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Morgan Stanley 3Q12 Credit Investor Update

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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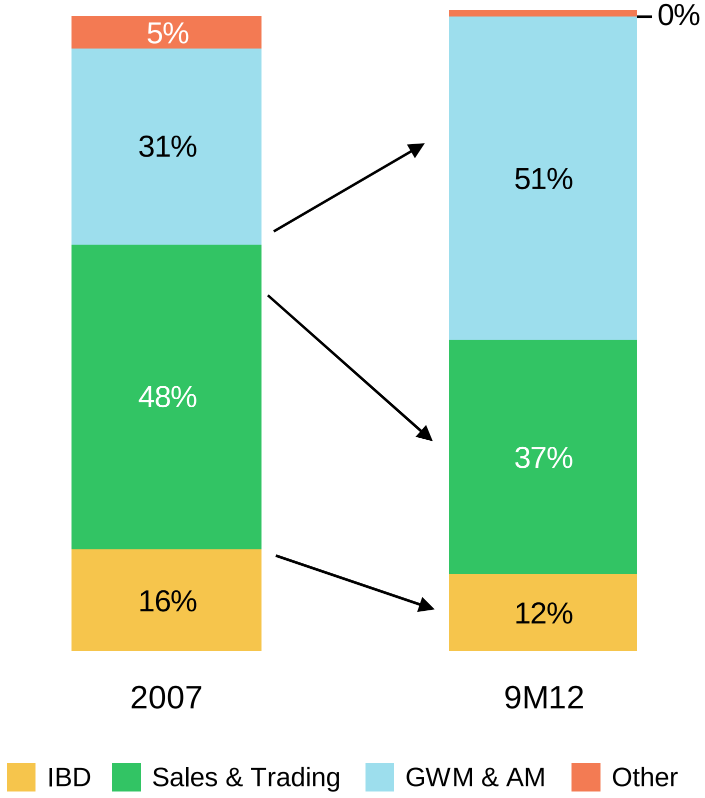
Agenda

1 Strategic Moves Enhance Business Outlook and Funding Profile

2007–2012 Adjusted Revenue Split [1] [2]



Key Drivers

- **ISG**
  - Cohesive set of products across divisions
  - Leadership position in IBD
  - Balanced product and geographic mix in Equities
  - Continued focus on market share gains and capital management in Fixed Income
- **GWM**
  - Fully integrated, well positioned
  - Revenue stability, growth in deposit funding
- **MUFG**
  - Strategic partnership with the world's third largest depository
- **Strong risk discipline and tight governance**
  - Institutionalization of processes ensures durability
  - Decreased percentage of Level 3 assets: 3% at 3Q12 vs. 13% at 4Q08 [3]

Source: Morgan Stanley SEC Filings

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

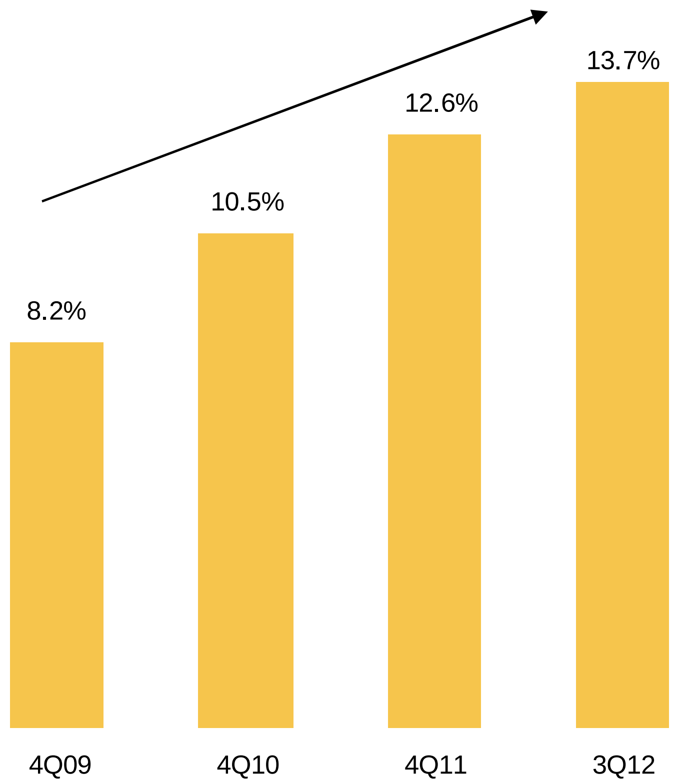
(2) Revenues adjusted for DVA (2007: ($843) MM; 9M12: ($3.9) Bn and mortgage losses in 2007 ($9.4) Bn.

