Morgan Stanley

Citigroup Financial Services Conference

Walid A. Chammah, Co-President
James P. Gorman, Co-President
Colm Kelleher, Chief Financial Officer

January 29, 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 8-K, 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 "Forward-Looking Statements" immediately preceding Part I, Item 1, "Competition" and "Regulation" in Part I, Item 1, "Risk Factors" in Part I, 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.

Colm Kelleher
Chief Financial Officer

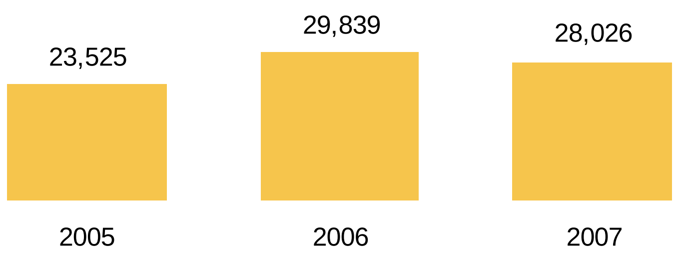
Morgan Stanley

Consolidated Financial Highlights

Fiscal Year 2007

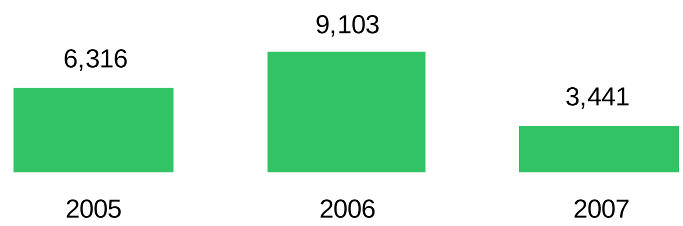
Net Revenues

($MM)



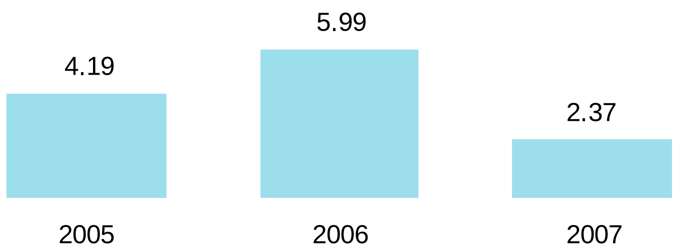
Profit Before Taxes

($MM)



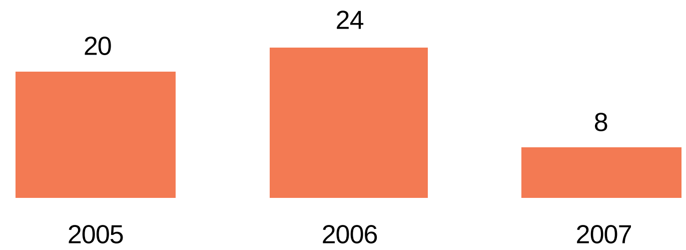
Cont. Ops. Diluted EPS

($/Share)



Cont. Ops. ROE

(%)



Source: Morgan Stanley SEC Filings and Earnings Releases

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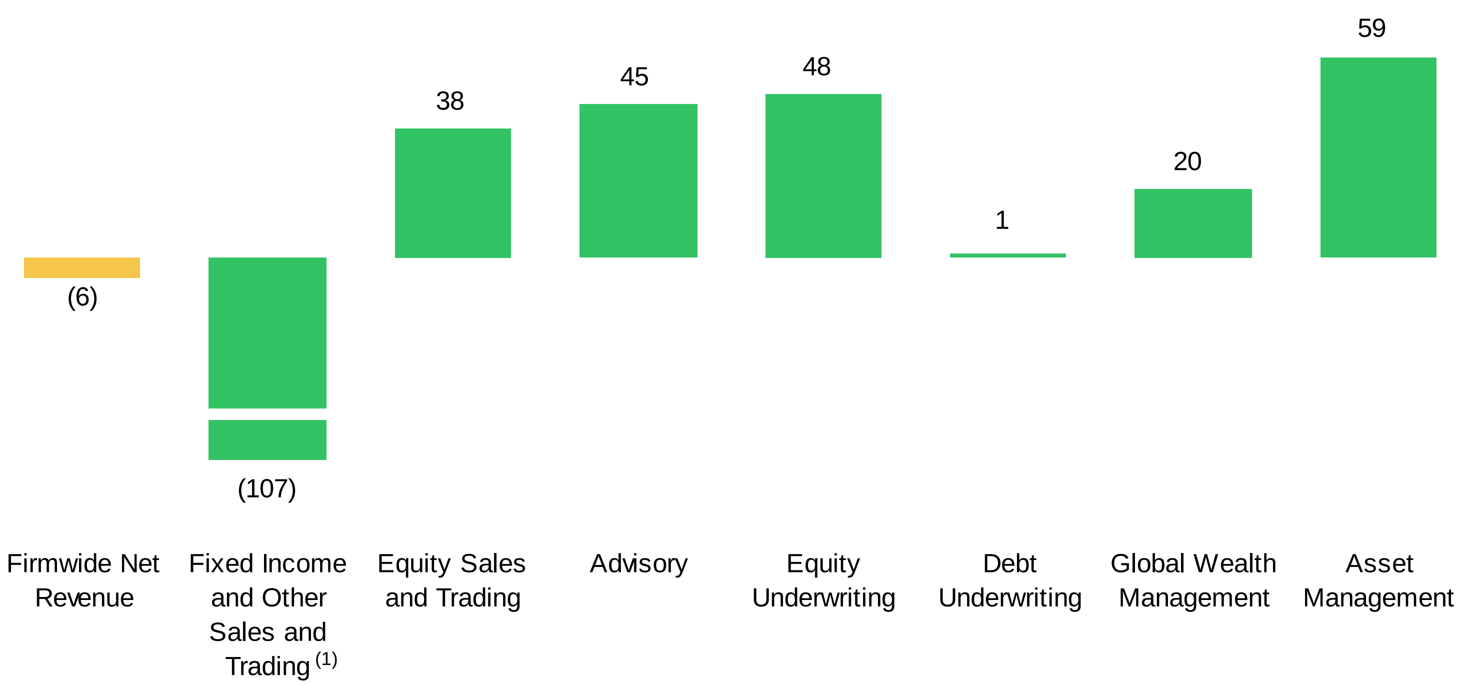
Business Segments Performance

