Morgan Stanley

2011 Barclays Global Financial Services Investor Conference

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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, 2010 (“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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Topics for Discussion

Managing Firm Resources to Drive ROE and Enhance Stability

1

- Delivering on our strategy

2

- Fortified our foundation
  - Ample and stable liquidity and funding
  - Strengthened capital position

3

- Business evolving
  - One example: Prime Brokerage
    - Greater governance, external funding, expectation alignment

Delivering On Our Strategy

Institutional Securities	2Q11 Performance Measures
"Leading position in Investment Banking, Equities, Commodities, and Credit Products with upside in Rates and EM from more broadly leveraging our client franchise"	• #1 in Global Completed M&A (2QYTD) • #2 in Global Announced M&A, Global Equity and Global IPOs (2QYTD) • Top two rank in Equities sales and trading • Increased wallet share in Fixed Income
Wealth Management	
"World's largest wealth management firm, with upside from integration and expanded client offering"	• $1.7 trillion in client assets • $110 Bn in deposits; $56Bn attributable to Morgan Stanley • Highest ratios of annualized revenues per FA and client assets per FA since MSSB inception in 2Q11 • $33.7Bn net new money flows over trailing twelve months as of 2Q11
Asset Management	
"Institutional asset management focus, with upside from ongoing optimization"	• 70+% of strategies above benchmark • Leveraging strong performance with robust distribution / sales

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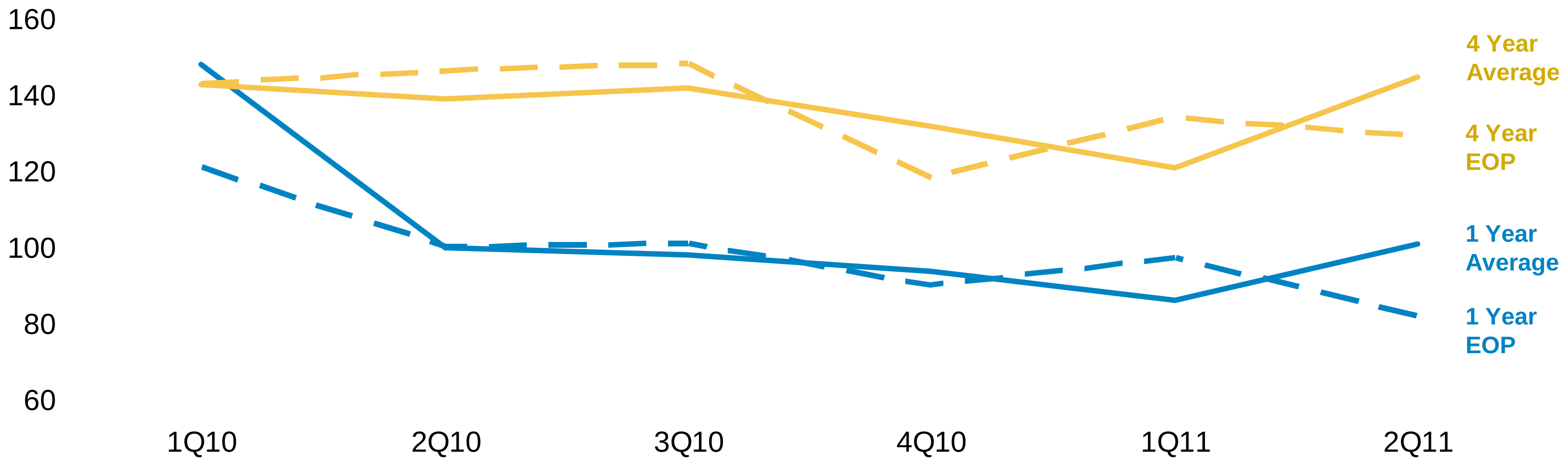
Source: Morgan Stanley SEC Fillings

Trading VaR Based on 1-Yr Market Risk Factors is Lower than VaR Based on 4-Yr Factors

