Morgan Stanley Smith Barney Global Wealth Management

Joint Venture

Presentation to Investors

January 13, 2009
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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

<table>
<thead>
<tr>
<th></th>
<th>Morgan Stanley Global Wealth Management</th>
<th>Citi Smith Barney</th>
<th>Combined Pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenues</td>
<td>$6.4Bn</td>
<td>$8.5Bn</td>
<td>$14.9Bn</td>
</tr>
<tr>
<td>Pre-tax Profit</td>
<td>$1.1Bn</td>
<td>$1.7Bn</td>
<td>$2.8Bn</td>
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<tr>
<td>Financial Advisors</td>
<td>8,426</td>
<td>~11,960</td>
<td>~20,390</td>
</tr>
<tr>
<td>Client Assets</td>
<td>$707Bn</td>
<td>$1,034Bn</td>
<td>$1,741Bn</td>
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<tr>
<td>Offices</td>
<td>465</td>
<td>541</td>
<td>1,006</td>
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<tr>
<td>Headquarters</td>
<td>New York</td>
<td>New York</td>
<td>New York</td>
</tr>
</tbody>
</table>

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.

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

<table>
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<tr>
<th>Category</th>
<th>Amount</th>
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<tr>
<td>Personnel</td>
<td>$320MM</td>
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<tr>
<td>IT / Operations</td>
<td>$350MM</td>
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<tr>
<td>Marketing / Professional Services</td>
<td>$180MM</td>
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<tr>
<td>Other Expenses</td>
<td>$230MM</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1.1Bn</strong></td>
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