FY 2007 vs. FY 2006 Business Segments Percentage Revenue Growth

(%)



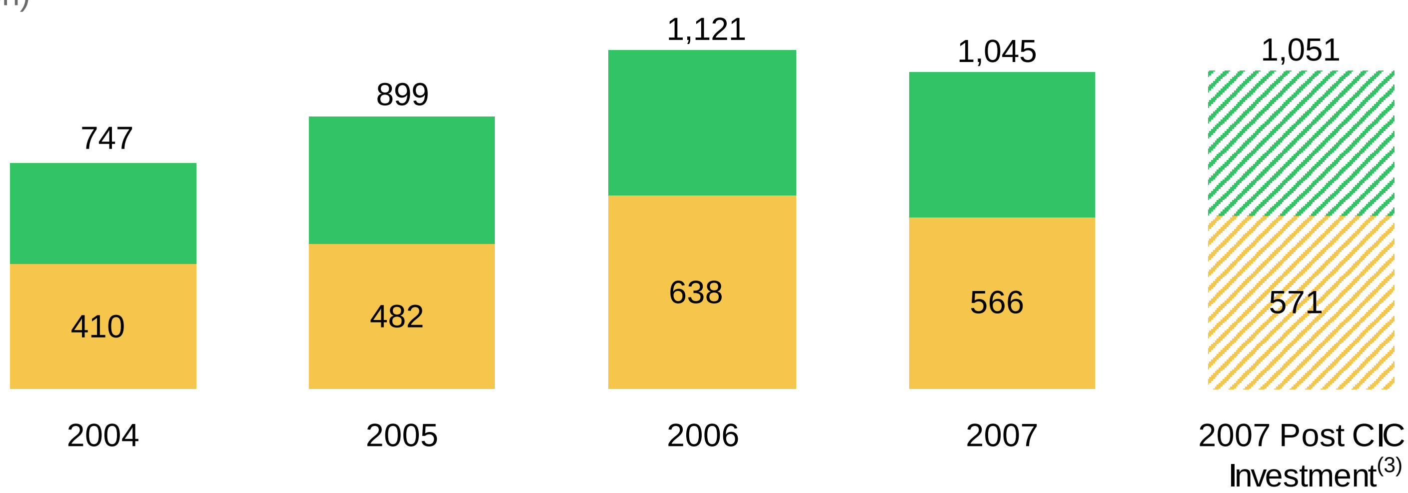
Source: Morgan Stanley SEC Filings and Earnings Releases

(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.

Active Capital Management

Total and Adjusted Assets

($Bn)



Adjusted Assets Total Assets

	2004	2005	2006	2007	2007 Post CIC Investment[3]
Gross Leverage Ratio[1]	25.9x	30.5x	30.5x	32.6x	27.9x[3]
Adjusted Leverage Ratio[2]	14.2x	16.4x	17.3x	17.6x	15.2x[3]

Source: Morgan Stanley SEC Filings and Earnings Releases
(1) Gross leverage ratio equals total assets divided by tangible shareholders' equity.
(2) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.
(3) 2007 Year-end including $5.6Bn CIC investment.

China Investment Corporation (CIC) Investment

Equity Units with Mandatory Stock Purchase Contracts

- Strengthened balance sheet by raising $5.6 billion in capital through long-term investment made by China Investment Corporation (CIC)
- Builds on our historic ties/market leadership in China
- Stock Purchase Contracts settle in Morgan Stanley stock on August 17, 2010
- Pre-settlement book value impact of approximately $0.40 per share
- EPS impact will vary depending on the stock price over each reporting period [1]

(1) For modeling purposes, examples of the EPS impact at different stock prices have been added as an appendix to this presentation

