

John J. Mack, Chairman & CEO

David H. Sidwell, Chief Financial Officer

**James P. Gorman, President and Chief Operating Officer,
Global Wealth Management Group**

May 15, 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 Part I, Item 2 of the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2006 and other items throughout the Form 10-K, the Form 10-Q and the Company's 2006 Current Reports on Form 8-K.

John J. Mack
Chairman and CEO

Key Strategic Principles & Financial Objectives

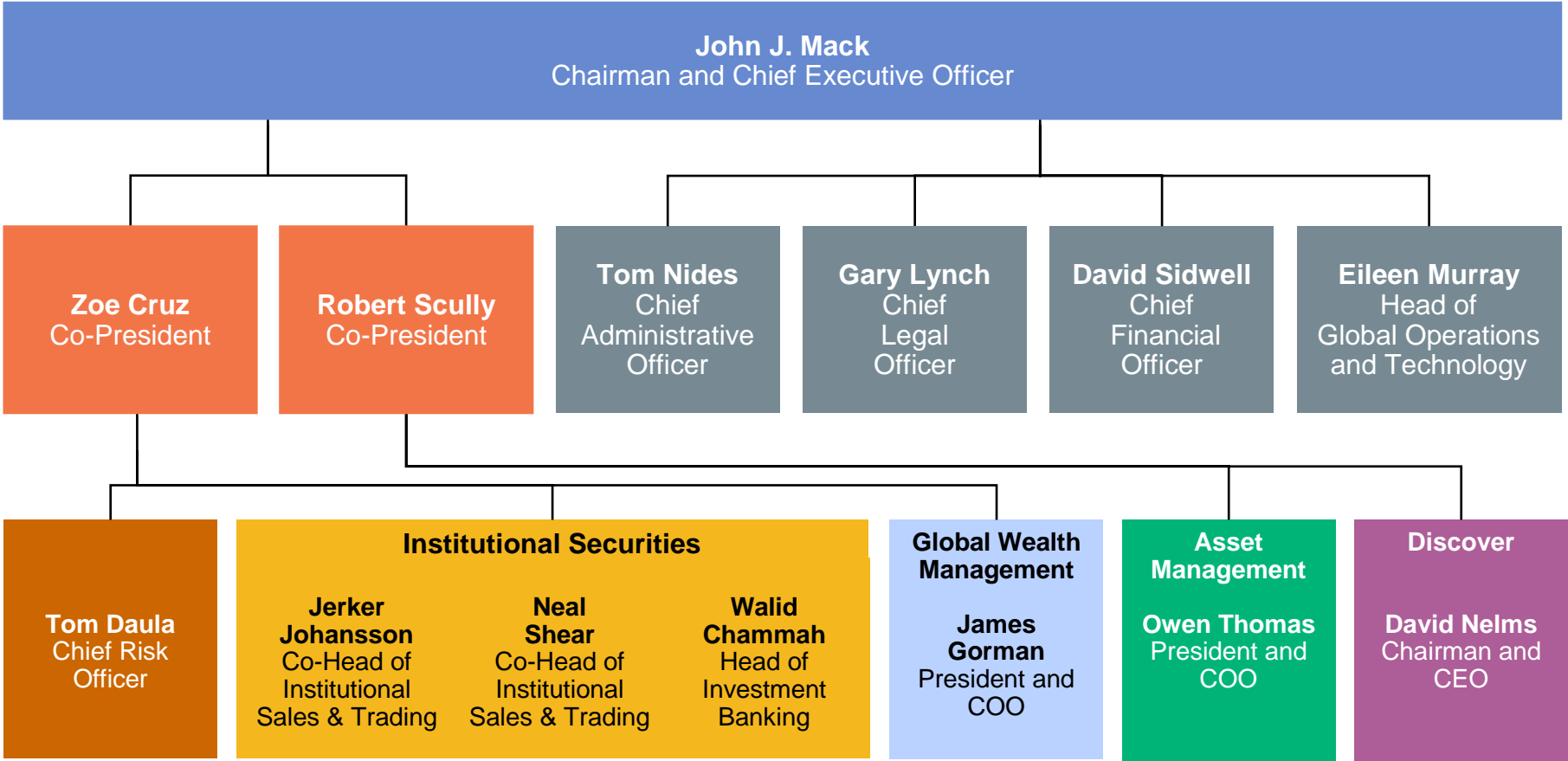
Diversified, Global Firm Focused on Improving Profit Margins, Growth, and ROE

- 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 pretax profits within the next five years

5 percentage points improvement in pretax profit margin

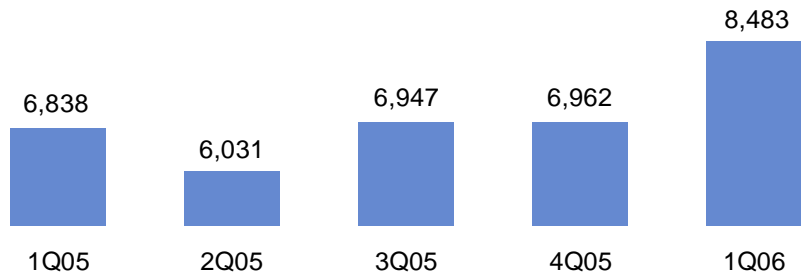
Full Team in Place



Execution Update

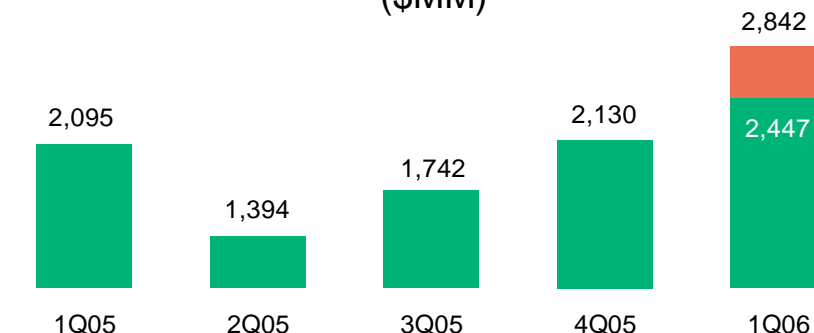
Net Revenues

(\$MM)



