Morgan Stanley

Credit Suisse Financial Services Conference

Colm Kelleher, Chief Financial Officer
Michael Petrick, Global Head of Sales and Trading

February 6, 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

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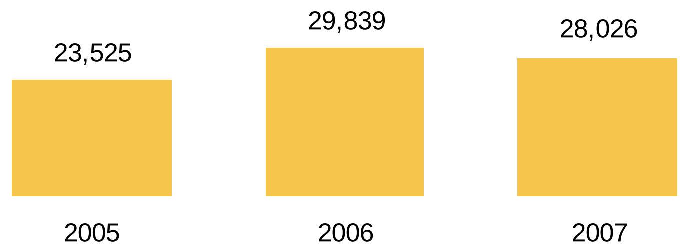
Consolidated Financial Highlights

Fiscal Year 2007

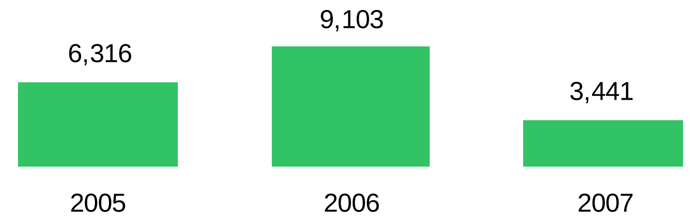
Net Revenues

($MM)



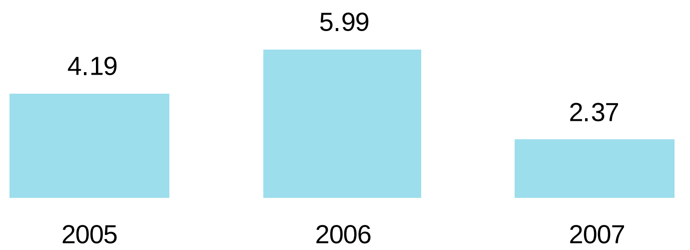
Profit Before Taxes

($MM)



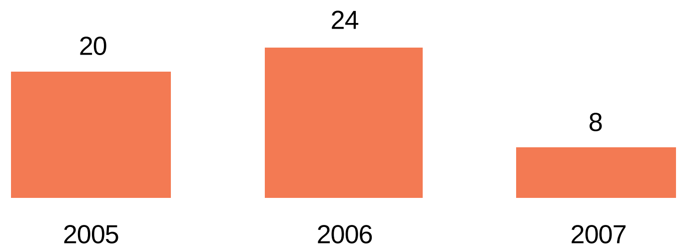
Cont. Ops. Diluted EPS

($/Share)



Cont. Ops. ROE

(%)



