

Venice Credit Summit

Colm Kelleher

Executive Vice President and Chief Financial Officer

April 26, 2008

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Notice

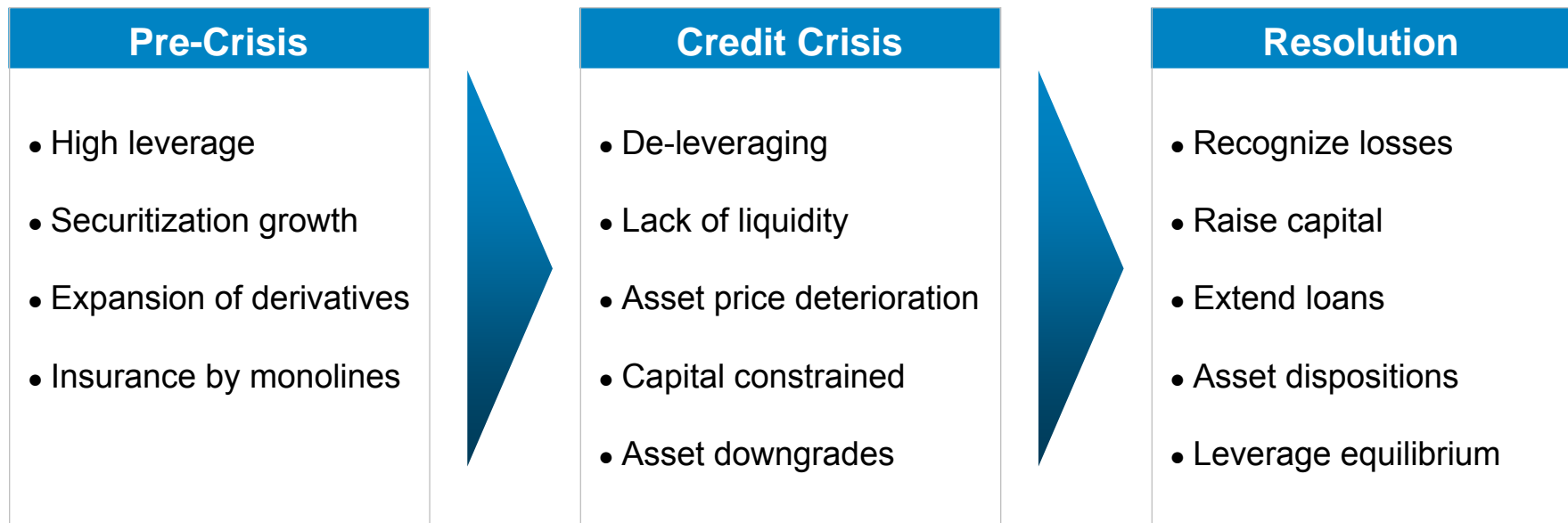
The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto,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

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, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2008 and Current Reports on Form 8-K.

Agenda

- Market Environment/Developments
- Morgan Stanley's 1Q08 Results
- Managing Net Exposures
- Leverage, Capital & Liquidity
- Outlook

Market Environment



Market Developments

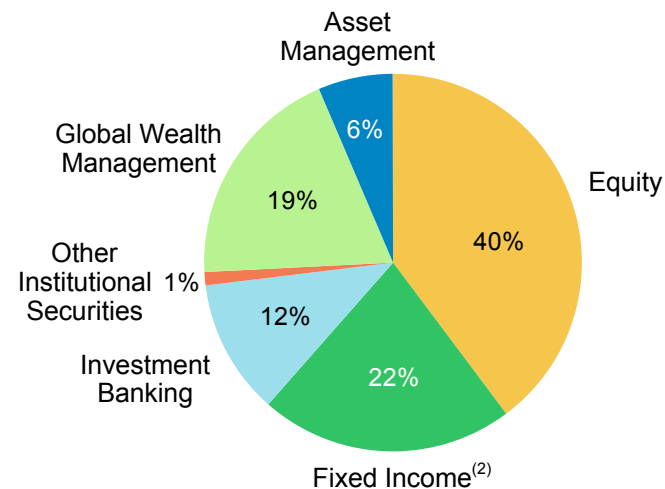
- Credit markets to remain challenged for at least several more quarters
- Challenging implications for Broker-Dealer model
 - More active Fed and regulatory environment
 - Intensified focus on leverage, capital and liquidity
 - ROEs likely to be constrained
- Market environment also suggests the re-examination of:
 - Greater diversification, both globally and through the businesses, particularly wealth and asset management
 - Greater scale to improve margins given stickier expenses and investment required to support global growth

