

Morgan Stanley

# **Morgan Stanley**

# **Fixed Income Investor Presentation**

**March 7, 2022**

## Notice

The information provided in this presentation may include certain non-GAAP financial measures. The definition of and/or reconciliation of such measures to the comparable U.S. GAAP figures are included in this presentation, or in the Company's Annual Report on Form 10-K ('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](http://www.morganstanley.com).

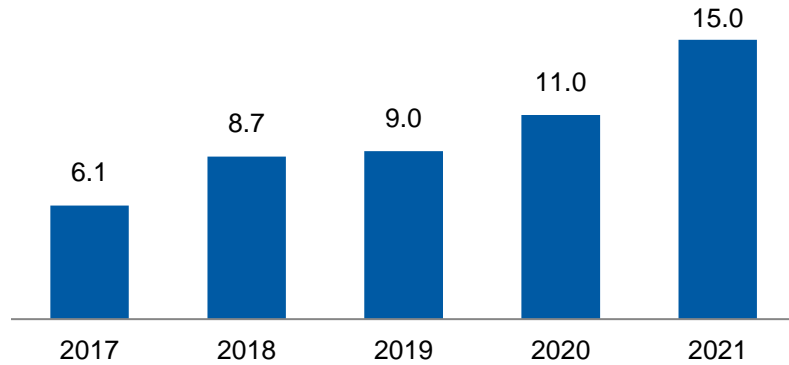
This presentation may contain forward-looking statements including the attainment of certain financial and other targets, and objectives and goals. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations, assumptions, interpretation 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](http://www.morganstanley.com). This document is not an offer to buy or sell any security.

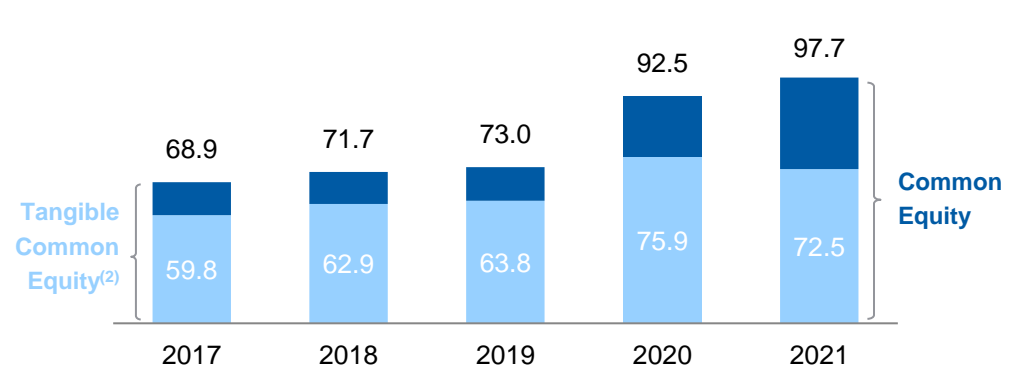
The End Notes are an integral part of this presentation. See slide 10 for information related to the financial metrics and defined terms in this presentation.

# Strong Capital Position

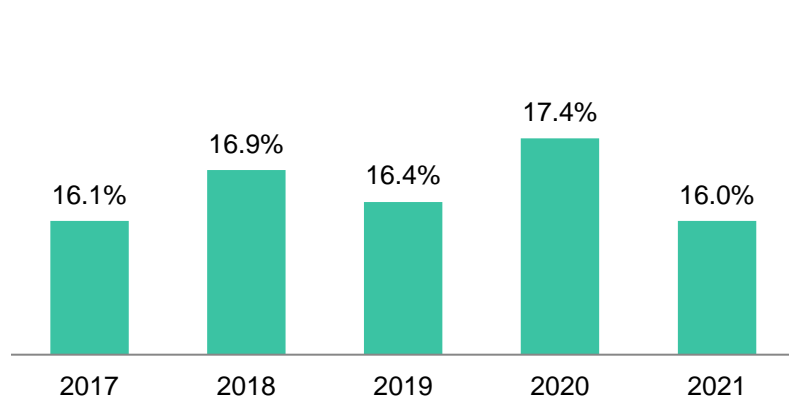
Net Income<sup>(1)</sup> (\$Bn)



