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Morgan Stanley 4Q12 Fixed Income Investor Conference Call

February 14, 2013

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 the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto, which are available on www.morganstanley.com.

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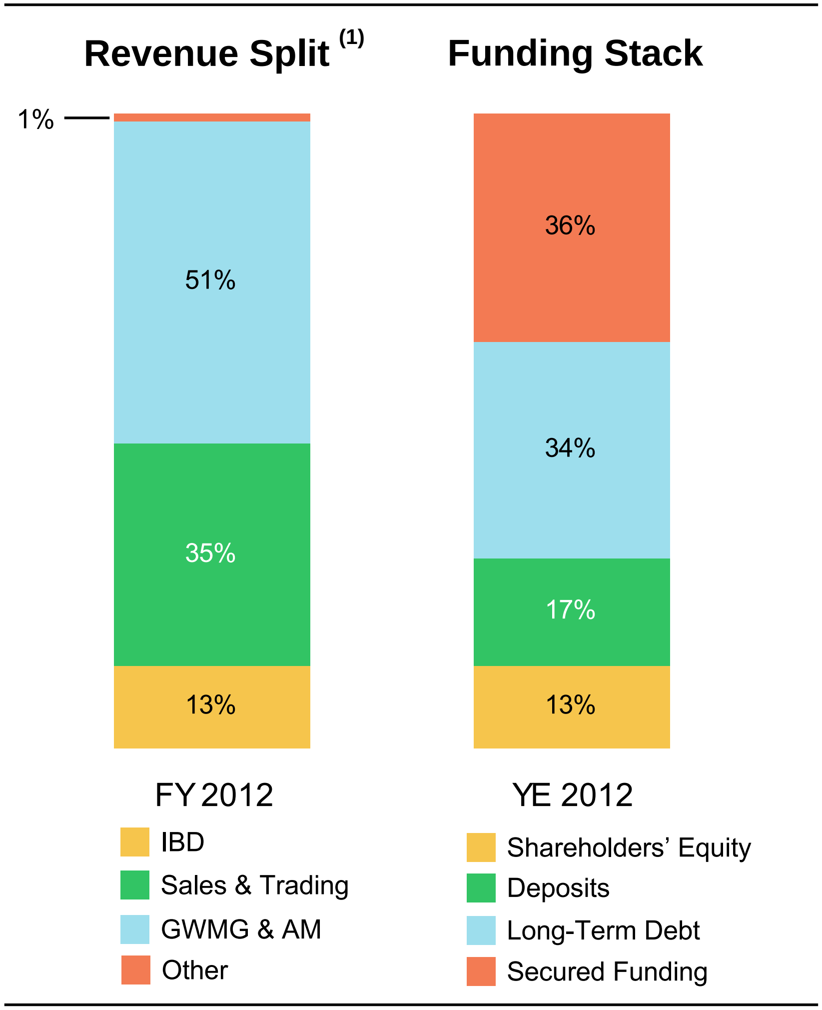
Please note this presentation is available at www.morganstanley.com.

Agenda

1. Business strategy
2. Asset funding model
3. Long-term debt
4. Liquidity
5. Unsecured Funding Plan
6. Secured Funding
7. Topics on the Horizon

1 Strategic Moves Enhance Business Outlook and Funding Profile



Key Drivers

- **ISG**
  - Cohesive set of products across divisions
  - Leadership position in Investment Banking
  - Balanced product and geographic mix in Equities
  - Continued focus on market share gains and capital management in Fixed Income and Commodities
    - Executing plan to reduce risk-weighted assets in Fixed Income and Commodities to <$200Bn by YE 2016 from $390Bn in 3Q11
- **GWMG**
  - Fully integrated, well positioned for growth
  - Revenue stability, growth in deposit funding
  - Expect to acquire final 35% stake of wealth management JV in 2013, subject to regulatory approvals
    - Contractual upside from owning 100% of JV
- **Strategic partnership with MUFG**
- **Durable funding and strong liquidity**

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(1) Revenues exclude the negative impact of $4,402 million from DVA in 2012. Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.

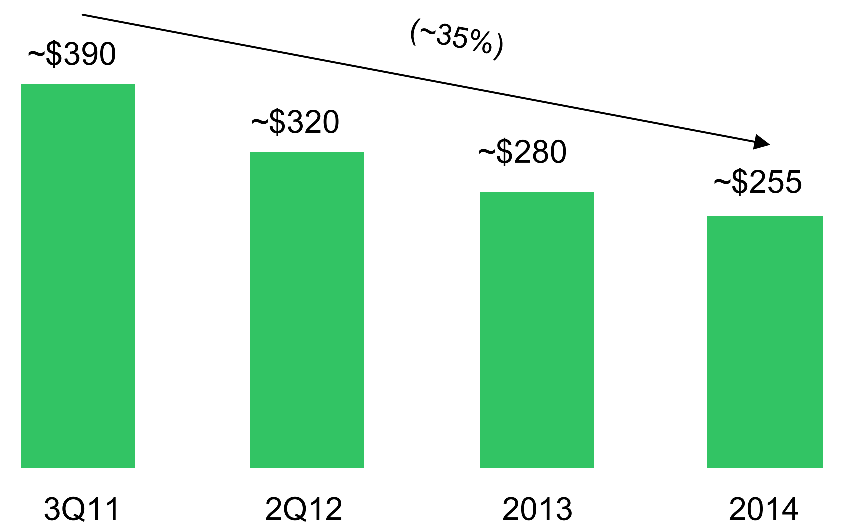
We Will Continue to Reduce Our Fixed Income and Commodities RWAs

- Ahead of targets laid out in 3Q12
- 2016 figures represent expected “end-state” risk-weighted assets (RWAs)
- Can achieve RWA reduction without impairing revenue or client franchise

