

Index Warrants linked to MS 14% Risk Control ER Index linked to Diversified Basket of Equity Funds

Termsheet

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, (AS AMENDED) AND ARE SUBJECT TO U.S. TAX REQUIREMENTS. THE WARRANTS MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON

THE SECURITIES ARE NOT DEPOSITS OR SAVINGS ACCOUNTS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR DEPOSIT PROTECTION SCHEME ANYWHERE, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK. THE SECURITIES ARE NOT RATED.

THE WARRANTS ARE SENIOR UNSECURED OBLIGATIONS OF THE ISSUER, AND ALL PAYMENTS ON THE WARRANTS, INCLUDING THE REPAYMENT OF PRINCIPAL, ARE SUBJECT TO THE CREDIT RISK OF THE ISSUER.

PRIVATE PLACEMENT ONLY. NOT FOR DISTRIBUTION TO U.S. INVESTORS. NO ONWARD DISTRIBUTION EXCEPT IN ACCORDANCE WITH THE RELEVANT PRIVATE PLACEMENT RESTRICTIONS

This Term Sheet is a summary of the terms of the Warrants. The terms and conditions will be set out in the Pricing Supplement which must be read in conjunction with the Offering Circular dated 24 June 2022 as supplemented 27 July 2022, 24 August 2022, 27 September 2022, 28 September 2022, 24 October 2022, 25 October 2022 and 30 November 2022. Copies of the Pricing Supplement and the Offering Circular are available from the Issuer and the Dealer. Terms used but not defined herein are as defined in the Offering Circular.

PRODUCT DETAILS:		DATES:	
ISIN	GB00BQRRNZ14	Trade Date	2 May 2023
Type of Warrant	Call	Initial Valuation Date	4 May 2023
Number of Securities	1,112	Issue Date	16 May 2023
Multiplier	1 / Strike Price	Expiration Date	2 May 2028
Currency	SEK	Cash Settlement Payment Date	11 May 2028, 7 Business Day following the Expiration Date
Min Investment	SEK 100,000		
Denomination	SEK 10,000		
Issue Price	SEK 940 per Warrant		
Type of Warrant	Call		

UNDERLYING:				
Index	Bloomberg Code	Strike Price	Exchange	Index Administrator
MS 14% Risk Control ER Index linked to Diversified Basket of Equity Funds	MSFDDB14 Index	SEK 207.57	Multi-Exchange	Morgan Stanley & Co. International plc

GENERAL INFORMATION:	
Issuer	Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom
Issuer Rating	A+ (S&P), Aa3 (Moody's)
Dealer and Determination Agent	Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom
Issuing and Paying Agent	SEB

REDEMPTION AMOUNT:	
Redemption Amount	An amount per Warrant as determined by the Determination Agent in accordance with the following formula: a) If the Final Index Level is greater than the Strike Price, the Redemption Amount shall be calculated as follows: Denomination * Gearing x (Final Index Level – Strike Price) x Multiplier b) Otherwise, 0%
Gearing	100%
Final Index Level	The arithmetic average of the Index Level at the Valuation Time on the Observation Dates
Observation Dates	Each of the following Business Days: Tue 04-May-27 Wed 02-Jun-27 Fri 02-Jul-27 Mon 02-Aug-27 Thu 02-Sep-27 Mon 04-Oct-27 Tue 02-Nov-27 Thu 02-Dec-27 Tue 04-Jan-28 Wed 02-Feb-28 Thu 02-Mar-28 Mon 03-Apr-28 Tue 02-May-28
Index Level	The official closing level of the Index as determined by the Determination Agent by reference to the level of the Index published by the Index Administrator.
Business Day for valuation purposes	a Scheduled Trading Day in respect of the Underlying
Business Day for payment purposes	Stockholm
BUSINESS DAY CONVENTION	Following
AVERAGING DATE DISRUPTION:	Modified Postponement

FURTHER INFORMATION:	
Strike Currency	SEK
Settlement Type	Cash Settlement
Quotation	Unit style
Form	Dematerialised
Clearing	Euroclear Sweden
Listing	Nordic Growth Market
Securities type	Index Linked Securities (the " Securities ")
Governing Law, Place Of Jurisdiction	English Law
Index Adjustment Event	Administrator/Benchmark Event, Index Cancellation, Index Disruption and Index Modification.
Extraordinary Event	Index Modification, Index Cancellation, Index Disruption and Index Adjustment Redemption Event
Additional Disruption Event	Tax Event, Change in Law, Hedging Disruption and Increase Cost of Hedging
Early Redemption following the occurrence of:	Extraordinary Event, Change in Law, Hedging Disruption and Increased Cost of Hedging, Tax Call
Benchmark trigger provisions	Applicable. Alternative Pre-nominated Reference Interest Rate: Not Applicable
Market Making	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use

	reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.
EARLY REDEMPTION AMOUNT UPON EVENT OF DEFAULT	If the Securities are accelerated following the occurrence of an Event of Default: Qualified Financial Institution Determination: an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for redemption of the Securities) to be the amount that a Qualified Financial Institution would charge either (as specified in the applicable Pricing Supplement): (i) to assume all of the Issuer's payment and other obligations with respect to such Securities as if no such Event of Default had occurred or (ii) to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Security holders with respect to the Securities.
Potential application of Section 871(m) of the U.S. Tax Code:	The Issuer has determined that the Notes should not be subject to withholding under Section 871(m) of the Code, and hereby instructs its agents and withholding agents that no withholding is required, unless such agent or withholding agent knows or has reason to know otherwise.
Intermediary Fees	In connection with the offer and sale of the Warrants, the Issuer, the Dealer or their affiliates will pay to the Distributor a one time or recurring distribution fee. The total distribution fees payable, will not exceed 0%. Further information is available from the Distributor upon request.

