

**MORGAN STANLEY**  
**Financial Supplement - 4Q 2011**  
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# Morgan Stanley

**MORGAN STANLEY**  
**Quarterly Financial Summary**  
(unaudited, dollars in millions)

|  | Quarter Ended   |                 |                 | Percentage Change From: |              | Twelve Months Ended |                  | Percentage Change |
|--|-----------------|-----------------|-----------------|-------------------------|--------------|---------------------|------------------|-------------------|
|  | Dec 31, 2011    | Sept 30, 2011   | Dec 31, 2010    | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010     |                   |
| <b>Net revenues</b>  |                 |                 |                 |                         |              |                     |                  |                   |
| Institutional Securities   | \$ 2,071        | \$ 6,411        | \$ 3,566        | (68%)                   | (42%)        | \$ 17,208           | \$ 16,169        | 6%                |
| Global Wealth Management Group                                   | 3,250           | 3,260           | 3,353           | --                      | (3%)         | 13,423              | 12,636           | 6%                |
| Asset Management   | 424             | 205             | 846             | 107%                    | (50%)        | 1,887               | 2,685            | (30%)             |
| Intersegment Eliminations  | (36)            | (31)            | (22)            | (16%)                   | (64%)        | (115)               | (103)            | (12%)             |
| Consolidated net revenues  | <u>\$ 5,709</u> | <u>\$ 9,845</u> | <u>\$ 7,743</u> | (42%)                   | (26%)        | <u>\$ 32,403</u>    | <u>\$ 31,387</u> | 3%                |
| <b>Income (loss) from continuing operations before tax</b>       |                 |                 |                 |                         |              |                     |                  |                   |
| Institutional Securities   | \$ (779)        | \$ 3,447        | \$ 448          | *                       | *            | \$ 4,585            | \$ 4,372         | 5%                |
| Global Wealth Management Group                                   | 244             | 362             | 390             | (33%)                   | (37%)        | 1,276               | 1,156            | 10%               |
| Asset Management   | 78              | (118)           | 353             | *                       | (78%)        | 253                 | 718              | (65%)             |
| Intersegment Eliminations  | 0               | 0               | 0               | --                      | --           | 0                   | (15)             | *                 |
| Consolidated income (loss) from continuing operations before tax | <u>\$ (457)</u> | <u>\$ 3,691</u> | <u>\$ 1,191</u> | *                       | *            | <u>\$ 6,114</u>     | <u>\$ 6,231</u>  | (2%)              |
| <b>Income (loss) applicable to Morgan Stanley</b>                |                 |                 |                 |                         |              |                     |                  |                   |
| Institutional Securities   | \$ (366)        | \$ 2,073        | \$ 539          | *                       | *            | \$ 3,461            | \$ 3,766         | (8%)              |
| Global Wealth Management Group                                   | 133             | 169             | 166             | (21%)                   | (20%)        | 665                 | 519              | 28%               |
| Asset Management   | 6               | (61)            | 166             | *                       | (96%)        | 35                  | 205              | (83%)             |
| Intersegment Eliminations  | 0               | 0               | 0               | --                      | --           | 0                   | (12)             | *                 |
| Consolidated income (loss) applicable to Morgan Stanley          | <u>\$ (227)</u> | <u>\$ 2,181</u> | <u>\$ 871</u>   | *                       | *            | <u>\$ 4,161</u>     | <u>\$ 4,478</u>  | (7%)              |

Notes: - Results for the quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 include positive (negative) revenue of \$216 million, \$3,410 million and \$(945) million, respectively, related to the movement in Morgan Stanley's credit spreads and other credit factors on certain long-term and short-term debt. The twelve months ended December 31, 2011 and December 31, 2010 include positive (negative) revenue of \$3,681 million and \$(873) million, respectively, related to the movement in Morgan Stanley's credit spreads and other credit factors on certain long-term and short-term debt.

- Income (loss) applicable to Morgan Stanley represents consolidated income (loss) from continuing operations applicable to Morgan Stanley before gain (loss) from discontinued operations.

- Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Consolidated Income Statement Information**  
(unaudited, dollars in millions)

|  | Quarter Ended |               |              | Percentage Change From: |              | Twelve Months Ended |              | Percentage Change |
|--|---------------|---------------|--------------|-------------------------|--------------|---------------------|--------------|-------------------|
|  | Dec 31, 2011  | Sept 30, 2011 | Dec 31, 2010 | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010 |                   |
| Revenues:  |               |               |              |                         |              |                     |              |                   |
| Investment banking   | \$ 1,051      | \$ 1,031      | \$ 1,761     | 2%                      | (40%)        | \$ 4,991            | \$ 5,122     | (3%)              |
| Principal transactions:  |               |               |              |                         |              |                     |              |                   |
| Trading  | 969           | 4,961         | 854          | (80%)                   | 13%          | 12,392              | 9,406        | 32%               |
| Investments  | 140           | (298)         | 688          | *                       | (80%)        | 573                 | 1,825        | (69%)             |
| Commissions and fees   | 1,155         | 1,484         | 1,311        | (22%)                   | (12%)        | 5,379               | 4,947        | 9%                |
| Asset management, distribution and admin. fees                   | 2,027         | 2,172         | 2,068        | (7%)                    | (2%)         | 8,502               | 7,919        | 7%                |
| Other  | 97            | 349           | 802          | (72%)                   | (88%)        | 209                 | 1,271        | (84%)             |
| Total non-interest revenues                                      | 5,439         | 9,699         | 7,484        | (44%)                   | (27%)        | 32,046              | 30,490       | 5%                |
| Interest income  | 1,686         | 1,755         | 1,951        | (4%)                    | (14%)        | 7,264               | 7,311        | (1%)              |
| Interest expense   | 1,416         | 1,609         | 1,692        | (12%)                   | (16%)        | 6,907               | 6,414        | 8%                |
| Net interest   | 270           | 146           | 259          | 85%                     | 4%           | 357                 | 897          | (60%)             |
| Net revenues   | 5,709         | 9,845         | 7,743        | (42%)                   | (26%)        | 32,403              | 31,387       | 3%                |
| Non-interest expenses:   |               |               |              |                         |              |                     |              |                   |
| Compensation and benefits  | 3,808         | 3,654         | 4,030        | 4%                      | (6%)         | 16,403              | 15,923       | 3%                |
| Non-compensation expenses:                                       |               |               |              |                         |              |                     |              |                   |
| Occupancy and equipment  | 385           | 383           | 377          | 1%                      | 2%           | 1,564               | 1,560        | --                |
| Brokerage, clearing and exchange fees                            | 384           | 447           | 380          | (14%)                   | 1%           | 1,652               | 1,431        | 15%               |
| Information processing and communications                        | 472           | 457           | 437          | 3%                      | 8%           | 1,815               | 1,648        | 10%               |
| Marketing and business development                               | 161           | 143           | 159          | 13%                     | 1%           | 602                 | 576          | 5%                |
| Professional services  | 489           | 441           | 533          | 11%                     | (8%)         | 1,803               | 1,818        | (1%)              |
| Other  | 467           | 629           | 636          | (26%)                   | (27%)        | 2,450               | 2,200        | 11%               |
| Total non-compensation expenses                                  | 2,358         | 2,500         | 2,522        | (6%)                    | (7%)         | 9,886               | 9,233        | 7%                |
| Total non-interest expenses                                      | 6,166         | 6,154         | 6,552        | --                      | (6%)         | 26,289              | 25,156       | 5%                |
| Income (loss) from continuing operations before taxes            | (457)         | 3,691         | 1,191        | *                       | *            | 6,114               | 6,231        | (2%)              |
| Income tax provision / (benefit) from continuing operations      | (296)         | 1,416         | 90           | *                       | *            | 1,418               | 754          | 88%               |
| Income (loss) from continuing operations                         | (161)         | 2,275         | 1,101        | *                       | *            | 4,696               | 5,477        | (14%)             |
| Gain (loss) from discontinued operations after tax               | (23)          | 18            | (35)         | *                       | 34%          | (51)                | 225          | *                 |
| Net income (loss)  | \$ (184)      | \$ 2,293      | \$ 1,066     | *                       | *            | \$ 4,645            | \$ 5,702     | (19%)             |
| Net income (loss) applicable to noncontrolling interests         | 66            | 94            | 230          | (30%)                   | (71%)        | 535                 | 999          | (46%)             |
| Net income (loss) applicable to Morgan Stanley                   | (250)         | 2,199         | 836          | *                       | *            | 4,110               | 4,703        | (13%)             |
| Preferred stock dividend / Other                                 | 25            | 46            | 236          | (46%)                   | (89%)        | 2,043               | 1,109        | 84%               |
| Earnings (loss) applicable to Morgan Stanley common shareholders | \$ (275)      | \$ 2,153      | \$ 600       | *                       | *            | \$ 2,067            | \$ 3,594     | (42%)             |
| Amounts applicable to Morgan Stanley:                            |               |               |              |                         |              |                     |              |                   |
| Income (loss) from continuing operations                         | (227)         | 2,181         | 871          | *                       | *            | 4,161               | 4,478        | (7%)              |
| Gain (loss) from discontinued operations after tax               | (23)          | 18            | (35)         | *                       | 34%          | (51)                | 225          | *                 |
| Net income (loss) applicable to Morgan Stanley                   | \$ (250)      | \$ 2,199      | \$ 836       | *                       | *            | \$ 4,110            | \$ 4,703     | (13%)             |
| Pre-tax profit margin  | *             | 38%           | 15%          |                         |              | 19%                 | 20%          |                   |
| Compensation and benefits as a % of net revenues                 | 67%           | 37%           | 52%          |                         |              | 51%                 | 51%          |                   |
| Non-compensation expenses as a % of net revenues                 | 41%           | 25%           | 33%          |                         |              | 31%                 | 29%          |                   |
| Effective tax rate from continuing operations                    | 64.8%         | 38.4%         | 7.6%         |                         |              | 23.2%               | 12.1%        |                   |

Notes: - Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure that the Firm and investors use to assess operating performance. Percentages represent income from continuing operations before income taxes as a percentage of net revenues.