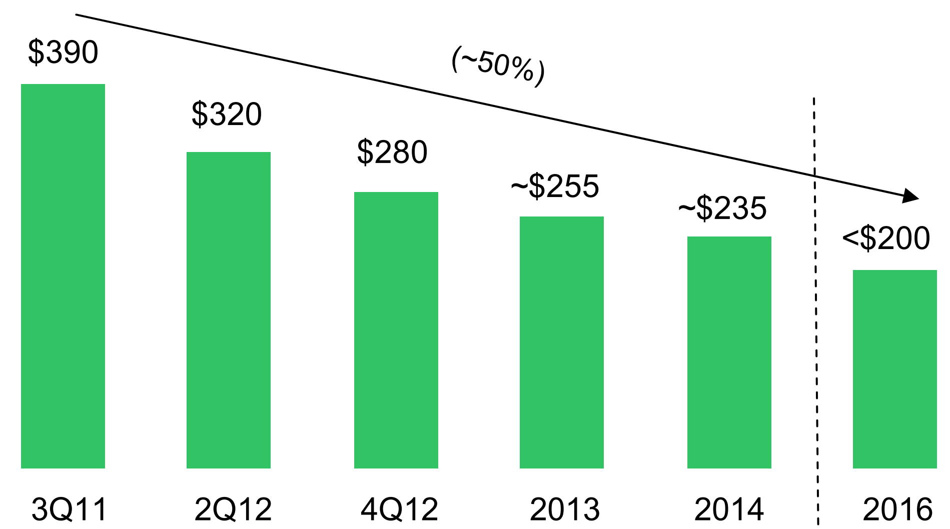
Fixed Income and Commodities Basel III Risk-Weighted Assets (1)

($Bn)

Previous Guidance



Current Position & Revised Guidance



Required Basel 3 Tier 1 Common Capital (2)					
$35Bn	$29Bn	$25Bn	~$23Bn	~$21Bn	<$18Bn

(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.

(2) Assumes 9% Basel 3 Pro-Forma Tier 1 Common Capital ratio. The Basel 3 Tier 1 Common Capital ratio is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory capital requirements.

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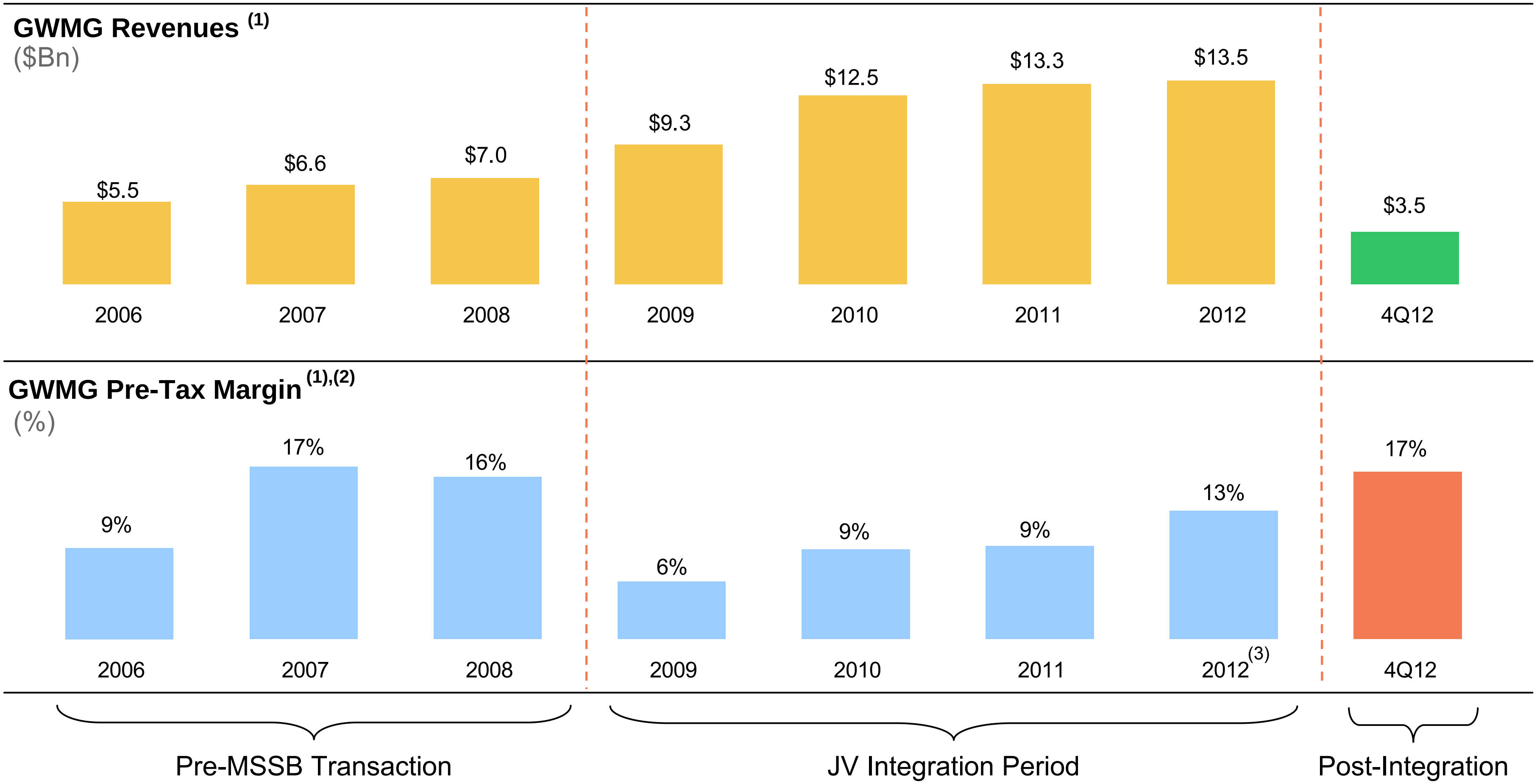
Wealth Management: Stable Revenues and Growing Profitability

- Consistent improvement in wealth management margin through expense management
- Margin upside with revenue growth



(1) Revenues and pre-tax margin for 2006-2008 represent results for fiscal years ending November 30th. Revenues for 2009-2012 represent results for fiscal years ending December 31st.

