

Morgan Stanley

Citigroup Financial Services Conference

James P. Gorman, Co-President

Colm Kelleher, Chief Financial Officer

January 28, 2009

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, 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 its latest fiscal year, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K.

Morgan Stanley

Colm Kelleher
Chief Financial Officer

Agenda

- Macro Environment
- Financial Highlights
- Morgan Stanley Smith Barney Joint Venture
- Closing Remarks

Macro Environment

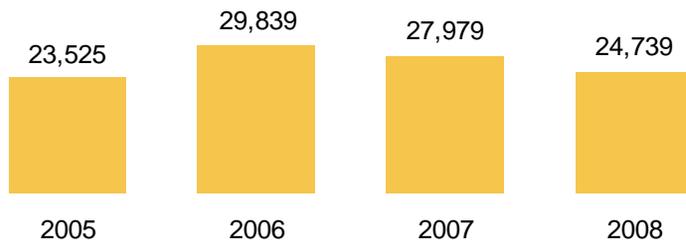
- Severe cyclical downturn, but global capital markets is a secular growth business
- Financial industry experiencing significant changes
- De-leveraging and capital infusions to continue
- Financing markets remain challenging
- Variety of funding and liquidity tools available via the Federal Reserve
- 2009 to be a year of transition

Consolidated Financial Highlights

Fiscal Year 2008

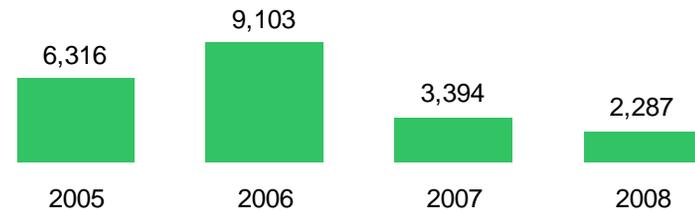
Net Revenues

(\$MM)



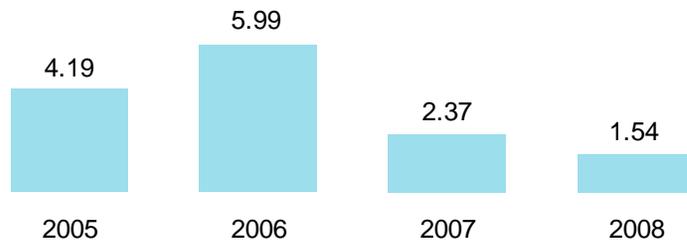
Profit Before Taxes

(\$MM)



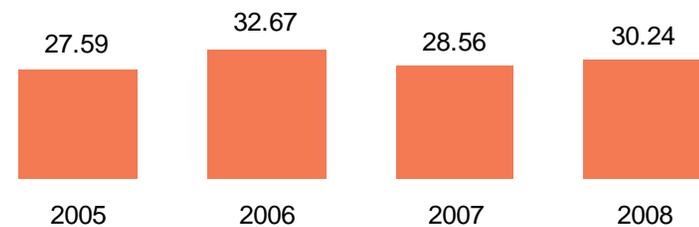
Diluted EPS from Continuing Operations

(\$/Share)



Book Value

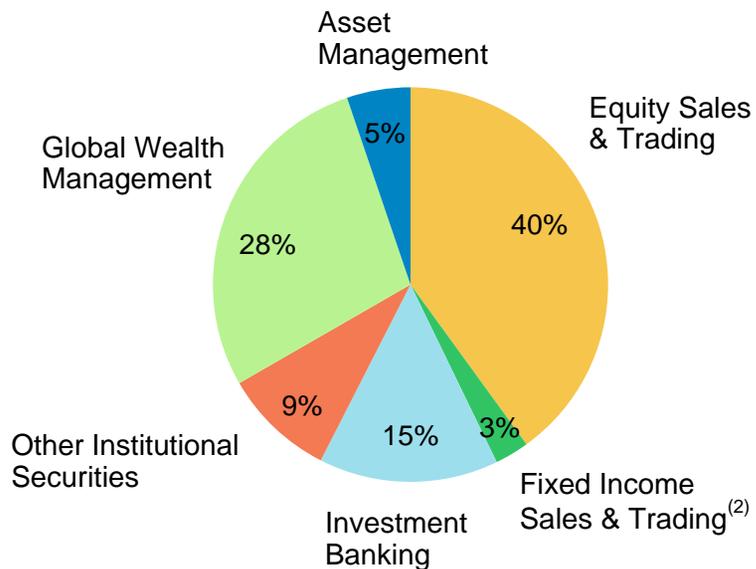
(\$/Share)



