

Morgan Stanley Municipal Issuer and Investor Conference

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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.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto. This presentation is not an offer to buy or sell any security

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Fortified Business and Balance Sheet to Deliver for Clients and Stakeholders

- 1 Meaningfully de-risked
- 2 Enhanced business mix
- 3 Solidified MUFG partnership
- 4 Restructured balance sheet and funding
- 5 Enhanced liquidity position
- 6 Strong capital under Basel I and Basel III
- 7 Metrics underscore commitment to risk discipline

1 Meaningfully De-risked: Disciplined Execution, Fortified Foundation, Strengthened Business Mix

Specific Actions to Fundamentally Re-Tool Morgan Stanley from 2009 – 2012

Legacy Exit	Financial Discipline	Business Mix	Capital	Liquidity
<ul style="list-style-type: none"> • Revel disposition • Proprietary desks eliminated • PDT spin off • Frontpoint spun off • MBIA settlement 	<ul style="list-style-type: none"> • Compensation approach restructured <ul style="list-style-type: none"> – Clawbacks – Risk adjustment • Non-compensation expense controls • \$1.4Bn expense reduction plan 	<ul style="list-style-type: none"> Created <ul style="list-style-type: none"> • MSSB Right-sized <ul style="list-style-type: none"> • FICC Sold <ul style="list-style-type: none"> • Saxon⁽¹⁾ • CICC • Invesco stake • Retail asset management • MSCI 	<ul style="list-style-type: none"> • MUFG conversion \$8.1Bn • CIC conversion \$5.6Bn 	<ul style="list-style-type: none"> • WAM extension • Maturity and investor diversification • Categorized assets by fundability • Creation of “spare capacity” • Growth of deposit funding

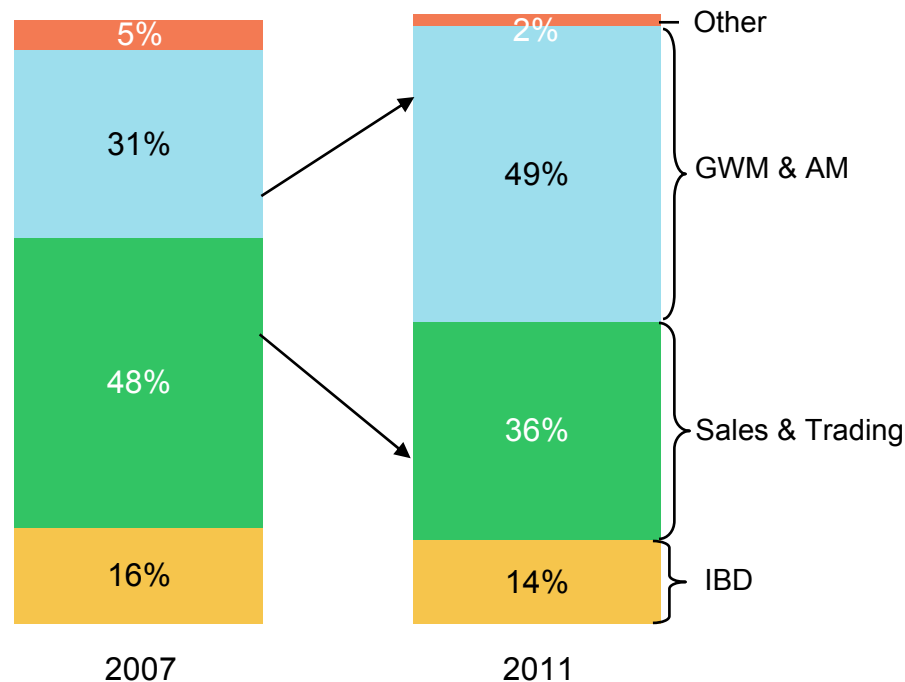
Source: Morgan Stanley SEC Filings

- (1) On October 24, 2011, the Company announced that it had reached an agreement to sell Saxon, a provider of servicing and subservicing of residential mortgage loans, to Ocwen Financial Corporation. During the first quarter of 2012, the transaction was restructured as a sale of Saxon's assets, the first phase of which was completed in the second quarter of 2012. The remaining operations of Saxon are expected to be wound down within the year.

2 Enhanced Business Mix: Morgan Stanley Today Is More Balanced

2007 – 2011 Revenue Split – Excluding Selected Items For Comparability⁽¹⁾

(%)



- **Right-sized ISG:** Fixed Income move towards flow product, Equities more balanced product and geographic mix, IBD retains leadership position
- **Well integrated, well positioned MSSB:** Greater mix of fee-based assets, significant scale, closer alignment with ISG, platform integration almost complete
- **Strong risk discipline:** Rigorous and frequent stress-testing, significant market and credit risk limits, reports to CEO and Board
- **Strong capital and liquidity:** Industry leading Basel I and III capital ratios, high quality and large liquidity buffer based on dynamic Contingency Funding Plan
- **Processes ensure risk continuity:** Institutionalization of processes ensure durability

Morgan Stanley

Source: Morgan Stanley SEC Filings

(1) Revenues in 2007 exclude gains of \$840MM related to DVA and \$9.4Bn of mortgage-related losses. Revenues in 2011 exclude gains of \$3.7Bn related to DVA, losses of \$655MM related to MUMSS and losses of \$1.7Bn related to the MBIA settlement.

