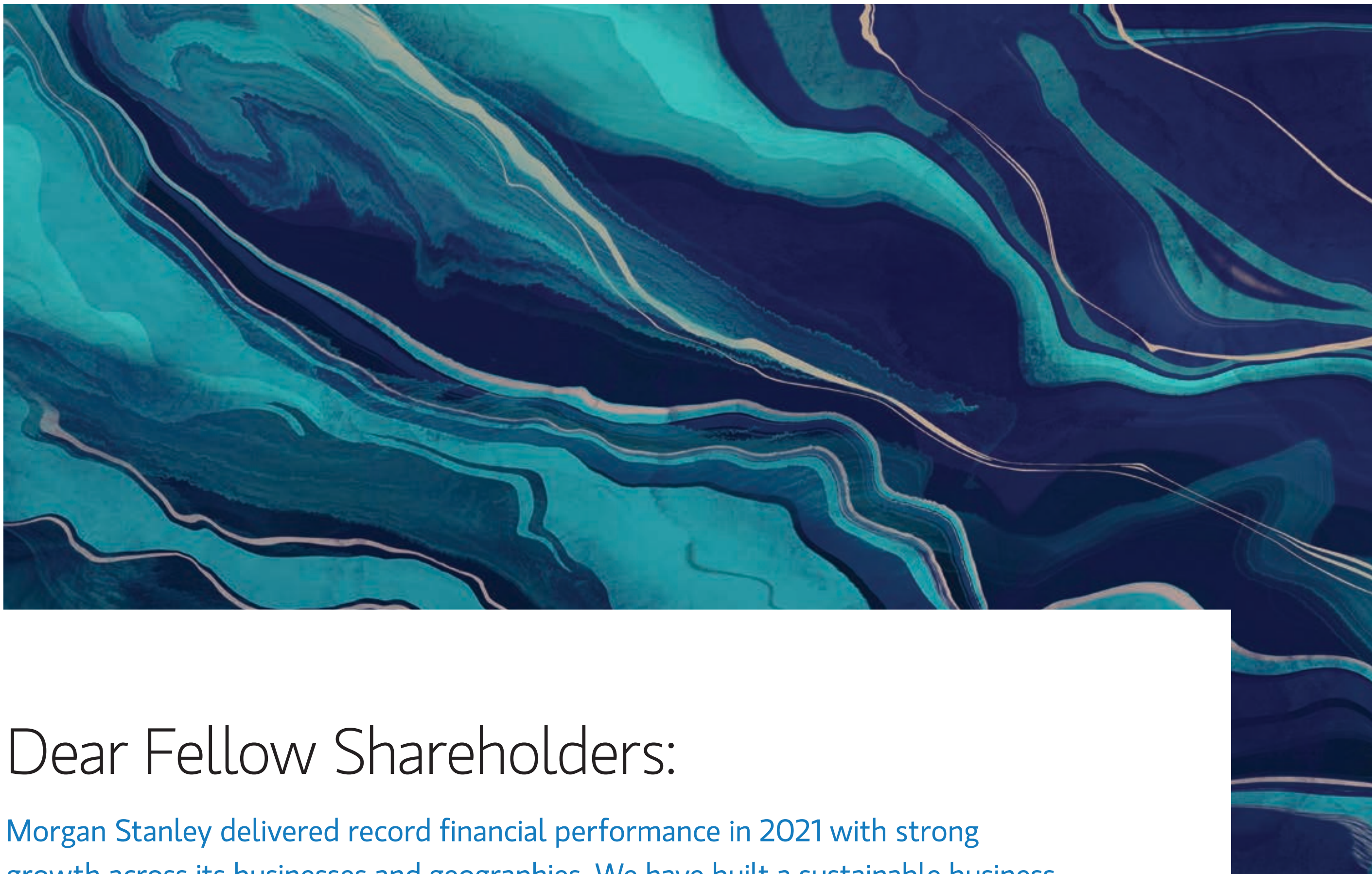
Morgan Stanley



Dear Fellow Shareholders:

Morgan Stanley delivered record financial performance in 2021 with strong growth across its businesses and geographies. We have built a sustainable business model with both scale and momentum, and our diversified global franchise is leaning into growth and well positioned for long-term success.