- Trading VaR based on four-year historical market risk factors continues to reflect the high market volatilities experienced in the latter half of 2007 through 2008
- VaR based on one-year risk factors is no longer affected by the high volatilities of 2007-08
- Since 1Q10, VaR based on one-year factors is on average 25% less than VaR based on four-year factors

Trading VaR Based on One-Year and Four-Year Market Risk Factors (Average & EOP)

($MM)



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Source: Morgan Stanley SEC Filings and company data

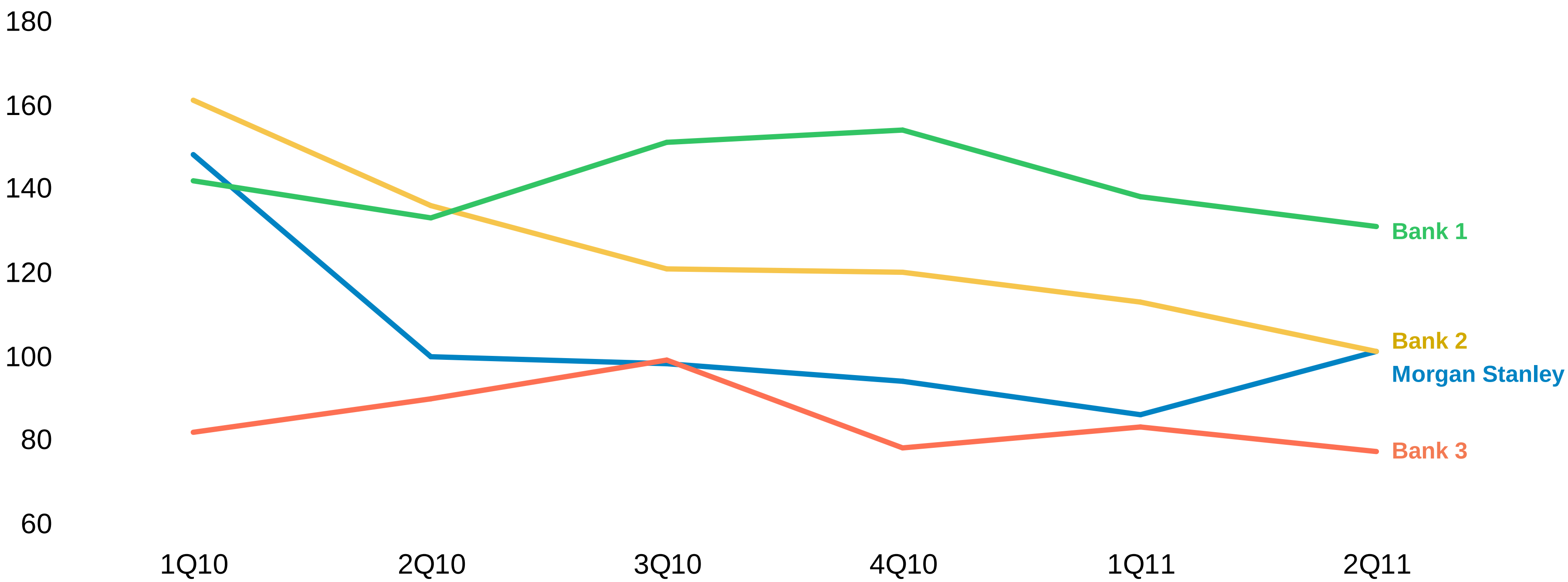
Note: (1) 1-Day VaR at 95% CL

Average Trading VaR Based on 1-Yr Market Risk Factors

- Morgan Stanley Average Trading VaR on 1-year market risk equivalent basis is typically at the lower end of the spectrum relative to our peers

Morgan Stanley vs. Peers - Total Trading Average VaR Trends

($MM)



Source: Morgan Stanley SEC Filings and company data

Notes: (1) 1-Day VaR at 95% CL for all comparative banks.
(2) MS VaR is based on 1-Yr factor history

