

Morgan Stanley

Free Writing Prospectus
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Morgan Stanley Fourth Quarter 2008 Overview

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 for the fiscal year ended November 30, 2008, and the Company's Current Reports on Form 8-K, including any amendments thereto, all of 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 the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2008 and the Company's Current Reports on Form 8-K.

The issuer has filed a registration statement (including a prospectus) with the SEC for any offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and any other documents the issuer has filed with the SEC for more complete information about the issuer and any offering to which this communication relates. You may get these documents for free by visiting EDGAR on the SEC global website at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in such an offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.

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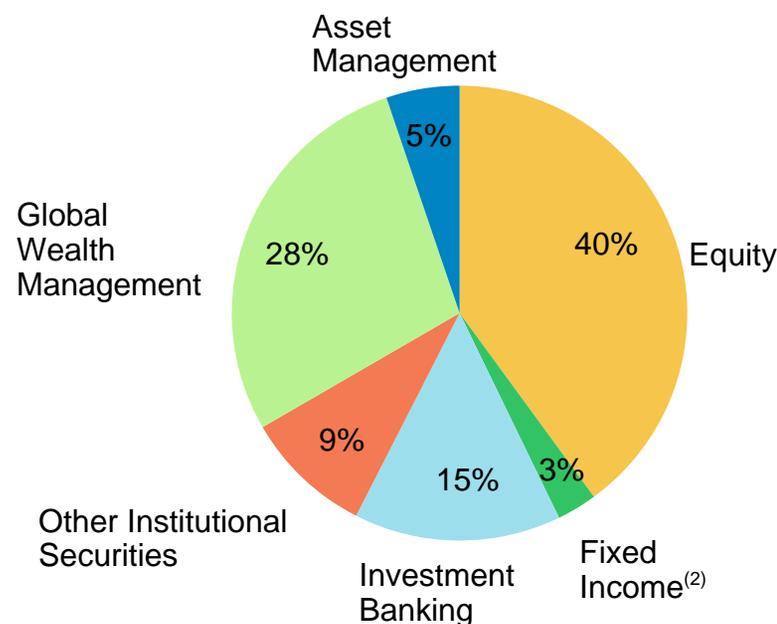
Consolidated Financial Highlights

4Q08 Highlights

Net Revenues (\$Bn)	1.8
PBT (\$Bn)	(3.4)
Net Income (\$Bn)	(2.3)
Tier 1 Capital Ratio	17.9%
Tier 1 Leverage Ratio	6.6%
Leverage Ratio	11.4x
Diluted EPS from Continuing Operations (\$)	(2.24)
Book Value per Share (\$)	30.24
Average Liquidity Reserve (\$Bn)	121
Total Assets (\$Bn)	659

2008 Full Year Net Revenues of \$24.7 Bn

Business Mix 2008⁽¹⁾



Source: Morgan Stanley Earnings conference Call and SEC Filings

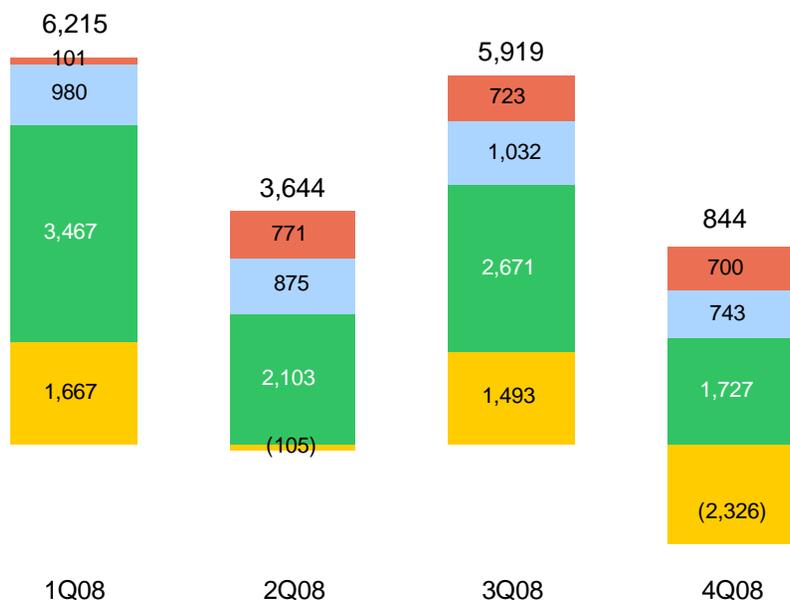
(1) Excludes intersegment eliminations of (\$194) million