(3) Assets at fair value, as a percentage of total assets

2 Strong Capital Under Basel 1 and Basel 3 Regimes

Basel I Tier 1 Common Ratio

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



- Under Basel I, Tier 1 Common ratio is 13.7%
  - Tier 1 Capital ratio is 16.7%
- Subject to final rulemaking, but incorporating the recently codified Basel 2.5 guidance and our best estimate of the new Basel 3 NPR
  - September 30th spot pro-forma Basel III Tier 1 Common ratio was north of 9%
  - Consensus earnings and previously announced RWA reduction plan would result in a pro-forma Basel III Tier 1 Common ratio north of 10% at end of 2013

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Source: Morgan Stanley SEC Filings and conference call transcripts

Durable Funding and Strong Liquidity Through Balance Sheet Management

($Bn) Events	 4Q07 (1)	 3Q12	(%) Change (2)
Balance Sheet: Significant decline in size	$1,045	$765	(27)
Short-Term Borrowings: Not reliant on 2a-7 funds or commercial paper for funding	34	2	(94)
Secured Funding: Major decline in balance since 4Q07, with significant WAM extension	301	170	(43)
Long-Term Debt (3): 35% of total funding, up from 32%; expanded global diversification	191	168	(12)
Deposits: Transformed deposit-taking capability; 2Q12 pro forma, 11th largest depository in U.S.,(4) with Morgan Stanley and MSWM JV total combined deposits of $128Bn. 2Q12 Morgan Stanley only deposits of $68Bn, 15th largest (4)	31	71	128
Shareholders' Equity: Doubled equity	31	65	110
Global Liquidity Reserve: Significant increase	$118	$170	44

Source: Morgan Stanley SEC Filings, Company data 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 3Q12
(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' U.S. Bank Holding companies

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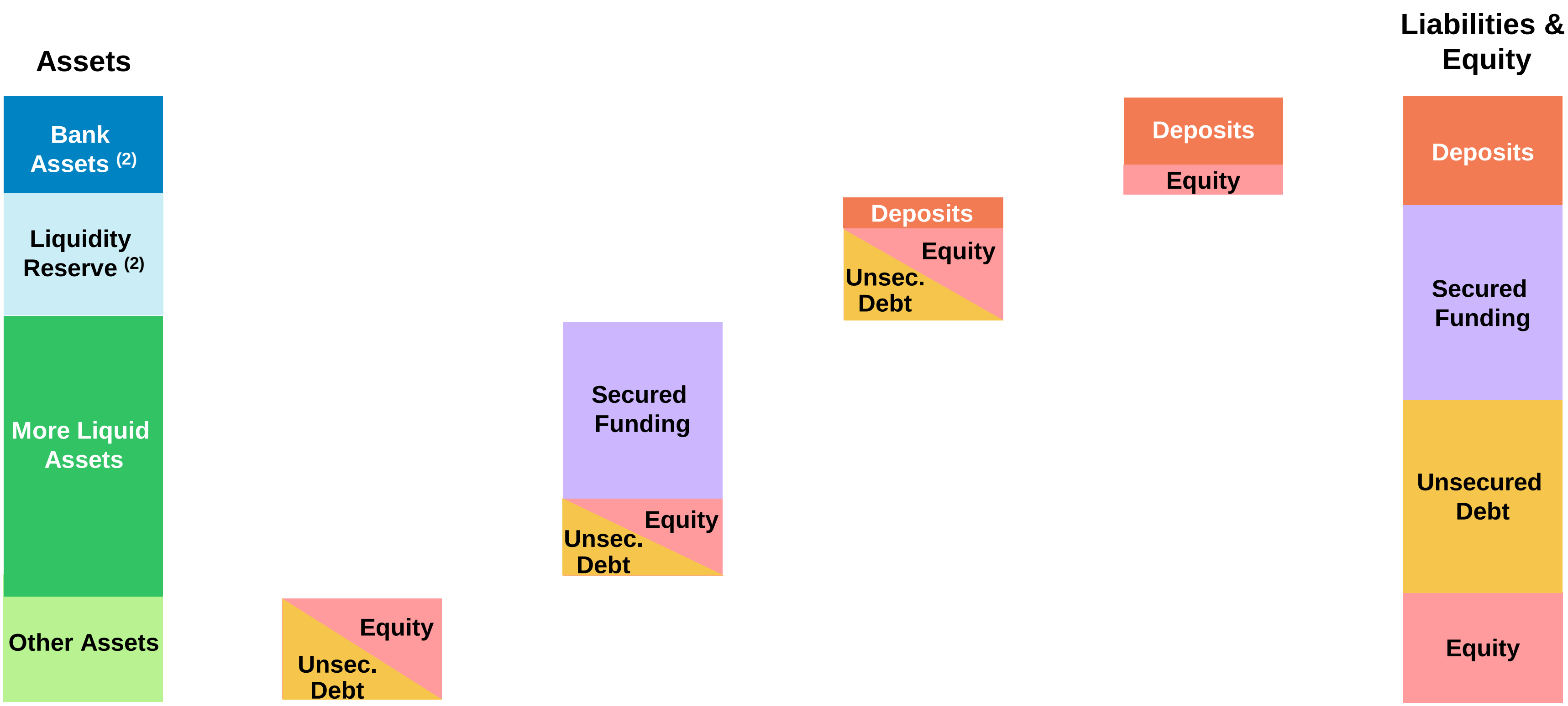
3 Illustrative Asset-Liability Funding Model [1]



Less liquid assets are funded by unsecured debt and equity.	Liquid assets are funded through the secured channel. Haircuts are funded by unsecured debt and equity.	Liquidity reserve funded by unsecured debt, equity, and deposits.	Loans and bank assets funded by deposits and equity.