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3 Solidified MUFG Partnership: “For Decades to Come”

2008	2009	2010	2011
<ul style="list-style-type: none"> • \$7.8 billion of perpetual non-cumulative convertible preferred stock with a 10% dividend <ul style="list-style-type: none"> – 21% common shareholder (implied) • \$1.2 billion of perpetual non-cumulative non-convertible preferred stock with a 10% dividend • One MUFG representative on Morgan Stanley Board 	<ul style="list-style-type: none"> • Support of two Morgan Stanley offerings <ul style="list-style-type: none"> – May – exchanged 640,909 shares of preferred for 29,375,000 of common – June – MUFG purchased an additional 17,178,055 shares of common • Morgan Stanley and Bank of Tokyo-Mitsubishi UFJ (“BTMU”) entered into a loan market joint venture (“LMJV”) in the Americas <ul style="list-style-type: none"> – As of 4Q 2011, the LMJV had executed 179 relationship lending transactions totaling \$41Bn in commitments – Also collaborate on event financing • Agreements to refer businesses to each other in EMEA and Asia 	<ul style="list-style-type: none"> • Created securities joint venture in Japan <ul style="list-style-type: none"> – Morgan Stanley MUFG Securities (consolidated by Morgan Stanley) and Mitsubishi UFJ Morgan Stanley Securities (consolidated by MUFG) • MUFG owns a 60% economic interest in both entities in the joint venture 	<ul style="list-style-type: none"> • Conversion of MUFG preferred shares into common <ul style="list-style-type: none"> – Bolstered Tier 1 Common Ratio – Conversion eliminated \$780 million in annual preferred dividends – 22.4% common shareholder • Two MUFG representatives on Morgan Stanley Board • Expanded Morgan Stanley’s access to long-term debt markets through MUFG distribution of Uridashi notes
			2012
			<ul style="list-style-type: none"> • Continuing to expand partnership opportunities

4 Restructured Balance Sheet and Funding: Reduced Leverage and Increased Funding Durability

(\$Bn) Events	4Q07 ⁽¹⁾	1Q12	(%) Change ⁽²⁾
Balance Sheet: Significant decline in size	1,045	781	(25)
Short-Term Borrowings: No reliance on 2a7 funds or commercial paper	35	2	(94)
Secured Funding: Major decline in balance since 4Q07, with significant WAM extension	301	163	(45)
Long-Term Debt⁽³⁾: 38% of total funding, up from 32%, with expanded global diversification	191	177	(7)
Deposits: Transformed deposit-taking capability; 1Q12 proforma, 11 th largest depository in U.S., ⁽⁴⁾ with MSSB JV total deposits of \$112bn. 1Q12 Morgan Stanley only deposits, 15 th largest ⁽⁴⁾	31	66	113
Shareholders' Equity: Doubled equity	31	62	100

Source: Morgan Stanley SEC Filings and SNL Financial

(1) 4Q07 figures as reported on a fiscal-year basis with a year ending on November 30th.

(2) Percent change represents change from 4Q07 to 1Q12.

