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March 23, 2006

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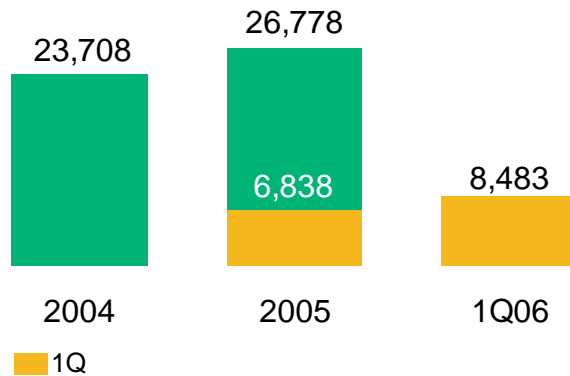
The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on 8-K, including any amendments thereto, which are available on www.morganstanley.com.

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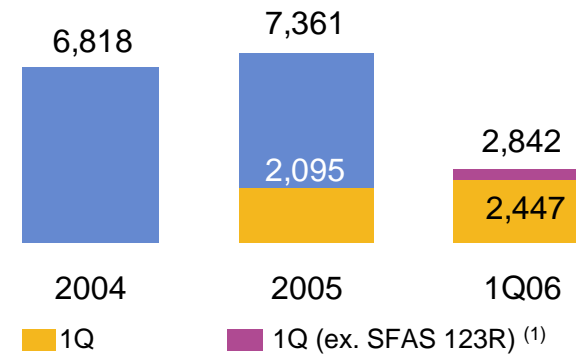
David H. Sidwell
Chief Financial Officer

Consolidated Financial Highlights

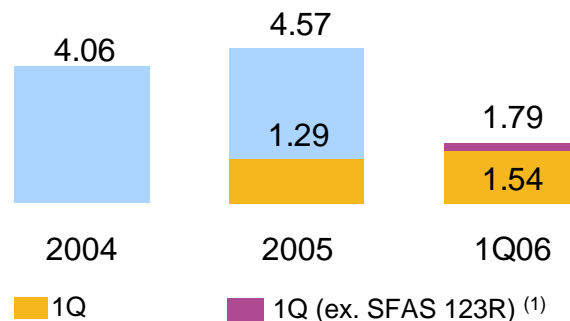
Net Revenues (\$MM)



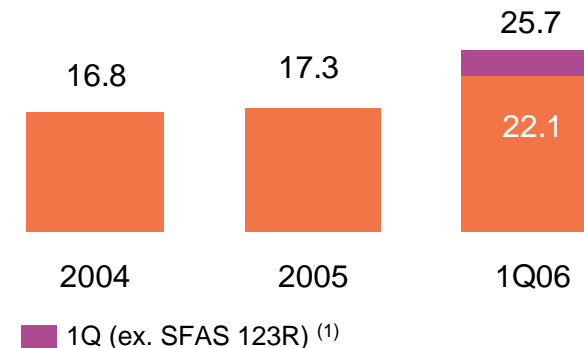
Profit Before Taxes (\$MM)



Diluted EPS (\$/Share)



Annualized Return on Equity (%)



Note: (1) Incremental \$395 million compensation expense relates to both 2005 fiscal year-end and other awards, including sign-ons granted during the quarter, to retirement eligible employees

Source: Company SEC Filings and 1Q06 Financial Supplement

1Q06 Highlights

- **Institutional Securities**
 - Record quarterly revenues
 - Record fixed income sales and trading revenues
 - 2nd best revenue quarter in equity sales and trading
- **Global Wealth Management**
 - Reorganized management structure
 - Growth in fee-based assets to 29% of total client assets
 - Bank Deposit Program grew to \$7.3 bn in assets
- **Asset Management**
 - AUM increased by \$11 bn from year-end 2005
 - Launched 11 new products during the quarter, including 6 in alternative investments
- **Discover**
 - Record quarterly revenues and pre-tax profit
 - Closed Goldfish acquisition adding 1.1 million accounts and \$1.4 billion in receivables

