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Morgan Stanley 1Q14 Fixed Income Investor Update

May 14, 2014

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, 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.

This presentation may contain forward-looking statements. 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. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto. This presentation is not an offer to buy or sell any security.

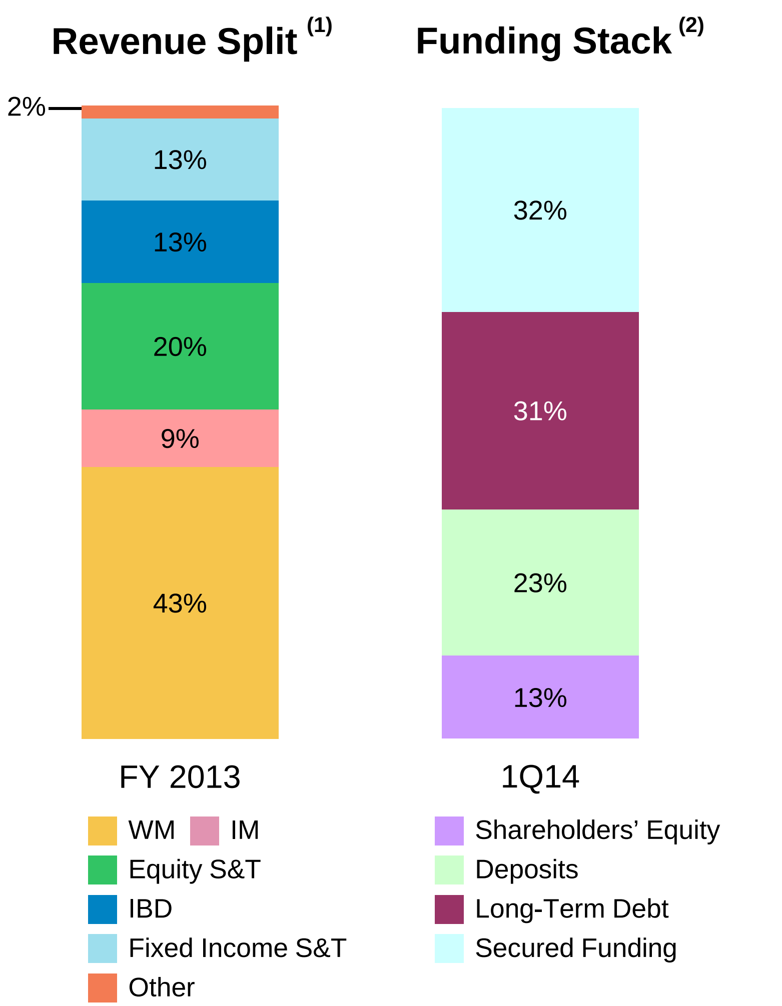
Please note this presentation is available at www.morganstanley.com.

Agenda

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

Strategic Moves Enhance Business Outlook and Funding Profile

A



Key Drivers

- **Wealth Management**
  - Revenue and earnings consistency
  - Well positioned for growth, benefitting from higher deposits
  - At the end of 4Q13, increased WM margin target to 22-25% by 4Q15
- **Institutional Securities**
  - Cohesive set of products across divisions
  - Global leader in Investment Banking and Institutional Equities
  - Executing on plan to drive ROE > Cost of Equity in Fixed Income and Commodities
- **Investment Management**
  - Traditional Asset Management performance driven by flows and higher markets
  - Strong investment performance in Merchant Banking and Real Estate funds
- **Strategic partnership with MUFG**
- **Durable funding, strong capital and liquidity**
  - Benefitting from growing deposit base

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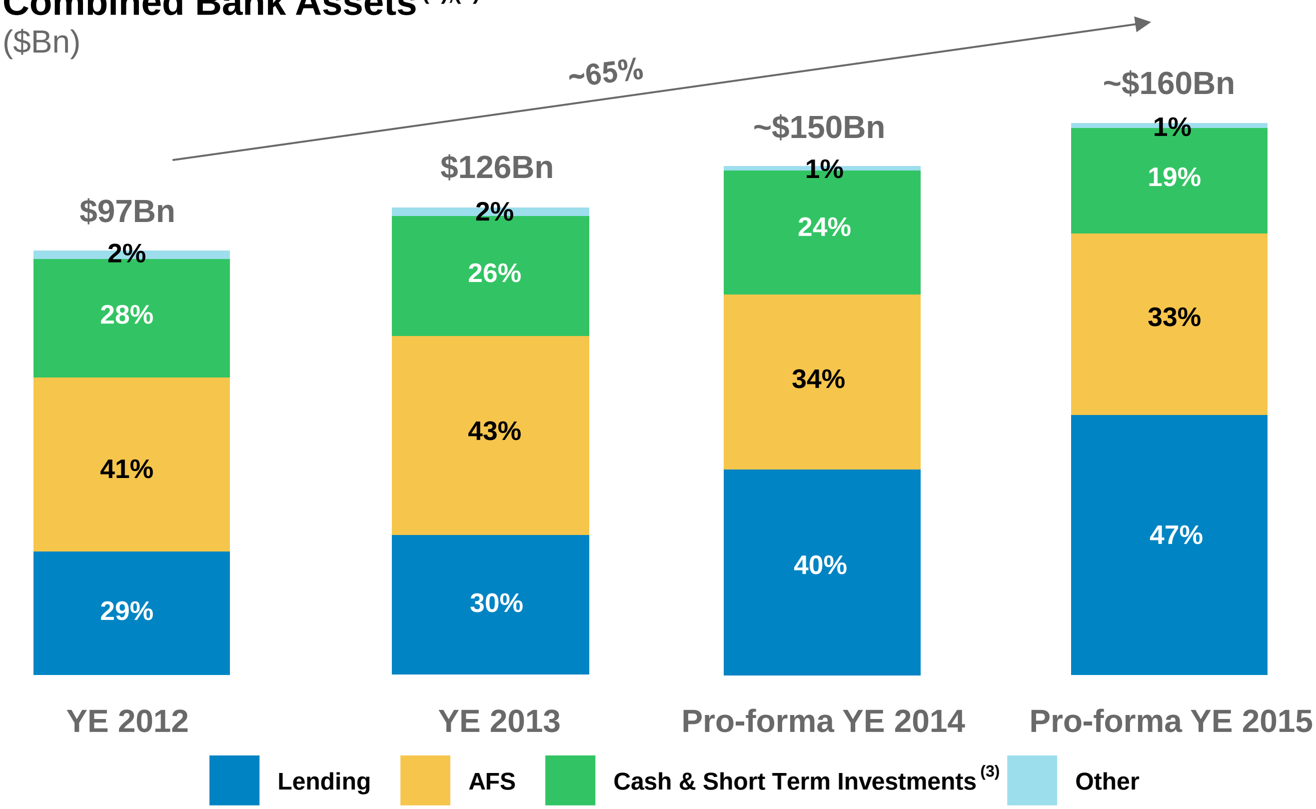
(1) Revenues exclude the negative impact of $681 million from DVA in the full year ended December 31, 2013. Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.
(2) Figures may not sum due to rounding.