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(1) Illustrative; not to scale

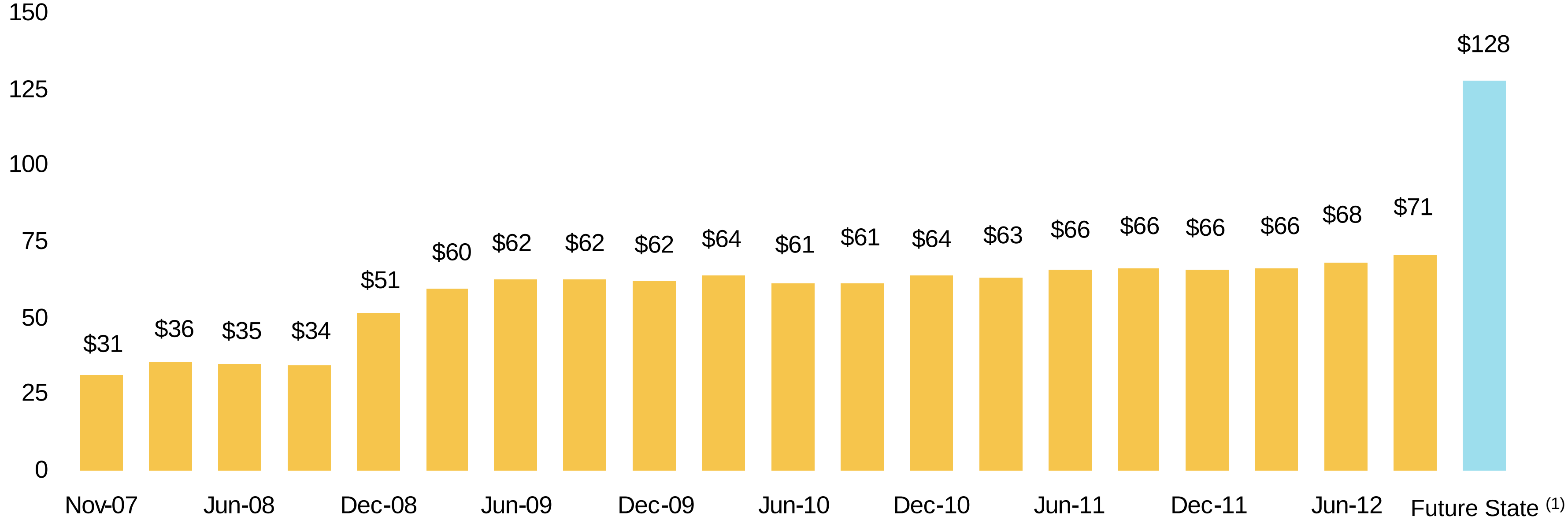
(2) AFS portfolio a component of both Bank Assets and Liquidity Reserve

4 Deposits: Past, Present and Future State

- Our deposits are primarily sourced from relationships with wealth management clients
  - Broad suite of product offerings in our retail and institutional businesses contributes to deposit stability
- Our deposits are consistent with the growth of our bank assets and offer lower cost funding across economic cycles

Deposits

($Bn)