Morgan Stanley is not qualified to give legal, tax or accounting advice to its clients and does not purport to do so in this document. Clients are urged to seek the advice of their own professional advisers about the consequences of the proposals contained herein.

MiFID 2 Product Governance requirements

Unless otherwise agreed in a separate distribution agreement, Morgan Stanley & Co International plc (for the purposes of this section, the “**Manufacturer**”) (solely or, together with an affiliate) and the distributor of the Warrants (the “**Distributor**”) agree and undertake as follows:

The Manufacturer (directly or, when the product is sold via an affiliate, in conjunction with such affiliate) will identify the potential target market of end investors for the Warrants by specifying the type(s) of client for whose needs, characteristics and objectives the Warrants could, based on its theoretical knowledge of and past experience with the Warrants or similar Warrants, be compatible (the “**Potential Target Market**”). The Potential Target Market will also include, where appropriate, information on any group(s) of investors for whose needs, characteristics and objectives the Warrants are not compatible. The Potential Target Market will be communicated to the Distributor by the Manufacturer (directly or, when the product is sold via an affiliate, by such affiliate), as agreed on a trade-by-trade basis.

The Distributor will, taking into account the Potential Target Market, identify a specific target market for the Warrants (the “**Specific Target Market**”) and ensure that the Warrants that it intends to offer or recommend are compatible with the needs, characteristics and objectives of such Specific Target Market. The Specific Target Market will also include, where appropriate, information on any group(s) of investors for whose needs, characteristics and objectives the Warrants are not compatible.

The Distributor will:

- on an on-going basis throughout the life of the Warrants, raise with the Manufacturer (directly or, when the product is sold via an affiliate, to such affiliate) any issue of material discrepancy or incompatibility between the Specific Target Market and the Potential Target Market;
- ensure that the Warrants are promoted, marketed and/or distributed to and through channels that are compatible with the Specific Target Market;
- review the Warrants and related services that it offers, on a regular basis, taking into account any event that could materially affect the Specific Target Market in order to make sure that the Warrants remain consistent with the needs, characteristics and objectives of the Specific Target Market; and
- provide the Manufacturer (directly or, when the product is sold via an affiliate, to such affiliate) with requested management information (including information on sales including any sales made outside the Specific Target Market).

Selling Restrictions

No public offer or subsequent distribution of the Securities in any Member State of the European Economic Area or the United Kingdom is permitted.

This term sheet may not be used for the purpose of any offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. No offer of the Securities to the public may be made, except in circumstances which do not result in any breach of Regulation (EU) 2017/1129 (the "Prospectus Regulation") by the Issuer, the Dealer and their respective affiliates and for this purpose an offer shall not be treated as not requiring the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation solely by virtue of the application of Article 1(4)(b) (offer to fewer than 150 persons).

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any State in the United States, and are subject to U.S. tax requirements. The Warrants may not be offered, sold or delivered at any time, directly or indirectly, within the United States (which term includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America) or to or for the account of a U.S. Person (as defined in Regulation S under the Securities Act of 1933, as amended). In purchasing the Warrants, you represent and warrant that you are neither located in the United States nor a U.S. Person and that you are not purchasing for the account or benefit of any such person.

Risk Factors

Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in the Warrants and to review the Offering Circular.

Please see the Offering Circular and the Pricing Supplement for a detailed description of the product. In particular, please review the Risk Factors associated with the product. Investing in the product entails certain risks including, but not limited to, the following:

Capital is not protected: the final redemption amount depends on the performance of the Underlying and could be zero.

Adjustments by the Determination Agent: The terms and conditions of the Warrants will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Warrants or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities.

In addition, other circumstances may occur which either increase the liability of the Issuer fulfilling its obligations under the Warrants or increase the liability of any hedging activities related to such obligations, including without limitation the adoption of or any change in any tax law relating to a common system of financial transaction tax in the European Union or otherwise.

In such circumstances, the Determination Agent can in its sole and absolute discretion determine whether to redeem the Warrants early, or adjust the terms of the Warrants, which may include without limitation adjustments to the Initial Reference Level, the Final Redemption Amount or the Underlying. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate action. Potential investors should see the Offering Circular for a detailed description of potential adjustment events and adjustments.

Administrator/Benchmark Event: The administrator or sponsor of an Underlying (or the Underlying itself) may be required to be authorised, registered, recognised, endorsed, the subject of an equivalence decision, approved or otherwise included in an official register in order for the Issuer or the Determination Agent to be permitted to use it and perform their respective obligations under the Warrants. If the Determination Agent determines that such a requirement applies to the administrator or sponsor (or the Underlying) but it has not been satisfied then an "Administrator/Benchmark Event" will occur and the Determination Agent or the Issuer may then apply certain fallbacks. These fallbacks may mean that the Determination Agent makes adjustments to the terms of the Warrants, including substitution of the relevant Underlying with the 'Alternative Pre-nominated Index' (if any) specified for the Underlying, or to redeem the Warrants.

