



John J. Mack, Chairman and Chief Executive Officer
David H. Sidwell, Chief Financial Officer

November 15, 2005

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 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, 2004 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended February 28, 2005, May 31, 2005 and August 31, 2005, and in other items throughout the Form 10-K and Forms 10-Q.

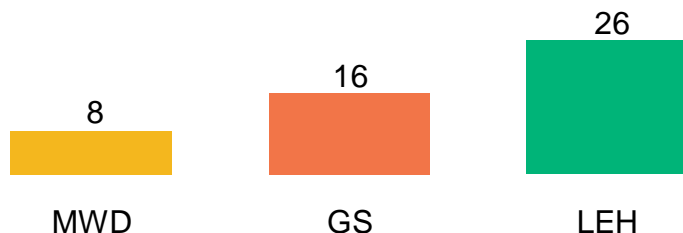
Agenda

- Relative Performance
- Approach to Improvement
 - Strategy
 - Leadership
 - Execution
- Financial Plan for Growth
- Business Unit Priorities and Initiatives
- Capital Considerations
- Conclusion

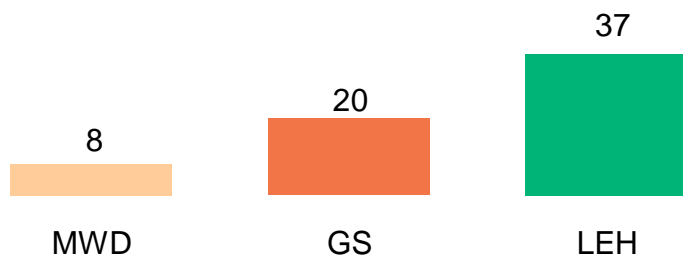
John J. Mack
Chairman and CEO

Relative Performance

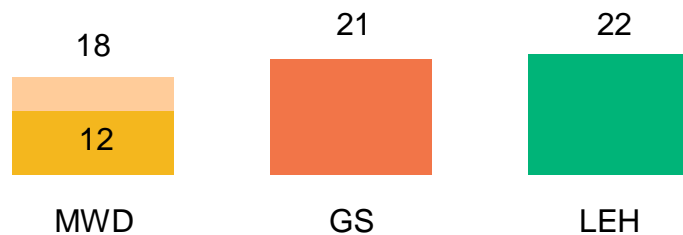
YTD Net Revenue Growth YoY (%)



YTD Diluted EPS Growth YoY (%)

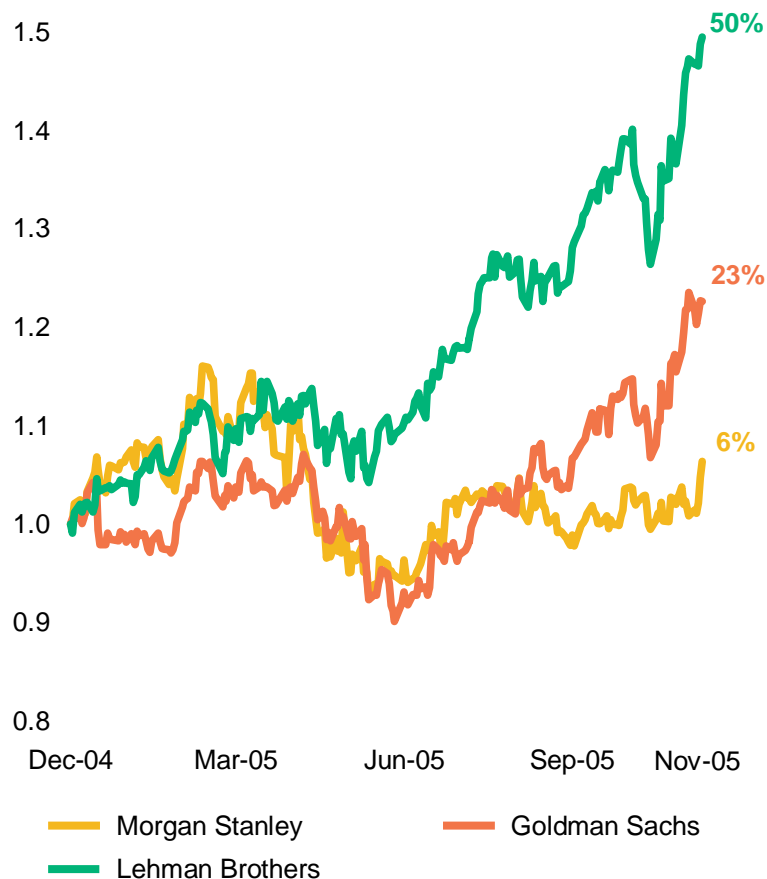


Annualized YTD Return on Equity (%)



