

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 17, 2017

Morgan Stanley

(Exact name of Registrant as specified
in its charter)

Delaware	1-11758	36-3145972
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1585 Broadway, New York, New York 10036

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (212) 761-4000

(Former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On January 17, 2017, Morgan Stanley (the "Registrant") released financial information with respect to its quarter and year ended December 31, 2016. A copy of the press release containing this information is annexed as Exhibit 99.1 to this Report and by this reference incorporated herein and made a part hereof. In addition, a copy of the Registrant's Financial Data Supplement for its quarter and year ended December 31, 2016 is annexed as Exhibit 99.2 to this Report and by this reference incorporated herein and made a part hereof.

The information furnished under Item 2.02 of this Report, including Exhibit 99.1 and Exhibit 99.2, shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended.

Item 7.01 Regulation FD disclosure

On January 17, 2017, Morgan Stanley (the "Registrant") released financial information with respect to its quarter and year ended December 31, 2016 and will hold an investor conference call. Exhibit 99.3 is a copy of a presentation (the "Presentation") to be presented on the conference call, furnished for, and posted on the Registrant's website.

The Presentation is being furnished pursuant to Item 7.01, and the information contained therein shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section. Furthermore, the information contained in Exhibit 99.3 shall not be deemed to be incorporated by reference into the filings of the Registrant under the Securities Act of 1933, as amended.

Item 7.01 of this Current Report on Form 8-K (including Exhibit 99.3 hereto) contains forward-looking statements, including the attainment of certain financial and other targets and goals. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect management's current plans, 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 additional risks and uncertainties that may affect the future results of Morgan Stanley, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Competition" and "Supervision and Regulation" in Part I, Item 1, "Risk Factors" in Part I, Item 1A, "Legal Proceedings" in Part I, Item 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 7 and "Quantitative and Qualitative Disclosures about Market Risk" in Part I, Item 7A, each of Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2015 and other items throughout the Form 10-K, Morgan Stanley's Quarterly Reports on Form 10-Q and Morgan Stanley's Current Reports on Form 8-K, including any amendments thereto, which have been filed with the Securities and Exchange Commission and are available on Morgan Stanley's website at www.morganstanley.com and on the Securities and Exchange Commission's website at www.sec.gov. Morgan Stanley does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

Item 9.01. Financial Statements and Exhibits

- 99.1 Press release of the Registrant, dated January 17, 2017, containing financial information for the quarter and year ended December 31, 2016.
 - 99.2 Financial Data Supplement of the Registrant for the quarter and year ended December 31, 2016.
 - 99.3 Morgan Stanley Presentation, dated January 17, 2017.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

MORGAN STANLEY

(Registrant)

By: /s/ Paul C. Wirth

Paul C. Wirth

Deputy Chief Financial Officer

Dated: January 17, 2017

End of Document

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Morgan Stanley

Morgan Stanley Reports Fourth Quarter and Full Year 2016:

- **Fourth Quarter Net Revenues of \$9.0 Billion and Earnings per Diluted Share of \$0.81**
- **Fourth Quarter Results Reflect Continued Strength in Sales and Trading and M&A**
- **Record Quarterly Wealth Management Net Revenues of \$4.0 Billion; Pre-Tax Margin of 22%^{1,2}**
- **Full Year Net Revenues of \$34.6 Billion and Earnings per Diluted Share of \$2.92**

NEW YORK, January 17, 2017 – Morgan Stanley (NYSE: MS) today reported net revenues of \$9.0 billion for the fourth quarter ended December 31, 2016 compared with \$7.7 billion a year ago.³ For the current quarter, net income applicable to Morgan Stanley was \$1.7 billion, or \$0.81 per diluted share,⁴ compared with income of \$908 million, or \$0.39 per diluted share,⁴ for the same period a year ago.³

The prior year quarter included DVA losses of \$124 million. Excluding DVA in the prior year quarter, net revenues were \$7.9 billion and income applicable to Morgan Stanley was \$986 million, or \$0.43 per diluted share.⁵

Compensation expense of \$4.1 billion increased from \$3.7 billion a year ago⁶ primarily driven by higher revenues. Non-compensation expenses of \$2.7 billion compared with \$2.6 billion a year ago.

The effective tax rate for the current quarter was 25.2%, which reflected net discrete tax benefits of \$135 million primarily related to the remeasurement of reserves and related interest due to new information regarding the status of a multi-year tax authority examination.

The annualized return on average common equity was 8.7 percent in the current quarter.⁷

Fourth Quarter Business Overview

- Institutional Securities net revenues were \$4.6 billion reflecting strong results across our Sales and Trading franchise and continued strength in M&A advisory.
- Wealth Management net revenues were \$4.0 billion and pre-tax margin was 22%.² Fee-based asset flows for the quarter were \$17.1 billion.
- Investment Management reported net revenues of \$500 million with assets under management or supervision of \$417 billion.

James P. Gorman, Chairman and Chief Executive Officer, said, "Our quarterly results reflect consistent strong performance, while our annual results show meaningful earnings growth over 2015. We reported solid results in Sales & Trading and Advisory, and record revenues in Wealth Management, while managing expenses prudently. We are optimistic about opportunities in 2017 and beyond and remain focused on serving our clients and achieving our strategic objectives."

FOURTH QUARTER RESULTS

Summary of Institutional Securities Results (dollars in millions)				
	As Reported		Excluding DVA ⁸	
	Net Revenues	Pre-Tax Income	Net Revenues	Pre-Tax Income
4Q 2016(a)	\$4,614	\$1,326	*	*
3Q 2016(a)	\$4,553	\$1,383	*	*
4Q 2015	\$3,419	\$548	\$3,543	\$672

- a) Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires changes in DVA to be presented in other comprehensive income as opposed to net revenues. Results for 2015 were not restated pursuant to this guidance, and as such, 4Q 2015 is the only period where net revenues and pre-tax income are adjusted for the impact of DVA.³

INSTITUTIONAL SECURITIES

Institutional Securities reported pre-tax income from continuing operations of \$1.3 billion compared with pre-tax income of \$548 million a year ago, or \$672 million excluding DVA.^{3,8} Net revenues for the current quarter were \$4.6 billion compared with \$3.4 billion a year ago, or \$3.5 billion excluding DVA.^{3,8} The following discussion for sales and trading excludes DVA from the prior year period.

- Advisory revenues of \$628 million increased from \$516 million a year ago on higher levels of completed M&A activity. Equity underwriting revenues of \$225 million decreased from \$352 million in the prior year quarter on lower IPO market volumes. Fixed income underwriting revenues of \$421 million increased from \$346 million in the prior year quarter driven primarily by higher non-investment grade loan and bond fees.
- Sales and Trading net revenues of \$3.2 billion increased from \$2.3 billion a year ago:^{3,9}
 - Equity sales and trading net revenues of \$2.0 billion increased from \$1.8 billion a year ago reflecting solid results across products and regions, with particular strength in derivatives.^{3,9}
 - Fixed Income sales and trading net revenues of \$1.5 billion increased from \$550 million a year ago reflecting higher results across products on improved market conditions compared with the prior year period.^{3,9}
 - Other sales and trading net losses of \$234 million compared with losses of \$103 million a year ago primarily reflecting higher costs associated with the Firm's funding and liquidity and lower revenues associated with corporate loan hedging activity.
- Other revenues of \$150 million increased from \$31 million a year ago reflecting mark-to-market gains associated with held for sale corporate loans.
- Compensation expense of \$1.6 billion increased from \$1.2 billion a year ago⁶ on higher revenues. Non-compensation expenses of \$1.7 billion for the current quarter increased from \$1.6 billion a year ago primarily reflecting higher litigation costs, partly offset by continued expense discipline.

Morgan Stanley's average trading Value-at-Risk (VaR) measured at the 95% confidence level was \$39 million compared with \$42 million from the third quarter of 2016 and \$46 million in the fourth quarter of the prior year.¹⁰

Summary of Wealth Management Results (dollars in millions)		
	Net Revenues	Pre-Tax Income
4Q 2016	\$3,990	\$891
3Q 2016	\$3,881	\$901
4Q 2015	\$3,751	\$768

WEALTH MANAGEMENT

Wealth Management reported pre-tax income from continuing operations of \$891 million compared with \$768 million in the fourth quarter of last year. The quarter's pre-tax margin was 22%.² Net revenues for the current quarter were \$4.0 billion compared with \$3.8 billion a year ago.

- Asset management fee revenues of \$2.2 billion increased from \$2.1 billion a year ago reflecting market appreciation and positive flows.
- Transactional revenues¹¹ of \$774 million decreased from \$861 million a year ago. Results for the current period reflect lower commissions and lower revenues related to investments associated with certain employee deferred compensation plans.
- Net interest income of \$984 million increased from \$779 million a year ago principally driven by higher deposit and loan balances. Wealth Management client liabilities were \$73 billion at quarter end, an increase of \$9 billion compared with the prior year quarter.¹²
- Compensation expense for the current quarter of \$2.2 billion increased from \$2.1 billion a year ago⁶ driven by higher revenues, partially offset by a decrease in the fair value of deferred compensation plan referenced investments. Non-compensation expenses of \$876 million increased from \$837 million a year ago reflecting a provision in connection with certain brokerage tax reporting issues that are being addressed, partly offset by lower professional services costs.

Total client assets for the quarter were \$2.1 trillion and client assets in fee-based accounts were \$877 billion at quarter end. Fee-based asset flows for the quarter were \$17.1 billion.

Wealth Management representatives of 15,763 produced average annualized revenue per representative above \$1.0 million in the current quarter.

Summary of Investment Management Results (dollars in millions)		
	Net Revenues	Pre-Tax Income
4Q 2016	\$500	\$28
3Q 2016	\$552	\$97
4Q 2015	\$621	\$123

INVESTMENT MANAGEMENT

Investment Management reported pre-tax income from continuing operations of \$28 million compared with \$123 million in the fourth quarter of last year.

- Net revenues of \$500 million decreased from \$621 million in the prior year, reflecting losses of approximately \$60 million on sales and markdowns of legacy LP investments in third party sponsored funds in the current quarter compared with investment gains in the prior year period. Asset management fees were essentially unchanged from a year ago.
- Compensation expense for the current quarter of \$249 million decreased from \$278 million a year ago⁶ principally due to a decrease in deferred compensation associated with carried interest. Non-compensation expenses of \$223 million were relatively unchanged from a year ago.
- Assets under management or supervision at December 31, 2016 were \$417 billion.

FULL YEAR RESULTS

Full year net revenues were \$34.6 billion compared with \$35.2 billion a year ago.³ Net income applicable to Morgan Stanley for the current year was \$6.0 billion, or \$2.92 per diluted share,⁴ compared with net income of \$6.1 billion, or \$2.90 per diluted share,⁴ a year ago.³

Excluding DVA revenues of \$618 million in the prior year, net revenues were \$34.5 billion and income applicable to Morgan Stanley was \$5.7 billion, or \$2.70 per diluted share.⁵ The prior year also included approximately \$564 million, or \$0.29 per diluted share, of net discrete tax benefits.¹³

The Firm's compensation expense of \$15.9 billion for the current year decreased from \$16.0 billion a year ago.⁶ Non-compensation expenses of \$9.9 billion decreased from \$10.6 billion a year ago driven by lower litigation costs and expense management.

The effective tax rate from continuing operations for the full year was 30.8%.

The return on average common equity was 8.0 percent for the full year ended 2016.⁷

Summary of Segment Results (dollars in millions)								
	As Reported				Excluding DVA ⁸			
	Net Revenues		Pre-Tax Income		Net Revenues		Pre-Tax Income	
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u> <u>2016</u> <u>(a)</u>	<u>FY 2015</u>	<u>FY 2016</u> <u>2016</u> <u>(a)</u>	<u>FY 2015</u>
Institutional Securities	\$17,459	\$17,953	\$5,123	\$4,671	*	\$17,335	*	\$4,053
Wealth Management	\$15,350	\$15,100	\$3,437	\$3,332	*	*	*	*
Investment Management	\$2,112	\$2,315	\$287	\$492	*	*	*	*

- a) Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires changes in DVA to be presented in other comprehensive income as opposed to net revenues. Results for 2015 were not restated pursuant to this guidance, and as such, full year 2015 net revenues and pre-tax income for the Institutional Securities segment are adjusted for the impact of DVA.³

INSTITUTIONAL SECURITIES

Institutional Securities reported pre-tax income from continuing operations of \$5.1 billion compared with \$4.7 billion a year ago, or \$4.1 billion excluding DVA.^{3,8} Net revenues for the current year were \$17.5 billion compared with \$18.0 billion a year ago, or \$17.3 billion excluding DVA.^{3,8} Compensation expense of \$6.3 billion decreased from \$6.5 billion a year ago⁶ reflecting continued disciplined compensation management. The compensation to net revenue ratio for the current year was 36%.¹⁴ Non-compensation expenses of \$6.1 billion decreased from \$6.8 billion a year ago primarily driven by lower litigation costs and expense management.

