

Morgan Stanley

Morgan Stanley
Fixed Income Investor Call

November 3, 2017

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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
Liquidity Management	Section 3
Capital Position	Section 4

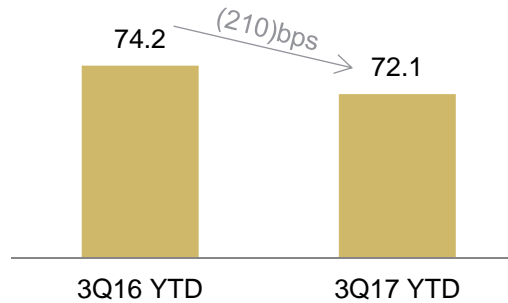
1 Business Performance Update

On Track to Achieve 9-11% ROE in 2017

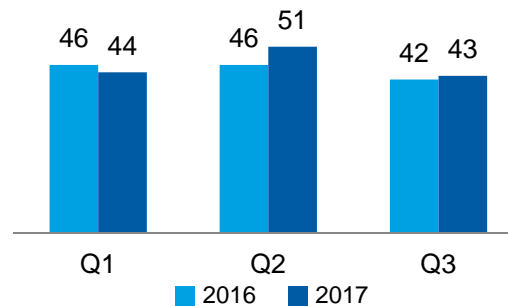
Revenue Growth
Firm Net Revenues⁽¹⁾ (\$Bn)



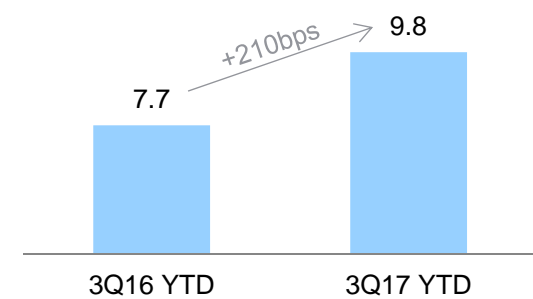
Expense Discipline
Expense Efficiency Ratio⁽²⁾ (%)



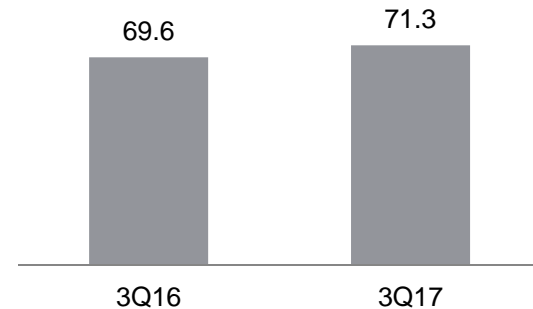
Conservative Risk Profile
Avg. Daily 95% / One Day Trading Value-at-Risk (\$MM)



Improving Profitability
Return on Avg. Common Equity (%)⁽³⁾



Strong Capital Position
Avg. Common Equity, ex-DVA⁽⁴⁾ (\$Bn)