■ MWD excl 3Q Comp and AWAS Charges

FYTD Stock Performance (Indexed)



Source: Company filings, Bloomberg (Stock price performance is through November 11, 2005).

Revenue and Earnings Growth Have Lagged Competitors

	Morgan Stanley (%)	Rank
Firm (2001 – YTD 2005 Annualized)		
EPS CAGR	(0.5)	10/10
Revenue CAGR	4.7	7/10
Average ROE	15.6	7/10
Share Price CAGR (1/1/2001 – 11/11/2005)	(7.1)	10/10
Business Unit Revenue CAGR (2001 – YTD 2005 Annualized)		
Investment Banking	0.9	6/10
Fixed Income Sales and Trading	16.3	5/10
Equity Sales and Trading	1.8	6/9
Asset Management ⁽¹⁾	(1.9)	7/9
Retail Brokerage	0.1	4/5
Discover ⁽²⁾	(1.1)	7/7
International Revenue CAGR (2001 – 2004)		
Asia	9.1	4/7
Europe	9.7	3/7

Note: Peer set for full firm: BAC, BSC, C, DB, GS, JPM, LEH, MER, and UBS. Peer set for Investment Banking and Fixed Income Sales and Trading: BAC, BSC, C, DB, GS, JPM, LEH, MER, and UBS. Peer set for Equity Sales and Trading: BAC, BSC, DB, GS, JPM, LEH, MER, and UBS. Peer set for Asset Management: AC, BEN, BLK, C, GSAM, JPM, MER, and UBS. Peer set for Retail Brokerage: AGE, C, MER, and UBS. Peer set for Discover: AXP (TRS), BAC, C, COF, JPM, and MBNA. Peer set for Asia and Europe: BAC, C, GS, JPM, LEH, and MER.

(1) Excludes private equity activities.

(2) Managed basis: net revenues less loss provision.

Source: FactSet, Company Filings, and Bloomberg.

Underperformance Due to Strategy & Execution

Strategy

Mortgage business miss

Equity derivatives miss

Firm underleveraged

Retail and Asset Management underinvestment

Reliance on organic growth

Execution

Aircraft

Non-Investment Grade losses

Coleman litigation

Retail legal and regulatory charges

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

Closing the Gap

	CAGR 2001 – 2004		2004	
	MWD Revenue Growth Rate (%)	Best-in-Class Revenue Growth Rate (%) ⁽¹⁾	MWD PBT Margin (%)	Best-in-Class PBT Margin (%) ⁽¹⁾
Institutional Securities	5	8 – 18	33	32 – 37
Retail Brokerage	(2)	0 – 4	8	19 – 22
Asset Management	(4) ⁽²⁾	11 – 20	26 ⁽²⁾	28 – 37 ⁽³⁾
Discover ⁽⁴⁾	0	10	35	21 – 43

Note: (1) Institutional Securities: BSC (Capital Markets), GS (IBD and Trading and Principal Investments), LEH (IBD and Capital Markets). Retail Brokerage: C (Global Wealth Management), and MER (Global Private Client). Asset Management Revenue: BEN (whole firm), BLK (whole firm), and GS (Asset Management). Asset Management PBT: BLK (whole firm), BEN (whole firm). Discover: AXP (Travel Related Services) and MBNA (whole firm).

(2) Excludes private equity activities.

(3) Operating basis. PBT margins calculated using reported revenues and PBT are 28% for BLK and 29% for BEN.

(4) Managed basis: net revenue less loss provision.