WEALTH MANAGEMENT

Wealth Management reported pre-tax income from continuing operations of \$3.4 billion compared with \$3.3 billion a year ago. Net revenues for the current year were \$15.4 billion compared with \$15.1 billion a year ago. The year's pre-tax margin was 22%.² Compensation expense was \$8.7 billion compared with \$8.6 billion a year ago.⁶ Non-compensation expenses of \$3.2 billion for the current year were relatively unchanged from a year ago.

INVESTMENT MANAGEMENT

Investment Management reported pre-tax income from continuing operations of \$287 million compared with \$492 million a year ago. Net revenues of \$2.1 billion decreased from \$2.3 billion a year ago. Compensation expense was \$937 million compared with \$954 million a year ago.⁶ Non-compensation expenses of \$888 million compared with \$869 million a year ago.

CAPITAL

As of December 31, 2016, the Firm's Common Equity Tier 1 and Tier 1 risk-based capital ratios under Advanced Approach transitional provisions were approximately 16.8% and 19.0%, respectively.¹⁵

As of December 31, 2016, the Firm estimates its pro forma fully phased-in Common Equity Tier 1 risk-based capital ratio under the Advanced Approach and pro forma fully phased-in Supplementary Leverage Ratio to be approximately 15.8% and 6.3%, respectively.^{15,16,17}

At December 31, 2016, book value and tangible book value per common share were \$36.99 and \$31.98,¹⁸ respectively, based on approximately 1.9 billion shares outstanding.

OTHER MATTERS

During the quarter ended December 31, 2016, the Firm repurchased approximately \$1.0 billion of its common stock or approximately 27 million shares. During the year ended December 31, 2016, the Firm repurchased \$3.5 billion of its common stock or approximately 117 million shares compared with \$2.1 billion of its common stock or approximately 59 million shares during the year ended December 31, 2015.

The Board of Directors declared a \$0.20 quarterly dividend per share, payable on February 15, 2017 to common shareholders of record on January 31, 2017.

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, wealth management and investment management services. With offices in more than 42 countries, the Firm's employees serve clients worldwide including corporations, governments, institutions and individuals. For further information about Morgan Stanley, please visit www.morganstanley.com.

A financial summary follows. Financial, statistical and business-related information, as well as information regarding business and segment trends, is included in the Financial Supplement. Both the earnings release and the Financial Supplement are available online in the Investor Relations section at www.morganstanley.com.

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(See Attached Schedules)

NOTICE:

The information provided herein may include certain non-GAAP financial measures. The definition of such measures or reconciliation of such metrics to the comparable U.S. GAAP figures are included in this earnings release and the Financial Supplement, both of which are available on www.morganstanley.com.

This earnings release contains forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and 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 additional risks and uncertainties that may affect the future results of the Firm, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Competition" and "Supervision and Regulation" in Part I, Item 1, "Risk Factors" in Part I, Item 1A, "Legal Proceedings" in Part I, Item 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A in the Firm's Annual Report on Form 10-K for the year ended December 31, 2015 and other items throughout the Form 10-K, the Firm's Quarterly Reports on Form 10-Q and the Firm's Current Reports on Form 8-K, including any amendments thereto.

¹ The Firm prepares its Consolidated Financial Statements using accounting principles generally accepted in the United States (U.S. GAAP). From time to time, Morgan Stanley may disclose certain "non-GAAP financial measures" in the course of its earnings releases, earnings conference calls, financial presentations and otherwise. The Securities and Exchange Commission defines a "non-GAAP financial measure" as a numerical measure of historical or future financial performance, financial positions, or cash flows that is subject to adjustments that effectively exclude, or include amounts from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. Non-GAAP financial measures disclosed by Morgan Stanley are provided as additional information to investors and analysts in order to provide them with greater transparency about, or an alternative method for assessing, our financial condition, operating results, or prospective regulatory capital requirements. These measures are not in accordance with, or a substitute for U.S. GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. Whenever we refer to a non-GAAP financial measure, we will also generally define it or present the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, along with a reconciliation of the differences between the non-GAAP financial measure we reference and such comparable U.S. GAAP financial measure.

² Pre-tax margin is a non-GAAP financial measure that the Firm considers useful for investors and analysts to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes divided by net revenues.

³ Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from Morgan Stanley's debt-related credit spreads and other credit factors (Debt Valuation Adjustments, or DVA) to be presented in Other comprehensive income as opposed to net revenues and net income. Results for 2015 are not restated pursuant to that guidance.

⁴ Includes preferred dividends and other adjustments related to the calculation of earnings per share for the fourth quarter of 2016 and 2015 of approximately \$157 million and \$155 million, respectively. Includes preferred dividends and other adjustments related to the calculation of earnings per share for the years ended 2016 and 2015 of approximately \$471 million and \$456 million, respectively. Refer to page 13 of Morgan Stanley's Financial Supplement accompanying this release for the calculation of earnings per share.

⁵ Excluding DVA from net revenues, net income applicable to Morgan Stanley and earnings (loss) per diluted share amounts are non-GAAP financial measures that the Firm considers useful for investors and analysts to allow better comparability of period-to-period operating performance. The reconciliation of net revenues, net income (loss) applicable to Morgan Stanley and earnings (loss) per diluted share applicable to Morgan Stanley common shareholders from a U.S. GAAP to non-GAAP basis is as follows (Net revenues, net income (loss) reconciliation and average diluted shares are presented in millions – also see footnote 3):

	<u>4Q 2015</u>	<u>FY 2015</u>
Net revenues - U.S. GAAP	\$7,738	\$35,155
DVA impact	\$(124)	\$618
Net revenues - Non-GAAP	\$7,862	\$34,537
Net income (loss) applicable to MS - U.S. GAAP	\$908	\$6,127
DVA impact	\$(78)	\$399
Net income (loss) applicable to MS - Non-GAAP	\$986	\$5,728
Earnings (loss) per diluted share - U.S. GAAP	\$0.39	\$2.90
DVA impact	\$(0.04)	\$0.20
Earnings (loss) per diluted share - Non-GAAP	\$0.43	\$2.70
Average diluted shares - U.S. GAAP	1,939	1,953

⁶ The fourth quarter of 2015 included severance expense of \$155 million associated with the Firm's restructuring actions, which was recorded in the business segments as follows: Institutional Securities: \$125 million, Wealth Management: \$20 million and Investment Management: \$10 million.

⁷ Annualized return on average common equity and return on average common equity are non-GAAP financial measures that the Firm considers useful for investors and analysts to allow better comparability of period-to-period operating performance. The calculation of return on average common equity uses annualized net income for the quarter or full year net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity.

⁸ Institutional Securities net revenues and pre-tax income (loss), excluding DVA, is a non-GAAP financial measure that the Firm considers useful for investors and analysts to allow for better comparability of period-to-period operating performance. The reconciliation of net revenues and pre-tax income (loss) from a U.S. GAAP to non-GAAP basis is as follows (amounts are presented in millions - also see footnote 3):

	<u>4Q2015</u>	<u>FY 2015</u>
Net revenues - U.S. GAAP	\$3,419	\$17,953
DVA impact	\$(124)	\$618
Net revenues - Non-GAAP	\$3,543	\$17,335
Pre-tax income (loss) - U.S. GAAP	\$548	\$4,671
DVA impact	\$(124)	\$618
Pre-tax income (loss) - Non-GAAP	\$672	\$4,053

⁹ Sales and trading net revenues, including Fixed Income and Equity sales and trading net revenues excluding DVA are non-GAAP financial measures that the Firm considers useful for investors and analysts to allow better comparability of period-to-period operating performance. The reconciliation of sales and trading, including Fixed Income and Equity sales and trading net revenues from a U.S. GAAP to non-GAAP basis is as follows (amounts are presented in millions - also see footnote 3):

	<u>4Q 2015</u>	<u>FY 2015</u>
Sales & Trading - U.S. GAAP	\$2,141	\$12,450
DVA impact	\$(124)	\$618
Sales & Trading - Non-GAAP	\$2,265	\$11,832
Fixed Income Sales & Trading - U.S. GAAP	\$460	\$4,758
DVA impact	\$(90)	\$455
Fixed Income Sales & Trading - Non-GAAP	\$550	\$4,303
Equity Sales & Trading - U.S. GAAP	\$1,784	\$8,288
DVA impact	\$(34)	\$163
Equity Sales & Trading - Non-GAAP	\$1,818	\$8,125

¹⁰ VaR represents the loss amount that one would not expect to exceed, on average, more than five times every one hundred trading days in the Firm's trading positions if the portfolio were held constant for a one-day period. Further discussion of the calculation of VaR and the limitations of the Firm's VaR methodology is disclosed in Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" included in the Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K). Refer to page 6 of Morgan Stanley's Financial Supplement accompanying this release for the VaR disclosure.

¹¹ Transactional revenues include investment banking, trading, and commissions and fee revenues.

¹² Wealth Management client liabilities reflect U.S. Bank lending and broker dealer margin activity.

¹³ The impact to earnings per diluted share is calculated by dividing each of the net discrete tax benefit and the net after-tax impact of DVA by the average number of shares outstanding of approximately 2.0 billion.

¹⁴ Institutional Securities full year 2016 compensation ratio of 36% is calculated based on compensation expense of \$6,275 million divided by net revenues of \$17,459 million.

¹⁵ The Firm's binding risk-based capital ratios for regulatory purposes are the lower of the capital ratios computed under the (i) standardized approaches for calculating credit risk risk-weighted assets (RWAs) and market risk RWAs (the "Standardized Approach"); and (ii) applicable advanced approaches for calculating credit risk, market risk and operational risk RWAs (the "Advanced Approach"). At December 31, 2016, the binding ratio is based on the Advanced Approach transitional rules. For information on the calculation of regulatory capital and ratios for prior periods, please refer to Part II, Item 7 "Liquidity and Capital Resources - Regulatory Requirements" in the Firm's 2015 10-K and Part I, Item 2 "Liquidity and Capital Resources – Regulatory Requirements" in the Firm's 10-Q for the quarter ended September 30, 2016.

¹⁶ The pro forma fully phased-in Common Equity Tier 1 risk-based capital ratio and pro forma fully phased-in Supplementary Leverage Ratio are non-GAAP financial measures that the Firm considers to be useful measures for investors and analysts to evaluate compliance with new regulatory capital requirements that have not yet become effective.

¹⁷ The Firm is required to disclose information related to its supplementary leverage ratio, which through to the end of 2017 will include the effects of transitional provisions. The supplementary leverage ratio will become effective as a capital standard on January 1, 2018. Specifically, beginning on January 1, 2018, the Firm must maintain a Tier 1 supplementary leverage capital buffer of at least 2% in addition to the 3% minimum supplementary leverage ratio (for a total of at least 5%), in order to avoid limitations on capital distributions, including dividends and stock repurchases, and discretionary bonus payments to executive officers. The Firm's pro forma Supplementary Leverage Ratio estimate utilizes a fully phased-in Tier 1 capital numerator of approximately \$66.4 billion and a fully phased-in supplementary leverage exposure denominator of approximately \$1.06 trillion. The Firm's estimates are subject to risks and uncertainties that may cause actual results to differ materially from estimates based on these regulations. Further, these expectations should not be taken as projections of what the Firm's supplementary leverage ratios or earnings, assets or exposures will actually be at future dates. See "Risk Factors" in Part I, Item 1A in the 2015 Form 10-K for a discussion of risks and uncertainties that may affect the future results of the Firm.

¹⁸ Tangible common equity and tangible book value per common share are non-GAAP financial measures that the Firm considers to be useful measures of capital adequacy for investors and analysts. Tangible common equity equals common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction. Tangible book value per common share equals tangible common equity divided by period end common shares outstanding.