(2) Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues.

(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.

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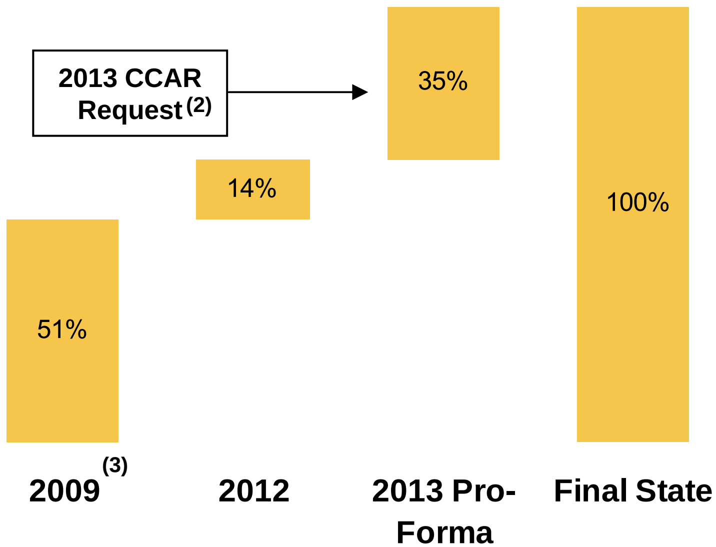
Disciplined CCAR Request

- Acquisition of final 35% stake of wealth management JV in 2013, subject to regulatory approvals

Acquire 100% of Wealth Management JV

Complete Staggered Acquisition



Price	$1.9Bn [4]	$4.7Bn [4]
Incremental Capital	~$0.2Bn [5]	~$0.4Bn [5]

Incremental Benefits of 100% Ownership

- Year 1 incremental earnings[1] comparable to capital required to acquire remaining 35%, driven by NCI capture and contractual upside:
  - Greater order flow capture
  - Increased deposit funding (partial benefit in Year 1)
  - Elimination of JV structures, operational complexity, agreements and expenses
- Unique syndication/distribution capabilities
- More significant loan book growth opportunity

(1) Based on Company projections of NCI elimination, contractual upside and other actions for first twelve months of full ownership.
(2) Subject to regulatory approvals
(3) Joint venture formed in May 2009.
(4) Implied 100% valuation for the Wealth Management JV of $13.5 billion, with no premium for deposit acquisition.
(5) Incremental capital in 2012 and 2013 reflects difference between the carrying value and the fixed purchase price of the noncontrolling interest in the joint venture.

Bank Strategy Aligns with Growing Deposit Base

- Firmwide deposits of $83Bn at 2012 year-end would increase to $142Bn pro-forma with 100% ownership of wealth management JV [(1),(2)]
- Pro-forma deposit base represents significant opportunity in both GWMG and ISG to drive growth [(2)]
- Areas of growth consistent with existing risk management infrastructure

Global Wealth Management Group

Current State:

- Invested in infrastructure and footprint
  - Network of private bankers to support FAs in branches
  - Management team
- Systematic build-out of lending product suite with disciplined governance and risk management
  - Home loans and home financing products
  - Securities based lending
  - Tailored lending

Further Opportunities:

- Increased penetration of lending activity
  - ~5% of clients have a Morgan Stanley lending product vs. ~10% average for peers

Institutional Securities Group

Current State:

- Realizing funding cost benefits for:
  - Relationship lending
  - Project finance
  - Foreign-exchange derivatives

Further Opportunities:

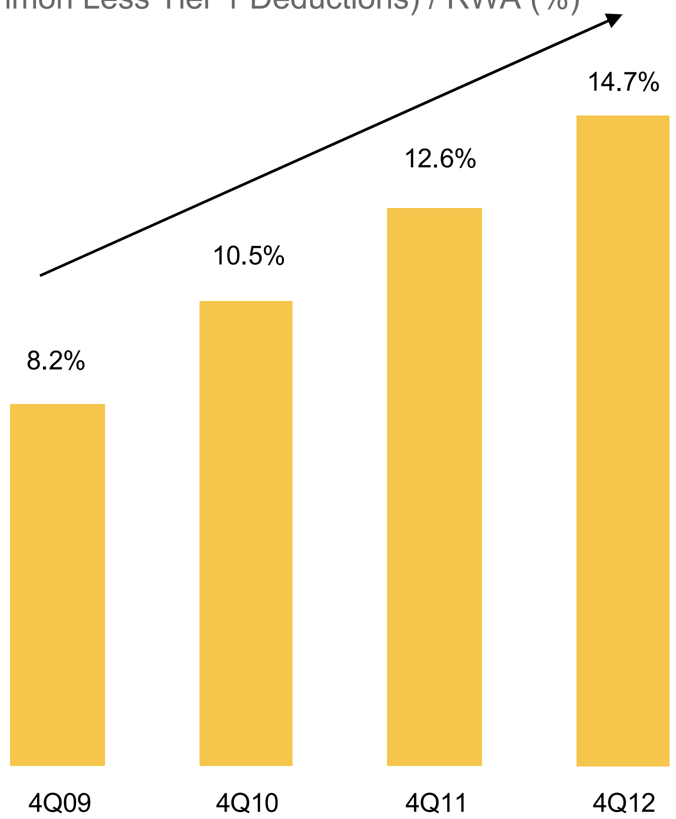
- Achieve additional funding cost benefits
- Drive growth through ROE accretive business opportunities:
  - Incremental foreign-exchange derivatives
  - Interest rate derivatives [(2)]
  - Additional commercial lending products [(2)]

