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Morgan Stanley 3Q15 Fixed Income Investor Call

November 3, 2015

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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Please note this presentation is available at www.morganstanley.com.

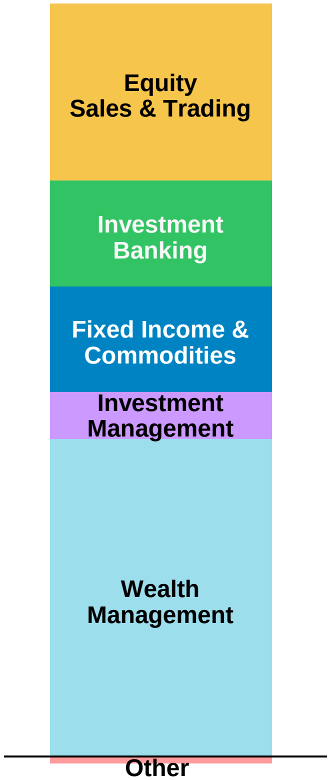
Agenda

- **A** Business Update
- **B** Liability Management
- **C** Regulatory Topics
- **D** Liquidity Management

A 2015 Year-to-Date Business Summary

Net Revenues (ex-DVA)[1]

~$26.7Bn (+2%)[1]



Accomplishments

- Improved the Wealth Management pre-tax margin to 23% YTD
- Continued execution on Bank strategy resulting in Net Interest Income growth
- Maintained #1 position in Equity Sales & Trading
- Leader in Investment Banking: #1 in IPOs & #2 in Announced M&A
- Sold physical oil business within Fixed Income & Commodities
- Issued ~$20Bn of plain vanilla unsecured debt at tighter spreads than debt rolling off
- Remained focused on expense management
- Received non-objection to 2015 CCAR plan

Headwinds

- Global macro uncertainty and volatility impacting client engagement
- Continued low interest rate environment
- Ongoing regulatory agenda

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(1) Net Revenues represent year-to-date results ending September 30, 2015 and exclude the positive impact of $742 million from DVA. Percent increase represents year-to-date 2015 vs. year-to-date 2014 excluding DVA. "Other" includes Other Sales & Trading, Investments, Other Revenue, and Intersegment eliminations. Net revenues ex-DVA are a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.

B Liability Management: Centralized Structure and Strong Governance

- **Liability management framework supported by strong, centralized governance, ensuring funding durability and providing stability in all environments**

Primary Sources of Funding		% of Funding Since 3Q13
Long-Term Debt	Weighted average maturity of ~6 years; Morgan Stanley issues predominantly from the holding company	↑
Deposits	Primarily sweep deposits sourced from Wealth Management clients	↑
Wholesale (Secured) Funding	Duration of liabilities greater than duration of assets; weighted average maturity in excess of 120 days	↓

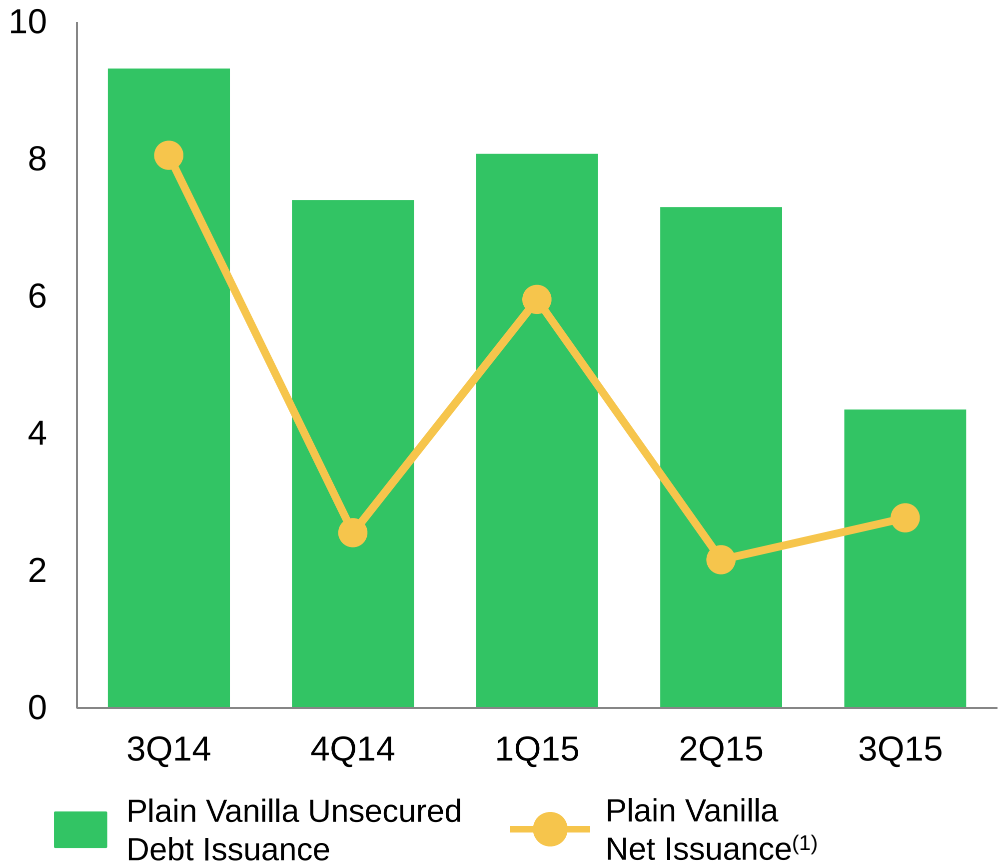
Unsecured Borrowings: Key Source of Funding Across a Variety of Products

