TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Morgan Stanley | **Submission date: 03/31/2009** | **Person to be contacted about this report: Fred Gonfiantini**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	2008 DEC	2009 JAN	2009 FEB	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$4,581	$4,285	$4,084	Consists of (1-4 family) residential whole loans originated by or purchased from third party mortgage brokers. Note: amounts are month-end balances.	**Morgan Stanley increased the amount of total originations as compared to January; however, average loan balances decreased.**
b. Total Originations	$0	$11	$51		
(1) Refinancings	$0	$11	$46		
(2) New Home Purchases	$0	$1	$5		
2. Home Equity					
a. Average Total Loan Balance	$2,500	$2,556	$2,525	Home Equity Lines Of Credit, consisting of loans originated by or purchased from third party mortgage brokers. Note: amounts are month-end balances.	**Morgan Stanley, as servicer, has an additional obligation of $1.31Bn in unused commitments.**
b. Originations (New Lines+Line Increases)	$0	$0	$0		
c. Total Used and Unused Commitments	$0	$0	$0		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	N/A	N/A	N/A		
b. New Account Originations (Initial Line Amt)	N/A	N/A	N/A		
c. Total Used and Unused Commitments	N/A	N/A	N/A		
4. Other Consumer					
a. Average Total Loan Balance	$5,874	$5,941	$6,176	Consists of Non Purpose Loans (loans excluding Margin lending), and Small Business Lending. Note: amounts are month-end balances.	**Morgan Stanley originated $347.6mm in new loans to small businesses representing an increase of 62% versus January.**
b. Originations	$237	$215	$348		

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SCHEDULE B: COMMERCIAL LENDING (Millions $)	DEC	JAN	FEB	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$73,078	$72,517	$70,884	Includes Corporate and Industrial loans that are: Closed, Under Client Consideration, Accepted Not Closed. Also, includes other Warehouse loans (non-Commercial Real Estate). Note: amounts are month-end balances.	**Average loan balances decreased 3% in February partially due to client eligibility conflicts. New relationship loan amounts increased 47% month over month due to 11 out of 13 commitment approvals.**
b. Renewal of Existing Accounts	$58	$396	$175	This amount included in total (line a).	
c. New Commitments	$2,875	$2,929	$2,040	This amount included in total (line a).	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$12,954	$12,019	$11,068	Includes Commercial Real Estate Whole Loans and Warehouse Loans. Note: amounts are month-end balances.	**Balances remained relatively constant as demand was limited.**
b. Renewal of Existing Accounts	$0	$0	$0		
c. New Commitments	$0	$0	$0		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$660	-$1,850	$1,452	MBS includes agency and non-agency residential and commercial mortgage backed securities, Interest Only (IO), and residual securities at market value.	**Consistent with other reporting periods, Morgan Stanley has supported the Mortgage Backed Securities markets by providing liquidity in the secondary trading markets. In February, Morgan Stanley's Gross Purchases were $28.1Bn in MBS and $144mm in ABS.**
b. Asset Backed Securities	-$158	-$70	-$65	Automobile, Consumer Credit Cards, and Student Loans, Interest Only (IO), and residual securities at market value.	
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$106,839	$78,279	$96,957	Matched book represents the weekly average gross assets before any counterparty netting under FIN39 & FIN41. Included in the balances are securities borrowed of $64.3Bn for the month ending Feb.	**For the month of February, external borrowing increased as a result of increased prime brokerage client short selling activity.**
b. Average Total Debit Balances[2]	$28,935	$24,973	$25,181	Debit balances are reflected on a gross basis prior to any netting. Margin Lending includes both Prime Brokerage and Retail. Note: amounts are month-end balances.	
3. Underwriting					
a. Total Equity Underwriting	$2,730	$1,965	$723	Amounts are Fair Values. Source: Thomson Tables	Morgan Stanley, acting as lead joint-bookrunner, reopened the U.S. IPO market with the successful pricing of the $828mm offering for Mead Johnson Nutrition. Overall equity issuances for February were down 20% and Morgan Stanley's market share decreased to 5.4% from 11.7% in January. Morgan Stanley's equity underwriting participation in February was $723mm, reflecting our role in $2.5Bn of total equity issuance.
b. Total Debt Underwriting	$16,524	$13,667	$12,169	Amounts are Fair Values. Source: (Dec) Thomson Tables (Jan, Feb) Bloomberg Tables	Morgan Stanley participated in $12.2Bn of debt issuances for investment grade, government guaranteed, and high yield issuers. Morgan Stanley's market share was 11.3% in February versus 9.1% in January. While overall debt market issuance was down 29% versus January, Morgan Stanley participated in the largest single currency corporate bond offering ever, raising $16Bn for Roche.

