



David H. Sidwell, Chief Financial Officer
Jerker Johansson & Neal Shear
Co-Heads Institutional Sales & Trading

February 9, 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 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 and other items throughout the Form 10-K, Forms 10-Q and the Company's current Reports on Form 8-K.

David H. Sidwell
Chief Financial Officer

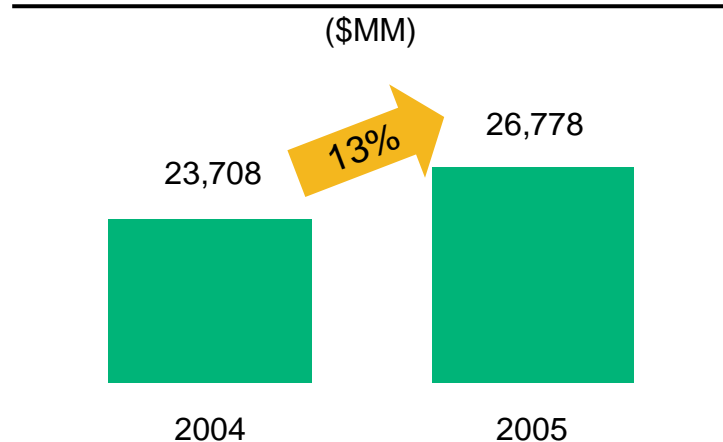
Morgan Stanley

Agenda

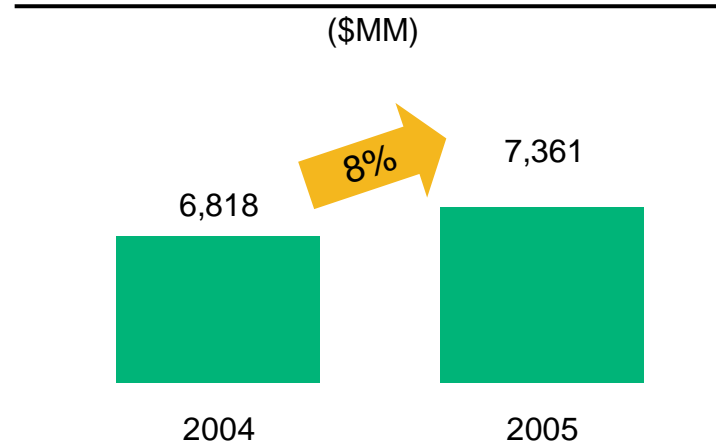
- 2005 Operating Performance
- Institutional Securities
Critical Initiatives
- Fixed Income Markets
- Equity Markets

Consolidated Financial Highlights

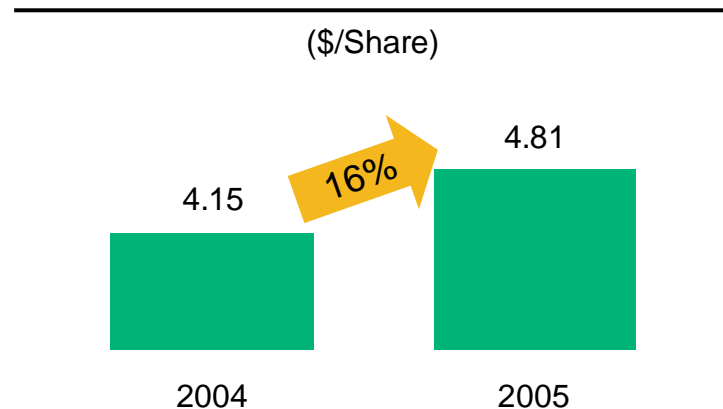
Net Revenues



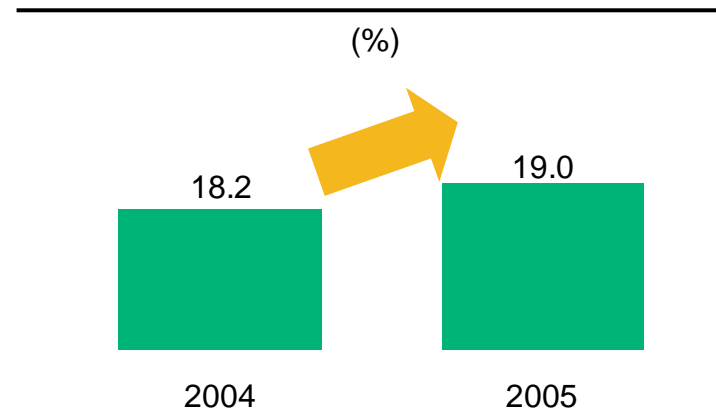
Profit Before Taxes



Diluted EPS from Cont. Ops



Return on Equity from Cont. Ops



Record revenues and earnings per share from continuing operations

Source: Company SEC Filings

Morgan Stanley

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2005 Annual Highlights

- **Retail Brokerage**

- Improved High Net Worth (>\$1MM) asset gathering
- Launched Deposit Sweeps program (\$1.7Bn as of 11/30/05 and \$3.4Bn as of 12/20/05)
- Increased Fee-based assets to 28% of total client assets

- **Asset Management**

- Double digit Pretax profit growth
- Double digit Income from continuing operations growth
- Substantial year-over-year increase in PBT Margin and ROE

- **Discover**

- Improved Credit Quality
- Increased Sales Volume
- Expanded Global Footprint

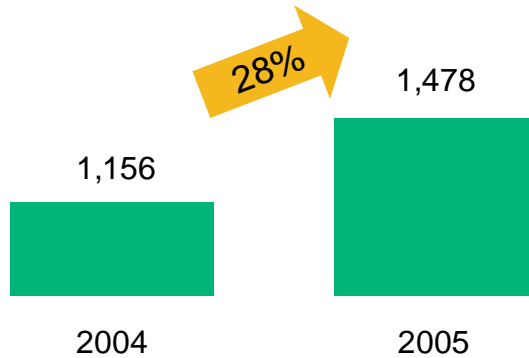
2005 Annual Highlights (cont.)