Potential investors should see the Offering Circular for a detailed description of what constitutes an Administrator/Benchmark Event and the applicable 'fallback' provisions that may apply if such event occurs.

Exit Risk: Any secondary market price of the Warrants will depend on many factors, including the value and volatility of the Underlying(s), interest rates, the dividend rate on the stocks that compose the Underlying (if any), time remaining to maturity and the creditworthiness of the Issuer. The secondary market price may be lower than the market value of the issued Warrants as at the Issue Date to take into account amounts paid to distributors and other intermediaries relating to the issue and sale of the Warrants as well as amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, the holder may receive an amount in the secondary market which may be less than the then intrinsic market value of the Security and which may also be less than the amount the holder would have received had the holder held the Security through to maturity.

Credit Risk: Investors are exposed to the credit risk of the Issuer. The Warrants are essentially a loan to the Issuer with a repayment amount linked to the performance of the Underlying that the Issuer promises to pay at maturity. There is the risk, however, that the Issuer may not be able to fulfil its obligations, irrespective of whether the Warrants are referred to as capital or principal protected. Investors may lose all or part of their investment if the Issuer is unable to pay the coupons (if any) or the redemption amount. No assets of the Issuer are segregated and specifically set aside in order to pay the holders of the Warrants in the event of liquidation of the Issuer, and the holders of the Warrants will rank behind secured or preferred creditors.

Liquidity Risk: Any secondary market in the Warrants made by the Dealer or its affiliates will be made on a reasonable efforts basis only and subject to market conditions, law, regulation and internal policy. Even whilst there may be a secondary market in the Warrants it may not be liquid enough to facilitate a sale by the holders.

Product Market Risk: The value of the Notes and the returns available under the terms of the Warrants will be influenced and dependent on the value of the Underlying. It is impossible to predict how the level of the Underlying will vary over time. The historical performance (if any) of the Underlying is not indicative of its future performance.

Hedging Risk: On or prior to and after the Trade Date, the Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Warrants by taking positions in the Underlying, in option contracts on the Underlying or positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying as part of their general businesses.

Adjustment and Discontinuation Risk: The Sponsor of the Underlying can add, delete or substitute stocks constituting the Underlying or make other methodological changes that could change the value of the Underlying without regard to the interests of holders of the Warrants. Any of these decisions/determinations may adversely affect the value of the Warrants and may result in the investor receiving a return that is materially different from what he/she would have received if the event had not occurred

No Shareholder Rights: A holder of Warrants will have no beneficial interest in the stocks that compose the relevant Underlying nor any voting rights and will not have the right to receive dividends or other distributions with respect to the stocks that compose the Underlying.

Underlying Sponsor Risk: The sponsor of the relevant Underlying is not an affiliate of the Issuer or its affiliates and is not involved with this offering in any way. Consequently, the Issuer and the Determination Agent have no ability to control the actions of the sponsor of the relevant Underlying, including and rebalancing that could trigger an adjustment to the terms of the Warrants by the Determination Agent.

Potential Conflict of Interest: The Determination Agent, which is also the Issuer, will determine the payout to the investor at maturity. Morgan Stanley & Co. International plc and its affiliates may trade the Underlying on a regular basis as part of its general broker-dealer business and may also carry out hedging activities in relation to the Warrants. Any of these activities could influence the Determination Agent's determination of adjustments made to any Warrants and any such trading activity could potentially affect the price of the Underlying and, accordingly, could affect the investor's payout on any Note.

Risk Factors and Investment Considerations relating to the Underlying Index: A more detailed description of the Underlying Index and investment considerations can be found in the Index Rules published 9 November 2022.

Index Specific Risk Considerations

Weights – With respect to baskets with more than one Index Components, the Weight applied to each Index Component is determined by a rules-based algorithm. The correlation between the Index and Index Components, and the correlation between the Index Components, may vary over time and may increase or decrease by reference to a variety of factors, which may include macro-economic factors and speculation. The Weights applied may not be optimal weights.

Costs – The calculation of the Index Level includes a deduction for certain costs. Such costs are calculated in accordance with the methodology specified in this Description. Any such deduction(s) shall mean that the Index Level is less than would be the case if no costs were deducted.

Leverage – The formula used for calculating the Index Level in respect of an Index Business Day contains a multiplier in respect of the Basket Level. Therefore, the percentage change in the performance of the Index on each Index Business Day can be greater than any actual positive and/or negative performance of the Basket. Prospective investors should note that financial products or transactions referencing an index which include such a multiplier or leverage factor represent a very speculative and risk form of investment, since any loss in value of the relevant underlying reference asset may carry the risk of a disproportionately higher loss on the relevant financial product or transaction.

Indices linked to the performance of funds - Investments offering direct or indirect exposure to the performance of funds are generally considered to be particularly risky and may bear similar risks, including but not limited to, market risks in relation to a direct investment in funds.

Financial Product Investors should also be aware that if one or more events occurs in relation to the Fund or any Fund Service Provider, including the insolvency of the Fund or Fund Service Provider, the Index Sponsor shall determine whether the procedures under Section 10.1 (*Adjustment Events*) will apply. Taking any actions pursuant to such procedures may have an adverse effect on the return and risk profile of Financial Products and consequently, the value of such Financial Products and the return on any Financial Product may be considerably less than that originally anticipated by a Financial Product Investor.