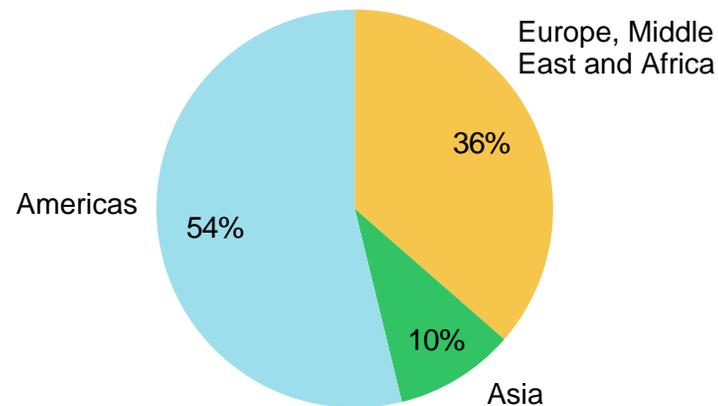
Diverse Revenue Mix

Full Year 2008 Revenues of \$24.7Bn

Product Mix – Full Year 2008⁽¹⁾



Geographic Mix – Full Year 2008



Source: Morgan Stanley Earnings Releases

(1) Excludes intersegment eliminations of (\$194) million

(2) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading

Expense Management

- Committed to reducing costs in 2009
 - Lower compensation with \$1.2Bn in savings from headcount reductions of 5,400
 - 10% reduction in recurring non-compensation expenses ~ \$800MM
- Non-compensation expense categories targeted for reduction include
 - Marketing and Business Development
 - Professional Services
 - Brokerage and Clearing
- Cost efficiencies from recently announced Joint Venture are not included in 2009 targets

Substantial Reduction in Leverage

Total Assets

(\$Bn)



Leverage Ratio ⁽¹⁾



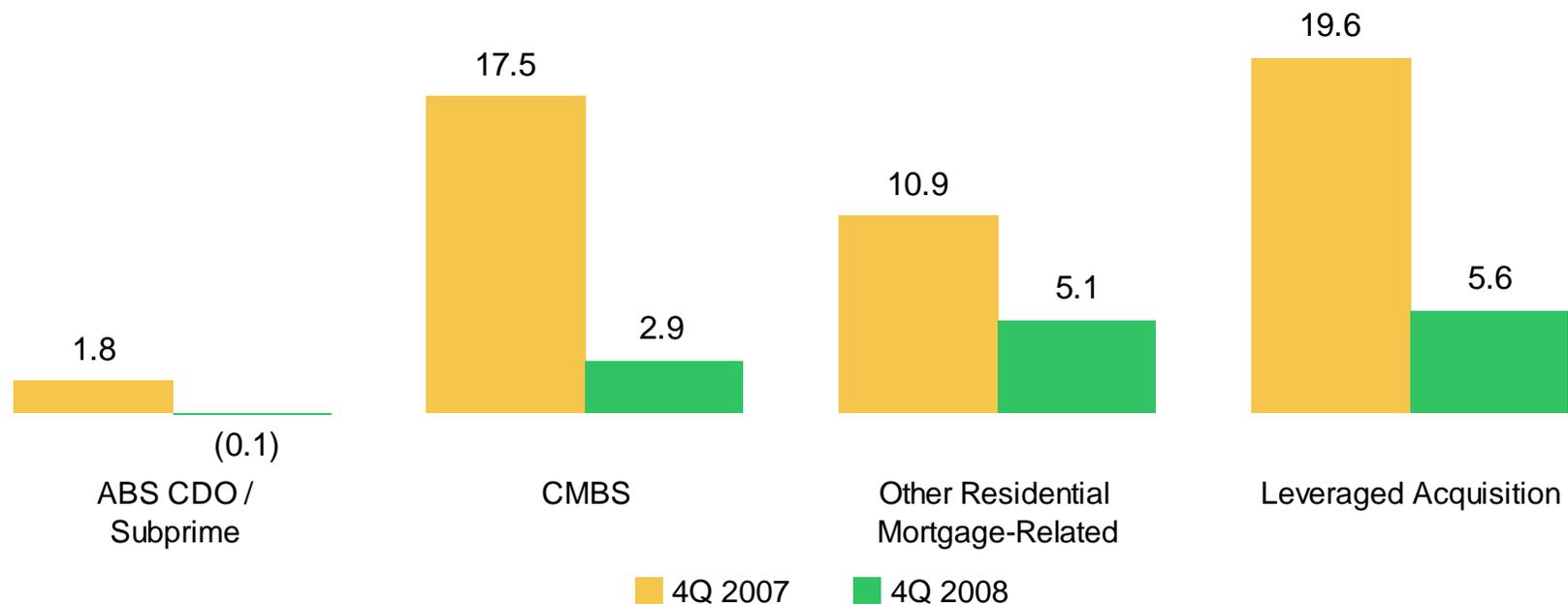
Source: Morgan Stanley SEC Filings and Earnings Releases