Our record results were achieved in a year marked by the continued global public health crisis related to COVID-19. Despite the development of vaccines, the arrival of new variants prevented a return to normalcy, but our employees and communities exhibited extraordinary resilience in the face of these circumstances.

The acquisitions of E*TRADE and Eaton Vance have advanced our growth strategy, capping a 12-year transformation of Morgan Stanley into a more balanced company, producing higher returns and pivoting to long-term, sustainable growth.

Our future success will be driven by the depth of talent and leadership that exists across our Firm. It is our employees who will drive our business growth and sustain our culture. Our senior management team is strong and experienced, and we have a deep bench of talent in our businesses. We continue to invest in our people and are committed to a diverse environment where all employees can prosper. We also remain committed to using our resources as a financial institution to help ensure an equitable and sustainable future for our communities and society.

James P. Gorman
Chairman and CEO

2021 FINANCIAL PERFORMANCE

Fiscal stimulus and the reopening of many parts of the global economy led to robust economic growth and a favorable market environment in 2021. Amid this backdrop, and with a strong focus on our clients, Morgan Stanley delivered record financial results — our fourth consecutive year of earnings growth. We generated strong returns for our shareholders while meaningfully driving our strategic vision forward.

For the full year, Morgan Stanley reported record revenues of $59.8 billion and record net income of $15.0 billion, producing a return on average tangible common equity (ROTCE) of 19.8%. We delivered strong results across all our businesses while remaining disciplined in our expenses. We continued to invest in our people and in technology, resiliency and cybersecurity while generating meaningful operating leverage.

The integrated investment bank — our Institutional Securities businesses — delivered excellent full-year performance with record revenues of $29.8 billion and expanding margins. Our Investment Banking and

2021 Highlights

Executing Our Strategy

- Record revenues of $29.8 billion in Institutional Securities — our client-focused integrated investment bank
- $4.9 trillion in Wealth Management client assets across advisor and self-directed channels
- $438 billion in net new assets in Wealth Management representing 11% of beginning period client assets
- Record $1.6 trillion in assets under management in Investment Management
- $115 billion of total net inflows across public and private markets asset classes in Investment Management
- $210 billion of investable capital across our diverse alternatives platform
- Combined assets of U.S. banks increased to $386 billion
- 67% Firmwide expense efficiency ratio
- 100% increase in common share dividend and $12.0 billion share repurchase program announced in 2021

Fortified Capital and Enhanced Liquidity

- Common equity tier 1 capital ratio standardized approach of 16.0% as of December 31, 2021, with $97.7 billion in common equity
- $356 billion global liquidity resources as of December 31, 2021

Shelley O'Connor, Vice Chairman and Head of External Affairs; Ted Pick, Co-President, Head of Institutional Securities Group and Co-Head of Corporate Strategy; Sharon Yeshaya, Chief Financial Officer; and Keishi Hotsuki, Chief Risk Officer

Winning in the Marketplace

- No. 1 in managed accounts, with $1,739 billion in assets
- No. 1 in Barron's Top 100 Financial Advisors, with 45 listings
- No. 1 in managing retail direct indexing assets through Parametric
- E*TRADE ranked best in mobile by Barron's, Kiplinger and StockBrokers.com
- No. 2 in Equity revenue wallet share at 22.5%
- No. 2 underwriter of global equity and equity-linked offerings
- No. 3 advisor on global announced and completed mergers and acquisitions
- 93% of global mutual fund assets under management are in the top half of their Morningstar peer group over a 10-year period

Equity businesses each delivered record revenues on strong client engagement. Fixed Income delivered its second-best annual result in over a decade, following an exceptional prior year.

Our footprint is balanced around the world, putting us in a leading tier of investment banks with global scale. Our integrated approach combined with this global footprint and balance across business lines distinguishes our model.

Wealth Management demonstrated strong growth in 2021 delivering revenues of $24.2 billion and a pre-tax margin of 26.9%, excluding integration costs. We added nearly $1 trillion in client assets in a single year to reach $4.9 trillion at the end of 2021. Strong asset generation from both existing clients and new clients, driven by our advisor channel, brought in $438 billion in net new assets. Our business continues to benefit from strong client demand across the platform. Scale advantages are propelling our predominantly organic growth, a result of our consistent and focused execution on our integration and expansion initiatives.