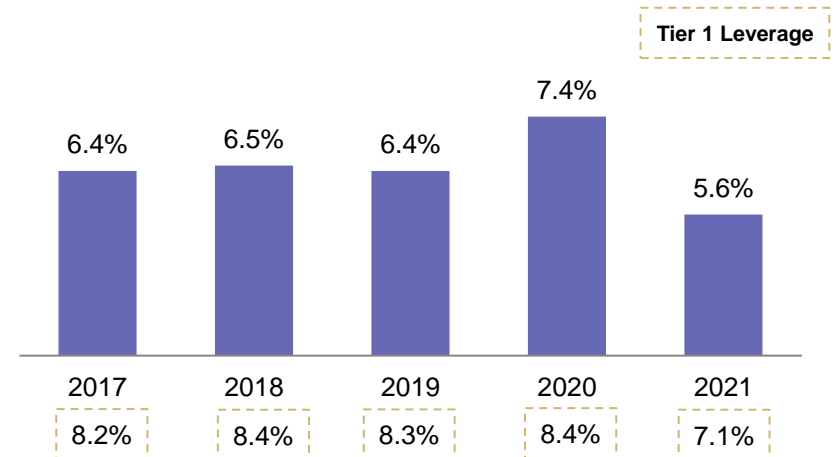
Common Equity (\$Bn)



Fully Phased-In Common Equity Tier 1 Ratio (%)<sup>(3)(4)</sup>



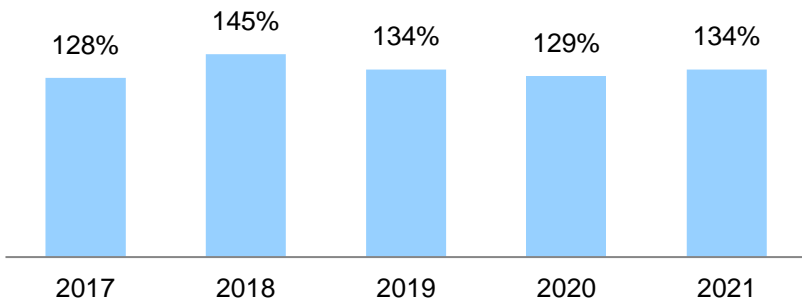
Fully Phased-In U.S. Supplementary Leverage Ratio (%)<sup>(3)(4)(5)</sup>



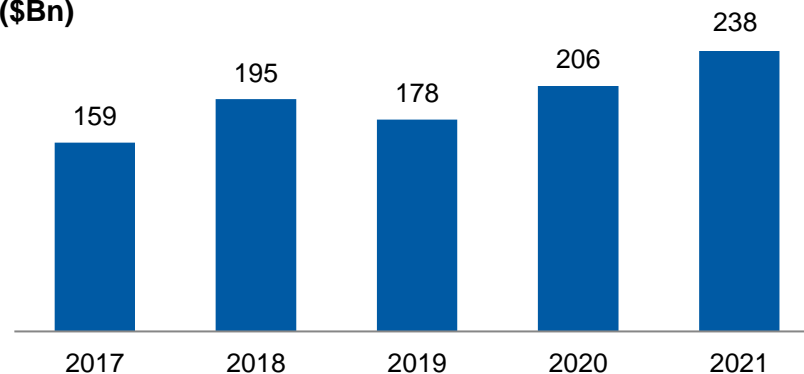
The End Notes are an integral part of this presentation. See slide 10 for information related to the financial metrics in this presentation.