Fortified Our Foundation

Increased Capital and Liquidity; Diversified Funding

Initiatives	Implications
• Enhanced robust liquidity position	• Global Liquidity Reserve of $182bn, 22% of assets in 2Q11, vs. 11% of assets in 2Q08
• Restructured approach to secured funding	• Secured funding: improved governance, diversification and WAM
• Further diversified unsecured funding	• Unsecured funding: increased diversification by geography and distribution
• Built strong capital position	• Industry-leading Tier 1 Common Ratio at June 30, 2011

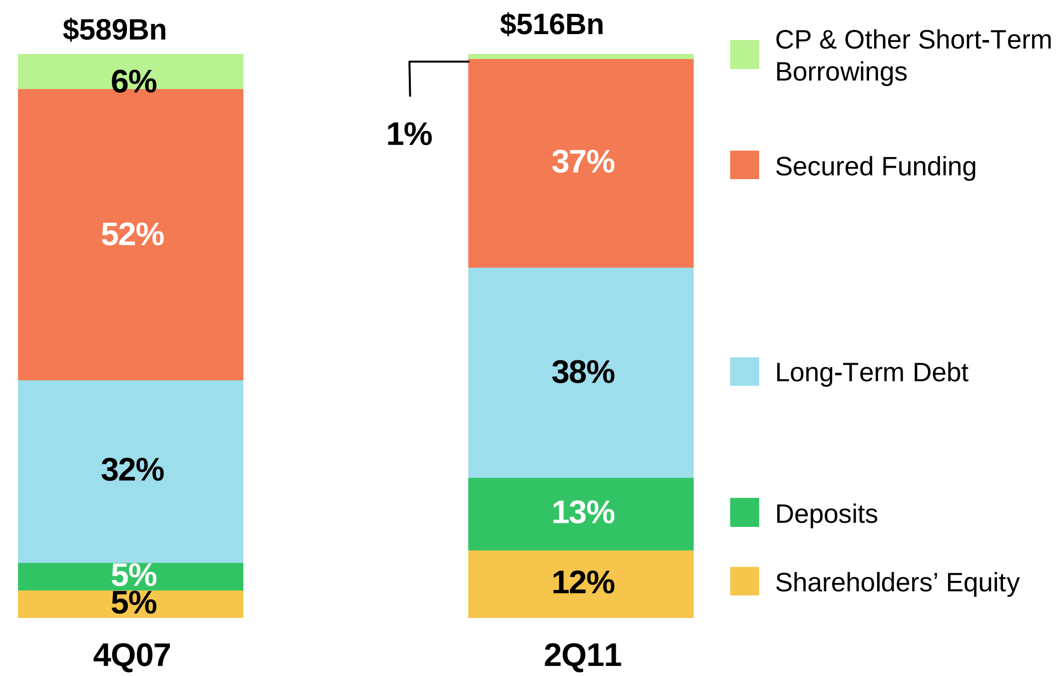
Source: Morgan Stanley SEC Fillings

Note: Tier 1 common ratio 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 and capital adequacy. The Tier 1 common ratio equals Tier 1 capital less qualifying perpetual preferred stock, qualifying trust preferred securities and qualifying restricted core capital elements, adjusted for the portion of goodwill and non-servicing intangible assets associated with MSSB non-controlling interests divided by risk-weighted assets.

Stable and Diverse Funding

- Focused on stable and diverse sources of funding
  - Ensure adequate funding available over a wide range of market conditions
- Deposits and equity are 25% of total funding today, up from 10% in 4Q07
- Insignificant commercial paper