James Gorman
Co-President

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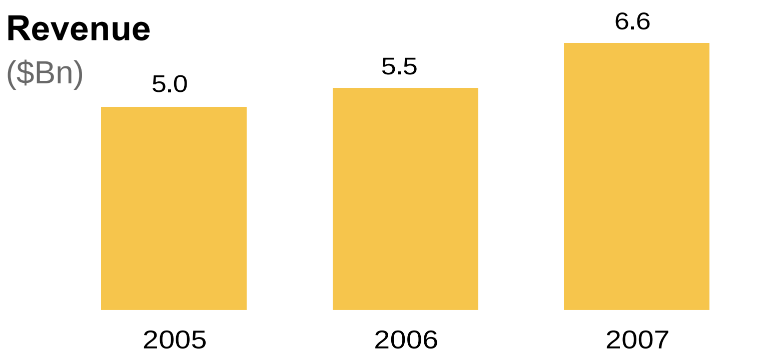
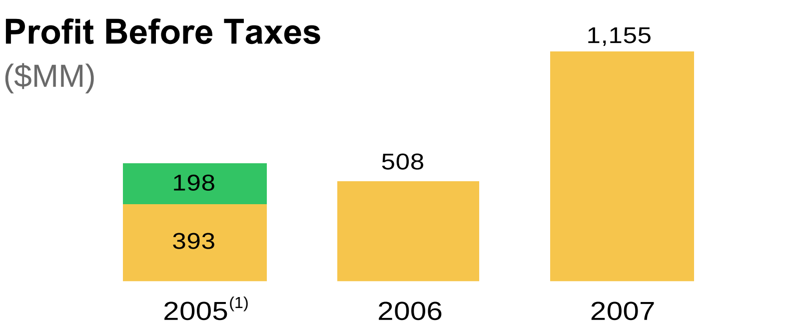
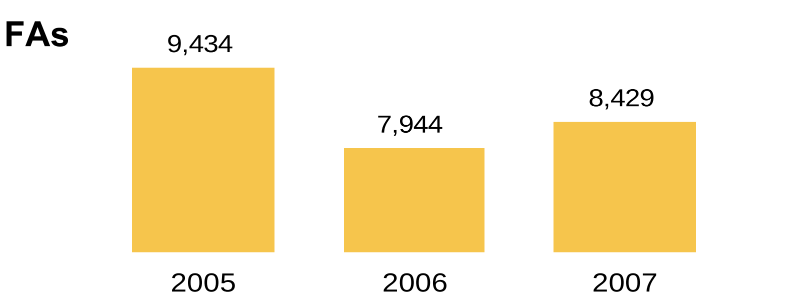
Global Wealth Management







Source: Morgan Stanley SEC Filings and Earnings Releases

Highlights

- Year-over-year revenue growth of 20%
- Year-over-year PBT growth of 127%
- Incremental margin on incremental revenues was 58% in 2007
- Grew headcount and productivity per FA
- Recruited[2] $253MM net T-12

(1) 2005 PBT includes $198MM in September 11th related insurance recoveries.
(2) Domestic FAs and IRs net trailing 12-month revenues of hires less loses to competitors.

Global Wealth Management: Performance vs. Aspiration

	2005 (1)	2007 (1)	Original 3-Year Aspiration
Revenue Growth	8%	20%	10%+
Pre-Tax Margin	8% (2)	17%	20%+
1st / 2nd Quintile Turnover	11%	6%	<5%
Annual Net New Money	$(2.7)Bn	$40Bn	$25 – 30Bn
Fee-Based Assets	27%	27%	35%+
Client Assets in $1MM+ households	64%	72%	75%
Deposit Sweep	$1.7Bn	$26.2Bn	$25Bn+
Revenue per Financial Advisor	$502K	$811K	$700K+
Assets per Financial Advisor	$65MM	$90MM	$95MM+

Source: Morgan Stanley SEC Filings and Earnings Releases

(1) Metrics either quarterly or annual, as applicable.

(2) 2005 Pre-Tax Margin excludes $198MM in September 11th related insurance recoveries.

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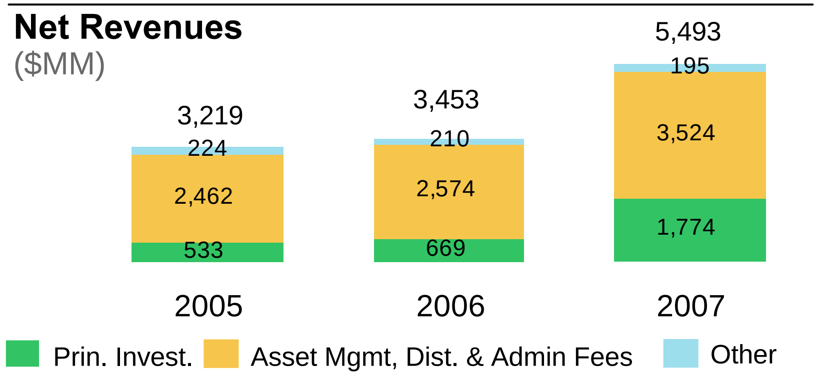
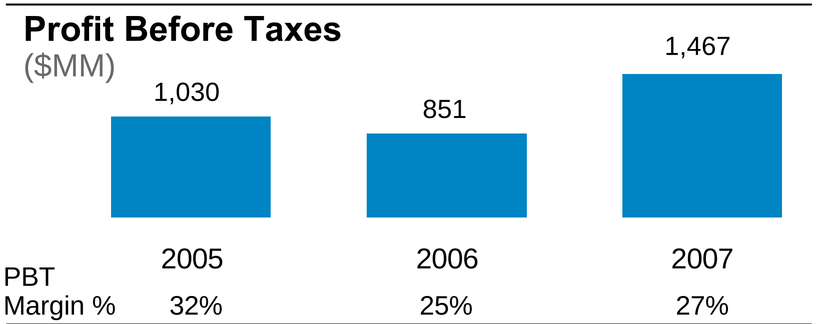
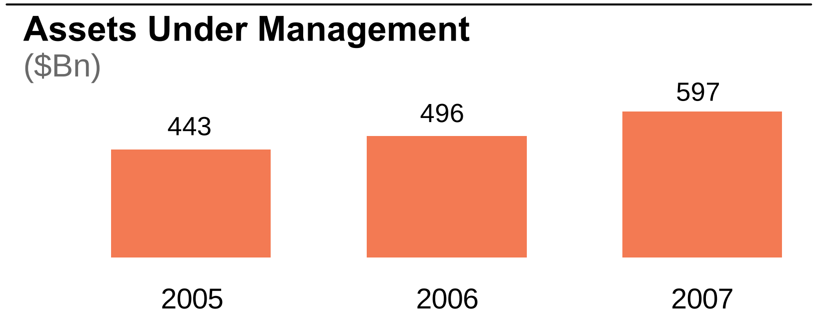
Global Wealth Management – Initiatives for 2008