Bank Supports Significant Growth Opportunity in Net Interest Income

- Contractual growth in deposits[1] + optimization of assets + higher rates (eventually) drive significant NII growth in Wealth Management and Institutional Securities
- Significantly higher incremental profit before tax

Combined Bank Assets[2],[5]
($Bn)



Indicative Yield Opportunity Based on Current Market Rates

- Cash & Short Term Investments[3] = ~0.3%
- AFS = ~1.0%
- Lending = ~2.9%

Indicative Yield Opportunity at Higher Rates[4]

- Cash & Short Term Investments[3] = ~1.0%
- AFS = ~2.0%
- Lending = ~3.7%

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(1) The contractual transfer of deposits from Citi to Morgan Stanley is based on the terms of closing of the acquisition of the joint venture.
(2) Combined bank assets represent assets in MSBNA & MSPBNA.
(3) Short term investments represent reverse repurchase agreements.
(4) "Indicative yield opportunities at higher rates" are based off forward interest rate curves.
(5) Figures may not sum due to rounding.

Pro-forma Top 10 US-Based Depository Institution With Remaining Deposits

Top US-Based Depositories as of 4Q13 [(1),(2)]

($Bn)

1.	JPMorgan Chase & Co.	1,288
2.	Bank of America Corporation	1,119
3.	Wells Fargo & Company	1,079
4.	Citigroup Inc.	968
5.	U.S. Bancorp	262
6.	Bank of New York Mellon Corporation	261
7.	PNC Financial Services Group, Inc.	221
8.	Capital One Financial Corporation	205
9.	State Street Corporation	182
10	Morgan Stanley Pro Forma [(3)]	142
10.	SunTrust Banks, Inc.	130
11.	BB&T Corporation	127
12	Morgan Stanley	112
13.	Fifth Third Bancorp	99
14.	Charles Schwab Corporation	93
15.	Regions Financial Corporation	92
16.	Northern Trust Corporation	84
17.	Goldman Sachs Group, Inc.	71
18.	KeyCorp	69
19.	M&T Bank Corporation	67
20.	Comerica Incorporated	53
21.	Huntington Bancshares Incorporated	48
22.	Zions Bancorporation	46
23.	First Republic Bank	32
24.	Popular, Inc.	27
25.	First Niagara Financial Group, Inc.	27

(1) Excludes U.S. subsidiaries of foreign based banks.
(2) Source: SNL Financial as of 4Q13. Based on company SEC Filings as of 4Q13.
(3) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the acquisition. Organic account balance growth is assumed to be flat.

The "Why" Behind Our Capital, Liability Stack, and Liquidity

Keys to Robust, Vibrant Financial Institutions in All Environments

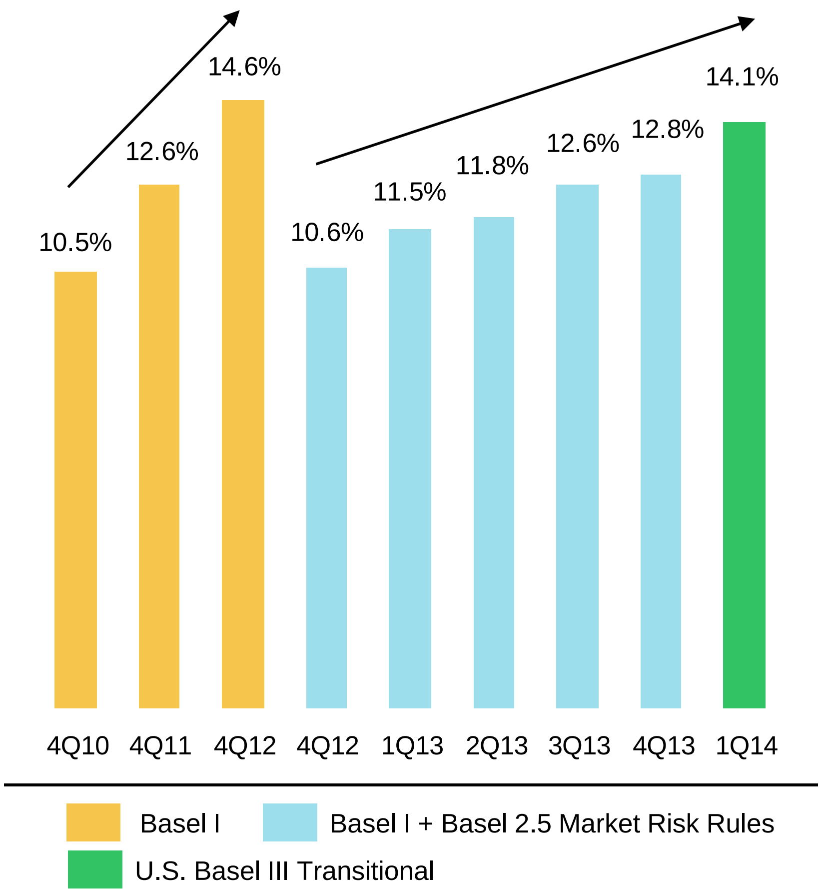
- Strengthen Business as Usual
- Ensure ample flexibility in all scenarios

Morgan Stanley's Framework to Ensure a Robust, Vibrant Firm

- Capital management
  - Higher, better quality
- Centralized liability management
  - Robust governance and execution
  - Duration of liabilities in excess of assets
  - Four Pillars prevent "retransmission" risk
- Durable liquidity

B Capital Management: Strong Capital Under Basel I and Basel III Regimes

Tier 1 Common Ratio & Common Equity Tier 1 Ratio
(Common Less Tier 1 Deductions) / RWA (%)



- Beginning in the first quarter of 2014, the Firm calculates its Common Equity Tier 1 capital, Tier 1 capital, and Tier 1 leverage ratio using the U.S. Basel III final rule's definition of capital and regulatory deductions and adjustments, subject to transitional provisions
- Common Equity Tier 1 capital ratio is 14.1%
  – Tier 1 Capital ratio is 15.6%
- Based on best assessment and expectations on the final Basel III rules
  – March 31, 2014 pro-forma estimate of Basel III Common Equity Tier 1 ratio was ~11.6% under the fully phased-in Advanced Approaches(1)(2)