Zoe Cruz
Co-President

Morgan Stanley

Key Strategic Principles

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

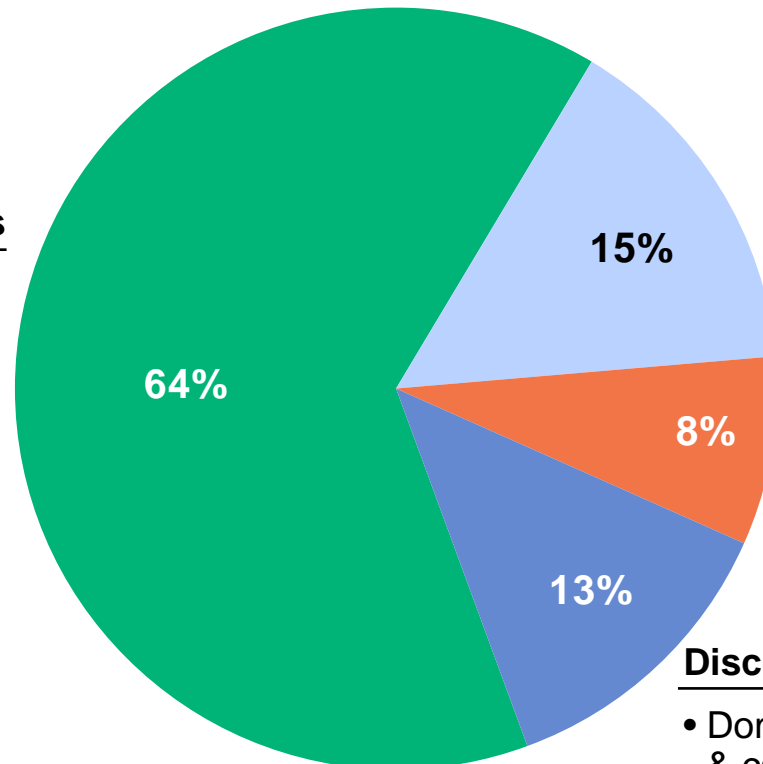
- Leverage global scale, franchise and integration across businesses
- Strike a better balance between principal and customer activity
- Invest to optimize growth opportunities and achieve “best-in-class” status in all businesses
- Aggressively pursue new opportunities including “bolt-on” acquisitions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

Enhance Value through Diversification

Total 1Q06 Net Revenues ⁽¹⁾ = \$8,542 MM

Institutional Securities

- Principal risk taking
- Derivatives products
- Domestic and global residential mortgage
- Leveraged finance
- Financing / prime brokerage
- Emerging markets
- Core equities



Global Wealth Management

- Alternative investments and closed-end funds
- Client segmentation
- FA retention

Asset Management

- Alternative investments
- Profitable AUM growth
- Improved performance

Discover

- Domestic: universal acceptance & cardmember usage
- Build payments business
- International growth