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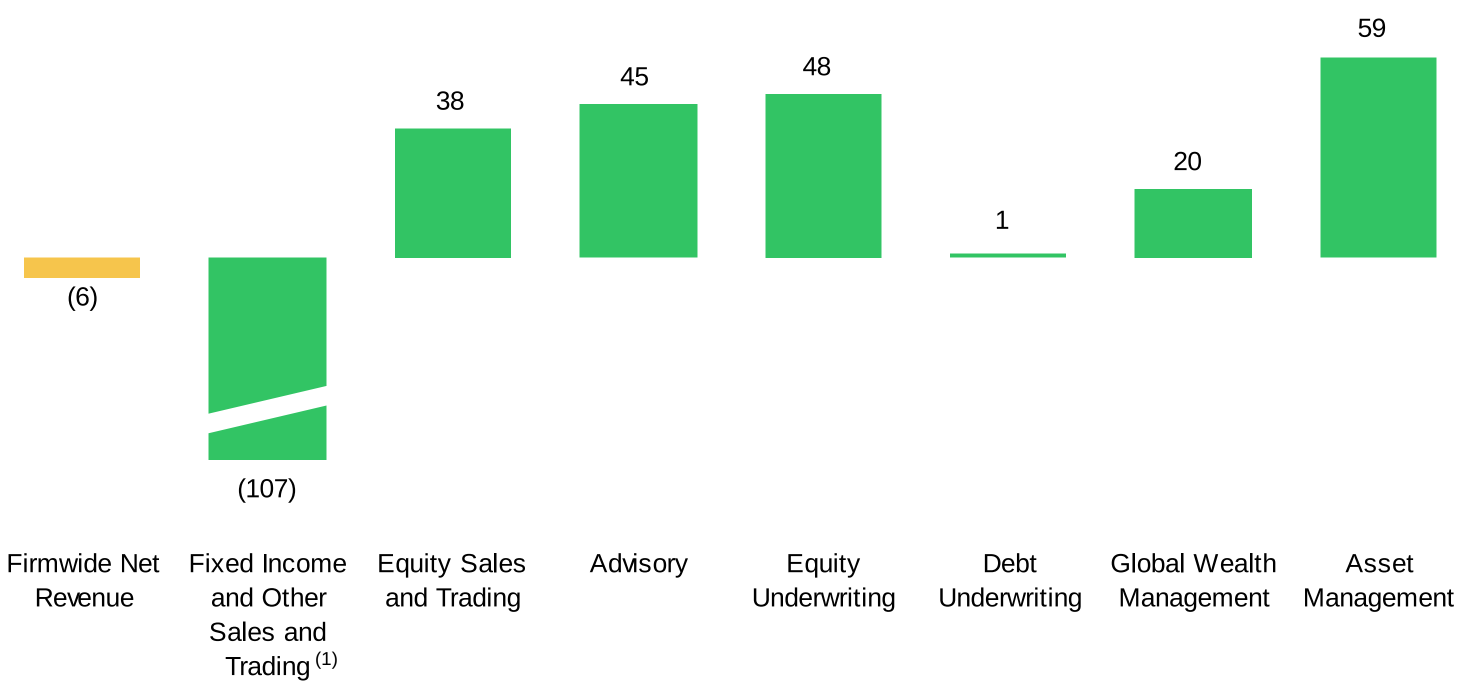
Source: Morgan Stanley SEC Filings and Earnings Releases

Business Segments Performance

FY 2007 vs. FY 2006 Business Segments Percentage Net Revenue Growth

(%)



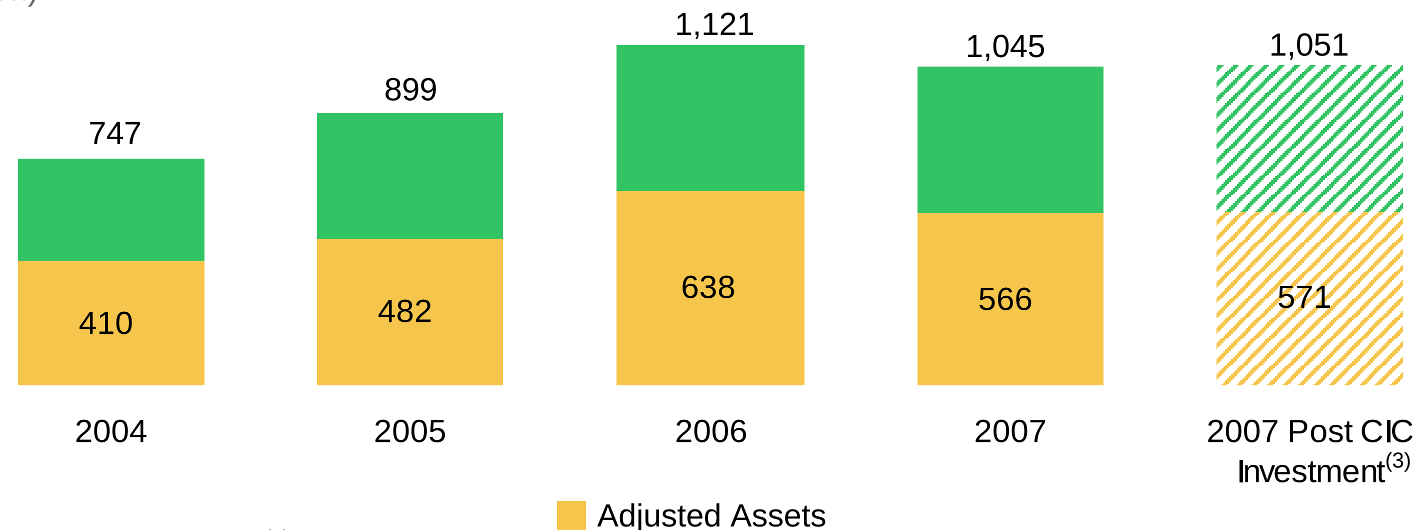
Source: Morgan Stanley SEC Filings and Earnings Releases

(1) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from loans and closed pipeline commitments related to investment banking, corporate lending and other corporate activities.