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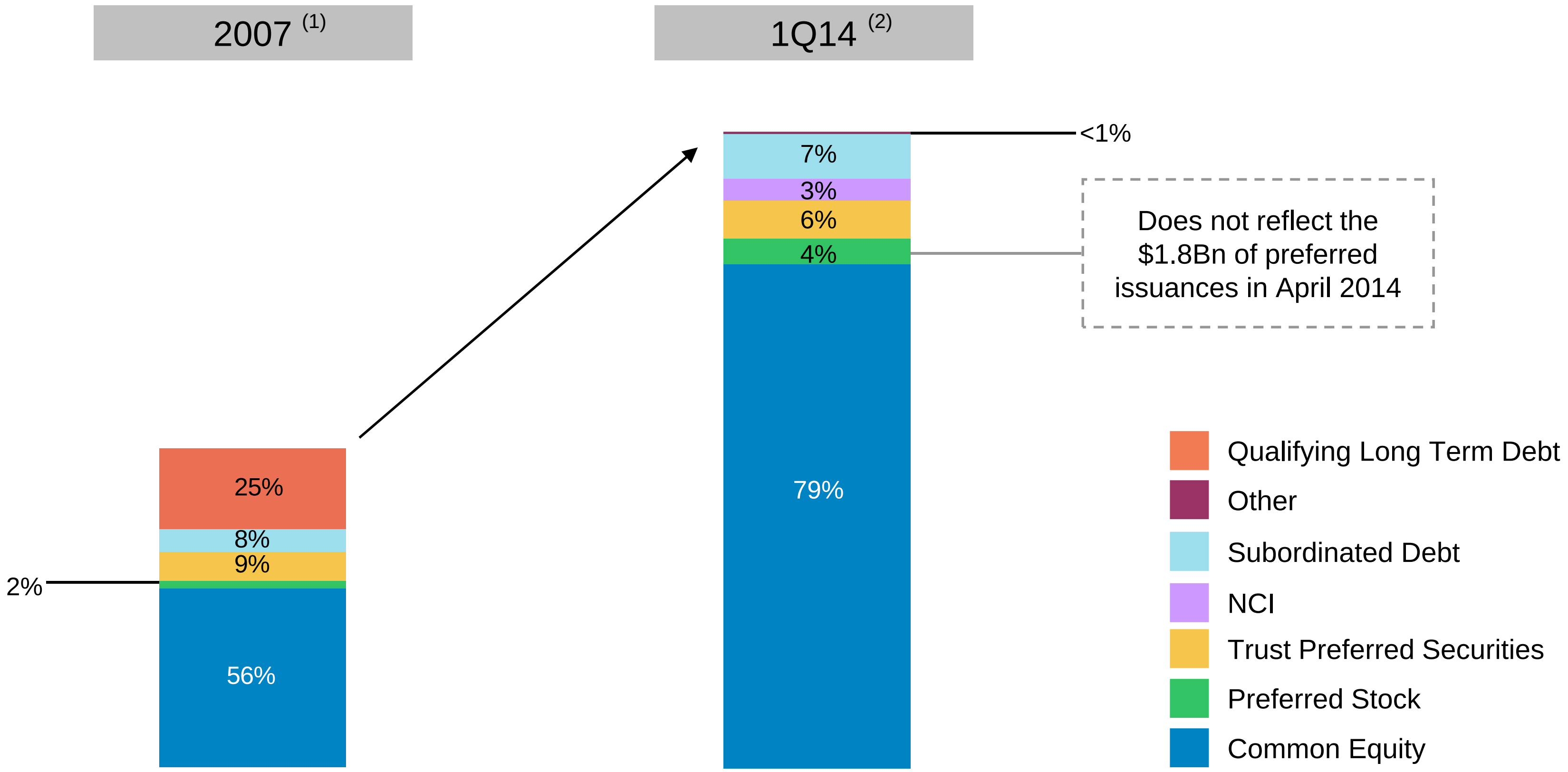
(1) Basel III pro-forma Common Equity Tier 1 Common ratio is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to evaluate compliance with future regulatory capital requirements.
(2) The Company estimates Basel III capital and risk-weighted assets based on a preliminary assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. This is a preliminary estimate and may change.

Capital Management: Significant Improvement in Quality of Total Capital

Morgan Stanley Total Capital



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(1) Qualifying capital for 2007 based on year end December 31, 2007.
(2) Capital metrics as of 1Q14 are reported under a transitional Basel III numerator.

C Prudent Liability Management: Centralized Structure and Strict Governance

Prudent Liability Management & Funding Durability – Setting the Stage

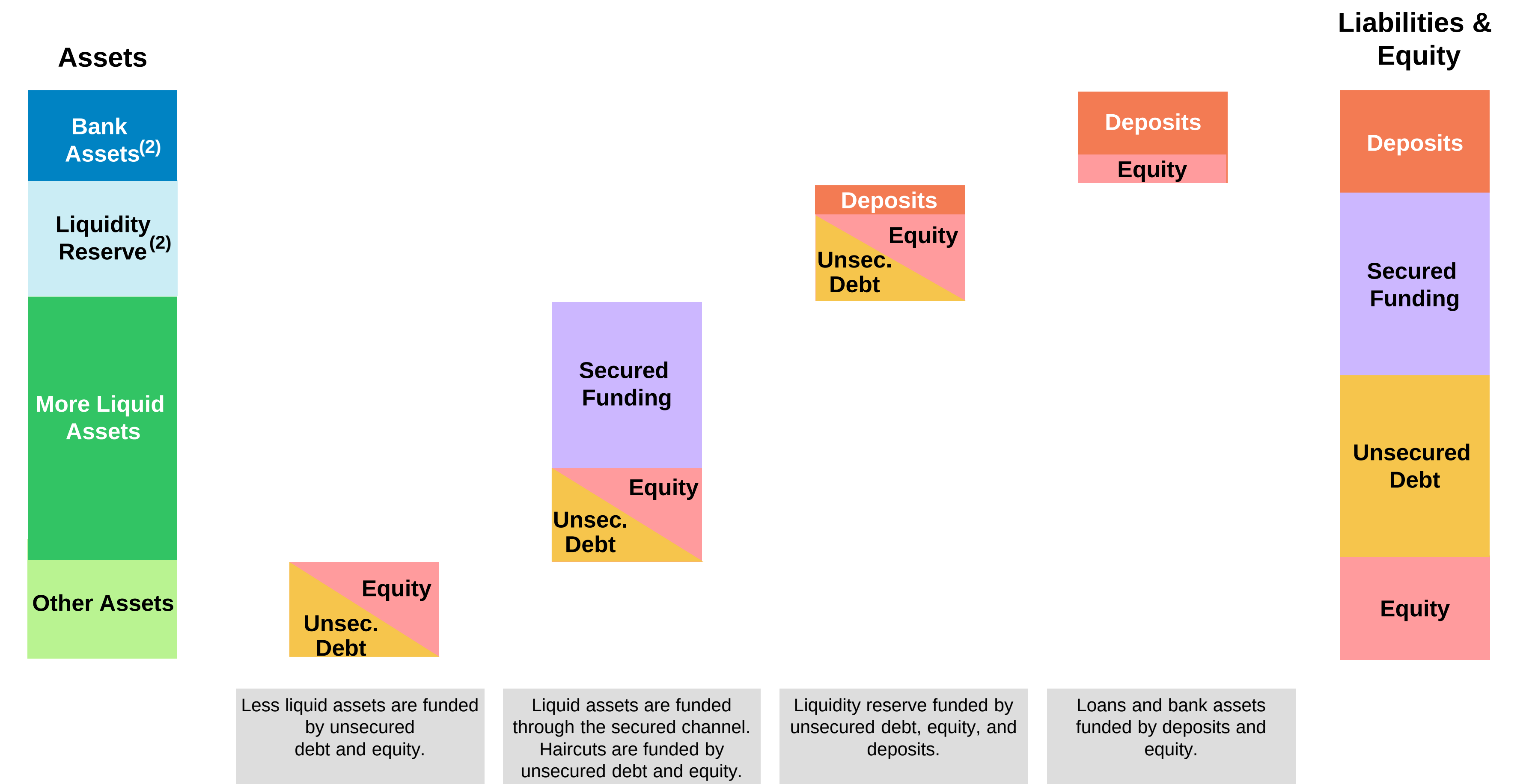
- A prudent liability management framework supported by centralized, strong governance ensuring funding durability, providing critical stability in all environments

