Morgan Stanley

Morgan Stanley 2016 U.S. Financials Conference

James P. Gorman, Chairman and Chief Executive Officer

June 14, 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 this presentation or in the Company's most recent Annual Report on Form 10-K, Definitive Proxy Statement, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on www.morganstanley.com.

This presentation may contain forward-looking statements including the attainment of certain financial and other targets 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 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. This presentation is not an offer to buy or sell any security.

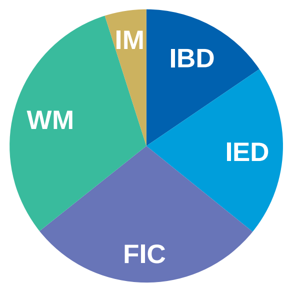
Please note this presentation is available at www.morganstanley.com.

The End Notes are an integral part of this Presentation. See slides 15-16 for information related to the financial metrics in this presentation.

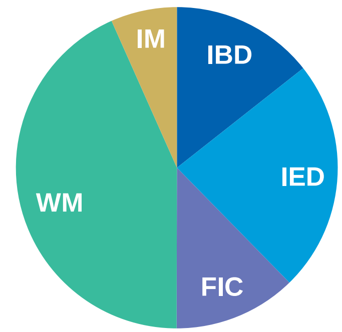
Putting Things in Context

Transformed Business Mix

Full Year 2009 Net Revenues, ex-DVA[(1)(2)(3)]: $28.7Bn

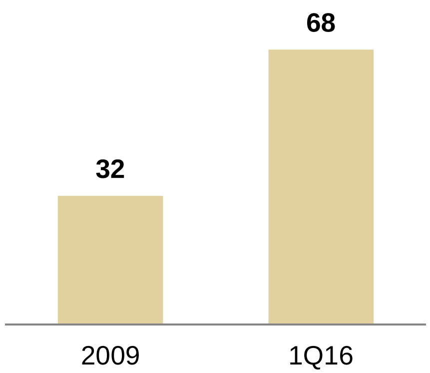


Full Year 2015 Net Revenues, ex-DVA[(1)(2)(3)]: $34.5Bn



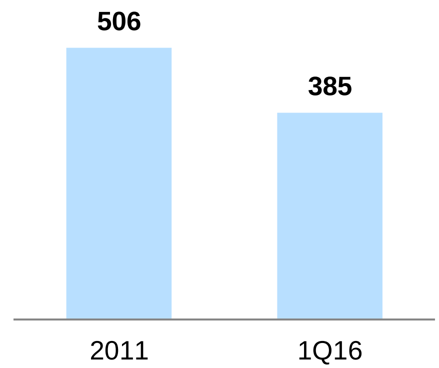
Strengthened Capital Position / De-Risked Business

Avg. Common Equity, ex-DVA ($Bn)[(4)]



Global Liquidity Reserve ($Bn)

Fully Phased-in Advanced RWAs ($Bn)[(5)(6)]



Morgan Stanley

World-Class Investment Bank and Wealth Manager

Our Integrated Platform Is Distinguished by Industry-Leading Franchises[(1)(2)(3)]

EQUITY SALES & TRADING	#1	in Global Wallet Share
MERGERS & ACQUISITIONS	#2	in Global Announced M&A
EQUITY UNDERWRITING	#1	in Global IPOs
	#2	in Global Equity and Equity-Linked
U.S. WEALTH MANAGEMENT	#1	in Total Client Assets

So Where Are We Now?

