

Morgan Stanley

## Merrill Lynch Banking & Financial Services Conference

James P. Gorman, Co-President

Colm Kelleher, Chief Financial Officer

November 12, 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 Form 8-K, including any amendments thereto, which are available on [www.morganstanley.com](http://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 and other items throughout the Company's Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the Company's 2008 Quarterly Reports on Form 10-Q and other items throughout the Company's Quarterly Reports on Form 10-Q and the Company's 2008 Current Reports on Form 8-K.

Morgan Stanley

Colm Kelleher  
Chief Financial Officer

# Agenda

- Morgan Stanley Strengths and Recent Actions
- Strategic Opportunities
  - Institutional Securities
  - Asset Management
  - Global Wealth Management
  - Mitsubishi UFJ Financial Group, Inc. (MUFG) Alliance
- Summary – Strengths and Opportunities

Morgan Stanley

Morgan Stanley Strengths  
and Recent Actions

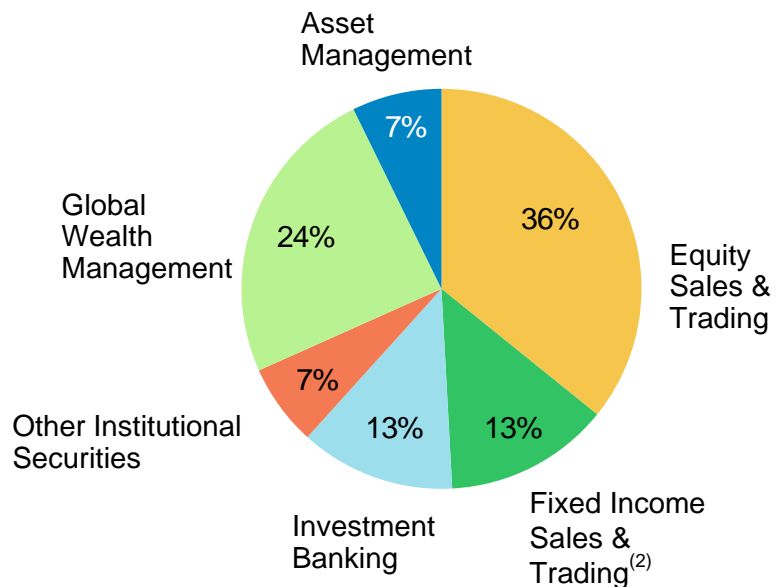
# Morgan Stanley Strengths

- Leading client franchise and brand
  - Outstanding human talent with culture of innovation and customer service
- Diversified business mix with global reach
- Strong capital position with a pro-forma Tier 1 capital ratio greater than 19%
  - China Investment Corporation (CIC) investment
  - MUFG investment
  - U.S. Treasury investment
- Financial Holding Company (FHC) status
  - Access to expanded sources of funding and liquidity
  - Allows Morgan Stanley to offer clients a comprehensive range of banking products
- Lower exposure to legacy assets and continued focus on cost control and resource allocation

