

Philip J. Purcell, Chairman & Chief Executive Officer
Vikram S. Pandit, President & Chief Operating Officer,
Institutional Securities
David H. Sidwell, Chief Financial Officer

January 27, 2005

Philip J. Purcell,
Chairman and Chief Executive Officer

January 27, 2005

Morgan Stanley Market Position

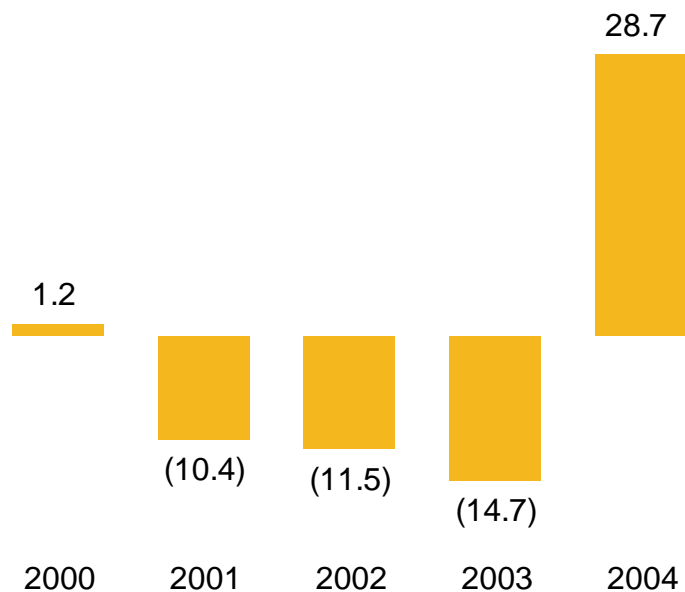
Institutional Securities	2002	2003	2004
Global Completed M&A Market Share	28.3%	19.2%	25.4%
Rank	2	3	2
Global IPOs	5.1%	4.9%	10.3%
Rank	6	5	1
Global Equity Underwriting Market Share	7.9%	10.2%	10.7%
Rank	4	3	1
Global Debt Underwriting Market Share	6.9%	7.4%	6.9%
Rank	5	3	2

Source: Thomson Financial – Calendar year basis.

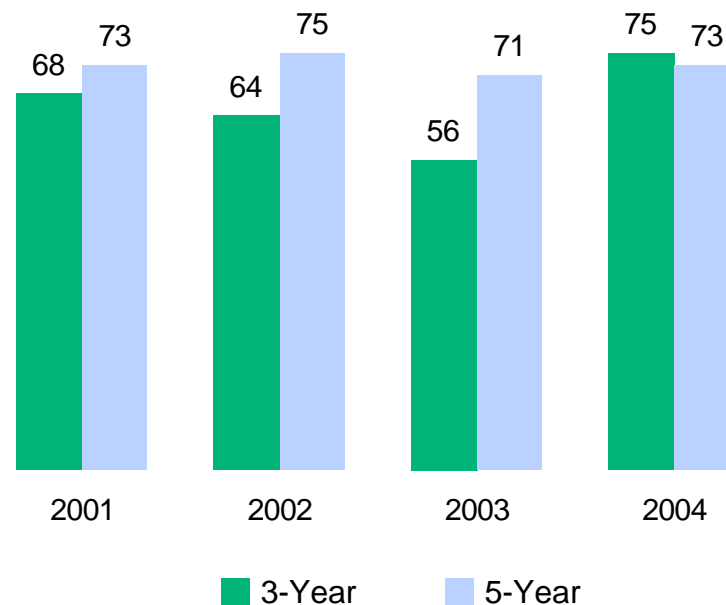
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Investment Management

Net Fund Flows (\$Bn)



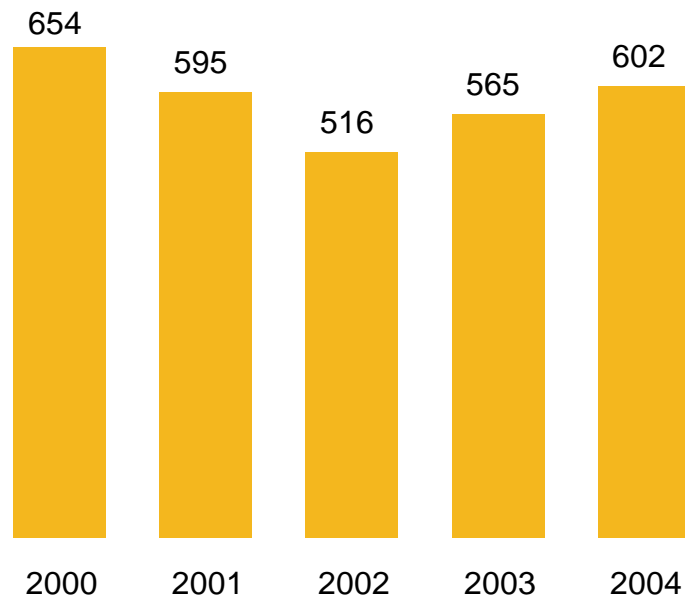
Percentage of Assets in Lipper Top Half (%)



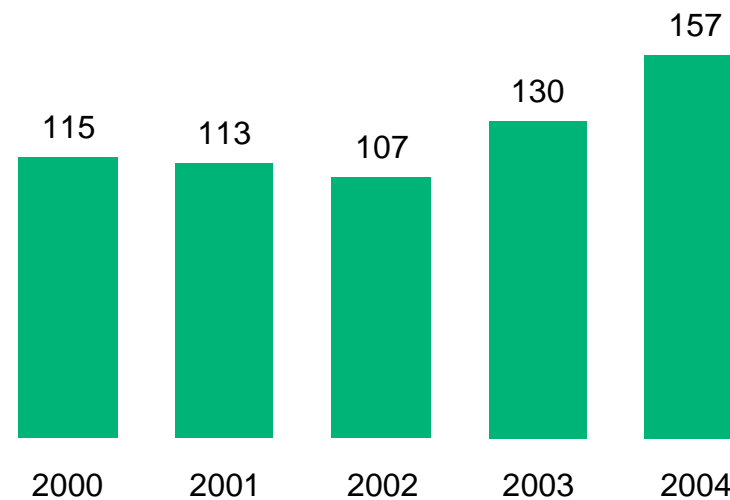
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement, Lipper.