Transformed Business Mix: Wealth Management and Investment Management account for over 50% of Firm net revenues	✓
Maintained Leadership in World-Class Franchises: Excellence in Investment Banking and Equity Sales & Trading are balanced by the world's largest wealth manager	✓
De-Risked Balance Sheet: Substantially reduced RWAs, especially those associated with Fixed Income and Commodities ("FIC")	✓
Achieved Capital Sufficiency: Pro forma risk- and leverage-based ratios are well in excess of 2019 and 2018 requirements, respectively	✓
Our Culture is Strong: In our most recent Firm-wide employee survey, the overwhelming majority was supportive of the Firm and its strategy	✓

But The Gap to Our Target ROE Still Remains

2015 Performance[1][2]

$$\frac{\text{Earnings: \$4.7Bn}}{\text{Avg. CE: \$67Bn}} = 7\%\ \text{ROE}$$

Target = 9% – 11% ROE

Gap = 200 – 400 bps

How We Reach 9 – 11%

- **A** Modest Revenue Growth
- **B** Expense Efficiency
- **C** Capital Return

Wealth Management Has Contributed Quality Revenues

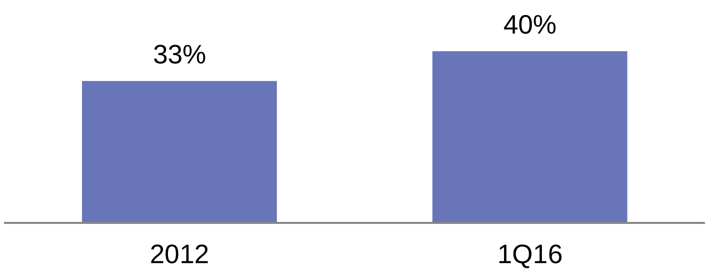
Significant Growth in Assets from High and Ultra-High Net Worth Clients

Assets by Client Segment ($Bn)

	4Q09	1Q16	% Δ
$10MM or more	410	770	+88%
$1MM - $10MM	613	797	+30%
$100K - $1MM	408	395	-3%
<$100K	51	37	-27%