- The quarter and full year ended December 31, 2011, Principal Transactions - Trading included a loss of \$1,742 million related to the MBIA settlement (MBIA).
- Other revenues for the full year ended December 31, 2011, included a loss of approximately \$783 million related to the 40% stake in a Japanese securities joint venture, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS").
- Other revenues for the full year ended December 31, 2010, included a gain of \$668 million on the sale of the Firm's investment in China International Capital Corporation Limited (CICC).
- For the full year ended December 31, 2011, discontinued operations primarily included charges of approximately \$90 million related to the results and losses with the planned disposition of Saxon Mortgage Services Inc. (Saxon). For the full year ended December 31, 2010, discontinued operations primarily included charges related to the Firm's investment in Revel Entertainment Group, LLC (Revel), a gain of \$775 million related to a legal settlement with Discover Financial Services and a net gain of approximately \$570 million related to the sale and charges related to the Firm's investment in the retail asset management business, partly offset by a loss of \$1.2 billion related to a reduction in the carrying value of the Firm's investment in Revel and other related costs, including operating expenses.
- For the full year ended December 31, 2011, income tax provision / (benefit) from continuing operations primarily included a discrete tax benefit of \$447 million associated with the sale of Revel. The full year ended December 31, 2010 included discrete tax gains / benefits of approximately \$1.0 billion related to the repatriation of non-U.S. earnings at a cost lower than estimated. Excluding discrete gains / benefits, the effective tax rate would have been 31.5% and 28.1% for full year ended December 31, 2011 and full year ended December 31, 2010, respectively.
- For the full year ended December 31, 2011, preferred stock dividend / other included a one-time negative adjustment of approximately \$1.7 billion related to the conversion of the Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock held by Mitsubishi UFJ Financial Group, Inc. (MUFG), into Morgan Stanley common stock (MUFG conversion).
- Preferred stock dividend / other includes allocation of earnings to Participating Restricted Stock Units (RSUs) and China Investment Corporation (CIC) equity units.
- Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Earnings Per Share**  
(unaudited, dollars in millions, except for per share data)

|   | Quarter Ended |               |              | Percentage Change From: |              | Twelve Months Ended |              | Percentage |
|---|---------------|---------------|--------------|-------------------------|--------------|---------------------|--------------|------------|
|   | Dec 31, 2011  | Sept 30, 2011 | Dec 31, 2010 | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010 | Change     |
| <b>Income (loss) from continuing operations</b>   | \$ (161)      | \$ 2,275      | \$ 1,101     | *                       | *            | \$ 4,696            | \$ 5,477     | (14%)      |
| Net income (loss) from continuing operations applicable to noncontrolling interest  | 66            | 94            | 230          | (30%)                   | (71%)        | 535                 | 999          | (46%)      |
| <b>Income from continuing operations applicable to Morgan Stanley</b>   | (227)         | 2,181         | 871          | *                       | *            | 4,161               | 4,478        | (7%)       |
| Less: Preferred Dividends   | (24)          | (24)          | (221)        | --                      | 89%          | (292)               | (881)        | 67%        |
| Less: MUFG preferred stock conversion   | -             | -             | -            | --                      | --           | (1,726)             | -            | *          |
| <b>Income from continuing operations applicable to Morgan Stanley, prior to allocation of income to CIC Equity Units and Participating Restricted Stock Units</b> | (251)         | 2,157         | 650          | *                       | *            | 2,143               | 3,597        | (40%)      |
| <b>Basic EPS Adjustments:</b>   |               |               |              |                         |              |                     |              |            |
| Less: Allocation of undistributed earnings to CIC Equity Units  | 0             | 0             | 0            | --                      | --           | 0                   | (102)        | *          |
| Less: Allocation of earnings to Participating Restricted Stock Units  | (1)           | (22)          | (16)         | 95%                     | 94%          | (26)                | (108)        | 76%        |
| <b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>  | \$ (252)      | \$ 2,135      | \$ 634       | *                       | *            | \$ 2,117            | \$ 3,387     | (37%)      |
| Gain (loss) from discontinued operations after tax  | (23)          | 18            | (35)         | *                       | 34%          | (51)                | 225          | *          |
| Gain (loss) from discontinued operations after tax applicable to noncontrolling interests   | 0             | 0             | 0            | --                      | --           | 0                   | 0            | --         |
| <b>Gain (loss) from discontinued operations after tax applicable to Morgan Stanley</b>  | (23)          | 18            | (35)         | *                       | 34%          | (51)                | 225          | *          |
| Less: Allocation of undistributed earnings to CIC Equity Units  | 0             | 0             | 0            | --                      | --           | 0                   | (11)         | *          |
| Less: Allocation of earnings to Participating Restricted Stock Units  | 0             | 0             | 1            | --                      | *            | 1                   | (7)          | *          |
| <b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>  | (23)          | 18            | (34)         | *                       | 32%          | (50)                | 207          | *          |
| <b>Earnings (loss) applicable to Morgan Stanley common shareholders</b>   | \$ (275)      | \$ 2,153      | \$ 600       | *                       | *            | \$ 2,067            | \$ 3,594     | (42%)      |
| Average basic common shares outstanding (millions)  | 1,850         | 1,848         | 1,437        | --                      | 29%          | 1,655               | 1,362        | 22%        |
| <b>Earnings per basic share:</b>  |               |               |              |                         |              |                     |              |            |
| Income from continuing operations   | \$ (0.14)     | \$ 1.15       | \$ 0.44      | *                       | *            | \$ 1.28             | \$ 2.49      | (49%)      |
| Discontinued operations   | \$ (0.01)     | \$ 0.01       | \$ (0.02)    | *                       | 50%          | \$ (0.03)           | \$ 0.15      | *          |
| <b>Earnings per basic share</b>   | \$ (0.15)     | \$ 1.16       | \$ 0.42      | *                       | *            | \$ 1.25             | \$ 2.64      | (53%)      |
| <b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>  | \$ (252)      | \$ 2,135      | \$ 634       | *                       | *            | \$ 2,117            | \$ 3,387     | (37%)      |
| <b>Diluted EPS Adjustments:</b>   |               |               |              |                         |              |                     |              |            |
| Income impact of assumed conversions:   |               |               |              |                         |              |                     |              |            |
| Preferred stock dividends (Series B - Mitsubishi)   | 0             | 0             | 0            | --                      | --           | 0                   | 0            | --         |
| Assumed conversion of CIC   | 0             | 0             | 0            | --                      | --           | 0                   | 76           | *          |
| <b>Earnings (loss) from continuing operations applicable to Morgan Stanley common shareholders</b>  | \$ (252)      | \$ 2,135      | \$ 634       | *                       | *            | \$ 2,117            | \$ 3,463     | (39%)      |
| <b>Earnings (loss) from discontinued operations applicable to Morgan Stanley common shareholders</b>  | (23)          | 18            | (34)         | *                       | 32%          | (50)                | 207          | *          |
| Assumed conversion of CIC   | 0             | 0             | 0            | --                      | --           | 0                   | 40           | *          |
| <b>Earnings (loss) applicable to common shareholders plus assumed conversions</b>   | \$ (275)      | \$ 2,153      | \$ 600       | *                       | *            | \$ 2,067            | \$ 3,710     | (44%)      |
| Average diluted common shares outstanding and common stock equivalents (millions)   | 1,850         | 1,869         | 1,448        | (1%)                    | 28%          | 1,675               | 1,411        | 19%        |
| <b>Earnings per diluted share:</b>  |               |               |              |                         |              |                     |              |            |
| Income from continuing operations   | \$ (0.14)     | \$ 1.14       | \$ 0.44      | *                       | *            | \$ 1.26             | \$ 2.45      | (49%)      |
| Discontinued operations   | \$ (0.01)     | \$ 0.01       | \$ (0.03)    | *                       | 67%          | \$ (0.03)           | \$ 0.18      | *          |
| <b>Earnings per diluted share</b>   | \$ (0.15)     | \$ 1.15       | \$ 0.41      | *                       | *            | \$ 1.23             | \$ 2.63      | (53%)      |

Notes: - The Firm calculates earnings per share using the two-class method as described under the accounting guidance for earnings per share. For further discussion of the Firm's earnings per share calculations, see pages 14 and 15 of the financial supplement and Note 2 to the consolidated financial statements in the Firm's Annual Report on Form 10-K for the year ended December 31, 2010.

- Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Consolidated Financial Information and Statistical Data**  
**(unaudited)**

|   | Quarter Ended    |                  |                  | Percentage Change From: |              | Twelve Months Ended |                  | Percentage Change |
|---|------------------|------------------|------------------|-------------------------|--------------|---------------------|------------------|-------------------|
|   | Dec 31, 2011     | Sept 30, 2011    | Dec 31, 2010     | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010     |                   |
| Regional revenue <sup>(1)</sup>                                 |                  |                  |                  |                         |              |                     |                  |                   |
| Americas  | \$ 3,722         | \$ 6,545         | \$ 4,972         | (43%)                   | (25%)        | \$ 22,331           | \$ 21,477        | 4%                |
| EMEA (Europe, Middle East, Africa)                              | 1,265            | 2,233            | 888              | (43%)                   | 42%          | 6,761               | 5,590            | 21%               |
| Asia  | 722              | 1,067            | 1,883            | (32%)                   | (62%)        | 3,311               | 4,320            | (23%)             |
| Consolidated net revenues                                       | <u>\$ 5,709</u>  | <u>\$ 9,845</u>  | <u>\$ 7,743</u>  | (42%)                   | (26%)        | <u>\$ 32,403</u>    | <u>\$ 31,387</u> | 3%                |
| Worldwide employees   | 61,899           | 62,648           | 62,542           | (1%)                    | (1%)         |                     |                  |                   |
| Total assets  | \$ 749,898       | \$ 794,939       | \$ 807,698       | (6%)                    | (7%)         |                     |                  |                   |
| Firmwide deposits   | 65,662           | 66,184           | 63,812           | (1%)                    | 3%           |                     |                  |                   |
| Consolidated assets under management or supervision (billions): |                  |                  |                  |                         |              |                     |                  |                   |
| Asset Management  | 287              | 268              | 272              | 7%                      | 6%           |                     |                  |                   |
| Global Wealth Management  | 494              | 472              | 477              | 5%                      | 4%           |                     |                  |                   |
| Total   | <u>781</u>       | <u>740</u>       | <u>749</u>       | 6%                      | 4%           |                     |                  |                   |
| Common equity   | 60,541           | 60,320           | 47,614           | --                      | 27%          |                     |                  |                   |
| Preferred equity  | <u>1,508</u>     | <u>1,508</u>     | <u>9,597</u>     | --                      | (84%)        |                     |                  |                   |
| Morgan Stanley shareholders' equity                             | 62,049           | 61,828           | 57,211           | --                      | 8%           |                     |                  |                   |
| Junior subordinated debt issued to capital trusts               | 4,853            | 4,836            | 4,817            | --                      | 1%           |                     |                  |                   |
| Less: Goodwill and intangible assets <sup>(2)</sup>             | <u>(6,691)</u>   | <u>(6,761)</u>   | <u>(6,947)</u>   | 1%                      | 4%           |                     |                  |                   |
| Tangible Morgan Stanley shareholders' equity                    | <u>\$ 60,211</u> | <u>\$ 59,903</u> | <u>\$ 55,081</u> | 1%                      | 9%           |                     |                  |                   |
| Tangible common equity  | <u>\$ 53,850</u> | <u>\$ 53,559</u> | <u>\$ 40,667</u> | 1%                      | 32%          |                     |                  |                   |
| Leverage Ratio  | 12.5x            | 13.3x            | 14.7x            |                         |              |                     |                  |                   |
| Return on average common equity from continuing operations      | *                | 14.6%            | 5.5%             |                         |              |                     |                  |                   |
| Return on average common equity                                 | *                | 14.7%            | 5.2%             |                         |              |                     |                  |                   |
| Period end common shares outstanding (000's)                    | 1,926,986        | 1,927,540        | 1,512,022        | --                      | 27%          |                     |                  |                   |
| Book value per common share                                     | \$ 31.42         | \$ 31.29         | \$ 31.49         | --                      | --           |                     |                  |                   |
| Tangible book value per common share                            | \$ 27.95         | \$ 27.79         | \$ 26.90         | 1%                      | 4%           |                     |                  |                   |

Notes: - All data presented in millions except ratios, book values and number of employees.

- Consolidated assets under management has been recast to exclude the share of minority stake assets which represents Asset Management's proportional share of assets managed by entities in which it owns a minority stake.
- Goodwill and intangible assets exclude noncontrolling interests and reflect the Firm's share of Morgan Stanley Smith Barney (MSSB) goodwill and intangible assets.
- Tangible common equity is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess capital adequacy. Tangible common equity equals common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction.
- Leverage ratio is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess capital adequacy. Leverage ratio equals total assets divided by tangible Morgan Stanley shareholders' equity.
- Book value per common share equals common equity divided by period end common shares outstanding.
- Tangible book value per common share is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess capital adequacy. Tangible book value per common share equals tangible common equity divided by period end common shares outstanding. Tangible Morgan Stanley shareholders' equity is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess capital adequacy.
- Refer to End Notes on pages 16-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Consolidated Financial Information and Statistical Data**  
(unaudited, dollars in billions)

|                                | Quarter Ended              |                   |                                       |                    |                   |                                       |                    |                   |                                       |
|--------------------------------|----------------------------|-------------------|---------------------------------------|--------------------|-------------------|---------------------------------------|--------------------|-------------------|---------------------------------------|
|                                | December 31, 2011          |                   |                                       | September 30, 2011 |                   |                                       | December 31, 2010  |                   |                                       |
|                                | Average                    |                   | Return on<br>average common<br>equity | Average            |                   | Return on<br>average common<br>equity | Average            |                   | Return on<br>average common<br>equity |
|                                | Tier 1 capital (1)         | Common equity (1) |                                       | Tier 1 capital (1) | Common equity (1) |                                       | Tier 1 capital (1) | Common equity (1) |                                       |
| Institutional Securities       | \$ 25.2                    | \$ 27.5           | *                                     | \$ 26.0            | \$ 29.3           | 28%                                   | \$ 25.9            | \$ 18.6           | 9%                                    |
| Global Wealth Management Group | 3.2                        | 7.8               | 7%                                    | 3.6                | 8.3               | 8%                                    | 2.9                | 6.8               | 9%                                    |
| Asset Management               | 1.3                        | 2.2               | 1%                                    | 1.6                | 2.5               | *                                     | 2.0                | 2.2               | 29%                                   |
| Parent capital                 | 23.4                       | 23.1              |                                       | 20.6               | 19.0              |                                       | 22.3               | 19.8              |                                       |
| Total - continuing operations  | 53.1                       | 60.6              | *                                     | 51.8               | 59.1              | 15%                                   | 53.1               | 47.4              | 5%                                    |
| Discontinued operations        | 0.0                        | 0.0               |                                       | 0.0                | 0.0               |                                       | 0.0                | 0.0               |                                       |
| Firm                           | <u>\$ 53.1</u>             | <u>\$ 60.6</u>    | *                                     | <u>\$ 51.8</u>     | <u>\$ 59.1</u>    | 15%                                   | <u>\$ 53.1</u>     | <u>\$ 47.4</u>    | 5%                                    |
|                                | <b>Twelve Months Ended</b> |                   |                                       |                    |                   |                                       |                    |                   |                                       |
|                                | December 31, 2011          |                   |                                       | December 31, 2010  |                   |                                       | December 31, 2010  |                   |                                       |
|                                | Average                    |                   | Return on<br>average common<br>equity | Average            |                   | Return on<br>average common<br>equity | Average            |                   | Return on<br>average common<br>equity |
|                                | Tier 1 capital (1)         | Common equity (1) |                                       | Tier 1 capital (1) | Common equity (1) |                                       | Tier 1 capital (1) | Common equity (1) |                                       |
| Institutional Securities       | \$ 26.2                    | \$ 26.2           | 7%                                    | \$ 26.0            | \$ 17.7           | 19%                                   | \$ 26.0            | \$ 17.7           | 19%                                   |
| Global Wealth Management Group | 3.3                        | 7.6               | 6%                                    | 2.9                | 6.8               | 7%                                    | 2.9                | 6.8               | 7%                                    |
| Asset Management               | 1.4                        | 2.2               | *                                     | 1.9                | 2.1               | 8%                                    | 1.9                | 2.1               | 8%                                    |
| Parent capital                 | 20.3                       | 18.4              |                                       | 20.7               | 15.5              |                                       | 20.7               | 15.5              |                                       |
| Total - continuing operations  | 51.2                       | 54.4              | 4%                                    | 51.5               | 42.1              | 8%                                    | 51.5               | 42.1              | 8%                                    |
| Discontinued operations        | 0.0                        | 0.0               |                                       | 0.1                | 0.3               |                                       | 0.1                | 0.3               |                                       |
| Firm                           | <u>\$ 51.2</u>             | <u>\$ 54.4</u>    | 4%                                    | <u>\$ 51.6</u>     | <u>\$ 42.4</u>    | 9%                                    | <u>\$ 51.6</u>     | <u>\$ 42.4</u>    | 9%                                    |