No duty to monitor the occurrence of Fund Events – No member of the Morgan Stanley Group has the obligation to monitor or determine if a Fund Event has occurred at any time or to take any action in respect thereof. In certain circumstances it may be the case that if action were taken by the Index Sponsor at a different time or at all, the terms of any adjustment or other consequential determination made in respect of the Index would have resulted in a higher return to Financial Product Investors.

Investment risks in relation to funds – Financial Product Investors should note that there are substantial risks in directly or indirectly investing in funds including, without limitation, the following:

- (i) different types of funds are subject to differing levels of regulatory supervision;
- (ii) funds may have varying restrictions on leverage. Leverage presents the potential for a higher rate of return but also increases the volatility of the fund and increases the risk of a total loss of the amount invested;
- (iii) funds may have differing investment restrictions and some funds may invest in assets which are illiquid or difficult to transfer. This may have an effect on the realisation of such assets and in turn, the value and performance of the fund. In addition, a fund's assets or investments may be concentrated in a few markets, countries, industries, commodities, sectors of an economy or issuers. If so, adverse movements in a particular market, country, industry, commodity, economy or industry or in the value of the securities of a particular issuer could have a severely negative effect on the value of such fund. In addition, a fund may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk;
- (iv) substantial redemptions by holders of interests in a fund within a short period of time could require the fund's investment manager(s) and/or advisor(s) to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the fund's assets; and
- (v) the performance of a fund will be heavily dependent on the performance of investments selected by its advisors or investment managers and the skill and expertise of such fund service providers in making successful and profitable investment decisions. Such skill and expertise may be concentrated in a number of the advisor's or investment manager's key personnel. Should these key personnel leave or become no longer associated with the fund's advisor or investment manager, the value or profitability of the fund's investments may be adversely affected as a result. The past performance of a fund advisor or investment manager, or any investment strategy adopted by such entity in respect of any other fund, may not be reflective of the present or future performance or strategy of a fund.

Determinations made by the Index Sponsor in respect of Fund Potential Adjustment Events and Fund Events may have an adverse effect on the value of a Financial Product –

Upon the determination by the Index Sponsor that a Fund Potential Adjustment Event has occurred, the Index Sponsor shall determine whether such Fund Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest and, if so, whether the procedures under Section 10.1 (*Adjustment Events*) will apply, or if an Extraordinary Event has occurred the procedures under Section 10.1 (*Adjustment Events*) will apply which may, in each case, adversely affect the Index Level and, therefore, the value of a Financial Product.

Fund Potential Adjustment Events include, amongst other things (a) a sub-division, consolidation or re-classification of Fund Interests, (b) an extraordinary dividend, (c) a repurchase by the relevant Fund of the relevant Fund Interests or (d) any event having a dilutive or concentrative effect on the value of the relevant Fund Interest. Fund Events include, amongst other things, (1) a nationalisation of the relevant Fund Interest, (2) the occurrence of one or fund insolvency events, (3) a breach of strategy by the relevant Fund and (4) a force majeure event in respect of the relevant Fund Interests.

Effective Exposure – The Effective Exposure is determined by a rules-based algorithm. The correlation between the Index and the Index Component may vary over time and may increase or decrease by reference to a variety of factors, which may include macro-economic factors and speculation.

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Reform of interest rate and other “benchmarks” – The use and application of benchmarks such as LIBOR and EURIBOR in transactions and other documents have been the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Index or any of its constituents. Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks.” The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could have materially adverse consequences in relation to the Index or any of its constituents. In particular, but without limitation, any change, cessation, increase in costs or other event relating to a “benchmark” may result in the occurrence of a Disruption Event in relation to the Index, pursuant to which the Index Sponsor may take action in accordance with this Description.

Potential replacement or reform of LIBOR, EURIBOR, EONIA or other interest rate benchmarks may adversely affect the level of the Index – In response to concerns about the susceptibility of LIBOR and other interest rate benchmarks, including EURIBOR and EONIA (collectively, the “**IBORS**”) to manipulation, central banks around the world have commissioned working groups that include market participants (the “**Alternative Rate Committees**”) with the goal of finding suitable replacements for their currency’s LIBOR that meet IOSCO’s international standards for benchmarks (“**risk free rates**” or “**RFRs**”).

In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the “**FCA**”), which regulates LIBOR, called for an orderly transition over a 4 to 5 year period from LIBOR to the RFRs selected by the Alternative Rate Committees. The Financial Conduct Authority’s announcement also stated that it expects that it would not be in a position to sustain LIBOR through its influence or legal compulsion powers after the end of 2021. In addition, the European Money Markets Institute (“**EMMI**”), the publisher of EURIBOR and EONIA, has announced that EONIA (in its current form) is not a viable rate going forward due to decreased transactional activity and, as a result, EONIA is expected to be materially modified by the end of 2019 and then replaced in the next 2 years. EMMI is also undertaking efforts to reform EURIBOR so that it more accurately reflects transactions in the euro money market.

