Morgan Stanley Second Quarter 2010 Overview

September 2010
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, 2009, 2010 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto, all of 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 for the year ended December 31, 2009, 2010 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto.

The issuer has filed a registration statement (including a prospectus) with the SEC for any offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and any other documents the issuer has filed with the SEC for more complete information about the issuer and any offering to which this communication relates. You may get these documents for free by visiting EDGAR on the SEC global web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in such an offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.
Index

- Consolidated Financial Highlights
- Business Strategy and Financial Results
  - Institutional Securities
  - Global Wealth Management Group
  - Asset Management
- Capital
- Liquidity
- Funding Diversification
  - Secured Funding
  - Unsecured Funding
- Summary
2Q 2010 Highlights -

- Second quarter revenues were $8.0 billion
- Difficult macro environment characterized by uncertainties regarding global growth, concerns on European sovereign credit risk, and in the United States the impact of financial regulatory reform
- Earnings Per Diluted Share were $1.09
  - Income from Continuing Operations of $0.80 per Diluted Share
- Continued progress on the execution of our strategy

Source:
Morgan Stanley Earnings Conference Call, SEC Filings
(1) The quarter ended June 30, 2010 includes results from the Morgan Stanley Smith Barney joint venture effective from May 31, 2009.
(2) Represents combined revenues from Fixed Income Sales and Trading, Other Sales and Trading and other ISG.
Executing Our Business Strategy

**Institutional Securities**
- Leading position in many businesses, with upside from more broadly leveraging our client franchise

**Wealth Management**
- World’s largest wealth management firm, with upside from integration

**Asset Management**
- Institutional asset management focus, with upside from ongoing optimization

**Global Footprint**
- Historic U.S./European strength complemented with the best Asian strategic relationships and targeted strength in emerging markets

**Long Term Performance Goals**

**Strengthen Institutional Securities**
- Strong talent pool
- Increase footprint
- Expand market share

**Integrate and build MSSB**
- One MSSB platform
- Improve PBT margin to 20%+ post-integration
- Grow net new money

**Rebuild strong Asset Management**
- Restructure business / return to profitability
- Rebuild investment culture

**Leverage Global Footprint**
- Leverage relationships with MUFG and CIC
- Continue to add talent internationally
**Institutional Securities**

### Net Revenue ($mm)

<table>
<thead>
<tr>
<th>2Q 2009</th>
<th>1Q 2010</th>
<th>2Q 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,967</td>
<td>5,344</td>
<td>4,502</td>
</tr>
<tr>
<td>127</td>
<td>314</td>
<td>887</td>
</tr>
<tr>
<td>1,126</td>
<td>887</td>
<td>1,419</td>
</tr>
<tr>
<td>776</td>
<td>2,724</td>
<td>1,415</td>
</tr>
<tr>
<td>938</td>
<td></td>
<td>2,244</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(42)</td>
</tr>
</tbody>
</table>

**Profit Before Tax ($mm)**

<table>
<thead>
<tr>
<th>2Q 2009</th>
<th>1Q 2010</th>
<th>2Q 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(298)</td>
<td>2,067</td>
<td>1,570</td>
</tr>
</tbody>
</table>

---

### 2Q 2010 Highlights -

- **Net Revenues of $4.5 billion**
  - Positive impact of approximately $750 million from DVA\(^{(3)}\)

- For the first half of 2010, Investment Banking was
  - #1 In Global IPOs
  - #2 in Global Announced & Completed M&A
  - #3 in Global Equity

- Investment Banking, Commodities, Prime Brokerage and Cash Equity Trading reported solid results

---

**Source:**
Morgan Stanley Earnings Conference Call, SEC Filings, Thomson Reuters – for the period of January 1, 2010 to June 30, 2010

\(^{(1)}\) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading.

\(^{(2)}\) Includes Investments and other revenues.