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

Institutional Securities

Net Revenue

(\$MM)



■ Fixed Income⁽¹⁾
■ Equity
 ■ Investment Banking
 ■ Other Inst. Securities⁽²⁾

Areas of Strength:

- Equity sales and trading – record full year results
- Commodities – record full year results
- FX – record full year results
- Investment Banking – solid net revenues

Notable 4Q Revenue Items:

- Lending Business – (\$1.7bn)
- Principal Investments – (\$1.8bn)
- Bank Investment Portfolio – (\$800mm)
- Equity Proprietary Trading – (\$729mm)
- Gains on MS Credit Spread widening – \$2.7bn
- Gains on MS Debt Buybacks – \$2.1bn
- Gains on de-designation of hedges against certain MS debt – \$1.1bn

Notable 4Q Expense Items:

- Goodwill Impairment – (\$694mm)

Source: Morgan Stanley Earnings conference Call and SEC Filings

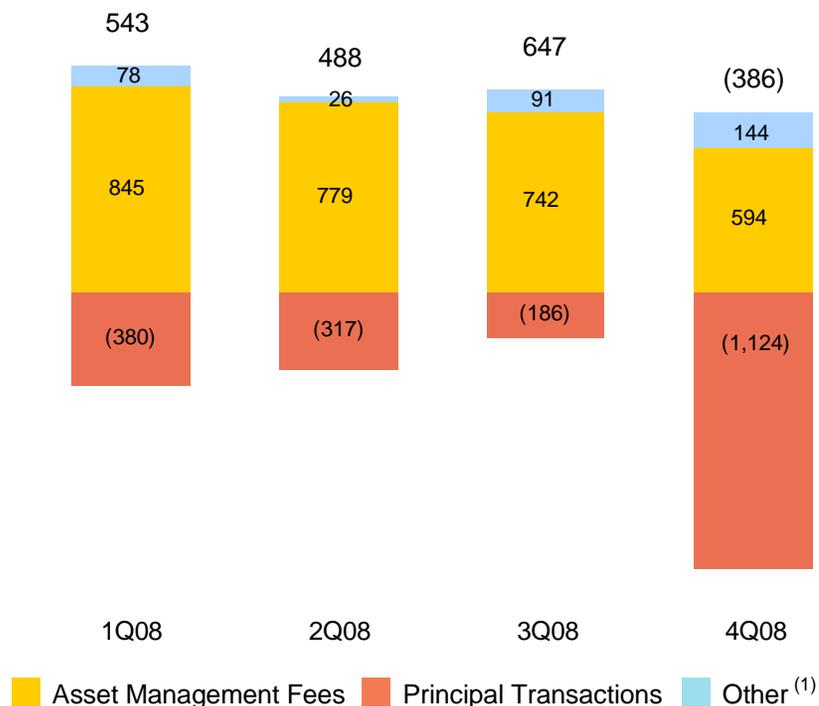
(1) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

(2) 2Q08 and 3Q08 includes pre-tax gains of \$744 million and \$745 million, respectively, related to the follow-on offerings of MSCI Inc.

Asset Management

Net Revenue

(\$MM)



Areas of Strength:

- Recent launch of Infrastructure Fund
- Diversified hedge fund platform
- Leading global real estate manager

Notable 4Q Revenue Items:

- Core business ⁽²⁾:
 - Alternatives – (\$261mm)
 - SIVs – (\$187mm)
- Merchant Banking business:
 - Principal Investments loss in Real Estate – (\$532mm)

Notable 4Q Expense Item:

- Crescent Markdowns & Impairment – (\$243mm)