Individual Investor Group

Total Client Assets (\$Bn)



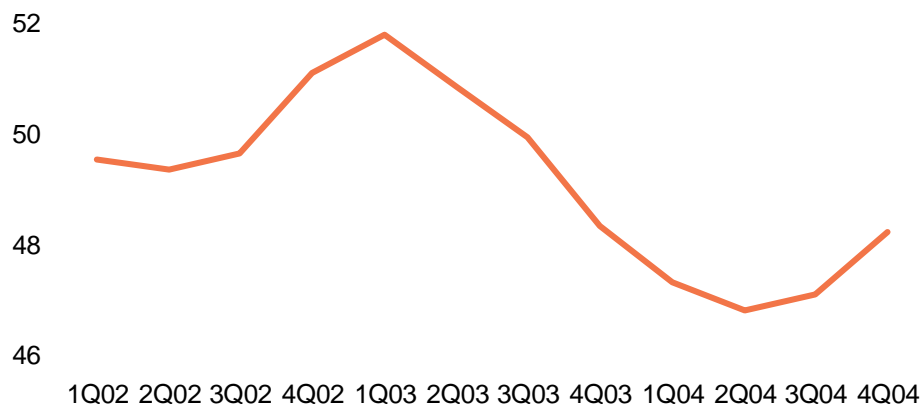
Total Fee-Based Assets (\$Bn)



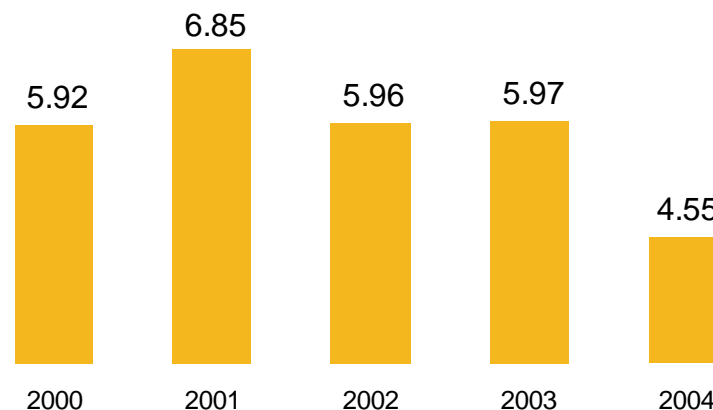
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Discover Financial Services

Period End Managed Loans (\$Bn)



Over 30 Day Delinquency Rate (%)⁽¹⁾



- Sam's Club Exclusive
- Pulse Acquisition
- Wal-Mart Discover Card

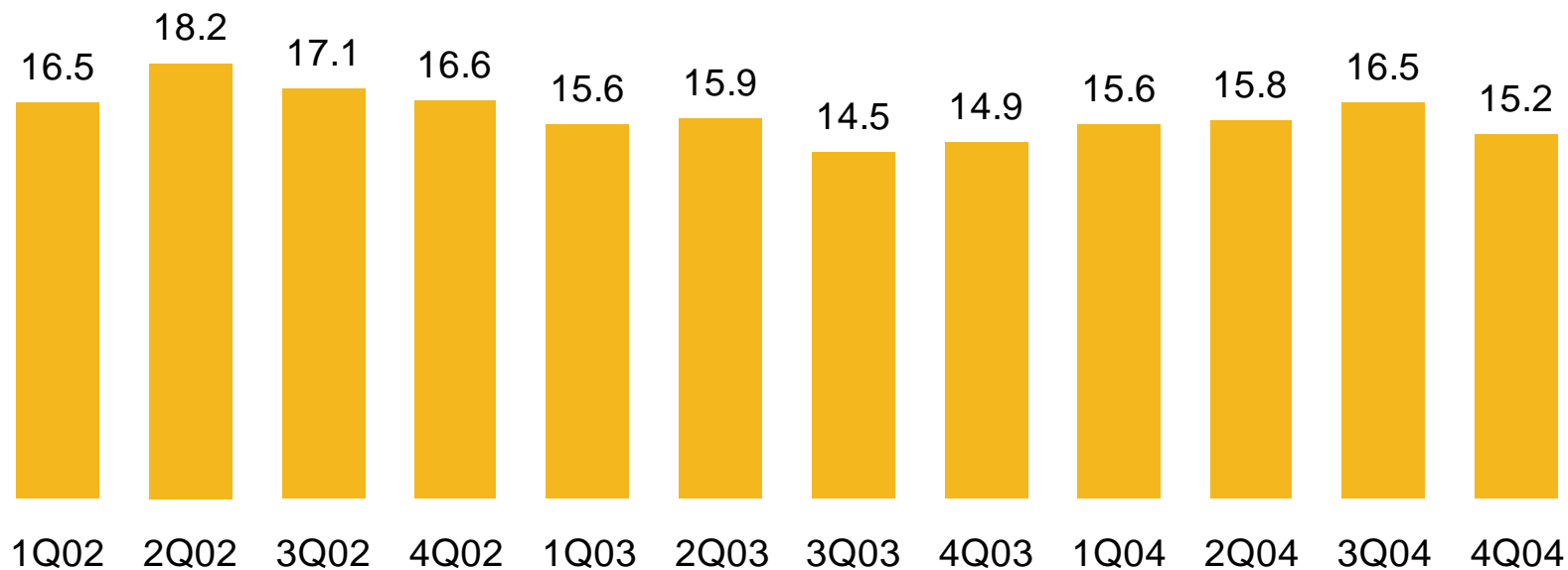
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Note: (1) Managed Loan basis. GAAP reconciliation can be found in Morgan Stanley SEC filings and on pg. 19 of the 4Q 2004 Financial Supplement

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Strong Balance Sheet

Adjusted Leverage Ratio ⁽¹⁾ (x)



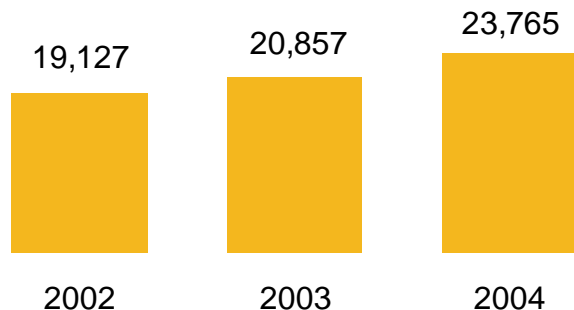
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Note: (1) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.
GAAP reconciliation can be found in Morgan Stanley SEC filings and on pg. 21 of the 4Q 2004 Financial Supplement.

