

Morgan Stanley

Company Information

Morgan Stanley (“MS” or “Company”)

1585 Broadway
 New York, NY 10036
 Website: www.morganstanley.com

Company Type: Global Financial Services Firm
 Year End: December 31
 Auditor: Deloitte & Touche LLP

Subsidiary Information

Morgan Stanley Capital Group

Website: www.morganstanley.com
 Company Type: Energy Trading

Debt Ratings (as of the date of this report)

	<u>MS</u>	<u>“Outlook”</u>
S&P	A-	Negative
Moody’s	A2	Negative
Fitch	A	Negative

Summary Financial Information

(\$ in millions USD)	<u>YTD Q3 2011</u>	<u>YE 2010</u>	<u>YE 2009</u>
Total Assets	\$ 794,939	\$807,698	\$771,462
Liquid Assets	\$ 690,055	\$701,556	\$667,418
Total Debt	\$ 191,974	\$195,713	\$195,752
Total Debt /Cap.	75.6%	77.4%	80.7%
Total Shareholder's			
Equity	\$ 61,828	\$ 57,211	\$ 46,688
Tangible Net Worth	\$ 42,949	\$ 37,993	\$ 26,857
Return on Equity	9.4%	8.2%	2.9%
Gross Revenues	\$ 32,300	\$ 38,036	\$ 30,139
EBIT	\$ 11,547	\$ 11,856	\$ 7,710
Net Income	\$ 4,360	\$ 4,703	\$ 1,346
Operating Cash Flow	\$ 3,638	\$ (45,951)	\$ 73,417
Leverage Ratio	12.9	14.1	16.5
Tier 1 Capital Ratio	15.2%	15.5%	15.3%
Total Capital Ratio	16.4%	16.0%	16.4%

Company Overview:

Morgan Stanley (“MS” or “Company”) is a global financial services firm headquartered in New York, NY. The company incorporated into its current form in 1981 but can trace its predecessor companies back to 1924. MS caters to a large diversified group of clients including corporations, governments, financial institutions and individuals. It has approximately 600 offices in over 30 countries with regional headquarters in London, Tokyo and Hong Kong. Business activities for the firm are segmented into three functional areas described below:

- **Institutional Securities**, includes the firm’s investment banking activities comprising capital raising, financial advisory services and corporate lending. This segment is also involved in sales, trading, financing and market making in equity, credit, fixed income, currency, commodity and derivative securities.
- **Global Wealth Management** which includes the Company’s 51% interest in Morgan Stanley Smith Barney Holdings, LLC, caters to high net worth individuals, small to medium sized businesses and corporate institutions. The firm sells products and services through a global network of 850 offices with over 18,000 investment advisors. Products span all investment classes noted above and are paired with investment and wealth planning services.
- **Asset Management** offers and institutional and high net worth clients an array of alternative investment, real estate and merchant banking products.

Recent and Subsequent Events:

Acquisition of Smith Barney: In May of 2009, MS closed on its joint venture with Citi Group to acquire a controlling stake (51%) in newly formed Morgan Stanley Smith Barney Holdings LLC (“MSSB”). MSSB was formed from the Company’s contribution of its Global Wealth Management Group and Citi’s contribution of its Smith Barney operations in the U.S., Quilter, U.K. and Australia. As part of the transaction, MS also paid Citi \$2.755 billion in cash. The transaction resulted in MS recording \$5.2 billion in

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Collateral Support Overview

Morgan Stanley provides credit support in the form of parental guarantees and the issuance of letters of credit for its wholesale trading activities.

Qualitative Factors ("1" Highest, "10" Lowest)

Overall Financial Position	4.5
Quality of Earnings	5.5
Quality of Equity	4.0
Quality of Assets	4.5
Quality of Cash Flows	5.0
Financial Liquidity	4.0
Risk Management	4.0
Regional Diversification	4.5

Common Stock



goodwill, \$4.2 billion in intangible assets and \$4.8 billion in non-controlling interests.

Financial Holding Company: In September of 2008, MS obtained approval from the Federal Reserve to become a bank holding company upon conversion of Morgan Stanley Bank from a Utah industrial bank to a national bank. The move was facilitated by the need to access additional liquidity through an insured deposit base, access to the Federal Reserve's discount window and other liquidity programs administered by the central bank.

Asset Impairment Charges: From 2007 through 2009, MS recorded significant asset impairment charges totaling \$23.6 billion from holdings in real estate investments, leveraged loans, mortgage-backed securities, auction rate securities, and other credit market assets. In 2009, impairment charges declined to \$1.63 billion while in 2010, the firm wrote up net \$340 million of credit related assets.

Additional Capital: The revenue impairments in 2007 and 2008 along with other equity transactions (dividend payments, repurchase of common stock and the spin-off in 2007 of Discover Financial Services) hurt the Company's capital position and ultimately resulted in MS raising a net total of \$20.8 billion in equity. The transactions break

down as follows: in December of 2007, MS raised \$5.6 billion through the sale of equity units to the Mitsubishi Financial Group while in October of 2008, the firm raised \$9 billion through the sale of preferred securities to the Mitsubishi Financial Group and \$10 billion through the sale of preferred securities to the U.S. Treasury under the Troubled Asset Relief Program's ("TARP) Capital Purchase Program. In 2009, MS raised \$6.2 billion in common equity using the proceeds and other resources to repay the TARP capital and fund the MSSB acquisition, and finally in 2010, converted the \$5.6 billion in equity units to roughly 116 million of common shares.

