MORGAN STANLEY
Form 424B2
August 14, 2018

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Contingent Income Auto- Callable Securities due 2021	$2,979,120	$370.90

August 2018

Pricing Supplement No. 864

Registration Statement Nos. 333-221595; 333-221595-01

Dated August 10, 2018

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Contingent Income Auto-Callable Securities due August 13, 2021

Based on the Performance of the Common Stock of Intel Corporation

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

Contingent Income Auto-Callable Securities do not guarantee the payment of interest or the repayment of principal. Instead, the securities offer the opportunity for investors to earn a contingent quarterly coupon at an annual rate of 8.70%, but only with respect to each determination date on which the determination closing price of the underlying stock is greater than or equal to 75% of the initial share price, which we refer to as the downside threshold price. In addition, if the determination closing price of the underlying stock is greater than or equal to the initial share price on any determination date, the securities will be automatically redeemed for an amount per security equal to the stated principal amount and the contingent quarterly coupon. However, if the securities are not automatically redeemed prior to maturity, the payment at maturity due on the securities will be as follows: (i) if the final share price is greater than or equal to the downside threshold price, the stated principal amount and the contingent quarterly coupon with respect to the final determination date, or (ii) if the final share price is less than the downside threshold price, investors will be exposed to the decline in the underlying stock on a 1-to-1 basis and will receive a payment at maturity that is less than 75% of the principal amount of the securities and could be zero. Moreover, if on any determination date the determination closing price of the underlying stock is less than the downside threshold price, you will not receive any contingent quarterly coupon for that quarterly period. As a result, investors must be willing to accept the risk of not receiving any contingent quarterly coupons and also the risk of receiving a payment at maturity that is significantly less than the stated principal amount of the securities and could be zero. **Accordingly, investors could lose their entire initial investment in the securities.** The securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving few or no contingent quarterly coupons over the 3-year term of the securities. Investors will not participate in any appreciation of the underlying stock. The securities are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The securities are issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

FINAL TERMS	
Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Underlying stock:	Intel Corporation common stock
Aggregate principal amount:	$2,979,120
Stated principal amount:	$10 per security
Issue price:	$10 per security
Pricing date:	August 10, 2018
Original issue date:	August 15, 2018 (3 business days after the pricing date)
Maturity date:	August 13, 2021
Early redemption:	If, on any of the first eleven determination dates, the determination closing price of the underlying stock is <u>greater than or equal to</u> the initial share price, the securities will be automatically redeemed for an early redemption payment on the third business day following the related determination date. No further payments will be made on the securities once they have been redeemed.
Early redemption payment:	The early redemption payment will be an amount equal to (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the related determination date.
Determination closing price:	

	The closing price of the underlying stock on any determination date other than the final determination date *times* the adjustment factor on such determination date.
Contingent quarterly coupon:	· If, on any determination date, the determination closing price or the final share price, as applicable, is greater than or equal to the downside threshold price, we will pay a contingent quarterly coupon at an annual rate of 8.70% (corresponding to approximately \$0.2175 per quarter per security) on the related contingent payment date. · If, on any determination date, the determination closing price or the final share price, as applicable, is less than the downside threshold price, no contingent quarterly coupon will be paid with respect to that determination date.
Determination dates:	November 12, 2018, February 11, 2019, May 10, 2019, August 12, 2019, November 11, 2019, February 10, 2020, May 11, 2020, August 10, 2020, November 10, 2020, February 10, 2021, May 10, 2021 and August 10, 2021, subject to postponement for non-trading days and certain market disruption events. We also refer to August 10, 2021 as the final determination date.
Contingent payment dates:	With respect to each determination date other than the final determination date, the third business day after the related determination date. The payment of the contingent quarterly coupon, if any, with respect to the final determination date will be made on the maturity date.

Payment at maturity:	· If the final share price is **greater than or equal to** the downside threshold price:	(i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the final determination date
	· If the final share price is	(i) the stated principal amount *multiplied by* (ii) the share performance

	less than the downside threshold price:	factor
Share performance factor:	Final share price divided by the initial share price	
Adjustment factor:	1.0, subject to adjustment in the event of certain corporate events affecting the underlying stock	
Downside threshold price:	$36.638, which is equal to approximately 75% of the initial share price	
Initial share price:	$48.85, which is equal to the closing price of the underlying stock on the pricing date	
Final share price:	The closing price of the underlying stock on the final determination date *times* the adjustment factor on such date	
CUSIP:	61768R542	
ISIN:	US61768R5422	
Listing:	The securities will not be listed on any securities exchange.	
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."	
Estimated value on the pricing date:	$9.715 per security. See "Investment Summary" beginning on page 2.	

Commissions and issue price:	Price to public	Agent's commissions and fees	Proceeds to us(3)
Per security	$10	$0.20(1)	
		$0.05(2)	$9.75
Total	$2,979,120	$74,478	$2,904,642

(1) Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the agent), and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $0.20 for each security they sell. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement.

(2) Reflects a structuring fee payable to Morgan Stanley Wealth Management by the agent or its affiliates of $0.05 for

each security.

(3) See "Use of proceeds and hedging" on page 17.

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 7.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Information About the Securities" at the end of this document.

As used in this document, "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Auto-Callable Securities dated November 16, 2017 **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due August 13, 2021

Based on the Performance of the Common Stock of Intel Corporation

Principal at Risk Securities

Investment Summary

Contingent Income Auto-Callable Securities

Principal at Risk Securities

The Contingent Income Auto-Callable Securities due August 13, 2021 Based on the Performance of the Common Stock of Intel Corporation, which we refer to as the securities, provide an opportunity for investors to earn a contingent quarterly coupon at an annual rate of 8.70% with respect to each quarterly determination date on which the determination closing price or the final share price, as applicable, is greater than or equal to 75% of the initial share price, which we refer to as the downside threshold price. It is possible that the closing price of the underlying stock could remain below the downside threshold price for extended periods of time or even throughout the term of the securities so that you may receive few or no contingent quarterly coupons. If the determination closing price is greater than or equal to the initial share price on any of the first eleven determination dates, the securities will be automatically redeemed for an early redemption payment equal to the stated principal amount *plus* the contingent quarterly coupon with respect to the related determination date. If the securities have not previously been redeemed and the final share price is greater than or equal to the downside threshold price, the payment at maturity will also be the sum of the stated principal amount and the contingent quarterly coupon with respect to the related determination date. However, if the securities have not previously been redeemed and the final share price is less than the downside threshold price, investors will be exposed to the decline in the closing price of the underlying stock, as compared to the initial share price, on a 1-to-1 basis. In this case, the payment at maturity will be less than 75% of the stated principal amount of the securities and could be zero. Investors in the securities must be willing to accept the risk of losing their entire principal and also the risk of not receiving any contingent quarterly coupon. In addition, investors will not participate in any appreciation of the underlying stock.