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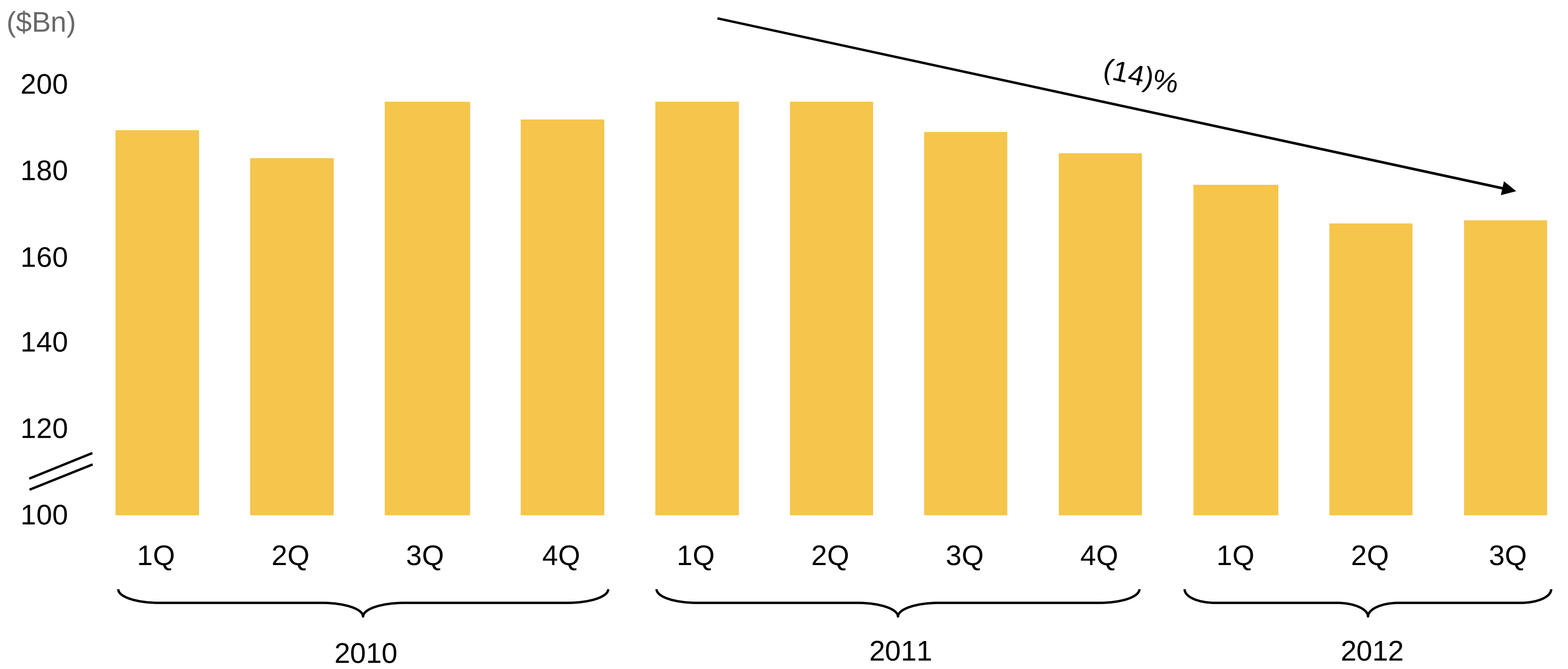
Source: Morgan Stanley SEC Filings and Company data

(1) Future State deposit figures include values for all combined deposits in the Bank Deposit Program ($117.6Bn) plus those deposits outside of the joint venture as of September 30, 2012

5 Execution of Funding Plan Drove Decline in Debt Outstanding

- At September 30, 2012, weighted average maturity of ~5.6 years; excluding the current portion of long-term debt, 6.4 years
- Long-term debt outstanding of $168Bn, down from $196Bn at 1Q11



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Source: Morgan Stanley SEC Filings and Company Data

Debt Maturity Profile: Significant Reduction

Elevated 2012 Maturities Addressed by 2010 and 2011 Issuance

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

($Bn)

Source: Company Data

(1) As of September 30, 2012. Issuance in 9M12 includes $8Bn of Plain Vanilla

(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

6 Strict Governance Around Secured Funding

Rules-Based Criteria Determines 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 Total Book
Super Green	✓	✓	✓	< 10%	> 50	100%	50%
Green				<= 15%	>= 15	>= 95%	37%
Amber				> 15%	>= 7	>= 60%	8%
Red				> 20%	< 7	< 60%	5%

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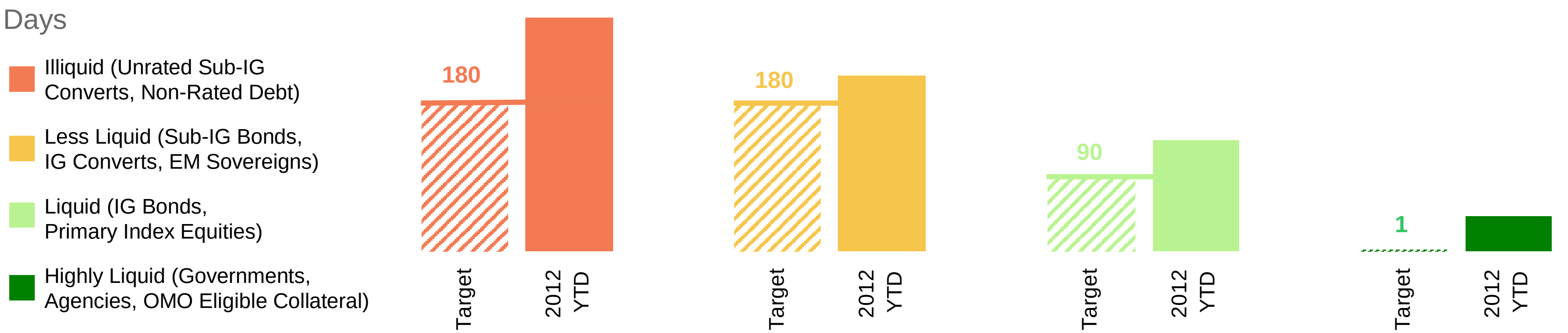
Durable Secured Funding

…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
    - Target less than 15% of non-SG liabilities maturing in any given month
    - Target maximum investor concentration of 25% of the maximum maturities allowed in any given month
  - **2012:** Maintained WAM above targets, notwithstanding market uncertainty