Income Before Taxes

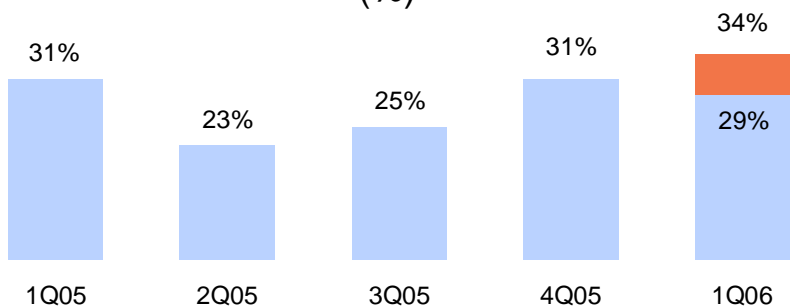
(\$MM)



1Q (ex. SFAS 123R) ⁽¹⁾

PBT Margin

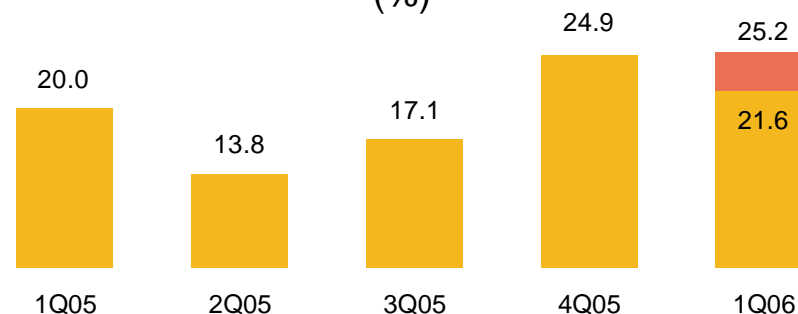
(%)



1Q (ex. SFAS 123R) ⁽¹⁾

Annualized ROE from Continuing Ops

(%)



1Q (ex. SFAS 123R) ⁽¹⁾

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 financial supplements

Key Initiatives: Execution Update

- Begun improving efficient risk taking
- Building out key growth areas – e.g., leveraged finance, equity derivatives, multi-asset class prime brokerage
- Reversing underinvestment in businesses – e.g., retail and asset management
- Exploring bolt-on acquisitions across businesses – e.g., mortgages, commodities, alternatives
- Attracting top talent / Improving talent management
- Reshaped Board / Appointed new Lead Director
- Successfully exited aircraft leasing business

David H. Sidwell
Chief Financial Officer

Institutional Securities: Mid-Year Update

Critical Initiatives

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



Mid-Year Update

- Increased risk and improved risk-adjusted returns in equity and fixed income sales & trading 2H05 and 1Q06
- \$1.3bn in capital allocated to principal investing to date; goal of \$2.5 bn
- New senior talent:
 - Equity derivatives
 - Financing
 - Leveraged finance
 - Emerging markets
- Purchased UK mortgage originator
- Managed 7 of top 10 non-investment grade financings in last 12 months
- 12 consecutive quarters of rising prime brokerage global balances; rolling out cross-asset class offerings

Asset Management: Mid-Year Update

Critical Initiatives

- Enhance bench of talent
- Build Alternatives capability
- New products and bolt-on lift-outs / acquisitions
- Expand non-U.S. footprint: products and distribution
- Stem outflows of Morgan Stanley retail mutual funds
- Rebuild institutional reputation and business, particularly in the U.S.
- Continued focus on improved performance



Mid-Year Update

- New business head brings record of success in Institutional real estate funds
- Attracting new talent
 - Alternatives head
 - London CIO
 - US hedge fund team
 - MS Fund distribution head
 - European senior loans head
 - Middle East distribution head
- New Products (including Alternatives)
 - Launched 11 new products in 1Q06, including 6 Alternatives products and 2 international funds
 - Actively pursuing team lift-outs and bolt-on acquisitions
- Segmented sales force now dedicated solely to MS Advisor products

Discover: Mid-Year Update

Critical Initiatives

- Domestic credit card
 - Expand acceptance
 - Cardmember acquisition and usage
 - Brand / product differentiation
 - Portfolio management
 - Additional markets / products
- Payments (signature and PIN)
- International network and issuing / acquiring

