

Morgan Stanley

Morgan Stanley Financial Overview

Second Quarter 2008

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 Reports on Form 10-K, 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 "Forward-Looking Statements" immediately preceding Part I, Item I, "Competition" and "Regulation" in Part I, Item 1, "Risk Factors" in Part 1, Item 1A, "Legal Proceedings" in Part I, Item 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2007 and other items throughout the Company's Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's 2008 Current Reports on Form 8-K.

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

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- Market Environment
- Financial Results
- Institutional Securities
- Global Wealth Management
- Asset Management
- Risk Management
- Capital, Liquidity and Funding

Market Environment

Pre-Crisis

- High leverage
- Securitization growth
- Expansion of derivatives
- Insurance by monolines

Credit Crisis

- De-leveraging
- Lack of liquidity
- Asset price deterioration
- Capital constrained
- Asset downgrades

Resolution

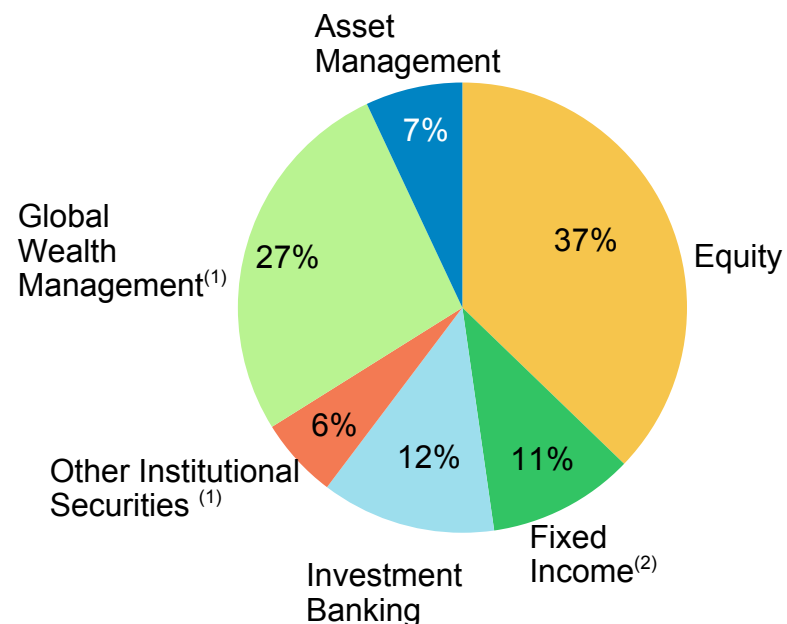
- Recognize losses
- Raise capital
- Extend loans
- Asset dispositions
- Leverage equilibrium

Consolidated Financial Highlights

2Q08 Highlights

Net Revenues (\$Bn)	6.5
PBT (\$Bn)	1.4
Diluted EPS (\$)	0.95
Pre-Tax Margin (%)	22
ROE – Annualized Cont. Ops. (%)	12.3
Adjusted Leverage Ratio (x)	14.1
Book Value per Share (\$)	30.11
Average Total Liquidity (\$Bn)	135

Net Revenue Composition - 6 months 2008

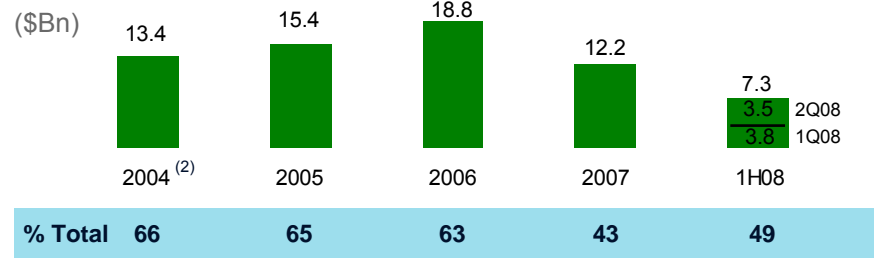


Source: Morgan Stanley SEC Filings and Earnings Conference Call

- (1) The quarter ended May 31, 2008 includes a pre-tax gain of \$744 million related to the secondary offering of MSCI Inc. (reported in Other Institutional Securities), and a pre-tax gain of \$748 million on the sale of the Spanish wealth management business, Morgan Stanley Wealth Management S.V., S.A.U. (reported in the Global Wealth Management Group).
- (2) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading

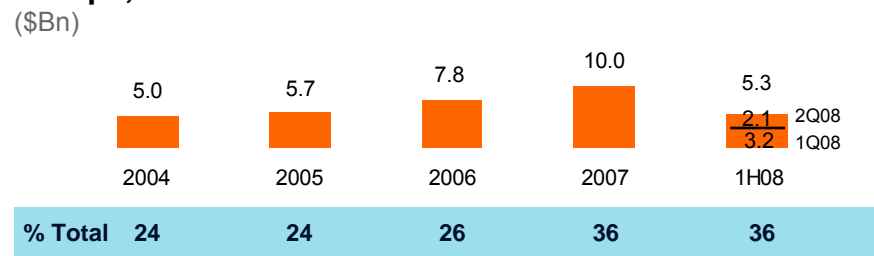
Regional Net Revenue Growth

Americas ⁽¹⁾



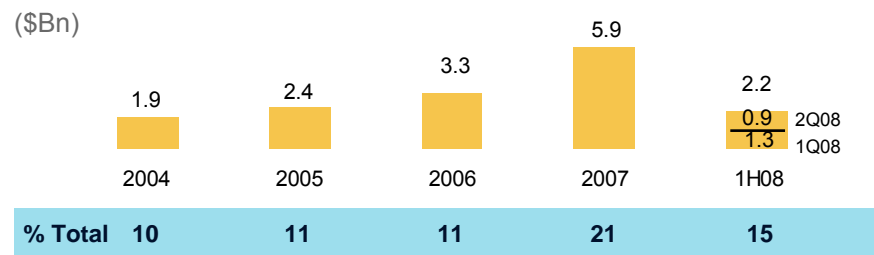
- Americas net revenues grew 40% between 2004 and 2006
 - Excluding the mortgage related loss, 2007 net revenues grew 10% from 2006

Europe, Middle East and Africa



- EMEA net revenues were \$10 billion in 2007, 2x larger than 2004

Asia



- Asia net revenues were almost \$6 billion in 2007, 3x larger than 2004 and roughly 2x larger than 2006

Source: Morgan Stanley SEC Filings and Earnings Conference Call

(1) Includes U.S., Canada, Latin America and Other.

