

Merrill Lynch Conference

November 14, 2006

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 and "Certain Factors Affecting Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2005, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarters ended February 28, 2006, May 31, 2006 and August 31, 2006, and other items throughout the Form 10-K, Forms 10-Q and the Company's 2006 Current Reports on Form 8-K.

David H. Sidwell
Chief Financial Officer

Key Strategic Principles and Financial Objectives

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

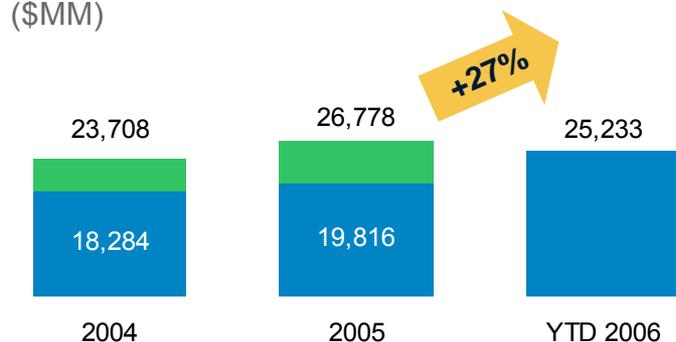
- Leverage global scale, franchise and integration across businesses
- Strike a better balance between principal and customer activity
- Invest to optimize growth opportunities and achieve best-in-class status in all businesses
- Aggressively pursue new opportunities including bolt-on acquisitions
-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

Double pre-tax profits by 2010
5 percentage points improvement in pre-tax profit margin

Execution Update

Net Revenues

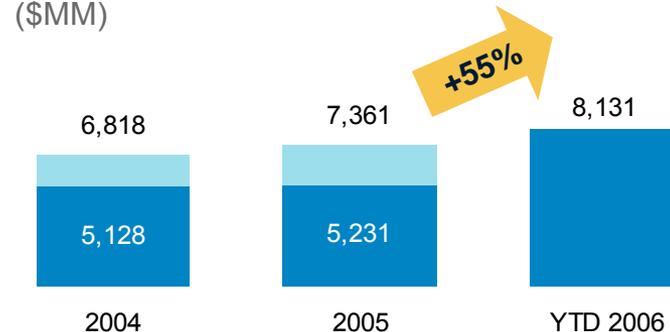
(\$MM)



■ 9 months ended

Profit Before Taxes⁽¹⁾

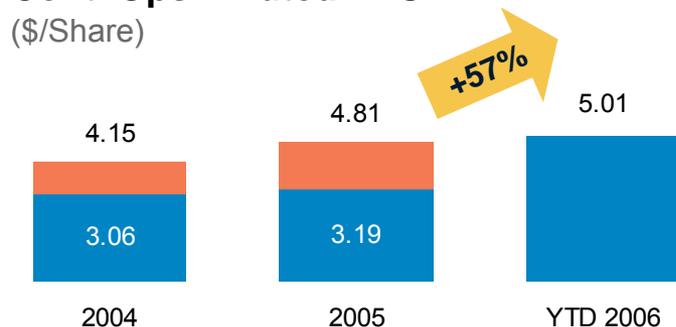
(\$MM)



■ 9 months ended

Cont. Ops. Diluted EPS

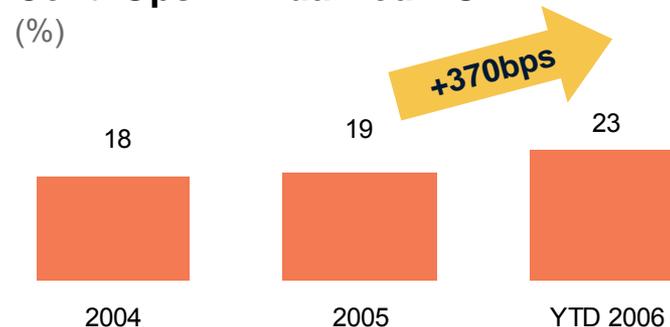
(\$/Share)



■ 9 months ended

Cont. Ops. Annualized ROE

(%)



Source: Company SEC Filings

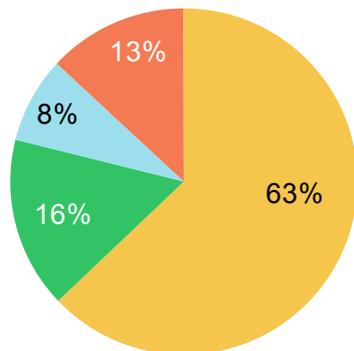
(1) Income from continuing operations before losses from unconsolidated investees, taxes and cumulative effect of accounting change

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Segment Contributions – 9 months ended 3Q06