- **We have been issuing unsecured debt in excess of maturities to extend overall duration of our funding and to get ahead of regulatory changes**

- 2015YTD, we have issued ~$20Bn of plain vanilla unsecured debt, which includes:
  - ~$18Bn of senior unsecured debt, including 11 benchmark deals in USD and EUR
  - $2Bn of subordinated debt
- Issued $1.5Bn of perpetual preferred in 1Q15

Plain Vanilla (PV) Unsecured Debt Issuance

($Bn)



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(1) Inclusive of maturities, retirements, and calls.

Deposits Grounded in Deep Client Relationships

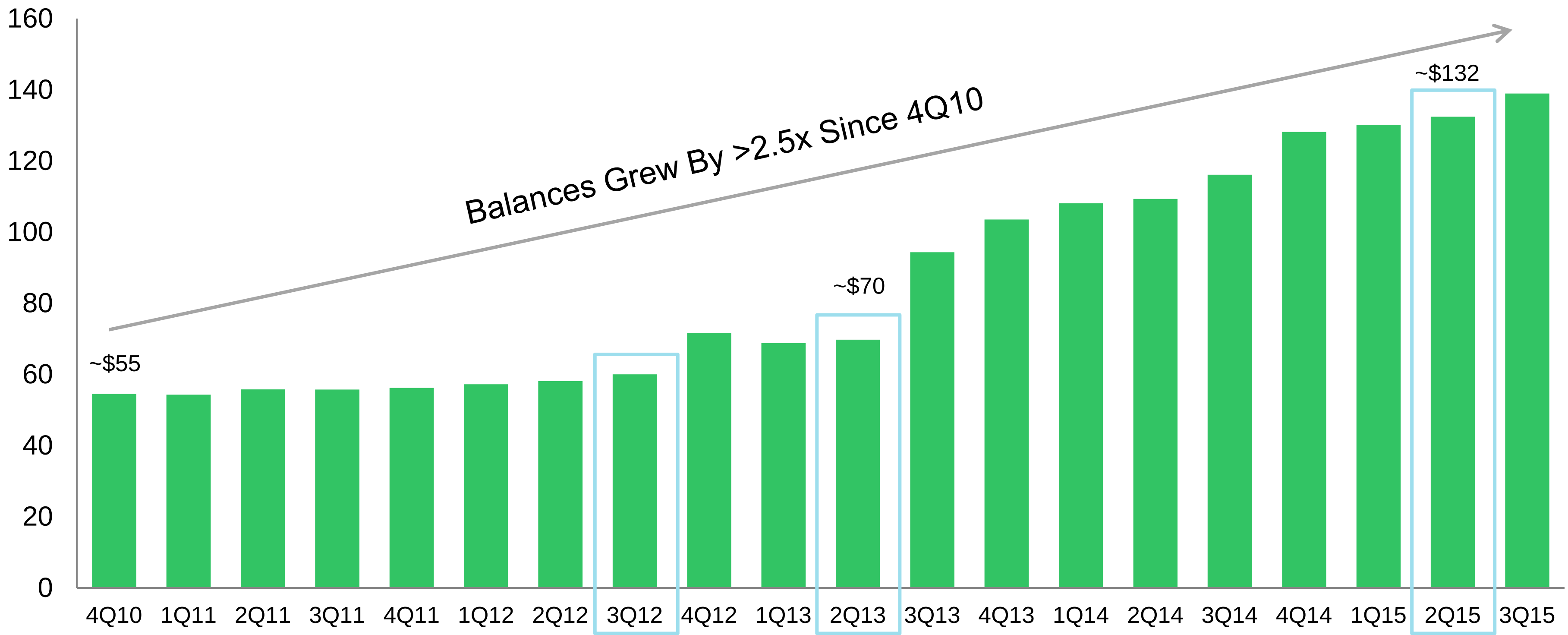
- **Further growth in deposits will be aligned with lending strategy and Firm priorities**

