

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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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 20, 2015

Morgan Stanley

(Exact name of Registrant as specified  
in its charter)

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

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1585 Broadway, New York, New York 10036

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(Address of principal executive offices, including zip code)

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

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(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 20, 2015, Morgan Stanley (the "Registrant") released financial information with respect to its quarter and year ended December 31, 2014. 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, 2014 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 20, 2015, Morgan Stanley (the "Registrant") released financial information with respect to its quarter and year ended December 31, 2014 and held an investor conference call. Exhibit 99.3 is a copy of a presentation (the "Presentation") 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. 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, 2013 and other items throughout the Form 10-K, Morgan Stanley's Quarterly Reports on Form 10-Q, including "Risk Factors" in Part II, Item 1A therein, 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](http://www.morganstanley.com) and on the Securities and Exchange Commission's website at [www.sec.gov](http://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 20, 2015, containing financial information for the quarter and year ended December 31, 2014.

99.2 Financial Data Supplement of the Registrant for the quarter and year ended December 31, 2014.

99.3 Morgan Stanley Presentation, dated January 20, 2015.

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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

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Paul C. Wirth  
Deputy Chief Financial Officer

Dated: January 20, 2015

Media Relations: Michele Davis 212-761-9621

Investor Relations: Kathleen McCabe 212-761-4469

# Morgan Stanley

## Morgan Stanley Reports Fourth Quarter and Full Year 2014:

- **Fourth Quarter Net Revenues of \$7.8 Billion and Earnings per Diluted Share from Continuing Operations of \$0.47**
- **Results for the Quarter Included the following Significant Items:**
  - **Discrete Tax Benefit<sup>1</sup> of \$1.4 Billion (\$0.70 per Diluted Share)<sup>2</sup>**
  - **Elevated Compensation Expense Due to Deferral Adjustments<sup>3</sup> of \$1.1 Billion (\$0.40 per Diluted Share)<sup>2</sup>**
  - **Negative Revenues from FVA<sup>4</sup> of \$468 Million (\$0.17 per Diluted Share)<sup>2</sup>**
  - **Legal Expenses Include \$284 Million for Legacy Residential Mortgage Related Matters (\$0.12 per Diluted Share)<sup>2</sup>**
- **Excluding DVA,<sup>5</sup> Net Revenues were \$7.5 Billion (Inclusive of the Negative \$468 Million from FVA) and Earnings per Diluted Share from Continuing Operations of \$0.40<sup>6,7,8</sup>**
- **Investment Banking Ranked #1 in Global IPOs and #2 in Global Announced M&A;<sup>9</sup> Continued Strength in Equity Sales & Trading**
- **Record Quarterly Wealth Management Revenues of \$3.8 Billion and Record Fee-Based Asset Flows of \$21 Billion**
- **Full Year Net Revenues of \$34.3 Billion and Earnings per Diluted Share from Continuing Operations of \$2.96; Excluding DVA, Net Revenues were \$33.6 Billion and Earnings per Diluted Share from Continuing Operations of \$2.75<sup>6,7,8</sup>**

NEW YORK, January 20, 2015 – Morgan Stanley (NYSE: MS) today reported net revenues of \$7.8 billion for the fourth quarter ended December 31, 2014 compared with \$7.8 billion a year ago. For the current quarter, income from continuing operations applicable to Morgan Stanley was \$1.0 billion, or \$0.47 per diluted share,<sup>10</sup> compared with income of \$95 million, or \$0.02 per diluted share, for the same period a year ago.<sup>10</sup>

Results for the current quarter included several significant items: a net discrete tax benefit of approximately \$1.4 billion or \$0.70 per diluted share principally related to the restructuring of a legal entity;<sup>1,2</sup> compensation expense adjustments of approximately \$1.1 billion or a loss of \$0.40 per diluted share related to changes in discretionary incentive compensation deferrals;<sup>2,3</sup> a charge of \$468 million or a loss of \$0.17 per diluted share related to the initial incorporation of funding valuation adjustments (FVA) into the fair value measurements for certain over-the-counter derivatives and legal expenses of \$284 million or a loss of \$0.12 per diluted share associated with several residential mortgage and credit crisis related matters.<sup>2,4</sup> The prior year fourth quarter included legal expenses of \$1.4 billion or a loss of \$0.45 per diluted share and a discrete tax benefit of \$192 million or \$0.10 per diluted share.<sup>2</sup>

Results for the current quarter included positive revenues related to the change in the fair value of certain of the Firm's long-term and short-term borrowings resulting from the fluctuation in the Firm's credit spreads and other credit factors (Debt Valuation Adjustment, DVA) of \$223 million, compared with negative revenues of \$368 million a year ago.

Excluding DVA, net revenues for the current quarter were \$7.5 billion, which were inclusive of negative revenues from FVA of \$468 million, compared with \$8.2 billion a year ago. Income from continuing operations applicable to Morgan Stanley was \$903 million, or \$0.40 per diluted share, compared with income of \$336 million, or \$0.15 per diluted share, a year ago.<sup>6,7,8</sup>

Compensation expense of \$5.1 billion increased from \$4.0 billion a year ago primarily driven by compensation expense adjustments of approximately \$1.1 billion, representing approximately \$756 million related to the reduction in the average deferral of discretionary incentive compensation awards for the 2014 performance year and \$381 million for the acceleration of vesting for certain outstanding deferred cash-based incentive compensation awards.<sup>3</sup> Non-compensation expenses of \$2.8 billion decreased from \$4.1 billion a year ago, primarily reflecting lower legal expenses.

For the current quarter, net income applicable to Morgan Stanley, including discontinued operations, was \$1.0 billion or \$0.47 per diluted share,<sup>10</sup> compared with net income of \$84 million or \$0.02 per diluted share in the fourth quarter of 2013.<sup>10</sup>

<b>Summary of Firm Results (dollars in millions)</b>				
	<b>As Reported</b>		<b>Excluding DVA<sup>6</sup></b>	
	<u>Net Revenues (a)</u>	<u>MS Income Cont. Ops.</u>	<u>Net Revenues (a)</u>	<u>MS Income Cont. Ops.</u>
4Q 2014	\$7,764	\$1,048	\$7,541	\$903
3Q 2014	\$8,907	\$1,698	\$8,692	\$1,561
4Q 2013	\$7,845	\$95	\$8,213	\$336

a) Revenues for the fourth quarter of 2014 included a pre-tax charge of \$468 million related to the initial implementation of funding valuation adjustments (FVA).

#### **Fourth Quarter Business Overview**

- Institutional Securities net revenues excluding DVA were \$3.2 billion<sup>11</sup> reflecting challenging market conditions in Fixed Income & Commodities sales and trading and the impact of implementing FVA, with continued strength in Equity sales and trading and Investment Banking.
- Wealth Management net revenues were \$3.8 billion. The pre-tax margin was 19%, which included the impact of compensation expense deferral adjustments.<sup>3,12</sup> Fee based asset flows for the quarter were a record \$20.8 billion, with total client assets above \$2.0 trillion at quarter end.
- Investment Management reported net revenues of \$588 million with assets under management or supervision of \$403 billion.

James P. Gorman, Chairman and Chief Executive Officer, said, “We finished 2014 in substantially better shape than we entered the year. We delivered strong results across several of our businesses, although overall performance was affected by the choppy market conditions of the fourth quarter. We also addressed a number of items that, while affecting our results in the short term, position us well in the years ahead. Entering 2015, we remain confident about our business mix, market position and the opportunities ahead of us.”

#### FOURTH QUARTER RESULTS

<b>Summary of Institutional Securities Results (dollars in millions)</b>				
	<b>As Reported</b>		<b>Excluding DVA<sup>11</sup></b>	
	Net Revenues <sup>(a)</sup>	Pre-Tax Income	Net Revenues <sup>(a)</sup>	Pre-Tax Income
4Q 2014	\$3,430	\$(863)	\$3,207	\$(1,086)
3Q 2014	\$4,516	\$1,227	\$4,301	\$1,012
4Q 2013	\$3,343	\$(1,248)	\$3,711	\$(880)

- a) Revenues for the fourth quarter of 2014 included a pre-tax charge of \$468 million related to the initial implementation of funding valuation adjustments (FVA).

#### INSTITUTIONAL SECURITIES

Institutional Securities reported a pre-tax loss from continuing operations of \$863 million compared with a pre-tax loss of \$1.2 billion in the fourth quarter of last year. Results for the current quarter include the compensation expense deferral adjustments,<sup>3</sup> initial implementation of FVA and the legacy residential mortgage legal expenses noted previously.<sup>4</sup> Income after the noncontrolling interest allocation and before taxes was a loss of \$895 million.<sup>13</sup> Net revenues for the current quarter were \$3.4 billion compared with \$3.3 billion a year ago. DVA resulted in positive revenues of \$223 million in the current quarter compared with negative revenues of \$368 million a year ago. Excluding DVA, net revenues for the current quarter of \$3.2 billion, inclusive of negative revenues from FVA of \$468 million, compared with \$3.7 billion a year ago.<sup>4,11</sup> The following discussion for sales and trading excludes DVA.

- Advisory revenues of \$488 million increased from \$451 million a year ago on higher levels of M&A activity. Equity underwriting revenues of \$345 million decreased from \$416 million a year ago reflecting lower market volumes. Fixed income underwriting revenues of \$462 million decreased from \$495 million in the prior year quarter reflecting lower loan fees.
- Equity sales and trading net revenues of \$1.6 billion increased from \$1.5 billion a year ago reflecting continued strength in prime brokerage, partly offset by lower revenues in derivatives and cash equities.<sup>14</sup>
- Fixed Income & Commodities sales and trading net revenues of \$133 million include a pre-tax charge of approximately \$466 million related to the initial incorporation of funding valuation adjustments (FVA) into the fair value measurements of certain over-the-counter derivatives.<sup>4</sup> Exclusive of this change in accounting estimate, Fixed Income & Commodities net revenues of \$599 million decreased from \$694 million a year ago reflecting lower revenues in credit products and commodities, partly offset by higher results in rates and foreign exchange and an out of period collateral optimization valuation gain of \$59 million.<sup>4,14</sup>

- Other sales and trading net losses of \$37 million compared with losses of \$231 million a year ago primarily reflecting higher revenues on economic hedges related to the Firm's long-term debt and higher corporate lending and commitment revenues.
- Investment revenues were \$30 million compared with \$177 million in the fourth quarter of last year reflecting lower gains on principal investments in real estate and losses from investments associated with the Firm's deferred compensation plans.
- Compensation expense of \$2.4 billion increased from \$1.6 billion a year ago driven by a reduction in the average deferral of discretionary incentive compensation awards for the 2014 performance year and the acceleration of vesting for certain outstanding deferred cash-based incentive compensation awards.<sup>3</sup> Non-compensation expenses of \$1.9 billion for the current quarter decreased from \$3.0 billion a year ago driven primarily by \$1.1 billion of lower legal expenses. Legal expenses in the current quarter included approximately \$284 million associated with several legacy residential mortgage and credit crisis related matters.
- Morgan Stanley's average trading Value-at-Risk (VaR) measured at the 95% confidence level was \$47 million compared with \$42 million in the third quarter of 2014 and \$51 million in the fourth quarter of the prior year.<sup>15</sup>

<b>Summary of Wealth Management Results (dollars in millions)</b>		
	<b>Net Revenues</b>	<b>Pre-Tax Income</b>
4Q 2014	\$3,804	\$736
3Q 2014	\$3,773	\$800
4Q 2013	\$3,716	\$715

### **WEALTH MANAGEMENT**

Wealth Management reported pre-tax income from continuing operations of \$736 million compared with \$715 million in the fourth quarter of last year. The quarter's pre-tax margin was 19%, which included the impact of compensation expense deferral adjustments.<sup>3,12</sup> Net revenues for the current quarter were \$3.8 billion compared with \$3.7 billion a year ago.

- Asset management fee revenues of \$2.1 billion increased from \$2.0 billion a year ago primarily reflecting market appreciation and positive flows.
- Transactional revenues<sup>16</sup> of \$976 million decreased from \$1.1 billion a year ago reflecting lower revenues related to the Firm's deferred compensation plans and lower levels of new issue activity.
- Net interest income of \$625 million increased from \$526 million a year ago on higher deposits and loan balances.
- Compensation expense for the current quarter of \$2.3 billion increased from \$2.1 billion a year ago driven by a reduction in the average deferral of discretionary incentive compensation awards for the 2014 performance year and the acceleration of vesting of certain outstanding deferred cash-based incentive compensation awards.<sup>3</sup> Non-compensation expenses of \$777 million decreased from \$855 million a year ago due to the absence of an impairment charge of \$36 million related to certain intangibles which impacted results in the quarter a year ago, as well as operating efficiencies resulting from the prior year's completion of the joint venture acquisition.

- Total client assets exceeded \$2.0 trillion at quarter end. Client assets in fee based accounts of \$785 billion increased 13% compared with the prior year quarter. Fee based asset flows for the quarter were a record \$20.8 billion.
- Wealth Management representatives of 16,076 decreased from 16,456 compared with the prior year quarter. Average annualized revenue per representative of \$944,000 and total client assets per representative of \$126 million, increased 5% and 9%, respectively, compared with the prior year quarter.

<b>Summary of Investment Management Results (dollars in millions)</b>		
	Net Revenues	Pre-Tax Income
4Q 2014	\$588	\$(6)
3Q 2014	\$667	\$193
4Q 2013	\$858	\$331

### **INVESTMENT MANAGEMENT**

Investment Management reported pre-tax losses from continuing operations of \$6 million, inclusive of the compensation expense deferral adjustments<sup>3</sup> compared with pre-tax income of \$331 million in the fourth quarter of last year.<sup>17</sup> Income after the noncontrolling interest allocation and before taxes was a loss of \$18 million.

- Net revenues of \$588 million decreased from \$858 million in the prior year. Results reflect lower investment gains and carried interest in the Merchant Banking and Real Estate businesses, and lower results in Traditional Asset Management.<sup>18</sup> The current quarter also reflects lower revenues in the Real Estate Investing business driven by the deconsolidation of certain legal entities during the quarter ended June 30, 2014 associated with a real estate fund sponsored by the Firm.<sup>19</sup>
- Compensation expense for the current quarter of \$381 million increased from \$296 million a year ago, principally driven by a reduction in the average deferral of discretionary incentive compensation awards for the 2014 performance year and the acceleration of vesting of certain outstanding deferred cash-based incentive compensation awards.<sup>3</sup> Non-compensation expenses of \$213 million decreased from \$231 million a year ago.
- Assets under management or supervision at December 31, 2014 of \$403 billion increased from \$377 billion a year ago primarily due to market appreciation and positive flows. The business recorded net flows of \$3.5 billion in the current quarter.



## FULL YEAR RESULTS

Full year net revenues were \$34.3 billion compared with \$32.5 billion a year ago. Income from continuing operations applicable to Morgan Stanley for the current year was \$6.2 billion, or \$2.96 per diluted share,<sup>10</sup> compared with income of \$3.0 billion, or \$1.38 per diluted share,<sup>10</sup> a year ago. The current year included approximately \$2.2 billion, or \$1.13 per diluted share, of net discrete tax benefits compared with approximately \$400 million, or \$0.21 per diluted share, of net discrete tax benefits in the prior year.<sup>2</sup>

Results for the year included positive revenue related to DVA of \$651 million, compared with negative revenues of \$681 million a year ago. Excluding DVA, net revenues for the current year were \$33.6 billion compared with \$33.2 billion a year ago and income from continuing operations applicable to Morgan Stanley was \$5.7 billion, or \$2.75 per diluted share, compared with income of \$3.4 billion, or \$1.61 per diluted share, a year ago.<sup>6,7,8</sup>

The Firm's compensation expense of \$17.8 billion for the current year increased from \$16.3 billion a year ago primarily driven by the fourth quarter compensation expense adjustments of approximately \$1.1 billion related to the changes in discretionary incentive compensation deferrals.<sup>3</sup> Non-compensation expenses of \$10.1 billion decreased from \$11.7 billion a year ago driven by lower legal expenses.

For the current year, net income applicable to Morgan Stanley, including discontinued operations, was \$2.95 per diluted share,<sup>10</sup> compared with \$1.36 per diluted share a year ago.<sup>10</sup>

Summary of Firm Results (dollars in millions)				
	As Reported		Excluding DVA <sup>6</sup>	
	Net Revenues	MS Income Cont. Ops.	Net Revenues	MS Income Cont. Ops.
FY 2014	\$34,275	\$6,151	\$33,624	\$5,733
FY 2013	\$32,493	\$2,975	\$33,174	\$3,427

Summary of Segments Results (dollars in millions)								
	As Reported				Excluding DVA <sup>11</sup>			
	Net Revenues (a)		Pre-Tax Income		Net Revenues (a)		Pre-Tax Income	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Institutional Securities	\$16,871	\$15,519	\$2,740	\$946	\$16,220	\$16,200	\$2,089	\$1,627
Wealth Management	\$14,888	\$14,143	\$2,985	\$2,604	\$14,888	\$14,143	\$2,985	\$2,604
Investment Management	\$2,712	\$3,059	\$664	\$1,008	\$2,712	\$3,059	\$664	\$1,008

a) 2014 Institutional Securities revenues included a pre-tax charge of \$468 million related to the initial implementation of funding valuation adjustments (FVA).

