

Morgan Stanley 3Q13 Fixed Income Investor Update

November 14, 2013

Notice

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

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto. This presentation is not an offer to buy or sell any security.

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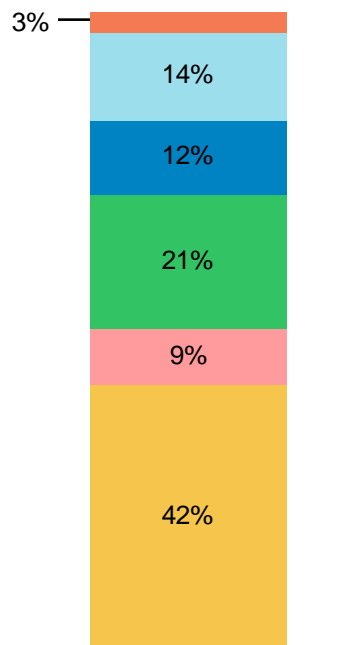
Agenda

- 1 Business Update
- 2 Capital Management
- 3 Prudent Liability Management
- 4 Liquidity Management
- 5 Regulatory Topics

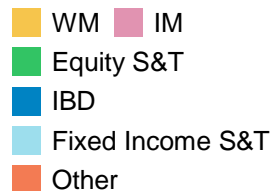
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Strategic Moves Enhance Business Outlook and Funding Profile

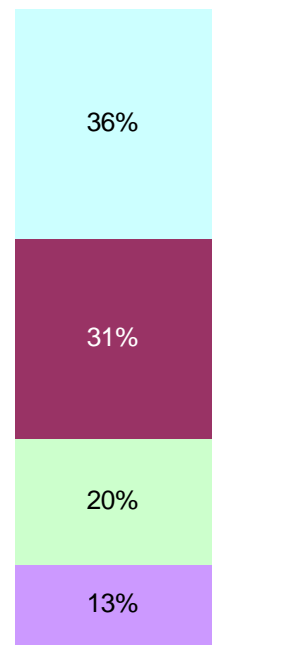
Revenue Split ^{(1),(2)}



9M 2013



Funding Stack



3Q13



Key Drivers

- **Wealth Management**
 - Fully integrated, well positioned for growth
 - Revenue stability, growth in deposit funding
 - Acquired final 35% stake of wealth management JV in 2Q13
 - Contractual upside from owning 100% of JV
- **Institutional Securities**
 - Cohesive set of products across divisions
 - Leadership position in Investment Banking
 - Balanced product and geographic mix in Equities
 - Continued focus on ROE in Fixed Income and Commodities
 - Executing plan to reduce risk-weighted assets in Fixed Income and Commodities to <\$180Bn by YE 2016 ⁽³⁾
 - Plan to drive ROE > Cost of Equity
- **Strategic partnership with MUFG**
- **Durable funding, strong capital and liquidity**

(1) Revenues exclude the negative impact of \$313 million from DVA in the nine months ended September 30, 2013. Revenue ex-DVA is a non-GAAP measure the Company considers useful for investors to allow comparability of period to period operating performance.

(2) Figures may not sum due to rounding.

(3) Fixed Income & Commodities risk-weighted asset reduction targets were re-defined to exclude lending, which is expected to grow with the banks.

Earnings Benefit From 100% Ownership of Wealth Management Business

Phase 1: Integration

- Streamlined branches and de-layered management
- Retired legacy software to reduce redundant technology
- Consolidated functions to central service centers
- Kept FA attrition low, maintained top two quintiles
- Reduced non-FA headcount

Phase 2: Acquisition

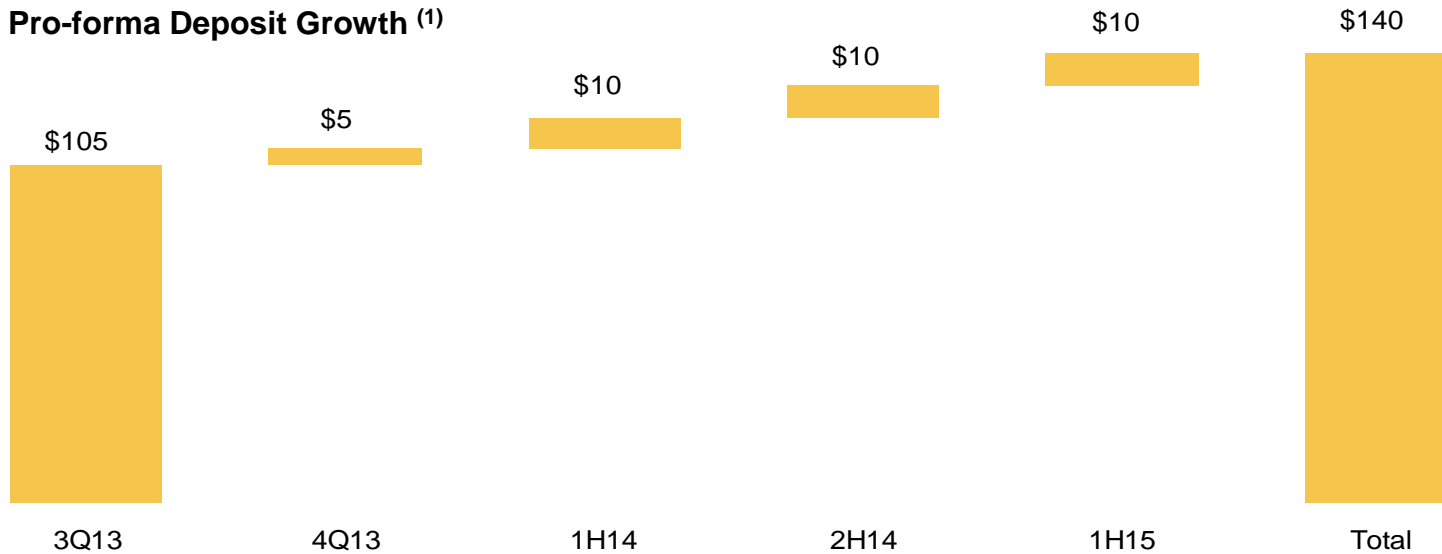
- September 2012:
 - Negotiated fixed price for 49% minority stake, including no premium for deposits
 - Purchased 14% to bring ownership to 65%
- June 2013:
 - Acquired remaining 35% stake

Phase 3: Earnings Growth

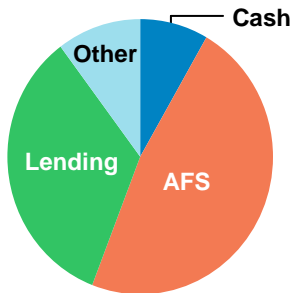
- Contractual upside
 - Elimination of NCI
 - Order Flow Agreement
 - Deposits
- Prudent deposit deployment
- Expense management
- Secular shift into managed accounts
- Potential tailwind from rising rates and asset prices

Significant Increase in Deposits With 100% Ownership of Wealth Management Business

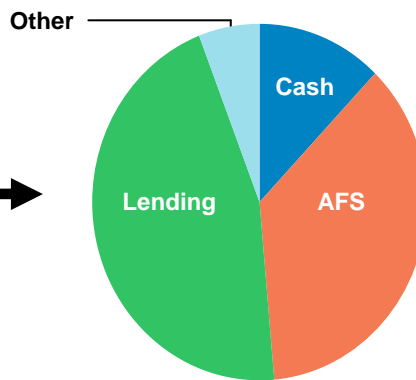
Firmwide Pro-forma Deposit Growth ⁽¹⁾
(\$Bn)



Current State Bank Assets ⁽²⁾



Pro-forma 2015YE Bank Assets ⁽²⁾



Indicative Yield Opportunity ⁽³⁾

- Cash = ~0.25%
- AFS = ~1.0%
- Lending = ~3.0%

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(1) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the acquisition. Organic account balance growth is assumed to be flat. Figures may not sum due to rounding.
 (2) Bank Assets include assets in Morgan Stanley Bank N.A. and Morgan Stanley Private Bank N.A. Illustrative; not to scale.
 (3) Indicative yield opportunities are based on current market rate environment.

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Pro-forma Top 10 US-Based Depository Institution With Remaining Deposits

Top US-Based Depositories as of 2Q13 ^{(1),(2)}

(\$Bn)

1. JP Morgan Chase & Co.	\$1,203
2. Bank of America Corporation	1,081
3. Wells Fargo & Company	1,022
4. Citigroup Inc.	938
5. U.S. Bancorp	252
6. Bank of New York Mellon Corporation	245
7. PNC Financial Services Group, Inc.	212
8. Capital One Financial Corporation	210
9. State Street Corporation	167
10. Pro-forma Morgan Stanley ⁽³⁾	138
10. BB&T Corporation	131
11. SunTrust Banks, Inc.	128
12. Fifth Third Bancorp	93
13. Regions Financial Corporation	92
14. Charles Schwab Corporation	84
15. Morgan Stanley	82
16. Northern Trust Corporation	77
17. Goldman Sachs Group, Inc.	69
18. KeyCorp	68
19. M&T Bank Corporation	66
20. Comerica Incorporated	51
21. Huntington Bancshares Incorporated	46
22. Zions Bancorporation	45
23. Discover Financial Services	43
24. American Express Company	41
25. First Republic Bank	28

(1) Excludes U.S. subsidiaries of foreign based banks.