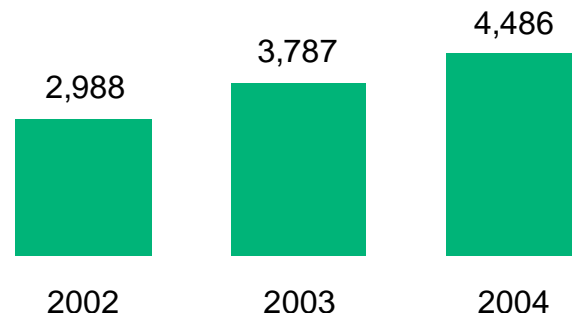
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Consolidated Financial Highlights

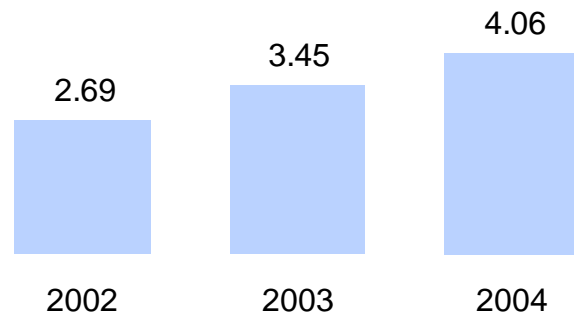
Net Revenues (\$MM)



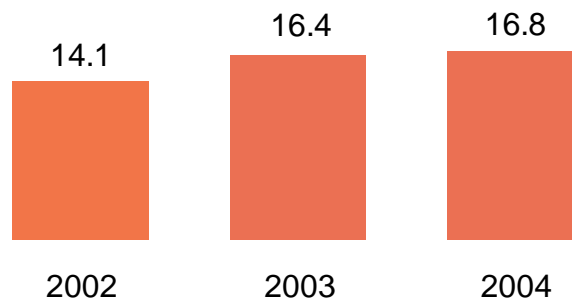
Net Income (\$MM)



Diluted EPS (\$/Share)

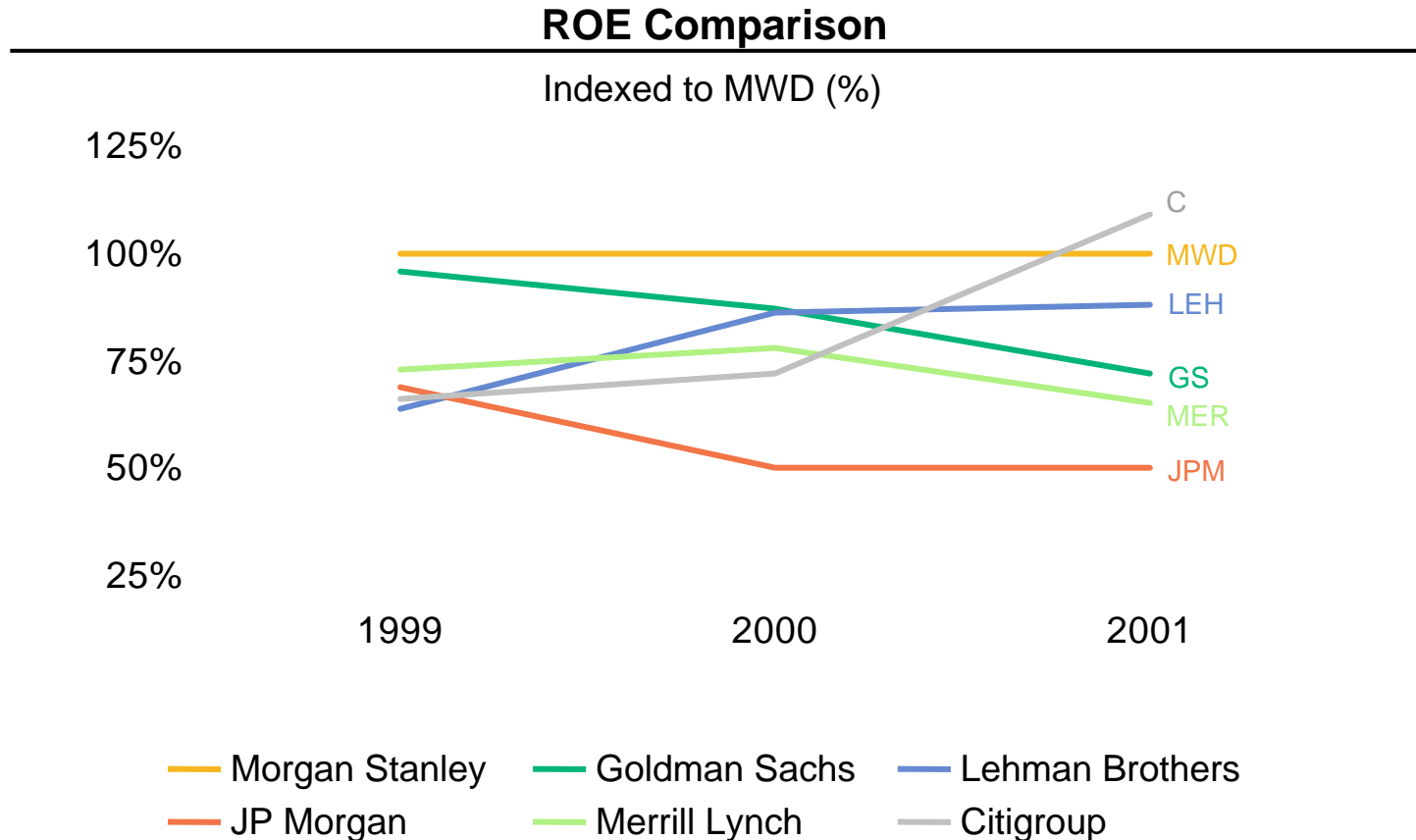


Return on Equity (%)



Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

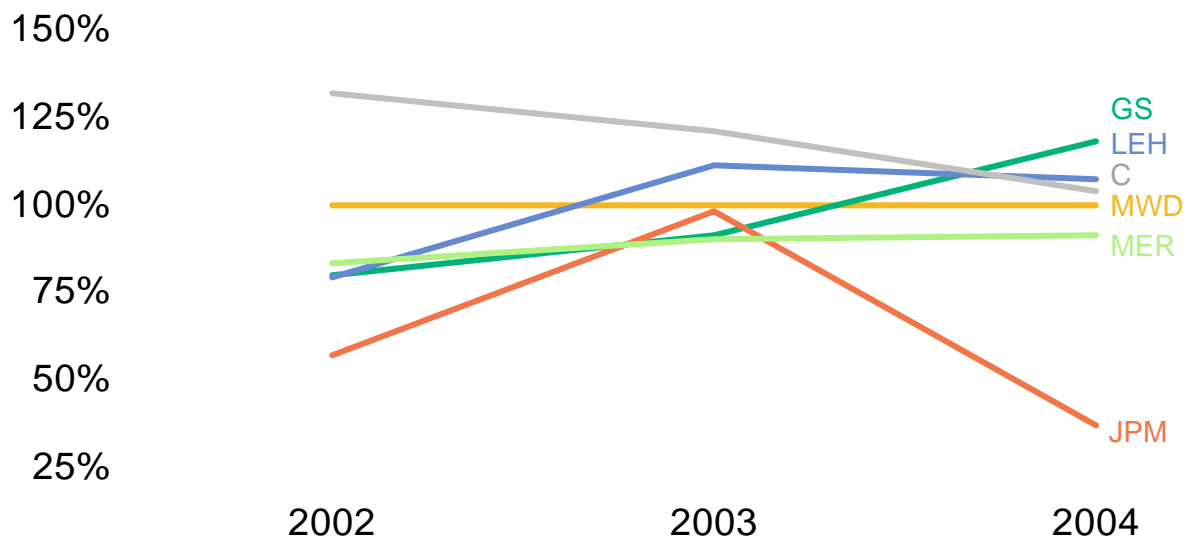
Return on Equity 1999-2001



Return on Equity 2002-2004

ROE Comparison

Indexed to MWD (%)



— Morgan Stanley — Goldman Sachs — Lehman Brothers
— JP Morgan — Merrill Lynch — Citigroup

2005 Priorities

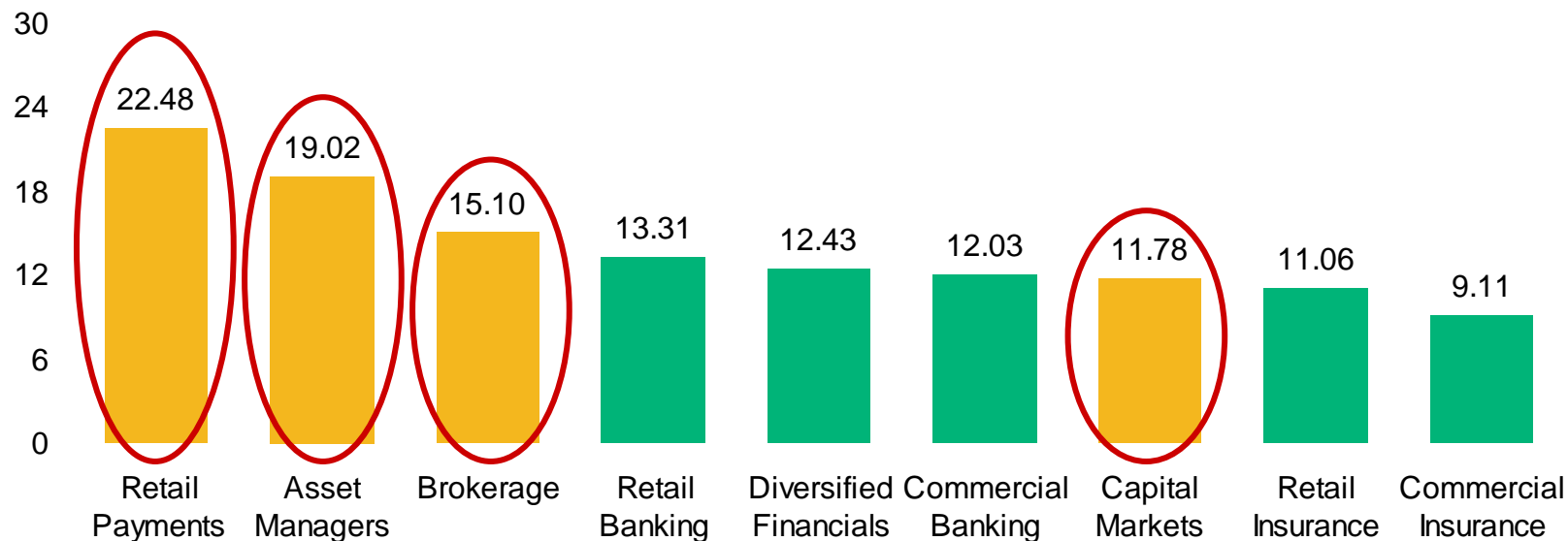
Regain Premium Return

- Client leverage
 - Individual Investor Group
 - Investment Banking
 - Client profitability
- Growth leverage from investments
 - Commodities
 - Credit
 - Real estate
 - Prime Brokerage
 - China/U.K.
- Capital Efficiency
- Full firm benefits

- Financial Services Firm Focused on *Growth*

Perspective on Growth

Average P/E Multiples⁽¹⁾



Source: FactSet data as of January 18, 2005

Note: (1) Current P/E is current price divided by fiscal 2005 earnings estimates. Category constituents can be found in the Appendix at the end of this presentation.