### **INSTITUTIONAL SECURITIES**

Institutional Securities reported pre-tax income from continuing operations of \$2.7 billion compared with \$946 million a year ago. Net revenues for the current year were \$16.9 billion compared with \$15.5 billion a year ago. Net revenues for the current year included the impact of a pre-tax charge of approximately \$468 million related to the initial incorporation of FVA into the fair value measurements of certain over-the-counter derivatives.<sup>4</sup> DVA resulted in positive revenue of \$651 million in the current year compared with negative revenue of \$681 million a year ago. Excluding DVA, net revenues for the current year were \$16.2 billion, which were inclusive of FVA, compared with \$16.2 billion a year ago.<sup>4,11</sup> The year's pre-tax margin was 16% (excluding DVA, 13%).<sup>11,12</sup> Income after the noncontrolling interest allocation and before taxes was \$2.6 billion.<sup>13</sup> Compensation expense of \$7.8 billion increased from \$6.8 billion a year ago primarily driven by compensation expense adjustments related to the changes in discretionary incentive compensation deferrals.<sup>3</sup> Non-compensation expenses of \$6.3 billion decreased from \$7.8 billion a year ago primarily due to lower legal expenses.

### **WEALTH MANAGEMENT**

Wealth Management reported pre-tax income from continuing operations of \$3.0 billion compared with \$2.6 billion a year ago. Net revenues for the current year were \$14.9 billion compared with \$14.1 billion a year ago. The year's pre-tax margin was 20%.<sup>12</sup> Compensation expense was \$8.8 billion compared with \$8.3 billion a year ago, primarily driven by higher revenues. Non-compensation expenses of \$3.1 billion decreased from \$3.3 billion a year ago.

### **INVESTMENT MANAGEMENT**

Investment Management reported pre-tax income from continuing operations of \$664 million compared with \$1.0 billion a year ago.<sup>17</sup> The year's pre-tax margin was 24%.<sup>12</sup> Income after the noncontrolling interest allocation and before taxes was \$573 million. Net revenues of \$2.7 billion decreased from \$3.1 billion a year ago primarily driven by lower gains on investments in the Merchant Banking and Real Estate businesses and the absence of carried interest.<sup>18</sup> Compensation expense was \$1.2 billion, which remained unchanged from a year ago. Non-compensation expenses of \$835 million compared with \$862 million a year ago.

### **CAPITAL**

As of December 31, 2014, the Firm's Common Equity Tier 1 risk-based capital ratio was approximately 14.2% and its Tier 1 risk-based capital ratio was approximately 15.9%. The Firm is subject to a "capital floor" such that these regulatory capital ratios currently reflect the U.S. Basel III Advanced Approaches ("Advanced Approach") under transitional provisions, which represent the lower of the Firm's capital ratios calculated under the Advanced Approach and U.S. Basel I and Basel 2.5 capital rules, taking into consideration applicable transitional provisions under U.S. Basel III.<sup>20</sup>

At December 31, 2014, book value and tangible book value per common share were \$34.62 and \$29.63,<sup>21</sup> respectively, based on approximately 2.0 billion shares outstanding.

## **OTHER MATTERS**

In the current quarter the Firm reported an overall tax benefit of \$1.2 billion, which reflected a net discrete tax benefit of approximately \$1.4 billion primarily related to a legal entity restructuring that included a change in tax status of MSSBH from a partnership to a corporation.<sup>1</sup> The effective tax rate from continuing operations for the full year was 0.6%, inclusive of net discrete tax benefits of \$2.2 billion.

During the quarter ended December 31, 2014, the Firm repurchased approximately \$271 million of its common stock or approximately 8 million shares.

The Firm declared a \$0.10 quarterly dividend per common share, payable on February 13, 2015 to common shareholders of record on January 30, 2015.

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. With offices in more than 43 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](http://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](http://www.morganstanley.com).

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(See Attached Schedules)

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 Company, 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 Company's Annual Report on Form 10-K for the year ended December 31, 2013 and other items throughout the Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, including any amendments thereto.

<sup>1</sup> On October 31, 2014, the Firm completed a legal entity restructuring that included a change in tax status of Morgan Stanley Smith Barney Holdings LLC (MSSBH) from a partnership to a corporation. MSSBH is the holding company for the former Wealth Management JV. As a result of this change in tax status, the Firm's effective tax rate from continuing operations for the three month period ending December 31, 2014 includes a discrete net tax benefit of approximately \$1.4 billion primarily due to the release of a deferred tax liability which was previously established.

<sup>2</sup> The impact to earnings per diluted share from continuing operations is calculated by dividing the net discrete tax benefits and the net of tax compensation adjustments, FVA negative revenues and legal expenses, respectively by the average number of diluted shares outstanding.

<sup>3</sup> On December 1, 2014, the Firm's Compensation, Management Development and Succession (CMDS) Committee of the Board of Directors approved an approach for awards of discretionary incentive compensation for the 2014 performance year to be granted in 2015 that would reduce the average deferral of such awards to an approximate baseline of 50%. Additionally, the CMDS Committee approved the acceleration of vesting for certain outstanding deferred cash-based incentive compensation awards. With its business strategy in place and greater financial stability, the Firm was in a position to change the level of deferrals, making the Firm's practice more consistent with deferral levels at the Firm's global competitors. The impact of these actions on compensation and benefits expense for the Firm and each business segment are as follows (amounts presented in millions):

	<u>ISG</u>	<u>WM</u>	<u>IM</u>	<u>Total Firm</u>
Pro-forma 2014 compensation and benefits expense <sup>(a)</sup>	\$6,882	\$8,737	\$1,068	\$16,687
Fourth quarter actions:				
change in 2014 level of deferrals <sup>(b)</sup>	\$610	\$66	\$80	\$756
acceleration of prior year cash-based deferred awards <sup>(c)</sup>	\$294	\$22	\$65	\$381
	<u>\$904</u>	<u>\$88</u>	<u>\$145</u>	<u>\$1,137</u>
Actual 2014 compensation and benefits expense	<u>\$7,786</u>	<u>\$8,825</u>	<u>\$1,213</u>	<u>\$17,824</u>

- a) Pro-forma 2014 represents compensation and benefit expense at pre-adjustment accrual levels (i.e., at an approximate average baseline 74% deferral rate and with no acceleration of cash-based award vesting that was utilized for the first three quarters of 2014)
- b) Reflects reduction in deferral level from an approximate average baseline of 74% to an approximate average baseline of 50%
- c) Represents acceleration of vesting for certain cash-based awards

<sup>4</sup> During the fourth quarter of 2014, Morgan Stanley incorporated funding valuation adjustments (FVA) into the fair value measurements of over-the-counter uncollateralized or partially collateralized derivatives, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received. The Firm's implementation of FVA reflects the inclusion of FVA in the pricing and valuations by the majority of market participants involved in the Firm's principal exit market for these instruments. In general, FVA reflects a market funding risk premium inherent in the noted derivative instruments. In connection with its implementation of FVA, Morgan Stanley incurred a pre-tax charge of approximately \$468 million, representing a change in accounting estimate, of which \$466 million was reflected as a reduction to Institutional Securities Fixed Income & Commodities sales and trading net revenues.

<sup>5</sup> Represents the change in the fair value of certain of the Firm's long-term and short-term borrowings resulting from the fluctuation in the Firm's credit spreads and other credit factors (Debt Valuation Adjustment, DVA).

<sup>6</sup> Net revenues and income (loss) from continuing operations applicable to Morgan Stanley, excluding DVA, are non-GAAP financial measures that the Firm considers useful for investors to allow for better comparability of period-to-period operating performance. The reconciliation of net revenues and income (loss) from continuing operations applicable to Morgan Stanley from a non-GAAP to GAAP basis is as follows (amounts are presented in millions):

	<u>4Q 2014</u>	<u>3Q 2014</u>	<u>4Q 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Firm net revenues – Non-GAAP	\$7,541	\$8,692	\$8,213	\$33,624	\$33,174
DVA impact	\$223	\$215	\$(368)	\$651	\$(681)
Firm net revenues – GAAP	\$7,764	\$8,907	\$7,845	\$34,275	\$32,493
Income (loss) applicable to MS – Non-GAAP	\$903	\$1,561	\$336	\$5,733	\$3,427
DVA after-tax impact	\$145	\$137	\$(241)	\$418	\$(452)
Income (loss) applicable to MS – GAAP	\$1,048	\$1,698	\$95	\$6,151	\$2,975

<sup>7</sup> 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. For these purposes, “GAAP” refers to generally accepted accounting principles in the United States. The Securities and Exchange Commission (SEC) 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 GAAP. Non-GAAP financial measures disclosed by Morgan Stanley are provided as additional information to investors in order to provide them with greater transparency about, or an alternative method for assessing, our financial condition and operating results. These measures are not in accordance with, or a substitute for 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 present the most directly comparable financial measure calculated and presented in accordance with GAAP, along with a reconciliation of the differences between the non-GAAP financial measure we reference and such comparable GAAP financial measure.

<sup>8</sup> Earnings (loss) per diluted share amounts, excluding DVA, are non-GAAP financial measures that the Firm considers useful for investors to allow better comparability of period-to-period operating performance. Such exclusions are provided to differentiate revenues associated with Morgan Stanley borrowings, regardless of whether the impact is either positive, or negative, that result solely from fluctuations in credit spreads and other credit factors. The reconciliation of earnings (loss) per diluted share from continuing operations applicable to Morgan Stanley common shareholders and average diluted shares from a non-GAAP to GAAP basis is as follows (number of shares, and DVA impact thereon, are presented in millions):

	<u>4Q 2014</u>	<u>4Q 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Earnings (loss) per diluted share from cont. ops. – Non-GAAP	\$0.40	\$0.15	\$2.75	\$1.61
DVA impact	\$0.07	\$(0.13)	\$0.21	\$(0.23)
Earnings (loss) per diluted share from cont. ops. – GAAP	\$0.47	\$0.02	\$2.96	\$1.38
Average diluted shares – Non-GAAP	1,972	1,970	1,971	1,957
DVA impact	0	0	0	0
Average diluted shares – GAAP	1,972	1,970	1,971	1,957

<sup>9</sup> Source: Thomson Reuters – for the period of January 1, 2014 to December 31, 2014 as of January 2, 2015.

<sup>10</sup> Includes preferred dividends and other adjustments related to the calculation of earnings per share for the fourth quarter of 2014 and 2013 of approximately \$120 million and \$48 million, respectively. Includes preferred dividends and other adjustments related to the calculation of earnings per share for the years ended 2014 and 2013 of approximately \$319 million and \$277 million, respectively. Refer to page 3 of Morgan Stanley's Financial Supplement accompanying this release for the calculation of earnings per share.

<sup>11</sup> Institutional Securities net revenues and pre-tax income (loss), excluding DVA, are non-GAAP financial measures that the Firm considers useful for investors to allow for better comparability of period-to-period operating performance. The reconciliation of net revenues and pre-tax income (loss) from a non-GAAP to GAAP basis is as follows (amounts are presented in millions):

	<u>4Q 2014</u>	<u>3Q 2014</u>	<u>4Q 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Net revenues – Non-GAAP	\$3,207	\$4,301	\$3,711	\$16,220	\$16,200
DVA impact	\$223	\$215	\$(368)	\$651	\$(681)
Net revenues – GAAP	\$3,430	\$4,516	\$3,343	\$16,871	\$15,519
Pre-tax income (loss) – Non-GAAP	\$(1,086)	\$1,012	\$(880)	\$2,089	\$1,627
DVA impact	\$223	\$215	\$(368)	\$651	\$(681)
Pre-tax income (loss) – GAAP	\$(863)	\$1,227	\$(1,248)	\$2,740	\$946

<sup>12</sup> Pre-tax margin is a non-GAAP financial measure that the Firm considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes divided by net revenues.

<sup>13</sup> Noncontrolling interests reported in the Institutional Securities business segment includes the allocation to Mitsubishi UFJ Financial Group, Inc. of Morgan Stanley MUFG Securities Co., Ltd., which the Firm consolidates.

<sup>14</sup> Sales and trading net revenues, including Fixed Income & Commodities (FIC) and Equity sales and trading net revenues excluding DVA, are non-GAAP financial measures that the Firm considers useful for investors to allow better comparability of period-to-period operating performance. The reconciliation of sales and trading, including FIC and Equity sales and trading net revenues from a non-GAAP to GAAP basis is as follows (amounts are presented in millions):

	<u>4Q 2014</u>	<u>4Q 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Sales & Trading – Non-GAAP	\$1,721	\$1,966	\$10,093	\$10,432
DVA impact	\$223	\$(368)	\$651	\$(681)
Sales & Trading – GAAP	\$1,944	\$1,598	\$10,744	\$9,751
FIC Sales & Trading – Non-GAAP	\$133	\$694	\$3,795	\$4,197
DVA impact	\$161	\$(285)	\$419	\$(603)
FIC Sales & Trading – GAAP	\$294	\$409	\$4,214	\$3,594
Equity Sales & Trading – Non-GAAP	\$1,625	\$1,503	\$6,903	\$6,607
DVA impact	\$62	\$(83)	\$232	\$(78)
Equity Sales & Trading – GAAP	\$1,687	\$1,420	\$7,135	\$6,529

<sup>15</sup> 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 Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2013. Refer to page 7 of Morgan Stanley's Financial Supplement accompanying this release for the VaR disclosure.

<sup>16</sup> Transactional revenues include investment banking, trading, and commissions and fee revenues.

<sup>17</sup> Results for the fourth quarter of 2014 and 2013 included pre-tax income of \$11 million and \$46 million, respectively, related to investments held by certain consolidated real estate funds. Results for the full year 2014 and 2013 included pre-tax income of \$88 million and \$181 million, respectively, related to investments held by certain consolidated real estate funds. The limited partnership interests in these funds are reported in net income (loss) applicable to nonredeemable noncontrolling interests on page 10 of Morgan Stanley's Financial Supplement accompanying this release.

<sup>18</sup> Net revenues for the current quarter included gains of \$11 million compared with gains of \$48 million in the prior year fourth quarter related to investments held by certain consolidated real estate funds. Net revenues for the current year included gains of \$89 million compared with gains of \$188 million in the prior year related to investments held by certain consolidated real estate funds.

<sup>19</sup> On April 1, 2014, the Firm deconsolidated approximately \$2 billion in total assets related to a real estate fund sponsored by the Firm.

<sup>20</sup> As an Advanced Approach banking organization, the Firm is required to compute risk-based capital ratios using both (i) standardized approaches for calculating credit risk weighted assets ("RWAs") and market risk RWAs (the "Standardized Approach"); and (ii) an advanced internal ratings-based approach for calculating credit risk RWAs, an advanced measurement approach for calculating operational risk RWAs, and an advanced approach for market risk RWAs calculated under Basel III (the "Advanced Approach"). To implement a provision of the Dodd-Frank Act, U.S. Basel III subjects Advanced Approach banking organizations which have been approved by their regulators to exit the parallel run, such as the Firm, to a permanent "capital floor". In calendar year 2014, the capital floor results in the Firm's capital ratios being the lower of the capital ratios computed under the Advanced Approach or the U.S. Basel I-based rules as supplemented by the existing market risk rules known as "Basel 2.5". For the current quarter, the Firm's capital floor is represented by the Advanced Approach. Beginning on January 1, 2015, the capital floor will result in the Firm's capital ratios being the lower of the capital ratios computed under the Advanced Approach or the Standardized Approach under U.S. Basel III. These computations are preliminary estimates as of January 20, 2015 (the date of this release) and could be subject to revision in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2014. The methods for calculating the Firm's risk-based capital ratios will change through 2022 as aspects of the U.S. Basel III final rule are phased in. The Firm's capital takes into consideration regulatory capital requirements as well as capital required for organic growth, acquisitions and other business needs.

<sup>21</sup> 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. 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.