Consolidated Financial Summary

(unaudited, dollars in millions, except for per share data)

	Quarter Ended		Percentage Change From:			Twelve Months Ended		Percentage
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change
Net revenues								
Institutional Securities	\$ 4,614	\$ 4,553	\$ 3,419	1%	35%	\$ 17,459	\$ 17,953	(3%)
Wealth Management	3,990	3,881	3,751	3%	6%	15,350	15,100	2%
Investment Management	500	552	621	(9%)	(19%)	2,112	2,315	(9%)
Intersegment Eliminations	(83)	(77)	(53)	(8%)	(57%)	(290)	(213)	(36%)
Net revenues	<u>\$ 9,021</u>	<u>\$ 8,909</u>	<u>\$ 7,738</u>	1%	17%	<u>\$ 34,631</u>	<u>\$ 35,155</u>	(1%)
Income (loss) from continuing operations before tax								
Institutional Securities	\$ 1,326	\$ 1,383	\$ 548	(4%)	142%	\$ 5,123	\$ 4,671	10%
Wealth Management	891	901	768	(1%)	16%	3,437	3,332	3%
Investment Management	28	97	123	(71%)	(77%)	287	492	(42%)
Intersegment Eliminations	1	0	0	*	*	1	0	*
Income (loss) from continuing operations before tax	<u>\$ 2,246</u>	<u>\$ 2,381</u>	<u>\$ 1,439</u>	(6%)	56%	<u>\$ 8,848</u>	<u>\$ 8,495</u>	4%
Net Income (loss) applicable to Morgan Stanley								
Institutional Securities	\$ 1,104	\$ 966	\$ 341	14%	*	\$ 3,649	\$ 3,696	(1%)
Wealth Management	531	564	480	(6%)	11%	2,104	2,085	1%
Investment Management	30	67	87	(55%)	(66%)	225	346	(35%)
Intersegment Eliminations	1	0	0	*	*	1	0	*
Net Income (loss) applicable to Morgan Stanley	<u>\$ 1,666</u>	<u>\$ 1,597</u>	<u>\$ 908</u>	4%	83%	<u>\$ 5,979</u>	<u>\$ 6,127</u>	(2%)
Earnings (loss) applicable to Morgan Stanley common shareholders	<u>\$ 1,509</u>	<u>\$ 1,518</u>	<u>\$ 753</u>	(1%)	100%	<u>\$ 5,508</u>	<u>\$ 5,671</u>	(3%)
Financial Metrics:								
Earnings per diluted share	\$ 0.81	\$ 0.81	\$ 0.39	--	108%	\$ 2.92	\$ 2.90	1%
Earnings per diluted share excluding DVA	\$ 0.81	\$ 0.81	\$ 0.43	--	88%	\$ 2.92	\$ 2.70	8%
Return on average common equity	8.7%	8.7%	4.4%			8.0%	8.5%	
Return on average common equity excluding DVA	8.7%	8.7%	4.9%			8.0%	7.8%	

Notes:- Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from Morgan Stanley's debt-related credit spreads and other credit factors (Debt Valuation Adjustments, or DVA) to be presented in other comprehensive income as opposed to net revenues and net income. This change is reflected in the consolidated results and the Institutional Securities segment for 2016. Results for 2015 were not restated pursuant to this guidance.

- Refer to End Notes, U.S. GAAP to Non-GAAP Measures and Definition of Performance Metrics on pages 14 - 16 from the Financial Supplement for additional information related to the calculation of the financial metrics.

Consolidated Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change	
Revenues:									
Investment banking	\$ 1,377	\$ 1,225	\$ 1,310	12%	5%	\$ 4,933	\$ 5,594	(12%)	
Trading		2,789	2,609	1,465	7%	90%	10,209	10,114	1%
Investments		(19)	87	133	*	*	160	541	(70%)
Commissions and fees		1,043	991	1,095	5%	(5%)	4,109	4,554	(10%)
Asset management, distribution and admin. fees		2,754	2,686	2,611	3%	5%	10,697	10,766	(1%)
Other		194	308	87	(37%)	123%	825	493	67%
Total non-interest revenues		8,138	7,906	6,701	3%	21%	30,933	32,062	(4%)
Interest income		1,868	1,734	1,514	8%	23%	7,016	5,835	20%
Interest expense		985	731	477	35%	106%	3,318	2,742	21%
Net interest		883	1,003	1,037	(12%)	(15%)	3,698	3,093	20%
Net revenues		9,021	8,909	7,738	1%	17%	34,631	35,155	(1%)
Non-interest expenses:									
Compensation and benefits		4,083	4,097	3,650	--	12%	15,878	16,016	(1%)
Non-compensation expenses:									
Occupancy and equipment		311	339	348	(8%)	(11%)	1,308	1,382	(5%)
Brokerage, clearing and exchange fees		480	491	457	(2%)	5%	1,920	1,892	1%
Information processing and communications		460	456	467	1%	(1%)	1,787	1,767	1%
Marketing and business development		169	130	194	30%	(13%)	587	681	(14%)
Professional services		578	489	638	18%	(9%)	2,128	2,298	(7%)
Other		694	526	545	32%	27%	2,175	2,624	(17%)
Total non-compensation expenses		2,692	2,431	2,649	11%	2%	9,905	10,644	(7%)
Total non-interest expenses		6,775	6,528	6,299	4%	8%	25,783	26,660	(3%)
Income (loss) from continuing operations before taxes									
		2,246	2,381	1,439	(6%)	56%	8,848	8,495	4%
Income tax provision / (benefit) from continuing operations		566	749	496	(24%)	14%	2,726	2,200	24%
Income (loss) from continuing operations		1,680	1,632	943	3%	78%	6,122	6,295	(3%)
Gain (loss) from discontinued operations after tax		0	8	(7)	*	*	1	(16)	*
Net income (loss)	\$ 1,680	\$ 1,640	\$ 936	2%	79%	\$ 6,123	\$ 6,279	(2%)	
Net income applicable to nonredeemable noncontrolling interests		14	43	28	(67%)	(50%)	144	152	(5%)
Net income (loss) applicable to Morgan Stanley		1,666	1,597	908	4%	83%	5,979	6,127	(2%)
Preferred stock dividend / Other		157	79	155	99%	1%	471	456	3%
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 1,509	\$ 1,518	\$ 753	(1%)	100%	\$ 5,508	\$ 5,671	(3%)	
Pre-tax profit margin	25%	27%	19%				26%	24%	
Compensation and benefits as a % of net revenues	45%	46%	47%				46%	46%	
Non-compensation expenses as a % of net revenues	30%	27%	34%				29%	30%	
Effective tax rate from continuing operations	25.2%	31.5%	34.5%				30.8%	25.9%	

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures and Definition of Performance Metrics on pages 14 - 16 from the

Earnings Per Share Summary
(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015		
Income (loss) from continuing operations	\$ 1,680	\$ 1,632	\$ 943	3%	78%	\$ 6,122	\$ 6,295	(3%)	
Net income applicable to nonredeemable noncontrolling interests	14	43	28	(67%)	(50%)	144	152	(5%)	
Income (loss) from continuing operations applicable to Morgan Stanley	1,666	1,589	915	5%	82%	5,978	6,143	(3%)	
Less: Preferred Dividends and allocation of earnings to Participating Restricted Stock Units		157	79	155	99%	1%	471	456	3%
Income (loss) from continuing operations applicable to Morgan Stanley common shareholders		1,509	1,510	760	--	99%	5,507	5,687	(3%)
Gain (loss) from discontinued operations after tax		0	8	(7)	*	*	1	(16)	*
Less: Gain (loss) from discontinued operations after tax applicable to noncontrolling interests		0	0	0	--	--	0	0	--
Less: Allocation of earnings to Participating Restricted Stock Units		0	0	0	--	--	0	0	--
Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders		0	8	(7)	*	*	1	(16)	*
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 1,509	\$ 1,518	\$ 753	(1%)	100%	\$ 5,508	\$ 5,671	(3%)	
Average basic common shares outstanding (millions)	1,806	1,838	1,889	(2%)	(4%)	1,849	1,909	(3%)	
Earnings per basic share:									
Income from continuing operations	\$ 0.84	\$ 0.82	\$ 0.40	2%	110%	\$ 2.98	\$ 2.98	--	
Discontinued operations	\$ -	\$ 0.01	\$ -	*	--	\$ -	\$ (0.01)	*	
Earnings per basic share	\$ 0.84	\$ 0.83	\$ 0.40	1%	110%	\$ 2.98	\$ 2.97	--	
Average diluted common shares outstanding and common stock equivalents (millions)	1,853	1,879	1,939	(1%)	(4%)	1,887	1,953	(3%)	
Earnings per diluted share:									
Income from continuing operations	\$ 0.81	\$ 0.80	\$ 0.39	1%	108%	\$ 2.92	\$ 2.91	--	
Discontinued operations	\$ -	\$ 0.01	\$ -	*	--	\$ -	\$ (0.01)	*	
Earnings per diluted share	\$ 0.81	\$ 0.81	\$ 0.39	--	108%	\$ 2.92	\$ 2.90	1%	

Notes: - Refer to End Notes, U.S. GAAP to Non-GAAP Measures and Definitions of Performance Metrics on pages 14-16 from the Financial Supplement for additional information.

Morgan Stanley

Quarterly Financial Supplement - 4Q 2016

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Consolidated Financial Summary

(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Net revenues								
Institutional Securities	\$ 4,614	\$ 4,553	\$ 3,419	1%	35%	\$ 17,459	\$ 17,953	(3%)
Wealth Management	3,990	3,881	3,751	3%	6%	15,350	15,100	2%
Investment Management	500	552	621	(9%)	(19%)	2,112	2,315	(9%)
Intersegment Eliminations	(83)	(77)	(53)	(8%)	(57%)	(290)	(213)	(36%)
Net revenues	<u>\$ 9,021</u>	<u>\$ 8,909</u>	<u>\$ 7,738</u>	1%	17%	<u>\$ 34,631</u>	<u>\$ 35,155</u>	(1%)
Income (loss) from continuing operations before tax								
Institutional Securities	\$ 1,326	\$ 1,383	\$ 548	(4%)	142%	\$ 5,123	\$ 4,671	10%
Wealth Management	891	901	768	(1%)	16%	3,437	3,332	3%
Investment Management	28	97	123	(71%)	(77%)	287	492	(42%)
Intersegment Eliminations	1	0	0	*	*	1	0	*
Income (loss) from continuing operations before tax	<u>\$ 2,246</u>	<u>\$ 2,381</u>	<u>\$ 1,439</u>	(6%)	56%	<u>\$ 8,848</u>	<u>\$ 8,495</u>	4%
Net Income (loss) applicable to Morgan Stanley								
Institutional Securities	\$ 1,104	\$ 966	\$ 341	14%	*	\$ 3,649	\$ 3,696	(1%)
Wealth Management	531	564	480	(6%)	11%	2,104	2,085	1%
Investment Management	30	67	87	(55%)	(66%)	225	346	(35%)
Intersegment Eliminations	1	0	0	*	*	1	0	*
Net Income (loss) applicable to Morgan Stanley	<u>\$ 1,666</u>	<u>\$ 1,597</u>	<u>\$ 908</u>	4%	83%	<u>\$ 5,979</u>	<u>\$ 6,127</u>	(2%)
Financial Metrics:								
Earnings per diluted share	\$ 0.81	\$ 0.81	\$ 0.39	--	108%	\$ 2.92	\$ 2.90	1%
Earnings per diluted share excluding DVA	\$ 0.81	\$ 0.81	\$ 0.43	--	88%	\$ 2.92	\$ 2.70	8%
Return on average common equity	8.7%	8.7%	4.4%			8.0%	8.5%	
Return on average common equity excluding DVA	8.7%	8.7%	4.9%			8.0%	7.8%	

Notes:- Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from Morgan Stanley's debt-related credit spreads and other credit factors (Debt Valuation Adjustments, or DVA) to be presented in other comprehensive income as opposed to net revenues and net income. This change is reflected in the consolidated results and the Institutional Securities segment for 2016. Results for 2015 were not restated pursuant to this guidance.

- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Consolidated Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Revenues:								
Investment banking	\$ 1,377	\$ 1,225	\$ 1,310	12%	5%	\$ 4,933	\$ 5,594	(12%)
Trading	2,789	2,609	1,465	7%	90%	10,209	10,114	1%
Investments	(19)	87	133	*	*	160	541	(70%)
Commissions and fees	1,043	991	1,095	5%	(5%)	4,109	4,554	(10%)
Asset management, distribution and admin. fees	2,754	2,686	2,611	3%	5%	10,697	10,766	(1%)
Other	194	308	87	(37%)	123%	825	493	67%
Total non-interest revenues	8,138	7,906	6,701	3%	21%	30,933	32,062	(4%)
Interest income	1,868	1,734	1,514	8%	23%	7,016	5,835	20%
Interest expense	985	731	477	35%	106%	3,318	2,742	21%
Net interest	883	1,003	1,037	(12%)	(15%)	3,698	3,093	20%
Net revenues	9,021	8,909	7,738	1%	17%	34,631	35,155	(1%)
Non-interest expenses:								
Compensation and benefits		4,083	4,097	3,650	--	12%	15,878	16,016 (1%)
Non-compensation expenses:								
Occupancy and equipment		311	339	348	(8%)	(11%)	1,308	1,382 (5%)
Brokerage, clearing and exchange fees		480	491	457	(2%)	5%	1,920	1,892 1%
Information processing and communications		460	456	467	1%	(1%)	1,787	1,767 1%
Marketing and business development		169	130	194	30%	(13%)	587	681 (14%)
Professional services		578	489	638	18%	(9%)	2,128	2,298 (7%)
Other		694	526	545	32%	27%	2,175	2,624 (17%)
Total non-compensation expenses		2,692	2,431	2,649	11%	2%	9,905	10,644 (7%)
Total non-interest expenses		6,775	6,528	6,299	4%	8%	25,783	26,660 (3%)
Income (loss) from continuing operations before taxes								
	2,246	2,381	1,439	(6%)	56%	8,848	8,495	4%
Income tax provision / (benefit) from continuing operations (1)	566	749	496	(24%)	14%	2,726	2,200	24%
Income (loss) from continuing operations	1,680	1,632	943	3%	78%	6,122	6,295	(3%)
Gain (loss) from discontinued operations after tax	0	8	(7)	*	*	1	(16)	*
Net income (loss)	\$ 1,680	\$ 1,640	\$ 936	2%	79%	\$ 6,123	\$ 6,279	(2%)
Net income applicable to nonredeemable noncontrolling interests	14	43	28	(67%)	(50%)	144	152	(5%)
Net income (loss) applicable to Morgan Stanley	1,666	1,597	908	4%	83%	5,979	6,127	(2%)
Preferred stock dividend / Other	157	79	155	99%	1%	471	456	3%
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 1,509	\$ 1,518	\$ 753	(1%)	100%	\$ 5,508	\$ 5,671	(3%)
Pre-tax profit margin	25%	27%	19%			26%	24%	
Compensation and benefits as a % of net revenues	45%	46%	47%			46%	46%	
Non-compensation expenses as a % of net revenues	30%	27%	34%			29%	30%	
Effective tax rate from continuing operations (1)	25.2%	31.5%	34.5%			30.8%	25.9%	

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Consolidated Financial Information and Statistical Data
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Regional revenues								
Americas	\$ 6,573	\$ 6,624	\$ 5,721	(1%)	15%	\$ 25,487	\$ 25,080	2%
EMEA (Europe, Middle East, Africa)	1,317	1,236	957	7%	38%	4,994	5,353	(7%)
Asia	1,131	1,049	1,060	8%	7%	4,150	4,722	(12%)
Consolidated net revenues	\$ 9,021	\$ 8,909	\$ 7,738	1%	17%	\$ 34,631	\$ 35,155	(1%)
Worldwide employees	55,311	55,256	56,218	--	(2%)			
Deposits	\$ 155,863	\$ 151,843	\$ 156,034	3%	--			
Assets	\$ 811,180	\$ 813,891	\$ 787,465	--	3%			
Risk-weighted assets	\$ 359,405	\$ 358,486	\$ 384,162	--	(6%)			
Global liquidity reserve	\$ 202,297	\$ 197,094	\$ 203,264	3%	--			
Long-term debt outstanding	\$ 164,775	\$ 163,927	\$ 153,768	1%	7%			
Maturities of long-term debt outstanding (next 12 months)	\$ 26,126	\$ 27,255	\$ 22,396	(4%)	17%			
Common equity	\$ 68,530	\$ 69,629	\$ 67,662	(2%)	1%			
Less: Goodwill and intangible assets	(9,296)	(9,329)	(9,564)	--	(3%)			
Tangible common equity	\$ 59,234	\$ 60,300	\$ 58,098	(2%)	2%			
Preferred equity	\$ 7,520	\$ 7,520	\$ 7,520	--	--			
Junior subordinated debt issued to capital trusts ⁽¹⁾	\$ -	\$ -	\$ 2,870	--	*			
Period end common shares outstanding (millions)	1,852	1,876	1,920	(1%)	(4%)			
Book value per common share	\$ 36.99	\$ 37.11	\$ 35.24					
Tangible book value per common share	\$ 31.98	\$ 32.13	\$ 30.26					
Common Equity Tier 1 capital Advanced (Transitional)	\$ 60,480	\$ 60,340	\$ 59,409	--	2%			
Tier 1 capital Advanced (Transitional)	\$ 68,219	\$ 67,603	\$ 66,722	1%	2%			
Common Equity Tier 1 capital ratio Advanced (Transitional)	16.8%	16.8%	15.5%					
Pro-forma Common Equity Tier 1 capital ratio Advanced (Fully Phased-in)	15.8%	15.8%	14.0%					
Tier 1 capital ratio Advanced (Transitional)	19.0%	18.9%	17.4%					
Tier 1 leverage ratio (Transitional)	8.4%	8.3%	8.3%					
Supplementary Leverage Ratio (Transitional)	6.4%	6.3%	6.1%					
Pro-forma Supplementary Leverage Ratio (Fully Phased-in)	6.3%	6.2%	5.8%					

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Consolidated Loans and Lending Commitments
(unaudited, dollars in billions)

	Quarter Ended			Percentage Change From:	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015
Institutional Securities					
Corporate loans (1)	\$ 13.6	\$ 14.5	\$ 16.2	(6%)	(16%)
Corporate lending commitments (2)	\$ 86.0	\$ 80.5	\$ 91.6	7%	(6%)
Corporate Loans and Lending Commitments (3)	\$ 99.6	\$ 95.0	\$ 107.8	5%	(8%)
Other loans	\$ 28.9	\$ 29.4	\$ 30.7	(2%)	(6%)
Other lending commitments	\$ 4.2	\$ 5.0	\$ 4.0	(16%)	5%
Other Loans and Lending Commitments (4)	\$ 33.1	\$ 34.4	\$ 34.7	(4%)	(5%)
Institutional Securities Loans and Lending Commitments (5)	\$ 132.7	\$ 129.4	\$ 142.5	3%	(7%)
Wealth Management					
Loans	\$ 60.4	\$ 57.8	\$ 49.5	4%	22%
Lending commitments	\$ 8.3	\$ 8.1	\$ 5.8	2%	43%
Wealth Management Loans and Lending Commitments (6)	\$ 68.7	\$ 65.9	\$ 55.3	4%	24%
Consolidated Loans and Lending Commitments	\$ 201.4	\$ 195.3	\$ 197.8	3%	2%

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Institutional Securities
Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change
Revenues:								
Investment banking	\$ 1,274	\$ 1,104	\$ 1,214	15%	5%	\$ 4,476	\$ 5,008	(11%)
Trading	2,605	2,393	1,209	9%	115%	9,387	9,400	--
Investments	3	36	33	(92%)	(91%)	147	274	(46%)
Commissions and fees	602	592	603	2%	--	2,456	2,616	(6%)
Asset management, distribution and admin. fees	83	68	70	22%	19%	293	281	4%
Other	150	243	31	(38%)	*	535	221	142%
Total non-interest revenues	4,717	4,436	3,160	6%	49%	17,294	17,800	(3%)
Interest income	1,006	980	772	3%	30%	4,005	3,190	26%
Interest expense	1,109	863	513	29%	116%	3,840	3,037	26%
Net interest	(103)	117	259	*	*	165	153	8%
Net revenues	4,614	4,553	3,419	1%	35%	17,459	17,953	(3%)
Compensation and benefits	1,611	1,657	1,226	(3%)	31%	6,275	6,467	(3%)
Non-compensation expenses	1,677	1,513	1,645	11%	2%	6,061	6,815	(11%)
Total non-interest expenses	3,288	3,170	2,871	4%	15%	12,336	13,282	(7%)
Income (loss) from continuing operations before taxes	1,326	1,383	548	(4%)	142%	5,123	4,671	10%
Income tax provision / (benefit) from continuing operations (1)	209	381	167	(45%)	25%	1,318	825	60%
Income (loss) from continuing operations	1,117	1,002	381	11%	193%	3,805	3,846	(1%)
Gain (loss) from discontinued operations after tax	(2)	8	(7)	*	71%	(1)	(17)	94%
Net income (loss)	1,115	1,010	374	10%	198%	3,804	3,829	(1%)
Net income applicable to nonredeemable noncontrolling interests	11	44	33	(75%)	(67%)	155	133	17%
Net income (loss) applicable to Morgan Stanley	\$ 1,104	\$ 966	\$ 341	14%	*	\$ 3,649	\$ 3,696	(1%)
Pre-tax profit margin	29%	30%	16%			29%	26%	
Compensation and benefits as a % of net revenues	35%	36%	36%			36%	36%	

Notes:- Effective July 1, 2016, the Wealth Management and Institutional Securities segments entered into an agreement whereby Institutional Securities assumed management of Wealth Management's fixed income client-driven trading activities and related employees in an effort to build synergies across the businesses and more efficiently risk manage the Firm's trading activities. Accordingly, Institutional Securities began to pay fees to Wealth Management based on distribution activity which are reflected as Commissions and fees revenues for Wealth Management and as Brokerage, clearing and exchange fees expense for Institutional Securities. Institutional Securities results also reflect the ongoing revenues and compensation and benefits expenses related to these fixed income trading activities. Prior periods have not been recast for this new inter-segment agreement.

- Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from Morgan Stanley's debt-related credit spreads and other credit factors (DVA) to be presented in other comprehensive income as opposed to net revenues and net income. Results for 2015 were not restated pursuant to this guidance.

- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Institutional Securities
Financial Information and Statistical Data
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Investment Banking								
Advisory revenues	\$ 628	\$ 504	\$ 516	25%	22%	\$ 2,220	\$ 1,967	13%
Underwriting revenues								
Equity	225	236	352	(5%)	(36%)	887	1,398	(37%)
Fixed income	421	364	346	16%	22%	1,369	1,643	(17%)
Total underwriting revenues	646	600	698	8%	(7%)	2,256	3,041	(26%)
Total investment banking revenues	\$ 1,274	\$ 1,104	\$ 1,214	15%	5%	\$ 4,476	\$ 5,008	(11%)
Sales & Trading								
Equity	\$ 1,953	\$ 1,883	\$ 1,784	4%	9%	\$ 8,037	\$ 8,288	(3%)
Fixed Income	1,468	1,479	460	(1%)	*	5,117	4,758	8%
Other	(234)	(192)	(103)	(22%)	(127%)	(853)	(596)	(43%)
Total sales & trading net revenues	\$ 3,187	\$ 3,170	\$ 2,141	1%	49%	\$ 12,301	\$ 12,450	(1%)
Investments & Other								
Investments	\$ 3	\$ 36	\$ 33	(92%)	(91%)	\$ 147	\$ 274	(46%)
Other	150	243	31	(38%)	*	535	221	142%
Total investments & other revenues	\$ 153	\$ 279	\$ 64	(45%)	139%	\$ 682	\$ 495	38%
Institutional Securities net revenues	\$ 4,614	\$ 4,553	\$ 3,419	1%	35%	\$ 17,459	\$ 17,953	(3%)
Average Daily 95% / One-Day Value-at-Risk ("VaR")								
Primary Market Risk Category (\$ millions, pre-tax)								
Interest rate and credit spread	\$ 25	\$ 26	\$ 31					
Equity price	\$ 14	\$ 15	\$ 18					
Foreign exchange rate	\$ 9	\$ 7	\$ 11					
Commodity price	\$ 8	\$ 9	\$ 12					
Aggregation of Primary Risk Categories	\$ 32	\$ 32	\$ 43					
Credit Portfolio VaR	\$ 17	\$ 22	\$ 13					
Trading VaR	\$ 39	\$ 42	\$ 46					

Notes:- Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from DVA to be presented in other comprehensive income as opposed to net revenues and net income. Results for 2015 were not restated pursuant to this guidance. Sales and trading net revenues included positive / (negative) revenue related to DVA as follows:

December 31, 2015: Total QTD: \$(124) million; Fixed Income: \$(90) million; Equity: \$(34) million

December 31, 2015: Total YTD: \$618 million; Fixed Income: \$455 million; Equity: \$163 million

- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Wealth Management
Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Revenues:								
Investment banking	\$ 111	\$ 129	\$ 105	(14%)	6%	\$ 484	\$ 623	(22%)
Trading	186	229	256	(19%)	(27%)	861	731	18%
Investments	2	0	0	*	*	0	18	*
Commissions and fees	477	433	500	10%	(5%)	1,745	1,981	(12%)
Asset management, distribution and admin. fees	2,185	2,133	2,065	2%	6%	8,454	8,536	(1%)
Other	45	72	46	(38%)	(2%)	277	255	9%
Total non-interest revenues	3,006	2,996	2,972	--	1%	11,821	12,144	(3%)
Interest income	1,075	979	809	10%	33%	3,888	3,105	25%
Interest expense	91	94	30	(3%)	*	359	149	141%
Net interest	984	885	779	11%	26%	3,529	2,956	19%
Net revenues	3,990	3,881	3,751	3%	6%	15,350	15,100	2%
Compensation and benefits	2,223	2,203	2,146	1%	4%	8,666	8,595	1%
Non-compensation expenses	876	777	837	13%	5%	3,247	3,173	2%
Total non-interest expenses	3,099	2,980	2,983	4%	4%	11,913	11,768	1%
Income (loss) from continuing operations before taxes	891	901	768	(1%)	16%	3,437	3,332	3%
Income tax provision / (benefit) from continuing operations	360	337	288	7%	25%	1,333	1,247	7%
Income (loss) from continuing operations	531	564	480	(6%)	11%	2,104	2,085	1%
Gain (loss) from discontinued operations after tax	0	0	0	--	--	0	0	--
Net income (loss)	531	564	480	(6%)	11%	2,104	2,085	1%
Net income applicable to nonredeemable noncontrolling interests	-	-	-	--	--	-	-	--
Net income (loss) applicable to Morgan Stanley	\$ 531	\$ 564	\$ 480	(6%)	11%	\$ 2,104	\$ 2,085	1%
Pre-tax profit margin	22%	23%	20%			22%	22%	
Compensation and benefits as a % of net revenues	56%	57%	57%			56%	57%	

Notes:- Effective July 1, 2016, the Wealth Management and Institutional Securities segments entered into an agreement whereby Institutional Securities assumed management of Wealth Management's fixed income client-driven trading activities and related employees in an effort to build synergies across the businesses and more efficiently risk manage the Firm's trading activities. Accordingly, Institutional Securities began to pay fees to Wealth Management based on distribution activity which are reflected as Commissions and fees revenues for Wealth Management and as Brokerage, clearing and exchange fees expense for Institutional Securities. Institutional Securities results also reflect the ongoing revenues and compensation and benefits expenses related to these fixed income trading activities. Prior periods have not been recast for this new inter-segment agreement.

- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Wealth Management
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015
Bank deposit program (billions)	\$ 153	\$ 149	\$ 149	3%	3%
Wealth Management Metrics					
Wealth Management representatives	15,763	15,856	15,889	(1%)	(1%)
Annualized revenue per representative (000's)	\$ 1,010	\$ 977	\$ 947	3%	7%
Client assets (billions)	\$ 2,103	\$ 2,090	\$ 1,985	1%	6%
Client assets per representative (millions)	\$ 133	\$ 132	\$ 125	1%	6%
Client liabilities (billions)	\$ 73	\$ 70	\$ 64	4%	14%
Fee-based asset flows (billions)	\$ 17.1	\$ 13.5	\$ 11.4	27%	50%
Fee-based client account assets (billions)	\$ 877	\$ 855	\$ 795	3%	10%
Fee-based assets as a % of client assets	42%	41%	40%		
Retail locations	601	608	608	(1%)	(1%)

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Investment Management
Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	
Revenues:								
Investment banking	\$ 1	\$ (2)	\$ -	*	*	\$ -	\$ 1	*
Trading	6	(3)	2	*	200%	(2)	(1)	(100%)
Investments (1)	(24)	51	100	*	*	13	249	(95%)
Commissions and fees	0	0	1	--	*	3	1	200%
Asset management, distribution and admin. fees	512	508	502	1%	2%	2,063	2,049	1%
Other	3	(3)	17	*	(82%)	31	32	(3%)
Total non-interest revenues	498	551	622	(10%)	(20%)	2,108	2,331	(10%)
Interest income	0	1	1	*	*	5	2	150%
Interest expense	(2)	0	2	*	*	1	18	(94%)
Net interest	2	1	(1)	100%	*	4	(16)	*
Net revenues	500	552	621	(9%)	(19%)	2,112	2,315	(9%)
Compensation and benefits	249	237	278	5%	(10%)	937	954	(2%)
Non-compensation expenses	223	218	220	2%	1%	888	869	2%
Total non-interest expenses	472	455	498	4%	(5%)	1,825	1,823	--
Income (loss) from continuing operations before taxes	28	97	123	(71%)	(77%)	287	492	(42%)
Income tax provision / (benefit) from continuing operations	(3)	31	41	*	*	75	128	(41%)
Income (loss) from continuing operations	31	66	82	(53%)	(62%)	212	364	(42%)
Gain (loss) from discontinued operations after tax	2	0	0	*	*	2	1	100%
Net income (loss)	33	66	82	(50%)	(60%)	214	365	(41%)
Net income applicable to nonredeemable noncontrolling interests	3	(1)	(5)	*	*	(11)	19	*
Net income (loss) applicable to Morgan Stanley	\$ 30	\$ 67	\$ 87	(55%)	(66%)	\$ 225	\$ 346	(35%)
Pre-tax profit margin	6%	18%	20%			14%	21%	
Compensation and benefits as a % of net revenues	50%	43%	45%			44%	41%	

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Investment Management
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change
Assets under management or supervision (billions)								
Net flows by asset class (1)								
Equity	\$ (1.0)	\$ (1.9)	\$ (1.9)	47%	47%	\$ (5.0)	\$ (14.8)	66%
Fixed Income	0.3	0.9	-	(67%)	*	(0.8)	(2.2)	64%
Liquidity	9.2	5.4	1.4	70%	*	14.6	20.7	(29%)
Alternative / Other products (2)	(0.5)	(0.5)	(0.5)	--	--	(2.2)	3.6	*
Total net flows	<u>\$ 8.0</u>	<u>\$ 3.9</u>	<u>\$ (1.0)</u>	105%	*	<u>\$ 6.6</u>	<u>\$ 7.3</u>	(10%)
Assets under management or supervision by asset class (3)								
Equity	\$ 79	\$ 83	\$ 83	(5%)	(5%)			
Fixed Income	60	63	60	(5%)	--			
Liquidity	163	154	149	6%	9%			
Alternative / Other products	115	117	114	(2%)	1%			
Total Assets Under Management or Supervision	<u>\$ 417</u>	<u>\$ 417</u>	<u>\$ 406</u>	--	3%			
Share of minority stake assets	\$ 8	\$ 7	\$ 8	14%	--			

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

U.S. Bank Supplemental Financial Information
(unaudited, dollars in billions)

	Quarter Ended			Percentage Change From:	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015
U.S. Bank assets	\$ 180.7	\$ 173.9	\$ 174.2	4%	4%
U.S. Bank investment securities portfolio (1)	\$ 63.9	\$ 64.7	\$ 57.9	(1%)	10%
Wealth Management U.S. Bank Data					
Securities-based lending and other loans	\$ 36.0	\$ 34.1	\$ 28.6	6%	26%
Residential real estate loans	24.4	23.6	20.9	3%	17%
Total Securities-based and residential loans	\$ 60.4	\$ 57.7	\$ 49.5	5%	22%
Institutional Securities U.S. Bank Data					
Corporate Lending	\$ 6.4	\$ 8.3	\$ 10.0	(23%)	(36%)
Other Lending:					
Corporate loans	13.9	12.7	12.9	9%	8%
Wholesale real estate and other loans	9.9	9.9	8.9	--	11%
Total other loans	\$ 23.8	\$ 22.6	\$ 21.8	5%	9%
Total corporate and other loans	\$ 30.2	\$ 30.9	\$ 31.8	(2%)	(5%)

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Consolidated Return on Average Common Equity Financial Information
(unaudited, dollars in billions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change
Average Common Equity								
Institutional Securities	\$ 43.2	\$ 43.2	\$ 32.3	--	34%	\$ 43.2	\$ 34.6	25%
Wealth Management	15.3	15.3	12.0	--	28%	15.3	11.2	37%
Investment Management	2.8	2.8	2.0	--	40%	2.8	2.2	27%
Parent	7.8	8.2	21.4	(5%)	(64%)	7.6	18.9	(60%)
Firm	\$ 69.1	\$ 69.5	\$ 67.7	(1%)	2%	\$ 68.9	\$ 66.9	3%

Return on average Common Equity

Institutional Securities	9%	8%	3%		8%	10%
Wealth Management	13%	14%	14%		13%	17%
Investment Management	4%	9%	17%		8%	16%
Firm	9%	9%	4%		8%	8%

Notes:- Beginning in 2016, the amount of capital allocated to the business segments was set at the beginning of the year, and will remain fixed throughout the year until the next annual reset. Differences between Available and Required Capital will be reflected in Parent equity during the year. Periods prior to 2016 have not been recast under the new methodology.
- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

Earnings Per Share Summary

(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage	
	Dec 31, 2016	Sept 30, 2016	Dec 31, 2015	Sept 30, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Change	
Income (loss) from continuing operations	\$ 1,680	\$ 1,632	\$ 943	3%	78%	\$ 6,122	\$ 6,295	(3%)	
Net income applicable to nonredeemable noncontrolling interests		14	43	28	(67%)	(50%)	144	152	(5%)
Income (loss) from continuing operations applicable to Morgan Stanley		1,666	1,589	915	5%	82%	5,978	6,143	(3%)
Less: Preferred Dividends and allocation of earnings to Participating Restricted Stock Units		157	79	155	99%	1%	471	456	3%
Income (loss) from continuing operations applicable to Morgan Stanley common shareholders		1,509	1,510	760	--	99%	5,507	5,687	(3%)
Gain (loss) from discontinued operations after tax		0	8	(7)	*	*	1	(16)	*
Less: Gain (loss) from discontinued operations after tax applicable to noncontrolling interests		0	0	0	--	--	0	0	--
Less: Allocation of earnings to Participating Restricted Stock Units		0	0	0	--	--	0	0	--
Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders		0	8	(7)	*	*	1	(16)	*
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 1,509	\$ 1,518	\$ 753	(1%)	100%	\$ 5,508	\$ 5,671	(3%)	
Average basic common shares outstanding (millions)	1,806	1,838	1,889	(2%)	(4%)	1,849	1,909	(3%)	
Earnings per basic share:									
Income from continuing operations	\$ 0.84	\$ 0.82	\$ 0.40	2%	110%	\$ 2.98	\$ 2.98	--	
Discontinued operations	\$ -	\$ 0.01	\$ -	*	--	\$ -	\$ (0.01)	*	
Earnings per basic share	\$ 0.84	\$ 0.83	\$ 0.40	1%	110%	\$ 2.98	\$ 2.97	--	
Average diluted common shares outstanding and common stock equivalents (millions)									
	1,853	1,879	1,939	(1%)	(4%)	1,887	1,953	(3%)	
Earnings per diluted share:									
Income from continuing operations	\$ 0.81	\$ 0.80	\$ 0.39	1%	108%	\$ 2.92	\$ 2.91	--	
Discontinued operations	\$ -	\$ 0.01	\$ -	*	--	\$ -	\$ (0.01)	*	
Earnings per diluted share	\$ 0.81	\$ 0.81	\$ 0.39	--	108%	\$ 2.92	\$ 2.90	1%	

Notes:- Refer to End Notes, U.S. GAAP to Non-GAAP Measures, Definition of Performance Metrics and Legal Notice on pages 14 - 17.

End Notes

Page 2:

- (1) For the quarter ended December 31, 2016, income tax provision / (benefit) from continuing operations included a net discrete tax benefit of \$135 million primarily related to the remeasurement of reserves and related interest due to new information regarding the status of a multi-year tax authority examination. For the year ended December 31, 2015, income tax provision / (benefit) from continuing operations included a net discrete tax benefit of approximately \$564 million primarily associated with the repatriation of non-U.S. earnings at a cost lower than originally estimated due to an internal restructuring to simplify the Firm's legal entity organization in the U.K.

Page 3:

- (1) During the quarter ended September 30, 2016, Morgan Stanley redeemed all of its issued and outstanding Capital Securities pursuant to the optional redemption provisions provided in the respective governing documents.

Page 4:

- (1) For the quarters ended December 31, 2016, September 30, 2016, and December 31, 2015, the percentage of Institutional Securities corporate loans by credit rating was as follows:
- % investment grade: 32%, 38% and 36%
 - % non-investment grade: 68%, 62% and 64%
- (2) For the quarters ended December 31, 2016, September 30, 2016, and December 31, 2015, the percentage of Institutional Securities corporate lending commitments by credit rating was as follows:
- % investment grade: 69%, 75% and 73%
 - % non-investment grade: 31%, 25% and 27%
- (3) At December 31, 2016, September 30, 2016 and December 31, 2015, the event-driven portfolio of loans and lending commitments to non-investment grade borrowers were \$15.3 billion, \$7.9 billion and \$13.5 billion, respectively.
- (4) The Institutional Securities business segment engages in other lending activity. These activities include commercial and residential mortgage lending, asset-backed lending, corporate loans purchased in the secondary market, financing extended to equities and commodities customers, and loans to municipalities.
- (5) For the quarters ended December 31, 2016, and December 31, 2015, Institutional Securities recorded a provision (release) for credit losses of \$(2.1) million and \$37.3 million, respectively, related to loans. For the quarter ended September 30, 2016, there was no material provision recorded by Institutional Securities related to loans. For the quarters ended December 31, 2016, September 30, 2016, and December 31, 2015, a provision for credit losses of \$3.4 million, \$6.4 million and \$22.8 million was recorded, respectively, related to lending commitments.
- (6) For the quarters ended December 31, 2016, September 30, 2016, and December 31, 2015, Wealth Management recorded a provision for credit losses of \$3.3 million, \$1.6 million and \$14.9 million, respectively, related to loans. For the quarters ended December 31, 2016, September 30, 2016, and December 31, 2015, a provision (release) of \$0.2 million, \$(0.5) million and \$1.4 million, respectively, related to lending commitments.