# Strong Liquidity Position

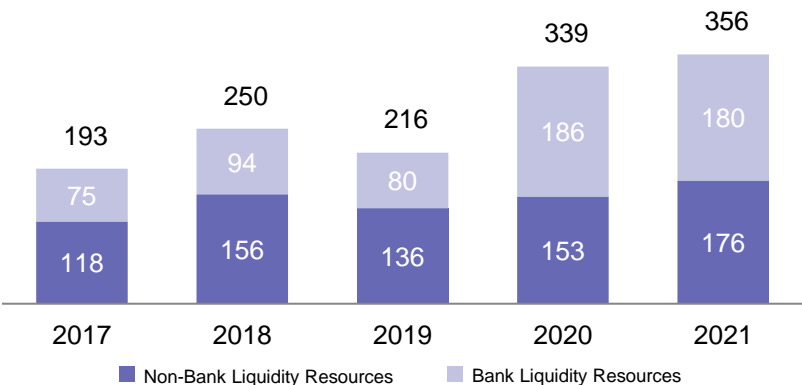
Liquidity Coverage Ratio<sup>(1)</sup> (%)



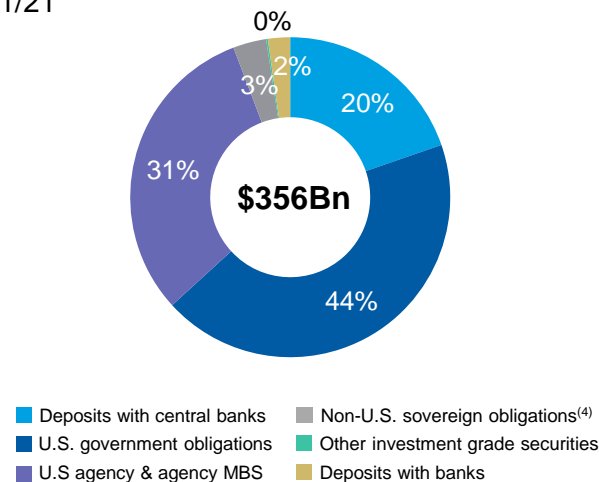
Average Eligible High Quality Liquid Assets<sup>(2)</sup> (\$Bn)



Liquidity Resources<sup>(3)</sup> (\$Bn)



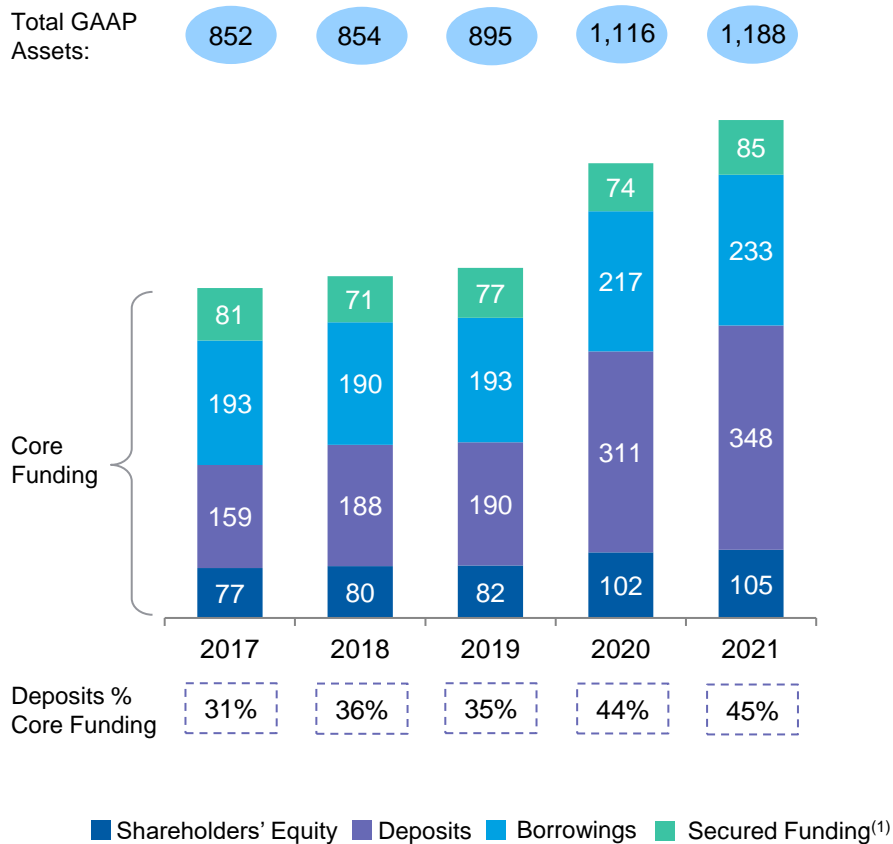
Liquidity Resources Composition<sup>(3)</sup> (%)  
As of 12/31/21



The End Notes are an integral part of this presentation. See slide 10 for information related to the financial metrics in this presentation.