**MORGAN STANLEY**  
**Quarterly Financial Summary**  
(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Change
<b>Net revenues</b>								
Institutional Securities	\$ 3,430	\$ 4,516	\$ 3,343	(24%)	3%	\$ 16,871	\$ 15,519	9%
Wealth Management	3,804	3,773	3,716	1%	2%	14,888	14,143	5%
Investment Management	588	667	858	(12%)	(31%)	2,712	3,059	(11%)
Intersegment Eliminations	(58)	(49)	(72)	(18%)	19%	(196)	(228)	14%
Consolidated net revenues	<u>\$ 7,764</u>	<u>\$ 8,907</u>	<u>\$ 7,845</u>	(13%)	(1%)	<u>\$ 34,275</u>	<u>\$ 32,493</u>	5%
<b>Income (loss) from continuing operations before tax</b>								
Institutional Securities	\$ (863)	\$ 1,227	\$ (1,248)	*	31%	\$ 2,740	\$ 946	190%
Wealth Management	736	800	715	(8%)	3%	2,985	2,604	15%
Investment Management	(6)	193	331	*	*	664	1,008	(34%)
Intersegment Eliminations	0	0	0	--	--	0	0	--
Consolidated income (loss) from continuing operations before tax	<u>\$ (133)</u>	<u>\$ 2,220</u>	<u>\$ (202)</u>	*	34%	<u>\$ 6,389</u>	<u>\$ 4,558</u>	40%
<b>Income (loss) applicable to Morgan Stanley</b>								
Institutional Securities	\$ (762)	\$ 1,097	\$ (565)	*	(35%)	\$ 2,593	\$ 983	164%
Wealth Management	1,825	479	480	*	*	3,192	1,473	117%
Investment Management	(15)	122	180	*	*	366	519	(29%)
Intersegment Eliminations	0	0	0	--	--	0	0	--
Consolidated income (loss) applicable to Morgan Stanley	<u>\$ 1,048</u>	<u>\$ 1,698</u>	<u>\$ 95</u>	(38%)	*	<u>\$ 6,151</u>	<u>\$ 2,975</u>	107%
Earnings (loss) applicable to Morgan Stanley common shareholders	<u>\$ 920</u>	<u>\$ 1,629</u>	<u>\$ 36</u>	(44%)	*	<u>\$ 5,818</u>	<u>\$ 2,655</u>	119%
<b>Earnings per basic share:</b>								
Income from continuing operations	\$ 0.48	\$ 0.85	\$ 0.02	(44%)	*	\$ 3.03	\$ 1.42	113%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.03)	67%
Earnings per basic share	<u>\$ 0.48</u>	<u>\$ 0.85</u>	<u>\$ 0.02</u>	(44%)	*	<u>\$ 3.02</u>	<u>\$ 1.39</u>	117%
<b>Earnings per diluted share:</b>								
Income from continuing operations	\$ 0.47	\$ 0.83	\$ 0.02	(43%)	*	\$ 2.96	\$ 1.38	114%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.02)	50%
Earnings per diluted share	<u>\$ 0.47</u>	<u>\$ 0.83</u>	<u>\$ 0.02</u>	(43%)	*	<u>\$ 2.95</u>	<u>\$ 1.36</u>	117%
<b>Financial Metrics:</b>								
Return on average common equity from continuing operations	5.5%	9.9%	0.3%			8.9%	4.4%	
Return on average common equity	5.4%	9.9%	0.2%			8.9%	4.3%	
Return on average common equity from continuing operations excluding DVA	4.6%	8.9%	1.8%			8.1%	5.0%	
Return on average common equity excluding DVA	4.5%	8.9%	1.7%			8.1%	4.9%	
Common Equity Tier 1 capital ratio Advanced (Transitional)	14.2%	14.4%	12.8%					
Tier 1 capital ratio Advanced (Transitional)	15.9%	16.2%	15.6%					
Book value per common share	\$ 34.62	\$ 34.16	\$ 32.24					
Tangible book value per common share	\$ 29.63	\$ 29.24	\$ 27.16					

Notes:

- See page 2 of the Financial Supplement and related End Notes for significant items affecting results for the quarter ended December 31, 2014.
- Results for the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, include positive (negative) revenue of \$223 million, \$215 million and \$(368) million, respectively, related to the change in the fair value of certain of the Firm's long-term and short-term borrowings resulting from the fluctuation in the Firm's credit spreads and other credit factors (Debt Valuation Adjustment, DVA). The twelve months ended December 31, 2014 and December 31, 2013, include positive (negative) revenue of \$651 million and \$(681) million, respectively, related to the movement in DVA.
- The return on average common equity metrics, return on average common equity excluding DVA metrics, and tangible book value per common share are non-GAAP measures that the Firm considers to be useful measures to assess operating performance and capital adequacy.
- In the quarter ended June 30, 2014, the Firm began using the U.S. Basel III Advanced Approaches (Advanced Approach) to calculate its regulatory capital requirements. Prior periods have not been recast to reflect the new requirements.
- Common Equity Tier 1 capital ratio Advanced (Transitional) and the Tier 1 capital ratio Advanced (Transitional) equals Common Equity Tier 1 capital divided by risk-weighted assets (RWAs) and Tier 1 capital divided by RWAs, respectively.
- Book value per common share equals common equity divided by period end common shares outstanding.
- Tangible book value per common share equals tangible common equity divided by period end common shares outstanding.
- See page 4 and related End Notes of the Financial Supplement for additional information related to the calculation of the financial metrics.



**MORGAN STANLEY**  
**Quarterly Consolidated Income Statement Information**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Change
<b>Revenues:</b>								
Investment banking	\$ 1,456	\$ 1,551	\$ 1,559	(6%)	(7%)	\$ 5,948	\$ 5,246	13%
Trading	1,451	2,448	1,512	(41%)	(4%)	9,377	9,359	--
Investments	112	138	523	(19%)	(79%)	836	1,777	(53%)
Commissions and fees	1,235	1,124	1,166	10%	6%	4,713	4,629	2%
Asset management, distribution and admin. fees	2,684	2,716	2,499	(1%)	7%	10,570	9,638	10%
Other	223	373	304	(40%)	(27%)	1,096	1,066	3%
Total non-interest revenues	7,161	8,350	7,563	(14%)	(5%)	32,540	31,715	3%
Interest income	1,436	1,384	1,336	4%	7%	5,413	5,209	4%
Interest expense	833	827	1,054	1%	(21%)	3,678	4,431	(17%)
Net interest	603	557	282	8%	114%	1,735	778	123%
Net revenues	7,764	8,907	7,845	(13%)	(1%)	34,275	32,493	5%
<b>Non-interest expenses:</b>								
Compensation and benefits	5,104	4,214	3,993	21%	28%	17,824	16,277	10%
<b>Non-compensation expenses:</b>								
Occupancy and equipment	364	350	370	4%	(2%)	1,433	1,499	(4%)
Brokerage, clearing and exchange fees	468	437	411	7%	14%	1,806	1,711	6%
Information processing and communications	404	396	446	2%	(9%)	1,635	1,768	(8%)
Marketing and business development	186	160	190	16%	(2%)	658	638	3%
Professional services	611	522	548	17%	11%	2,117	1,894	12%
Other	760	608	2,089	25%	(64%)	2,413	4,148	(42%)
Total non-compensation expenses	2,793	2,473	4,054	13%	(31%)	10,062	11,658	(14%)
Total non-interest expenses	7,897	6,687	8,047	18%	(2%)	27,886	27,935	--
Income (loss) from continuing operations before taxes	(133)	2,220	(202)	*	34%	6,389	4,558	40%
Income tax provision / (benefit) from continuing operations	(1,225)	463	(386)	*	*	38	902	(96%)
Income (loss) from continuing operations	1,092	1,757	184	(38%)	*	6,351	3,656	74%
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Net income (loss)	\$ 1,084	\$ 1,752	\$ 173	(38%)	*	\$ 6,337	\$ 3,613	75%
Net income applicable to redeemable noncontrolling interests	0	0	0	--	--	0	222	*
Net income applicable to nonredeemable noncontrolling interests	44	59	89	(25%)	(51%)	200	459	(56%)
Net income (loss) applicable to Morgan Stanley	1,040	1,693	84	(39%)	*	6,137	2,932	109%
Preferred stock dividend / Other	120	64	48	88%	150%	319	277	15%
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 920	\$ 1,629	\$ 36	(44%)	*	\$ 5,818	\$ 2,655	119%
<b>Amounts applicable to Morgan Stanley:</b>								
Income (loss) from continuing operations	1,048	1,698	95	(38%)	*	6,151	2,975	107%
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Net income (loss) applicable to Morgan Stanley	\$ 1,040	\$ 1,693	\$ 84	(39%)	*	\$ 6,137	\$ 2,932	109%
Pre-tax profit margin	*	25%	*			19%	14%	
Compensation and benefits as a % of net revenues	66%	47%	51%			52%	50%	
Non-compensation expenses as a % of net revenues	36%	28%	52%			29%	36%	
Effective tax rate from continuing operations	*	20.9%	*			0.6%	19.8%	

- Notes:
- Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure to assess operating performance.
  - The quarter ended December 31, 2014 included a pre-tax charge of \$468 million, reflected as negative revenue, related to the incorporation of funding valuation adjustments (FVA) into the fair value measurements of certain over-the-counter derivatives: See page 15 of the Financial Supplement for additional information.
  - The quarter ended December 31, 2014, compensation and benefits included compensation expense deferral adjustments of approximately \$1.1 billion: See page 15 of the Financial Supplement for additional information.
  - In the quarter ended December 31, 2014, income tax provision / (benefit) from continuing operations included a discrete tax benefit of approximately \$1.4 billion related to the restructuring of a legal entity.
  - Other revenues for the quarter ended September 30, 2014 included a gain of \$141 million related to the sale of a retail property space (allocated to the business segments as follows: Institutional Securities: \$84 million, Wealth Management: \$40 million and Investment Management: \$17 million), and a gain related to the sale of TransMontaigne Inc. reported in the Institutional Securities business segment.
  - Preferred stock dividend / other includes allocation of earnings to Participating Restricted Stock Units (RSUs).

**MORGAN STANLEY**  
**Quarterly Earnings Per Share**  
(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Income (loss) from continuing operations</b>	\$ 1,092	\$ 1,757	\$ 184	(38%)	*	\$ 6,351	\$ 3,656	74%
Net income applicable to redeemable noncontrolling interests	0	0	0	--	--	0	222	*
Net income applicable to nonredeemable noncontrolling interests	44	59	89	(25%)	(51%)	200	459	(56%)
Net income (loss) from continuing operations applicable to noncontrolling interests	44	59	89	(25%)	(51%)	200	681	(71%)
<b>Income (loss) from continuing operations applicable to Morgan Stanley</b>	1,048	1,698	95	(38%)	*	6,151	2,975	107%
Less: Preferred Dividends	119	62	48	92%	148%	311	120	159%
Less: Morgan Stanley Smith Barney Joint Venture Redemption Adjustment	-	-	-	--	--	-	151	*
<b>Income (loss) from continuing operations applicable to Morgan Stanley, prior to allocation of income to Participating Restricted Stock Units</b>	929	1,636	47	(43%)	*	5,840	2,704	116%
<b>Basic EPS Adjustments:</b>								
Less: Allocation of earnings to Participating Restricted Stock Units	1	2	0	(50%)	*	8	6	33%
<b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>	\$ 928	\$ 1,634	\$ 47	(43%)	*	\$ 5,832	\$ 2,698	116%
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Less: Gain (loss) from discontinued operations after tax applicable to noncontrolling interests	0	0	0	--	--	0	0	--
<b>Gain (loss) from discontinued operations after tax applicable to Morgan Stanley</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Less: Allocation of earnings to Participating Restricted Stock Units	0	0	0	--	--	0	0	--
<b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	\$ 920	\$ 1,629	\$ 36	(44%)	*	\$ 5,818	\$ 2,655	119%
Average basic common shares outstanding (millions)	1,920	1,923	1,905	--	1%	1,924	1,906	1%
<b>Earnings per basic share:</b>								
Income from continuing operations	\$ 0.48	\$ 0.85	\$ 0.02	(44%)	*	\$ 3.03	\$ 1.42	113%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.03)	67%
<b>Earnings per basic share</b>	\$ 0.48	\$ 0.85	\$ 0.02	(44%)	*	\$ 3.02	\$ 1.39	117%
<b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>	\$ 928	\$ 1,634	\$ 47	(43%)	*	\$ 5,832	\$ 2,698	116%
<b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	\$ 920	\$ 1,629	\$ 36	(44%)	*	\$ 5,818	\$ 2,655	119%
Average diluted common shares outstanding and common stock equivalents (millions)	1,972	1,971	1,970	--	--	1,971	1,957	1%
<b>Earnings per diluted share:</b>								
Income from continuing operations	\$ 0.47	\$ 0.83	\$ 0.02	(43%)	*	\$ 2.96	\$ 1.38	114%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.02)	50%
<b>Earnings per diluted share</b>	\$ 0.47	\$ 0.83	\$ 0.02	(43%)	*	\$ 2.95	\$ 1.36	117%

Notes: - 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 pages 13 and 14 of the Financial Supplement and Note 14 to the consolidated financial statements in the Firm's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.

Morgan Stanley

**MORGAN STANLEY**  
**Financial Supplement - 4Q 2014**  
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**MORGAN STANLEY**  
**Quarterly Financial Summary** <sup>(1)</sup>  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Net revenues</b>								
Institutional Securities	\$ 3,430	\$ 4,516	\$ 3,343	(24%)	3%	\$ 16,871	\$ 15,519	9%
Wealth Management	3,804	3,773	3,716	1%	2%	14,888	14,143	5%
Investment Management	588	667	858	(12%)	(31%)	2,712	3,059	(11%)
Intersegment Eliminations	(58)	(49)	(72)	(18%)	19%	(196)	(228)	14%
Consolidated net revenues	<u>\$ 7,764</u>	<u>\$ 8,907</u>	<u>\$ 7,845</u>	(13%)	(1%)	<u>\$ 34,275</u>	<u>\$ 32,493</u>	5%
<b>Income (loss) from continuing operations before tax</b>								
Institutional Securities	\$ (863)	\$ 1,227	\$ (1,248)	*	31%	\$ 2,740	\$ 946	190%
Wealth Management	736	800	715	(8%)	3%	2,985	2,604	15%
Investment Management	(6)	193	331	*	*	664	1,008	(34%)
Intersegment Eliminations	0	0	0	--	--	0	0	--
Consolidated income (loss) from continuing operations before tax	<u>\$ (133)</u>	<u>\$ 2,220</u>	<u>\$ (202)</u>	*	34%	<u>\$ 6,389</u>	<u>\$ 4,558</u>	40%
<b>Income (loss) applicable to Morgan Stanley</b>								
Institutional Securities	\$ (762)	\$ 1,097	\$ (565)	*	(35%)	\$ 2,593	\$ 983	164%
Wealth Management	1,825	479	480	*	*	3,192	1,473	117%
Investment Management	(15)	122	180	*	*	366	519	(29%)
Intersegment Eliminations	0	0	0	--	--	0	0	--
Consolidated income (loss) applicable to Morgan Stanley	<u>\$ 1,048</u>	<u>\$ 1,698</u>	<u>\$ 95</u>	(38)	*	<u>\$ 6,151</u>	<u>\$ 2,975</u>	107%
<b>Financial Metrics:</b>								
Return on average common equity from continuing operations <sup>(2)</sup>	5.5%	9.9%	0.3%			8.9%	4.4%	
Return on average common equity <sup>(2)</sup>	5.4%	9.9%	0.2%			8.9%	4.3%	
Return on average common equity from continuing operations excluding DVA <sup>(2)</sup>	4.6%	8.9%	1.8%			8.1%	5.0%	
Return on average common equity excluding DVA <sup>(2)</sup>	4.5%	8.9%	1.7%			8.1%	4.9%	
Common Equity Tier 1 capital ratio Advanced (Transitional) <sup>(3)</sup>	14.2%	14.4%	12.8%					
Tier 1 capital ratio Advanced (Transitional) <sup>(3)</sup>	15.9%	16.2%	15.6%					
Book value per common share <sup>(4)</sup>	\$ 34.62	\$ 34.16	\$ 32.24					
Tangible book value per common share <sup>(5)</sup>	\$ 29.63	\$ 29.24	\$ 27.16					