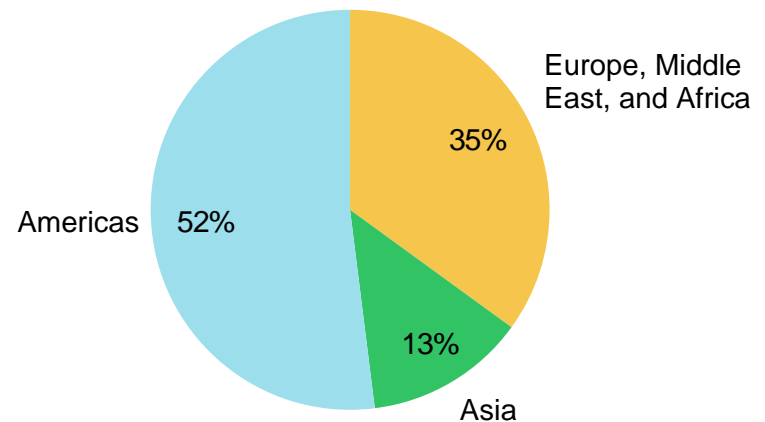
# Diverse Revenue Mix

## YTD 2008 Revenues of \$22.9Bn

Product Mix – 9M 2008 <sup>(1)</sup>



Geographic Mix – 9M 2008



Source: Morgan Stanley SEC Filings

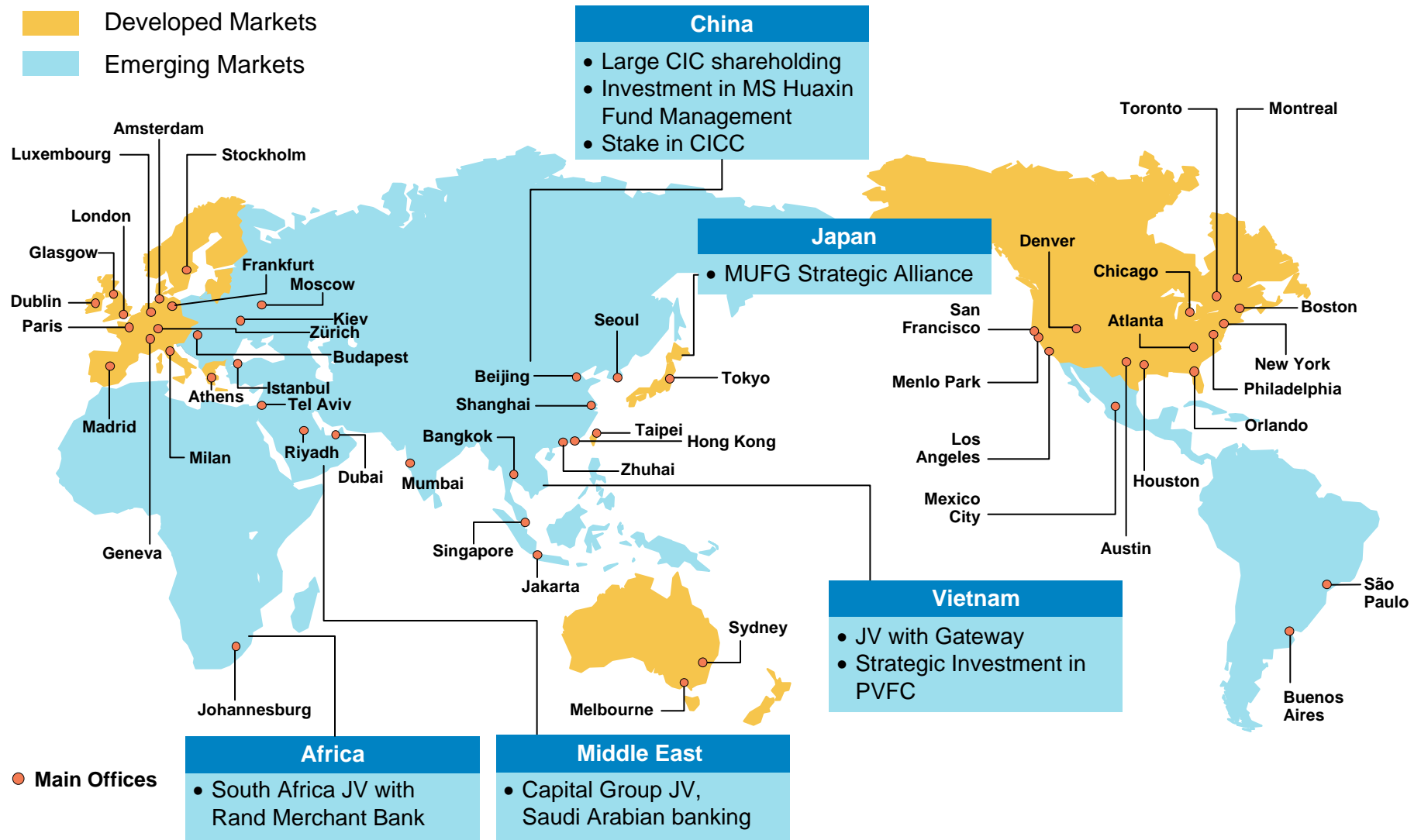
(1) Excludes intersegment eliminations of (\$143) million

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

Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Powerful Global Franchise



Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.



# Mitsubishi UFJ Financial Group Investment

## MUFG – Morgan Stanley Alliance

### Strategic Alliance

- Global strategic alliance with focus on corporate and investment banking activities
- MUFG representative to be elected to Morgan Stanley's Board of Directors
- Steering Committee being established to maximize strategic benefits of the alliance

### Transaction Details

- \$7.8 billion of perpetual non-cumulative convertible preferred stock with a 10% dividend
  - 21% interest in Morgan Stanley on a fully diluted basis
- \$1.2 billion of perpetual non-cumulative non-convertible preferred stock with a 10% dividend

### Capital

- \$9 billion investment further bolsters strong capital and liquidity positions
- Morgan Stanley exceeded the Federal Reserve's capital and leverage ratio requirements for commercial banks prior to MUFG's investment
- Tier 1 capital eligible

# U.S. Treasury Investment

## U.S. Treasury Investment

Benefits	Transaction Details	Capital
<ul style="list-style-type: none"><li>• Stabilize U.S. banking system</li><li>• Encourage banks to access TARP</li><li>• Promote lending activities</li></ul>	<ul style="list-style-type: none"><li>• \$10 billion of perpetual cumulative non-convertible preferred stock with a 5% dividend</li><li>• \$1.5 billion of warrants at a strike price of \$22.99</li></ul>	<ul style="list-style-type: none"><li>• \$10 billion investment further bolsters strong capital and liquidity positions</li><li>• Morgan Stanley exceeded the Federal Reserve's capital and leverage ratio requirements for commercial banks prior to MUFG and U.S. Treasury investment</li><li>• Tier 1 capital eligible</li></ul>