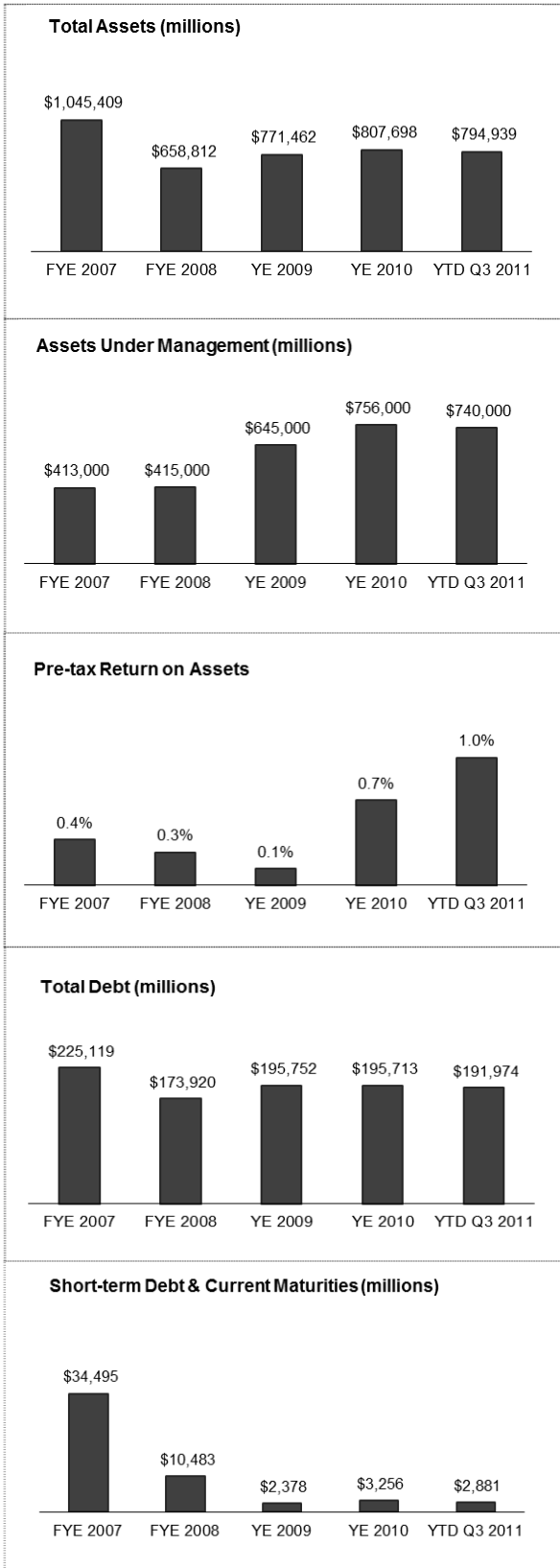
Trading and Lending Operations

Sales & Trading: As Adjusted

(\$ in millions)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Equity	4,874	4,961	5,428	8,281	8,660
Fixed Income	4,923	6,570	1,525	315	(182)
Other	(1,411)	(441)	173	(3,119)	(1,242)
Total S&T	\$ 8,386	\$ 11,090	\$ 7,126	\$ 5,477	\$ 7,236

As shown in the tables above and below, revenues from sales and trading have historically accounted for a large portion of total bank revenues. In 2006, prior to impairment charges discussed above, sales and trading activities

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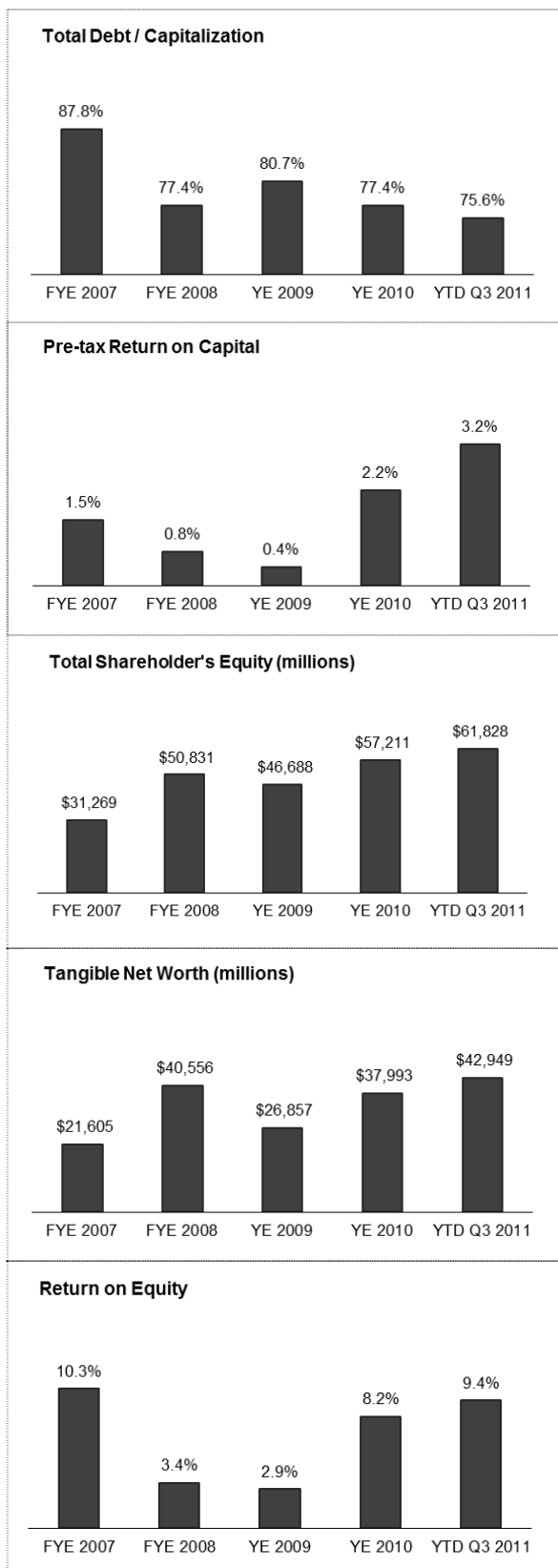


comprised approximately half of all firm revenues. In 2010 they accounted for over one-third of total revenues. This raises concerns for us due to the volatile nature of trading and the high level of revenue concentration from a single activity. In addition, now that MS is a bank holding company and subject to the pending legislation from the Dodd – Frank, Act, the firm is likely to experience restrictions on certain proprietary trading activities. While this may reduce risk of revenue volatility from sales and trading concentrations from a single activity, it is also expected to lower future revenues and earnings.