\(^{(3)}\) Represents the changes in Morgan Stanley’s credit spreads resulting from fluctuation in the fair value of certain of its long-term and short-term borrowings (commonly referred to as “DVA”).
Global Wealth Management Group

2Q 2010 Highlights -

- $207 million PBT and 7% PBT margin
  - Quarterly integration costs of $106 million
- 18,087 Financial Advisors
- $1.5 trillion total client assets
- ($5.5) billion in retail net new assets, reflecting the quarter’s market volatility and seasonal tax payment-related outflows
- $679,000 average annualized revenue per global representative

Net Revenue ($mm)

<table>
<thead>
<tr>
<th></th>
<th>2Q 2009</th>
<th>1Q 2010 (1)</th>
<th>2Q 2010 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>1,923</td>
<td>3,105</td>
<td>3,074</td>
</tr>
<tr>
<td>Commissions</td>
<td>160</td>
<td>191</td>
<td>288</td>
</tr>
<tr>
<td>Other (2)</td>
<td>304</td>
<td>348</td>
<td>249</td>
</tr>
<tr>
<td>Principal Transactions</td>
<td>231</td>
<td>256</td>
<td>273</td>
</tr>
<tr>
<td>Net Interest</td>
<td>412</td>
<td>682</td>
<td>692</td>
</tr>
</tbody>
</table>

Profit Before Tax ($mm)

<table>
<thead>
<tr>
<th></th>
<th>2Q 2009</th>
<th>1Q 2010 (1)</th>
<th>2Q 2010 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee</td>
<td>(71)</td>
<td>278</td>
<td>207</td>
</tr>
</tbody>
</table>

Source:
Morgan Stanley Earnings Conference Call, SEC Filings
(1) Results include Morgan Stanley Smith Barney joint venture effective from May 31, 2009.
(2) “Other” includes Investment Banking and Other revenues.
# GWM / MSSB – Metrics that Matter

<table>
<thead>
<tr>
<th>Metric</th>
<th>2009</th>
<th>Long-Term Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Run-rate Cost Synergies(^{(1)})</td>
<td>$550MM</td>
<td>$1.1Bn target</td>
</tr>
<tr>
<td>One-time Costs(^{(1)})</td>
<td>$280MM</td>
<td>$1.1Bn target</td>
</tr>
<tr>
<td>Number of FAs</td>
<td>18,135</td>
<td>18,500-19,000</td>
</tr>
<tr>
<td>PBT Margin(^{(2)})</td>
<td>8%</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>Net New Money(^{(2)})</td>
<td>($14Bn)</td>
<td>$50Bn</td>
</tr>
<tr>
<td>Net FA Attrition to Competition, Top 2 Quintiles</td>
<td>&lt;2%(^{(2)})</td>
<td>&lt;5%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Cumulative cost synergies and one-time costs; 2009 one-time costs exclude transaction costs  
\(^{(2)}\) 2H09

**Source:** Morgan Stanley SEC filings and Company presentations
Asset Management

2Q 2010 Highlights -

- Total assets under management of $251 billion
- Approximately 70% of our equity and fixed income strategies continued to outperform their respective benchmarks on a three, five, and ten-year basis

Morgan Stanley
MSIM – Key 2010 Execution Milestones (7-Step Plan)

<table>
<thead>
<tr>
<th>Action Item</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Combined AIP and Graystone</td>
<td>✓</td>
</tr>
<tr>
<td>2 Announced sale of Retail Asset Management</td>
<td>✓</td>
</tr>
<tr>
<td>3 Signed strategic outsourcing partnership with State Street</td>
<td>✓</td>
</tr>
<tr>
<td>4 Rebuild investment culture in long-only business</td>
<td>In Progress</td>
</tr>
<tr>
<td>5 Restructure and renew Real Estate business</td>
<td>In Progress</td>
</tr>
<tr>
<td>6 Expand Fund of Funds business into new assets (Private Equity Fund of Fund)</td>
<td>In Progress</td>
</tr>
<tr>
<td>7 Evaluating hedge fund business</td>
<td>In Progress</td>
</tr>
</tbody>
</table>
### Total Assets ($Bn)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q 2008</th>
<th>4Q 2008</th>
<th>1Q 2009</th>
<th>2Q 2009</th>
<th>3Q 2009</th>
<th>4Q 2009</th>
<th>1Q 2010</th>
<th>2Q 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>943</td>
<td>677</td>
<td>626</td>
<td>677</td>
<td>770</td>
<td>771</td>
<td>820</td>
<td>809</td>
</tr>
</tbody>
</table>

### 2Q10 Key Capital Ratios (Basel I)

- **Tier 1 Common Ratio**: 9.2%
- **Tier 1 Capital Ratio**: 16.5%

**August Mandatory Convertible Equity Conversion**

increased Tier 1 Common by $5.6 Billion

Source:
Morgan Stanley SEC Filings
Sufficient liquidity is maintained to meet funding and contingent obligations based on the Company’s balance sheet, business mix and as modeled in its liquidity stress tests.