The original issue price of each security is $10. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date is less than $10. We estimate that the value of each security on the pricing date is $9.715.

What goes into the estimated value on the pricing date?

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlying stock. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying stock, instruments based on the underlying stock, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the securities?

In determining the economic terms of the securities, including the contingent quarterly coupon rate and the downside threshold price, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the securities would be more favorable to you.

What is the relationship between the estimated value on the pricing date *and the secondary market price of the securities?*

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlying stock, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying stock, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the securities, and, if it once chooses to make a market, may cease doing so at any time.

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Based on the Performance of the Common Stock of Intel Corporation

Principal at Risk Securities

Key Investment Rationale

The securities offer investors an opportunity to earn a contingent quarterly coupon at an annual rate of 8.70% with respect to each determination date on which the determination closing price or the final share price, as applicable, is greater than or equal to 75% of the initial share price, which we refer to as the downside threshold price. The securities may be redeemed prior to maturity for the stated principal amount per security *plus* the applicable contingent quarterly coupon, and the payment at maturity will vary depending on the final share price, as follows:

Scenario 1	**On any of the first eleven determination dates, the determination closing price is *greater than or equal to* the initial share price.** § The securities will be automatically redeemed for (i) the stated principal amount plus (ii) the contingent quarterly coupon with respect to the related determination date. § Investors will not participate in any appreciation of the underlying stock from the initial share price.
Scenario 2	**The securities are not automatically redeemed prior to maturity, and the final share price is *greater than or equal to* the downside threshold price.** § The payment due at maturity will be (i) the stated principal amount plus (ii) the contingent quarterly coupon with respect to the final determination date. § Investors will not participate in any appreciation of the underlying stock from the initial share price.
Scenario 3	**The securities are not automatically redeemed prior to maturity, and the final share price is *less than* the downside threshold price.** § The payment due at maturity will be equal to (i) the stated principal amount multiplied by (ii) the share performance factor. **Investors will lose a significant portion, and may lose all, of their principal in this scenario.**

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Principal at Risk Securities

How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the determination closing price and (2) the final share price.

Diagram #1: First Eleven Determination Dates

Diagram #2: Payment at Maturity if No Automatic Early Redemption Occurs

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Hypothetical Examples

The below examples are based on the following terms:

Hypothetical Initial Share Price:	$50.00
Hypothetical Downside Threshold Price:	$37.50, which is 75% of the hypothetical initial share price
Hypothetical Adjustment Factor:	1.0
Contingent Quarterly Coupon:	8.70% per annum (corresponding to approximately $0.2175 per quarter per security)[1]
Stated Principal Amount:	$10 per security

1 The actual contingent quarterly coupon will be an amount determined by the calculation agent based on the number of days in the applicable payment period, calculated on a 30/360 day count basis. The hypothetical contingent quarterly coupon of $0.2175 is used in these examples for ease of analysis.

In Examples 1 and 2, the closing price of the underlying stock fluctuates over the term of the securities and the determination closing price of the underlying stock is greater than or equal to the hypothetical initial share price of $50.00 on one of the first eleven determination dates. Because the determination closing price is greater than or equal to the initial share price on one of the first eleven determination dates, the securities are automatically redeemed following the relevant determination date. In Examples 3 and 4, the determination closing price on the first eleven determination dates is less than the initial share price, and, consequently, the securities are not automatically redeemed prior to, and remain outstanding until, maturity.

	Example 1			Example 2		
Determination Dates	Hypothetical Determination Closing Price	Contingent Quarterly Coupon	Early Redemption Amount*	Hypothetical Determination Closing Price	Contingent Quarterly Coupon	Early Redemption Amount

#1	$33.25	$0	N/A	$38.60	$0.2175	N/A
#2	$50.00	—*	$10.2175	$32.90	$0	N/A
#3	N/A	N/A	N/A	$42.45	$0.2175	N/A
#4	N/A	N/A	N/A	$34.35	$0	N/A
#5	N/A	N/A	N/A	$49.45	$0.2175	N/A
#6	N/A	N/A	N/A	$49.50	$0.2175	N/A
#7	N/A	N/A	N/A	$31.65	$0	N/A
#8	N/A	N/A	N/A	$42.85	$0.2175	N/A
#9	N/A	N/A	N/A	$45.50	$0.2175	N/A
#10	N/A	N/A	N/A	$60.00	—*	$10.2175
#11	N/A	N/A	N/A	N/A	N/A	N/A
Final Determination Date	N/A	N/A	N/A	N/A	N/A	N/A

* The Early Redemption Amount includes the unpaid contingent quarterly coupon with respect to the determination date on which the determination closing price is greater than or equal to the initial share price and the securities are redeemed as a result.

§ In **Example 1**, the securities are automatically redeemed following the second determination date, as the determination closing price on the second determination date is equal to the initial share price. You receive the early redemption payment, calculated as follows:

stated principal amount + contingent quarterly coupon = $10.00 + $0.2175 = $10.2175

In this example, the early redemption feature limits the term of your investment to approximately 6 months, and you may not be able to reinvest at comparable terms or returns. If the securities are redeemed early, you will stop receiving contingent coupons.

§ In **Example 2**, the securities are automatically redeemed following the tenth determination date, as the determination closing price on the tenth determination date is greater than the initial share price. As the determination closing prices on the first, third, fifth, sixth, eighth, ninth and tenth determination dates are greater than or equal to the downside threshold price, you receive the contingent

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coupon of $0.2175 with respect to each such determination date. Following the tenth determination date, you receive an early redemption amount of $10.2175, which includes the contingent quarterly coupon with respect to the tenth determination date.

In this example, the early redemption feature limits the term of your investment to approximately 30 months, and you may not be able to reinvest at comparable terms or returns. If the securities are redeemed early, you will stop receiving contingent coupons. Further, although the underlying stock has appreciated by 20% from its initial share price as of the tenth determination date, you receive only $10.2175 per security and do not benefit from such appreciation.

	Example 3			Example 4		
Determination Dates	Hypothetical Determination Closing Price / Final Share Price	Contingent Quarterly Coupon	Early Redemption Amount*	Hypothetical Determination Closing Price / Final Share Price	Contingent Quarterly Coupon	Early Redemption Amount
#1	$33.25	$0	N/A	$28.60	$0	N/A
#2	$32.90	$0	N/A	$34.95	$0	N/A
#3	$34.35	$0	N/A	$26.95	$0	N/A
#4	$24.50	$0	N/A	$31.65	$0	N/A
#5	$25.35	$0	N/A	$35.50	$0	N/A
#6	$31.20	$0	N/A	$34.45	$0	N/A
#7	$35.70	$0	N/A	$23.10	$0	N/A
#8	$34.35	$0	N/A	$23.65	$0	N/A
#9	$34.20	$0	N/A	$25.40	$0	N/A
#10	$33.55	$0	N/A	$37.20	$0	N/A
#11	$23.55	$0	N/A	$28.95	$0	N/A
Final Determination Date	$30.00	$0	N/A	$42.50	—*	N/A

Payment at Maturity	**$6.00**	**$10.2175**

*The final contingent quarterly coupon, if any, will be paid at maturity.