Active Capital Management

Total Assets

($Bn)



	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 China Investment Corporation (CIC) investment.

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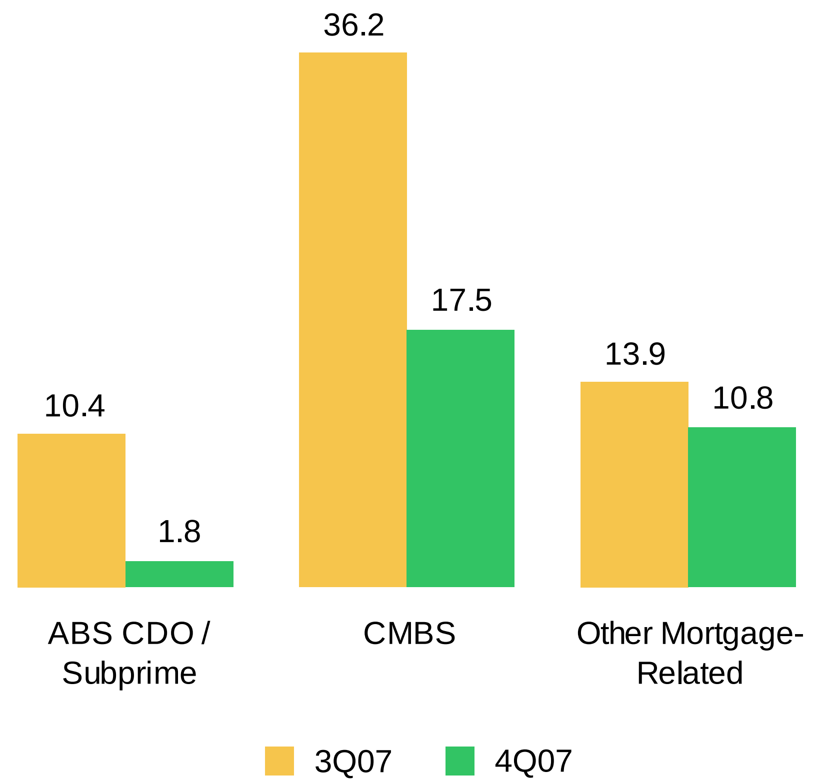
Mortgage-Related Net Exposure

Total Net Exposure (1)

($Bn)



- 4Q07 included $9.4Bn mortgage-related writedown
  - $7.8Bn in U.S. subprime
  - Significantly reduced the exposure to U.S. subprime assets from 3Q07 to $1.8Bn
- CMBS exposure reduced 52% to $17.5Bn from $36.2Bn
  - $400MM writedown based on fair value, in line with the observable market prices from executed trades
  - Two thirds of residual exposure is outside the U.S.
- Other mortgage-related exposure reduced by $3.1Bn to $10.8Bn
  - $800MM writedown reflecting subordination changes by rating agencies and executed trades in comparable instruments

Source: Morgan Stanley SEC Filings, Earnings Releases and Earnings Conference Calls

(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.