(2) 2004 includes (\$1.35 billion) of Eliminations and \$0.52 billion of Other.

Business Overview – Strategic Priorities

Institutional Securities

- Refocusing the business
- Disciplined operating approach
- Market share opportunities
- Investing strategically
 - Commodities
 - Emerging Markets
 - Prime Brokerage

Global Wealth Management

- Accelerating growth
- Weak competitive landscape
- Growing flows and Financial Advisors
- Low capital usage

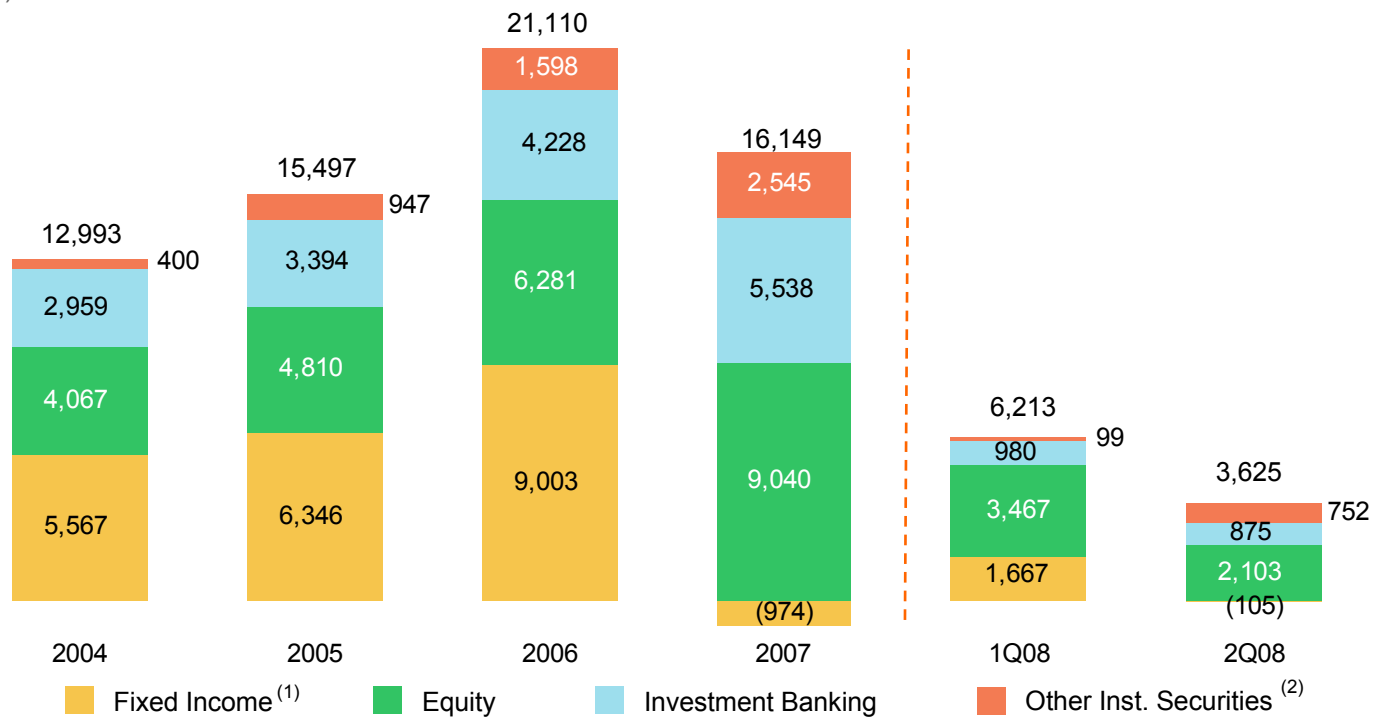
Asset Management

- Redefining the business
- Taking action for growth
 - Leverage Alternatives
 - Enhance product offering
 - Investing in Non-U.S. markets
 - Building Private Equity and Infrastructure product platforms

Institutional Securities

Net Revenue

(\$MM)



Source: Morgan Stanley SEC Filings and Earnings Conference Call

(1) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities. Prior to 2005, excludes net revenues associated with corporate lending activities and certain other adjustments.

(2) 2Q08 includes a pre-tax gain of \$744 million related to the secondary offering of MSCI Inc.

Institutional Securities – Positioned for Growth

Investments

- Continue to aggressively grow in emerging markets
- Build upon growth initiatives in equity derivatives
- Continue global expansion of prime brokerage
- Opportunistically build out commodities business
- Technology to enhance capital allocation and evaluation of trading opportunities

Opportunities

- Reallocate capital and human resources to areas of growth
- Help clients restructure risk positions
- Take advantage of trading opportunities created by market dislocations
- Provide solutions to clients' asset / liability mismatch challenges
- Maximize the Firm's relationship network