Notes: - See page 2 of the Financial Supplement and related End Notes for significant items affecting results for the quarter ended December 31, 2014.  
- Results for the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, include positive (negative) revenue of \$223 million, \$215 million and \$(368) million, respectively, related to the change in the fair value of certain of the Firm's long-term and short-term borrowings resulting from the fluctuation in the Firm's credit spreads and other credit factors (Debt Valuation Adjustment, DVA). The twelve months ended December 31, 2014 and December 31, 2013, include positive (negative) revenue of \$651 million and \$(681) million, respectively, related to the movement in DVA.  
- The return on average common equity metrics, return on average common equity excluding DVA metrics, and tangible book value per common share are non-GAAP measures that the Firm considers to be useful measures to assess operating performance and capital adequacy.  
- In the quarter ended June 30, 2014, the Firm began using the U.S. Basel III Advanced Approaches (Advanced Approach) to calculate its regulatory capital requirements. Prior periods have not been recast to reflect the new requirements.  
- See page 4 of the Financial Supplement and End Notes for additional information related to the calculation of the financial metrics.  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Consolidated Income Statement Information**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
Revenues:								
Investment banking	\$ 1,456	\$ 1,551	\$ 1,559	(6%)	(7%)	\$ 5,948	\$ 5,246	13%
Trading	1,451	2,448	1,512	(41%)	(4%)	9,377	9,359	--
Investments	112	138	523	(19%)	(79%)	836	1,777	(53%)
Commissions and fees	1,235	1,124	1,166	10%	6%	4,713	4,629	2%
Asset management, distribution and admin. fees	2,684	2,716	2,499	(1%)	7%	10,570	9,638	10%
Other	223	373	304	(40%)	(27%)	1,096	1,066	3%
<b>Total non-interest revenues</b>	<b>7,161</b>	<b>8,350</b>	<b>7,563</b>	<b>(14%)</b>	<b>(5%)</b>	<b>32,540</b>	<b>31,715</b>	<b>3%</b>
Interest income	1,436	1,384	1,336	4%	7%	5,413	5,209	4%
Interest expense	833	827	1,054	1%	(21%)	3,678	4,431	(17%)
<b>Net interest</b>	<b>603</b>	<b>557</b>	<b>282</b>	<b>8%</b>	<b>114%</b>	<b>1,735</b>	<b>778</b>	<b>123%</b>
Net revenues <sup>(1)</sup>	7,764	8,907	7,845	(13%)	(1%)	34,275	32,493	5%
Non-interest expenses:								
Compensation and benefits <sup>(2)</sup>	5,104	4,214	3,993	21%	28%	17,824	16,277	10%
Non-compensation expenses:								
Occupancy and equipment	364	350	370	4%	(2%)	1,433	1,499	(4%)
Brokerage, clearing and exchange fees	468	437	411	7%	14%	1,806	1,711	6%
Information processing and communications	404	396	446	2%	(9%)	1,635	1,768	(8%)
Marketing and business development	186	160	190	16%	(2%)	658	638	3%
Professional services	611	522	548	17%	11%	2,117	1,894	12%
Other	760	608	2,089	25%	(64%)	2,413	4,148	(42%)
<b>Total non-compensation expenses</b>	<b>2,793</b>	<b>2,473</b>	<b>4,054</b>	<b>13%</b>	<b>(31%)</b>	<b>10,062</b>	<b>11,658</b>	<b>(14%)</b>
<b>Total non-interest expenses</b>	<b>7,897</b>	<b>6,687</b>	<b>8,047</b>	<b>18%</b>	<b>(2%)</b>	<b>27,886</b>	<b>27,935</b>	<b>--</b>
Income (loss) from continuing operations before taxes								
	(133)	2,220	(202)	*	34%	6,389	4,558	40%
Income tax provision / (benefit) from continuing operations <sup>(3)</sup>	(1,225)	463	(386)	*	*	38	902	(96%)
<b>Income (loss) from continuing operations</b>	<b>1,092</b>	<b>1,757</b>	<b>184</b>	<b>(38%)</b>	<b>*</b>	<b>6,351</b>	<b>3,656</b>	<b>74%</b>
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Net income (loss)</b>	<b>\$ 1,084</b>	<b>\$ 1,752</b>	<b>\$ 173</b>	<b>(38%)</b>	<b>*</b>	<b>\$ 6,337</b>	<b>\$ 3,613</b>	<b>75%</b>
Net income applicable to redeemable noncontrolling interests <sup>(4)</sup>	0	0	0	--	--	0	222	*
Net income applicable to nonredeemable noncontrolling interests	44	59	89	(25)	(51)	200	459	(56%)
<b>Net income (loss) applicable to Morgan Stanley</b>	<b>1,040</b>	<b>1,693</b>	<b>84</b>	<b>(39%)</b>	<b>*</b>	<b>6,137</b>	<b>2,932</b>	<b>109%</b>
Preferred stock dividend / Other <sup>(5)</sup>	120	64	48	88%	150%	319	277	15%
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	<b>\$ 920</b>	<b>\$ 1,629</b>	<b>\$ 36</b>	<b>(44%)</b>	<b>*</b>	<b>\$ 5,818</b>	<b>\$ 2,655</b>	<b>119%</b>
Amounts applicable to Morgan Stanley:								
Income (loss) from continuing operations	1,048	1,698	95	(38%)	*	6,151	2,975	107%
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Net income (loss) applicable to Morgan Stanley</b>	<b>\$ 1,040</b>	<b>\$ 1,693</b>	<b>\$ 84</b>	<b>(39%)</b>	<b>*</b>	<b>\$ 6,137</b>	<b>\$ 2,932</b>	<b>109%</b>
Pre-tax profit margin <sup>(6)</sup>	*	25%	*			19%	14%	
Compensation and benefits as a % of net revenues	66%	47%	51%			52%	50%	
Non-compensation expenses as a % of net revenues	36%	28%	52%			29%	36%	
Effective tax rate from continuing operations	*	20.9%	*			0.6%	19.8%	

Notes: - Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure to assess operating performance.  
- The quarter ended December 31, 2014 included a pre-tax charge of \$468 million, reflected as negative revenue, related to the incorporation of funding valuation adjustments (FVA) into the fair value measurements of certain over-the-counter derivatives: see End Notes for further details.  
- In the quarter ended December 31, 2014, compensation and benefits included compensation expense deferral adjustments of approximately \$1.1 billion: see End Notes for further details.  
- In the quarter ended December 31, 2014, income tax provision / (benefit) from continuing operations included a discrete tax benefit of approximately \$1.4 billion related to the restructuring of a legal entity.  
- Other revenues for the quarter ended September 30, 2014 included a gain of \$141 million related to the sale of a retail property space (allocated to the business segments as follows: Institutional Securities: \$84 million, Wealth Management: \$40 million and Investment Management: \$17 million), and a gain related to the sale of TransMontaigne Inc. reported in the Institutional Securities business segment.  
- Preferred stock dividend / other includes allocation of earnings to Participating Restricted Stock Units (RSUs).  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.



**MORGAN STANLEY**  
**Quarterly Earnings Per Share**  
(unaudited, dollars in millions, except for per share data)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Income (loss) from continuing operations</b>	\$ 1,092	\$ 1,757	\$ 184	(38%)	*	\$ 6,351	\$ 3,656	74%
Net income applicable to redeemable noncontrolling interests	0	0	0	--	--	0	222	*
Net income applicable to nonredeemable noncontrolling interests	44	59	89	(25%)	(51%)	200	459	(56%)
Net income (loss) from continuing operations applicable to noncontrolling interests	44	59	89	(25%)	(51%)	200	681	(71%)
<b>Income (loss) from continuing operations applicable to Morgan Stanley</b>	1,048	1,698	95	(38%)	*	6,151	2,975	107%
Less: Preferred Dividends	119	62	48	92%	148%	311	120	159%
Less: Morgan Stanley Smith Barney Joint Venture Redemption Adjustment	-	-	-	--	--	-	151	*
<b>Income (loss) from continuing operations applicable to Morgan Stanley, prior to allocation of income to Participating Restricted Stock Units</b>	929	1,636	47	(43%)	*	5,840	2,704	116%
<b>Basic EPS Adjustments:</b>								
Less: Allocation of earnings to Participating Restricted Stock Units	1	2	0	(50%)	*	8	6	33%
<b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>	\$ 928	\$ 1,634	\$ 47	(43%)	*	\$ 5,832	\$ 2,698	116%
Gain (loss) from discontinued operations after tax	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Less: Gain (loss) from discontinued operations after tax applicable to noncontrolling interests	0	0	0	--	--	0	0	--
<b>Gain (loss) from discontinued operations after tax applicable to Morgan Stanley</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
Less: Allocation of earnings to Participating Restricted Stock Units	0	0	0	--	--	0	0	--
<b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	\$ 920	\$ 1,629	\$ 36	(44%)	*	\$ 5,818	\$ 2,655	119%
Average basic common shares outstanding (millions)	1,920	1,923	1,905	--	1%	1,924	1,906	1%
<b>Earnings per basic share:</b>								
Income from continuing operations	\$ 0.48	\$ 0.85	\$ 0.02	(44%)	*	\$ 3.03	\$ 1.42	113%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.03)	67%
<b>Earnings per basic share</b>	\$ 0.48	\$ 0.85	\$ 0.02	(44%)	*	\$ 3.02	\$ 1.39	117%
<b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>	\$ 928	\$ 1,634	\$ 47	(43%)	*	\$ 5,832	\$ 2,698	116%
<b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>	(8)	(5)	(11)	(60%)	27%	(14)	(43)	67%
<b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>	\$ 920	\$ 1,629	\$ 36	(44%)	*	\$ 5,818	\$ 2,655	119%
Average diluted common shares outstanding and common stock equivalents (millions)	1,972	1,971	1,970	--	--	1,971	1,957	1%
<b>Earnings per diluted share:</b>								
Income from continuing operations	\$ 0.47	\$ 0.83	\$ 0.02	(43%)	*	\$ 2.96	\$ 1.38	114%
Discontinued operations	\$ -	\$ -	\$ -	--	--	\$ (0.01)	\$ (0.02)	50%
<b>Earnings per diluted share</b>	\$ 0.47	\$ 0.83	\$ 0.02	(43%)	*	\$ 2.95	\$ 1.36	117%

Notes: - 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 pages 13 and 14 of the Financial Supplement and Note 14 to the consolidated financial statements in the Firm's Quarterly





**MORGAN STANLEY**  
**Quarterly Consolidated Financial Information and Statistical Data**  
(unaudited)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
Regional revenues <sup>(1)</sup>								
Americas	\$ 6,118	\$ 6,308	\$ 5,662	(3%)	8%	\$ 25,140	\$ 23,358	8%
EMEA (Europe, Middle East, Africa)	581	1,271	1,196	(54%)	(51%)	4,772	4,542	5%
Asia	1,065	1,328	987	(20%)	8%	4,363	4,593	(5%)
Consolidated net revenues	\$ 7,764	\$ 8,907	\$ 7,845	(13%)	(1%)	\$ 34,275	\$ 32,493	5%
Worldwide employees	55,802	55,977	55,794	--	--			
Firmwide:								
Deposits	\$ 133,544	\$ 124,382	\$ 112,379	7%	19%			
Assets	\$ 807,539	\$ 814,511	\$ 832,702	(1%)	(3%)			
U.S. bank assets <sup>(2)</sup>	\$ 151,157	\$ 140,277	\$ 125,341	8%	21%			
Risk-weighted assets <sup>(3)</sup>	\$ 422,867	\$ 412,374	\$ 390,366	3%	8%			
Global liquidity reserve (billions) <sup>(4)</sup>	\$ 193	\$ 190	\$ 202	2%	(4%)			
Long-term debt outstanding	\$ 152,772	\$ 152,357	\$ 153,575	--	(1%)			
Maturities of long-term debt outstanding (next 12 months)	\$ 20,792	\$ 17,613	\$ 24,193	18%	(14%)			
Common equity	\$ 67,550	\$ 66,898	\$ 62,701	1%	8%			
Preferred equity	6,020	6,020	3,220	--	87%			
Morgan Stanley shareholders' equity	73,570	72,918	65,921	1%	12%			
Junior subordinated debt issued to capital trusts	4,868	4,870	4,849	--	--			
Less: Goodwill and intangible assets <sup>(5)</sup>	(9,736)	(9,637)	(9,873)	(1%)	1%			
Tangible Morgan Stanley shareholders' equity	\$ 68,702	\$ 68,151	\$ 60,897	1%	13%			
Tangible common equity <sup>(6)</sup>	\$ 57,814	\$ 57,261	\$ 52,828	1%	9%			
Common Equity Tier 1 capital Advanced (Transitional) <sup>(3)</sup>								
Tier 1 capital Advanced (Transitional) <sup>(3)</sup>	\$ 60,155	\$ 59,409	\$ 49,917	1%	21%			
Common Equity Tier 1 capital ratio Advanced (Transitional) <sup>(3)</sup>	14.2%	14.4%	12.8%					
Tier 1 capital ratio Advanced (Transitional) <sup>(3)</sup>	15.9%	16.2%	15.6%					
Tier 1 leverage ratio Advanced (Transitional) <sup>(7)</sup>	8.3%	8.2%	7.6%					
Period end common shares outstanding (000's)	1,950,980	1,958,386	1,944,869	--	--			
Book value per common share	\$ 34.62	\$ 34.16	\$ 32.24					
Tangible book value per common share	\$ 29.63	\$ 29.24	\$ 27.16					

Notes: - All data presented in millions except number of employees, liquidity, ratios and book values.  
- In the quarter ended June 30, 2014, the Firm began using the U.S. Basel III Advanced Approaches (Advanced Approach) to calculate its regulatory capital requirements.  
Prior periods have not been recast to reflect the new requirements.  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Consolidated Financial Information and Statistical Data**  
(unaudited, dollars in billions)

	Quarter Ended			Percentage Change		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
				From:				
<b>Average Common Equity Tier 1 capital <sup>(1)</sup></b>								
Institutional Securities	\$ 31.3	\$ 31.9	\$ 31.4	(2%)	--	\$ 31.3	\$ 32.7	(4%)
Wealth Management	5.0	5.2	4.5	(4%)	11%	5.2	4.3	21%
Investment Management	2.0	2.2	1.8	(9%)	11%	1.9	1.7	12%
Parent capital	22.2	19.4	11.9	14%	87%	19.5	9.0	117%
Total - continuing operations	60.5	58.7	49.6	3%	22%	57.9	47.7	21%
Discontinued operations	0.0	0.0	0.0	--	--	0.0	0.0	--
Firm	\$ 60.5	\$ 58.7	\$ 49.6	3%	22%	\$ 57.9	\$ 47.7	21%
<b>Average Common Equity</b>								
Institutional Securities	\$ 32.1	\$ 32.6	\$ 36.2	(2%)	(11%)	\$ 32.1	\$ 37.9	(15%)
Wealth Management	10.9	11.2	13.2	(3%)	(17%)	11.2	13.2	(15%)
Investment Management	2.9	3.1	2.9	(6%)	--	2.9	2.8	4%
Parent capital	22.0	19.3	10.7	14%	106%	19.3	8.0	141%
Total - continuing operations	67.9	66.2	63.0	3%	8%	65.5	61.9	6%
Discontinued operations	0.0	0.0	0.0	--	--	0.0	0.0	--
Firm	\$ 67.9	\$ 66.2	\$ 63.0	3%	8%	\$ 65.5	\$ 61.9	6%
<b>Return on average Common Equity Tier 1 capital</b>								
Institutional Securities	*	13%	*			8%	3%	
Wealth Management	143%	35%	43%			59%	30%	
Investment Management	*	22%	40%			19%	30%	
Total - continuing operations	6%	11%	0%			10%	6%	
Firm	6%	11%	0%			10%	6%	
<b>Return on average Common Equity</b>								
Institutional Securities	*	13%	*			7%	2%	
Wealth Management	65%	16%	14%			27%	10%	
Investment Management	*	16%	25%			13%	18%	
Total - continuing operations	5%	10%	0%			9%	4%	
Firm	5%	10%	0%			9%	4%	

Notes: - In the quarter ended June 30, 2014, the Firm began using the U.S. Basel III Advanced Approaches (Advanced Approach) to calculate its regulatory capital requirements. Prior periods have not been recast to reflect the new requirements.

- The return on average common equity and average Common Equity Tier 1 capital are non-GAAP measures that the Firm considers to be useful measures to assess operating performance.

- In the quarter and full year ended December 31, 2014, returns on average Common Equity and average Common Equity Tier 1 Capital from continuing operations for Wealth Management reflect the impact of a discrete tax benefit of approximately \$1.4 billion related to the restructuring of a legal entity.

- For twelve months ended December 31, 2013, the Firm and Wealth Management business segment included a negative adjustment of approximately \$151 million (net of tax) related to the purchase of the remaining 35% interest in the Morgan Stanley Smith Barney Joint Venture. This adjustment was included in the numerator for the purposes of calculating the return on average Common Equity and average Common Equity Tier 1 capital. Excluding this negative adjustment, these calculations would have been as follows:

Return on average Common Equity Tier 1 capital:  
December 31, 2013 YTD: Firm: 6%, Wealth Management: 34%

Return on average Common Equity:  
December 31, 2013 YTD: Firm: 5%, Wealth Management: 11%

- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Institutional Securities Income Statement Information**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Change
Revenues:								
Investment banking	\$ 1,295	\$ 1,340	\$ 1,362	(3%)	(5%)	\$ 5,203	\$ 4,377	19%
Trading	1,219	2,262	1,176	(46%)	4%	8,445	8,147	4%
Investments	30	39	177	(23%)	(83%)	240	707	(66%)
Commissions and fees	674	629	596	7%	13%	2,610	2,425	8%
Asset management, distribution and admin. fees	68	66	73	3%	(7%)	281	280	--
Other	161	224	206	(28%)	(22%)	684	684	--
Total non-interest revenues	3,447	4,560	3,590	(24%)	(4%)	17,463	16,620	5%
Interest income	891	859	880	4%	1%	3,389	3,572	(5%)
Interest expense	908	903	1,127	1%	(19%)	3,981	4,673	(15%)
Net interest	(17)	(44)	(247)	61%	93%	(592)	(1,101)	46%
Net revenues <sup>(1)</sup>	3,430	4,516	3,343	(24%)	3%	16,871	15,519	9%
Compensation and benefits <sup>(2)</sup>	2,432	1,779	1,551	37%	57%	7,786	6,823	14%
Non-compensation expenses	1,861	1,510	3,040	23%	(39%)	6,345	7,750	(18%)
Total non-interest expenses	4,293	3,289	4,591	31%	(6%)	14,131	14,573	(3%)
Income (loss) from continuing operations before taxes								
	(863)	1,227	(1,248)	*	31%	2,740	946	190%
Income tax provision / (benefit) from continuing operations	(133)	89	(726)	*	82%	38	(315)	*
Income (loss) from continuing operations	(730)	1,138	(522)	*	(40%)	2,702	1,261	114%
Gain (loss) from discontinued operations after tax	(8)	(6)	(11)	(33%)	27%	(19)	(52)	63%
Net income (loss)	(738)	1,132	(533)	*	(38%)	2,683	1,209	122%
Net income applicable to redeemable noncontrolling interests	-	-	-	--	--	-	1	*
Net income applicable to nonredeemable noncontrolling interests <sup>(3)</sup>	32	41	43	(22%)	(26%)	109	277	(61%)
Net income (loss) applicable to Morgan Stanley	\$ (770)	\$ 1,091	\$ (576)	*	(34%)	\$ 2,574	\$ 931	176%
Amounts applicable to Morgan Stanley:								
Income (loss) from continuing operations	(762)	1,097	(565)	*	(35%)	2,593	983	164%
Gain (loss) from discontinued operations after tax	(8)	(6)	(11)	(33%)	27%	(19)	(52)	63%
Net income (loss) applicable to Morgan Stanley	\$ (770)	\$ 1,091	\$ (576)	*	(34%)	\$ 2,574	\$ 931	176%
Return on average common equity from continuing operations								
	*	13%	*			7%	2%	
Pre-tax profit margin <sup>(4)</sup>	*	27%	*			16%	6%	
Compensation and benefits as a % of net revenues	71%	39%	46%			46%	44%	

Notes: - Pre-tax profit margin and return on average common equity are non-GAAP financial measures that the Firm considers to be a useful measure to assess operating performance.