<table>
<thead>
<tr>
<th>Balance Sheet ($Bn)</th>
<th>Average Balance</th>
<th>6/30/10</th>
<th>3/31/10</th>
<th>6/30/10</th>
<th>3/31/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent ($Bn)</td>
<td></td>
<td>63</td>
<td>57</td>
<td>60</td>
<td>65</td>
</tr>
<tr>
<td>Subsidiaries ($Bn)</td>
<td></td>
<td>90</td>
<td>96</td>
<td>92</td>
<td>90</td>
</tr>
<tr>
<td>Total ($Bn)</td>
<td></td>
<td>153</td>
<td>153</td>
<td>152</td>
<td>155</td>
</tr>
</tbody>
</table>

Liquidity Reserve

<table>
<thead>
<tr>
<th>Liquidity Reserve</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent ($Bn)</td>
<td></td>
<td>63</td>
<td>57</td>
<td>60</td>
<td>65</td>
</tr>
<tr>
<td>Subsidiaries ($Bn)</td>
<td></td>
<td>90</td>
<td>96</td>
<td>92</td>
<td>90</td>
</tr>
<tr>
<td>Total ($Bn)</td>
<td></td>
<td>153</td>
<td>153</td>
<td>152</td>
<td>155</td>
</tr>
</tbody>
</table>

Liquidity as % of Balance Sheet

<table>
<thead>
<tr>
<th>Liquidity as % of Balance Sheet</th>
<th>6/30/10</th>
<th>3/31/10</th>
<th>6/30/10</th>
<th>3/31/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Morgan Stanley SEC Filings
Funding Diversification

Composition of Funding Liabilities and Equity

4Q07

Total = $589 Bn

- Deposits: 5%  
- Secured Funding: 52%  
- Commercial Paper & other short term borrowings: 32%  
- Shareholders’ Equity: 6%

2Q10

Total = $518 Bn

- Deposits: 10%  
- Secured Funding: 42%  
- Commercial Paper & other short term borrowings: 35%  
- Shareholders’ Equity: 1%

Source: Morgan Stanley SEC Filings

(1) 4Q07 numbers as reported on a fiscal-year basis. 4Q07 Liabilities and Equity – Commercial Paper & Other Short-Term Borrowings - $34.5, Long-Term Debt - $190.6, Secured Financing - $301.0, Deposits - $31.2, Shareholders Equity - $31.3

(2) 2Q10 numbers as reported on a calendar-year basis. 2Q10 Liabilities and Equity – Commercial Paper & Other Short-Term Borrowings - $3.8, Long-Term Debt - $182.8, Secured Financing - $219.4, Deposits - $61.4, Shareholders Equity (Excluding Non-controlling Interests) - $51.0.

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.
Focus on Liquidity Characteristics of Assets

- Assets Tiered by 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 like Great Britain or Denmark
  - **Less Liquid** - Lower-rated Investment Grade bonds, Emerging Market Equities and Emerging Market Sovereigns such as Russia and Brazil
  - **Illiquid** - Sub-Investment Grade ABS, Unrated Convertible Bonds or Distressed Debt

Strong Governance and Contingency Planning

- Each fundability category is risk managed with:
  - A minimum maturity
  - A limit on the amount funded overnight
  - Global Liquidity Reserves held for the potential loss of secured funding
- Active limit monitoring and reporting to senior management (Asset Liability Committee)
Estimated Senior Unsecured Funding Issuance

As of 9/14/10

- Reduction in term funding planned for 2011 and 2012 given success in
  - Pre-funding
  - Structured Notes Issuance
  - Term Secured Funding

- Assumes a constant balance sheet through 2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structured Notes</td>
<td>Term</td>
<td>TLGP</td>
</tr>
<tr>
<td>Maturities</td>
<td>22</td>
<td>8</td>
<td>38</td>
</tr>
<tr>
<td>Issuance</td>
<td>~28</td>
<td>~20</td>
<td>~28</td>
</tr>
<tr>
<td>Remaining Structured Notes</td>
<td>~3</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Remaining Term</td>
<td>11</td>
<td>8-10</td>
<td>16-18</td>
</tr>
</tbody>
</table>

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.
Well Positioned for Strong Execution Going Forward

**Significant Market Share Opportunities**

**Targeted Growth Strategy**

**Experienced Leadership Team**

**Strategic Execution**

**Unique Opportunity to Increase Share**

- Clients receptive to Morgan Stanley offerings
- Expanding capability to deliver flow products and content / ideas across the firm
- Leadership in place
- Focused on discipline and execution