Defining Durability of Funding Sources

- Liabilities should be considered across a range from most durable to least durable due to their nature and based on governance
  - Long-Term Debt: Contractually durable and most appropriate to fund longer duration, less liquid assets
  - Deposits: Durable when insured
  - Wholesale (Secured) Funding: Durable when managed to match / exceed asset liquidity horizon
  - Commercial Paper: Not sufficiently durable for banks

Prudent Liability Management: Illustrative Asset-Liability Funding Model(1)

- Funding governance requires alignment of more liquid assets with shorter-term liabilities and less liquid assets with longer-term liabilities and equity



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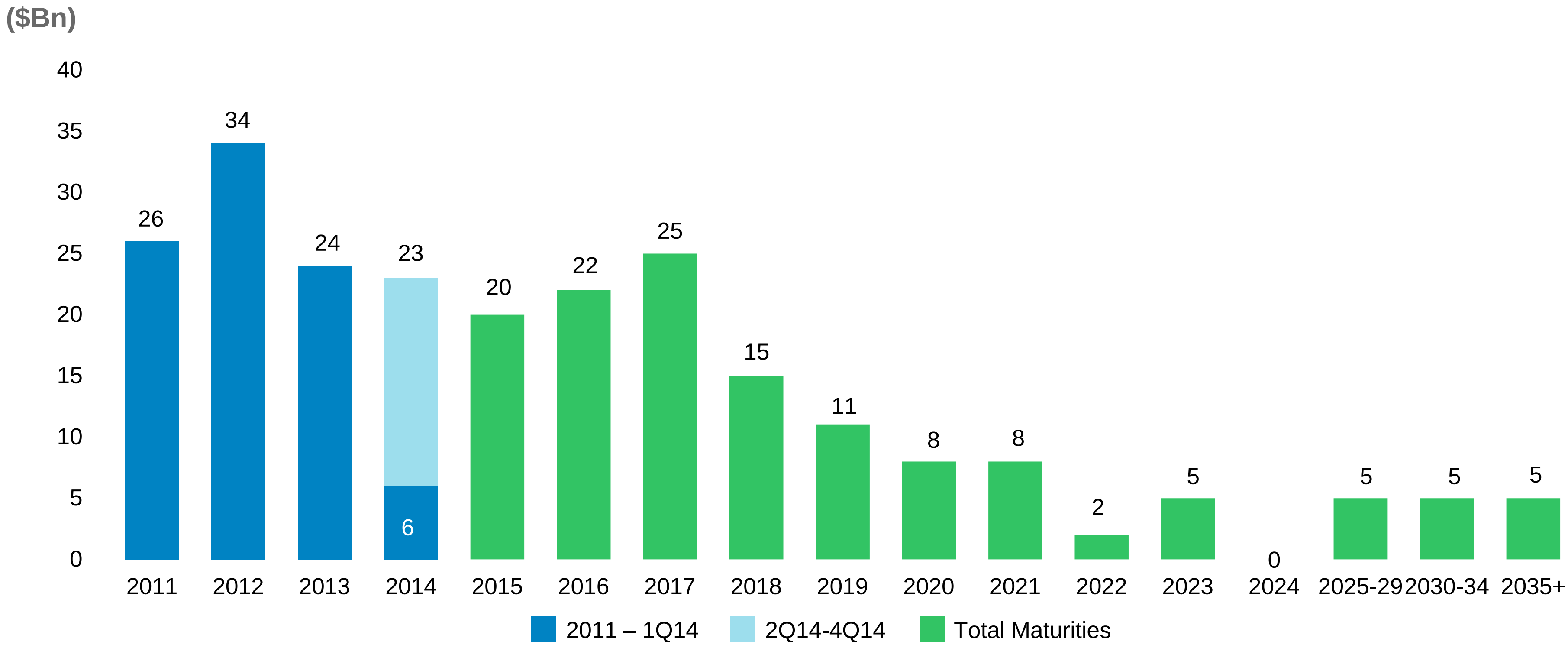
(1) Illustrative; not to scale.
(2) AFS portfolio is a component of both Bank Assets and Liquidity Reserve.