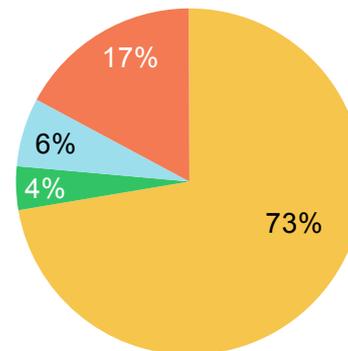
Net Revenues⁽¹⁾

(\$MM)



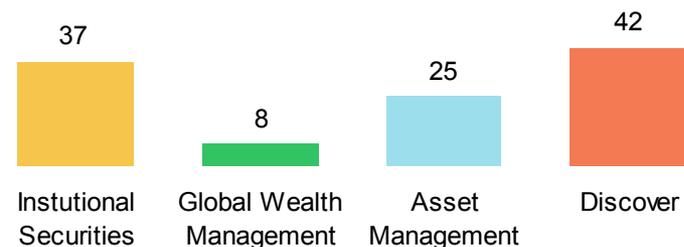
Profit Before Taxes⁽²⁾⁽³⁾

(\$MM)



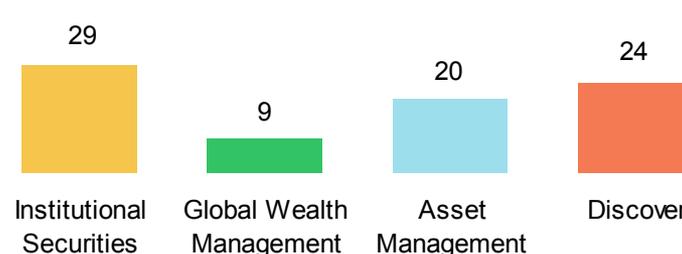
Pre-tax Profit Margin

(%)



Return on Average Common Equity⁽⁴⁾

(%)



Source: Company SEC Filings

- (1) Excluding intersegment eliminations of (\$210mm).
- (2) Excluding intersegment eliminations of \$21mm.
- (3) Income from continuing operations before losses from unconsolidated investees, taxes and cumulative effect of accounting change
- (4) The computation of average common equity for each segment is based upon an economic capital model that the Company uses to determine the amount of equity capital needed to support the risk of its business activities and to ensure that the Company remains adequately capitalized.

Institutional Securities: One Year Update

Critical Initiatives

- Increase principal risk taking
- Expand derivatives business
- Increase presence in domestic and global residential mortgage
- Build leveraged finance business
- Grow in emerging markets
- Enhance financing / prime brokerage offerings
- Improve economics of Core Equities business

One Year Update

- Improved risk-adjusted trading revenues and returns on higher risk-taking
- More than halfway to goal of \$2.5 billion in principal investments as of 3Q06
- Doubled equity derivatives revenues YTD through 3Q06
- **Non-investment grade loans and commitments quadrupled to \$24 bn 3Q06 vs. 3Q05**
- **Acquisitions**
 - **Mortgages: Saxon Capital and Advantage (U.K.)**
 - **Commodities: TransMontaigne and Heidmar**
- **Emerging Markets**
 - **Opened Dubai office; Secured license in Qatar**
 - **Acquired Turkish brokerage and opened office in Istanbul**
 - Secured new licenses in Russia and Korea
 - **Acquired Nan Tung Bank in China and secured banking license**
- Prime Brokerage
 - Rolling out multi-asset class offerings
 - 14 consecutive quarters of growth in client balances
- Reallocation of equity research resources from U.S. and developed Europe to emerging markets

Global Wealth Management: One Year Update

Critical Initiatives

- Improve quality of management
- Stabilize salesforce and energize organization
- Improve financial performance
- Explore new revenue opportunities
- Develop technology and operations support
- Fix control and compliance / legal issues
- Strengthen linkages with rest of Morgan Stanley franchise

One Year Update

- New senior management team
- **Stabilize salesforce:**
 - Net production gained positive in 2Q and 3Q
 - Record FA productivity of \$675k in 3Q06
 - **Rolled out new FA compensation plan**
 - **Revamping FA training program**
- **Improved financial performance**
 - **2 consecutive quarters of improved performance**
 - Net new money flows of +\$5.4bn in 3Q06
- Legal expenses and frequency of new cases declined
- **Technology and operations upgrade underway**
 - **Upgraded ClientServ client website**
 - **Streamlined account opening process**
 - **Enhancing performance management tools**
- Better integration with Morgan Stanley franchise
 - Created Capital Markets Group to leverage franchise for GWM clients (alternatives, structured products)
 - **3 successful closed-end fund launches YTD**

Discover: One Year Update

Critical Initiatives

- Invest to expand merchant acceptance, new accounts and usage
 - Merchant acquisition effort
 - Cardmember acquisition and usage
 - Brand / product differentiation
 - Portfolio management
 - Additional markets / products
- Monetize growth opportunities in the payments business (signature and PIN)
- Grow international network, issuing and acquiring businesses

