Morgan Stanley

Free Writing Prospectus
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Morgan Stanley First Quarter 2011 Overview

May 2011

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, 2010, 2011 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto, all of which are available on **www.morganstanley.com.**

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2010, 2011 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto.

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

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Consolidated Financial Highlights

1Q 2011 Highlights	
Net Revenues ($Bn)	7.6
PBT ($Bn)	0.9
Net Income ($Bn)	1.1
Diluted EPS ($)	0.50
Book Value per Common Share ($)	31.45
Tangible Book Value per Common Share (1)	26.97
Leverage Ratio (2)	14.9X

1Q 2011 Revenue Drivers

- Strong Performance in Equity Sales and Trading
- Solid Results in Fixed Income
- Robust M&A Activity
- Positive Net Flows in Global Wealth Management and Asset Management
- Loss of $655 Million in Japanese Securities Joint Venture

Strategic Momentum

- Mitsubishi UFJ Financial Group agreement to convert Morgan Stanley convertible preferred stock to common stock
  - Approximately 14.5% Proforma Tier 1 Common Ratio
- Continued Improvement in Core Earnings
- Integration of Morgan Stanley Smith Barney on track

Source:
Morgan Stanley Earnings Conference Call, SEC Filings

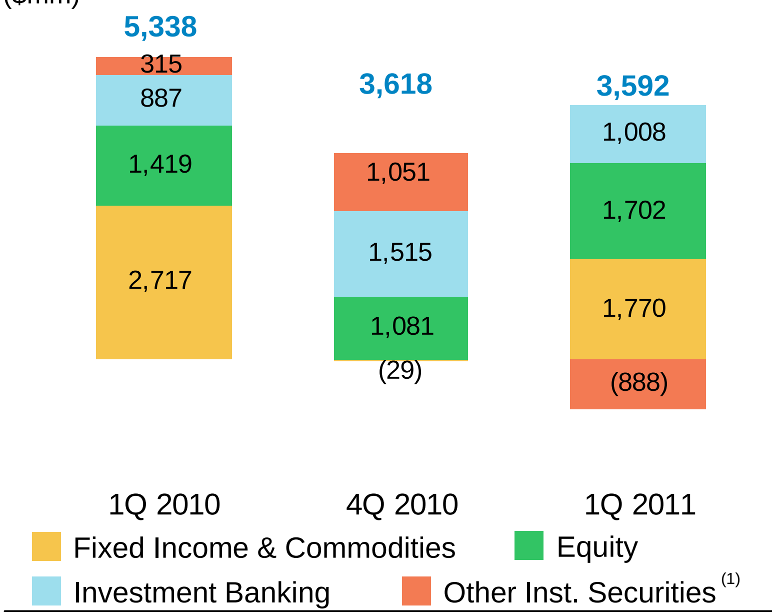
(1) Tangible book value per common share is a non-GAAP measure that the Firm considers to be a useful measure that the Firm and investors use to assess capital adequacy. Tangible book value per common share equals tangible common equity divided by period end common shares outstanding.

(2) 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.

Institutional Securities

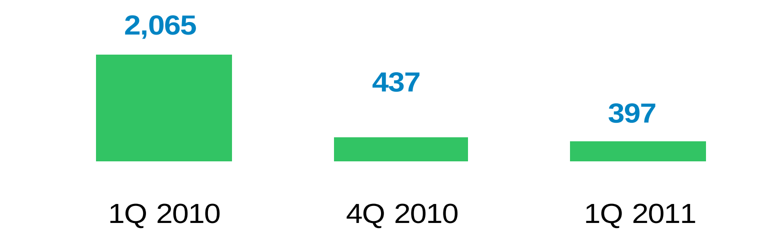
Net Revenue

($mm)



Profit Before Tax

($mm)



1Q 2011 Highlights -

- Net Revenues of $3.6 billion includes negative impact of :
  - $655 million from Japan JV loss
  - $189 million from tightening of debt-related credit spreads [2]
- Investment Banking ranked #1 in global announced and completed M&A and #3 in global Equity
- Strong Equity revenues of $1.7 billion driven by broad based increases in clients flows
  - European and Asian business up significantly from 4Q10
- Solid Fixed Income revenues of $1.8 billion reflecting increased client activity and better facilitation

