

Goldman Sachs Financial Services Conference

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Morgan Stanley Investment Management

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Notice

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 ("Annual Report on Form 10-K"), the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, including any amendments thereto, which are available on www.morganstanley.com.

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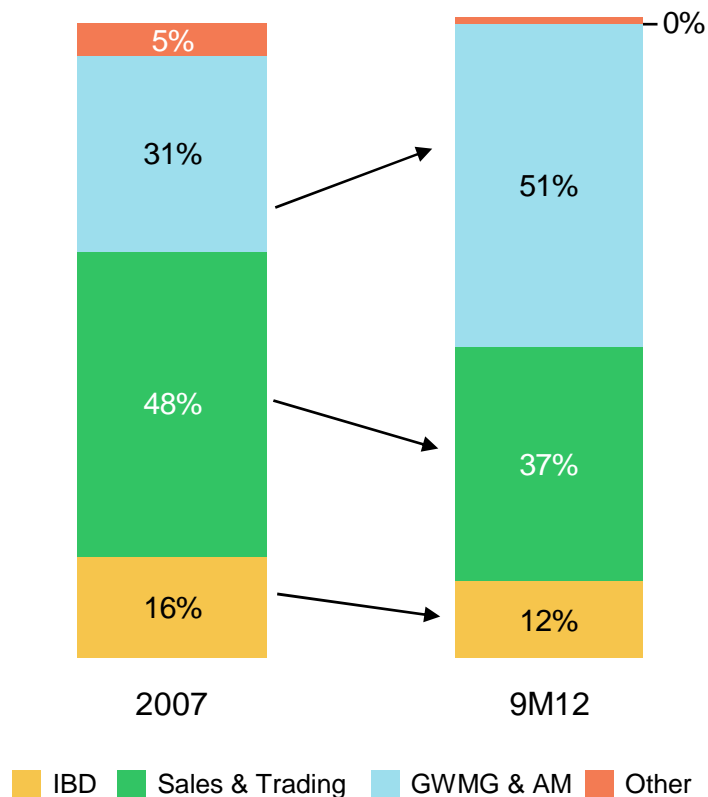
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Agenda

- 1 Firm Overview
- 2 Defining the Wealth Management Marketplace
- 3 Morgan Stanley's Wealth Management Strategy
- 4 The Lending and Deposit Opportunity
- 5 Technology Platform
- 6 What's Changed
- 7 Financial Metrics

1 Morgan Stanley Today is More Balanced With Complementary Businesses

2007–2012 Net Revenue Split (1) (2)



Key Drivers

- **Global Wealth Management Group**
 - Fully integrated, well positioned for growth
- **Institutional Securities Group**
 - Cohesive set of products across divisions
 - Leadership position in IBD
 - Balanced product and geographic mix in Equities
 - Continued focus on market share gains and capital management in Fixed Income

Source: Morgan Stanley SEC Filings and company data

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

(2) Net revenues adjusted for DVA (2007: (\$843)MM; 1H12: \$1.6Bn) and mortgage losses in 2007 (\$9.4Bn).

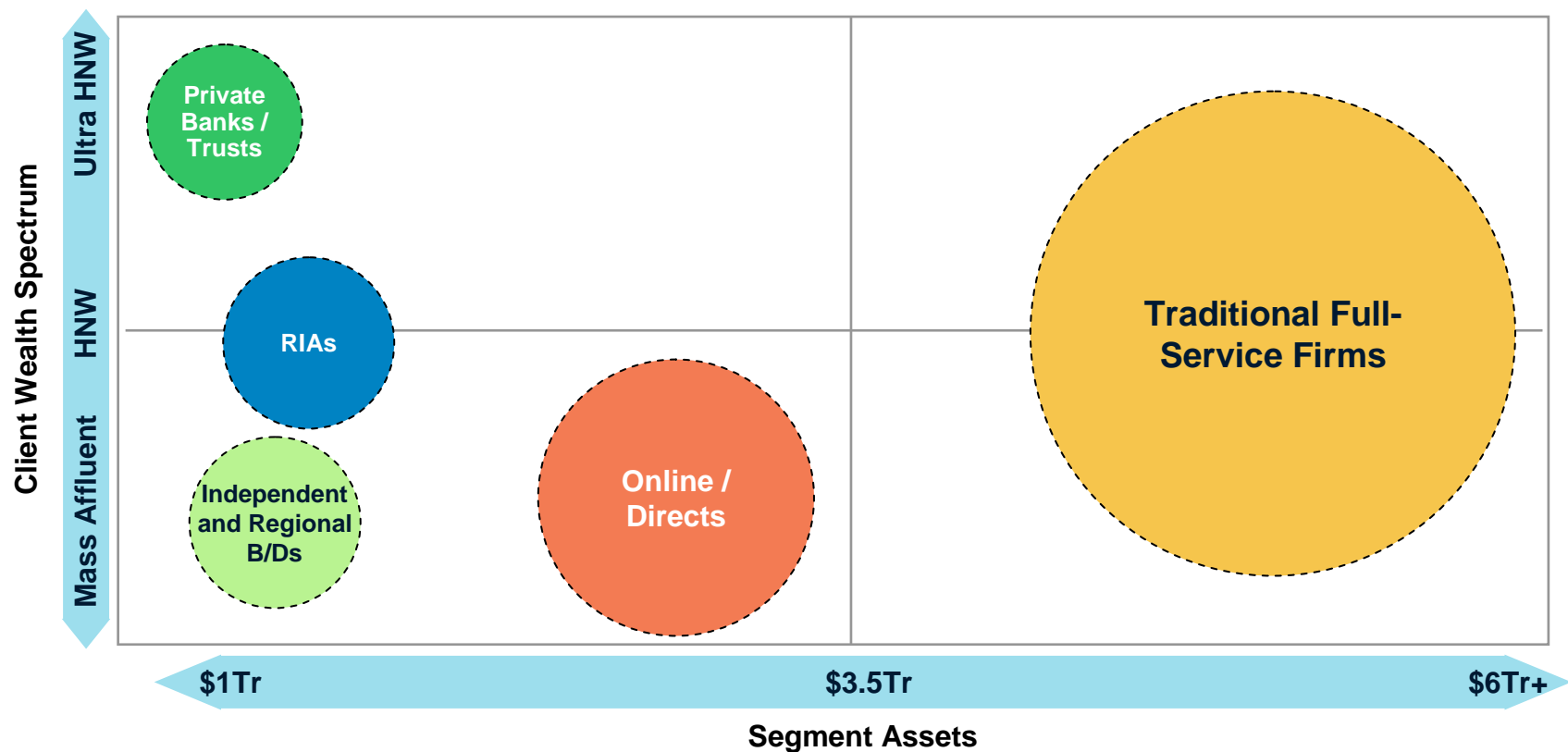
Morgan Stanley Wealth Management: An Overview

- **Revenue stability, growing deposit funding, capital light**
- Distinctive within financial services sector and Wealth Management market: delivering **a comprehensive suite of products and platform capabilities** to support our advisors and seamlessly addressing the needs of our clients as they evolve over time
 - Our Financial Advisors' experience and expertise are the cornerstone of our approach
- Business and financial momentum with **completion of the Smith Barney Integration**
 - Approaching *initial* target of mid-teens margin
 - Beyond margin improvement, focused on absolute **revenue and PBT expansion**
- Attractive **growth opportunities exist – even without market improvements:**
 - Extending our managed accounts leadership
 - Building out banking and lending
 - Acquiring the final 35% of the joint venture

2 The Wealth Management Market Is Served by Distinct Models

Traditional Full Service Spans a Range of Clients, From Mass Affluent to Ultra-High Net Worth