- The quarter ended December 31, 2014 included a pre-tax charge of \$468 million, reflected as negative revenue, related to the incorporation of funding valuation adjustments (FVA) into the fair value measurements of certain over-the-counter derivatives: see End Notes for further details.
- In the quarter ended December 31, 2014, compensation and benefits included compensation expense deferral adjustments of approximately \$904 million: see End Notes for further details.
- In the quarter ended September 30, 2014, income tax provision / (benefit) from continuing operations included a net discrete tax benefit of \$237 million primarily associated with the repatriation of non-U.S. earnings at a cost lower than originally estimated.
- The quarter ended December 31, 2013, income tax provision / (benefit) from continuing operations included a discrete tax benefit of approximately \$192 million consisting of \$100 million related to the remeasurement of reserves and related interest based on new information regarding the status of certain tax authority examinations and \$92 million related to the establishment of a deferred tax asset associated with the reorganization of certain non-U.S. legal entities.
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Institutional Securities**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Investment Banking</b>								
Advisory revenues	\$ 488	\$ 392	\$ 451	24%	8%	\$ 1,634	\$ 1,310	25%
Underwriting revenues								
Equity	345	464	416	(26%)	(17%)	1,613	1,262	28%
Fixed income	462	484	495	(5%)	(7%)	1,956	1,805	8%
Total underwriting revenues	807	948	911	(15%)	(11%)	3,569	3,067	16%
Total investment banking revenues	\$ 1,295	\$ 1,340	\$ 1,362	(3%)	(5%)	\$ 5,203	\$ 4,377	19%
<b>Sales &amp; Trading <sup>(1)</sup></b>								
Equity	\$ 1,687	\$ 1,867	\$ 1,420	(10%)	19%	\$ 7,135	\$ 6,529	9%
Fixed Income & Commodities <sup>(2)</sup>	294	1,129	409	(74%)	(28%)	4,214	3,594	17%
Other	(37)	(83)	(231)	55%	84%	(605)	(372)	(63%)
Total sales & trading net revenues	\$ 1,944	\$ 2,913	\$ 1,598	(33%)	22%	\$ 10,744	\$ 9,751	10%
<b>Investments &amp; Other</b>								
Investments	\$ 30	\$ 39	\$ 177	(23%)	(83%)	\$ 240	\$ 707	(66%)
Other	161	224	206	(28%)	(22%)	684	684	--
Total investments & other revenues	\$ 191	\$ 263	\$ 383	(27%)	(50%)	\$ 924	\$ 1,391	(34%)
<b>Total Institutional Securities net revenues</b>	<b>\$ 3,430</b>	<b>\$ 4,516</b>	<b>\$ 3,343</b>	<b>(24%)</b>	<b>3%</b>	<b>\$ 16,871</b>	<b>\$ 15,519</b>	<b>9%</b>

**Institutional Securities U.S. Bank Data**  
**(billions) <sup>(3)</sup>**

Total corporate funded loans	\$ 9.6	\$ 9.4	\$ 8.8	2%	9%
Total other funded loans <sup>(4)</sup>	\$ 16.6	\$ 12.6	\$ 4.1	32%	*

Average Daily 95% / One-Day Value-at-Risk  
("VaR") <sup>(5)</sup>

Primary Market Risk Category (\$ millions, pre-tax)

Interest rate and credit spread	\$ 34	\$ 28	\$ 35
Equity price	\$ 18	\$ 16	\$ 20
Foreign exchange rate	\$ 11	\$ 9	\$ 17
Commodity price	\$ 14	\$ 15	\$ 18
Aggregation of Primary Risk Categories	\$ 43	\$ 38	\$ 46
Credit Portfolio VaR	\$ 12	\$ 10	\$ 13
Trading VaR	\$ 47	\$ 42	\$ 51

Notes: - See page 16 of the Financial Supplement for additional details on DVA amounts reported in the Institutional Securities business.

- In the quarter ended December 31, 2014, Fixed Income and Commodities included negative revenues of \$466 million related to the incorporation of funding valuation adjustments (FVA).

- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Wealth Management Income Statement Information**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
Revenues:								
Investment banking	\$ 173	\$ 224	\$ 206	(23%)	(16%)	\$ 791	\$ 923	(14%)
Trading	230	185	323	24%	(29%)	957	1,161	(18%)
Investments	1	2	5	(50%)	(80%)	9	14	(36%)
Commissions and fees	573	503	576	14%	(1%)	2,127	2,209	(4%)
Asset management, distribution and admin. fees	2,135	2,148	1,970	(1%)	8%	8,345	7,571	10%
Other	67	112	110	(40%)	(39%)	320	390	(18%)
Total non-interest revenues	3,179	3,174	3,190	--	--	12,549	12,268	2%
Interest income	670	649	569	3%	18%	2,516	2,100	20%
Interest expense	45	50	43	(10%)	5%	177	225	(21%)
Net interest	625	599	526	4%	19%	2,339	1,875	25%
Net revenues	3,804	3,773	3,716	1%	2%	14,888	14,143	5%
Compensation and benefits <sup>(1)</sup>	2,291	2,182	2,146	5%	7%	8,825	8,265	7%
Non-compensation expenses	777	791	855	(2%)	(9%)	3,078	3,274	(6%)
Total non-interest expenses	3,068	2,973	3,001	3%	2%	11,903	11,539	3%
Income (loss) from continuing operations before taxes								
	736	800	715	(8%)	3%	2,985	2,604	15%
Income tax provision / (benefit) from continuing operations <sup>(2)</sup>	(1,089)	321	235	*	*	(207)	910	*
Income (loss) from continuing operations	1,825	479	480	*	*	3,192	1,694	88%
Gain (loss) from discontinued operations after tax								
	0	0	0	--	--	0	(1)	*
Net income (loss)	1,825	479	480	*	*	3,192	1,693	89%
Net income applicable to redeemable noncontrolling interests <sup>(3)</sup>	0	0	0	--	--	-	221	*
Net income applicable to nonredeemable noncontrolling interests	0	0	0	--	--	-	0	--
Net income (loss) applicable to Morgan Stanley	\$ 1,825	\$ 479	\$ 480	*	*	\$ 3,192	\$ 1,472	117%
Amounts applicable to Morgan Stanley:								
Income (loss) from continuing operations	1,825	479	480	*	*	3,192	1,473	117%
Gain (loss) from discontinued operations after tax	0	0	0	--	--	0	(1)	*
Net income (loss) applicable to Morgan Stanley	\$ 1,825	\$ 479	\$ 480	*	*	\$ 3,192	\$ 1,472	117%
Return on average common equity from continuing operations								
	65%	16%	14%			27%	10%	
Pre-tax profit margin <sup>(4)</sup>	19%	21%	19%			20%	18%	
Compensation and benefits as a % of net revenues	60%	58%	58%			59%	58%	

- Notes: - Pre-tax profit margin and return on average common equity are non-GAAP financial measures that the Firm considers to be a useful measure to assess operating performance.
- During the quarter ended December 31, 2014, the Managed Futures business was transferred from the Wealth Management business segment to the Investment Management business segment. All prior period amounts have been recast to conform to the current year's presentation.
  - In the quarter ended December 31, 2014, compensation and benefits included compensation expense deferral adjustments of approximately \$88 million: see End Notes for further details.
  - In the quarter ended December 31, 2014, income tax provision / (benefit) from continuing operations included a discrete tax benefit of approximately \$1.4 billion related to the MSSBH restructuring.
  - For the twelve months ended December 31, 2013, the return on average common equity included a negative adjustment of \$151 million related to the purchase of the remaining 35% interest in the Morgan Stanley Smith Barney Joint Venture. This adjustment was included in the numerator for the purposes of calculating the return on average common equity. Excluding this negative adjustment, the return on average Common Equity would have been 11% for the twelve months ended December 31, 2013.
  - Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Wealth Management**  
**(unaudited)**

	Quarter Ended			Percentage Change From:	
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013
Wealth Management representatives	16,076	16,162	16,456	(1%)	(2%)
Annualized revenue per representative (000's) <sup>(1)</sup>	\$ 944	\$ 929	\$ 902	2%	5%
Client assets (billions)	\$ 2,025	\$ 2,003	\$ 1,909	1%	6%
Client liabilities (billions)	\$ 51	\$ 48	\$ 39	6%	31%
Fee-based client account assets (billions) <sup>(2)</sup>	\$ 785	\$ 768	\$ 697	2%	13%
Fee-based assets as a % of client assets	39%	38%	37%		
Bank deposit program (millions)	\$ 137,307	\$ 129,450	\$ 133,675	6%	3%
Client assets per representative (millions) <sup>(3)</sup>	\$ 126	\$ 124	\$ 116	2%	9%
Fee based asset flows (billions) <sup>(4)</sup>	\$ 20.8	\$ 6.5	\$ 11.6	*	79%
Retail locations	622	631	649	(1%)	(4%)
<b>Wealth Management U.S. Bank Data (billions) <sup>(5)</sup></b>					
Securities-based lending and other loans	\$ 21.9	\$ 20.3	\$ 14.7	8%	49%
Residential real estate loans	\$ 15.8	\$ 14.3	\$ 10.1	10%	56%
Available for Sale Securities Portfolio	\$ 57.3	\$ 52.5	\$ 53.4	9%	7%

Notes: - During the quarter ended December 31, 2014, the Managed Futures business was transferred from the Wealth Management business segment to the Investment Management business segment. All prior period amounts have been recast to conform to the current year's presentation.  
- Client liabilities reflect lending on Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association and broker dealer margin activity.  
- For the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, approximately \$128 billion, \$116 billion and \$104 billion, respectively, of the assets in the bank deposit program are attributable to Morgan Stanley.  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Investment Management Income Statement Information**  
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Revenues:</b>								
Investment banking	\$ -	\$ -	\$ 4	--	*	\$ 5	\$ 11	(55%)
Trading	3	4	15	(25%)	(80%)	(19)	41	*
Investments <sup>(1)</sup>	81	97	341	(16%)	(76%)	587	1,056	(44%)
Commissions and fees	0	0	0	--	--	0	0	--
Asset management, distribution and admin. fees	506	529	489	(4%)	3%	2,049	1,920	7%
Other	2	38	9	(95%)	(78%)	106	32	*
<b>Total non-interest revenues</b>	<b>592</b>	<b>668</b>	<b>858</b>	<b>(11%)</b>	<b>(31%)</b>	<b>2,728</b>	<b>3,060</b>	<b>(11%)</b>
Interest income	0	0	2	--	*	2	9	(78%)
Interest expense	4	1	2	*	100%	18	10	80%
Net interest	(4)	(1)	0	*	*	(16)	(1)	*
Net revenues	588	667	858	(12%)	(31%)	2,712	3,059	(11%)
Compensation and benefits <sup>(2)</sup>	381	253	296	51%	29%	1,213	1,189	2%
Non-compensation expenses	213	221	231	(4%)	(8%)	835	862	(3%)
Total non-interest expenses	594	474	527	25%	13%	2,048	2,051	--
Income (loss) from continuing operations before taxes	(6)	193	331	*	*	664	1,008	(34%)
Income tax provision / (benefit) from continuing operations	(3)	53	105	*	*	207	307	(33%)
Income (loss) from continuing operations	(3)	140	226	*	*	457	701	(35%)
Gain (loss) from discontinued operations after tax	0	1	0	*	--	5	9	(44%)
Net income (loss)	(3)	141	226	*	*	462	710	(35%)
Net income applicable to redeemable noncontrolling interests	0	0	0	--	--	-	-	--
Net income applicable to nonredeemable noncontrolling interests <sup>(1)</sup>	12	18	46	(33%)	(74%)	91	182	(50%)
<b>Net income (loss) applicable to Morgan Stanley</b>	<b>\$ (15)</b>	<b>\$ 123</b>	<b>\$ 180</b>	<b>*</b>	<b>*</b>	<b>\$ 371</b>	<b>\$ 528</b>	<b>(30%)</b>
<b>Amounts applicable to Morgan Stanley:</b>								
Income (loss) from continuing operations	(15)	122	180	*	*	366	519	(29%)
Gain (loss) from discontinued operations after tax	0	1	0	*	--	5	9	(44%)
<b>Net income (loss) applicable to Morgan Stanley</b>	<b>\$ (15)</b>	<b>\$ 123</b>	<b>\$ 180</b>	<b>*</b>	<b>*</b>	<b>\$ 371</b>	<b>\$ 528</b>	<b>(30%)</b>
Return on average common equity from continuing operations	*	16%	25%			13%	18%	
Pre-tax profit margin <sup>(3)</sup>	*	29%	39%			24%	33%	
Compensation and benefits as a % of net revenues	65%	38%	35%			45%	39%	

Notes: - Pre-tax profit margin and return on average common equity are non-GAAP financial measures that the Firm considers to be a useful measure to assess operating performance.  
- During the quarter ended December 31, 2014, the Managed Futures business was transferred from the Wealth Management business segment to the Investment Management business segment.  
All prior period amounts have been recast to conform to the current year's presentation.  
- In the quarter ended December 31, 2014, compensation and benefits included compensation expense deferral adjustments of approximately \$145 million: see End Notes for further details.  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Investment Management**  
**(unaudited)**

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	
<b>Net Revenues (millions)</b>								
Traditional Asset Management	\$ 432	\$ 468	\$ 446	(8%)	(3%)	\$ 1,798	\$ 1,690	6%
Merchant Banking	53	86	252	(38%)	(79%)	456	679	(33%)
Real Estate Investing <sup>(1)</sup>	103	113	160	(9%)	(36%)	458	690	(34%)
<b>Total Investment Management</b>	<b>\$ 588</b>	<b>\$ 667</b>	<b>\$ 858</b>	<b>(12%)</b>	<b>(31%)</b>	<b>\$ 2,712</b>	<b>\$ 3,059</b>	<b>(11%)</b>
<b>Assets under management or supervision (billions)</b>								
Net flows by asset class <sup>(2)</sup>								
Traditional Asset Management								
Equity	\$ (2.9)	\$ (2.9)	\$ (1.1)	--	(164%)	\$ (1.9)	\$ (1.1)	(73%)
Fixed Income	1.4	4.5	2.2	(69%)	(36%)	5.2	(0.3)	*
Liquidity	3.3	4.9	1.8	(33%)	83%	17.4	11.9	46%
Alternatives	0.6	0.3	1.1	100%	(45%)	3.5	2.6	35%
Managed Futures	(0.2)	(0.2)	(0.3)	--	33%	(0.9)	(0.9)	--
<b>Total Traditional Asset Management</b>	<b>2.2</b>	<b>6.6</b>	<b>3.7</b>	<b>(67%)</b>	<b>(41%)</b>	<b>23.3</b>	<b>12.2</b>	<b>91%</b>
Real Estate Investing	(0.4)	0.3	0.4	*	*	(2.5)	(0.6)	*
Merchant Banking	1.7	0.5	(0.2)	*	*	3.2	0.8	*
<b>Total net flows</b>	<b>\$ 3.5</b>	<b>\$ 7.4</b>	<b>\$ 3.9</b>	<b>(53%)</b>	<b>(10%)</b>	<b>\$ 24.0</b>	<b>\$ 12.4</b>	<b>94%</b>
Assets under management or supervision by asset class <sup>(3)</sup>								
Traditional Asset Management								
Equity	\$ 141	\$ 143	\$ 140	(1%)	1%			
Fixed Income	65	65	60	--	8%			
Liquidity	128	126	112	2%	14%			
Alternatives	36	35	31	3%	16%			
Managed Futures	3	3	4	--	(25%)			
<b>Total Traditional Asset Management</b>	<b>373</b>	<b>372</b>	<b>347</b>	<b>--</b>	<b>7%</b>			
Real Estate Investing	20	20	21	--	(5%)			
Merchant Banking	10	9	9	11%	11%			
<b>Total Assets Under Management or Supervision</b>	<b>\$ 403</b>	<b>\$ 401</b>	<b>\$ 377</b>	<b>--</b>	<b>7%</b>			
Share of minority stake assets	7	7	6	--	17%			

Notes: - The alternatives asset class includes a range of investment products such as funds of hedge funds, funds of private equity funds and funds of real estate funds.  
- During the quarter ended December 31, 2014, the Managed Futures business was transferred from the Wealth Management business segment to the Investment Management business segment. All prior period amounts have been recast to conform to the current year's presentation.  
- The share of minority stake assets represents Investment Management's proportional share of assets managed by entities in which it owns a minority stake.  
- Refer to End Notes on pages 15-17 and Legal Notice on page 18.