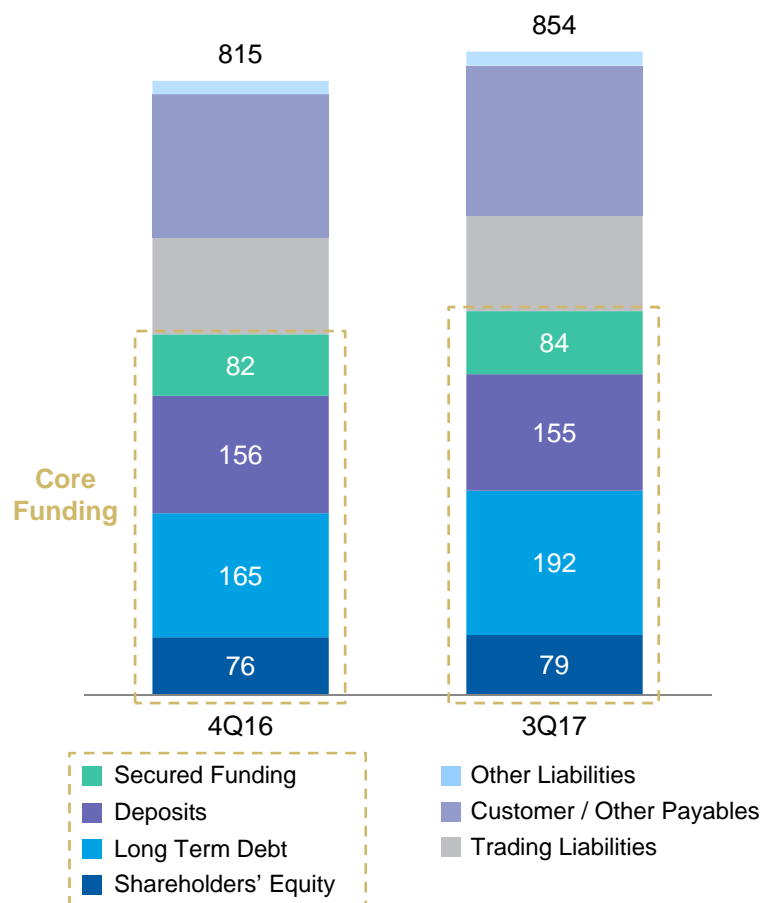


1. Includes \$207 million and \$223 million of intersegment eliminations in 3Q16 YTD and 3Q17 YTD respectively, not shown on the page.
 2. Firm Expense Efficiency Ratio represents total non-interest expenses as a percentage of Net Revenues. Expense Efficiency Ratio is a non-GAAP financial measure the Company considers useful for investors to assess operating performance.
 3. Return on average common equity ("ROE") represents annualized net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity. ROE is a non-GAAP financial measure that the Firm considers useful for investors to assess operating performance.
 4. Average Common Equity, ex-DVA is adjusted for inception-to-date DVA. 3Q16 excludes \$62 million of negative DVA impact. 3Q17 excludes \$775 million of negative DVA impact. Average Common Equity, ex-DVA is a non-GAAP financial measure that the Firm considers useful for investors to assess capital adequacy.

2 Diversified and Durable Funding Mix

Increased Unsecured Borrowings to Simplify the Balance Sheet and Add Flexibility

Morgan Stanley Liabilities and Equity (\$Bn)



3Q17 Core Funding Highlights

Secured Funding

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

Deposits

- Primarily sweep deposits sourced from Wealth Management clients
- Further diversification provided by savings and time deposit products and third party liabilities

Long Term Debt

- Diversified across tenors, currencies, distribution channels and structure
- Increased issuance to enhance balance sheet durability and flexibility
- Weighted average maturity: 6.7 years

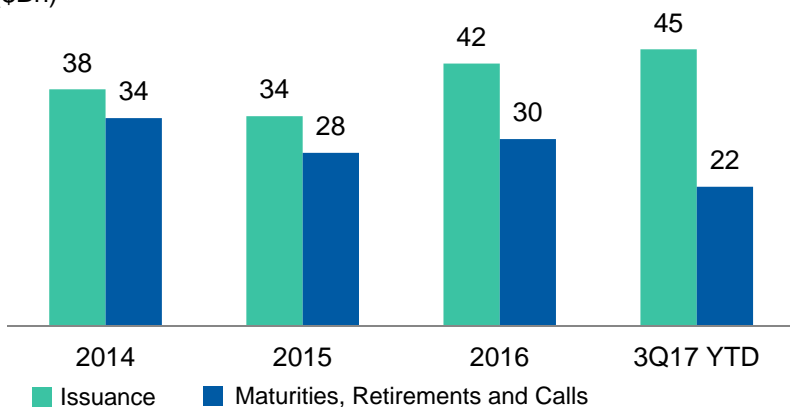
Shareholders' Equity

- Strong capital base
- Common stock supplemented by \$8.5Bn of preferred stock

Unsecured Borrowings: Primary Source of Funding

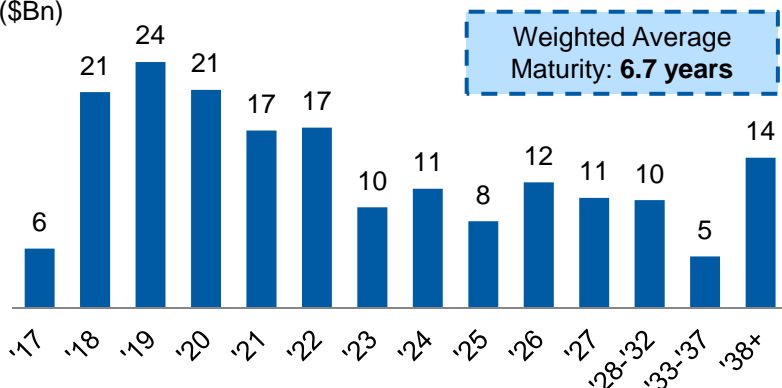
Unsecured Debt Issuance and Maturities⁽¹⁾