# Diversified and Durable Funding Mix

**Morgan Stanley Core Funding**  
(\$Bn)



## Core Funding Overview

### Shareholders' Equity

- Strong capital base
- Common stock supplemented by \$7.8Bn of preferred stock

### Deposits

- Primarily sourced from Wealth Management clients
- Continue to optimize mix of deposits between retail and wholesale sources

### Borrowings

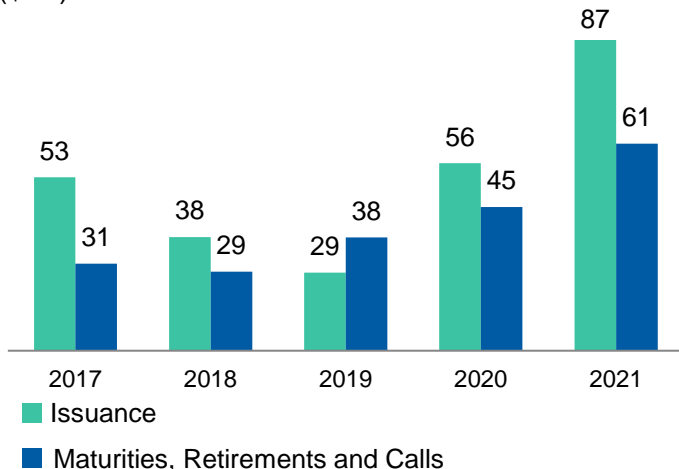
- Debt issuance diversified across tenors, currencies, distribution channels and structure
- Provides durability and flexibility to balance sheet
- Weighted average maturity: 7.7 years<sup>(2)</sup>

### Secured Funding

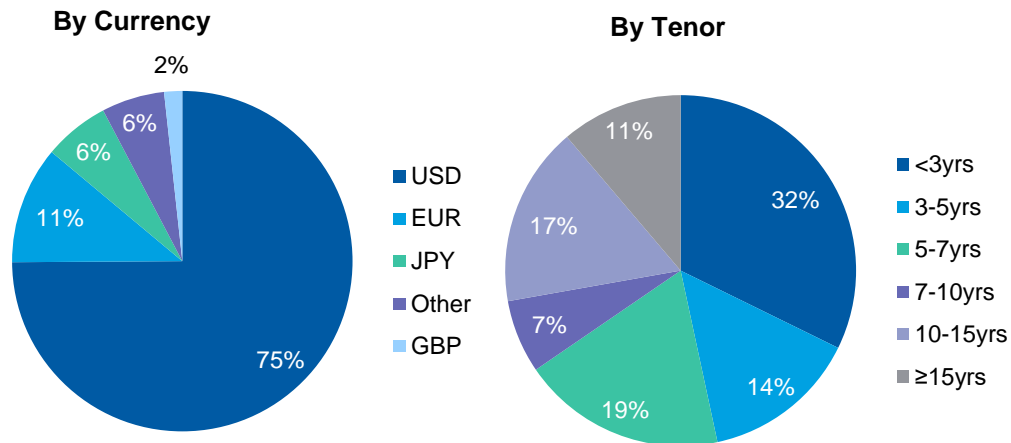
- Well established governance framework ensures funding parameters consistent with asset profile
- Weighted average maturity against less liquid assets >120 days

# Unsecured Borrowings: Diversified and Durable Funding Structure

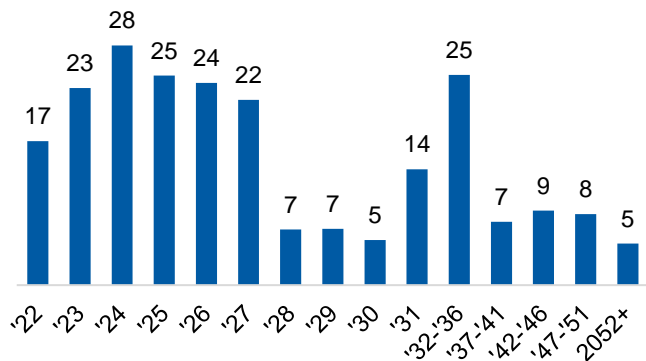
**Unsecured Debt Issuance and Maturities<sup>(1)</sup>**  
(\$Bn)