**MORGAN STANLEY**  
**Quarterly Financial Information**  
**Loans and Lending Commitments**  
**(unaudited, dollars in billions)**

	Quarter Ended			Percentage Change From:	
	Dec 31, 2014	Sept 30, 2014	Dec 31, 2013	Sept 30, 2014	Dec 31, 2013
<b>Institutional Securities</b>					
Corporate Funded Loans					
Loans held for investment, net of allowance	\$ 8.0	\$ 8.2	\$ 7.8	(2%)	3%
Loans held for sale	7.8	5.9	6.2	32%	26%
Loans held at fair value <sup>(1)</sup>	0.5	0.7	2.9	(29%)	(83%)
<b>Total corporate funded loans</b>	<b>\$ 16.3</b>	<b>\$ 14.8</b>	<b>\$ 16.9</b>	<b>10%</b>	<b>(4%)</b>
Corporate Lending Commitments					
Loans held for investment	\$ 62.3	\$ 62.2	\$ 61.4	--	1%
Loans held for sale	15.7	16.3	8.1	(4%)	94%
Loans held at fair value <sup>(2)</sup>	3.3	4.1	9.1	(20%)	(64%)
<b>Total corporate lending commitments</b>	<b>\$ 81.3</b>	<b>\$ 82.6</b>	<b>\$ 78.6</b>	<b>(2%)</b>	<b>3%</b>
<b>Corporate Loans and Lending Commitments<sup>(3)</sup></b>	<b>\$ 97.6</b>	<b>\$ 97.4</b>	<b>\$ 95.5</b>	<b>--</b>	<b>2%</b>
Other Funded Loans					
Loans held for investment, net of allowance	\$ 11.4	\$ 8.7	\$ 3.8	31%	200%
Loans held for sale	1.6	0.7	0.1	129%	*
Loans held at fair value	11.5	13.3	9.7	(14%)	19%
<b>Total other funded loans</b>	<b>\$ 24.5</b>	<b>\$ 22.7</b>	<b>\$ 13.6</b>	<b>8%</b>	<b>80%</b>
Other Lending Commitments					
Loans held for investment	\$ 2.3	\$ 1.9	\$ 1.3	21%	77%
Loans held for sale	0.8	0.1	0.0	*	*
Loans held at fair value	2.1	2.1	0.8	--	163%
<b>Total other lending commitments</b>	<b>\$ 5.2</b>	<b>\$ 4.1</b>	<b>\$ 2.1</b>	<b>27%</b>	<b>148%</b>
<b>Total Other Loans and Lending Commitments<sup>(4)</sup></b>	<b>\$ 29.7</b>	<b>\$ 26.8</b>	<b>\$ 15.7</b>	<b>11%</b>	<b>89%</b>
<b>Institutional Securities Loans and Lending Commitments<sup>(5)</sup></b>	<b>\$ 127.3</b>	<b>\$ 124.2</b>	<b>\$ 111.2</b>	<b>2%</b>	<b>14%</b>
<b>Wealth Management</b>					
Funded Loans					
Loans held for investment, net of allowance	\$ 37.7	\$ 34.6	\$ 24.9	9%	51%
Loans held for sale	0.1	0.1	0.1	--	--
<b>Total funded loans</b>	<b>\$ 37.8</b>	<b>\$ 34.7</b>	<b>\$ 25.0</b>	<b>9%</b>	<b>51%</b>
Lending Commitments					
Loans held for investment	\$ 4.9	\$ 4.6	\$ 4.5	7%	9%
Loans held for sale	0.0	0.0	0.0	--	--
<b>Total lending commitments</b>	<b>\$ 4.9</b>	<b>\$ 4.6</b>	<b>\$ 4.5</b>	<b>7%</b>	<b>9%</b>
<b>Wealth Management Loans and Lending Commitments<sup>(6)</sup></b>	<b>\$ 42.7</b>	<b>\$ 39.3</b>	<b>\$ 29.5</b>	<b>9%</b>	<b>45%</b>
<b>Firm Loans and Lending Commitments</b>	<b>\$ 170.0</b>	<b>\$ 163.5</b>	<b>\$ 140.7</b>	<b>4%</b>	<b>21%</b>

Note: - Refer to End Notes on pages 15-17 and Legal Notice on page 18.

This page represents an addendum to the 4Q 2014 Financial Supplement, Appendix I

**MORGAN STANLEY**  
**Earnings Per Share Calculation Under Two-Class Method**  
**Three Months Ended December 31, 2014**  
**(unaudited, in millions, except for per share data)**

<b>Allocation of net income from continuing operations</b>							
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
	Weighted Average # of Shares	% Allocation <sup>(2)</sup>	Net income from continuing operations applicable to Morgan Stanley <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,920	100%		\$192	\$736	\$928	\$0.48 <sup>(6)</sup>
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$0	\$1	\$1	N/A <sup>(7)</sup>
	1,922	100%	\$929	\$192	\$737	\$929	

<b>Allocation of gain (loss) from discontinued operations</b>							
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
	Weighted Average # of Shares	% Allocation <sup>(2)</sup>	Gain (loss) from Discontinued Operations Applicable to Common Shareholders, after Tax <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,920	100%		\$0	\$(8)	\$(8)	\$0.00 <sup>(6)</sup>
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$0	\$0	\$0	N/A <sup>(7)</sup>
	1,922	100%	\$(8)	\$0	\$(8)	\$(8)	

<b>Allocation of net income applicable to common shareholders</b>							
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
	Weighted Average # of Shares	% Allocation <sup>(2)</sup>	Net income applicable to Morgan Stanley <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,920	100%		\$192	\$728	\$920	\$0.48 <sup>(6)</sup>
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$0	\$1	\$1	N/A <sup>(7)</sup>
	1,922	100%	\$921	\$192	\$729	\$921	

Note: - Refer to End Notes on pages 15-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Earnings Per Share Calculation Under Two-Class Method**  
**Twelve Months Ended December 31, 2014**  
**(unaudited, in millions, except for per share data)**

**Allocation of net income from continuing operations**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
			Net income from continuing operations applicable to Morgan Stanley <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,924	100%		\$674	\$5,158	\$5,832 <sup>(6)</sup>	\$3.03
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$1	\$7	\$8 <sup>(7)</sup>	NA
	1,926	100%	\$5,840	\$675	\$5,165	\$5,840	

**Allocation of gain (loss) from discontinued operations**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
			Gain (loss) from Discontinued Operations Applicable to Common Shareholders, after Tax <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,924	100%		\$0	\$(14)	\$(14) <sup>(6)</sup>	\$(0.01)
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$0	\$0	\$0 <sup>(7)</sup>	NA
	1,926	100%	\$(14)	\$0	\$(14)	\$(14)	

**Allocation of net income applicable to common shareholders**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
						(D)+(E)	(F)/(A)
			Net income applicable to Morgan Stanley <sup>(3)</sup>	Distributed Earnings <sup>(4)</sup>	Undistributed Earnings <sup>(5)</sup>	Total Earnings Allocated	Basic EPS <sup>(8)</sup>
Basic Common Shares	1,924	100%		\$674	\$5,144	\$5,818 <sup>(6)</sup>	\$3.02
Participating Restricted Stock Units <sup>(1)</sup>	2	0%		\$1	\$7	\$8 <sup>(7)</sup>	N/A
	1,926	100%	\$5,826	\$675	\$5,151	\$5,826	

Note: - Refer to End Notes on pages 15-17 and Legal Notice on page 18.

MORGAN STANLEY  
End Notes**Page 1:**

- (1) 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. For these purposes, “GAAP” refers to generally accepted accounting principles in the United States. The Securities and Exchange Commission (SEC) 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 GAAP. Non-GAAP financial measures disclosed by Morgan Stanley are provided as additional information to investors in order to provide them with greater transparency about, or an alternative method for assessing, our financial condition and operating results. These measures are not in accordance with, or a substitute for 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 present the most directly comparable financial measure calculated and presented in accordance with GAAP, along with a reconciliation of the differences between the non-GAAP financial measure we reference and such comparable GAAP financial measure.
- (2) The return on average common equity and the return on average common equity from continuing operations equal income applicable to Morgan Stanley in each case less preferred dividends as a percentage of average common equity. The return on average common equity and the return on average common equity from continuing operations excluding DVA are adjusted for DVA in each case in the numerator and denominator.
- (3) As an Advanced Approach banking organization, the Firm is required to compute risk-based capital ratios using both (i) standardized approaches for calculating credit risk weighted assets (“RWAs”) and market risk RWAs (the “Standardized Approach”); and (ii) an advanced internal ratings-based approach for calculating credit risk RWAs, an advanced measurement approach for calculating operational risk RWAs, and an advanced approach for market risk RWAs calculated under Basel III (the “Advanced Approach”). To implement a provision of the Dodd-Frank Act, U.S. Basel III subjects Advanced Approach banking organizations which have been approved by their regulators to exit the parallel run, such as the Firm, to a permanent “capital floor”. In calendar year 2014, the capital floor results in the Firm's capital ratios being the lower of the capital ratios computed under the Advanced Approach or the U.S. Basel I-based rules as supplemented by the existing market risk rules known as “Basel 2.5”. For the current quarter, the Firm's capital floor is represented by the Advanced Approach. Beginning on January 1, 2015, the capital floor will result in the Firm's ratios being the lower of the capital ratios computed under the Advanced Approach or the Standardized Approach under Basel III. These computations are preliminary estimates as of January 20, 2015 (the date of this release) and could be subject to revision in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2014. The methods for calculating the Firm's risk-based capital ratios will change through 2022 as aspects of the U.S. Basel III final rule are phased in. For information on the calculation of regulatory capital and ratios for prior periods, please refer to Part 2, Item 7 "Regulatory Requirements" in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2013 and Part 1, Item 2 "Regulatory Requirements" in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.
- (4) Book value per common share equals common equity divided by period end common shares outstanding.
- (5) Tangible book value per common share equals tangible common equity divided by period end common shares outstanding.

**Page 2:**

- (1) During the fourth quarter of 2014, Morgan Stanley incorporated funding valuation adjustments (FVA) into the fair value measurements of over-the-counter uncollateralized or partially collateralized derivatives, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received. The Firm's implementation of FVA reflects the inclusion of FVA in the pricing and valuations by the majority of market participants involved in the Firm's principal exit market for these instruments. In general, FVA reflects a market funding risk premium inherent in the noted derivative instruments. In connection with its implementation of FVA, Morgan Stanley incurred a pre-tax charge of approximately \$468 million, representing a change in accounting estimate, of which \$466 million was reflected as a reduction to Institutional Securities Fixed Income & Commodities sales and trading net revenues.
- (2) On December 1, 2014, the Firm's Compensation, Management Development and Succession (CMDS) Committee of the Board of Directors approved an approach for awards of discretionary incentive compensation for the 2014 performance year to be granted in 2015 that would reduce the average deferral of such awards to an approximate baseline of 50%. Additionally, the CMDS Committee approved the acceleration of vesting for certain outstanding deferred cash-based incentive compensation awards. The impact of these actions on compensation and benefits expenses for the Firm and each business segment are as follows: change in 2014 level of deferrals: Firm: \$ 756 million, ISG: \$610 million, WM: \$66 million, IM: \$80 million and acceleration of prior year cash-based deferred awards: Firm: \$381 million, ISG: \$294 million, WM: \$22 million, IM: \$65 million.
- (3) For the year ended December 31, 2014, the income tax provision / (benefit) from continuing operations included discrete tax benefits of approximately \$2.2 billion. On October 31, 2014, the Firm completed a legal entity restructuring that included a change in tax status of Morgan Stanley Smith Barney Holdings LLC (MSSBH) from a partnership to a corporation. MSSBH is the holding company for the former Wealth Management JV. As a result of this change in tax status, the Firm's effective tax rate from continuing operations for the quarter and full year ended December 31, 2014, include a discrete net tax benefit of approximately \$1.4 billion primarily due to the release of a deferred tax liability which was previously established. The quarter ended September 30, 2014 included a net discrete benefit of \$237 million related to the repatriation of non-U.S. earnings at a cost lower than anticipated. Also included in the full year ended December 31, 2014, were discrete tax benefits of approximately \$609 million related to the remeasurement of reserves and related interest based on new information regarding the status of a multi-year tax authority examination. For the year ended December 31, 2013, the income tax provision / (benefit) from continuing operations included discrete tax benefits of \$407 million consisting of \$161 million related to the remeasurement of reserves and related interest based on new information regarding the status of certain tax authority examinations, \$92 million related to the establishment of a deferred tax asset associated with the reorganization of certain non-U.S. legal entities, \$73 million attributable to tax planning strategies to optimize foreign tax credit utilization in anticipation of the repatriation of earnings from certain non-U.S. subsidiaries and \$81 million resulting from a retroactive change in U.S. tax law.
- (4) On June 28, 2013, the Firm completed the purchase of the remaining 35% interest in the Morgan Stanley Smith Barney Joint Venture from Citi, increasing the Firm's interest from 65% to 100%.
- (5) Preferred stock dividend / other includes allocation of earnings to Participating Restricted Stock Units (RSUs). For the twelve months ended December 31, 2013, the Firm recorded a negative adjustment of approximately \$151 million related to the purchase of the remaining interest in the Morgan Stanley Smith Barney Joint Venture. This adjustment negatively impacted the calculation of basic and fully diluted earnings per share.
- (6) Pre-tax profit margin percentages represent income from continuing operations before income taxes as a percentage of net revenues.

**Page 4:**

- (1) Reflects the regional view of 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, 2013.
- (2) 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 transactions with affiliated entities.
- (3) As an Advanced Approach banking organization, the Firm is required to compute risk-based capital ratios using both (i) standardized approaches for calculating credit risk weighted assets ("RWAs") and market risk RWAs (the "Standardized Approach"); and (ii) an advanced internal ratings-based approach for calculating credit risk RWAs, an advanced measurement approach for calculating operational risk RWAs, and an advanced approach for market risk RWAs calculated under Basel III (the "Advanced Approach"). To implement a provision of the Dodd-Frank Act, U.S. Basel III subjects Advanced Approach banking organizations which have been approved by their regulators to exit the parallel run, such as the Firm, to a permanent "capital floor". In calendar year 2014, the capital floor results in the Firm's capital ratios being the lower of the capital ratios computed under the Advanced Approach or the U.S. Basel I-based rules as supplemented by the existing market risk rules known as "Basel 2.5". For the current quarter, the Firm's capital floor is represented by the Advanced Approach. Beginning on January 1, 2015, the capital floor will result in the Firm's ratios being the lower of the capital ratios computed under the Advanced Approach or the Standardized Approach under Basel III. These computations are preliminary estimates as of January 20, 2015 (the date of this release) and could be subject to revision in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2014. The methods for calculating the Firm's risk-based capital ratios will change through 2022 as aspects of the U.S. Basel III final rule are phased in. For information on the calculation of regulatory capital and ratios for prior periods, please refer to Part 2, Item 7 "Regulatory Requirements" in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2013 and Part 1, Item 2 "Regulatory Requirements" in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.
- (4) 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.
- (5) The Firm's goodwill and intangible balances are net of allowable mortgage servicing rights deduction.
- (6) Tangible common equity equals common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction.
- (7) Beginning in the first quarter of 2014, Tier 1 leverage ratio equals Tier 1 capital divided by adjusted average total assets (which reflects adjustments for disallowed goodwill, transitional intangible assets, certain deferred tax assets, certain financial equity investments, and other adjustments). For more information on the calculation of the Tier 1 leverage ratio for prior periods, please refer to Part 1, Item 2 "Regulatory Requirements" in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.

**MORGAN STANLEY**  
**End Notes**

**Page 5:**

- (1) The Firm's capital estimation and attribution to the business segments are based on the Required Capital framework, an internal capital adequacy measure which considers risk, leverage, potential losses from extreme stress events, and diversification under a going concern capital concept at a point in time. The framework also takes into consideration regulatory capital requirements as well as capital required for organic growth, acquisitions and other business needs. For further discussion of the framework, refer to Part 1, Item 2 "Regulatory Requirements" in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014.

**Page 6:**

- (1) During the fourth quarter of 2014, Morgan Stanley incorporated funding valuation adjustments (FVA) into the fair value measurements of over-the-counter uncollateralized or partially collateralized derivatives, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received. The Firm's implementation of FVA reflects the inclusion of FVA in the pricing and valuations by the majority of market participants involved in the Firm's principal exit market for these instruments. In general, FVA reflects a market funding risk premium inherent in the noted derivative instruments. In connection with its implementation of FVA, Morgan Stanley incurred a pre-tax charge of approximately \$468 million, representing a change in accounting estimate, of which \$466 million was reflected as a reduction to Institutional Securities Fixed Income & Commodities sales and trading net revenues.
- (2) In the quarter ended December 31, 2014, the impact of the compensation expense deferral adjustments for the Institutional Securities business segment are as follows: a) change in 2014 level of deferrals: \$610 million and b) acceleration of prior year cash-based deferred awards: \$294 million.
- (3) 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.
- (4) Pre-tax profit margin percentages represent income from continuing operations before income taxes as a percentage of net revenues.