#1 Advisory Platform in the Industry

Fee-Based Assets As % of Total Client Assets



Zero Days in 2015 / 1Q16 with Less Than $50MM Daily Revenue

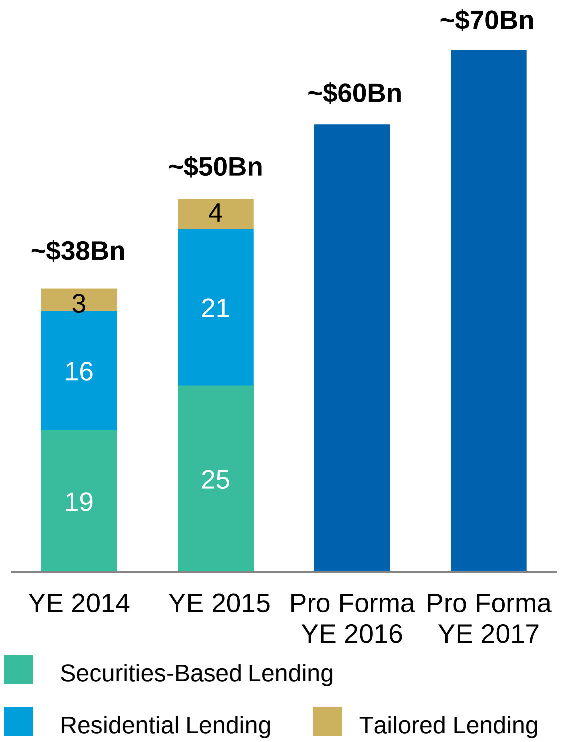
Approximate Daily Revenue Distribution

	2015	1Q16
<$50MM	0%	0%
$50MM - $60MM	57%	62%
$60MM - $70MM	41%	38%
$70MM+	2%	0%

And We See Further Upside From Here

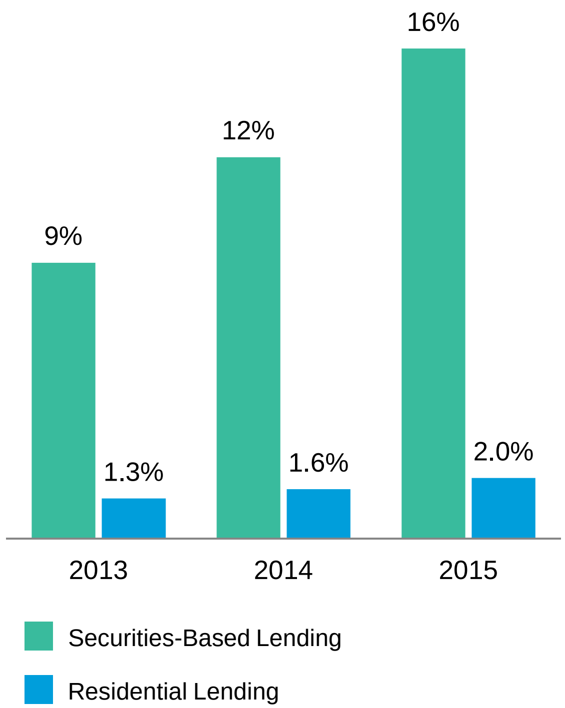
1 Grow Net Interest Income

Wealth Management Lending in U.S. Banks[1]



2 Deepen Relationships

Wealth Management Clients with a Loan at Morgan Stanley[2]



3 Leverage Digital

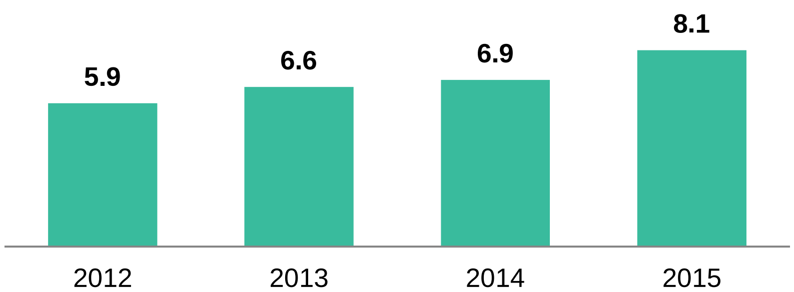
- Deepen client engagement
- Support FAs in developing new client relationships
- Transform the client and FA experience
- Broaden client lending
- Become our clients' financial hub

Morgan Stanley

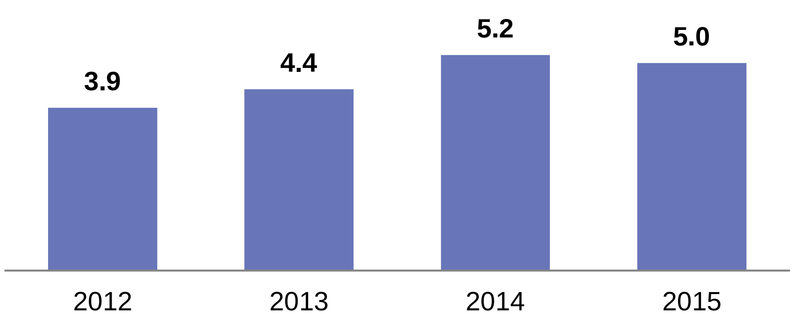
Continue to Execute in Leading Franchises and Optimize FIC

1 Continue to Press Our Advantages

Equity Sales & Trading Revenues, ex-DVA ($Bn)(1)(2)

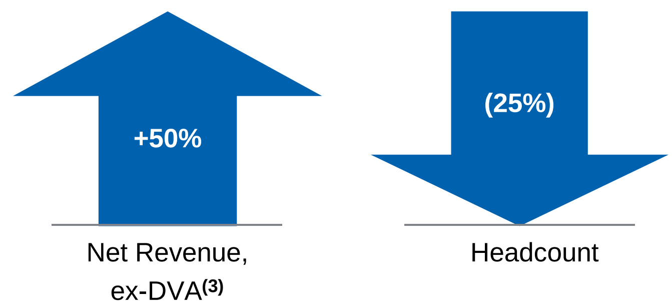


Investment Banking Revenues ($Bn)