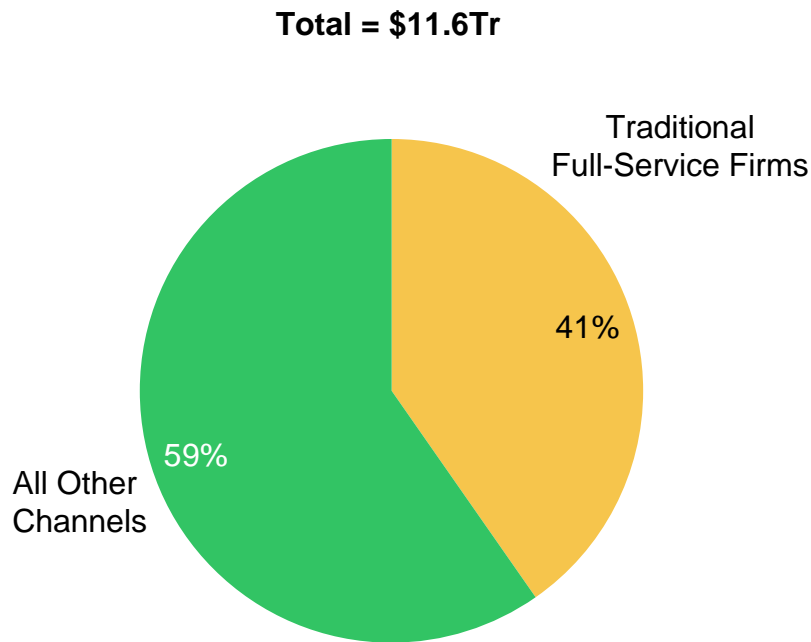
U.S. Wealth Management Market ⁽¹⁾



The Traditional Full-Service Firm Continues to Be the Leading Model

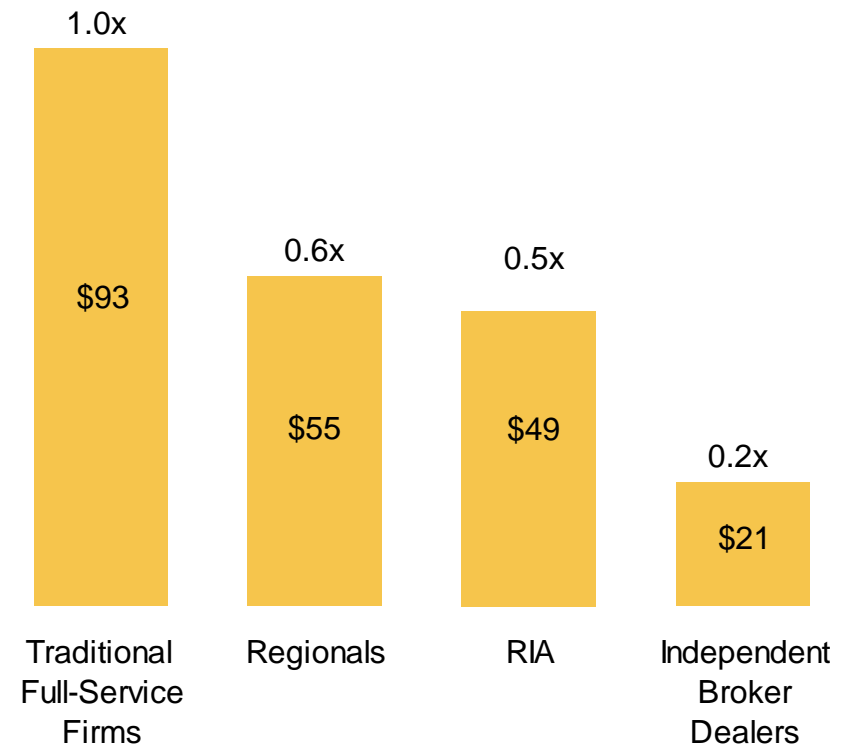
Market Share of Client Assets

(% of Total)



Average AUM per Advisor

Indexed to Full-Service Firms (\$MM)



3 Morgan Stanley's Wealth Management Strategy is Well-Positioned for Growth

Our Capabilities

- Comprehensive suite of capabilities that can seamlessly address the needs of our clients and FAs
- Breadth of product offerings combined with institutional connectivity

Our Financial Advisors

- Individual Financial Advisors' focus areas and local market opportunities drive our mix of clients, product selection, and pricing
- FA teaming and partnering support allows advisors to leverage the expertise of their colleagues to best meet client needs

Our Clients

- Our clients span the wealth spectrum and life stages
- Our platform and service focus allow us to meet their full range of needs as they evolve over time

Financial Advisors' Entrepreneurialism Drives Our Client Service and Success

Our Financial Advisors' Experience and Expertise are the Cornerstone of our Approach

World Class Financial Advisor Force

- Industry leading sales force of more than 16,000 Financial Advisors
- Highest quality Financial Advisors' practices:
 - #1 in Barron's Top 100 Financial Advisors, with 30 advisors
 - 6 Financial Advisors in Barron's Top 10
 - 20 of Barron's Top 100 Female Advisors
 - ~ 1,900 \$1MM+ producers
- Diverse range of specialty focus areas and niche areas of expertise

Sample Specialty Focus Areas:

Private Wealth Advisors – Ultra High Net Worth Clients, Family Offices

Portfolio Management Advisors – Discretionary asset allocation and portfolio construction

Graystone Advisors – Foundations, Pensions, Endowments, Taft Hartley

International Wealth Advisors – Non-Resident Clients

Equity Sales Group and Fixed Income Sales Group – Middle Market Institutions

Corporate Retirement Directors – Qualified Plans

Corporate Client Group Directors – Stock Plans, Executive Financial Services

Financial Advisor Partnering and Teaming Further Strengthen Our Value Proposition

Case Study 1 – Classic Local Team

Combining Individual Specialties for Holistic Wealth Management

Each Financial Advisor Has a Separate and Distinct Specialty:

Southeast-
Based
MSWM
Team

Financial Planning Individuals, Foundations and Corporate Clients

Consulting Group / Advisory Portfolio Management Equity
Discretionary Strategy

Transactional Asset Allocation and Concentrated Position Analysis

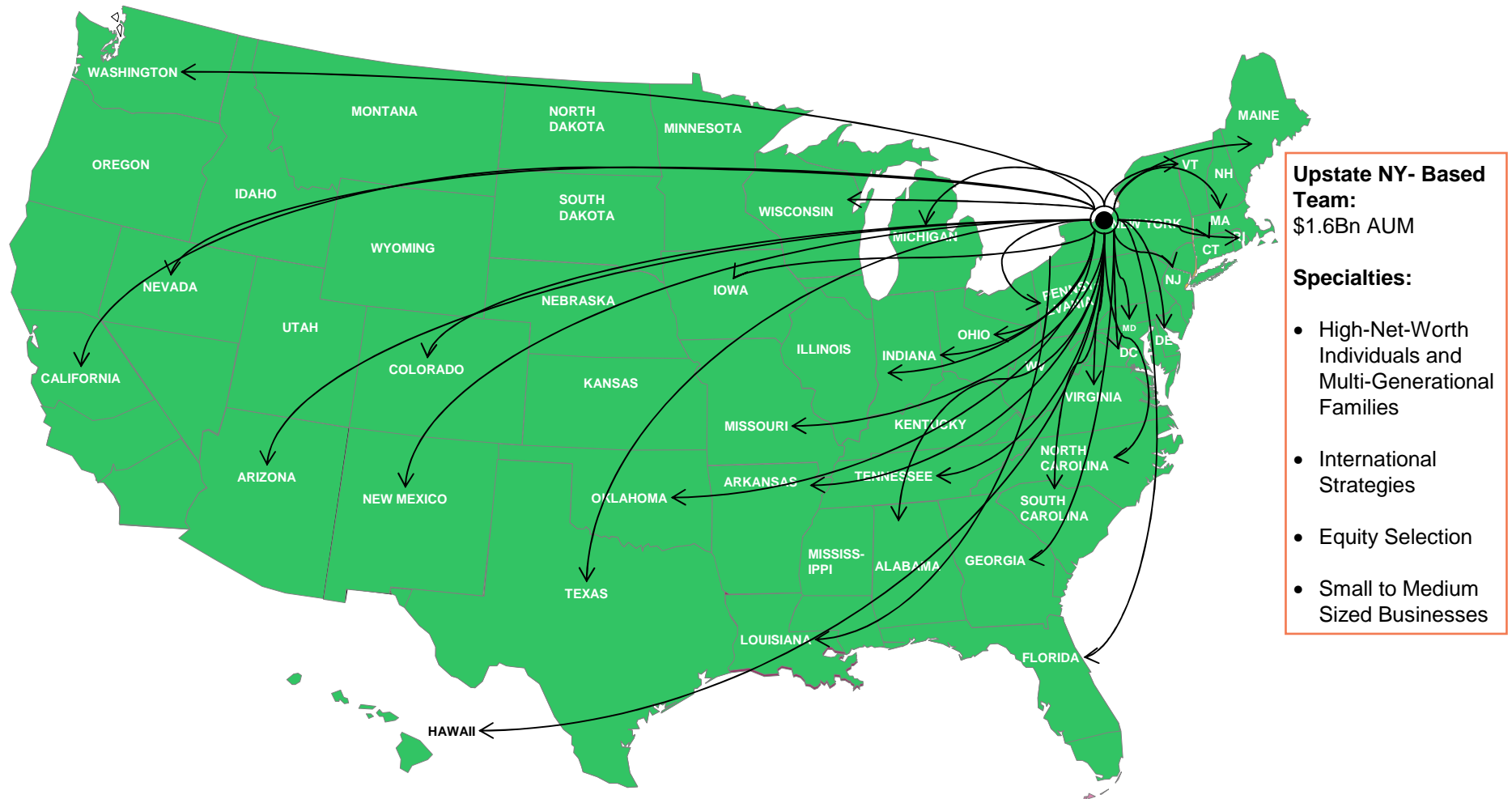
Alternative Investment Structures

Small to Medium Sized Businesses

Niche Specialty: Professional Athletes and Entertainment Clients

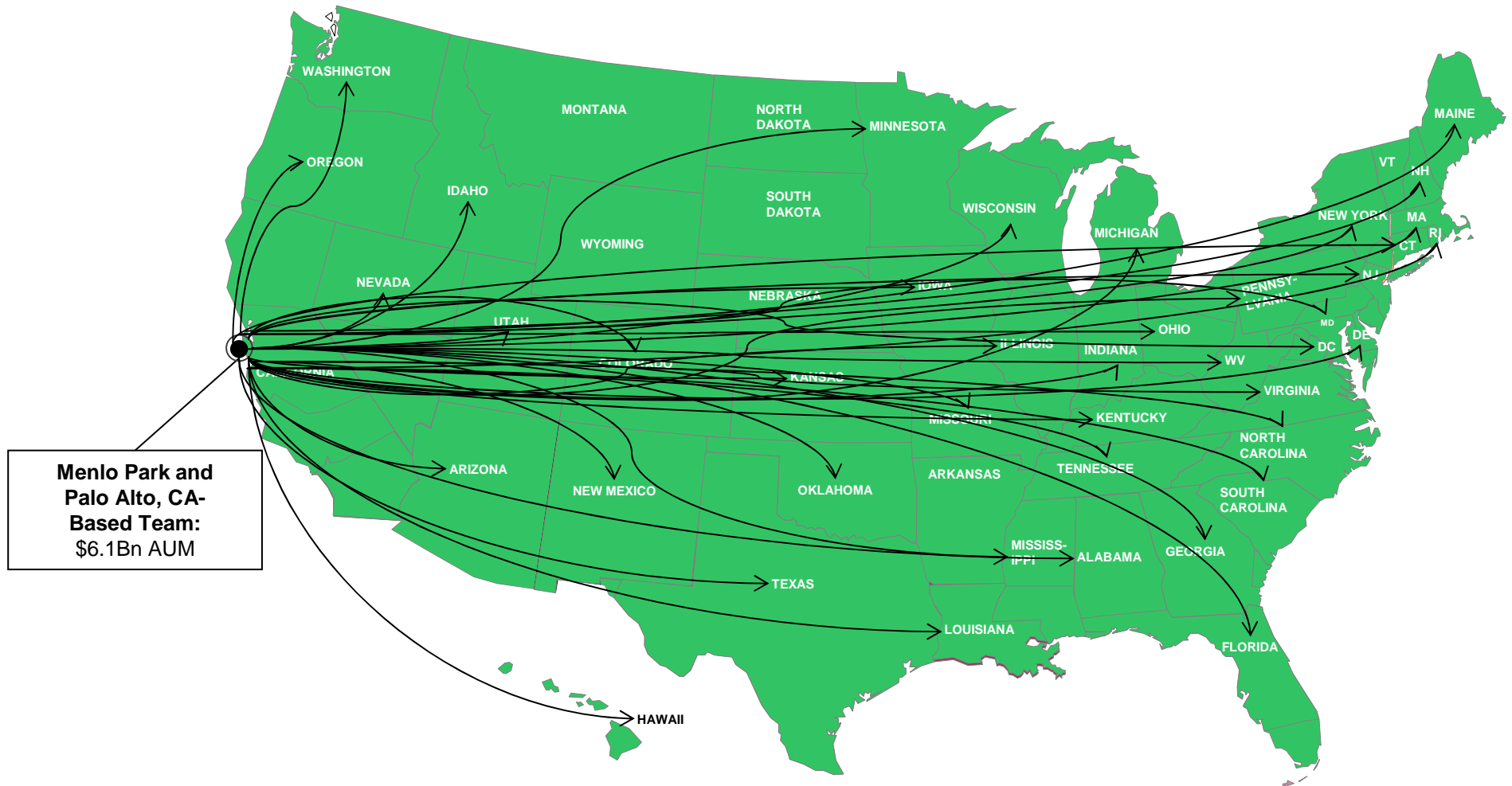
Other Teams Spread Their Reach Nationally...

Case Study 2 – Specialized Portfolio Management Team With 75% of Assets Managed In Partnership With FAs Outside of Their Local Market



...And Others Focus on Specific Client Segments

Case Study 3 – Corporate Services for High Tech Firm Employees Spanning the Country



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Morgan Stanley Wealth Management Capabilities Are Best-in-Class and Serve All Wealth Segments

Serving All Our Clients

% of Total Client Assets

32%

\$10MM+ Households

41%

\$1MM – \$10MM Households

27%

<\$1MM Households

Corporate Clients

Total Client Assets : \$1.8Tr
2.9MM Households

Best-In-Class Wealth Management Offering

- One of the Largest Managed Solutions platform
- Dedicated Capital Markets for Wealth Management with access to the institutional capabilities of Morgan Stanley
- One of the Largest Alternative Investments platform
- Diversified platform of investment products
- Robust research capabilities spanning manager due diligence, traditional research and asset allocation
- Custom Private Banking services

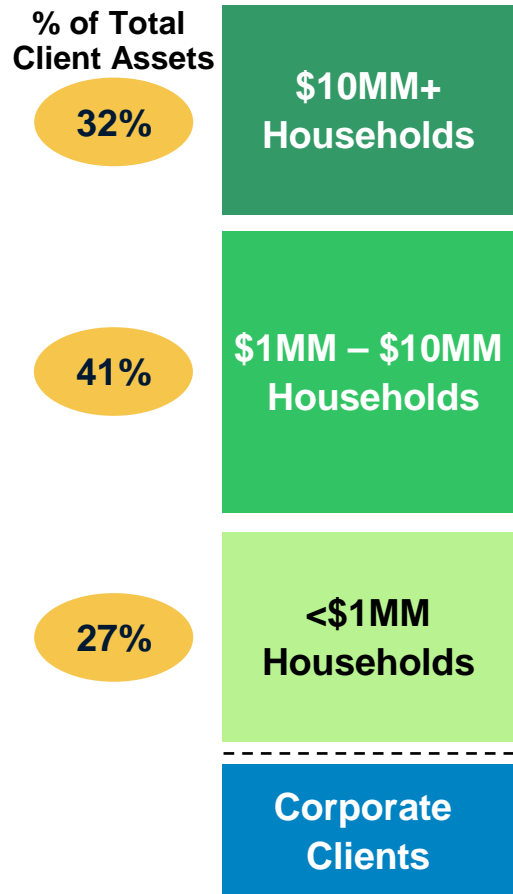
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Source: SEC Filings and Morgan Stanley Company Data

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Illustrative Solutions for \$10MM+ Households

Serving All Our Clients



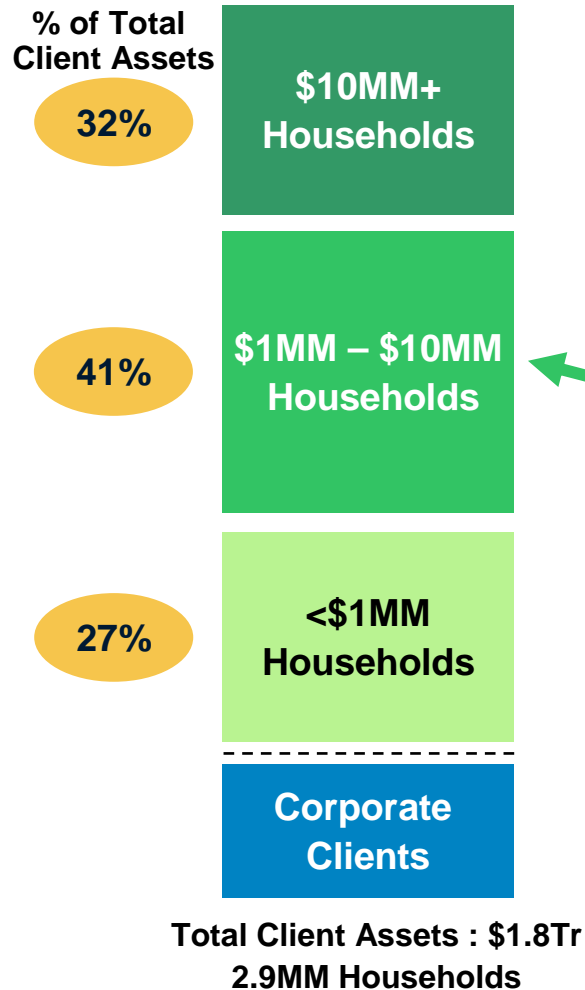
Total Client Assets : \$1.8Tr
2.9MM Households

Best-In-Class Wealth Management Offering

- Wealth Strategies Group dedicated to sophisticated portfolio construction
- Leading Managed Account Solutions – Fiduciary Asset Management, Trust Services, Fiduciary Services, Portfolio Management (FA Discretion), Unified Managed Accounts
- Exclusive Alternative Investment offerings – Private Equity, Real Estate, and Customized Products
- Family Wealth Advisory Services – Family Governance and Dynamics, Philanthropy Management, Wealth Planning Centers and Lifestyle Advisory
- Tailored lending products delivered in consultation with Private Bankers and Lending Advisors