1. Product Investments	– Banking, Alternatives, Insurance, Retirement, Structured, FX, Deposits
2. Expense Discipline	– Project Prioritization – Rationalize Support Structure
3. Technology / Operations	– Improved Client Access and Reporting – Tools for Financial Advisors – Automated Management Reporting
4. Geographic Focus	– Latin America, India, China, Middle East – U.S. Major Metropolitan Markets
5. Talent	– “Firm of Choice” for $1 million Producers

Asset Management







Source: Morgan Stanley SEC Filings and Earnings Releases

Highlights

- Net revenues grew 59% in 2007, and were 71% higher than 2005 in part due to acquisitions
- Profit before taxes increased 72% from 2006 and PBT margin increased to 27%
- AUM grew 20% in 2007 to $597Bn
  - Alternative assets grew to $116Bn[(1)] or 19% of total AUM
- Net inflows of $35Bn in 2007 versus net outflows of $9Bn and $18Bn in 2006 and 2005, respectively
  - Long-term net inflows of $25Bn in 2007
  - New products launched over the last two years drove $29Bn of net inflows in 2007
- 74 new products launched in 2007
  - 37 in Alternatives, 25 in Equity and 12 in Fixed Income

(1) Alternative assets include Asset Management's share of assets managed by entities in which it owns a minority interest ($7Bn at November 30, 2007).

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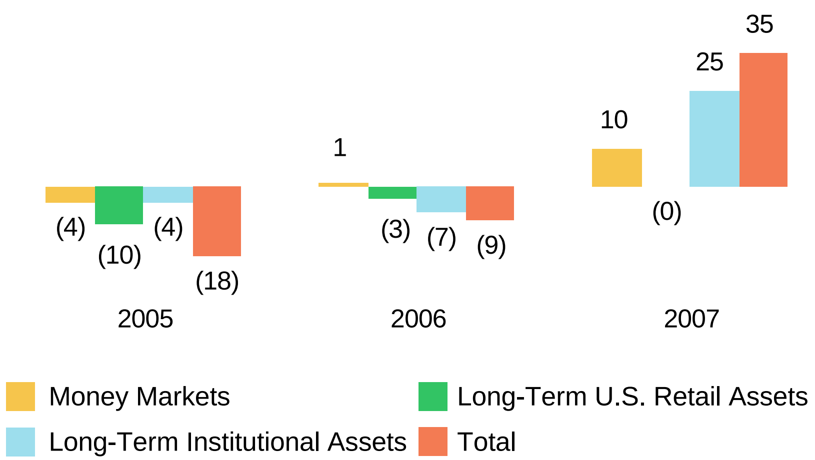
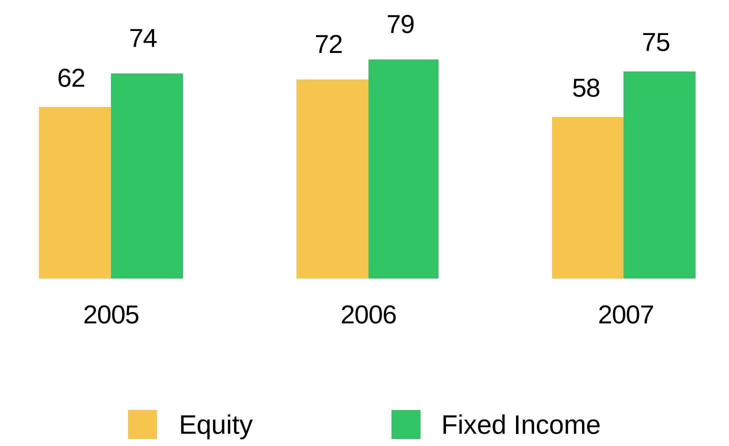
Asset Management: Flows and Fund Performance

Net Flows **Real Turnaround**
($Bn)



Source: Morgan Stanley SEC Filings and Earnings Releases

3-Year U.S. Mutual Fund Performance **Sub-Optimal**
(% of Assets In Top Half)



Source: Lipper, December 2007

Asset Management – Areas of Focus

Management Priorities	Long-Term AUM ($Bn)	Assessment
Product View		
1. Alternatives – FrontPoint – AIP, Structured Products – Avenue, Lansdowne, Traxis (minority stakes)	116[(1)]	• Tremendous Growth
2. Merchant Banking – Real Estate – Infrastructure – Private Equity		• Franchise Building Platform
Channel View		
3. Global Institutional Asset Management – Europe, Middle East and Africa – Asia – U.S. – Global Portfolio Solutions	260	• Strong Overall, particularly International
4. Retail Asset Management – Morgan Stanley – Van Kampen	231	• Flat Flows • Performance an Issue

(1) Alternative assets include Asset Management's share of assets managed by entities in which it owns a minority interest ($7Bn at November 30, 2007).

