Morgan Stanley

Barclays Capital Financial Services Conference

Ruth Porat, Executive Vice President and Chief Financial Officer

September 9, 2014

Notice

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

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The Morgan Stanley Repositioning: Continued Momentum

Significant Strategic Change

- Doubled size of wealth management business
- Sold MSCI
- Sold retail asset management
- Sold Discover

Balance Sheet Restructure / Exit Non-strategic Areas

- More liquid balance sheet
- Termed out funding
- Shut down prop businesses

Increasing Return of Capital

- 2012 initiated first buyback since 2008
- 2013 CCAR
  - Doubled buyback
  - Doubled dividend

Growth Drivers

- Business upside
- Funding benefit
- Technology investments

Agenda

1 Business Upside

- **A** Strength, consistency and PBT growth in Wealth Management
- **B** Continuing loan growth consistent with bank strategy
- **C** ROE improvement in Fixed Income and Commodities

2 Funding Benefit

Expense reduction consistent with spread tightening

3 Technology Investments

Leading technology drives competitive advantages – client experience, execution capabilities and efficiencies

1A Wealth Management: Industry Leader, Benefitting From Market Trends

Earnings Drivers

Operating Leverage

- Morgan Stanley is one of the largest wealth management firms in the world and we have significant scale

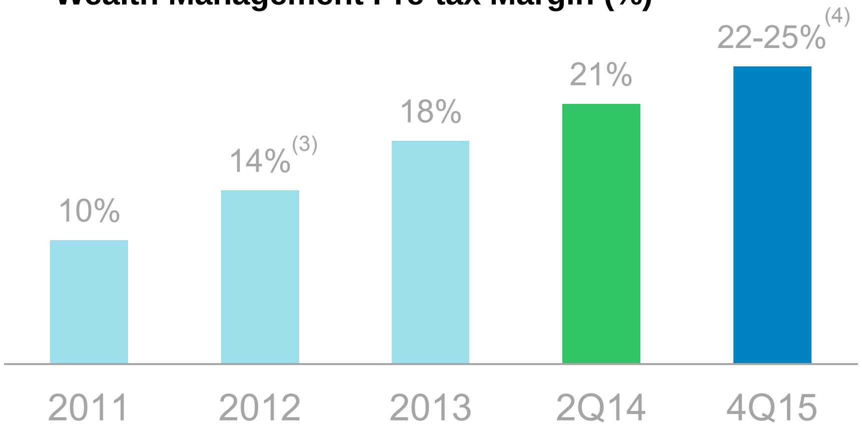
Growth in Fee-Based Assets

- Secular tailwind
- Aligns clients, FAs and shareholders' interests
- Industry leader in fee-based assets
- Growth of this recurring revenue stream enhances stability

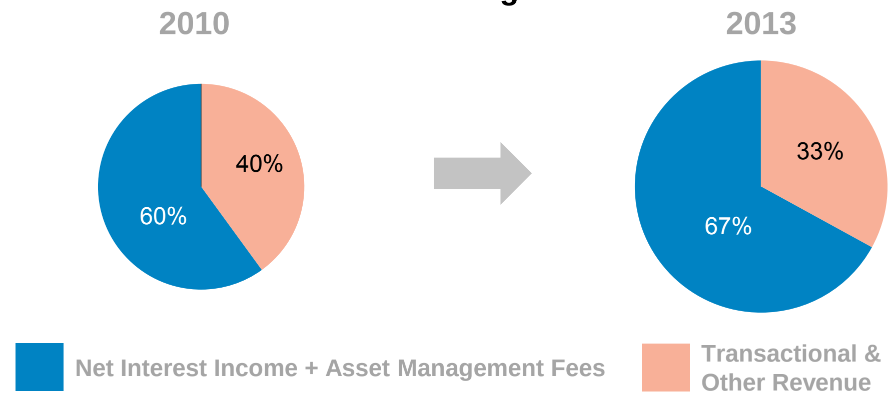
Growth in Banking and Lending

- Leveraging FA / client relationships to provide lending solutions for Wealth Management clients
- Higher pre-tax margins
- Significant investment in governance and risk management

Wealth Management Pre-tax Margin (%)[1],[2]



Net Interest Income + Wealth Management's Asset Management Fees (%)

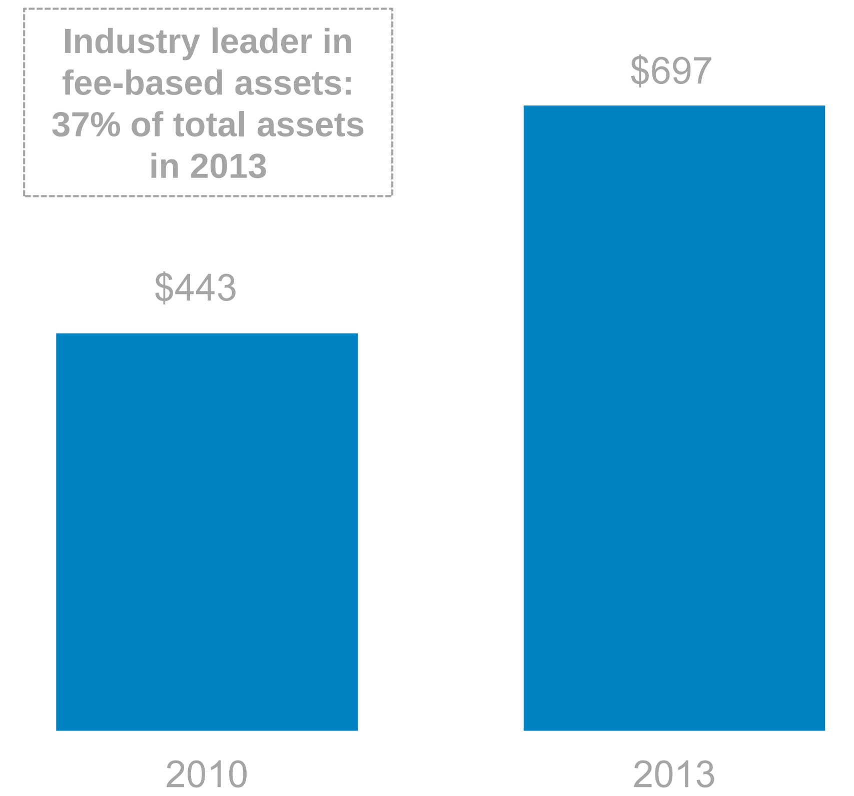


(1) The periods 2010-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.
(2) Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance.
(3) Pre-tax margin for 2012 excludes $193 million of non-recurring costs in 3Q12 associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture.
(4) The attainment of these margins in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations. Assumes flat markets and no increase in interest rates.