Any transition away from the IBORS to the RFRs, including a failure to find a suitable replacement rate, as well as the uncertainty surrounding the future of the IBORS and future regulatory and market developments, could have a materially adverse effect on the return on the Index. There are a number of potential risks related to the RFRs which include, but are not limited to, the following:

- they will have a very limited history and future performance cannot be predicted based on historical performance;
- they may exhibit greater volatility than the IBORs;
- they may fail to gain widespread market acceptance;
- the composition and characteristics of the RFRs are not the same as those of the IBORs and there is no guarantee that they will be comparable substitutes or that any substitutes will produce the economic equivalent of the IBORs; and
- the respective administrators of the RFRs may make changes that could change the value of the RFRs or discontinue such rates and it has no obligation to consider your interests in doing so.

Any or all of these potential risks could have a materially adverse effect on the level of the Index.

Different methods for calculating volatility may give different results – There are different methods for calculating volatility, and using a different method from the method used for the purposes of the Index may give a different result. The volatility targeting methodology of the Index measures volatility with reference to a specified number of days. Measuring volatility over a different number of days may give a different result.

Volatility targeting may be unsuccessful - The volatility targeting methodology of the Index may not succeed in maintaining the annualised volatility of the level of the Index at the volatility target specified in respect of it. The actual annualised volatility of the level of the Index may be higher than or lower than the volatility target that is specified in respect of it. The volatility targeting methodology of the Index will not prevent a decrease in the level of the Index.

Volatility targeting may result in reduced performance – The volatility targeting methodology of the Index may result in the exposure of the Index to the Index Component being considerably less than 100%. This means that the gains of any Financial Product may be significantly less than the gains of any investment product linked to the Index Component.

Rebalancing Period – The Index rebalances on a monthly basis. However, such period may not be the optional holding period for the Index Components and a different holding period may produce higher returns.

The Index is adjusted by deductions included in the Index Level - Notional embedded costs, in the form of a Rebalancing Cost, a Funding Rate, Holding Cost and Funding Spread are included within the Index and will reduce the Index Level. Any such amounts will be deducted from the performance of the Index with the intention of reflecting synthetically the costs of implementing index servicing costs (which are applicable to the Index rather than the Index Components and are applicable on an ongoing basis) a strategy that mirrors the Index.

The Index may be adjusted by the deductions of a specified Decrement level – If so specified in the Description, the Index Level may be adjusted by the deduction of a Decrement, which represent the anticipated synthetic dividend payable by the Index Component, over the life of any Transaction in Financial Instruments. The deduction of a Decrement enables the Index Sponsor to replicate synthetically the economic performance of an index component with a fixed dividend yield.

General Index Risk Considerations

The Index performance is subject to fluctuations – The Index is a notional, rules-based index comprising the Index Components and the Index Level may decline. The Index methodology described in this Description was developed based on historical data and conditions and there are no assurances that the methodology will generate positive performance in the future. The performance of the Index is dependent on many factors, including developments and trends in

the markets for the Index Components. The Index performance can go up as well as down, and can register significant losses, including in some cases that the Index falls to zero. Any past performance of the Index (actual or simulated) is not an indication of its future performance.

Risks and rewards of a Financial Product – Financial Product Investors should ensure that they review the economic terms of the relevant Financial Product and not only the terms of the Index in order to understand the risks and rewards of an investment in such Financial Product.

The Index is not an investment in the Index Components – The Index is calculated as a “notional” index. This means that the Index is calculated by reference to the Index Component Value in respect of each Index Component, however the strategy embedded in the Index means that any return might be higher or lower than the aggregate performance of the Index

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Components. However, there is no requirement for the Index Sponsor to obtain an exposure in relation to any Index Component in order to calculate the Index.

A Financial Product Investor will have no rights in respect of the Index Components or any Index Components – The investment exposure provided by the Index is synthetic. An investment referenced to an Index therefore not make a Financial Product Investor a holder of, or give a Financial Product Investor a direct investment position in, an Index or any Index Component (or any components thereof).

An investment in the Index may be subject to dilution, which may limit the gains in such investment – The Index may be subject to dilution, such that Financial Product Investors may not benefit fully from increases or decreases (depending on whether the exposure is long or short) in the value of an Index Component. Dilution means that the return or loss on an investment is subject to a multiplier decreasing exposure to such investment and reducing the volatility and risk of loss should the value of such investment decline, but reducing the potential gain should the value of such investment increase. Financial Product Investors should be aware that if the value of an Index Component increases or decreases, an investment linked to the Index may not have the same magnitude of increased or decreased value as such Index Component.

No liability – Notwithstanding any other provision within this Description, and subject as provided by any applicable law or regulation, in no event shall the Index Sponsor or the Index Calculation Agent, acting in each case in such capacity, be liable (whether directly or indirectly, in contract, tort or otherwise) for any loss incurred by any person that arises out of or in connection with the Index, including in relation to the performance of the Index Sponsor or the Index Calculation Agent, as applicable, of any part of its respective role under this Description, provided that nothing shall relieve each of the Index Sponsor and the Index Calculation Agent from any liability arising by reason of fraud or acts or omissions constituting any breach of regulation or other applicable law.