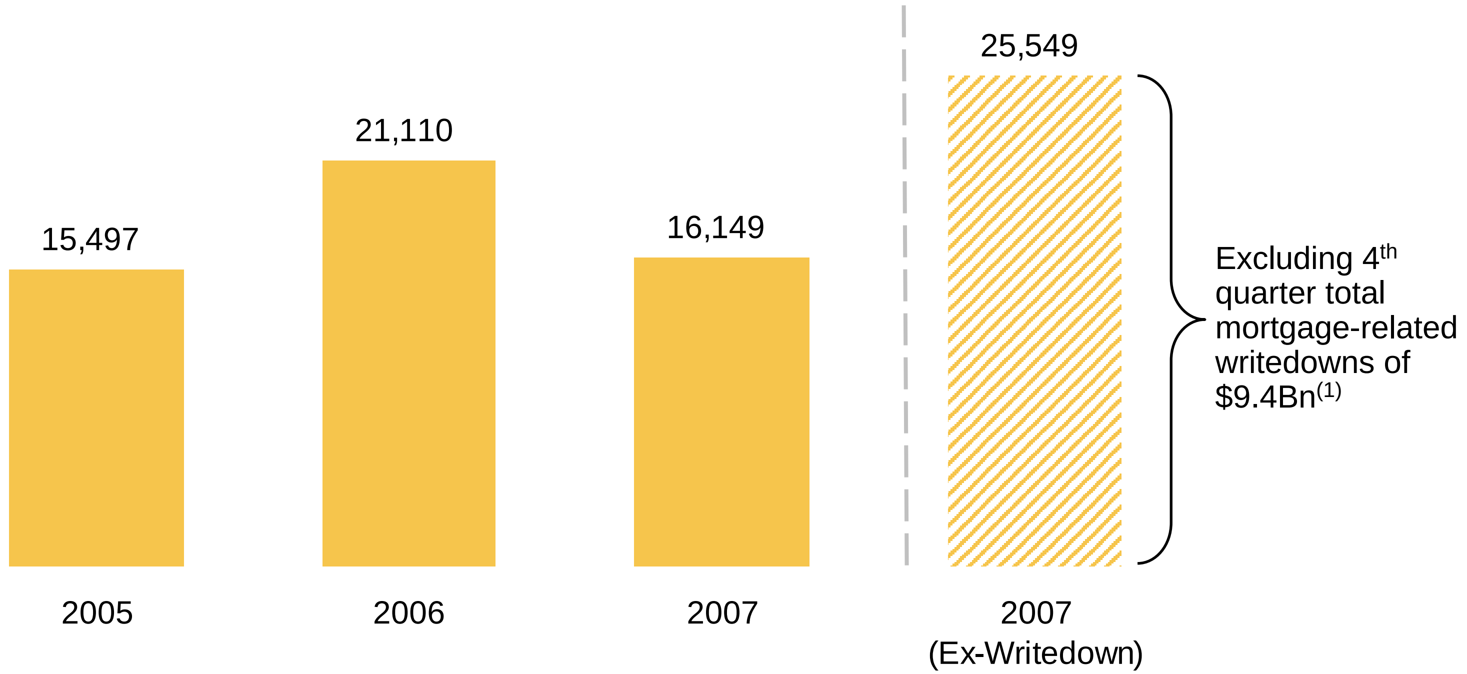
Walid Chammah
Co-President

Morgan Stanley

Institutional Securities

Institutional Securities Revenues

($MM)



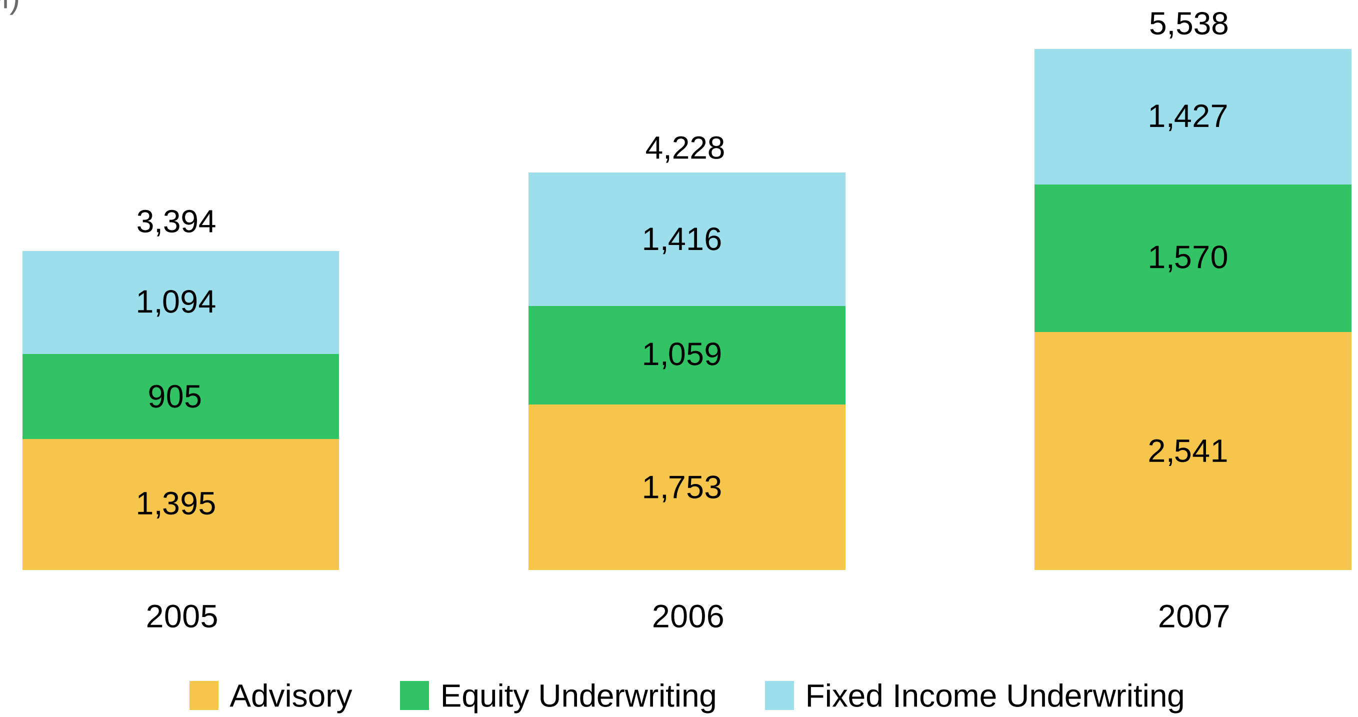
Source: Morgan Stanley SEC Filings and Earnings Releases

(1) Of the total writedowns of $9.4Bn, $7.8Bn represented writedowns of U.S. subprime trading positions, $1.2Bn represented writedowns related to European Non-Conforming Loans, CMBS, ALT-A, and Non-Performing and Other Loans, and $0.4Bn represented writedowns related to securities in the Firm's subsidiary banks.