- Our deposit base has increased significantly since 2011 through onboarding deposits from our former Wealth Management joint venture partner
- With the completion of the deposit transfers, the bank strategy has shifted from a deposit-led strategy to an asset-led strategy
- We have numerous opportunities to grow deposits over time
  - Diversifying deposit base
  - Broadening cash management product suite
- The three core principles we use to evaluate deposits:
  - Strategic value
  - Liquidity value
  - Cost

Deposits Have Grown Steadily Over the Last 5 Years Due to Transfers from Former JV Partner and Organic Growth

Morgan Stanley's Bank Deposit Program (BDP) Balances[(1),(2)]

($Bn)



Sept 11, 2012
- MS purchases additional 14% MSSB stake, taking ownership to 65%

June 21, 2013
- MS acquires remaining 35% of MSSB

June 30, 2015
- MS onboards final JV partner deposits

~$10Bn of the $62Bn increase from 2Q13 was **organic growth**

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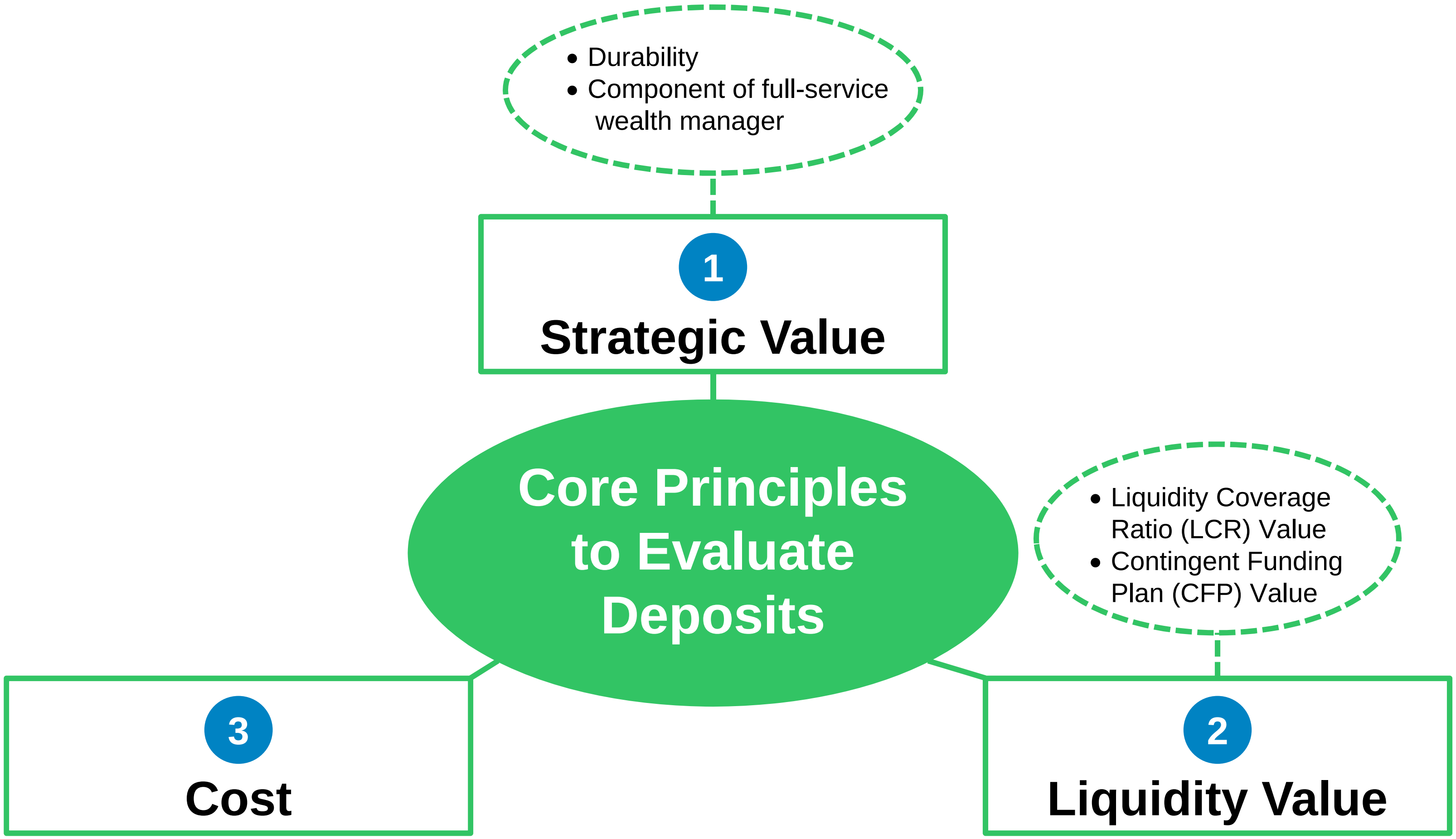
(1) Balances in the bank deposit program held by the Firm's U.S. Subsidiary Banks.
(2) The Firm's total deposits are ~$147Bn as of 3Q15, including BDP as well as deposits from non-U.S. banks and other deposits.