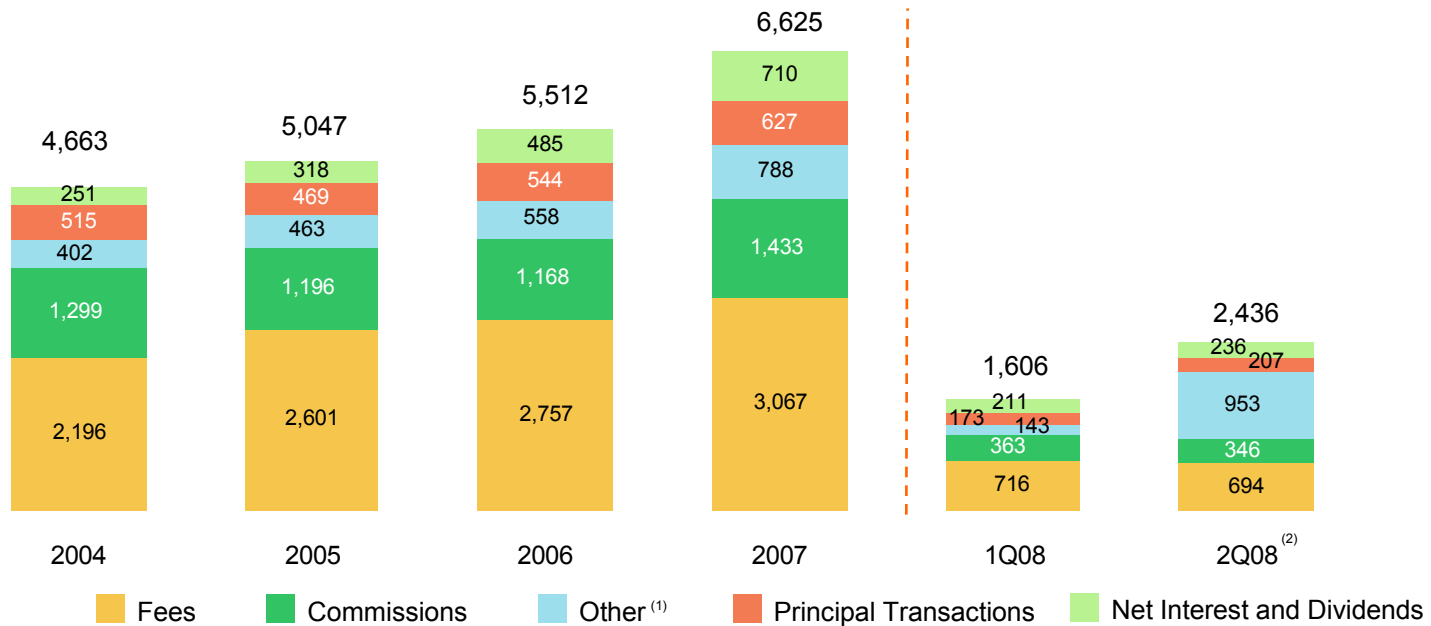
Growth Stages

	Stage One	Stage Two	Stage Three
Global Wealth Management	<ul style="list-style-type: none"> ✓ Restructure then stabilize ✓ Increase flows ✓ Improve Financial Advisory productivity ✓ Product investments 	<ul style="list-style-type: none"> ✓ Improve margins ✓ Organic growth ✓ Expand internationally ✓ Enhance technology / operations 	<ul style="list-style-type: none"> • Growth through acquisition • Competitive PBT margin
Asset Management	<ul style="list-style-type: none"> ✓ Build Alternatives foundation ✓ Seed new products ✓ Re-enter Private Equity ✓ Build out Infrastructure 	<ul style="list-style-type: none"> ✓ Continue to attract talent ✓ Generate flows • Restructure Core Asset Management • Leverage Alternatives strong performance 	<ul style="list-style-type: none"> • Competitive fund flows • Competitive PBT margin

Global Wealth Management

Net Revenue

(\$MM)



Source: Morgan Stanley SEC Filings and Earnings Conference Call

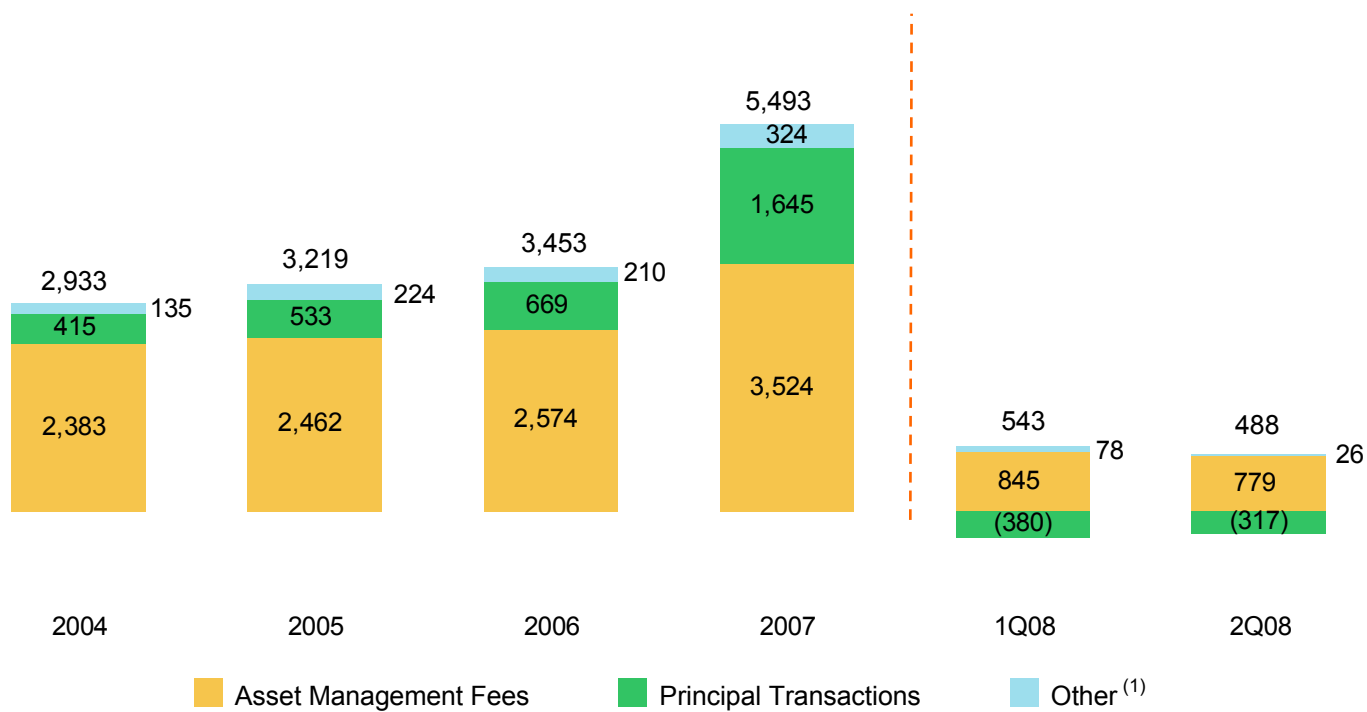
(1) "Other" includes Investment Banking and Other revenues.

(2) 2Q08 includes a pre-tax gain of \$748 million on the sale of the Spanish wealth management business, Morgan Stanley Wealth Management S.V., S.A.U.