Prudent Liability Management: Significant Reduction In Debt Outstanding

- Reduced long-term debt outstanding by ~$30 billion since year-end 2011, due to a more liquid balance sheet, higher capital, and increasing deposit optimization
- Appropriately sized, balanced maturity profile; diversified across global investor base

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



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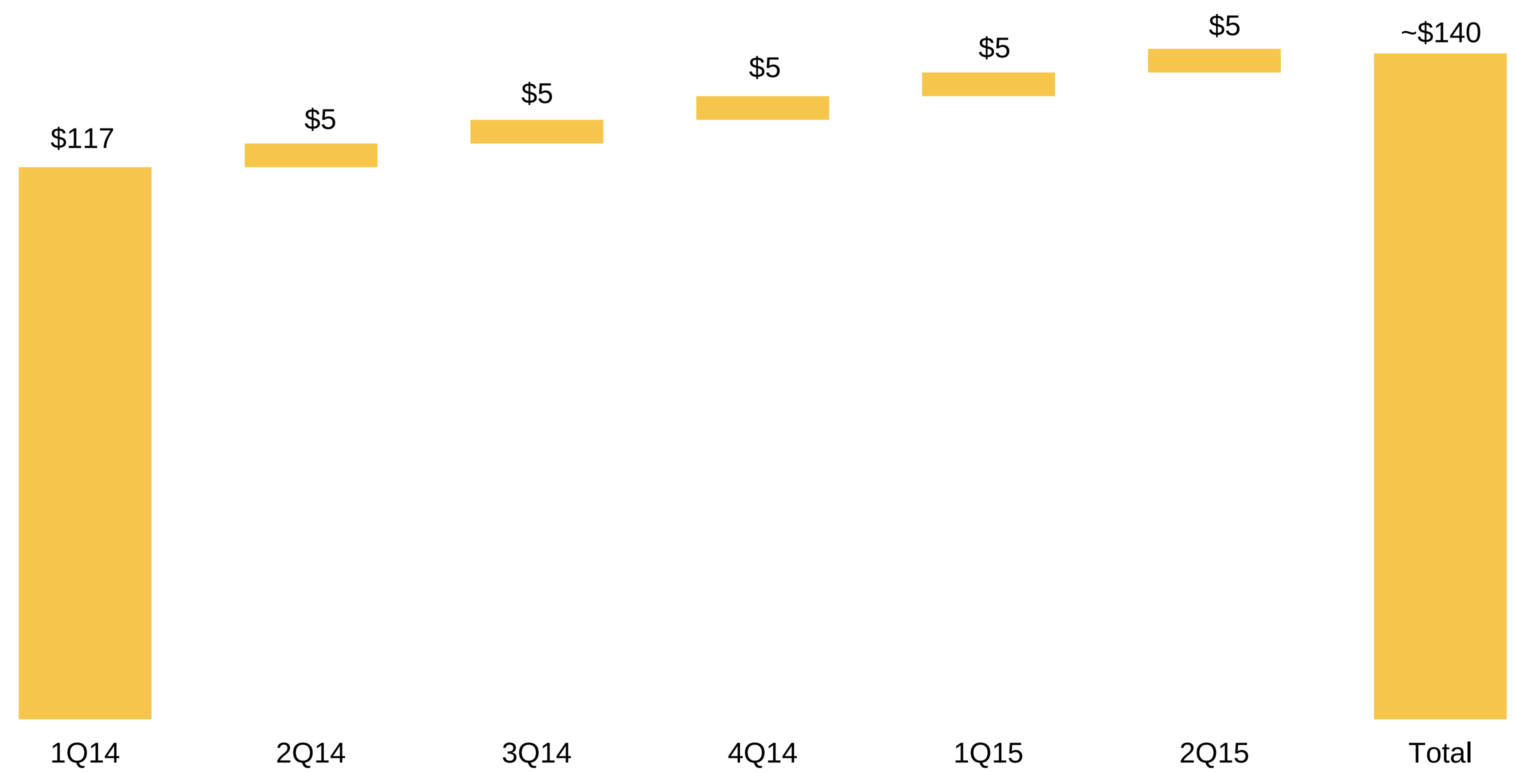
(1) As of March 31, 2014.
(2) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.
(3) Excludes assumptions for secondary buyback activity.

Significant Increase in Deposits With 100% Ownership of Wealth Management Business

Firmwide Pro-forma Deposit Growth [1]

($Bn)



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(1) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the acquisition. Organic account balance growth is assumed to be flat. Figures may not sum due to rounding.

Four Pillars of Secured Funding Ensures Durability and Stability: Not All Wholesale Funding Created Equal

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

- Additional insurance for times of market stress

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
Super Green	✓	✓	✓	< 10%	> 50	100%	50%
Green				<= 15%	>= 15	>= 95%	41%
Amber				> 15%	>= 10	>= 60%	6%
Red				> 20%	< 10	< 60%	3%

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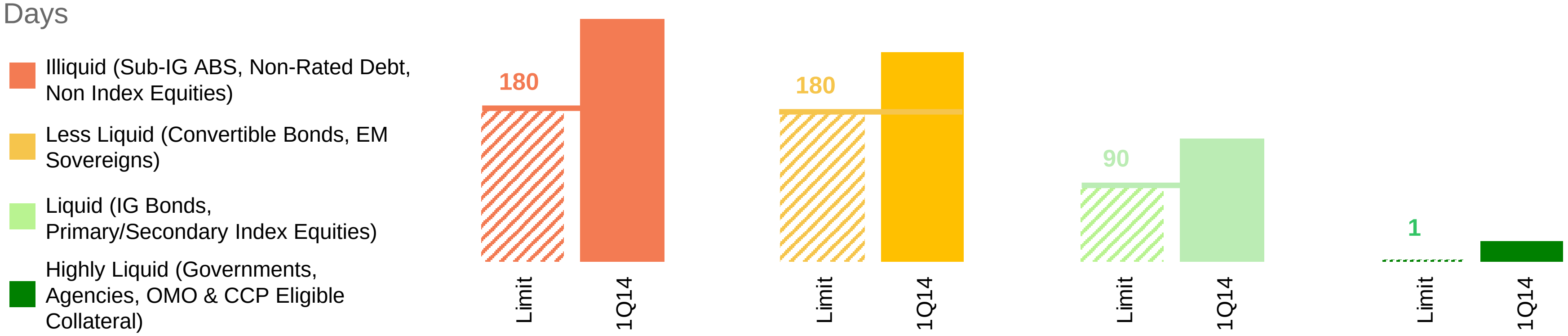
Secured Funding Pillar 1: Longer WAM Provides Appropriate Flexibility

…Fundability Category Determines Required Weighted Average Maturity: >120 Days [(1)]

- Established criteria-based model to obtain appropriate term funding consistent with liquidity profile of underlying assets
  - Assets tiered by fundability
  - Maturity limits set for each tier
  - Dynamic measurement of asset composition
  - Cost to fund assets allocated to corresponding desks
- Execution
  - **2010:** Extended WAM significantly across fundability buckets (vs. <30 days in 2008)
  - **2011:** Achieved investor and maturity diversification, further strengthening liquidity durability
    - Limited the amount of non-Super Green liabilities maturing in any given month to 15% of all non-Super Green liabilities
    - Established a maximum investor concentration of 25% of the maturities allowed in any given month
  - **2012 - 2014:** Maintained WAM above limits and increased the durability of WAM
    - WAM of non-Super Green >120 days

