Morgan Stanley

Barclays Capital Financial Services Conference

Ruth Porat, Executive Vice President and
Chief Financial Officer

September 11, 2012

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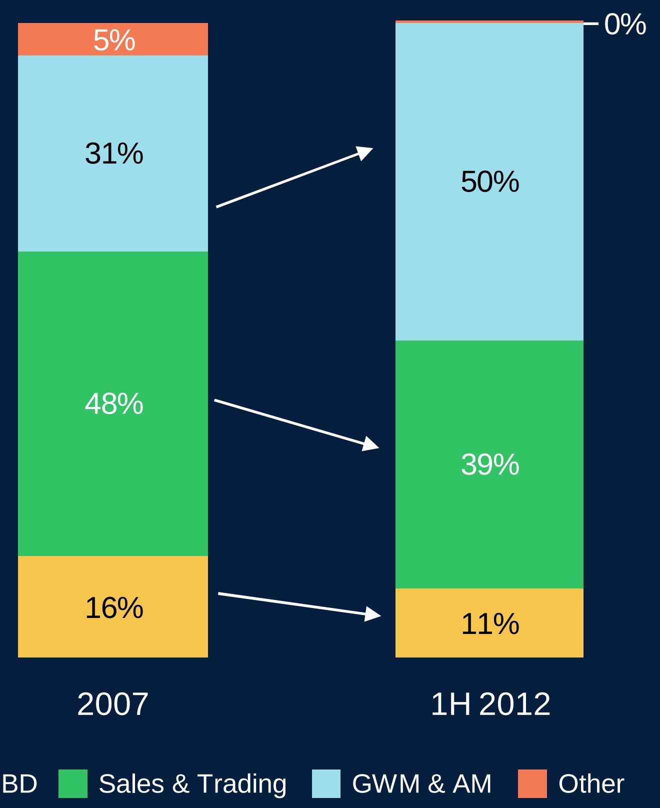
Morgan Stanley Today is More Balanced With Complementary Businesses

2007–2012 Net Revenue Split (1) (2)



Key Drivers

- **GWM**
  - Fully integrated, well positioned
  - Revenue stability, growth in deposit funding
- **ISG**
  - Cohesive set of products across divisions
  - Leadership position in IBD
  - Balanced product and geographic mix in Equities
  - Continued focus on market share gains and capital management in Fixed Income
- **MUFG**
  - Strategic partnership with the world's third largest depository
- **Strong risk discipline and tight governance**
  - Institutionalization of processes ensures durability

Source: Morgan Stanley SEC Filings and company data

(1) 2007 figures on a fiscal-year basis with a year ending on November 30.

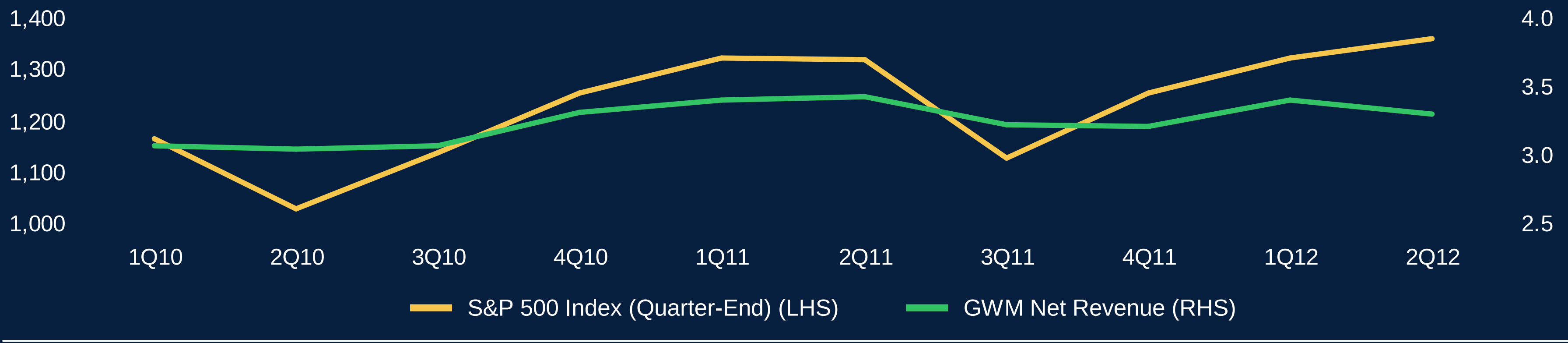
(2) Net revenues adjusted for DVA (2007: ($843)MM; 1H12: $1.6Bn) and mortgage losses in 2007 ($9.4Bn).

Growth of GWM Increases Stability and Enhances Franchise Value

- Growth in our Global Wealth Management segment provides a stable base of revenues and earnings
- Revenues have been stable in challenging markets
- Increased focus on fee-based assets enhances recurring nature of revenue stream

Global Wealth Management Net Revenue Stability, Notwithstanding Volatile Markets

S&P 500 Index Level [(1)] vs. Quarterly GWM Net Revenues in ($Bn)