Fee-Based Revenues – Morgan Stanley Benefitting From Secular Shift

- The wealth management industry is undergoing a secular shift, with clients moving their assets from transactional to managed accounts
- Industry managed assets have grown from ~$1.2 trillion in 2004[(1)] to ~$3.5 trillion in 2013[(1)]
- Wirehouse[(2)] fee-based assets as a percent of total client assets has increased from ~19% in 2004[(3)] to ~35% in 2013[(4)]

Morgan Stanley Wealth Management Fee-Based Assets ($Bn)



(1) 2004 data sourced from Cerulli Associates, *Managed Accounts 2013.* 2013 data sourced from *The Cerulli Edge - Managed Accounts Edition*, 1Q 2014 issue.
(2) In 2004, Wirehouses included Citigroup, Merrill Lynch, Morgan Stanley, UBS and Wachovia. In 2013, Wirehouses included Bank of America Merrill Lynch, Morgan Stanley, UBS and Wells Fargo.
(3) 2004 data sourced from Cerulli Associates, *Managed Accounts 2007.*
(4) Wirehouse fee-based assets as a percent of total client assets is defined as Wirehouse managed assets divided by total Wirehouse Assets. The 2013 total Wirehouse Asset number is an estimate sourced from Cerulli Associates' *Advisor Metrics 2013* report.

1B Net Interest Income: Powerful Growth Opportunity As We Execute Bank Strategy in Wealth Management

Significant opportunity across the Wealth Management franchise reflecting relatively low client penetration versus peers

Wealth Management

1 Securities-Based Lending

- PLA platform automation and integration with Wealth Management
- Cultural adoption (training and incentives)
- Highly over-collateralized

2 Mortgages

- Recent addition of amortizing products
- Client penetration and retention strategies, as well as cultural adoption programs
- Average FICO >750, LTV <65%

3 Tailored Lending

- Principally a secured lending portfolio with recourse to a Ultra-High Net Worth clients

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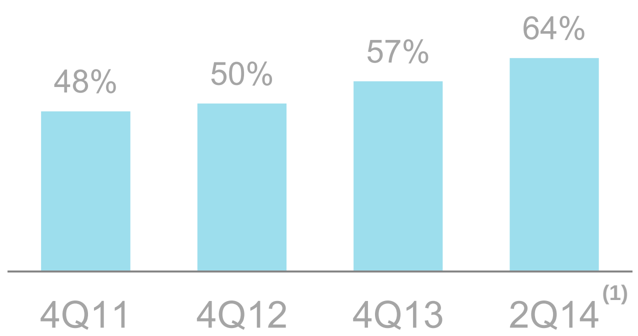
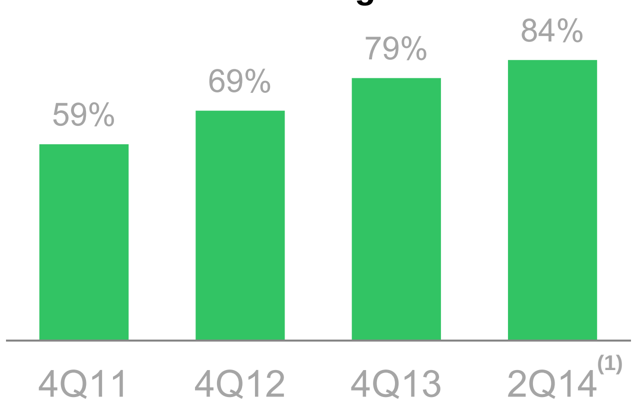
Organic Growth with Financial Advisor and Client Adoption

Underpenetrated vs. peers, large embedded client base

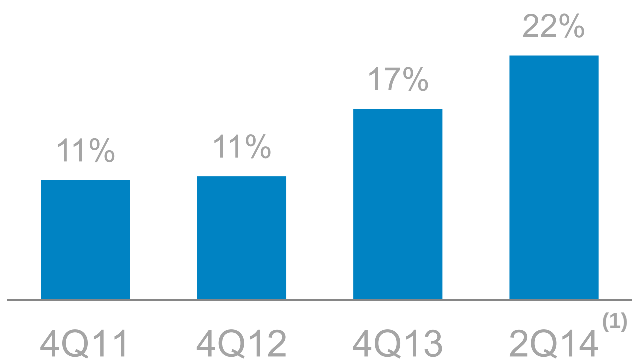
An Increasing % of Morgan Stanley FAs Are Using At Least One New Lending Solution…



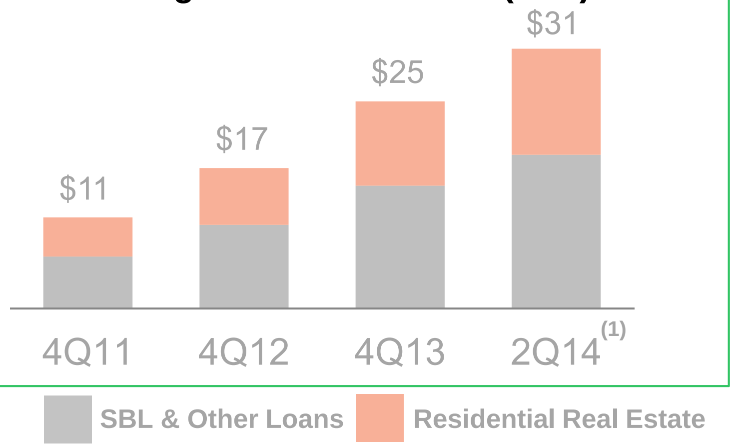
… With An Even Higher Adoption Rate by the Firm's Leading FAs(2)…



… And A Significant Increase in FAs Who Have Four or More New Lending Solutions



U.S. Banks Securities-Based Lending and Other Loans & Residential Real Estate Lending Funded Balances ($Bn)



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(1) 2Q14 FA/Client Lending Product data based on trailing 12-months.
(2) 'Leading FAs' is a Morgan Stanley internal designation referring to the top revenue producing or fastest growing financial advisors at the Firm.

Higher Deposits Also Enable Lending Growth Within Our Existing Footprint in Institutional Securities

Large base of institutional clients represent a significant opportunity for Morgan Stanley to increase lending in areas with strong franchises and domain expertise

Institutional Securities

1 Relationship Lending

- Maintain current balance sheet composition
- Rigorous Capital Commitment Committee review process

2 Event Lending

- Expansion and deepening of existing client relationships
- Loan velocity higher on the back of strong corporate M&A and refinancing activity