(2) Source: SNL Financial as of 2Q13. Based on company SEC Filings as of 2Q13.

(3) Firmwide pro-forma deposit growth reflects the contractual transfer of deposits from Citi to Morgan Stanley after the closing of the acquisition. Organic account balance growth is assumed to be flat.

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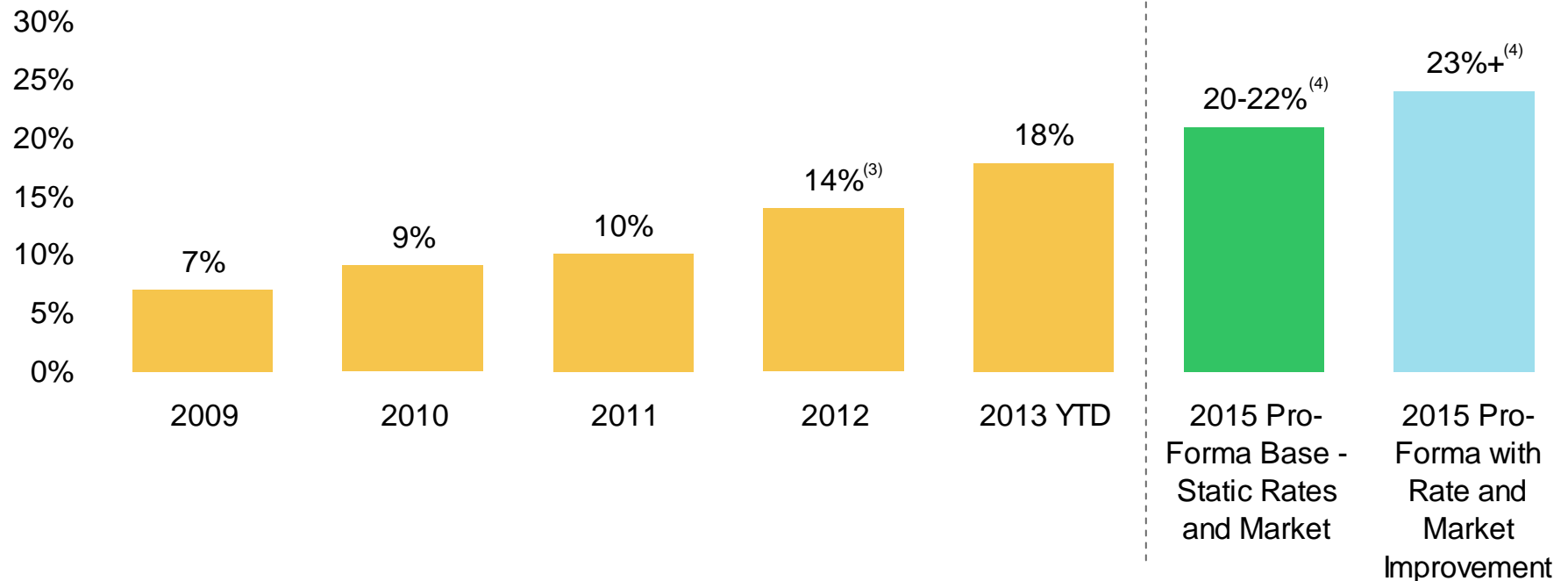
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Upside from Additional 35% Ownership

- 2015 pro-forma base margin reflects upside from 100% JV ownership (NCI, deposits, Order Flow Agreement, referral/FDIC fees, etc.) with 1Q13 run-rate as starting point
- Reflects continued investment in the business
- Higher rates and S&P levels could drive additional upside

Wealth Management Pre-tax Margin ^{(1),(2)}

(%)



(1) Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes, divided by net revenues.

(2) The periods 2009-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.

(3) Pre-tax margin for 3Q12 excludes \$193 million of non-recurring costs associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture.

(4) The attainment of these margins in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

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Institutional Securities: Strength Across Businesses Leads to Adjacencies Across the Firm

Institutional Equities

- Top 1-2 Equity Sales & Trading franchise globally
- Leader in Cash Equities, strong position in Derivatives, and leading player in Prime Brokerage
- Significant investments in technology
 - Hybrid voice and electronic model: client-centric, market-leading offering
 - Market-leading content/insights, technology-enabled customized delivery
 - Market access, service excellence and innovative solutions

Investment Banking

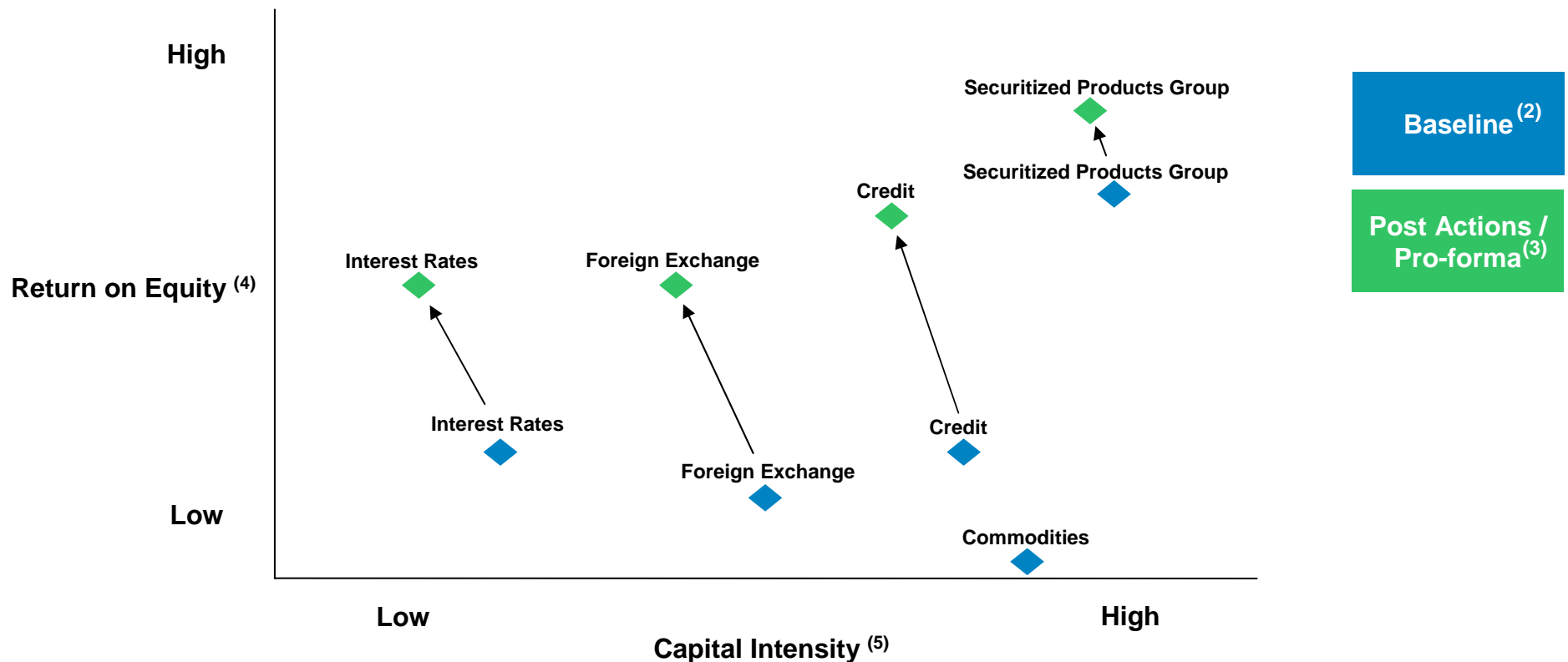
- Leading Global Investment Banking practice
- Leading M&A and Equity Underwriting franchises
- Leveraging partnership with MUFG around the world
- Building synergies and opportunities with Wealth Management

Fixed Income & Commodities

- Leading credit and mortgages franchises
- Improved position in macro products, with upside potential
 - Benefitting from technology investments – driving higher market share
- Successfully building and investing in clearing
- Executing on RWA reduction plan
- Focus on ROE improvement & consistency

Defined Plan to Drive ROE > COE For Fixed Income & Commodities Businesses

- Reducing capital in businesses while remaining focused on increasing returns⁽¹⁾



Defined Plan to Drive ROE > COE for Fixed Income & Commodities

- (1) Illustrative; Not to scale.
- (2) Baseline data is based on 2012 revenues, expenses and allocated equity and excludes DVA.
- (3) Post Actions / Pro-forma data reflects RWA reductions per pre-defined targets and CVA adjustment; does not include benefit of increased revenue or announced cost programs.
- (4) ROEs based on the Firm's internal managed view of revenues, expenses and allocated equity by segment and business area. Includes a portion of underwriting revenues which are externally reported in Investment Banking. ROE based on a managed view is a non-GAAP financial measure that management utilizes to assess individual segment and business area financial performance and the Company considers useful to investors for assessing relative returns.
- (5) Capital Intensity is a relative metric used internally by Morgan Stanley to assess the capital usage of each business. Capital Intensity is measured as a ratio of RWA to total assets for each business. It does not necessarily reflect capital standards for all banks and/or correlate to peers. Capital Intensity is a non-GAAP financial measure that the Company considers to be a useful measure that the Company and investors use to assess capital adequacy.