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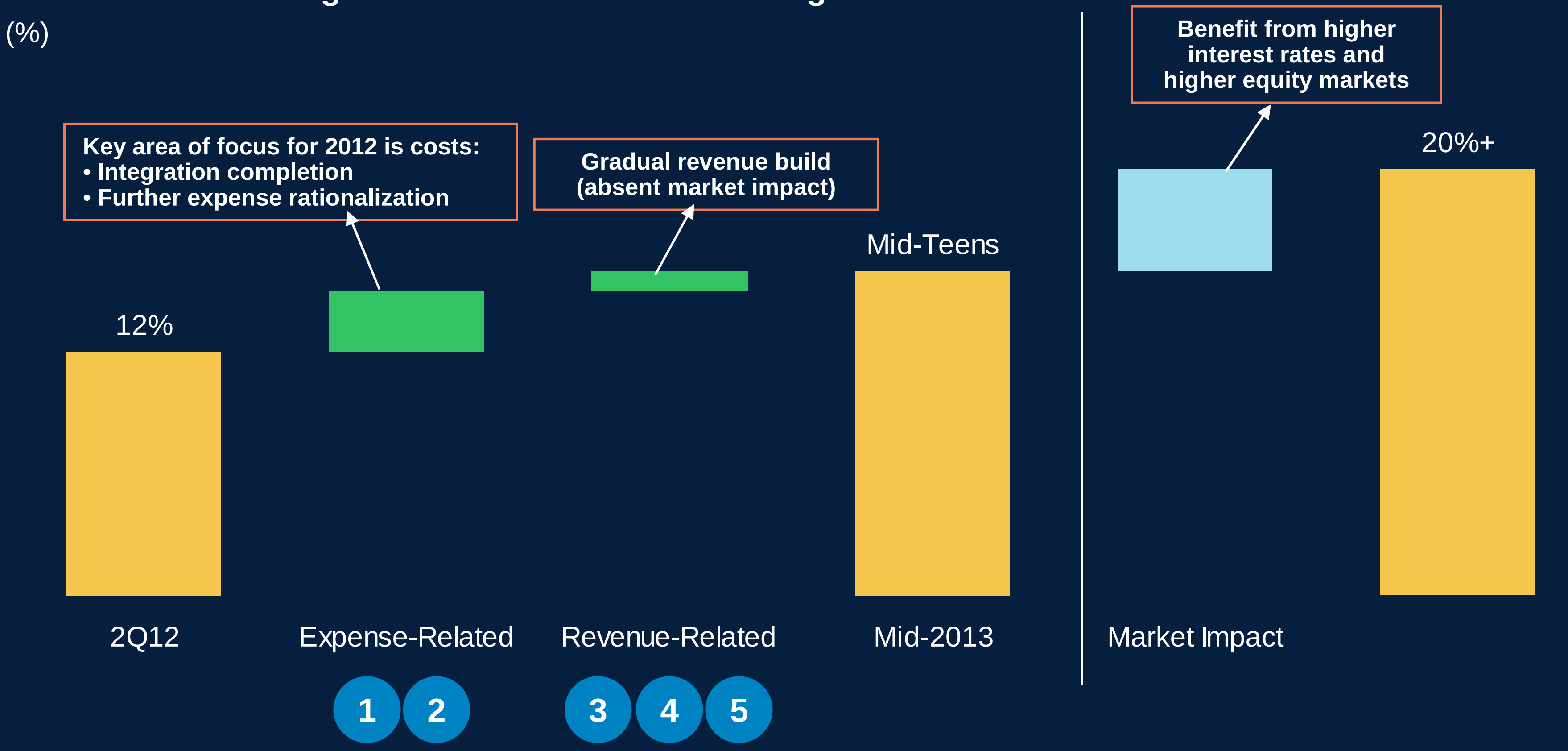
Source: Morgan Stanley SEC Filings

(1) S&P 500 Index level at quarter-end from FactSet

Levers in Our Control Drive Margin Goals in Global Wealth Management

Global Wealth Management Pro-Forma Pre-tax Margin (1)

(%)



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Source: Morgan Stanley SEC Filings and company data

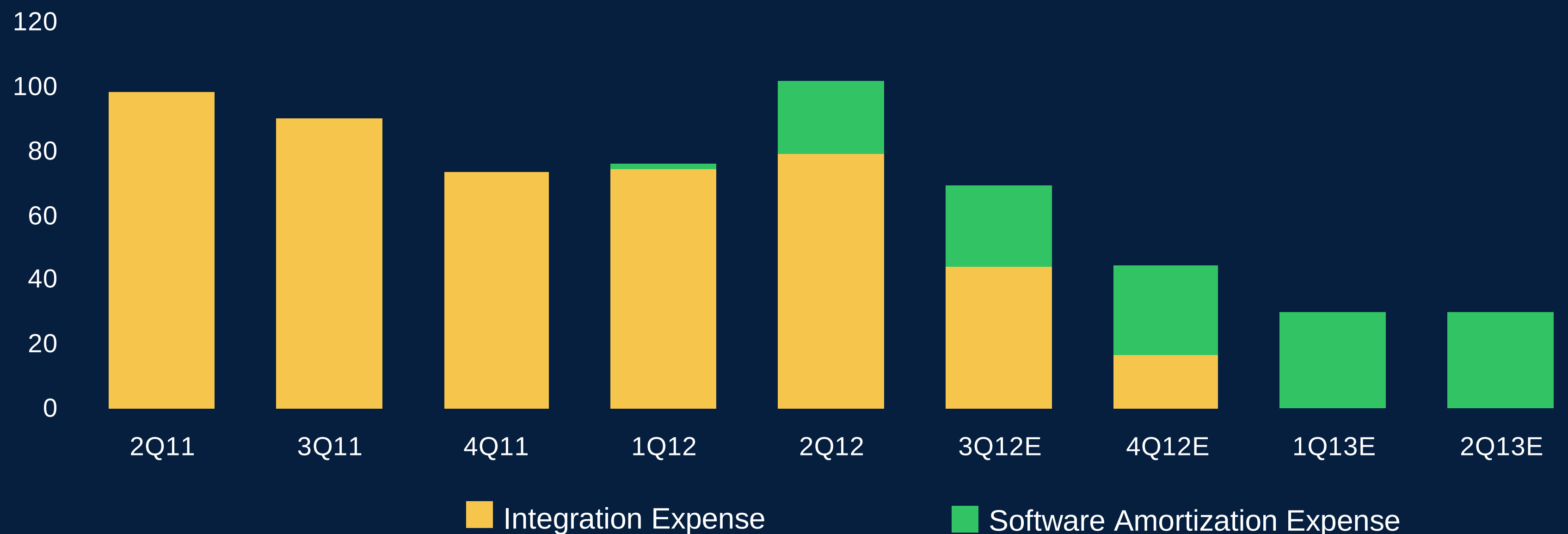
(1) Bars are for illustrative purposes only; factors impacting the pre-tax margins do not represent actual values.