(1) Deposits of $142Bn pro-forma for 100% ownership include values for all combined deposits in the Bank Deposit Program ($131Bn) plus those deposits outside of the wealth management joint venture as of December 31, 2012.
(2) Subject to regulatory approvals

Strong Capital Under Basel 1 and Basel 3 Regimes

Basel I Tier 1 Common Ratio (1)

(Common Less Tier 1 Deductions) / RWA (%)



- Under Basel I, Tier 1 Common ratio is 14.7%(1)
  - Tier 1 Capital ratio is 17.9%(1)
- Subject to final rulemaking, but incorporating the recently codified Basel 2.5 guidance and our best estimate of the new Basel 3 NPR
  - December 31, 2012 spot pro-forma Basel III Tier 1 Common ratio was 9.5%(1),(2)

(1) The Basel I Tier 1 Common Capital ratio, Basel I Tier 1 Capital ratio and Basel III pro-forma Tier 1 Common Capital ratio are non-GAAP financial measures that the Company considers to be a useful measure to the Company and investors to gauge current and estimated future regulatory capital requirements.

(2) The Company estimates Basel III capital and 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.

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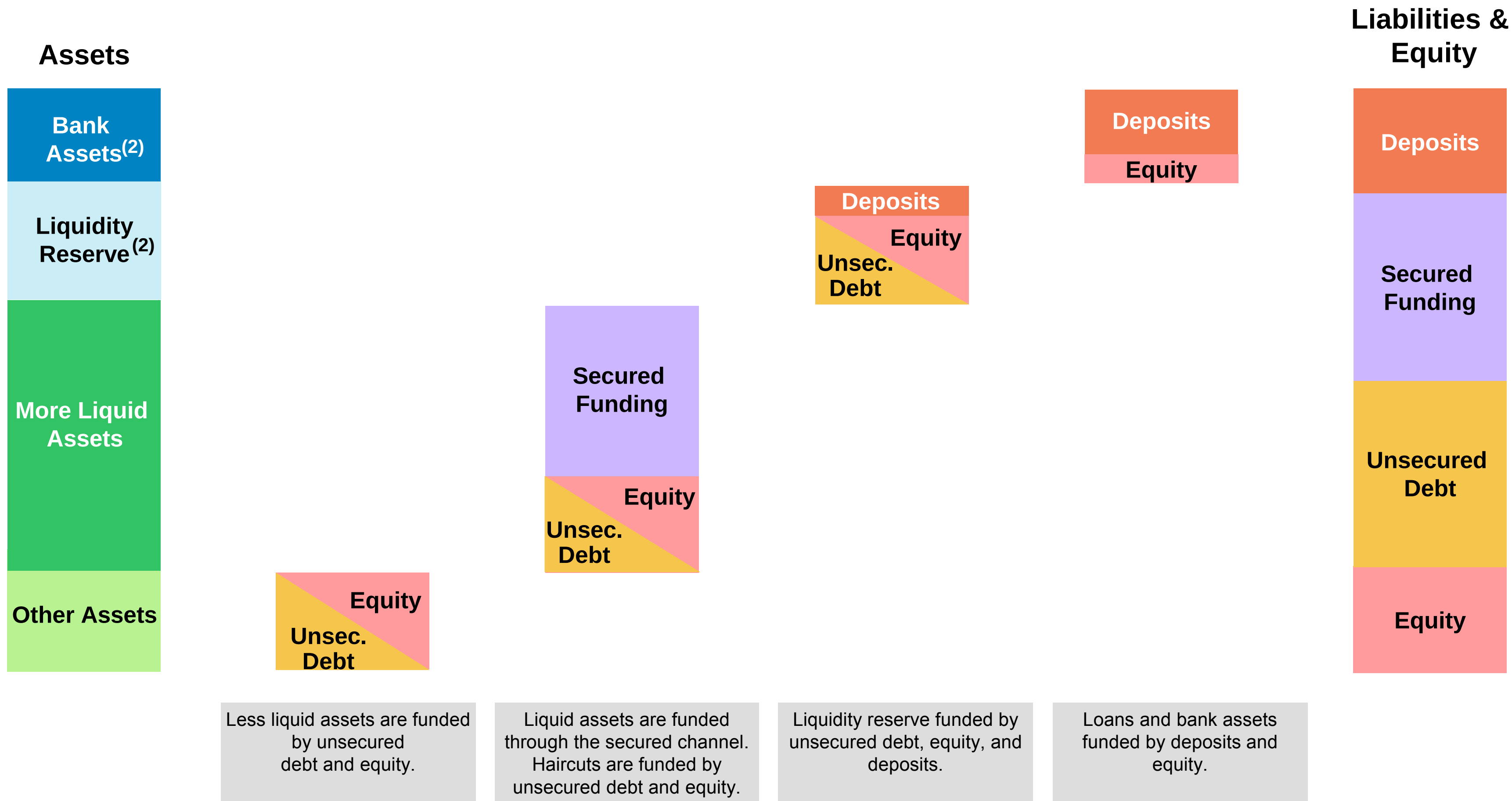
2 Illustrative Asset-Liability Funding Model (1)

- Funding governance requires alignment of more liquid assets with shorter-term liabilities and less liquid assets with longer-term liabilities and equity



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(1) Illustrative; not to scale
(2) AFS portfolio is a component of both Bank Assets and Liquidity Reserve.