Deposit Strategy Supported By Three Core Principles

- **Key near-term focus is to optimize existing deposit levels to support loan growth**



Our Existing Deposits Are A Stable Source of Funding

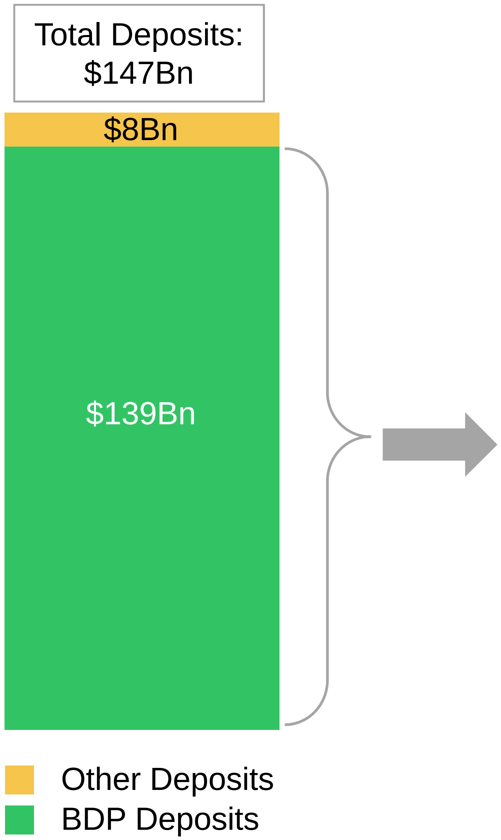
Morgan Stanley's Bank Deposit Program
• BDP is the primary sweep for clients' excess cash – effectively working capital in client accounts • A key product offering to our Wealth Management customers, our deposits are sticky and stable

Total BDP Balances of $139Bn as of September 30, 2015	Comprised of ~7% of Wealth Management Total Client Assets	Highly stable client base: Sourced from ~3.5MM households with ~$1.9Tr of assets

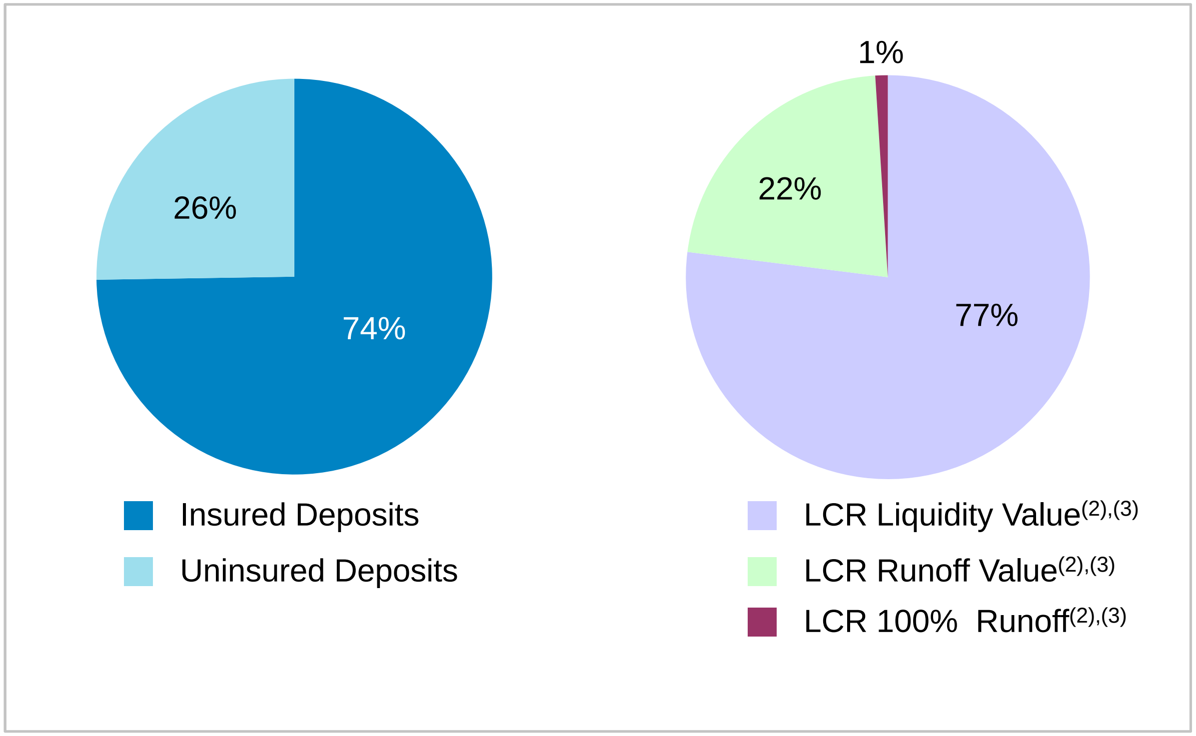
Liquidity Value of Morgan Stanley's Existing Deposit Levels Can Increase