(\$Bn)



Long-Term Debt Maturity Profile

(\$Bn)



3Q17YTD Highlights

- Issued \$45Bn in 2017YTD with net positive issuance
 - Diversified across structure, currency, tenor and distribution channels
 - Continue to issue majority from the Parent, while optimizing issuance on other entities
- Long-term unsecured debt outstanding at September 30, 2017 was \$192Bn
- Morgan Stanley remains well positioned for upcoming TLAC requirements:

Estimated Current / 2019 Required TLAC Ratios⁽²⁾

	External TLAC	Eligible LTD
% RWAs ⁽³⁾	~56% / 21.5%	~35% / 9.0%
% Leverage	~19% / 9.5%	~12% / 4.5%

1. Includes Plain Vanilla (Senior Unsecured Debt and Subordinated Debt) and Structured Notes.

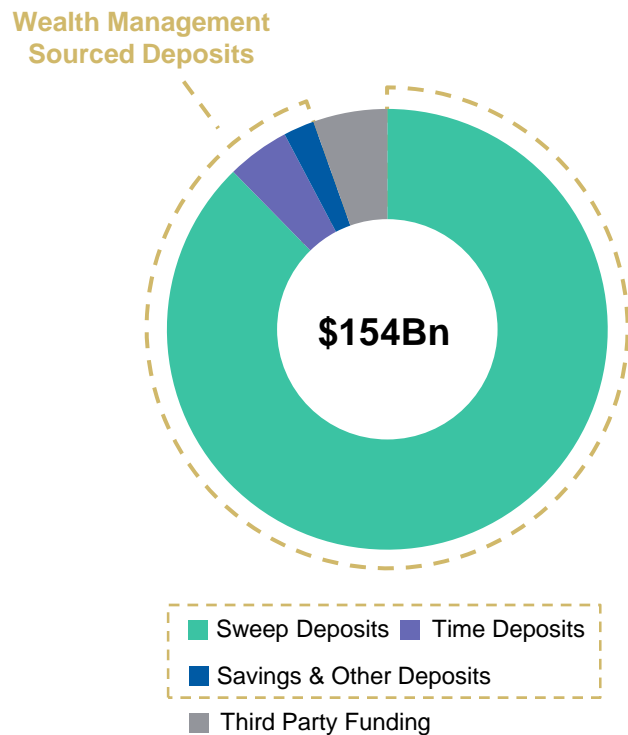
2. The Company estimates its pro forma External Total Loss Absorbing Capacity ("TLAC") and pro forma TLAC eligible Long Term Debt ("LTD") based on the final Federal Reserve rule released on December 15, 2016. These pro forma calculations are non-GAAP financial measures that the Company consider to be useful measures to the Company and investors to evaluate compliance with future regulatory capital requirements.

3. January 1, 2019, risk-based requirements assume Method 1 and Method 2 G-SIB capital surcharges of 1.0% and 3.0% respectively.

Diversifying Bank Funding Profile

Core Deposit Franchise Supports Further Growth in Bank Lending

U.S. Banks Deposit Funding Mix⁽¹⁾
(\$Bn)



Highlights

Attractive Deposit Characteristics

- ✓ **Strategic value** – critical component of full service Wealth Management offering
- ✓ **Liquidity value** – durable source of funding for loan growth
- ✓ **Cost** – attractive funding cost
 - Avg. Wealth Management sweep deposit cost: 7bps

Flexible and Liquid U.S. Bank Balance Sheet

- Primarily funded by Wealth Management sourced deposits
- Further diversifying Wealth Management client deposit franchise
 - Premier Cash Management
 - Additional savings and time deposit products
- Access to a variety of third party funding sources