Institutional Securities (cont'd)

Investment Banking Revenues

($MM)

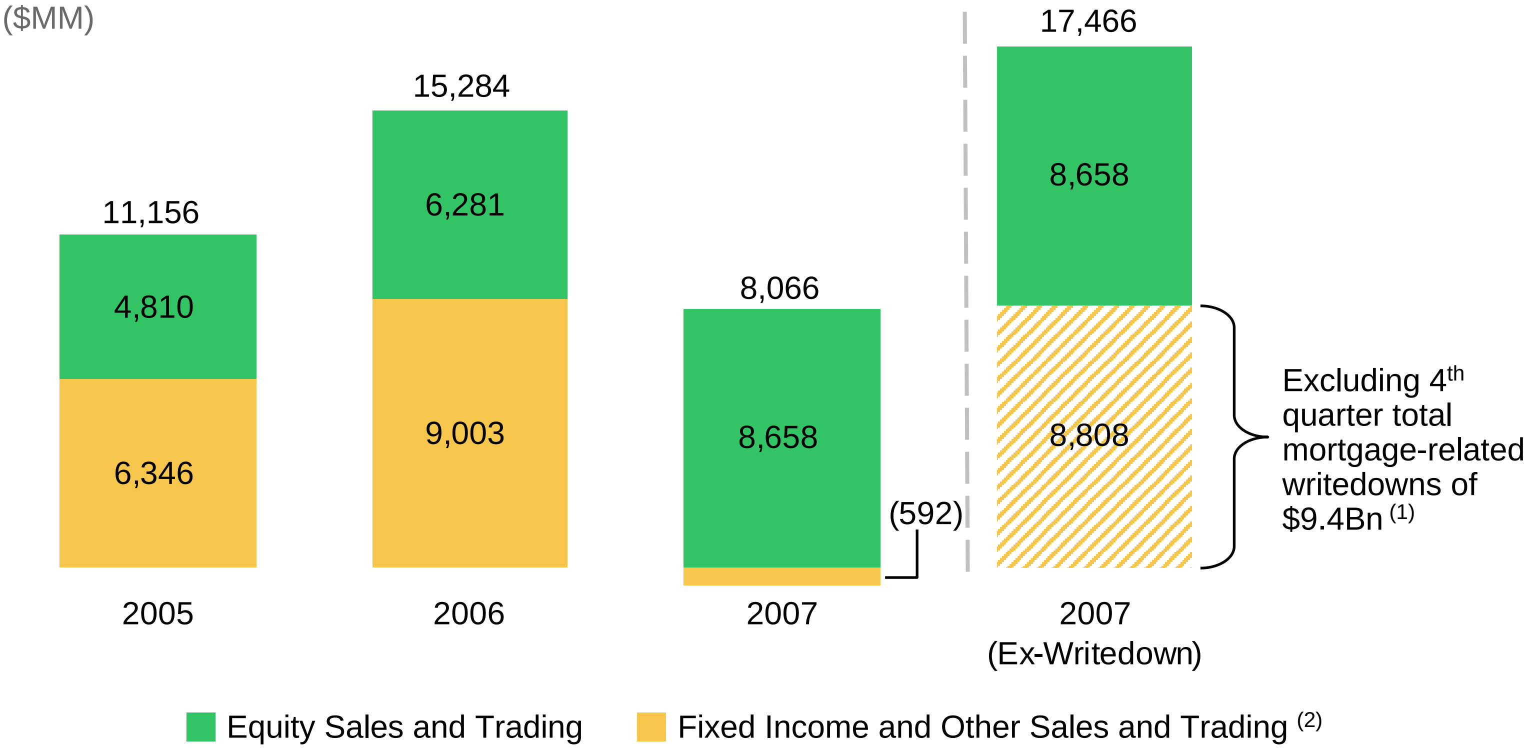


Source: Morgan Stanley SEC Filings and Earnings Releases

Institutional Securities (cont'd)

Sales and Trading Revenues

($MM)



Source: Morgan Stanley SEC Filings and Earnings Releases

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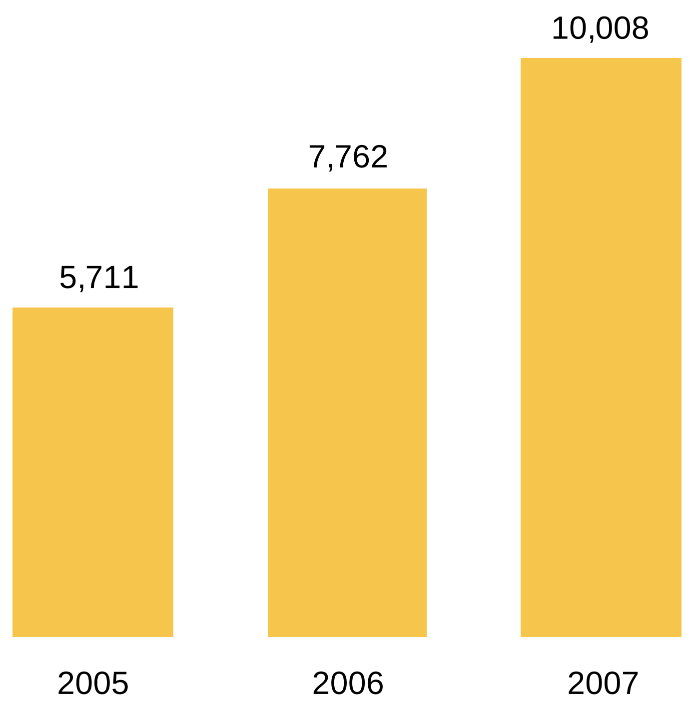
(2) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