Examples 3 and 4 illustrate the payment at maturity per security based on the final share price.

§ In **Example 3**, the closing price of the underlying stock remains below the downside threshold price on every determination date. As a result, you do not receive any contingent coupons during the term of the securities and, at maturity, you are fully exposed to the decline in the closing price of the underlying stock. As the final share price is less than the downside threshold price, investors will receive a payment at maturity equal to the stated principal amount multiplied by the share performance factor, calculated as follows:

stated principal amount x share performance factor = $10.00 x ($30.00 / $50.00) = $6.00

In this example, the payment at maturity is significantly less than the stated principal amount.

§ In **Example 4**, the closing price of the underlying stock decreases to a final share price of $42.50. Although the final share price is less than the initial share price, because the final share price is still not less than the downside threshold price, you receive the stated principal amount plus a contingent quarterly coupon with respect to the final determination date. Your payment at maturity is calculated as follows:

$10.00 + $0.2175 = $10.2175

In this example, although the final share price represents a 15% decline from the initial share price, you receive the stated principal amount per security plus the final contingent quarterly coupon, equal to a total payment of $10.2175 per security at maturity, because the final share price is not less than the downside threshold price.

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Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the securities. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement and prospectus. You should also consult your investment, legal, tax, accounting and other advisers in connection with your investment in the securities.

§ **The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that the securities do not guarantee the payment of regular interest or the return of any of the principal amount at maturity. Instead, if the securities have not been automatically redeemed prior to maturity and if the final share price is less than the downside threshold price, you will be exposed to the decline in the closing price of the underlying stock, as compared to the initial share price, on a 1-to-1 basis and you will receive a payment that will be less than 75% of the stated principal amount and could be zero.

§ **You will not receive any contingent quarterly coupon for any quarterly period where the determination closing price is less than the downside threshold price.** A contingent quarterly coupon will be paid with respect to a quarterly period only if the determination closing price is greater than or equal to the downside threshold price. If the determination closing price remains below the downside threshold price on each determination date over the term of the securities, you will not receive any contingent quarterly coupons.

§ **The contingent quarterly coupon, if any, is based solely on the determination closing price or the final share price, as applicable.** Whether the contingent quarterly coupon will be paid with respect to a determination date will be based on the determination closing price or the final share price, as applicable. As a result, you will not know whether you will receive the contingent quarterly coupon until the related determination date. Moreover, because the contingent quarterly coupon is based solely on the determination closing price on a specific determination date or the final share price, as applicable, if such determination closing price or final share price is less than the downside threshold price, you will not receive any contingent quarterly coupon with respect to such determination date, even if the closing price of the underlying stock was higher on other days during the term of the securities.

§ **Investors will not participate in any appreciation in the price of the underlying stock.** Investors will not participate in any appreciation in the price of the underlying stock from the initial share price, and the return on the securities will be limited to the contingent quarterly coupon, if any, that is paid with respect to each determination date on which the determination closing price or the final share price, as applicable, is greater than or equal to the downside threshold price. It is possible that the closing price of the underlying stock could be below the downside threshold price on most or all of the determination dates so that you will receive few or no contingent quarterly coupons. If you do not earn sufficient contingent quarterly coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **The automatic early redemption feature may limit the term of your investment to approximately three months. If the securities are redeemed early, you may not be able to reinvest at comparable terms or returns.** The term of your investment in the securities may be limited to as short as approximately three months by the automatic early redemption feature of the securities. If the securities are redeemed prior to maturity, you will receive no more contingent quarterly coupons and may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns.

§ **The market price will be influenced by many unpredictable factors.** Several factors will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market. Although we expect that generally the closing price of the underlying stock on any day will affect the value of the securities more than any other single factor, other factors that may influence the value of the securities include:

o the trading price and volatility (frequency and magnitude of changes in value) of the underlying stock,

o whether the determination closing price has been below the downside threshold price on any determination date,

o dividend rates on the underlying stock,

o interest and yield rates in the market,

o time remaining until the securities mature,

o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying stock and which may affect the final share price of the underlying stock,

o the occurrence of certain events affecting the underlying stock that may or may not require an adjustment to the adjustment factor, and

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- o any actual or anticipated changes in our credit ratings or credit spreads.

The price of the underlying stock may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See “Intel Corporation Overview” below. You may receive less, and possibly significantly less, than the stated principal amount per security if you try to sell your securities prior to maturity.

§ **The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities.** You are dependent on our ability to pay all amounts due on the securities on each contingent payment date, upon automatic redemption or at maturity, and therefore you are subject to our credit risk. If we default on our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market’s view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

§ **As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

§ **Investing in the securities is not equivalent to investing in the common stock of Intel Corporation.** Investors in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the underlying stock.

§ **No affiliation with Intel Corporation.** Intel Corporation is not an affiliate of ours, is not involved with this offering in any way, and has no obligation to consider your interests in taking any corporate actions that might affect the value of the securities. We have not made any due diligence inquiry with respect to Intel Corporation in connection with this offering.

§ **We may engage in business with or involving Intel Corporation without regard to your interests.** We or our affiliates may presently or from time to time engage in business with Intel Corporation without regard to your interests and thus may acquire non-public information about Intel Corporation. Neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, we or our affiliates from time to time have published and in the future may publish research reports with respect to Intel Corporation, which may or may not recommend that investors buy or hold the underlying stock.

§ **The antidilution adjustments the calculation agent is required to make do not cover every corporate event that could affect the underlying stock.** MS & Co., as calculation agent, will adjust the adjustment factor for certain corporate events affecting the underlying stock, such as stock splits and stock dividends, and certain other corporate actions involving the issuer of the underlying stock, such as mergers. However, the calculation agent will not make an adjustment for every corporate event that can affect the underlying stock. For example, the calculation agent is not required to make any adjustments if the issuer of the underlying stock or anyone else makes a partial tender or partial exchange offer for the underlying stock, nor will adjustments be made following the final determination date. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the market price of the securities may be materially and adversely affected.

§ **The securities will not be listed on any securities exchange and secondary trading may be limited.** The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. MS & Co. may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

§ **The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the securities in the original issue price reduce the economic terms of the securities, cause the estimated value of the securities to be less than the original issue price and will**

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adversely affect secondary market prices. Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the securities in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying stock, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

§ **The estimated value of the securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the securities than those generated by others, including other dealers in the market, if they attempted to value the securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your securities in the secondary market (if any exists) at any time. The value of your securities at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price will be influenced by many unpredictable factors” above.