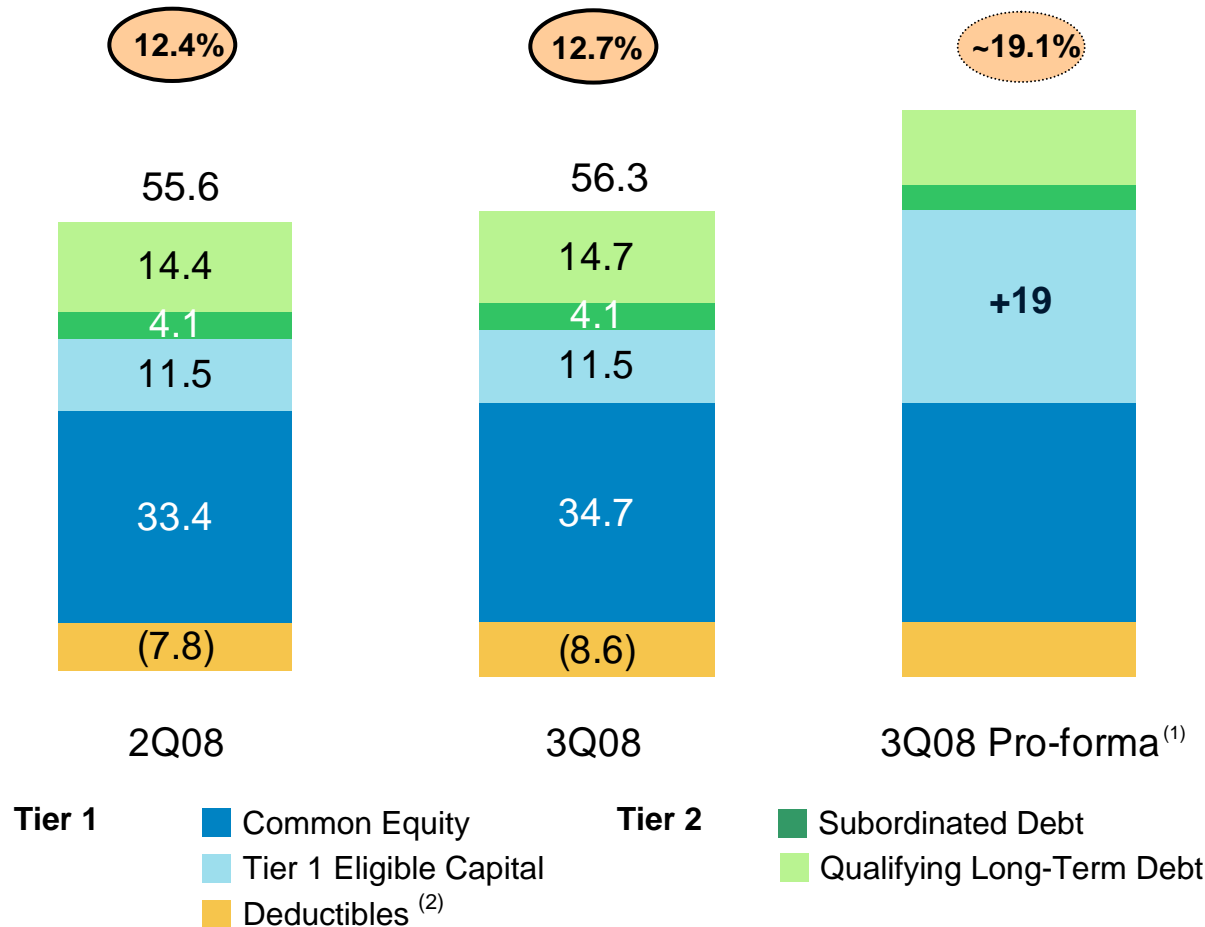
Source: Morgan Stanley SEC Filings

# Capital Strength – Tier 1 Ratio Higher than Peers

## Basel II Regulatory Capital

(\$Bn)

Tier 1 Capital  
Ratio



Source: Morgan Stanley SEC Filings

(1) Pro-forma for \$9 billion MUFG and \$10 billion U.S. Treasury capital investments

(2) Goodwill & Intangibles, Net Deferred Tax Assets & Debt Valuation Adjustment. Goodwill & Intangibles excludes mortgage servicing rights

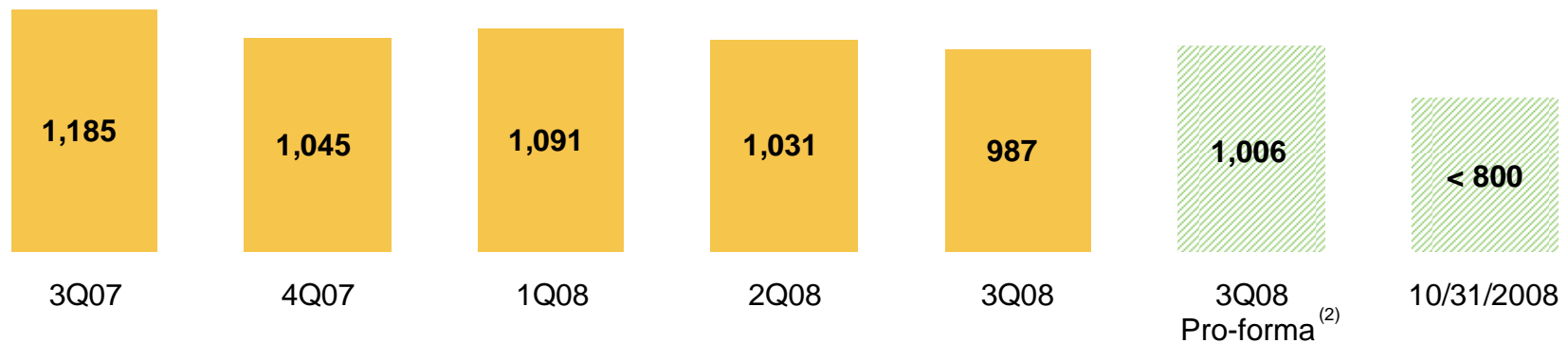
Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Substantial Reduction in Leverage – Assets < \$800Bn