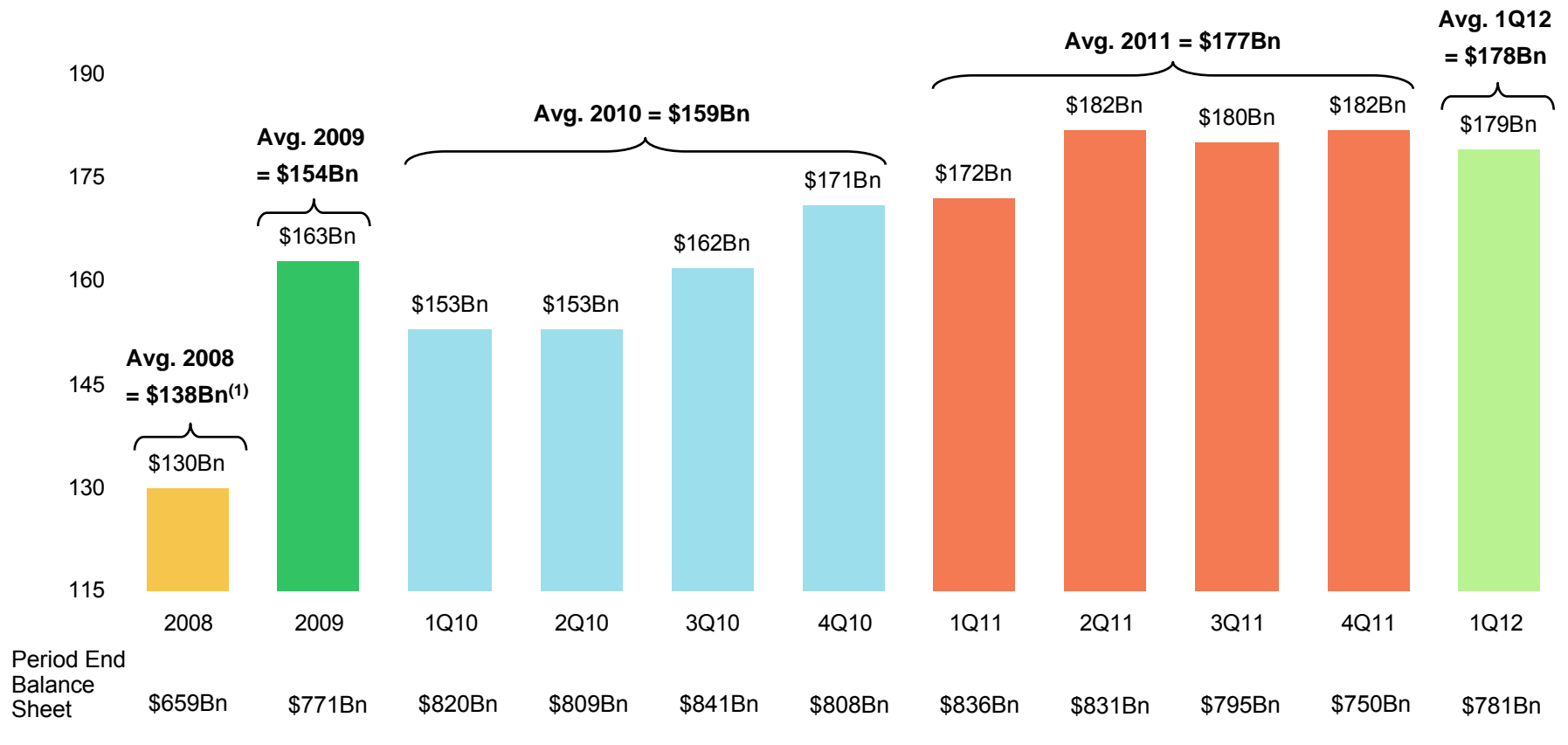
(3) Long-term debt percentage represents percentage of total funding liabilities. Total funding liabilities = CP + Secured Funding + Long-Term Debt + Deposits + Shareholders' Equity.

(4) Excludes foreign banks' US Bank Holding companies.

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5 Enhanced Liquidity Position: Absolute and Relative to Both Stress Environment and Peers

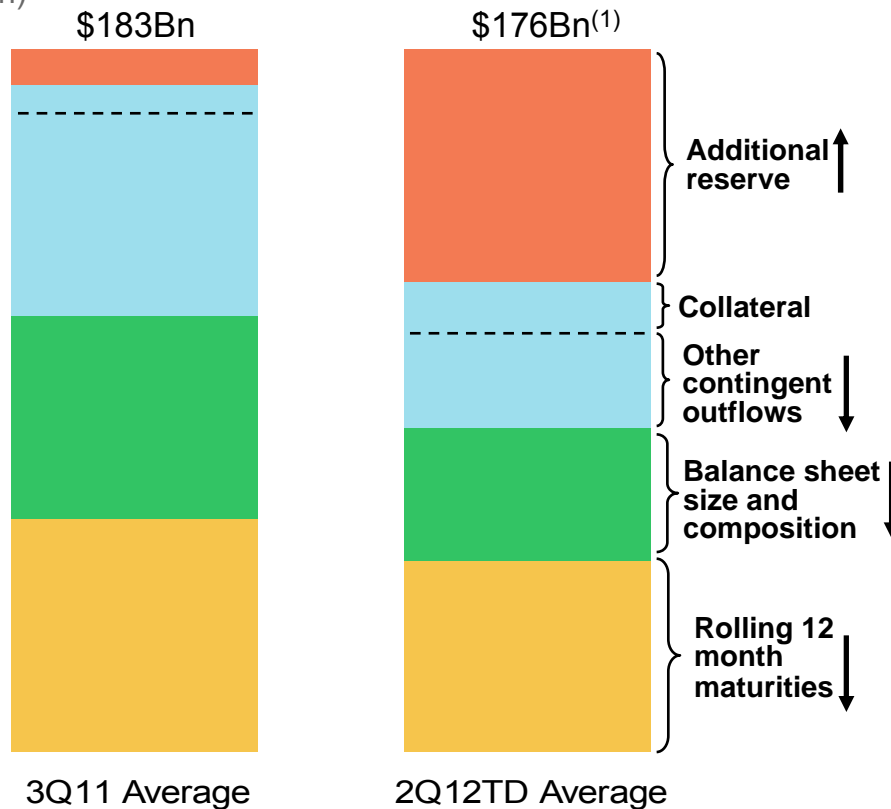
Period End Balance (\$Bn)



Key Considerations in Sizing the Liquidity Reserve

Illustrative Drivers of Liquidity Sizing

(\$Bn)