In the table above, we have adjusted revenues from sales and trading to eliminate certain impacts from the adoption of SFAS No. 159 “The Fair Value Option for Financial Assets and Liabilities” as it relates to fair value changes in certain of the Company’s short-term and long-term debt instruments. In periods when the Company’s credit spreads on certain of its own debt instruments widen (the value of the debt in the secondary market declines), the changes are reported in revenues as unrealized gains, and when credit spreads tighten, the converse is true. What we note is that while the total revenue trend has been higher over the last three years, revenues from equity trading, as adjusted, have been steadily declining since 2007 while fixed income revenues have been highly volatile. However, upon adoption of Dodd – Frank, we anticipate future revenues from sales and trading may decline due to stricter regulation and implementation of the Volcker Rule (restrictions on proprietary trading). This creates a level of uncertainty around what has been a primary source of revenues and we think the bank will be pressured to find new revenue sources within a more difficult regulatory environment.

Trading revenues through the first nine months of 2011 appeared to be on par with those of 2010 after subtracting positive adjustments of \$3.4 billion from unrealized gains related to widening credit spreads on certain of the Company’s debt instruments. However, we continue remain cautious over the quality and quantity of trading revenues due to market place uncertain from European sovereign credit risk, a weak global economic recovery and higher capital market volatility. Collectively, these factors increase the risk of trading losses in any one quarter which is a concern for quality of revenues given the heavy reliance the firm places on this revenue stream. The majority of the \$3.4 billion in unrealized revenue gains came during the third quarter as market concerns over MS’s exposure to Europe heightened.

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In the table below, we show the firm's corporate credit exposure to "event" or "relationship" loans which are typically associated with client merger or acquisition activities or loans to expand relationships with select clients. When compared to the total assets of \$794.9 billion, the exposures are small. However, since FYE 2008, MS appears to be returning to pre-recession exposure levels with certain of its lending commitments which have nearly doubled. In addition, MS also had \$13.6 billion in loans held for long-term investments which were net of allowances of \$18 million. At year-end 2010, \$285 million or 2.7% of loans were classified as non-performing while at third quarter-end 2011, virtually 100% of its loans were classified as performing.

Loans & Commitments:

(\$ in billions)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Corporate Funded Loans:					
Invest. Grade	5.9	3.9	6.5	8.3	13.0
Non-Inv. Grade	7.7	6.8	9.5	9.5	10.9
Total	\$ 13.6	\$ 10.7	\$ 16.0	\$ 17.8	\$ 23.9

Corporate Lending Commitments:

	YE 2010	YE 2009	FYE 2008	FYE 2007
Invest. Grade	55.0	44.5	40.7	35.4
Non-Inv. Grade	17.9	13.9	7.1	7.1
Total	\$ 72.9	\$ 58.4	\$ 47.8	\$ 42.5

Revenues and Quality of Earnings:

As shown in the tables below, total net revenues appear to be relatively concentrated by geography and within two primary segments. In 2010, MS earned 69% of total net revenues from its U.S. based operations which is down from 81% in 2009 and compares to 62% in 2006. The decrease may be the result of the MSSB acquisition and moderate capital market activity in Europe and Asia.

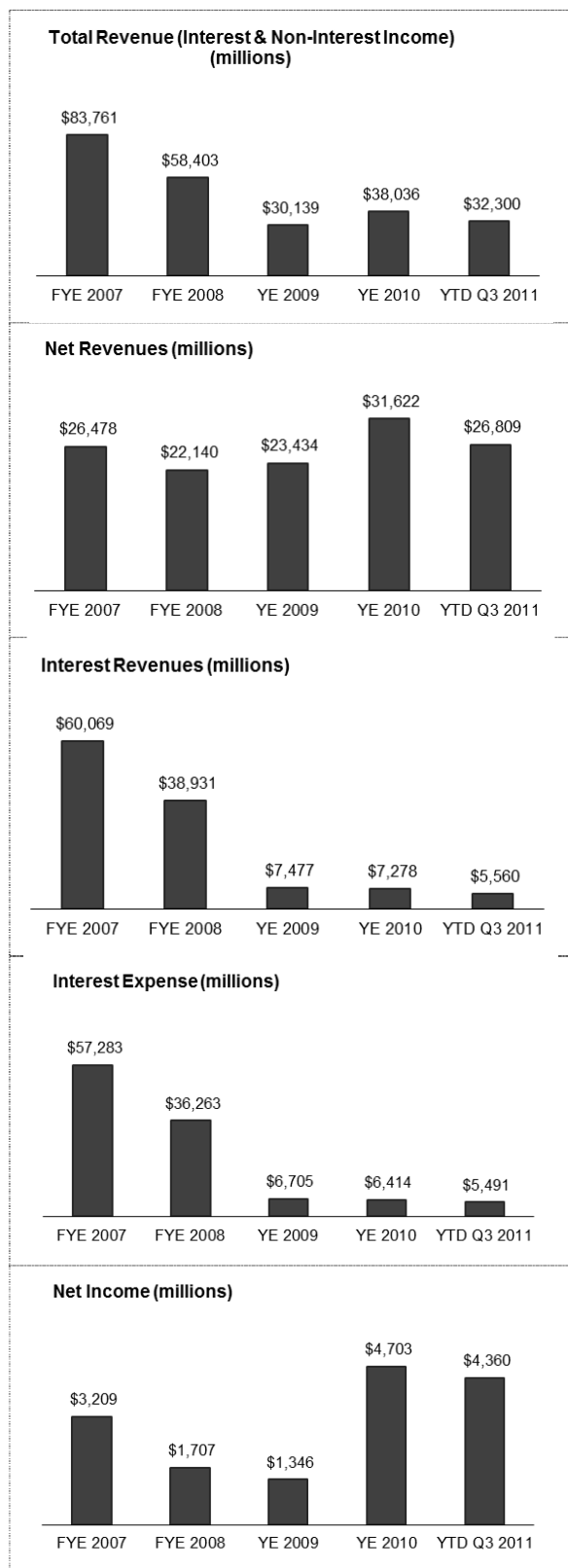
Net Revenues by Geographic Region:

(\$ in millions)	YTD Q3 2011	YE 2010	%	YE 2009	FYE 2008	FYE 2007
Americas	18,701	21,674	69%	18,909	10,768	10,771
Europe, ME	5,519	5,628	18%	2,529	8,977	9,927
Asia	2,589	4,320	14%	1,996	2,395	5,780
Total	\$ 26,809	\$ 31,622	100%	\$ 23,434	\$ 22,140	\$ 26,478

Net revenues are after interest expense

The largest of the firm's operating segments is its Institutional Securities business which comprises the majority of the firm's capital market activity. In 2010, this segment contributed 52% of total net revenues which is down from 71% in 2006. The percentage decline appears to be the result of revenue growth in

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the Global Wealth Management segment. In May of 2009 MS closed on the MSSB acquisition which contributed to segment revenues nearly doubling over the three year period from 2008 to 2010.