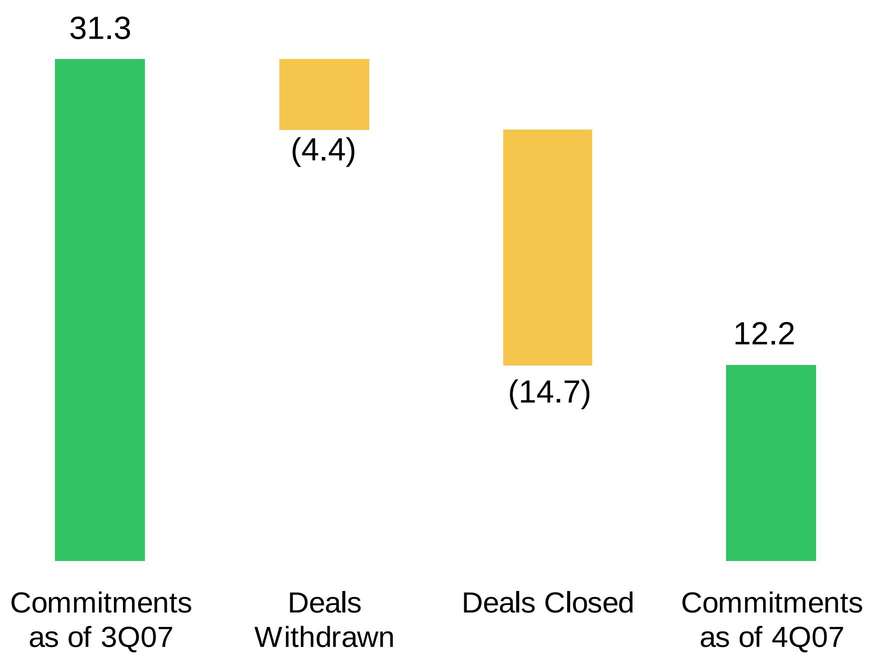
Leveraged Lending

Non-Investment Grade Corporate Lending Commitments

($Bn)

Leveraged Acquisition Finance Pipeline (1)

($Bn)



Source: Morgan Stanley SEC Filings, Earnings Releases and Earnings Conference Calls

(1) The leveraged acquisition finance pipeline commitments are part of the firm's total non-investment grade corporate lending commitments.

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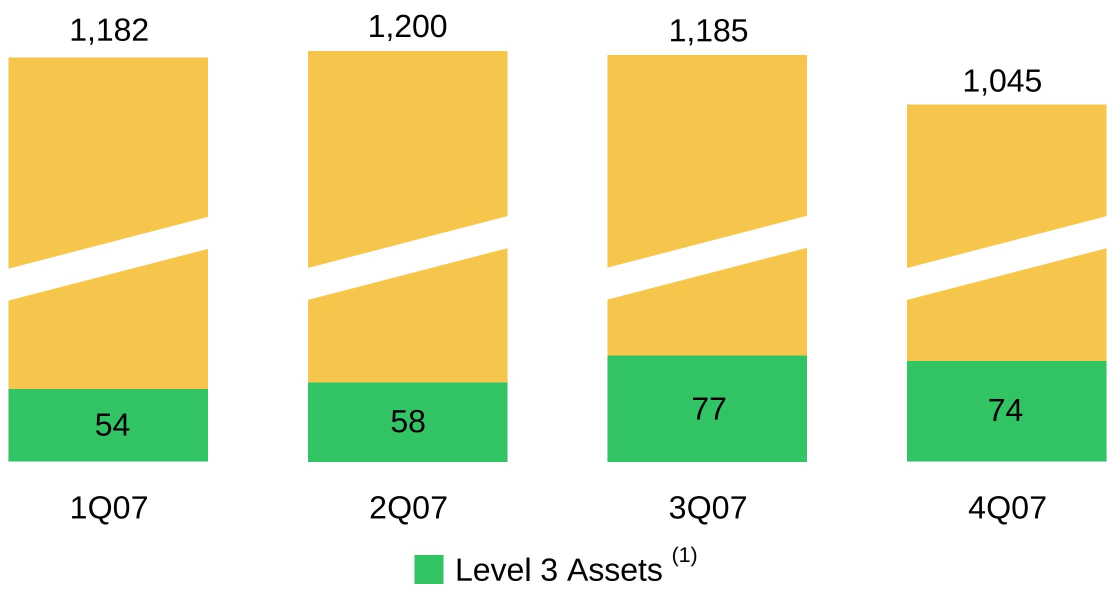
Level 3 Assets

Total Assets

($Bn)



Level 3 Assets as % of Total Assets:

1Q07	2Q07	3Q07	4Q07
4.5%	4.8%	6.5%	7.0%

Source: Morgan Stanley SEC Filings and Earnings Releases

(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.