- **Institutional Securities Annual Records**
 - Net revenues
 - Sales & Trading net revenues
 - Fixed Income Sales & Trading net revenues
 - Interest Rate & Currency net revenues
 - Credit Products net revenues
 - Prime Brokerage net revenues

Institutional Securities: Premium Performance Growth

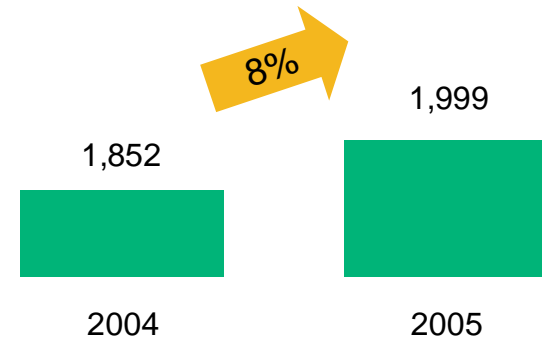
Advisory Revenue

(\$MM)



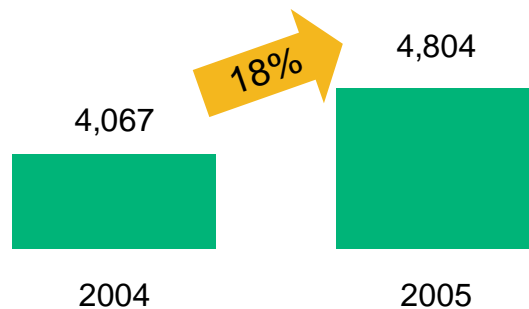
Underwriting Revenue

(\$MM)



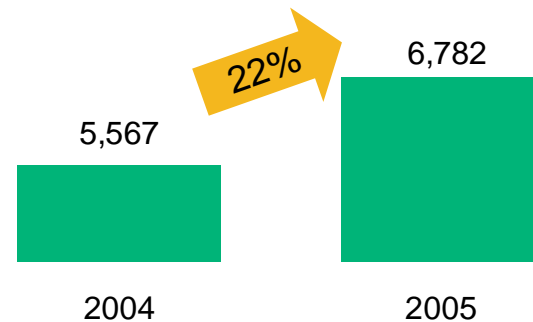
Equity Sales & Trading Revenue

(\$MM)



Fixed Income Sales & Trading Revenue

(\$MM)



Source: Company SEC Filings

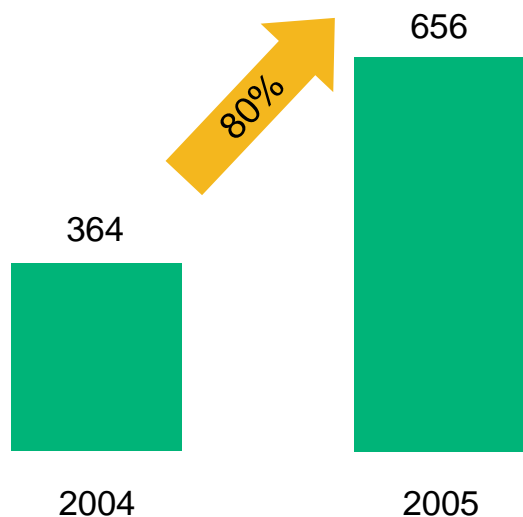


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Institutional Securities: Premium Performance Growth (cont'd)

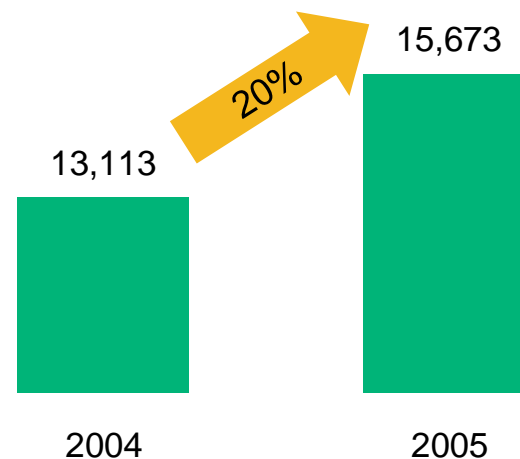
Principal Investments Net Revenues

(\$MM)



Total Institutional Securities Net Revenues

(\$MM)



Source: Company SEC Filings

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Institutional Securities: Critical Initiatives