Note: (1) Excludes \$59MM of intersegment eliminations

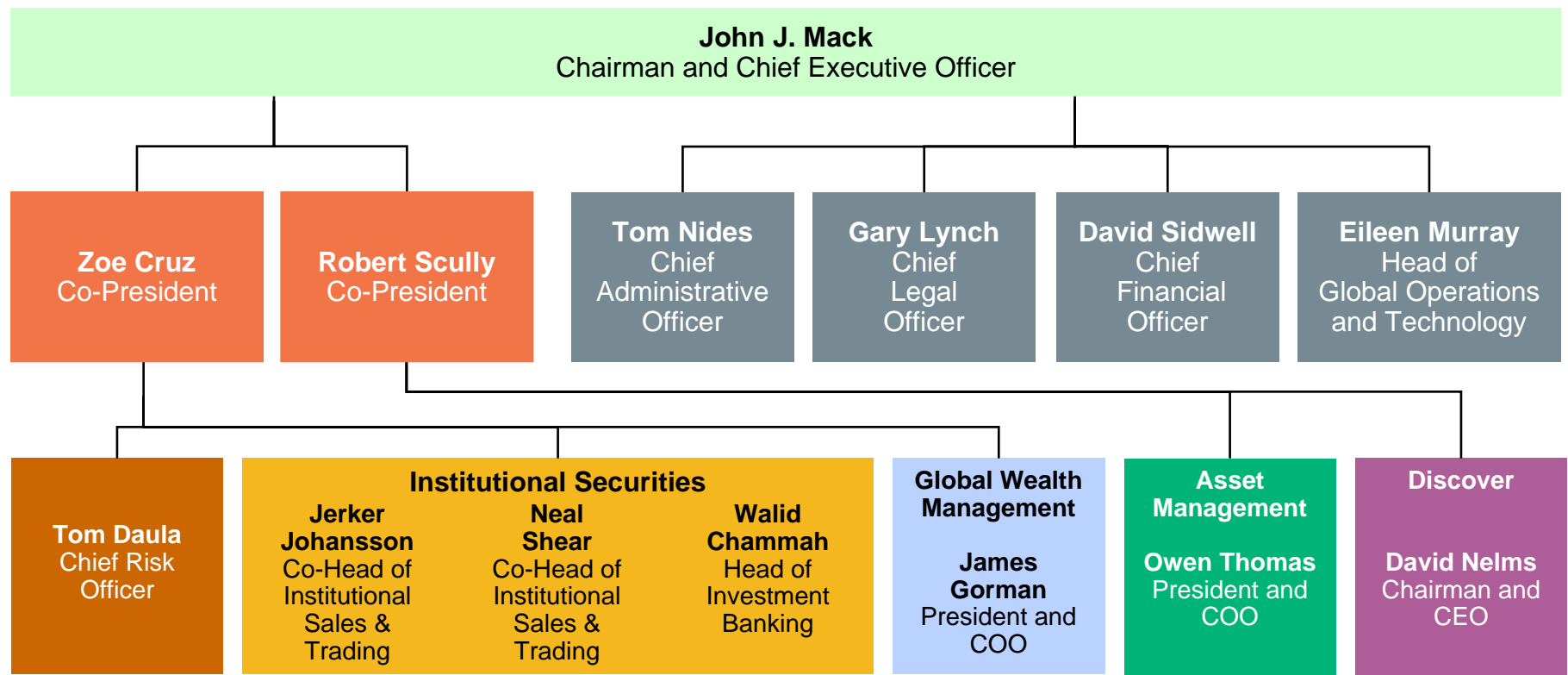
Source: Company SEC Filings and 1Q06 Financial Supplement

Relentless Focus on Execution

- **Full Team is in place**
 - Differentiate and connect with top talent across our businesses
- **Refined our strategy**
 - Leverage the Firm's capital = increase our risk profile
 - Improve Global Wealth Management profitability
 - Invest effectively in the Asset Management business with the view to grow profitably
 - Grow our Discover business

Full Team in Place

Differentiate and connect with top talent across our businesses



Refined Our Strategy

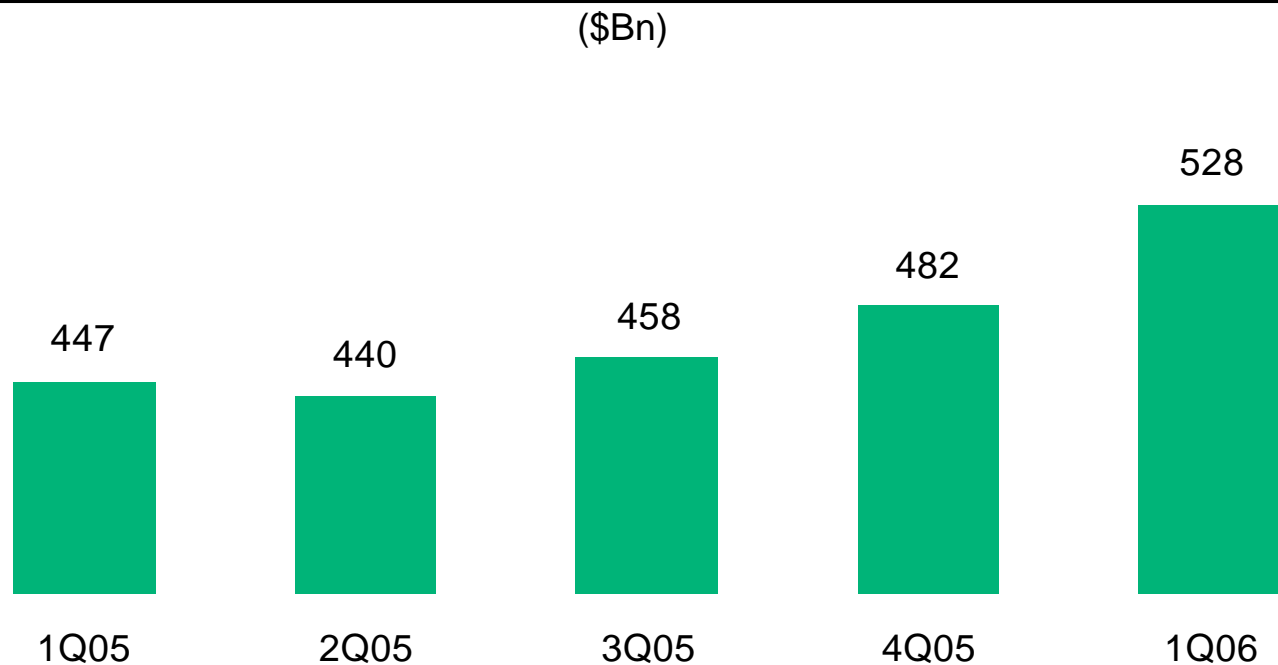
Leverage the Firm's capital = Increase our risk profile