Weighted Average Maturity and Limits by Fundability Bucket [(2)]

Days



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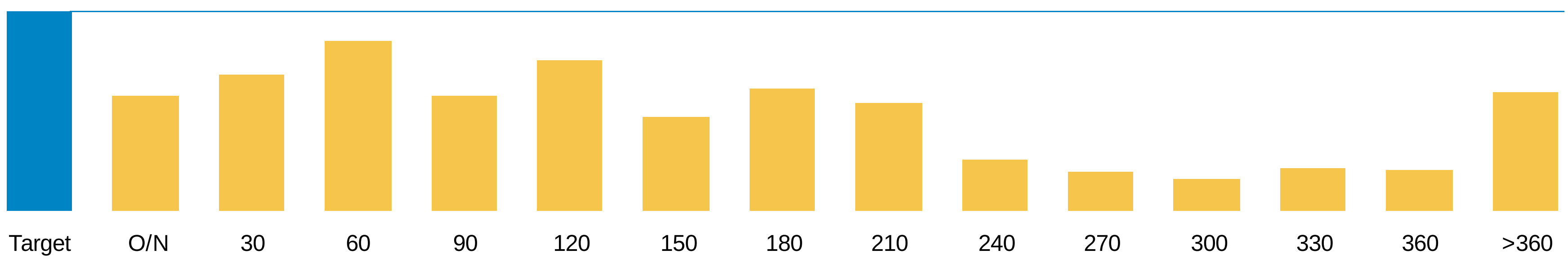
(1) As of March 31, 2014, the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days.
(2) Illustrative; not to scale.

Secured Funding Pillar 2: Monthly Maturity Target
Secured Funding Pillar 3: Investor Concentration Target

- Monthly Maturity Target: Target less than 15% of non-Super Green liabilities maturing in any given month
- Investor Concentration Target: Maximum total exposure per investor of 15% of non-Super Green book
  - Sub-Target: Maximum monthly investor concentration of 25% of the maturities allowed in any given month

Illustrative Non-Super Green Maturity Profile (1),(2)



	30	60	90	120	150	180	210	240	270	300	330	360
Top Investor by Maturity Bucket as % of Monthly Maturity Target	**6%**	**22%**	**9%**	**17%**	**12%**	**23%**	**16%**	**10%**	**6%**	**9%**	**10%**	**8%**

Diversified Global Investor Base – Non-Super Green

	2009	2014
# of Term Investors >30 days (3)	15	132

	2009	2014
Americas	<10	>50
Europe	<10	>60
Asia	<5	>40

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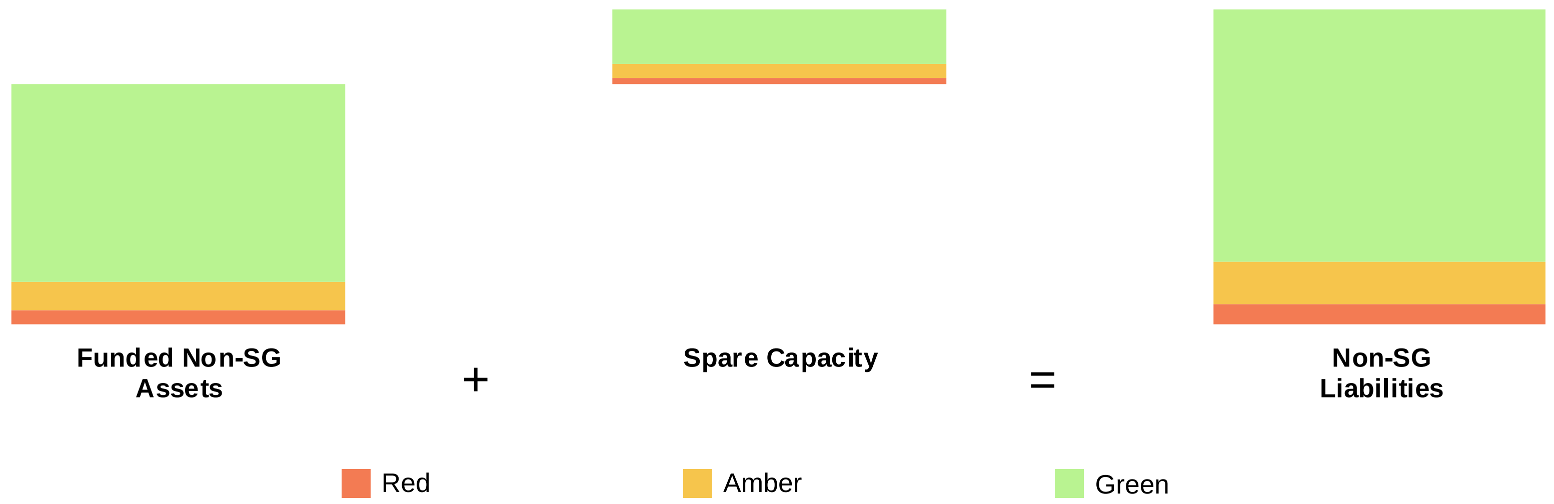
(1) Represents secured funding balance maturing in 30-day increments.
(2) Illustrative; not to scale.
(3) Represents unique investors; geographic breakdown includes some overlap across regions.

Secured Funding Pillar 4: Spare Capacity as Additional Risk Mitigant

- Spare Capacity is equivalent to total non-Super Green liabilities in excess of non-Super Green inventory
- Spare Capacity has created excess contractual term-funding, which serves as an additional risk mitigant to accommodate various market environments
- Combined with other risk mitigants in secured funding governance, Spare Capacity is the first line of defense during market stress events, prior to use of Global Liquidity Reserve
  - Eliminates need to access markets for first 30 days of stress event; reduces needs for 60 days thereafter

Non-Super Green Spare Capacity (1)