Net Revenues by Segment:

(\$ in millions)	YTD Q3 2011	YE 2010	%	YE 2009	FYE 2008	FYE 2007
Institutional	15,229	16,366	52%	12,853	14,768	15,730
Global Wealth	10,173	12,636	40%	9,390	7,019	6,625
Asset Mgmt	1,486	2,723	9%	1,337	547	4,364
Eliminations	(79)	(103)	0%	(146)	(194)	(241)
Total Net Rev.	\$ 26,809	\$ 31,622	100%	\$ 23,434	\$ 22,140	\$ 26,478

Net revenues are after interest expense

In 2010, total net revenues grew \$8.2 billion or 35% year-over-year due to improving global market and economic conditions. In the U.S., Europe and Asia major equity market indices ended the year higher as corporate earnings were better than expected and unemployment decline in the U.S. to 9.4% from 9.9%. The improvement in capital markets contributed to rising revenues from sales and trading, primarily fixed income, and reduced write-downs from holdings of capital market assets. Total net revenues in 2010 also benefited from a full year of the MSSB acquisition, and higher assets under management or administration which rose from \$415 billion in 2008 to \$756 billion in 2010.

Net Revenues: Institutional Securities Segment

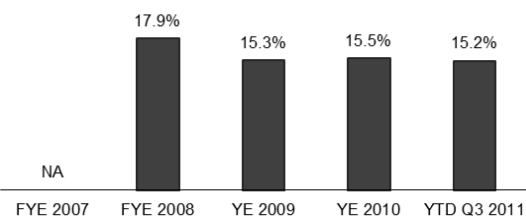
(\$ in millions)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Sales & Trading:					
Equity	5,516	4,840	3,690	9,881	9,040
Fixed Income	7,746	5,867	4,854	4,115	268
Other	(1,411)	(441)	173	(3,119)	(1,242)
Total S&T	\$ 11,851	\$ 10,266	\$ 8,717	\$ 10,877	\$ 8,066
Investment Bk	3,345	4,295	4,454	3,630	5,538
Asset Mgmt	96	104	99	142	103
Investments	174	809	(864)	(2,461)	1,459
Other	(237)	892	447	2,580	564
Total Net Rev.	\$ 15,229	\$ 16,366	\$ 12,853	\$ 14,768	\$ 15,730

Net revenues are after interest expense

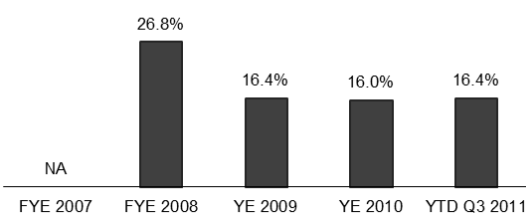
Finally, revenues in 2010 benefited from a lack of impairment charges vs. the last three years. In 2010, MS actually wrote-up certain assets by \$1.2 billion which is reflected in total revenues. Nevertheless, we have concerns revenues may be pressured going forward due to regulatory impacts from the Dodd – Frank Act. Revenues at MS are also highly dependent on strong global economics and robust strong capital markets. Both the firm's primary segments would be significantly impacted from another

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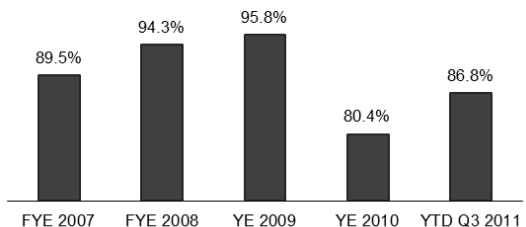
Tier 1 Capital Ratio



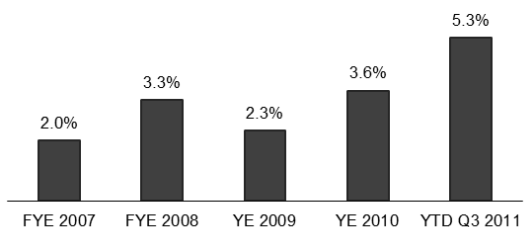
Total Capital Ratio



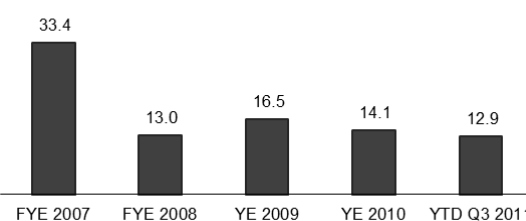
Efficiency Ratio



Tangible Common Leverage



Total Leverage (Assets/Equity)



economic downturn and may be pressured regardless due to coming restrictions on proprietary trading.

Net Revenues by Source

(\$ in millions)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Investment Bk	3,940	5,122	5,020	4,057	6,316
Principal Trans	11,856	11,231	6,688	2,282	6,455
Commissions	4,224	4,947	4,233	4,443	4,659
Asset Mgmt.	6,499	7,957	5,884	4,839	5,486
Net Int. Inc.	69	864	772	2,668	2,786
Other	221	1,501	837	3,851	776
Total Net Rev.	\$ 26,809	\$ 31,622	\$ 23,434	\$ 22,140	\$ 26,478

Net revenues are after interest expense

Total revenues through third quarter-end 2011, rose \$3.0 billion period over period primarily the result of unrealized gains related to widening debt-related credit spreads. The fact that MS was able to maintain revenues at 2010 levels is encouraging given capital market volatility and a weak economic recovery. However, we note that net interest income fell to \$69 million from \$612 million, period over period, and is down from \$2.35 billion as of third quarter-end 2008. The decline in net interest income has been due to narrowing interest rate spreads, which has hurt the industry in general, and MS specifically as it appears the Company has no ability to earn a margin on its assets. Also of concern is that without revenue growth, earnings may be pressured due to rising operating expenses.