- Notes:
- For the full year ended December 31, 2011, the negative adjustment of \$1.7 billion related to the MUFG conversion was allocated to the business segments and included in the numerator for the purpose of calculating the return on average common equity as follows: Institutional Securities \$1.4 billion, Global Wealth Management \$0.2 billion and Asset Management \$0.1 billion. Excluding this negative adjustment, the return on average common equity would have been: Firm: 7%, Institutional Securities: 12%, Global Wealth Management: 8% and Asset Management: 1%.
  - The return on average common equity is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess operating performance.
  - Refer to End Notes on pages 16-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Institutional Securities Income Statement Information**  
(unaudited, dollars in millions)

|   | Quarter Ended   |                 |               | Percentage Change From: |              | Twelve Months Ended |                 | Percentage Change |
|---|-----------------|-----------------|---------------|-------------------------|--------------|---------------------|-----------------|-------------------|
|   | Dec 31, 2011    | Sept 30, 2011   | Dec 31, 2010  | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010    |                   |
| Revenues:   |                 |                 |               |                         |              |                     |                 |                   |
| Investment banking  | \$ 883          | \$ 864          | \$ 1,515      | 2%                      | (42%)        | \$ 4,228            | \$ 4,295        | (2%)              |
| Principal transactions:                                     |                 |                 |               |                         |              |                     |                 |                   |
| Trading   | 663             | 4,781           | 530           | (86%)                   | 25%          | 11,299              | 8,154           | 39%               |
| Investments   | 65              | (119)           | 316           | *                       | (79%)        | 239                 | 809             | (70%)             |
| Commissions and fees  | 523             | 814             | 573           | (36%)                   | (9%)         | 2,610               | 2,274           | 15%               |
| Asset management, distribution and admin. fees              | 29              | 31              | 24            | (6%)                    | 21%          | 124                 | 104             | 19%               |
| Other   | 43              | 259             | 674           | (83%)                   | (94%)        | (207)               | 766             | *                 |
| Total non-interest revenues                                 | <u>2,206</u>    | <u>6,630</u>    | <u>3,632</u>  | (67%)                   | (39%)        | 18,293              | 16,402          | 12%               |
| Interest income   | 1,300           | 1,375           | 1,591         | (5%)                    | (18%)        | 5,740               | 5,910           | (3%)              |
| Interest expense  | 1,435           | 1,594           | 1,657         | (10%)                   | (13%)        | 6,825               | 6,143           | 11%               |
| Net interest  | (135)           | (219)           | (66)          | 38%                     | (105%)       | (1,085)             | (233)           | *                 |
| Net revenues  | <u>2,071</u>    | <u>6,411</u>    | <u>3,566</u>  | (68%)                   | (42%)        | 17,208              | 16,169          | 6%                |
| Compensation and benefits                                   | 1,551           | 1,520           | 1,758         | 2%                      | (12%)        | 7,204               | 6,971           | 3%                |
| Non-compensation expenses                                   | 1,299           | 1,444           | 1,360         | (10%)                   | (4%)         | 5,419               | 4,826           | 12%               |
| Total non-interest expenses                                 | <u>2,850</u>    | <u>2,964</u>    | <u>3,118</u>  | (4%)                    | (9%)         | 12,623              | 11,797          | 7%                |
| Income (loss) from continuing operations before taxes       | (779)           | 3,447           | 448           | *                       | *            | 4,585               | 4,372           | 5%                |
| Income tax provision / (benefit) from continuing operations | (419)           | 1,314           | (113)         | *                       | *            | 880                 | 316             | 178%              |
| Income (loss) from continuing operations                    | (360)           | 2,133           | 561           | *                       | *            | 3,705               | 4,056           | (9%)              |
| Gain (loss) from discontinued operations after tax          | (28)            | (12)            | (42)          | (133%)                  | 33%          | (92)                | (1,220)         | 92%               |
| Net income (loss)   | (388)           | 2,121           | 519           | *                       | *            | 3,613               | 2,836           | 27%               |
| Net income (loss) applicable to noncontrolling interests    | 6               | 60              | 22            | (90%)                   | (73%)        | 244                 | 290             | (16%)             |
| Net income (loss) applicable to Morgan Stanley              | <u>\$ (394)</u> | <u>\$ 2,061</u> | <u>\$ 497</u> | *                       | *            | <u>\$ 3,369</u>     | <u>\$ 2,546</u> | 32%               |
| Amounts applicable to Morgan Stanley:                       |                 |                 |               |                         |              |                     |                 |                   |
| Income (loss) from continuing operations                    | (366)           | 2,073           | 539           | *                       | *            | 3,461               | 3,766           | (8%)              |
| Gain (loss) from discontinued operations after tax          | (28)            | (12)            | (42)          | (133%)                  | 33%          | (92)                | (1,220)         | 92%               |
| Net income (loss) applicable to Morgan Stanley              | <u>\$ (394)</u> | <u>\$ 2,061</u> | <u>\$ 497</u> | *                       | *            | <u>\$ 3,369</u>     | <u>\$ 2,546</u> | 32%               |
| Return on average common equity                             |                 |                 |               |                         |              |                     |                 |                   |
| from continuing operations                                  | *               | 28%             | 9%            |                         |              | 7%                  | 19%             |                   |
| Pre-tax profit margin                                       | *               | 54%             | 13%           |                         |              | 27%                 | 27%             |                   |
| Compensation and benefits as a % of net revenues            | 75%             | 24%             | 49%           |                         |              | 42%                 | 43%             |                   |

- Notes:
- Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure that the Firm and investors use to assess operating performance. Percentages represent income from continuing operations before income taxes as a percentage of net revenues.
  - For the quarter and full year ended December 31, 2011, Principal Transactions - Trading included a loss of \$1,742 million related to MBIA.
  - The negative adjustment related to the MUFG conversion was included in the numerator in the calculation of the return on average common equity. Excluding this adjustment, the return on average common equity for Institutional Securities would have been 12% for the full year ended December 31, 2011.
  - Other revenues for the full year ended December 31, 2011, included a loss of approximately \$783 million related to MUMSS. Other revenues for the full year ended December 31, 2010 included a gain of \$668 million related to CICC.
  - For the full year ended December 31, 2011, discontinued operations included charges of approximately \$90 million related to the results and losses with the planned disposition of Saxon.
  - For the full year ended December 31, 2010, discontinued operations primarily included the charges related to Revel.
  - Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Institutional Securities**  
**(unaudited, dollars in millions)**

|  | Quarter Ended   |                 |                 | Percentage Change From: |              | Twelve Months Ended |                  | Percentage Change |
|--|-----------------|-----------------|-----------------|-------------------------|--------------|---------------------|------------------|-------------------|
|  | Dec 31, 2011    | Sept 30, 2011   | Dec 31, 2010    | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010     |                   |
| <b><u>Investment Banking</u></b>                                       |                 |                 |                 |                         |              |                     |                  |                   |
| Advisory revenues  | \$ 406          | \$ 413          | \$ 484          | (2%)                    | (16%)        | \$ 1,737            | \$ 1,470         | 18%               |
| Underwriting revenues  |                 |                 |                 |                         |              |                     |                  |                   |
| Equity   | 189             | 239             | 661             | (21%)                   | (71%)        | 1,132               | 1,454            | (22%)             |
| Fixed income   | 288             | 212             | 370             | 36%                     | (22%)        | 1,359               | 1,371            | (1%)              |
| Total underwriting revenues  | 477             | 451             | 1,031           | 6%                      | (54%)        | 2,491               | 2,825            | (12%)             |
| Total investment banking revenues                                      | \$ 883          | \$ 864          | \$ 1,515        | 2%                      | (42%)        | \$ 4,228            | \$ 4,295         | (2%)              |
| <b><u>Sales &amp; Trading</u></b>                                      |                 |                 |                 |                         |              |                     |                  |                   |
| Equity   | \$ 1,254        | \$ 1,961        | \$ 1,081        | (36%)                   | 16%          | \$ 6,770            | \$ 4,840         | 40%               |
| Fixed Income and Commodities   | (257)           | 3,889           | (22)            | *                       | *            | 7,507               | 5,900            | 27%               |
| Other  | 83              | (443)           | 2               | *                       | *            | (1,329)             | (441)            | *                 |
| Total sales & trading net revenues                                     | \$ 1,080        | \$ 5,407        | \$ 1,061        | (80%)                   | 2%           | \$ 12,948           | \$ 10,299        | 26%               |
| <b><u>Investments &amp; Other</u></b>                                  |                 |                 |                 |                         |              |                     |                  |                   |
| Investments  | \$ 65           | \$ (119)        | \$ 316          | *                       | (79%)        | \$ 239              | \$ 809           | (70%)             |
| Other  | 43              | 259             | 674             | (83%)                   | (94%)        | (207)               | 766              | *                 |
| Total investments & other revenues                                     | \$ 108          | \$ 140          | \$ 990          | (23%)                   | (89%)        | \$ 32               | \$ 1,575         | (98%)             |
| <b>Total Institutional Securities net revenues</b>                     | <b>\$ 2,071</b> | <b>\$ 6,411</b> | <b>\$ 3,566</b> | <b>(68%)</b>            | <b>(42%)</b> | <b>\$ 17,208</b>    | <b>\$ 16,169</b> | <b>6%</b>         |
| <b>Average Daily 95% / One-Day Value-at-Risk ("VaR")<sup>(1)</sup></b> |                 |                 |                 |                         |              |                     |                  |                   |
| <b>Primary Market Risk Category (\$ millions, pre-tax)</b>             |                 |                 |                 |                         |              |                     |                  |                   |
| Interest rate and credit spread  | \$ 57           | \$ 77           | \$ 102          |                         |              |                     |                  |                   |
| Equity price   | \$ 29           | \$ 35           | \$ 30           |                         |              |                     |                  |                   |
| Foreign exchange rate  | \$ 12           | \$ 19           | \$ 22           |                         |              |                     |                  |                   |
| Commodity price  | \$ 28           | \$ 32           | \$ 26           |                         |              |                     |                  |                   |
| Aggregation of Primary Risk Categories                                 | \$ 66           | \$ 93           | \$ 122          |                         |              |                     |                  |                   |
| Credit Portfolio VaR   | \$ 103          | \$ 104          | \$ 73           |                         |              |                     |                  |                   |
| Trading VaR  | \$ 123          | \$ 130          | \$ 132          |                         |              |                     |                  |                   |

Notes: - For the quarter and full year ended December 31, 2011, Fixed Income and Commodities sales and trading net revenues includes a loss of \$1,742 million related to MBIA.  
- Refer to End Notes on pages 16-17 and Legal Notice on page 18.