The Index Sponsor may make adjustments to this Description in certain circumstances – The Index Sponsor may make adjustments to this Description without consulting with Financial Product Investors in circumstances where the Index Sponsor has determined that such change is not material to Financial Product Investors, including if it is of a formal, minor or technical nature. Before making any other adjustment to this Description, the Index Sponsor will give prior notice to Financial Product Investors. Such adjustments could include, but are not limited to: (i) adjusting any relevant Index Component Value, (ii) replacing or removing an Index Component, (iii) postponing the publication of an Index Level or (iv) suspending or cancelling the Index. Any adjustments made to the Index may impact its future performance and result in an adverse return to a Financial Product Investor.

Discretion – This Description confers on each of the Index Sponsor and the Index Calculation Agent the right to make determinations, calculations, adjustments and modifications in relation to the Index and related matters, which involve, in certain circumstances, a degree of discretion in order to ensure that the Index can, where reasonably practicable, continue to be calculated and determined notwithstanding the relevant circumstances or, to allow a delay or a cancellation of the Index (including, without limitation, upon the occurrence of certain Adjustment Events or certain dilutive or concentrative events or other market disruption events in relation to Index Components as specified in this Description). Such adjustments may include, without limitation, adjusting the composition of the Index which exposes Financial Product Investors to the risk that

any replacement Index Component may perform differently from the original Index Component, which may have an adverse effect on the performance of the Index.

Each of the Index Sponsor and the Index Calculation Agent will, as far as reasonably practicable, exercise any such discretion with the aim of ensuring that the Index continues to reflect, as closely as possible, the underlying economic interest it is designed to represent. The exercise of these discretions may have a significant effect on the Index and a Financial Product. Financial Product Investors should note that they are exposed to the exercise by the Index Sponsor of such discretions and in exercising such discretions, the Index Sponsor and the Index Calculation Agent

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have no obligations to consider the interests of any other person including (but not limited to) Financial Product Investors. Each of the Index Sponsor and the Index Calculation Agent, unless otherwise specified, is required to act using reasonable discretion, however, there can be no assurance that the exercise of any such discretion (or the absence of exercise, as the case may be) will not increase or decrease the Index Level and/or alter the volatility of the Index.

Political and economic factors – Index Component Values may be influenced by a number of circumstances, including, but not limited to, political events, general economic conditions, government intervention, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations. Any such circumstance (or a combination of them) may cause unexpected volatility or illiquidity in the relevant markets. The Index may fail to take account of such events and, as a result, investment losses may occur which may in turn have an adverse effect on the performance of a Financial Product.

With respect to any emerging or developing nation, there is the possibility of nationalisation, expropriation or confiscation, political changes, government regulation, social instability or other developments (including war) which could affect adversely the economies of such nations or Index Component Values that are linked or have an exposure to such nations.

Market volatility – The underlying markets for Index Components (including, without limitation and, if applicable, in commodities, metals, financial instruments, interest rates and indices) may be volatile and subject to sudden fluctuations of varying magnitude, any may be influenced by, amongst other things, government trade, fiscal, monetary and exchange control programmes and policies, national and international political and economic events and changes in interest rates. The volatility of such underlying markets may render it difficult or impossible to predict or anticipate fluctuations in the value of Index Components which could result in losses and an adverse effect on the Index.

Rules-based Index – The Index is quantitative and rules-based and is not managed actively by the Morgan Stanley Group or any third party. Consequently, the Morgan Stanley Group does not have discretion to change this Description if there are significant changes in the performance of the Index Components that cause the Index to decline significantly or underperform.

Information about the Index is no guarantee of the performance of the Index – Certain presentations and historical analysis or other statistical analysis materials in respect of the operation and/or potential returns of the Index which may be provided are based on a number of assumptions, historical estimates, simulated analyses and hypothetical circumstances to estimate how the Index may have performed prior to its actual existence. The Index Sponsor may use historical data that is available to calculate the hypothetical level of the Index prior to its inception. If the Index Sponsor determines that such historical data is not available or is incomplete, the Index Sponsor may use alternate sources of data in place of such historical data as well as make certain modifications to the index methodology as it deems necessary to calculate the hypothetical level of the Index prior to its inception. The Index Sponsor provides no assurance or guarantee that the Index will operate or would have operated in the past in a manner consistent with those materials.

Index Base Date – The Index will only have been calculated since the Index Base Date, being a date determined by the Index Sponsor as the date on which the Index Level would have been equal to the Initial Index Level based on back-testing (using simulated analyses and hypothetical circumstances, as further described in this Description). As such, any historical returns or any hypothetical simulations based on such back-tested data or analyses with respect to the period from the Index Base Date to the date on which Financial Products are first implemented (which

may be materially later than the Index Base Date), may not reflect the performance of, and are no guarantee or assurance in respect of the performance or returns of, the Index over any time period.

Limited operating history and unanticipated performance – The Index is a relatively new strategy. Where limited historical performance data exists with respect to the Index Components and the Index itself, any investment in respect of which returns are linked to the performance of the Index or the Index Components may involve a greater risk than an investment linked to returns generated by an investment strategy with a proven track record. While a longer history of actual performance could provide more reliable information on which to assess the validity of the Index and on which to base an investment decision, the fact that the Index and the Index Components are relatively new would not allow this. There can be no guarantee or assurance that the Index or the Index Components will operate in a manner consistent with the data available.