- Financial Services Firm Focused on *Growth*
- Strategic and Financial Benefits of *Diversification*
- *Skills* Over Capital

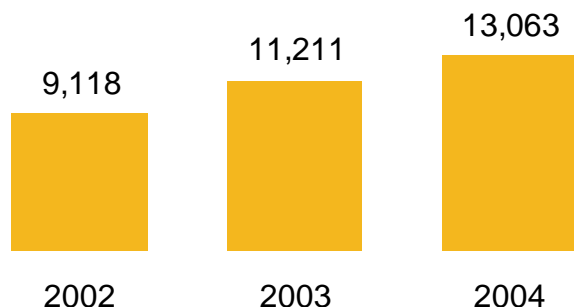
Institutional Securities

2004 Accomplishments

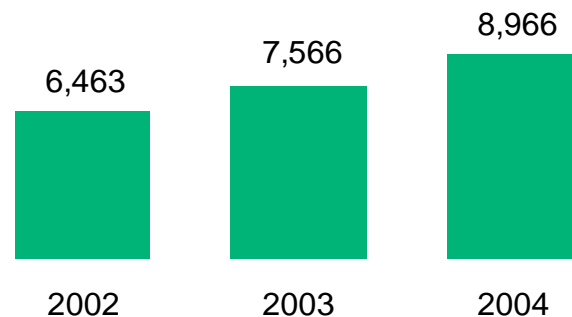
- Regained share and momentum with corporate clients
- Strong equity trading results
- Record Prime Brokerage results – new client wins and organic growth
- Record fixed income trading results
- Invested to maintain differentiation
 - Barra, U.K., Asia
- Attract, retain and leverage the best talent

Institutional Securities Financial Performance

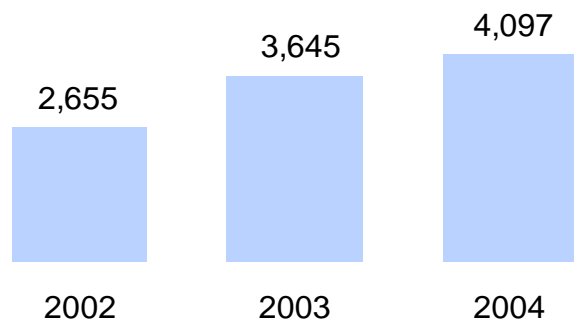
Net Revenues (\$MM)



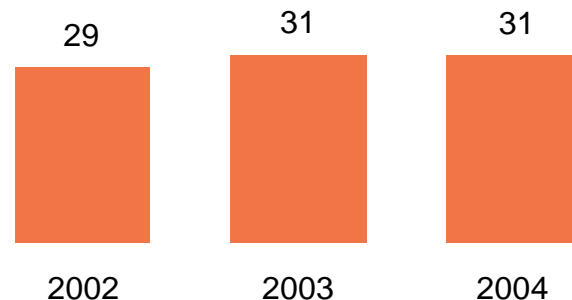
Expenses (\$MM)



Profit Before Tax (\$MM)



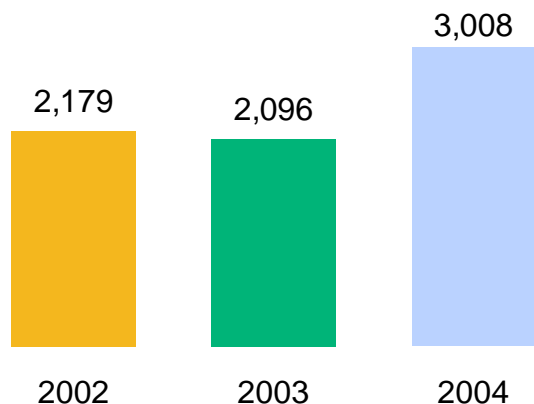
PBT Margin (%)



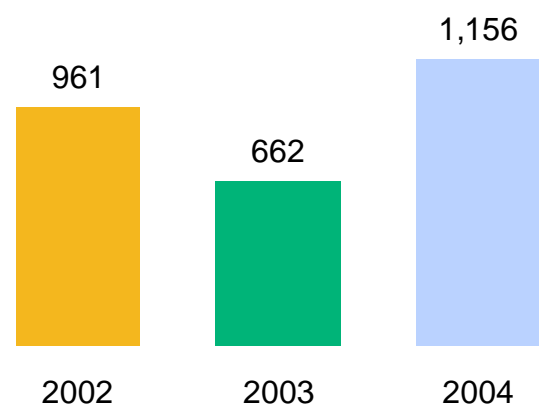
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Institutional Securities – Investment Banking

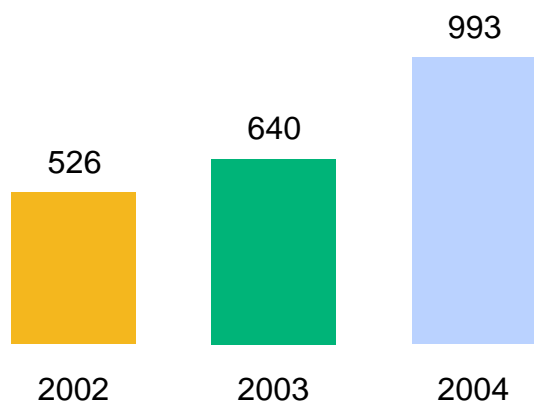
Total Investment Banking (\$MM)



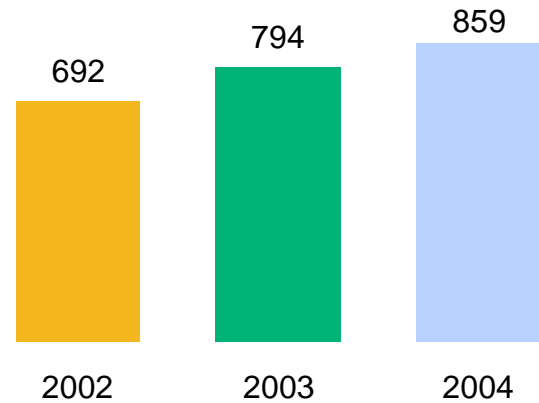
Advisory (\$MM)