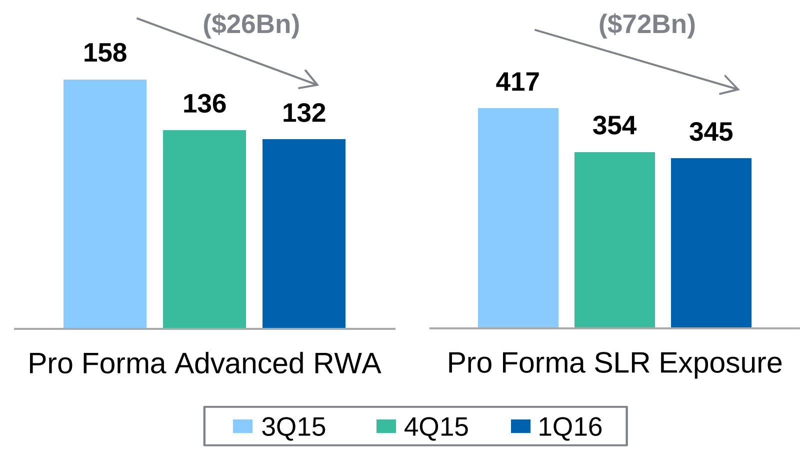


2 Fixed Income and Commodities in Progress

Fixed Income and Commodities: 1Q16 vs. 3Q15

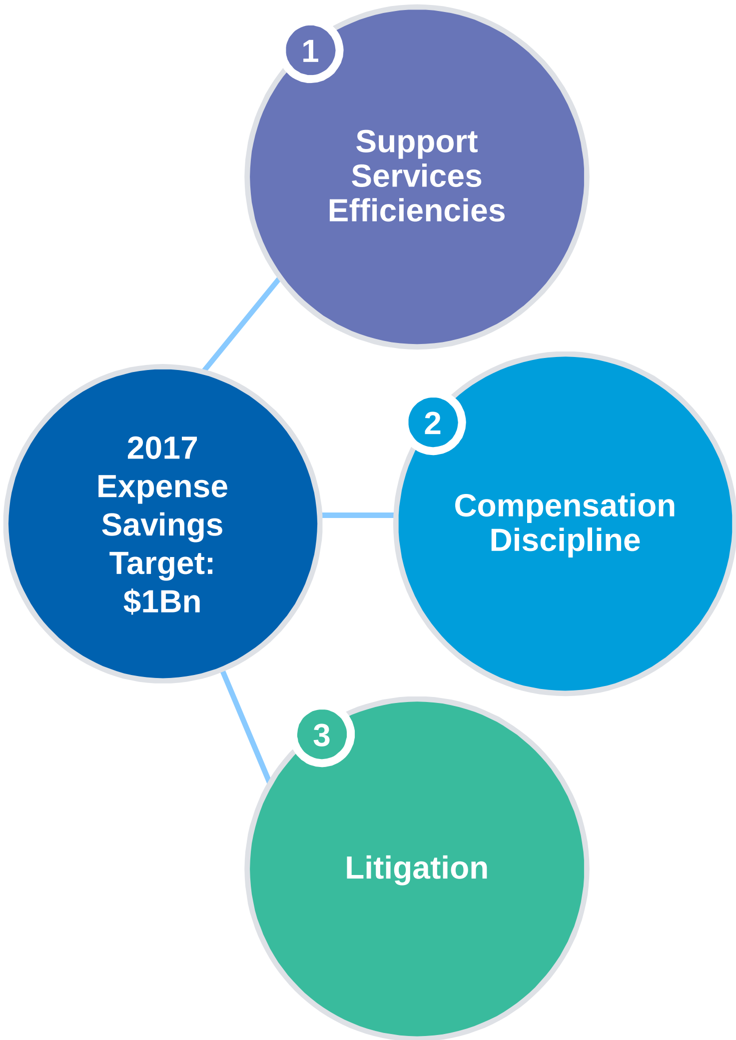


Fixed Income and Commodities (ex Lending) ($Bn)(4)(5)



Project Streamline: Improving Firm Infrastructure

2017 Expense Reduction Target Driven by Three Core Levers



- Workforce Optimization
- Technology Infrastructure

- Reduction in Workforce (2015)
- New Compensation Targets

- No One-time Outsized Litigation Expenses / Penalties

Project Streamline: 1 Support Services Efficiencies[1]