## Total Assets

(\$Bn)



## Leverage Ratio <sup>(1)</sup>



Source: Morgan Stanley SEC Filings

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

(2) Pro-forma for \$9 billion MUFG and \$10 billion U.S. Treasury capital investments

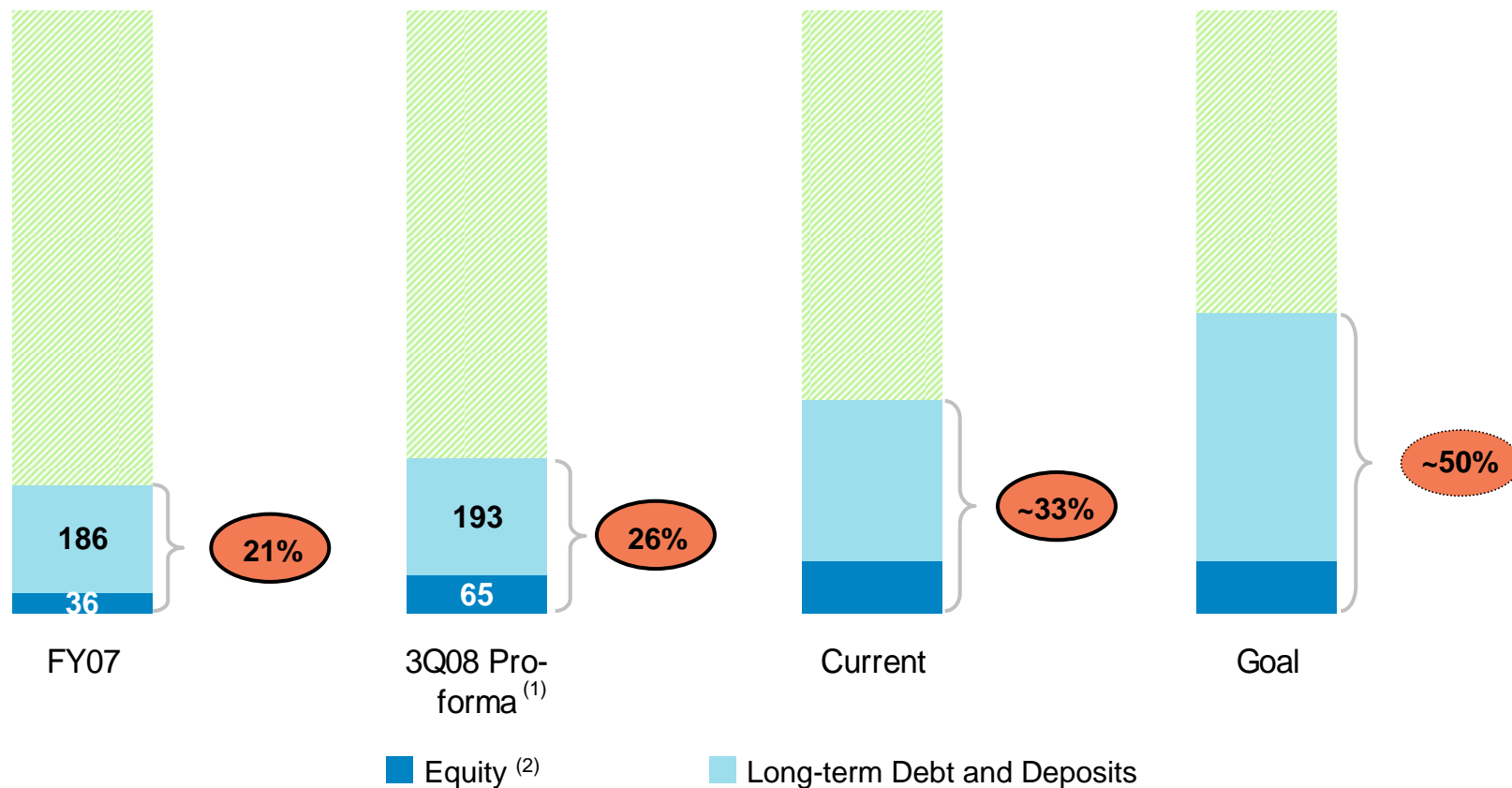
Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Increasing Share of Stable Funding