Equity Underwriting (\$MM)



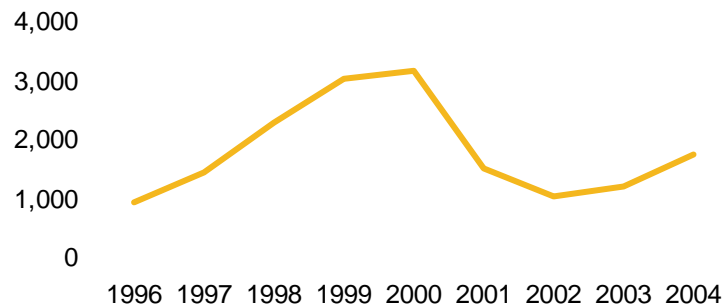
Debt Underwriting (\$MM)



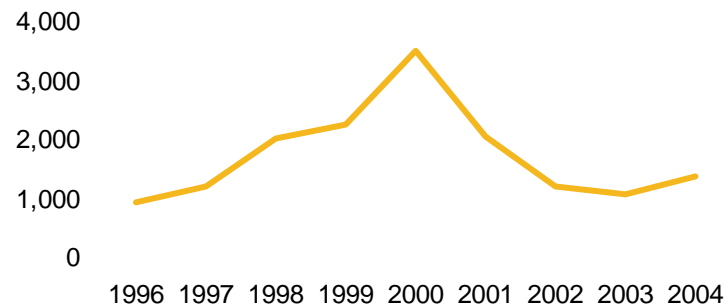
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Investment Banking Activity Levels – Perspective

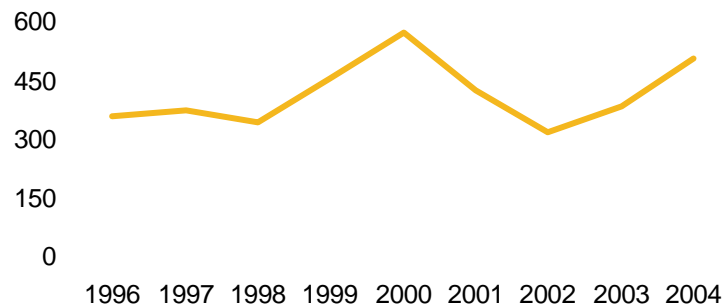
Global Announced M&A Activity (\$Bn)



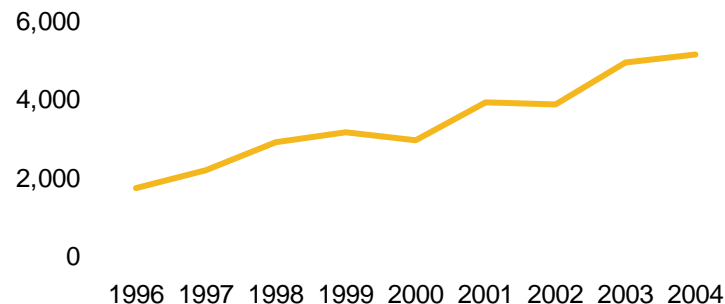
Global Completed M&A Activity (\$Bn)



Global Equity Underwriting Activity (\$Bn)



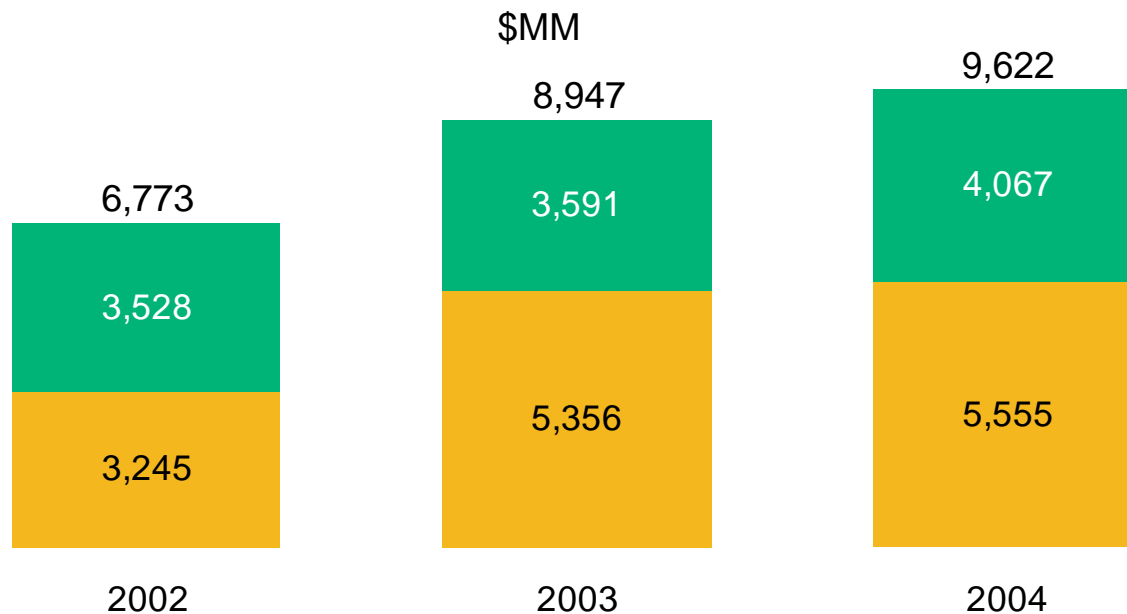
Global Debt Underwriting Activity (\$Bn)



Source: Thomson Financial Calendar Year data 1 January 1996 – 31 December 2004.