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Source: Morgan Stanley Earnings Conference Call, SEC Filings and Thomson Reuters

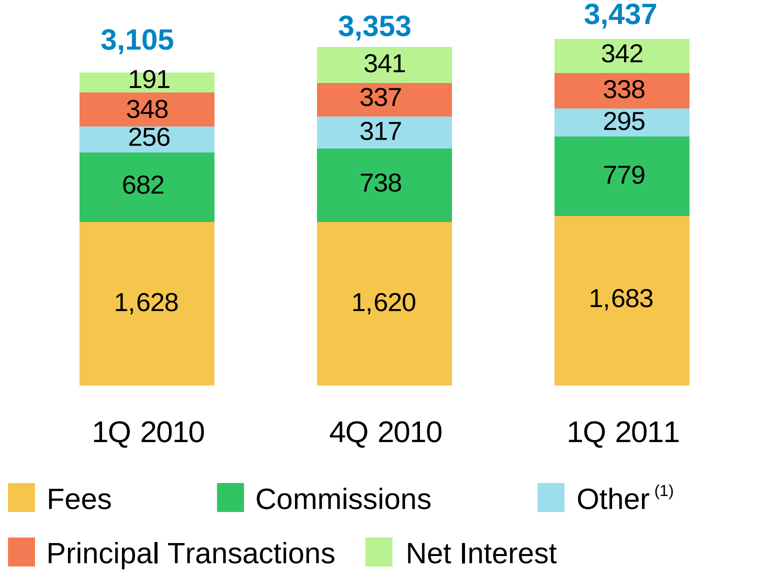
(1) Other revenue for the quarter ended March 31, 2011 included a loss of $655 million related to the Firm's 40% stake in a securities joint venture, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS"), controlled and managed by our partner Mitsubishi UFJ Financial Group, Inc. Other revenue for the quarter ended December 31, 2010 included a gain of $668 million on the sale of the Morgan Stanley's investment in China International Capital Corporation Limited (CICC).

(2) Represents the change in the fair value of certain of Morgan Stanley's long-term and short-term borrowings resulting from fluctuations in its credit spreads (commonly referred to as "DVA").

Global Wealth Management Group

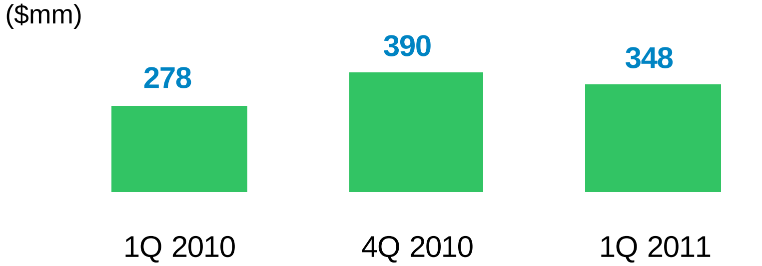
Net Revenue

($mm)



Profit Before Tax

($mm)



1Q 2011 Highlights -

- Revenues of $3.4 billion reflecting higher commissions and asset management revenues
- $348 million PBT and 10% PBT margin (2)
- Quarterly integration costs of approximately $80 million
- 17,800 Financial Advisors at quarter end
- $1.7 trillion of total client assets, up 3% sequentially
- $11.4 billion in net new assets
- $17.8 billion in net fee-based asset flows

Source:
Morgan Stanley Earnings Conference Call, SEC Filings

(1) "Other" includes Investment Banking and other revenues.

(2) 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.