1 Focus on Expense Management in GWM

Integration Expense Step Down

- Integration expenses declining
  – Some expense through year-end for continued field support and data retention
- Software amortization expense increasing
  – Five year amortization of new system

Integration Expenses vs. Software Amortization Expense
($MM)



Source: Morgan Stanley company data

2 Streamlining of Operations

Completion of Integration Enables Us To Focus on Optimizing Other Expenses

Fully Integrated Platform → Expense Optimization

- Retirement of legacy applications
- Reduction of redundant technology and operations will save:
  - Data processing
  - Storage / maintenance
  - Operational monitoring
- Other expense savings

3Q12 One-Time Expense

- Cost associated with expense rationalization:
  - Write-down of retired legacy Smith Barney system
  - Closure of regional support centers
- One-time 3Q12 expense

Steady Growth in Revenue Will Also Drive Margins: Continue Banking and Lending Build

3

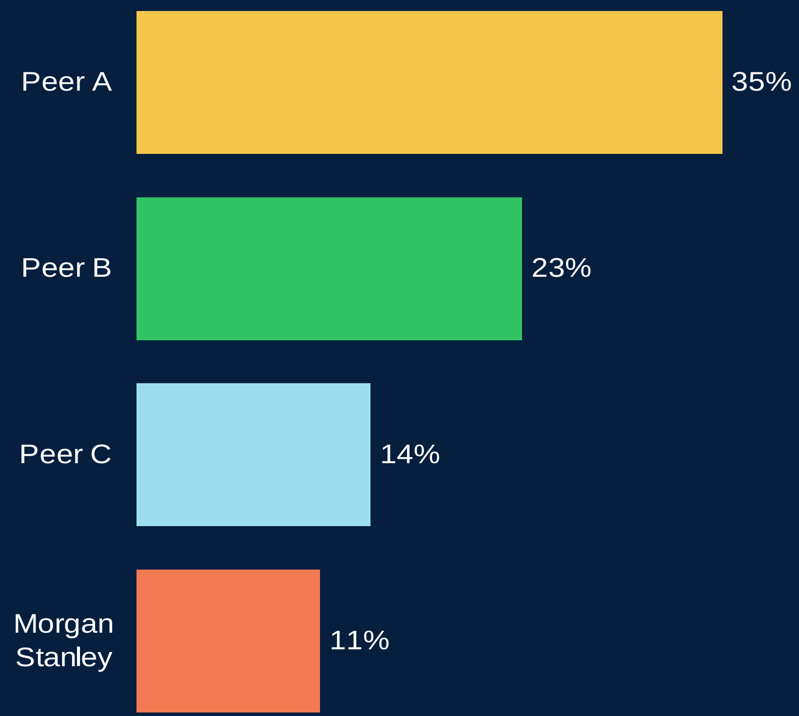
Core Strategy

- **Product**:
  - Complement the Firm's wealth management offering with banking and lending solutions that help attract and retain assets. Delivered through MSSB Financial Advisors to 4 million clients
- **Distribution**:
  - Co-locate a national network of 170 Private Bankers in MSSB branches to offer training and sales support
- **Management**:
  - Lead with an experienced management team, including functional experts in product, sales, risk and support areas
- **Risk & Control**:
  - Establish and maintain a rigorous discipline and governance framework, along with a measured pace of build-out

Ongoing Upside

Net Interest as a Percentage of GWM Revenue (1) (2)

(%)



Source: Morgan Stanley and peer SEC Filings and Morgan Stanley company data

(1) Based on full-year 2011 results.

(2) Peer population includes Bank of America Global Wealth & Investment Management, Wells Fargo Wealth, Brokerage and Retirement, and UBS Wealth Management Americas.

3 Steady Growth in Revenue Will Also Drive Margins: Continue Banking and Lending Build

Product Offering

- **2010 – 2011**:
  - Deposit products and debit cards
  - Home loans
  - Margin and securities based lending
  - UHNW tailored lending
- **2012 and Forward**:
  - Co-branded cards with American Express
  - Ongoing expansion of home financing products
  - Ongoing expansion of asset classes for securities based lending
  - Expansion of tailored lending deal size and collateral
  - Ongoing money movement enhancements to facilitate deposit gathering (e.g., online, mobile)

Measuring Performance

- Loan growth (2010 – June 2012):
  - Home loans production up 125% over 2010; balances up 169% since year-end 2010
  - Securities based non-purpose lending production up 81% over 2010; balances up 48% since year-end 2010
- Increasing FA utilization:
  - 48% of FAs had at least one banking and lending transaction in 2011
- Ongoing strong risk management

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Source: Morgan Stanley company data

4 Fee-Based Accounts Growth Drive Recurring Revenue and Enhance Stability

- Consistent growth in managed accounts driven by a number of factors
  - Long track record of platform leadership in terms of products and capabilities
  - Growing client demand and advisor adoption
- Largest single share of total managed account assets in the U.S. (~20% of assets) (1)
- 250+ Consulting Group professionals to support efforts of FAs
- Enhanced portfolio diversification, construction, and monitoring – with foundation in investment excellence

Fee-Based Assets Under Management

($Bn)

Morgan Stanley

Source: Morgan Stanley SEC Filings and company data

(1) Cerulli Associates, 2011.