Near-Term Initiatives on Track with Further Structural Initiatives Under Review

Workforce Optimization

Deploy additional ~1,250 support staff roles out of high cost locations (~$100MM savings)

Reduce professional services spend by ~5-7% (~$100 - $150MM savings)

Technology Infrastructure

Reduce physical servers from 60,000 to 48,000 (plan to further reduce to 33,000 beyond 2017)

Reduce North America data centers from 9 to 5

200+ Initiatives Identified

Other

Reduce non-essential travel and conferences (~$40 - 75MM savings)

Increase WM e-Delivery usage by 15 - 20% (~$20 - 25MM savings)

Leverage technology enabling optimization of transaction execution costs

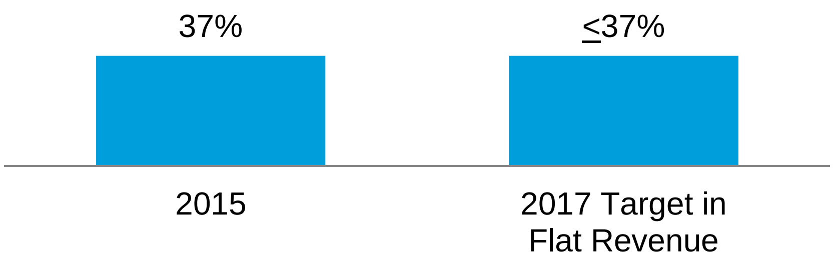
Continue to reduce complexity – structure / processes

Project Streamline: 2 Compensation Discipline

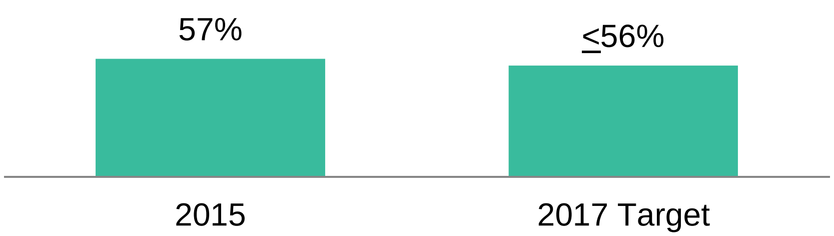
Continue to Deliver on Targets

Compensation Ratios

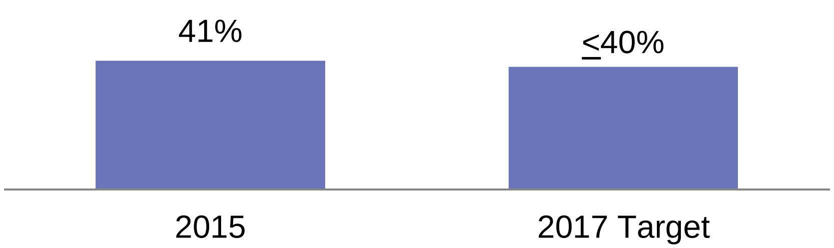
Institutional Securities, ex-DVA(1)



Wealth Management(1)

