

Morgan Stanley

## Morgan Stanley U.S. Financials Conference

James P. Gorman, Chairman and Chief Executive Officer

June 12, 2012

# 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 for the year ended December 31, 2011 ("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, including any amendments thereto, which are available on [www.morganstanley.com](http://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. This presentation is not an offer to buy or sell any security.

Please note this presentation is available at [www.morganstanley.com](http://www.morganstanley.com).

# Morgan Stanley 2009 – 2012 Actions Demonstrate Systematic Execution

## Actions and Investments Provide Critical Insight About Morgan Stanley

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

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

### These Actions Have Yielded Numerous Benefits



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.

# Stronger Funding and Reduced Leverage

	4Q07 <sup>(1)</sup>	1Q12	Change
<b>Shareholders' Equity</b>	<b>\$31Bn</b>	<b>\$62Bn</b>	<b>+100%</b>
<ul style="list-style-type: none"> <li>Strong capital ratios under Basel 1 and Basel 3</li> </ul>			
Tier 1 Common (Basel 1)	7.7% <sup>(2)</sup>	13.3%	+550bps
Tier 1 Common (Basel 3)	N/A	~9% <sup>(3)</sup>	
<b>Liquidity Reserve</b>	<b>\$118Bn</b>	<b>\$179Bn</b>	<b>+52%</b>
<ul style="list-style-type: none"> <li>Reserve is of the highest quality and is up significantly on an absolute basis and as a percentage of total assets</li> </ul>			
Liquidity Reserve as % of Total Assets	11%	23%	+2x
<b>Total Assets</b>	<b>\$1,045Bn</b>	<b>\$781Bn</b>	<b>(25%)</b>
<ul style="list-style-type: none"> <li>Significant decline; decrease in less liquid assets, increase in more liquid assets</li> </ul>			
<b>Leverage ratio <sup>(4)</sup></b>	<b>32.6x</b>	<b>12.9x</b>	<b>(60%)</b>
<ul style="list-style-type: none"> <li>Significant decline in leverage</li> </ul>			

Source: Morgan Stanley SEC Filings

(1) 4Q07 figures as reported on a fiscal-year basis with a year ending on November 30<sup>th</sup>

(2) Estimated for November 2007; Tier 1 Common Ratio introduced in April 2009

(3) Subject to final rule making, our Tier 1 common ratio under Basel III was between 8% and 10% pro forma as of the end of the first quarter

(4) Leverage ratio equals total assets divided by tangible Morgan Stanley shareholders' equity

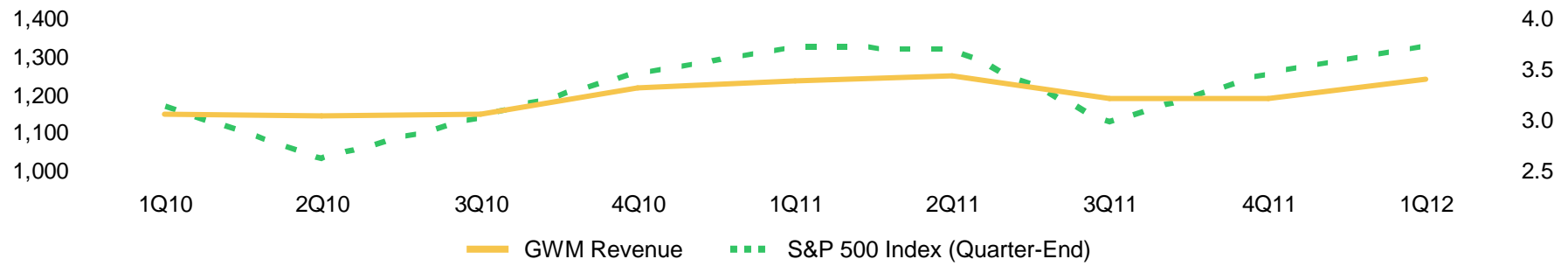
# MUFG Relationship: Partnership “For Decades to Come”

2008	2009	2010	2011
<ul style="list-style-type: none"> <li>• \$7.8 billion of perpetual non-cumulative convertible preferred stock with a 10% dividend</li> <li>• \$1.2 billion of perpetual non-cumulative non-convertible preferred stock with a 10% dividend</li> <li>• One MUFG representative on Morgan Stanley Board</li> </ul>	<ul style="list-style-type: none"> <li>• Support of two Morgan Stanley offerings:               <ul style="list-style-type: none"> <li>– May – exchanged 640,909 shares of non-convertible preferred for 29,375,000 of common</li> <li>– June – MUFG purchased an additional 17,178,055 shares of common</li> </ul> </li> <li>• 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"> <li>– As of 4Q 2011, the LMJV had executed 179 relationship lending transactions totaling \$41B in commitments</li> <li>– Also collaborate on event financing</li> </ul> </li> <li>• Agreements to refer businesses to each other in EMEA and Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Created securities joint venture in Japan               <ul style="list-style-type: none"> <li>– Morgan Stanley MUFG Securities (consolidated by Morgan Stanley) and Mitsubishi UFJ Morgan Stanley Securities (consolidated by MUFG)</li> </ul> </li> <li>• MUFG owns a 60% economic interest in both entities in the joint venture</li> </ul>	<div data-bbox="1497 444 1934 1008"> <ul style="list-style-type: none"> <li>• Conversion of MUFG preferred shares into common               <ul style="list-style-type: none"> <li>– Improved Tier 1 Common Ratio</li> <li>– Conversion eliminated \$780 million in annual preferred dividends</li> <li>– ~22% common shareholder</li> </ul> </li> <li>• Two MUFG representatives on Morgan Stanley Board</li> <li>• Expanded Morgan Stanley’s access to long-term debt markets through MUFG distribution of Uridashi notes</li> </ul> </div> <div data-bbox="1497 1008 1934 1339"> <p style="text-align: center;"><b>2012</b></p> <ul style="list-style-type: none"> <li>• Continuing to expand partnership opportunities</li> </ul> </div>

# MSSB Increases Stability and Enhances Franchise Value

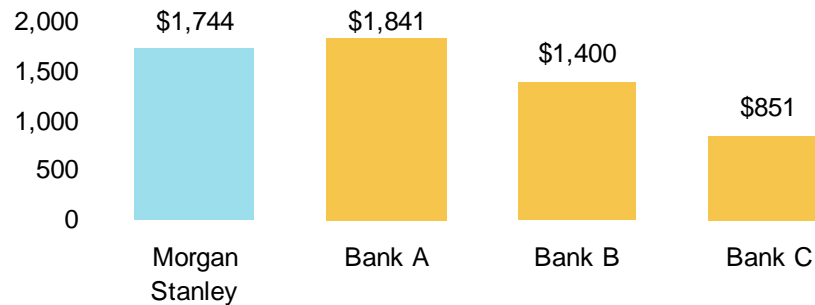
## Global Wealth Management Revenue Stability, Notwithstanding Volatile Markets

S&P 500 Index Level <sup>(1)</sup> vs. Quarterly GWM Revenues in (\$Bn)



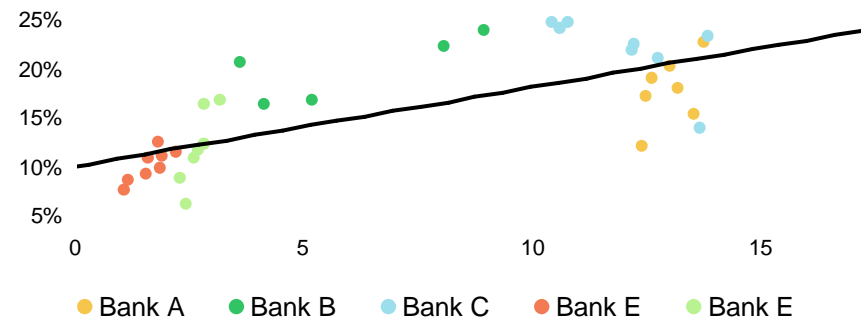
## Client Assets <sup>(2)</sup>

(1Q12 AuM; \$Bn)