## Stable Funding as a Percent of Total Assets

(\$Bn)



Source: Morgan Stanley SEC Filings

(1) Pro-forma for \$9 billion MUFG and \$10 billion U.S. Treasury capital investments

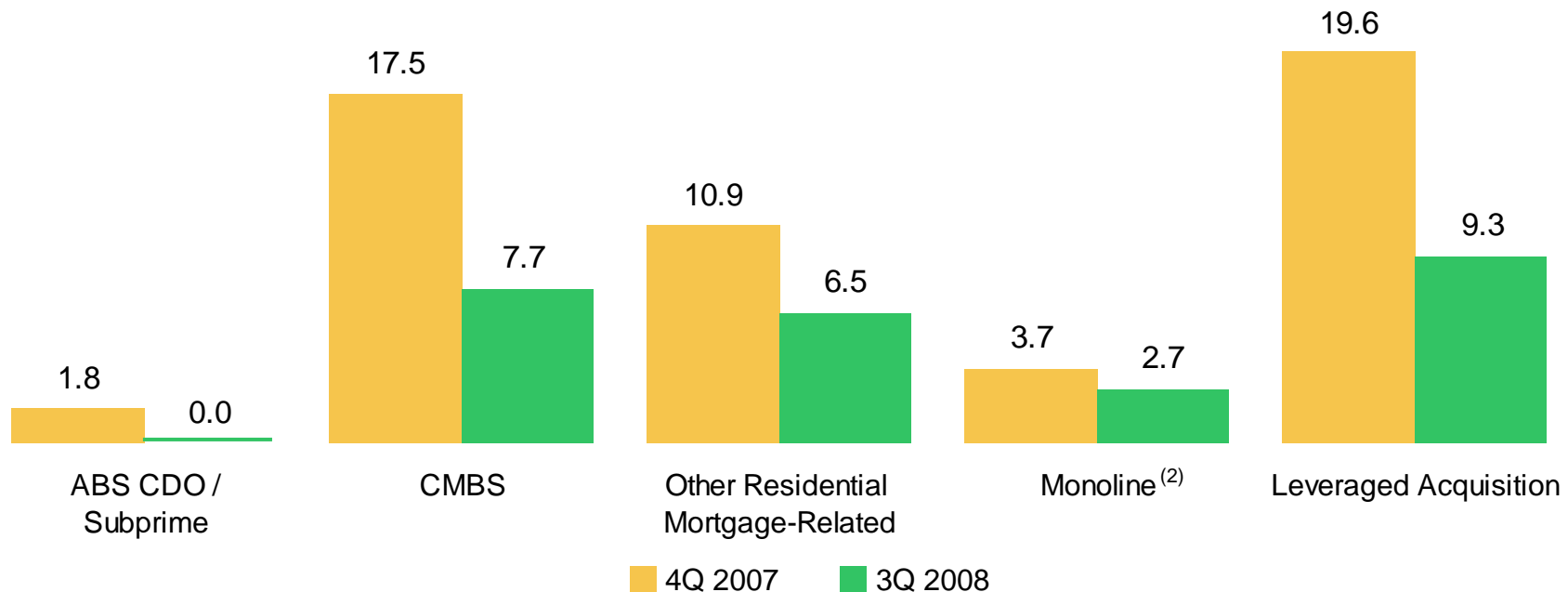
(2) Includes junior subordinated debt issued to trusts and total shareholders' equity

Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Reduction in Risk Positions

## Net Exposure <sup>(1)</sup> (\$Bn)



Source: Morgan Stanley SEC Filings

(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

(2) 3Q 2008 Monoline Composition – ABS: \$0.8, Insurance Municipal Bond Securities: \$1.5, Net Counterparty Exposure: \$0.4

Morgan Stanley

James P. Gorman  
Co-President

Morgan Stanley

Strategic Opportunities



# Morgan Stanley Strategic Priorities

- Adapting Institutional Securities to better realize opportunities afforded by current market environment
- Continuing profitable growth of Global Wealth Management
- Launching retail banking line of business to leverage FHC status
- Restructuring and growing Asset Management
- Developing strategic alliance with MUFG
- Leveraging international footprint
- Rationalizing headcount and costs

# 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<sup>(1)</sup>
- **Commodities:** Top 2 in commodities<sup>(2)</sup>
- **Interest Rates and Currencies:** Strength in derivatives
  - FX: # 1 for last four years<sup>(3)</sup>
- **Prime Brokerage:** Leading franchise

## Asset Management

- Clients include:
  - 9 of the top 10 US pension funds<sup>(4)</sup>
  - 6 of the top 10 sovereign wealth funds<sup>(5)</sup>
- 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
  - 8,500 Global Financial Advisors<sup>(6)</sup>
  - Client Assets of \$707Bn<sup>(6)</sup>
  - Over 450 U.S. retail branches
- Top 5 wealth manager in U.S. by revenue and PBT
- Improved FA productivity
  - \$83MM client assets per Financial Advisor<sup>(6)</sup>
- International Private Wealth Management platform