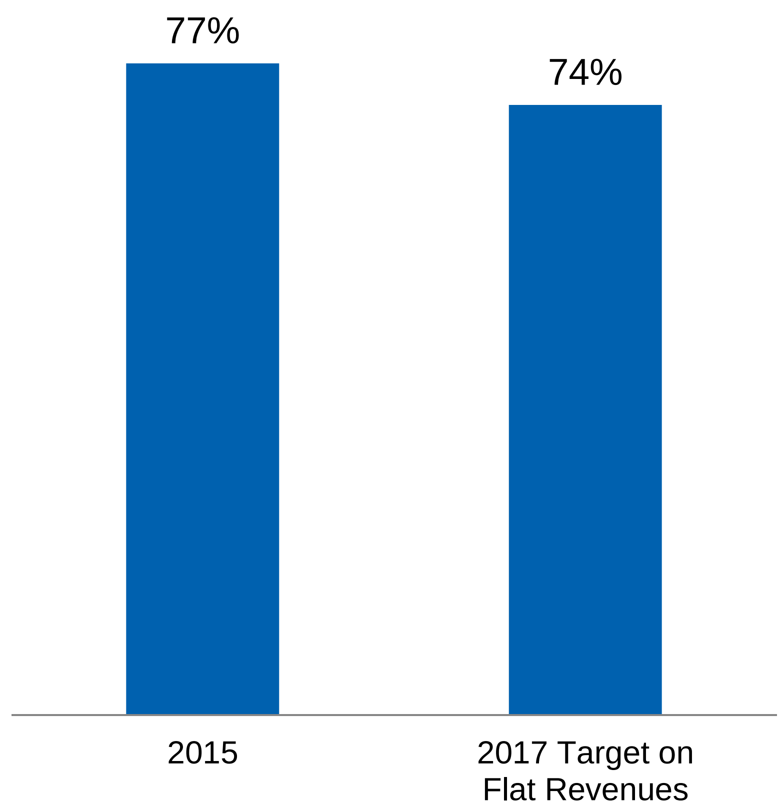


Investment Management(1)



Firm Efficiency Ratio, ex-DVA(2)

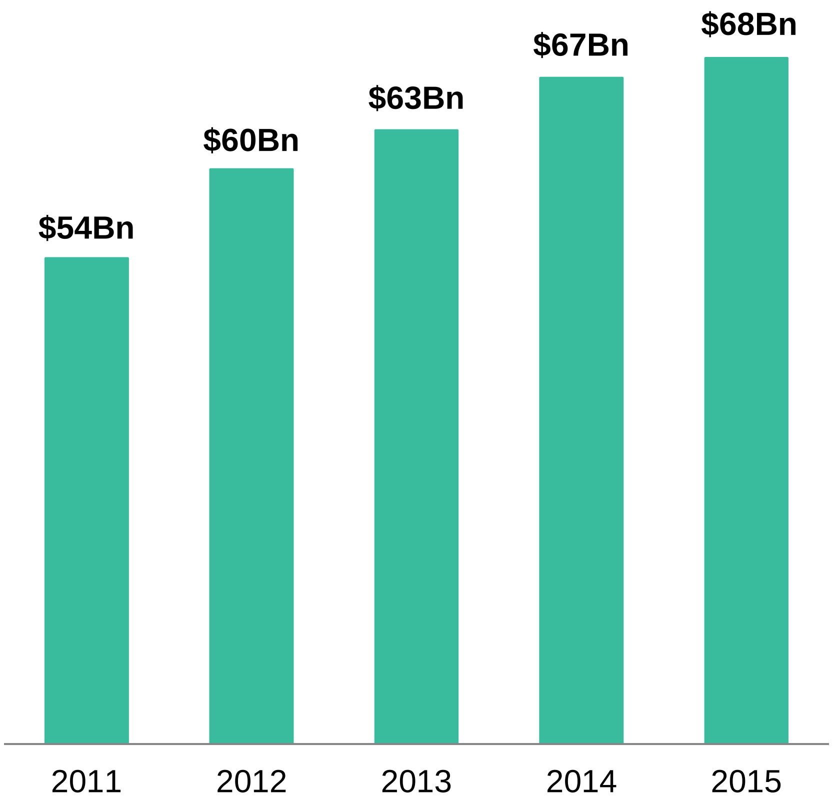
Assuming flat revenues, expenses decline by $1Bn by 2017