One Year Update

- **Signed agreements with merchant acquirers to target mid-to small-size merchants**
 - **First Data**
 - **Global Payments**
 - **RBS Lynk**
- **Managed loans up 5% and sales up 12% YTD through 3Q06**
- Launched small business card and signature debit
- **Kicked off new advertising campaign Fall '06**
- China UnionPay agreement
 - China UnionPay Cards on PULSE Network
 - **Discover Cards on China UnionPay network**
- Signed international agreements
 - **Discover / JCB (Japan)**
 - Discover / Credomatic (Central America)
 - PULSE / Link (U.K.)
- Acquired U.K. portfolios (Goldfish / Liverpool Victoria)

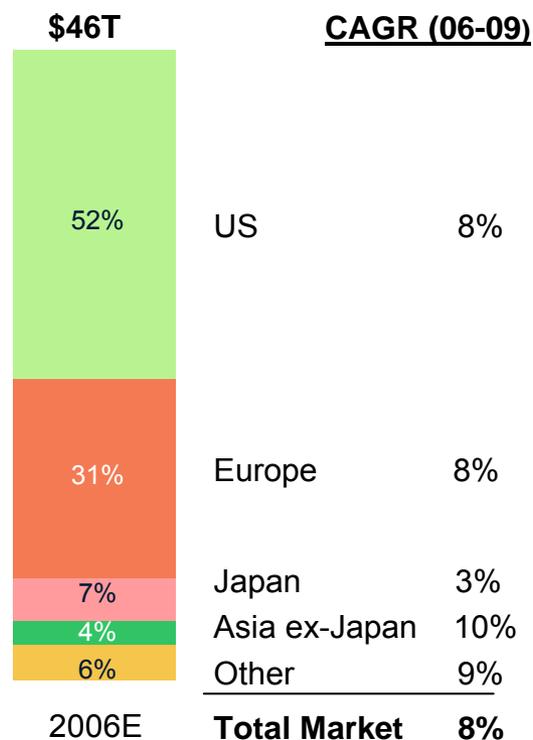
Owen D. Thomas
President, Investment Management

Agenda

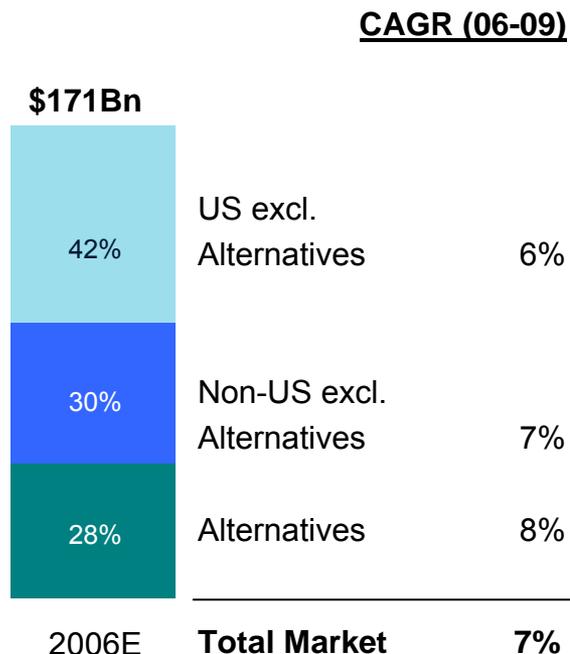
- Market Environment
- MSIM Overview
 - Key Strengths and Challenges
 - Organization
 - Assets Under Management
- Growth Strategy
- Measuring Our Progress and Performance

Market Environment

Global AUM⁽¹⁾



Global Revenue⁽¹⁾



Global Themes

- Pension reform
- Separation of alpha and beta
- Convergence
- Aging demographics
- Institutionalization of manager selection
- Open architecture in all channels
- Globalization

Sources: Global AUM: US from Empirical Research Partners –July 2006, Non-US from “Cerulli Year-end 2005” –June 2006
 Global Revenues: Cerulli and Grail Partners-November 2005.
 (1) Global AUM and Revenue figures are 2006 forecasts.