Earnings by Segment:

(\$ in millions)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Institutional	3,763	2,546	1,544	2,205	940
Global Wealth	532	519	283	714	809
Asset Mgmt	65	869	(487)	(1,117)	926
Elim / Other	-	769	6	(95)	534
Total	\$ 4,360	\$ 4,703	\$ 1,346	\$ 1,707	\$ 3,209

Earnings improved in 2010 rising approximately \$3.5 billion or 250% year over year. The increase was the result of higher revenues and several one-time impacts that added, on an after-tax basis, \$1.8 billion. The largest of the impacts were several one-time tax changes that reduced income taxes by \$1.0 billion. However, on a recurring basis, MS only earned \$2.9 billion or a 5.0% return on equity. The weak result, despite a revenue increase of 35%, was due in part to rising operating expenses which in 2010 represented 81% of total net revenues vs. 69.4% in 2006.

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While MS was able to avoid significant earnings losses during 2007 and 2008, earnings levels continue to remain relatively weak in 2010 and could see additional pressure from pending regulatory changes and a weak global economic recovery. The Volcker Rule, as part of the Dodd – Frank Act, appears to be pushing proprietary trading to non-traditional financial intermediaries. It is not known what the revenue loss will be to MS, but given the relatively weak equity returns in 2010, any revenue loss will hurt the former investment bank. Also of concern is that competition for traditional investment banking activities may increase as revenue and fee opportunities remain muted due to a slow global economic recovery. This may be amplified by the fact that MS appears to have minimal traditional banking infrastructure to compete with the likes of JPMorgan, Bank of America, Barclays and others who have both investment banking and traditional deposit/lending revenue platforms.

Earnings through the first three quarters of 2011 climbed \$493 million period over period primarily on higher trading revenues. However, after adjusting earnings for \$3.4 billion of pre-tax unrealized trading gains from widening debt-related credit spreads, earnings declined approximately \$1.8 billion or 47% to \$2.0 billion period over period. On an adjusted basis, the decline was mostly the result of higher operating expenses which increased \$1.5 billion from third quarter-end 2010. Rising operating expenses as a percent of total net revenues has been a trend throughout much of the period reviewed. Since FYE 2006, MS's efficiency ratio has climbed from 69.6% to 86.8% hurting earnings and ROE. On an adjusted basis, ROE declined to 4.4% on an annualized basis at third quarter-end 2011.

Quality of Equity and Tangible Net Worth:

Many of our clients utilize tangible net worth (TNW) as a basis on which to determine open lines of credit. We have calculated the TNW for MS as of year-end December 31, 2010 to be \$37.9 billion based upon total shareholders' equity of \$7.8 billion less the following adjustments:

Goodwill and Intangibles: \$11.4 billion; The market value of any goodwill or intangible amounts can be fully determined at the point of sale or estimated through a process of valuating the underlying assets with other similar assets sales of other companies under similar market conditions. However, as a matter of course and to be conservative, we adjust for 100% of all goodwill and intangible balances. Our clients may, at their own discretion, add back some or all of these adjustments.

Deferred Tax Assets, Net: \$7.8 billion; These assets may represent tax benefits available in future periods. However, to be conservative, we adjust for 100% of these assets as they may not be recoverable in the event of a bankruptcy.

Tangible Net Worth					
(\$ in millions USD)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	FYE 2007
Shareholder's Equity	61,828	57,211	46,688	50,831	31,269
Goodwill	(11,079)	(11,406)	(12,216)	(3,138)	(4,071)
Deferred Tax Assets*	(7,800)	(7,812)	(7,615)	(7,137)	(5,593)
TNW	\$ 42,949	\$ 37,993	\$ 26,857	\$ 40,556	\$ 21,605

*Estimated for Q3

At third quarter-end 2011, quality of equity appeared to be moderately good. The firm did have excessive adjustments to equity for goodwill or intangible assets and appeared to have reduced its exposures to credit market assets. In addition, total equity increased by approximately \$10.5 billion in 2010 which was primarily the result of

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higher profitability and \$5.6 billion in additional common equity due to conversion of the equity units. Prior to conversion, the equity units were recorded as long-term debt. The conversion of the equity units in 2010 and \$8.1 billion of preferred securities during 2011 has also contributed to improved quality of equity as the Company's tangible common equity has risen from \$17.2 billion at year-end 2009 (2.3% of tangible assets) to \$41.4 billion at third quarter-end 2011 (5.3% of tangible assets). With improved common equity levels, MS has a much greater capacity to absorb losses without having to raise additional equity.

European Credit Risk Exposure at Q3 2011 in \$ millions:

Greece \$352 Ireland \$ (25) Italy \$ 4,577 Spain \$ 987 Portugal \$(205) Total \$ 5,686

At third quarter-end 2011, MS disclosed certain credit risk exposures related to European counterparties and sovereign governments. While listed exposures appear to be manageable based on total equity of approximately \$61.8 billion, what is not known or disclosed is the risk of loss from written and purchased credit default swaps on European counterparties and sovereign governments.

Debt, Liquidity and Cash Flow:

At third quarter-end 2011, MS had a debt to capital ratio of approximately 77%. The ratio is down approximately ten percentage points since 2007 as MS has worked to deleverage its balance sheet by moderately lowering total debt and adding additional equity. We also note the amount of commercial paper included in short-term debt fell to just over \$3.2 billion from approximately \$34.5 billion at FYE 2007. This potentially reduces short-term refinance risk.