Illustrative Solutions for \$1MM – \$10MM Households

Serving All Our Clients

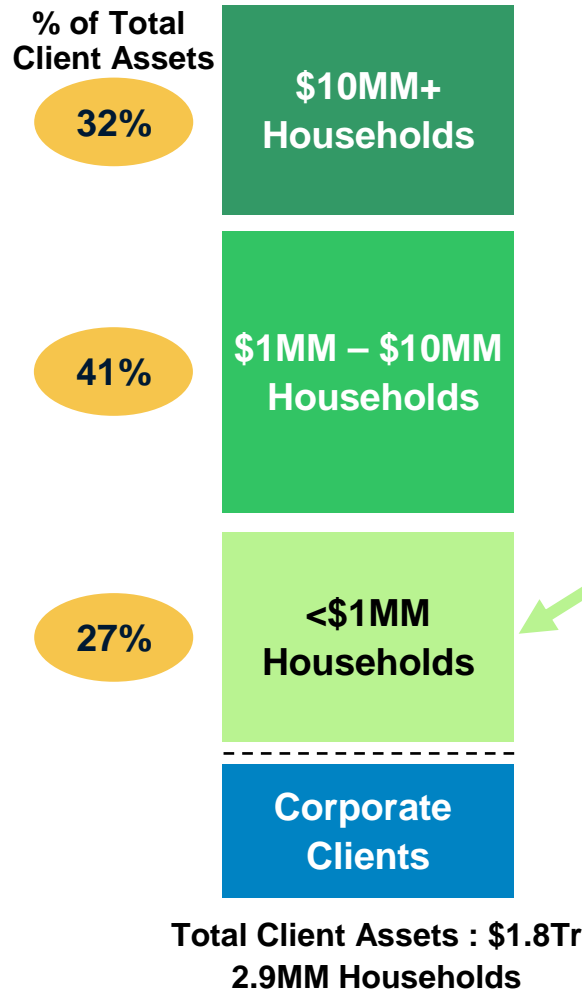


Best-In-Class Wealth Management Offering

- Leading Managed Account Solutions – Fiduciary Asset Management, Trust Services, Portfolio Management (FA Discretion), Unified Managed Accounts
- Capital Markets Solutions – Personalized portfolio reviews and design of equity linked derivative solutions, quality execution across variety of asset classes, and access to new issue offerings
- Exclusive Alternative Investment offerings – Managed Futures, Single Manager Hedge Funds, and Fund of Funds
- Financial and Retirement Planning, Life Insurance, and Donor Advised Funds
- Core HNW lending offering including mortgages, lines of credit, margin and securities based loans
- Compelling card offering with American Express

Illustrative Solutions for <\$1MM Households

Serving All Our Clients

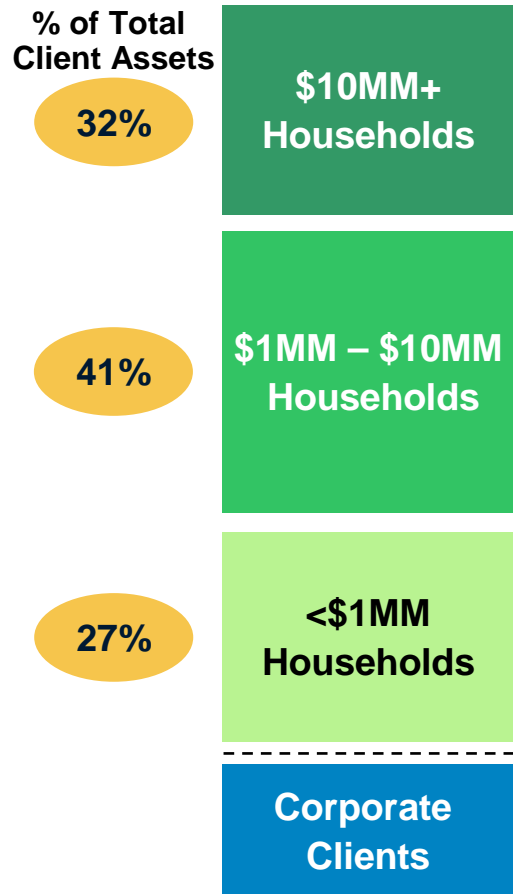


Best-In-Class Wealth Management Offering

- Leading Managed Account Solutions – Unified Managed Accounts, Separately Managed Accounts, Mutual Fund Advisory
- Capital Markets Solutions – Quality execution and access to new issue offerings across variety of asset classes (e.g., Closed End Funds, Corporate Fixed Income, Municipals, Equities)
- Diversified range of investment products with best possible fund managers – Mutual Funds, 529 Plans, Unit Investment Trusts, ETFs
- Financial Planning, Long-Term Care
- Flexible securities based and margin lending accounts

Illustrative Solutions for Corporate Clients

Serving All Our Clients

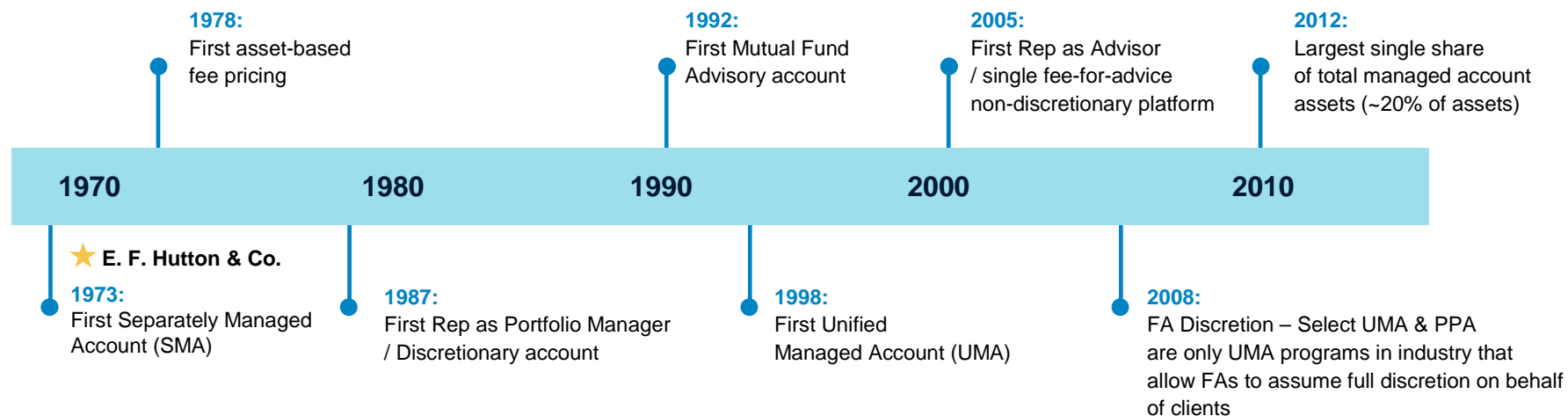


Total Client Assets : \$1.8Tr
2.9MM Households

Best-In-Class Wealth Management Offering

- Stock Plan Administration and Executive Financial Services
- Retirement Services
- Financial Planning and access to Wealth Planning Centers
- Capital Market Solutions: Access for Middle Market clients to full offerings at MSWM and Morgan Stanley broker dealer, and corporate cash solutions
- Graystone Consulting
- Other Institutional Advisory Programs (Fiduciary Asset Management, Global Investment Solutions)
- Strategic Lead Management

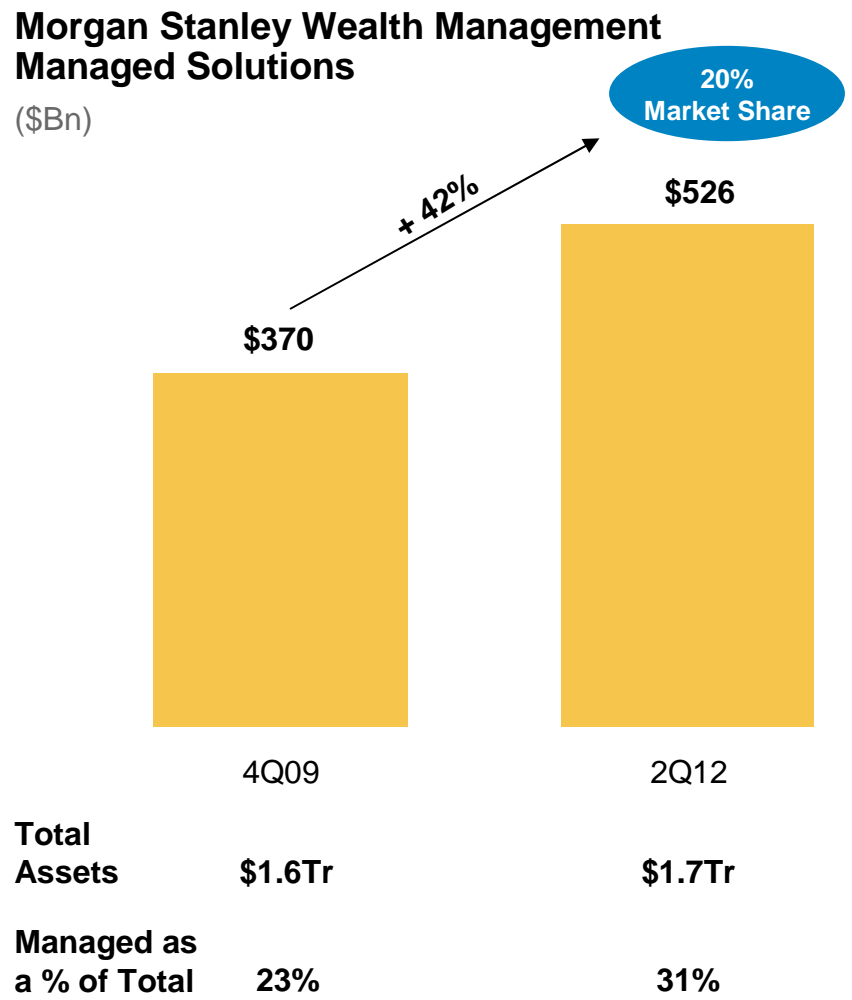
We Have a Four Decade Long Record of Innovation and Leadership in Managed Account Solutions...