Consolidated Financial Highlights – 1Q08

Highlights

Net Revenues	\$8.3Bn
PBT	\$2.2Bn
Diluted EPS	\$1.45
Pre-tax Margin	27%
ROE – Annualized Cont. Ops.	19.7%
Adjusted Leverage Ratio	16.0x
Book Value per Share	\$29.11

Net Revenue Composition⁽¹⁾



Source: Morgan Stanley SEC Filings and 1Q08 Financial Supplement

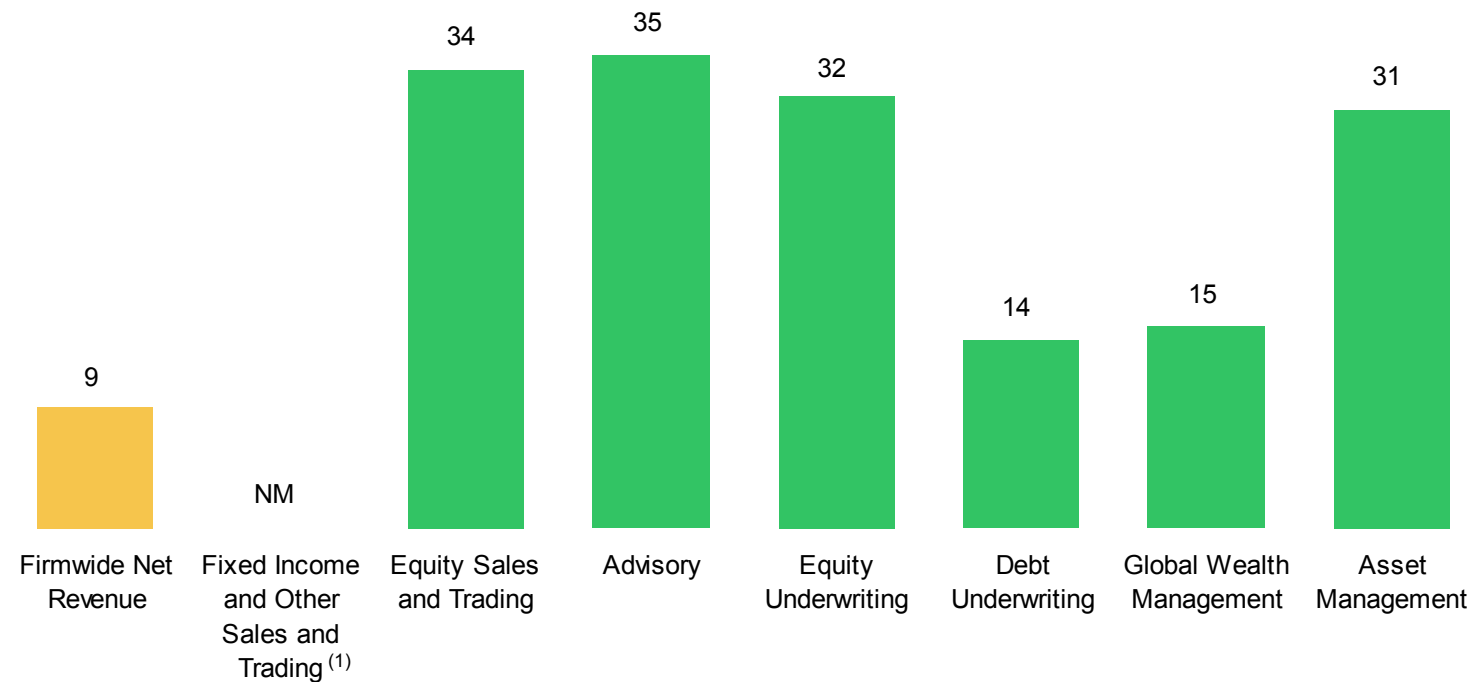
(1) Net revenue composition excludes (\$40mm) of Intersegment Eliminations.

(2) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

Business Segments Growth

2005 to 2007 Business Segments Net Revenue CAGR

(%)



Source: Morgan Stanley SEC Filings and Earnings Releases

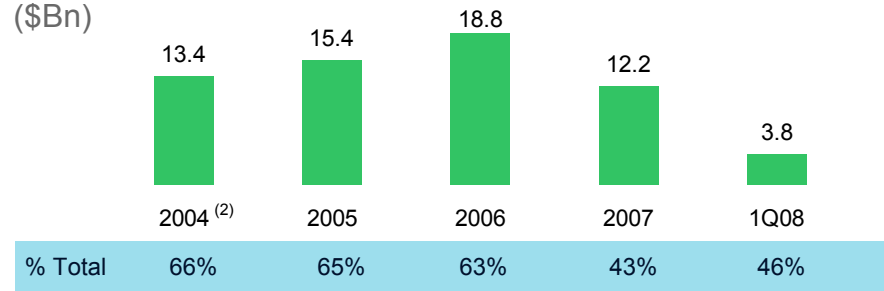
(1) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