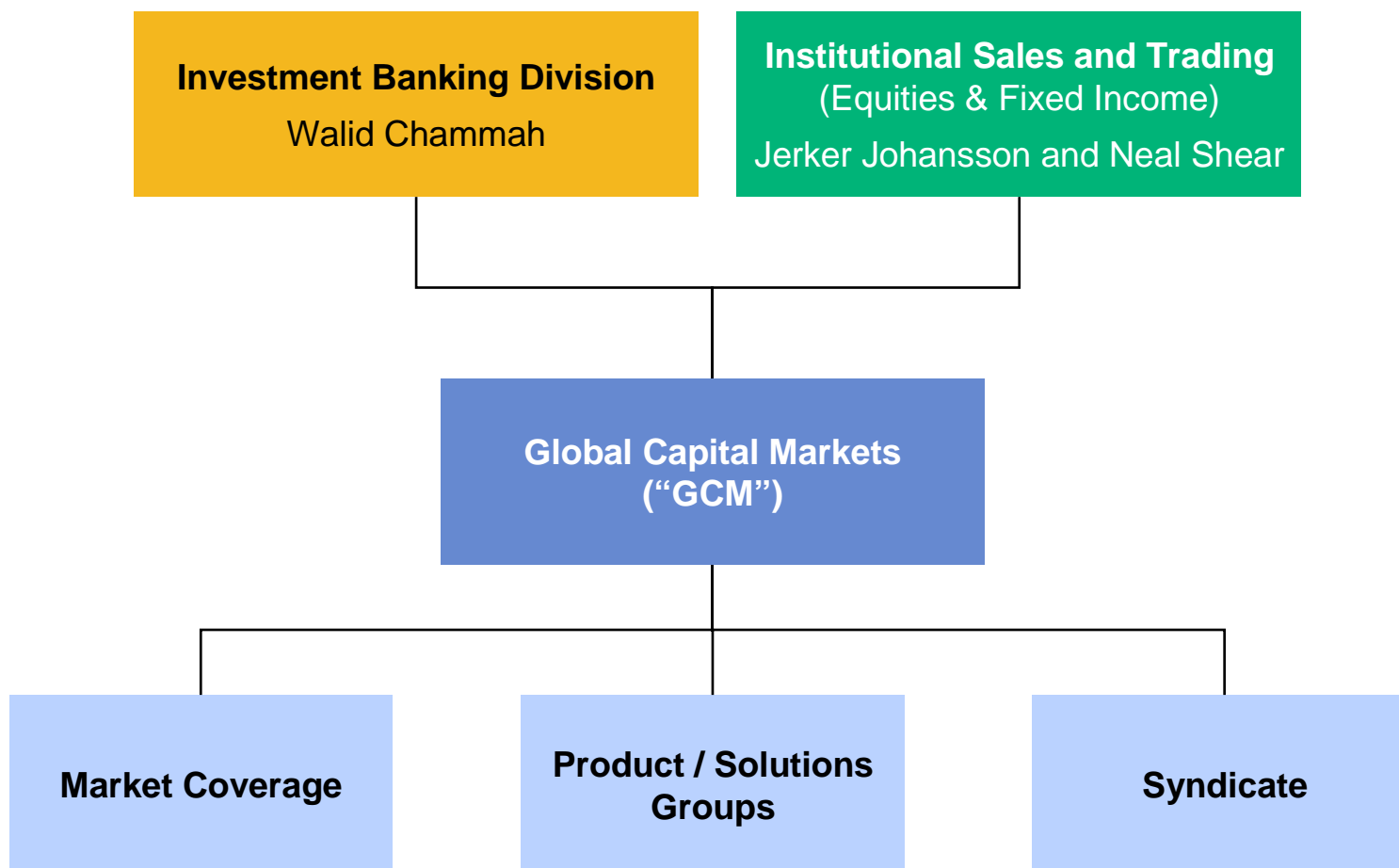
Priorities

- 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
- Cash equities

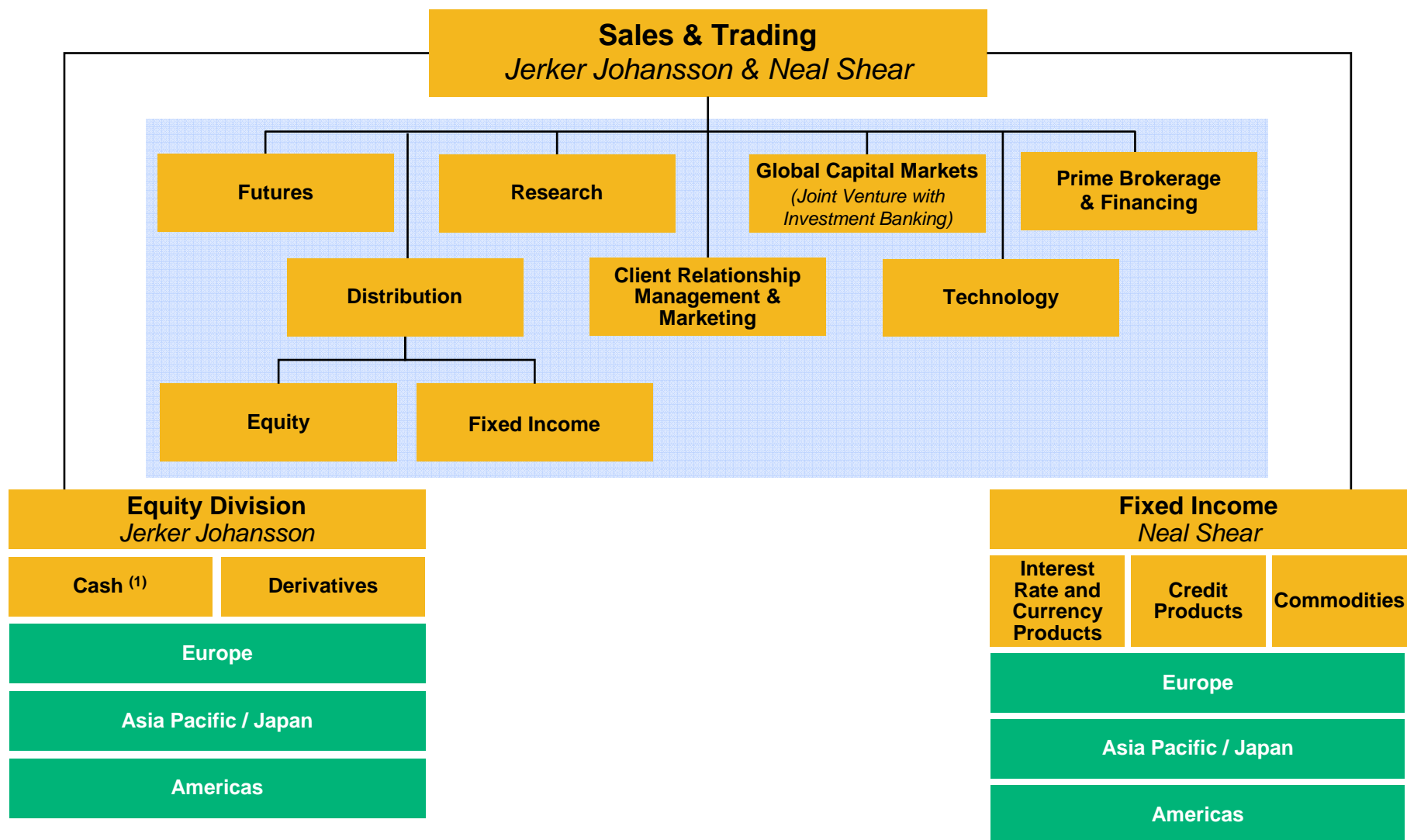
Global Capital Markets – Organizational Structure



Neal Shear
Co-Head
Institutional
Sales & Trading

Morgan Stanley

Sales & Trading Organizational Structure & Integration



Notes: (1) Cash Equity includes Programs, Electronic, ETF and Full-Service Execution

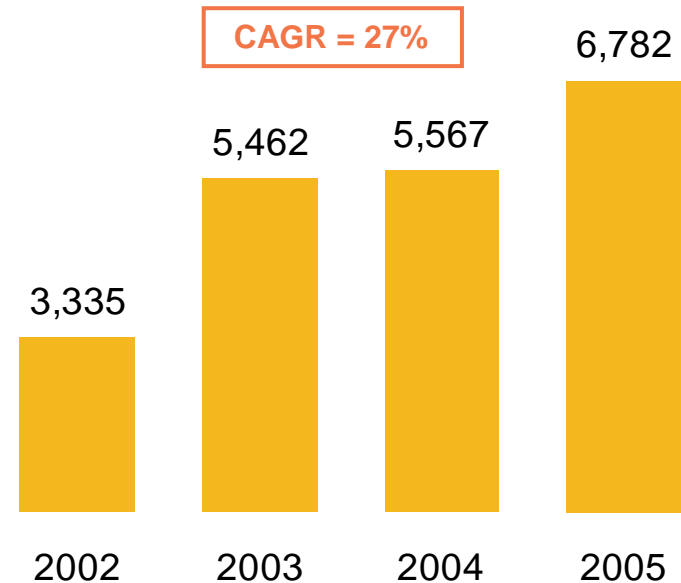
Morgan Stanley Fixed Income Business – Overview