Managed Account Capabilities

- Largest actively managed account solutions platform with record of continuous platform innovation
- Access to institutional-level asset managers with attractive cost structure
- 250+ investment professionals, 53 dedicated to portfolio construction / overlay function
- Unparalleled manager research group with proprietary database
 - 7,500 investment products screened with nearly 1,300 monitored quarterly

...And Have the Largest Share in the Industry



Critical Growth Drivers

- Growing client demand:
 - Benefits of enhanced portfolio diversification, construction, and monitoring
- In-depth knowledge of ideal client experience:
 - Wealth Advisory business model with customized plan, robust manager evaluation and selection, regular dialogue around progress
- Targeted development initiatives for experienced and new Financial Advisors:
 - In-depth education and coaching to best service clients
- Continuous platform innovations to expand capabilities

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Source: SEC Filings and Cerulli Associates

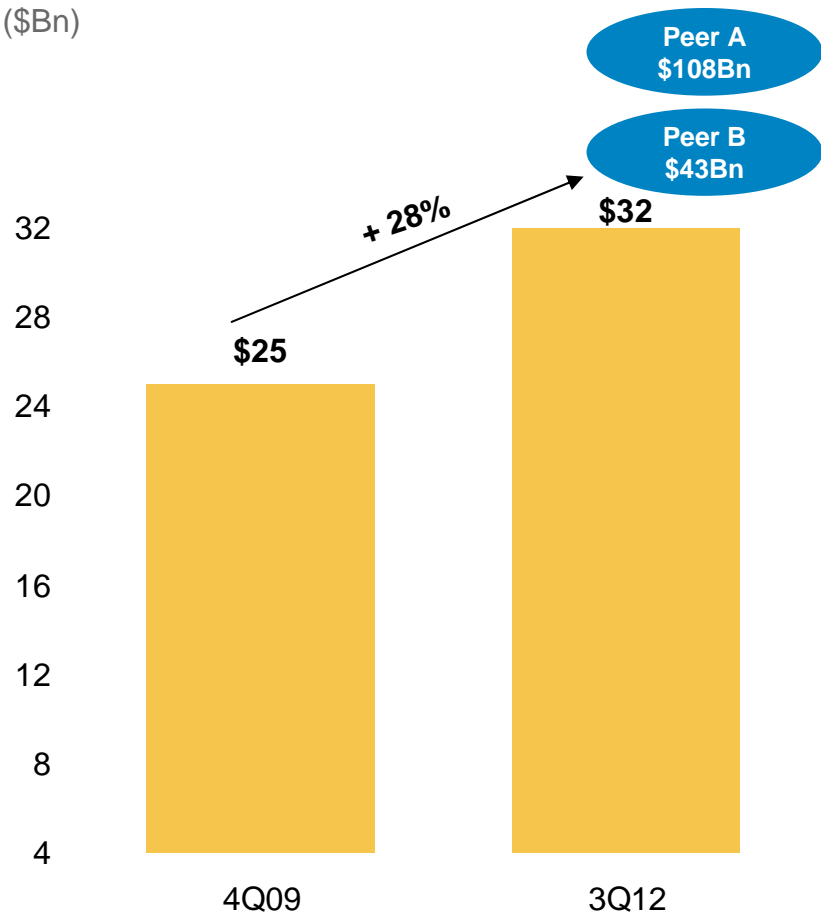
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4 The Lending Opportunity: Additional Growth Will Continue to Come from a Mix Shift in Net Interest Income

Lending Balances

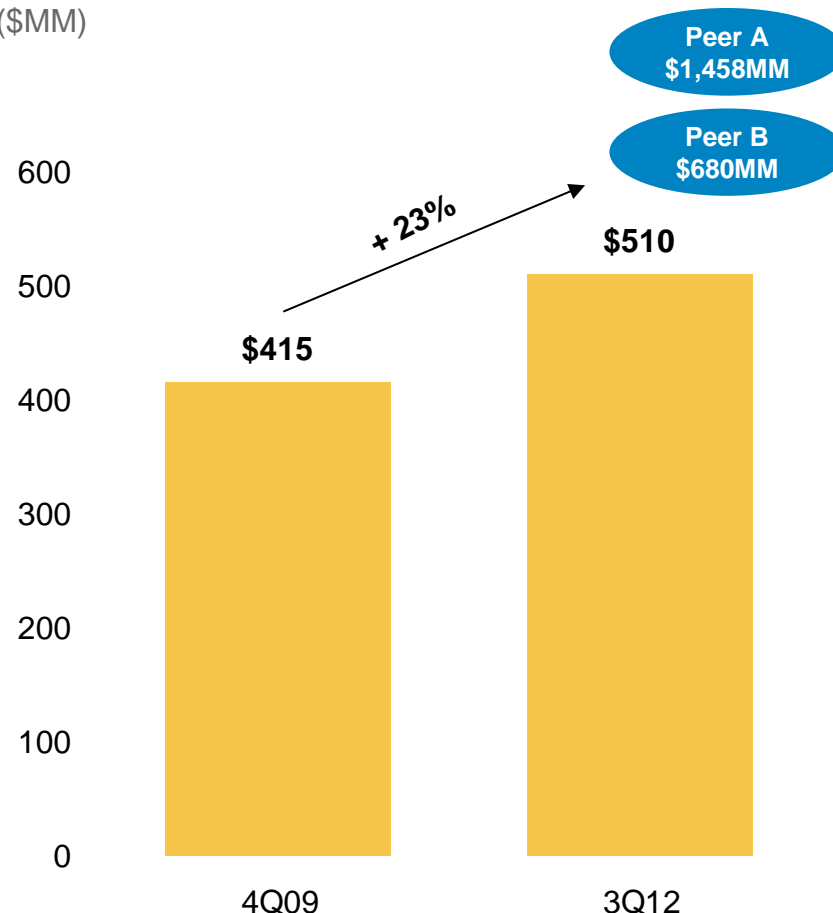
Lending Balances

(\$Bn)