Defined Plan to Drive ROE > COE For Fixed Income & Commodities Businesses

	Return on Equity ⁽¹⁾	
	Baseline ⁽²⁾	Post Actions / Pro-forma ⁽³⁾
Credit Products	>5%	~15%
Credit Corporates^{(4),(5)}	>20%	>20%
Securitized Products Group⁽⁶⁾	>15%	>15%
Interest Rates	>5%	>10%
Foreign Exchange	>5%	>10%
Commodities	<5%	<5%

Defined Plan to Drive ROE > COE for Fixed Income & Commodities

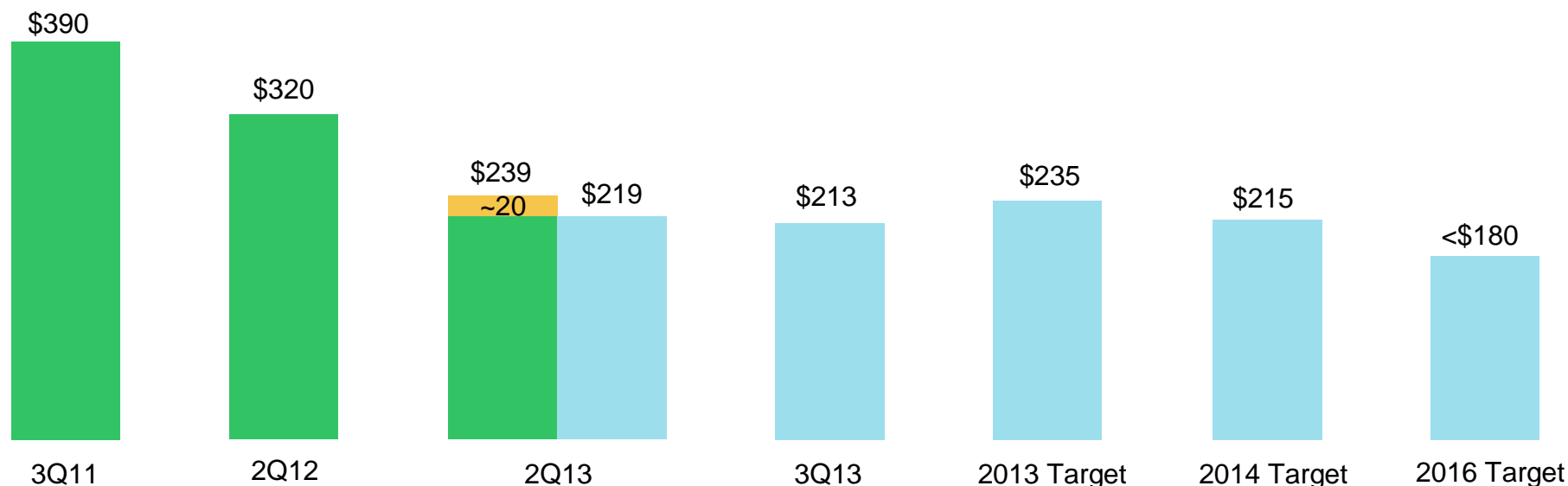
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- (4) Credit products refer to all credit businesses including credit corporates, credit derivative products, municipal securities, and FXEM credit.
- (5) Credit Products and Credit Corporates ROEs also include results from lending activities and investments, which are externally reported in the Other Sales & Trading and Investments revenue lines within Institutional Securities.
- (6) Securitized Products ROEs include residential distressed loan liquidation results which are externally reported in Other Revenues/Expenses lines.
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Fixed Income and Commodities RWA Reduction Plan Excludes Lending RWAs

- Re-defined Fixed Income and Commodities risk-weighted asset reduction targets to exclude lending, which will grow with the banks
 - Isolates progress towards reduction targets to Fixed Income and Commodities sales & trading activities

Fixed Income and Commodities Basel III Risk-Weighted Assets ⁽¹⁾

(\$Bn)



■ Fixed Income and Commodities
 ■ Lending
 ■ Fixed Income and Commodities excl. Lending

(1) The Company estimates its risk-weighted assets based on a preliminary analysis of the Basel III guidelines published to date and other factors. This is a preliminary estimate and may change.

The “Why” Behind Our Capital, Liability Stack, and Liquidity

Keys to Robust, Vibrant Financial Institutions in All Environments

- Strengthen Business as Usual
- Ensure ample flexibility in all scenarios

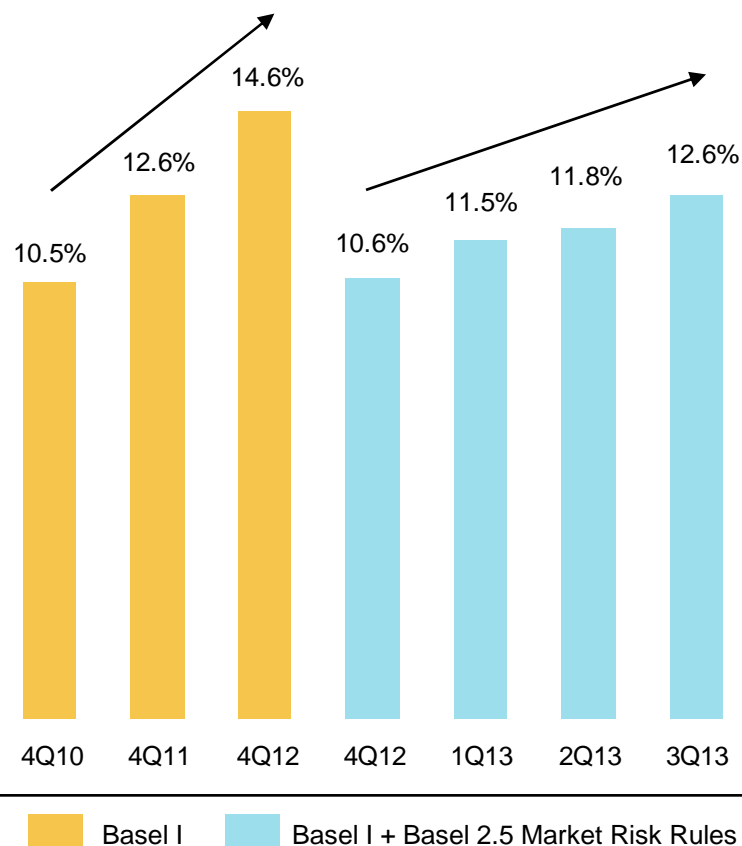
Morgan Stanley’s Framework to Ensure a Robust, Vibrant Firm

- Capital management
 - Higher, better quality
- Centralized liability management
 - Robust governance and execution
 - Duration of liabilities in excess of assets
 - Four Pillars prevent “retransmission”, or fire sale, risk
- Durable liquidity