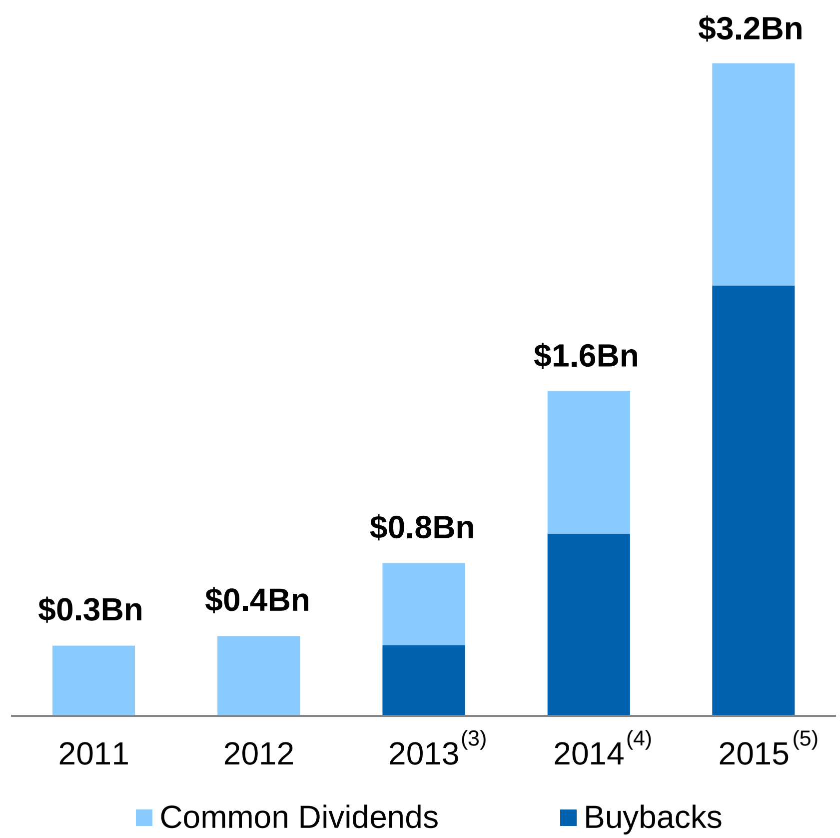
CCAR Is Our Binding Capital Constraint

Continue to Accrete Capital Despite Consistently Increasing Capital Returns

Average Common Equity, ex-DVA[1]



Morgan Stanley Capital Return [1][2]



What Will Get Us to 9% – 11% ROE Target

1. **Deliver on Project Streamline**
2. **Maintain Compensation Discipline**
3. **Continue Buybacks and Dividend Distribution**
4. **Modest Revenue Growth**

End Notes

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

1. 'WM' = Wealth Management, 'IM' = Investment Management, 'IBD' = Investment Banking, 'IED' = Equity Sales & Trading, 'FIC' = Fixed Income and Commodities
2. 2009 and 2015 Net Revenues of $28,693 million and $34,537 million, respectively, excluding the negative impact of $5,510 million and the positive impact of $618 million from Debt Valuation Adjustment ('DVA'), respectively. Net Revenues, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance.
3. 2009 and 2015 Net Revenues include $94 million and $314 million, respectively, of 'Other' net losses. 'Other' includes Other Sales & Trading, Investments, Other Revenue and Intersegment eliminations.
4. 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 .
5. The pro forma estimate of Fully Phased-in Advanced Risk Weighted Assets ('RWA') for 2011 is reported under the then proposed Federal Reserve guidelines. RWA for 1Q16 is 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.
6. 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.

These notes refer to the statistics presented on Slide 4.

1. Morgan Stanley Equity Sales & Trading Global Wallet Share for 2015 based on net revenues, ex-DVA as of December 31st. Peers included in Global Wallet Share include Goldman Sachs, JP Morgan, Bank of America, Citigroup, UBS, Deutsche Bank, Credit Suisse, and Barclays.
2. M&A and Equity Underwriting league table rankings are for the period January 1, 2015 to December 31, 2015 from Thomson Reuters as of January 4, 2016.
3. Morgan Stanley U.S. Wealth Management Rank for 2015 as of December 31st. Peers included in the U.S. Rank are Merrill Lynch Global Wealth Management, Wells Fargo Wealth and Investment Management, and UBS Wealth Management Americas.