Asset Management

Net Revenue

(\$MM)

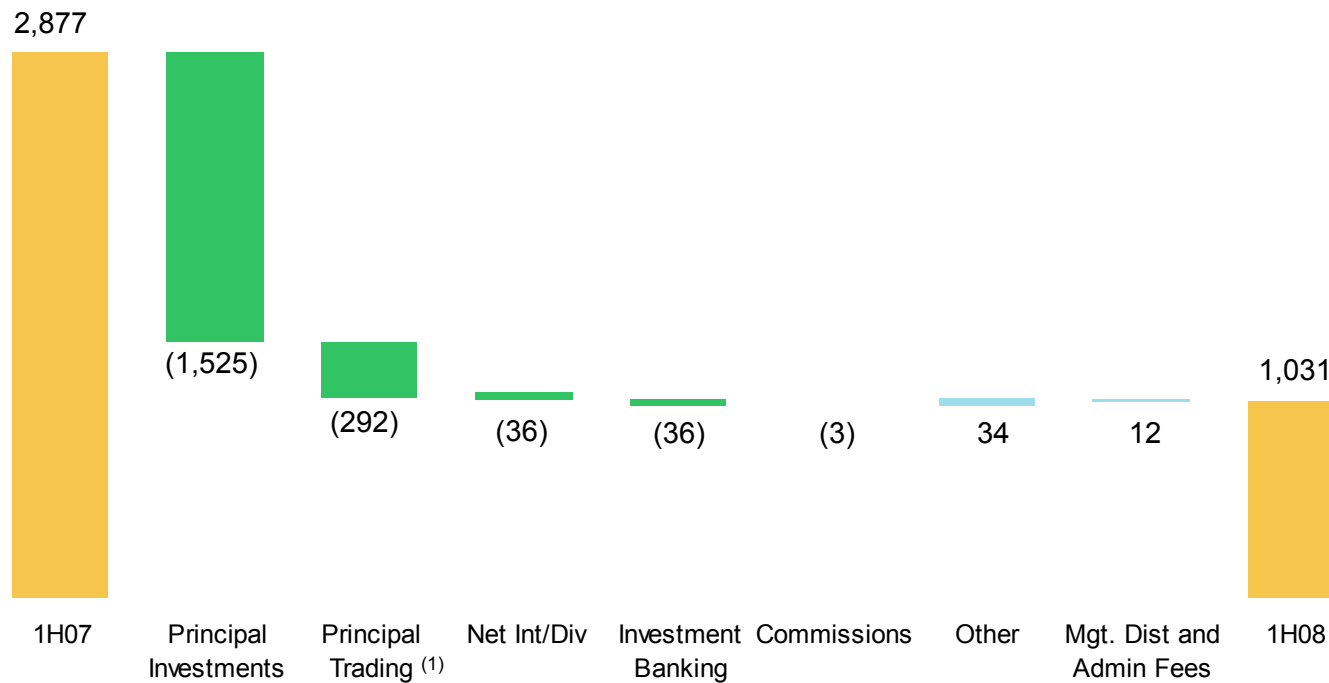


Source: Morgan Stanley SEC Filings and Earnings Conference Call
 (1) "Other" includes Investment Banking, Net Interest and Dividends, Commissions and Other revenues.

Asset Management – Revenues

Asset Management Net Revenues – 6 months 2008 vs. 6 months 2007

(\$MM)



Source: Morgan Stanley SEC Filings and Earnings Conference Call

(1) Includes SIV losses.

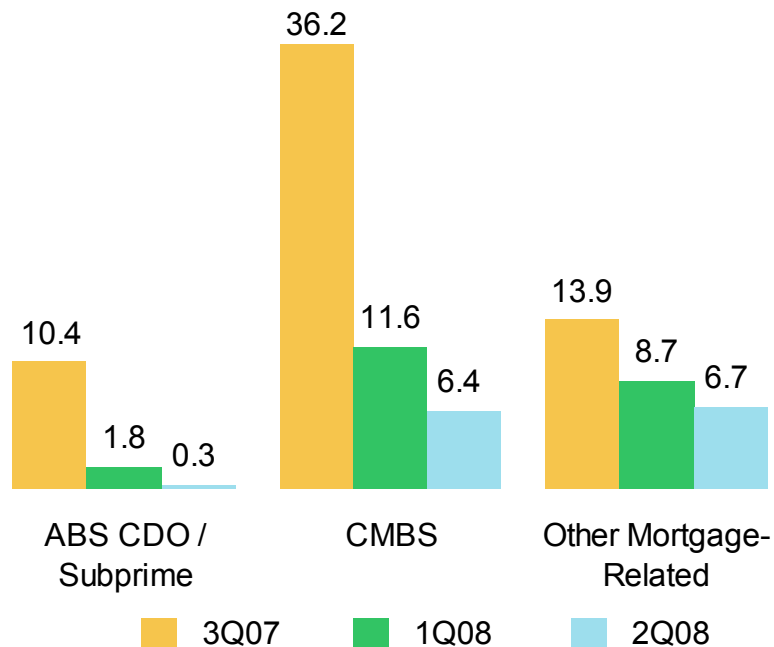
Risk Management

- Resources
 - Continued investment in people and technology
- Limit Structures / Risk Taking
 - Scale risk taking based on ability to analyze, monitor and change
 - Importance of risk correlations and risk concentrations
- Modeling
 - Enhanced focus on stress testing and measuring tail risk
 - Consistent applications across product categories
- Collaboration
 - Continued integration and constant communication among independent risk control groups:
 - Market Risk
 - Operational Risk
 - Treasury
 - Credit Risk
 - Financial Control
 - Legal and Compliance