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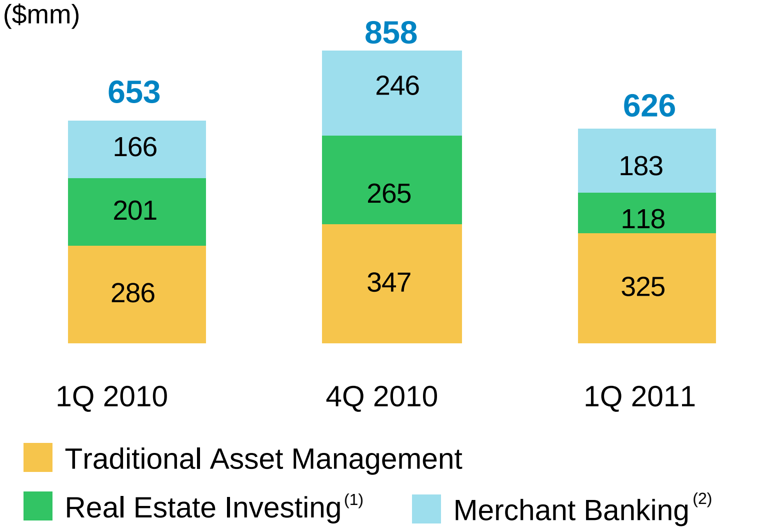
Asset Management

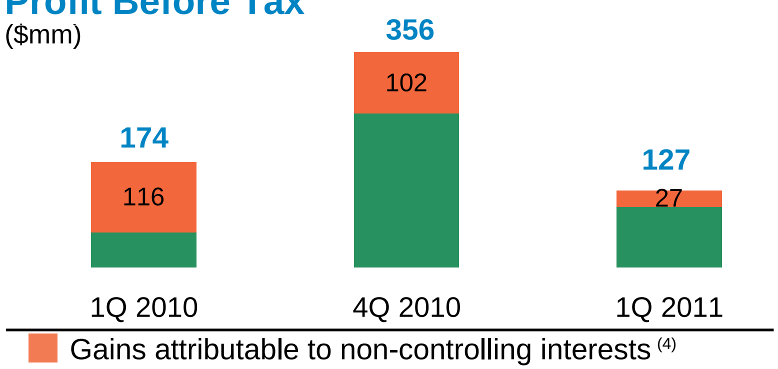
Net Revenue

($mm)



Profit Before Tax

($mm)



1Q 2011 Highlights -

- Reorganization of segment into 3 businesses
- $127 million PBT and 20% PBT margin[3]
- Total assets under management of $284 billion at March 31, 2011
  - 8% increase from 1Q10 reflects market appreciation and net customer inflows
- $1.4 billion in positive net flows

Source:
Morgan Stanley Earnings Conference Call, SEC Filings

(1) Real Estate Investing revenues includes 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 non-controlling interest. The investment gains (losses) for the quarters ended March 31, 2011, December 31, 2010 and March 31, 2010 are $42 million, $109 million and $119 million, respectively.

(2) Merchant Banking revenue includes 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) 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.

(4) The quarters ended March 31, 2011, December 31, 2010 and March 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 non-controlling interests.

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Disciplined Execution; Strong Capital and Liquidity

Strategic Repositioning

+

Disciplined Execution

+

Balance Sheet De-Risking

Shareholder Returns

	3Q 2007 [(1)]	1Q 2011
Tier 1 Capital Ratio	11.2% [(2)]	16.5% [(3)]
Tier 1 Common Ratio [(5)]	7.7% [(4)]	11.7% [(3)]
Leverage Reduction	32.3x	14.9x
Balance Sheet Reduction	$1.2Tn	$836Bn
Liquidity as a % of Balance Sheet Increased	10.5%	20.5%

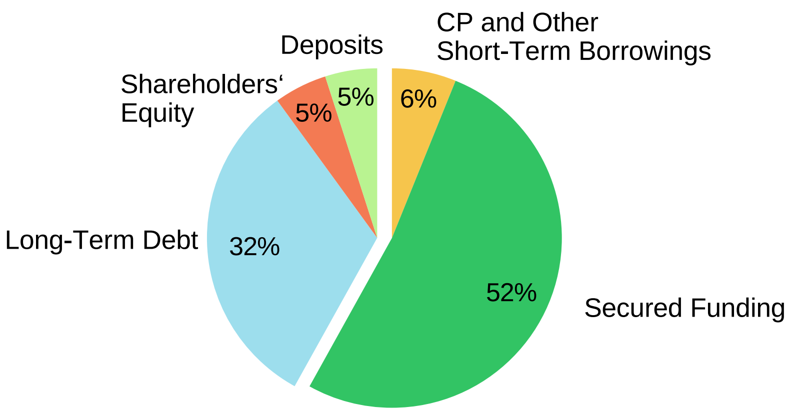
Source:
Morgan Stanley SEC Fillings and 1Q11 earnings release

(1) Fiscal Quarter Ended August 31, 2007.
(2) Estimated Tier 1 Capital Ratio under Basel II (SEC guidelines).
(3) Under Basel I (Federal Reserve guidelines).
(4) Estimated for November 2007; Tier 1 Common Ratio introduced in April 2009.
(5) 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.