Page 5:

- (1) For the quarter ended December 31, 2016, income tax provision / (benefit) from continuing operations included a net discrete tax benefit of \$137 million primarily related to the remeasurement of reserves and related interest due to new information regarding the status of a multi-year tax authority examination. For the year ended December 31, 2015, income tax provision / (benefit) from continuing operations included a net discrete tax benefit of approximately \$564 million primarily associated with the repatriation of non-U.S. earnings at a cost lower than originally estimated due to an internal restructuring to simplify the Firm's legal entity organization in the U.K.

Page 9:

- (1) The quarters ended December 31, 2016, September 30, 2016 and December 31, 2015 include investment gains or losses for certain funds included in the Firm's consolidated financial statements for which the limited partnership interests in these gains or losses were reported in net income (loss) applicable to noncontrolling interests.

Page 10:

- (1) Net Flows by region for the quarters ended December 31, 2016, September 30, 2016 and December 31, 2015 were:
- North America: \$2.5 billion, \$1.8 billion and \$(4.5) billion
 - International: \$5.5 billion, \$2.1 billion and \$3.5 billion
- (2) For the full year ended December 31, 2015, Alternative / Other products net flows include \$4.6 billion of inflows related to the transfer of certain portfolio managers, and their portfolios, from Wealth Management to Investment Management.

(3) Assets under management or supervision by region for the quarters ended December 31, 2016, September 30, 2016 and December 31, 2015 were:

North America: \$269 billion, \$270 billion and \$263 billion

International: \$148 billion, \$147 billion and \$143 billion

Page 11:

(1) For the quarters ended December 31, 2016, September 30, 2016 and December 31, 2015, the U.S. Bank investment securities portfolio included held to maturity investment securities of \$13.5 billion, \$11.2 billion and \$4.9 billion, respectively.

Definition of U.S. GAAP to Non-GAAP Measures

- (a) The Firm prepares its Consolidated Financial Statements using accounting principles generally accepted in the United States (U.S. GAAP). From time to time, Morgan Stanley may disclose certain “non-GAAP financial measures” in the course of its earnings releases, earnings conference calls, financial presentations and otherwise. The Securities and Exchange Commission defines a “non-GAAP financial measure” as a numerical measure of historical or future financial performance, financial positions, or cash flows that is subject to adjustments that effectively exclude, or include amounts from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. Non-GAAP financial measures disclosed by Morgan Stanley are provided as additional information to investors and analysts in order to provide them with greater transparency about, or an alternative method for assessing, our financial condition, operating results, or prospective regulatory capital requirements. These measures are not in accordance with, or a substitute for U.S. GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. Whenever we refer to a non-GAAP financial measure, we will also generally define it or present the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, along with a reconciliation of the differences between the non-GAAP financial measure we reference and such comparable U.S. GAAP financial measure. In addition to the following notes, please also refer to the Firm's fourth quarter earnings release footnotes for such definitions and reconciliations.
- (b) The following are considered non-GAAP financial measures: earnings (losses) per diluted share excluding DVA, return on average common equity metrics, return on average common equity excluding DVA metrics, tangible common equity, tangible book value per common share and pre-tax margin. These measures are calculated as follows:
- The earnings (losses) per diluted share amounts, excluding DVA for periods prior to January 1, 2016 represent net income (loss) applicable to Morgan Stanley, adjusted for the positive / (negative) impact of DVA, less preferred dividends divided by the average number of diluted shares outstanding.
 - The return on average common equity equals annualized net income for the quarter of full year net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity.
 - The return on average common equity excluding DVA for the periods prior to January 1, 2016 is adjusted for DVA in the numerator and denominator.
 - Effective January 1, 2016, the Firm early adopted the provision of new accounting guidance that requires unrealized gains and losses from Morgan Stanley's debt-related credit spreads and other credit factors (Debt Valuation Adjustments, or DVA) to be presented in other comprehensive income as opposed to net revenues and net income. As a result of this adoption, the Firm has redefined the calculation of return on average common equity excluding DVA to adjust for DVA only in the denominator.
 - Tangible common equity equals common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction.
 - Tangible book value per common share equals tangible common equity divided by period end common shares outstanding.
 - Pre-tax profit margin percentages represent income from continuing operations before income taxes as percentages of net revenues.
- (c) The fully phased-in Common Equity Tier 1 risk-based capital ratio and fully phased-in Supplementary Leverage Ratio are pro-forma estimates which represent non-GAAP financial measures that the Firm considers to be useful measures for evaluating compliance with new regulatory capital requirements that have not yet become effective. Supplementary leverage ratio equals fully phased-in Tier 1 capital divided by the fully phased-in total supplementary leverage exposure. For information on the calculation of regulatory capital and ratios for prior periods, please refer to Part II, Item 7 "Liquidity and Capital Resources—Regulatory Requirements" in the Firm's 2015 Form 10-K and Part I, Item 2 "Liquidity and Capital Resources—Regulatory Requirements" in the Firm's 10-Q for the quarter ended September 30, 2016.

Definition of Performance Metrics

- (a) Book value per common share equals common equity divided by period end common shares outstanding.
- (b) Firmwide regional revenues reflect the Firm's consolidated net revenues on a managed basis. Further discussion regarding the geographic methodology for net revenues is disclosed in Note 21 to the consolidated financial statements included in the Firm's Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K).
- (c) The Firm's binding risk-based capital ratios for regulatory purposes are the lower of the capital ratios computed under the (i) standardized approaches for calculating credit risk RWAs and market risk RWAs (the "Standardized Approach"); and (ii) applicable advanced approaches for calculating credit risk, market risk and operational risk RWAs (the "Advanced Approach"). At December 31, 2016, the binding ratio is based on the Advanced Approach transitional rules. For information on the calculation of regulatory capital and ratios for prior periods, please refer to Part II, Item 7 "Liquidity and Capital Resources—Regulatory Requirements" in the Firm's 2015 Form 10-K and Part I, Item 2 "Liquidity and Capital Resources—Regulatory Requirements" in the Firm's 10-Q for the quarter ended September 30, 2016.
- (d) The global liquidity reserve, which is held within the bank and non-bank operating subsidiaries, is comprised of highly liquid and diversified cash and cash equivalents and unencumbered securities. Eligible unencumbered securities include U.S. government securities, U.S. agency securities, U.S. agency mortgage-backed securities, non-U.S. government securities and other highly liquid investment grade securities.
- (e) The Firm's goodwill and intangible balances utilized in the calculation of tangible common equity are net of allowable mortgage servicing rights deduction.
- (f) Institutional Securities net income applicable to noncontrolling interests primarily represents the allocation to Mitsubishi UFJ Financial Group, Inc. of Morgan Stanley MUFG Securities Co., Ltd., which the Firm consolidates.
- (g) VaR represents the loss amount that one would not expect to exceed, on average, more than five times every one hundred trading days in the Firm's trading positions if the portfolio were held constant for a one-day period. Further discussion of the calculation of VaR and the limitations of the Firm's VaR methodology, is disclosed in Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" included in the Firm's 2015 Form 10-K.
- (h) Annualized revenue per Wealth Management representative is defined as annualized revenue divided by average representative headcount.
- (i) Client assets per Wealth Management representative represents total client assets divided by period end representative headcount.
- (j) Wealth Management client liabilities reflect U.S. Bank lending and broker dealer margin activity.
- (k) Wealth Management fee-based client account assets represent the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
- (l) Wealth Management fee-based asset flows include net new fee-based assets, net account transfers, dividends, interest, and client fees and exclude institutional cash management related activity.
- (m) Investment Management Alternative/Other asset class includes products in Fund of Funds, Real Estate, Private Equity and Credit strategies, as well as Multi-Asset portfolios.
- (n) Investment Management net flows include new commitments, investments or reinvestments, net of client redemptions, returns of capital post-fund investment period and dividends not reinvested; and excludes the impact of the transition of funds from their commitment period to the invested capital period.
- (o) The share of minority stake assets represents Investment Management's proportional share of assets managed by entities in which it owns a minority stake.
- (p) U.S. Bank refers to the Firm's U.S. Bank operating subsidiaries Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association and excludes balances between Bank subsidiaries.
- (q) The Institutional Securities U.S. Bank other lending data includes activities related to commercial and residential mortgage lending, asset-backed lending, corporate loans purchased in the secondary market, financing extended to equities and commodities customers, and loans to municipalities.
- (r) The Firm's capital estimation and attribution to the business segments are based on the Required Capital framework, an internal capital adequacy measure. This framework is a risk-based and leverage use-of-capital measure, which is compared with the Firm's regulatory capital to ensure that the Firm maintains an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. The Firm defines the difference between its total Average Common Equity and the sum of the Average Common Equity amounts allocated to its business segments as Parent equity. Effective January 1, 2016 the common equity estimation and attribution to the business segments is based on the Firm's fully phased-in regulatory capital, including supplementary leverage and stress losses (which results in more capital being attributed to the business segments), whereas prior periods were attributed based on transitional regulatory capital provisions. Also beginning in 2016, the amount of capital allocated to the business segments was set at the beginning of the year, and will remain fixed throughout the year until the next annual reset. The Required Capital framework is expected to evolve over time in response to changes in the business and regulatory environment and to incorporate

enhancements in modeling techniques. For further discussion of the framework, refer to Part II, Item 7 “Liquidity and Capital Resources—Regulatory Requirements” in Morgan Stanley’s Annual Report on Form 10-K for the year ended December 31, 2015 and Part I, Item 2 "Liquidity and Capital Resources—Regulatory Requirements" in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016.

- (s) Preferred stock dividend / other includes allocation of earnings to Participating Restricted Stock Units (RSUs).
- (t) The Firm calculates earnings per share using the two-class method as described under the accounting guidance for earnings per share. For further discussion of the Firm's earnings per share calculations, see page 13 of the Financial Supplement and Note 15 to the consolidated financial statements in the Firm's 10-Q for the quarter ended September 30, 2016.

**This Financial Supplement contains financial, statistical and business-related information, as well as business and segment trends.
The information should be read in conjunction with the Firm's fourth quarter earnings press release issued January 17, 2017.**

Morgan Stanley

Strategic Update

James P. Gorman, Chairman and Chief Executive Officer
January 17, 2017

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 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.

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.

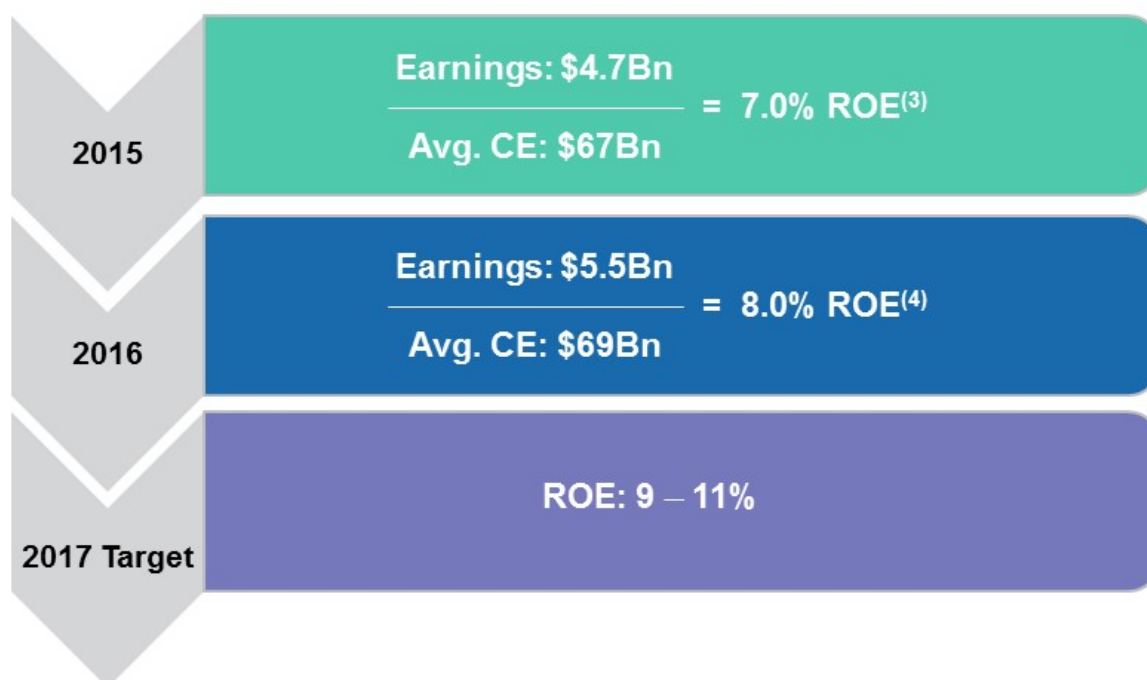
The End Notes are an integral part of this Presentation. See slides 16-18 for information related to the financial metrics in this presentation.