**2017-2021 Unsecured Debt Issuance (%)**



**Unsecured Debt Maturity Profile<sup>(2)</sup>**  
As of 4Q21 | (\$Bn)



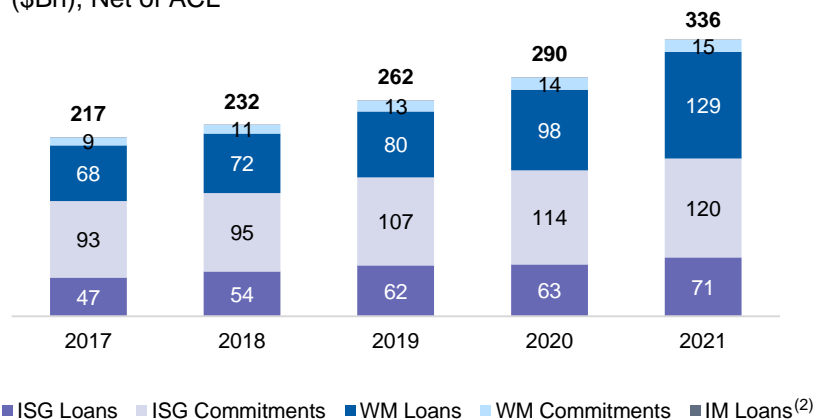
**Total Loss-Absorbing Capacity (TLAC)**  
As of 4Q21 | (\$Bn)

	Required Ratio <sup>(3)</sup>	Actual Ratio
External TLAC as % of RWA <sup>(4)</sup>	21.5%	49.9%
External TLAC as a % of leverage exposure <sup>(4)</sup>	9.5%	16.0%
Eligible LTD as a % of RWA <sup>(5)</sup>	9.0%	30.7%
Eligible LTD as a % of leverage exposure <sup>(5)</sup>	4.5%	9.8%

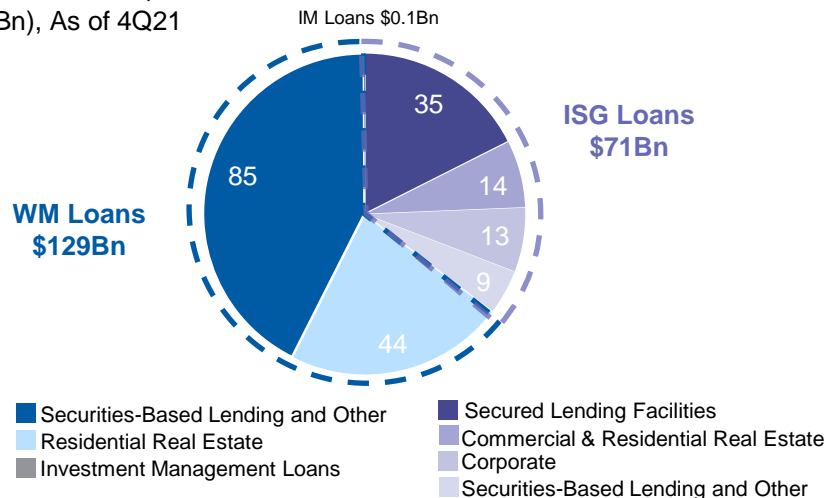
The End Notes are an integral part of this presentation. See slide 10 for information related to the financial metrics in this presentation.