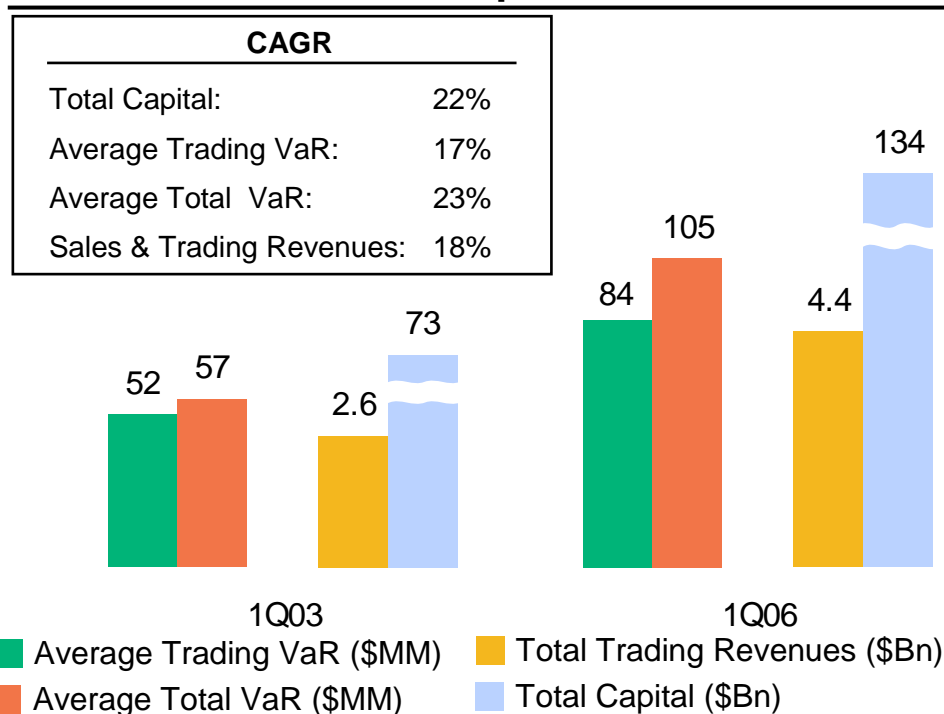


Mid-Year Update

- Achieved record low 30+ day delinquency rate
- Introduced 5% “Get More” program in 2005: 10MM participants to date
- Launched signature debit program in 1Q06
- Began acceptance of China UnionPay cards at many of the 3.2 million merchant terminals and 250,000 ATMs on the PULSE network in 1Q06
- Completed UK Goldfish acquisition, adding 1.1MM accounts and \$1.4Bn receivables

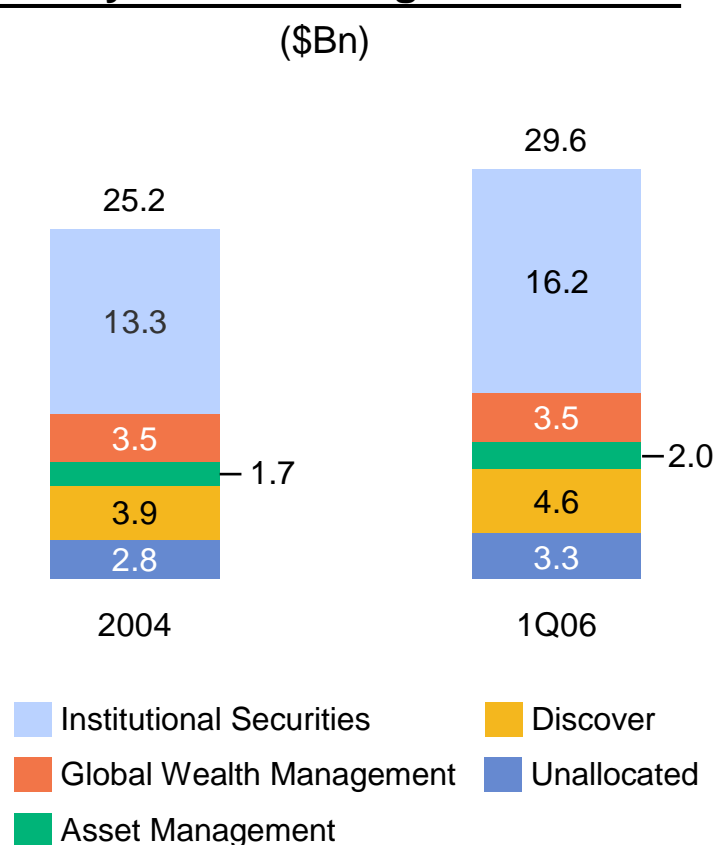
Focus on Improving Return on Risk

Aggregate Average VaR versus Total Capital ⁽¹⁾



Trading VaR % of Total Capital	0.071%	0.063%
Total VaR % of Total Capital	0.078%	0.078%

Economic Capital by Business Segment ⁽²⁾



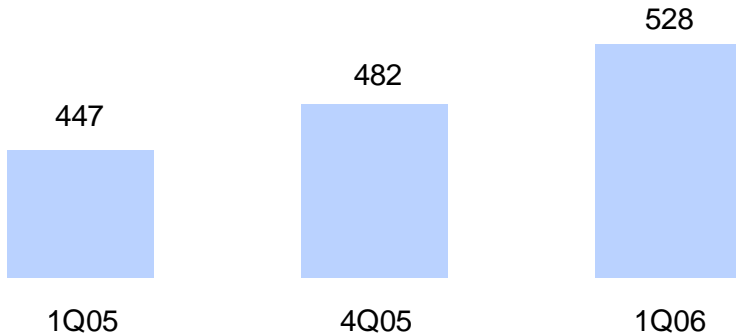
Notes: (1) Includes common equity, junior subordinated debt issued to capital trusts, capital units and non-current portion of long-term debt.
 (2) Average common equity on continuing operations basis.

Source: Company SEC Filings and financial supplements

Better Leverage Firm Capital

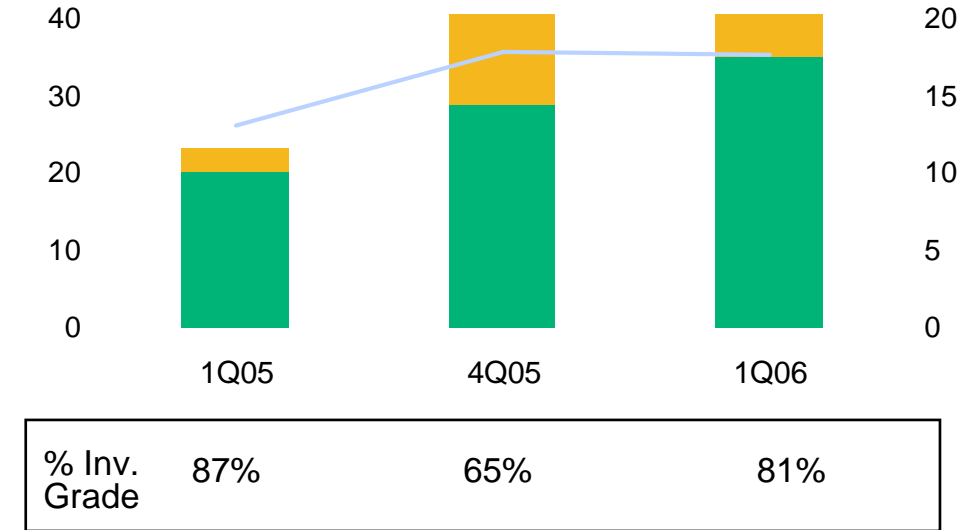
Leverage the Firm's Capital = Increase Our Risk Profile