- (1) Thomson Reuters as of November 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) As of August 31, 2008

Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Institutional Securities – Environment

- This is a severe cyclical downturn, but we believe global capital markets is a secular growth business
- Industry is experiencing key changes
  - Fewer competitors
  - Risk being re-priced
  - Transparency replacing opacity
- Secular trends intact
  - Premium on insight, liquidity and high quality execution
  - Hedge funds and private equity firms will adapt to changed environment
- We are confident we can achieve attractive risk adjusted returns in this environment

# Institutional Securities Going Forward

- Focus on pursuing attractive risk adjusted return on capital (RAROC) businesses
- Optimize value of pre-eminent client franchise
- Re-size cost base and headcount to match current opportunities

## Reshape

- Prime Brokerage
- Proprietary Trading
- Principal Investments
- Commercial Real Estate Origination

## Maintain / Grow

- Cash Trading
- Equity Derivatives
- Foreign Exchange
- Rates
- Commodities
- Corporate Credit
- M&A
- Capital Raising

# 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<sup>(1)</sup>
- Commodities: Top 2 in commodities<sup>(2)</sup>
- Interest Rates and Currencies: Strength in derivatives
  - FX: # 1 for last four years<sup>(3)</sup>
- Prime Brokerage: Leading franchise

## Asset Management

- Clients include:
  - 9 of the top 10 US pension funds<sup>(4)</sup>
  - 6 of the top 10 sovereign wealth funds<sup>(5)</sup>
- 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
  - 8,500 Global Financial Advisors<sup>(6)</sup>
  - Client Assets of \$707Bn<sup>(6)</sup>
  - Over 450 U.S. retail branches
- Top 5 wealth manager in U.S. by revenue and PBT
- Improved FA productivity
  - \$83MM client assets per Financial Advisor<sup>(6)</sup>
- International Private Wealth Management platform

- (1) Thomson Reuters as of November 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) As of August 31, 2008

# Restructure and Grow Asset Management

## Assessment

- Improvement in Equity performance
- Performance issues in Fixed Income
- Appropriately marked SIV positions
- Strong Alternatives presence
- Leading Real Estate global franchise, complemented by Infrastructure and Private Equity businesses

## Key Actions

- Restructuring organization to reflect current priorities
- Restructured US Institutional distribution
- Closing / consolidating non-performing and overlapping funds
- Leveraging high performing products and filling product gaps with sub-advisory and internal new product launches
- Raised capital for new funds
- Continued focus on cost discipline

# 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<sup>(1)</sup>
- Commodities: Top 2 in commodities<sup>(2)</sup>
- Interest Rates and Currencies: Strength in derivatives
  - FX: # 1 for last four years<sup>(3)</sup>
- Prime Brokerage: Leading franchise

## Asset Management

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

## Global Wealth Management

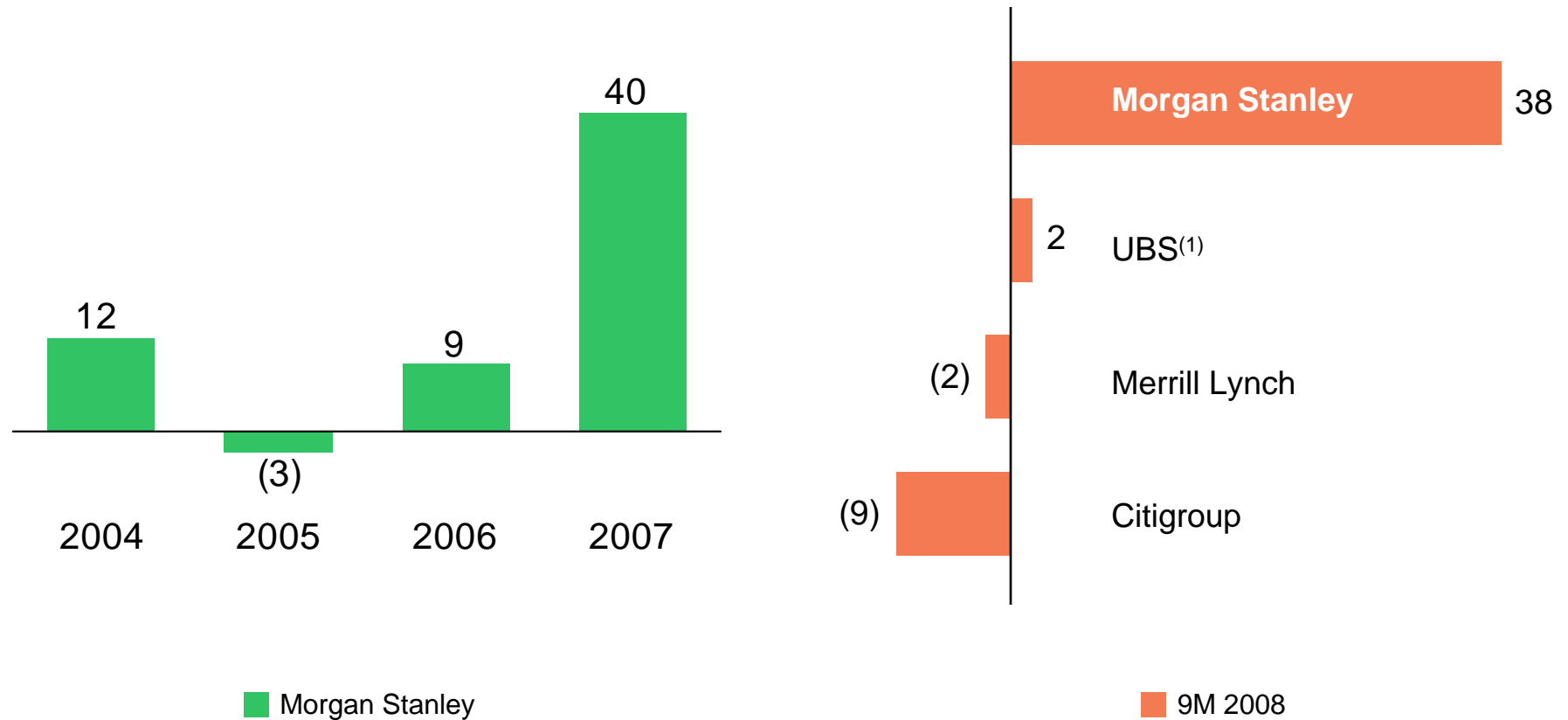
- Substantial scale
  - 8,500 Global Financial Advisors<sup>(6)</sup>
  - Client Assets of \$707Bn<sup>(6)</sup>
  - Over 450 U.S. retail branches
- Top 5 wealth manager in U.S. by revenue and PBT
- Improved FA productivity
  - \$83MM client assets per Financial Advisor<sup>(6)</sup>
- International Private Wealth Management platform