**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Institutional Securities - Corporate Lending**  
**(unaudited, dollars in billions)**

|  | Quarter Ended |               |              | Percentage Change From: |              |
|--|---------------|---------------|--------------|-------------------------|--------------|
|  | Dec 31, 2011  | Sept 30, 2011 | Dec 31, 2010 | Sept 30, 2011           | Dec 31, 2010 |
| <b>Corporate funded loans</b>                          |               |               |              |                         |              |
| Investment grade                                       | \$ 7.8        | \$ 6.0        | \$ 3.9       | 30%                     | 100%         |
| Non-investment grade                                   | 7.8           | 7.7           | 6.8          | 1%                      | 15%          |
| Total corporate funded loans                           | \$ 15.6       | \$ 13.7       | \$ 10.7      | 14%                     | 46%          |
| <b>Corporate lending commitments</b>                   |               |               |              |                         |              |
| Investment grade                                       | \$ 51.6       | \$ 55.1       | \$ 44.5      | (6%)                    | 16%          |
| Non-investment grade                                   | 15.7          | 17.9          | 13.9         | (12%)                   | 13%          |
| Total corporate lending commitments                    | \$ 67.3       | \$ 73.0       | \$ 58.4      | (8%)                    | 15%          |
| <b>Corporate funded loans plus lending commitments</b> |               |               |              |                         |              |
| Investment grade                                       | \$ 59.4       | \$ 61.1       | \$ 48.4      | (3%)                    | 23%          |
| Non-investment grade                                   | \$ 23.5       | \$ 25.6       | \$ 20.7      | (8%)                    | 14%          |
| % investment grade                                     | 72%           | 70%           | 70%          |                         |              |
| % non-investment grade                                 | 28%           | 30%           | 30%          |                         |              |
| Total corporate funded loans and lending commitments   | \$ 82.9       | \$ 86.7       | \$ 69.1      | (4%)                    | 20%          |
| Hedges   | \$ 35.8       | \$ 41.4       | \$ 21.0      | (14%)                   | 70%          |

Notes: - In connection with certain of its Institutional Securities business activities, the Firm provides loans or lending commitments to select clients related to its event driven or relationship lending activities. For a further discussion of this activity, see the Firm's Annual Report on Form 10-K for the year ended December 31, 2010.

- At December 31, 2011, September 30, 2011 and December 31, 2010 the event driven lending portfolio of pipeline commitments and closed deals to non-investment grade borrowers were \$3.8 billion, \$7.0 billion and \$4.9 billion, respectively.

- For the quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 corporate funded loans and lending commitments include \$9.7 billion, \$3.9 billion and \$0.8 billion of loans and lending commitments accounted for as held for investment. All other loans and lending commitments are accounted for at fair value.

- The hedge balance reflects the notional amount utilized by the lending business.

- Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Global Wealth Management Group Income Statement Information**  
(unaudited, dollars in millions)

|   | Quarter Ended |               |               | Percentage Change From: |              | Twelve Months Ended |               | Percentage Change |
|---|---------------|---------------|---------------|-------------------------|--------------|---------------------|---------------|-------------------|
|   | Dec 31, 2011  | Sept 30, 2011 | Dec 31, 2010  | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010  |                   |
| Revenues:   |               |               |               |                         |              |                     |               |                   |
| Investment banking  | \$ 165        | \$ 162        | \$ 242        | 2%                      | (32%)        | \$ 750              | \$ 827        | (9%)              |
| Principal transactions:                                     |               |               |               |                         |              |                     |               |                   |
| Trading   | 314           | 185           | 329           | 70%                     | (5%)         | 1,122               | 1,306         | (14%)             |
| Investments   | (2)           | (3)           | 8             | 33%                     | *            | 4                   | 19            | (79%)             |
| Commissions and fees  | 632           | 670           | 738           | (6%)                    | (14%)        | 2,770               | 2,676         | 4%                |
| Asset management, distribution and admin. fees              | 1,645         | 1,775         | 1,620         | (7%)                    | 2%           | 6,884               | 6,349         | 8%                |
| Other   | 77            | 97            | 75            | (21%)                   | 3%           | 410                 | 337           | 22%               |
| Total non-interest revenues                                 | <u>2,831</u>  | <u>2,886</u>  | <u>3,012</u>  | (2%)                    | (6%)         | <u>11,940</u>       | <u>11,514</u> | 4%                |
| Interest income   | 482           | 467           | 457           | 3%                      | 5%           | 1,869               | 1,587         | 18%               |
| Interest expense  | 63            | 93            | 116           | (32%)                   | (46%)        | 386                 | 465           | (17%)             |
| Net interest  | <u>419</u>    | <u>374</u>    | <u>341</u>    | 12%                     | 23%          | <u>1,483</u>        | <u>1,122</u>  | 32%               |
| Net revenues  | <u>3,250</u>  | <u>3,260</u>  | <u>3,353</u>  | --                      | (3%)         | <u>13,423</u>       | <u>12,636</u> | 6%                |
| Compensation and benefits                                   | 2,074         | 2,002         | 1,995         | 4%                      | 4%           | 8,351               | 7,843         | 6%                |
| Non-compensation expenses                                   | 932           | 896           | 968           | 4%                      | (4%)         | 3,796               | 3,637         | 4%                |
| Total non-interest expenses                                 | <u>3,006</u>  | <u>2,898</u>  | <u>2,963</u>  | 4%                      | 1%           | <u>12,147</u>       | <u>11,480</u> | 6%                |
| Income (loss) from continuing operations before taxes       | 244           | 362           | 390           | (33%)                   | (37%)        | 1,276               | 1,156         | 10%               |
| Income tax provision / (benefit) from continuing operations | 95            | 141           | 118           | (33%)                   | (19%)        | 465                 | 336           | 38%               |
| Income (loss) from continuing operations                    | <u>149</u>    | <u>221</u>    | <u>272</u>    | (33%)                   | (45%)        | <u>811</u>          | <u>820</u>    | (1%)              |
| Gain (loss) from discontinued operations after tax          | 0             | 0             | 0             | --                      | --           | 0                   | 0             | --                |
| Net income (loss)   | 149           | 221           | 272           | (33%)                   | (45%)        | 811                 | 820           | (1%)              |
| Net income (loss) applicable to noncontrolling interests    | 16            | 52            | 106           | (69%)                   | (85%)        | 146                 | 301           | (51%)             |
| Net income (loss) applicable to Morgan Stanley              | <u>\$ 133</u> | <u>\$ 169</u> | <u>\$ 166</u> | (21%)                   | (20%)        | <u>\$ 665</u>       | <u>\$ 519</u> | 28%               |
| Amounts applicable to Morgan Stanley:                       |               |               |               |                         |              |                     |               |                   |
| Income (loss) from continuing operations                    | 133           | 169           | 166           | (21%)                   | (20%)        | 665                 | 519           | 28%               |
| Gain (loss) from discontinued operations after tax          | 0             | 0             | 0             | --                      | --           | 0                   | 0             | --                |
| Net income (loss) applicable to Morgan Stanley              | <u>\$ 133</u> | <u>\$ 169</u> | <u>\$ 166</u> | (21%)                   | (20%)        | <u>\$ 665</u>       | <u>\$ 519</u> | 28%               |
| Return on average common equity                             |               |               |               |                         |              |                     |               |                   |
| from continuing operations                                  | 7%            | 8%            | 9%            |                         |              | 6%                  | 7%            |                   |
| Pre-tax profit margin                                       | 8%            | 11%           | 12%           |                         |              | 10%                 | 9%            |                   |
| Compensation and benefits as a % of net revenues            | 64%           | 61%           | 60%           |                         |              | 62%                 | 62%           |                   |

Notes: - The tax provision / (benefit) for all periods includes the Firm's interest in MSSB.  
- Net income (loss) applicable to noncontrolling interests reflects the 49% allocation of MSSB's pre-tax results to Citigroup.  
- The negative adjustment related to the MUFG conversion was included in the numerator in the calculation of the return on average common equity. For the full year ended December 31, 2011 excluding this negative adjustment, the return on average common equity for Global Wealth Management would have been 8%.  
- Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure that the Firm and investors use to assess operating performance. Percentages represent income from continuing operations before income taxes as a percentage of net revenues.  
- Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Global Wealth Management Group**  
**(unaudited)**

|   | Quarter Ended |               |              | Percentage Change From: |              |
|---|---------------|---------------|--------------|-------------------------|--------------|
|   | Dec 31, 2011  | Sept 30, 2011 | Dec 31, 2010 | Sept 30, 2011           | Dec 31, 2010 |
| Global representatives  | 17,156        | 17,291        | 18,043       | (1%)                    | (5%)         |
| Global representatives - Adjusted                               | 17,649        | 17,796        | 18,440       | (1%)                    | (4%)         |
| Annualized revenue per global representative (000's)            | \$ 755        | \$ 747        | \$ 742       | 1%                      | 2%           |
| Annualized revenue per global representative (000's) - Adjusted | \$ 734        | \$ 726        | \$ 726       | 1%                      | 1%           |
| Assets by client segment (billions)                             |               |               |              |                         |              |
| \$10m or more   | 510           | 482           | 522          | 6%                      | (2%)         |
| \$1m - \$10m  | 709           | 665           | 707          | 7%                      | --           |
| Subtotal - > \$1m   | 1,219         | 1,147         | 1,229        | 6%                      | (1%)         |
| \$100k - \$1m   | 388           | 379           | 399          | 2%                      | (3%)         |
| < \$100k  | 42            | 38            | 41           | 11%                     | 2%           |
| Total client assets (billions)                                  | \$ 1,649      | \$ 1,564      | \$ 1,669     | 5%                      | (1%)         |
| % of assets by client segment > \$1m                            | 74%           | 73%           | 74%          |                         |              |
| Fee-based client account assets (billions)                      | \$ 496        | \$ 465        | \$ 470       | 7%                      | 6%           |
| Fee-based assets as a % of client assets                        | 30%           | 30%           | 28%          |                         |              |
| Bank deposit program (millions)                                 | \$ 110,559    | \$ 109,049    | \$ 113,325   | 1%                      | (2%)         |
| Client assets per global representative (millions)              | \$ 96         | \$ 90         | \$ 93        | 7%                      | 3%           |
| Client assets per global representative (millions) - Adjusted   | \$ 93         | \$ 88         | \$ 91        | 6%                      | 2%           |
| Global retail net new assets (billions)                         | \$ 6.0        | \$ 15.5       | \$ 14.1      | (61%)                   | (57%)        |
| Global fee based asset flows (billions)                         | \$ 4.9        | \$ 10.1       | \$ 12.5      | (51%)                   | (61%)        |
| Global retail locations   | 765           | 772           | 851          | (1%)                    | (10%)        |