MSIM Today

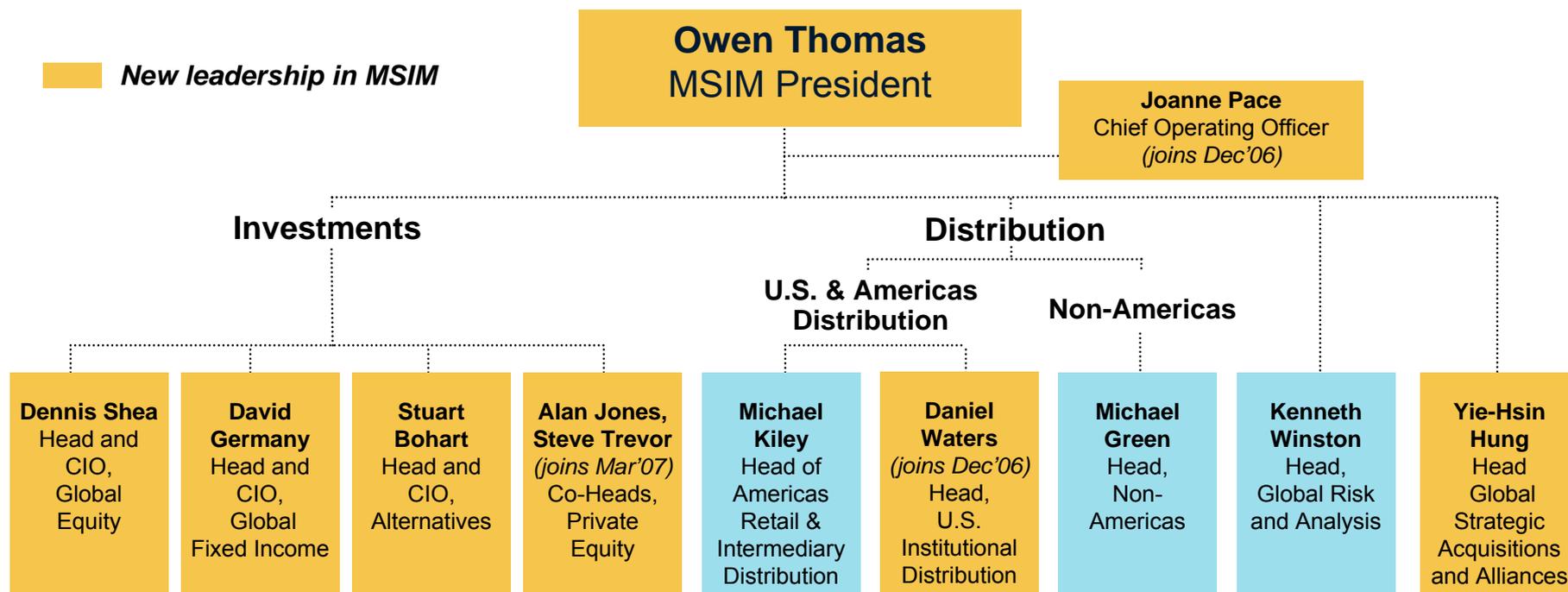
Key Strengths

- Strong brand recognition
 - Morgan Stanley
 - Van Kampen
- Global footprint
- Scale
- Breadth of traditional products
- Multiple channels of distribution
- Community of boutiques
- Full firm commitment and resources

Challenges

- Historical underinvestment in key product areas
 - Alternatives
 - Private Equity
 - Non-U.S.
- Performance improvement
- Sustained affiliated fund outflows
- Product gaps in core areas
- Sub-scale non-U.S. presence
- Broader consultant support

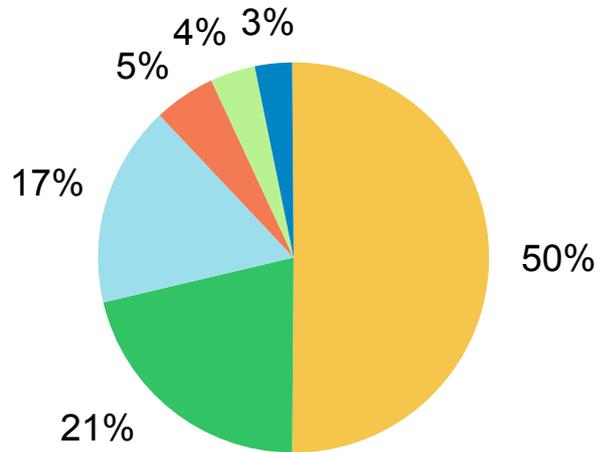
Organization



- Reorganized structure
 - Investment expertise organized around products
 - Distribution organized around clients
- Managed bottom-up, with each component of the organization accountable for financial results
- New talent attracted from within and outside Morgan Stanley

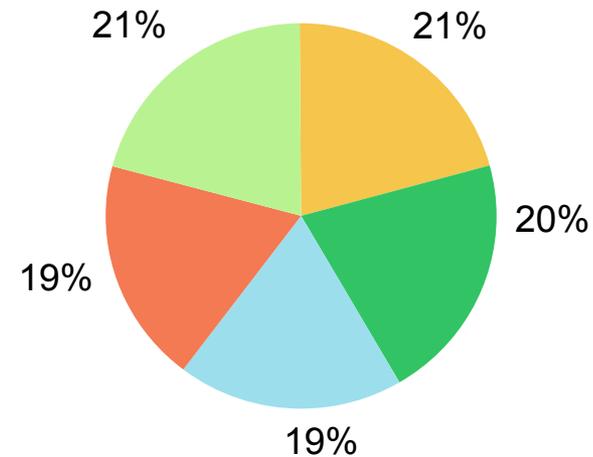
Assets Under Management

Asset Category



- Equity
- Fixed Income
- Money Market
- Alternatives
- Real Estate
- Unit Investment Trusts

Distribution Channel (2)



- Americas Retail Morgan Stanley Brand
- Americas Retail Van Kampen Brand
- Americas Intermediary
- U.S. Institutional
- Non-U.S.