Morgan Stanley Fixed Income Products

- Interest Rates and Currencies:
 - Interest rates, FX, Tax Exempts, Emerging Markets, Hybrids
- Credit Products:
 - Securitized Products, Corporate & Structured Credit, Principal Investing
- Commodities:
 - Oil Liquids, Natural Gas & Electricity, Metals

Morgan Stanley Fixed Income Sales & Trading

Net Revenues (\$MM)



Source: Company SEC Filings

Morgan Stanley

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Market Trends and Implications

- Constant invention and brand extension of new products more than offset the commoditization of traditional products
- Opportunities in the commodities business continue to grow in spite of increased competition
- Evolving relationship with hedge funds as investment banks seize opportunity in taking more principal risks in trading and investing
- Absolute directional positions are not determinant of our profitability
- Opportunities in expanding our core businesses globally continue to increase as international markets grow

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

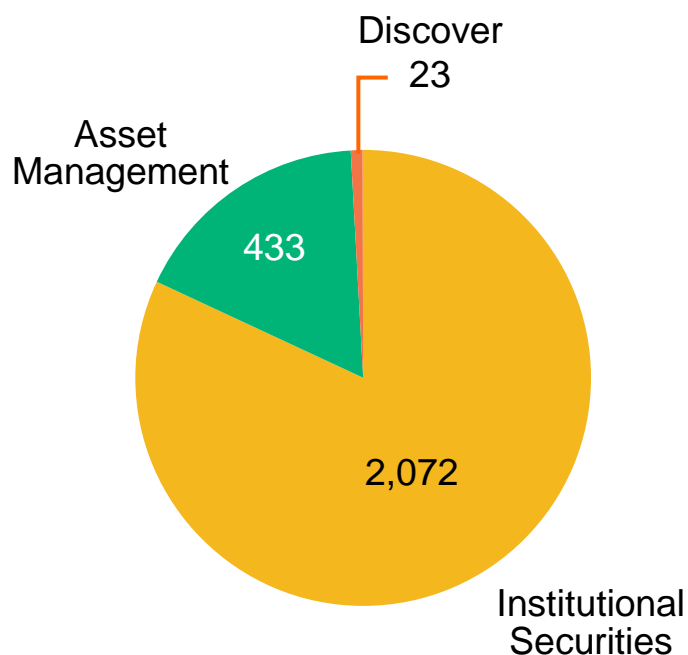
- Principal risk taking
- Derivatives products
- Domestic and global residential mortgage
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Critical Initiatives: Principal Investments

Total Consolidated Investments of \$2,528 MM

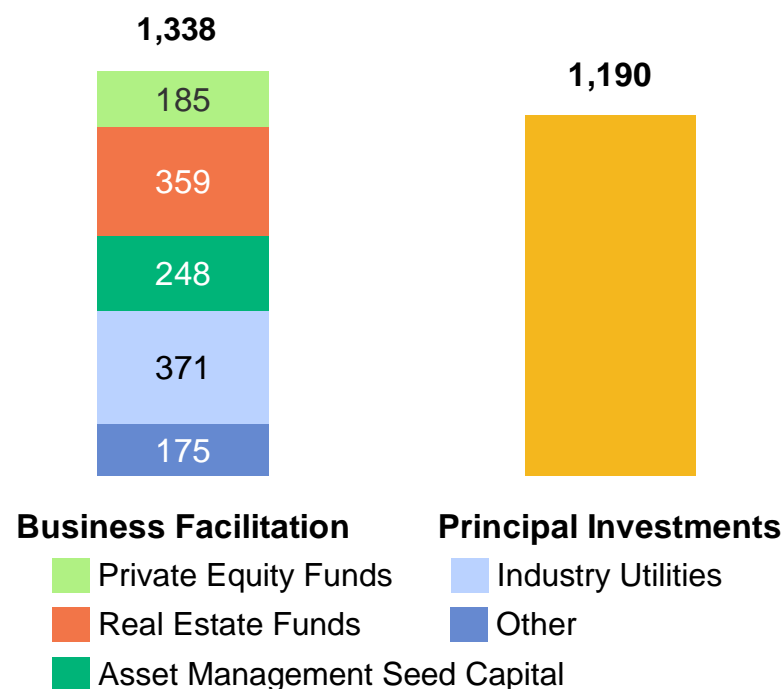
Total Firm Consolidated Investments

At November 30, 2005 (\$MM)



Business Facilitation vs. Principal Investments

At November 30, 2005 (\$MM)



Work with our partners in identifying principal investing opportunities across the firm

Source: Company SEC Filings

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Critical Initiatives: Residential Mortgages

Domestic:

- Utilize Retail capabilities to capture market share on variable cost basis

International:

- Create pan-European, pan-Asian mortgage platform focused on credit-intensive loans

Expand domestic & international mortgage origination and servicing platform

Critical Initiatives: Leveraged Finance

Industry's Fastest Growing High Yield and Leveraged Loan Franchise



\$5.6Bn Senior Secured Credit Facilities
\$3.6Bn Senior Notes– takeout of \$1.0Bn Common Stock
\$500MM Mandatory Convertible

Acquisition of Texas Genco

7.2Bn Senior Facilities
2.4Bn Senior Notes
400MM Second Lien Notes

Acquisition of Innovene



\$2.5Bn Senior Secured Credit Facility
\$10.6Bn Bridge Loan

Acquisition of Sibneft



9.3Bn Senior Secured Credit Facilities

Acquisition of Allied Domecq



7.6Bn Senior Secured Credit Facilities

Acquisition of Gecina

7.9BN Bridge Loan

Acquisition of Electrabel

\$1.6Bn Bridge Loan

Acquisition of BrownCo



1.0Bn Senior Notes

Acquisition of Helios Kliniken

Leading global provider of acquisition financing solutions for the largest transactions in the industry



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Critical Initiatives: Emerging Markets

	Physical Presence	Fixed Income	Equity	Investment Banking	Asset Management	Retail	Discover
Brazil	✓	✓	✓	✓	✓	✓	
China	✓	✓	✓	✓	✓	✓	✓
India	✓	✓	✓	✓	✓	✓	
Korea	✓	✓	✓	✓	✓	✓	
Russia	✓	✓	✓	✓		✓	
Middle East	Under Construction	✓	✓	✓	✓	✓	

Develop local branches and / or banking licenses internationally to increase trading opportunities and client coverage