3 Debt Maturity Profile: Significant Reduction

- Reduced long-term debt outstanding by ~$23 billion since year-end 2010
- At December 31, 2012, weighted average maturity of long-term debt of ~5.3 years; excluding the current portion of long-term debt, ~6.3 years

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

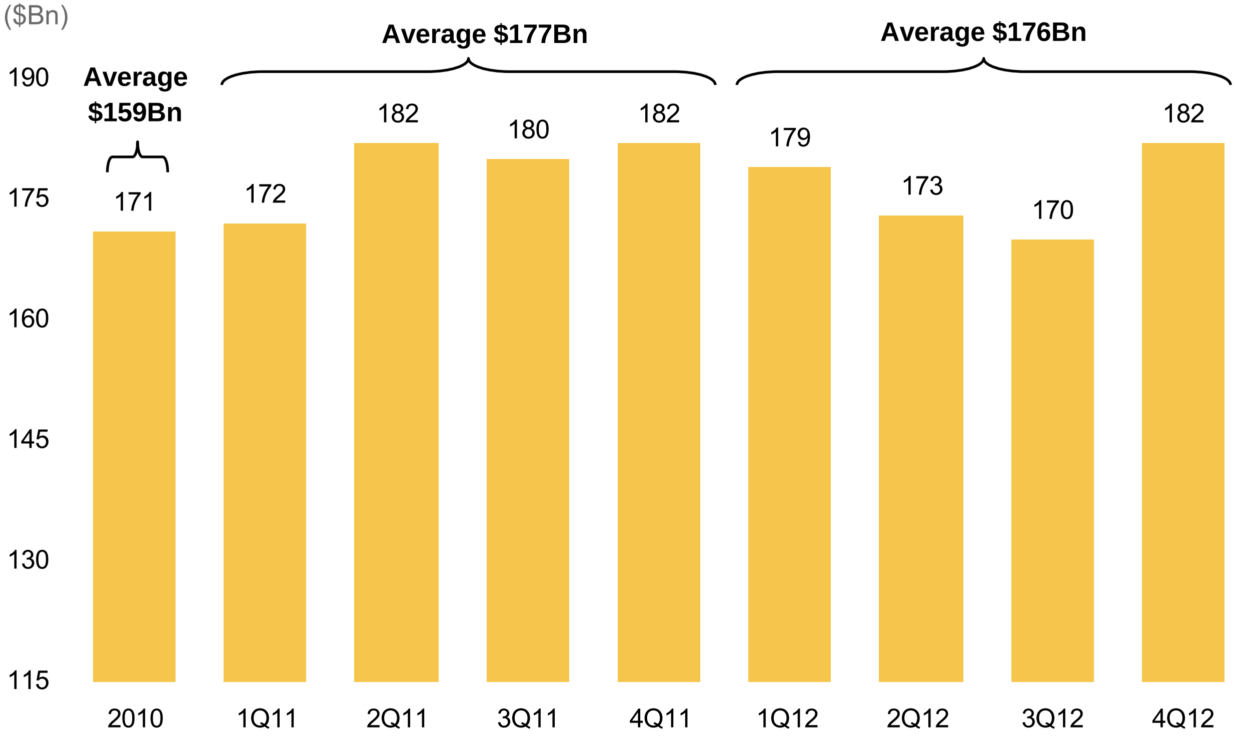
($Bn)

Source: Company data
(1) As of December 31, 2012
(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

Global Liquidity Reserve

Highly Liquid and Unencumbered

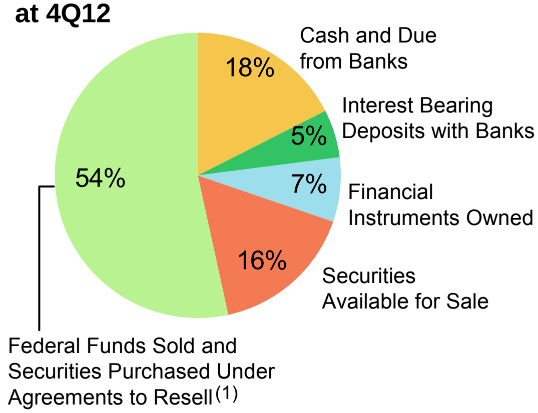
Period End Liquidity
($Bn)



Composition of the Liquidity Reserve at 4Q12

Type of Investment	($Bn)
Cash / Cash Equivalents	$41
Unencumbered Liquid Securities	141
Total	**$182**

Detailed Breakdown of Liquidity Reserve at 4Q12



(1) Primarily overnight reverse repurchase agreements that unwind to cash

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Liquidity Reserve by Legal Entity

Liquidity Reserve is Sized, Stress Tested and Managed at Legal Entity Levels

- Stress testing sizes contingency outflow requirements at a legal entity level
  - Contingent cash outflows are measured independently from the inflows resulting from mitigating actions
- Parent stress test model represents the sum of all legal entities
  - Does not assume diversification benefit across legal entities
- Stress tests assume the subsidiaries will initially use their own liquidity before drawing from the parent
  - Reflects local regulations regarding parent support
- Parent does not have access to the subsidiaries' excess liquidity reserves due to regulatory, legal or tax constraints

Liquidity (% of Total)[1]	
Parent	37%
Non-Bank Subsidiaries:	
Domestic	11%
Foreign	17%
Total Non-Bank Subsidiaries	28%
Total Parent & Non-Bank Subsidiaries	**65%**
Bank Subsidiaries:	
Domestic	32%
Foreign	3%
Total Bank Subsidiaries	**35%**

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(1) Represents entity liquidity as a percentage of the Global Liquidity Reserve as of September 30, 2012