Morgan Stanley Investment Management AUM/AUS: \$448Bn (1)

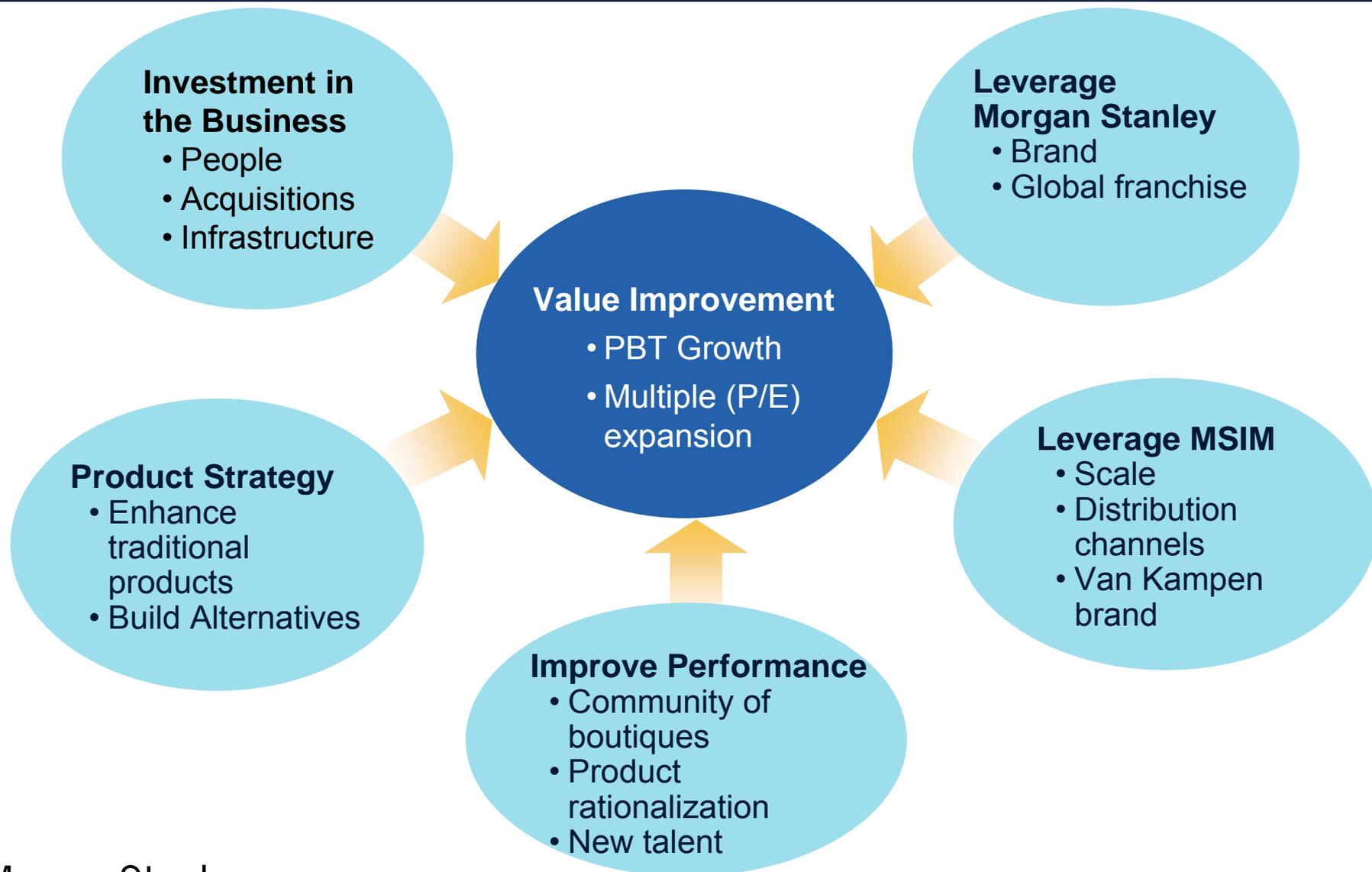
Source: Company SEC Filings

(1) As of August 31, 2006.

(2) Money Market products are included in the channels. Long-term assets were \$370Bn as of August 31, 2006.