§ **Hedging and trading activity by our affiliates could potentially adversely affect the value of the securities.** One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the securities (and to other instruments linked to the underlying stock), including trading in the underlying stock. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the final determination date approaches. Some of our affiliates also trade the underlying stock and other financial instruments related to the underlying stock on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could have increased the initial share price, and, as a result, could have increased the downside threshold price, which is the price at or above which the underlying stock must close on each determination date in order for you to earn a contingent quarterly coupon, and, if the securities are not called prior to maturity, in order for you to avoid being exposed to the negative price performance of the underlying stock at maturity. Additionally, such hedging or trading activities during the term of the securities could potentially affect the price of the underlying stock on the determination dates, and, accordingly, whether the securities are automatically called prior to maturity, and, if the securities are not called prior to maturity, the payout to you at maturity, if any.

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities.** As calculation agent, MS & Co. has determined the initial share price and the downside threshold price, and will determine the final share price, whether the contingent quarterly coupon will be paid on each contingent payment date, whether the securities will be redeemed following any determination date, whether a market disruption event has occurred, whether to make any adjustments to the adjustment factor and the payment that you will receive upon an automatic early redemption or at maturity, if any. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or nonoccurrence of market disruption events and certain adjustments to the adjustment factor. These potentially subjective determinations may affect the payout to you upon an automatic early redemption or at maturity, if any. For further information regarding these types of determinations, see "Description of Auto-Callable Securities—Auto-Callable Securities Linked to Underlying Shares" and "—Calculation Agent and Calculations" in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

§ **The U.S. federal income tax consequences of an investment in the securities are uncertain.** There is no direct legal authority as to the proper treatment of the securities for U.S. federal income tax purposes, and, therefore, significant aspects of the tax treatment of the securities are uncertain.

Please read the discussion under "Additional Provisions—Tax considerations" in this document concerning the U.S. federal income tax consequences of an investment in the securities. We intend to treat a security for U.S. federal income tax purposes as a single financial contract that provides for a coupon that will be treated as gross income to you at the time received or accrued, in accordance with your regular method of tax accounting. Under this treatment, the ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations. We do not plan to request a ruling from the Internal Revenue Service (the "IRS") regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described herein. If the IRS were successful in asserting an alternative treatment for the securities, the timing and character of income or loss on the securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the securities every year at a "comparable yield" determined at the time of issuance (as adjusted based on the difference, if any, between the actual and the projected amount of any contingent payments on the securities) and recognize all income and gain in respect of the securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. **Non-U.S. Holders (as defined below) should note that we currently intend to withhold on any coupon paid to Non-U.S. Holders generally at a rate of 30%, or at a reduced rate specified by an applicable income tax treaty under an "other income" or similar provision, and will not be required to pay any additional amounts with respect to amounts withheld.**

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. While it is not clear whether the securities would be viewed as similar to the prepaid forward contracts described in the notice, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. The notice focuses on a number of issues, the most relevant of which for holders of the securities are the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. investors should be subject to withholding tax. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due August 13, 2021

Based on the Performance of the Common Stock of Intel Corporation

Principal at Risk Securities

Intel Corporation Overview

Intel Corporation designs, manufactures and sells computer components and related products. The underlying stock is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Information provided to or filed with the Securities and Exchange Commission by Intel Corporation pursuant to the Exchange Act can be located by reference to the Securities and Exchange Commission file number 000-06217 through the Securities and Exchange Commission's website at .www.sec.gov. In addition, information regarding Intel Corporation may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. **Neither the issuer nor the agent makes any representation that such publicly available documents or any other publicly available information regarding the issuer of the underlying stock is accurate or complete.**

Information as of market close on August 10, 2018:

Bloomberg Ticker Symbol:	INTC
Exchange:	Nasdaq
Current Stock Price:	$48.85
52 Weeks Ago:	$36.14
52 Week High (on 6/1/2018):	$57.08
52 Week Low (on 8/22/2017):	$34.65
Current Dividend Yield:	2.46%

The following table sets forth the published high and low closing prices of, as well as dividends on, the underlying stock for each quarter from January 1, 2015 through August 10, 2018. The closing price of the underlying stock on August 10, 2018 was $48.85. The associated graph shows the closing prices of the underlying stock for each day from January 1, 2013 through August 10, 2018. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The historical performance of the underlying stock should not be taken as an indication of its future performance, and no assurance can be given as to the price of the underlying stock at any time, including on the determination dates.

Common Stock of Intel Corporation (CUSIP 458140100)	High ($)	Low ($)	Dividends ($)

189,895,046	82,967,293	603,338,713	312,006,162	153,931,177

LIABILITIES:			
Notes payable	-	-	53,58
Unpaid anti-discrimination refunds	800,000	-	-
Unpaid administrative expenses	-	27,000	-
TOTAL LIABILITIES	800,000	27,000	53,58
NET ASSETS AVAILABLE FOR BENEFITS	$ 329,676,374	$ 189,868,046	$ 29,378

The accompanying notes are an integral part of the financial statements.

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OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31, 2015 and 2014

	2015				2014			
	Participant Directed Account	Non-Participant Directed Account	Unallocated Account	Combined Account	Participant Directed Account	Non-Participant Directed Account	Unallocated Account	Combined Account
Additions (Reductions):								
Employer contributions	$ -	$ -	$ 4,917,852	$ 4,917,852	$ -	$ -	$ 4,544,433	$ 4,544,433
Common shares released to participants (590,939 shares at $14.63 per share and 572,535 shares at $17.27 per share, respectively)	-	8,645,438	-	8,645,438	-	9,887,679	-	9,887,679
Employee contributions	39,045,902	-	-	39,045,902	35,350,395	-	-	36,350,395
Interfund transfers	9,747,315	(9,747,315)	-	-	5,628,149	(5,628,149)	-	-
Interest income	599	(24)	166	741	1,222	1,002	156	2,381
Dividend income	16,888,862	7,635,943	2,052,123	26,576,928	18,791,058	7,684,228	1,947,806	28,423,092
Net appreciation (depreciation) in fair value of	(16,985,941)	41,825,218	14,683,248	39,522,524	(61,078)	(38,634,971)	3,221,433	(35,474,616)

investments								
Total additions (reductions)	48,696,737	48,359,260	21,653,389	118,709,385	59,709,747	(26,690,211)	9,713,828	42,733,364
Deductions:								
Termination and withdrawal benefits	29,195,988	12,382,985	-	41,578,973	29,737,932	11,426,405	-	41,164,337
Common shares released to participants (590,939 shares at $14,63 per share and 572,535 shares at $17.27 per share, respectively)	-	-	8,645,438	8,645,438	-	-	9,887,679	9,887,679
Interest expense	-	-	1,019,493	1,019,493	-	-	992,104	992,104
Anti-discrimination refunds	800,000	-	-	800,000	1,010,992	-	-	1,010,992
Administrative expenses	19,545	14,153	1,081	34,779	23,902	17,287	841	42,030
Total deductions	30,015,533	12,397,138	9,666,012	52,078,683	30,772,826	11,443,693	10,880,623	53,097,142
Net additions (deductions)	18,681,204	35,962,122	11,987,377	66,630,702	28,936,921	(38,133,903)	(1,166,795)	(10,363,778)
NET ASSETS AVAILABLE FOR BENEFITS:								
Beginning of year	310,995,170	153,905,924	17,391,252	482,292,347	282,058,249	192,039,828	18,558,047	492,656,124
End of year	$ 329,676,374	$ 189,868,046	$ 29,378,629	$ 548,923,049	$ 310,995,170	$ 153,905,924	$ 17,391,252	$ 482,292,347

The accompanying notes are an integral part of the financial statements.

