



Annual Meeting of Shareholders

Philip J. Purcell
Chairman & CEO
April 11, 2003








Report on the Company






Robert G. Scott
President & COO
April 11, 2003

Market Conditions – 2002 vs. 2001







Institutional Investors

- Dollar Volume:
 - NYSE  2%
 - NASDAQ  35%
- Volatility:
 - Nasdaq (VIX)  19%
 - Amex QQQ  4%
 - Crude Oil (WTI)  25%





Corporate Market

- M&A Announced  34%
- M&A Completed  47%
- Equity Underwriting  12%
- IPOs  9%
- Investment Grade Issuance  25%

Retail Investors

- Margin Debits  16%
- Fund Flows:
 - Total Long-Term Fund Flows⁽¹⁾  8%
 - Equity Fund Flows⁽²⁾  NMF
- Market Performance:
 - S&P  18%
 - Dow  10%
 - Nasdaq  10%

Credit Cards

- Unemployment rate  5%
- Bankruptcy filings  6%
- Interest Rates:
 - 2-Year Treasury  31%
- Retail Sales  3.1%

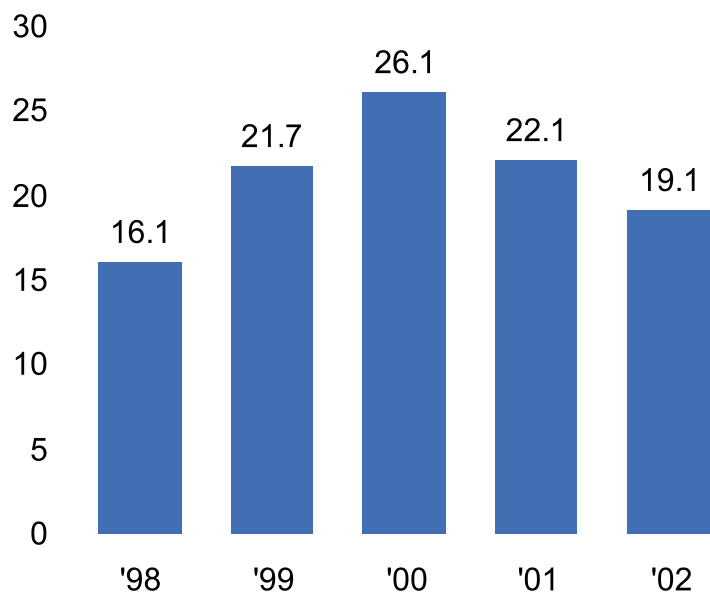
Sources: NYSE, NASDAQ, SIA, Thomson Financial Securities Data, Investment Company Institute, Bloomberg, FactSet

Notes: (1) Fund flows include debt and equity funds

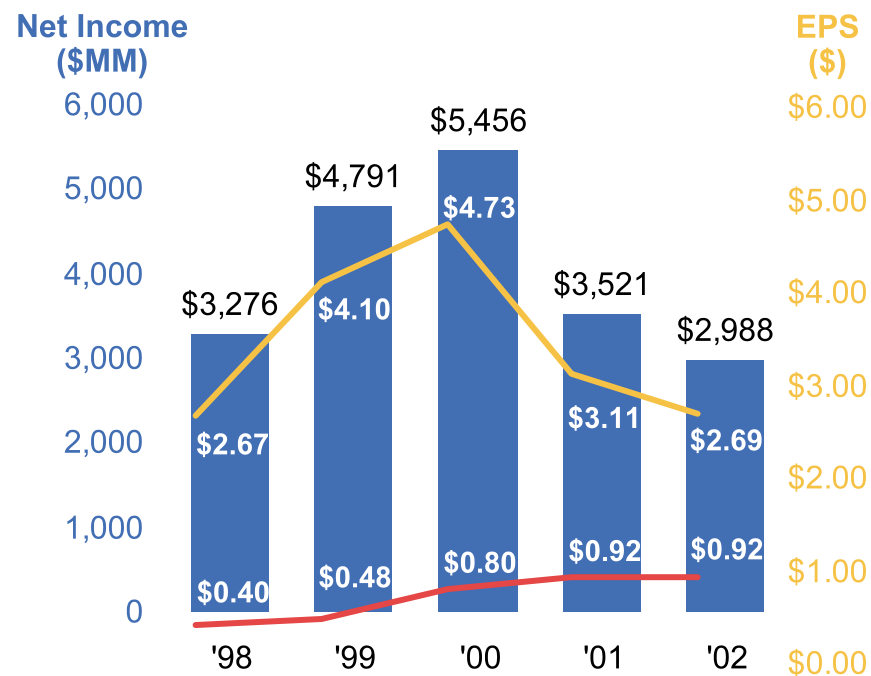
(2) Equity Fund outflows were \$15Bn during 2002 compared to inflows of \$42Bn during 2001