Risk Managing Net Exposures

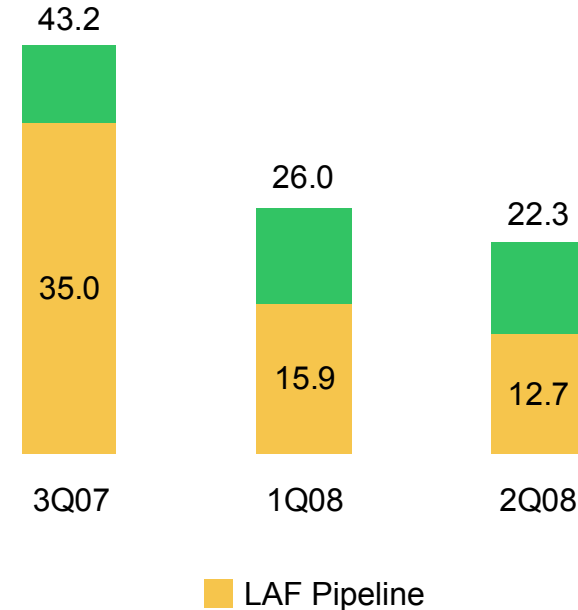
Total Net Exposure ⁽¹⁾

(\$Bn)



Non-Investment Grade Corporate Lending Commitments

(\$Bn)



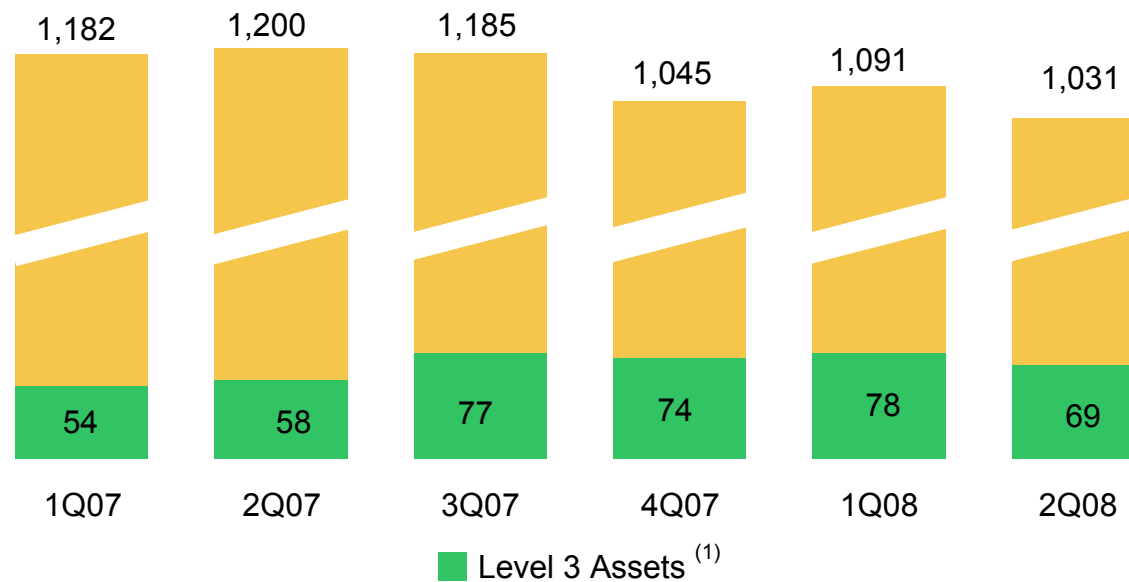
Source: Morgan Stanley SEC Filings, Earnings Conference Call

(1) Net Exposure is defined as potential loss to the Firm in an event of 100% default, assuming zero recovery, over a period of time. The value of these positions remains subject to mark-to-market volatility. Positive amounts indicate potential loss (long position) in a default scenario. Negative amounts indicate potential gain (short position) in a default scenario.

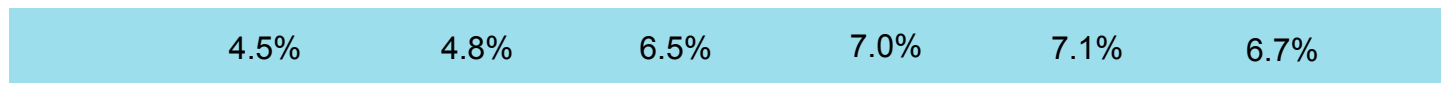
Level 3 Assets

Total Assets

(\$Bn)



Level 3 Assets as % of Total Assets:



Source: Company SEC Filings and Earnings Releases

Notes: (1) Level 3 assets prior to 4Q07 have been restated to include netting among positions classified within the same level in that level. Previously, these positions were shown on a gross basis with the netting in a separate column.

Operating Discipline

Three Key Tenets

Capital

- Risk Adjusted Return on Capital
- Temporarily suspended share buyback program
- CIC Investment

Balance Sheet

- Reduced both gross and adjusted leveraged ratios during 2Q08
- Reallocated balance sheet to liquid assets with significant two-way customer flows

Liquidity

- Reduced re-financing risk
- Strengthened liquidity position at the parent level

Capital Strength – 2Q08

Total Capital Ratio – 18.6%

Tier 1 Ratio – 12.4%

(\$Bn)

• Common Equity	\$33
• Tier 1 Eligible Capital	\$12
• Less: Goodwill & Intangibles ⁽¹⁾ , Net Deferred Tax Assets & Debt Valuation Adjustment	(\$8)