Principal Risk Taking

Principal Risk Taking Through Investments

- Merchant banking (invest Morgan Stanley capital)
  - Real estate investments
  - Infrastructure investments
  - Private equity investments
- Alternatives (seed investments)
- Commodities investments in physical assets
  - TransMontaigne
  - Heidmar
- Equity derivatives growth
  - Closing gap to leader

Michael Petrick
Global Head of Sales and Trading

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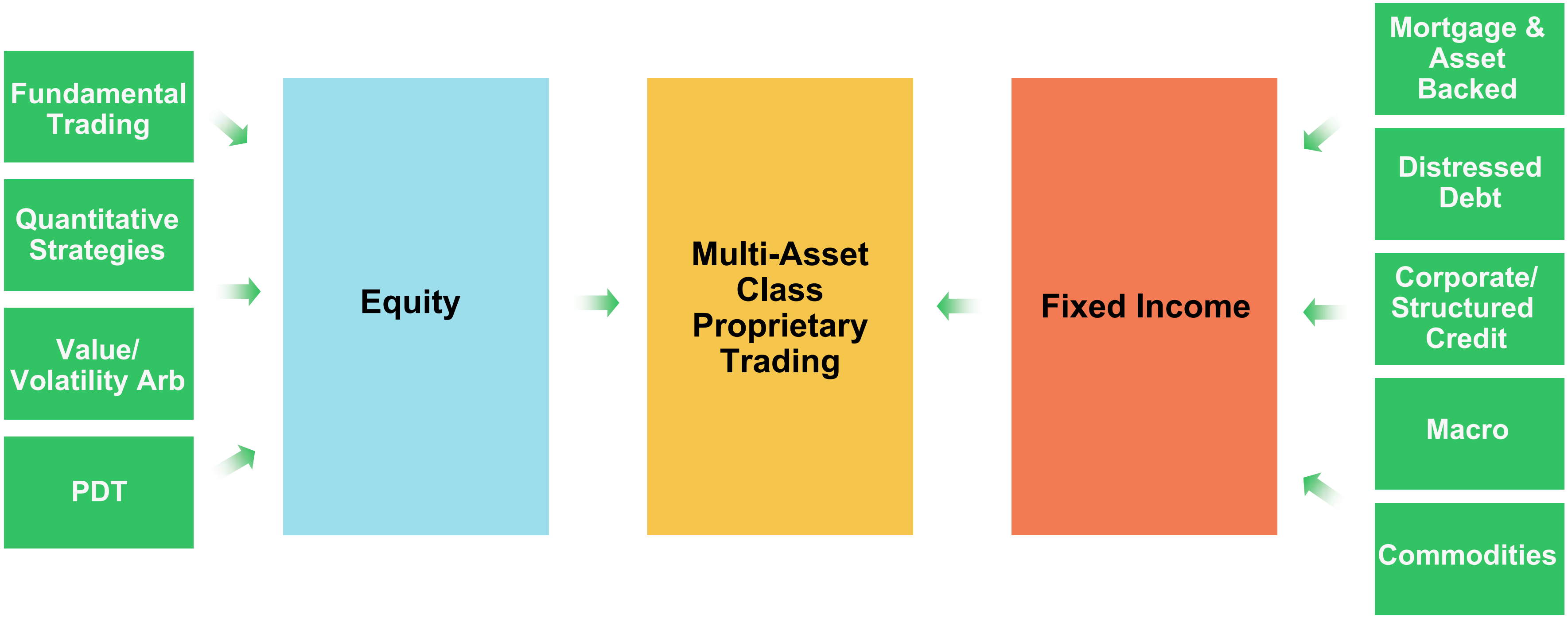
Risk Management Structure

Old Structure	New Structure
• Market Risk reporting to Co-President	• Market Risk reporting to CFO
• No Risk Head within business unit	• Head of Risk in business unit
• Sales & Trading, distribution, services, operations and technology organized and managed in functional silos	• Sales & Trading, distribution, services, operations and technology organized and managed as one business
• Model development and applications dispersed across business units	• Model development centralized with applications tailored to business units through newly developed functional strat teams
• VaR, Net Notionals, Scenario limits	• Derivative risk decomposed to underlyings, scenario loss limits at product/desk level