Weighted Average Maturity and 2012 Targets by Fundability Bucket (2)



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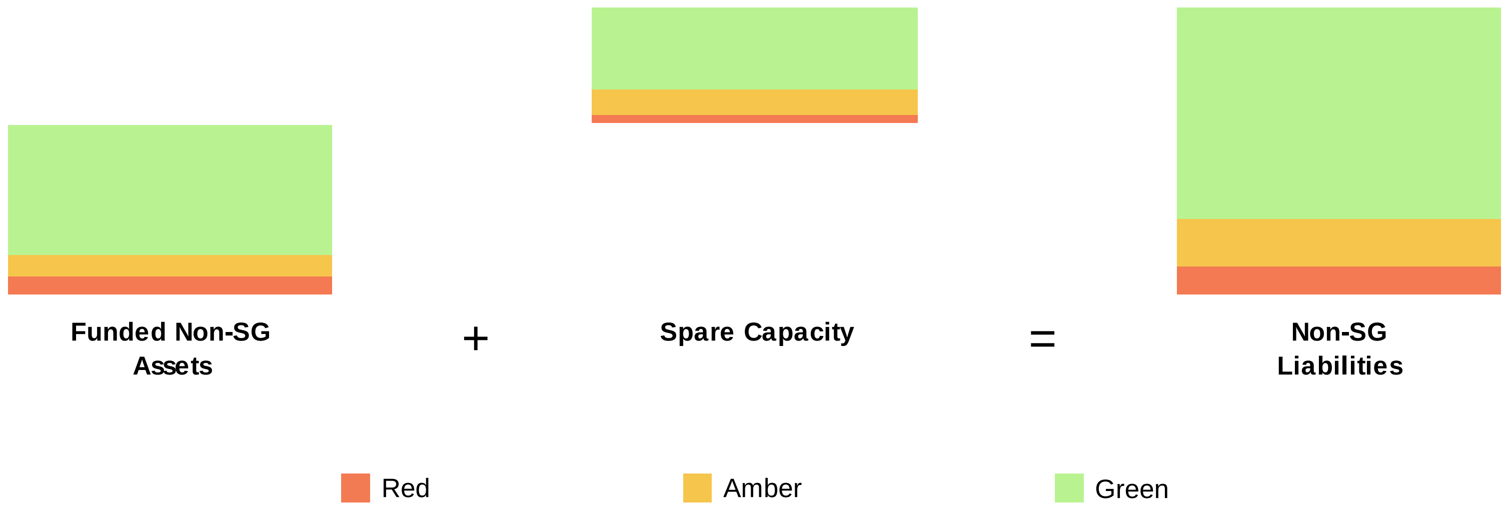
(1) As of September 30, 2012, the weighted average maturity of secured financing, excluding Super Green assets, was greater than 120 days

(2) Illustrative; not to scale

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

Non-Super Green Spare Capacity (1)



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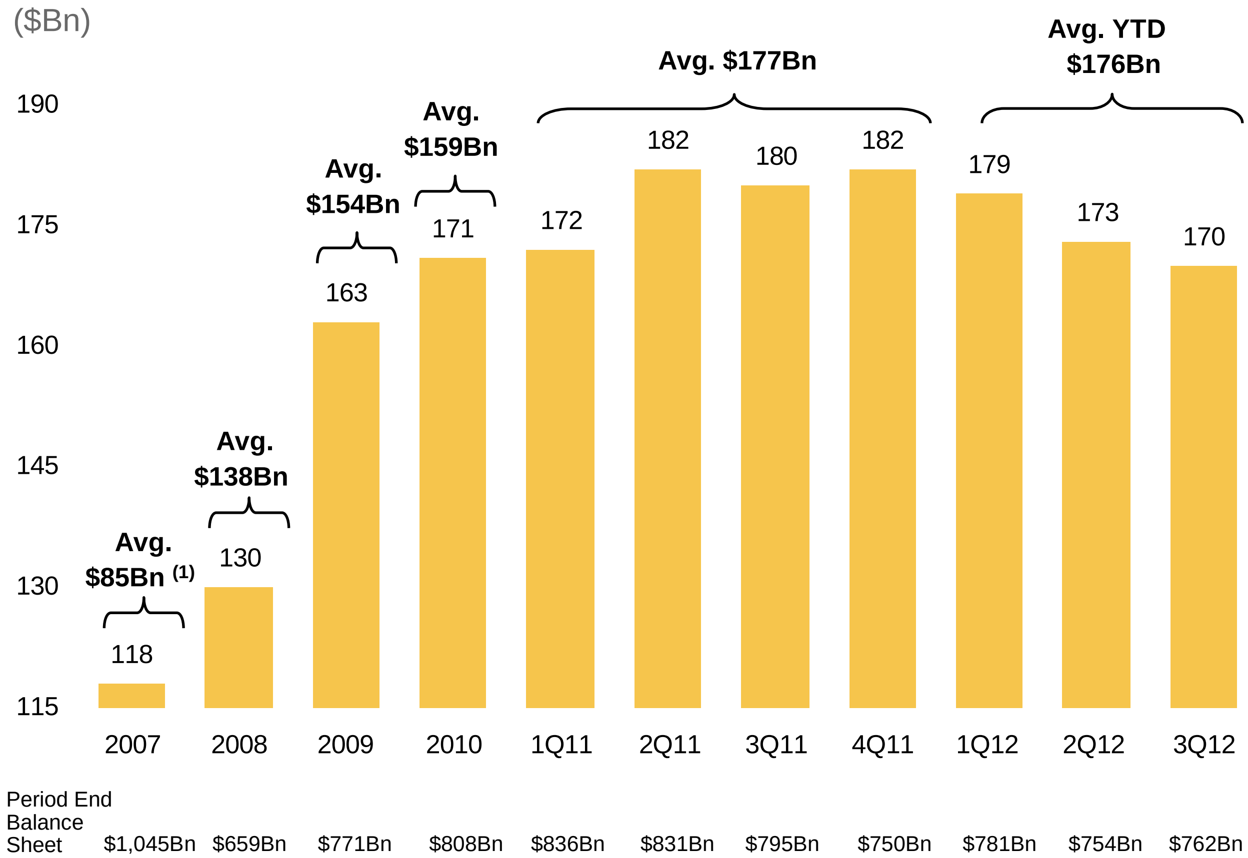
(1) Illustrative; not to scale