Tier 1 Capital **\$37**

• Subordinated Debt	\$4
• Qualifying Long-Term Debt	\$15

Tier 2 Capital **\$19**

Total Capital **\$56**

Risk Weighted Assets by Risk Type

• Market	\$100
• Credit	\$147
• Operational	\$52

Total Risk Weighted Assets **\$299**

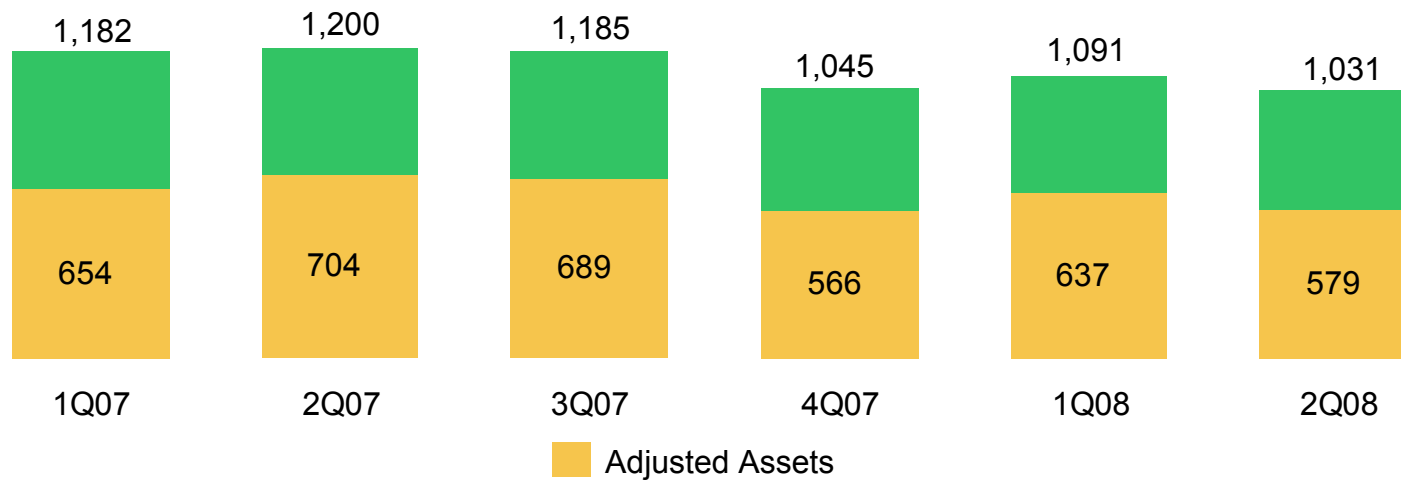
Source: Company SEC Filings and Earnings Conference Call

(1) Goodwill & Intangibles includes mortgage servicing rights

Total Capital

Total and Adjusted Assets

(\$Bn)



Total Capital ⁽¹⁾

177.3	187.3	187.5	191.1	198.2	210.1
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Total Capital as a % Total Assets

15	16	16	18	18	20
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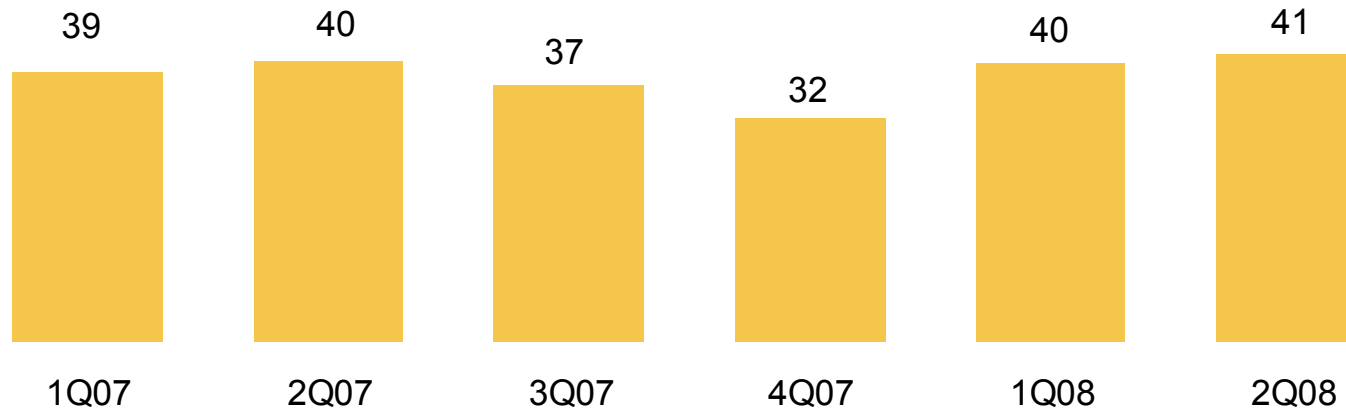
Morgan Stanley SEC Filings and Earnings Conference Call

(1) These amounts include the non-current portion of long-term borrowings (including Capital Units and junior subordinated debt issued to capital trusts) and shareholders equity.

Active Capital Management

Tangible Shareholders' Equity and Leverage Ratios

Tangible Equity (\$Bn)



Leverage Ratio⁽¹⁾

30.6x	29.8x	32.3x	32.6x	27.4x	25.1x
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Adjusted Leverage Ratio⁽²⁾

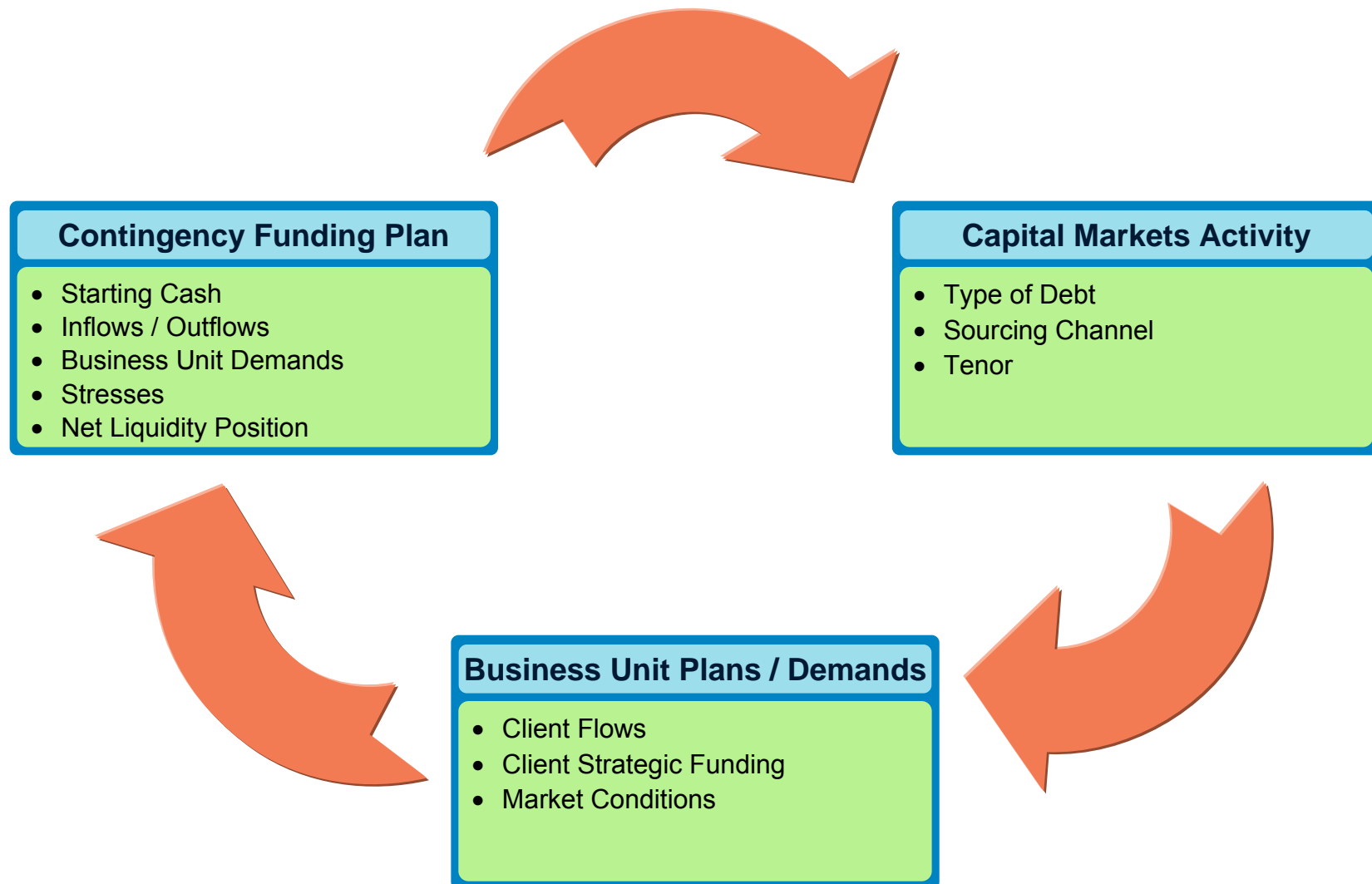
16.9x	17.5x	18.8x	17.6x	16.0x	14.1x
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Source: Company SEC Filings and Earnings Conference Call