Source: Company filings

Benchmarks to Track

- Firmwide
 - Revenue, ROE and pretax profit margin improvement
 - New disclosure: ROE by business segment
- Institutional Securities
 - Revenue growth and market share
 - Fixed Income and Equity trading results
 - New disclosure: Principal investing assets
- Asset Management
 - Growth in alternative investments
 - Investment performance and fund flows
- Retail Brokerage
 - Growth in clients with assets > \$1 million
 - New disclosure: Deposit sweep progress
- Discover
 - Net sales volume
 - Network transaction volumes

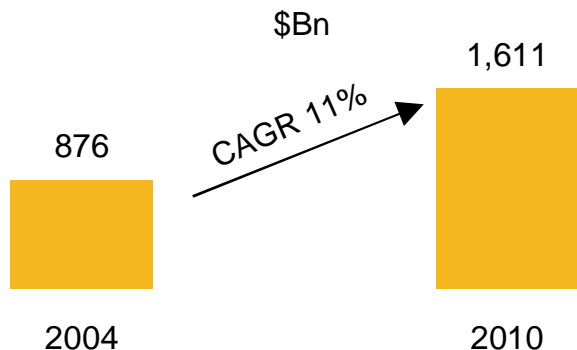
Financial Plan for Growth

- If industry mega-trends continue, our goal is to double pretax profits within the next five years with:
 - At or above industry growth rates
 - 5 percentage points improvement in pretax profit margin
- Should trends change, we plan to, at a minimum, converge to industry margins
- Continual assessment of progress toward plan

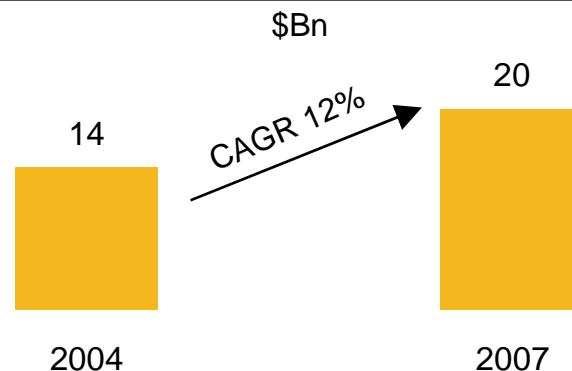
David H. Sidwell
Chief Financial Officer