**Page 7:**

- (1) For the periods noted below, sales and trading net revenues included positive (negative) revenue related to DVA as follows:
- |                     |   |
|---------------------|---|
| December 31, 2014:  | Total QTD: \$223 million; Fixed Income & Commodities: \$161 million; Equity: \$62 million       |
| September 30, 2014: | Total QTD: \$215 million; Fixed Income & Commodities: \$132 million; Equity: \$83 million       |
| December 31, 2013:  | Total QTD: \$(368) million; Fixed Income & Commodities: \$(285) million; Equity: \$(83) million |
| December 31, 2014:  | Total YTD: \$651 million; Fixed Income & Commodities: \$419 million; Equity: \$232 million      |
| December 31, 2013:  | Total YTD: \$(681) million; Fixed Income & Commodities: \$(603) million; Equity: \$(78) million |
- (2) During the fourth quarter of 2014, Morgan Stanley incorporated funding valuation adjustments (FVA) into the fair value measurements of over-the-counter uncollateralized or partially collateralized derivatives, and in collateralized derivatives where the terms of the agreement do not permit the reuse of the collateral received. The Firm's implementation of FVA reflects the inclusion of FVA in the pricing and valuations by the majority of market participants involved in the Firm's principal exit market for these instruments. In general, FVA reflects a market funding risk premium inherent in the noted derivative instruments. In connection with its implementation of FVA, Morgan Stanley incurred a pre-tax charge of approximately \$468 million, representing a change in accounting estimate, of which \$466 million was reflected as a reduction to Institutional Securities Fixed Income & Commodities sales and trading net revenues.
- (3) Institutional Securities U.S. Bank refers to the Firm's U.S. bank operating subsidiary Morgan Stanley Bank, N.A.
- (4) In addition to primary corporate lending activity, the Institutional Securities business segment engages in other lending activity. These loans include corporate loans purchased in the secondary market, commercial mortgage loans, asset-backed loans and financing extended to equities customers.
- (5) 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 2013 Form 10-K.

**Page 8:**

- (1) In the quarter ended December 31, 2014, the impact of the compensation expense deferral adjustments for the Wealth Management business segment are as follows: a) change in 2014 level of deferrals: \$66 million and b) acceleration of prior year cash-based deferred awards: \$22 million.
- (2) On October 31, 2014, the Firm completed a legal entity restructuring that included a change in tax status of Morgan Stanley Smith Barney Holdings LLC (MSSBH) from a partnership to a corporation. MSSBH is the holding company for the former Wealth Management JV. As a result of this change in tax status, the Firm's effective tax rate from continuing operations for the quarter and full year ended December 31, 2014, include a discrete net tax benefit of approximately \$1.4 billion primarily due to the release of a deferred tax liability which was previously established.
- (3) On June 28, 2013, the Firm completed the purchase of the remaining 35% interest in the Morgan Stanley Smith Barney Joint Venture from Citi, increasing the Firm's interest from 65% to 100%. For the twelve months ended December 31, 2013, Citi's results related to its interest through June 28, 2013 were reported in net income (loss) applicable to redeemable noncontrolling interests.
- (4) Pre-tax profit margin percentages represent income from continuing operations before income taxes as a percentage of net revenues.

**Page 9:**

- (1) Annualized revenue per representative is defined as annualized revenue divided by average representative headcount.
- (2) 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.
- (3) Client assets per representative represents total client assets divided by period end representative headcount.
- (4) Fee-based asset flows include net new fee-based assets, net account transfers, dividends, interest, and client fees and exclude cash management related activity.
- (5) Wealth Management 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.

**Page 10:**

- (1) The quarters ended December 31, 2014, September 30, 2014 and December 31, 2013 include investment gains (losses) for certain funds included in the Firm's consolidated financial statements. The limited partnership interests in these gains were reported in net income (loss) applicable to

noncontrolling interests. Beginning in the quarter ended June 30, 2014, net revenues reflect the deconsolidation of certain legal entities associated with a real estate fund sponsored by the Firm.

- (2) In the quarter ended December 31, 2014, the impact of the compensation expense deferral adjustments for the Investment Management business segment are as follows: a) change in 2014 level of deferrals: \$80 million and b) acceleration of prior year cash-based deferred awards: \$65 million.
- (3) Pre-tax profit margin percentages represent income from continuing operations before income taxes as a percentage of net revenues.

**MORGAN STANLEY**  
**End Notes**

**Page 11:**

- (1) Real Estate Investing revenues include gains or losses related to investments held by certain consolidated real estate funds. These gains or losses are offset in net income (loss) applicable to noncontrolling interest. The investment gains (losses) for the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013 are \$11 million, \$17 million and \$48 million, respectively. Beginning in the quarter ended June 30, 2014, net revenues reflect the deconsolidation of certain legal entities associated with a real estate fund sponsored by the Firm.
- (2) Net Flows by region [inflow / (outflow)] for the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013 were:  
North America: \$3.7 billion, \$1.8 billion and \$(3.2) billion  
International: \$(0.2) billion, \$5.6 billion and \$7.1 billion
- (3) Assets under management or supervision by region for the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013 were:  
North America: \$250 billion, \$246 billion and \$236 billion  
International: \$153 billion, \$155 billion and \$141 billion

**Page 12:**

- (1) For the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, the percentage of Institutional Securities corporate funded loans held at fair value by credit rating was as follows:  
- % investment grade: 7%, 11% and 50%  
- % non-investment grade: 93%, 89% and 50%
- (2) For the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, the percentage of Institutional Securities corporate lending commitments held at fair value by credit rating was as follows:  
- % investment grade: 69%, 67% and 71%  
- % non-investment grade: 31%, 33% and 29%
- (3) On December 31, 2014, September 30, 2014 and December 31, 2013, the "event-driven" portfolio of pipeline commitments and closed deals to non-investment grade borrowers were \$10.5 billion, \$10.7 billion and \$7.3 billion, respectively.
- (4) In addition to primary corporate lending activity, the Institutional Securities business segment engages in other lending activity. These loans include corporate loans purchased in the secondary market, commercial and residential mortgage loans, asset-backed loans and financing extended to equities and commodities customers.
- (5) For the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, Institutional Securities recorded a provision for credit losses (release) of \$12.3 million, \$1.2 million and \$(10.8) million, respectively, related to funded loans and \$8.7 million, \$(15.7) million and \$4.3 million related to unfunded commitments, respectively.
- (6) For the quarters ended December 31, 2014, September 30, 2014 and December 31, 2013, Wealth Management recorded a provision for credit losses of \$1.0 million, \$1.0 million and \$1.2, respectively, related to funded loans and there was no material provision recorded related to the unfunded commitments for each of the quarterly periods presented.

**Page 13:**

- (1) Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Restricted Stock Units ("RSUs") that pay dividend equivalents subject to vesting are not deemed participating securities and are included in diluted shares outstanding (if dilutive) under the treasury stock method.
- (2) The percentage of weighted basic common shares and participating RSUs to the total weighted average of basic common shares and participating RSUs.
- (3) Represents net income from continuing operations, gain (loss) from discontinued operations (after-tax), and net income applicable to Morgan Stanley for the quarter ended December 31, 2014 prior to allocations to participating RSUs.
- (4) Distributed earnings represent the dividends paid for the quarter ended December 31, 2014. The amount of dividends paid is based upon the number of common shares and participating RSUs outstanding as of the dividend record date.
- (5) The two-class method assumes all of the earnings for the reporting period are distributed and allocated to the participating RSUs what they would be entitled to based on their contractual rights and obligations of the participating security.
- (6) Total income applicable to common shareholders to be allocated to the common shares in calculating basic and diluted EPS for common shares.
- (7) Total income applicable to common shareholders to be allocated to the participating RSUs reflected as a deduction to the numerator in determining basic and diluted EPS for common shares.
- (8) Basic and diluted EPS data are required to be presented only for classes of common stock, as described under the accounting guidance for earnings per share.

**Page 14:**

- (1) Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Restricted Stock Units ("RSUs") that pay dividend equivalents subject to vesting are not deemed participating securities and are included in diluted shares outstanding (if dilutive) under the treasury stock method.
- (2) The percentage of weighted basic common shares and participating RSUs to the total weighted average of basic common shares and participating RSUs.
- (3) Represents net income from continuing operations, gain (loss) from discontinued operations (after-tax), and net income applicable to Morgan Stanley for the full year ended December 31, 2014 prior to allocations to participating RSUs.
- (4) Distributed earnings represent the dividends paid for the year ended December 31, 2014. The amount of dividends paid is based upon the number of common shares and participating RSUs outstanding as of the dividend record date.
- (5) The two-class method assumes all of the earnings for the reporting period are distributed and allocated to the participating RSUs what they would be entitled to based on their contractual rights and obligations of the participating security.
- (6) Total income applicable to common shareholders to be allocated to the common shares in calculating basic and diluted EPS for common shares.
- (7) Total income applicable to common shareholders to be allocated to the participating RSUs reflected as a deduction to the numerator in determining basic and diluted EPS for common shares.



(8) Basic and diluted EPS data are required to be presented only for classes of common stock, as described under the accounting guidance for earnings per share.

**MORGAN STANLEY**  
**Legal Notice**

**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 20, 2015.**

Morgan Stanley

## Strategic Update

James P. Gorman, Chairman and Chief Executive Officer

January 20, 2015

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## Notice

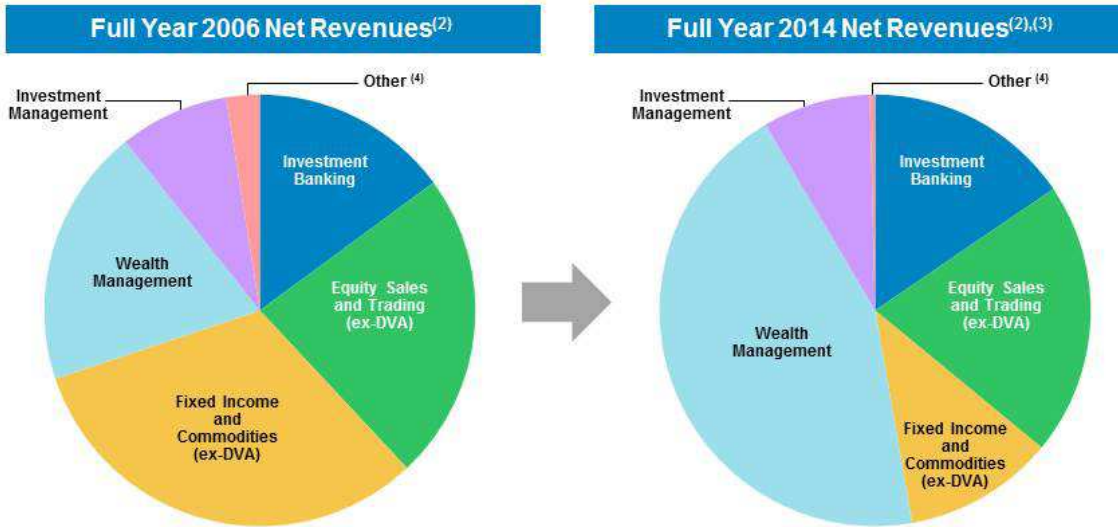
The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in this presentation or in the Company's most recent Annual Report on Form 10-K, Definitive Proxy Statement, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on [www.morganstanley.com](http://www.morganstanley.com).

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. 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](http://www.morganstanley.com). This presentation is not an offer to buy or sell any security.

Please note this presentation is available at [www.morganstanley.com](http://www.morganstanley.com).

# Morgan Stanley: Looking Forward

- Multi-year transformation of business mix has led to earnings consistency and balance sheet strength
- Beyond core businesses, Morgan Stanley benefitting from U.S. Bank<sup>(1)</sup> upside, lower funding costs and returning incremental capital



Morgan Stanley

(1) 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.  
 (2) Revenues for 2006 represent results for fiscal year ending November 30th. Revenues for 2014 represent results for fiscal year ending December 31st.  
 (3) Full Year 2014 Net Revenues exclude the positive impact of \$851 million from DVA. Net Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.  
 (4) 'Other' includes Other Sales & Trading, Investments and Other and Intersegment eliminations.

# 2014 Checklist: Mark to Market <sup>(1)</sup>

1	Continue to improve Wealth Management margins through cost discipline and revenue growth	On Track
2	Improve Fixed Income and Commodities ROE: <ul style="list-style-type: none"><li>– Strategic solution for Commodities</li><li>– “Centrally managed” Fixed Income</li><li>– RWA reductions</li></ul>	Resized, Reshaped and More Being Done
3	Additional expense reductions and improvement in expense ratios	On Track
4	Progress regarding Morgan Stanley-specific growth opportunities: most notably, the U.S. Bank	On Track
5	Steadily increase capital return to shareholders	On Track
6	Achieve returns that meet and exceed cost of capital	On Track

# 2015 Roll-Forward: Realizing Benefit of Strategic Initiatives



1

# Ongoing Wealth Management Upside Through Additional Margin Improvement

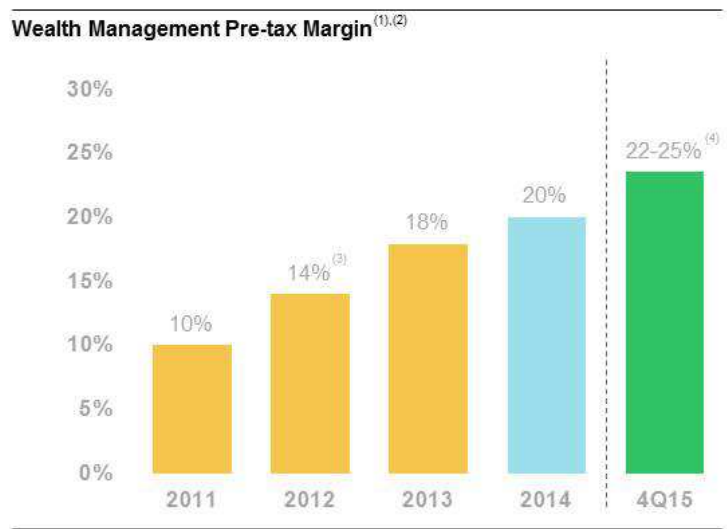
**Pre-tax Margin Target**

Includes:

- Revenue and operating leverage from deposit deployment
- Continued investments in leading technology platform

Upside Beyond Target:

- Higher interest rates
- Greater equity market levels
- Secular trend toward fee-based managed accounts



(1) 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.

(2) The periods 2011-2013 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.

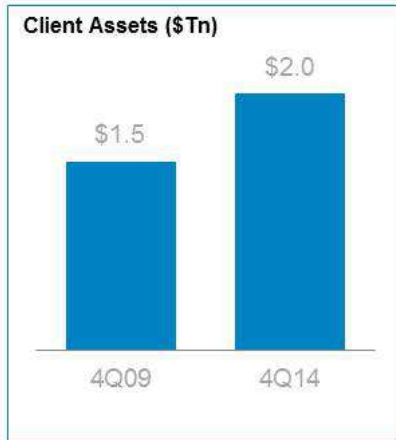
(4) The attainment of these margins in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.



# Additional Drivers of Wealth Management Returns

- Benefitting from focus on high net worth and ultra-high net worth client segments
- These segments have the broadest, most complex financial planning and investing requirements – consistent with Morgan Stanley’s strengths

Meaningfully Increased Overall Assets Under Management at Morgan Stanley...



... With A Greater Percentage of Those Assets Being From Wealthiest Clients...

	4Q09	4Q14	% Δ
\$10MM or more	410	746	+82%
\$1MM - \$10MM	613	827	+35%
\$100K - \$1MM	408	413	+1%
<\$100K	51	39	-24%

... And Upside To U.S. Bank Strategy Given Percentage of Client Deposits at Other Institutions

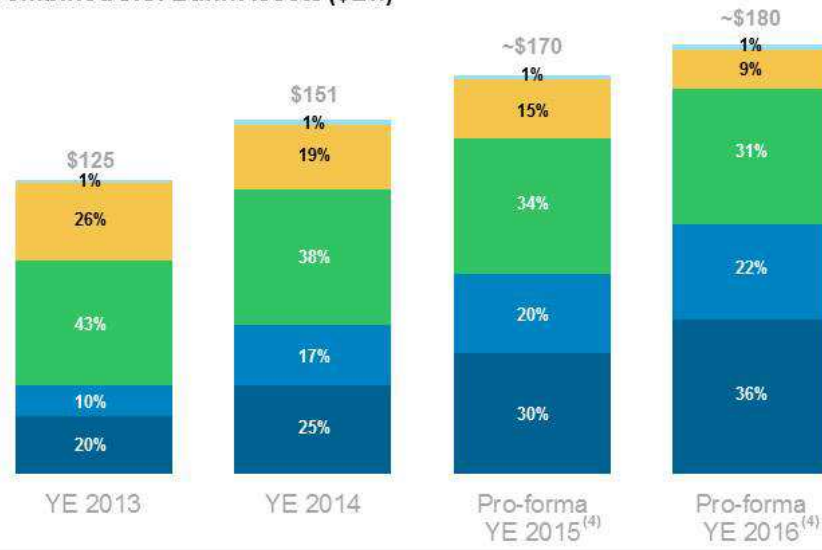


# NII Upside Driven by Ongoing Execution of U.S. Bank Strategy In Wealth Management & Institutional Securities

- Sizable, underpenetrated and embedded client base supports balanced loan growth
- Higher interest rates (eventually) will drive additional upside to net interest income

	Current Yield	Future Yield Opportunity <sup>(3)</sup>
Cash & ST Investments <sup>(5)</sup>	~0.3%	~1.6%
AFS	~1.1%	~2.1%
Lending	~2.8%	~3.9%

Combined U.S. Bank Assets (\$Bn) <sup>(1),(2)</sup>



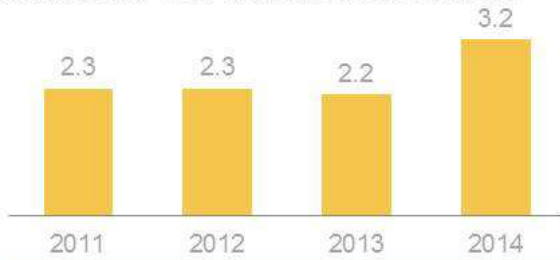
■ WM Lending 
 ■ ISG Lending 
 ■ AFS 
 ■ Cash & Short Term Investments <sup>(5)</sup>
■ Other

<sup>(1)</sup> Combined bank assets represent assets in U.S. Bank.  
<sup>(2)</sup> Figures may not sum due to rounding.  
<sup>(3)</sup> "Future Yield Opportunities" are based off forward interest rate curves.  
<sup>(4)</sup> The attainment of these pro-forma asset targets in 2015 and 2016 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.  
<sup>(5)</sup> Short term investments represent reverse repurchase agreements.