## Scale Business With Attractive Pre-tax Margins <sup>(3)</sup>

Pre-tax Margin in % vs. Net Revenue (\$Bn)



Source: SEC Filings, Morgan Stanley estimated company data based on historical disclosed pre-tax margins

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

(2) Peer population includes Merrill Lynch Wealth Management, Wells Fargo, UBS Wealth Management Americas

(3) Data from 2001 – 2008; Peer population includes Merrill Lynch Global Private Clients, Wachovia Capital Management and Wachovia Wealth Management, Citi Global Wealth Management (Legacy), Raymond James, AG Edwards

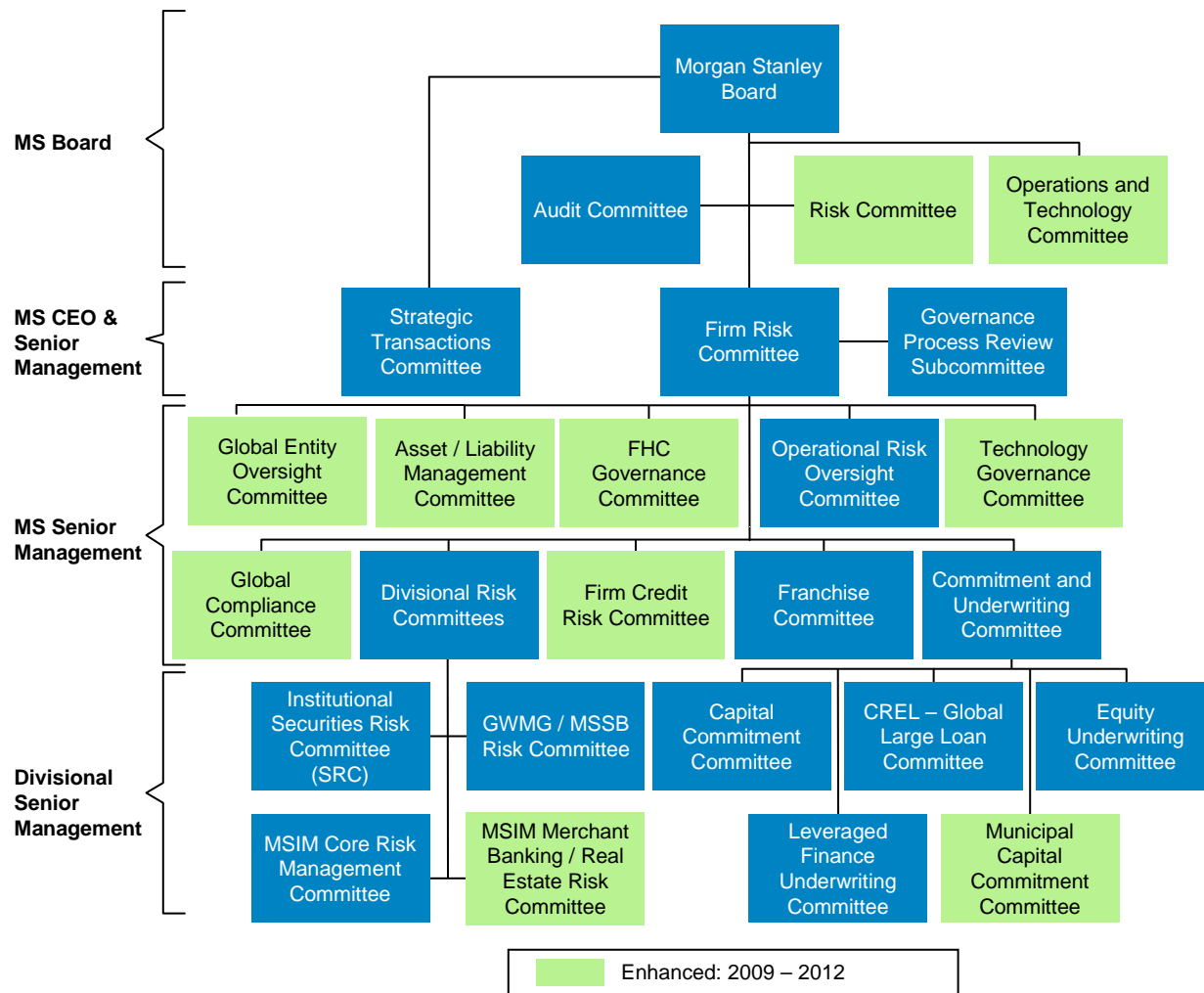
Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Process Improvements Across the Firm

- Governance Structure
- Risk Management
- Finance Controls
- Liquidity Management
- Compensation
- Non-compensation Expenses / Office of Re-engineering

# Enhanced Risk Governance Structure



- Fortified key governance committees and created/enhanced select committees (e.g., Board Risk Committee)

## Risk Committee

**Chair: Sir Howard J. Davies**

- Chairman of the U.K. Financial Services Authority (1997 – 2003)
- Deputy Governor of the Bank of England (1995 – 1997)
- Director General of the Confederation of British Industry (1992 – 1995)

## Audit Committee and Operations and Technology Committee

**Chair: Donald T. Nicolaisen**

- Chief Accountant for the U.S. Securities and Exchange Commission (2003 – 2005)
- Senior Partner at PricewaterhouseCoopers prior to joining the SEC
  - Led PricewaterhouseCoopers national office for accounting and SEC Services (1988 – 1994)

## Compensation Committee

**Chair: Erskine B. Bowles**

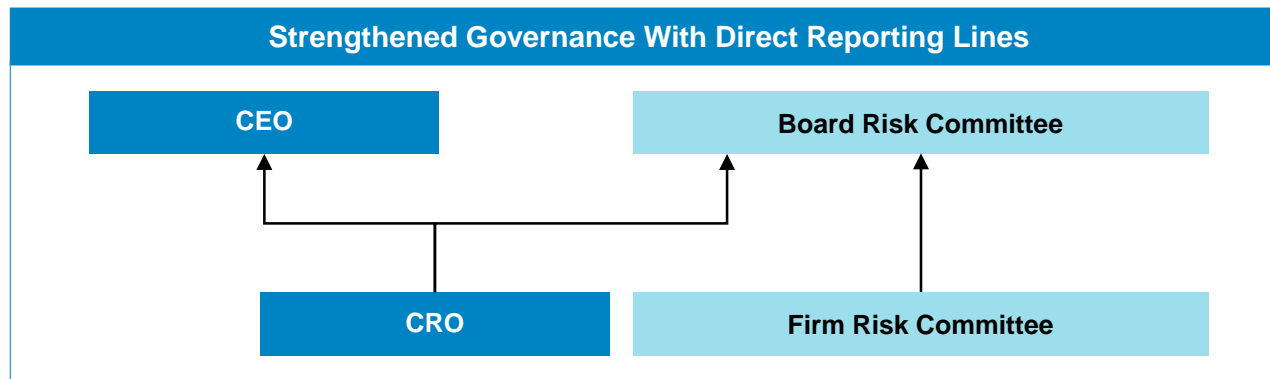
- Co-Chair of the National Commission on Fiscal Responsibility and Reform (since 2010)
- White House Chief of Staff (1997 – 1998)
- Head of the Small Business Administration (appointed 1993)