Commodities Business

Business Mix

Client Driven Flow
Proprietary Trading
Structured Transactions
Physical supply & distribution

Oil Liquids

- **Crude Oil**
- **Refined Products**
- **Natural Gas Liquids**
- **Tanker Freight**
- **Index Trading**

Natural Gas & Power

- **Natural Gas**
- **Electricity**
- **Coal**
- **Emissions**
- **Dry Freight**

Office Locations

New York
London
Singapore
Tokyo

Metals

- **Gold**
- **Silver**
- **Platinum**
- **Palladium**
- **Base Metals**

Structured Transactions

- **Principal Investments**
- **Contract Restructuring**
- **Monetizations**
- **Strategic Initiatives**
- **Syndications**

Continue to grow commodities business globally and remain best in class

Risks to Strategy

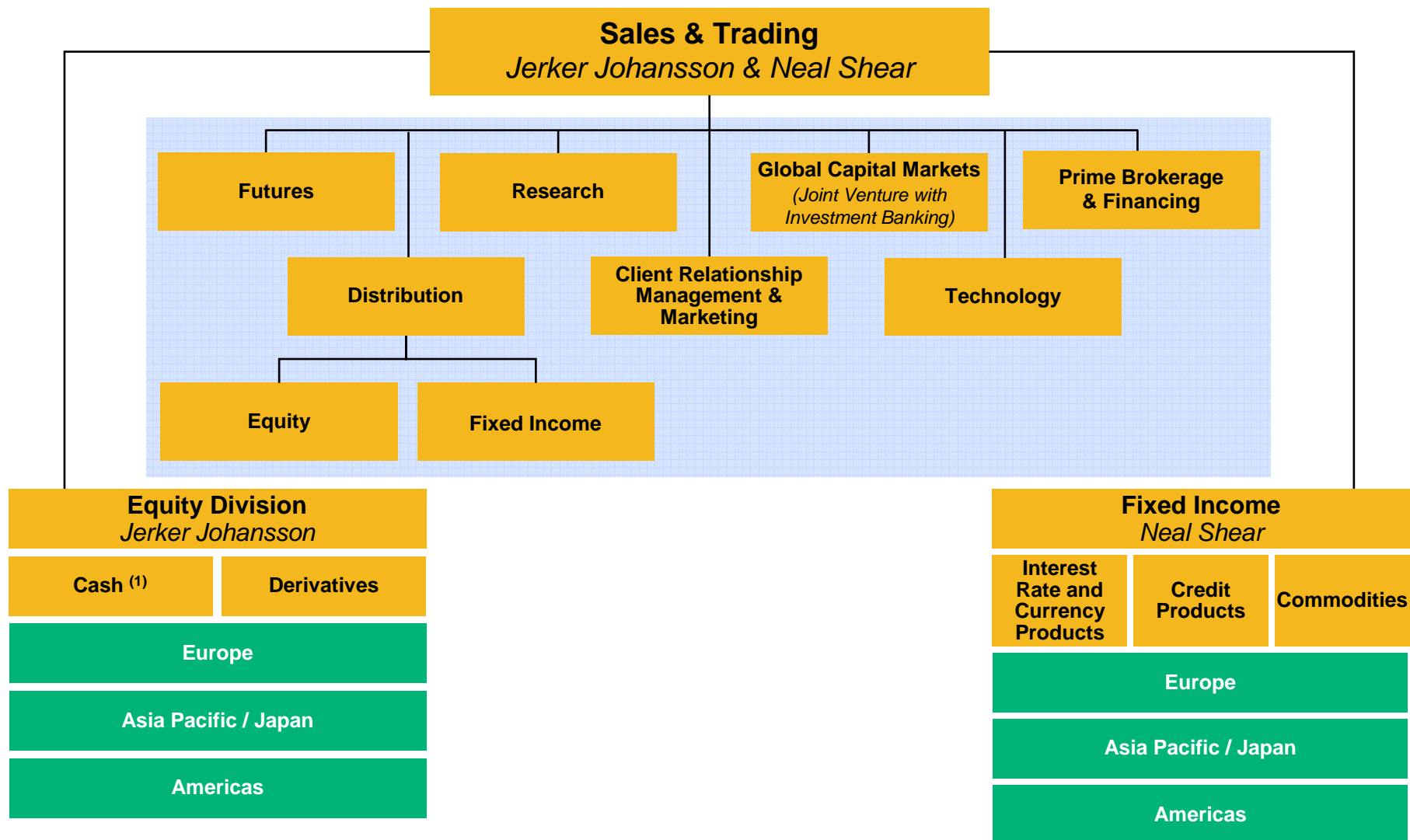
- Unfavorable market conditions
 - Lack of volatility
 - Rising interest rates slowing down the consumer
 - Major unanticipated credit events
- Staff retention: competition for staff at all levels
- Regulatory environment

Morgan Stanley Fixed Income

- Strong market conditions for fixed income products
- Tremendous opportunity in international markets
- Diversity of products and revenue streams

Jerker Johansson
Co-Head
Institutional
Sales & Trading

Sales & Trading Organizational Structure & Integration



Notes: (1) Cash Equity includes Programs, Electronic, ETF and Full-Service Execution

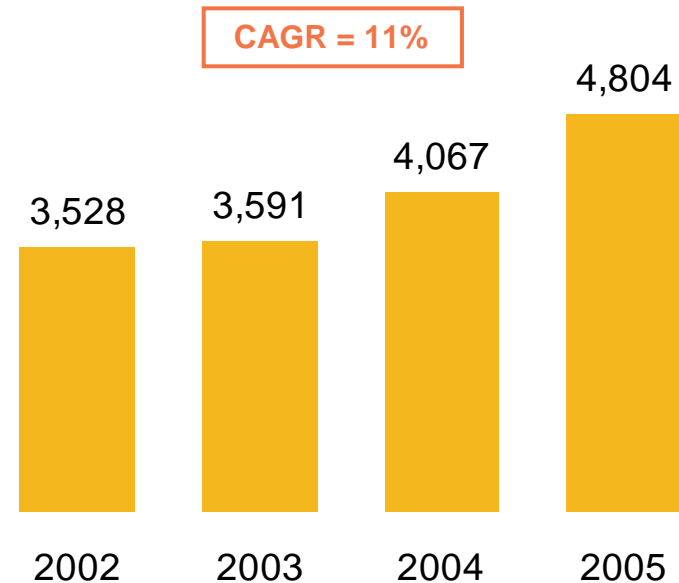
Morgan Stanley Equity Business – Overview