International Revenue Growth

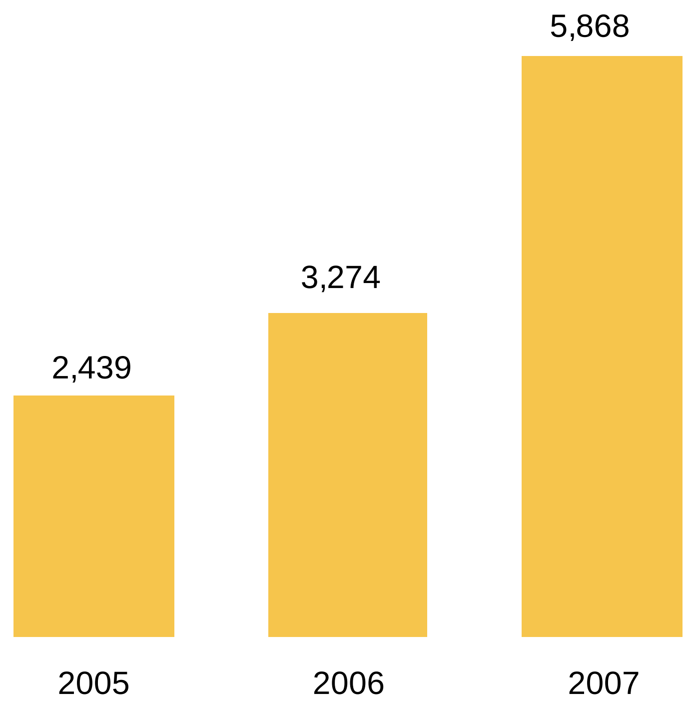
Europe, Middle East and Africa Revenues

($MM)



Asia Revenues

($MM)



Source: Morgan Stanley SEC Filings and Earnings Releases

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

Colm Kelleher
Chief Financial Officer

Morgan Stanley

Outlook

- May still take several quarters for credit markets to return to more normal market activity levels
- Structured credit products to remain challenged for an extended period
- Activity levels outside of Credit remain relatively high
- Investment banking pipelines remain healthy
- Less real estate and private equity gains anticipated in Asset Management, but more investment opportunities to seed business
- Volatility in the Equity markets does not appear to be subsiding
- Global Wealth Management not immune to recession, mitigated by more productive sales force and increased deposits
- Near term cyclical challenges do not change our view of long-term secular growth opportunities

Key Strategic Principles

Diversified, Global Firm Focused on Improving Profit Margins, Growth, and ROE

- Leverage global scale, franchise and integration across businesses
- Strike a better balance between principal and customer activity
- Invest to optimize growth opportunities and achieve best-in-class status in all businesses
- Aggressively pursue new opportunities including bolt-on acquisitions
- Create cohesive "One-Firm" culture with the right leadership

Appendix

China Investment Corporation (CIC) Investment

2007 Form 10-K

- In December 2007, the Company sold Equity Units which include contracts to purchase Company common stock to a wholly-owned subsidiary of CIC for approximately $5,579 million. CIC's ownership in the Company's common stock, including the maximum number of shares of common stock to be received by CIC upon settlement of the stock purchase contracts, will be 9.9% or less of the Company's total shares outstanding based on the total shares outstanding on November 30, 2007. CIC will be a passive financial investor and will have no special rights of ownership nor a role in the management of the Company. A substantial portion of the investment proceeds will be treated as Tier 1 capital for regulatory capital purposes.
- Each stock purchase contract mandatorily settles in Company common stock at prices between $48.07 and $57.68. The maximum number of shares to be issued upon settlement of the stock purchase contracts included in the Equity Units is approximately 116,063,000. The stock purchase contracts settle for Company common stock on August 17, 2010 subject to adjustment. Each Equity Unit will pay a fixed annual payment rate of 9% payable quarterly.

Source: Annual Report on Form 10-K for fiscal year ended November 30, 2007

Calculation of Incremental Diluted Shares

Treasury Stock Method Approach

- Prior to the settlement of the stock purchase contracts, the impact will be reflected in diluted EPS using the treasury stock method
- The number of incremental shares of common stock included in the diluted EPS calculation will be the excess, if any, of the number of shares expected to be issued upon settlement less the number of shares that could be purchased by Morgan Stanley with the proceeds to be received upon settlement
  - Shares are assumed to be issued at the average period-end stock price defined as the volume weighted average price during the 20 trading days ending three days prior to end of the reporting period, with a minimum price of $48.07 and a maximum price of $57.68
  - Shares are assumed to be repurchased by Morgan Stanley at the average reporting period stock price, defined as the average of the closing stock prices during the reporting period
- Dilution of net income per share will occur in reporting periods if
  - The average reporting period stock price (1) is greater than $57.68 per share, or
  - The average reporting period stock price is between $48.07 and $57.68 AND is greater than the average period-end stock price (2)

(1) Average reporting period stock price defined as average of closing stock prices during reporting period.
(2) Average period-end stock price defined as the volume-weighted average price during 20 trading days ending three days prior to end of reporting period.