Balance Sheet: Adjusted Assets (\$Bn)



Total Loans and Commitments vs. Hedges

(\$Bn)



■ Investment Grade (left axis) — Hedges⁽¹⁾ (right axis)
■ Non-Investment Grade (left axis)

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

Source: Company SEC Filings and financial supplements

Expense Management

- Expense Initiative Team in place led by two senior managers
- Identified 30 opportunities for expense savings firmwide
 - Cumulative \$600MM reduction in planned expenses targeted over two years
 - On track for achieving goal of \$300MM expense reduction from plan this year
- Primary focus areas to date are non-compensation expenses:
 - Legal
 - Consulting
 - Brokerage and Clearing
 - Travel and Entertainment
- Expense savings will be used to fund investment in our growth initiatives

James P. Gorman
President & COO
Global Wealth
Management Group

Introduction

- Initial impressions
- Core beliefs on business strategy
- Recent actions taken
- Further opportunities for improvement to model
- Metrics to measure progress

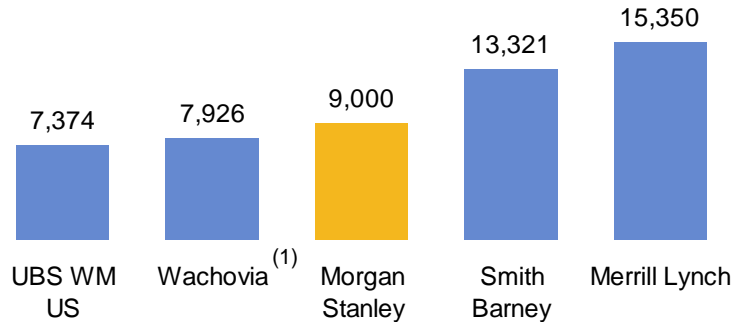
Initial Impressions: The Good News

- Business model is not broken
 - Financial Advisor strength
 - Client profile
 - Annuitized assets
 - Revenue velocity

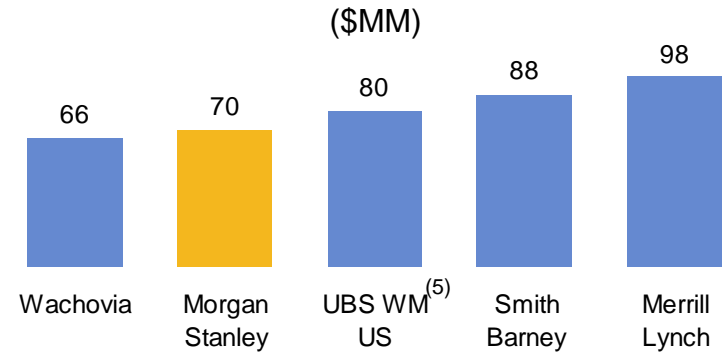
- Raw materials for growth in place
 - Strong Capital Markets heritage
 - Deposit sweep launches; Banking initiative
 - Premium brand in “Global Wealth Management” space
 - Private Wealth Management (domestic and international)

We Have the Scale and Productivity to Support a Viable Business Model

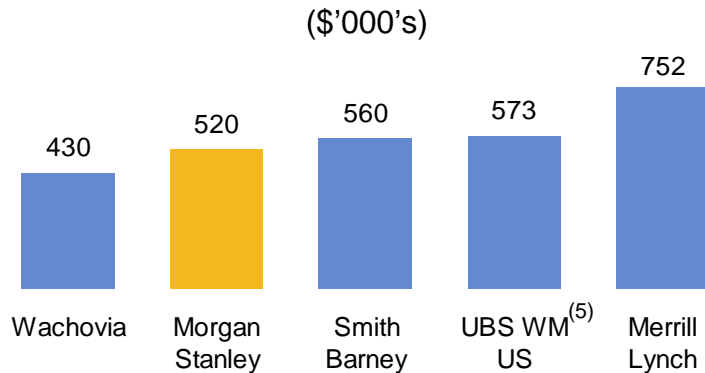
1Q06 Financial Advisors



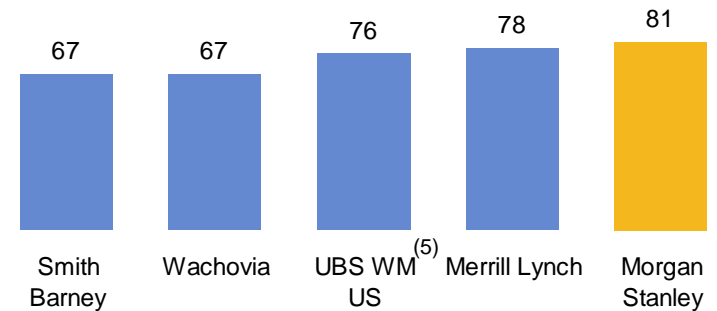
1Q06 Assets per Financial Advisor ⁽²⁾



Revenue per Financial Advisor Trailing 12-months ⁽³⁾



Velocity bps (Revenue on Assets) Trailing 12-months ⁽⁴⁾



Notes: (1) Excludes Wachovia's 2,454 Series 6 Financial Center Advisors as of 1Q06