5 Effective Collaboration With Institutional Businesses

- 3Com
- Duncan Energy Partners L.P.
- Hubbard Broadcasting, Inc.
- HomeAway – Live the Destination
- responsys
- Energy Plus
- BankUnited
- zynga
- headstrong – Strong opinions. Strong results.
- The Endurance International Group
- American Assets Real Estate Group
- Verigy – Advantest Group
- neustar
- Plateau
- Holly Energy Partners
- Wesco Aircraft
- CODA
- Fifth Street Capital

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MSSB Buy-In Update

- Key terms
  - Agreed to acquire 14% of MSSB JV including pro-rata deposits at an assumed aggregate common equity value of $13.5Bn (~$1.9Bn for 14% stake)
  - Agreed future purchase price of $13.5Bn for remaining 35% stake held by Citi, including pro-rata deposits, subject to regulatory approval
- Pro forma impact for 14% exercise
  - Benefit from additional 14% earnings
  - De minimis capital impact due to capital held against NCI
- Scope of entity
  - MSSB JV is a subset of Global Wealth Management business

In the JV	Outside the JV
• Retail broker operations – Domestic – International	• Lending Products • AFS • Deposits

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Source: Morgan Stanley company data

Cohesive Product Suite in Institutional Securities

Institutional Securities: Leading position in Investment Banking, Equities, Commodities and Credit Products and momentum in Rates and FX from more broadly leveraging our technology investments

A
- Cross-asset class focus enhances insight and execution

B
- Operating leverage benefits from technology

C
- Ongoing capital optimization is long-term accretive

Complimentary Businesses Enhance Client Experience

Global Footprint

- Strong and deep presence in major established and growth markets; first mover in key locations

Execution Excellence

- Leading structuring capabilities across asset classes, products and markets
- Market maker / liquidity provider

Content

- Global research teams covering economics, markets, geopolitical events and stocks and industries
- Global client and sector coverage teams

Distribution

- Access to wide and diverse investor base and product offerings

Technology

- Consistent investments over time

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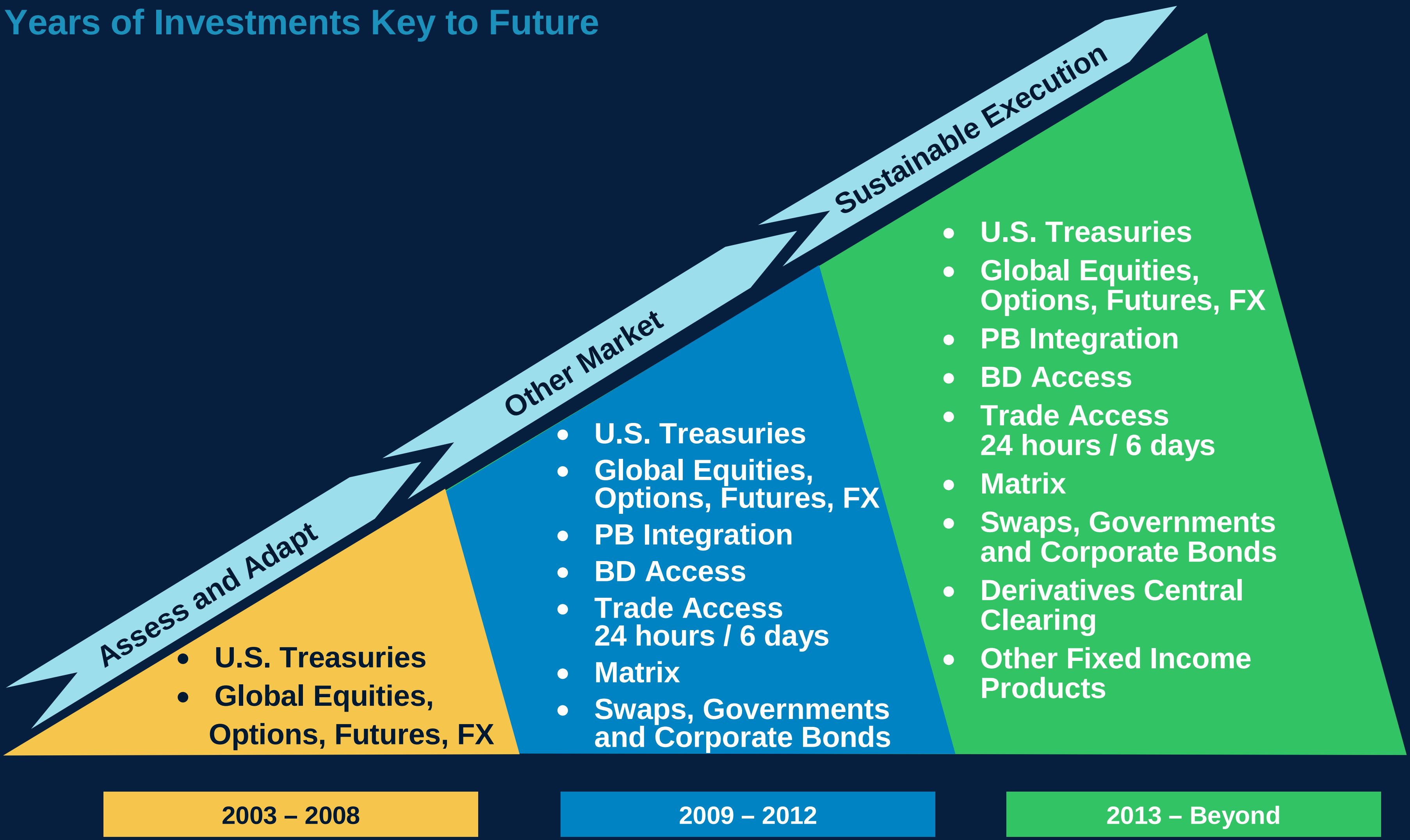
Investments in Sales and Trading Technology and Content Drive Competitive Advantage