- The cornerstone of our risk management philosophy is to protect Morgan Stanley's franchise, reputation and financial standing
- Types of Risk:
 - Market
 - Credit
 - Operational
 - Legal
 - Liquidity and Funding

How Are We Doing?

Leverage the Firm's capital = Increase our risk profile

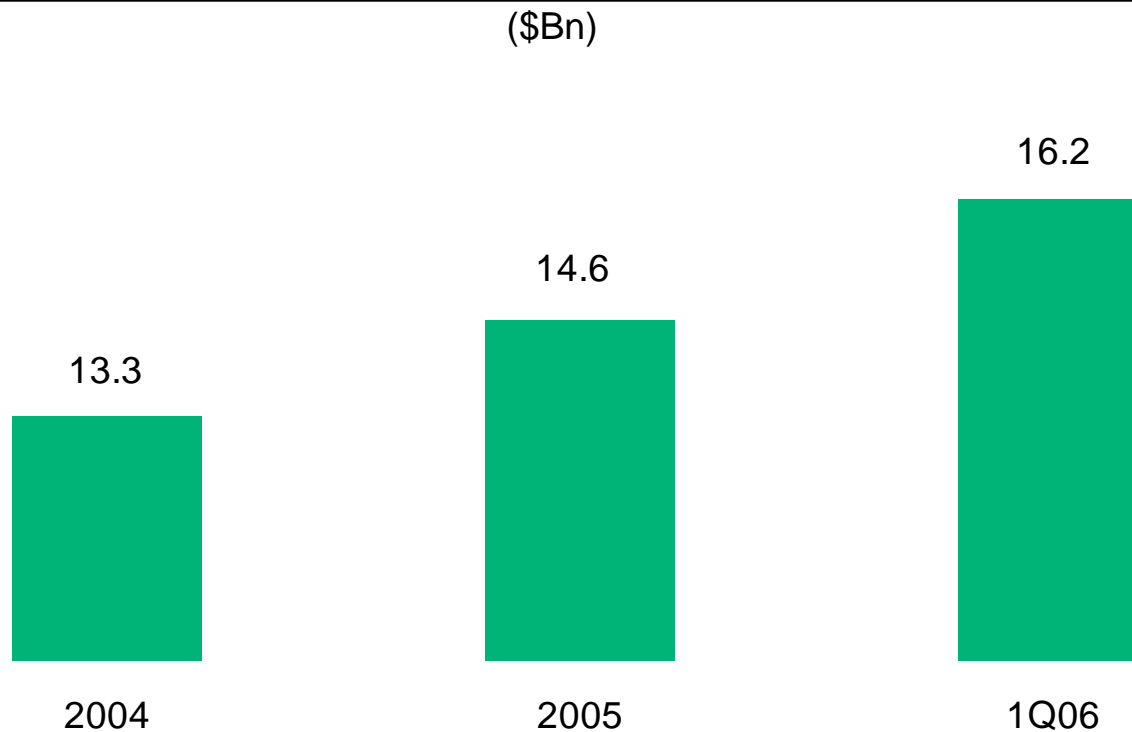
Balance Sheet – Adjusted Assets



Source: Company SEC Filings and 1Q06 Financial Supplement

Economic Capital

Economic Capital Usage – Institutional Securities

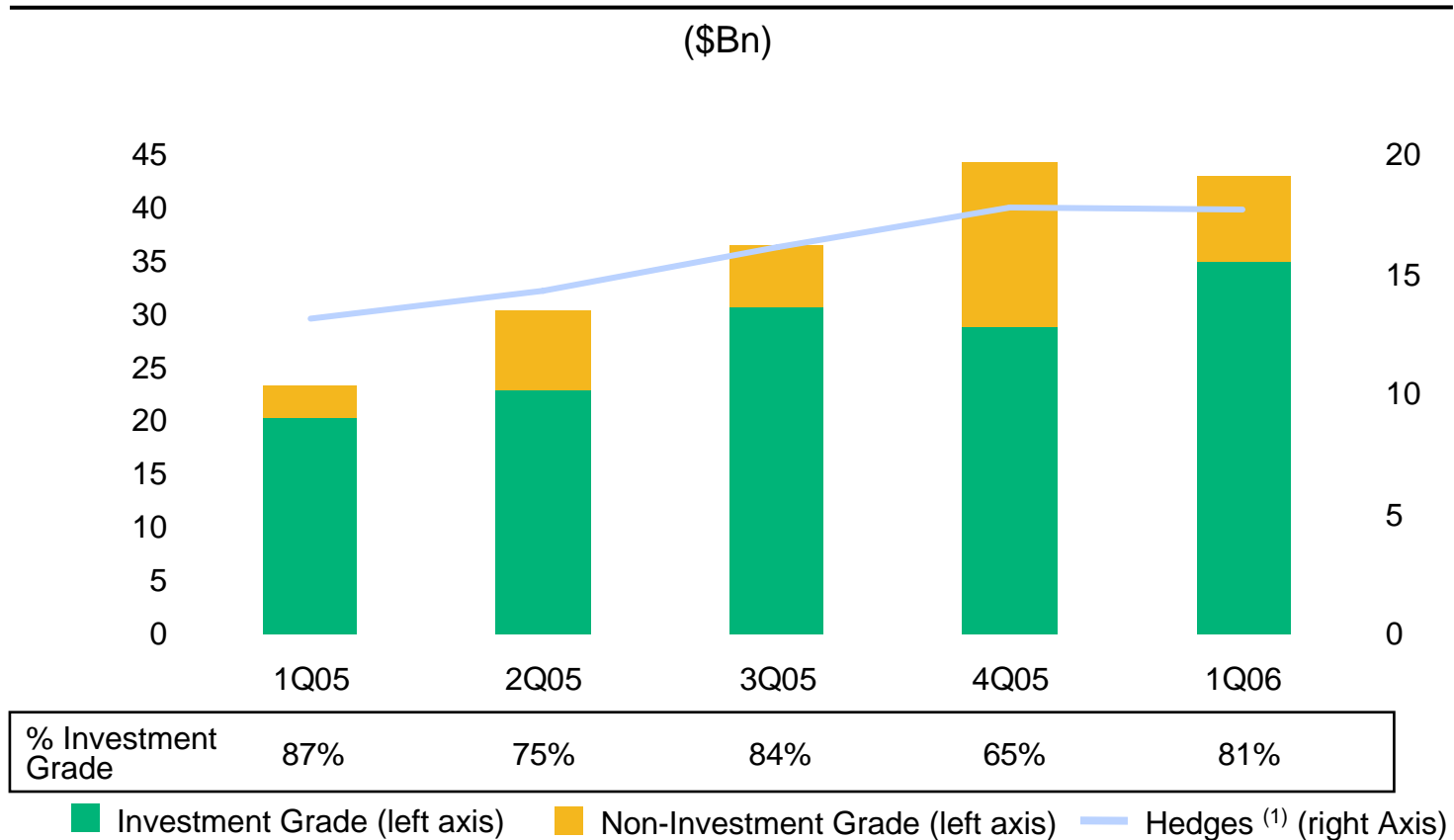


Note: The Company uses an economic capital model to determine the amount of equity capital needed to support the risk of its business activities to ensure that the Company remains adequately capitalized. Economic capital is defined as the amount of capital needed to run the business through the business cycle and satisfy the requirements of regulators, rating agencies and the market. The Company's methodology is based on a going concern approach that assigns economic capital to each segment based on regulatory capital usage plus additional capital for stress losses, goodwill and principal investment risk. The economic capital model and allocation methodology may be enhanced over time in response to changes in the business and regulatory environment.