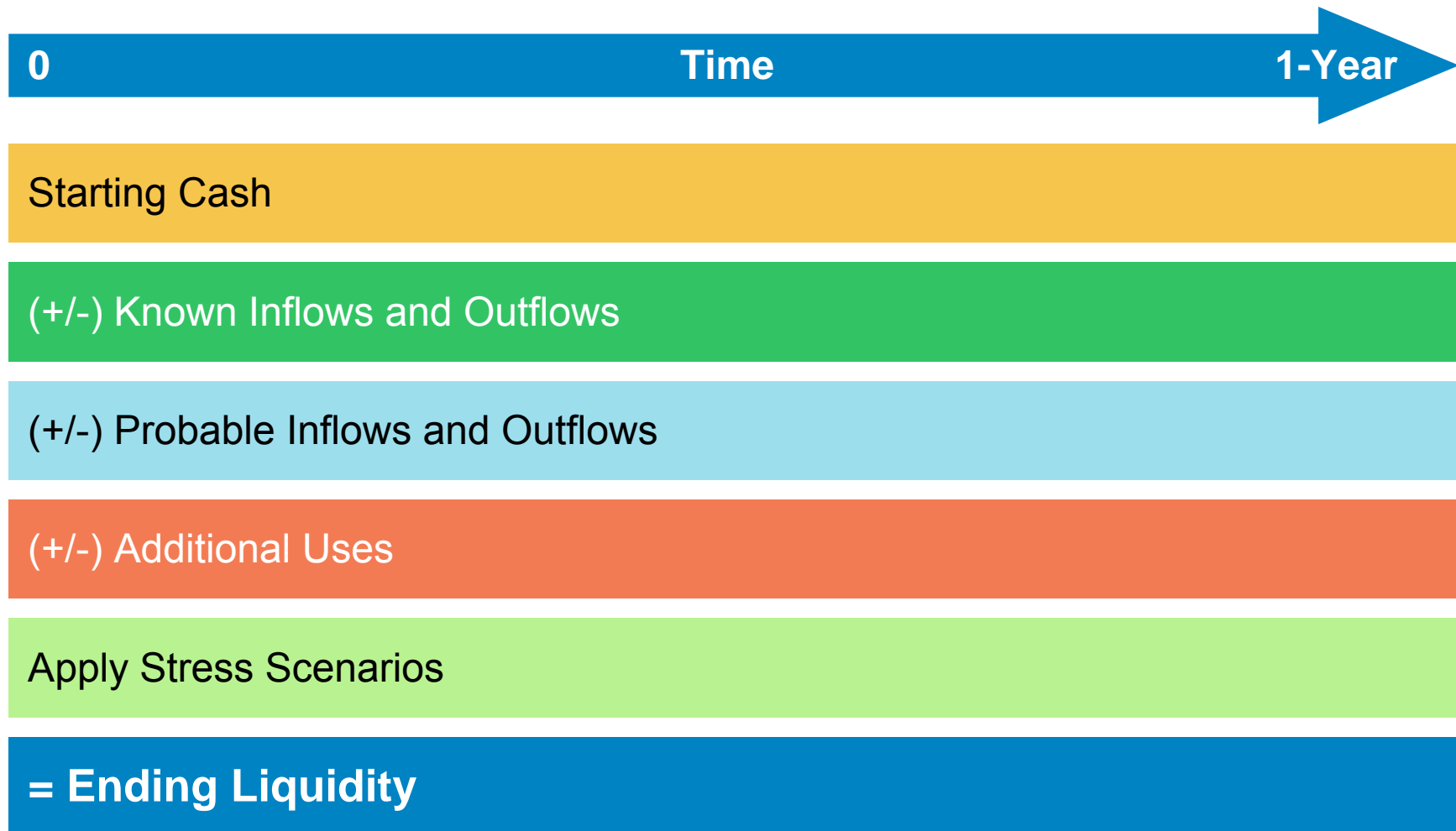
(1) Leverage ratio equals total assets divided by tangible shareholders' equity.

(2) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.