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

Mark to Market: 2017 Strategic Objectives⁽¹⁾

Objective	2016 Status
1 Streamline: \$1Bn Expense Reduction	On Track for \$1Bn in Expense Reduction by 2017
2 Complete Fixed Income Restructuring and Maintain Revenue Footprint	Retained Revenue Footprint, with 25% Headcount Reduction and Reduced Resources
3 Wealth Mgmt. Pre-Tax Margin ⁽²⁾ : 23 – 25%	Achieved 22% Margin, Despite Transactional Revenue Headwinds
4 Increase Capital Return to Shareholders	Received Non-Objection to Increase Dividend (+33%) and Buyback (+40%) ⁽³⁾
5 ROE: 9 – 11%	Ongoing

2016 Performance: Progress Towards 9 – 11% ROE⁽¹⁾⁽²⁾



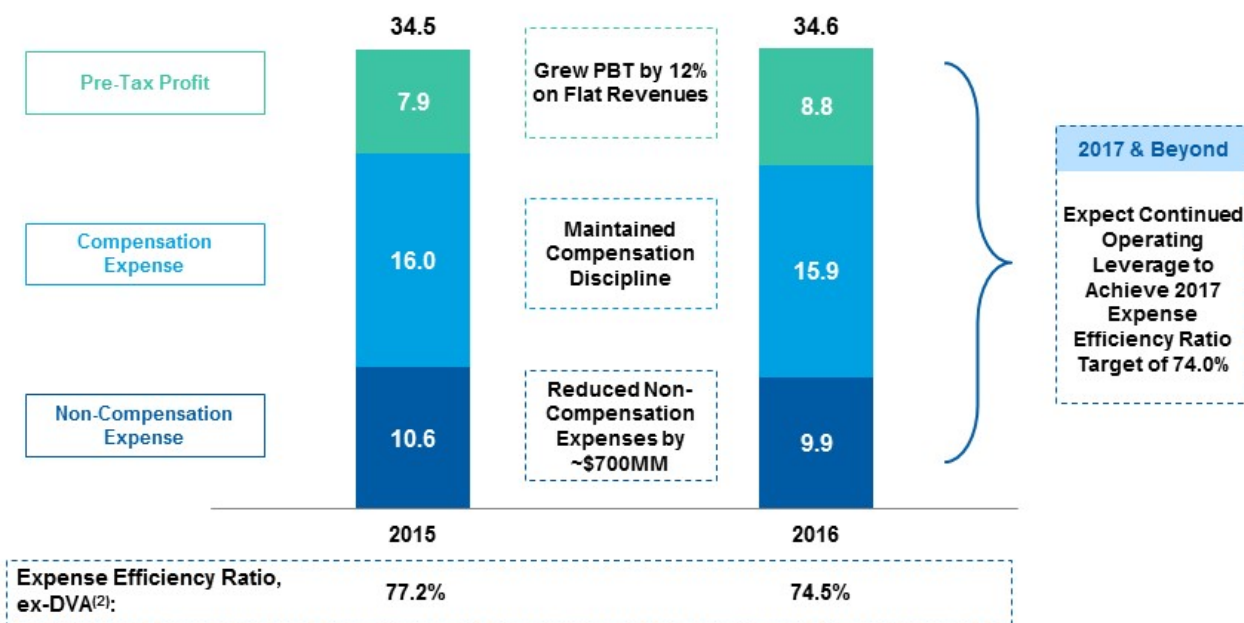
Opportunities for Future Operational Improvements



1 Maintain Expense Discipline and Fully Realize Streamline Savings

Focused on Operating Leverage

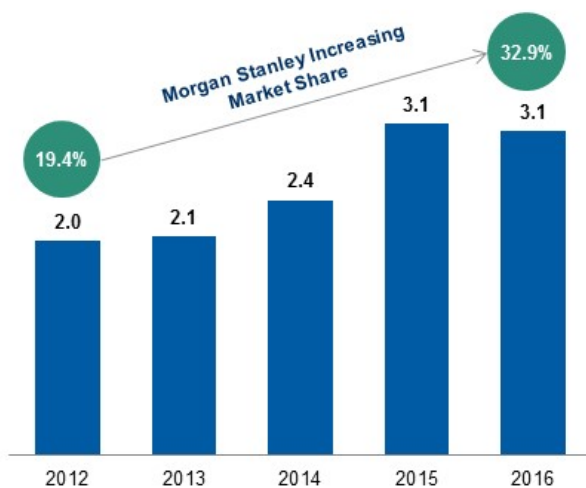
Firm Revenues, ex-DVA (\$Bn)⁽¹⁾



2 Leading Investment Banking Franchise

Continued Strength in Advisory

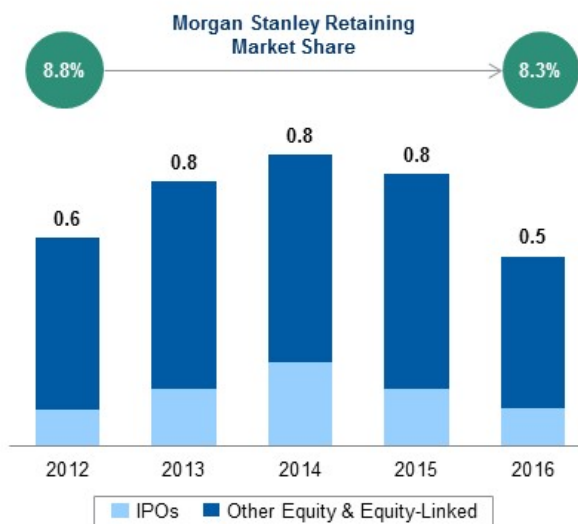
Industry Completed M&A Volumes (\$Tn)⁽¹⁾



2016: #2 In Global Announced & Completed M&A

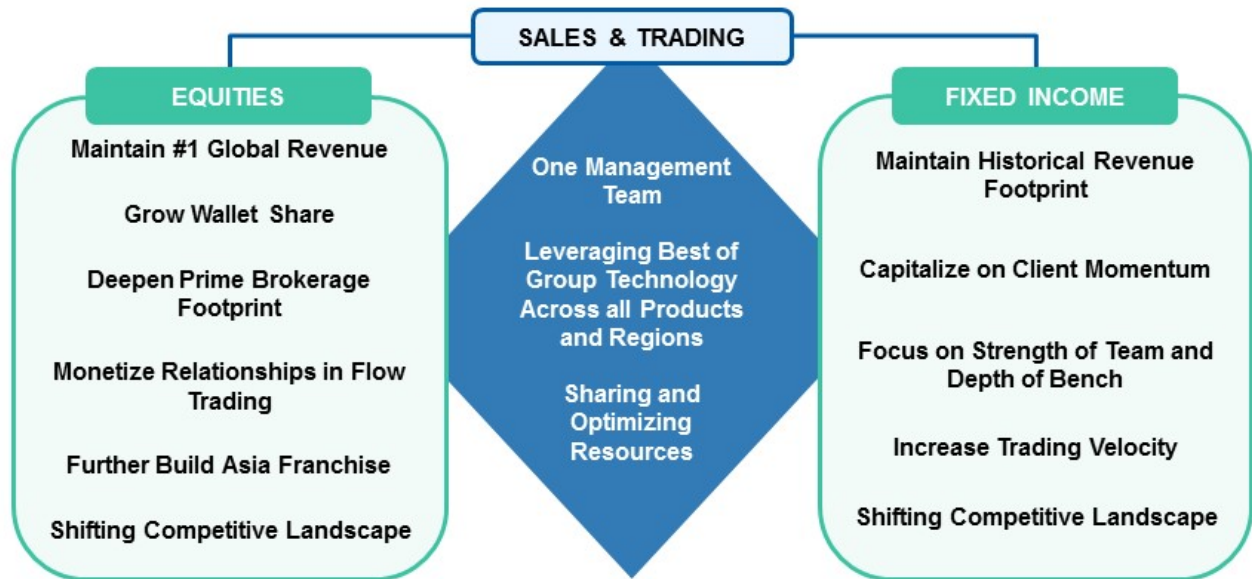
Upside from Normalization of Underwriting

Industry Equity Underwriting Volumes (\$Tn)⁽²⁾



2016: #2 in Global IPOs
#2 in Global Equity & Equity Linked

2 Sales & Trading Strategic Priorities



2 Sales & Trading Positioned for Market Opportunities

Monetizing Strength Across Equities

- ✓ #1 Globally 3 Years Running
- ✓ Gained Share in 2014, 2015 and 2016
- ✓ Opportunity to Deploy Balance Sheet Profitably Across the Franchise with Strong Returns
- ✓ Client Demand for Content, Liquidity, and Financing Solutions

Equity Sales & Trading Total Wallet, ex-DVA (\$Bn)⁽¹⁾⁽²⁾⁽³⁾

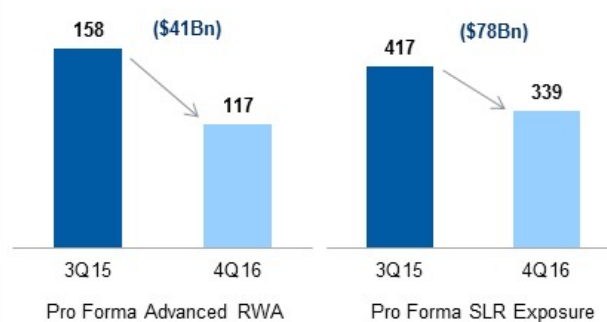


Fixed Income Restructuring in Progress

Fixed Income Sales & Trading Revenues, ex-DVA (\$Bn)⁽⁵⁾



Fixed Income and Commodities, ex-Lending (\$Bn)⁽⁶⁾⁽⁷⁾⁽⁸⁾



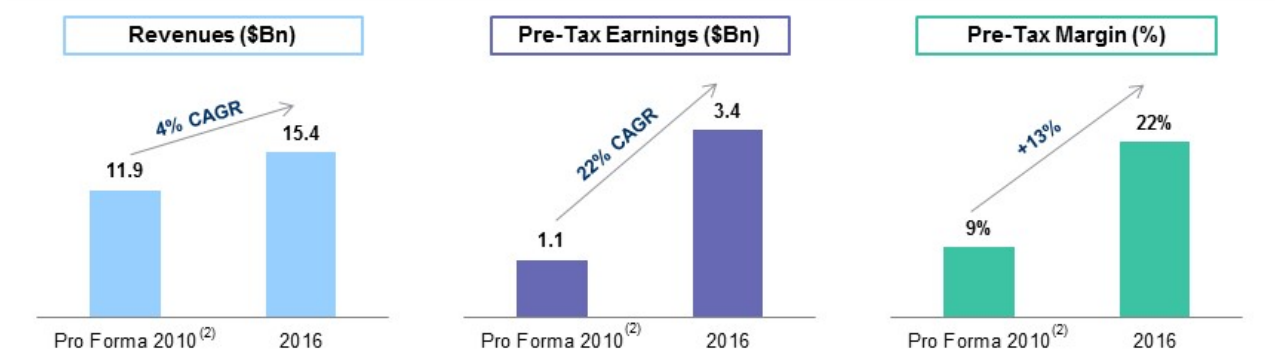
3 Wealth Management Poised to Grow

2017 Pre-Tax Margin⁽¹⁾ Target at 23-25%, Focus on Growing Pre-Tax Earnings

Wealth Management Has Achieved Several Critical Milestones Since the JV



Expanded Margins Allow for Reinvestments into Profitable Growth

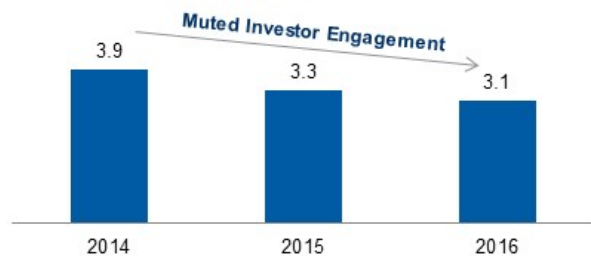


3 Wealth Management Revenue Headwinds Abating

Operating Leverage Persists

Upside From Increased Retail Engagement

Transactional Revenue (\$Bn)⁽¹⁾



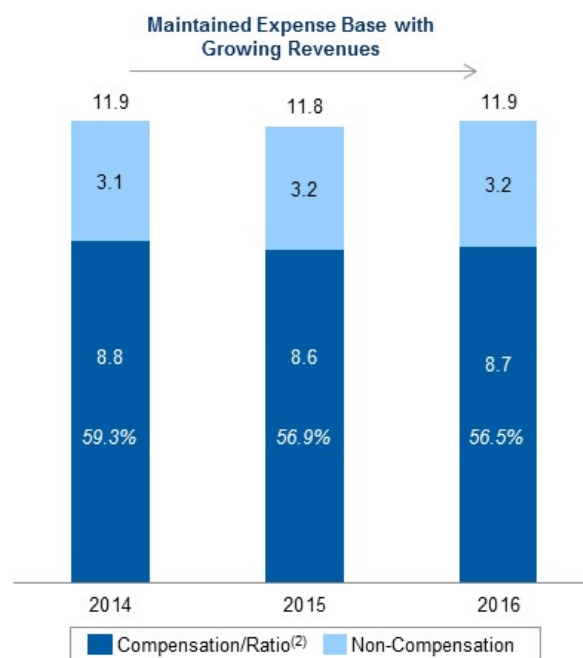
Additional Tailwind From Rising Rates

Net Interest Income (\$Bn)