(1) Leverage ratio equals period-end total assets divided by tangible shareholders' equity

Reduction in Risk Positions

Net Exposure ⁽¹⁾

(\$Bn)



Source: Morgan Stanley SEC Filings and Earnings Releases

(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

Morgan Stanley is a Premier Franchise

Institutional Securities

- **Investment Banking:** 11,000+ clients globally, including a majority of the world's largest corporates
- **M&A:** Top global M&A player
- **Capital Markets:** Top 3 in equities⁽¹⁾
- **Commodities:** Top 2 in commodities⁽²⁾
- **Interest Rates and Currencies:** Strength in derivatives
 - FX: # 1 for last four years⁽³⁾
- **Prime Brokerage:** Leading franchise

Asset Management

- Clients include:
 - 9 of the top 10 US pension funds⁽⁴⁾
 - 6 of the top 10 sovereign wealth funds⁽⁵⁾
- More than 800 investment professionals worldwide
- Leading global real estate manager
- Recent close of infrastructure fund
- Diversified hedge fund platform

Global Wealth Management

- Substantial scale with Morgan Stanley Smith Barney
 - Approx. 20,500 Global Financial Advisors⁽⁶⁾
 - Client Assets of \$1.4Tr⁽⁶⁾
 - Over 1,000 offices⁽⁶⁾
- Top 3 global wealth manager by Financial Advisors and Client Assets
- Strong FA productivity
 - \$69MM client assets per Financial Advisor⁽⁶⁾
- International Private Wealth Management platform

(1) Thomson Reuters as of December 31, 2008 calendar year to date

(2) Greenwich Associates 2008 Global Commodities Research Study

(3) Global Investor, 2007

(4) Source: P&I/Watson Wyatt World 300, 2008

(5) SWF Institute, August 2008

(6) Pro-forma Morgan Stanley Smith Barney. Morgan Stanley based on FY 2008; Smith Barney based on FY 2008 and estimated adjustments for excluded businesses

Morgan Stanley

James P. Gorman
Co-President

Morgan Stanley – Smith Barney Transaction Overview

- Morgan Stanley and Citi combining retail brokerage forces to create an industry-leading global wealth manager
 - Morgan Stanley will own 51% and Citi will own 49% of the Joint Venture
 - In addition to 49% of the Joint Venture, Citi to receive cash consideration of \$2.7Bn
 - Morgan Stanley to have majority representation on the Board of Directors of the combined entity
- Deal structure designed to give Morgan Stanley the opportunity to increase share and Citi the ability to realize the potential upside in future valuation
 - The sale of future tranches, if any, will be transacted at fair market value
- Joint Venture to include Morgan Stanley Global Wealth Management and Citi to include Smith Barney US ⁽¹⁾, Quilter UK and Smith Barney Australia
- James Gorman to be Chairman and Charlie Johnston to be President of the Joint Venture
- Brand name will be Morgan Stanley Smith Barney
- Subject to customary regulatory approvals