1. Excludes deposits between U.S. Bank subsidiaries and Parent, and deposits held at foreign bank subsidiaries.

Firm Secured Funding Framework

Four Pillars of Secured Funding Ensure Durability

	Overview	Criteria ⁽¹⁾
1 Significant Weighted Average Maturity (“WAM”)	<ul style="list-style-type: none"> Criteria-based model for term funding consistent with liquidity profile of underlying assets 	<ul style="list-style-type: none"> WAM for less-liquid assets > 120 days
2 Maturity Limit Structure	<ul style="list-style-type: none"> Reduces roll-over risk 	<ul style="list-style-type: none"> <15% liabilities mature in any month >25% liabilities mature in more than 180 days
3 Investor Limit Structure	<ul style="list-style-type: none"> Minimizes concentration with any single investor, in aggregate, and in any given month 	<ul style="list-style-type: none"> Top investor <15% total liabilities Top three investors <30% total liabilities Monthly investor concentration <25% of monthly maturities or \$3Bn
4 Spare Capacity	<ul style="list-style-type: none"> Valuable in both favorable and stressed markets - Supports business growth - First line of defense against reduced roll rates 	<ul style="list-style-type: none"> Liabilities > asset funding requirement

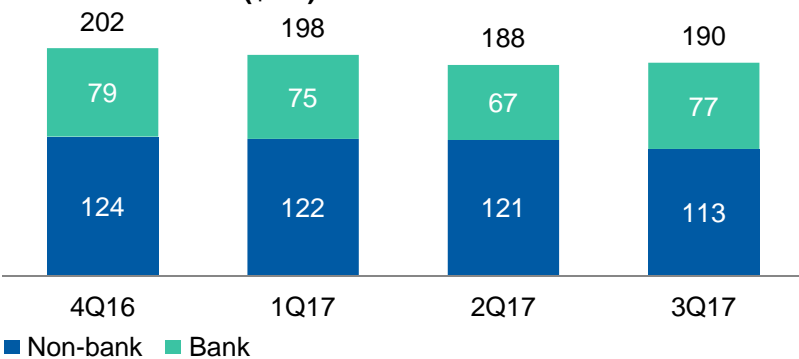
1. Excludes highly liquid assets such as sovereigns, agencies or other open market operations or central clearing counterparty eligible collateral.

3 Global Liquidity Position

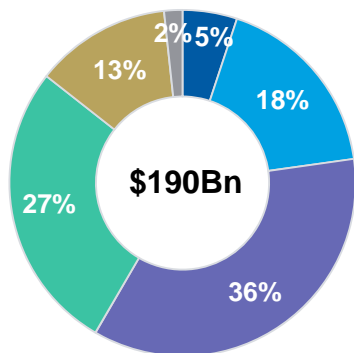
Sized to Ensure Adequate Resources Across a Range of Stressed Scenarios

Global Liquidity Reserve

Period End GLR (\$Bn)



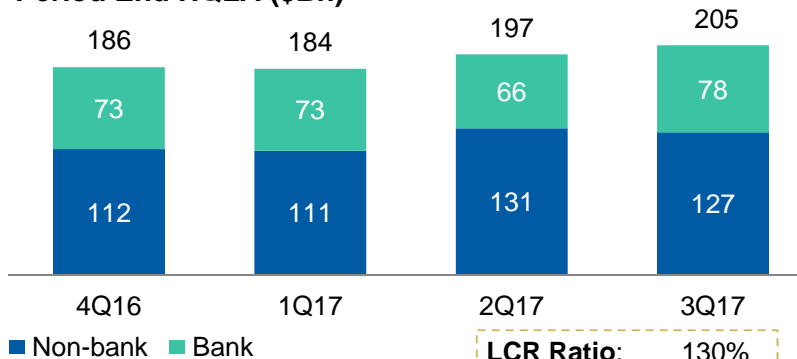
GLR Composition (%)



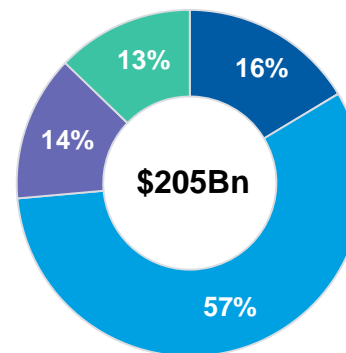
- Deposits with banks
- U.S. agency & agency mortgage-backed securities
- Deposits with central banks
- Non-U.S. sovereign obligations
- U.S. government obligations
- Other investment grade securities