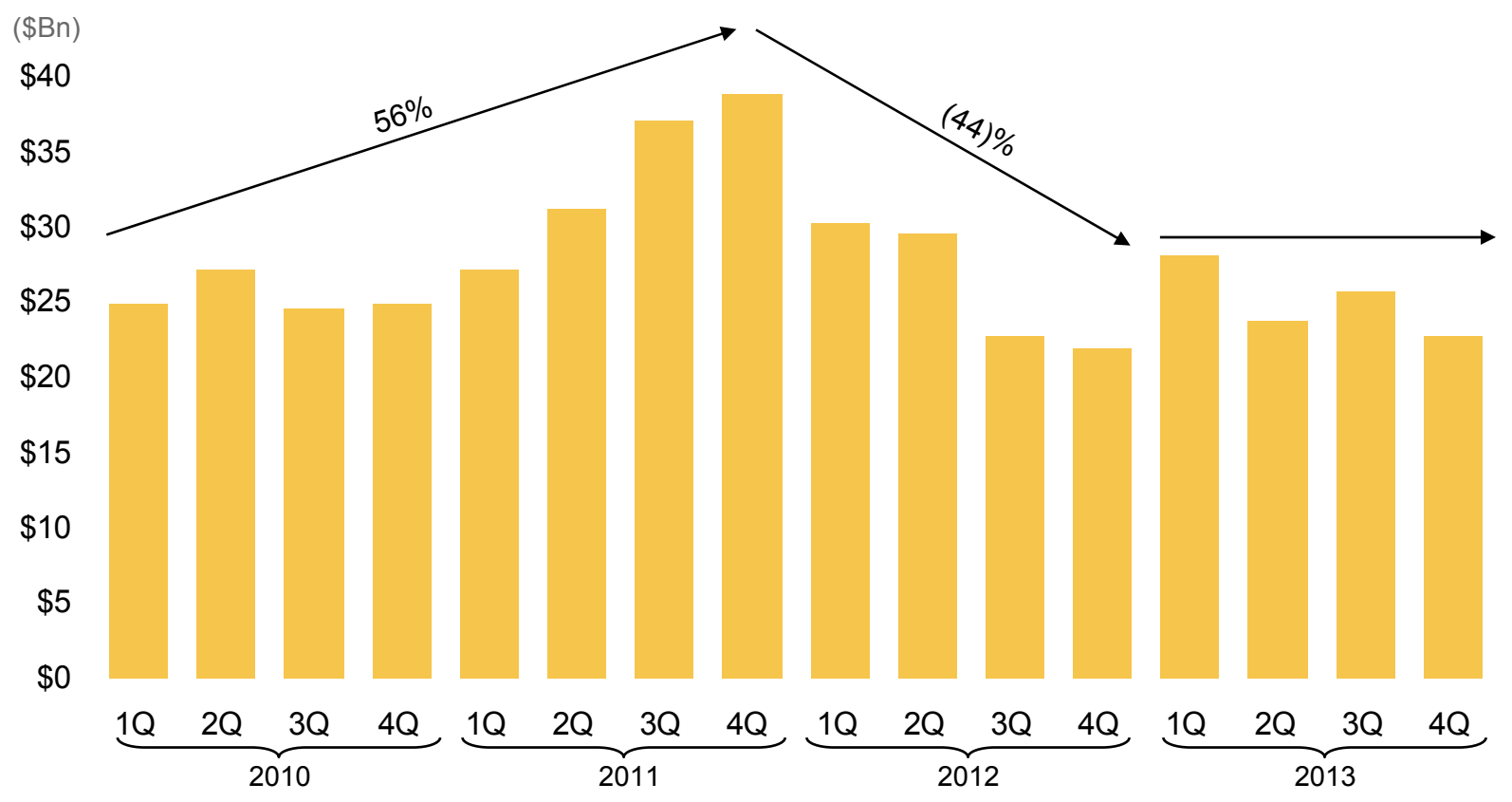
Four Building Blocks

1. Rolling 12-month maturities
 - Peaked September 2011, subsequently declined
2. Balance sheet size and composition
 - Balance sheet down 25% since 2007
 - More liquid assets
3. Other contingent outflows including collateral requirements
4. Additional reserve
 - Primarily discretionary surplus
 - Increase particularly reflects declining maturities and balance sheet size and composition