Institutional Securities High Growth Opportunities

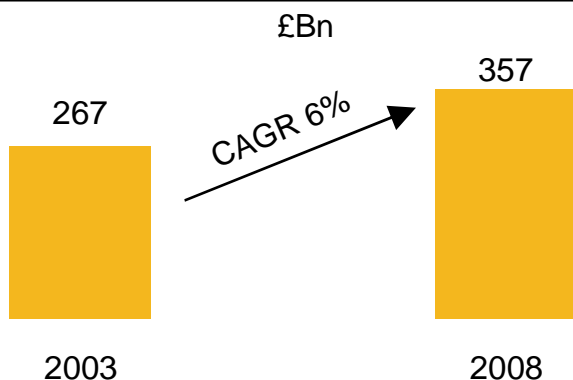
Private Equity Assets Under Management



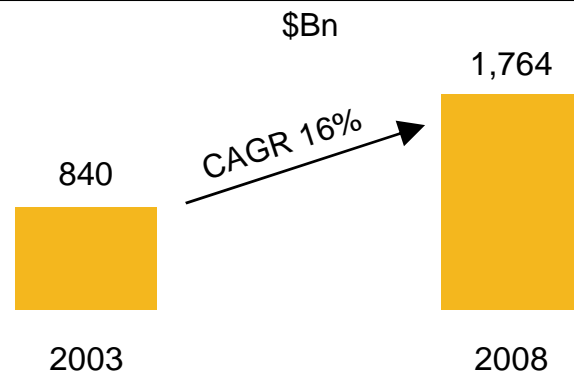
Equity Derivatives Revenues



UK Mortgage Lending Market Size

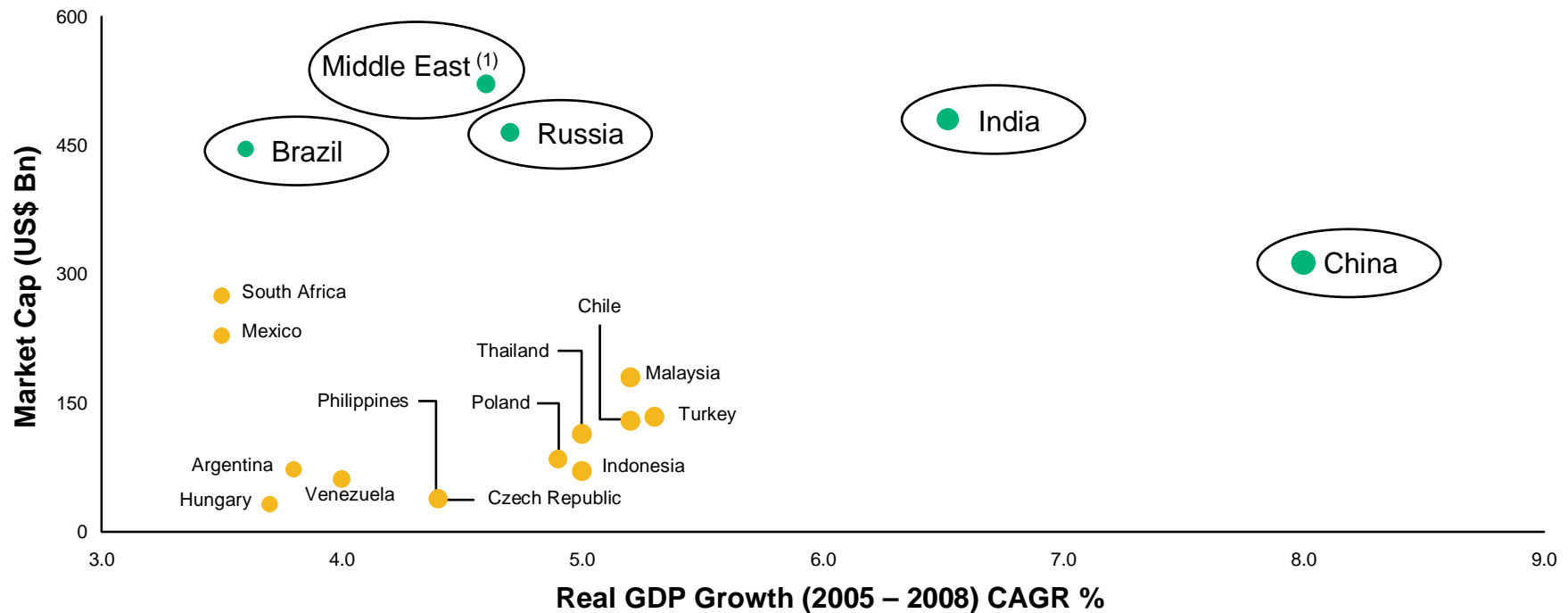


Hedge Fund Industry Total Assets



Source: Private Equity – Freeman & Co. (November 29, 2004); Equity Derivatives – Boston Consulting Group (August 23, 2005); UK Mortgage – Euromonitor (October 2004); Hedge Funds – Morgan Stanley Research (December 1, 2004).

High Growth Opportunities: Emerging Markets



Source: Global Insights and Bloomberg (country market cap as of November 11, 2005).

Note: (1) Middle East consists of United Arab Emirates, Qatar, Kuwait, Bahrain, Egypt.

Institutional Securities: Critical Initiatives

Priorities

- Identify and pursue highest growth opportunities
- Balance agency model with principal risk
- Improve cross divisional and global cooperation
- Invest in product innovation and technology



