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Morgan Stanley



Morgan Stanley Smith Barney Global Wealth Management Joint Venture

Presentation to Investors

January 13, 2009

Notice

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Transaction Overview

- Morgan Stanley and Citi combining retail brokerage forces to create an industry-leading global wealth manager
 - Morgan Stanley will own 51% and Citi will own 49% of the Joint Venture
 - In addition to 49% of the Joint Venture, Citi to receive cash consideration of \$2.7Bn
 - Morgan Stanley to have majority representation on the Board of Directors of the combined entity
- Deal structure designed to give Morgan Stanley the opportunity to increase share and Citi the ability to realize the potential upside in future valuation
 - The sale of future tranches, if any, will be transacted at fair market value
- Morgan Stanley to exchange: Core Retail, Private Wealth Management and International Private Wealth Management ⁽¹⁾
- Citi to exchange: Smith Barney US ⁽²⁾, Quilter UK and Smith Barney Australia
- James Gorman to be Chairman and Charlie Johnston to be President of the Joint Venture
- Brand name will be Morgan Stanley Smith Barney
- Subject to customary regulatory approvals

(1) Including Swiss Bank

(2) Excluding branch based advisors and institutional FAs

Joint Venture Statistics⁽¹⁾

JV creates largest global wealth management firm by financial advisors and top 3 player by client assets

	Morgan Stanley Global Wealth Management	Citi Smith Barney	Combined Pro-forma
Net Revenues ⁽²⁾	\$6.4Bn	\$8.5Bn	\$14.9Bn
Pre-tax Profit ⁽³⁾	\$1.1Bn	\$1.7Bn	\$2.8Bn
Financial Advisors ⁽⁴⁾	8,426	~11,960	~20,390
Client Assets ⁽⁴⁾	\$707Bn	\$1,034Bn	\$1,741Bn
Offices	465	541	1,006
Headquarters	New York	New York	New York

Source: Morgan Stanley SEC Filings and Citigroup estimates

- (1) Morgan Stanley figures based on FY 2008. Citigroup figures based on estimated last twelve months 3Q08
- (2) Morgan Stanley excludes the \$748mm gain on the sale of the Spanish Wealth Management business and excludes a (\$108mm) write-down on Auction Rate Securities inventory. Citigroup excludes CitiStreet gain on sale of \$347mm and excludes the (\$306mm) write-down related to the Auction Rate Securities settlement and is adjusted for exclusion of retail branch based advisors, institutional FAs and certain lending activities
- (3) Morgan Stanley excludes the \$698mm pre-tax profit on the sale of the Spanish Wealth Management business and excludes (\$641mm) of pre-tax provisions related to Auction Rate Securities. Citigroup excludes the \$334mm pre-tax profit on the sale of CitiStreet and excludes (\$640mm) of pre-tax provisions related to Auction Rate Securities, Falcon fund and other one-time restructuring costs. Citigroup pre-tax profit reflects estimated last twelve months 3Q08 and estimated adjustments for exclusion of retail branch based advisors, institutional FAs and certain lending activities
- (4) For Citi, figures are adjusted to exclude estimated branch based advisors/locations and institutional FAs; includes Quilter and Australia Smith Barney; FA figures based on January 2009 and client assets based on 3Q08; for Morgan Stanley, client assets are as of 3Q08 for comparability purposes; 4Q08 assets were \$546Bn.

Strategic Rationale for Joint Venture

- Establish leadership position in Wealth Management
 - Wealth Management continues to be a very attractive business with longer-term growth potential across the globe
 - Combination creates an industry-leading global wealth manager with over 1,000 branches in the United States and significant international presence
- A leading global wealth manager with a superior distribution platform
- Both Citi and Morgan Stanley will retain their deposits accumulated prior to close
- Enhances client experience with a best-in-class product and service platform
- Expands distribution network for capital markets and asset management products
- Achieves scale economies and cost synergies
 - Significant value creation driven by estimated \$1.1Bn in cost savings

Target Expense Efficiencies

Target Expense Efficiencies

Personnel	\$320MM
IT / Operations	\$350MM
Marketing / Professional Services	\$180MM
Other Expenses	\$230MM
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Total	\$1.1Bn

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