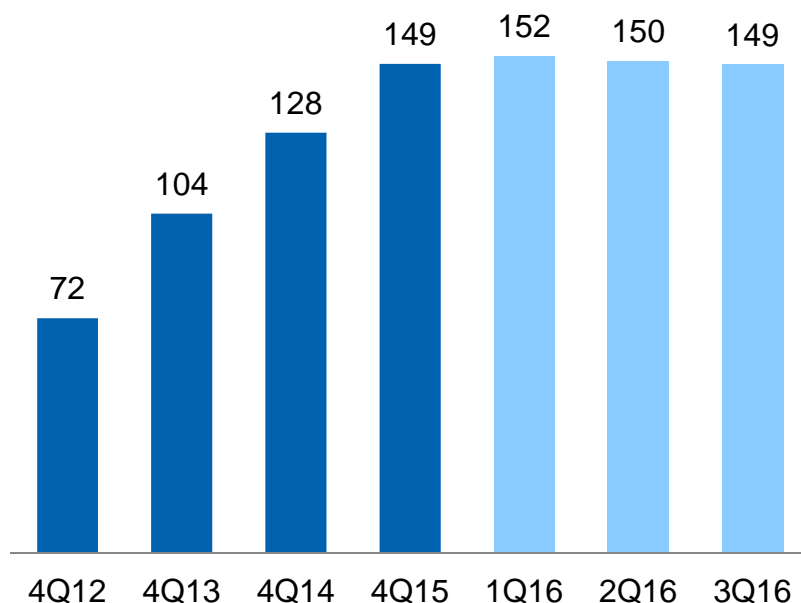


Optimizing Deposit Base to Increase Balance Sheet Efficiency

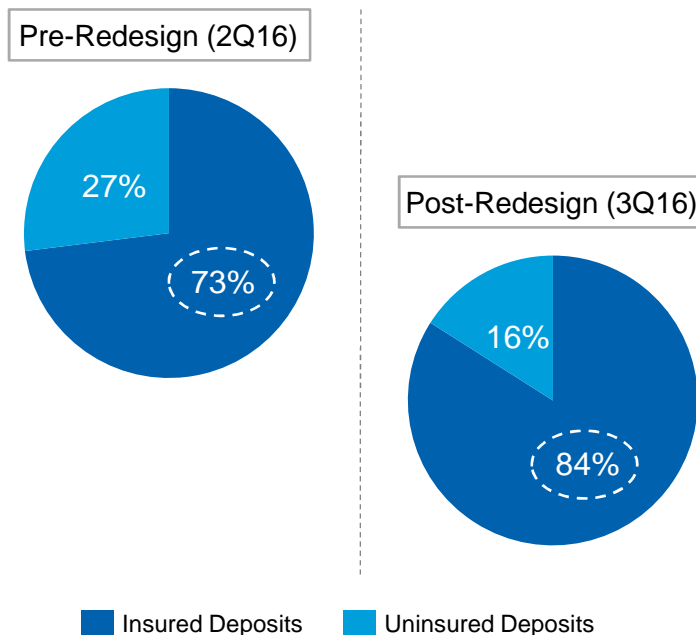
Executed Redesign of U.S. Bank Deposit Program (“BDP”) in 3Q16

- In July / August 2016, executed redesign of Wealth Management client cash sweep program as part of effort to meet client cash management needs in light of non-government money market fund (“MMF”) regulation
- **Redesign resulted in an increase to the proportion of insured deposits, as well as an increase in the overall liquidity value of the BDP balances**

BDP Balances ⁽¹⁾
(\$Bn)



BDP Balances – Insured vs. Uninsured
(%)



1. Balances in the bank deposit program held by the Firm’s U.S. Bank Subsidiaries

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 13 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		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%	62%	
■ GREEN				≤ 15%	≥ 15	≥ 95%	33%	
■ AMBER				> 15%	≥ 10	≥ 60%	3%	
■ RED				> 20%	< 10	< 60%	1%	