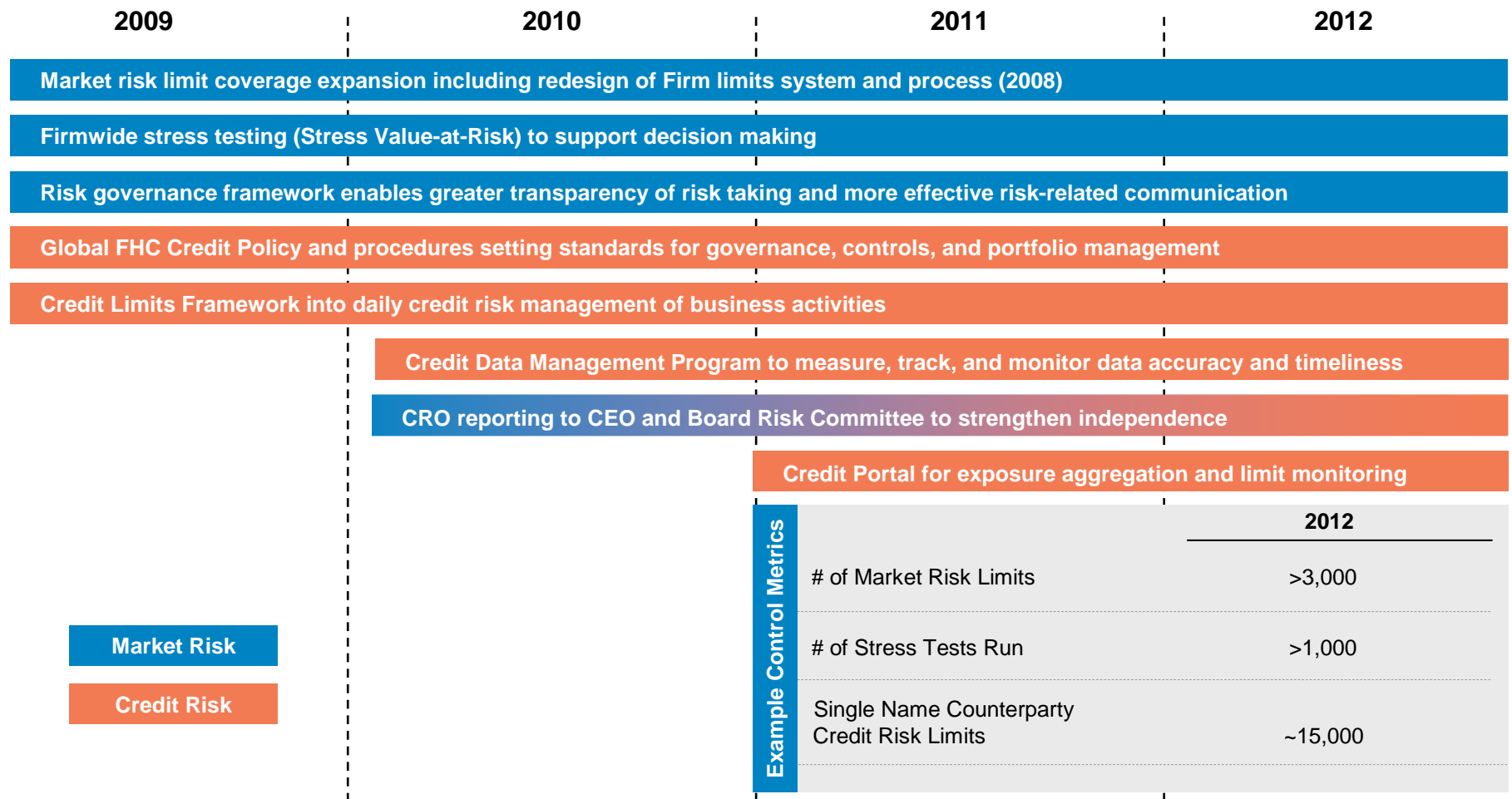
# Invested in Risk Management Talent, Analytical Tools and Processes

## The Firm Strengthened Risk Management Through Enhancements to Governance, Controls and Infrastructure

- Governance
  - New Committees
    - Established Board Risk Committee in 2010; oversees risk governance structure and guidelines for market and credit risk, as well as capital, liquidity and funding levels
      - Oversees performance of the Chief Risk Officer (CRO)
    - Established additional formal risk oversight committees throughout 2009 and 2010
  - Established greater CRO independence, with dual direct reporting lines to the CEO and the Board Risk Committee
  - Expanded and strengthened Risk Management policies and procedures
- Infrastructure and resources
  - Headcount more than doubled between 2008 and 2012
  - Strengthened Risk Management senior leadership and governance
  - Improved quality of risk data and systems
- Control enhancements (including increased number of limits, improved stress testing and comprehensive model control)



# Strengthened Market and Credit Risk Governance, Limits and Stress Testing Capability



# Rigorous Process Around Valuation Controls

- Significantly improved technology and processes empower finance governance

## Select Finance Processes and Systems

### Daily Marking Policy ("FRAME")

- Enhanced daily marking policy to provide Firmwide standards
- FRAME program implements the Firm's daily marking policy and establishes the basis for consistent marking of the Firm's inventory and the validation of those marks across all segments and regions
- Single market-maker position pricing ensuring single price across firm
- All vetted data available from the federal hub or a federal service
- All risk systems able to connect to federal sources

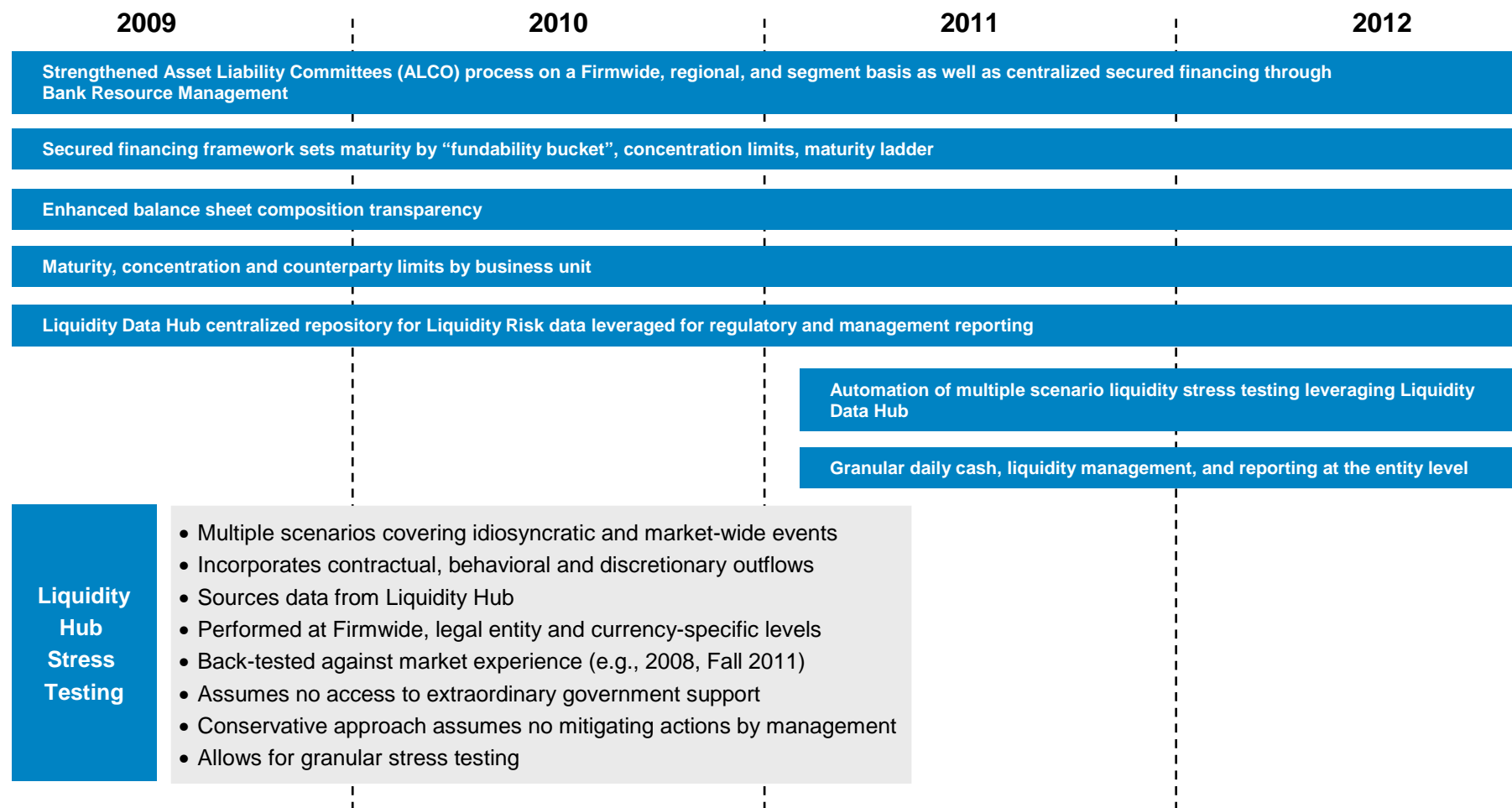
Consistent Firmwide marking underpinned by comprehensive measurement and management of adherence to the policy