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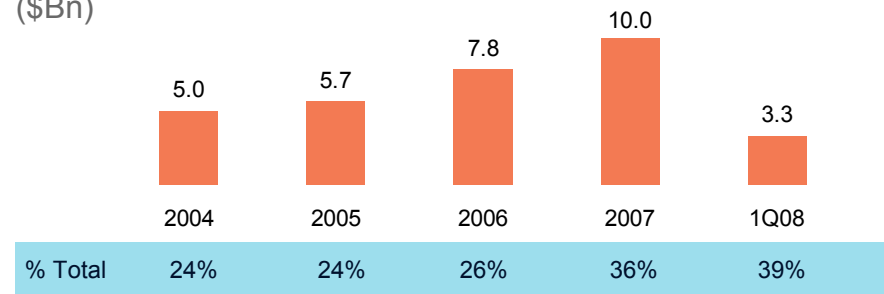
Regional Net Revenue Growth

Americas⁽¹⁾ (\$Bn)



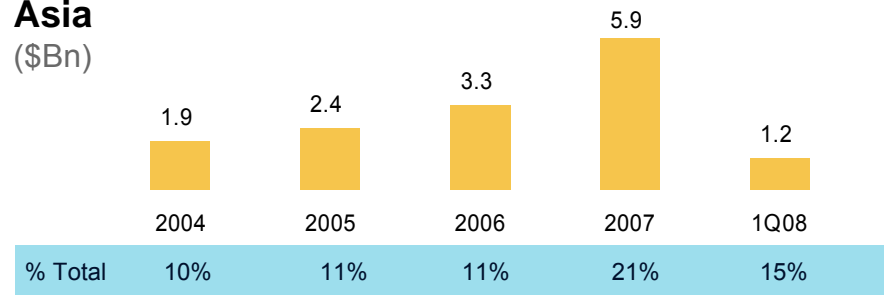
- Americas net revenues grew 40% between 2004 and 2006
 - Excluding the mortgage related loss, 2007 net revenues grew 10% from 2006

Europe, Middle East and Africa (\$Bn)



- EMEA net revenues were \$10Bn in 2007, 2x larger than 2004

Asia (\$Bn)



- Asia net revenues were almost \$6Bn in 2007, 3x larger than 2004 and roughly 2x larger than 2006

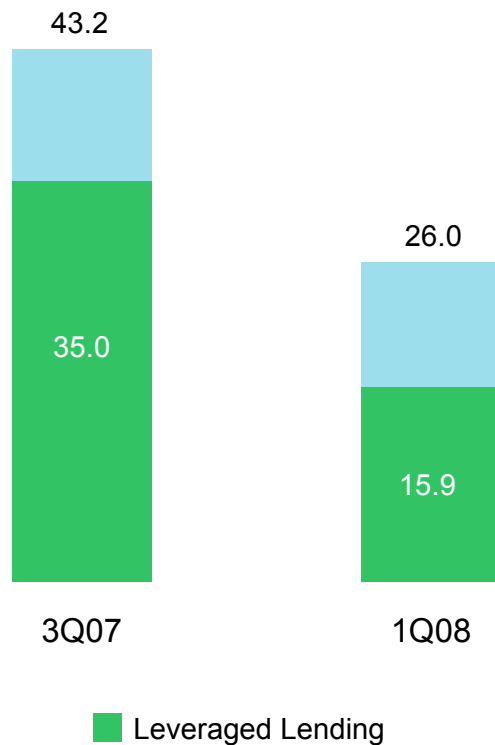
Source: Morgan Stanley SEC Filings and Earning Releases
 (1) Includes U.S., Canada, Latin America and Other.
 (2) 2004 includes (\$1.35mm) of Eliminations.