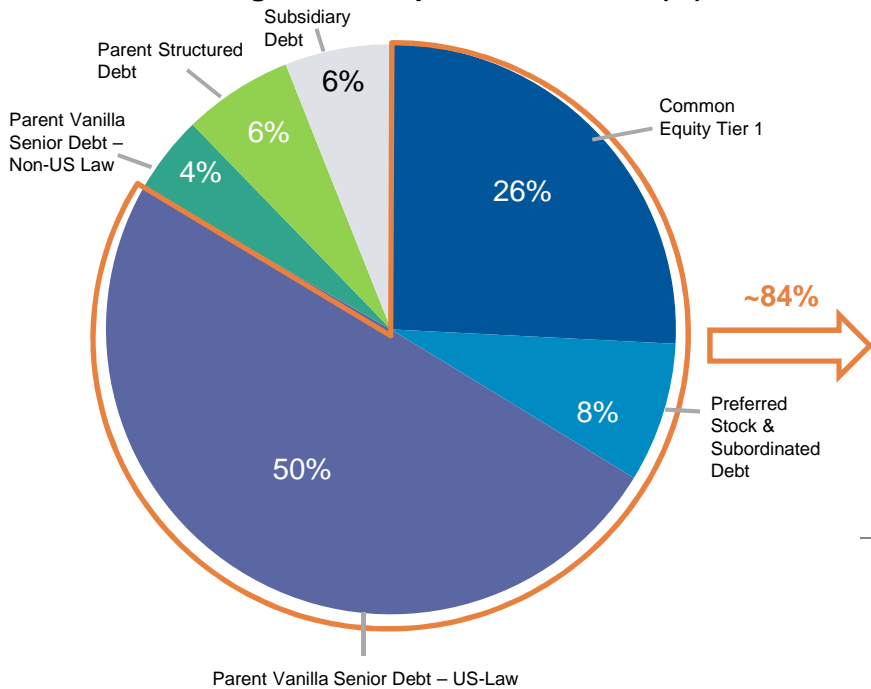
<ul style="list-style-type: none"> ■ Highly Liquid <ul style="list-style-type: none"> – Governments – Agencies – Open Market Operations and Central Clearing Counterparty eligible collateral ■ Liquid <ul style="list-style-type: none"> – Investment Grade Debt – Primary/Secondary Index Equities 	<ul style="list-style-type: none"> ■ Less Liquid <ul style="list-style-type: none"> – Convertible Bonds – Emerging Market Sovereigns ■ Illiquid <ul style="list-style-type: none"> – Sub-Investment Grade ABS – Non Index Equities – Non-Rated Debt
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1. As of September 30, 2016. Figures may not sum due to rounding

3 Positioned For Upcoming TLAC Regulation

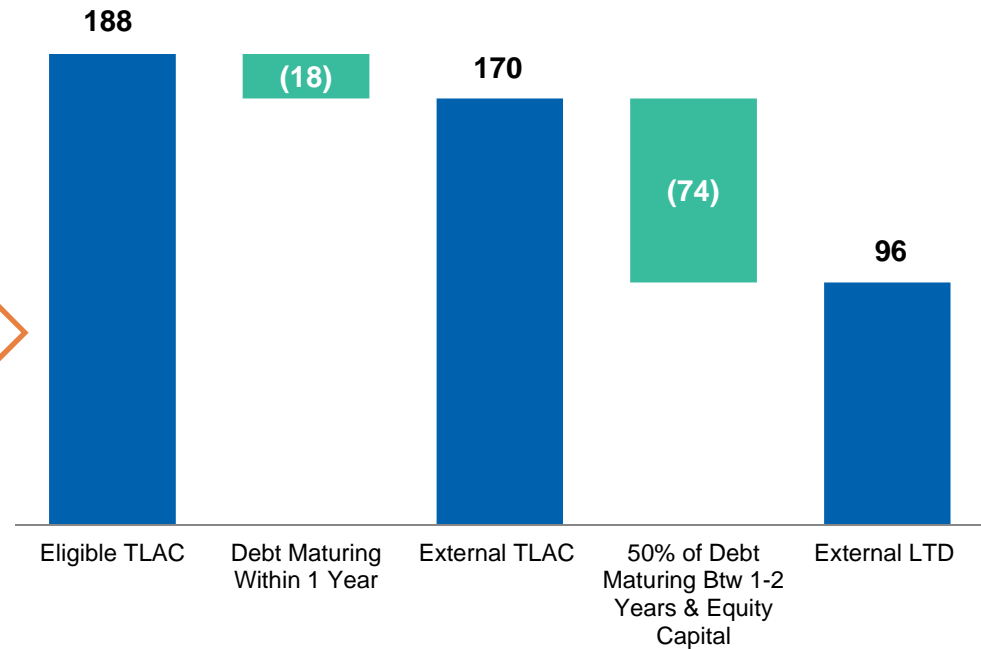
Based on Morgan Stanley's Interpretation of U.S. NPR Released on October 30, 2015 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