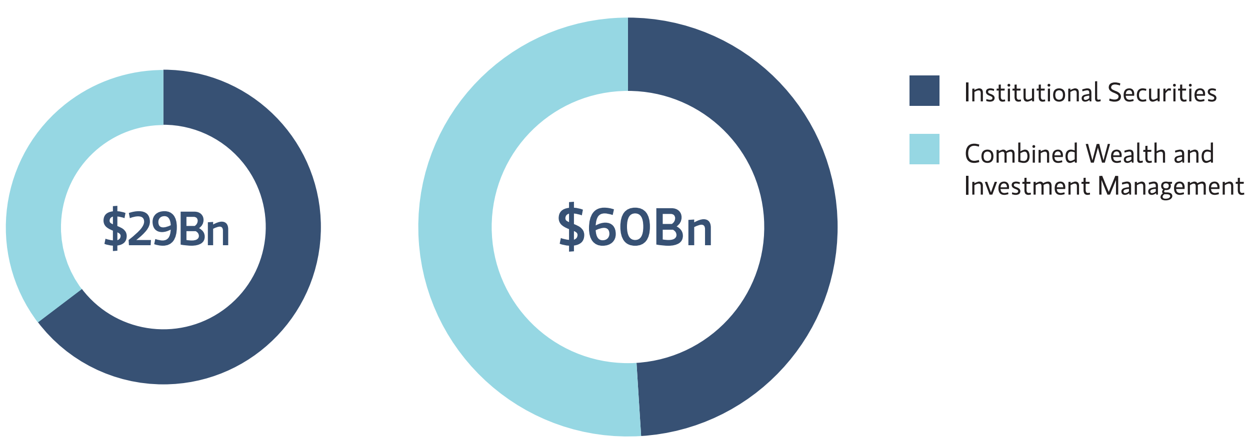
Investment Management reported annual revenues of $6.2 billion with a greater contribution from more durable management fee revenues. Total assets under management rose to a record high of $1.6 trillion at the end of 2021, and net flows were a very strong $115 billion during the year. Our results show the diversification of the business and our ability to deliver differentiated client value. With the acquisition of Eaton Vance, our platform has transformed into a premier and growing asset manager.

Our increased earnings power, supported by revenues from more durable sources, and the accumulated significant excess capital from the past several years allowed us to double our annual dividend to $2.80 per common share and execute on a meaningful share repurchase program of up to $12 billion. We were able to reset our capital base consistent with the needs for our transformed business model. This follows from our having consistently increased our capital return over the past decade.

The Firm's performance in 2021 exceeded our expectations. As a result, we were able to achieve all of the two-year objectives we had set out for ourselves at the beginning of the year. We entered 2022 ahead of our plan and with great momentum. Our strong brand and franchise are generating tangible results as we collaborate across our segments with a coordinated, client-focused approach.

Transformed Business Mix and Profitability

	2009	2021
ISG Net Revenues	$19Bn	$30Bn
WM Net Revenues	$9Bn	$24Bn
IM Net Revenues	$1Bn	$6Bn
ROTCE	8%	20%



Clare Woodman, Head of Europe, the Middle East and Africa; and Franck Petitgas, Head of International

Our Wealth and Investment Management businesses together held **$6.5 trillion** in client assets at the end of 2021. We have significant scale advantages in these businesses, and they will benefit as rates rise over the next several years. Our longer-term goal is to grow these assets to **$10 trillion.**

TRANSFORMED BUSINESS MODEL POSITIONED FOR CONTINUED GROWTH

Over the past 12 years, Morgan Stanley has transformed its business model and is now firmly positioned for growth. Our total revenues have more than doubled since 2009 with each business having grown significantly and contributing to the Firm's enhanced profitability. We have built unique competitive advantages around each of our businesses, and we expect to grow and maintain our leading positions. Our Institutional Securities business has demonstrated increased wallet share overall and individually across business lines since we reset our strategy and restructured some of this business. Share continues to aggregate to the industry leaders, and we expect this trend to persist. Our competitive position is strong, and we are confident in our ability to capitalize on opportunities to hold, if not gain, share across the segment. Scale in our global businesses is not only the foundation for gaining market share, it also drives margin expansion through operating leverage. Furthermore, our businesses are interconnected and integrated, delivering the entire Firm to all of our clients.