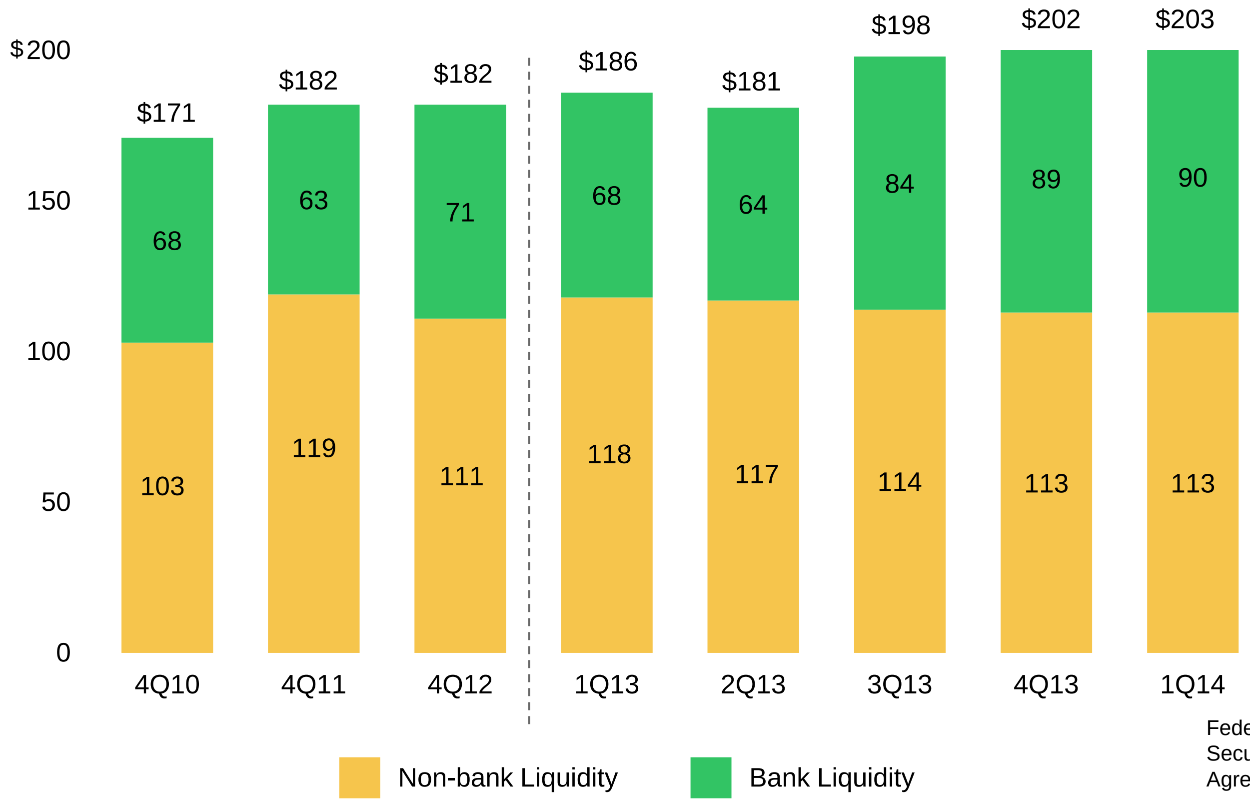
(1) Illustrative; not to scale.

D More Durable Liquidity: Significant Global Liquidity Position

Highly Liquid and Unencumbered

- Bank liquidity levels should remain elevated in the medium term due to onboarding of deposits

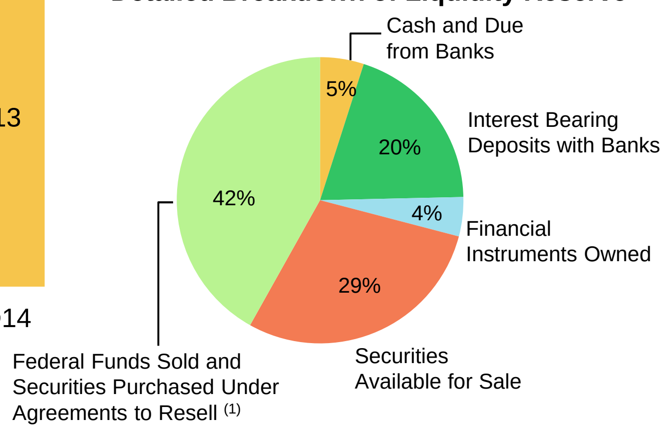
Period End Liquidity
($Bn)



Composition of the Liquidity Reserve at 1Q14

Type of Investment	($Bn)
Cash / Cash Equivalents	$49
Unencumbered Liquid Securities	154
Total	**$203**

Detailed Breakdown of Liquidity Reserve



(1) Primarily overnight reverse repurchase agreements that unwind to cash.

More Durable Liquidity: Build and Stress Test Liquidity on a Legal Entity Basis

- Stress testing sizes contingency outflow requirements at a legal entity level
  - Contingent cash outflows are measured independently from the inflows resulting from mitigating actions
- Parent stress test model represents the sum of all legal entities
  - Does not assume diversification benefit across legal entities
- Stress tests assume the subsidiaries will initially use their own liquidity before drawing from the parent
  - Reflects local regulations regarding parent support
- Parent does not have access to the subsidiaries' excess liquidity reserves due to regulatory, legal or tax constraints

Liquidity (% of Total) [(1) (2)]	
Parent	28%
Non-Bank Subsidiaries:	
Domestic	10%
Foreign	17%
Total Non-Bank Subsidiaries	27%
Total Parent & Non-Bank Subsidiaries	**55%**
Bank Subsidiaries:	
Domestic	41%
Foreign	3%
Total Bank Subsidiaries	**44%**

(1) Represents entity liquidity as a percentage of the Global Liquidity Reserve as of March 31, 2014.
(2) Figures may not sum due to rounding.

E Estimated LCR Reflects Benefits of Funding Governance & Liquidity Risk Management

Basel III Liquidity Coverage Ratio (LCR) (1)

- **Morgan Stanley's Position:** Current pro-forma LCR estimate based on Basel Committee proposal remains in excess of 100%
  – The Firm's stress test scenarios incorporate and build on the current Basel requirements

- **Key Drivers:**
  – Extension of weighted average maturity of secured funding
  – Size of liquidity reserve
  – Virtually no reliance on commercial paper and short duration commercial deposits
  – Size and composition of unfunded lending portfolio

- **Objective:** To promote the short-term resilience of the liquidity risk profile of banks and bank holding companies
  – Specifically, to ensure banks have sufficient high-quality liquid assets to cover net outflows arising from significant stress lasting 30 calendar days

(1) The Company estimates its pro-forma LCR based on a preliminary analysis of the Basel Committee guidelines published to date and other factors. This is a preliminary estimate and may change based on final rules to be issued by the Federal Reserve. In October 2013, the U.S. banking regulators proposed a rule to implement the LCR in the United States. The Company continues to evaluate the U.S. LCR proposal and its potential impact on the Company's current liquidity and funding requirements. The 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 requirements.