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Risk Managing Net Exposures

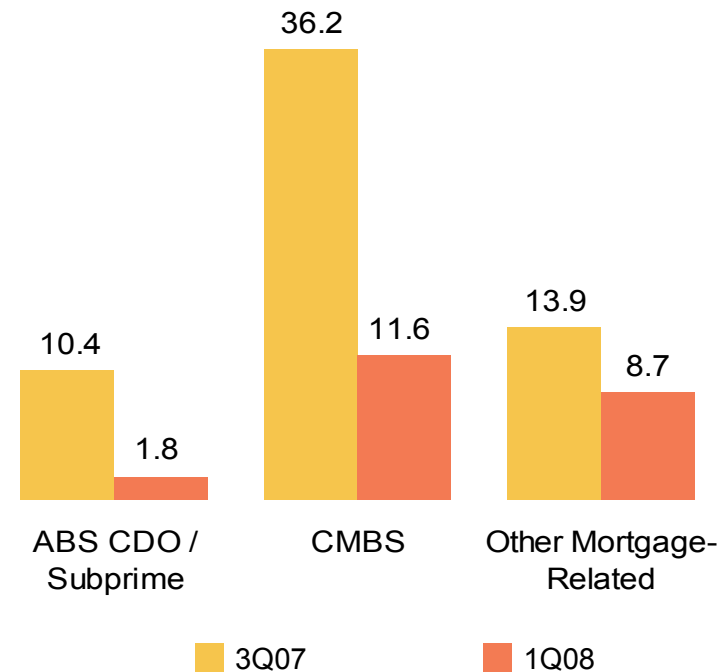
Non-Investment Grade Corporate Funded Loans plus Lending Commitments

(\$Bn)



Mortgage Related Net Exposure⁽¹⁾

(\$Bn)



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.

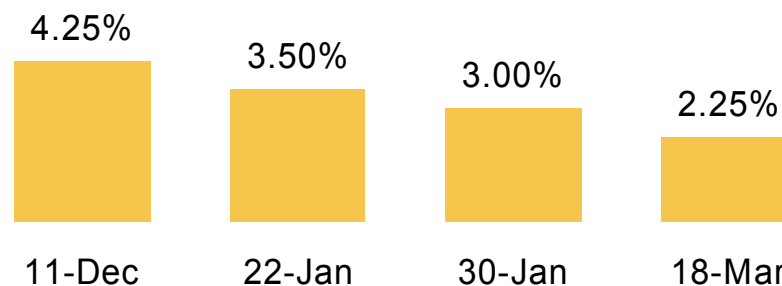
Agencies and Regulators Concerned Over Leverage and Liquidity

- Concerns about Liquidity, Leverage, Risk Management and Revenue Replacement
- Negative Rating Agency actions could lead to Funding Squeeze and reduced confidence in “pure-play” Broker-Dealers
- Fed worried about Systemic risk and expected to play an increasingly important role in regulating Broker-Dealers

Rating Cuts (July 30, 2007 to April 22, 2008) – S&P

	Change	From/To	Outlook
MS	–	AA- / AA-	Negative
GS	–	AA- / AA-	Negative
MER	↓	AA- / A+	Negative
LEH	–	A+ / A+	Negative
JPM	–	AA- / AA-	Stable
C	↓	AA / AA-	Negative
BAC	–	AA / AA	Stable
UBS	↓	AA+ / AA-	Negative

Regulator Cuts Rates and Extends Credit



Source: S&P, Federal Reserve

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Capital and Liquidity

Three Key Tenets

Capital

- ROE of nearly 20% in 1Q08
- Temporarily suspended share buyback program
- CIC Investment

Liquidity

- Reduced re-financing risk
- Strengthened liquidity position at the parent level