Years of Investments Key to Future



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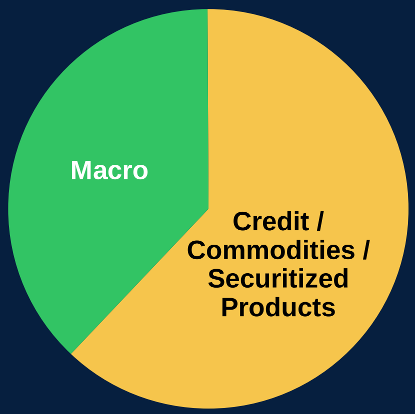
Source: Morgan Stanley company data

Focus on Capital Efficient, Client-Driven Model in Fixed Income and Commodities

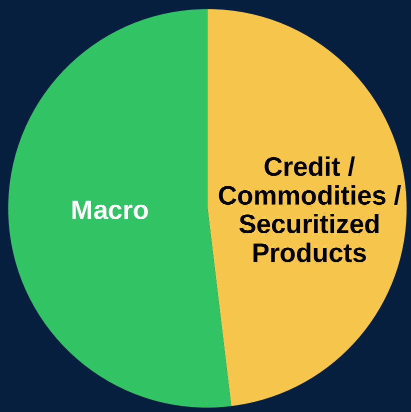
- Invested significantly in key areas and expanded footprint
  - More balanced revenue contribution across products
- Focused on risk-adjusted returns – competing in product areas where Basel III returns are attractive
  - Improving balance sheet turnover and asset velocity
  - Optimizing balance sheet usage and capital allocation

More Balanced Revenue Contributions Across Products

Quarterly Average – 2009 Revenue Mix (1) (2)



Quarterly Average – 2011 / 1H12 Revenue Mix (1) (2)



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Source: Morgan Stanley company data

(1) Represents mix of revenues for corporate credit, FX, rates, securitized products, and commodities businesses.

(2) Macro represents FX and rates.

Basel III Risk-Weighted Asset Reduction Plan

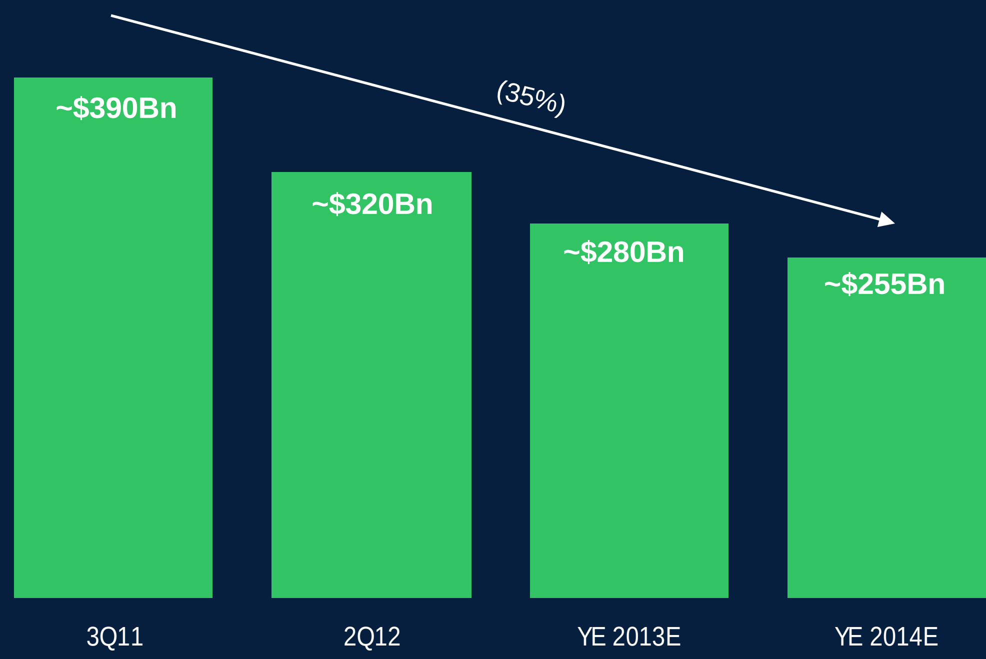
Principles of RWA Reduction

Assets That Are Core to the Franchise vs. Assets That Are A Drag On Returns

1. Reduce capital in assets that are not accretive to future revenue growth
2. Act as rapidly as possible while acknowledging market limitations and client relationships
3. Consider returns in each sub-business in context of adjacencies, size and scale