- Notes: - As the business finalizes the integration of its legacy Morgan Stanley and Smith Barney channels in 2012, it is harmonizing what were previously different job descriptions for various licensed roles involved in serving our clients. This adjustment will be reflected in the prospective reporting of global representatives headcount as role definition differences are eliminated in the combined sales organization.
- Annualized revenue per global representative is defined as annualized revenue divided by average global representative headcount.
  - Full year average annualized revenue per global representative is \$763 million and \$698 million for 2011 and 2010, respectively.
  - Fee-based client account assets represent the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
  - For the quarters ended December 31, 2011, September 30, 2011, and December 31, 2010, approximately \$56 billion, \$56 billion and \$55 billion, respectively, of the assets in the bank deposit program are attributable to Morgan Stanley.
  - Global fee based asset flows represent the net asset flows, excluding interest and dividends, in client accounts where the basis of payment for services is a fee calculated on those assets.
  - Client assets per global representative represents total client assets divided by period end global representative headcount.
  - Refer to Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Asset Management Income Statement Information**  
(unaudited, dollars in millions)

|   | Quarter Ended |                |               | Percentage Change From: |              | Twelve Months Ended |               | Percentage Change |
|---|---------------|----------------|---------------|-------------------------|--------------|---------------------|---------------|-------------------|
|   | Dec 31, 2011  | Sept 30, 2011  | Dec 31, 2010  | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010  |                   |
| Revenues:   |               |                |               |                         |              |                     |               |                   |
| Investment banking  | \$ 3          | \$ 5           | \$ 11         | (40%)                   | (73%)        | \$ 13               | \$ 20         | (35%)             |
| Principal transactions:   |               |                |               |                         |              |                     |               |                   |
| Trading   | (7)           | (3)            | (4)           | (133%)                  | (75%)        | (22)                | (49)          | 55%               |
| Investments <sup>(1)</sup>  | 77            | (176)          | 364           | *                       | (79%)        | 330                 | 996           | (67%)             |
| Commissions and fees  | 0             | 0              | 0             | --                      | --           | 0                   | 0             | --                |
| Asset management, distribution and admin. fees                          | 379           | 392            | 444           | (3%)                    | (15%)        | 1,582               | 1,630         | (3%)              |
| Other   | (14)          | (4)            | 46            | *                       | *            | 25                  | 164           | (85%)             |
| Total non-interest revenues   | <u>438</u>    | <u>214</u>     | <u>861</u>    | 105%                    | (49%)        | <u>1,928</u>        | <u>2,761</u>  | (30%)             |
| Interest income   | 0             | 3              | 4             | *                       | *            | 10                  | 22            | (55%)             |
| Interest expense  | 14            | 12             | 19            | 17%                     | (26%)        | 51                  | 98            | (48%)             |
| Net interest  | (14)          | (9)            | (15)          | (56%)                   | 7%           | (41)                | (76)          | 46%               |
| Net revenues  | <u>424</u>    | <u>205</u>     | <u>846</u>    | 107%                    | (50%)        | <u>1,887</u>        | <u>2,685</u>  | (30%)             |
| Compensation and benefits   | 183           | 132            | 277           | 39%                     | (34%)        | 848                 | 1,108         | (23%)             |
| Non-compensation expenses   | 163           | 191            | 216           | (15%)                   | (25%)        | 786                 | 859           | (8%)              |
| Total non-interest expenses   | <u>346</u>    | <u>323</u>     | <u>493</u>    | 7%                      | (30%)        | <u>1,634</u>        | <u>1,967</u>  | (17%)             |
| Income (loss) from continuing operations before taxes                   | 78            | (118)          | 353           | *                       | (78%)        | 253                 | 718           | (65%)             |
| Income tax provision / (benefit) from continuing operations             | 28            | (39)           | 85            | *                       | (67%)        | 73                  | 105           | (30%)             |
| Income (loss) from continuing operations                                | <u>50</u>     | <u>(79)</u>    | <u>268</u>    | *                       | (81%)        | <u>180</u>          | <u>613</u>    | (71%)             |
| Gain (loss) from discontinued operations after tax                      | 5             | 30             | 7             | (83%)                   | (29%)        | 41                  | 664           | (94%)             |
| Net income (loss)   | 55            | (49)           | 275           | *                       | (80%)        | 221                 | 1,277         | (83%)             |
| Net income (loss) applicable to noncontrolling interests <sup>(1)</sup> | 44            | (18)           | 102           | *                       | (57%)        | 145                 | 408           | (64%)             |
| Net income (loss) applicable to Morgan Stanley                          | <u>\$ 11</u>  | <u>\$ (31)</u> | <u>\$ 173</u> | *                       | (94%)        | <u>\$ 76</u>        | <u>\$ 869</u> | (91%)             |
| Amounts applicable to Morgan Stanley:                                   |               |                |               |                         |              |                     |               |                   |
| Income (loss) from continuing operations                                | 6             | (61)           | 166           | *                       | (96%)        | 35                  | 205           | (83%)             |
| Gain (loss) from discontinued operations after tax                      | 5             | 30             | 7             | (83%)                   | (29%)        | 41                  | 664           | (94%)             |
| Net income (loss) applicable to Morgan Stanley                          | <u>\$ 11</u>  | <u>\$ (31)</u> | <u>\$ 173</u> | *                       | (94%)        | <u>\$ 76</u>        | <u>\$ 869</u> | (91%)             |
| Return on average common equity   |               |                |               |                         |              |                     |               |                   |
| from continuing operations  | 1%            | *              | 29%           |                         |              | *                   | 8%            |                   |
| Pre-tax profit margin   | 18%           | *              | 42%           |                         |              | 13%                 | 27%           |                   |
| Compensation and benefits as a % of net revenues                        | 43%           | 64%            | 33%           |                         |              | 45%                 | 41%           |                   |

- Notes: - The negative adjustment related to the MUFG conversion was included in the numerator in the calculation of the return on average common equity. For the year ended December 31, 2011 excluding this negative adjustment, the return on average common equity for Asset Management would have been 1%.
- For the quarter ended December 31, 2011, discontinued operations primarily reflected a reduction in the carrying amount of certain guarantees related to Crescent Real Estate Equities Limited Partnership.
  - For the full year ended December 31, 2010, the gain (loss) from discontinued operations primarily included the operating results and gain on sale of substantially all of the retail asset management business, including Van Kampen.
  - Pre-tax profit margin is a non-GAAP financial measure that the Firm considers to be a useful measure that the Firm and investors use to assess operating performance. Percentages represent income from continuing operations before income taxes as a percentage of net revenues.
  - Refer to End Notes on pages 16-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Asset Management**  
**(unaudited, dollars in billions)**

|  | Quarter Ended  |                 |                 | Percentage Change From: |              | Twelve Months Ended |                 | Percentage Change |
|--|----------------|-----------------|-----------------|-------------------------|--------------|---------------------|-----------------|-------------------|
|  | Dec 31, 2011   | Sept 30, 2011   | Dec 31, 2010    | Sept 30, 2011           | Dec 31, 2010 | Dec 31, 2011        | Dec 31, 2010    |                   |
| <b>Net Revenues</b>  |                |                 |                 |                         |              |                     |                 |                   |
| Traditional Asset Management   | \$ 290         | \$ 291          | \$ 347          | --                      | (16%)        | \$ 1,273            | \$ 1,198        | 6%                |
| Real Estate Investing <sup>(1)</sup>                                 | 111            | 52              | 253             | 113%                    | (56%)        | 442                 | 769             | (43%)             |
| Merchant Banking <sup>(2)</sup>                                      | 23             | (138)           | 246             | *                       | (91%)        | 172                 | 718             | (76%)             |
| Total Asset Management   | <u>\$ 424</u>  | <u>\$ 205</u>   | <u>\$ 846</u>   | 107%                    | (50%)        | <u>\$ 1,887</u>     | <u>\$ 2,685</u> | (30%)             |
| <b>Assets under management or supervision</b>                        |                |                 |                 |                         |              |                     |                 |                   |
| Net flows by asset class <sup>(3)</sup>                              |                |                 |                 |                         |              |                     |                 |                   |
| Traditional Asset Management   |                |                 |                 |                         |              |                     |                 |                   |
| Equity   | \$ 1.0         | \$ (0.7)        | \$ 0.4          | *                       | 150%         | \$ 3.7              | \$ (0.2)        | *                 |
| Fixed Income   | (1.5)          | (1.0)           | (0.6)           | (50%)                   | (150%)       | (5.5)               | (0.4)           | *                 |
| Liquidity  | 6.7            | (4.7)           | 1.3             | *                       | *            | 20.1                | (5.5)           | *                 |
| Alternatives   | 7.8            | 0.0             | 0.0             | *                       | *            | 7.9                 | (0.2)           | *                 |
| Total Traditional Asset Management                                   | <u>14.0</u>    | <u>(6.4)</u>    | <u>1.1</u>      | *                       | *            | <u>26.2</u>         | <u>(6.3)</u>    | *                 |
| Real Estate Investing  | 0.3            | 0.6             | (0.2)           | (50%)                   | *            | 1.0                 | 1.7             | (41%)             |
| Merchant Banking   | 0.2            | 0.0             | (1.5)           | *                       | *            | (1.4)               | (1.1)           | (27%)             |
| Total net flows  | <u>\$ 14.5</u> | <u>\$ (5.8)</u> | <u>\$ (0.6)</u> | *                       | *            | <u>\$ 25.8</u>      | <u>\$ (5.7)</u> | *                 |
| Assets under management or supervision by asset class <sup>(4)</sup> |                |                 |                 |                         |              |                     |                 |                   |
| Traditional Asset Management   |                |                 |                 |                         |              |                     |                 |                   |
| Equity   | \$ 104         | \$ 98           | \$ 110          | 6%                      | (5%)         |                     |                 |                   |
| Fixed Income   | 57             | 58              | 61              | (2%)                    | (7%)         |                     |                 |                   |
| Liquidity  | 74             | 67              | 53              | 10%                     | 40%          |                     |                 |                   |
| Alternatives   | 25             | 18              | 18              | 39%                     | 39%          |                     |                 |                   |
| Total Traditional Asset Management                                   | <u>260</u>     | <u>241</u>      | <u>242</u>      | 8%                      | 7%           |                     |                 |                   |
| Real Estate Investing  | 18             | 18              | 16              | --                      | 13%          |                     |                 |                   |
| Merchant Banking <sup>(5)</sup>                                      | 9              | 9               | 14              | --                      | (36%)        |                     |                 |                   |
| Total Assets Under Management or Supervision                         | <u>\$ 287</u>  | <u>\$ 268</u>   | <u>\$ 272</u>   | 7%                      | 6%           |                     |                 |                   |
| Share of minority stake assets                                       | 6              | 6               | 7               | --                      | (14%)        |                     |                 |                   |