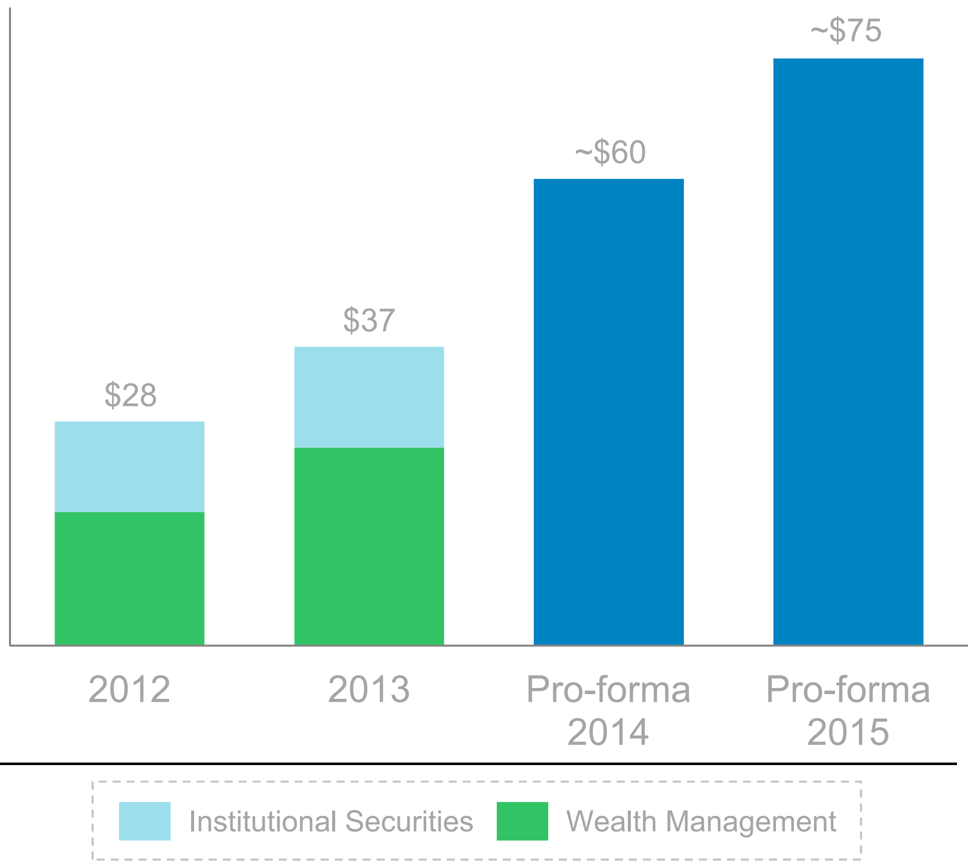
3 Other Lending Products Adjacent to Existing Institutional Businesses

- Commercial Real Estate, Project Finance, Warehouse, Equity Margin Lending, Corporate Loan Services
- Consistent with strong client and banking franchises

Result is Strong, Balanced Loan Growth in Wealth Management and Institutional Securities

Higher margin bank due to cost structure – lack of bricks and mortar and our embedded client base – meaningful contributor in a rising rate environment

Funded U.S. Banks Loans ($Bn)[(1)]



Indicative Yield Opportunity Based on Current Market Rates
• Cash & Short Term Investments [(2)] = ~0.3%
• AFS = ~1.0%
• Lending = ~2.8%

Indicative Yield Opportunity at Higher Rates [(3)]
• Cash & Short Term Investments [(2)] = ~1.7%
• AFS = ~2.1%
• Lending = ~3.9%

(1) Bank loan growth represents loans in MSBNA & MSPBNA ('U.S. Banks'). Pro-forma 2014 and 2015 lending balances are the Company's best estimates based on full year projections of deposit deployment and asset optimization. The attainment of this target in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.
(2) Short term investments represent reverse repurchase agreements.
(3) "Indicative yield opportunities at higher rates" are based off forward interest rate curves.

1C Institutional Securities: Global Leadership Position

Institutional Equities

- Top Equity Sales & Trading franchise
- Well-diversified globally
- Leader in Cash Equities and Prime Brokerage, strong position in Derivatives

- Consistent technology investments over decades yields significant advantage in trading and prime brokerage analytics

Investment Banking

- Leading global practice
- Strong M&A and Equity Underwriting franchises
- Leveraging partnership with MUFG
- Building synergies and opportunities with Wealth Management

Fixed Income & Commodities

- Attractive credit and securitized products franchises
- Focus on ROE improvement and consistency in macro products
- Successfully building and investing in clearing and electronic trading
- Executing on RWA reduction plan

Fixed Income & Commodities: Improving Returns in Current Environment, Further Upside with Cyclical Improvement

Fixed Income and Commodities

ROE >15%[(1)]

Credit Products

- Strong client footprint anchored by high balance sheet velocity
- Leading franchises in Investment Grade & Distressed and significant adjacencies with Investment Banking and Wealth Management
- Growing share in Municipals and High Yield

Securitized Products

- Continued focus on content, execution and client footprint
- Balancing strong ROE and balance sheet velocity
- Connectivity to Investment Banking

ROE <5%[(1)]

Commodities

- Managing resources to align with market opportunities
- Target business mix similar to franchise in 1990s
  - Trading in Oil, Power & Gas, and Metals

Macro Products

- Interest Rates and Foreign Exchange
- Maintaining global franchise by leveraging clearing and electronic capabilities
- Benefitting from centralized management with lower balance sheet

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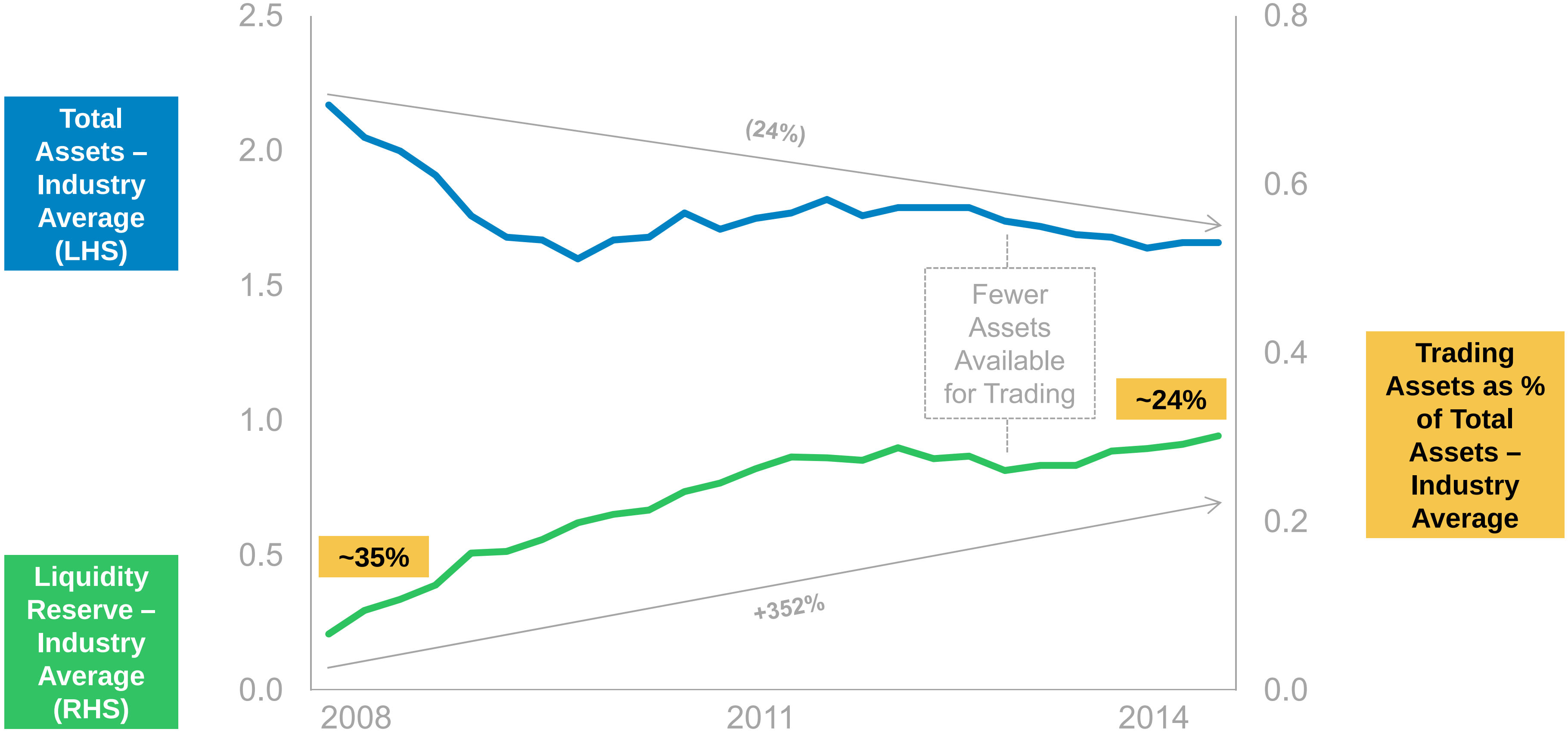
(1) 2013 "Normalized" ROEs are a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Normalized ROEs are based on the Firm's internal managed view of revenues, expenses and allocated equity by segment and business area. Normalized ROE reflects the impact of RWA mitigation, and excludes the impact of changes in the fair value of net derivative contracts attributable to movements in the Company's credit default swap spreads and severance. Fixed Income normalized ROEs include a portion of underwriting revenues which are externally reported in Investment Banking.