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Growth Strategy



Critical Initiatives

- Expand Alternatives capability
- Build Private Equity business
- New traditional products
 - Launch new products leveraging existing talent and capabilities
 - Acquisitions and lift-outs
- Expand non-U.S. footprint
 - Products
 - Distribution
- Invest in Van Kampen and Americas Intermediary channels
- Stem outflows of Morgan Stanley retail mutual funds
- Rebuild U.S. Institutional reputation and business

Expand Alternatives Capability

What We've Done

Internal transfer of talent

- Stuart Bohart, head and CIO of Alternatives
- Structured Products team
- Defined Value team

Acquisitions, lift-outs and minority stakes

- FrontPoint Partners acquisition
- Oxhead Capital acquisition
- Process Driven Strategies team lift-out
- BKF Capital team lift-out
- Avenue Capital and Lansdowne Partners investments (minority stakes)

New product launches

- Launched / incubated 17 new Alternative investment products

What We're Doing

Absolute Return Strategies

- Continue pursuing lift-outs, acquisitions and minority stakes to build business as necessary
- Successfully integrate FrontPoint Partners

Alternative Investment Partners (AIP) – Fund of Funds

- Expand AIP product line and introduce new funds
- Distribution focus on mid-market institutions and high net worth individuals

Senior Loans

- Launch Asian senior loan effort and distressed products
- Expand distribution capability with a focus on institutions

Structured Products

- Launch F/X and commodity products
- Centralize and build out Portable Alpha business

Alternatives Acquisitions / Lift-Outs and Minority Stakes

Acquisitions

FrontPoint Partners

- Acquisition of FrontPoint Partners (Oct 2006)
- AUM (to be acquired): \$5.5Bn
- Strategies: Multi-Strategy and Multiple Direct

Oxhead Capital

- Acquisition of Oxhead Capital (Jun 2006)
- Acquired AUM: \$100MM
- Strategy: Global Mid-Cap Equity Market Neutral

Lift-Outs

Millennium Partners

- Lift-out of Process Driven Strategies team from Millennium Partners (Jan 2006)
- AUM: N/A
- Strategy: Quantitative Japan Equity Market Neutral

BKF Asset Management

- Lift-out of team from BKF Asset Management (Oct 2006)
- AUM: N/A
- Strategy: U.S. Small / Mid-Cap Long / Short Equity

Minority Stakes

Avenue Capital

- Minority stake in Avenue Capital (Oct 2006)
- AUM: \$12Bn
- Strategies: Distressed Debt

Lansdowne Partners

- Minority Stake in Lansdowne Partners (Nov 2006)
- AUM: \$12Bn
- Strategies: European Equity Long / Short, U.K. Equity Long / Short, and Emerging Markets

Direct Hedge Fund Products

Strategy	Sub-Strategy
Equity Long/Short	● Generalist
	● Sector: Healthcare
	● ● Sector: Financial Services
	● Sector: Utilities & Energy
	● Sector: Consumer & Industrials
	● ● Euro
	● U.K.
	● ● Asia
	● Japan
	● Japan Market Neutral
	● Greater China
	● Emerging Markets
	● Enhanced Index

Strategy	Sub-Strategy
Event Driven	● Global Event Driven
Credit	● U.S. Distressed
	● Euro Distressed
	● Asia Distressed
	● Fixed Income Arbitrage
	● Discretionary
Macro	● ● ● Discretionary
Multi-Strategy	● Multi-Strategy

● Existing MSIM ● FrontPoint Partners ● Minority Stakes

Build Private Equity Business

What We've Done

Re-entered the direct Private Equity business

- Appointed new internal (Alan Jones) and external (Steve Trevor) co-heads
- Integrated existing Asia Private Equity team
- Hired several new team members

Entered Infrastructure business

- Built investment team, bringing expertise both internally and externally
- Commitment to first investment – a major parking facility in Chicago

What We're Doing

- Steve Trevor joins in March 2007 from Goldman Sachs
- Continue assembling private equity team, including hiring top talent from both inside and outside the Firm
- Continue building out all aspects of the business
- Leverage Firm's network to generate proprietary, actionable investment opportunities

Enhance Traditional Product Offerings

What We've Done

Launched new products based on MSIM's existing investment capabilities and the Firms' global reach

- Launched / incubated 26 new products
 - New products for both retail and institutional
 - Existing products for distribution in new channels
 - New vehicles

Completed two lift-outs to complement existing capabilities

- Disciplined Equity (New York Life)
- European Equity (Société Générale)

What We're Doing

Organic launches

- Continue to leverage current talent pool to launch new products
 - 130/30
 - Closed End Funds

Acquisitions and lift-outs

- Continue to execute targeted acquisitions / lift-outs to complement our existing product line
 - Large Cap (Core, Growth)
 - Global Equity
 - U.K. Equity
 - SMA

Expand Non-U.S. Footprint

What We've Done

Expanded global footprint by increasing distribution efforts in the Middle East, Korea and Switzerland by:

- Hiring sales teams
- Opening local offices
- Enhancing licenses

China

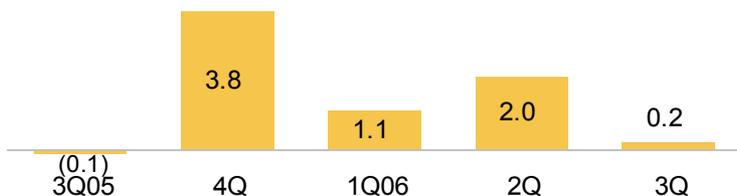
- Dedicated sales team
- Recently licensed to manage domestic Chinese equity products

India

- Named new CEO of MSIM India

Long Term Net Flows – Non-U.S.