Sales and Trading Revenues

Sales and Trading Net Revenues



% Contribution

	2002	2003	2004
Equities	52	40	42
Fixed Income	48	60	58

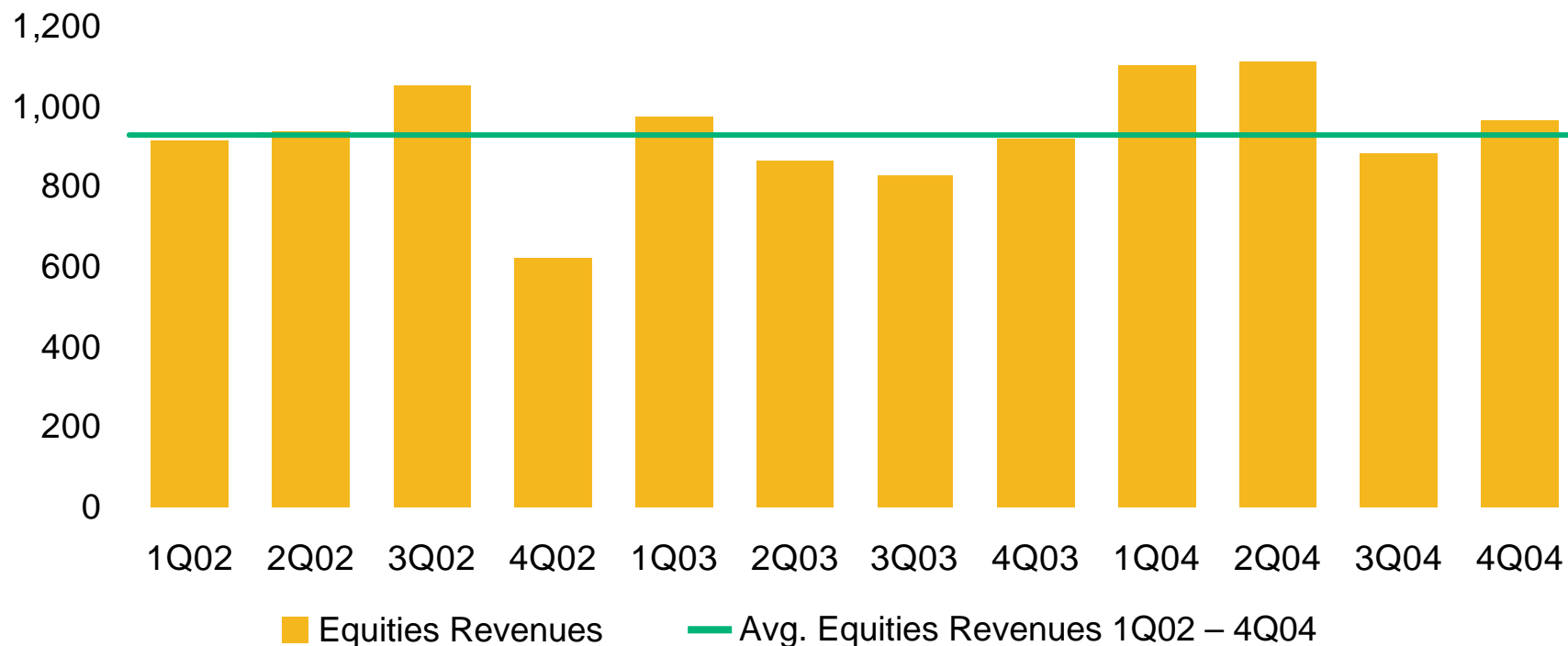
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

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Sales and Trading – Equities

Equity Sales and Trading Net Revenues

\$MM



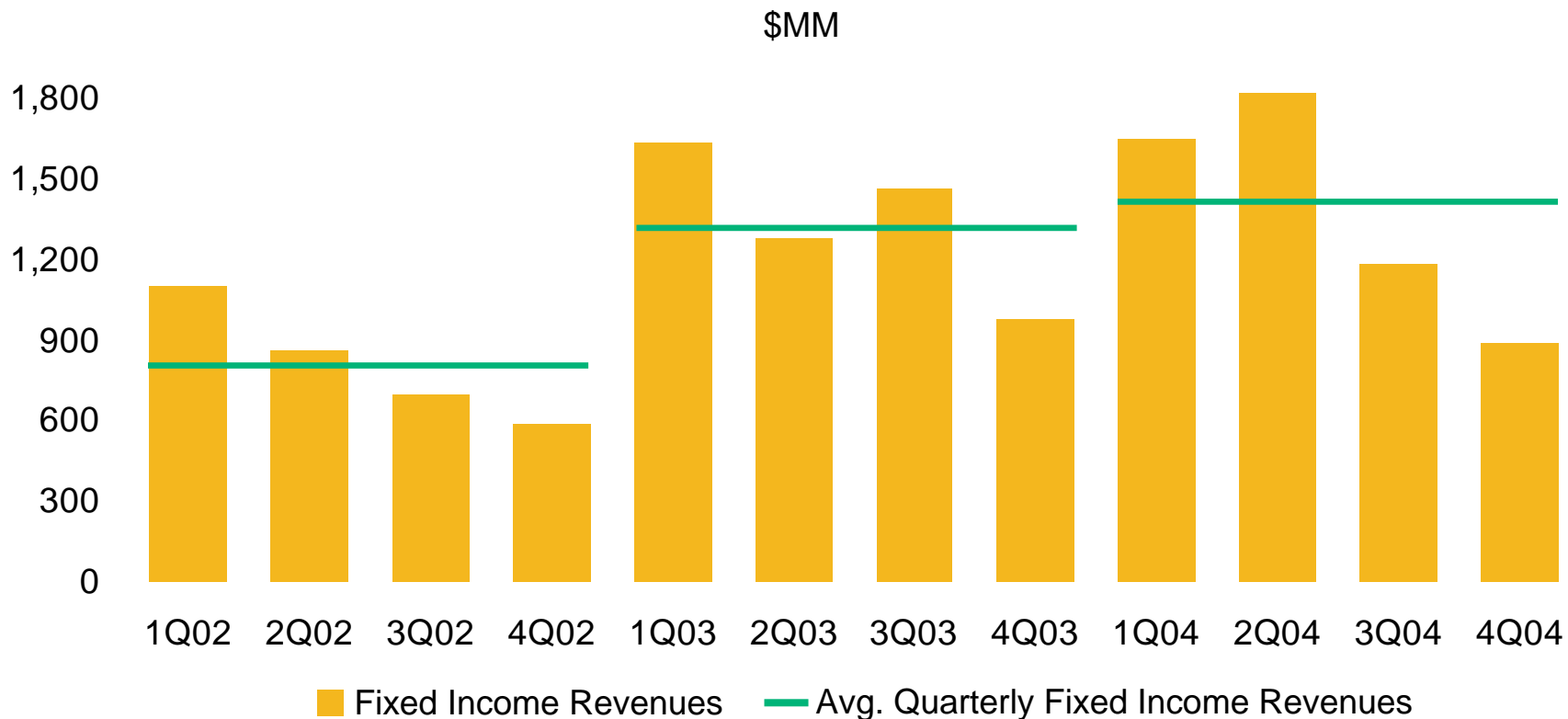
Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.