# High Quality Lending Portfolio with Disciplined Growth

**Total Loans and Lending Commitments<sup>(1)</sup>**  
(\$Bn), Net of ACL



**Total Loans, net of ACL<sup>(1)</sup>**  
(\$Bn), As of 4Q21



## High Quality Portfolio

ISG

**Investment Grade  
and/or Secured**

**>90%**  
of ISG exposure

– COVID focus sectors <10% of ISG lending exposure

WM

**Secured  
Portfolio**

**>99%**  
of WM exposure

– Securities Based Lending LTV <40%<sup>(3)</sup>  
 – Residential Real Estate LTV <65%<sup>(3)</sup>

**4Q21**

**2021 Net Charge-offs<sup>(4)</sup> 0.08%**

**Nonaccrual Loans<sup>(5)</sup> 0.5%**

**Allowance for Credit Losses<sup>(6)</sup> 0.4%**

# Credit Ratings

As of December 31, 2021

	Moody's	S&P	Fitch
<b>Morgan Stanley</b>			
Outlook	Stable	Positive	Positive
Long-Term	A1	BBB+	A
Short-Term	P-1	A-2	F1
Subordinated Debt	Baa1	BBB	BBB+
Preferred Stock	Baa3	BB+	BBB-
<b>Morgan Stanley Bank, N.A.</b>			
Outlook	Stable	Stable	Positive
Long-Term	Aa3	A+	A+
<b>Morgan Stanley Private Bank, N.A.</b>			
Outlook	Stable	Stable	Not Rated
Long-Term	Aa3	A+	



## End Notes

This presentation may include certain metrics, including non-GAAP financial measures, which we believe to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an additional means of assessing, our financial condition and operating results. The End Notes are an integral part of our presentations and other communications.

For additional information refer to the Definition of U.S. GAAP to Non-GAAP Measures, Definitions of Performance Metrics and Terms, Supplemental Quantitative Details and Calculations (includes reconciliation of GAAP to non-GAAP), and Legal Notice in the Morgan Stanley Fourth Quarter 2021 Financial Supplement included in the Current Report on Form 8-K dated January 19, 2022 (**'Morgan Stanley Fourth Quarter 2021 Financial Supplement'**).

Morgan Stanley closed its acquisition of E\*TRADE on October 2, 2020, impacting annual comparisons for the Firm and Wealth Management, and closed its acquisition of Eaton Vance on March 1, 2021, impacting period over period comparisons for the Firm and Investment Management.

## End Notes

These notes refer to the financial metrics presented on Slide 3.

1. Net Income Applicable to Morgan Stanley.
2. Tangible Common Equity ("TCE") equals common equity less goodwill and intangible assets net of allowable mortgage servicing rights. TCE is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess capital adequacy.
3. Prior to January 1, 2018, the Firm estimated its pro forma fully phased-in Supplementary Leverage ratio and pro forma fully phased-in Common Equity Tier 1 ratio based on the Firm's assessment of the Basel III final rules and other factors, including the Firm's expectations and interpretations of the requirements at the time. These pro-forma estimates represent non-GAAP financial measures that the Firm considers useful for analysts, investors and other stakeholders to evaluate compliance with new regulatory capital requirements that had not yet become effective.
4. For purposes of determining regulatory compliance, and as reflected in the charts, the capital ratios are the lower of the Standardized or Advanced approaches. For further information, refer to 'Regulatory Requirements' on pages 123-126 in the Firm's Yearly Report on Form 10-K for the year ended December 31, 2021.
5. At December 31, 2020, our SLR reflects the impact of a Federal Reserve interim final rule that was in effect until March 31, 2021. For further information, see "Liquidity and Capital Resources—Regulatory Requirements" on Form 10-K for the year ended December 31, 2021.

These notes refer to the financial metrics presented on Slide 4.

1. The Firm's U.S. LCR calculations are based on our current understanding of the U.S. LCR and other factors, which may be subject to change as the Firm receives additional clarification and implementation guidance from regulators relating to the U.S. LCR, and as the interpretation of the U.S. LCR evolves over time.
2. Represents average daily balance for three months ending the period. Under the LCR rule, Eligible HQLA is calculated using weightings and excluding certain HQLA held in subsidiaries.
3. In the first quarter of 2020, the Firm changed its internal measure of liquidity from the Global Liquidity Reserve to Liquidity Resources, which is more closely aligned with the regulatory definition of HQLA. Period end balances for 2017-2018 represent the Firm's prior Global Liquidity reserve measure. Period end balances for 2019-2021 represent the Firm's new internal Liquidity Resources measure.
4. Primarily composed of unencumbered Japanese, U.K., German, French and Dutch government obligations.