- **Opportunities to increase liquidity value of deposit levels**

Firmwide Deposits ($Bn)[1]



BDP Deposits: $139Bn[1]



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(1) As of September 30, 2015.
(2) The pro-forma Liquidity Coverage Ratio ("LCR") is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory liquidity requirements.
(3) The LCR rule assigns run-off rates to deposits based on certain characteristics. For certain deposits, 100% are assumed to run-off for purposes of calculating the LCR (shown as "LCR 100% Runoff"). For other deposits, amounts are subject to an assumed partial run-off for purposes of calculating the LCR; the amount of partial run-off applied to these deposits is shown as "LCR Runoff Value" and the amount remaining after partial run-off is shown as "LCR Liquidity Value". This is the Firm's preliminary assessment based on the final U.S. LCR rules.

Ongoing Optimization and Growth of Deposits

Opportunity	Timeframe	Description	Drivers
Maximize liquidity value of deposits	Expected from end of 2015 – 2016	• Optimization of existing client cash management products	• Regulatory change • Deposit insurance
Organic Growth	Over time	• Primarily through BDP; will grow with WM total client assets	• Client and advisor engagement
Additional Cash Management Solutions	Over time	• Additional deposit products • Advisor centric model including customized digital offerings	• CDs • Structured CDs • Other savings products • Digital strategy

Four Pillars of Secured Funding Ensure Durability and Stability

1 Significant Weighted Average Maturity

- Enhances durability

2 Maturity Limit Structure

- Reduces roll-over risk

3 Investor Limit Structure

- Minimizes concentration with any single investor, in aggregate and in any given month

4 Spare Capacity

- Valuable additional funding for managing through both favorable and stressed markets

Underlying Principles of the Four Pillars of Secured Funding

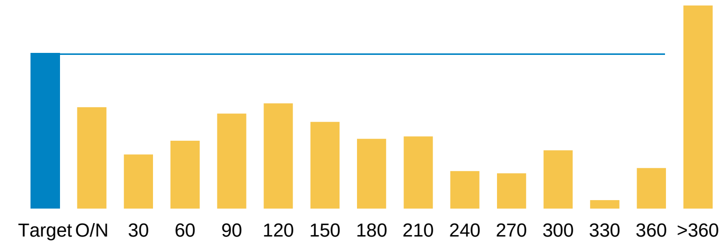
1 Significant Weighted Average Maturity (WAM)

- 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
  - In 2009, began WAM extension
  - Became a leader in 2011 in disclosing WAM for less-liquid assets, with **a target of >120 days[1]**

2 Maturity Limit Structure

- Target less than 15% of non-Super Green liabilities maturing in any given month

Illustrative Non-Super Green Maturity Profile[2],[3]



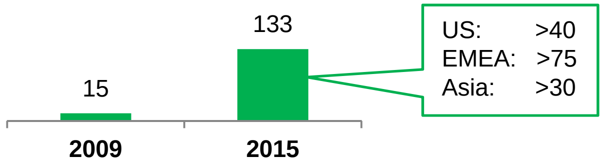
Four Pillars of Secured Funding

3 Investor Limit Structure

- Maximum total exposure per investor across all maturities of 15% of non-Super Green book
- Maximum monthly investor concentration of 25% of the maturities allowed in any given month

Diversified Global Investor Base

Number of Term Investors[2],[4]



4 Spare Capacity

- Sourcing non-Super Green liabilities in excess of non-Super Green inventory
- In favorable markets, Spare Capacity supports business growth
- In stressed markets, Spare Capacity 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) As of September 30, 2015 the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days.
(2) As of September 30, 2015.
(3) Represents secured funding balance maturing in 30-day increments. Illustrative; not to scale.
(4) Represents unique investors providing term financing >30 days for non-Super Green assets; geographic breakdown includes some overlap across regions.

Strict Governance Framework Ensures Appropriate Term Consistent with Asset Fundability

- **Rules-based criteria determine asset fundability**

- **Highly Liquid (Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral)**
- **Liquid (Investment Grade Debt and Primary/Secondary Index Equities)**
- **Less Liquid (Convertible Bonds, Emerging Market Sovereigns)**
- **Illiquid (Sub-Investment Grade ABS, Non Index Equities, Non-Rated Debt)**

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

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%	52%
Green				<= 15%	>= 15	>= 95%	44%
Amber				> 15%	>= 10	>= 60%	3%
Red				> 20%	< 10	< 60%	2%