3Q16 Outstanding Debt & Capital Instruments (%)



Total Outstanding: \$226Bn

External TLAC & Long-Term Debt (\$Bn)

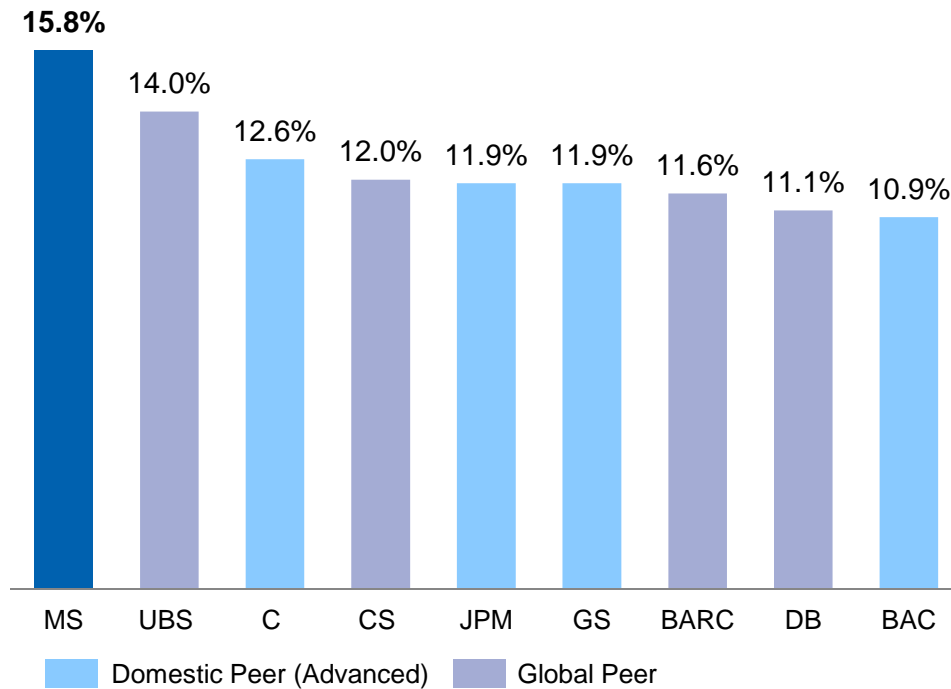


% RWAs	~46%	~26%
% Leverage	~16%	~9%

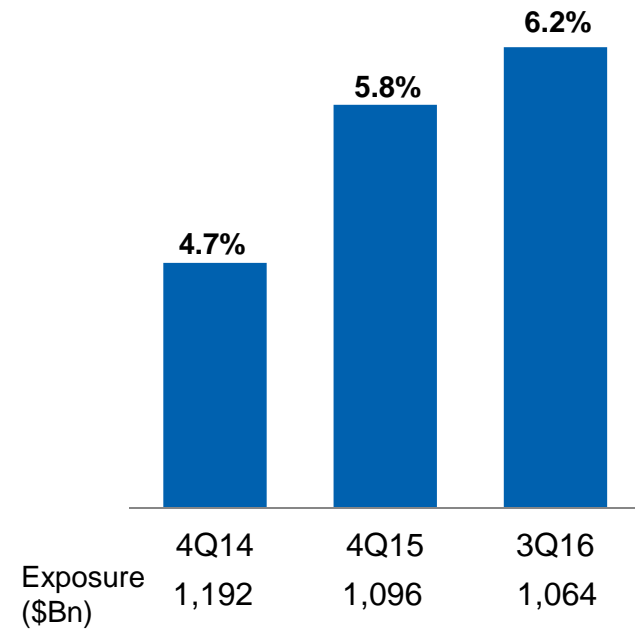
1. The Company estimates its pro forma External Total Loss Absorbing Capacity ("TLAC") and pro forma External Long-Term Debt ("LTD") based on the Company's current assessment