Appendix

Securities Available for Sale

	At March 31, 2014 ($MM)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Fair Value
Debt Securities Available for Sale					
Total U.S. Government and Agency Securities	$44,823	$78	$304	–	$44,597
Corporate and Other Debt					
Commercial mortgage-backed securities	3,880	3	97	–	3,786
Auto Loan Asset-Backed Securities	2,050	2	1	–	2,051
Corporate Bonds	3,466	7	36	–	3,437
Collateralized debt and loan obligations	1,087	–	18	–	1,069
FFELP Student Loan Asset-backed Securities (1)	3,912	16	5	–	3,923
Total Corporate and Other Debt	$14,395	$28	$157	–	$14,266
Equity Securities Available for Sale	$15	$8	–	–	$23
Total ($MM)	**$59,233**	**$114**	**$461**	–	**$58,886**

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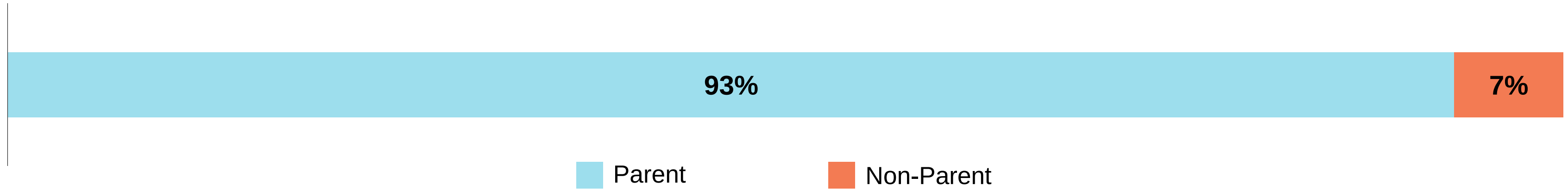
(1) Amounts are backed by a guarantee from the U.S. Department of Education of at least 95% of the principal balance and interest on such loans.

Orderly Liquidation Authority

- Well positioned for “minimum bail-in capacity” rules
- Long-term debt issued at Parent was approximately 17% of total consolidated assets and 36% of consolidated Basel 2.5 risk-weighted assets as of March 31, 2014

Long-Term Borrowings (% of Total) [(1)]	
Senior debt	91%
Subordinated debt	6%
Junior subordinated debentures	3%

Legal Entity Issuance of Long-Term Borrowings [(1)]



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(1) As of March 31, 2014.

Loans and Lending Commitments

	Quarter Ended			Percentage Change From:	
	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013	Dec 31, 2013	Mar 31, 2013
Institutional Securities					
Corporate Funded Loans					
Loans held for investment, net of allowance	$ 8.4	$ 7.8	$ 7.1	8%	18%
Loans held for sale	4.7	6.2	4.1	(24%)	15%
Loans held at fair value (1)	1.9	2.9	7.0	(34%)	(73%)
Total corporate funded loans	$ 15.0	$ 16.9	$ 18.2	(11%)	(18%)
Corporate Lending Commitments					
Loans held for investment	$ 63.5	$ 61.4	$ 46.4	3%	37%
Loans held for sale	10.5	8.1	3.9	30%	169%
Loans held at fair value (2)	7.8	9.1	20.7	(14%)	(62%)
Total corporate lending commitments	$ 81.8	$ 78.6	$ 71.0	4%	15%
Corporate Loans and Lending Commitments (3) (4)	$ 96.8	$ 95.5	$ 89.2	1%	9%
Other Funded Loans					
Loans held for investment, net of allowance	$ 5.7	$ 3.8	$ 1.6	50%	*
Loans held for sale	0.0	0.1	0.0	*	--
Loans held at fair value	11.5	9.7	9.4	19%	22%
Total other funded loans	$ 17.2	$ 13.6	$ 11.0	26%	56%
Other Lending Commitments					
Loans held for investment	$ 1.6	$ 1.3	$ 0.3	23%	*
Loans held for sale	0.0	0.0	0.0	--	--
Loans held at fair value	1.4	0.8	0.8	75%	75%
Total other lending commitments	$ 3.0	$ 2.1	$ 1.1	43%	173%
Total Other Loans and Lending Commitments (5)	$ 20.2	$ 15.7	$ 12.1	29%	67%
Institutional Securities Loans and Lending Commitments (3)	$ 117.0	$ 111.2	$ 101.3	5%	15%
Wealth Management					
Funded Loans					
Loans held for investment, net of allowance	$ 27.5	$ 24.9	$ 17.7	10%	55%
Loans held for sale	0.1	0.1	0.1	--	--
Total funded loans	$ 27.6	$ 25.0	$ 17.8	10%	55%
Lending Commitments					
Loans held for investment	$ 5.5	$ 4.5	$ 3.0	22%	83%
Loans held for sale	0.0	0.0	0.2	--	*
Total lending commitments	$ 5.5	$ 4.5	$ 3.2	22%	72%
Wealth Management Loans and Lending Commitments (6)	$ 33.1	$ 29.5	$ 21.0	12%	58%
Firm Loans and Lending Commitments	$ 150.1	$ 140.7	$ 122.3	7%	23%

(1) For the quarters ended March 31, 2014, December 31, 2013 and March 31, 2013 the percentage of Institutional Securities corporate funded loans held at fair value by credit rating was as follows: % investment grade: 45%, 50% and 53%, % non-investment grade: 55%, 50% and 47%.

(2) For the quarters ended March 31, 2014, December 31, 2013 and March 31, 2013 the percentage of Institutional Securities corporate lending commitments held at fair value by credit rating was as follows: % investment grade: 74%, 71% and 76%, % non-investment grade: 26%, 29% and 24%.

(3) For the quarters ended March 31, 2014, December 31, 2013 and March 31, 2013, Institutional Securities recorded a provision (release) of $(30.4) million, $(10.8) million and $30.7 million, respectively, related to funded loans and $18.5 million, $4.3 million and $12.0 million related to unfunded commitments, respectively.

(4) On March 31, 2014, December 31, 2013 and March 31, 2013, the "event-driven" portfolio of pipeline commitments and closed deals to non-investment grade borrowers were $8.7 billion, $7.3 billion and $6.0 billion, respectively.

(5) In addition to primary corporate lending activity, the Institutional Securities business segment engages in other lending activity. These loans include corporate loans purchased in the secondary market, commercial and residential mortgage loans, asset-backed loans and financing extended to equities and commodities customers.

(6) For the quarters ended March 31, 2014, December 31, 2013 and March 31, 2013, Wealth Management recorded a provision (release) of $1.6 million, $1.2 million and $(3.4) million, respectively, related to funded loans and there was no material change to the provision related to unfunded commitments for the quarters ended March 31, 2014, December 31, 2013 and March 31, 2013.

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