- (1) Thomson Reuters as of November 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) As of August 31, 2008

# Global Wealth Management – Increasing Flows

## Net New Flows

(\$Bn)



Source: Company SEC Filings and Earnings Releases

(1) UBS figures converted based on period end spot exchange rate from CHF to USD

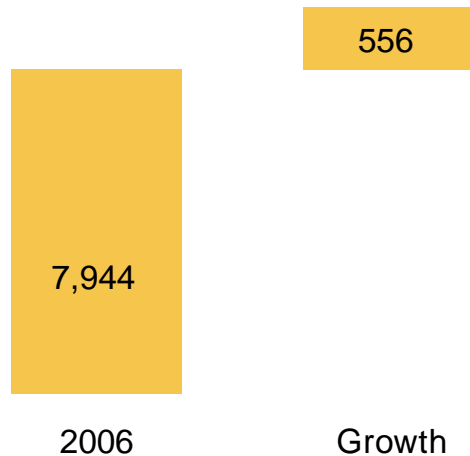
Morgan Stanley

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

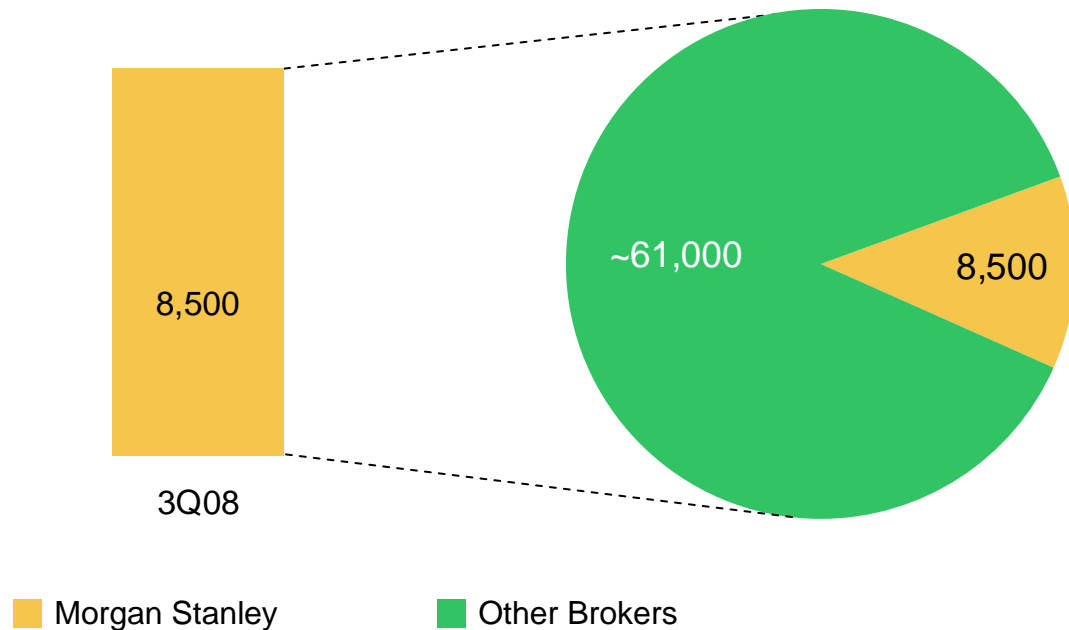


# Global Wealth Management – Continue to Grow

## FA Headcount



## Opportunity to Expand Network 3Q08 FAs <sup>(1)</sup>



Source: Morgan Stanley and Company SEC Filings

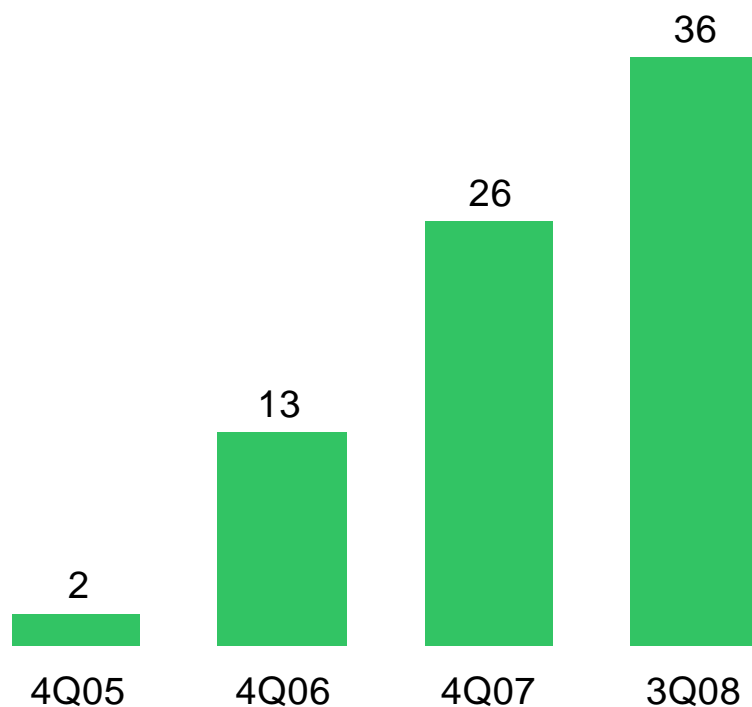
(1) FA Headcount network includes Morgan Stanley, Merrill Lynch, Citigroup, Wachovia, UBS and Raymond James

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has not been updated since it was originally presented.

# Create a Retail Banking Line of Business

## Expansion of Bank Deposit Program

(\$Bn)



- Launching new business unit to grow deposits and banking products
- In the process of hiring a world class retail banking executive
- Leverage over 450 branches and 8,500 FAs
- Pursue targeted acquisitions to augment footprint
- Open new channels / businesses
- Launch new products

# Develop Banking Product Offering

## Banking Services

### Deposit Products and Banking Services

- Bank Deposit – Core and CD
- GlobalCurrency <sup>(1)</sup>
- Debit Card
- Direct Deposit
- Bill Pay
- Savings Account <sup>(1)</sup>

### Business Cash Management Services

- BusinessScape Account
- Remote Deposit Capture
- Payroll, Lockbox, ACH

## Lending Services

### Securities Based Lending (SBL)

- Margin
- Portfolio Loan Account (PLA)
- Structured Lending

### Business and HNW Client Lending

- Commercial Working Capital
- Business Lending / Line of Credit