of the notice of proposed rule making ("NPR") released on October 30, 2015. Our interpretation of the NPR includes the Company's 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

Strong Risk-Based and Leverage Ratios

3Q16 Pro Forma Fully Phased-In Common Equity Tier 1 Ratio vs. Peers (%) ⁽¹⁾



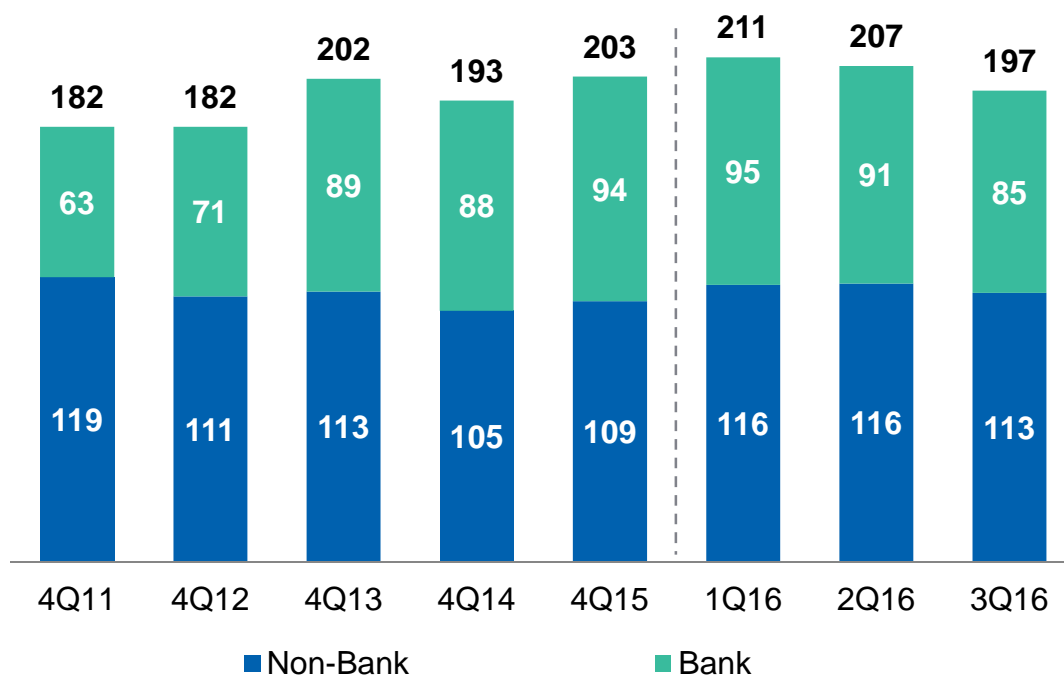
Pro Forma Fully Phased-In U.S. Supplementary Leverage Ratio (%) ⁽¹⁾