Fixed Income and Commodities Basel III Risk-Weighted Assets [1]

($Bn)



Source: Morgan Stanley company data

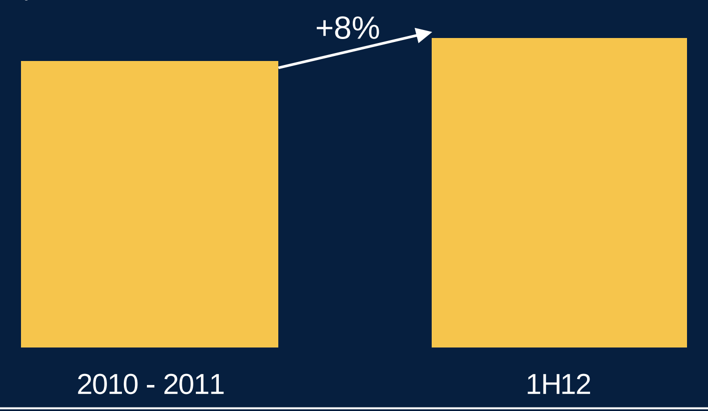
(1) The Company estimates its risk-weighted assets based on a preliminary analysis of the Basel III guidelines published to date and other factors. This is a preliminary estimate and may change based on final rules to be issued by the Federal Reserve.

Case Study: Securitized Products Balance Sheet and Revenues

- Reducing capital allocated to a business does not necessarily come at the expense of future revenues
  - Significant reduction in liquidity usage
- Have reduced distressed cash assets and unwound long duration derivative inventory
  - Natural amortization of inventory over the pay-down profile
  - Continued to trade all asset classes
  - Significant increase in balance sheet velocity
- Reduced Basel III RWAs in Securitized Products by 25% from 2011 to 2Q12 with little impact to revenues
  - RWA reduction done without the benefit of model approval / refinement

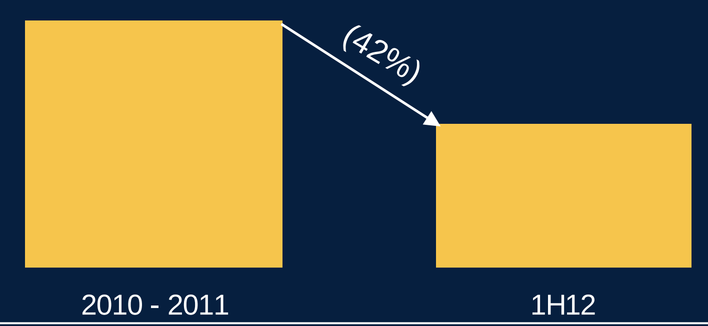
Average Quarterly Revenues – Securitized Products

($MM)



Average Balance Sheet – Securitized Products

($Bn)



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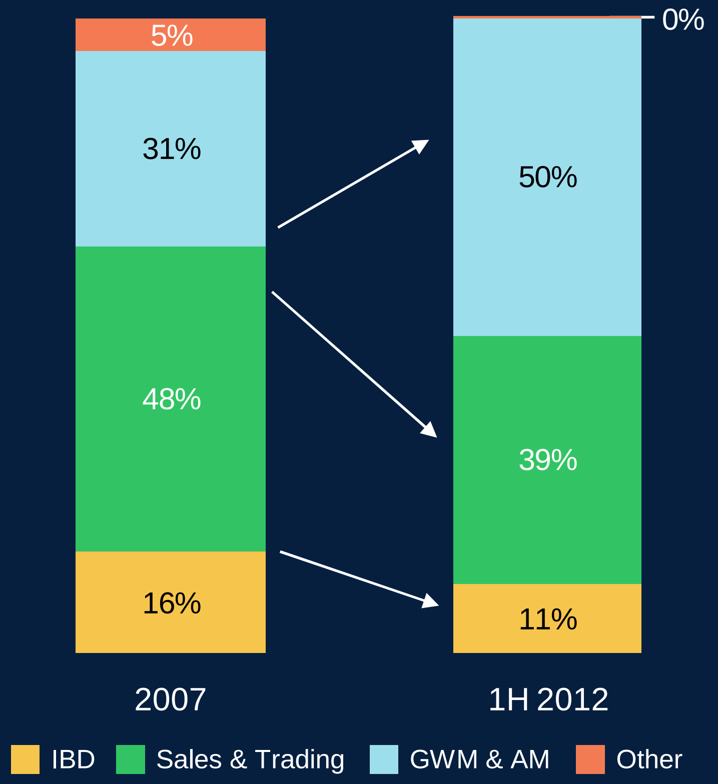
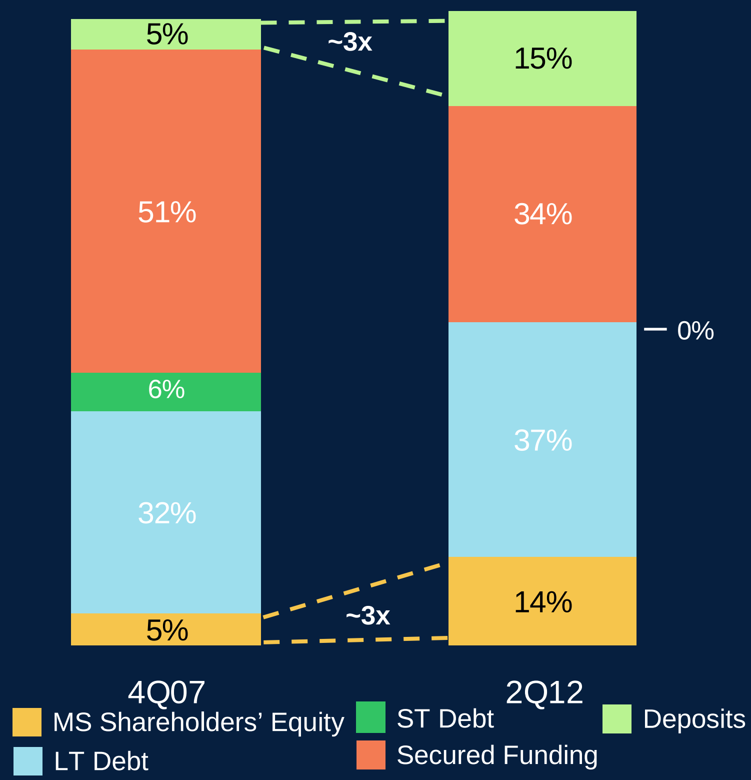
Source: Morgan Stanley company data