(2) Assets per Financial Advisor is calculated using period-end client assets and Financial Advisors

(3) Revenue per Financial Advisor is calculated using trailing 12-month revenues (2Q05-1Q06) and average Financial Advisor headcount (beginning/ending)

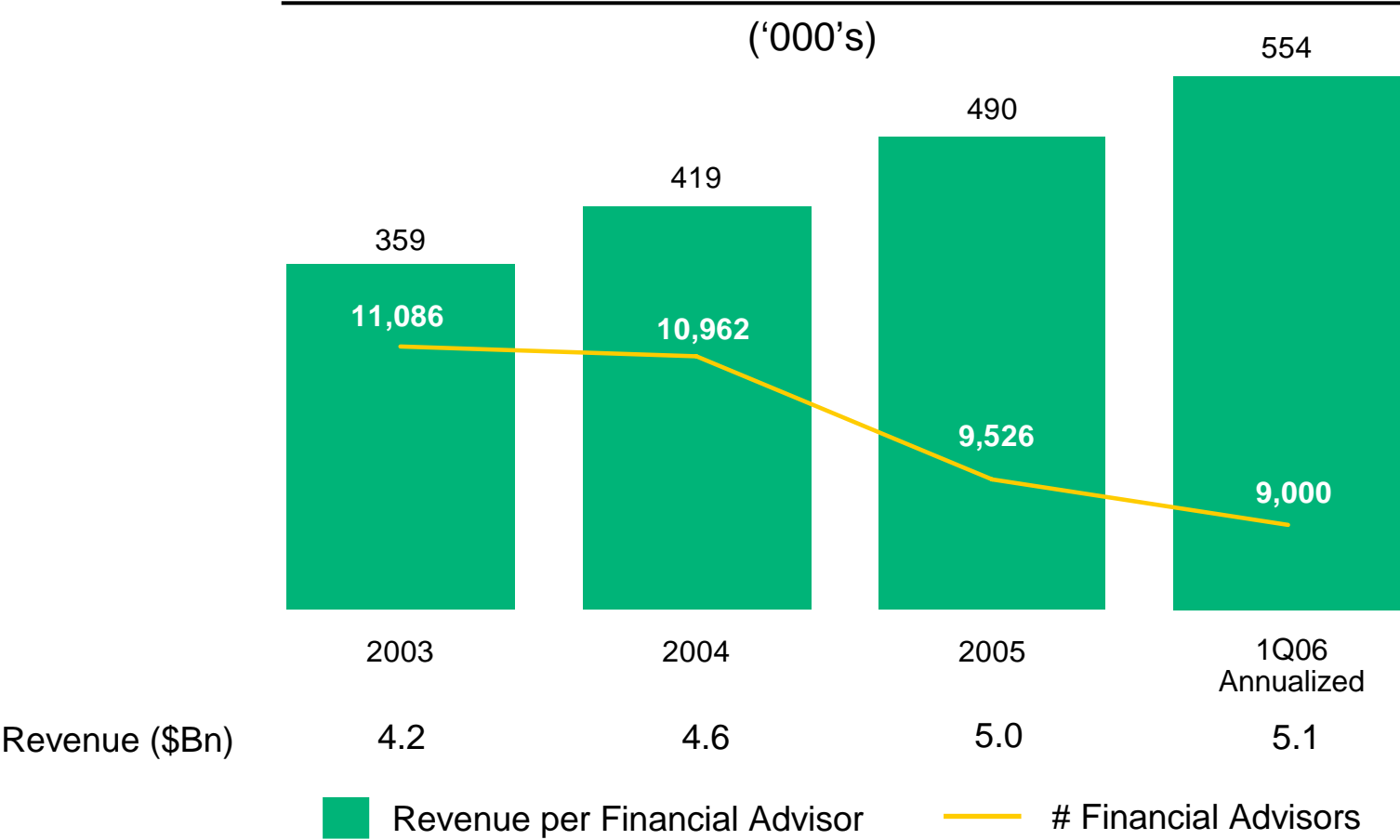
(4) Revenue on assets is calculated using trailing 12-month revenues (2Q05-1Q06) and average client assets (beginning/ending)

(5) Client assets and revenues converted from CHF to USD according to spot and average rates, respectively, as reported by Bloomberg. Assets represent KPI invested assets

Source: Company SEC filings and financial supplements

Productivity Improvements Driven by Falling Financial Advisors Without Meaningful Loss of Revenue

Revenue per Financial Advisor (1)



Note: (1) Revenue per Financial Advisor is calculated based on average Financial Advisor headcount (beginning/ending).
 Source: Company SEC filings and financial supplements