Reliance on information – Calculations related to the Index may rely on information obtained from various publicly available sources. The Morgan Stanley Group and the Index Calculation Agent have relied on and will rely on these sources. In addition, the Morgan Stanley Group and the Index Calculation Agent have not verified independently and will not verify independently the information extracted from these sources. Accordingly, Financial Product Investors are subject to the risk that such third party information is inaccurate or incomplete and, in such circumstances, any such inaccuracy or incompleteness will be reflected in the calculation of the Index and may have a material impact on the performance of the Index.

No disclosure of information – The Morgan Stanley Group may be in possession at any time of information in relation to Index Components which may not be available to Financial Product Investors. There is no obligation on any member of the Morgan Stanley Group to disclose to Financial Product Investors any such information.

Conflict of interests – The Morgan Stanley Group (including the Index Calculation Agent and the Index Sponsor) may from time to time engage in transactions involving the Index Components for their own account and/or for the account of their clients and may act as market-maker for such Index Components. Such activities may not be for the benefit of Financial Product Investors and may have an effect on the value of the Index and, consequently, on the value and performance of any Financial Products. In addition, the Morgan Stanley Group may from time to time act in other capacities such as the issuer of investments or the advisor thereof. Morgan Stanley Group entities also may issue, hold or enter into financial instruments and/or enter into derivative contracts in respect of the Index Components and the use of such instruments and/or derivatives may affect the value of the Index Components. Morgan Stanley Group entities may, but are not obliged to, enter into hedging transactions in respect of the Index Components in order to meet obligations in respect of Financial Products or for any other purpose which may affect the value of such components or of any Financial Products. If they do, Morgan Stanley Group entities will have certain rights pursuant to such hedging transactions and/or in relation to any transactions that have given them exposure to Index Components and will pursue actions and take steps as they deem appropriate to protect their own interests.

In addition, the unwinding of such hedging transactions may affect the value of such Index Components or instruments which may affect the value of the Index. Morgan Stanley Group entities may make gains and/or losses from such hedging activity. In acting in any of these capacities, subject as provided by any applicable law or regulation, no member of the Morgan Stanley Group is obliged to take into account the interests of any person including (but not limited to) Financial Product Investors.

Litigation and disputes – The Index Sponsor, the Index Calculation Agent or any member of the Morgan Stanley Group may be subject to litigation or arbitration proceedings or disputes with other entities. Any such event may adversely affect the ability of the Index Sponsor or the Index Calculation Agent to perform their duties in respect of the Index and, therefore, may adversely affect the Index and, consequently, any Financial Product.

Morgan Stanley research – The Morgan Stanley Group may issue research reports on securities or other financial instruments that are, or may become, Index Components. These reports are independent of the obligations of the Index Sponsor and the Index Calculation Agent described in this Description.

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The Index Sponsor's determinations are final and conclusive – The Index Calculation Agent is responsible for compiling and calculating the Index pursuant to this Description and has certain discretions relating to the Index. The Index Sponsor retains the discretion to appoint an alternative Index Calculation Agent. The Index Sponsor retains the final discretion as to the manner in which the Index is calculated and constructed. Furthermore, the Index Sponsor has the final authority on the Index and the interpretation and application of this Description. The Index Sponsor makes no representation (implied or otherwise) as to the performance of any Index Component and/or the Index.

Tax Considerations – In July 2015, the U.S. Treasury Department and the Inland Revenue Service (“IRS”) released a notice designating certain “basket contracts” and substantially similar transactions as “transactions of interest,” subject to information reporting requirements as “reportable transactions” under Section 6011 of the U.S. Internal Revenue Code of 1986, as amended. The scope of this notice is unclear, and it is therefore possible that the Financial Products could be subject to the notice. In that case, Financial Product Investors would be required to report certain information to the IRS, as set forth in the applicable Treasury regulations regarding “reportable transactions”. If the IRS determines such a transaction is a “transaction of interest” and Financial Product Investors fail to disclose the transaction, such holders could be subject to penalties. Financial Product Investors should consult their tax advisers regarding the potential application of this notice to Financial Products.

Index Summary:

The Index aims to provide exposure to the Index Components and to maintain the volatility of the Index at a specified level through the use of the volatility target mechanism which adjusts the Effective Exposure if the predicted volatility of the Index exceeds the volatility target by a pre-specified trigger threshold.

An Index Level is calculated in relation to each Index Business Day by the Index Calculation Agent. This will be used in connection with one or more Financial Products issued or entered into by a member of the Morgan Stanley Group. Generally, only a Financial Product issued or entered into by a member of the Morgan Stanley Group is permitted to use or reference the Index (directly or indirectly) but other Financial Products issued or entered into by financial services providers other than members of the Morgan Stanley Group may be permitted to use or reference the Index with the consent of a member of the Morgan Stanley Group. A Financial Product Investor has no ownership or other rights to or in respect of Index Components in its capacity as a Financial Product Investor or any other assets which are from time to time comprised in the Index.

The Index references a “notional” or synthetic exposure to the Index Component and there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership. The Index merely identifies the Index Component and a rules-based strategy, the performance of which is used as a reference point for calculating Index Levels.