Strategic Benefits of the Joint Venture

- Wealth Management continues to be a very attractive business with longer-term growth potential across the globe
- Combination creates an industry-leading global wealth manager with superior distribution platform
 - Over 1,000 domestic branches and significant international presence
- Enhances client experience with a best-in-class product and service platform
- Expands distribution network for capital markets and asset management products
- Both Citi and Morgan Stanley will retain their deposits accumulated prior to close
- Achieves scale economies and cost synergies
 - Significant value creation driven by estimated \$1.1Bn in cost savings

Joint Venture Statistics⁽¹⁾

JV creates largest global wealth management firm by financial advisors and top 3 player by client assets

	Morgan Stanley Global Wealth Management	Citi Smith Barney	Combined Pro-forma⁽²⁾
Net Revenues ⁽³⁾	\$6.4Bn	\$8.3Bn	\$14.7Bn
Pre-tax Profit ⁽⁴⁾	\$1.1Bn	\$1.6Bn	\$2.7Bn
Financial Advisors ⁽⁵⁾	8,426	11,960	20,386
Client Assets ⁽⁵⁾	\$546Bn	\$863Bn	\$1,409Bn
Offices	465	541	1,006
Headquarters	New York	New York	New York

Source: Morgan Stanley Earnings Releases and Citigroup estimates

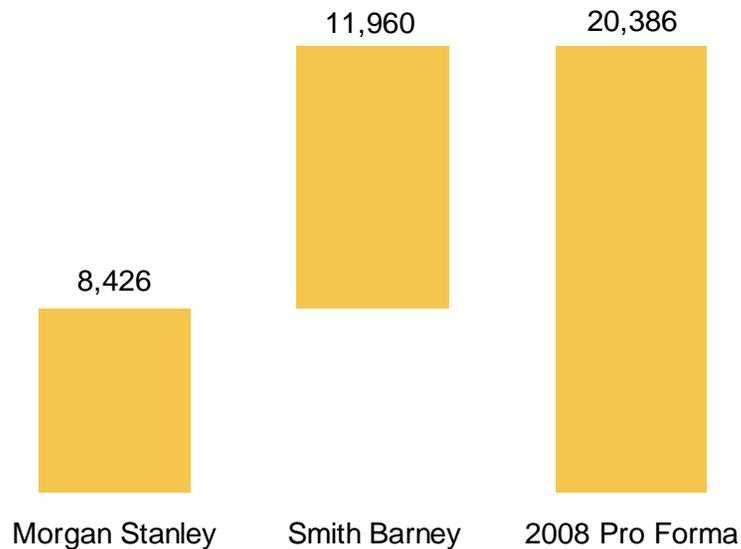
- (1) Morgan Stanley figures based on FY 2008. Citigroup figures based on FY 2008 and estimated adjustments for excluded businesses
- (2) Combined pro-forma figures do not include anticipated \$1.1bn in cost savings
- (3) Morgan Stanley excludes the \$748mm gain on the sale of the Spanish Wealth Management business and excludes a (\$108mm) write-down on Auction Rate Securities inventory. Citigroup excludes CitiStreet gain on sale of \$347mm and excludes the (\$306mm) write-down related to the Auction Rate Securities settlement and is adjusted for exclusion of retail branch based advisors, institutional FAs and certain lending activities
- (4) Morgan Stanley excludes the \$698mm pre-tax profit on the sale of the Spanish Wealth Management business and excludes (\$641mm) of pre-tax provisions related to Auction Rate Securities. Citigroup excludes the \$334mm pre-tax profit on the sale of CitiStreet and excludes (\$640mm) of pre-tax provisions related to Auction Rate Securities, Falcon fund and other one-time restructuring costs. Citigroup pre-tax profit is adjusted to reflect estimated exclusion of retail branch based advisors, institutional FAs and certain lending activities
- (5) For Citi, figures are adjusted to exclude estimated branch based advisors/locations and institutional FAs; includes Quilter and Smith Barney Australia; FA figures based on December 2008; for Morgan Stanley and Citi, client assets based on 4Q08