Total Debt

(\$ in millions USD)	YTD Q3 2011	YE 2010	YE 2009	FYE 2008	YE 2008
Short-term Debt	2,881	3,256	2,378	10,483	34,495
Long-term Debt	189,093	192,457	193,374	163,437	190,624
Total Balance Sheet	191,974	195,713	195,752	173,920	225,119
Total Debt/Cap	75.6%	77.4%	80.7%	77.4%	87.8%
Operating Leases*	6,200	6,291	6,570	6,124	6,416
Total Off-Bal Sheet	6,200	6,291	6,570	6,124	6,416
Adj. Debt/Cap	76.2%	77.9%	81.3%	78.0%	88.1%

*Estimated for Q3

At third quarter-end 2011, MS appeared to have adequate liquidity to manage its short-term funding needs. Over the course of 2011, cash and deposits increased from \$47.6 billion to \$53.9 billion while other highly liquid securities (those measured on the fair value hierarchy as level 1, Fed Funds Sold/Securities Purchased and Securities Borrowed) totaled \$386 billion or 48% of total assets. Another measure of liquidity referred to as the Global Liquidity Reserve, totaled \$182 billion or 22% of total assets at third quarter-end 2011 which compares to \$171 billion at year-end 2010 and \$118 billion at year-end 2007. Liquidity may also have been enhanced by MS becoming a bank holding company in 2008, and as a result, gaining access to the Federal Reserve discount window and other previously Fed sponsored liquidity enhancement programs. However, we note MS was downgraded by the rating agencies in 2008 "A" from "AA-" with a "negative" outlook by all three agencies and was recently downgraded again to "A-" with a negative outlook. In addition, liquidity may be constrained to a certain degree by the fact that the

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Company's stock price has been under pressure over the last six months falling approximately 46% from \$24 per share to roughly \$13.50 over the last six months.

Positive Factors:

Declining Leverage: Over the last three years, MS has reduced its leverage ratio (assets / equity) from 33 times in 2007 to 12.9 times in at third quarter-end 2011.

Improving Quality of Equity: It appears that quality of equity over the last two years has moderately improved as the firm reduced its exposures to sub-prime, prime and commercial mortgages; reduced outstanding commitments to non-investment grade borrowers; and saw its TNW rise from \$26 billion in 2007 to \$42.9 billion at third quarter-end 2011.

Rising Total Capital: The improvement in equity is partly the result of an improved capital position as MS has been able to raise \$5.6 billion in equity units in 2007 which were ultimately converted to common equity, \$9 billion in preferred equity and later \$6.2 billion in common equity which was used to repay the TARP capital. Further, the conversion of the equity units in 2010 and \$8.1 billion in preferred securities during 2011 has pushed the firm's tangible common leverage ratio from 2.3% at year-end 2009 to 5.3% at third quarter-end 2011.

Adequate Liquidity: Over the last several years, quality of liquidity appears to have improved due to reduced exposure to credit market assets while total liquidity has risen as MS has raised cash and deposits and shifted a large portion of its asset base to higher quality securities such as U.S. Treasuries and Agencies, Federal Funds and Securities Borrowed. Finally, liquidity may have been strengthened by the conversion to a bank holding company with access to the Federal Reserve's Discount Window.

Negative Factors:

Quality of Revenues: Quality of revenues in recent years has been poor due to impairments from credit market volatility, concentrations in geographic location and impacts on sales and trading revenue from implementation of SFAS 159. While revenues rose in 2010 due to slowly improving economic conditions, they remained flat through the first nine months of 2011 when compared period over period. Further, revenues may remain volatile due to regulatory uncertainty, a weak economic recovery and volatility from European sovereign debt issues.

Weak Earnings: As with revenues, quality of earnings has been poor due to asset impairment charges, one time impacts from dispositions and income tax benefits. Earnings have also been hurt from rising operating costs which in 2010 represented roughly 81% of total net revenues which is high compared to its peers and from a historical perspective. Further, the trend in rising operating costs continued through the first nine months of 2011 lowering adjusted earnings to \$2.0 billion.

Dependence on US Economy: As a global financial services firm, MS is dependent on healthy economic conditions and strong capital market activity to achieve its revenue and earnings growth targets. The current weak global recovery in conjunction with pending regulatory changes may pressure future revenues and earnings. Further, due to revenue and asset concentrations in the U.S., MS may have less diversification than other competitors or peers.

Ratings Downgrade: During 2008, MS saw its ratings lowered by two notches from "AA-" to "A" and with respect to Standard & Poor's and Moody's, the firm has a "negative" outlook. Further ratings downgrades could result in

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additional collateral requirements and may weaken credibility with other investors.

European Exposure: During the third quarter of 2011, MS disclosed it had \$5.68 billion before hedges of risk exposure to a number of European countries (Greece, Italy, Spain, Portugal, Ireland). However, what is of most concern is the Company's potential exposure to loss from written and purchased credit default swaps.

Declining Stock Price: The market value of MS's common equity has been under pressure possibly the result of uncertainty related to revenues, earnings, and European exposure and the fact that the number of shares outstanding has nearly doubled since 2009 due to conversion of equity units and preferred securities.

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Financial Summary:

Morgan Stanley (\$ in millions USD)	YTD Qtr End 30-Sep-11	Year End 31-Dec-10	Year End 31-Dec-09	Fiscal Year End 31-Dec-08	Fiscal Year End 31-Dec-07	Fiscal Year End 31-Dec-06
Number of Months in Period	9	12	12	12	12	12
Balance Sheet Summary						
Cash, Deposits & Due from Banks	\$ 53,907	\$ 47,615	\$ 31,991	\$ 78,654	\$ 25,598	\$ 20,606
Cash Segregated for Regulatory Purposes	30,864	19,180	23,712	59,088	61,608	29,565
Financial Instruments Owned at F.V.	274,251	306,746	299,778	278,325	374,963	380,853
Securities Available for Sale	27,697	29,649	-	-	-	-
Securities Received as Collateral	10,899	16,537	13,656	5,217	82,229	64,588
Fed Funds Sold	169,824	148,253	143,208	72,777	126,887	174,866
Securities Borrowed	123,904	138,730	167,501	85,785	239,994	299,631
Loans	13,471	10,658	7,417	-	-	-
Allowance for Loan Losses.....	(18)	(82)	(158)	-	-	-
Total Loans	13,453	10,576	7,259	-	-	-
Investments	4,811	5,412	3,752	3,309	4,524	-
Premises & Equipment, Net	6,511	6,154	7,067	5,057	4,372	4,086
Receivables:						
Customers	34,175	35,258	27,594	31,294	76,352	107,104
Other	20,455	18,892	16,883	20,821	35,960	17,333
Total Receivables	54,630	54,150	44,477	52,115	112,312	124,437
Goodwill & Intangibles	11,079	11,406	12,216	3,138	4,071	3,350
Other Assets	13,109	13,290	16,845	15,347	8,851	18,663
Total Assets	\$ 794,939	\$807,698	\$771,462	\$ 658,812	\$ 1,045,409	\$ 1,120,645
Deposits at Banks	66,184	63,812	62,215	42,755	31,179	28,343
Financial Instruments Sold at F.V.	121,964	128,756	107,383	118,945	134,341	183,119
Obligation to Return Securities	\$ 15,035	\$ 21,163	\$ 13,656	\$ 5,217	\$ 82,229	\$ 64,588
Securities Sold	110,053	147,598	159,401	102,401	162,840	267,566
Securities Loaned & Other Secured Fin.	49,941	39,547	34,348	27,348	138,195	195,813
Customers.....	143,717	123,249	117,058	115,225	203,453	134,907
Other.....	8,679	5,935	8,020	5,725	12,178	12,381
Total Payables	152,396	129,184	125,078	120,950	215,631	147,288
Commercial Paper, ST Borrowings & Current	2,881	3,256	2,378	10,483	34,495	47,366
Long Term Debt (LTD)	189,093	192,457	193,374	163,437	190,624	126,704
Accrued Expenses	17,298	16,518	20,849	16,445	24,606	24,494
Total Liabilities	\$ 724,845	\$742,291	\$718,682	\$ 607,981	\$ 1,014,140	\$ 1,085,281
Minority Interest	8,266	8,196	6,092	-	-	-
Preferred Stock	1,508	9,597	9,597	19,155	1,100	1,100
Treasury Stock	(2,498)	(4,059)	(6,039)	(7,926)	(9,591)	(9,348)
Common Stock	20	16	15	12	12	12
Paid in Capital	22,501	13,521	8,619	1,619	1,902	2,213
Accumulated Other Comprehensive Income	(413)	(467)	(560)	(125)	(199)	(35)
Retained Earnings	40,710	38,603	35,056	38,096	38,045	41,422
Total Equity	\$ 61,828	\$ 57,211	\$ 46,688	\$ 50,831	\$ 31,269	\$ 35,364
Total Liabilities & Equity	\$ 794,939	\$807,698	\$771,462	\$ 658,812	\$ 1,045,409	\$ 1,120,645

Morgan Stanley

Financial Summary (Continued):

Morgan Stanley (\$ in millions USD)	YTD Qtr End 30-Sep-11	Year End 31-Dec-10	Year End 31-Dec-09	Fiscal Year End 31-Dec-08	Fiscal Year End 31-Dec-07	Fiscal Year End 31-Dec-06
Number of Months in Period	9	12	12	12	12	12

Income Statement Summary

Non-Interest Income (Revenue):

Investment Banking.....	3,940	5,122	5,020	4,057	6,316	4,755
Principal Transactions - Trading	11,423	9,406	7,722	6,170	3,208	11,805
Principal Transactions - Investmts	433	1,825	(1,034)	(3,888)	3,247	1,807
Asset Mgmt & Securities Services....	6,499	7,957	5,884	4,839	5,486	5,238
Commissions	4,224	4,947	4,233	4,443	4,659	3,770
Other Services.....	221	1,501	837	3,851	776	545

Non-Interest Income (Revenue), Total	\$ 26,740	\$ 30,758	\$ 22,662	\$ 19,472	\$ 23,692	\$ 27,920
Interest Income (Revenue)	5,560	7,278	7,477	38,931	60,069	42,776
Less: Interest Expense	5,491	6,414	6,705	36,263	57,283	40,897
Net Interest Profit	\$ 69	\$ 864	\$ 772	\$ 2,668	\$ 2,786	\$ 1,879
% Interest Expense / Interest Income	99%	88%	90%	93%	95%	96%

Provision for Losses	-	-	-	-	-	-
Net Interest Income After Provision	\$ 69	\$ 864	\$ 772	\$ 2,668	\$ 2,786	\$ 1,879

Non-Interest Expense:

Compensation & Benefits.....	12,693	16,048	14,434	11,851	16,122	13,986
Depreciation & Amortization.....	1,187	1,419	1,224	794	475	876
Other Non-Interest Expenses...	6,435	7,953	6,793	8,241	7,105	5,873

Non-Interest Expense, Total	\$ 20,315	\$ 25,420	\$ 22,451	\$ 20,886	\$ 23,702	\$ 20,735
Income Taxes	1,696	739	(341)	16	576	2,729
Discontinued Operations	(31)	(239)	(82)	(540)	(1,049)	(1,137)
Minority Interests	469	999	60	71	40	19
Income Applicable to Common Stock	\$ 4,360	\$ 4,703	\$ 1,346	\$ 1,707	\$ 3,209	\$ 7,453

Cash Flow Statement Summary

Cash Flow from Operating Activities (CFO)	\$ 3,638	\$ (45,951)	\$ 73,417	\$ (22,249)	\$ (61,245)	\$ (31,352)
Cash Flow from Investing Activities	1,753	(4,472)	(831)	(11,438)	(2,345)	(4,121)
Cash Flow from Financing Activities	399	3,024	(16,984)	38,085	53,985	32,076
Cash Flow - Other	502	720	(2,546)	594	797	
Net Change in Cash & Equivalents	\$ 6,292	\$ (46,679)	\$ 53,056	\$ 4,992	\$ (8,808)	\$ (3,397)

Adjustment Items to CFO

Capital Expenditures	(1,088)	(2,877)	(1,400)	(1,469)	(993)	(540)
Total Dividend Payments	(714)	(1,732)	(1,227)	(1,219)	(1,167)	(1,180)

Morgan Stanley

Financial Summary (continued):

Morgan Stanley (\$ in millions USD)	YTD Qtr End 30-Sep-11	Year End 31-Dec-10	Year End 31-Dec-09	Fiscal Year End 31-Dec-08	Fiscal Year End 31-Dec-07	Fiscal Year End 31-Dec-06
Number of Months in Period	9	12	12	12	12	12
Adjustments to Assets						
Goodwill & Intangibles	11,079	11,406	12,216	3,138	4,071	3,350
Premises & Equipment	6,511	6,154	7,067	5,057	4,372	4,086
Deferred Tax Assets	7,800	7,812	7,615	7,137	5,593	3,316
Other Estimated	79,494	80,770	77,146	65,881	104,541	112,065
Total Illiquid Assets	\$ 104,884	\$106,142	\$104,044	\$ 81,213	\$ 118,577	\$ 122,817