Source: Company SEC Filings and 1Q06 Financial Supplement

Lending

Total Loans and Total Commitments vs. Hedges

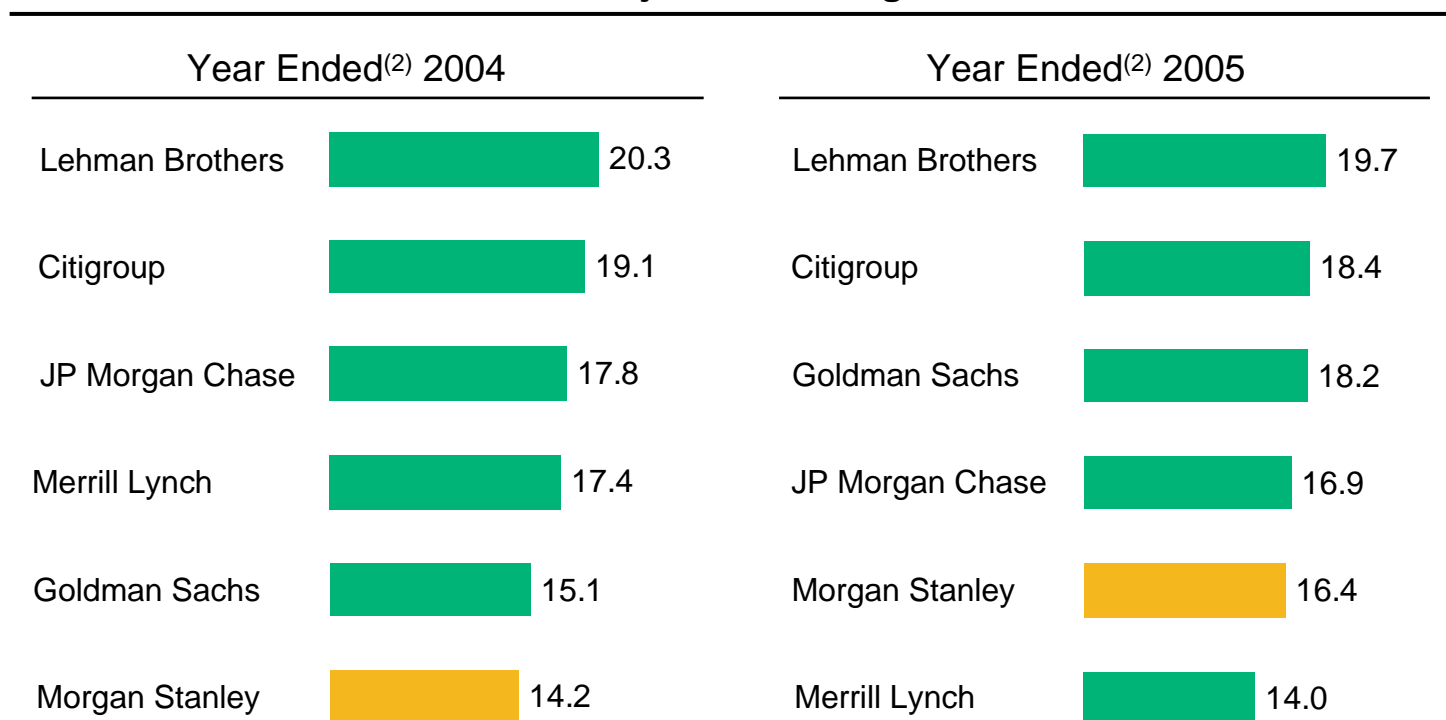


Note: (1) Includes both internal and external hedges utilized by the lending business.