2 Capital Management: Strong Capital Under Basel I and Basel III Regimes

Basel I Tier 1 Common Ratio

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



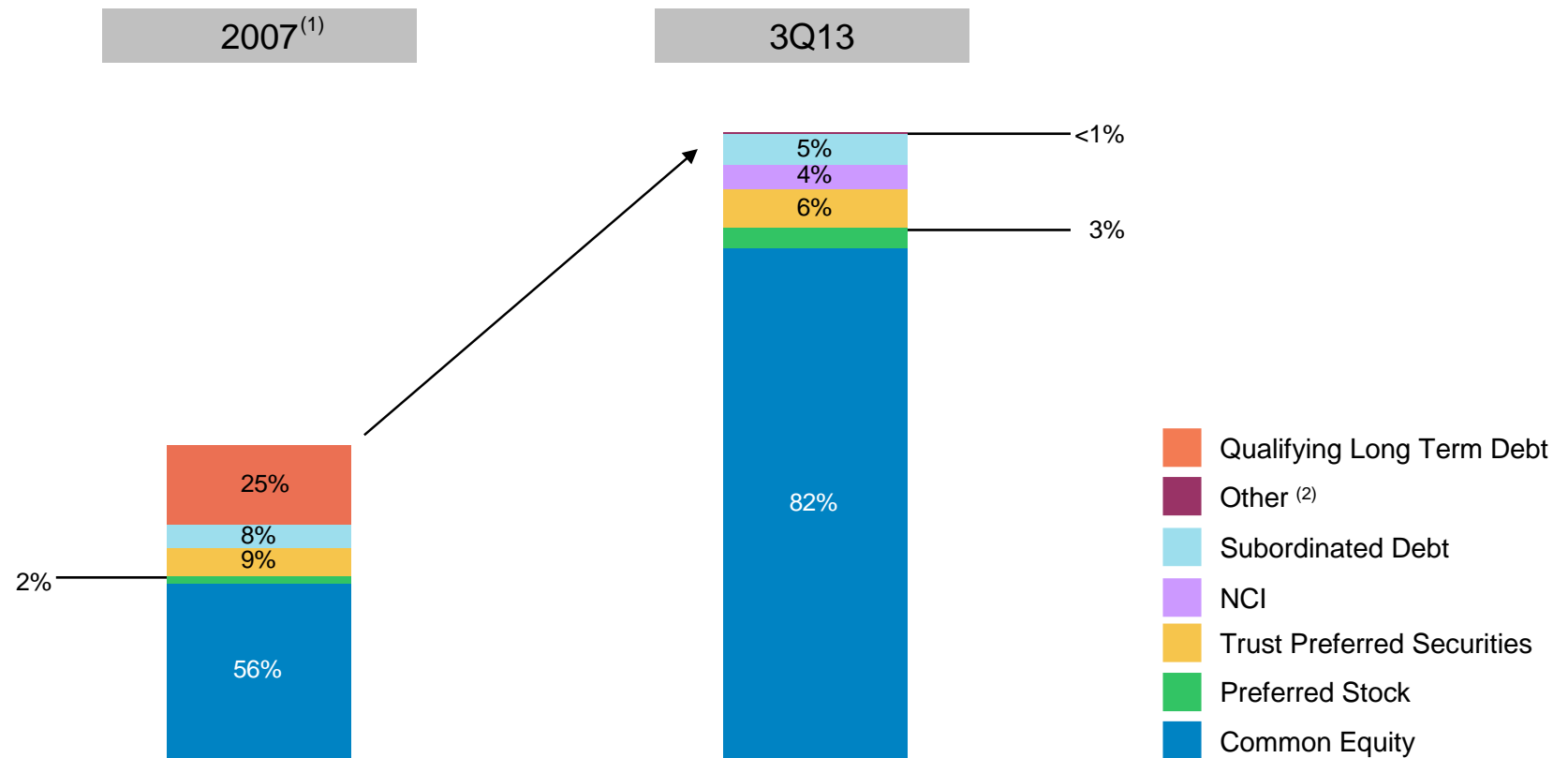
- On January 1, 2013, the rules to implement the Basel Committee's market risk capital framework (i.e., Basel 2.5) became effective.
- Under Basel I, inclusive of the Basel 2.5 framework, Tier 1 Common ratio is 12.6% (versus 11.8% at 2Q13)
 - Tier 1 Capital ratio is 15.3%
- Based on best assessment and expectations on the final Basel III rules
 - September 30, 2013 pro-forma Basel III Tier 1 Common ratio was ~10.8%^{(1),(2)}

(1) Basel III pro-forma Tier 1 Common Capital ratio is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge current and estimated future regulatory capital requirements.

(2) The Company estimates Basel III capital and risk-weighted assets based on a preliminary assessment of the Basel III final rules and other factors, including the Company's expectations and interpretations of the proposed requirements. This is a preliminary estimate and may change.

Capital Management: Significant Improvement in Quality of Total Capital

Morgan Stanley Total Capital



3

Prudent Liability Management: Centralized Structure and Strict Governance

Prudent Liability Management & Funding Durability – Setting the Stage

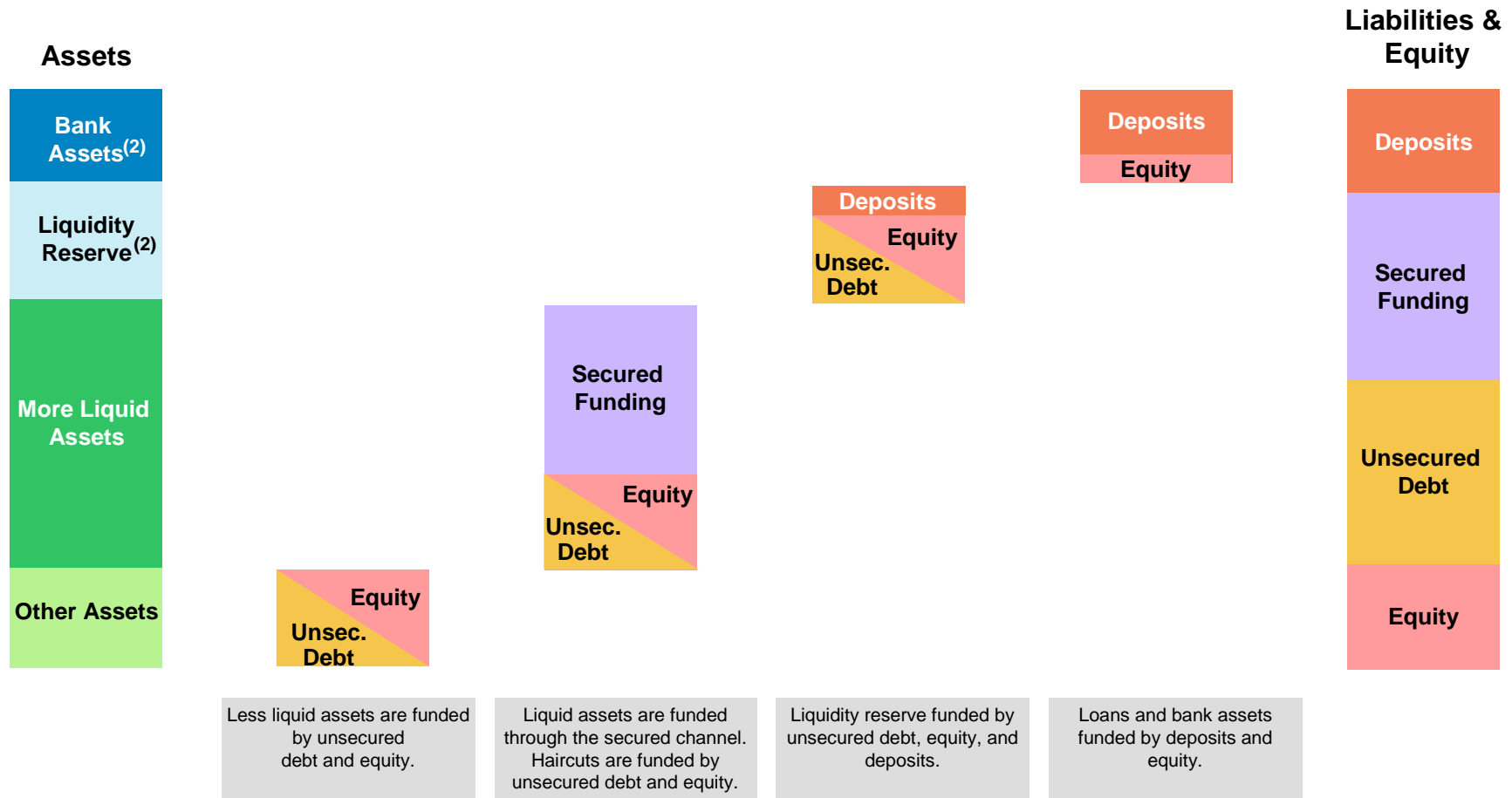
- A prudent liability management framework supported by centralized, strong governance ensuring funding durability, providing critical stability in all environments

Defining Durability of Funding Sources

- Liabilities should be considered across a range from most durable to least durable due to their nature and based on governance
 - Long-Term Debt: Contractually durable and most appropriate to fund longer duration, less liquid assets
 - Deposits: Durable when insured
 - Wholesale (Secured) Funding: Durable when managed to match / exceed asset liquidity horizon
 - Commercial Paper: Not sufficiently durable for banks

Prudent Liability Management: Illustrative Asset-Liability Funding Model ⁽¹⁾

- Funding governance requires alignment of more liquid assets with shorter-term liabilities and less liquid assets with longer-term liabilities and equity