Fixed Income Context: Cyclical vs. Secular Debate – Leverage and Liquidity Declines are Secular…

Secular declines in Fixed Income industry revenues are a result of lower industry leverage, combined with increased liquidity requirements, which have squeezed assets available for trading

Total Assets (Industry Average) vs. Liquidity Reserve (Industry Average) – $Tn



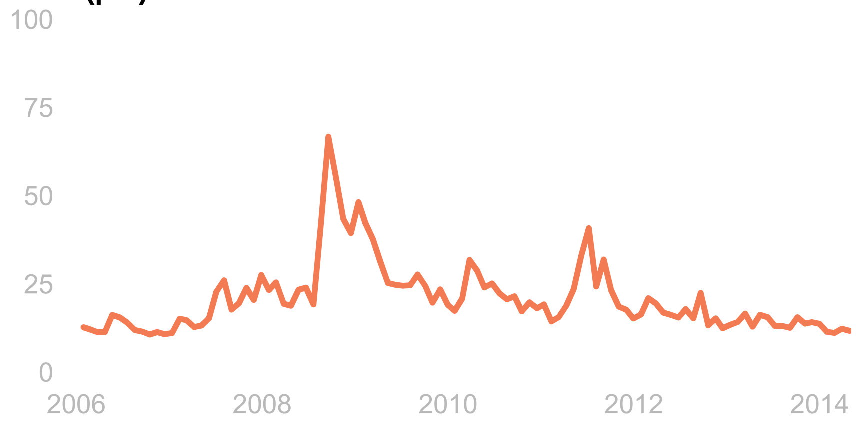
(1) Data shown represents the periods 1Q08-2Q14. Industry includes Morgan Stanley, Goldman Sachs, Citigroup, JPMorgan, Bank of America, Barclays, Credit Suisse, Deutsche Bank, UBS, Bear Stearns, Lehman Brothers, and Merrill Lynch. For periods where there was industry consolidation, totals of each respective firm were combined to represent firms as they report today. Not all firms included reported liquidity in each period (2008, six of twelve firms reported liquidity and 2014, nine of nine standalone firms reported liquidity.)
(2) Balance sheet data converted into USD using period-end exchange rates.
(3) For historical periods earlier than 2Q12, Barclays reported balance sheet data on a semi-annual basis. 1Q and 3Q balance sheet data for Barclays is estimated as the average of the adjacent quarters (e.g. 3Q08 assets is estimated as the average of 2Q08 and 4Q08 assets).

… Yet Cyclical Upside Exists When Market and Macro Backdrop Shift

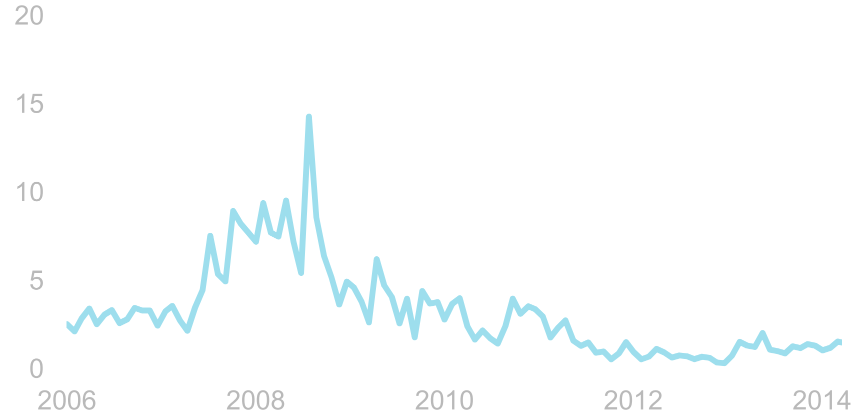
Low volatility and low rate environment have created cyclical headwinds

10-Year UST (%)[1]

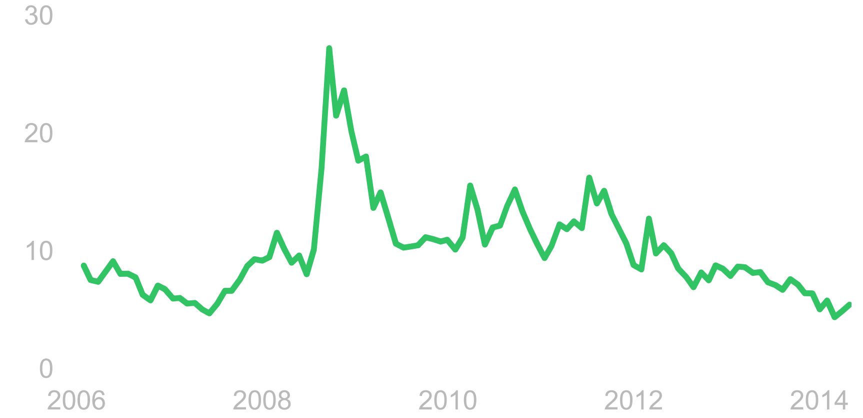
VIX (pts)[1]



2-Year UST Monthly Average Daily Yield Move (bps)[1],[2]



EUR/USD Volatility (1 month)[1]