(\$Bn)



What We're Doing

Continue to expand global distribution platform via organic growth and possible acquisitions

- Australia
- Middle East
- Brazil
- Taiwan

Building domestic product, possibly through acquisitions, in the following markets

- U.K.
- China
- Australia
- India
- Brazil

Leverage Morgan Stanley franchise and relationships to generate new business

- Central banks
- Corporations
- Financial institutions
- Pension funds

Invest in Van Kampen and Americas Intermediary

What We've Done

Products

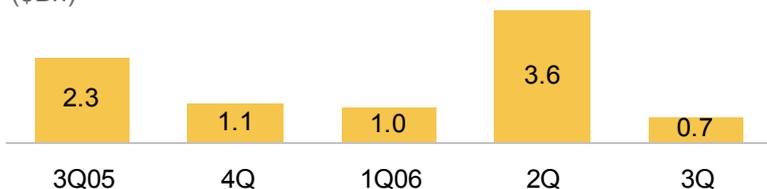
- Successfully launched 4 new Van Kampen branded products
 - VK International Growth, VK Leaders, VK Equity Premium Income Fund and VK American Franchise
- Issued 24 Unit Investment Trust products
- Enhanced competitive position of Senior Loan product

Distribution

- Dominated market share of variable insurance industry net flows
- Maintained double digit sales growth for Unit Investment Trust business

Long Term Net Flows – Americas Retail Van Kampen Brand and Americas Intermediary

(\$Bn)



What We're Doing

Products

- International and Global
- Income oriented products
- Lifestyle funds
- Retail Separately Managed Account strategies
- Closed End Funds

Distribution

- Establish Van Kampen as the retirement solutions provider in key accounts
- Increase distribution capability in Defined Contribution and Unit Investment Trust channels by investing in sales resources

Stem Outflows of Morgan Stanley Retail Mutual Funds

What We've Done

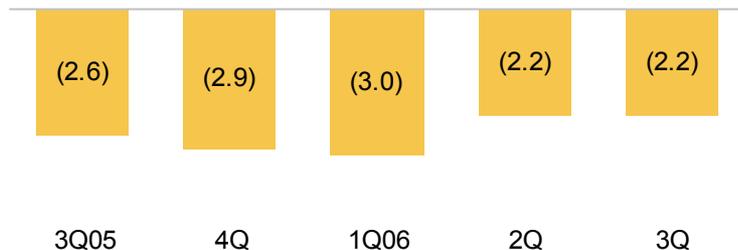
Products

- Launched new Morgan Stanley products
 - China A Share closed end fund
 - Absolute Return fund of hedge funds

Distribution

- Deployed new Sales Strategy
 - Dedicated internal and external wholesalers
 - Hired head of Morgan Stanley fund distribution
- Achieved initial third-party sales

Long Term Net Flows – Americas Retail Morgan Stanley Brand (\$Bn)



What We're Doing

Products

- Continue developing distinctive Morgan Stanley fund offerings
- Rationalize and differentiate existing product lines

Distribution

- Broaden distribution access across Global Wealth Management platforms
- Improve coordination with Global Wealth Management's sales initiatives
- Actively pursue third-party distribution of Morgan Stanley Funds
 - 401(K)
 - Financial planner
 - Registered Investment Advisor communities

Rebuild Institutional Reputation and Business, Particularly in the U.S.

What We've Done

Products

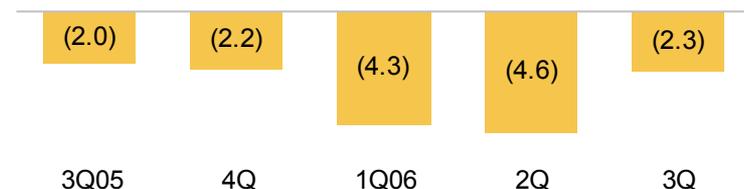
- Launched / incubated 22 products for U.S. Institutional channel across all asset classes
 - 6 Equity products
 - 4 Fixed Income products
 - 12 Alternative products

Distribution

- Hired U.S. Institutional Distribution Head, Dan Waters, from FrontPoint Partners
- Internal transfer of Global Client Solutions group
- Extensive senior management meetings and road shows with consultants and clients

Long Term Net Flows – U.S. Institutional

(\$Bn)