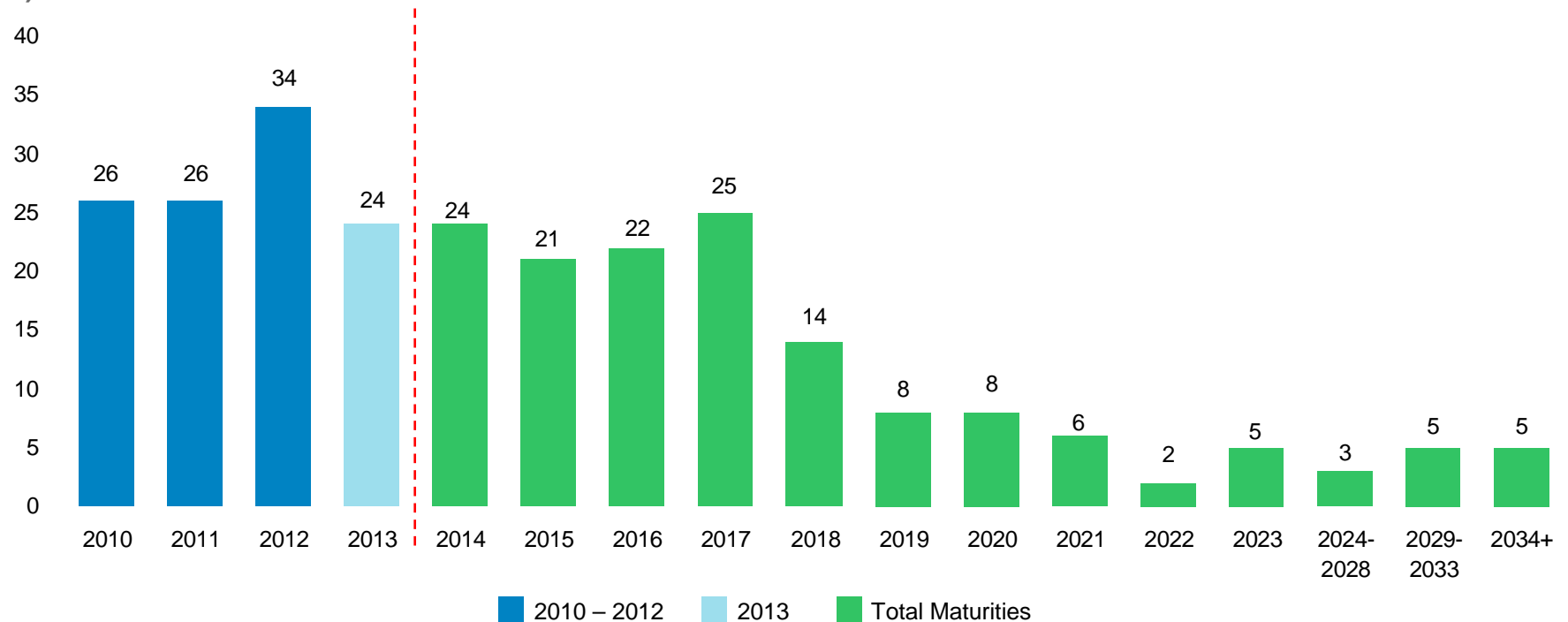


Prudent Liability Management: Significant Reduction In Debt Outstanding

- Reduced long-term debt outstanding by ~\$35 billion since year-end 2010, due to a more liquid balance sheet, higher capital, and increasing deposit optimization
- Appropriately sized, balanced maturity profile; diversified across global investor base

Total Short-Term and Long-Term Maturities ^{(1),(2),(3)}

(\$Bn)



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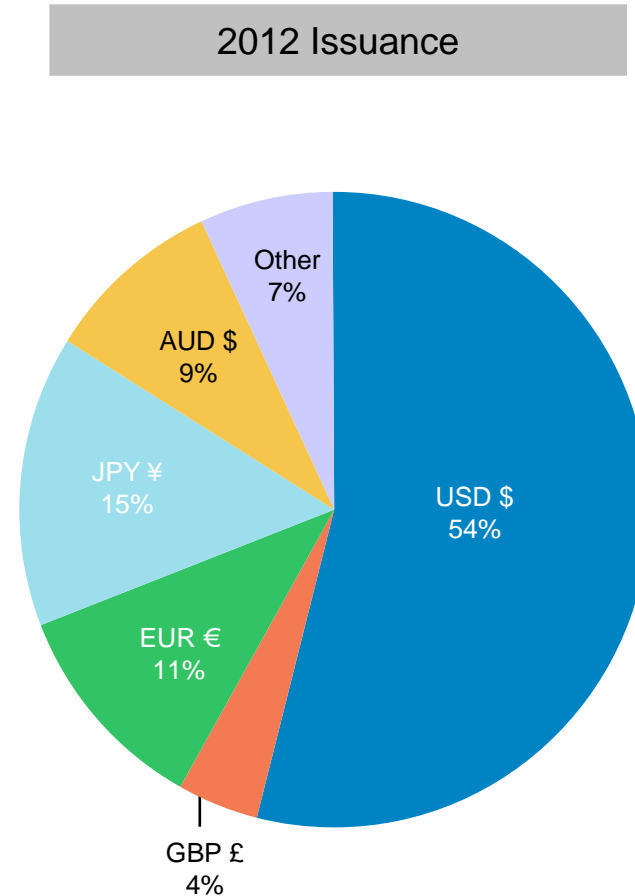
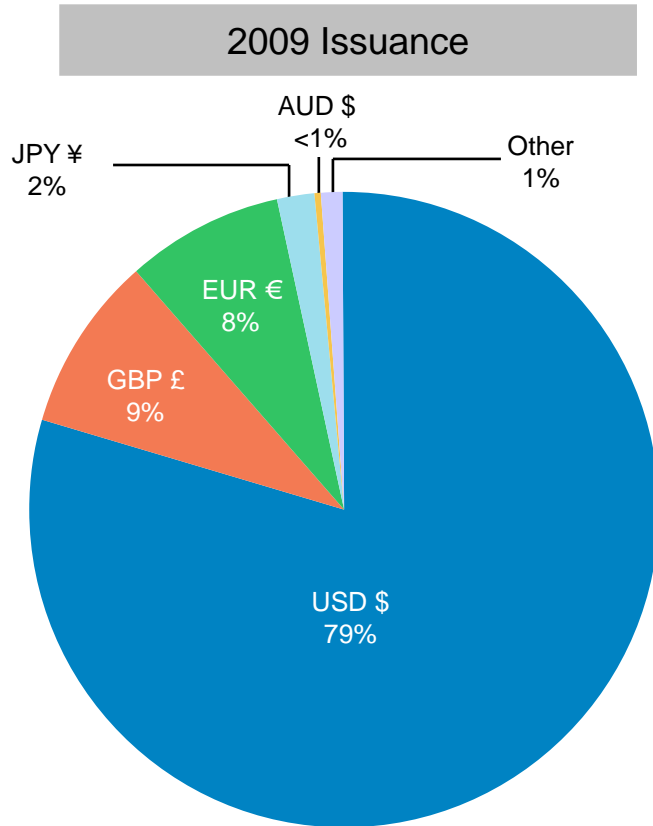
(1) As of September 30, 2013

(2) Total short-term and long-term maturities include Plain Vanilla (Senior Unsecured Debt, Subordinated Debt, Trust Preferred Securities), Structured Notes and Commercial Paper. Structured Notes maturities are based on contractual maturities.

(3) Excludes assumptions for secondary buyback activity

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Prudent Liability Management: Significant Funding Flexibility; Diversified, Global Investor Base



Four Pillars of Secured Funding Ensures Durability and Stability: Not All Wholesale Funding Created Equal

1 Significant Weighted Average Maturity

- Enhances durability

2 Maturity Limit Structure

- Reduces roll-over risk

3 Investor Limit Structure

- Minimizes concentration with any single investor, in aggregate and in any given month

4 Spare Capacity

- Additional insurance for times of market stress

Strict Governance Framework Ensures Appropriate Term Consistent with Asset Fundability

Rules-Based Criteria Determine Asset Fundability...