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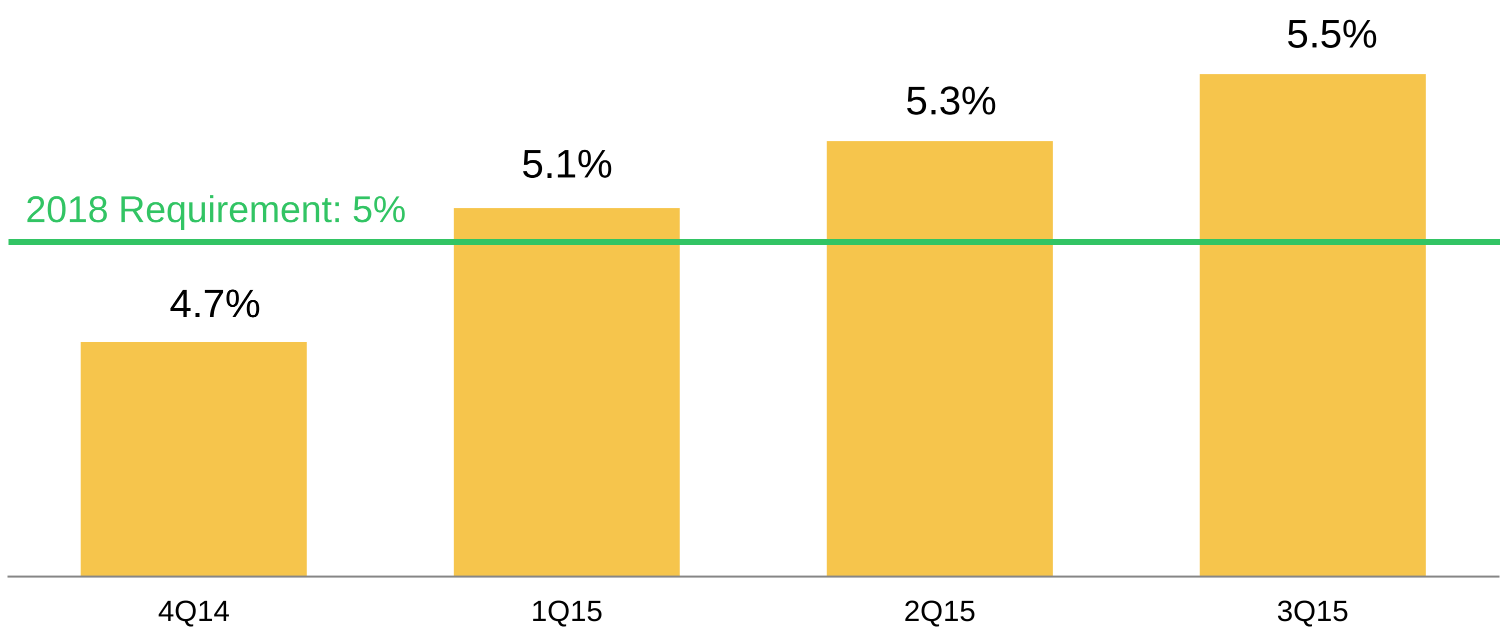
(1) As of September 30, 2015. Figures may not sum due to rounding.

Strong Leverage and Liquidity Ratios[1]

Liquidity Coverage Ratio[2]

– Pro-forma 3Q15 under U.S. Final Rule: > 100%

Pro-Forma Fully Phased-In U.S. Supplementary Leverage Ratio[3]



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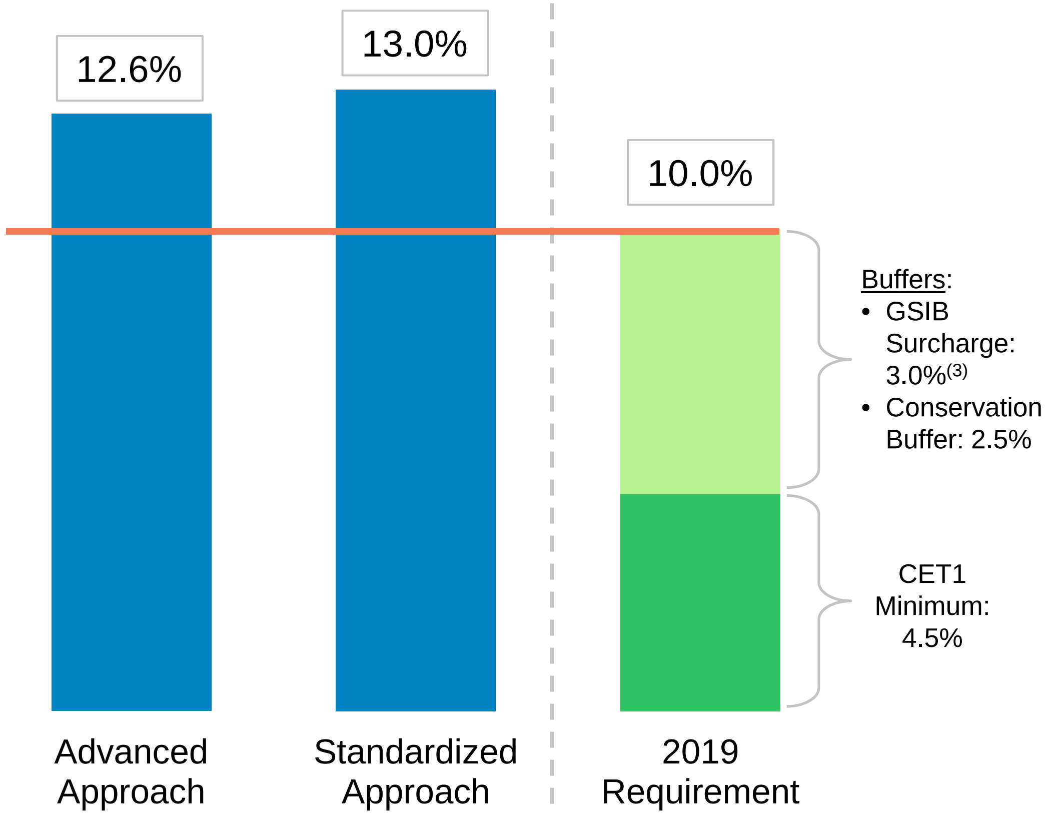
(1) Pro-forma U.S. Supplementary Leverage Ratio and pro-forma Liquidity Coverage Ratio are non-GAAP financial measures that the Company consider to be useful measures to the Company and investors to evaluate compliance with future regulatory capital requirements.
(2) The Company calculates its pro-forma LCR based on the final Federal Reserve Bank rule published in September 2014.
(3) Pro-forma fully phased-in U.S. Supplementary Leverage Ratio is based on preliminary analysis of the U.S. final rules from September 2014 and estimated as of September 30, 2015. These estimates are preliminary and are subject to change.