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

1. 'Avg. CE' = Average Common Equity.
2. The 7% Return on Equity ('ROE') represents ROE excluding DVA and the 2015 net discrete tax benefits ('Discrete Tax Benefits'). The calculation of ROE uses net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity. To determine ROE, ex-DVA and Discrete Tax Benefits both the numerator and denominator were adjusted to exclude these items. ROE and ROE, ex-DVA and Discrete Tax Benefits are non-GAAP financial measures that the Firm considers useful for investors to assess operating performance. The reconciliation of ROE to ROE, ex-DVA and Discrete Tax Benefits is as follows:

	FY 2015
ROE, ex-DVA and Tax Benefits	7.0%
DVA impact	0.7%
Discrete Tax Benefits impact	0.8%
ROE	8.5%

End Notes

These notes refer to the financial metrics presented on Slide 8.

1. U.S. Banks represents the Company's U.S. Bank operating subsidiaries, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association.
2. 'Wealth Management Clients With a Loan at Morgan Stanley' is a Morgan Stanley internal designation referring to the percentage of clients or eligible clients who have one of these lending products with Morgan Stanley.

These notes refer to the financial metrics presented on Slide 9.

1. Net Revenues, excluding the positive / (negative) impact from DVA for years ending December 31st as follows: 2015 - $163 million; 2014 - $232 million; 2013 - $(78) million; and 2012 - $(1,130) million. Equity Sales and Trading Net Revenues, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance.
2. 2012 and 2013 have been recast to include the international Wealth Management business, previously reported in the Wealth Management business segment.
3. 3Q15 Net Revenues of $583 million, exclude the positive impact from DVA of $335 million. Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that required unrealized gains and losses from Morgan Stanley's DVA to be presented in Other comprehensive income as opposed to net revenues. Results for periods prior to 2016 were not restated pursuant to this guidance. Fixed Income and Commodities Net Revenues, ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow better comparability of period to period operating performance.
4. All figures presented exclude RWAs and leverage exposure associated with lending.
5. The Company estimates its pro forma fully phased-in Advanced risk-weighted assets and pro forma fully phased-in Supplementary leverage exposure 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, which may be subject to change as the Company receives additional clarification and guidance from the Federal Reserve. 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

These notes refer to the financial metrics presented on Slide 11.

1. The attainment of these savings may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

These notes refer to the financial metrics presented on Slide 12.

1. Compensation ratio is calculated as compensation and benefits expense as a percentage of Net Revenues (or for Institutional Securities, Net Revenues, ex-DVA). When the Compensation ratio is based on Net Revenues ex-DVA, such ratios are non-GAAP financial measures that the Company considers useful for investors to assess operating performance.
2. Firm Efficiency ratio, ex-DVA, represents total non-interest expenses as a percentage of Net Revenues excluding DVA. For 2015, the 77% Expense Efficiency ratio was calculated as non-interest expenses of $26,660 million divided by Net Revenues of $34,537 which excludes the positive impact of $618 million from DVA. The Expense Efficiency ratio, ex-DVA, is a non-GAAP financial measure the Company considers useful for investors to assess operating performance.

These notes refer to the financial metrics presented on Slide 13.

1. Average Common Equity and the payout ratios exclude DVA for all periods. In 2014, they also exclude litigation expense of $2.6 billion associated with the Department of Justice ('DOJ') settlement. Average Common Equity and payout ratios, ex-DVA and the DOJ settlement are non-GAAP financial measures that the Firm considers useful for investors to assess capital adequacy and capital returns.
2. In 2012, 2013, 2014, and 2015 the Firm received a "non-objection" from the Federal Reserve for each respective year's CCAR submission.
3. In 2013, the Firm received a non-objection to repurchase up to $500MM of common stock beginning in 3Q13 through 1Q14 under rules permitting annual capital distributions.
4. In 2014, the Firm received a non-objection to repurchase up to $1Bn of common stock beginning in 2Q14 through 1Q15 and to increase the Firm's quarterly common stock dividend to $0.10 per share from $0.05 per share beginning with the dividend declared in 2Q14.
5. In 2015, the Firm received a non-objection to repurchase up to $3.1Bn of common stock beginning in 2Q15 through 2Q16, $2.5Bn annually, and to increase the Firm's quarterly common stock dividend to $0.15 per share from $0.10 per share beginning with the dividend declared in 2Q15.

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