Source: Morgan Stanley Earnings conference Call and SEC Filings

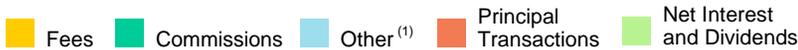
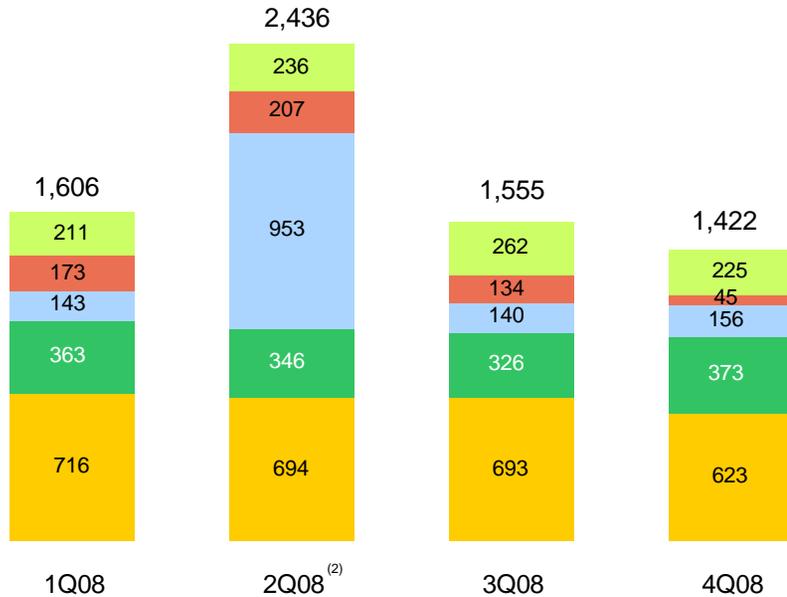
(1) "Other" includes Investment Banking, Net Interest and Dividends, Commissions and Other revenues.

(2) Core business includes traditional funds, hedge funds and fund-of-funds asset management

Global Wealth Management

Net Revenue

(\$MM)



Areas of Strength:

- Stable revenue base
- Growing deposit program
- Strong FA recruitment

Notable 4Q Revenue Item:

- Auction Rate Securities related to Principal Transactions – (\$108mm)

Notable 4Q Expense Item:

- Auction Rate Securities provision– (\$256mm)

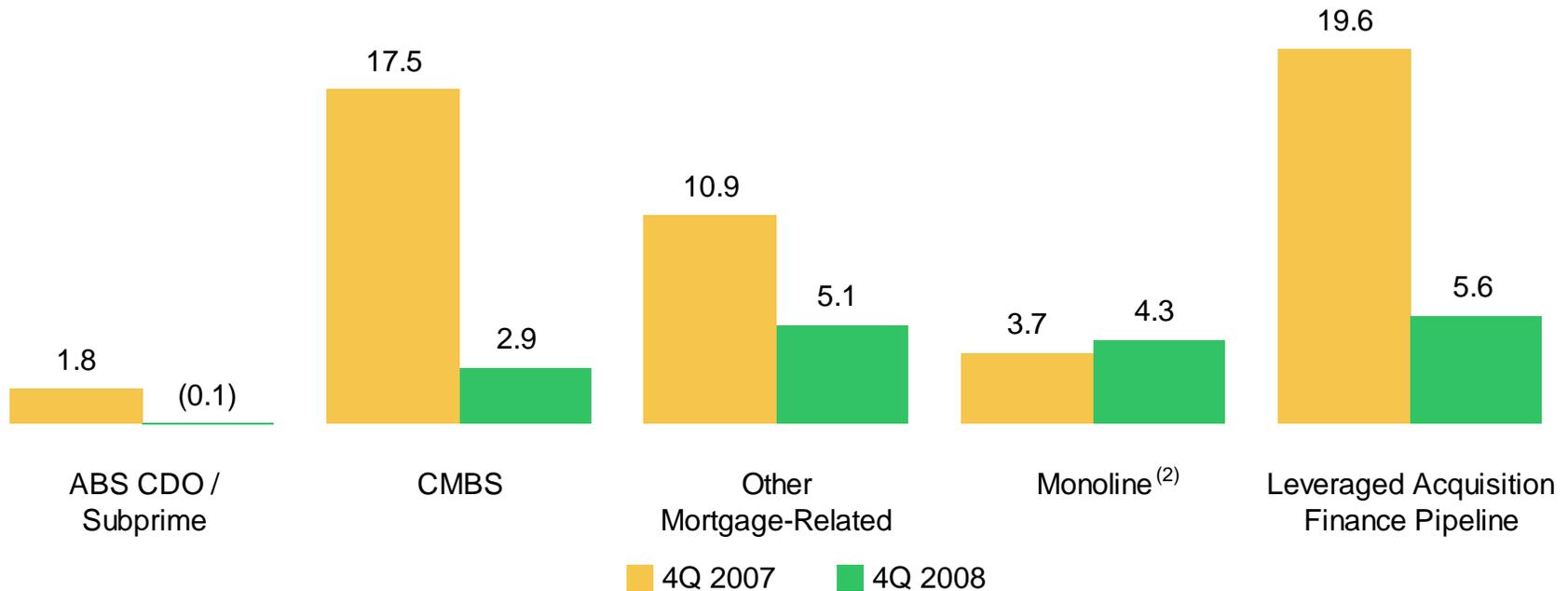
Source: Morgan Stanley Earnings conference Call and SEC Filings