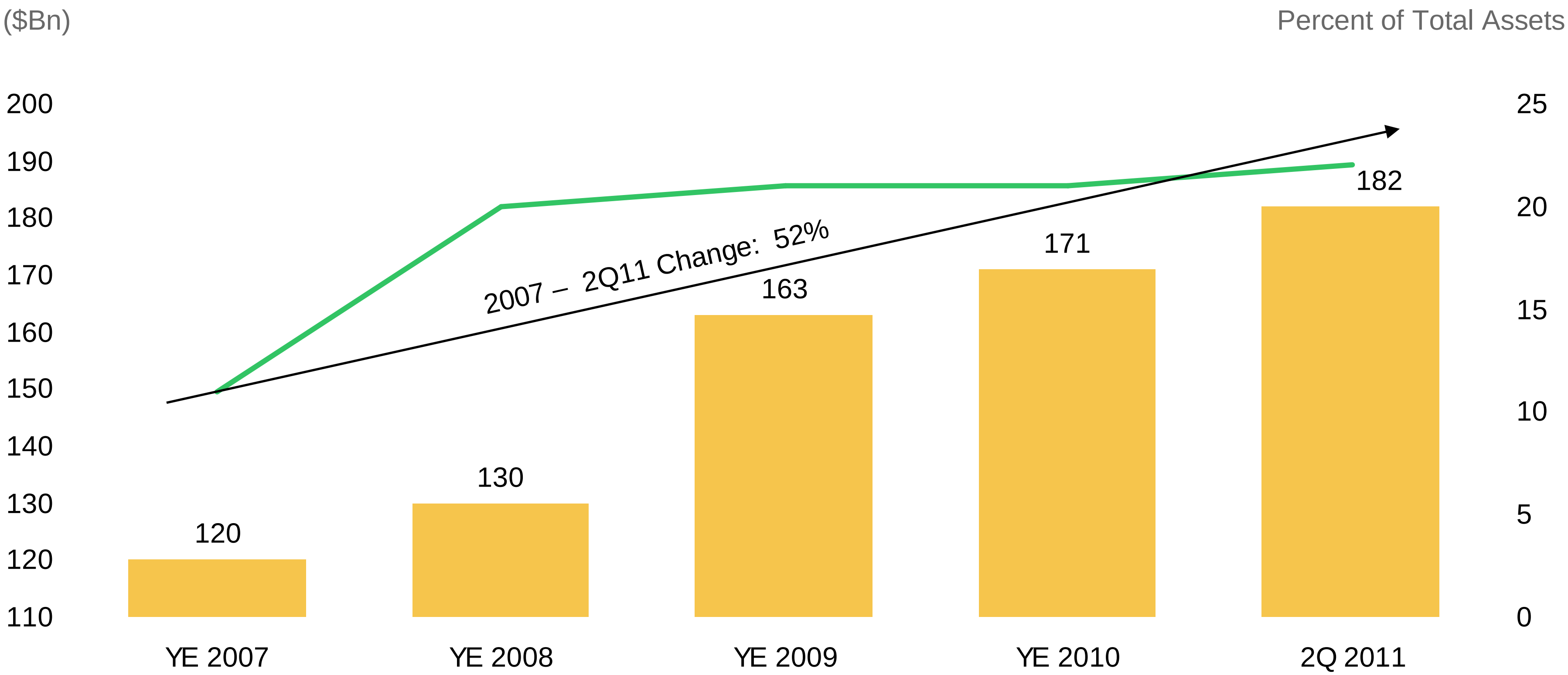
Strengthened, Diversified Composition of Funding
(%)



Source: Morgan Stanley SEC Fillings
Notes: (1) 4Q07 figures as reported on a fiscal-year basis.
(2) 1Q08 and 2Q11 figures as reported on a calendar-year basis.