### Enhanced Global Valuation Principles Policies

- Strengthened process to provide pre-execution transaction approval for defined transactions
- Metrics and robust governance in place to manage potential exceptions

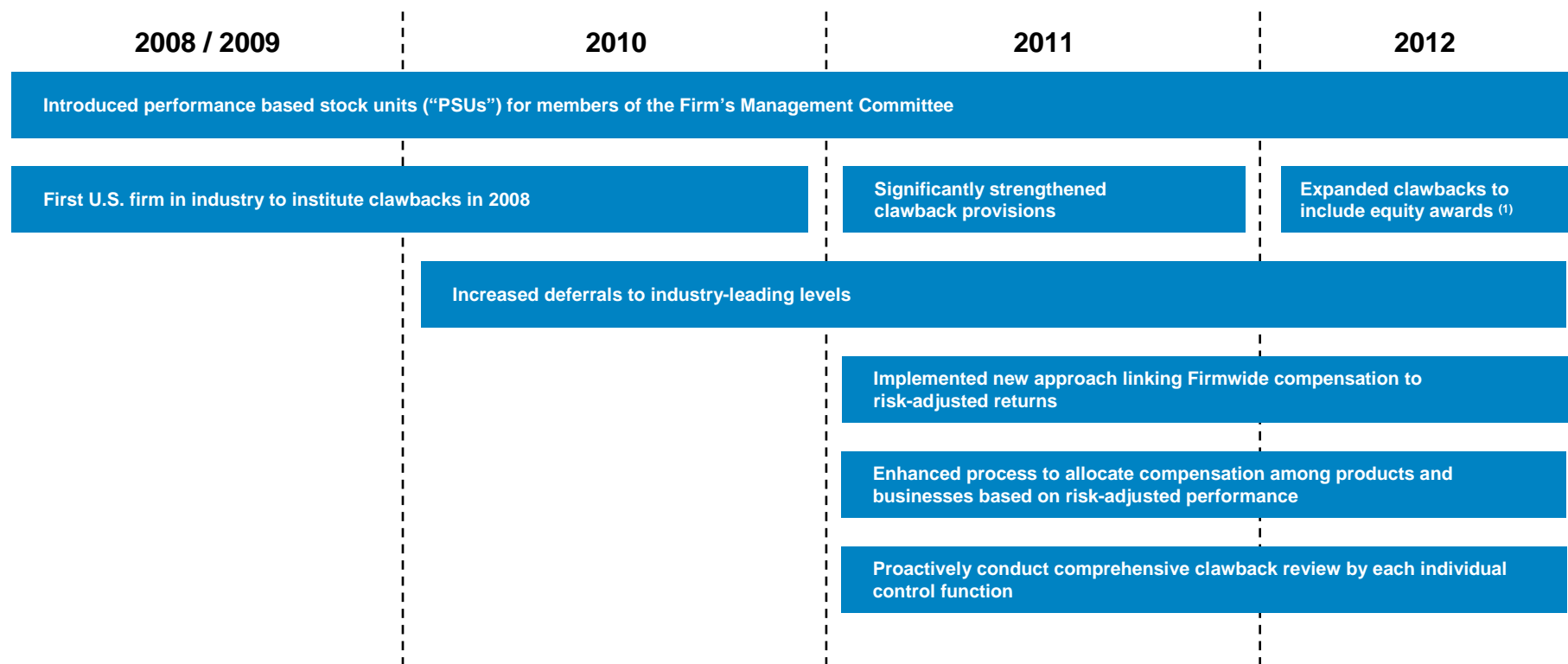
Robust policies and processes support Finance function as the final authority over all valuation decisions

# Liquidity Framework Combines Governance, Data Transparency and Daily Reporting



# Fundamentally Restructured Approach to Compensation

- Compensation process restructured to reinforce risk management culture
  - Linked pay to risk-adjusted returns
  - Reduced incentives for excess risk-taking