Notes: - Alternatives include a range of alternative investment products such as hedge funds, funds of hedge funds and funds of private equity funds.  
- The share of minority stake assets represents Asset Management's proportional share of assets managed by entities in which it owns a minority stake.  
- Refer to End Notes on pages 16-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Country Risk Exposure <sup>(1)</sup> - European Peripherals and France**  
**Three Months Ended December 31, 2011**  
**(unaudited, dollars in millions)**

|   | Net<br>Inventory <sup>(2)</sup> | Net<br>Counterparty<br>Exposure <sup>(3)</sup> | Funded<br>Lending | Unfunded<br>Lending | CDS<br>Adjustment <sup>(4)</sup> | Exposure<br>Before<br>Hedges | Hedges <sup>(5)</sup> | Net Exposure |
|---|---------------------------------|--|-------------------|---------------------|----------------------------------|------------------------------|-----------------------|--------------|
| Sovereigns                                      | \$ (8)                          | \$ 20  | \$ -              | \$ -                | \$ 23                            | \$ 35                        | \$ 1                  | \$ 36        |
| Non-sovereigns                                  | 53                              | 7  | 142               | -                   | -                                | 202                          | (78)                  | 124          |
| Greece  | 45                              | 27   | 142               | -                   | 23                               | 237                          | (77)                  | 160          |
| Sovereigns                                      | 78                              | 1  | -                 | -                   | 4                                | 83                           | (2)                   | 81           |
| Non-sovereigns                                  | 102                             | 41   | -                 | -                   | 15                               | 158                          | (16)                  | 142          |
| Ireland   | 180                             | 42   | -                 | -                   | 19                               | 241                          | (18)                  | 223          |
| Sovereigns                                      | (29)                            | 4,202  | -                 | -                   | 412                              | 4,585                        | (786)                 | 3,799        |
| Non-sovereigns                                  | 197                             | 689  | 255               | 363                 | 179                              | 1,683                        | (581)                 | 1,102        |
| Italy <sup>(7)</sup>                            | 168                             | 4,891  | 255               | 363                 | 591                              | 6,268                        | (1,367)               | 4,901        |
| Sovereigns                                      | (366)                           | 11   | -                 | -                   | 504                              | 149                          | (37)                  | 112          |
| Non-sovereigns                                  | 225                             | 397  | 311               | 424                 | 218                              | 1,575                        | (297)                 | 1,278        |
| Spain   | (141)                           | 408  | 311               | 424                 | 722                              | 1,724                        | (334)                 | 1,390        |
| Sovereigns                                      | (435)                           | 97   | -                 | -                   | 23                               | (315)                        | (96)                  | (411)        |
| Non-sovereigns                                  | 7                               | 90   | 126               | -                   | 47                               | 270                          | (98)                  | 172          |
| Portugal  | (428)                           | 187  | 126               | -                   | 70                               | (45)                         | (194)                 | (239)        |
| Sovereigns                                      | (760)                           | 4,331  | -                 | -                   | 966                              | 4,537                        | (920)                 | 3,617        |
| Non-sovereigns                                  | 584                             | 1,224  | 834               | 787                 | 459                              | 3,888                        | (1,070)               | 2,818        |
| Total Peripherals <sup>(6)</sup> <sup>(7)</sup> | (176)                           | 5,555  | 834               | 787                 | 1,425                            | 8,425                        | (1,990)               | 6,435        |
| Sovereigns                                      | (1,796)                         | 234  | -                 | -                   | 100                              | (1,462)                      | (228)                 | (1,690)      |
| Non-sovereigns                                  | 85                              | 2,246  | 416               | 1,657               | 390                              | 4,794                        | (1,390)               | 3,404        |
| France <sup>(6)</sup>                           | \$ (1,711)                      | \$ 2,480                                       | \$ 416            | \$ 1,657            | \$ 490                           | \$ 3,332                     | \$ (1,618)            | \$ 1,714     |

(1) Country Risk Exposure, measured in accordance with the Company's internal risk management standards, includes obligations from sovereigns and non-sovereigns, which include governments, corporations, clearinghouses and financial institutions.

(2) Net Inventory represents the fair value of both long and (short) single name positions (i.e., bonds, CDS, equities).

(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 the fair value of 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.

(5) Fair value of hedges on net counterparty exposure and funded lending.

(6) In addition, at December 31, 2011, the Company had European peripheral country and French exposure for overnight deposits with banks of approximately \$448 million and \$15 million, respectively.

(7) On December 22, 2011, the Company executed certain derivative restructuring amendments which settled on January 3, 2012. Upon settlement of the amendments, the exposure before hedges and net exposure for Italy decreased to \$2,887 million and \$1,522 million, respectively, and the exposure before hedges and net exposure for Peripherals decreased to \$5,044 million and \$3,056 million, respectively.

- Refer to Legal Notice on page 18.

This page represents an addendum to the 4Q 2011 Financial Supplement, Appendix II

**MORGAN STANLEY**  
**Earnings Per Share Calculation Under Two-Class Method**  
**Three Months Ended December 31, 2011**  
**(unaudited, in millions, except for per share data)**

**Allocation of net income from continuing operations**

|   | (A)                          | (B)                         | (C)   | (D)                                 | (E)                                   | (F)                      | (G)                      |
|---|------------------------------|-----------------------------|---|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |   |                                     |                                       | (D)+(E)                  | (F)/(A)                  |
|   |                              |                             | Net income from continuing operations applicable to Morgan Stanley <sup>(3)</sup> |                                     |                                       | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> |   | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> |                          |                          |
| Basic Common Shares                                 | 1,850                        | 99%                         |   | \$93                                | (\$345)                               | (\$252) <sup>(6)</sup>   | (\$0.14)                 |
| Participating Restricted Stock Units <sup>(1)</sup> | 18                           | 1%                          |   | \$1                                 | \$0                                   | \$1 <sup>(7)</sup>       | N/A                      |
|   | 1,868                        | 100%                        | (\$251)   | \$94                                | (\$345)                               | (\$251)                  |                          |

**Allocation of gain (loss) from discontinued operations**

|   | (A)                          | (B)                         | (C)  | (D)                                 | (E)                                   | (F)                      | (G)                      |
|---|------------------------------|-----------------------------|--|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |  |                                     |                                       | (D)+(E)                  | (F)/(A)                  |
|   |                              |                             | Gain (loss) from Discontinued Operations Applicable to Common Shareholders, after Tax <sup>(3)</sup> |                                     |                                       | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> |  | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> |                          |                          |
| Basic Common Shares                                 | 1,850                        | 99%                         |  | \$0                                 | (\$23)                                | (\$23) <sup>(6)</sup>    | (\$0.01)                 |
| Participating Restricted Stock Units <sup>(1)</sup> | 18                           | 1%                          |  | \$0                                 | \$0                                   | \$0 <sup>(7)</sup>       | N/A                      |
|   | 1,868                        | 100%                        | (\$23)   | \$0                                 | (\$23)                                | (\$23)                   |                          |

**Allocation of net income applicable to common shareholders**

|   | (A)                          | (B)                         | (C)  | (D)                                 | (E)                                   | (F)                      | (G)                      |
|---|------------------------------|-----------------------------|--|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |  |                                     |                                       | (D)+(E)                  | (F)/(A)                  |
|   |                              |                             | Net income applicable to Morgan Stanley <sup>(3)</sup> |                                     |                                       | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> |  | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> |                          |                          |
| Basic Common Shares                                 | 1,850                        | 99%                         |  | \$93                                | (\$368)                               | (\$275) <sup>(6)</sup>   | (\$0.15)                 |
| Participating Restricted Stock Units <sup>(1)</sup> | 18                           | 1%                          |  | \$1                                 | \$0                                   | \$1 <sup>(7)</sup>       | N/A                      |
|   | 1,868                        | 100%                        | (\$274)  | \$94                                | (\$368)                               | (\$274)                  |                          |

Note: - Refer to End Notes on pages 16-17 and Legal Notice on page 18.