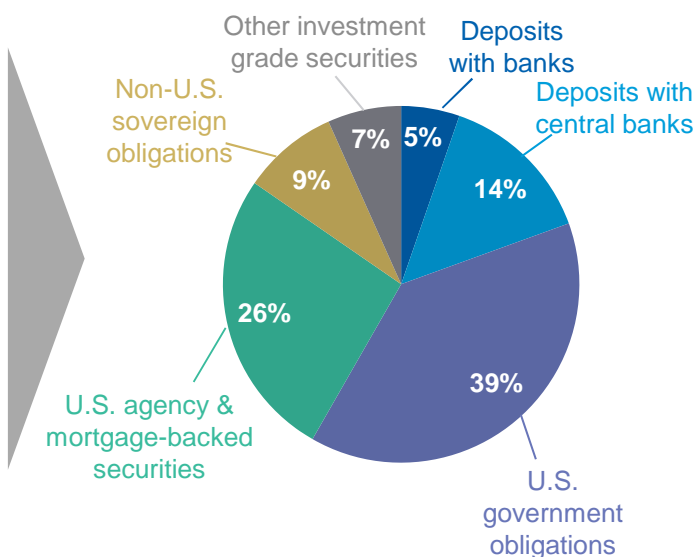
1. The Company estimates pro forma fully phased-in Common Equity Tier 1 ratio and pro forma fully phased-in Supplementary Leverage ratio based on the Company's current assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. 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)



3Q16 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

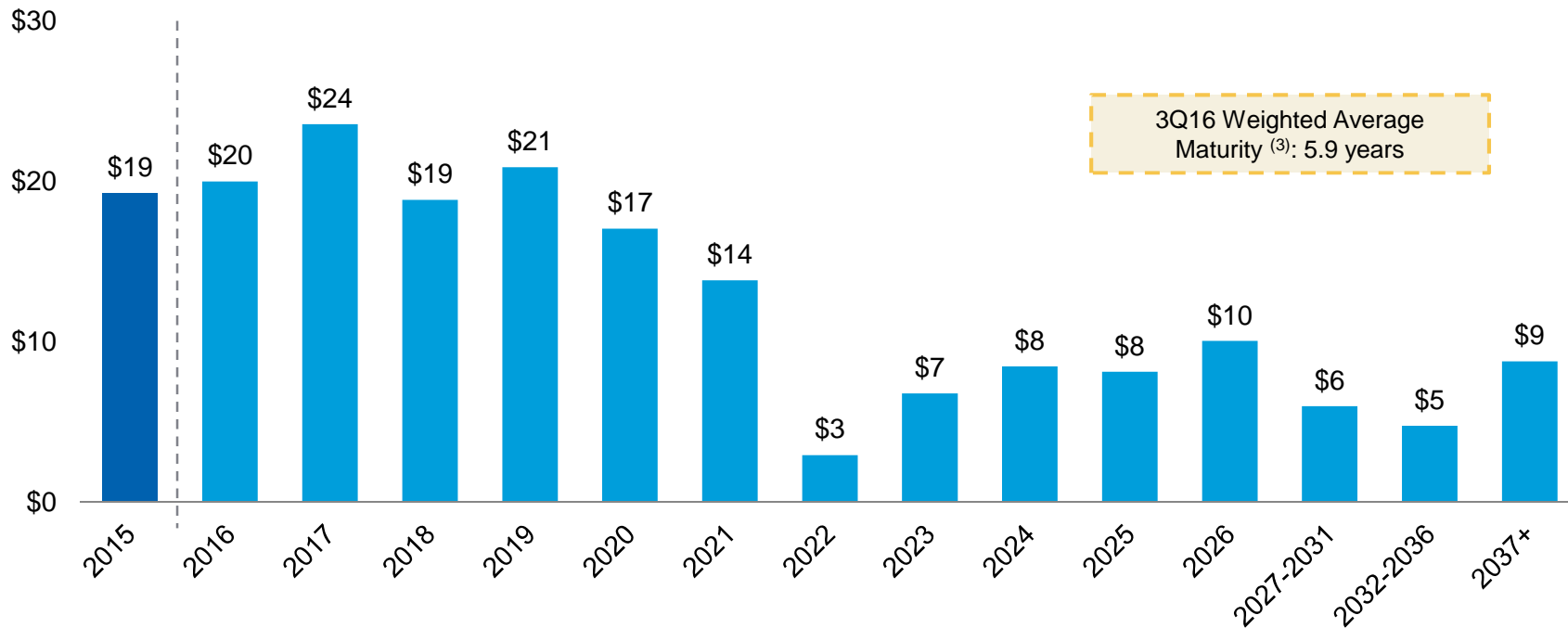
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Appendix