Morgan Stanley Equity Products

- Cash Equity⁽¹⁾
 - Americas, Europe, Asia-Pacific, Japan
- Derivatives
 - Options, Structured Products, Variance Swaps & Dispersion Trades
- Financing Products
 - Prime Brokerage, Futures, Financing (Swaps), Securities Lending

Morgan Stanley Equity Sales & Trading

Net Revenues (\$MM)



Source: Company SEC Filings

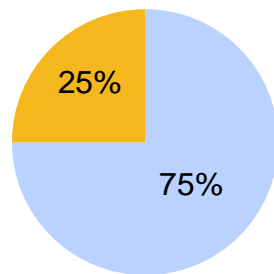
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Prime Brokerage

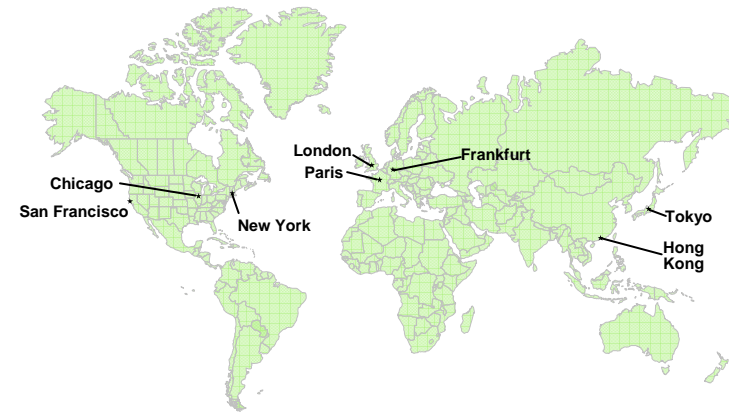
Relationship Share of Top 100 Hedge Funds



■ Morgan Stanley ■ Non-Morgan Stanley

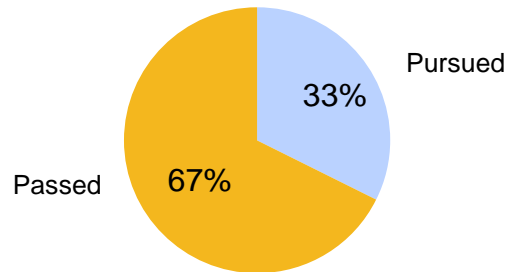
Source : Hedge Fund Research, Morgan Stanley

Global Coverage



Selectivity

New Fund Companies (FY2005)



Source : Morgan Stanley

Industry Recognition



Dominated Institutional Investor's Alpha magazine's Inaugural service provider survey, which encompassed 600 hedge funds representing nearly 70% of industry assets.

- No. 1 Prime Broker Overall
- No. 1 Prime Broker among Alpha Hedge Fund 100

Source : Alpha, September 2005

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Global Capital Markets in 2005



**IFR Global
Equity House
of the Year –
2004, 2005**

MIZUHO

\$4.6Bn Follow-on, Bookrunner –
Largest Japanese follow-on in
over 4 years

**WELLS
FARGO**

\$2.5Bn 5yr Fixed
and FRN



sanofi aventis

Because health matters

\$3.5Bn, Bookrunner



China Construction Bank

\$9.2Bn IPO, Global Coordinator –
Largest equity offering of 2005, largest ever
Chinese IPO, largest ever bank IPO globally



Greece

EUR 5.0Bn 10yr Fixed

Google™

\$4.4Bn Follow-on, Bookrunner –
largest ever U.S. follow-on offering,
2nd largest ever technology follow-on



Genworth

Financial

Global Coordinator on
3 offerings totaling
\$5.8Bn



ICE

Joint Bookrunner on
largest exchange IPO
\$416MM

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Market Dynamics

- **Market Environment**

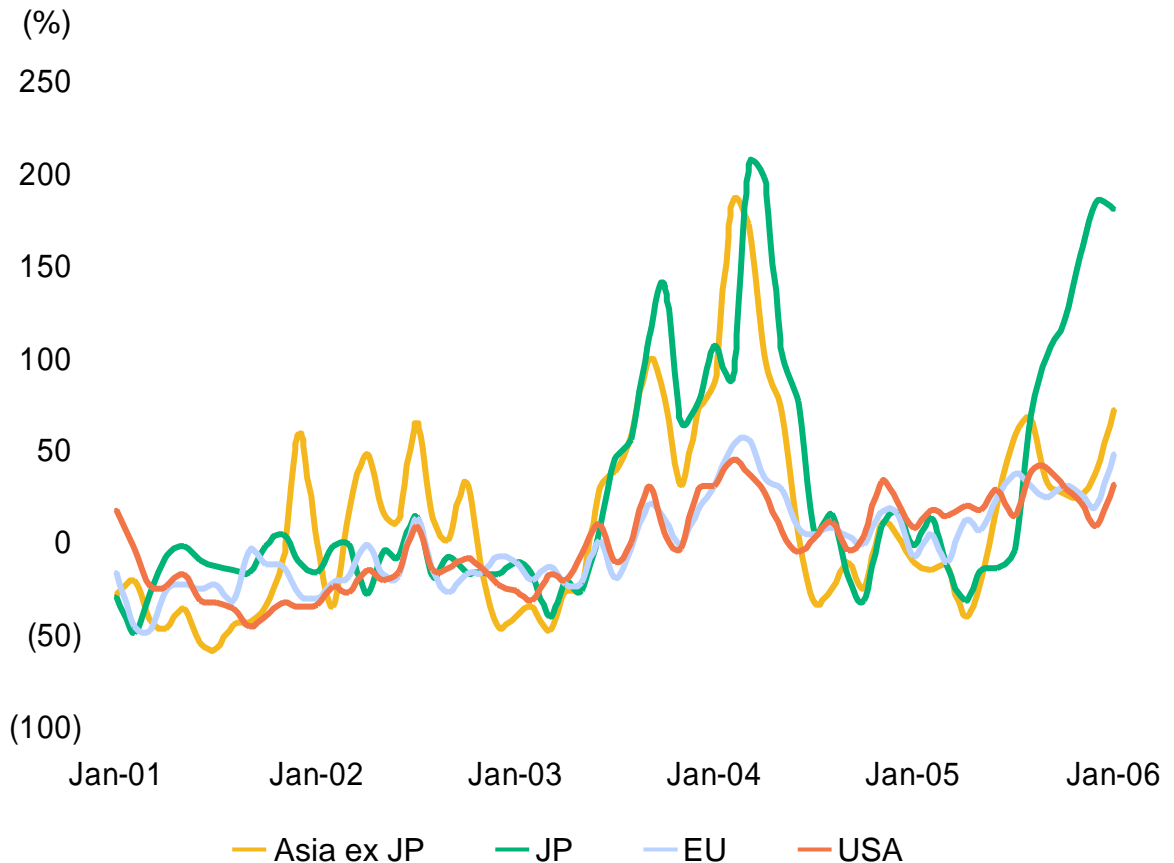
- Volume Increases
- Explosive Growth Outside US
- Growth of Strategic Activity