5 Funding Plan Provides Significant Flexibility; Diversified, Global Investor Base

2011 – 2012

Issuance Benefits from Multiple Funding Channels

- **USD plain vanilla:** Access institutional markets across a variety of tenors
- **Non-USD plain vanilla:** Broad access to diverse investor base, driven by global footprint
- **Uridashi:** Collaboration with strategic partner, MUFG
- **Structured notes:** Broad distribution capability provides consistent access to market

Examples of Other Funding Sources

- **Deposit funding:** Sourced from wealth management clients
- **Balance sheet composition:** More liquid products, fewer cash-intensive assets
- **Continued refinement of business model:** Sales of non-strategic assets (e.g. Quilter, Saxon)

6 Strict Governance Around Secured Funding

Rules-Based Criteria Determine Asset Fundability…

- **Highly Liquid (Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral)**
- **Liquid (AAA or AA bonds, Supranationals, Primary Index Equities and Sovereigns)**
- **Less Liquid (Sub-Investment Grade debt, Investment Grade Convertibles, Emerging Market Sovereigns)**
- **Illiquid (Sub-Investment Grade ABS, Unrated and Sub-Investment Grade Convertible Bonds, Non Index Equities, Non-Rated Debt)**

Fundability Criteria

- Eligible for financing through Open Market Operations (OMO) and/or 23A Exempt and Fed Discount Window eligible
- Central Counterparty Clearing (CCP) eligible
- Government securities or other securities with full faith and credit of the Government
- Market haircuts
- Investor depth (number of investors who accept the asset class)
- Capacity in secured financing market, consistent with term limits

Fundability Definition

Fundability	OMO Eligible and / Or 23A Exempt and Fed DW Eligible	CCP Eligible	Govt. Sec / Govt. Full Faith and Credit	Market Haircut	Counterparty Depth	Secured Financing Capacity	% of Book
Super Green	✓	✓	✓	< 10%	> 50	100%	48%
Green				<= 15%	>= 15	>= 95%	42%
Amber				> 15%	>= 7	>= 60%	5%
Red				> 20%	< 7	< 60%	6%

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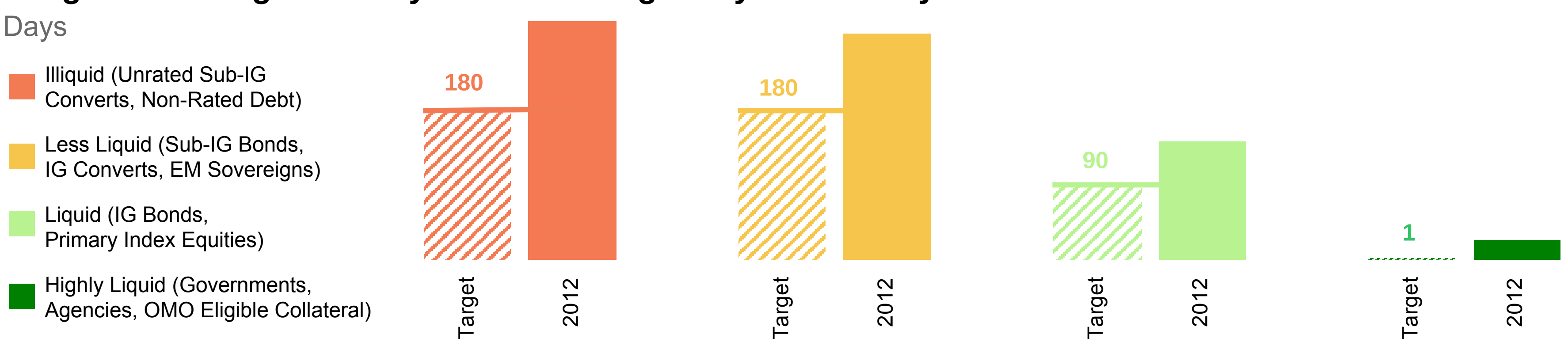
Durable Secured Funding

…Fundability Category Determines Required Weighted Average Maturity: >120 Days[1]

- Established criteria-based model to obtain appropriate term funding consistent with liquidity profile of underlying assets
  - Assets tiered by fundability
  - Maturity targets and limits set for each tier
  - Dynamic measurement of asset composition
  - Cost to fund assets allocated to corresponding desks
- Execution
  - **2010:** Extended WAM significantly across fundability buckets
  - **2011:** Achieved investor and maturity diversification, further strengthening liquidity durability
    - Limit less than 15% of non-SG liabilities maturing in any given month
    - Maximum investor concentration of 25% of the maturities allowed in any given month
  - **2012:** Maintained WAM above targets

Weighted Average Maturity and 2012 Targets by Fundability Bucket[2]



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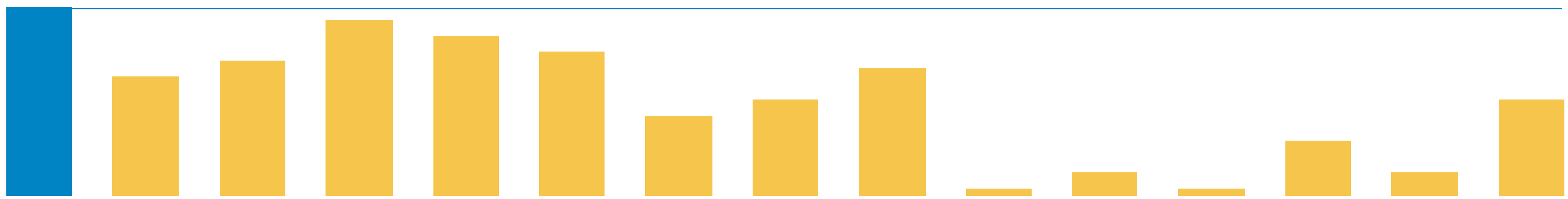
(1) As of December 31, 2012, the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days.
(2) Illustrative; not to scale