Maturity Profile of Unsecured Borrowings

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

(\$Bn)



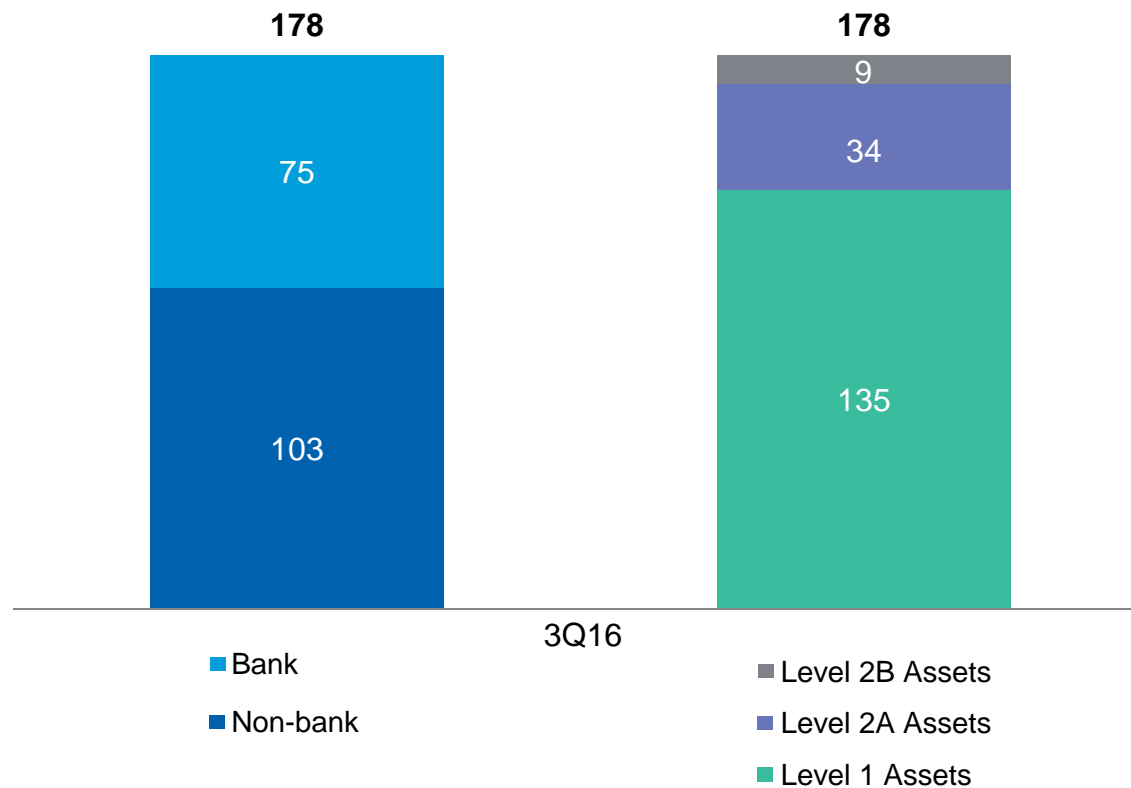
1. As of September 30, 2016

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 September 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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