Common Equity Tier 1 Ratios Above 2019 Fully Phased-in GSIB Surcharge Requirement

3Q15 Pro-Forma Fully Phased-In Common Equity Tier 1 Ratio(1),(2)

(%)



	Advanced Approach	Standardized Approach
Transitional Ratio (%)	14.0%	14.4%

GSIB Buffers(3)

(%)

JPMorgan Chase	4.0%(3)
Citigroup	3.5%
Bank of America	3.0%
Goldman Sachs	3.0%
Morgan Stanley	3.0%
Wells Fargo	2.0%
State Street	1.5%
Bank of New York Mellon	1.0%

(1) Pro-forma Basel III Common Equity Tier 1 Common ratios 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.

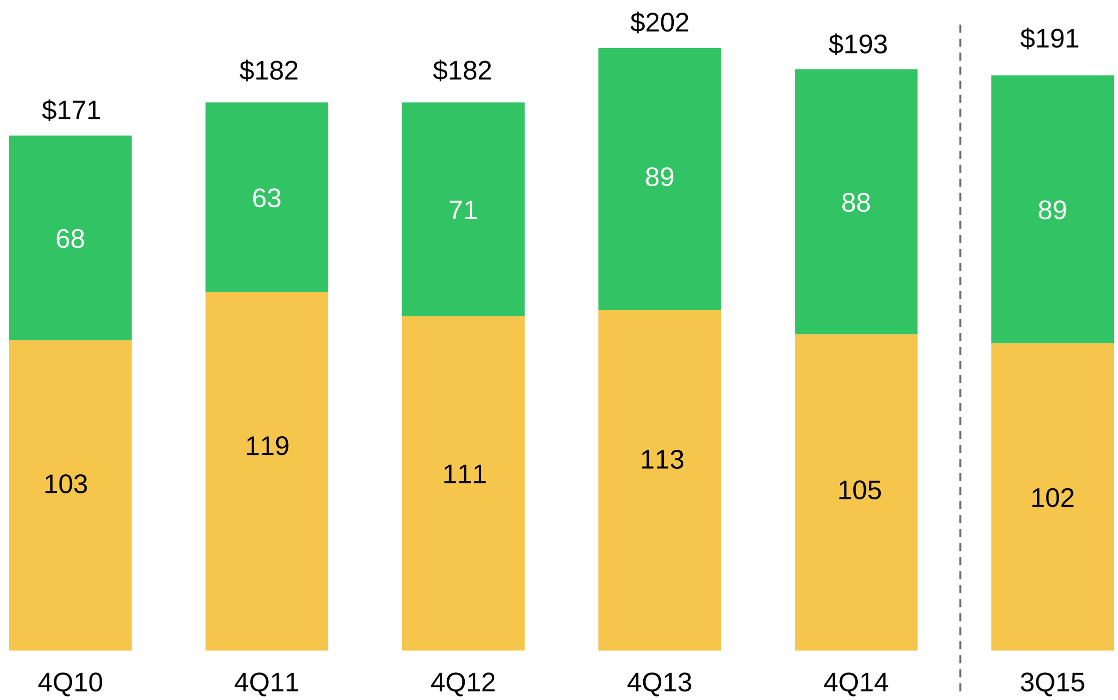
(2) The Company estimates fully phased-in Basel III Common Equity Tier 1 Capital and risk-weighted assets based on the Company's current assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. These estimates may be subject to change as the Company receives additional clarification and guidance from the Federal Reserve.