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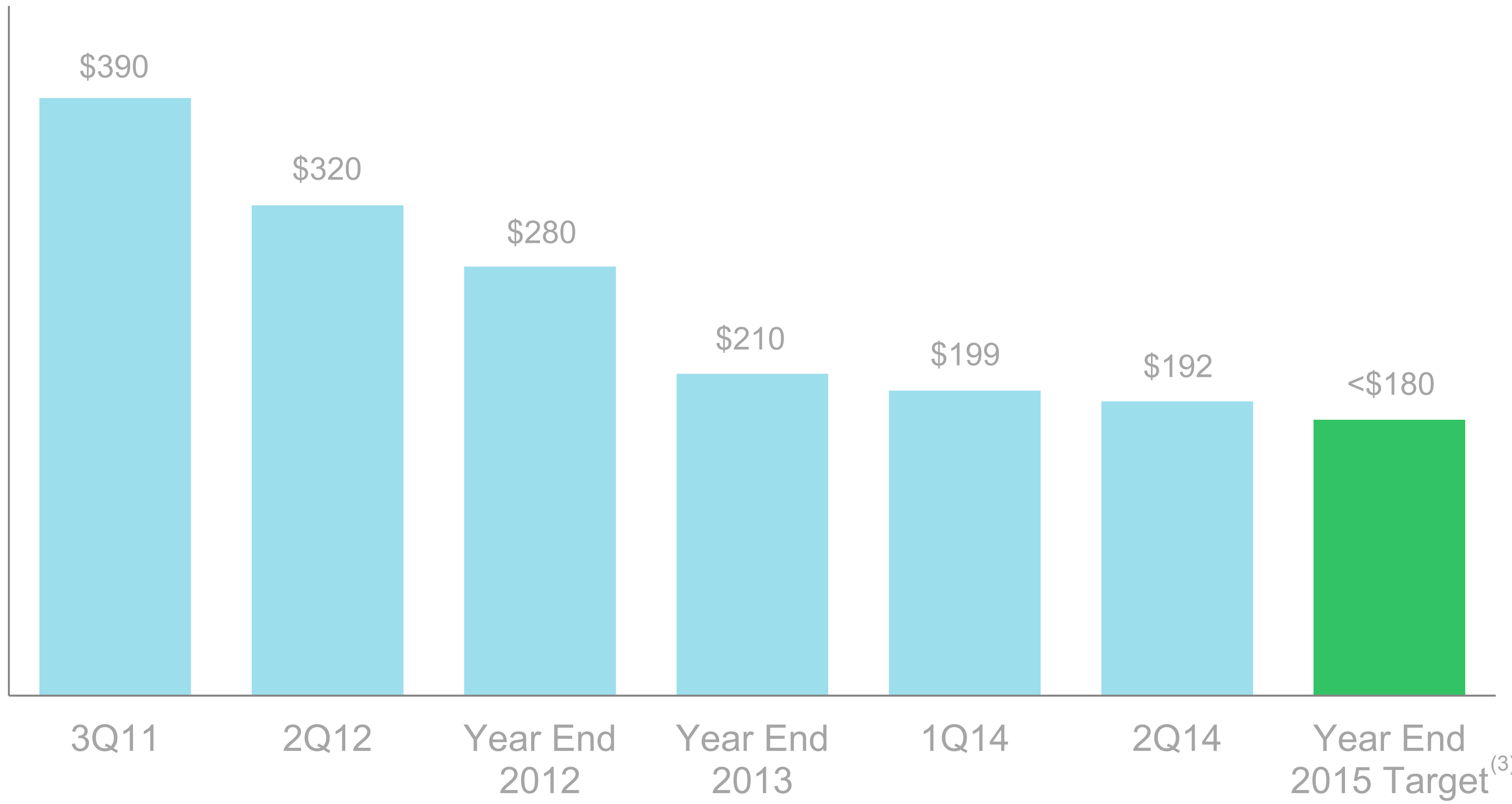
(1) Data sourced from Bloomberg as of 8/29/2014.
(2) 2-Year UST Average Daily Yield Move is calculated by taking the monthly average of the absolute daily basis point change in 2-Year UST yields.

We Have Successfully Reduced RWAs and Capital In Certain Areas of Fixed Income…

RWAs down by >50% since 3Q11

Fixed Income and Commodities Basel III Risk-Weighted Assets ($Bn)(1),(2)



(1) For the periods prior to the second quarter of 2014, the Company estimated its risk-weighted assets based on the Company's analysis of the Advanced Approach framework under the U.S. Basel III rules published to date and other factors. For the second quarter of 2014, the Company calculated its risk-weighted assets under the U.S. Basel III Advanced Approach final rules. This estimate is as of 2Q14 and may change.

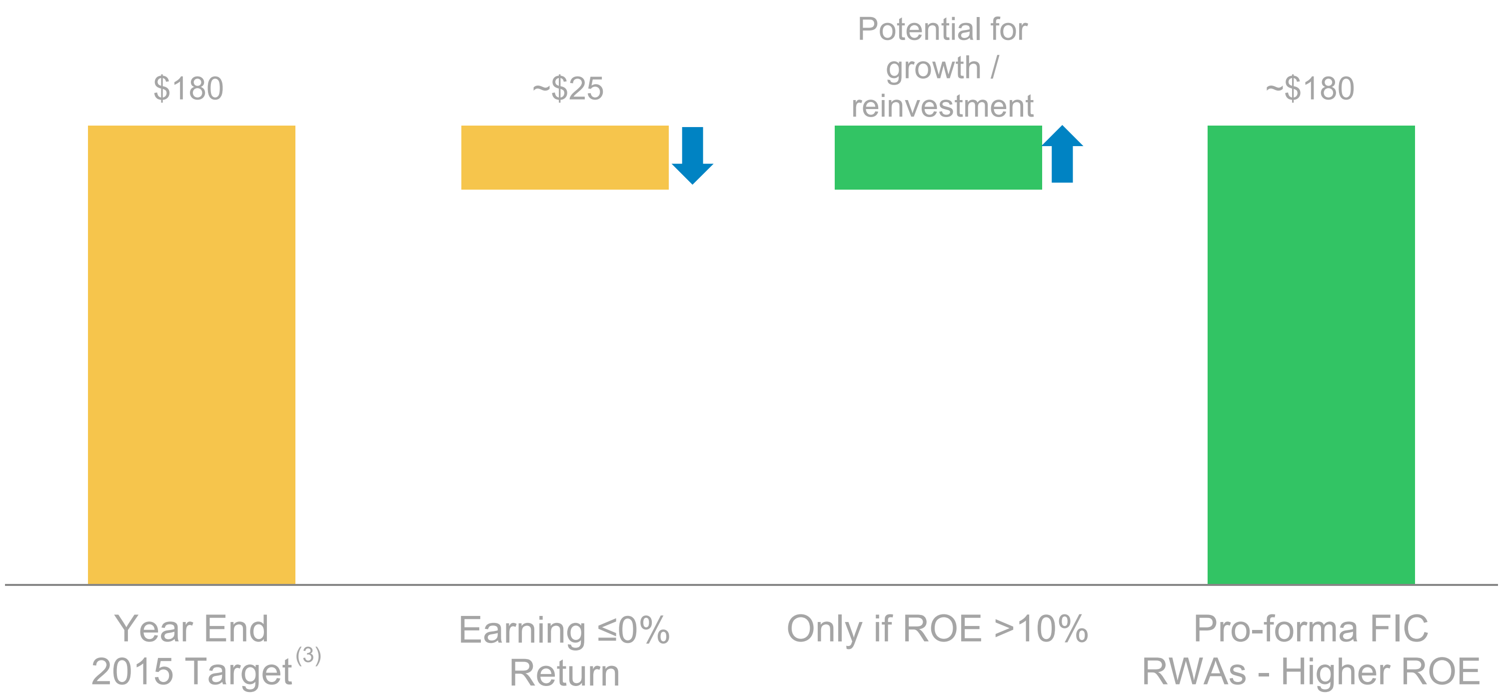
(2) Fixed Income and Commodities RWAs for 3Q11, 2Q12 and Year End 2012 include RWAs associated with lending of ~$20Bn. All other figures presented exclude RWAs associated with lending.