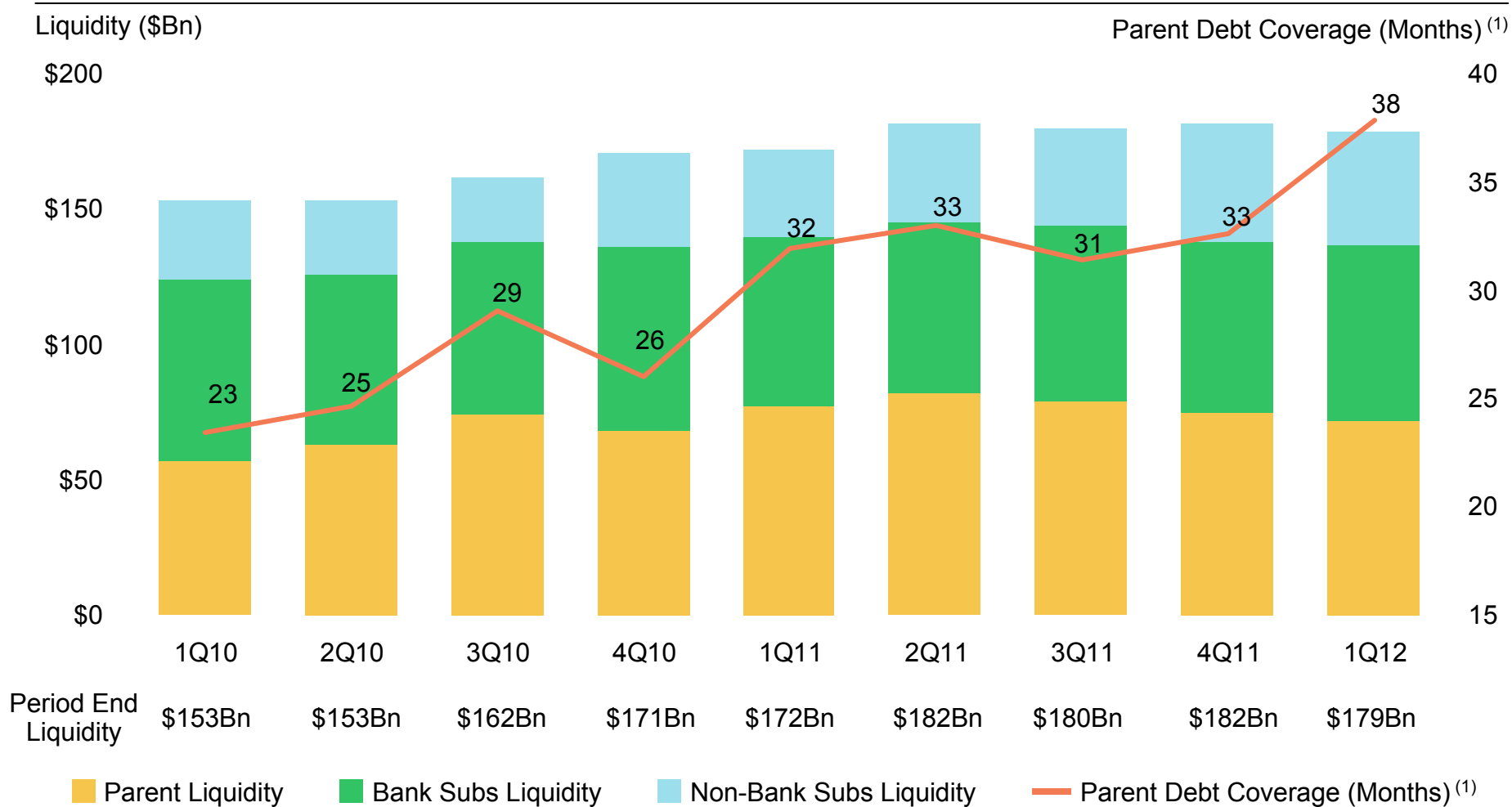
Liquidity Reserve Requirements Decrease With Declining Forward 12-Month Maturity Schedule

Projected Average 12-Month Forward Maturities⁽¹⁾

- Key component of sizing the liquidity reserve is 12-month forward debt maturities; these have declined meaningfully
- Reduced net debt by more than \$16 billion since the end of 1Q11 while maintaining strong liquidity

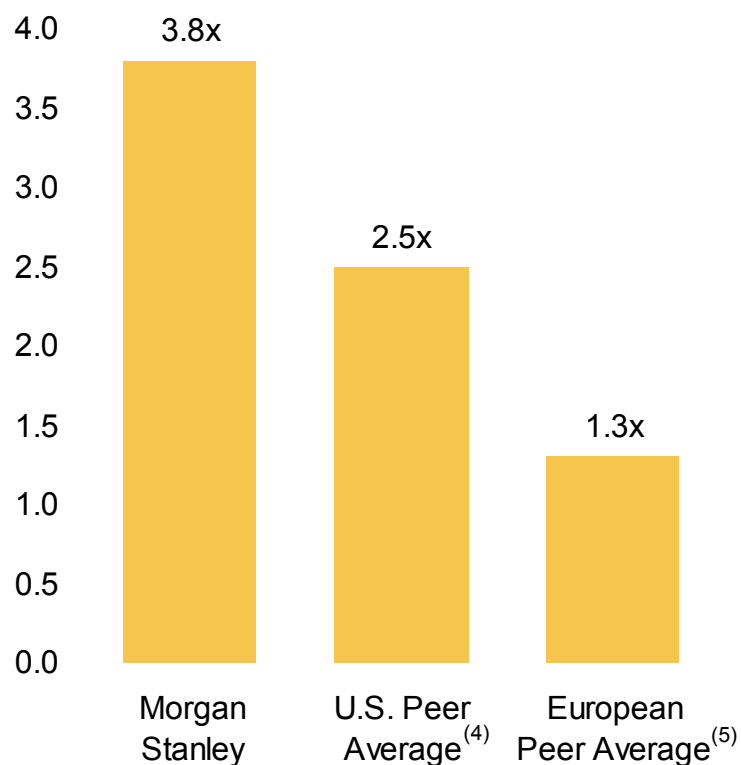


Meaningful Improvement in Parent Debt Coverage While Reducing Net Debt



Morgan Stanley Credit Metrics Strong vs. U.S. and European Peers

Liquidity / 2012 – 2013 Debt Maturities⁽³⁾



	Morgan Stanley	U.S. Peer Average ⁽⁴⁾	European Peer Average ⁽⁵⁾
Leverage ⁽²⁾ (Assets / Tangible Equity)	13x	14x	26x
Short-Term Debt ⁽³⁾ / Total Funding	0%	5%	7%
Secured Funding WAM	>120 days	N/D	N/D

Source: Company SEC Filings and Company Data as of March 31, 2012

(1) Morgan Stanley, Goldman Sachs, JP Morgan, Citigroup, Bank of America and Credit Suisse data based on U.S. GAAP accounting. Deutsche Bank, UBS, Barclays, BBVA, Santander and UniCredit data based on IFRS accounting. Due to differences in accounting bases, information presented is directional.