Enhanced Robust Liquidity Position

Global Liquidity Reserve



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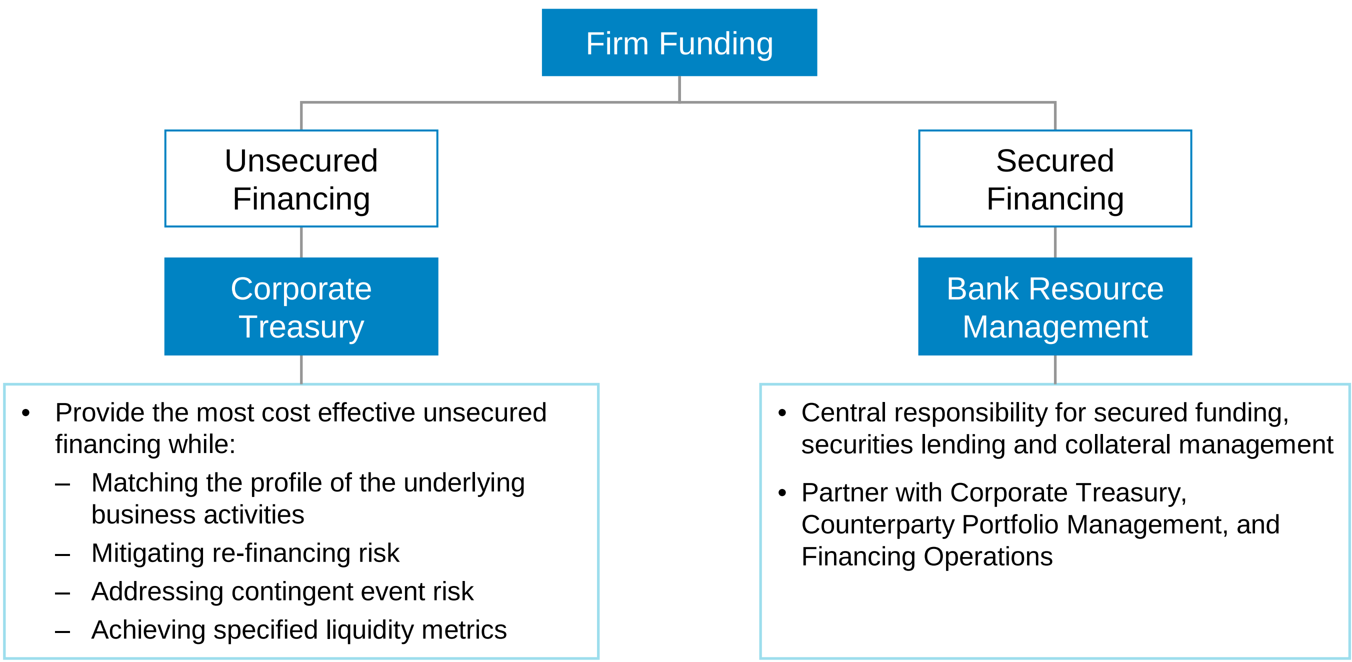
Source: Morgan Stanley SEC Fillings

Centralized Liability Management Through BRM and Corporate Treasury

What is Bank Resource Management (BRM)?

- BRM is the global centralized area responsible for secured funding, securities lending and collateral management
- BRM, Corporate Treasury, along with the Firm’s Risk and Asset & Liability Management (ALCO) committees, evaluate, monitor and advise on the secured funding strategy employed in conjunction with other sources of financing available to the Firm



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Strict Governance Around Secured Funding

As of 06/30/11

Fundability Categories (indicating availability of secured financing for asset class, not necessarily asset quality):

- Illiquid (Sub-Investment Grade ABS, Unrated Convertible Bonds or Distressed Debt)
- Less Liquid (Lower-rated Investment Grade bonds, Emerging Market Equities and Emerging Market Sovereigns such as Russia and Brazil)
- Liquid (AAA or AA bonds, Supranational, Primary Index equities and Sovereigns such as Great Britain or Denmark)
- Highly Liquid (Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral)

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
- Counterparty depth (# of counterparts who accept the asset class)
- Capacity in secured financing market, consistent with term limits