- **Highly Liquid (Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral)**
- **Liquid (Investment Grade Debt and Primary/Secondary Index Equities)**
- **Less Liquid (Sub-Investment Grade Debt, Convertible Bonds, Emerging Market Sovereigns)**
- **Illiquid (Sub-Investment Grade ABS, Non Index Equities, Non-Rated Debt)**

Fundability Criteria

- Eligible for financing through Open Market Operations (OMO) and/or 23A Exempt and Fed Discount Window eligible
- Central Counterparty Clearing (CCP) eligible
- Government securities or other securities with full faith and credit of the Government
- Market haircuts
- Investor depth (number of investors who accept the asset class)
- Capacity in secured financing market, consistent with term limits

Fundability Definition

Fundability	OMO Eligible and / Or 23A Exempt and Fed DW Eligible	CCP Eligible	Govt. Sec / Govt. Full Faith and Credit	Market Haircut	Investor Depth	Secured Financing Capacity	% of Book
Super Green	✓	✓	✓	< 10%	> 50	100%	50%
Green				<= 15%	>= 15	>= 95%	40%
Amber				> 15%	>= 7	>= 60%	7%
Red				> 20%	< 7	< 60%	3%

Secured Funding Pillar 1: Longer WAM Provides Appropriate Flexibility

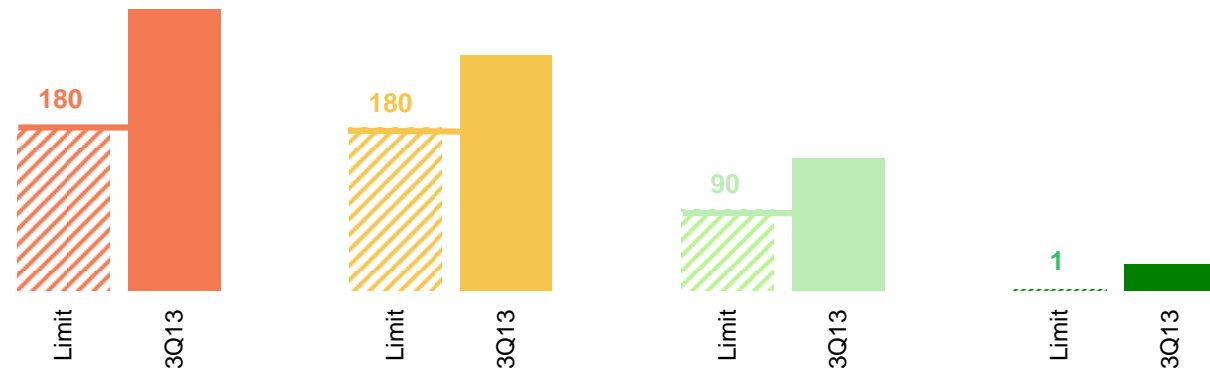
...Fundability Category Determines Required Weighted Average Maturity: >120 Days⁽¹⁾

- Established criteria-based model to obtain appropriate term funding consistent with liquidity profile of underlying assets
 - Assets tiered by fundability
 - Maturity limits set for each tier
 - Dynamic measurement of asset composition
 - Cost to fund assets allocated to corresponding desks
- Execution
 - 2010:** Extended WAM significantly across fundability buckets (vs. <30 days in 2008)
 - 2011:** Achieved investor and maturity diversification, further strengthening liquidity durability
 - Limited the amount of non-Super Green liabilities maturing in any given month to 15% of all non-Super Green liabilities
 - Established a maximum investor concentration of 25% of the maturities allowed in any given month
 - 2012 / 2013:** Maintained WAM above limits and increased the durability of WAM
 - WAM of non-Super Green >120 days

Weighted Average Maturity and Limits by Fundability Bucket⁽²⁾

Days

- Illiquid (Sub-IG ABS, Non-Rated Debt, Non Index Equities)
- Less Liquid (Sub-IG Bonds, Convertible Bonds, EM Sovereigns)
- Liquid (IG Bonds, Primary/Secondary Index Equities)
- Highly Liquid (Governments, Agencies, OMO & CCP Eligible Collateral)

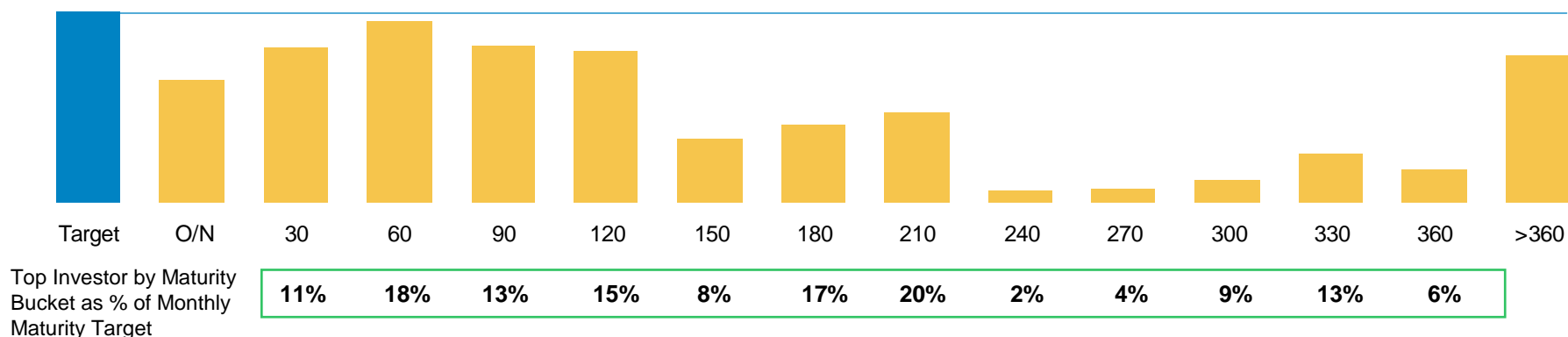


Secured Funding Pillar 2: Monthly Maturity Target

Secured Funding Pillar 3: Investor Concentration Target

- Monthly Maturity Target: Target less than 15% of non-Super Green liabilities maturing in any given month
- Investor Concentration Target: Maximum total exposure per investor of 15% of non-Super Green book
 - Sub-Target: Maximum monthly investor concentration of 25% of the maturities allowed in any given month

Illustrative Non-Super Green Maturity Profile ^{(1),(2)}



Diversified Global Investor Base – Non-Super Green

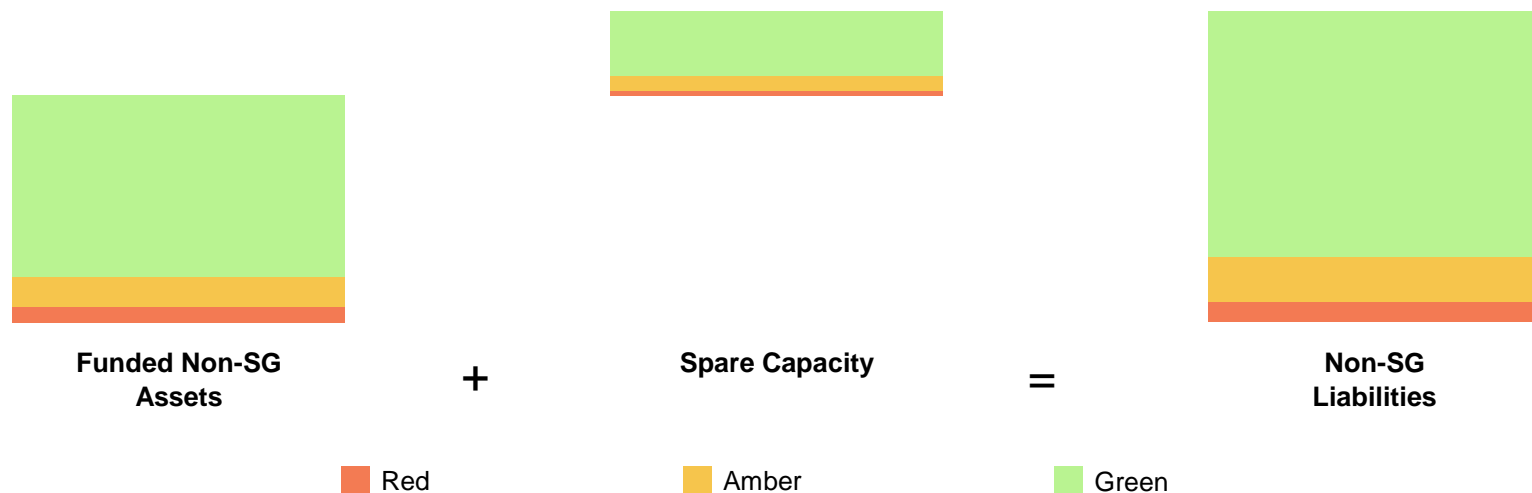
	2009	2013
# of Term Investors >30 days ⁽³⁾	15	119
	2009	2013
Americas	<10	>40
Europe	<10	>60
Asia	<5	>40

(1) Represents secured funding balance maturing in 30-day increments
 (2) Illustrative; not to scale
 (3) Represents unique investors; geographic breakdown includes some overlap across regions

Secured Funding Pillar 4: Spare Capacity as Additional Risk Mitigant

- Spare Capacity is equivalent to total non-Super Green liabilities in excess of non-Super Green inventory
- Spare Capacity has created excess contractual term-funding, which serves as an additional risk mitigant to accommodate various market environments
- Combined with other risk mitigants in secured funding governance, Spare Capacity is the first line of defense during market stress events, prior to use of Global Liquidity Reserve
 - Eliminates need to access markets for first 30 days of stress event; reduces needs for 60 days thereafter