(3) On July 20, 2015, the FRB released a final rule for determining a global systemically important bank's GSIB surcharge. GSIB buffer calculated under method 2 of the rule. JP Morgan Chase 4.0% per company's own disclosure on their 3Q 2015 earnings call.

Significant Global Liquidity Position

- **Highly liquid and unencumbered**

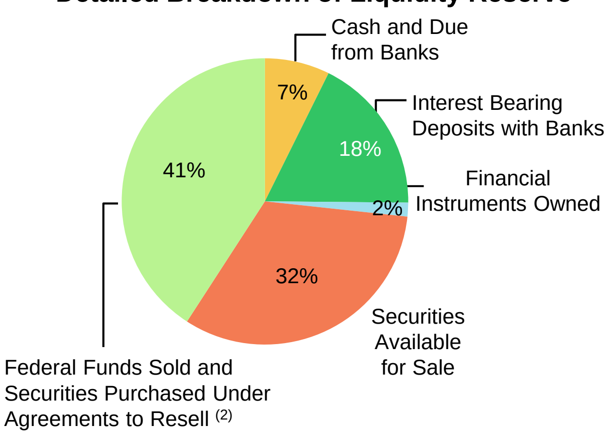
Period End Liquidity
($Bn)



Composition of the Liquidity Reserve at 3Q15

Type of Investment	($Bn)
Cash / Cash Equivalents	48
Unencumbered Liquid Securities	143
Total	**191**

Detailed Breakdown of Liquidity Reserve[1]



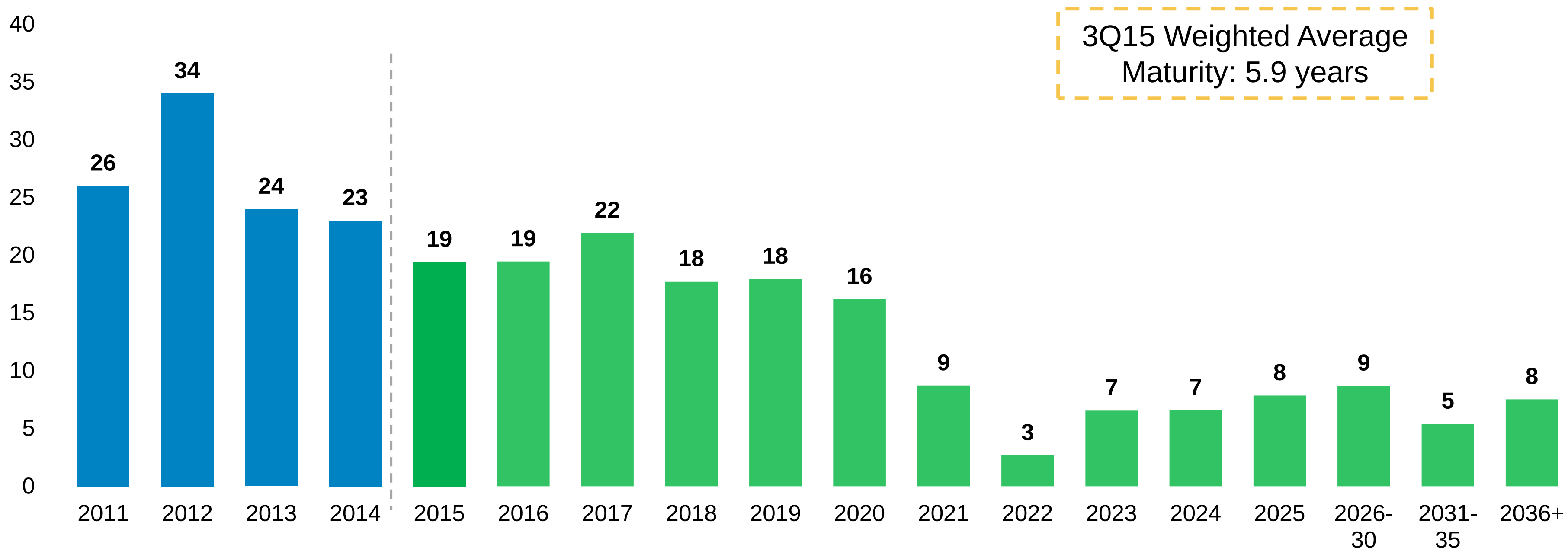
(1) Figures may not sum due to rounding.
(2) Primarily overnight reverse repurchase agreements that unwind to cash.

Appendix

Extending Maturity Profile of Unsecured Borrowings

Total Short-Term and Long-Term Maturities[(1),(2),(3)]

($Bn)



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(1) As of September 30, 2015.
(2) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.
(3) Excludes assumptions for secondary buyback activity.

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