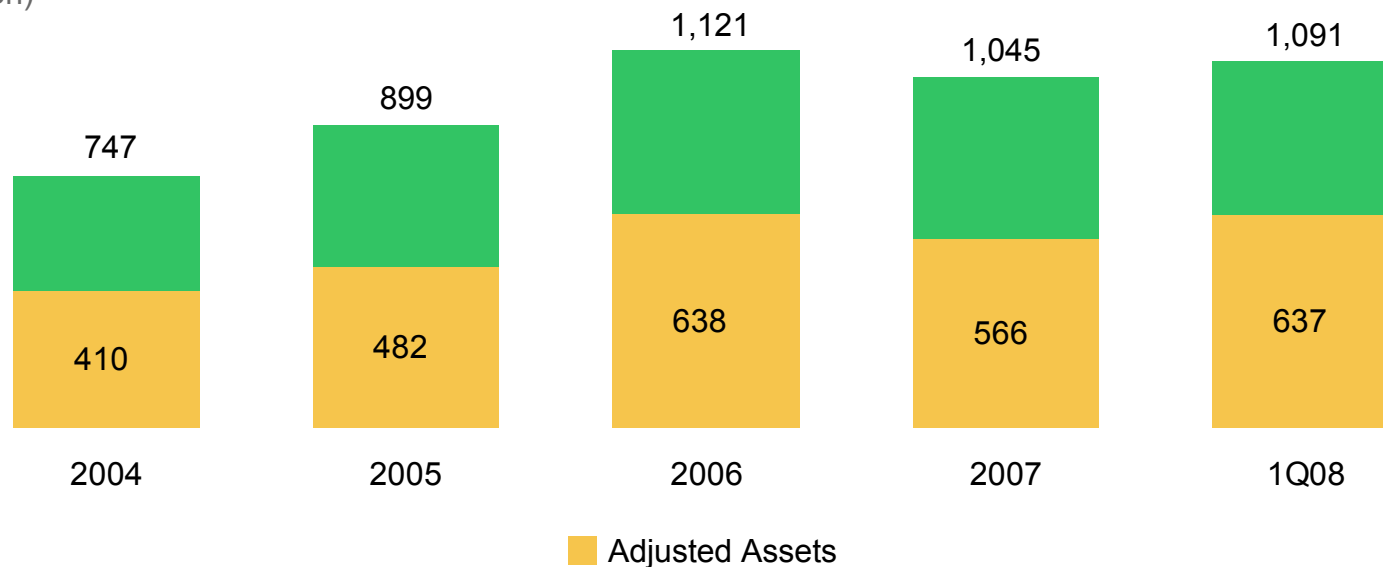
Balance Sheet

- Reduced both gross and adjusted leveraged ratios during 1Q08

Active Capital Management

Total Assets

(\$Bn)



Gross Leverage Ratio⁽¹⁾

25.9x	30.5x	30.5x	32.6x	27.4x
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Adjusted Leverage Ratio⁽²⁾

14.2x	16.4x	17.3x	17.6x	16.0x
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Source: Morgan Stanley SEC Filings and Earnings Releases

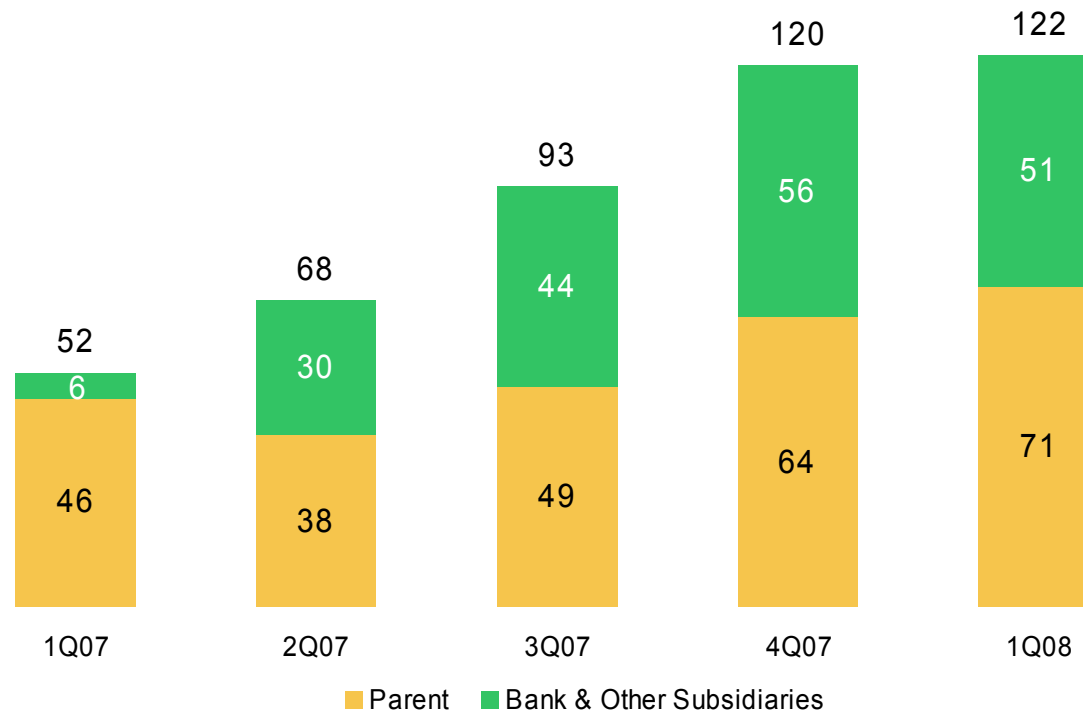
(1) Gross leverage ratio equals total assets divided by tangible shareholders' equity.

(2) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.

Liquidity

Average Liquidity Reserve per Quarter

(\$Bn)



Source: Morgan Stanley SEC Filings

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Outlook

- Balance sheet de-leveraging
- Industry de-risking
- Regulatory evolution
- Credit markets to remain challenged
- Transparency of exposures industry-wide

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