(2) Assets adjusted to U.S. GAAP presentation from IFRS presentation by Morgan Stanley for European peers except BBVA, Santander and UniCredit.

(3) Morgan Stanley estimate for European peers.

(4) Includes JP Morgan, Goldman Sachs, Citigroup and Bank of America.

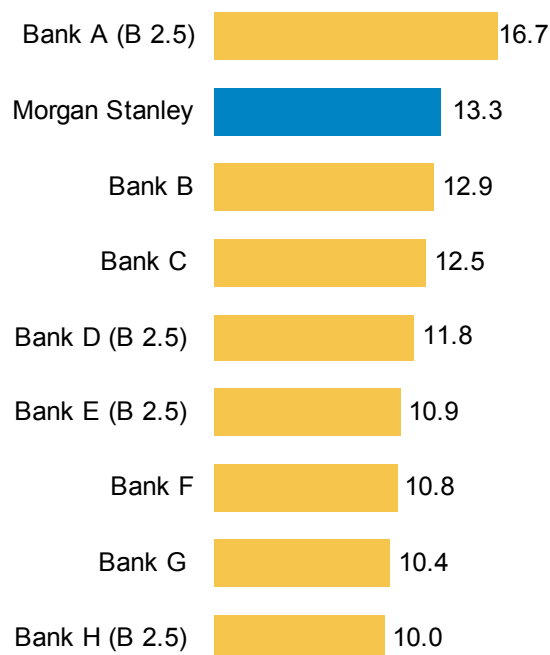
(5) Includes Credit Suisse, Santander, Deutsche Bank, Societe Generale, Barclays, BBVA, UBS and UniCredit.

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6 Strong Capital Under Basel I and Basel III: Prudent Capital Management

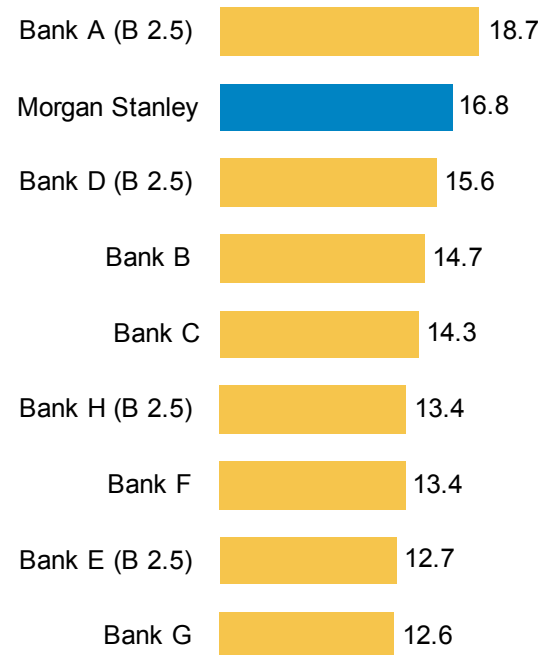
Basel I/2.5 Tier 1 Common Ratio as of 1Q 2012

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



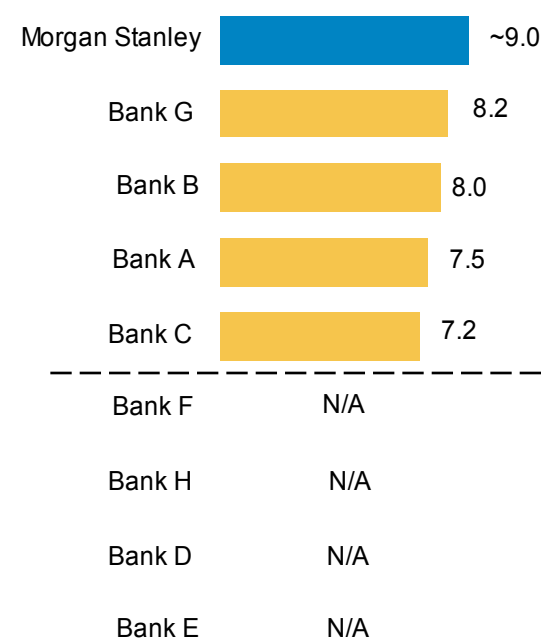
Basel I/2.5 Tier 1 Capital Ratio as of 1Q 2012

Tier 1 Capital / RWA (%)



Basel III Tier 1 Common Ratio Guidance as of 1Q 2012

(%)



■ Morgan Stanley 1Q 2012 ■ Peers 1Q 2012 (B 2.5) Basel 2.5

• Information presented is directional, as actual comparisons among institutions is not possible due to differing capital regimes (e.g., Basel I vs. Basel 2.5), local regulatory capital interpretations, and differing accounting regimes (e.g., US GAAP vs. IFRS).