# Institutional Securities Positive Outlook, Benefitting From Leading Advisory and Equity Sales & Trading Franchises

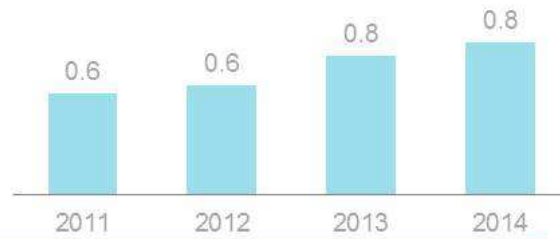
## Industry Announced M&A Volumes<sup>(1)</sup> (\$Tn)

Morgan Stanley – #2 in Global Announced M&A in 2014



## Industry Equity Underwriting Volumes<sup>(1)</sup> (\$Tn)

Morgan Stanley – #2 in Global Equity & Equity Linked in 2014



## Total Equity Sales & Trading Revenues ex-DVA (\$Bn)<sup>(2),(3),(4)</sup>



Morgan Stanley

(1) Industry volumes and league table rankings are for 2014 and are sourced from Thomson Reuters as of January 9, 2015.  
 (2) Revenues ex-DVA for fiscal years ending December 31st. Data sourced from each company's published financial statements. Equity sales and trading revenues ex-DVA is a non-GAAP financial measure the Company considers useful for investors to allow comparability of peers operating performance from period to period.  
 (3) 2011-2012 Morgan Stanley equity sales and trading revenues ex-DVA have been restated to include the International Wealth Management business, previously reported in the Wealth Management business segment.  
 (4) Competitors listed include Goldman Sachs, J.P. Morgan, Bank of America and Citigroup. Goldman Sachs revenues ex-DVA exclude Reinsurance revenues in all periods; Goldman Sachs results for 2012 exclude gains from the sale of a hedge fund administration business and for 2014 exclude revenues related to the extinguishment of certain of the firm's junior subordinated debt. Revenues for J.P. Morgan, Bank of America and Citigroup are as reported.

### 3 Drive ROE > 10% in Fixed Income & Commodities

Fixed Income	Commodities
<ul style="list-style-type: none"> <li>• Implemented centralized management of resources across Fixed Income                             <ul style="list-style-type: none"> <li>– Reduced balance sheet</li> <li>– Reduced risk-weighted assets</li> <li>– Reduced non-compensation expenses</li> </ul> </li> <li>• Maintained normalized<sup>(1)</sup> ROEs of &gt;10% in our areas of strength in 2014                             <ul style="list-style-type: none"> <li>– Securitized Products</li> <li>– Credit Corporates</li> </ul> </li> <li>• In progress: Optimization of Interest Rates returns and roll-down of Structured Credit RWAs</li> </ul>	<ul style="list-style-type: none"> <li>• Sold/ Divested                             <ul style="list-style-type: none"> <li>– TransMontaigne Inc.</li> <li>– CanTerm Canadian Terminals Inc.</li> </ul> </li> <li>• Committed to selling                             <ul style="list-style-type: none"> <li>– Global Oil Merchenting</li> </ul> </li> <li>• Integrating remaining businesses into Sales and Trading                             <ul style="list-style-type: none"> <li>– North American Power &amp; Gas</li> <li>– EMEA &amp; Asia-Pacific Power &amp; Gas</li> <li>– Oil Facilitation</li> <li>– Metals</li> </ul> </li> </ul>
Capital <sup>(2),(3)</sup>	
<ul style="list-style-type: none"> <li>• Capital efficiency with ongoing RWA reductions: \$210Bn at YE 2013, \$188Bn at YE 2014, \$180Bn target for YE 2015</li> <li>• Additional capital opportunity through passive roll-down of \$25Bn of RWAs by year-end 2018</li> </ul>	

(1) "Normalized" ROEs are a non-GAAP measure that the company considers useful for investors to assess operating performance. Normalized ROEs are based on the Firm's internal managed view of revenues, expenses and allocated equity by segment and business area. Normalized ROE reflects the impact of RWA mitigation and excludes the impact of changes in the fair value of net derivative contracts attributable to movements in the Company's credit default swap spreads, severance and legal expenses, for legacy residential mortgage and credit crisis related matters. Fixed Income normalized ROEs include a portion of underwriting revenues which are externally reported in Investment Banking.

(2) The Company calculated its risk-weighted assets under the U.S. Basel III Advanced Approach final rules. This estimate is as of 4Q14 and may change.

(3) The attainment of these targets in 2015 and 2018 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

## Reduction and Optimization of Risk-Weighted Assets in Fixed Income and Commodities

- On track to achieve year end 2015 target of <\$180Bn
- Optimize ~\$25Bn of RWAs beyond \$180Bn target, primarily passive roll-down
- RWAs to be redeployed to maximize returns, either within Fixed Income or across the broader Institutional Securities franchise

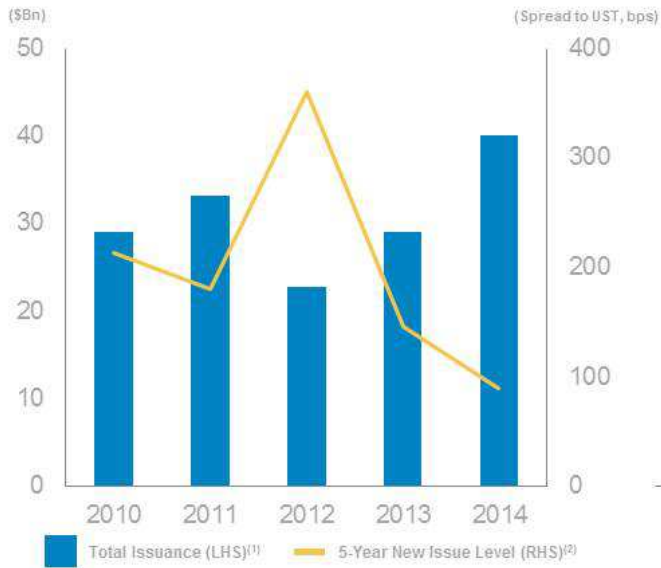
Fixed Income and Commodities Basel III Risk-Weighted Assets (\$Bn)<sup>(1),(2)</sup>



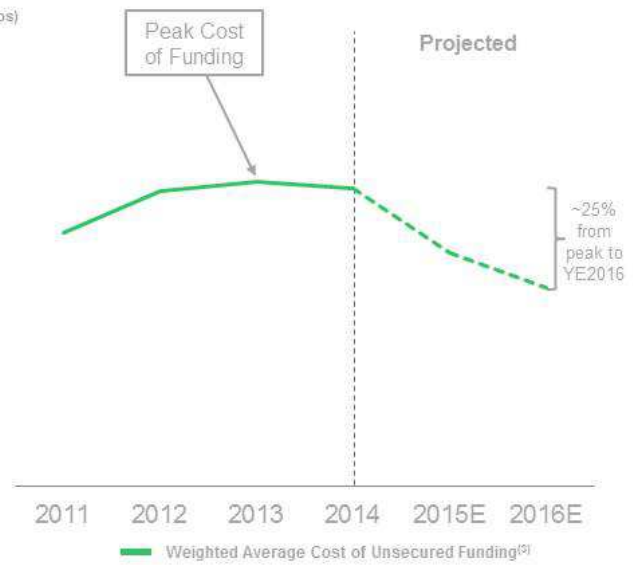
## 4 Tailwind from Lower Funding Costs

- Meaningful reduction in funding costs due to spread tightening and roll-off of older more expensive debt

Issuance and New Issue Levels



Weighted Average Cost of Unsecured Funding



Morgan Stanley

- (1) Total issuance includes senior and subordinated, unsecured debt issuance based on notional (USD).  
 (2) Morgan Stanley New Issue Level is the weighted average spread to Treasuries on completed 5-Year benchmark USD fixed rate transactions.  
 (3) For illustrative purposes only - not to scale. Cost of unsecured funding, represented as a spread to Federal Funds, is subject to change, based on movements in variables such as broad markets, interest rates, credit spreads, issuance amount/tenor and hedging strategy, among others.

# Ongoing Focus on Expense Management, Resulting in Greater Efficiency

## Compensation Expenses

Recent change to compensation structure:

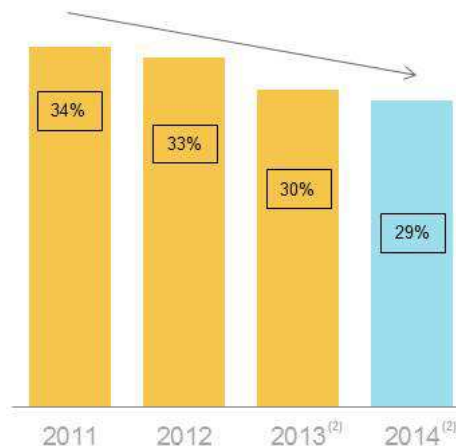
- Reflects the stability of the franchise
- Reduces the overhang of prior year deferrals
- Thus, provides operating leverage in an improved revenue environment and a reduced liability in a lower revenue environment

• Target Compensation/Net Revenue ratios<sup>(3)</sup>:

- Institutional Securities ≤ 39% in 2015
  - In a flat revenue environment
- Wealth Management ≤ 55% over time
  - In a flat interest rate environment
- Investment Management ≤ 40% over time

## Non-Compensation Expenses

Non-Compensation Efficiency Ratio<sup>(1)</sup>



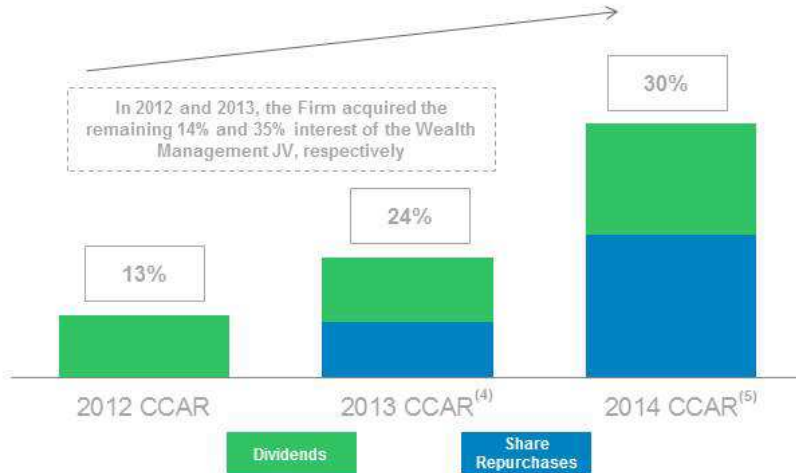
2013 and 2014 exclude elevated legal expenses vs. 2012

- (1) Non-compensation efficiency ratio is calculated as non-compensation expenses, or adjusted non-compensation expenses, divided by net revenues excluding DVA. Non-compensation efficiency ratio is a non-GAAP financial measure the Company considers useful for investors to allow comparability of period to period operating performance.
- (2) 2013 non-compensation expenses exclude \$1.8Bn of elevated legal expenses versus 2012 levels and investments/impairments/writes-offs of ~\$300MM and 2014 non-compensation expenses exclude ~\$200MM of elevated legal expenses versus 2012 levels (adjusted non-compensation expenses).
- (3) The attainment of these targets may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

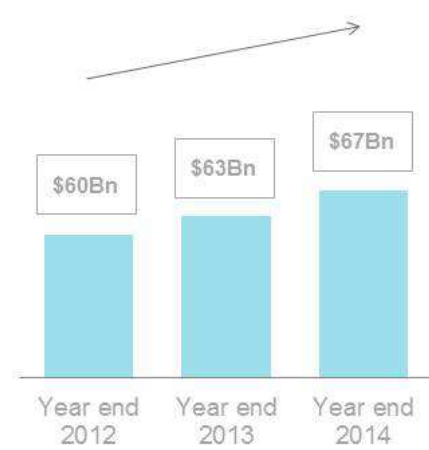
## 6 Returning Capital – Our Philosophy

- We intend to continue to increase our capital return to shareholders over time, subject to regulatory approval

**Morgan Stanley's Capital Returns<sup>(1)</sup> & Total Payout Ratios<sup>(2)</sup>**



**Morgan Stanley's Capital Base<sup>(3)</sup>**



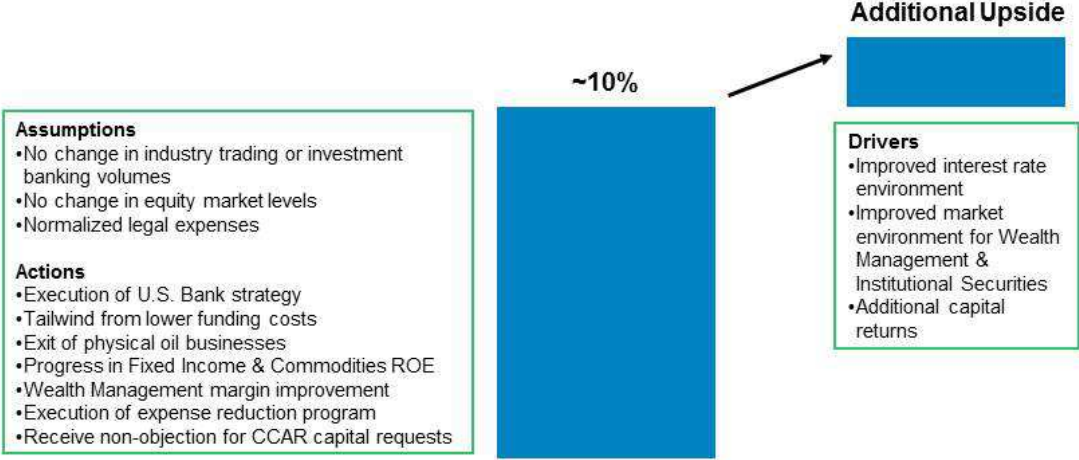
- (1) In 2012, 2013 and 2014, the Firm received a "non-objection" from the Federal Reserve for each respective year's CCAR submission.
- (2) Total payout ratio includes gross share repurchase amount and dividends, and does not net the impact of share issuance from equity incentive compensation plans. The payout ratio utilizes Net Income applicable to common shareholders from continuing operations, excluding DVA. Net Income applicable to common shareholders from continuing operations excluding DVA is a non-GAAP financial measure the Company considers useful for investors to allow comparability of period to period operating performance.
- (3) Morgan Stanley's Capital Base represents the Firm's average common equity excluding DVA. Average common equity excluding DVA is a non-GAAP financial measure that the Company considers useful for investors to allow comparability of period to period operating performance.
- (4) In 2013, the Firm received a non-objection to repurchase up to \$500MM of common stock beginning in 3Q13 through 1Q14 under rules permitting annual capital distributions.
- (5) In 2014, the Firm received a non-objection to repurchase up to \$1Bn of common stock beginning in 2Q14 through 1Q15 and to increase the Firm's quarterly common stock dividend to \$0.10 per share from \$0.05 per share beginning with the dividend declared in 2Q14.



# Systematic Progress to Achieving Return on Equity of 10% and Higher

## Targeted Return on Average Common Equity (ROE) excl. DVA<sup>(1)</sup>

(%)



# End Notes

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

- (1) The attainment of these results may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.
- (2) Improved interest rate environment refers to a future environment where interest rates are higher than indicated by the forward curve as of year-end 2014.
- (3) Based on current expectations; changes in legal results or regulation could materially impact expenses. Expense reductions include Office of Re-engineering, Institutional Securities and Wealth Management expense initiatives, and headcount management, partially offset by re-investment in certain areas.
- (4) Normalized legal expenses are calculated by excluding elevated legal expenses versus 2012 levels from non-compensation expenses. Normalized legal expenses represent a non-GAAP financial measure that the company considers useful for investors to allow comparability of period to period operating performance.
- (5) To determine the return on consolidated average common equity, excluding the impact of DVA, both the numerator and the denominator are adjusted to exclude the impact of DVA. The return on average common equity, excluding DVA is a non-GAAP measure the Company considers to be a useful measure that the Company and investors use to assess operating performance. The calculation of return on average common equity, excluding DVA uses income from continuing operations applicable to Morgan Stanley less preferred dividends and DVA as a percentage of average common equity excluding DVA.
- (6) Capital actions are subject to regulatory approval.

## Strategic Update

James P. Gorman, Chairman and Chief Executive Officer

January 20, 2015