Non-Super Green Spare Capacity ⁽¹⁾



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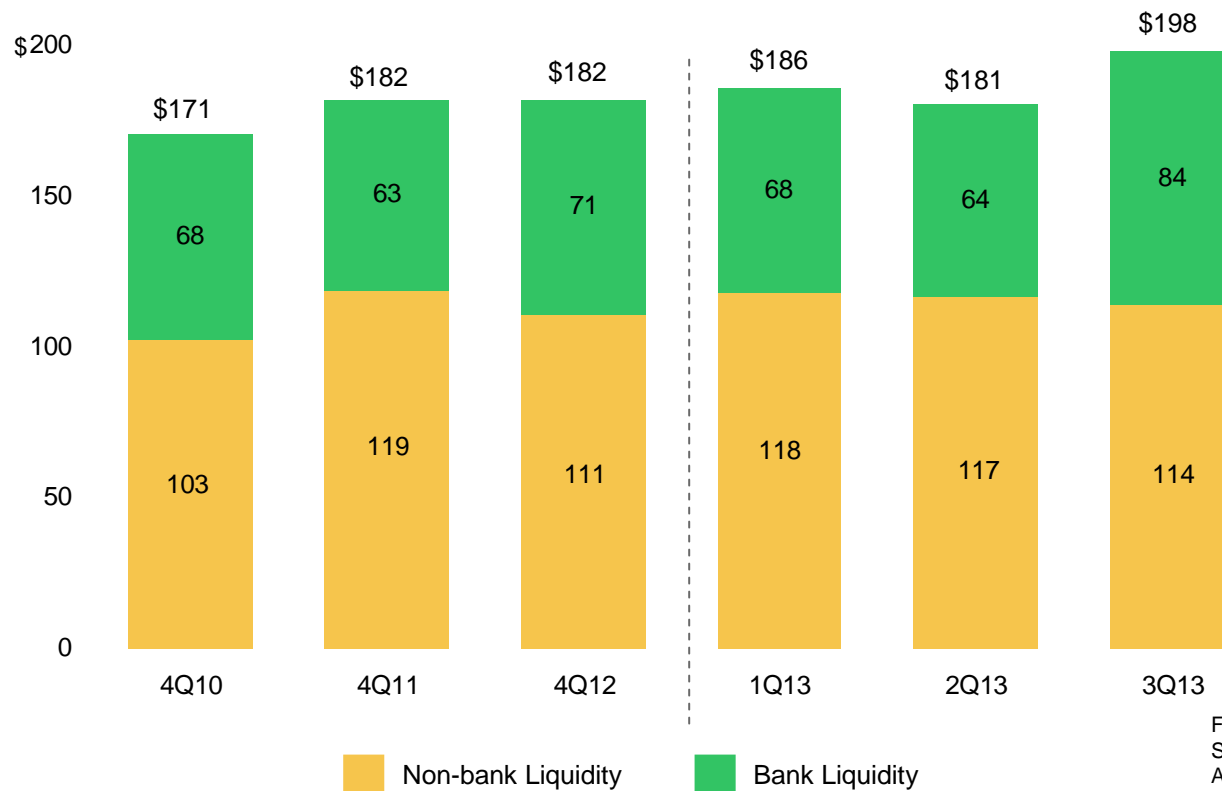
More Durable Liquidity: Significant Global Liquidity Position

Highly Liquid and Unencumbered

- Medium term upward bias to liquidity as deposits are onboarded

Period End Liquidity

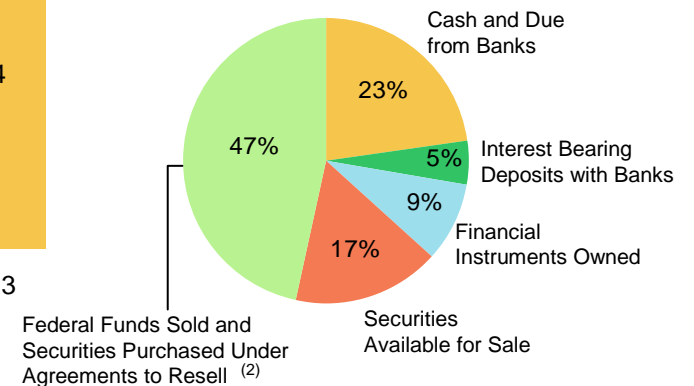
(\$Bn)



Composition of the Liquidity Reserve at 3Q13

Type of Investment	(\$Bn)
Cash / Cash Equivalents	\$54
Unencumbered Liquid Securities	144
Total	\$198

Detailed Breakdown of Liquidity Reserve ⁽¹⁾



(1) Figures may not sum due to rounding.

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

More Durable Liquidity: Build and Stress Test Liquidity on a Legal Entity Basis

- Stress testing sizes contingency outflow requirements at a legal entity level
 - Contingent cash outflows are measured independently from the inflows resulting from mitigating actions
- Parent stress test model represents the sum of all legal entities
 - Does not assume diversification benefit across legal entities
- Stress tests assume the subsidiaries will initially use their own liquidity before drawing from the parent
 - Reflects local regulations regarding parent support
- Parent does not have access to the subsidiaries' excess liquidity reserves due to regulatory, legal or tax constraints

Liquidity (% of Total) ^{(1),(2)}	
Parent	30%
Non-Bank Subsidiaries:	
Domestic	11%
Foreign	17%
Total Non-Bank Subsidiaries	27%
Total Parent & Non-Bank Subsidiaries	57%
Bank Subsidiaries:	
Domestic	40%
Foreign	2%
Total Bank Subsidiaries	42%

5

Liquidity Coverage Ratio Estimate Shows Funding Diversification and Stability

Basel III Liquidity Coverage Ratio (LCR) Proposal

- Objective: to promote the short-term resilience of the liquidity risk profile of banks and bank holding companies
 - Specifically, to ensure banks have sufficient high-quality liquid assets to cover net outflows arising from significant stress lasting 30 calendar days
- The standard requires that the LCR be no lower than 100%
 - LCR rules are currently under regulatory review and will be introduced on January 1, 2015
- Basel Committee released revised guidance in January 2013
 - Guidance refines Net Outflow calculation and broadens definition of High Quality Liquid Assets

Morgan Stanley's Position ⁽¹⁾

- Current pro-forma LCR estimate based on Basel Committee proposal remains well in excess of 100%
 - The Firm's stress test scenarios incorporate and build on the current Basel requirements
- Key drivers of Morgan Stanley's LCR ratio:
 - Extension of weighted average maturity of secured funding
 - Size of liquidity reserve
 - Virtually no reliance on commercial paper and short duration commercial deposits
 - Size and composition of unfunded lending portfolio

(1) The Company estimates its pro-forma LCR based on a preliminary analysis of the Basel Committee guidelines published to date and other factors. This is a preliminary estimate and may change based on final rules to be issued by the Federal Reserve. In October 2013, the U.S. banking regulators proposed a rule to implement the LCR in the United States. The Company continues to evaluate the U.S. LCR proposal and its potential impact on the Company's current liquidity and funding requirements. The LCR is a non-GAAP financial measure that the Company considers to be a useful measure to the Company and investors to gauge future regulatory requirements.

Appendix

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Securities Available for Sale

	At September 30, 2013 (\$MM)				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairment	Fair Value
Debt Securities Available for Sale					
Total U.S. Government and Agency Securities	\$33,954	\$101	\$254	–	\$33,801
Corporate and Other Debt					
Commercial mortgage-backed securities	3,561	2	95	–	3,468
Auto Loan Asset-Backed Securities	2,046	1	3	–	2,044
Corporate Bonds	3,562	4	54	–	3,512
Collateralized debt and loan obligations	1,087	–	14	–	1,073
FFELP Student Loan Asset-backed Securities ⁽¹⁾	2,950	12	8	–	2,954
Total Corporate and Other Debt	\$13,206	\$19	\$174	–	\$13,051
Equity Securities Available for Sale	\$15	–	\$1	–	\$14
Total (\$MM)	\$47,175	\$120	\$429	–	\$46,866

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(1) Amounts are backed by a guarantee from the U.S. Department of Education of at least 95% of the principal balance and interest on such loans.