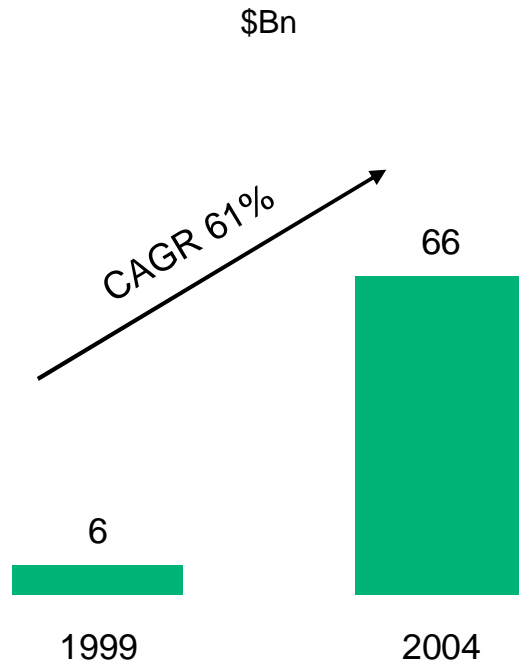
Critical Initiatives

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

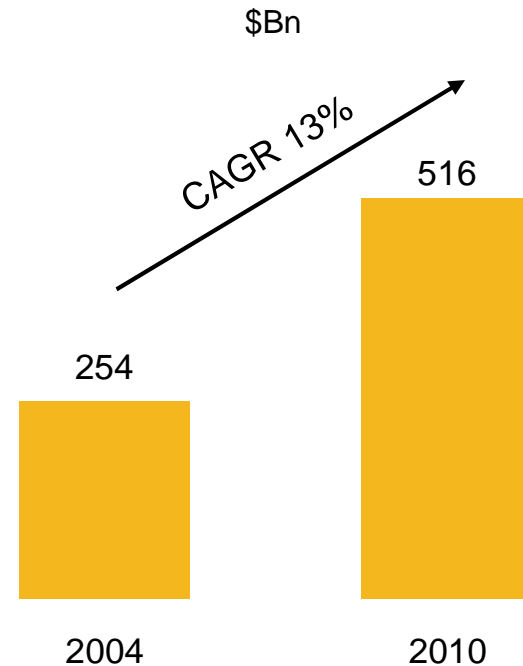
Retail Brokerage

High Growth Areas: Deposits and Closed-End Funds

Merrill Lynch Deposit Base



**Closed-End Funds –
Assets Under Management**



- There is a clear opportunity to expand our deposit base

Source: FDIC filings for Merrill Lynch Bank & Trust and Merrill Lynch Bank USA (1999, 2004).

Source: FRC Monitor (September, 2005).

Retail Brokerage Business: Client Segmentation

	Retail Brokerage Assets by Client Segment (\$Bn)		% Change 3Q05/3Q04
	3Q04	3Q05	
\$10MM or more	105	120	14
\$1MM – \$10MM	174	201	16
\$100K – \$1MM	186	182	(2)
< \$100K	40	33	(18)
Total	505	536	6
International	46	55	20
Corporate / Other	25	28	12
Total Client Assets	576	619	7

Source: Morgan Stanley

Note: Segmentation analysis includes retail branch system and UHNW client assets in the U.S.

Retail Brokerage: Critical Initiatives

Priorities

- Leverage institutional product expertise to create best-in-class products
- Invest in infrastructure and technology
- Increase penetration of \$1MM+ households
- Develop, retain, and recruit high quality financial advisors



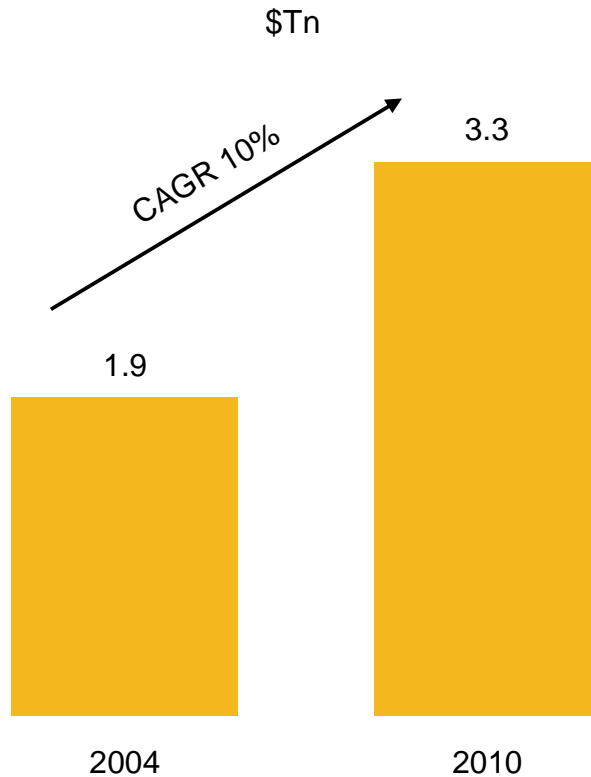
Critical Initiatives

- Alternative investments and closed-end funds
- Structured products
- Lending and deposit products
- Client segmentation
- FA retention