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

… With Additional Capital Opportunity in FIC After Reaching $180Bn Target

- **Additional ~$25Bn of deadweight capital in Fixed Income and Commodities beyond $180Bn target, primarily passive roll-down**
- **Realization of roll-down creates capacity to invest in areas of FIC where we see opportunities to generate ROE >10%**

Fixed Income and Commodities Basel III Risk-Weighted Assets ($Bn)(1),(2)



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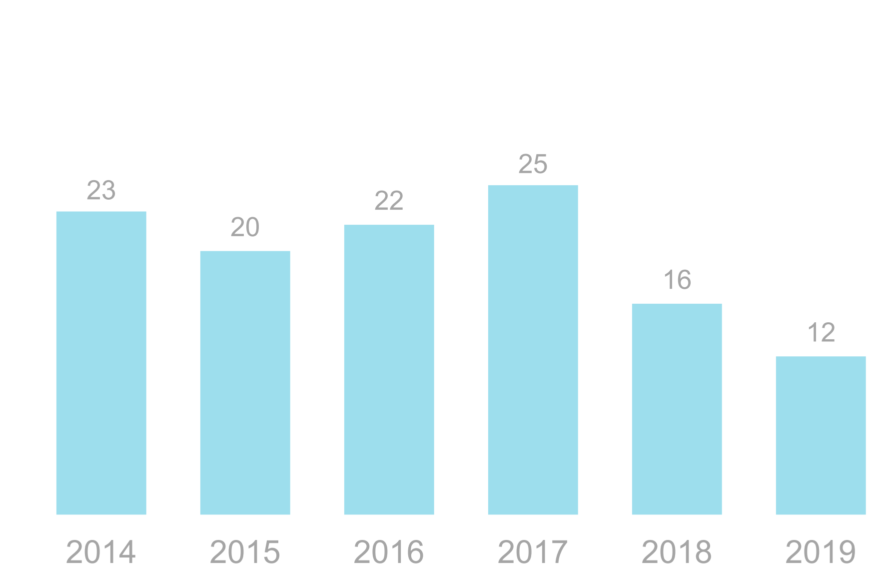
(1) The Company calculated its risk-weighted assets under the U.S. Basel III Advanced Approach final rules. This estimate is as of 2Q14 and may change.
(2) Fixed Income and Commodities RWAs presented exclude RWAs associated with lending.
(3) The attainment of this target in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

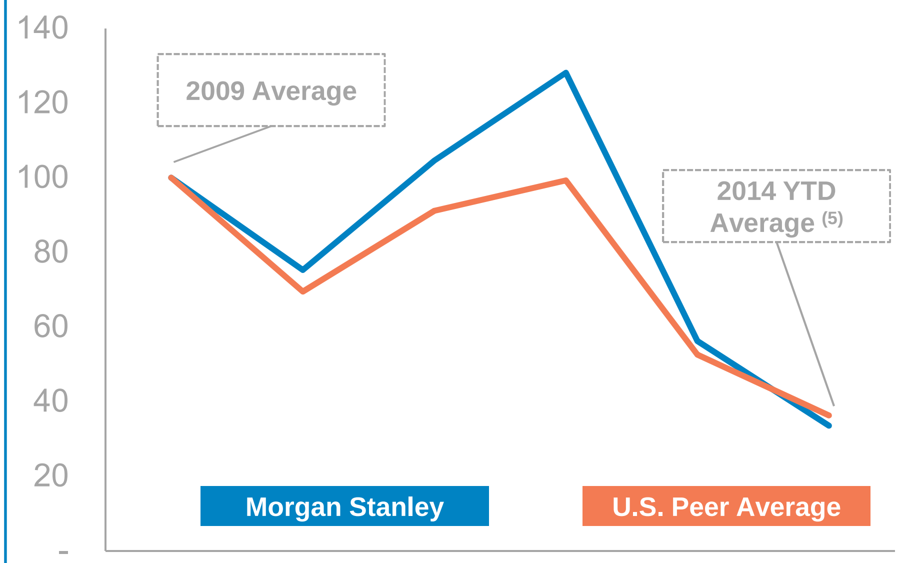
2 Strategic Changes Benefit The Balance Sheet And Provide An Additional Tailwind

- **Transformation of business mix and balance sheet reflected in meaningfully lower marginal funding costs**
- **Result: ability to refinance debt at tighter spreads and at lower levels**
- **Absolute and relative benefit as rates increase given magnitude of decline**

Total Short-Term and Long-Term Maturities ($Bn)(1),(2),(3)



Morgan Stanley Average 5-Year CDS vs. Peers (Indexed to 100)(4)



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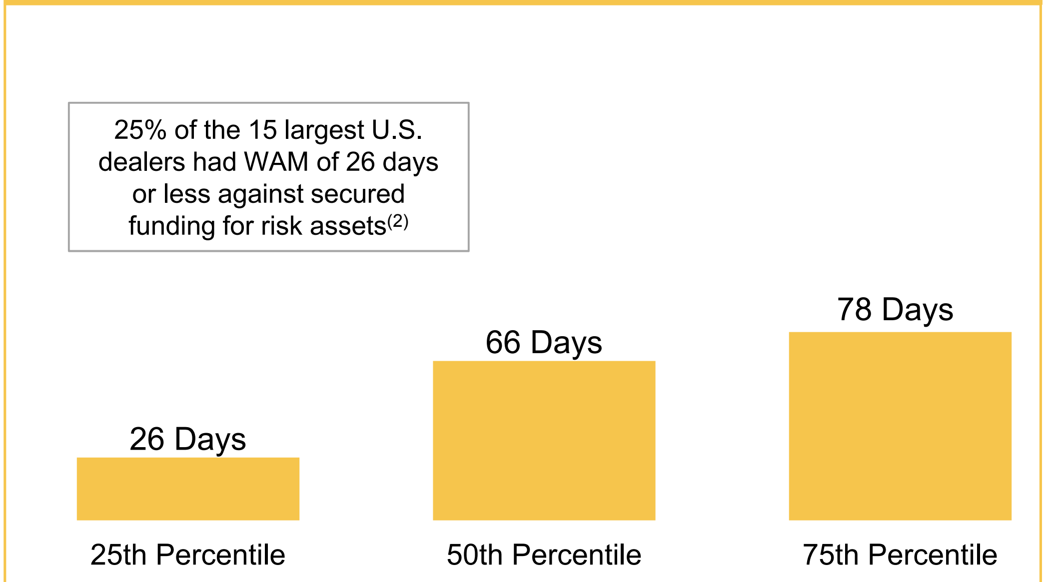
(1) As of June 30, 2014.
(2) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.
(3) Excludes assumptions for secondary buyback activity.
(4) Data sourced from Capital IQ. Peer group includes Goldman Sachs, Citigroup, JPMorgan and Bank of America.
(5) 2014 YTD Average is as of August 29, 2014.