Net Interest Income⁽¹⁾

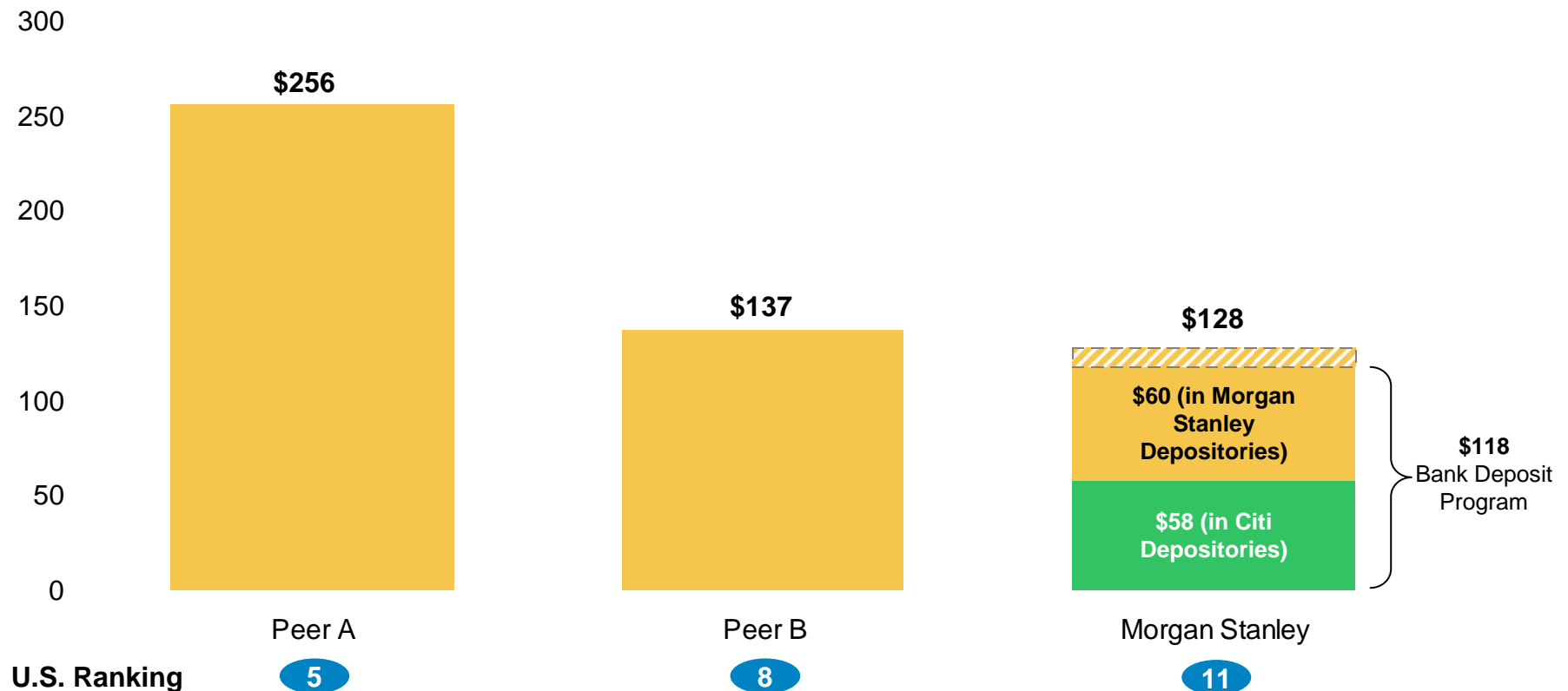
(\$MM)



Strong Deposit Position Provides Upside to Net Interest Income

Deposit Ranking of Select Wealth Management Firms (3Q12) ⁽¹⁾

(\$Bn)



Source: SEC Filings and SNL Financial

(1) Illustrative representation; \$128Bn includes \$10Bn of institutional deposits not included for relative peer ranking. Ranking is based on respective firm's wealth management assets only.

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5 With Conversion Behind Us, We Are Committed to Providing the Best Technology for Our FAs and Clients

Conversion Scope

- Replaced a 16 year old platform that was not sustainable
- Successfully migrated 7MM accounts, \$1.4Tr in AUM, and 25K users

Platform Enrichment

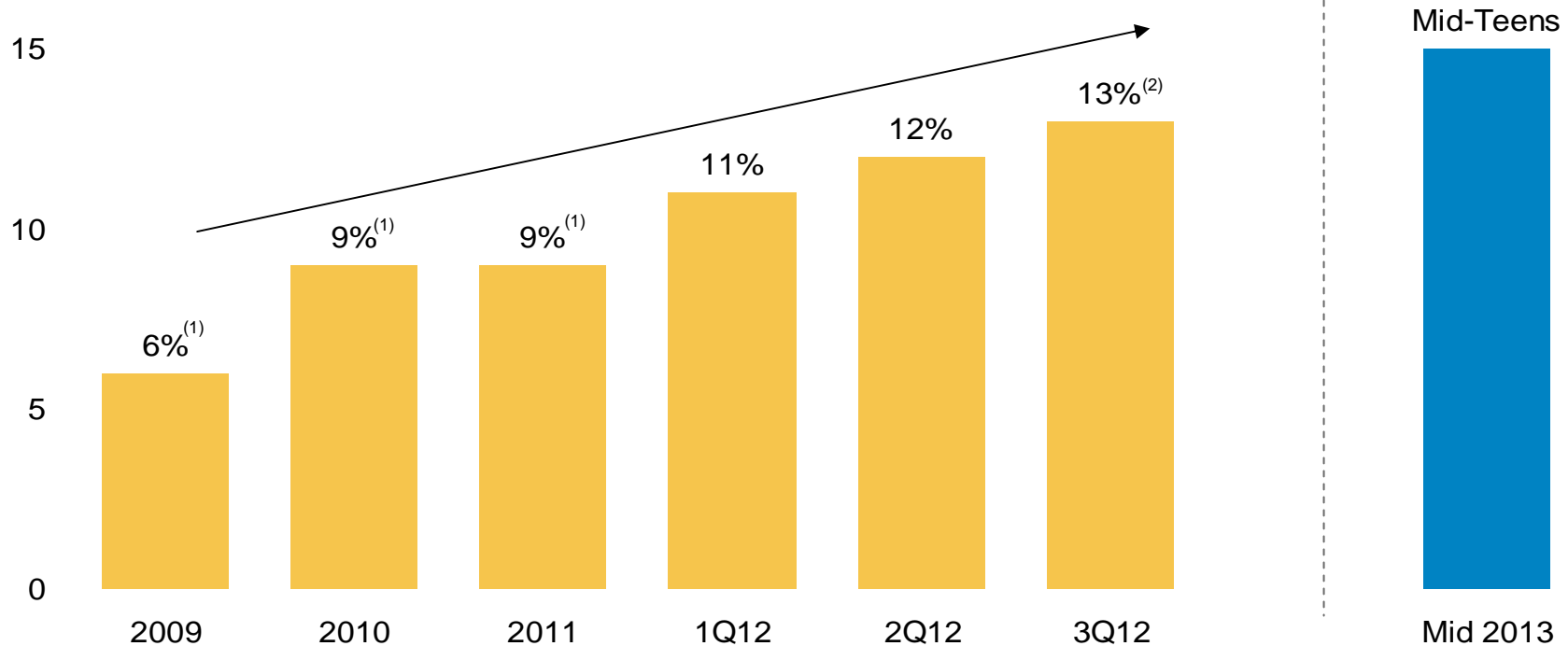
- Focused on adding features and functionality that the platform did not have on Day 1
- Enhancements will be made throughout 2013 and beyond

Platform Evolution

- Enhanced platform enables an integrated and seamless Client and FA experience with world class products through both FA and sales assistant delivery as well as online and mobile access

6 We Have Improved Margins in the Business

Global Wealth Management Group Margin (%)



Source: SEC Filings

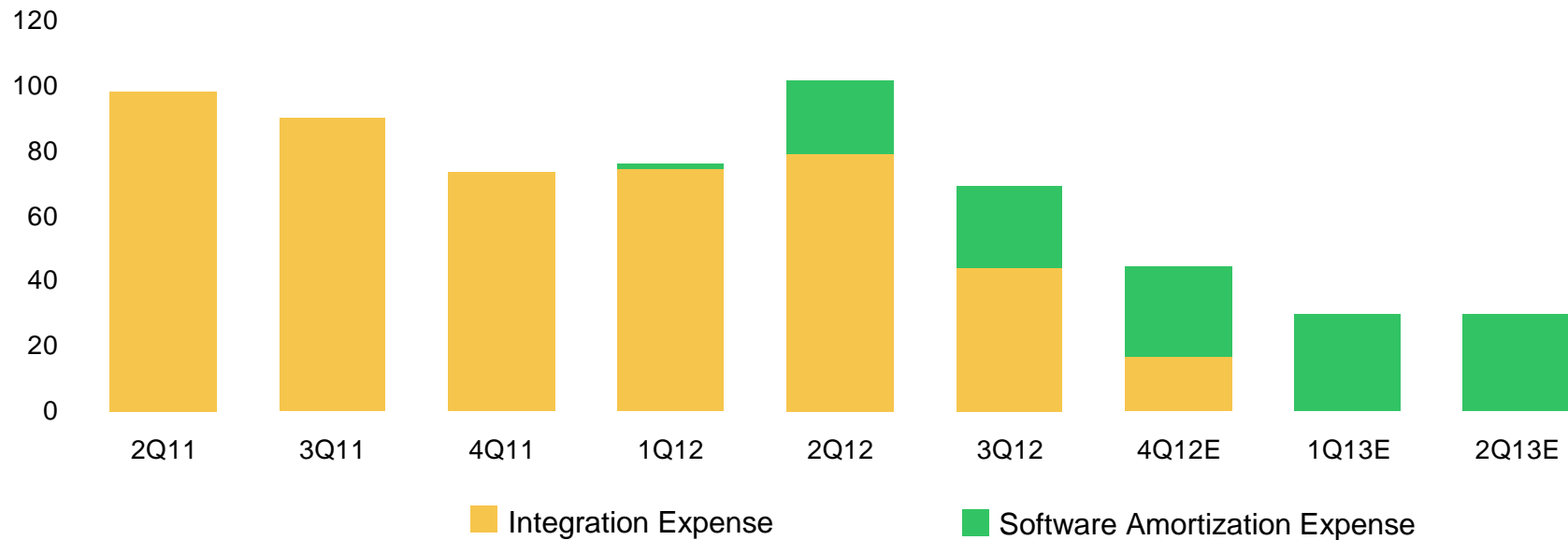
(1) Restated to exclude Quilter transaction.