Investor Representations

Any investment in the product made with the intention to offer, sell or otherwise transfer (together, “distribute” and each a “distribution”) such product to prospective investors will be deemed to include, without limitation, the following representations, undertakings and acknowledgements:

- (i) you shall only distribute as principal or, alternatively, acting on a commission basis in your own name for the account of your investors and will not do so as agent for any Morgan Stanley entity (together “Morgan Stanley”) who shall assume no responsibility or liability whatsoever in relation to any such distribution. You shall distribute the product in your own name and to such customers as you identify in your own discretion, at your own risk and under your sole responsibility. You shall make such enquiries you deem relevant in order to satisfy yourself that prospective investors have the requisite capacity and authority to purchase the product and that the product is suitable for those investors;
- (ii) you shall not make any representation or offer any warranty to investors regarding the product, the Issuer or Morgan Stanley or make any use of the Issuer's or Morgan Stanley's name, brand or intellectual property which is not expressly authorised and you shall not represent you are acting as an agent of Morgan Stanley in such distribution. You acknowledge that neither the Issuer nor Morgan Stanley assume any responsibility or liability whatsoever in relation to any representation or warranty you make in breach hereof;
- (iii) if you distribute any material prepared and transmitted by the Issuer or by Morgan Stanley, you shall only distribute the entire material and not parts thereof. Any material you, or any third party you engage on your behalf, prepare shall be true and accurate in all material respects and consistent in all material respects with the content of the Base Prospectus and the Final Terms and shall not contain any omissions that would make them misleading. You shall only prepare and distribute such material in accordance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time (“Regulations”). You acknowledge that neither the Issuer nor Morgan Stanley shall have any liability in respect of such material which shall, for the avoidance of doubt, at all times be your sole responsibility;
- (iv) you will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein;
- (v) if you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to your investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations.
- (vi) we may enter into hedging or other arrangements in reliance upon your commitment, and, if you fail to comply with your commitment, your liability to us shall include liability for our costs and losses in unwinding such hedging or other arrangements;
- (vii) you are not purchasing the Warrants as an extension of credit to Morgan Stanley pursuant to a loan agreement entered into in the ordinary course of your trade or business;
- (viii) you agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers

and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (i) to (vii) above, or acting otherwise than as required or contemplated herein

YOU AGREE THAT THE REPRESENTATIONS, UNDERTAKINGS AND ACKNOWLEDGEMENTS IN THIS DOCUMENT ARE BINDING ON YOU WITH RETROSPECTIVE EFFECTS AS OF THE TRADE DATE.

WE OFFER TO PURCHASE FROM MORGAN STANLEY & CO. INTERNATIONAL PLC THE SPECIFIED QUANTITY OF WARRANTS DESCRIBED IN THIS TERMSHEET, UPON THE TERMS SET OUT IN THIS TERMSHEET, SUBJECT TO ANY MODIFICATIONS AGREED BETWEEN US.

Strivo

Name _____

Signature _____
Date: _____

Acknowledged, agreed and accepted

Morgan Stanley & Co. International plc

By: _____
Name _____
Title _____
Date: _____

Important Information

THIS COMMUNICATION IS DIRECTED TO THOSE PERSONS WHO ARE ELIGIBLE COUNTERPARTIES OR PROFESSIONAL CLIENTS (AS DEFINED IN EU DIRECTIVE 2004/39/EC). THE WARRANTS MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS AT ANY TIME (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 OR THE U.S. INTERNAL REVENUE CODE).

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any State in the United States, and are subject to U.S. tax requirements. In purchasing the Warrants, you represent and warrant that you are neither located in the United States nor a U.S. Person and that you are not purchasing for the account or benefit of any such person. This information has been prepared solely for information purposes and is not an offer (or a solicitation of an offer) to buy or sell the Warrants. No representation or warranty is given with respect to the accuracy or completeness of the information contained in this term sheet. Morgan Stanley & Co. International plc ("MSI plc") and its affiliates disclaim any and all liability relating to this information, including without limitation any express or implied representations or warranties for, statements contained in, and omissions from, this information. Additional information is available upon request. MSI plc (and any of its affiliates) may make markets, have positions, and effect transactions in Warrants and instruments of issuers mentioned herein and may also provide advice to such issuers. We may use information provided by you to facilitate the execution of your order, in managing our market making, other client facilitation activities or otherwise in carrying out our legitimate business (which may include, but is not limited to, hedging a

risk or otherwise limiting the risks to which we are exposed). Where we commit our capital in relation to either ongoing management of inventories used to facilitate clients, or in relation to providing you with quotes we may make use of that information to enter into transactions that subsequently enable us to facilitate clients on terms that are competitive in the prevailing market conditions. Past performance is not necessarily indicative of future results. Price and availability of the Warrants are subject to change without notice. This memorandum is not a product of Morgan Stanley's Research Department and you should not regard it as a research report.

Any Intermediary based in the EEA is obliged under its regulations to disclose to investors the existence, nature and amount of such commission or fee. Investors should ensure that they have been informed about any fee or commission arrangements by the intermediary before making any purchase of the relevant securities.

YOU SHOULD CONSULT YOUR INDEPENDENT FINANCIAL OR OTHER APPLICABLE ADVISOR(S) BEFORE INVESTING IN THE PRODUCT DESCRIBED ABOVE. YOU SHOULD NOT INVEST IN THE PRODUCT UNLESS YOU UNDERSTAND AND HAVE SUFFICIENT FINANCIAL RESOURCES TO BEAR THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE PRODUCT.