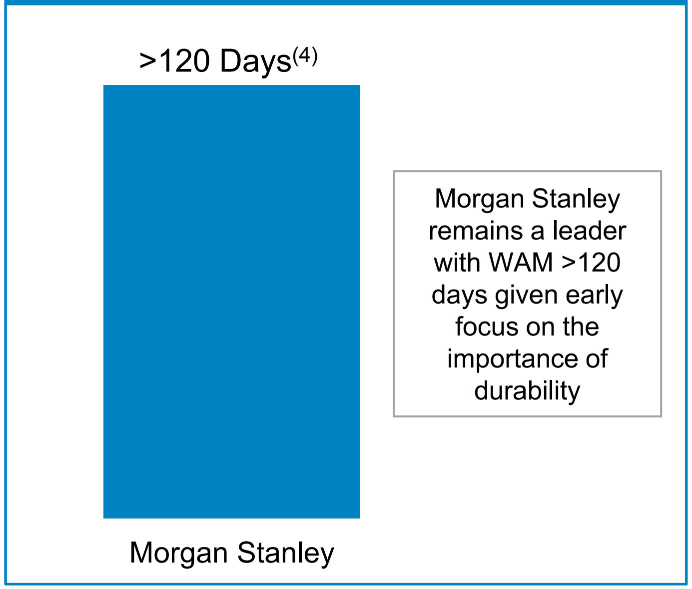
Secured Funding Framework Already Reflects Best in Class Durability And Thus Cost Reflected in Run-Rate

- The Federal Reserve Bank of New York published a study[(1)] in June 2014 on weighted average maturity (WAM) of risk assets[(2)] within the U.S. tri-party repo market
- The study concluded that while the maturity in tri-party repos collateralized by risk assets[(2)] has lengthened, “progress varies considerably across firms”
- Morgan Stanley has already made investments in durability as reflected in our early moves to extend WAM

June 2014 Federal Reserve Study:
Weighted Average Maturity of Risk Assets Secured Funding[(1),(2)]



Morgan Stanley’s Weighted Average Maturity[(3)]



(1) Source: Liberty Street Economics, “What’s Your WAM? Taking Stock of Dealers’ Funding Durability”, June 9, 2014, Federal Reserve Bank of New York.
(2) Risk assets represent repo trades collateralized by assets other than government and agency securities.
(3) Illustrative; not to scale.
(4) As of 2Q14.

3 Consistent Technology Investments Drive Competitive Advantages Across the Franchise

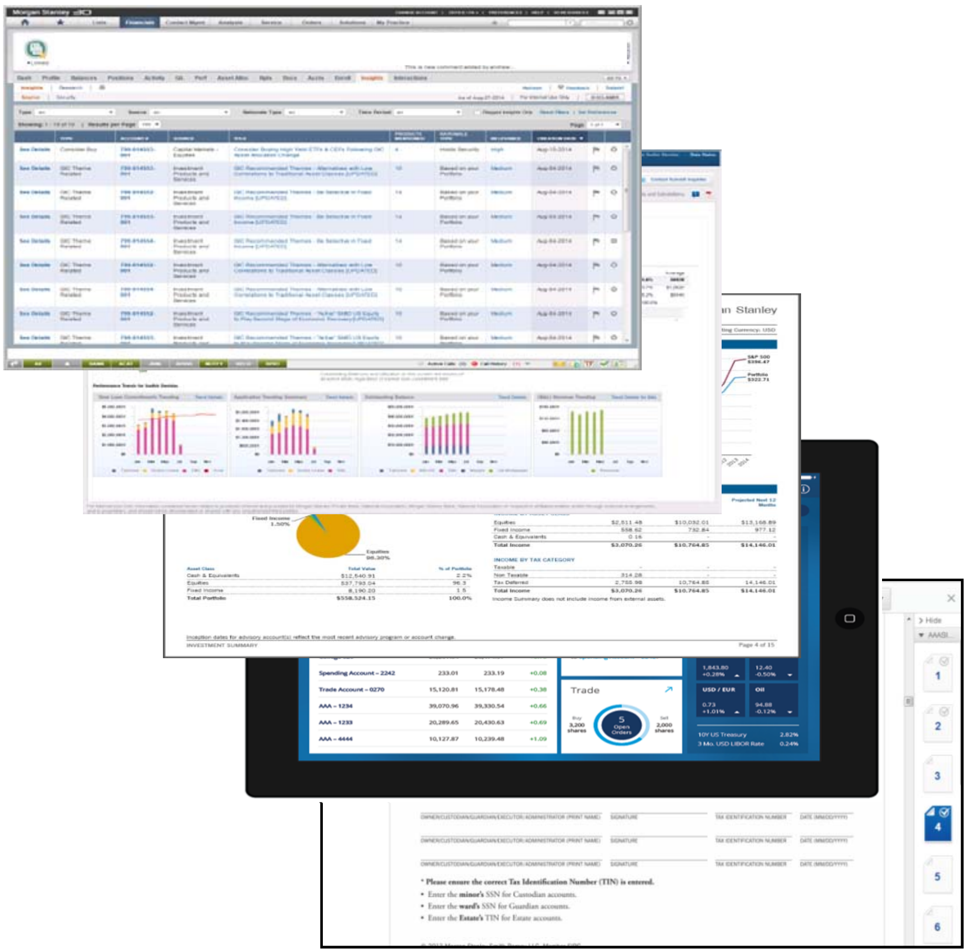
- Early and sustained investments in Prime Brokerage technology have resulted in our industry-leading franchise
- Electronic trading platform supports client activity and cost efficiency across Sales & Trading and Wealth Management
- Investment in mobile technology across both institutional and retail platforms with research, analytics and pricing
- Wealth Management and our U.S. Banks remain key sources of growth

- Funding "Change the Bank" (CTB) technology with "Run the Bank" (RTB) efficiency
  - Investing in new technology through a constant focus on operational efficiency

- Banking Tools, Mobility
- Wealth Management Client Applications
- Wealth Management Advisor Platform Integration
- Derivatives Central Clearing
- BD Access, Trade Access 24 hours / 6 days, Matrix
- Electronic Trading – Corporate Bonds, Governments, Swaps, FX, Treasuries
- Prime Brokerage Analytics & Integration
- Electronic Trading – Equities, Options, Futures