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.
Amounts are in par commitments / notional at month-end except where noted

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PART II. QUALITATIVE OVERVIEW
Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

COMMENTARY

As worries about corporate earnings, economic fundamentals and government policy continued in February, markets persisted to sell off throughout the month, with the S&P 500 hitting levels not seen for twelve years. With the 2008 earnings season nearly coming to a close, S&P 500 companies are on pace to report a 67% decline in EPS compared to the same period last year. At the same time the unemployment rate jumped to 7.6% for the month, a near two-decade high. Credit markets managed to outperform over the first half of the month, but renewed financial fears as well as a weak equity market eventually dragged credit down as well. Investment grade corporate bonds finished the month down 1.57%.

On a positive note, corporate new issuance remained active in February, with $70.2Bn in investment grade deals completed for the month. Corporate issuance is now up 19% in 2009 versus the first two months of 2008, and completed non-financial issuance nearly doubled compared to last year. High quality companies continue to have access to credit markets, albeit at still wide absolute spread levels. Despite these glimmers of hope, economic weakness, rising corporate defaults, and worries over continued deterioration in the financial system largely drove price volatility for the month of February.

DEBT UNDERWRITING

In February, $107Bn of U.S. dollar denominated investment grade, high yield and government guaranteed debt were issued, down 29% from last month. Non-government guaranteed issuance was up 10%, but the government guaranteed market slowed in February reflecting excess supply of these programs in the market due to robust issuance in previous months.

Morgan Stanley's debt underwriting volume was $12.2Bn for investment grade, government guaranteed, and high yield issuers. Morgan Stanley’s market share was 11.3% in February versus 9.1% in January.

Morgan Stanley participated in the largest single currency corporate bond offering ever, raising $16Bn for Roche. In addition, Morgan Stanley participated in seven deals each over $1Bn in size.
The total issuance in the high yield bond market was $3.92Bn of which Morgan Stanley participated in a $500mm issuance for El Paso.

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EQUITY UNDERWRITING

Morgan Stanley, acting as lead joint-bookrunner, reopened the U.S. IPO market with the successful pricing of the $828mm offering for Mead Johnson Nutrition, a subsidiary of Bristol-Myers Squibb. This was the first U.S. IPO since November 2008 and the largest since April 2008.
Overall equity issuances for February were down 20% and Morgan Stanley's market share decreased to 5.4% from 11.7% in January. While the overall number of transactions increased 28%, the average deal size decreased by nearly 70% (February average of $104mm versus January average of $347mm).
In February, Morgan Stanley's equity underwriting participation was $723mm, reflecting our role in $2.5Bn of total equity issuance on behalf of clients.

SECURED LENDING

For the month of February, external borrowing increased as a result of increased prime brokerage client short selling activity.

MBS/ABS

In February, Morgan Stanley's Gross Purchases were $28.1Bn in MBS and $144mm in ABS. Consistent with other reporting periods, Morgan Stanley has supported the Mortgage Backed Securities markets by providing liquidity in the secondary trading markets.

COMMERCIAL LENDING C&I

Demand from clients remained below prior year levels; however, Morgan Stanley's new relationship lending increased 47% versus the prior month. Morgan Stanley extended over $2.0Bn of commitments as the capital commitment committee approved 11 out of 13 loans reviewed. Morgan Stanley's total loan and lease balances decreased from January to February by $1.6Bn to $68.8Bn as borrowers accessed the bond market to pay down short-term bank debt.

CONSUMER LENDING

Morgan Stanley originated approximately $400mm of new credit facilities in February of which $350mm of new originations were related to clients utilizing the firm's securities based lending program to refinance or purchase residential or commercial real estate and to provide capital for small businesses. In addition, Morgan Stanley closed $51mm in new residential loans.