Risk Management Philosophy

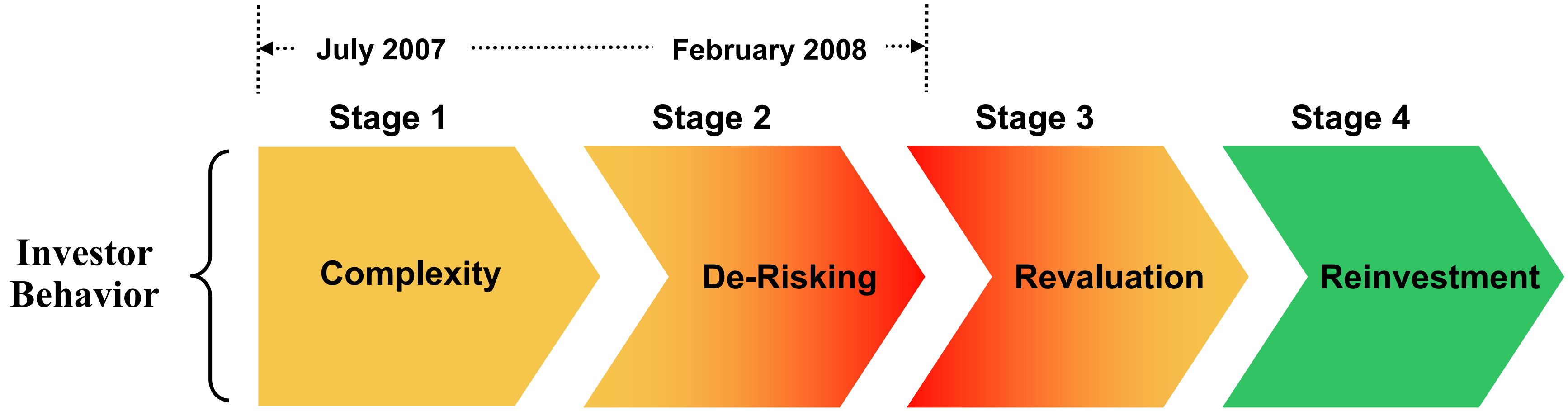
- Defensive Pessimism
  - Prepare for unforeseen risks
- Modeling
  - Enhanced focus on tail risk
  - Consistent applications across product categories
- Limit Structures / Risk Taking
  - Scale risk taking based on ability to analyze, monitor and change
- Talent
  - Constant qualitative evaluation
  - No "Superstar" exceptions
- Communication
  - Collaborative senior management risk evaluation
- Resource Optimization

Multi-Asset Class Proprietary Trading



- Single reporting line
- Dedicated trading groups with multiple strategies
- Integrated risk management
- Active capital allocation

Market Stages



Risk Premiums/Dispersion	Low	High
Valuations	High	Low
Bid/Ask	Low	High
Volumes/Liquidity	High	Low
Volatility	Low	High
Correlation	Low	High
Transparency	Low	High
Trading	Technical	Fundamental

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

Equity Units with Stock Purchase Contracts to purchase Morgan Stanley Common Stock

- 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 common 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 are illustrated on pages 22-24 of the 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.

Calculation of Incremental Diluted Shares(1)

Prior to Settlement

A = Average Reporting Period Stock Price (2)
B = Average Period-End Stock Price (3)

A ≤ \$48.07
- **No Dilution Impact**

A > \$48.07
- **B ≤ \$48.07**
  - **Calculation**: $\frac{\$5.6Bn}{\$48.07} - \frac{\$5.6Bn}{A}$
  - **Dilution**
- **\$48.07 < B ≤ \$57.68**
  - **Calculation**: $\frac{\$5.6Bn}{B} - \frac{\$5.6Bn}{A}$
  - **Possible Dilution (4)**
- **B > \$57.68**
  - **Calculation**: $\frac{\$5.6Bn}{\$57.68} - \frac{\$5.6Bn}{A}$
  - **Possible Dilution (4)**

(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.

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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