(2) Global Wealth Management's pre-tax margin was adjusted for approximately \$193 million of non-recurring costs associated with the MSWM integration and the purchase of an additional 14% stake in the Joint Venture.

What's Changed: Integration Expense Declining

Integration Expenses vs. Software Amortization Expense

(\$MM)



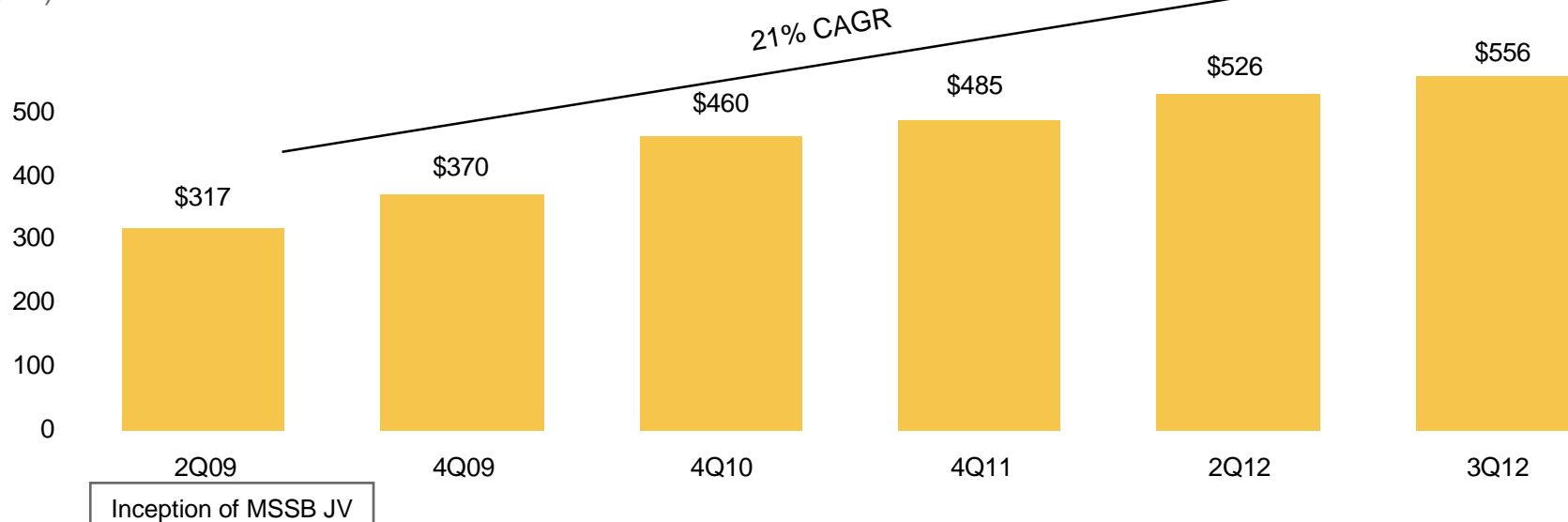
What's Changed: Expense Discipline

- **Field Organization:** Streamlined from 16 into 12 regions and de-layered management within the regions
- **Branches:** Reduced branches by 22% from 3Q09 to 727 at September 30, 2012
- **Systems Retirement:** Retirement of legacy software applications reducing redundant technology and operations, data processing, storage and maintenance and operational monitoring
- **Consolidation:** Many functions have been moved to central service centers with select processing and service support in lower cost locations. Focus on “front line empowerment” and related tools to integrate processes and increase timeliness
- **Financial Advisors:** 16,829 at 3Q12 decreased by 7%; attrition of top two quintiles near historic lows, increased productivity of trainee classes
- **Headcount:** Reduced GWMG non-FA headcount 15% from 3Q09

What's Changed: Fee-Based Accounts Growth Drive Recurring Revenue and Enhance Stability

Fee-Based Assets Under Management

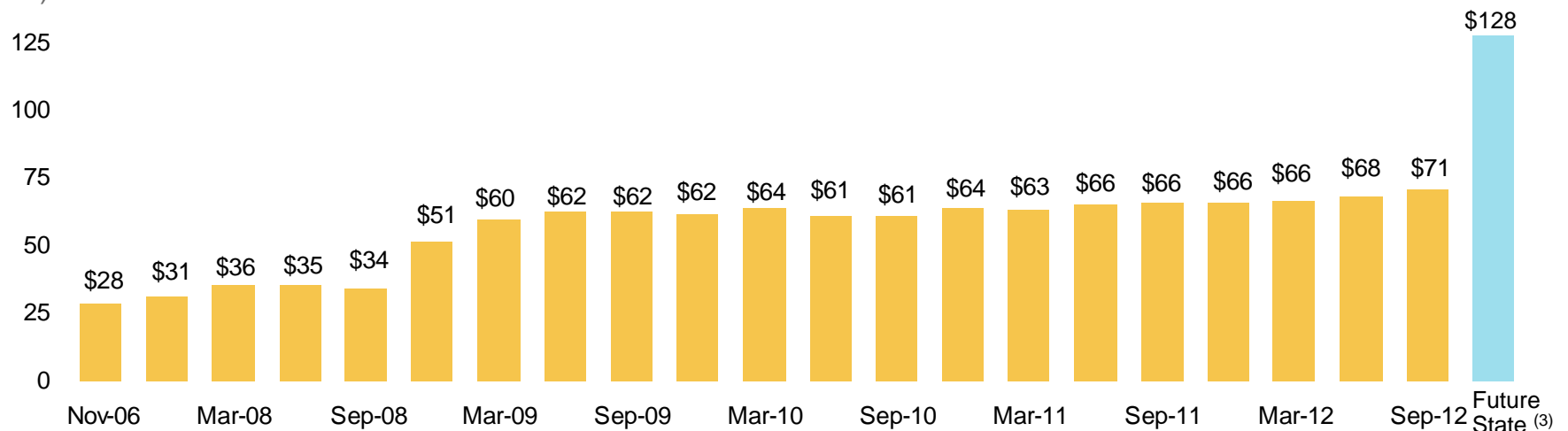
(\$Bn)



What's Changed: Deposits Have Increased

Deposits

(\$Bn)



Source: Morgan Stanley SEC Filings and company data

- (1) Household and asset data based on combined MSSB account base; relationship length based on legacy Morgan Stanley data only as Smith Barney data was not available.
- (2) Based on analysis of Morgan Stanley deposits and prior money market fund experience on brokerage sweep program over the last 10 years
- (3) On June 1, 2012, Morgan Stanley advised of its intention to exercise its right to purchase an additional 14% of MSSB. Future State deposit figures include values for all combined deposits in the Bank Deposit Program (\$117.6Bn) plus those deposits outside of the joint venture as of September 30, 2012. In connection with the 14% call option, approximately \$5.4Bn of deposits will be transferred to Morgan Stanley to reflect the resulting change in relative percentage ownership interests.

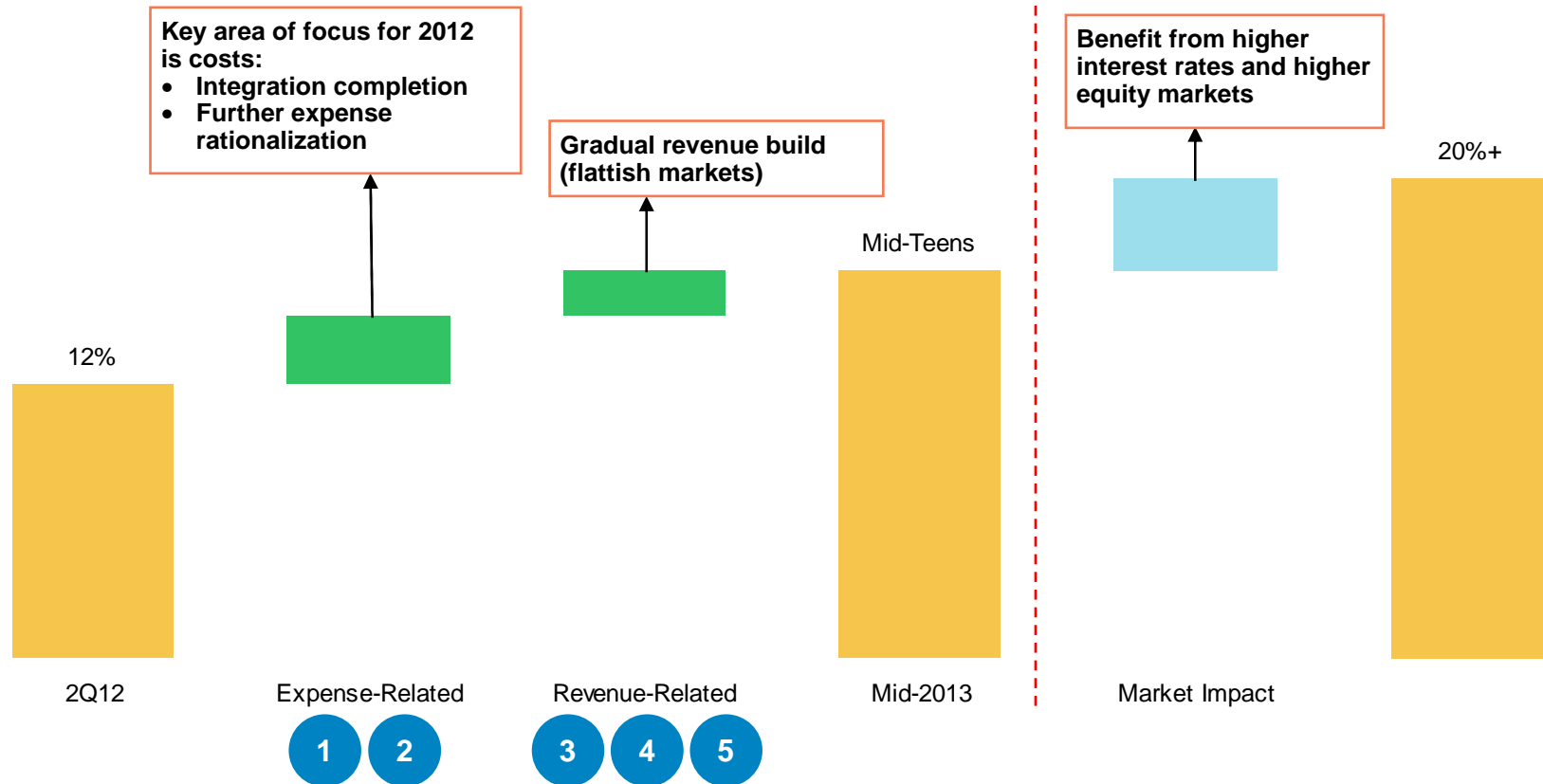
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Our Mid-teens Margin Goal Focused on Five Levers...