Asset Management

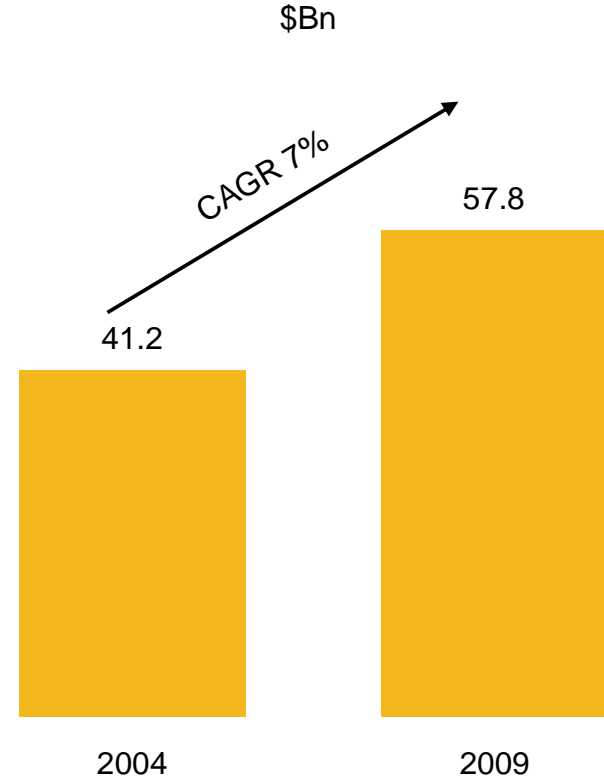
High Growth Opportunities: Alternatives and International

U.S. Demand for Alternative Investment Products



Source: Freeman & Co (November 29, 2004).

Non-US Asset Management Industry Revenues



Source: Cerulli Global Overview (Mid-Year 2005).

Asset Management: Critical Initiatives

Priorities

- Quickly establish presence and capture scale in high growth global products
- Shift focus towards asset growth while maintaining profit margins
- Continue emphasis on delivering superior investment performance



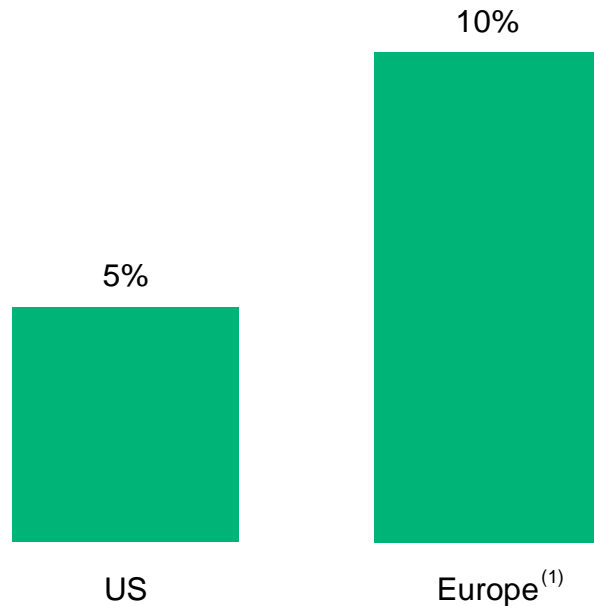
Critical Initiatives

- Alternative investments
- International growth
- Closed-end funds
- Enhanced index / quantitative strategies
- Collateralized debt obligations / collateralized loan obligations
- Global liquidity
- Completing the product platform:
 - Lift-outs or acquisitions
 - Organic new product launches