- (1) "Other" includes Investment Banking and Other revenues.
 (2) 2Q08 includes a pre-tax gain of \$748 million on the sale of the Spanish wealth management business, Morgan Stanley Wealth Management S.V., S.A.U.

Risk Management

Net Exposure ⁽¹⁾

(\$Bn)



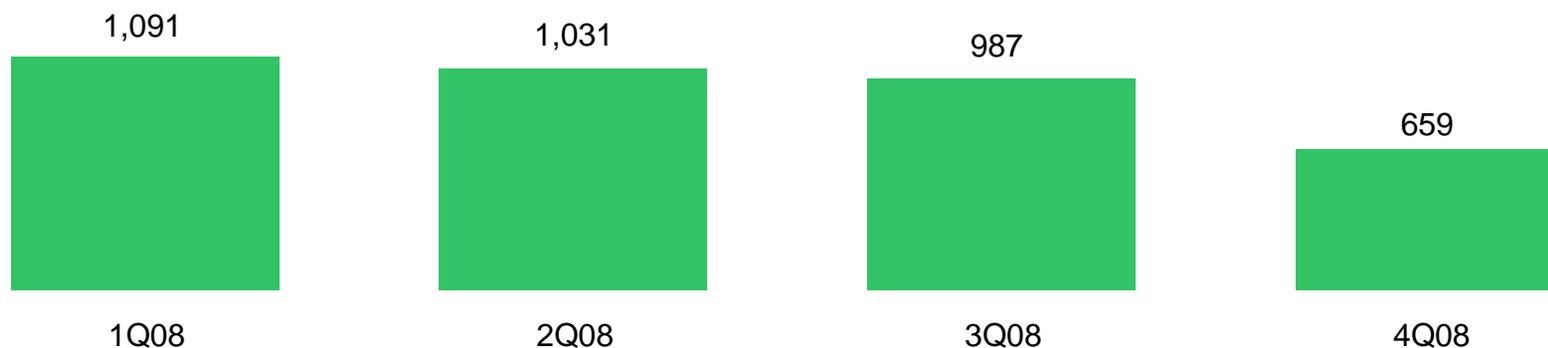
Source: Morgan Stanley Earnings conference Call and SEC Filings

- (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) 4Q 2008 Monoline Composition – ABS: \$0.7, Insurance Municipal Bond Securities: \$3.1, Net Counterparty Exposure: \$0.5.

Substantial Reduction in Leverage – Assets

Total Assets

(\$Bn)