Source: Company SEC Filings and 1Q06 Financial Supplement

Adjusted Leverage

Firmwide Adjusted Leverage⁽¹⁾ Ratio



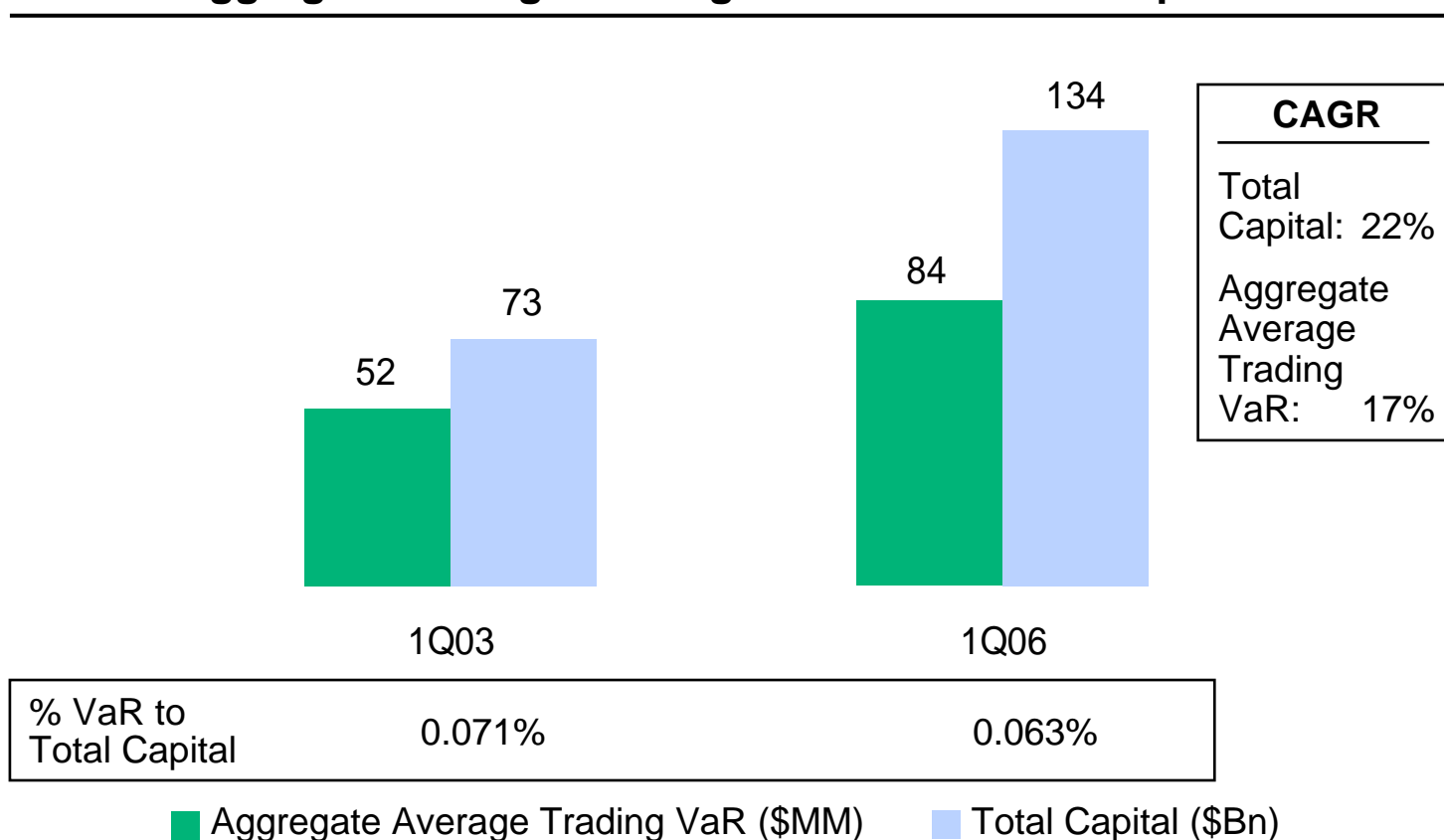
Notes: (1) Adjusted Leverage Ratio = (Total Assets - Reverses - Securities Borrowed - Seg. Cash and Securities - Goodwill + Non-Derivative Financial Instruments Sold, not yet Purchased - Securities Received as Collateral)/Tangible Equity

(2) Fiscal year 2005 for Morgan Stanley, Goldman Sachs and Lehman Brothers represents the period from December 1, 2004 to November 30, 2005; Fiscal year 2005 for Citigroup, Merrill Lynch and JP Morgan is period from January 1 to December 31, 2005