7 Global Liquidity Reserve

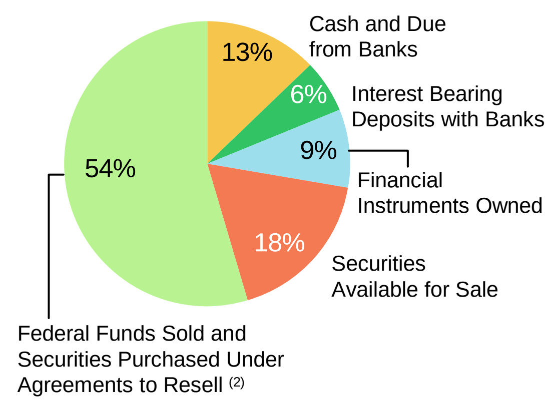
Highly Liquid and Unencumbered



Composition of the Liquidity Reserve at 3Q12

Type of Investment	($Bn)
Cash / Cash Equivalents	$32
Unencumbered Liquid Securities	138
Total	**$170**

Balance Sheet Components



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Source: Morgan Stanley SEC Filings and Company Data

(1) 2007 figures on a fiscal year basis with a year ending on November 30. The Firm switched from fiscal year reporting to calendar year reporting at the end of 2008

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

Sizing the Global Liquidity Reserve

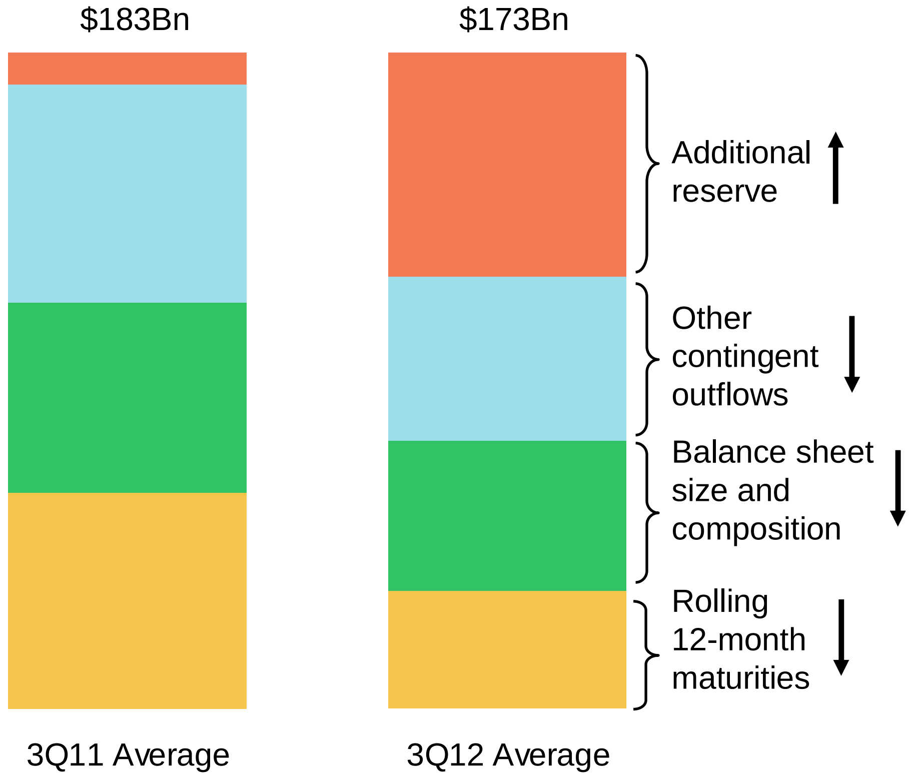
Stress Testing Sizes Contingency Outflow Requirements