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OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan

A. Basis of Presentation

The accompanying financial statements of the Old Republic International Corpora−tion Employees Savings and Stock Ownership Plan (the Plan) include plan assets for employees of Old Republic International Corporation and par−ticipating subsidiaries [the Corporation, the Plan Sponsor, the Company(ies) or the Employer(s)]. These financial statements and accompanying notes together provide only general information about the Plan. The Plan Document must be referred to for a complete description of the Plan's provisions.

B. General

The Plan is a defined contribution plan, under the provisions of Section 401(k) of the Internal Revenue Code, covering a majority of employees of the Corporation and certain of its subsidiary companies and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Employees become participants in the Plan on their employment date and as soon as they elect to make contributions to the Plan. Effective as of January 1, 2008, the Plan was amended and operates, in relevant part, as a leveraged employee stock ownership plan (ESOP), and is designed to comply with Section 4975(e)(7) and the regulations there under of the Internal Revenue Code of 1986, as amended (Code) and is subject to the applicable provisions of ERISA.

In 2008, the Plan purchased Corporation common shares (ESSOP shares) using the proceeds of loans from the Corporation and participating subsidiary companies (see Note 4). Unallocated ESSOP shares purchased with the Corporation loan proceeds are pledged as collateral on the Corporation loan. The participating subsidiary company loans are guaranteed by the Corporation. ESSOP shares are held in a trust established under the Plan. The borrowings and interest costs are to be repaid over a ten year period by fully deductible Corporation contributions to the Plan, dividends from unallocated Corporation stock, and any earnings the net funds may earn.

The Corporation borrowed funds from a third-party lending institution to fund a portion of the loan proceeds. The Corporation borrowings are collateralized by the associated unallocated ESSOP shares of stock. The lender has no rights against shares once they are allocated under the Plan. Accordingly, the financial statements of the Plan as herein included, present separately the assets and liabilities and changes therein pertaining to the stock not yet allocated to participants under the column entitled “Unallocated Account.” Shares allocated are included in the financial statements herein under the columns entitled “Non-participant Directed Account” and are entitled to diversification as afforded within the Plan document.

In 2015, the Plan purchased additional Corporation common shares (ESSOP shares) using the proceeds from an additional loan from the Corporation (see Note 4).ESSOP Shares are held in a trust established under the Plan. The borrowing and interest costs are to be repaid over an eight year period by fully deductible Corporation contributions to the Plan, dividends from unallocated Corporation stock, and any earnings the net funds may earn.

On an annual basis, the Plan makes a calculation of the number of shares to be allocated (released) to the account of eligible participants. The calculation of allocated shares is made in accordance with applicable regulations under the

Code and the Plan document. Shares allocated to participants will vest in accordance with the stated vesting provisions in the Plan document (see Note 1E).

C. Contributions

Deferral elected contributions from employees are made on a pretax basis up to a limit of $17,500 in 2015. Participants may elect to make additional contributions, on a post-tax basis, up to a maximum of 100% of eligible compensation, as defined in the Plan, not to exceed the limits set by Section 415 of the Code. All contributions are recorded in the period in which the Companies make payroll deductions from Plan participants. Any employee who does not contribute to the Plan does not receive a Company matching contribution. Only employee contributions up to 6% are matched. However, the maximum amount of contribution which can be matched per employee cannot exceed $9,000 (6% of $150,000) per Plan year. Contributions are also subject to other Code limitations (including the limits imposed by Code Section 415).

OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

Employees may also roll over into the Plan qualified distributions from their previous employer(s)' qualified plan(s). In addition, employees who are 50 years of age at any time during the Plan year may make additional, pretax, catch-up contributions up to $5,500 in 2015. Rollovers and catch-up contributions are not eligible for company matching.

Participants direct the investment of their contributions into mutual funds offered by the Plan. In addition, participants may also direct their contributions to buy Old Republic common stock. Participants may change the investment allocation of their contributions and earnings up to 12 times per year.

A Plan participant is eligible to receive an allocation of ESSOP shares if the following criteria are met:

- the participant completes 1,000 or more hours of service during the year and
- the participant is employed by one of the Companies on December 31 of that year, died or became fully disabled during the year, or retired during the year after attaining age 65.

The Company contributions, when aggregated with the Plan's dividends and other earnings on the unallocated ESSOP shares, are used to fund the Plan's debt service. The debt service funding triggers the release of shares to be allocated to participants' accounts, in accordance with regulations under ERISA, the Code and the Plan Document.

The Company matching contribution is based on the following formula:

	If the percentage increase in the Corporation's average operating earnings per share for the most recent five year period is				
	Less Than 6%	6.00% to 9%	9.01% to 15%	15.01% to 20%	Over 20%
Percentage of Recognized Compensation Contributed	The Resulting Employer Matching Contribution on the First 6% of Employee Savings Will Be:				
1.00%	30%	40%	65%	100%	140%
1.01 to 2.00%	28%	38%	63%	98%	138%
2.01 to 3.00%	26%	36%	61%	96%	136%
3.01 to 4.00%	24%	34%	59%	94%	134%
4.01 to 5.00%	22%	32%	57%	92%	132%
5.01 to 6.00%	20%	30%	55%	90%	130%
6.01 to 15.00%	None	None	None	None	None

The percentage increase in the Corporation's average operating earnings per share is obtained by comparing the average diluted operating earnings per share for the Corporation for the five years ending with the calculation year, to the same average for the five years ending the year prior to the calculation year. Operating earnings per share are equal to net income per share exclusive of realized capital gains or losses and extraordinary items and income taxes applicable thereto.

Additional amounts from consolidated annual net profits after taxes or accumulated earnings as the Board of Directors of the Companies may determine from time to time may be added to the contributions resulting from the above formula. The amount of the Companies' contributions are subject to the following limitations:

- Prior to December 31, 2008, no contribution could be made if the Corporation's consolidated annual net profit before extraordinary items and taxes was less than $2,500,000. Effective as of December 31, 2008, the Plan was amended to allow the Corporation's Board of Directors to waive such minimum profit requirement.
- No contribution shall be made by any Employer for any fiscal year which exceeds the maximum amount currently deductible by that Employer under section 404 of the Code.
- No contribution shall be made by any Employer for any fiscal year which would cause its total contribution to exceed the amount of its annual net profit before taxes and its accumulated earnings.