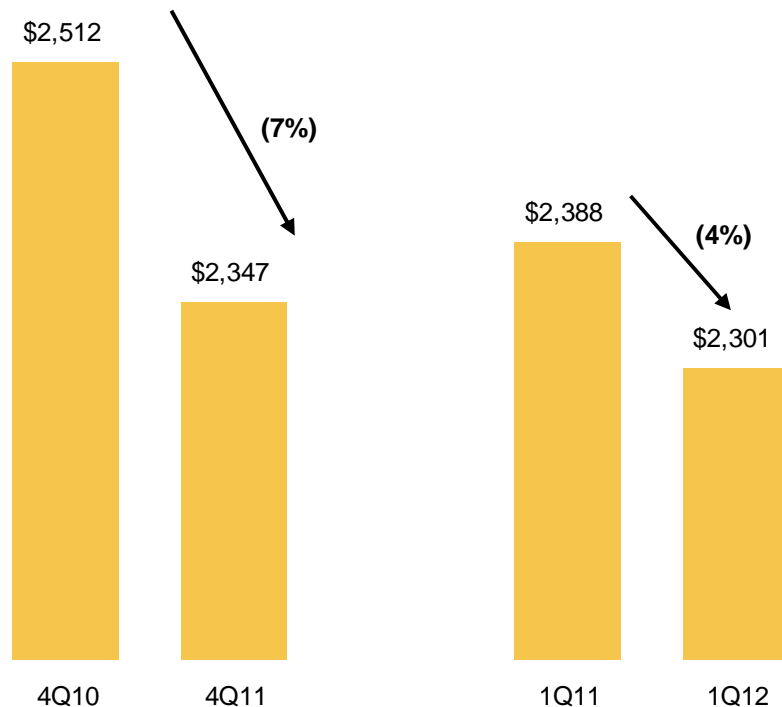


(1) Applies to 2011 compensation

# Non-Compensation Expense Focus

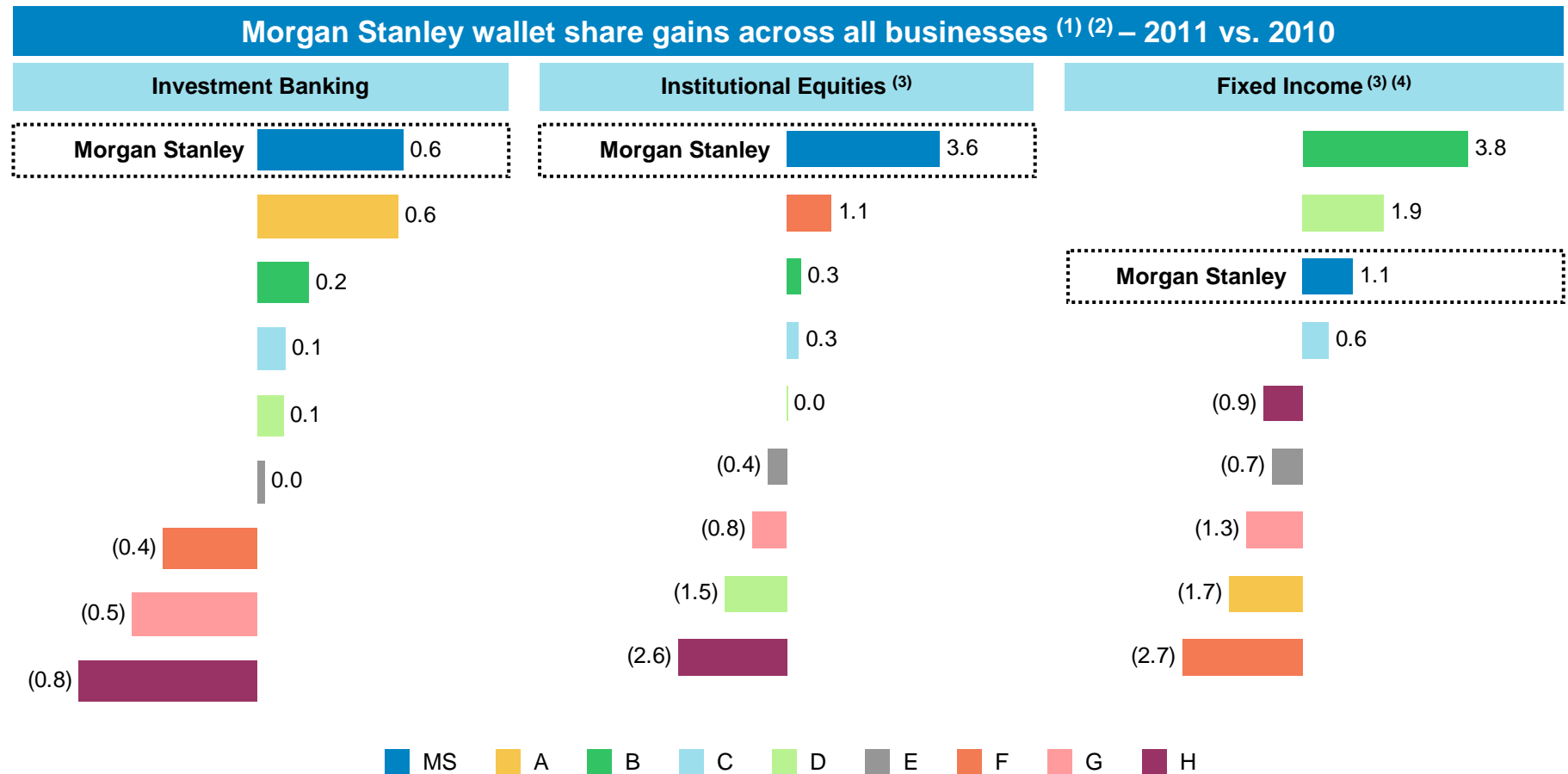
## Non-Compensation Expenses

(\$MM)



- Continued tactical expense focus
- Office of Re-engineering formed in February 2011 to drive strategic expense reductions across our businesses and support functions
  - Technology and data
    - Optimizing server utilization and data center strategy
  - Location strategy
    - Expanding operations outside major metropolitan areas
  - Procurement programs
    - Vendor and demand management
- On target for \$1.4Bn in run-rate re-engineering savings exiting 2014
- Non-compensation expenses have also declined in part due to legacy exits and business mix

# Metrics Demonstrate Progress in Institutional Securities



Source: Company SEC Filings, press releases and financial supplements

- (1) Information presented is directional, as actual comparisons among institutions is not possible due to differing accounting regimes (e.g., U.S. GAAP vs. IFRS)
- (2) Wallet share represents Morgan Stanley's share of total revenue of the peer group including Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, and UBS. Bars represent changes in wallet share in percentage points
- (3) Excluding DVA; Morgan Stanley DVA was positive \$3.7 billion in 2011 and negative \$0.8 billion in 2010
- (4) For Morgan Stanley excludes negative impact of \$1,742 million from 4Q11 MBIA settlement

# Right-Sized, De-Risked Sales and Trading

- Sales and trading businesses have been right-sized and re-focused
  - Building share in “flow” products
  - Increasing balance sheet velocity
  - Leveraging adjacencies across the platform
  - Restructuring businesses that are capital punitive under Basel III
- The Firm has reorganized businesses to reduce sources of risk
  - Less liquid assets are down meaningfully
    - Level 3 Assets are down ~70% since the end of 2008 and represented ~4% of total assets as of 1Q12
    - Derivatives represented ~5% of total assets as of 1Q12, down from ~15% at the end of 2008
  - Concurrently, more liquid assets have increased
    - U.S. Government and Agencies represented ~8% of total assets as of 1Q12, up from ~3% at the end of 2008

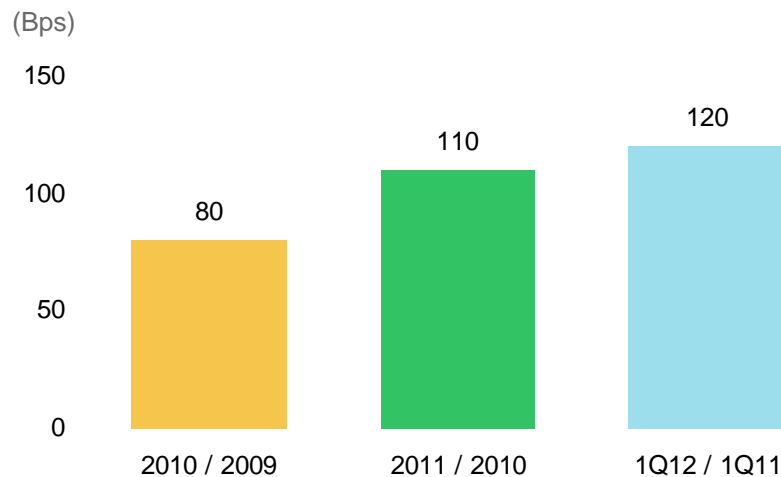
	2008	1Q12
Trading Assets	\$278,325	\$278,424
As % of Total Assets	42%	36%
Level 3 Assets	\$96,172	\$29,677
As % of Total Assets	15%	4%
As % of Trading Assets	35%	11%
U.S. Government and Agencies	\$20,251	\$59,690
As % of Total Assets	3%	8%
As % of Trading Assets	7%	21%
Derivatives and Other Contracts (Net)	\$99,766	\$40,016
As % of Total Assets	15%	5%
As % of Trading Assets	36%	14%



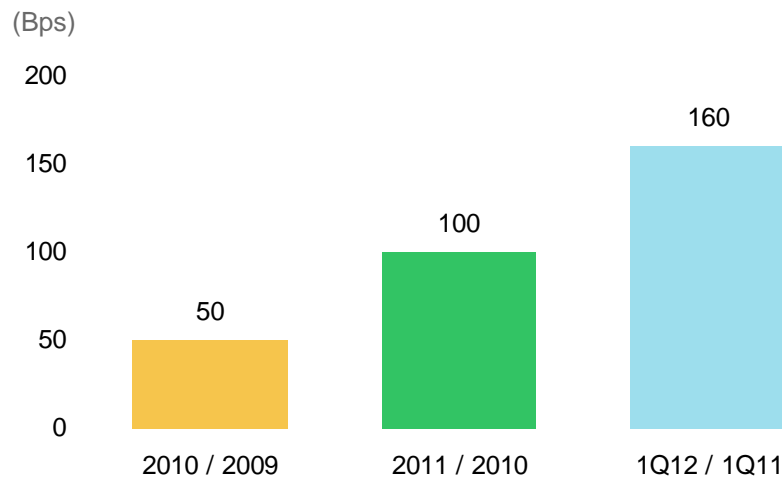
# Balanced Growth Across Products and Geographies in Equity Sales and Trading