Four Building Blocks

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

Illustrative Drivers of Liquidity Sizing

($Bn)



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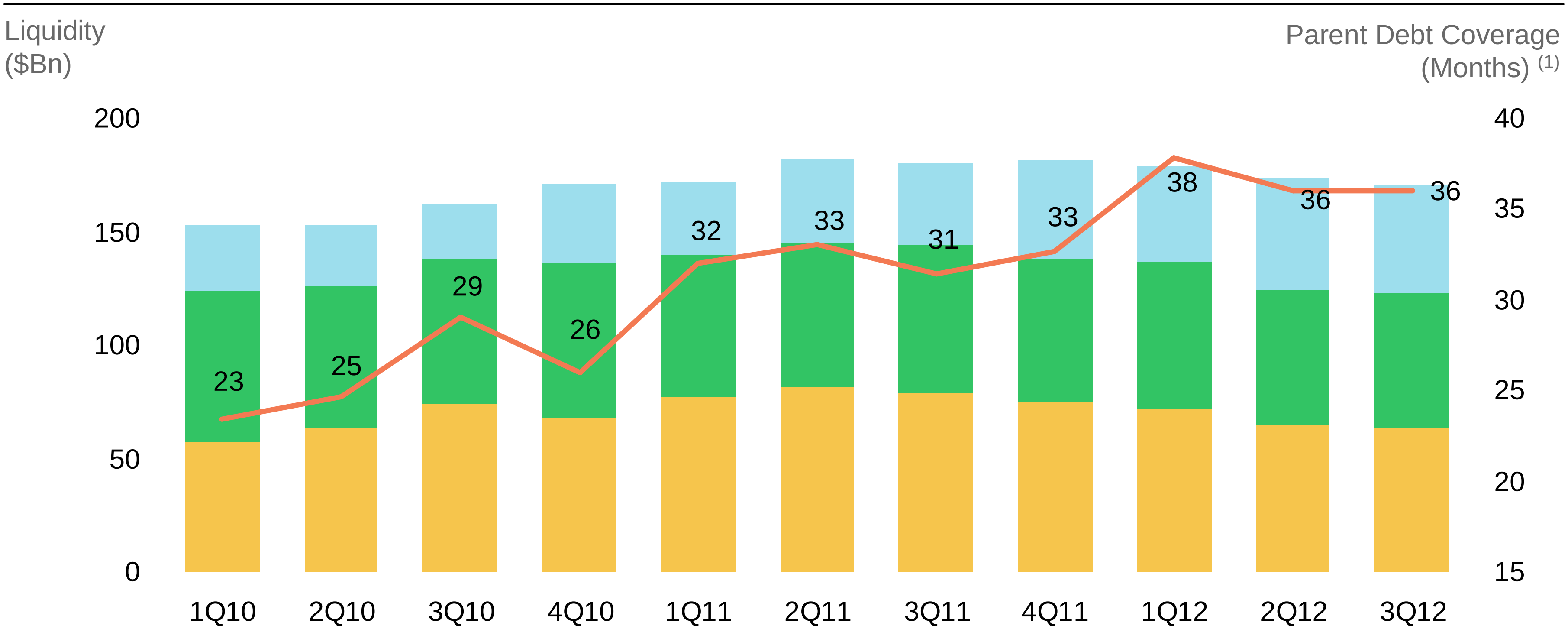
Source: Morgan Stanley SEC Filings and Company Data

Meaningful Improvement in Parent Debt Coverage While Reducing Net Debt



	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
Period End Liquidity ($Bn)	**153**	**153**	**162**	**171**	**172**	**182**	**180**	**182**	**179**	**173**	**170**

Parent Liquidity　Bank Subs Liquidity　Non-Bank Subs Liquidity　Parent Debt Coverage (Months) (1)

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Source: Morgan Stanley SEC Filings and Company Data

(1) Number of months Parent Liquidity can meet non-bank unsecured long-term maturities without issuance or other available liquidity from non-bank subsidiaries

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

Morgan Stanley's Position (1)