Our Wealth and Investment Management businesses together held $6.5 trillion in client assets at the end of 2021. We have significant scale advantages in these businesses, and they will benefit as rates rise over the next several years. Our longer-term goal is to grow these assets to $10 trillion. The earnings power underlining these businesses will serve as an economic engine for the Firm for decades to come.

With the top advisor-led business in the industry, complemented by leading workplace and self-directed offerings, the wealth franchise we have built is in a category of one. We are a top player in each of the key channels in which individual investors manage their finances. We have nearly 15 million unique relationships across these channels, with the potential to deepen those relationships and consolidate client assets onto our platform. In the workplace channel, for example, we have over $500 billion in unvested assets and expect to retain an increasing proportion of these assets as they vest. We see this channel as a funnel for client and asset acquisition to sustain growth going forward. Given our focused efforts in this area, our goal is to reach 30% retention. As you can see, Wealth Management affords tremendous growth opportunities in the years ahead, and therefore our goal for the pre-tax margin in the business is 30%+.

With the acquisition of Eaton Vance, our Investment Management business is now of even greater scale and diversification. We are a leader in areas of increasing client demand — key growth areas of customization, sustainability and alternatives — and can offer our clients differentiated value through a diversified product set. Our Parametric and Calvert brands have robust investment capabilities in customization and sustainability, respectively, and have seen meaningful asset growth in recent years. Moreover, the complementary nature of our distribution networks — with Eaton Vance's powerful U.S. retail distribution capabilities and Morgan Stanley Investment Management's strength in international distribution — enhances our client reach. Along with our world-class Equity franchise and value-add Fixed Income platform, we expect to continue driving growth into the future.

Our Strategy

What we do:

Advise, originate, trade, manage and distribute capital for governments, institutions and individuals, and always do so with a standard of excellence.

How we do it:

Execute in a way that is consistent with our values and, whenever possible, deliver more than one part of the Firm.

With what result:

Deliver strong returns for our shareholders, build long-term value for our clients and offer highly attractive career opportunities for our employees.

Andy Saperstein, Co-President and Head of Wealth Management; and Mandell Crawley, Chief Human Resources Officer

Executing on Long-Term Value

	GOALS
ROTCE	20%+
Efficiency Ratio	< 70%
WM Pre-Tax Margin	30%+
	LONGER-TERM
Client Assets	$10 Trillion

In addition to each of our businesses having defensible and sustainable competitive advantages to protect and drive their leading positions, we are also focused on being disciplined with our resources. Managing our expense base and capital are important in driving high returns. On the expense side, our goal is to achieve an expense efficiency ratio of under 70%. We have businesses of scale that should allow us to manage our expenses efficiently while also investing for growth. We continue to have an excess capital position, despite increasing our shareholder returns and continuing to invest in our businesses. Our expanded earnings power has created capital flexibility, and we expect to continue returning excess capital to shareholders, subject to regulatory approval.

Finally, we are increasing our ROTCE goal to 20%+ to reflect the earnings power we see in our business model. We are laser focused on delivering value to our clients, shareholders and employees, and we believe this goal is achievable. We have scale, significant growth opportunities in Wealth and Investment Management coupled with a leading Institutional business, strong brands that expand our footprint, and a commitment to capital return.

We have meaningfully and with intent transformed our business model over the past 12 years. While all our long-term goals are subject to changes in the economic outlook, as well as in the political and regulatory environment, we believe unambiguously that Morgan Stanley is in its growth phase.