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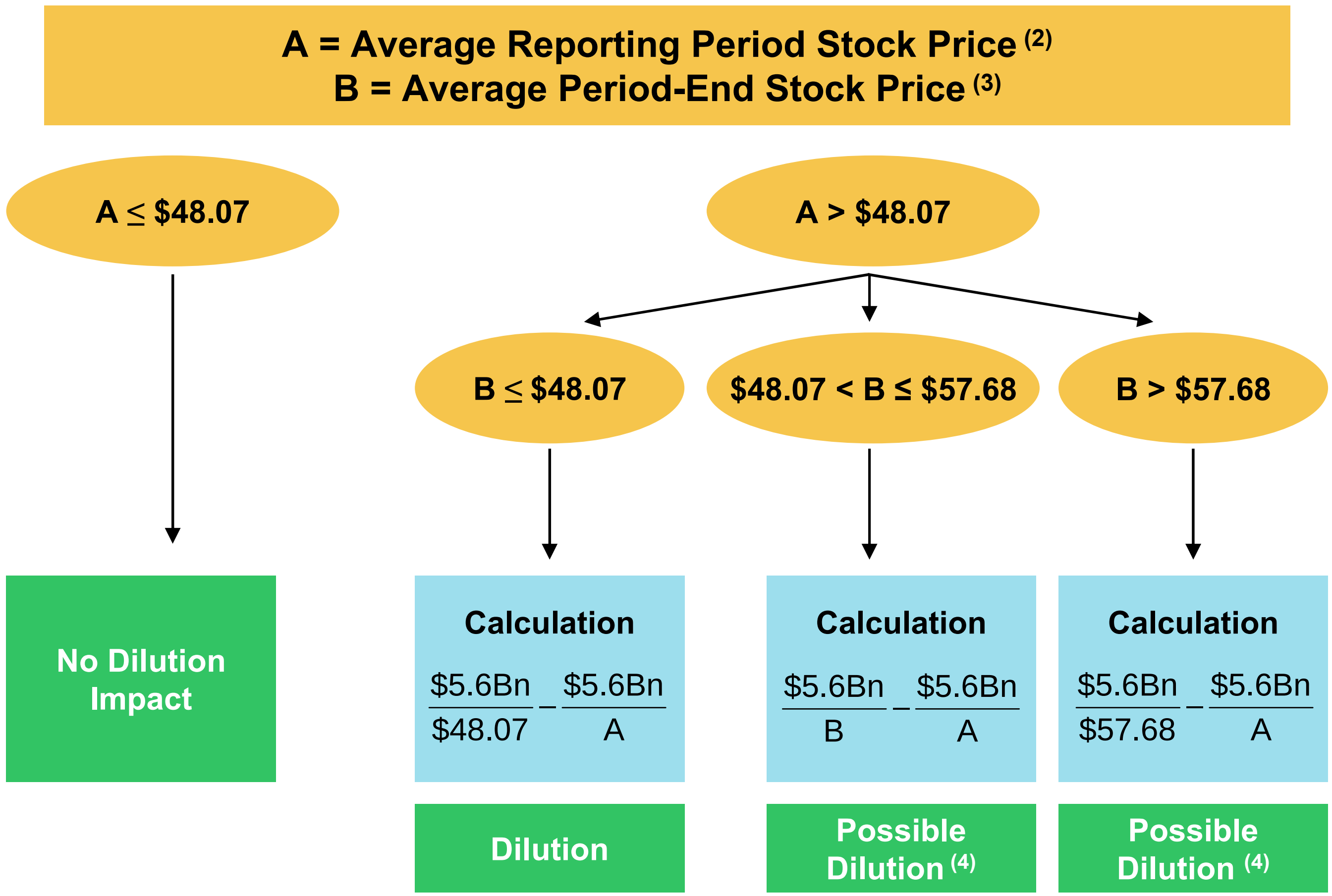
Calculation of Incremental Diluted Shares[1]

Prior to Settlement



(1) These scenarios are provided for illustrative purposes only. Actual results are dependent on a number of factors and may differ from the scenarios shown.

(2) Average reporting period stock price defined as average of closing stock prices during reporting period.

(3) Average period-end stock price defined as volume-weighted average price during 20 trading days ending three days prior to end of reporting period.

(4) If average reporting period stock price is less than or equal to average period-end stock price, there will be no dilution impact.

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Examples of Dilution Impact Calculation[1]

Prior to Settlement

Scenario: Average Reporting Period Stock Price Is Less Than Average Period-End Stock Price			
Average Reporting Period Stock Price ($) [2]	40	50	65
Average Period-End Stock Price ($) [3]	45	55	70
Shares Assumed to be Repurchased (MM)	139.5	111.6	85.8
Shares Assumed to be Issued (MM)	116.1	101.4	96.7
Additional Diluted Shares (MM)	None	None	10.9

Scenario: Average Reporting Period Stock Price Is Greater Than Average Period-End Stock Price			
Average Reporting Period Stock Price ($) [2]	45	55	70
Average Period-End Stock Price ($) [3]	40	50	65
Shares Assumed to be Repurchased (MM)	124.0	101.4	79.7
Shares Assumed to be Issued (MM)	116.1	111.6	96.7
Additional Diluted Shares (MM)	None	10.2	17.0

(1) These scenarios are provided for illustrative purposes only. Actual results are dependent on a number of factors and may differ from the scenarios shown.
(2) Average reporting period stock price defined as average of closing stock prices during reporting period.
(3) Average period-end stock price defined as volume weighted average price during 20 trading days ending three days prior to end of reporting period.

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