- Balanced business across key geographies in all key areas
  - **Cash:** Strategically focused on content, scale and capital deployment
  - **Derivatives:** Continued footprint expansion in client base and product mix
  - **Financing:** Leveraging market-leading service platform for partnerships with clients across products
- **MSET:** Industry-leading electronic platform to support client execution needs across products and asset classes

## Cash Equity Market Share Growth – U.S. <sup>(1)</sup>



## Cash Equity Market Share Growth – International <sup>(2)</sup>



(1) U.S. market volumes include BATS, CBOE Stock Exchange, Chicago Stock Exchange, DirectEdge, NASDAQ, National Stock Exchange, and New York Stock Exchange

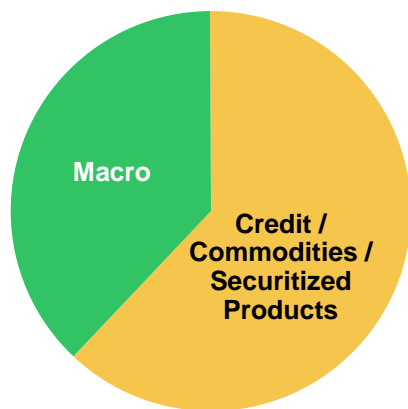
(2) International market volumes include exchanges in Europe, Middle East and Africa and the following exchanges in Asia: Australia Securities Exchange, Hong Kong Stock Exchange, Singapore Exchange, Korea Exchange, Taiwan Stock Exchange, National Stock Exchange of India, Bombay Stock Exchange, and Tokyo Stock Exchange

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

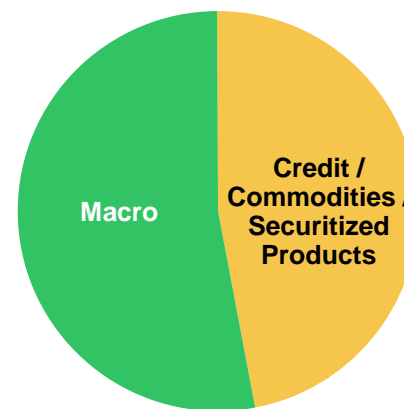
- Invested significantly in key areas and expanded footprint
  - More balanced revenue contribution across products
- Client-centric business model geared towards “flow”
- Focused on risk-adjusted returns – competing in product areas where Basel III returns are attractive
  - Improving balance sheet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

## More Balanced Revenue Contributions Across Products

Quarterly Average – 2009 Revenue Mix <sup>(1)</sup> <sup>(2)</sup>



Quarterly Average – 2011 / 1Q12 Revenue Mix <sup>(1)</sup> <sup>(2)</sup>



Source: Morgan Stanley company data

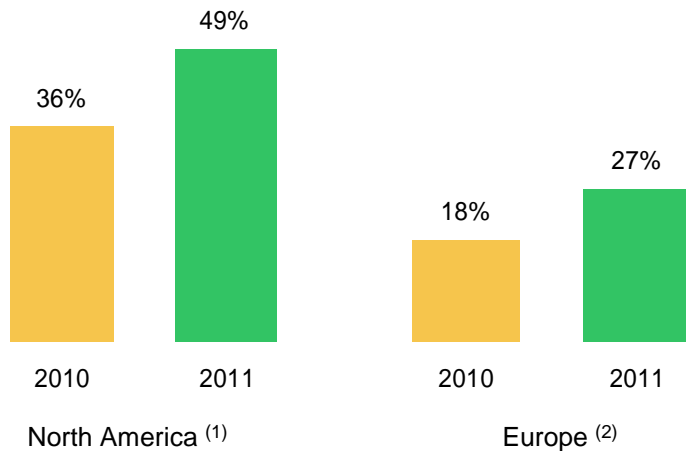
(1) Represents mix of revenues for corporate credit, FX, rates, securitized products, and commodities businesses

(2) Macro represents FX and rates

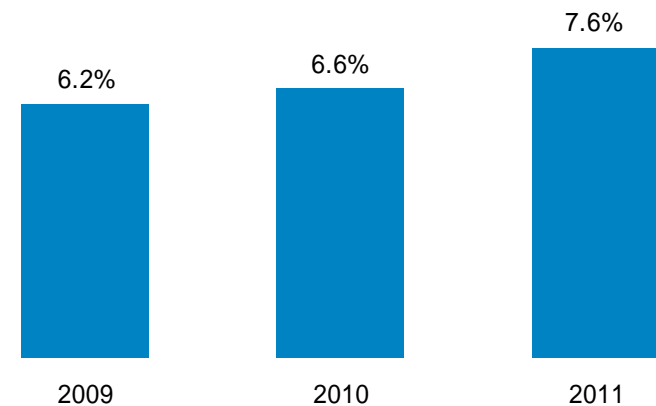
# Stronger Client Relationships Driving Higher Wallet Share in Fixed Income

- An increasing proportion of clients rank Morgan Stanley among their Top 3 dealers in both the U.S. and European markets
- Fixed income wallet share has steadily improved over the last two years

**% of Clients Ranking Morgan Stanley as a Top 3 Dealer**



**Morgan Stanley Fixed Income S&T Wallet Share <sup>(3)</sup>**  
(%)



Source: Greenwich Associates (for accounts trading >\$50Bn annually), Company SEC filings

(1) Report published in June 2011; Client interviews conducted between February and April

(2) Report published in October 2011; Client interviews conducted between May and July

(3) Based on revenues peer set including Morgan Stanley, Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan, and UBS. Revenues exclude DVA for all peers and exclude the impact of Morgan Stanley's settlement with MBIA in 2011. Information presented is directional, as actual comparisons among institutions is not possible due to differing accounting regimes (e.g., US GAAP vs. IFRS)

# Balance Within Franchise Drives Investment Banking Performance

## Strategic Investments...





- Filled footprint “white space” through strategic hires in key sub-industry silos
- Built leading emerging market franchises
- Expanded product suite to fit dynamic markets and changing client needs
- Leveraging GWM and MUFG partnerships



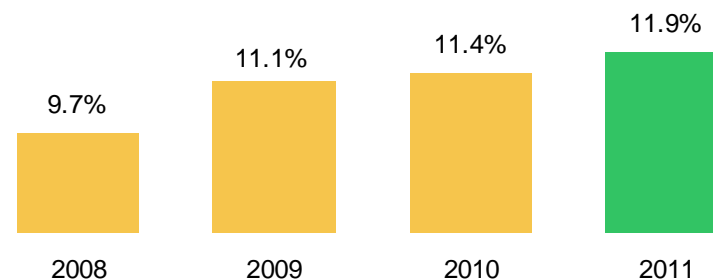
## ...Led to Seamless Geographic, Industry and Product Coverage

- Increased wallet rank or remained #1 in every sector since 2007 <sup>(1)</sup>
- #1 Market Share in BRIC M&A and Equity since 2010 <sup>(2)</sup>
- Substantial growth in risk management solutions

## Leading Global M&A Practice <sup>(3)</sup>

	2012 Rank
	#1
	#1
	#1
	#2

## Investment Banking Wallet Share <sup>(4)</sup> (%)



(1) Dealogic Morgan Stanley M&A and ECM rank 2006 – 2007 vs. 2010 – 2011

(2) Thomson Reuters, BRIC any involvement announced deals of \$100 million or more, January 1, 2010 – March 31, 2012