Liquidity Framework



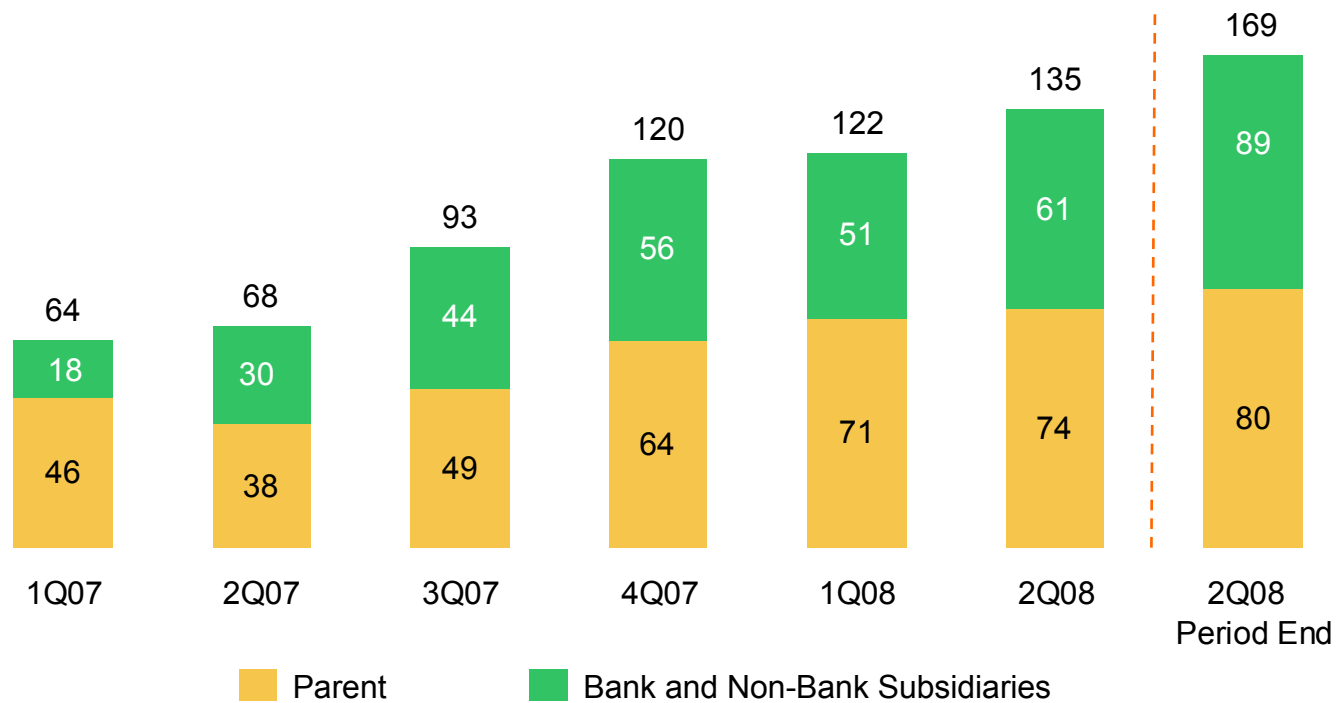
Contingency Funding Plan



Liquidity

Average Liquidity Reserves per Quarter

(\$Bn)

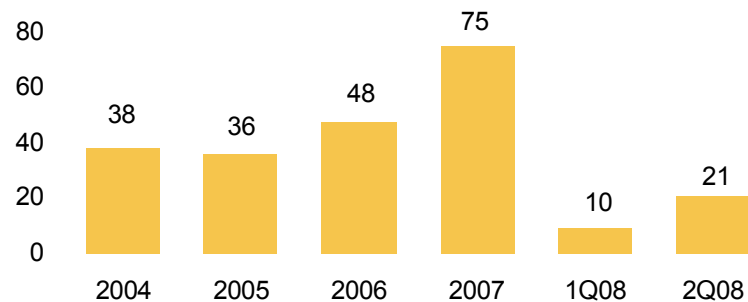


Source: Morgan Stanley SEC Filings and Earnings Conference Call

Financing

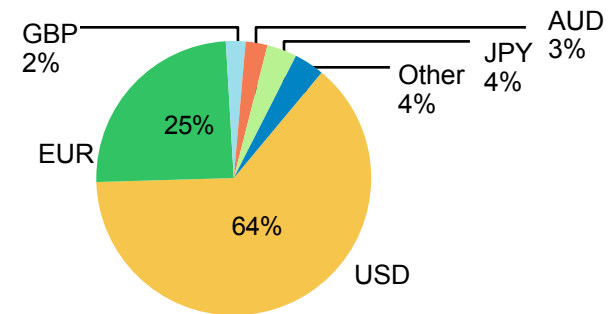
Long-Term Debt Issued

(\$Bn)



Source: 10K, 10Qs, and Earnings Conference Call

Long-Term Debt Outstanding



Source: Company Shelf Filings

Secured Financing Books

Equity

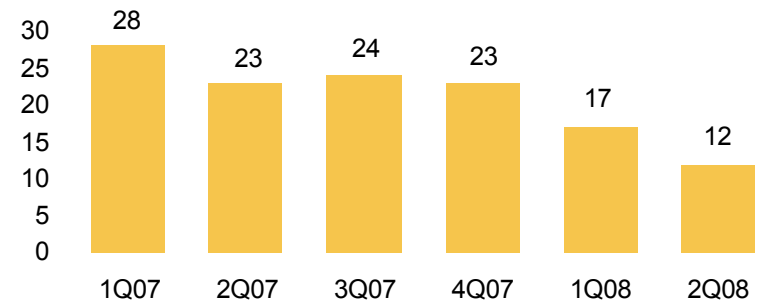
Fixed Income

Weighted Average Maturity > 40 days

Source: Morgan Stanley Earnings Conference Call

CP Outstanding

(\$Bn)



Source: Morgan Stanley SEC Filings and Earnings Conference Call

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Credit Quality

Debt Ratings

	Long-Term Debt	Short-Term Debt
Dominion Bond Rating Service Limited	AA (Low)	R-1 (Middle)
Fitch Ratings ⁽¹⁾	AA-	F1+
Moody's Investors Service ⁽²⁾	A1	P-1
Rating and Investment Information, Inc. (R&I) ⁽³⁾	AA	a-1+
Standard & Poor's ⁽⁴⁾	A+	A-1

(1) Outlook changed to Negative on December 19, 2006.

(2) Long-Term ratings downgraded on August 11, 2008. Stable outlook assigned.

(3) Outlook changed to Negative on December 20, 2007.

(4) Ratings downgraded on June 2, 2008. Negative outlook assigned.