Actively Manage Refinancing Risk Across Maturities and Investors

- Limit less than 15% of non-SG liabilities maturing in any given month
- Maximum investor concentration of 25% of the maturities allowed in any given month

Illustrative Non-Super Green Maturity Profile [(1)]



Top Investor by Maturity Bucket as % of Monthly Maturity Limit	O/N	30	60	90	120	150	180	210	240	270	300	330
	10%	**14%**	**21%**	**11%**	**21%**	**24%**	**21%**	**2%**	**5%**	**4%**	**11%**	**5%**

Secured Funding Key Metrics

- Non-Super Green
  - Approximate Book Size: ~$160Bn
  - WAM: >120 days
- Roll Rate
  - 2012: >90%
- Investors
  - Secured Funding: ~385
  - Non-SG Term: ~110

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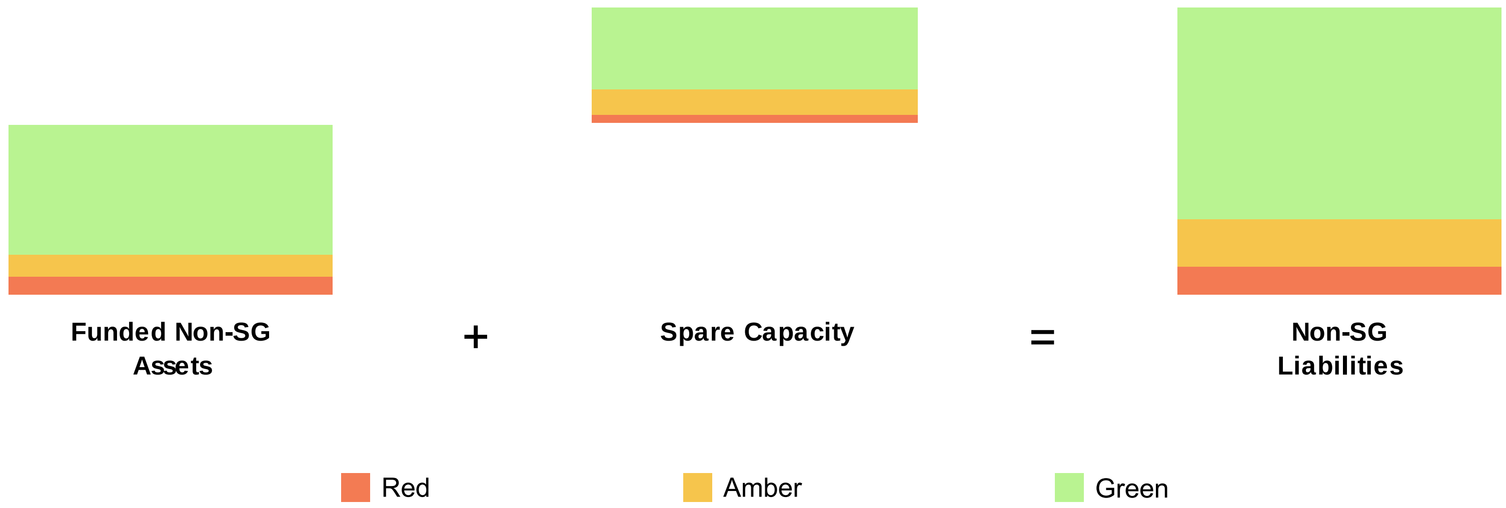
(1) Represents secured funding balance maturing in 30-day increments

Durability Further Strengthened by Ongoing Governance Enhancements: "Spare Capacity"

- Spare Capacity is equivalent to total liabilities in excess of inventory
- Spare Capacity has created excess contractual term-funding, which serves as an additional risk mitigant to accommodate various market environments
- Combined with other risk mitigants in secured funding governance, Spare Capacity is the first line of durability against market stress events, prior to use of Global Liquidity Reserve

Non-Super Green Spare Capacity [1]



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(1) Illustrative; not to scale

7 On the Horizon: Liquidity Coverage Ratio Estimate Shows Funding Diversification and Stability

Basel III Liquidity Coverage Ratio (LCR) Proposal

- Objective: to promote the short-term resilience of the liquidity risk profile of banks and bank holding companies
  - Specifically, to ensure banks have sufficient high-quality liquid assets to cover net outflows arising from significant stress lasting 30 calendar days
- The standard requires that the LCR be no lower than 100%
  - LCR rules are currently under regulatory review and will be introduced on January 1, 2015
- Basel Committee released revised guidance in January 2013
  - Guidance refines Net Outflow calculation and broadens definition of High Quality Liquid Assets

Morgan Stanley's Position[(1)]

- Current pro-forma LCR estimate remains <u>well in excess of 100%</u>
  - We believe that our stress test scenarios incorporate and build on the current Basel requirements
- Key drivers of Morgan Stanley's LCR ratio:
  - Extension of weighted average maturity of secured funding
  - Size of liquidity reserve
  - Virtually no reliance on commercial paper and short duration commercial deposits
  - Size and composition of unfunded lending portfolio

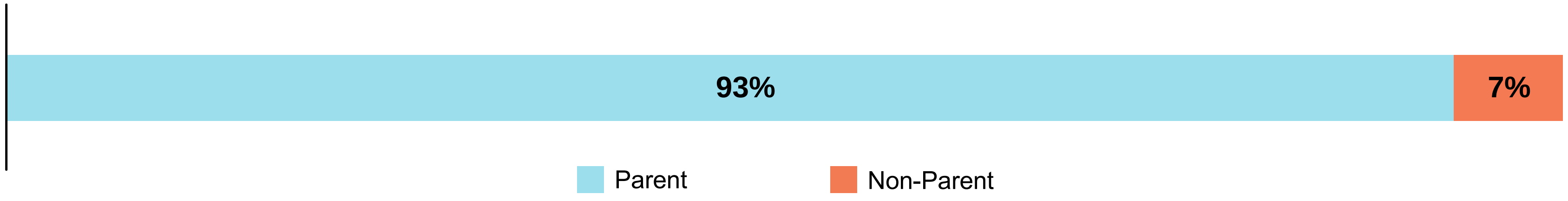
(1) The Company estimates its pro-forma LCR based on a preliminary analysis of the Basel III guidelines published to date and other factors. This is a preliminary estimate and may change based on final rules to be issued by the Federal Reserve. The LCR is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory requirements.