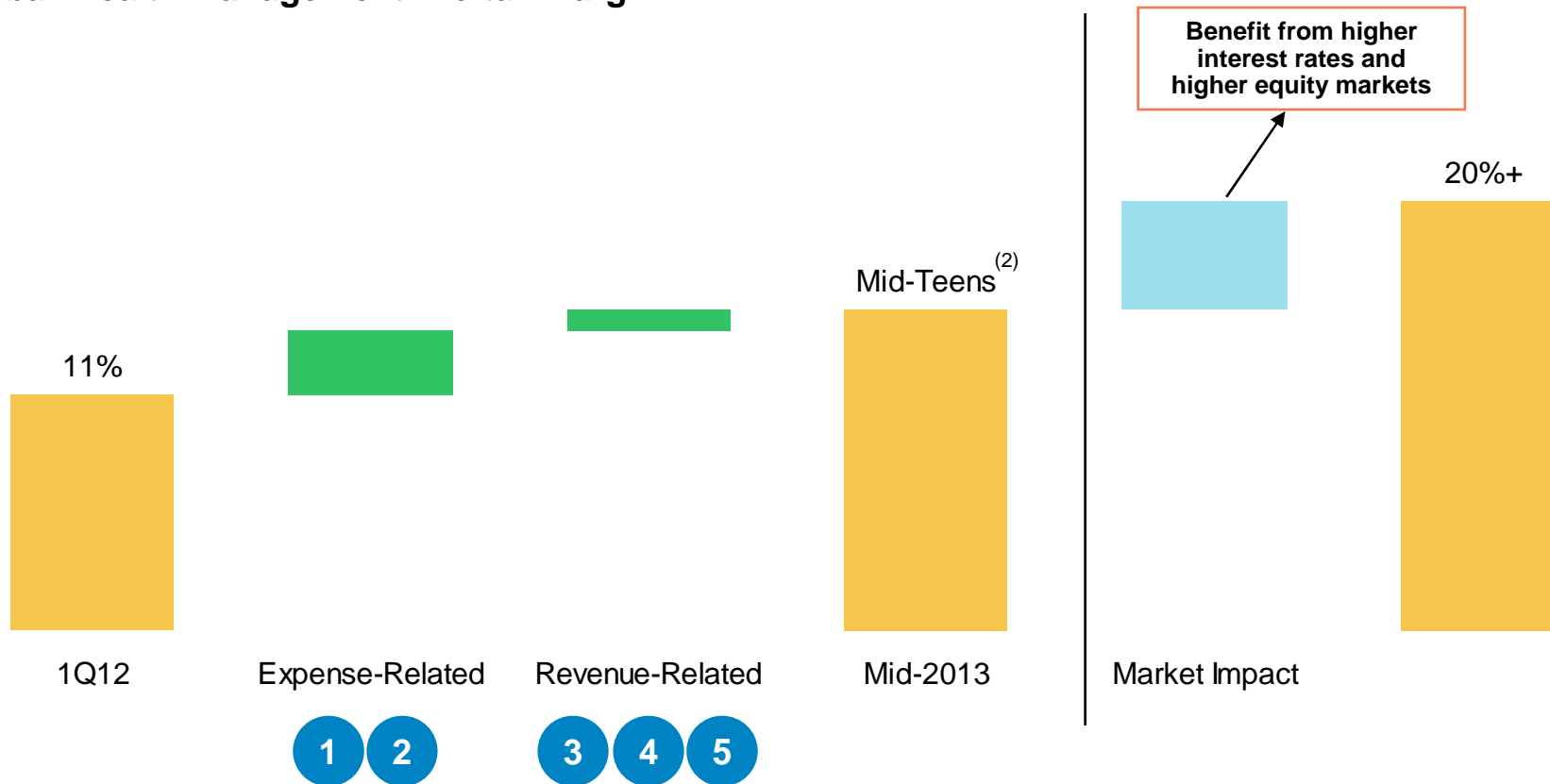
(3) Global Announced M&A January 1, 2012 – June 1, 2012

(4) Based on externally reported IBD revenues of peer set including Goldman Sachs, Credit Suisse, Morgan Stanley, JPMorgan / Bear Stearns, UBS, Bank of America / Merrill Lynch, Citi, Deutsche Bank, and Barclays Capital / Lehman Brothers (Lehman through 2007 / Barclays 2008 and after). Information presented is directional, as actual comparisons among institutions is not possible due to differing accounting regimes (e.g., US GAAP vs. IFRS)

# Levers in Our Control Drive Margin Goals in Global Wealth Management

## Global Wealth Management Pre-tax Margin <sup>(1)</sup>

(%)



Source: Morgan Stanley SEC Filings, Estimated company data

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

(2) Assumes S&P 500 Index level of ~1,250

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# 1 Complete Integration

## 2 Reduce Other Expenses

- Final step of MSSB integration in July 2012: all key milestones met, with remaining FA migration proceeding well
- Reduction in integration expense after final legacy Smith Barney migration
- Additional expense initiatives

Achieved All Major Integration Milestones			Smith Barney Migration in Process and Smooth	
2009	2010	2011	2012	Thereafter
<ul style="list-style-type: none"> <li>✓ Signed and closed transaction</li> <li>✓ Senior management</li> <li>✓ Branch management</li> <li>✓ Target operating model design</li> </ul>	<ul style="list-style-type: none"> <li>✓ Alignment of FA compensation across platforms</li> <li>✓ Pricing</li> <li>✓ Morgan Stanley self-clearing</li> <li>✓ Mutual fund accounting system conversion</li> </ul>	<ul style="list-style-type: none"> <li>✓ New platform testing environment</li> <li>✓ Branch workflow automation</li> <li>✓ New account opening</li> <li>✓ Morgan Stanley side training</li> <li>✓ Morgan Stanley conversion to new platform</li> <li>✓ Stabilization of new platform functionality</li> <li>✓ Testing of Smith Barney data conversion</li> <li>✓ Training on Smith Barney side</li> </ul>	<ul style="list-style-type: none"> <li>✓ Smith Barney initial FA transition to new platform (Feb 2012)</li> <li>✓ Smith Barney interim FA move to new platform (May 2012)</li> <li>✓ Issued notice for 14% call option</li> <li>• Smith Barney final FA move to new platform (July 2012)</li> <li>• Synergies               <ul style="list-style-type: none"> <li>– Additional deposits</li> <li>– Lower FDIC fees</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 15% call option June 2013</li> <li>• 20% call option June 2014</li> <li>• Continue streamlining</li> </ul>

## 3 Continue Banking and Lending Build

### Established a Foundation

- OCC approved Morgan Stanley Private Bank, N.A. charter 3Q 2010
- Established governance framework for risk and compliance management
- Hired senior leadership team
- ~180 Private Bankers at year-end 2011 strategically co-located in MSSB branches across the U.S.
- Launched Financial Advisor training to drive adoption of banking and lending as integral part of holistic wealth management offering

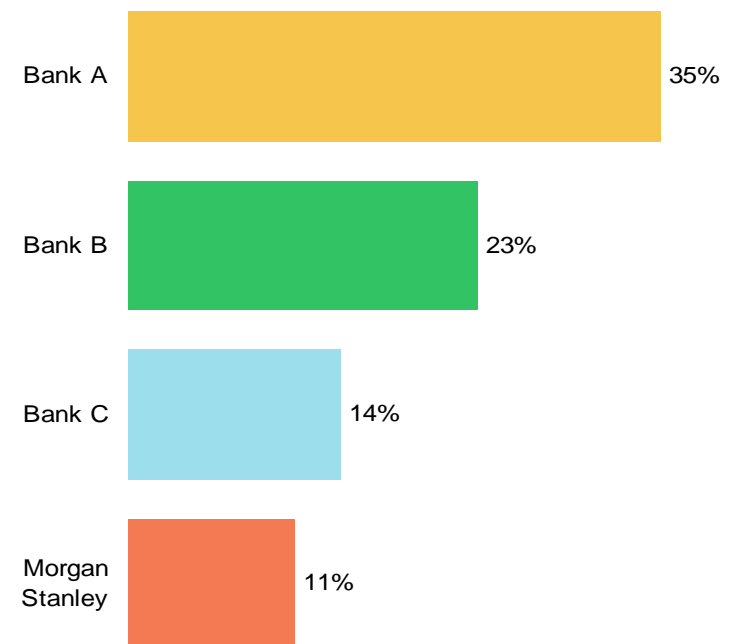
### Product Build Out

- Re-Launched Home Loans business
- Expanded Securities-Based lending offering
- Established strategic partnership with American Express to deliver co-branded cards