Discover High Growth Opportunities: International

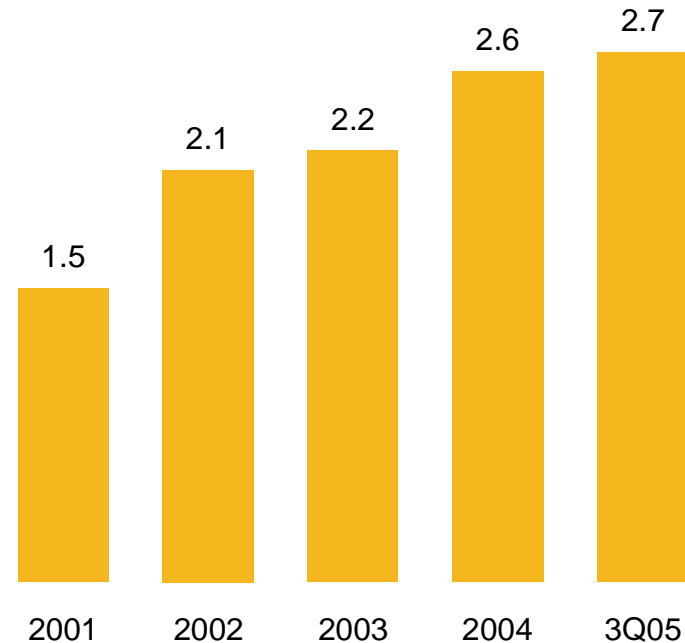
Credit Card Debt Growth

CAGR 2002 – 2007E



Discover International Managed Credit Card Loans

\$Bn



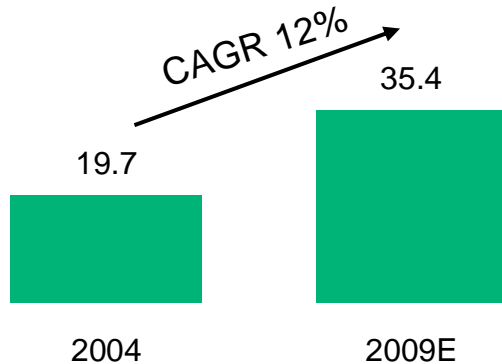
Source: Morgan Stanley Equity Research, Company reports

Note: (1) Europe includes: France, Germany, Italy, Netherlands, Spain & United Kingdom

Discover: Growth Initiatives

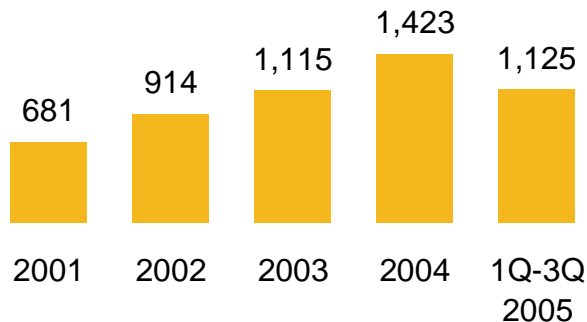
U.S. Debit Growth

Transactions (Bn)



Pulse Transaction Volume

(MM)

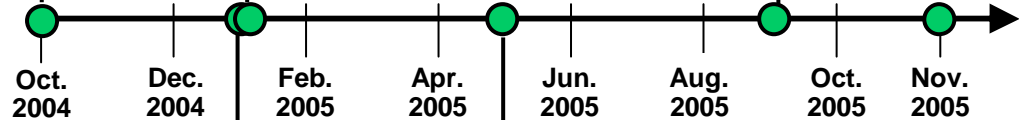


DOJ
decision

Wal-Mart, Sam's Club/
GE Consumer Finance

Purpose Solutions/
First Bank of Delaware

Metris



Pulse

China UnionPay

Sources: Nilson (September 2005), Company reports.

Discover: Critical Initiatives

Priorities

- Focus on universal acceptance / merchant network
- Increase card-member acquisition and usage
- Monetize post-DOJ growth opportunities through acquisitions and strategic partnerships
- Invest to grow international presence