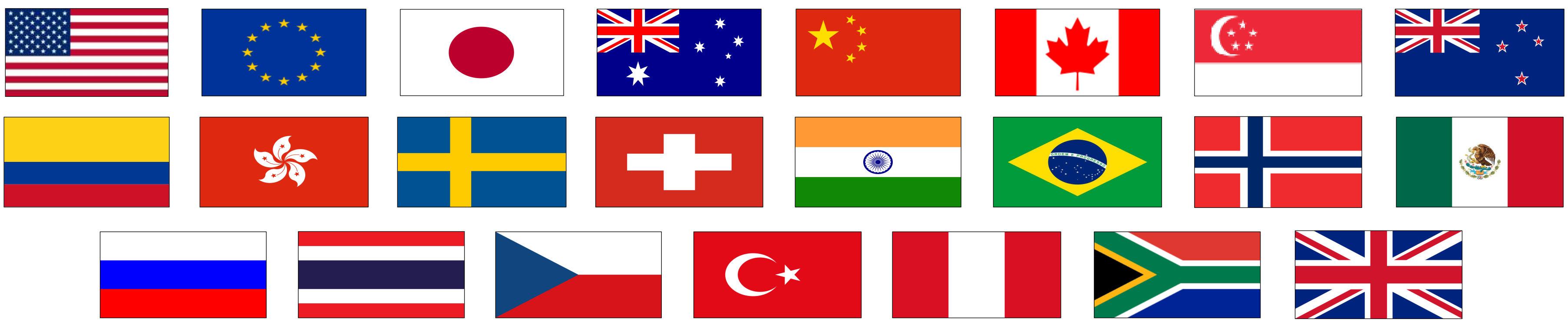
- Current LCR estimate is well in excess of 100%
  - We believe that our stress test scenarios incorporate and build on the current Basel requirements
- Key drivers of Morgan Stanley's LCR ratio:
  - Extension of weighted average maturity of secured funding
  - Size of liquidity reserve
  - Limited reliance on commercial paper and short duration commercial deposits
  - Size and composition of unfunded lending portfolio

Source: Morgan Stanley SEC Filings and conference call transcripts

(1) The Company estimates its 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

8 Funding Plan has Multiple Levers that Provide Significant Flexibility; Diversified, Global Investor Base

2011 – 2012 YTD (1)



Issuance Benefits from Multiple Funding Channels

- **USD plain vanilla:** Access institutional markets across a variety of tenors
  - Issued a $2Bn 10-year subordinated note in October 2012
- **Non-USD plain vanilla**: Broad access to diverse investor base, driven by global footprint
  - Issued a €1Bn 5-year senior note in September 2012
- **Uridashi:** Collaboration with our strategic partner MUFG
- **Structured notes:** Broad distribution capability provides consistent access to market

Examples of Other Funding Sources

- **Deposit funding:** Consistent with bank strategy
- **Balance sheet composition:** More liquid products, fewer cash-intensive assets
- **Continued refinement of business model:** Sale of non-strategic assets (e.g. Quilter, Saxon)

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Source: Company Data
(1) As of September 30, 2012

Appendix

Securities Available for Sale

As of 2Q12

	At June 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	$26,865	$254	$6	–	$27,113
Corporate and Other Debt					
Auto Loan Asset-Backed Securities	914	2	–	–	916
Corporate Bonds	1,467	5	1	–	1,471
FFELP Student Loan Asset-backed Securities (1)	1,928	9	–	–	1,937
Total Corporate and Other Debt	$4,309	$16	$1	–	$4,324
Equity Securities Available for Sale	$15	–	$10	–	$5
Total ($MM)	**$31,189**	**$270**	**$17**	–	**$31,442**

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Source: Morgan Stanley SEC Filings

(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

September 30, 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	11	6	–	–	–	17	–	17
Non-Sovereigns	76	4	34	–	–	114	(41)	73
Sub-Total	**87**	**10**	**34**	**–**	**–**	**131**	**(41)**	**90**
Ireland								
Sovereigns	24	4	–	–	5	33	7	40
Non-Sovereigns	74	75	72	–	17	238	(20)	218
Sub-Total	**98**	**79**	**72**	–	**22**	**271**	**(13)**	**258**
Italy								
Sovereigns	809	195	–	–	383	1,387	(207)	1,180
Non-Sovereigns	213	541	570	705	210	2,239	(518)	1,721
Sub-Total	**1,022**	**736**	**570**	**705**	**593**	**3,626**	**(725)**	**2,901**
Spain								
Sovereigns	(23)	8	–	–	467	452	(7)	445
Non-Sovereigns	246	311	84	820	189	1,650	(336)	1,314
Sub-Total	**223**	**319**	**84**	**820**	**656**	**2,102**	**(343)**	**1,759**
Portugal								
Sovereigns	(147)	29	–	–	30	(88)	(86)	(174)
Non-Sovereigns	(41)	17	96	–	58	130	(77)	53
Sub-Total	**(188)**	**46**	**96**	**–**	**88**	**42**	**(163)**	**(121)**
Total Euro Peripherals (6)								
Sovereigns	674	242	–	–	885	1,801	(293)	1,508
Non-Sovereigns	568	948	856	1,525	474	4,371	(992)	3,379
Sub-Total	**1,242**	**1,190**	**856**	**1,525**	**1,359**	**6,172**	**(1,285)**	**4,887**
France (6)								
Sovereigns	(1,998)	17	–	–	17	(1,964)	(249)	(2,213)
Non-Sovereigns	(421)	2,096	253	1,872	351	4,151	(891)	3,260
Sub-Total	**(2,419)**	**2,113**	**253**	**1,872**	**368**	**2,187**	**(1,140)**	**1,047**

Source: Morgan Stanley SEC Fillings.

(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 September 30, 2012, the Firm had European Peripherals and French exposure for overnight deposits with banks for approximately $149 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 98% 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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