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European Peripherals and France

Country Risk Exposure ⁽¹⁾ – European Peripherals and France

September 30, 2013 – (Unaudited, Dollars in Millions)

(\$)	Net Inventory ⁽²⁾	Net Counterparty Exposure ⁽³⁾	Funded Lending	Unfunded Commitments	CDS Adjustment ⁽⁴⁾	Exposure Before Hedges	Hedges ⁽⁵⁾	Net Exposure
Greece								
Sovereigns	11	49	–	–	–	60	–	60
Non-Sovereigns	50	9	–	–	–	59	(44)	15
Sub-Total	61	58	–	–	–	119	(44)	75
Ireland								
Sovereigns	54	2	–	–	5	61	36	97
Non-Sovereigns	151	20	–	–	12	183	(7)	176
Sub-Total	205	22	–	–	17	244	29	273
Italy								
Sovereigns	733	246	–	–	498	1,477	(210)	1,267
Non-Sovereigns	243	466	270	964	97	2,040	(426)	1,614
Sub-Total	976	712	270	964	595	3,517	(636)	2,881
Spain								
Sovereigns	261	8	–	–	17	286	9	295
Non-Sovereigns	(284)	353	97	1,091	142	1,399	(358)	1,041
Sub-Total	(23)	361	97	1,091	159	1,685	(349)	1,336
Portugal								
Sovereigns	(209)	(1)	–	–	46	(164)	–	(164)
Non-Sovereigns	(65)	22	100	–	31	88	(4)	84
Sub-Total	(274)	21	100	–	77	(76)	(4)	(80)
Total Euro Peripherals ⁽⁶⁾								
Sovereigns	850	304	–	–	566	1,720	(165)	1,555
Non-Sovereigns	95	870	467	2,055	282	3,769	(839)	2,930
Sub-Total	945	1,174	467	2,055	848	5,489	(1,004)	4,485
France ⁽⁶⁾								
Sovereigns	(266)	12	–	–	34	(220)	(237)	(457)
Non-Sovereigns	(560)	3,117	199	2,021	133	4,910	(616)	4,294
Sub-Total	(826)	3,129	199	2,021	167	4,690	(853)	3,837

(1) Net inventory represents exposure to both long and short single-name and index positions (i.e., bonds and equities at fair value and CDS based on notional amount assuming zero recovery adjusted for any fair value receivable or payable). At September 30, 2013, net exposures related to purchased and sold single-name and index credit derivatives for the European Peripherals and France were \$(111) million and \$(1,403) million, respectively.

(2) Net counterparty exposure (i.e., repurchase transactions, securities lending and OTC derivatives) takes into consideration legally enforceable master netting agreements and collateral.

(3) At September 30, 2013, the benefit of collateral received against counterparty credit exposure was \$3.8 billion in the European Peripherals with nearly all collateral consisting of cash and German government obligations and \$5.7 billion in France with nearly all collateral consisting of cash and U.S. government obligations. These amounts do not include collateral received on secured financing transactions.

(4) CDS adjustment represents credit protection purchased from European Peripherals' banks on European Peripherals' sovereign and financial institution risk or French banks on French sovereign and financial institution risk. Based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.

(5) Represents CDS hedges (purchased and sold) on net counterparty exposure and funded lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures for the Firm. Based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable.

(6) In addition, at September 30, 2013, the Firm had European Peripherals and French exposure for overnight deposits with banks of approximately \$155 million and \$87 million, respectively.

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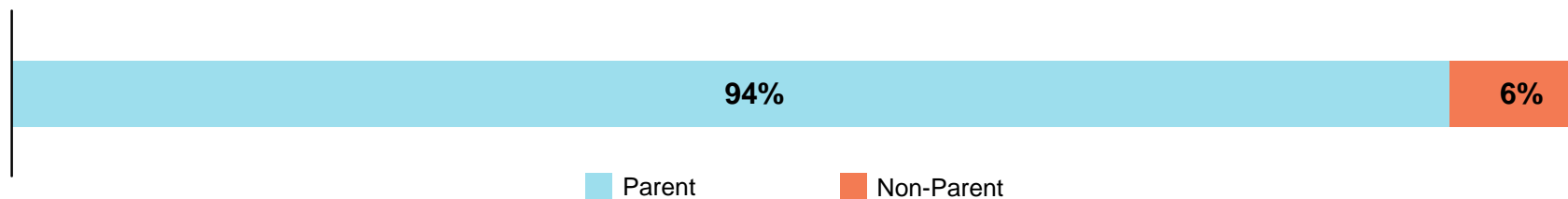
Orderly Liquidation Authority

- Well positioned for “minimum bail-in capacity” rules
- Long-term debt issued at Parent was approximately 20% of total consolidated assets and 40% of consolidated Basel 2.5 risk-weighted assets as of September 30, 2013

Long-Term Borrowings (% of Total) ^{(1),(2)}

Senior debt	92%
Subordinated debt	5%
Junior subordinated debentures	3%

Legal Entity Issuance of Long-Term Borrowings ⁽¹⁾



(1) As of September 30, 2013
(2) Figures may not sum due to rounding

Loans and Lending Commitments

	Quarter Ended			Percentage Change From:	
	Sept 30, 2013	June 30, 2013	Sept 30, 2012	June 30, 2013	Sept 30, 2012
Institutional Securities					
Corporate Funded Loans					
Loans held for investment, net of allowance	\$ 7.3	\$ 6.6	\$ 5.0	11%	46%
Loans held for sale	4.5	5.5	2.6	(18%)	73%
Loans held at fair value ⁽¹⁾	3.9	4.5	10.7	(13%)	(64%)
Total corporate funded loans	\$ 15.7	\$ 16.6	\$ 18.3	(5%)	(14%)
Corporate Lending Commitments					
Loans held for investment	\$ 55.7	\$ 51.3	\$ 35.4	9%	57%
Loans held for sale	11.0	12.3	7.8	(11%)	41%
Loans held at fair value ⁽²⁾	13.1	16.3	32.3	(20%)	(59%)
Total corporate lending commitments	\$ 79.8	\$ 79.9	\$ 75.5	--	6%
Corporate Loans and Lending Commitments ⁽³⁾⁽⁴⁾	\$ 95.5	\$ 96.5	\$ 93.8	(1%)	2%
Other Funded Loans					
Loans held for investment, net of allowance	\$ 3.1	\$ 2.1	\$ 1.0	48%	*
Loans held for sale	0.1	0.0	0.0	*	*
Loans held at fair value	9.6	9.7	8.8	(1%)	9%
Total other funded loans	\$ 12.8	\$ 11.8	\$ 9.8	8%	31%
Other Lending Commitments					
Loans held for investment	\$ 0.9	\$ 0.5	\$ 0.2	80%	*
Loans held for sale	0.0	0.0	0.0	--	--
Loans held at fair value	1.6	1.2	1.4	33%	14%
Total other lending commitments	\$ 2.5	\$ 1.7	\$ 1.6	47%	56%
Total Other Loans and Lending Commitments ⁽⁵⁾	\$ 15.3	\$ 13.5	\$ 11.4	13%	34%
Institutional Securities Loans and Lending Commitments ⁽⁵⁾	\$ 110.8	\$ 110.0	\$ 105.2	1%	5%
Wealth Management					
Funded Loans					
Loans held for investment, net of allowance	\$ 22.6	\$ 20.2	\$ 15.6	12%	45%
Loans held for sale	0.1	0.1	0.1	--	--
Total funded loans	\$ 22.7	\$ 20.3	\$ 15.7	12%	45%
Lending Commitments					
Loans held for investment	\$ 3.9	\$ 4.4	\$ 2.5	(11%)	56%
Loans held for sale	0.0	0.2	0.2	*	*
Total lending commitments	\$ 3.9	\$ 4.6	\$ 2.7	(15%)	44%
Wealth Management Loans and Lending Commitments ⁽⁶⁾	\$ 26.6	\$ 24.9	\$ 18.4	7%	45%
Firm Loans and Lending Commitments	\$ 137.4	\$ 134.9	\$ 123.6	2%	11%

(1) For the quarters ended September 30, 2013, June 30, 2013, and September 30, 2012, the percentage of Institutional Securities corporate funded loans held at fair value by credit rating was as follows: % investment grade: 53%, 53% and 43% / % non-investment grade: 47%, 47% and 57%

(2) For the quarters ended September 30, 2013, June 30, 2013, and September 30, 2012, the percentage of Institutional Securities corporate lending commitments held at fair value by credit rating was as follows: % investment grade: 76%, 74% and 75% / % non-investment grade: 24%, 26% and 25%

(3) For the quarters ended September 30, 2013, June 30, 2013, and September 30, 2012, Institutional Securities recorded \$40.5 million, \$6.0 million and \$30.9 million, respectively, related to the provision for funded loans and \$13.4 million, \$16.8 million and \$33.4 million related to the provision for unfunded commitments, respectively.

(4) On September 30, 2013, June 30, 2013, and September 30, 2012, the "event-driven" portfolio of pipeline commitments and closed deals to non-investment grade borrowers were \$7.6 billion, \$10.3 billion and \$6.5 billion, respectively.

(5) In addition to primary corporate lending activity, the Institutional Securities business segment engages in other lending activity. These loans include corporate loans purchased in the secondary market, commercial and residential mortgage loans, asset-backed loans and financing extended to equities and commodities customers.

(6) For the quarters ended September 30, 2013, June 30, 2013, and September 30, 2012, Wealth Management recorded \$1 million, \$(3.4) million and \$6.9 million, respectively, related to the provision for funded loans and \$0.6 million, \$1 million and \$0.7 million related to the provision for unfunded commitments, respectively.

Morgan Stanley 3Q13 Fixed Income Investor Update

November 14, 2013