Fundability Definition

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

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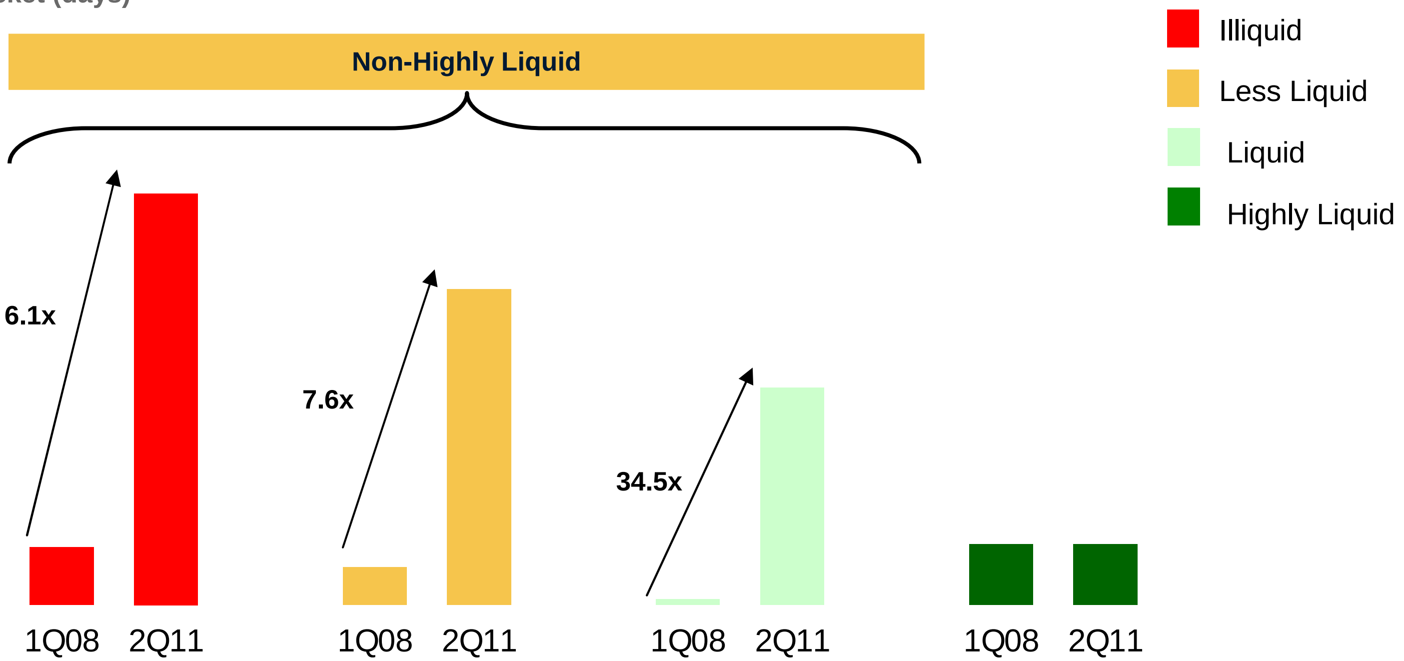
Significant Extension of Secured Funding WAM

- Managing asset-based model to obtain appropriate term funding consistent with liquidity profile of underlying assets
  - Assets tiered by fundability
  - Maturity targets and limits set for each tier

Increased Weighted Average Maturity of Secured Book

By Fundability Bucket (days)



Source: Morgan Stanley SEC Fillings

Notes: (1) 4Q07 figures as reported on a fiscal-year basis.

(2) 1Q08 and 2Q11 figures as reported on a calendar-year basis.

Strengthened Capital: Well Positioned for Basel Reform

Tier 1 Common

- Increased ~60% since 2010
- Enhanced by MUFG conversion

Risk Weighted Assets

- Optimizing across Basel frameworks

=

Tier 1 Common Ratio

- Approaching 10% at 2012 under Basel III, reflecting targeted RWA mitigation

Source: Morgan Stanley SEC Fillings

Note: Tier 1 common ratio 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 and capital adequacy. The Tier 1 common ratio equals Tier 1 capital less qualifying perpetual preferred stock, qualifying trust preferred securities and qualifying restricted core capital elements, adjusted for the portion of goodwill and non-servicing intangible assets associated with MSSB non-controlling interests divided by risk-weighted assets.