- Referral Partnerships

### Home Loans

- High Net Worth, Well-collateralized, First Lien

(1) Expected launch in Spring 2009

# Develop Strategic Alliance with MUFG

## MUFG is a Leading Financial Institution

- Top 10 bank by market capitalization<sup>(1)</sup> and assets (\$2.0Tn)<sup>(2)</sup>
  - Largest financial group in Japan
- Top 3 bank by deposits (\$1.2Tn)<sup>(2)</sup>
- Owns UnionBanCal, the fifth largest bank in California by deposits (\$42Bn total)<sup>(3)</sup>
  - \$63Bn in assets, \$232Bn in assets under administration, and 330+ branches
- Significant trust and custodian businesses
- Leading asset manager in Japan (~\$85Bn in AuM)<sup>(4)</sup>

## Potential Strategic Alliance Areas

- Global business alliances and referrals
- Corporate and Investment Banking including lending activities
- Initial stages of longer-term partnership

(1) As of November 7, 2008

(2) As of June 30, 2008. Converted at rate of 0.0101 USD / JPY (11/10/08)

(3) As of September 30, 2008

(4) Aggregate AuM of MUFJ Asset Management and MU Investments as of June 2008

Morgan Stanley

## Summary – Strengths and Opportunities

# Summary – Strength and Opportunities

## Markets to remain very challenged for the foreseeable future

### Strengths

- Leading client franchise and brand
- Diversified business mix with global reach
- Strong capital position
- Lower exposure to legacy assets relative to peers
- Financial Holding Company (FHC) status

### Opportunities

- Adapt Institutional Securities
- Continue profitable growth of Global Wealth Management
- Launch retail banking line of business
- Restructure and grow Asset Management
- Develop strategic alliance with MUFG
- Leverage international footprint

Morgan Stanley

## Merrill Lynch Banking & Financial Services Conference

James P. Gorman, Co-President

Colm Kelleher, Chief Financial Officer

November 12, 2008