### Measuring Performance

- Home Loans 2011 production up 50% over 2010
- Securities-Based Lending 2011 production up 94% over 2010
- 48% of FAs had at least one banking and lending deal in 2011

**Net Interest as a Percentage of GWM Revenue** <sup>(1)</sup> <sup>(2)</sup>  
(%)



Source: Company SEC Filings, 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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# 4 Extend Our Managed Accounts Leadership

# 5 Work With Institutional Businesses

## 4 Leadership In Managed Accounts And Strong Client Demand Will Continue To Drive Growth

- Largest single share of total managed account assets in the U.S. (~20% of assets) <sup>(1)</sup> <sup>(2)</sup>
- 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
- 250+ Consulting Group professionals, ~50 dedicated to portfolio construction / overlay
- Enhanced portfolio diversification, construction, and monitoring – with foundation in investment excellence

## 5 Record Year in 2011 for GWM – IBD Collaboration

- GWM Referrals to IBD
  - Total transaction volume of ~\$30Bn to Morgan Stanley
- IBD Referrals to GWM
  - Approximately \$5Bn in assets captured from over 100 wealth management and/or corporate equity service wins

Source: Morgan Stanley company data

(1) Metrics reflect clients between \$250K and \$10MM in total assets with more than 50% of revenues coming from managed money and assessment of FAs with more than 10 years of experience, comparing those with majority of revenues from Advisory business (>75%) vs. minimal focus (<25%)

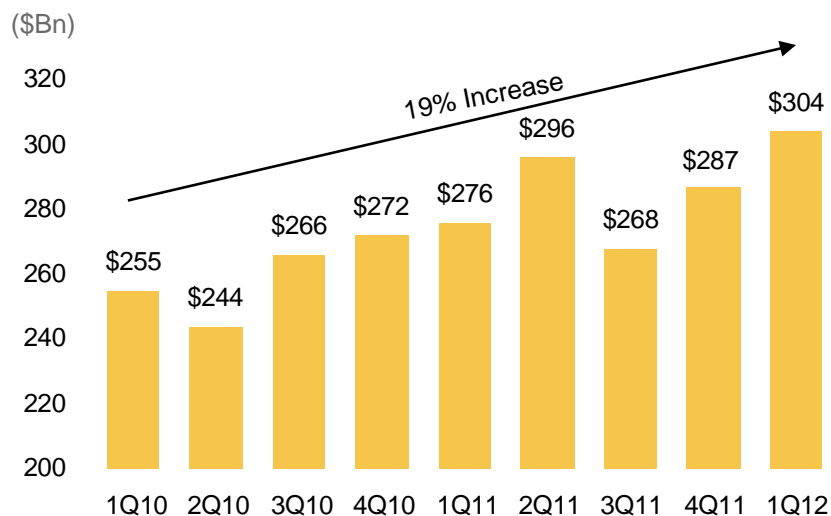
(2) Cerulli Associates



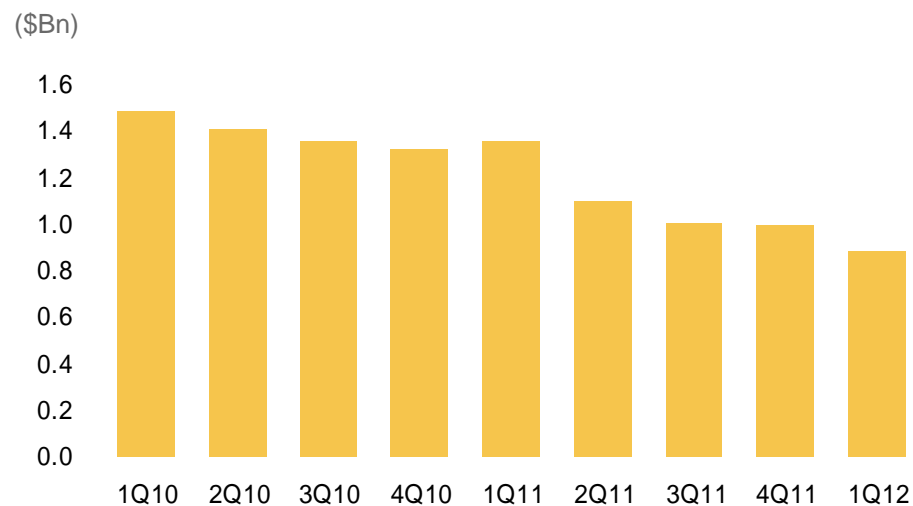
# Institutional Focus, With Upside From Ongoing Optimization in Asset Management

- Sustained strong investment performance
  - Continued strong investment performance with 73% of Long-Only strategies outperforming benchmark on a 3, 5 and 10 year basis as of March 31, 2012
- Increase net flows
- Aggressively control non-compensation expenses
- Reduce capital through disposition of non-strategic principal investments and hedge fund stakes

## AUM – Highest Since the Financial Crisis



## Net Exposure to Hedge Fund Stakes and Investments

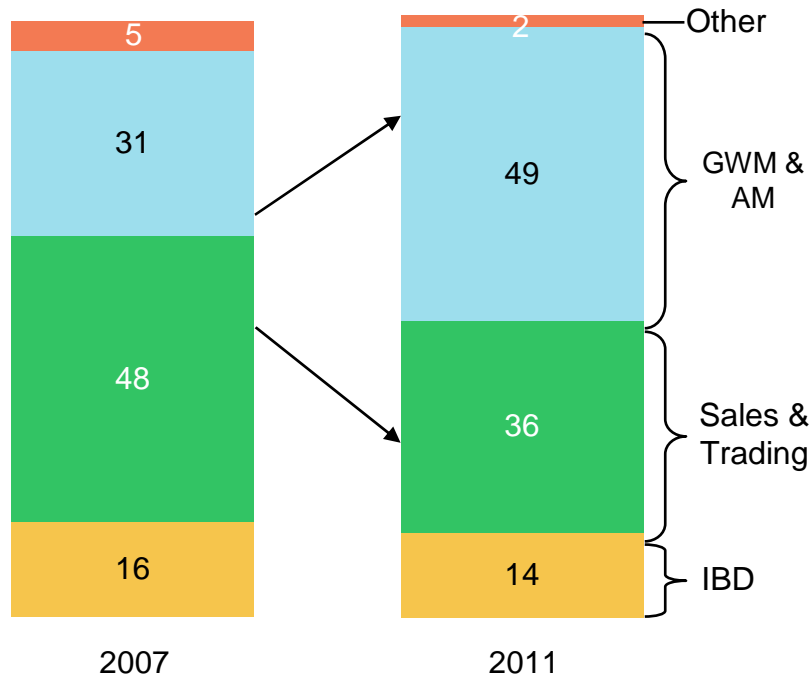


Source: Morgan Stanley SEC Filings, Company data

# Morgan Stanley Today Is a More Balanced Business

## 2007 – 2011 Revenue Split – Excluding Selected Items For Comparability <sup>(1)</sup>

(%)



- **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

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

# Major Ongoing Improvement Initiatives

- Completion of the MSSB integration and realization of cost savings
- Continuing management of headcount and expense levels
- Non-compensation expense discipline
- Winding down product areas that will not earn the cost of capital
- Restructuring product areas that have the potential to earn the cost of capital
- As our capital levels build, use share buybacks and dividends to return excess capital to shareholders over time

Morgan Stanley

# Morgan Stanley U.S. Financials Conference

James P. Gorman, Chairman and Chief Executive Officer

June 12, 2012