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Numerator: Tier I Common

- Differences in the Tier I common numerator under Basel I and Basel III
  - Still areas to be finalized:

Mortgage Servicing Rights (MSRs)	• Limited to not more than 10% of total	
Equity Investments in Financial Institutions	• Limited to not more than 10% of total	• Collectively, these three elements cannot be more than 15% of total
Deferred Tax Assets (DTAs) Due to Temporary Difference	• Limited to not more than 10% of total	
NCI associated with MSSB Goodwill & Intangibles	• Excluding ~$4 Bn NCI will impact Tier 1 common ratio by ~70bps; reflected in guidance	

Denominator: Risk Weighted Assets

- Estimating RWAs under Basel III:

  Start with the current RWAs under Basel I

  Add: Inflation from change in risk weights and organic growth

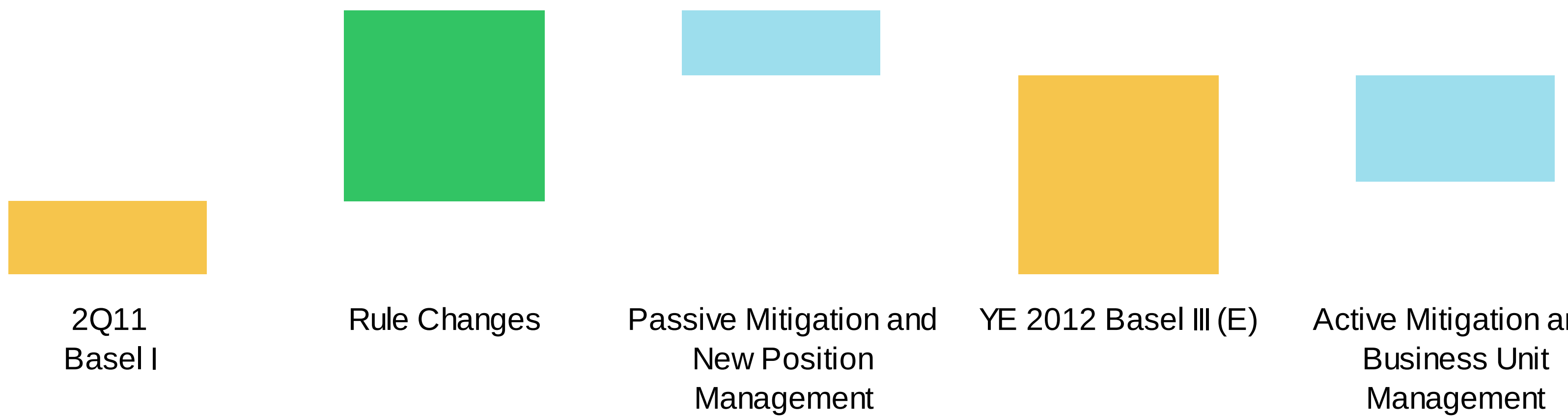
  Subtract: Passive mitigation (natural run-off of existing inventory)

  New position management (scheduled takedown of new inventory)

- Estimates exclude active mitigation and incremental business unit management

Risk Weighted Assets

($Bn)



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Case Study: Prime Brokerage

What's Changed?

Funding & BRM	Contractual Clarity	Technology Investments	Industry Fragmentation
• Underlying approach for PB based on stable funding rather than self-funding • Asset / Liability management • Enhanced collateral management controls & governance	• Expectations aligned • Certainty around margin requirements and collateral types – Supported by enhanced analytics to assess risk	• Significant investments in technology • Quality of service is best-in-class • Materially improved throughput	• Hedge funds use on average three to four prime brokers • MS Response: – Partner and allocate balance sheet – Adjacencies across businesses