U.S. Client Segmentation by Asset Mix is Attractive

U.S. Client Segmentation by Assets ⁽¹⁾

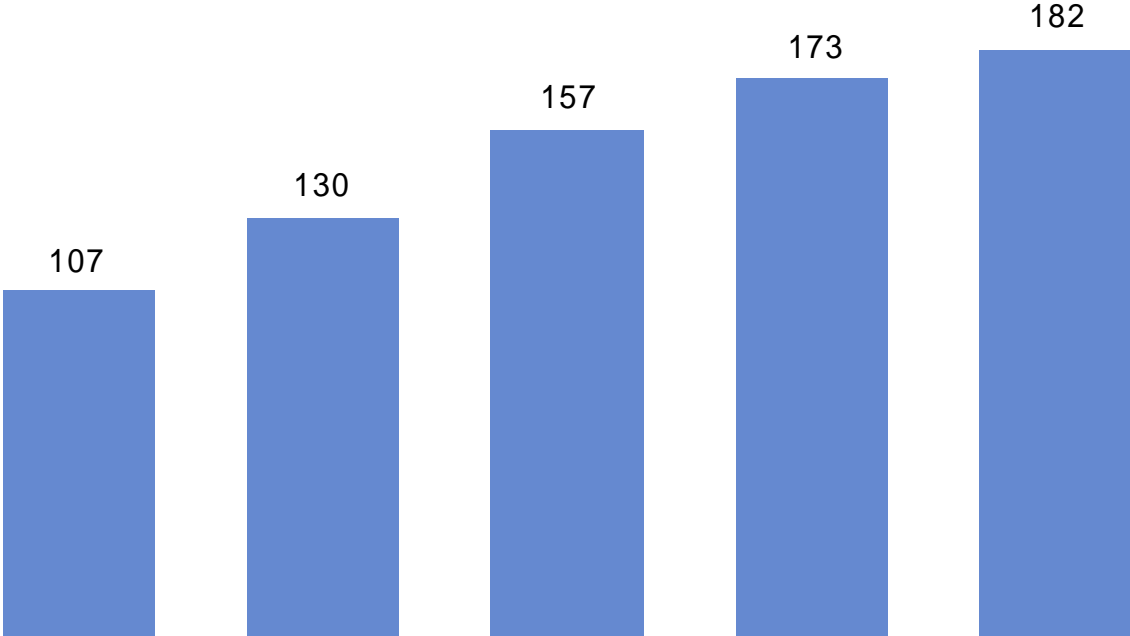
Household size	4Q04	4Q05	1Q06
\$10MM or more	21%	23%	24%
\$1MM – \$10MM	36%	38%	38%
	57%	61%	62%
\$100K – \$1MM	36%	33%	32%
< \$100K	7%	6%	6%
Total U.S.	100%	100%	100%

Note: (1) Segmentation analysis includes U.S. Global Wealth Management client assets, and excludes International and Corporate/Other assets.
 Source: Company SEC Filings and financial supplements

Consistent Fee-Based Asset Growth

Fee-based Assets

(\$Bn)



Fee-based
% of total

Year	2002	2003	2004	2005	1Q06
% of total	21%	23%	26%	28%	29%

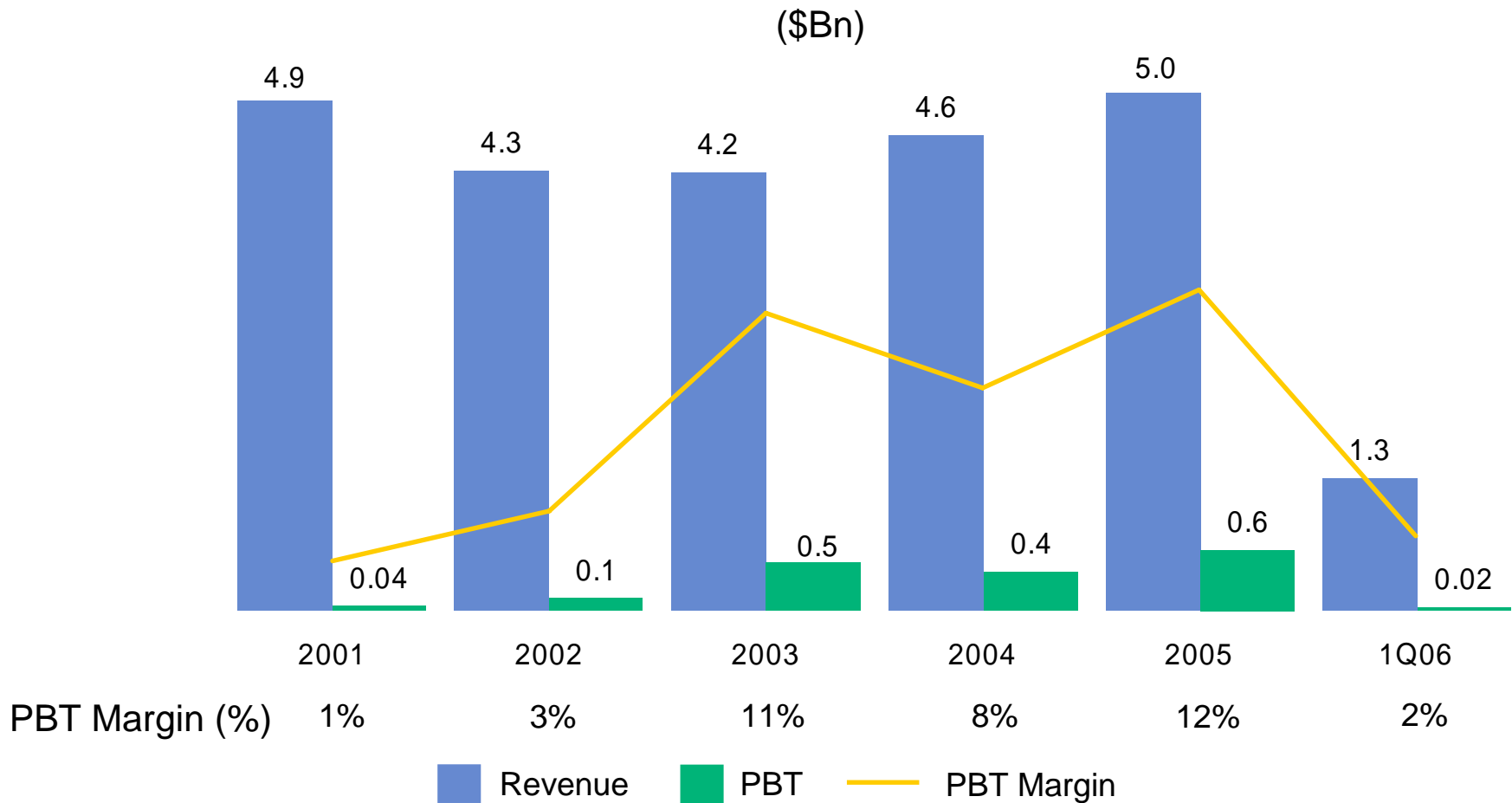
Source: Company SEC filings and financial supplements



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. No representation is made that it is accurate or complete. The presentation has been prepared solely for informational purposes, is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally presented.