- **Competitive Environment**

- Commission pressure
- Technology
- Cross Asset Class

Traded Notional Volume Momentum by Region

(YoY Change)



Source: Datastream

Institutional Securities: Critical Initiatives

Priorities

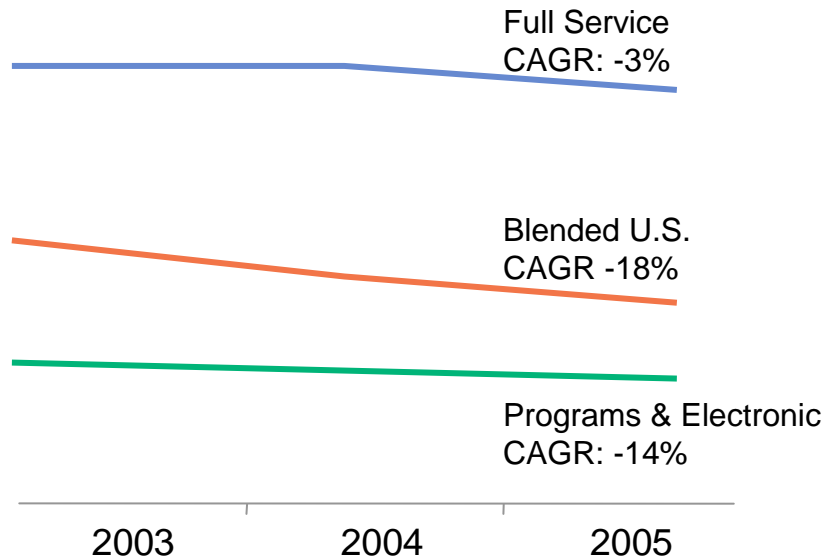
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Critical Initiatives

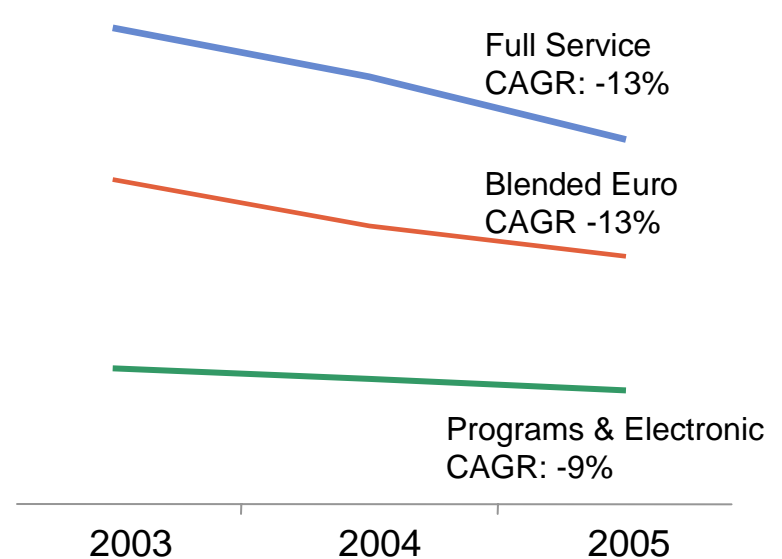
- Principal risk taking
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Trends in Commission Rates: U.S. & Europe

U.S. Commission Rates



European Commission Rates



Source : Morgan Stanley

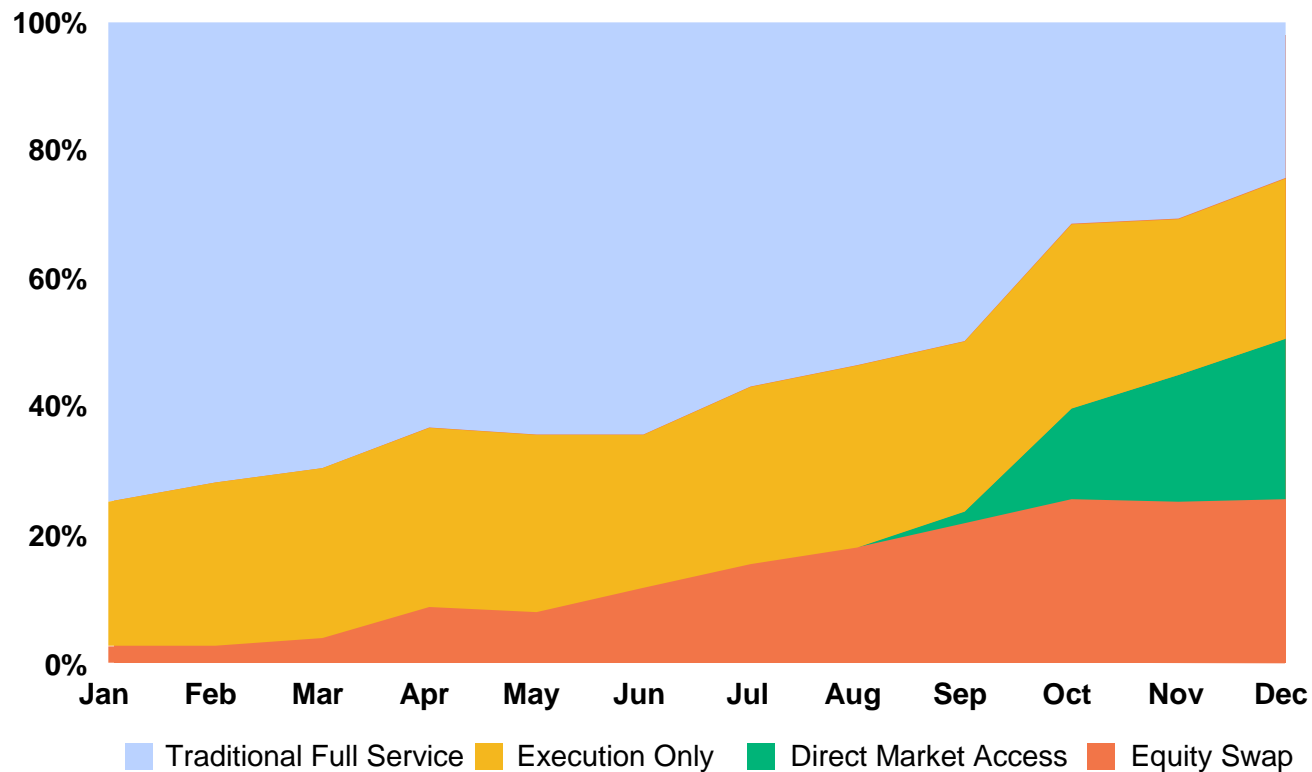


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Market Trends

Shift Away From Traditional Cash Business

Case Study: One Client's Volume Traded By Broker Category in 2004



Source : Morgan Stanley



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Morgan Stanley Clients' Response to Unbundling