More Stable and Diverse Funding

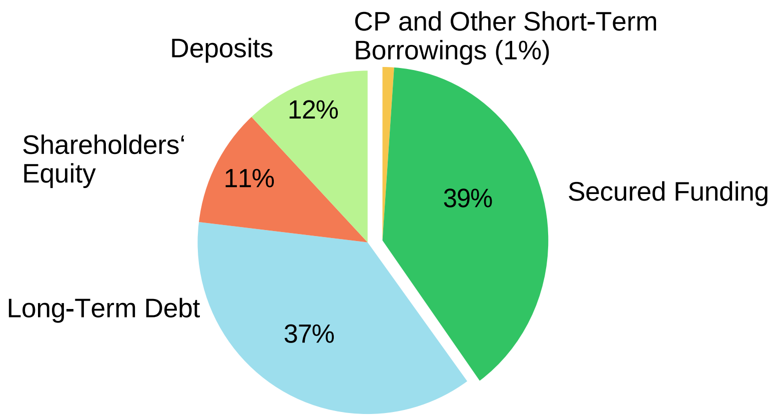
Composition of Funding Liabilities and Equity

4Q 2007 [(1)]



Total = $589Bn

1Q 2011 [(2)]



Total = $527Bn

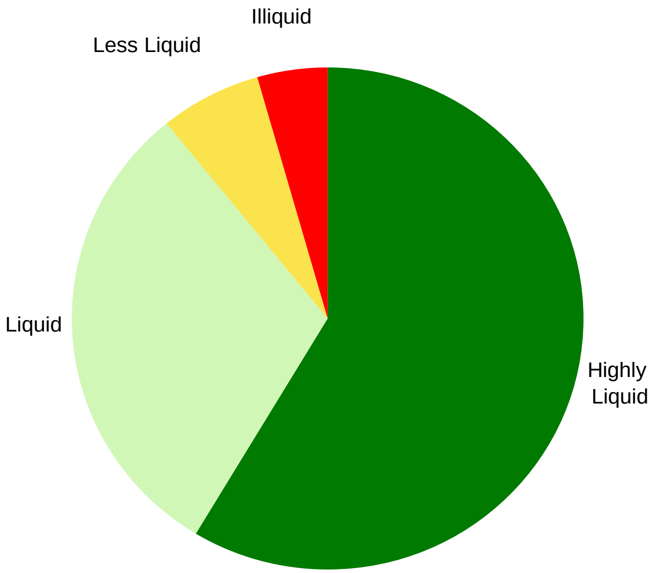
Source:
Morgan Stanley SEC Filings

(1) 4Q07 numbers as reported on a fiscal-year basis.
(2) 1Q11 numbers as reported on a calendar-year basis.

Secured Funding Term Consistent with Asset Fundability

Focus on Liquidity Characteristics of Assets

- Assets Tiered by Fundability:
  - **Highly Liquid** – Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral
  - **Liquid** - AAA or AA bonds, Supranationals, Primary Index equities and Sovereigns like Great Britain or Denmark
  - **Less Liquid** - Lower-rated Investment Grade bonds, Emerging Market Equities and Emerging Market Sovereigns such as Russia and Brazil
  - **Illiquid** - Sub-Investment Grade ABS, Unrated Convertible Bonds or Distressed Debt



Strong Governance and Contingency Planning

- Each fundability category is risk managed with:
  - A target average maturity
  - A minimum maturity for incremental term secured funding trades
  - Global Liquidity Reserves held for the potential loss of secured funding
- Active limit monitoring and reporting to senior management (Asset Liability Management Committee)

Weighted Average Maturity

- Greater than 120 days for less liquid collateral

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