However, Recent Performance Has Been Poor ...

Revenue and Profit Before Taxes (1)

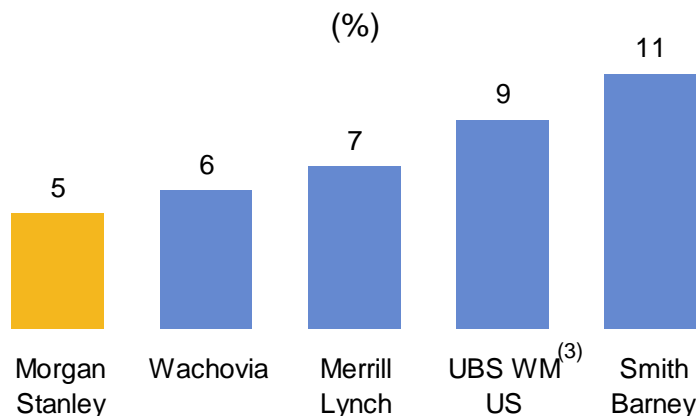


Note: (1) 2005 includes one-time benefit from insurance settlement (\$198MM).

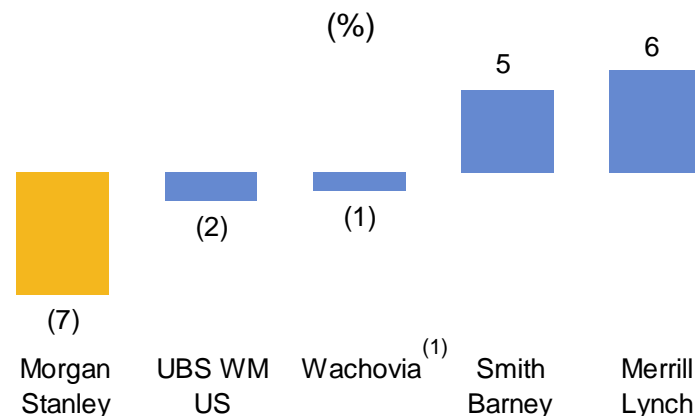
Source: Company SEC filings and financial supplements

...And Behind in Key Metrics

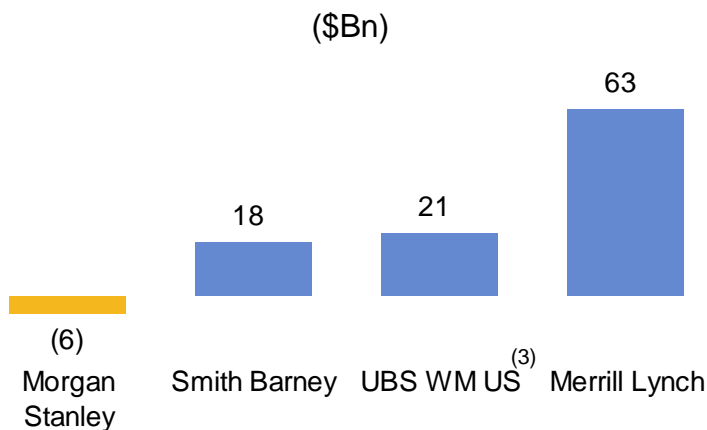
Client Asset Growth CAGR '03-'05



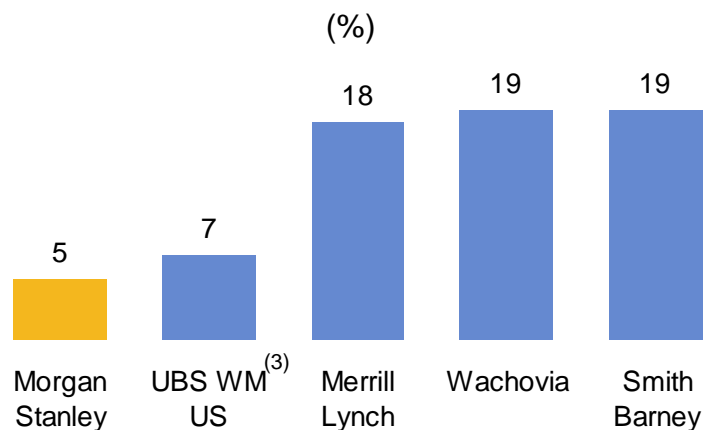
Financial Advisor Growth CAGR '03-'05



Net New Money Trailing 12-months⁽²⁾



PBT Margin Trailing 12-months⁽²⁾



Notes: (1) Excludes Wachovia's Series 6 Financial Center Advisors

(2) Trailing 12-months period represents 2Q05-1Q06

(3) Converted from CHF to USD according to spot and average rates as reported by Bloomberg. Client assets represent KPI invested assets

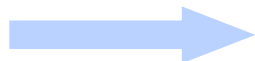
Source: Company SEC filings and financial supplements

In Addition, We Significantly Lagged in Certain Areas

- Quality of management / lack of financial discipline
- Controls and compliance / legal issues
- Turnover among top 2 quintiles of Financial Advisors
- Technology and operations support
- Linkages with rest of Morgan Stanley franchise
- Size of diversified revenue streams
- Metrics-based performance culture

...And There Have Been Expensive Stumbles

Legal / Compliance



Approximately 7% of 2005 revenue

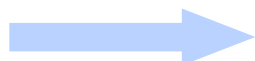
- Employee related (wage & hour)
- Regulatory (fee-in-lieu of commissions)
- Suitability