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Sales and Trading – Fixed Income

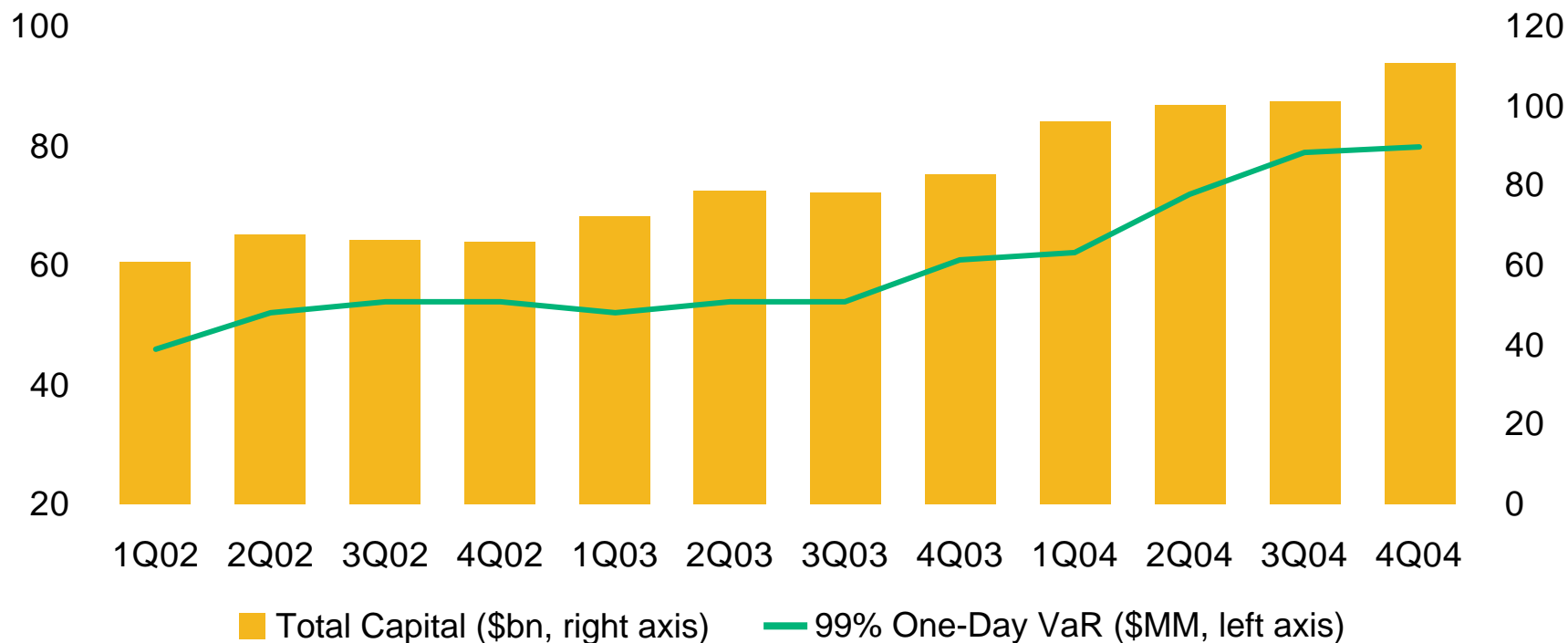
Fixed Income Sales and Trading Net Revenues



Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Capital and Risk

Total Capital vs. VaR



Source: Morgan Stanley SEC filings and 4Q 2004 Financial Supplement.

Invested to Maintain Differentiation

- Asia – China
- Europe
- Capital
- Alternative asset clients
- Corporates

Institutional Securities Primary Goals

- Continued momentum with clients
- Invest in growth markets – Asia, U.K., Eastern Europe
- Provide risk management advice and solutions for clients
 - Build services businesses (Prime Brokerage, MSCI / Barra)
- Further integrate fixed income and equity groups
- Improve capital and risk efficiency
- Attract, retain and leverage the best talent

Appendix: P/E Multiple Category Constituents

Retail Payments

First Data Corporation
Total System Services
Global Payments Inc.
Alliance Data Systems Corporation
Certegy Inc.
I-Payments
ADP

Capital Markets

Lehman Brothers Holdings Inc.
Goldman Sachs Group, Inc.
Bear Stearns Companies Inc.

Commercial Banking

Comerica
JPMorgan Chase
Citigroup

Retail Banking

Wells Fargo & Company
U.S. Bancorp
Fifth Third Bancorp
Wachovia Corporation

Retail Insurance

Allstate Corporation
Progressive Corporation
Safeco Corporation
Mercury General Corporation

Commercial Insurance

American International Group, Inc.
ACE Limited
XL Capital Ltd.
St. Paul Travelers Companies, Inc.

Asset Managers

Alliance Capital Management Holding L.P.
Federated Investors, Inc.
Nuveen Investments, Inc.
Janus Capital Group Inc.
Franklin Resources, Inc.
T. Rowe Price Group, Inc.

Brokerages

A.G. Edwards, Inc.
Raymond James Financial, Inc.
Piper Jaffray

Diversified Financials

American Express Company
CIT Group Inc.
Capital One Financial Corporation
MBNA Corporation
Countrywide Financial Corporation

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