INVESTING IN OUR PEOPLE AND TALENT

Our future growth and success will be guided by the depth of talent and strong leadership across our Firm. In 2021, we made important changes to the executive leadership structure to continue developing the next generation of leaders. We appointed Ted Pick and Andy Saperstein to be Co-Presidents of Morgan Stanley. Ted and Andy lead our two largest businesses and have both played critical roles in our Firm's success. They are proven leaders and managers. Dan Simkowitz continues to lead Investment Management and, along with Ted Pick, is co-heading the Firm Strategy and Execution team. Jonathan Pruzan was appointed Chief Operating Officer, responsible for Technology, Operations and Firm Resilience, our U.S. Banks, Finance and Corporate Services, following his six years as Chief Financial Officer (CFO) and Head of Firm Strategy. Sharon Yeshaya, who was critical in shaping and telling our story with investors as the Head of Investor Relations, succeeded Jon as CFO and Head of Finance. Shelley O'Connor, who recently led the build-out of our banks, is now the Head of External Affairs, and Mike Pizzi, who joined us with the acquisition of E*TRADE, became the Head of our U.S. Banks, which will be a key driver of our future growth. I am confident in this leadership team, and that these changes will continue to build on our momentum. These seasoned business executives are all long-term culture carriers with proven leadership, and the Board of Directors and I look forward to working with them over the coming years.

We have a deep bench of talent on both the business and infrastructure sides of the Firm, and we are committed to investing in them and their success. With the recent acquisitions of E*TRADE and Eaton Vance, we have welcomed thousands of employees to the Morgan Stanley franchise. As we continue to integrate these great organizations within our businesses, we remain committed to creating a diverse work environment where all employees can prosper and feel a sense of belonging.

Building an increasingly diverse workforce remains central to our values, and we are continuing to take steps to ensure that our employees

Our Core Values

Do the Right Thing

Act with integrity. Think like an owner to create long-term shareholder value. Value and reward honesty and character.

Put Clients First

Keep the client's interests first. Work with colleagues to deliver the best of the Firm to every client. Listen to what the client is saying and needs.

Lead With Exceptional Ideas

Win by breaking new ground. Leverage different perspectives to gain new insight. Drive innovation. Be vigilant about what we can do better.

Commit to Diversity and Inclusion

Value individual and cultural differences as a defining strength. Champion an environment where all employees feel a sense of belonging — are heard, seen and respected. Expect everyone to challenge behavior counter to our culture of inclusion. Attract, develop and retain talent reflecting the full diversity of society.

Give Back

Serve our communities generously with our expertise, time and money. Build a better Firm for the future by contributing to our culture. Develop our talent through mentoring and sponsorship.

reflect the demographics of the communities in which we live and work. We recently introduced three- year representation objectives to drive greater accountability for that effort. All our divisions have identified opportunities to improve diversity representation for women globally and ethnically diverse talent in the U.S. We want to see meaningful improvements at all levels across our Firm.

Our newly redesigned professional development programs for women and ethnically diverse employees are examples of investments in our own talent. The Women's Leadership Program and Multicultural Leadership Program are both designed to support career growth. This year, we promoted our biggest Managing Director class in over a decade, with a third of the promotes being women and the highest number of ethnically diverse promotes in our history. We need to continue to increase their representation.

We are also providing the benefits that support the growing needs of our diverse workforce and enrich the employee experience. We want to be the employer of choice for our industry and have added key benefits and programs to support physical, mental and financial well-being for our employees and their families. Our priority is to make Morgan Stanley a rewarding place to work for those who play a role in its success.

Tom Faust, Chairman of Morgan Stanley Investment Management; Jonathan Pruzan, Chief Operating Officer; Eric Grossman, Chief Legal Officer; and Dan Simkowitz, Head of Investment Management and Co-Head of Corporate Strategy

COMMITTING TO DIVERSITY AND SUSTAINABILITY

As a global leader in financial services, we have a responsibility to the communities where we live and work. Many communities continue to experience social and financial challenges, and the inequities of the world remain clear. We are committed to using our resources as a financial institution to help ensure an equitable and sustainable future for our societies.

In conjunction with the Institute for Inclusion that we launched in 2020, we drove forward our diversity, equity and inclusion strategy to drive change within Morgan Stanley and to support underserved communities. We published our second Diversity and Inclusion Report in 2021, representing our continued commitment to progress, transparency and accountability. We are proactively embedding diversity and inclusion into much that we do. Over the course of the year, we hosted discussions with leaders and scholars on timely and critical topics such as ongoing racial inequality, the importance of a diverse leadership team, and the importance of having fair and meritocratic talent processes. These conversations provided important forums for learning, confronting difficult issues, and cultivating belonging.