For plan years 2015 and 2014, the Corporation's Board of Directors declared contributions of $4,917,852 and $4,544,433, respectively. The approval of these amounts was necessary to enable the Plan to meet its debt service requirements for 2015 and 2014.

OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

D. Employee Account

When a Plan participant makes employee contributions, the contributions are allocated to the mutual fund(s) or Old Republic common stock fund as designated by the participant. These funds constitute the participant’s Employee Account which, for financial statement purposes, is included under the column entitled “Participant Directed Account.” Earnings or losses inure to each Plan participant's Employee Account on a daily basis, based upon the performance of the mutual fund(s) and Old Republic common stock fund that the Plan participant selected. Participants are fully vested in their contribution funds and earnings/losses thereon. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

For contributions made to the Plan prior to 2005, participants may make in-service withdrawals from their Employee Account no more than twice during a plan year. The minimum amount of such in-service withdrawal shall be the lower of $500 or the balance of the participant’s Employee Account as of the last day of the prior plan year. For contributions made to the Plan after 2004, participants may make in-service withdrawals, including contributions made during the year of the in-service withdrawal, only if they meet the hardship provisions outlined in the Internal Revenue Service Regulations. Effective January 1, 2014, participants may only withdraw Employee after-tax contributions that were not made during the current year and may not withdraw after-tax contributions allocated on or after January 1, 2014, nor any earnings thereon.

E. Company Account

Each year, the released shares triggered by the debt service funding and the earnings/losses thereon are allocated to the participant’s Company Account which, for financial statement purposes, is included under the column entitled “Non-Participant Directed Account.” If a Plan participant terminates service with the Companies, the amount that he/she receives from his/her Company Account depends upon his/her vested interest in such account. A Plan participant vests in his/her Company Account based on his/her "Years of Service," over a six year period, with 20% vesting after two years of service plus an additional 20% per additional vesting year.

A Plan participant earns a Year of Service for each calendar year during which he/she completes 1,000 or more hours of service for the Companies. However, a Plan participant will become 100% vested in his/her Company Account prior to six years of service if:

- the Plan participant has reached age 65, or
- termination is caused by death, or
- termination is caused by total and permanent disability which renders the employee incapable of performing satisfactory service for the Companies.

Upon meeting any of the above, the participant may elect to receive his/her benefits in the form of cash or Old Republic International Corporation common shares (Company Stock). If a participant elects a cash distribution of both his/her Company Account and Employee Account, he/she may elect to be paid:

- in one lump sum, or
- in a direct rollover to an eligible retirement plan specified by the participant, or

- in substantially equal annual or more frequent installments paid over a reasonable period of time not to exceed the life expectancy of the participant or the joint life expectancy of the participant and his/her spouse or designated beneficiary.

The amount a Plan participant receives from his/her Company Account is also affected by forfeitures and earnings/losses. If a Plan participant terminates service prior to full vesting, the non-vested portion of his/her Company Account is forfeited. Forfeited matching amounts are re-allocated to remaining participants who made employee contributions, completed 1,000 or more hours of service for the Company during the year, and are employed by the Company on December 31 or terminated service due to retirement on or after age 65, death, or total and permanent disability. Forfeited amounts from other employer discretionary contributions not included in matching contributions are reallocated to all remaining eligible Plan participants who are employed by the Companies on the last day of the year. Forfeitures are allocated based upon the ratio of the Plan participant's eligible compensation to the eligible compensation of all eligible Plan participants (eligible compensation is limited to a maximum of $150,000). Forfeitures allocated in the 2015 and 2014 plan years were $367,135 and $381,984, respectively.

OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

Each participant's account is credited with an allocation of ESSOP shares released by the Trustee from the unallocated account and forfeitures of terminated participants' non-vested accounts. Only those participants, who are eligible participants as described above, will receive an allocation in accordance with the Plan document.

Participants are able to divest Company Stock acquired with employer matching and profit sharing contributions after completing three years of service. The investment options available for diversification are the same mutual funds available for investment of Employee contributions. Previously diversified funds may be re-diversified into Old Republic common stock. For financial statement purposes, diversified funds are transferred from the Non-Participant Directed Account to the Participant Directed Account, but are still considered part of the Company Account.

F. Unallocated Account

The unallocated account represents all assets and liabilities of the Plan relating to the leveraging of the Plan and not yet allocated to participants.

G. Common Shares Released to Participants

The Common Shares Released to Participants represents the fair value of the ESSOP shares allocated to participants' accounts during the year. It represents the number of shares calculated in accordance with applicable regulations under the Code. It takes into account the debt service provided by the Company contributions, and dividends received on the unallocated ESSOP shares during the year. The release fraction applied to the number of unreleased shares is the principal paid that coincides with the timing of the Company contributions, and the interest paid during the plan year (numerator) divided by the numerator plus an estimate of the remaining future principal and interest (assuming most recent interest rate at December 31) to be paid.

During 2015 and 2014, 590,939 and 572,535 ESSOP shares, respectively, were released and 4,134,154 and 2,525,093 respectively, remained unallocated as of December 31, 2015 and 2014. It should be noted that there is no connection as to the number of shares being allocated and the market value of the Corporation's common shares at any given time. Hence, the market value of the stock on the actual day of allocation (release) to participants' accounts may vary from the fair market value at December 31, 2015 and 2014, as presented in the financial statements.

H. Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Trustee prior to the time that such voting rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

2. Summary of Accounting Policies

A. Basis of Accounting

The Plan’s financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”). Necessary reclassifications are made in prior periods’ financial statements whenever appropriate to conform to the most current presentation.

OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

B. Changes in Accounting Principles

In July 2015, the FASB issued Accounting Standards Update 2015-12, Plan Accounting: Defined Benefit Pension Plans, Defined Contribution Pension Plans, Health and Welfare Benefit Plans: (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (ASU 2015-12). This standard simplifies certain financial statement report and disclosure requirement for employee benefit plans. This ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Parts I and II require retrospective application. Plan management has elected to early adopt this ASU. Prior period amounts have been reclassified to reflect the revised presentation. Parts I and III are not applicable to the Plan.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Plan's administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results can differ from those estimates.

D. Risks and Uncertainties

Besides the investment of matching contributions into common stock of the Corporation, the Plan provides participants with various investment alternatives for their savings contributions and or diversifications. These investment alternatives are made up of various mutual funds which can be equity based, fixed income based or a combination thereof. In addition, participants may also direct their contributions to buy Old Republic common stock.

All of the above investment alternatives are exposed to various market risks including the level of interest rates, economic conditions and individual credit profiles. Due to these risks and the uncertainty related to changes in the market value of underlying investment securities, it is possible that participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits could be materially affected.

E. Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Shares of mutual funds are valued at the net asset value of shares held by the Plan at the valuation date. Old Republic International Corporation common shares are traded on a national securities exchange and are valued at the last reported sales price on the last business day of the year. Short-term investments are valued at cost plus accrued interest which approximates fair value.

The statements of changes in net assets available for benefits reflect the net appreciation (depreciation) in fair value of the Plan's investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments. Interest income is recorded as earned and dividend income is recorded as earned on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

F. Termination and Withdrawal Benefit Payments

Termination and withdrawal benefit payments are recorded upon distribution payment.

G. Plan Expenses

Plan expenses including fees for trustee, legal, accounting, auditing, investment, custodial and other services are paid by the Plan and included in administrative expenses. Certain other expenses are paid or provided by the Plan Sponsor. Investment management fees paid by the Plan are included in the net fund investment appreciation (depreciation) for the year.

H. Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued.

OLD REPUBLIC INTERNATIONAL CORPORATION
EMPLOYEES SAVINGS AND STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS

3. Investments

Fair Value Measurements

The Plan investments are reported at fair value in the accompanying statements of net assets available for plan benefits. Fair value is defined as the estimated price that is likely to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. A fair value hierarchy is established that prioritizes the sources ("inputs") used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1); observable inputs based on corroboration with available market data (Level 2); and unobservable inputs based on uncorroborated market data or a reporting entity's own assumptions (Level 3).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The valuation methodologies used for assets measured at fair value are discussed further in Note 2(E). There have been no changes in the methodologies used at December 31, 2015 from prior years.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2015 and 2014:

	December 31, 2015			
		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Company common stock	$ 275,056,236	$ 275,056,236	$ -	$ -
Mutual funds	321,972,414	321,972,414	-	-
Other short-term investments	1,030,115	1,030,115	-	-
Total investments at fair value	$ 598,058,765	$ 598,058,765	$ -	$ -

	December 31, 2014			
		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
Company common stock	$ 196,979,728	$ 196,979,728	$ -	$ -
Mutual funds	305,846,956	305,846,956	-	-
Other short-term investments	954,692	954,692	-	-
Total investments at fair value	$ 503,781,376	$ 503,781,376	$ -	$ -

4. Notes Payable

In December 2008, the Plan entered into term loan agreements with the Corporation and participating subsidiary companies for aggregate borrowings of $50,000,000 ($30,000,000 from the Corporation and $20,000,000 from the participating subsidiary companies). The proceeds of the loans were used to purchase 5,488,475 shares of the Corporation's common stock. Unallocated shares associated with the Corporation's loan are collateral on the loans. The Corporation pledged its rights associated with the collateral shares as collateral on the Corporation's loan with a financial institution. The participating subsidiary company loans are guaranteed by the Corporation. The loans all bear interest at a variable interest rate indexed to the London Interbank Offered Rate (LIBOR) plus 350 basis points. The interest rate was 3.73% and 3.66% at December 31, 2015 and 2014, respectively.

Interest is payable quarterly with any remaining accrued interest due and payable on maturity of the loan. Principal on the Corporation's loan is payable in accordance with the following maturity schedule through March 2018 when any remaining principal and accrued interest are due and payable. Principal amounts on the participating subsidiary company loans are due on March 31, 2016, subject to annual loan renewal under the ESSOP loan agreements dated December 8, 2008. In 2016, the Plan repaid $2,380,000 principal to the subsidiary companies. The repayment of the remaining principal balance of $5,440,000 was extended through March 31, 2017.

In December 2015, the Plan entered into an additional term loan agreement with the Corporation for aggregate borrowings of $34,038,664. The proceeds of the loan were used to purchase 2,200,000 shares of the Corporation's common stock. The loan bears interest at the less of (a) 4.0% per year, or (b) the variable interest rate indexed to the one month London Interbank Offered Rate (LIBOR) plus 175 basis points calculated monthly. The interest rate was 1.98% at December 31, 2015.

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NOTES TO FINANCIAL STATEMENTS

Interest on the additional term loan is payable quarterly with any remaining accrued interest due and payable on maturity of the loan. Principal on the loan is payable in accordance with the following maturity schedule. Principal repayments are due beginning in 2019 and go through March 2023 when any remaining principal and accrued are due and payable.

At December 31, 2015, loans due to the Corporation and participating subsidiary companies aggregated $53,588,664.

Maturities of the Plan's ESSOP loans are as follows:

	Total	Corporation	Participating Subsidiary Companies
2016	$ 5,950,000	$ 3,570,000	$ 2,380,000
2017	9,400,000	3,960,000	5,440,000
2018	4,200,000	4,200,000	-
2019	6,800,000	6,800,000	-
2020	6,800,000	6,800,000	-
2021	6,800,000	6,800,000	-
2022	6,800,000	6,800,000	-
2023	6,838,664	6,838,664	-
Total	$ 53,588,664	$ 45,768,664	$ 7,820,000

The fair value of the Plan's notes payable are equal to their carrying value. The estimated fair value is based on an internally generated interest yield market matrix table, which incorporates maturity, coupon rate, credit quality, structure and current market conditions. All notes payable are classified within Level 3 of the fair value hierarchy as described in Note 3.

5. Related Parties and Parties in Interest

Old Republic International Corporation and participating subsidiaries are parties in interest. The Plan's Non-Participant Directed Account (Company Account) and Unallocated Account are made up of the Corporation's common stock as noted in Note 3. Also, office personnel, space and equipment are furnished by the Companies at no charge to the Plan.

Fidelity Investments Institutional Services Company, Inc. (Fidelity Investments), a subsidiary of FMR Corporation, is the Plan's custodian, record keeper and provider of educational information to Plan participants. Certain mutual funds are managed by subsidiaries of FMR Corporation, which makes FMR Corporation a party in interest. Fees paid by the Plan to Fidelity Investments for custodianship, transaction and maintenance were $7,445 and $11,423 during 2015 and 2014, respectively.

6. Termination Priorities

Although it has no plans to do so, the Corporation reserves the right, either with or without formal action, to terminate the Plan. Each Employer reserves the right to permanently discontinue its contributions to the Plan. In the event that an Employer permanently discontinues its contributions to the Plan, or the Corporation terminates the Plan, or the Plan is partially terminated under operation of law, the accounts of the affected participants shall be fully vested and non-forfeitable. Upon termination of the Plan, the Plan shall direct the trustee to pay all liabilities and expenses of the Trust Fund and sell shares of financed ESSOP shares held in the loan suspense account to the extent it determines such sale to be necessary in order to repay the loans.

7. Tax Status

The Internal Revenue Service (IRS) issued a favorable determination letter, dated September 19, 2013, stating that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan's Sponsor believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC, therefore, no provision for income taxes has been included in the Plan’s financial statements.