High Quality Liquid Assets

Period End HQLA (\$Bn)



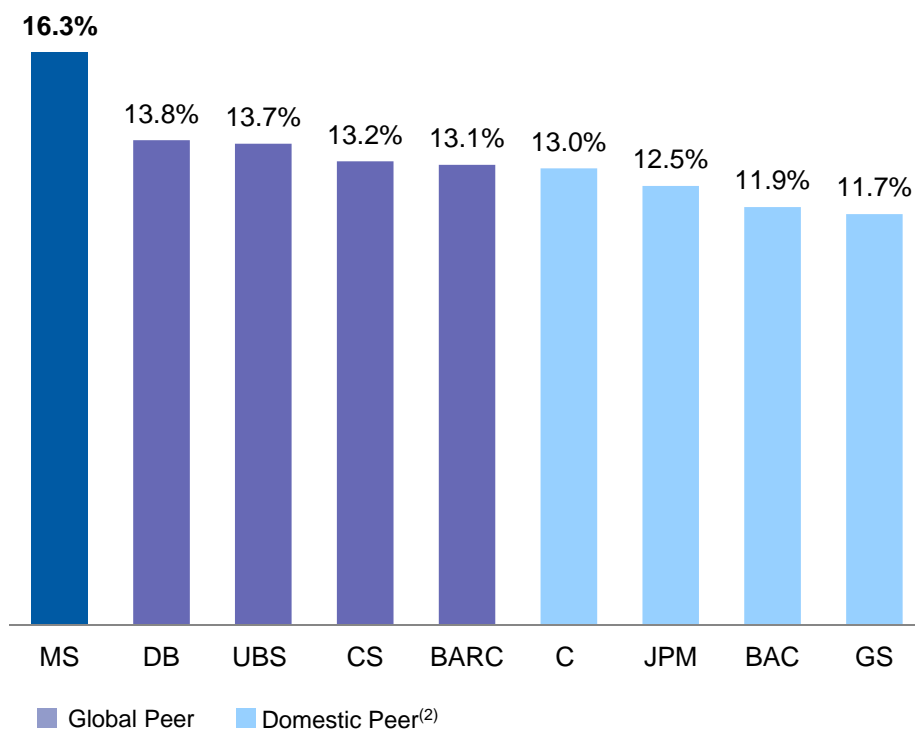
HQLA Composition (%)



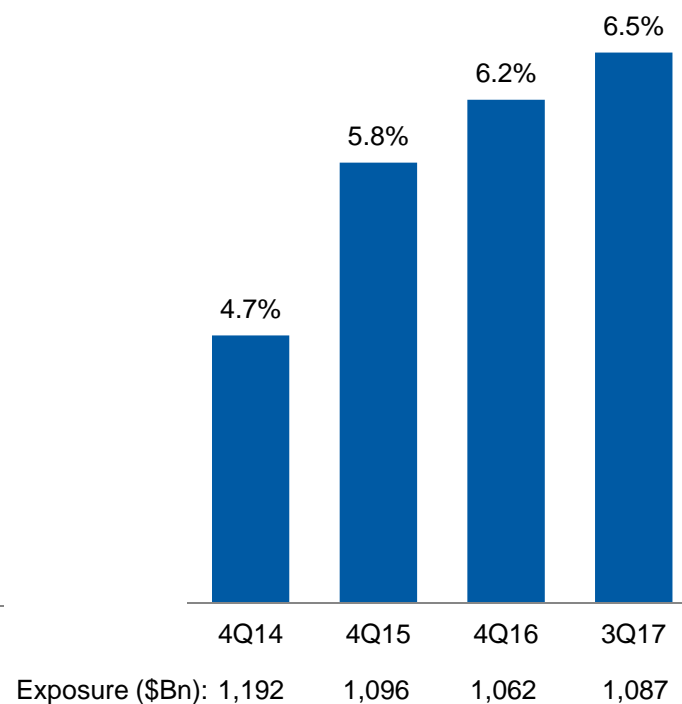
- Central Bank Deposits
- Other Level 1 Assets
- Level 2A Assets
- Level 2B Assets

4 Strong Risk-Based and Leverage Ratios

3Q17 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 and 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. 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.

2. Lower of Standardized and Advanced Approach.

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