On the Horizon: Orderly Liquidation Authority

- Well positioned for “minimum bail-in capacity” rules
- Long-term debt issued at Parent was approximately 20% of total consolidated assets and 50% of consolidated Basel I risk-weighted assets as of September 30, 2012

Long-Term Borrowings (% of Total) (1),(2)	
Senior debt	94%
Subordinated debt	2%
Junior subordinated debentures	3%

Legal Entity Issuance of Long-Term Borrowings(2)



(1) Figures do not sum to 100% due to rounding.
(2) As of September 30, 2012

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Appendix

Securities Available for Sale

As of September 30, 2012

	At September 30, 2012 ($MM)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-than Temporary Impairment	Fair Value
Debt Securities Available for Sale					
Total U.S. Government and Agency Securities	$34,238	$337	$4	–	$34,571
Corporate and Other Debt					
Auto Loan Asset-Backed Securities	1,816	6	–	–	1,822
Corporate Bonds	1,895	16	–	–	1,911
FFELP Student Loan Asset-backed Securities [1]	2,165	22	–	–	2,187
Total Corporate and Other Debt	$5,876	$44	–	–	$5,920
Equity Securities Available for Sale	$15	–	$8	–	$7
Total ($MM)	**$40,129**	**$381**	**$12**	–	**$40,498**

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(1) Amounts are backed by a guarantee from the U.S. Department of Education of at least 95% of the principal balance and interest on such loans.

European Peripherals and France

Country Risk Exposure (1) – European Peripherals and France

December 31, 2012 – (Unaudited, Dollars in Millions)

($)	Net Inventory (2)	Net Counterparty Exposure (3)	Funded Lending	Unfunded Commitments	CDS Adjustment (4)	Exposure Before Hedges	Hedges (5)	Net Exposure
Greece								
Sovereigns	6	34	–	–	–	40	–	40
Non-Sovereigns	59	3	52	–	–	114	(48)	66
Sub-Total	**65**	**37**	**52**	**–**	**–**	**154**	**(48)**	**106**
Ireland								
Sovereigns	90	7	–	–	5	102	2	104
Non-Sovereigns	84	29	72	56	19	260	(22)	238
Sub-Total	**174**	**36**	**72**	**56**	**24**	**362**	**(20)**	**342**
Italy								
Sovereigns	619	287	–	–	490	1,396	(203)	1,193
Non-Sovereigns	448	774	384	727	153	2,486	(496)	1,990
Sub-Total	**1,067**	**1,061**	**384**	**727**	**643**	**3,882**	**(699)**	**3,183**
Spain								
Sovereigns	691	2	–	–	468	1,161	(6)	1,155
Non-Sovereigns	298	301	123	807	167	1,696	(362)	1,334
Sub-Total	**989**	**303**	**123**	**807**	**635**	**2,857**	**(368)**	**2,489**
Portugal								
Sovereigns	(31)	32	–	–	31	32	(78)	(46)
Non-Sovereigns	113	32	98	–	60	303	(31)	272
Sub-Total	**82**	**64**	**98**	**–**	**91**	**335**	**(109)**	**226)**
Total Euro Peripherals (6)								
Sovereigns	1,375	362	–	–	994	2,731	(285)	2,446
Non-Sovereigns	1,002	1,139	729	1,590	399	4,859	(959)	3,900
Sub-Total	**2,377**	**1,501**	**729**	**1,590**	**1,393**	**7,590**	**(1,244)**	**6,346**
France (6)								
Sovereigns	(3,086)	15	–	–	32	(3,039)	(230)	(3,269)
Non-Sovereigns	(870)	2,244	270	1,926	259	3,829	(812)	3,017
Sub-Total	**(3,956)**	**2,259**	**270**	**1,926**	**291**	**790**	**(1,042)**	**(252)**

(1) Country risk exposure is measured in accordance with the Firm's internal risk management standards and includes obligations from sovereign and non-sovereigns, which includes governments, corporations, clearinghouses and financial institutions.
(2) Net inventory representing exposure to both long and short single name and index positions (i.e., bonds and equities at fair value and CDS based on notional amount assuming zero recovery adjusted for any fair value receivable or payable).
(3) Net counterparty exposure (i.e., repurchase transactions, securities lending and OTC derivatives) taking into consideration legally enforceable master netting agreements and collateral.
(4) CDS adjustment represents credit protection purchased from European peripheral banks on European peripheral sovereign and financial institution risk, or French banks on French sovereign and financial institution risk. Based on CDS notional amount assuming recovery adjusted for any fair value receivable or payable.
(5) Represents CDS hedges on net counterparty exposure and funded lending. Based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.
(6) In addition, at December 31, 2012, the Firm had European Peripherals and French exposure for overnight deposits with banks for approximately $81 million and $27 million, respectively.
(7) At September 30, 2012, the benefit of collateral received against counterparty credit exposure was $4.7 billion in the European Peripherals, with 97% of such collateral consisting of cash and German government obligations, and $7.5 billion in France with nearly all collateral consisting of cash and US government obligations. These amounts do not include collateral received on secured financing transactions.

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