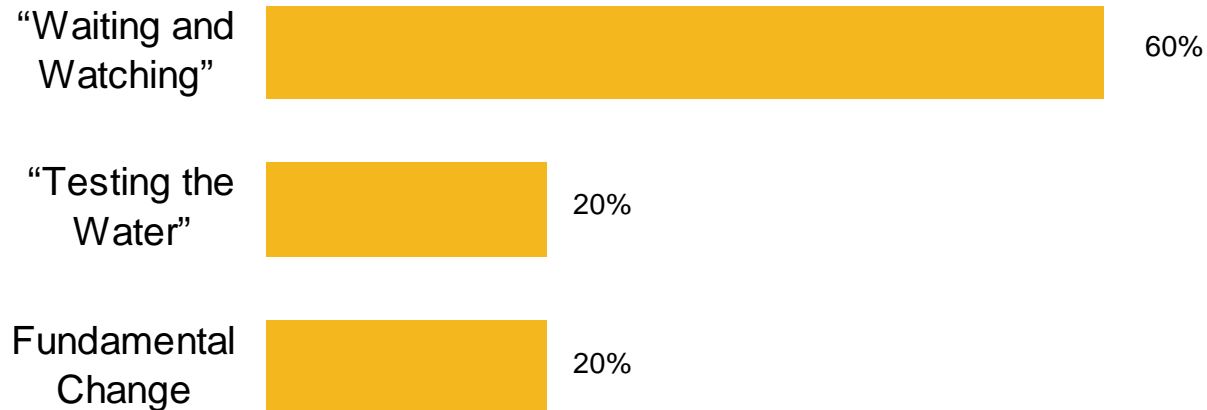
The Old

Pay for Bundle via Commission

The New

Broad Range of Payment Mechanisms based on client needs

Distribution of Client Unbundling Reaction (UK)



Source : Morgan Stanley

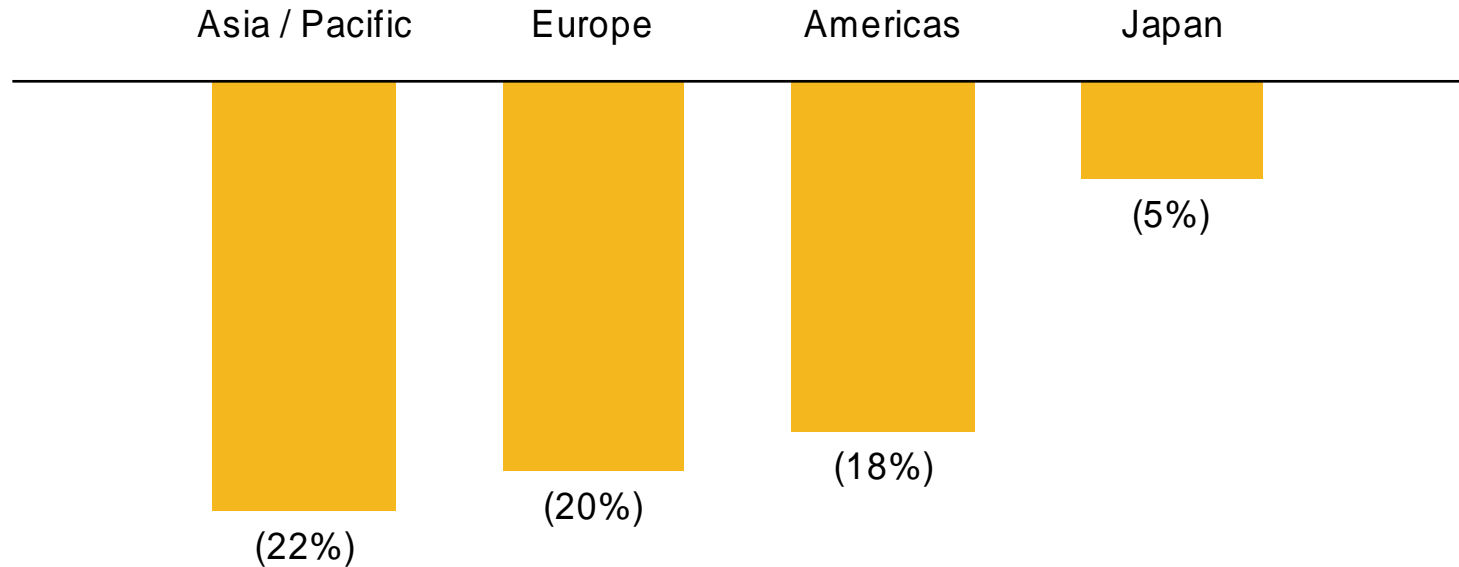
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Unit Costs of Business Over Time

Average Cost Per Dollar Volume Traded (Cash) 2001 – 2005

(CAGR, %)



Source : Morgan Stanley



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Client Focused Service Approach

Transformation of the Cash Equity Businesses

Transaction-based Business



Service-based Business

Requires...

- Deep Understanding of Client Segments
- Full Range of Products, Content, and Services so we can be a Partner
- Focus on Managing Costs and Segmentation of Services

Financing / Prime Brokerage Business

- Leading Prime Brokerage Franchise
- Top Financing Products and Services
- Fund Administration Services
- Multi-asset Class Prime Brokerage

Derivatives Business

- Futures
- Retail
- Variance Swaps
- Corporate Derivatives
- Alternative Investment Products

Risks to Strategy

- Pace of change is accelerating in our business
 - Technology
 - War for talent
 - Capital and credit requirements
 - Market structure and regulatory environment

Morgan Stanley Consolidated Equities

- Strong market conditions for equity products
- Tremendous opportunity in international markets
- Diversity of products and revenue streams



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