What We're Doing

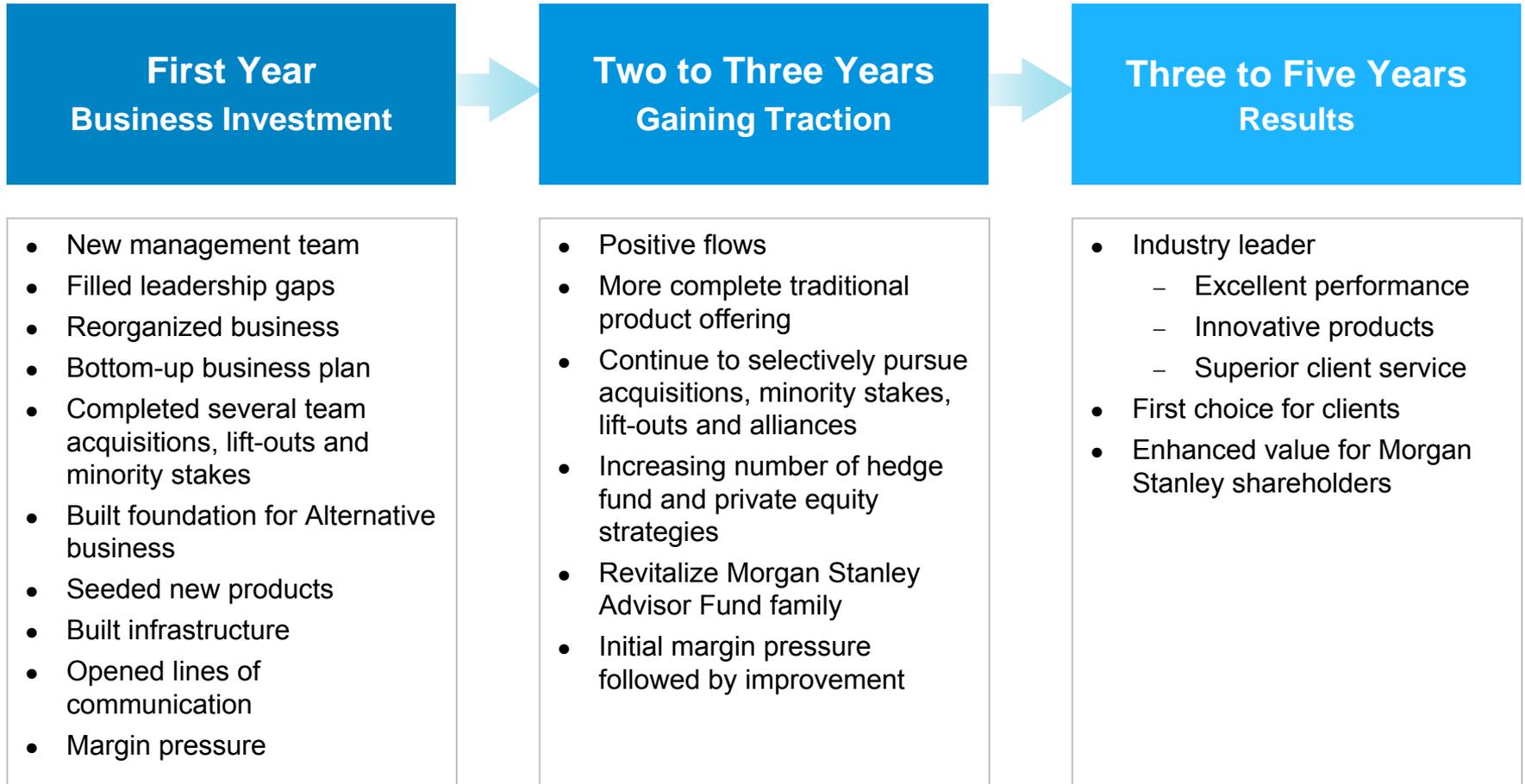
Products

- Continue to expand product breadth through organic growth, acquisitions, and lift-outs
 - Equity
 - Alternatives (Direct and Fund of Funds)
 - Private Equity / Infrastructure
- Capitalize on recent out performance in fixed income

Distribution

- Hire additional client advisory professionals with strong investment background
- Introduce Global Client Solutions group
- Increase focus on developing client solutions
- Leverage Morgan Stanley relationships throughout the United States
 - Pension Funds
 - Corporations
 - Endowments / Foundations

Summary: Measuring Our Progress



Measuring Our Performance: Key Success Metrics

	YTD 2006 Results ⁽¹⁾	Aspiration
• Net Revenues	\$2.1Bn	Double digit growth
• Pre-tax Margin	25%	30%~35%
• Assets Under Management	\$448Bn	\$600Bn+
• Net Flows	(\$14)Bn	Strong and competitive positive flows
• Retail Product Performance		
– % of Morningstar rated assets in 4/5 star funds	38%	50%+

Source: Company SEC Filings

(1) Three quarters ended August 31, 2006

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