Morgan Stanley

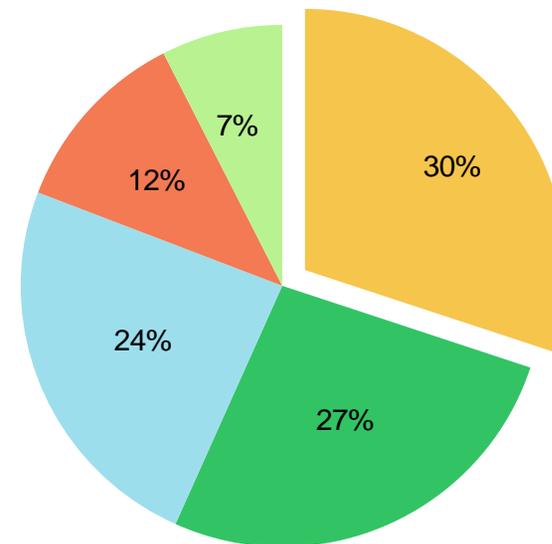
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Creates Largest Wealth Management Firm

Financial Advisor Headcount



Market Leader by Financial Advisors
4Q08 FAs⁽¹⁾



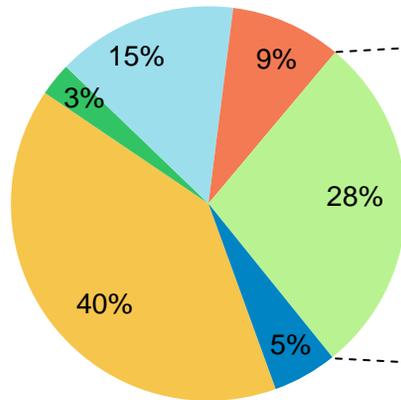
Source: Morgan Stanley and Company Earnings Releases, Citigroup estimates

(1) FA headcount as of 3Q08 for Wells Fargo/Wachovia and UBS

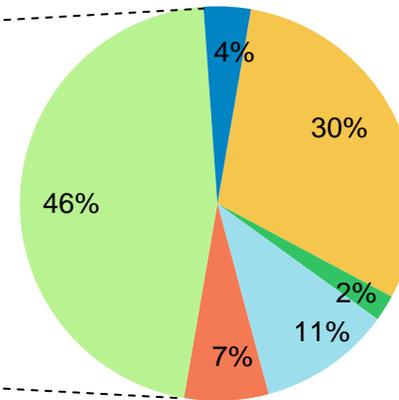
Further Diversifies Morgan Stanley's Revenue Mix

Full Year 2008 Pro Forma Revenues of \$33.0Bn⁽¹⁾

Product Mix – Full Year 2008⁽²⁾



Product Mix – Full Year Pro Forma 2008⁽²⁾



Source: Morgan Stanley Earnings Releases

(1) Includes \$8.3bn from Smith Barney for FY 2008

(2) Excludes intersegment eliminations of (\$194) million

(3) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading

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Evolves Morgan Stanley's Strategy

- Further diversifies overall business mix
- Improves ROE and margins
- Gives substantial scale and opportunity to realize revenue synergies
- Leverages ongoing momentum in Global Wealth Management
- Broadens international footprint
- Complements Retail Banking strategy via substantive FA and client network
- Accretive to EPS in 2010

Closing Remarks

- 2009 to be a year of transition
- ROE to be lower but still healthy 12%-15% over the cycle
- Opportunities amidst turbulence and market uncertainty
- Focused on improving operating performance
 - Reducing recurring non-compensation expenses by 10%
 - Reducing legacy assets as market conditions allow
 - Allocating capital on a risk adjusted basis
 - Closing and integrating Morgan Stanley Smith Barney Joint Venture
 - Returning Asset Management to profitability
 - Maximizing our relationship with Mitsubishi UFJ

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