Total Capital ⁽¹⁾

198.2

210.1

202.6

192.3

Total Capital as a % Total Assets

18%

20%

21%

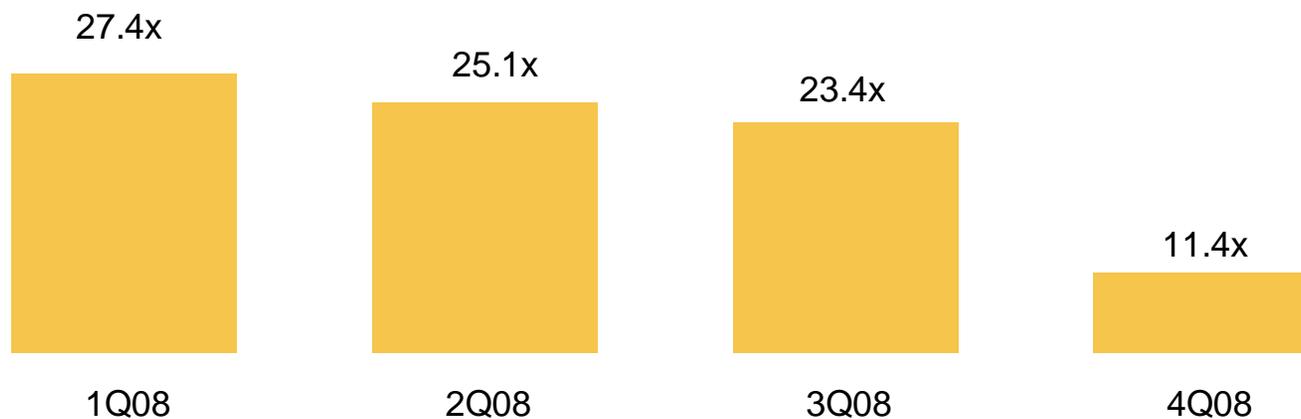
29%

Source: Morgan Stanley Earnings conference Call and SEC Filings

(1) These amounts include the non-current portion of long-term borrowings (including Capital Units and junior subordinated debt issued to capital trusts) and shareholders equity.

Active Capital Management

Leverage Ratios⁽¹⁾



Tangible Shareholders' Equity (\$Bn)

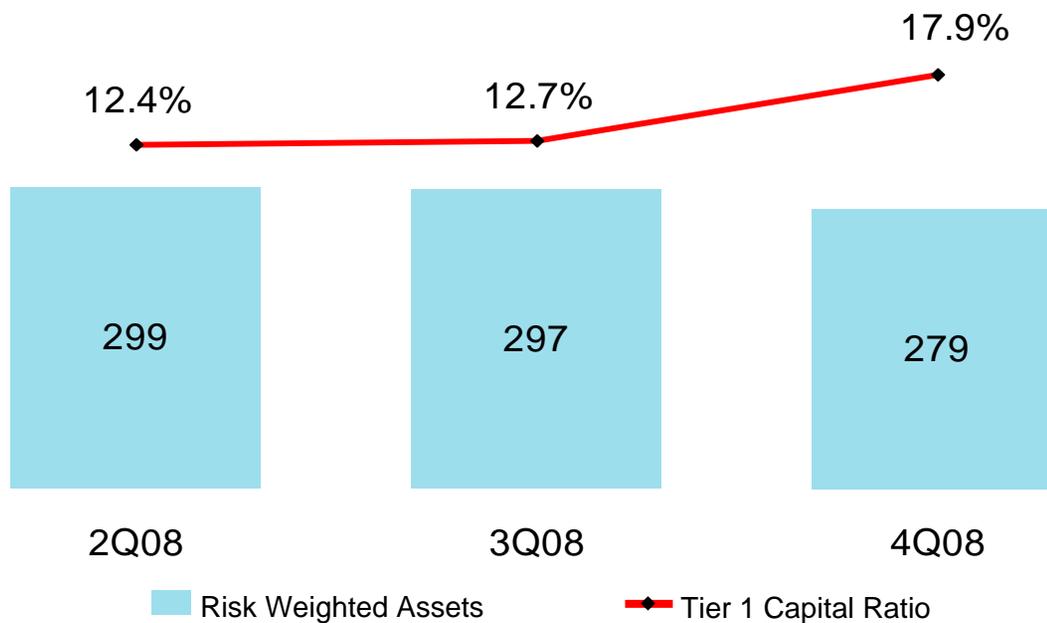


Source: Morgan Stanley Earnings conference Call and SEC Filings
 (1) Leverage ratio equals total assets divided by tangible shareholders' equity.

Capital Strength

Risk Weighted Assets & Tier 1 Capital Ratio

(\$bn)



Tier 1 Capital	\$37.1	\$37.6	\$49.9
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Source: Morgan Stanley SEC Filings

Funding Diversification

Composition of Funding Liabilities and Equity