Strategic Moves Enhance Business Outlook and Funding Profile

2007–2012 Net Revenue Split (1) (2)



Funding Framework (3)



Source: Morgan Stanley SEC Filings and company data

(1) 2007 figures on a fiscal-year basis with a year ending on November 30.
(2) Net revenues adjusted for DVA (2007: ($843)MM; 1H12: $1.6Bn) and mortgage losses in 2007 ($9.4Bn).
(3) Funding stack represents percentage as a total of: deposits, commercial paper and other short-term borrowings, secured funding (securities sold under agreement to repurchase, securities loaned, other secured financings), long-term borrowings and Morgan Stanley shareholders' equity.

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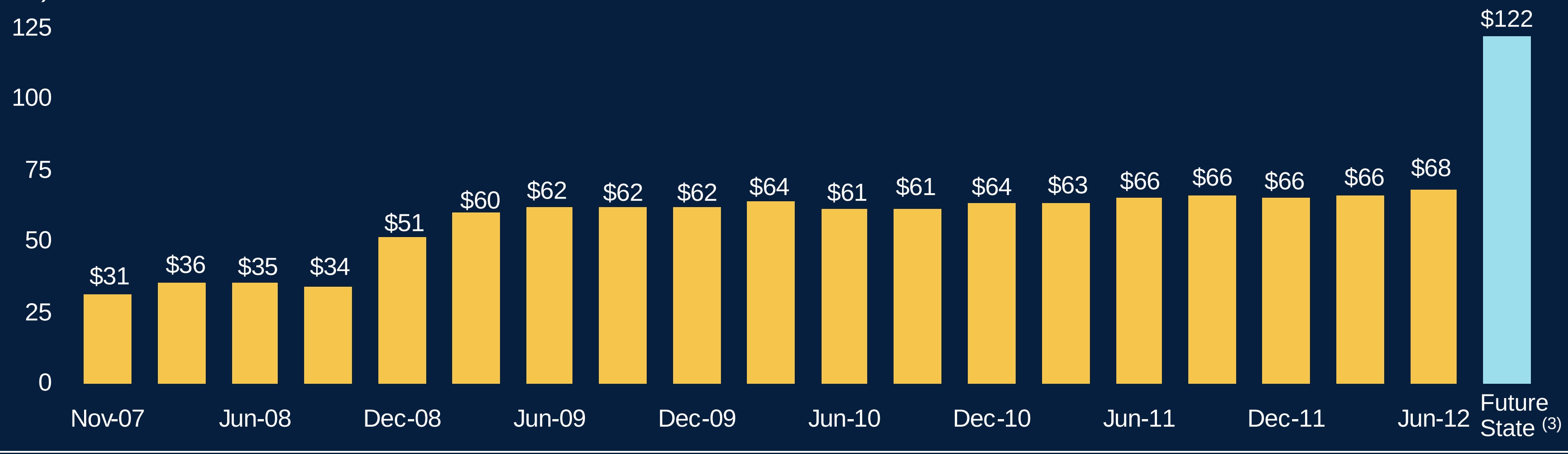
Deposits Enhance Funding Efficiency

- Deposit base sourced primarily from wealth management clients
  - Sourced from ~4 million households, holding $1.7 trillion of assets with MSSB; median relationship length of over 7 years [(1)]; has not declined by more than 12% in any one year or by more than 6% in any one month, even during the 2008 Financial Crisis [(2)]
- Deposit funding replaces term unsecured and secured financing requirements for bank eligible businesses
  - Retail lending: $14Bn of associated financing provided by deposits
  - Institutional lending: $19Bn of associated financing provided by deposits
  - FX derivatives – with Rates to follow (consistent with peers)

Deposits

($Bn)



Source: Morgan Stanley SEC Filings and company data

(1) Household and asset data based on combined MSSB account base; relationship length based on legacy Morgan Stanley data only as Smith Barney data was not available.

(2) Based on analysis of Morgan Stanley deposits and prior money market fund experience on brokerage sweep program over the last 10 years

(3) On June 1, 2012, Morgan Stanley advised of its intention to exercise its right to purchase an additional 14% of MSSB. Future State deposit figures include values for all combined deposits in the Bank Deposit Program ($112.4Bn) plus those deposits outside of the joint venture as of June 30, 2012. In connection with the 14% call option, approximately $5.4Bn of deposits will be transferred to Morgan Stanley to reflect the resulting change in relative percentage ownership interests.