1990's - 2012 | **2013 – Beyond**

“Change the Bank” Technology Benefits Wealth Management and Our U.S. Banks



- Streamlined tools to facilitate new banking business
- Easier client online forms with electronic signatures – minimizes paper and simplifies process
- Advanced Client Performance reporting
- Integrated client tools for web and tablet
  - Monitor accounts, holdings, activity and market data
  - Pay bills and transfer money
  - Review News & Research
  - Communicate securely with Financial Advisors
- Deliver client-centric investment ideas with Insights Engine

Run the Bank Efficiency #1: Simplification Opportunities – Consolidation of Functions Across Divisions

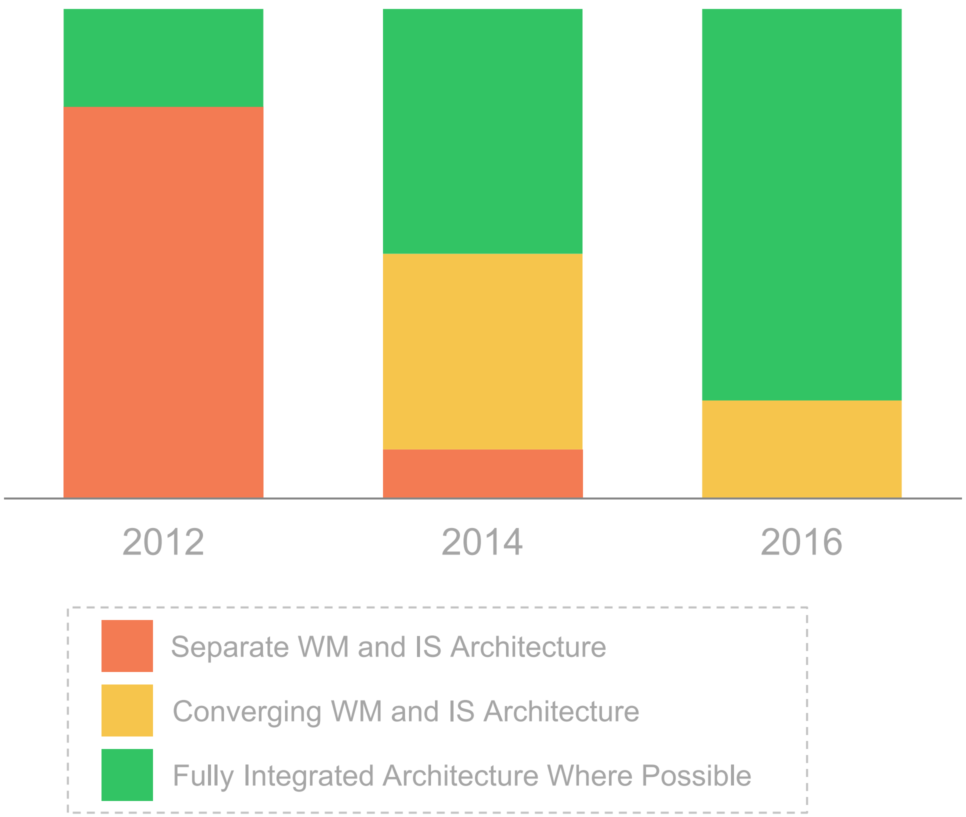
Goal

- Streamline duplicative day-to-day processes across Morgan Stanley businesses to optimize procedures, improve quality and consistency while achieving cost savings

Action

- Consolidate targeted Wealth Management and Institutional Securities process capabilities
  - Reduce Operations manpower needs and operating costs
  - Achieve consistent global process facilitated by a common technology platform
- Upcoming example of shared processes
  - Listed derivatives processing

Converging Architecture Components Across Institutional Securities and Wealth Management(1)



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(1) Based on number of potential business units where consolidation was available.

Run the Bank Efficiency #2: Consolidation of Businesses on Common Enterprise Platform

Goal

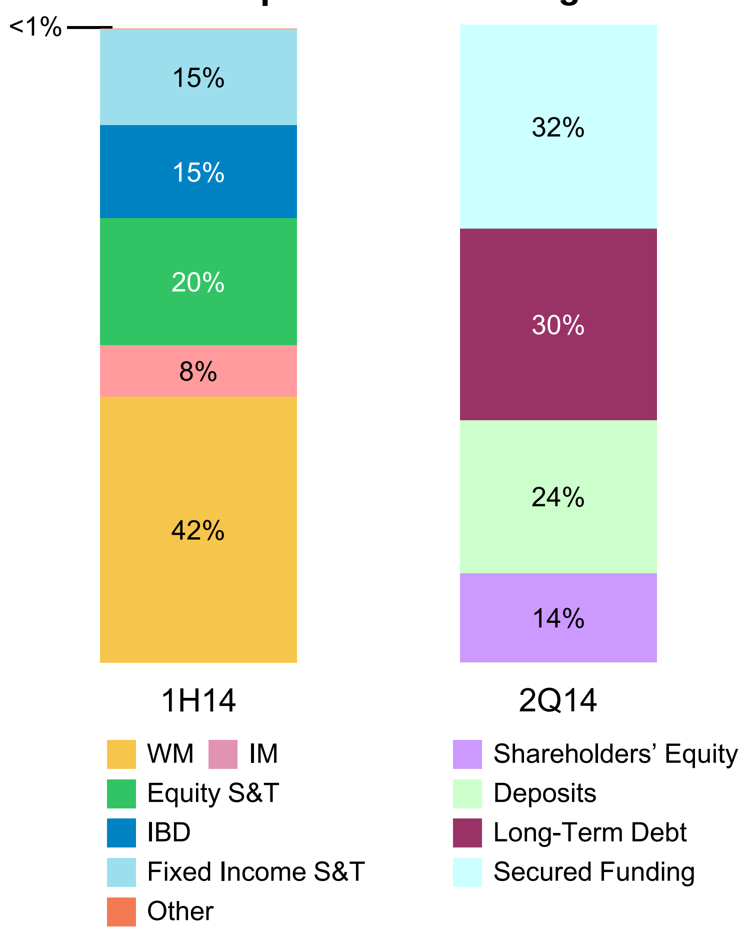
- Update data center platform allowing Morgan Stanley to realize cost efficiencies and greater functionality while positioning the Firm to take advantage of the rapidly evolving technology industry
  - Simplification of infrastructure with a common technology architecture and development stack to improve productivity
  - Optimization of data resulting in more robust, consistent business information and reduced operational risk
  - Reduction of footprint through “server virtualization”, and refreshed plant with modern technology resulting in a more “green” system which consumes less power
  - Increase availability and reliability while improving security
  - Leverage technology assets across businesses, to gain efficiencies

Action

- Complete last year of multi-year data center consolidation program reducing risk and cost while modernizing our platforms and positioning the firm for future investments in mobile and other transformational technology

Strategic Moves Enhance Business Outlook and Funding Profile

Revenue Split [1] **Funding Stack**



- **Business Upside**
- **Funding Benefit**
- **Technology Investments**

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(1) Revenues exclude the positive impact of $213 million from DVA in the first half of 2014, ending June 30, 2014. Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.

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Barclays Capital Financial Services Conference

Ruth Porat, Executive Vice President and Chief Financial Officer

September 9, 2014