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Case Study: Prime Brokerage

Funding & BRM

Stable Funding & Not Self-Funding	• Consistent with the Firm's overall secured funding strategy, reliance on stable funding rather than short-term or self-funding within the Prime Brokerage business; financed as a component of the Firm's overall extended secured financing • While funding costs are higher, approach protects Firm and clients in stress periods
Asset / Liability Management	• Asset / Liability matching managed by BRM • Daily communication with BRM of secured financing availability / capacity • Limits around illiquid collateral funding set by BRM and Treasury for Prime Brokerage
Enhanced Governance	• Secured Financing Framework is reviewed by the Firm and ISG Asset and Liability Committees • Daily reporting to senior management and regulators of the Prime Brokerage Global Financing Summary • Weekly review with Prime Brokerage on term margin loan pipeline and financing duration

Case Study: Prime Brokerage

Contractual Clarity

Expectations Aligned	• Post-crisis, re-negotiated contractual agreements with clients to align expectations • Clear understanding on the important aspects of the relationship • Clarity on margin methodology and collateral requirements

Certainty Around Margin Requirements and Collateral Types	• Margin Loans: Based on an asset-based lending model and done on a fully collateralized basis
	  – Designed to achieve near-zero potential exposure
	• Collateral requirements largely include highly liquid securities with limited portfolio / issuer concentration
	  – Conservative leverage and margin requirements relative to peers

Case Study: Prime Brokerage

Technology Investments

Significant Investments in Technology

- Significant investments in technology among most important features of a Prime Brokerage business
- Platform and quality of service are best-in-class
- Materially improved throughput as illustrated by Summer 2011 market volumes – no systems downtime, or delays in confirmation and reporting of trades during recent stress

Continued Enhancement of Analytics

- Continue to enhance analytics from a strong base on assessing risk profile, as we have done in the past 20+ years
  - Determine appropriate leverage levels and margin requirements
  - Quantitative risk measures (i.e., factor analysis, sensitivities (Greeks))
  - Event risk (i.e., scenario analysis, stress tests)
  - Specific trade and strategy analysis

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Case Study: Prime Brokerage

Industry Fragmentation

Partner & Allocate Balance Sheet	• Hedge funds have on average three to four prime brokers with majority of their assets allocated to two prime brokers* • Client behavior has bifurcated – “Partner”-like vs. “Counterparty” • Allocated balance sheet to our partner clients as appropriate, and provide best-in-class services to these clients
Adjacencies Across Businesses	• Most hedge fund relationships not limited solely to Prime Brokerage as they create adjacencies across businesses and “sticky” relationships • Each year about 700-850 new hedge funds are launched; Prime Brokerage forms the initial relationship**

Source: Greenwich, HFR
Notes: * Average number of PBs used for funds with AUM > $1B; ** Single manager fund launches in 2010 and annualized for 2011

Strategically Repositioned: Addressed Legacy Issues, Exiting Non-Core, Focusing on Core Businesses

Actions Taken	
Spun-off Discover Financial Services (3Q 2007)	✓
Strategic investment from CIC (4Q 2007)	✓
Sold MSCI (4Q 2007 – 2Q 2009)	✓
Strengthened risk management and increased headcount (2008 – 2009)	✓
MUFG investment and Strategic Alliance (4Q 2008)	✓
Created Morgan Stanley Smith Barney (MSSB) (2Q 2009)	✓
Reconstituted Operating, Management and Risk Committees (2010)	✓
Created joint ventures with MUFG Securities (2Q 2010)	✓
Sold Retail Asset Management (2Q 2010)	✓
CIC conversion of Preferred to Common (3Q 2010)	✓
Restructured all proprietary desks (including PDT)	✓
Addressed merchant banking portfolio, including real estate, limited future capital (2010)	✓
Sold Invesco equity stake (4Q 2010)	✓
Sale of CICC (4Q 2010)	✓
Morgan Stanley – Huaxin joint venture agreement (4Q 2010)	✓
Converted MUFG Preferred into Common (2Q 2011)	✓

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1 • Managing firm resources to drive ROE and enhance stability

2 • Liquidity enhanced: BRM is key and Prime Brokerage a great example

3 • Capital improved – well positioned for new requirements

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