**MORGAN STANLEY**  
**Earnings Per Share Calculation Under Two-Class Method**  
**Twelve Months Ended December 31, 2011**  
**(unaudited, in millions, except for per share data)**

**Allocation of net income from continuing operations**

|   | (A)                          | (B)                         | (C)   | (D)                                 | (E)                                   | (F)                      | (F)                      |
|---|------------------------------|-----------------------------|---|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |   |                                     |                                       | (D)+(E)                  | (G)                      |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> | Net income from continuing operations applicable to Morgan Stanley <sup>(3)</sup> | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
| Basic Common Shares                                 | 1,655                        | 99%                         |   | \$331                               | \$1,786                               | \$2,117 <sup>(6)</sup>   | \$1.28                   |
| Participating Restricted Stock Units <sup>(1)</sup> | 20                           | 1%                          |   | \$4                                 | \$22                                  | \$26 <sup>(7)</sup>      | N/A                      |
|   | 1,675                        | 100%                        | \$2,143   | \$335                               | \$1,808                               | \$2,143                  |                          |

**Allocation of gain (loss) from discontinued operations**

|   | (A)                          | (B)                         | (C)  | (D)                                 | (E)                                   | (F)                      | (F)                      |
|---|------------------------------|-----------------------------|--|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |  |                                     |                                       | (D)+(E)                  | (G)                      |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> | Gain (loss) from Discontinued Operations Applicable to Common Shareholders, after Tax <sup>(3)</sup> | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
| Basic Common Shares                                 | 1,655                        | 99%                         |  | \$0                                 | (\$50)                                | (\$50) <sup>(6)</sup>    | (\$0.03)                 |
| Participating Restricted Stock Units <sup>(1)</sup> | 20                           | 1%                          |  | \$0                                 | (\$1)                                 | (\$1) <sup>(7)</sup>     | N/A                      |
|   | 1,675                        | 100%                        | (\$51)   | \$0                                 | (\$51)                                | (\$51)                   |                          |

**Allocation of net income available to common shareholders**

|   | (A)                          | (B)                         | (C)  | (D)                                 | (E)                                   | (F)                      | (F)                      |
|---|------------------------------|-----------------------------|--|-------------------------------------|---------------------------------------|--------------------------|--------------------------|
|   |                              |                             |  |                                     |                                       | (D)+(E)                  | (G)                      |
|   | Weighted Average # of Shares | % Allocation <sup>(2)</sup> | Net income applicable to Morgan Stanley <sup>(3)</sup> | Distributed Earnings <sup>(4)</sup> | Undistributed Earnings <sup>(5)</sup> | Total Earnings Allocated | Basic EPS <sup>(8)</sup> |
| Basic Common Shares                                 | 1,655                        | 99%                         |  | \$331                               | \$1,736                               | \$2,067 <sup>(6)</sup>   | \$1.25                   |
| Participating Restricted Stock Units <sup>(1)</sup> | 20                           | 1%                          |  | \$4                                 | \$21                                  | \$25 <sup>(7)</sup>      | N/A                      |
|   | 1,675                        | 100%                        | \$2,092  | \$335                               | \$1,757                               | \$2,092                  |                          |

Note: - Refer to End Notes on pages 16-17 and Legal Notice on page 18.



**Page 4:**

- (1) Reflects the regional view of the Firm's consolidated net revenues, on a managed basis, based on the following methodology: Institutional Securities: investment banking - client location, equity capital markets - client location, debt capital markets - revenue recording location, sales & trading - trading desk location. Global Wealth Management: financial advisor location. Asset Management: client location except for the merchant banking business which is based on asset location.
- (2) Goodwill and intangible balances net of allowable mortgage servicing rights deduction for quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 of \$120 million, \$120 million and \$141 million, respectively.

**Page 5:**

- (1) The Firm's capital management approach includes an estimation of an amount of capital the Firm and its businesses require over a wide range of market environments. Tier 1 capital, Tier 1 common equity and common equity are designated to segments based on the capital usage calculated by the Firm's Required Capital framework, an internal adequacy measure, which considers a combination of a base amount of capital and an amount of economic capital reserved to absorb extreme stress events. The Firm defines parent capital as capital not specifically designated to a particular business segment. The Firm generally holds parent capital for prospective regulatory requirements, organic growth, acquisitions and other capital needs. The Firm's Required Capital is met by regulatory Tier 1 capital or Tier 1 common equity. The Required Capital framework will continue to evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modeling techniques.

**Page 7:**

- (1) Represents the loss amount that one would not expect to exceed, on average, more than five times every one hundred trading days in the Firm's trading positions if the portfolio were held constant for a one-day period. Trading VaR for all primary market risk categories has been recast for all periods to exclude Credit Portfolio VaR which includes mark-to-market relationship lending exposures and associated hedges as well as counterparty credit risk valuation adjustments including its related hedges. Credit Portfolio VaR is disclosed as a separate category. The Firm considers this new allocation method to be a more transparent view of the Firm's traded market risk. For further discussion of the calculation of VaR and the limitations of the Firm's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" included in the Firm's 10-K for the year ended December 31, 2010.

**Page 11:**

- (1) The quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 include investment gains (losses) for certain funds included in the Firm's consolidated financial statements. The limited partnership interests in these gains were reported in net income (loss) applicable to noncontrolling interests.

**Page 12:**

- (1) Real Estate Investing revenues include gains or losses related to principal investments held by certain consolidated real estate funds. These gains or losses are offset in the net income (loss) applicable to noncontrolling interest. The investment gains (losses) for the quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 are \$45 million, \$(13) million and \$109 million, respectively.
- (2) Merchant Banking revenues include gains or losses related to entities in which Asset Management owns a minority stake, including FrontPoint subsequent to the Firm's restructuring of its ownership of that business during the quarter ended March 31, 2011.

- (3) Net Flows by region [inflow / (outflow)] for the quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 are:  
North America: \$8.6 billion, \$(4.2) billion and \$(2.0) billion  
International: \$5.9 billion, \$(1.6) billion and \$1.4 billion
- (4) Assets under management or supervision by region for the quarters ended December 31, 2011, September 30, 2011 and December 31, 2010 are:  
North America: \$187 billion, \$176 billion and \$175 billion  
International: \$100 billion, \$92 billion and \$97 billion
- (5) Assets under management or supervision for the quarter ended December 31, 2011 exclude FrontPoint whereas the quarter ended December 31, 2010 include assets under management or supervision of \$5.0 billion related to FrontPoint.

**Page 14:**

- (1) Invested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Restricted Stock Units ("RSUs") that pay dividend equivalents subject to vesting are not deemed participating securities and are included in diluted shares outstanding (if dilutive) under the treasury stock method.
- (2) The percentage of weighted basic common shares and participating RSUs to the total weighted average of basic common shares and participating RSUs.
- (3) Represents net income from continuing operations, gain (loss) from discontinued operations (after tax), and net income applicable to Morgan Stanley for the quarter ended December 31, 2011 prior to allocations to participating RSUs.
- (4) Distributed earnings represent the dividends declared on common shares and participating RSUs for the quarter ended December 31, 2011. The amount of dividends declared is based upon the number of common shares outstanding as of the dividend record date. During the quarter ended December 31, 2011, a \$0.05 dividend was declared on common shares outstanding and participating RSUs.
- (5) The two-class method assumes all of the earnings for the reporting period are distributed and allocates to the participating RSUs what they would be entitled to based on their contractual rights and obligations of the participating security.
- (6) Total income applicable to common shareholders to be allocated to the common shares in calculating basic and diluted EPS for common shares.
- (7) Total income applicable to common shareholders to be allocated to the participating RSUs reflected as a deduction to the numerator in determining basic and diluted EPS for common shares.
- (8) Basic and diluted EPS data are required to be presented only for classes of common stock, as described under the accounting guidance for earnings per share.

**Page 15:**

- (1) Invested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Restricted Stock Units ("RSUs") that pay dividend equivalents subject to vesting are not deemed participating securities and are included in diluted shares outstanding (if dilutive) under the treasury stock method.
- (2) The percentage of weighted basic common shares and participating RSUs to the total weighted average of basic common shares, and participating RSUs.
- (3) Represents net income from continuing operations, gain (loss) from discontinued operations (after tax), and net income applicable to Morgan Stanley for the year ended December 31, 2011 prior to allocations to participating RSUs.
- (4) Distributed earnings represent the dividends declared on common shares and participating RSUs for the year ended December 31, 2011. The amount of dividends declared is based upon the number of common shares outstanding as of the dividend record date. During the twelve months ended December 31, 2011, a total of \$0.20 dividend was declared on common shares outstanding and participating RSUs.
- (5) The two-class method assumes all of the earnings for the reporting period are distributed and allocates to the participating RSUs on what they would be entitled to based on the contractual rights and obligations of the participating security.
- (6) Total income applicable to common shareholders to be allocated to the common shares in calculating basic and diluted EPS for common shares.
- (7) Total income applicable to common shareholders to be allocated to the participating RSUs reflected as a deduction to the numerator in determining basic and diluted EPS for common shares.
- (8) Basic and diluted EPS data are required to be presented only for classes of common stock, as described under the accounting guidance for earnings per share.

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This Financial Supplement contains financial, statistical and business-related information, as well as business and segment trends. The information should be read in conjunction with the Firm's fourth quarter earnings press release issued January 19, 2012.