After launching the Historically Black Colleges and Universities Scholars Program in 2020 in the U.S., we launched a similar program in the U.K. last year—the Morgan Stanley Future Generation Scholarship—to support the recruitment and advancement of ethnically diverse and socially disadvantaged individuals. We will expand our efforts in the coming years as we invest more deeply to support stronger educational and career outcomes for students from low- to moderate-income backgrounds.

We are also investing in solutions that drive financial inclusion more broadly. For example, we launched the Morgan Stanley Next Level Fund, in partnership with our Multicultural Client Strategy Group and Morgan Stanley Investment Management, which supports underrepresented founders and entrepreneurs to bridge the investment gaps for diverse communities. This builds on our expertise and experience with the Morgan Stanley Multicultural Innovation Lab, our in-house startup accelerator, which expanded to London this year to operate across Europe, the Middle East and Africa, furthering the initiative launched in the U.S. in 2017. Another example is our Wealth Management Racial Equity Investing Toolkit, which offers clients advice on how to integrate diversity criteria within an investment portfolio. This is part of our Investing with Impact platform, representing nearly $70 billion in client capital, which gives investors access to a range of investments and supporting resources to advance the goals of racial equity and social justice.

The demands and strains created by a larger and growing population require global financial institutions to prudently allocate and deploy capital to solutions that enable a more prosperous and sustainable world. Morgan Stanley is committed to building a long-term sustainable economy that yields social benefit. We launched the Institute of Sustainable Investing in 2013 so that we can maximize the impact of capital to build scalable financial solutions that generate positive environmental and social impacts while delivering competitive financial returns. Since its launch, we have raised and invested capital across a range of sustainable issues including clean and renewable energy, affordable housing, marine conservation, and reducing plastic waste.

Last year we announced a significant new financing target of $1 trillion in sustainability solutions in support of the U.N. Sustainable Development Goals by 2030, including tripling our existing low-carbon financing commitment to $750 billion. The U.N. Sustainable Development Goals provide a roadmap for some of the main societal developmental areas for investment. We will mobilize capital toward this goal through our investing capacity and the product offerings across our businesses.

With the top advisor-led business in the industry, complemented by leading workplace and self-directed offerings, the wealth franchise we have built is in a category of one.

Michael A. Pizzi, Head of U.S. Banks; and
Carol Greene-Vincent, Chief Audit Officer

This new financing target builds on our leadership position as the first large U.S. bank to commit to net-zero financed emissions by 2050, in line with the Paris Agreement, and our role as the sole large U.S. bank on the Steering Committee of the Partnership for Carbon Accounting Financials that is developing the tools and methodologies needed to measure and disclose climate-related activities. We set interim 2030 targets for our net-zero financed emission commitment and will report on our progress annually. We join many of our clients in this goal and are committed to providing financing, expertise and thought leadership to support the transition to a low-carbon world.

We made significant progress in the past year toward advancing programs and solutions that are beginning to address the challenges of diverse representation and building a sustainable and healthy future for later generations. I am proud of how much we have accomplished, yet I know there is still much more to do.

LOOKING AHEAD

Morgan Stanley is very well positioned to grow over the long term. Our recent acquisitions, the balance in our business model, and the opportunity for market growth give us a high degree of confidence that we can produce strong returns well into the future. That being said, we live in a world that can be very challenging at times, as evidenced by the current war in Ukraine. First and foremost, the war is a humanitarian tragedy, and it is devastating to watch the impact it is having on Ukrainian citizens. Depending on its future path, the war may also pose serious challenges to the global economy.

While the direct impact on Morgan Stanley is likely to be limited, as we have scaled back our business in the region for the past several years, the broader economic impact of the war is unclear. Despite the future uncertainty, I am confident that we have built a business model that will be sustainable over the long term and through business cycles.

As we continue to drive growth, investing in our people and talent is of paramount importance. I have great confidence in our senior management team. Their leadership and commitment to our culture are essential to leading this Firm into the future. We are committed to a strong culture and a set of principled values that guide all our employees while fostering a diverse and equitable environment where everyone can reach their highest potential. We need to continue to enhance this culture of accountability, collaboration and inclusion, and build a broad and diverse organization. I am proud of our 75,000 employees, who continued to show their commitment to our clients and to Morgan Stanley in another extraordinary and difficult year amid a continuing global public health crisis. It was their hard work and dedication that delivered an outstanding year for our shareholders.