Morgan Stanley Global Wealth Management Group Pro-Forma Pre-Tax Margin ⁽¹⁾

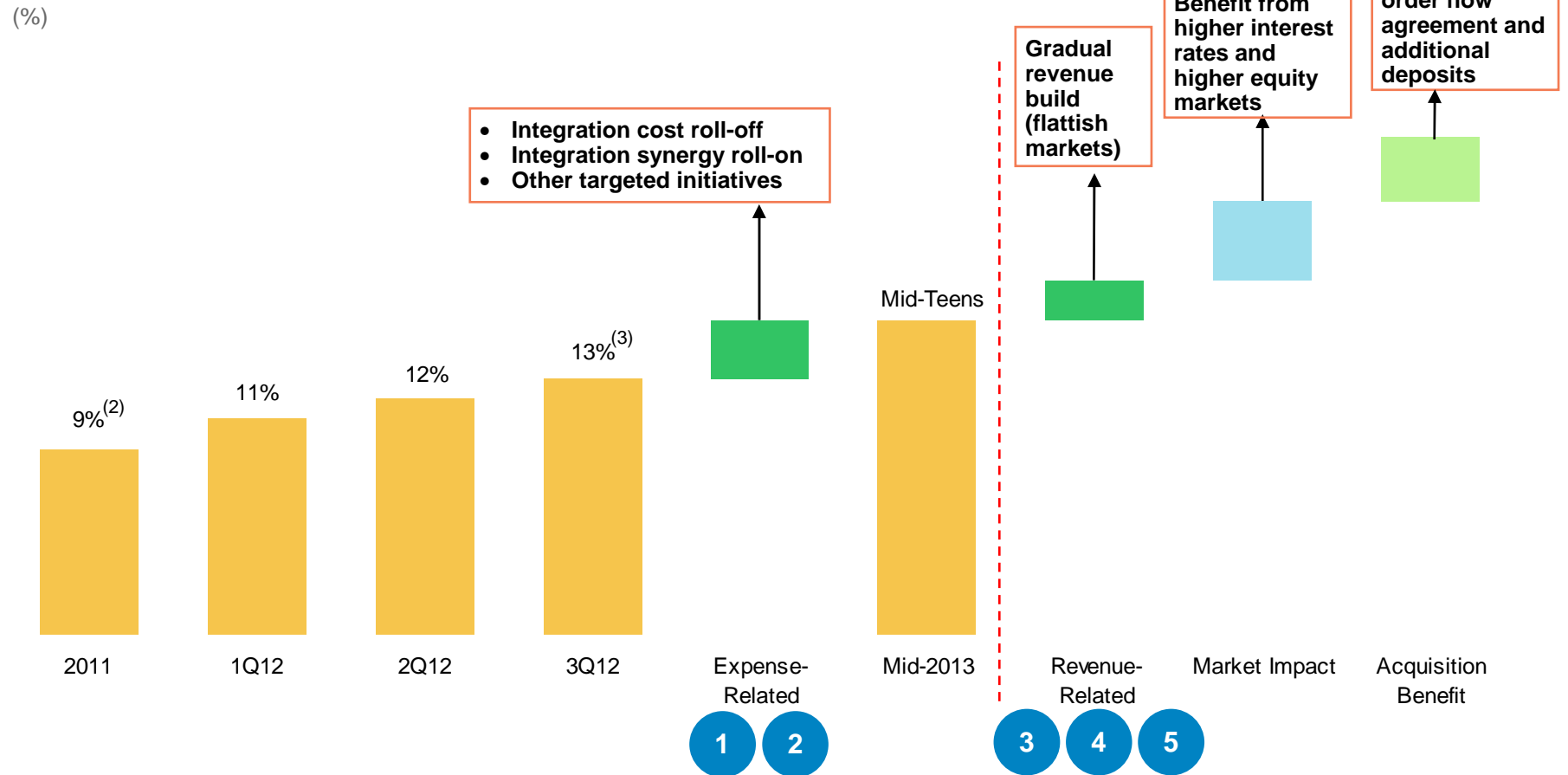
(%)



(1) Bars are for illustrative purposes only; factors impacting the pre-tax margins do not represent actual values. Pre-tax margin is a non-GAAP financial measure that the Firm considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues.

...But We Can Get There With Two Levers; Additional Upside from Remaining Levers, Market Impact and Acquisition Benefit

Morgan Stanley Global Wealth Management Group Pro-Forma Pre-Tax Margin ⁽¹⁾



(1) Bars are for illustrative purposes only; factors impacting the pre-tax margins do not represent actual values; based on 9/30/12 market levels. Pre-tax margin is a non-GAAP financial measure that the Firm considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues.

(2) Restated to exclude Quilter transaction.

(3) Global Wealth Management's pre-tax margin was adjusted for approximately \$193 million of non-recurring costs associated with the MSWM integration and the purchase of an additional 14% stake in the Joint Venture.

7 Significant Revenue and Profitability Upside

	Driver	Estimated PBT Impact
Managed Money Profitability	<ul style="list-style-type: none"> S&P at 1,600 S&P at 1,800 S&P at 2,000 	<ul style="list-style-type: none"> ~\$250MM ~\$500MM ~\$750MM
Interest with Current Deposit Base	<ul style="list-style-type: none"> Fed Funds Rate ↑ 0.5% Fed Funds Rate ↑ 1.0% Fed Funds Rate ↑ 1.5% 	<ul style="list-style-type: none"> ~\$200MM ~\$400MM ~\$600MM
Monthly Transactions	<ul style="list-style-type: none"> Revenue ↑ 5% Revenue ↑ 10% Revenue ↑ 15% 	<ul style="list-style-type: none"> ~\$100MM ~\$200MM ~\$300MM

Acquisition of Final 35% Of Joint Venture:

Interest with Pro-forma Deposit Base⁽¹⁾	<ul style="list-style-type: none"> Fed Funds Rate ↑ 0.5% Fed Funds Rate ↑ 1.0% Fed Funds Rate ↑ 1.5% 	<ul style="list-style-type: none"> ~\$350MM ~\$700MM ~\$1.1Bn
Order Flow Agreement	<ul style="list-style-type: none"> Gaining control from Citi of ~40% of MSWM's equity and fixed income flows will result in Morgan Stanley capturing additional bid/ask spread with minimal incremental cost to MSWM Additional upside in deepening relationship with ISG 	

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(1) Additional upside from deployment beyond AFS portfolio

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Recap

- Morgan Stanley Wealth Management provides revenue stability, growth in deposit funding, and is a capital light business that enhances the Morgan Stanley franchise
- Our core strategy is centered around providing best in class capabilities to our Financial Advisors and clients
- Expense discipline and the successful completion of conversion will enable us to achieve mid-teen margins (without meaningful help from the market)
- Our intense focus is now on driving revenue and absolute pre-tax profitability growth
- Revenue can increase even without market upside through expansion of our managed accounts business and the continued build-out of our banking and lending capabilities
- Moderate market growth through higher S&P returns and an increase in interest rates would lead to additional upside in 2013 and 2014 due to significant operating leverage
- Completion of the acquisition will result in further revenue and profitability upside

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