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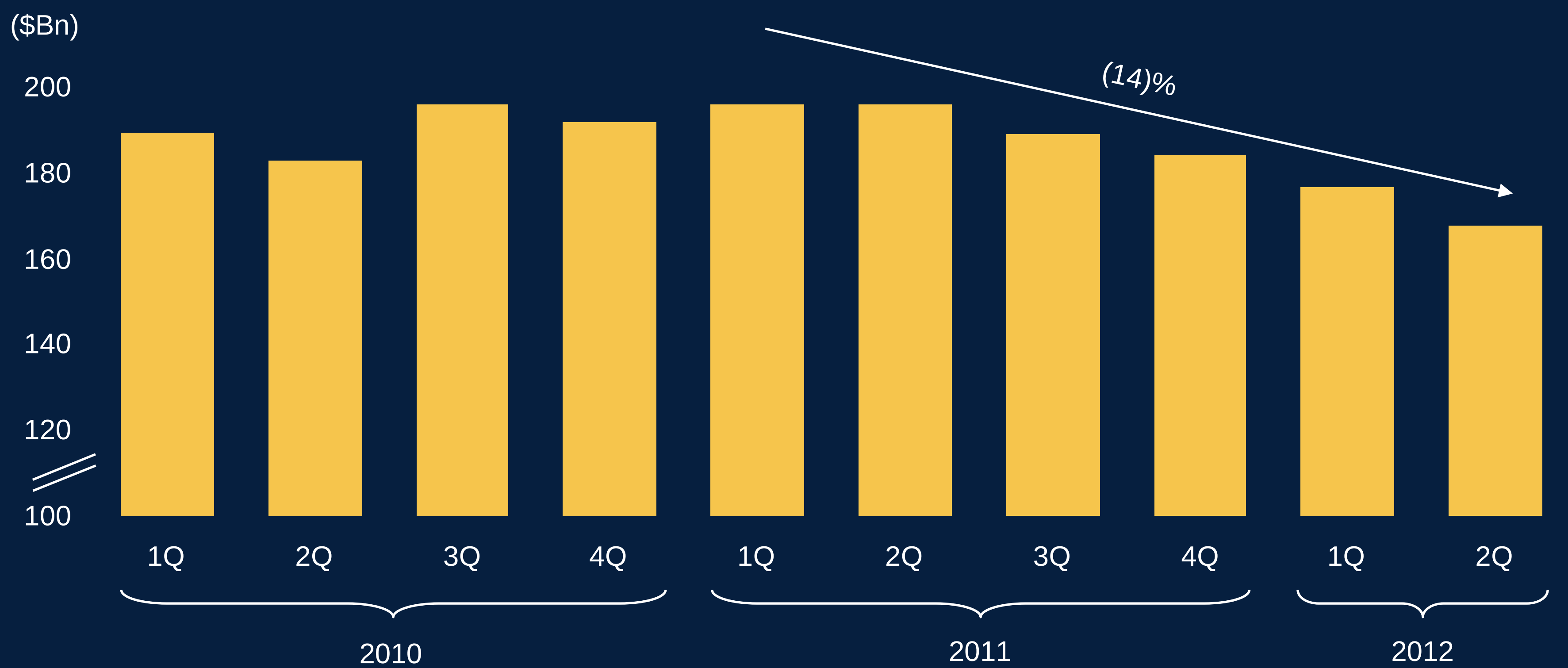
…More Liquid Balance Sheet Reduces Unsecured Debt Reliance…

- At June 30, 2012, weighted average maturity of ~5.3 years; excluding current portion of long-term debt, 6.2 years [(1)]
- Long-term debt outstanding of $168Bn, down from $196Bn at 1Q11



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Source: Morgan Stanley SEC Filings

(1) Reflecting 30-year benchmark issuance in July 2012: ~5.7 years; excluding current portion of long-term debt, 6.5 years.

…Unsecured Debt Issuances Do Not Need To Match Maturities

Elevated 2012 Maturities Addressed by 2010 and 2011 Issuance

Total Short-Term and Long-Term Maturities (1) (3) (4)

($Bn)

Issuance: $30 $33 $14 (1)

2010 – 3Q12TD(1) Remainder of 2012(2) Total Maturities

Source: Morgan Stanley company data

(1) As of August 31, 2012.
(2) Remainder of 2012 includes September 1, 2012 – December 31, 2012.
(3) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.
(4) Excludes assumptions for secondary buyback activity.

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Fortified Foundation, Strengthened Business Mix, Disciplined Execution

Specific Actions to Fundamentally Re-Tool Morgan Stanley: Funding Cost Circuit Breaker

Execute on Strategic Priorities

- Clear strategy – defined business footprint
  - Fully integrated, well positioned Wealth Management business
  - Leadership position in Investment Banking
  - Balanced product and geographic mix in Equities
  - Continued focus on market share gains and capital management in Fixed Income
- Operating leverage
- Focused execution on resource optimization

Strong Capital, Liquidity and Funding

- Solid funding framework
  - Unsecured – not reliant on short-term funding, 37% of total funding long-term debt
  - Secured – WAM of less liquid assets > 120 days and spare capacity creation
  - Deposits – 11th largest depository in the US with MSSB JV total deposits; 15th largest with MS only deposits(1)
  - Equity – doubled equity since 2007
- Industry leading capital ratios at 2Q12
- Substantial excess liquidity

Risk Management and Governance

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Source: Morgan Stanley SEC Filings, company data and SNL Financial

(1) Excludes foreign banks' U.S. Bank Holding companies.

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