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Plan management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Plan had no significant financial statement exposure to uncertain income tax positions at December 31, 2015 and 2014. The Plan is not currently under audit by any tax jurisdiction.

8. Anti-Discrimination Refunds

Due to limits imposed by Internal Revenue Code Section 415 and ERISA, tests are performed annually to determine that the Plan has not discriminated between highly compensated employees and non-highly compensated employees. In most years, initial tests indicate that there is an excess differential between contributions by highly compensated employees and non-highly compensated employees. To bring the Plan into compliance, a determination is made as to how many contributions need to be returned to highly compensated employees so the Plan can meet the "Actual Contribution Percentage Test for Non-excludable Employees." This amount represents the anti-discrimination refunds payable at any given year-end. Anti-discrimination refunds payable to participants were $800,000 and $1,010,992 at December 31, 2015 and 2014, respectively.

SUPPLEMENTAL SCHEDULE

OLD REPUBLIC INTERNATIONAL
CORPORATION
EMPLOYEES SAVINGS AND STOCK
OWNERSHIP PLAN
FORM 5500-ANNUAL RETURN/REPORT OF EMPLOYEE BENEFIT PLAN
SCHEDULE H, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2015
EIN: 36-2678171 PLAN
NUMBER-002

		(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, SHARES, PAR OR MATURITY VALUE					
(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	MATURITY DATE	RATE OF INTEREST DIVIDENDS	COLLATERAL	SHARES, PAR, OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
	MUTUAL FUNDS:						
	BALANCED FUNDS:						
*	FIDELITY FREEDOM INCOME FUND	N/A	VARIABLE	N/A	310,715sh	#	$3,452,043
*	FIDELITY FREEDOM 2010 FUND	N/A	VARIABLE	N/A	544,471sh	#	7,938,394
*	FIDELITY FREEDOM 2020 FUND	N/A	VARIABLE	N/A	2,544,646sh	#	36,973,703
*	FIDELITY FREEDOM 2030 FUND	N/A	VARIABLE	N/A	1,694,241sh	#	25,769,408
*	FIDELITY FREEDOM 2040 FUND	N/A	VARIABLE	N/A	1,540,511sh	#	13,541,096
*	FIDELITY FREEDOM 2050 FUND	N/A	VARIABLE	N/A	396,685sh	#	3,954,954
	VANGUARD WELLINGTON FUND	N/A	VARIABLE	N/A	30,921sh	#	1,964,723
	EQUITY FUNDS:						
*	FIDELITY VALUE FUND	N/A	VARIABLE	N/A	204,997sh	#	19,630,525
*	FIDELITY MID-CAP STOCK FUND	N/A	VARIABLE	N/A	738,224sh	#	24,162,080
*	FIDELITY REAL ESTATE INCOME FUND	N/A	VARIABLE	N/A	12,900sh	#	145,001
*	FIDELITY SELECT ENERGY PORTFOLIO	N/A	VARIABLE	N/A	14,576sh	#	512,640
	FRANKLIN CONVERTIBLE SECURITIES FUND	N/A	VARIABLE	N/A	5,276sh	#	91,274
		N/A	VARIABLE	N/A	599,931sh	#	18,747,840

	T. ROWE PRICE VALUE FUND						
	VANGUARD EXPLORER FUND	N/A	VARIABLE	N/A	76,701sh	#	5,734,201
	VANGUARD HEALTH CARE FUND	N/A	VARIABLE	N/A	41,950sh	#	3,898,870
	FIXED INCOME FUNDS:						
*	FIDELITY INTERMEDIATE-TERM BOND FUND	N/A	VARIABLE	N/A	1,106,509sh	#	11,872,839
*	FIDELITY CAPITAL & INCOME FUND	N/A	VARIABLE	N/A	1,392,288sh	#	12,739,434
*	FIDELITY CASH RESERVES	N/A	VARIABLE	N/A	18,965,725sh	A	18,965,725
*	FIDELITY GNMA	N/A	VARIABLE	N/A	25,752sh	#	296,661
*	FIDELTIY NEW MARKETS INCOME FUND	N/A	VARIABLE	N/A	18,602sh	#	270,096
	VANGUARD LONG TERM INVESTMENT-GRADE FUND	N/A	VARIABLE	N/A	101,199sh	#	1,001,873
	GROWTH FUND:						
	T. ROWE PRICE GROWTH STOCK FUND	N/A	VARIABLE	N/A	325,902sh	#	17,487,880
	VANGUARD GROWTH INDEX FUND	N/A	VARIABLE	N/A	23,794sh	#	1,303,176
	VANGUARD INTERNATIONAL GROWTH FUND	N/A	VARIABLE	N/A	237,916sh	#	15,954,670
	INDEX FUNDS:						
*	SPARTAN 500 INDEX INSTITUTIONAL	N/A	VARIABLE	N/A	393,024sh	#	28,223,025
	VANGUARD DIVIDEND APPRECIATION INDEX FUND	N/A	VARIABLE	N/A	791,784sh	#	24,640,333
	VANGUARD EXTENDED MARKET INDEX FUND	N/A	VARIABLE	N/A	79,134sh	#	5,031,336
	VANGUARD MID-CAP GROWTH INDEX FUND	N/A	VARIABLE	N/A	25,531sh	#	1,096,321
	VANGUARD REIT INDEX FUND	N/A	VARIABLE	N/A	10,006sh	#	1,130,501
	VANGUARD SHORT-TERM BOND	N/A	VARIABLE	N/A	1,034,496sh	#	10,789,795

INDEX FUND						
VANGUARD TOTAL BOND MARKET INDEX FUND	N/A	VARIABLE	N/A	113,272sh	#	1,205,213
VANGUARD TOTAL INTERNATIONAL BOND INDEX FUND	N/A	VARIABLE	N/A	11,447sh	#	241,522
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	N/A	VARIABLE	N/A	28,699sh	#	2,782,041
VANGUARD VALUE INDEX FUND	N/A	VARIABLE	N/A	13,300sh	#	423,219
TOTAL						321,972,414
EMPLOYER SECURITIES:						
* OLD REPUBLIC INTERNATIONAL CORPORATION COMMON STOCK:						
PARTICIPANT DIRECTED	N/A	N/A	N/A	443,455sh	$5,953,800	8,261,575
NON-PARTICIPANT DIRECTED	N/A	N/A	N/A	10,186,547sh	117,888,978	189,775,372
UNALLOCATED	N/A	N/A	N/A	4,134,154sh	51,658,804	77,019,289
TOTAL				14,764,157sh	$175,501,582	275,056,236
SHORT-TERM INVESTMENTS	N/A	N/A	N/A	1,030,115sh	$1,030,115	1,030,115
TOTAL INVESTMENTS HELD						$598,058,765

Note:
* Parties in Interest.
\# Participant directed funds.
A Includes Non-Participant directed funds (119,674 shares with a cost and current value of $119,674).