These notes refer to the financial metrics presented on Slide 5.

1. Secured funding equals securities sold under agreements to repurchase, securities loaned and other secured financings.
2. Weighted average maturity only includes borrowings with original maturities greater than one year.

These notes refer to the financial metrics presented on Slide 6.

1. Unsecured Debt includes senior unsecured debt, subordinated debt and structured notes.
2. Unsecured Debt balances represent current notional values.
3. Required ratios are inclusive of applicable buffers.
4. External TLAC consists of Common Equity Tier 1 capital and Additional Tier 1 capital (each excluding any noncontrolling minority interests), as well as eligible LTD.
5. Consists of TLAC-eligible LTD reduced by 50% for amounts of unpaid principal due to be paid in more than one year but less than two years from the balance sheet date.

These notes refer to the financial metrics presented on Slide 7.

1. Includes loans held for investment net of ACL, loans held for sale and fair value loans.
2. IM Loans for years ending 2017, 2018, 2019, 2020, and 2021 were \$0.03Bn, \$0.03Bn, \$0.28Bn, \$0.44Bn and \$0.14Bn respectively.
3. Represents the weighted average LTV weighted by funded balances as of December 31, 2021.
4. Represents last twelve months net charge-offs divided by last twelve months total average loans held for investment before allowance for the period ending December 31, 2021.
5. Represents total nonaccrual loans held for investment, which are loans that are 90 days or more past due, as a percentage of total held for investment loans as of December 31, 2021.
6. Allowance for credit losses for loans to total loans held for investment for the period ending December 31, 2021.

## Legal Disclaimer

We have prepared this document solely for informational purposes. You should not definitively rely upon it or use it to form the definitive basis for any decision, contract, commitment or action whatsoever, with respect to any proposed transaction or otherwise. You and your directors, officers, employees, agents and affiliates must hold this document and any oral information provided in connection with this document in strict confidence and may not communicate, reproduce, distribute or disclose it to any other person, or refer to it publicly, in whole or in part at any time except with our prior written consent. If you are not the intended recipient of this document, please delete and destroy all copies immediately.

Neither we nor any of our affiliates, or our or their respective officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data it generates and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. We and our affiliates and our and their respective officers, employees and agents expressly disclaim any and all liability which may be based on this document and any errors therein or omissions therefrom. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change. We undertake no obligation or responsibility to update any of the information contained in this document. Past performance does not guarantee or predict future performance.

This document and the information contained herein do not constitute an offer to sell or the solicitation of an offer to buy any security, commodity or instrument or related derivative, nor do they constitute an offer or commitment to lend, syndicate or arrange a financing, underwrite or purchase or act as an agent or advisor or in any other capacity with respect to any transaction, or commit capital, or to participate in any trading strategies, and do not constitute legal, regulatory, accounting or tax advice to the recipient. We recommend that the recipient seek independent third party legal, regulatory, accounting and tax advice regarding the contents of this document. This document does not constitute and should not be considered as any form of financial opinion or recommendation by us or any of our affiliates. This document is not a research report and was not prepared by the research department of Morgan Stanley or any of its affiliates.

This document is provided by Morgan Stanley & Co. LLC and/or certain of its affiliates or other applicable entities, which may include Morgan Stanley Realty Incorporated, Morgan Stanley Senior Funding, Inc., Morgan Stanley Bank, N.A., Morgan Stanley & Co. International plc, Morgan Stanley Securities Limited, Morgan Stanley Bank AG, Morgan Stanley MUFG Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Morgan Stanley Asia Limited, Morgan Stanley Australia Securities Limited, Morgan Stanley Australia Limited, Morgan Stanley Asia (Singapore) Pte., Morgan Stanley Services Limited, Morgan Stanley & Co. International plc Seoul Branch and/or Morgan Stanley Canada Limited Unless governing law permits otherwise, you must contact an authorized Morgan Stanley entity in your jurisdiction regarding this document or any of the information contained herein.

The distribution of this memorandum in certain jurisdictions may be restricted by law and, accordingly, recipients of this document represent that they are able to receive this document without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business.

Morgan Stanley

# **Morgan Stanley**

# **Fixed Income Investor Presentation**

**March 7, 2022**