I am excited about our future and confident in our ability to deliver lasting value to our shareholders. Thank you for your investment in Morgan Stanley.

James P. Gorman

JAMES P. GORMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
APRIL 8, 2022

EXPLANATORY NOTES

This letter may contain forward-looking statements including the attainment of certain financial and other targets, objectives and goals. Actual results may differ materially from those expressed or anticipated in these forward-looking statements. 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 such forward-looking statements. For a discussion of risks and uncertainties that may affect future results, please see Morgan Stanley's Annual Report on Form 10-K, quarterly reports on form 10-Q and current reports on Form 8-K, including any amendments thereto.

The comparisons of current and prior periods are impacted by the financial results of the acquisitions of E*TRADE Financial Corporation (E*TRADE), which closed on October 2, 2020 (reported in the Wealth Management segment), and Eaton Vance Corp. (Eaton Vance), which closed on March 1, 2021 (reported in the Investment Management segment).

Information provided within this letter may include certain non-GAAP financial measures that we believe to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an additional means of assessing, our financial condition and operating results. The definition of such financial measures and/or the reconciliation of such measures to the comparable GAAP figures is included in either the Annual Report on Form 10-K for the year ended December 31, 2021 (2021 Form 10-K), or herein.

Net income represents net income applicable to Morgan Stanley.

Return on average tangible common equity (ROTCE) and tangible common equity are non-GAAP financial measures. The calculation of return on average tangible common equity represents full-year net income applicable to Morgan Stanley less preferred dividends as a percentage of average tangible common equity. Tangible common equity represents common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction.

Pre-tax margin represents pre-tax profit as a percentage of net revenues.

Net new assets represent client inflows (including dividend and interest) less client outflows (excluding activity from business combinations/divestitures and impact of fees and commissions).

Unique relationships represent advisor-led households, self-directed households, stock plan participants, and retirement and financial wellness participants excluding overlap as of December 31, 2021.

Expense efficiency ratio represents total non-interest expenses as a percentage of net revenues.

Alternatives represent investable capital, which includes assets under management, unfunded commitments, co-investments, and leverage across private alternative and liquid alternative strategies as of December 31, 2021. The assets under management portion of investable capital is reported under the "Alternatives and Solutions," "Equities" and "Fixed Income" categories in the 2021 Form 10-K. Private Alternatives is ~$110 billion of the total Alternatives investable capital amount.

U.S. Banks represent Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association, and exclude balances between Bank subsidiaries, as well as deposits from Morgan Stanley parent and affiliates.

Liquidity resources, which are held within the bank and non-bank operating subsidiaries, comprise high-quality liquid assets and cash deposits with banks.

2009 net revenues are adjusted to exclude the negative impact of Debt Valuation Adjustment (DVA) of approximately $5.5 billion across the following segments: Institutional Securities (ISG) ($5.4 billion), Wealth Management (WM) ($41 million) and Investment Management (IM) ($48 million). 2009 ROTCE adjusted to exclude the aggregate net after-tax impacts of negative DVA ($3.4 billion) and positive discrete tax benefit adjustment ($336 million). The adjusted ROTCE is a non-GAAP financial measure.

Total client assets of $6.5 trillion represent Wealth Management client assets and Investment Management assets under management.

The calculation of certain financial measures related to certain **goals** and objectives is adjusted to exclude integration-related expenses related to the E*TRADE and Eaton Vance acquisitions. The attainment of these **goals** or objectives may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions, and future regulations.

Equity revenue wallet share is based on reported 2021 net revenues for the equity businesses of Morgan Stanley and the following global peer companies: Goldman Sachs, JP Morgan Chase, Bank of America, Citigroup, Barclays, UBS Group and Credit Suisse.

The **No. 1 in managed accounts** ranking is based on Money Management Institute and Cerulli Associates | Advisory Solutions Quarterly – 3Q 2021.

The **No. 1 ranking in managing retail direct indexing assets** is based on Cerulli Associates Managed Account Research as of December 31, 2021.

League table rankings are based on Thomson Reuters as of January 19, 2022.