Tangible Net Worth

Total Equity	\$ 61,828	\$ 57,211	\$ 46,688	\$ 50,831	\$ 31,269	\$ 35,364
Goodwill	(11,079)	(11,406)	(12,216)	(3,138)	(4,071)	(3,350)
Deferred Tax Assets*	(7,800)	(7,812)	(7,615)	(7,137)	(5,593)	(3,316)
Tangible Net Worth	\$ 42,949	\$ 37,993	\$ 26,857	\$ 40,556	\$ 21,605	\$ 28,698

*Estimated for Q3

Capital Ratios & Other Memo Items

Tier I Capital	52,746	52,880	46,670	49,894	-	-
Total Capital (Tier I, II & III)	56,921	54,477	49,955	74,841	-	-
Risk Adjusted Assets*	346,790	340,884	305,000	278,780	-	-
Tier I Capital Ratio	15.21%	15.51%	15.30%	17.90%	#DIV/0!	#DIV/0!
Total Capital Ratio	16.41%	15.98%	16.38%	26.85%	#DIV/0!	#DIV/0!
Assets Under Mangmt. / Suprv. (000's)	740,000	756,000	645,000	415,000	413,000	443,000

*YE 2010 restated at Q3 2011

Morgan Stanley

Financial Summary (continued):

Morgan Stanley (\$ in millions USD)	YTD Qtr End 30-Sep-11	Year End 31-Dec-10	Year End 31-Dec-09	Fiscal Year End 31-Dec-08	Fiscal Year End 31-Dec-07	Fiscal Year End 31-Dec-06
Number of Months in Period	9	12	12	12	12	12
Financial Summary Items						
Total Assets	\$ 794,939	\$ 807,698	\$ 771,462	\$ 658,812	\$ 1,045,409	\$ 1,120,645
Liquid Assets	\$ 690,055	\$ 701,556	\$ 667,418	\$ 577,599	\$ 926,832	\$ 997,829
Assets Under Management	\$ 740,000	\$ 756,000	\$ 645,000	\$ 415,000	\$ 413,000	\$ 443,000
Total Debt	\$ 191,974	\$ 195,713	\$ 195,752	\$ 173,920	\$ 225,119	\$ 174,070
Short-term Debt & Current Maturities	\$ 2,881	\$ 3,256	\$ 2,378	\$ 10,483	\$ 34,495	\$ 47,366
Working Capital (WC)	Na	Na	Na	Na	Na	Na
Total Shareholder's Equity	\$ 61,828	\$ 57,211	\$ 46,688	\$ 50,831	\$ 31,269	\$ 35,364
Total Capitalization	\$ 253,802	\$ 252,924	\$ 242,440	\$ 224,751	\$ 256,388	\$ 209,434
Goodwill & Intangibles (per balance sheet)	\$ 17,590	\$ 17,560	\$ 19,283	\$ 8,195	\$ 8,443	\$ 7,436
Tangible Net Worth	\$ 42,949	\$ 37,993	\$ 26,857	\$ 40,556	\$ 21,605	\$ 28,698
Total Revenue (Interest & Non-Interest Income)	\$ 32,300	\$ 38,036	\$ 30,139	\$ 58,403	\$ 83,761	\$ 70,696
Net Revenues	\$ 26,809	\$ 31,622	\$ 23,434	\$ 22,140	\$ 26,478	\$ 29,799
Interest Revenues	\$ 5,560	\$ 7,278	\$ 7,477	\$ 38,931	\$ 60,069	\$ 42,776
Depreciation	\$ 1,187	\$ 1,419	\$ 1,224	\$ 794	\$ 475	\$ 876
Interest Expense	\$ 5,491	\$ 6,414	\$ 6,705	\$ 36,263	\$ 57,283	\$ 40,897
Income Taxes	\$ 1,696	\$ 739	\$ (341)	\$ 16	\$ 576	\$ 2,729
EBIT	\$ 11,547	\$ 11,856	\$ 7,710	\$ 37,986	\$ 61,068	\$ 51,079
EBITD	\$ 12,734	\$ 13,275	\$ 8,934	\$ 38,780	\$ 61,543	\$ 51,955
Net Income	\$ 4,360	\$ 4,703	\$ 1,346	\$ 1,707	\$ 3,209	\$ 7,453
Funds From Operations (Trad. Cash Flow)	\$ 5,547	\$ 6,122	\$ 2,570	\$ 2,501	\$ 3,684	\$ 8,329
Operating Cash Flow	\$ 3,638	\$ (45,951)	\$ 73,417	\$ (22,249)	\$ (61,245)	\$ (31,352)
Capital Expenditures	\$ 1,088	\$ 2,877	\$ 1,400	\$ 1,469	\$ 993	\$ 540
Other Cash Outflows	\$ 714	\$ 1,732	\$ 1,227	\$ 1,219	\$ 1,167	\$ 1,180
Free Cash Flow	\$ 1,836	\$ (50,560)	\$ 70,790	\$ (24,937)	\$ (63,405)	\$ (33,072)
Financial Indicators						
Pre-tax Return on Assets*	1.02%	0.67%	0.13%	0.26%	0.36%	0.91%
Return on Equity*	9.40%	8.22%	2.88%	3.36%	10.26%	21.08%
Total Equity / Total Assets	0.08	0.07	0.06	0.08	0.03	0.03
Liquid Assets / Total Assets	0.87	0.87	0.87	0.88	0.89	0.89
Interest Expense / Total Revenues	0.17	0.17	0.22	0.62	0.68	0.58
Interest Expense / Interest Revenue	0.99	0.88	0.90	0.93	0.95	0.96
Tier I Capital Ratio (%)	15.21%	15.51%	15.30%	17.90%	#DIV/0!	#DIV/0!
Total Capital Ratio (%)	16.41%	15.98%	16.38%	26.85%	#DIV/0!	#DIV/0!

IMPORTANT NOTES

Not all information is available on all companies. Fields left blank were not available. Calculations that do not make sense for the company's situation, values that cannot be calculated or values where negative earnings or negative stockholder's equity invalidate a calculation have been labeled 'Na'.

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