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Source: Company 10Q Filings, 6-K Filings, Publicly Available Interim Reports and Conference Call Transcripts
 (1) Peer group includes Goldman Sachs, JP Morgan, Bank of America, Citigroup, UBS, Deutsche Bank, Barclays and Credit Suisse.
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7 Metrics Underscore Commitment to Risk Discipline: Move to Flow Products

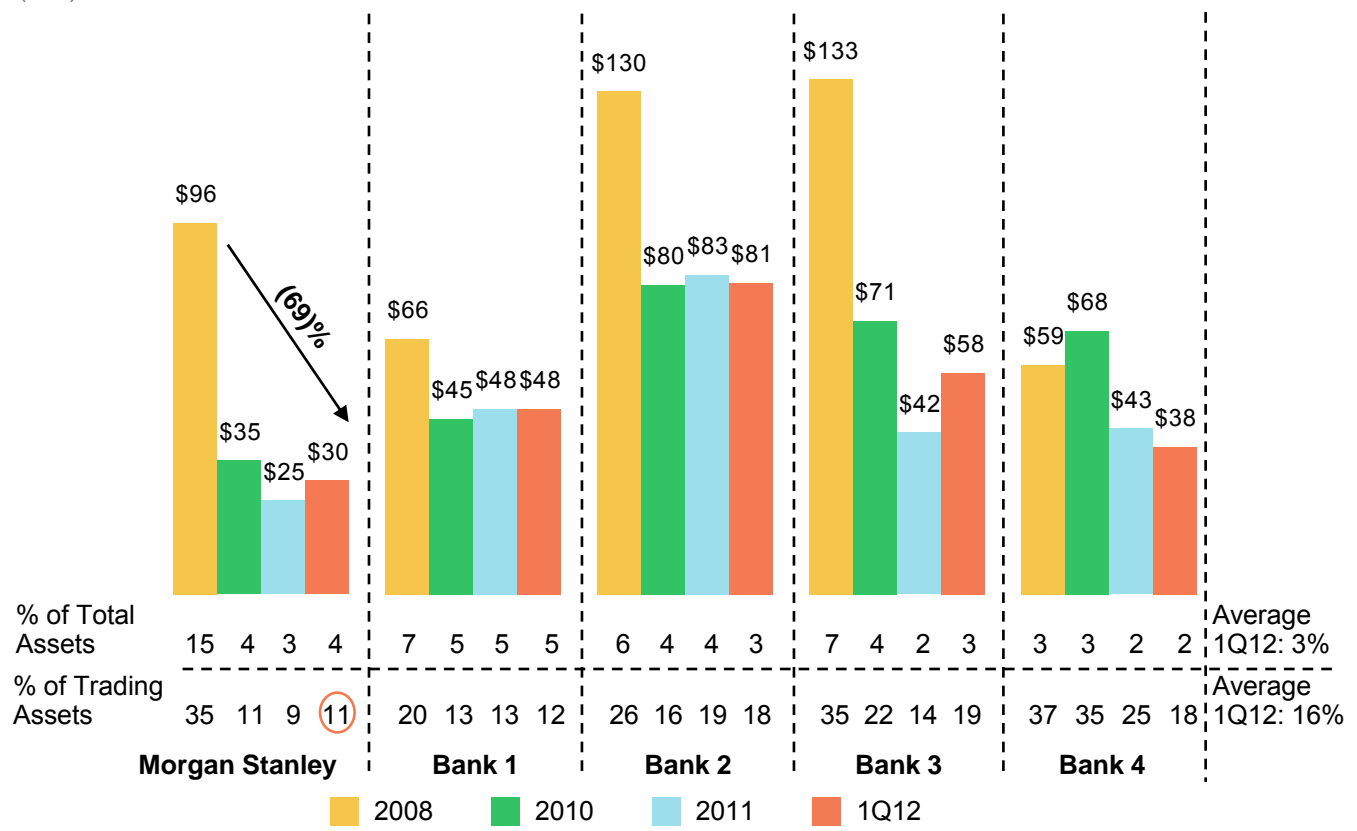
Morgan Stanley wallet share has improved while systematically de-risking

- Financial Instruments Owned / Trading Assets: Systematically reduced trading assets as % of total assets since 2008 – at 1Q12 trading assets were 36% of total assets due to increased liquidity and rebalancing business – U.S. peers either modestly up or relatively flat since 2008
- U.S. Government and Agencies: Up 195% vs. 2008 – a more significant increase than peers. Represents 8% of total assets and 21% of trading assets as of 1Q12
- Asset Backed: Significant contraction vs. growth for some peers
- Level 3 Assets: Meaningful decline; represents 4% of assets and 11% of trading assets as of 1Q12 – lower than all U.S. peers
- Derivatives: Meaningful decline and lowest among peers at 14% of trading assets

Morgan Stanley vs. U.S. Peers – Level 3 Assets

- Down 69% vs. 2008 – a more significant reduction than peers
- Level 3 assets represent 4% of assets and 11% of trading assets – lower than all U.S. peers

Level 3 (\$Bn)



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Source: Company SEC Filings

(1) Fair value disclosures in SEC filings.