Source: Company SEC Filings

Result: Higher VaR

Aggregate Average Trading VaR versus Total Capital⁽¹⁾



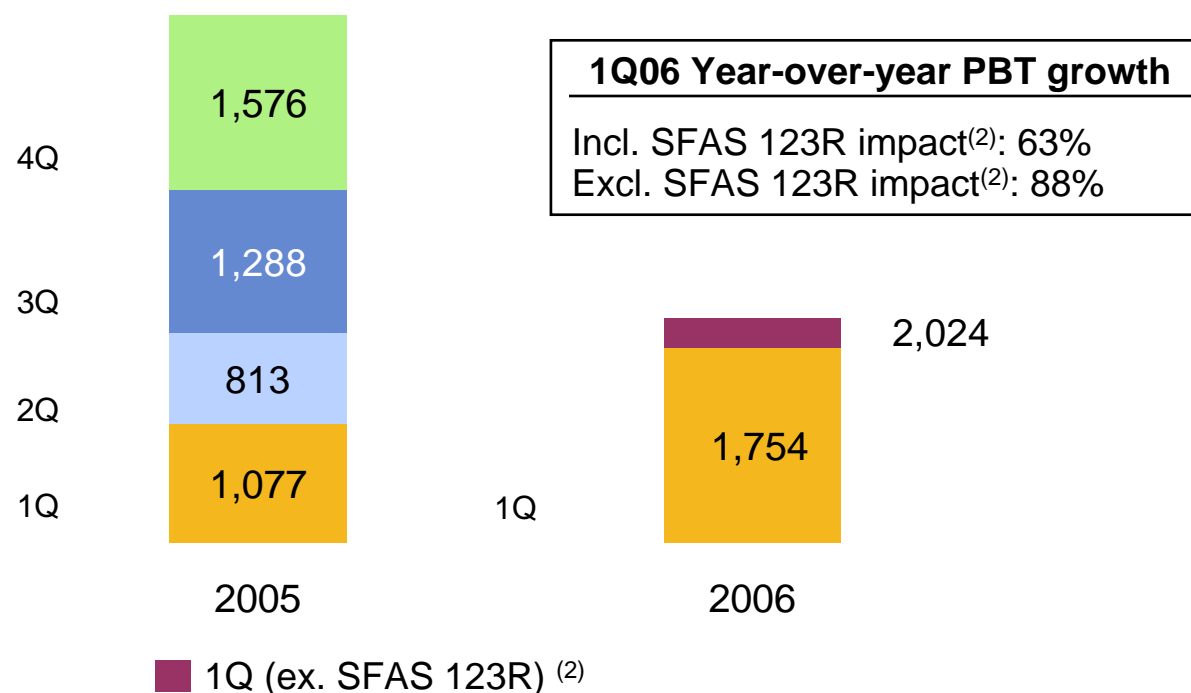
Note: (1) Includes common equity, junior subordinated debt issued to capital trusts, capital units and non-current portion of long-term debt.

Source: Company SEC Filings and 1Q06 Financial Supplement

Institutional Securities Profitability

Institutional Securities Pre-Tax Profits⁽¹⁾

(\$MM)



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

(2) Incremental \$270 million compensation expense relates to both 2005 fiscal year-end and other awards, including sign-ons granted during the quarter, to retirement eligible employees

Source: Company SEC Filings and 1Q06 Financial Supplement

Improve Global Wealth Management Profitability

- **Restructuring and Rationalization**
 - Downsized bottom 10% of financial advisors by production in 2H 2005
 - Closed 33 domestic retail branches
- **Sales management focus**
 - De-layered the organization
 - Streamlined the regional sales structure
 - Recruited industry veterans
- **Focus on filling in product gaps**
 - Identifying the size and shape of technology investments
 - Launched the Global Wealth Management deposit program

Invest Effectively in the Asset Management Business

- **Shifted our focus from profitability to profitable growth**
- **Actively evaluating bolt-on acquisitions**
 - Either companies or teams in a disciplined way
- **Fill in product gaps**
 - Particularly in the alternative investment space
 - This quarter we launched 11 new products including 6 in our alternatives business

Grow Our Discover Business

- **Continue to build out our international and payments platform:**
 - Successfully completed Goldfish acquisition
 - Launched our Discover debit program in 1Q
- **Re-entered the securitization market to improve capital usage**
- **Focus on growing our US card portfolio while maintaining credit quality**

In Summary

- We have the scale, capital, talent and franchise to compete globally wherever there are profitable growth opportunities
- Agency and Principal models continue to converge, and the mega-trend of globalization of capital markets is still in place, which favor institutions like Morgan Stanley



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