Real Estate



Significant excess capacity

Trainees



More than 7,000 hired in 4 years
Over two thirds failed within 24 months

Operations /
Technology



Underinvestment has impacted client
and Financial Advisor experience

Deposit Sweep /
Lending Focus



At least 2 years behind competition

Alternatives



~\$3Bn annual gross sales
Leading competitors scaled up with
several times our sales

Core Beliefs on Business Strategy

- Scale matters to a point
- Affluence level of clients matters and therefore need to accelerate focus on segmentation
- Financial Advisors will offer diversified products if training and compensation aligned with goals
- Management focus on execution makes a real difference
 - Financial discipline
 - Sales leadership
 - Financial Advisor retention and teaming
 - Wealth management process

Recent Actions Taken

- **Domestic Field Management**
 - Eliminated layers and management
 - Reduced Regions from 8 to 4
 - Consolidated Areas from 61 to 22
 - Consolidating excess branch capacity
- **International**
 - Eliminated 1 layer
 - Asia and Europe direct reports
 - Latin America consolidated into Americas
- **Trainees**
 - Reduction of ~500 trainees
 - Redesigned training program and hiring process
 - Goal to hire ~1,000, down from 1,500 – 2,000 annually

Recent Actions Taken

- **Products and services groups**
 - Downsized management by 15%
 - Restructured group to give increased focus to Capital Markets products, Banking, Retirement and Alternatives
 - Appointed several new managers to leadership positions
- **Financial performance and reporting**
 - Recruited new CFO
 - Redesigned weekly / monthly metrics reports
 - Initiated pricing review of account fees
 - Initiated cross-business cost review
 - Installed new risk officer for North America
- **Marketing and advertising**
 - Suspended new marketing campaign
 - Reviewing all client communications / brochures
 - Repositioned business as Global Wealth Management Group

Recent Actions Taken

- **Operations and technology**
 - **Prioritizing early wins**
 - Performance reporting
 - Account opening
 - Workstation tools
 - **Identified long-term platform issues**
 - Single broker dealer
 - Data integrity
 - Branch operations support model
 - Processing infrastructure
- **Legal**
 - **Addressing legal expenses and sources of issues**
 - Financial advisors with less than \$5 MM in assets generally have 1% of the firm's assets but 20% of litigation costs
 - Between 2000 and 2005, managed money products accounted for 15% of the firm's revenues and only 2% of litigation costs
 - Compliance upgrade at branch and national levels

Senior Management Changes

Field Management

- Ray Harris
 - Morgan Stanley
- Bill McMahon
 - Morgan Stanley
- Mag Black
 - Morgan Stanley
- Rick Skae
 - Merrill Lynch
- Jerry Miller
 - Merrill Lynch
- Don Herrema
 - Loring Ward /
Bessemer Group
- Andy Saperstein
 - Merrill Lynch

International

- Charlie Mak
 - Morgan Stanley
- Alex Classen
 - Goldman Sachs

Product Management

- Mike Armstrong
 - Morgan Stanley
Capital Markets
- Jim McCarthy – Retirement
 - Merrill Lynch /
Fidelity
- TBA – Alternatives
 - Search underway
- TBA – Banking
 - Search underway

Financial / Support

- Jeff Gelfand
 - Wachovia /
Merrill Lynch
- Shelley Hanan
 - Morgan Stanley
- Noland Cheng
 - U.S. Trust /
Morgan Stanley
- Dan Petrozzo
 - Morgan Stanley

Further Opportunities for Improvement in Short/Medium Term

- Deposit sweep ⁽¹⁾
 - 4Q05 \$1.7Bn
 - 1Q06 \$7.3Bn
 - 4Q06E \$12-15Bn
 - 4Q07E \$25Bn+
- Capital Markets / investment expertise
 - Alternatives (e.g., KKR fund)
 - Structured products
- Pricing discipline
 - Fees generally under the market
 - Discounting not managed
- Grow Ultra High Net Worth business

Note: (1) Period end balances.

Leveraging Morgan Stanley Full-Firm

- Institutional Securities
 - Leverage Global Wealth Management distribution potential
 - Equities, IPOs
 - Fixed Income
 - Derivatives and Structured Products
 - Securities lending
 - Research
 - Mortgages
 - Investment Banking source of client relationships
- Asset Management
 - Alternative investments / hedge funds
 - Mutual funds and separately managed accounts
- Discover Card
 - Credit cards, Discover Bank

Measuring Progress: What To Expect

First 6 Months

- New management team
- Energized organization
- Stabilized sales force

First Year

- Improved financial trend / steady progress
- Investment in new revenue opportunities
- Investment in IT / Operations upgrade
- Improved controls and compliance

2 to 3 Years

- Broad recognition as institution of choice for \$1MM+ producers
- Achieve industry standards for financial performance

Measuring Our Performance: Metrics That Matter for Long-Term Health of Business

	Recent	Aspiration
Revenue Growth	4 – 6%	10%+
Pre-Tax Margin	2 – 8%	20%+
1 st / 2 nd Quintile Turnover	~12%	< 5%
Net New Money	-\$3Bn/yr	\$25-30Bn/yr
Fee-Based Assets	29%	35%+
Client Assets in \$1MM+ Households	62%	75%
Deposit Sweep	\$7.3Bn	\$25Bn+
Revenue per Financial Advisor ⁽¹⁾	\$520K	\$700K+
Assets per Financial Advisor ⁽²⁾	\$70MM	\$95MM+

Notes: (1) Revenue per Financial Advisor is calculated using trailing 12-months revenues (2Q05-1Q06) and average Financial Advisor headcount (beginning/ending).

(2) Assets per Financial Advisor is calculated using period-end client assets and Financial Advisor headcount.

John J. Mack, Chairman & CEO

David H. Sidwell, Chief Financial Officer

**James P. Gorman, President and Chief Operating Officer,
Global Wealth Management Group**

May 15, 2006