Continued Expense Leverage

Total Expenses (\$Bn)



3 Wealth Management Digital Strategy

Digital Tools Enhance Client Experience & Capabilities Attract New Customer Base

- 1 **Modernize Branch System & FA Operations**
 - **Modernized Branch System** with digital self-service to drive FA efficiency
- 2 **Drive Client Engagement**
 - **Predictive Analytics and Machine Learning** to help deliver timely, relevant communications through omni-channel capabilities (mobile, social, video, text, chat)
- 3 **Target New Client Segment**
 - **Digital Products and Channels** to attract clients who prefer digital investing, supported by Morgan Stanley's platform

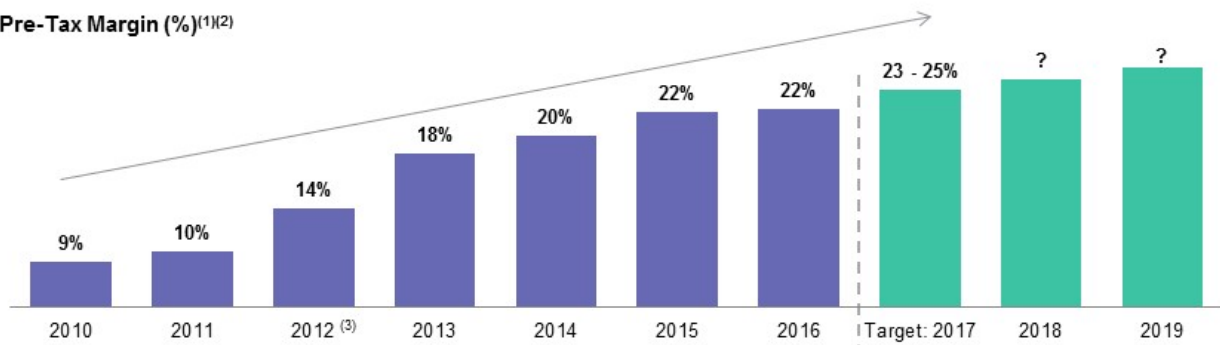
Being Built Through a Network of Best-of-Breed Partnerships



3 Summary Margin Expansion and Growth Opportunities

Consistent Margin Improvement Since the Acquisition of Smith Barney

Pre-Tax Margin (%)⁽¹⁾⁽²⁾



Key Drivers

Merger Synergies

Building the Bank

Cost Discipline

Annuitizing Revenues

Additional Drivers

Retail Investor Engagement

Rising Rates

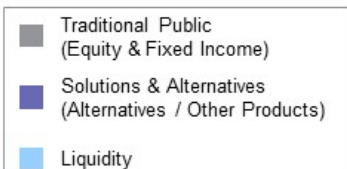
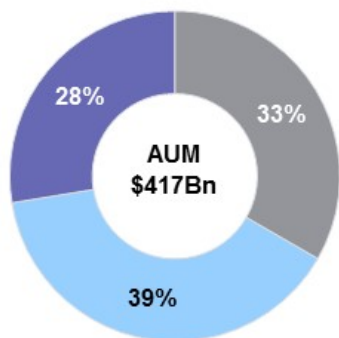
Lending Penetration

Continued Cost Discipline

Wallet Share Opportunities

4 Investment Management Enters Period of Stability and Growth

Balanced Business Mix



Strategic Focus

- ✓ Organizational Realignment
- ✓ Rationalized Cost Base
- ✓ Legacy Third Party Fund LP Positions

Growth Opportunities

Enhance Distribution Capabilities

- U.S. Intermediary and Asia
- Solutions & Partnerships Focus

New Product Launches

- Differentiated Alternative Origination Platform
- Leverage Morgan Stanley Connectivity

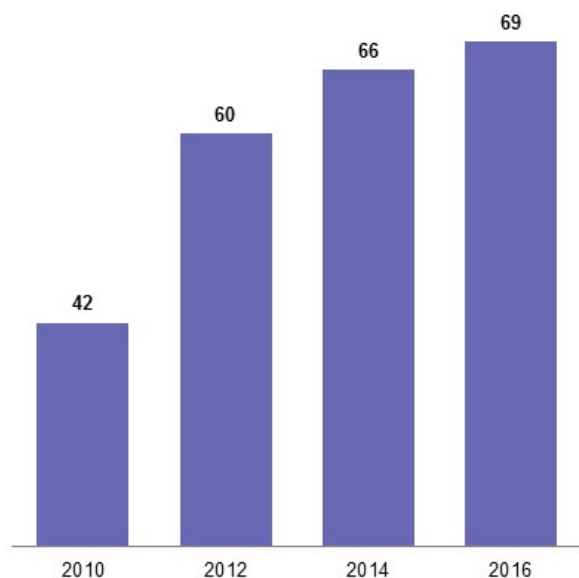
Growth with Limited Balance Sheet & Cost Requirements

- Synergies and Efficiencies with Existing Platforms

5 Continue To Return Capital To Shareholders

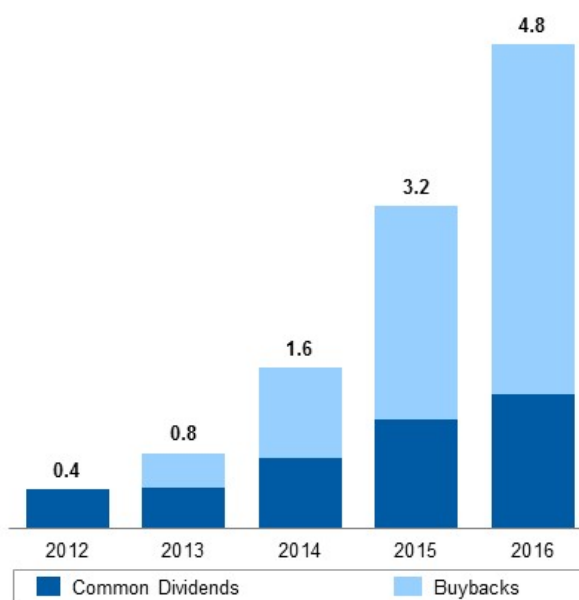
Capital Sufficiency...

Average Common Equity, ex-DVA (\$Bn)⁽¹⁾



...Supporting Growth in Capital Return

Total Capital Return (\$Bn)



End Notes

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

1. Represents progress during the current calendar year against the 2017 Strategic Objectives established at the beginning of 2016.
2. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues.
3. In June 2016, we received a conditional non-objection from the Federal Reserve to our 2016 capital plan. Pursuant to the conditional non-objection, we are able to execute the capital actions set forth in our 2016 capital plan, which include increasing our common stock dividend to \$0.20 per share beginning in the third quarter of 2016 and executing share repurchases of \$3.5 billion during the period July 1, 2016 through June 30, 2017. The Federal Reserve Board also asked us to submit an additional capital plan by December 29, 2016 addressing weaknesses identified in our capital planning process. Future capital distributions may be restricted if these identified weaknesses are not satisfactorily addressed when the Federal Reserve reviews our resubmitted capital plan. Our 2015 capital plan approved by the Federal Reserve was for share repurchases of \$3,125 million for the periods 2Q15 through 2Q16 (for comparative purposes the percent change of buyback is based on 80% of the total 2015 approval representing 4 of the 5 approved quarters).

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

1. The calculation of return on equity ("ROE") uses net income applicable to Morgan Stanley less preferred dividends as a percentage of average common equity ("Avg. CE").
2. 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.
3. The 7% ROE for 2015 represents ROE excluding DVA and net discrete tax benefits ("Discrete Tax Benefits"). To determine ROE, ex DVA and Discrete Tax Benefits both the numerator and denominator were adjusted to exclude these items.
4. The 8% ROE for 2016 is unadjusted for DVA and net discrete tax benefits as those amounts had no impact on the ROE calculation. Effective January 1, 2016, pursuant to new accounting guidance that the Firm adopted, gains and losses from DVA are presented in other comprehensive income (i.e., a component of common equity) as opposed to net revenues and net income.

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

1. 2015 Net Revenues were \$34,537 million, excluding the positive impact of \$618 million from DVA. Net Revenue, 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. Firm Expense Efficiency ratio represents total non-interest expenses as a percentage of Net Revenues (or in 2015, Net Revenues, ex-DVA). For 2015, the 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 for 2015. 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 7.

1. M&A Completed Industry volumes, M&A Completed Market Shares and M&A Completed and Announced League Table Rankings are from Thomson Reuters as of January 9, 2017. Market Share is calculated as the percentage of Morgan Stanley's volume to the Industry volume. M&A Completed and Announced League Table Rankings are for the period of January 1, 2016 to December 31, 2016.
2. Equity Underwriting Industry volumes, Equity Underwriting Market Shares and Equity Underwriting League Table Rankings are from Thomson Reuters. Each periods' data is as of January of the following calendar year. Market Share is calculated as the percentage of Morgan Stanley's volume to the Industry volume. Equity Underwriting League Table Rankings are for the period of January 1, 2016 to December 31, 2016.

End Notes

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

1. Total Wallet represents the aggregated reported net revenues for the following peers: Goldman Sachs, JP Morgan, Bank of America, Citigroup, UBS, Deutsche Bank, Credit Suisse, and Barclays. Morgan Stanley's wallet share calculated as the percentage of Morgan Stanley's Net Revenues, ex-DVA to Total Wallet. Equity Sales & 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. European peer results were translated to USD using average exchange rates for the appropriate period; sourced from S&P Capital IQ.
3. Peer data has been adjusted for DVA, where it is reported and where applicable. Goldman Sachs results also exclude the Americas Reinsurance business in 2012 and 2013 and the gain on sale of a hedge fund administration business in 2012.
4. Represents 2016 nine months Total Wallet annualized since not all peers have reported as of January 17, 2016.
5. Fixed Income Sales & Trading Net Revenues, ex-DVA for the quarter ending December 31, 2015 were \$550 million, excluding a \$90 million negative impact from DVA in the quarter. Fixed Income 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.
6. All figures presented exclude RWAs and leverage exposure associated with lending activities.
7. The Company estimates its pro forma fully phased-in Advanced risk-weighted assets ('RWA') and pro forma fully phased-in Supplementary Leverage Ratio ('SLR') 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 computations are preliminary estimates as of January 17, 2016 and could be subject to revision in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2016.
8. Pro forma fully phased-in Advanced RWA and pro forma fully phased-in SLR Exposure, 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.

These notes refer to the financial metrics presented on Slide 10.

1. Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance.
2. Pro Forma 2010 data has been recast to exclude the Managed Futures and International Wealth Management businesses, which are now reported in the Investment Management and the Institutional Securities business segments, respectively.

End Notes

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

1. Transactional revenues include investment banking, trading, and commissions and fee revenues.
2. Compensation ratio is calculated as compensation and benefits expense as a percentage of Net Revenues.

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

1. Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. The attainment of margins in 2017 and beyond may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.
2. All periods have been recast to exclude the Managed Futures business, which is now reported in the Investment Management business segment. Additionally, the periods 2010-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.
3. Pre-tax margin for 2012 excludes \$193 million of non-recurring costs in 3Q12 associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture.

These notes refer to the financial metrics presented on Slide 15.

1. Represents the Firm's average common equity excluding DVA for all periods prior to 2016. Average common equity excluding DVA is a non-GAAP financial measures that the Firm considers useful for investors to assess capital adequacy and capital returns.

Morgan Stanley

Strategic Update

James P. Gorman, Chairman and Chief Executive Officer
January 17, 2017

End of Document