(2) Peer group includes Goldman Sachs, JP Morgan, Bank of America, and Citigroup.

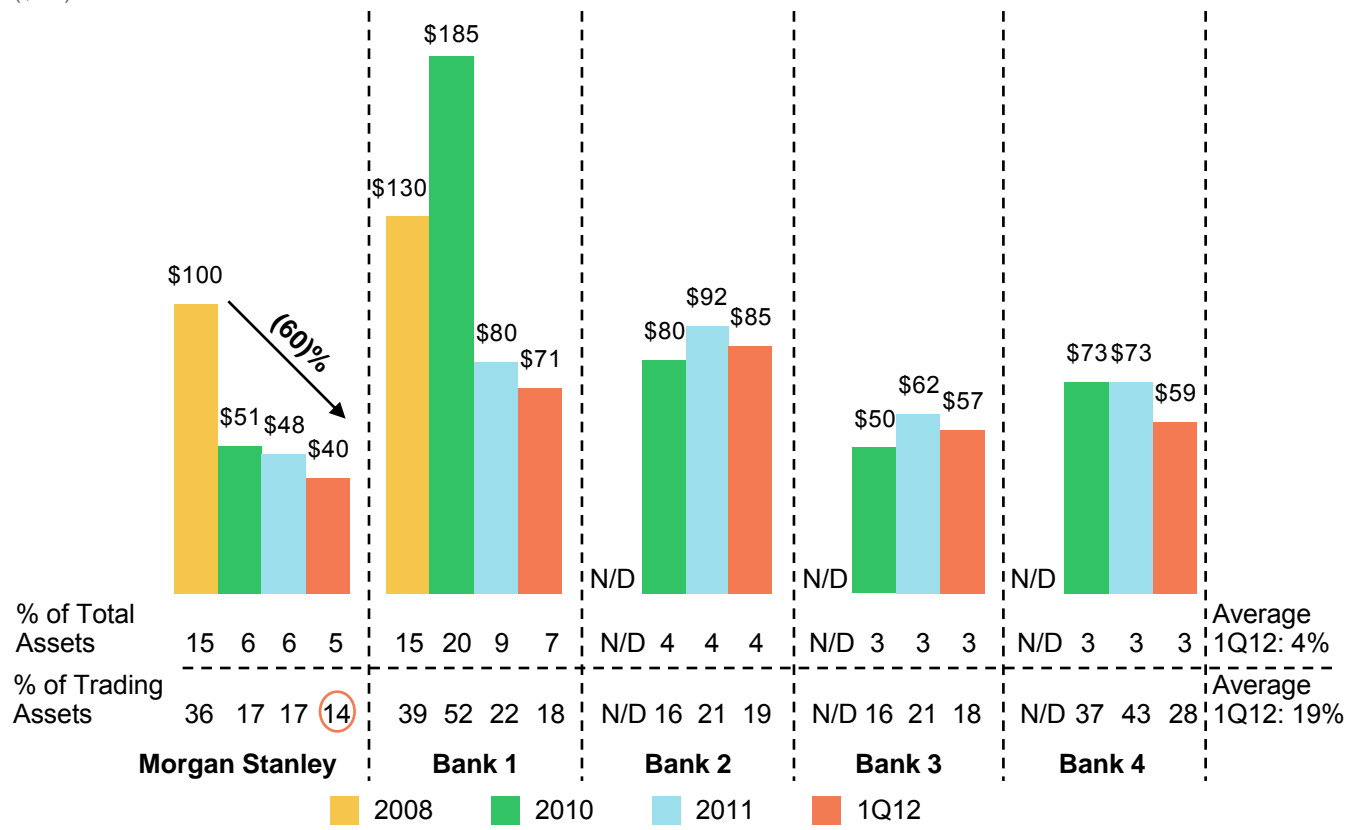
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Morgan Stanley vs. U.S. Peers – Derivatives

- As a percentage of trading assets, well less than half of 2008 levels and the lowest among peers at 14%; closest peer as a percent of trading assets is at 18%
- Derivatives as a percent of total assets are one-third 2008 levels

Derivatives

(\$Bn)



Morgan Stanley

Source: Company SEC Filings

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Case Study: Prime Brokerage

What's Changed?

Funding & BRM	Contractual Clarity	Technology Investments	Industry Fragmentation
<ul style="list-style-type: none">• Underlying approach for PB based on stable funding rather than self-funding• Asset / Liability management• Enhanced collateral management controls & governance	<ul style="list-style-type: none">• Expectations aligned• Certainty around margin requirements and collateral types<ul style="list-style-type: none">– Supported by enhanced analytics to assess risk	<ul style="list-style-type: none">• Significant investments in technology• Quality of service is best-in-class• Materially improved throughput	<ul style="list-style-type: none">• Hedge funds use on average three to four prime brokers• MS Response:<ul style="list-style-type: none">– Partner and allocate balance sheet– Adjacencies across businesses

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