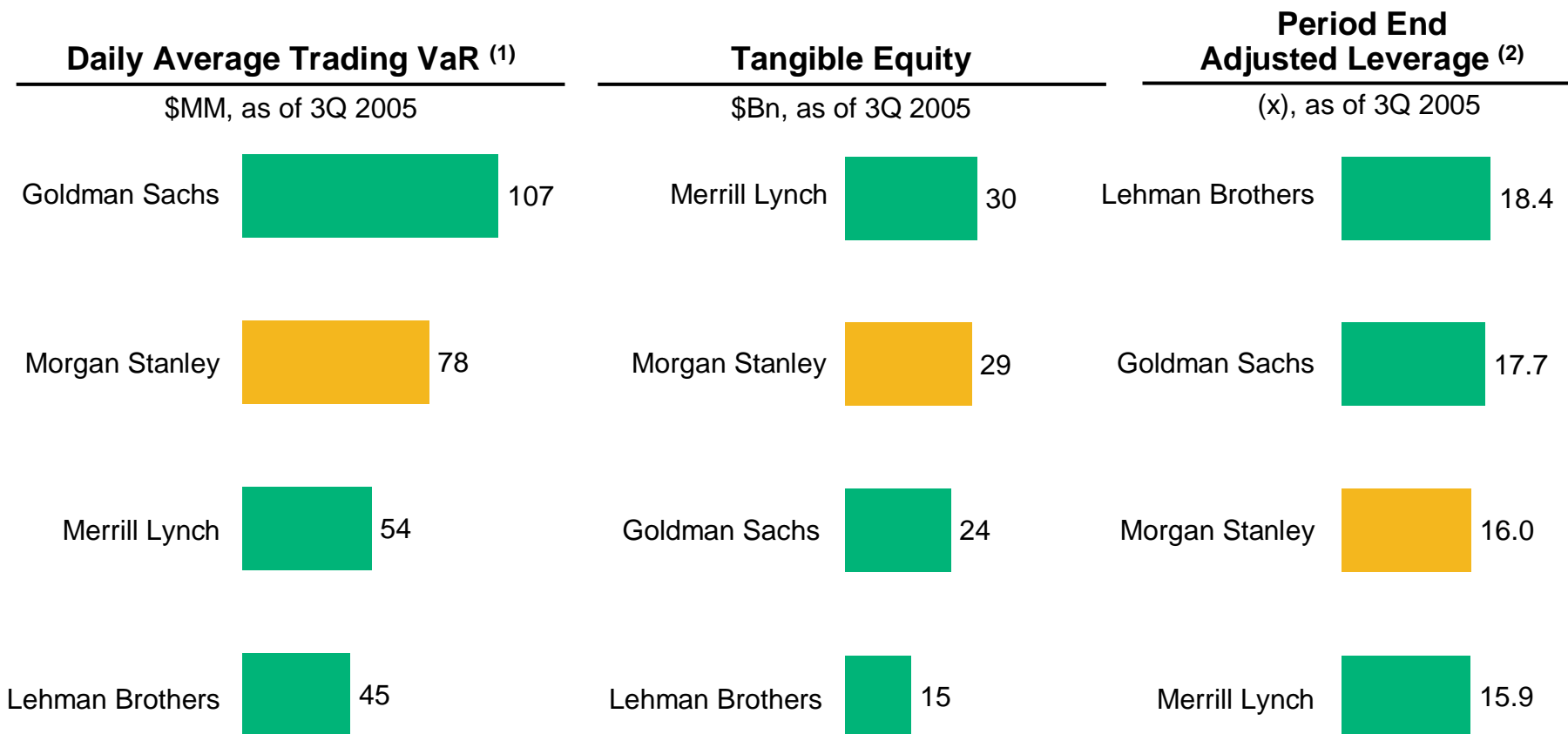
Critical Initiatives

- Domestic credit card
 - Universal acceptance
 - Card-member acquisition and usage
 - Brand / product differentiation
 - Portfolio management
 - Additional market products
- Payments (signature and PIN)
- International network and issuing / acquiring

Critical Initiatives: Capital

- Objective: Strong capital position to support operating plan and provide flexibility for bolt-on acquisitions
 - Operating plan increases risk and balance sheet usage over time
- Move to risk-adjusted measure (e.g., Tier 1, Basel) rather than adjusted leverage ratio
- Immunize the effect of employee stock issuances
- Return any excess capital to shareholders through a combination of dividends and share repurchases

Relative Capital Positioning



Notes: (1) GS, LEH, and MER report 95% confidence level Daily Average Trading VaR; figures converted to 1-day 99% confidence level Daily Average Trading VaR.

(2) Adjusted leverage ratio equals adjusted assets divided by tangible total equity. Adjusted assets is calculated by reducing gross assets by aggregate resale agreements, securities borrowed, segregated cash and securities, securities received as collateral and goodwill, plus non-derivative short positions.

Source: Company reports



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