Fiscal 2002 Financial Results

Net Revenues (\$Bn)

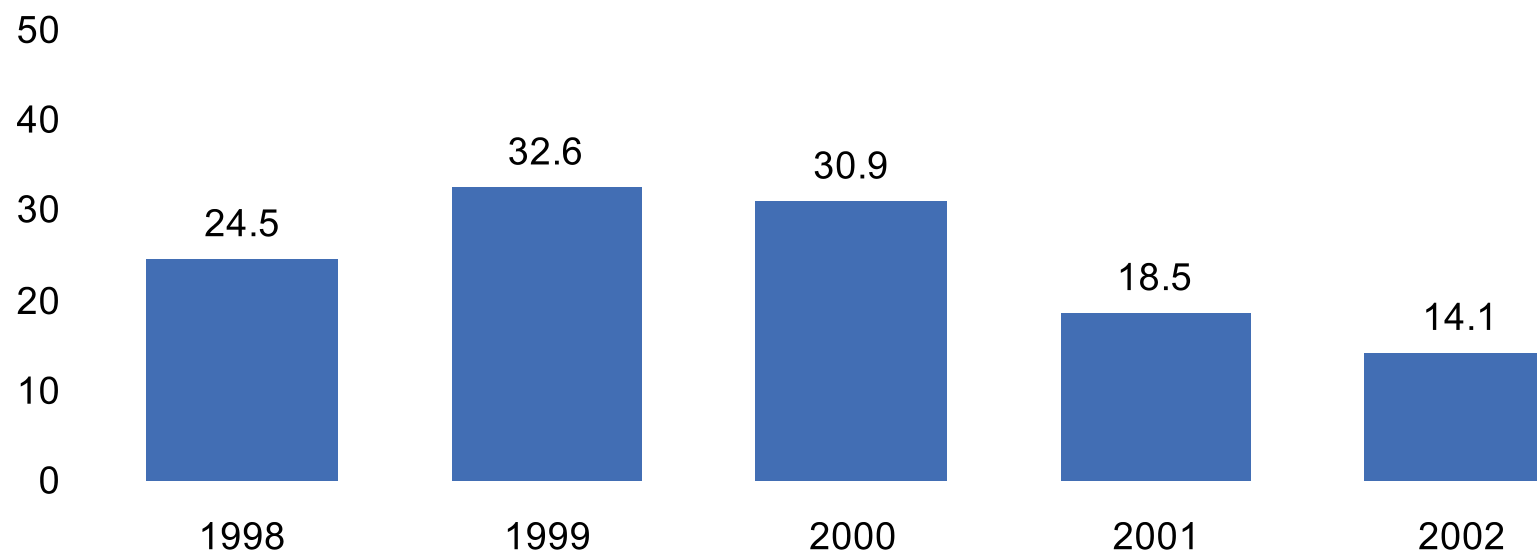


Net Income, EPS and Dividends



Fiscal 2002 Financial Results

Return on Equity (%)



Revenues

2002 Revenues as % of 2001 Revenues

Morgan Stanley	86%
MER	85%
LEH	91%
GS	88%

Source: Company 4Q02 earnings releases

Cost Discipline

	2002 Comp as % of 2001 Comp	2002 Non-Comp as % of 2001 Non-Comp
Morgan Stanley	85%	89%
MER	84%	80%
LEH	91%	107%
GS	86%	94%

Source: Company 4Q02 earnings releases

Note: Excludes restructuring charges, regulatory settlement and 9/11-related costs

Pre-Tax Profit Margins – 2002

Morgan Stanley	25%
LEH	24%
GS	23%
MER	21%

Source: Company filings

Return on Equity

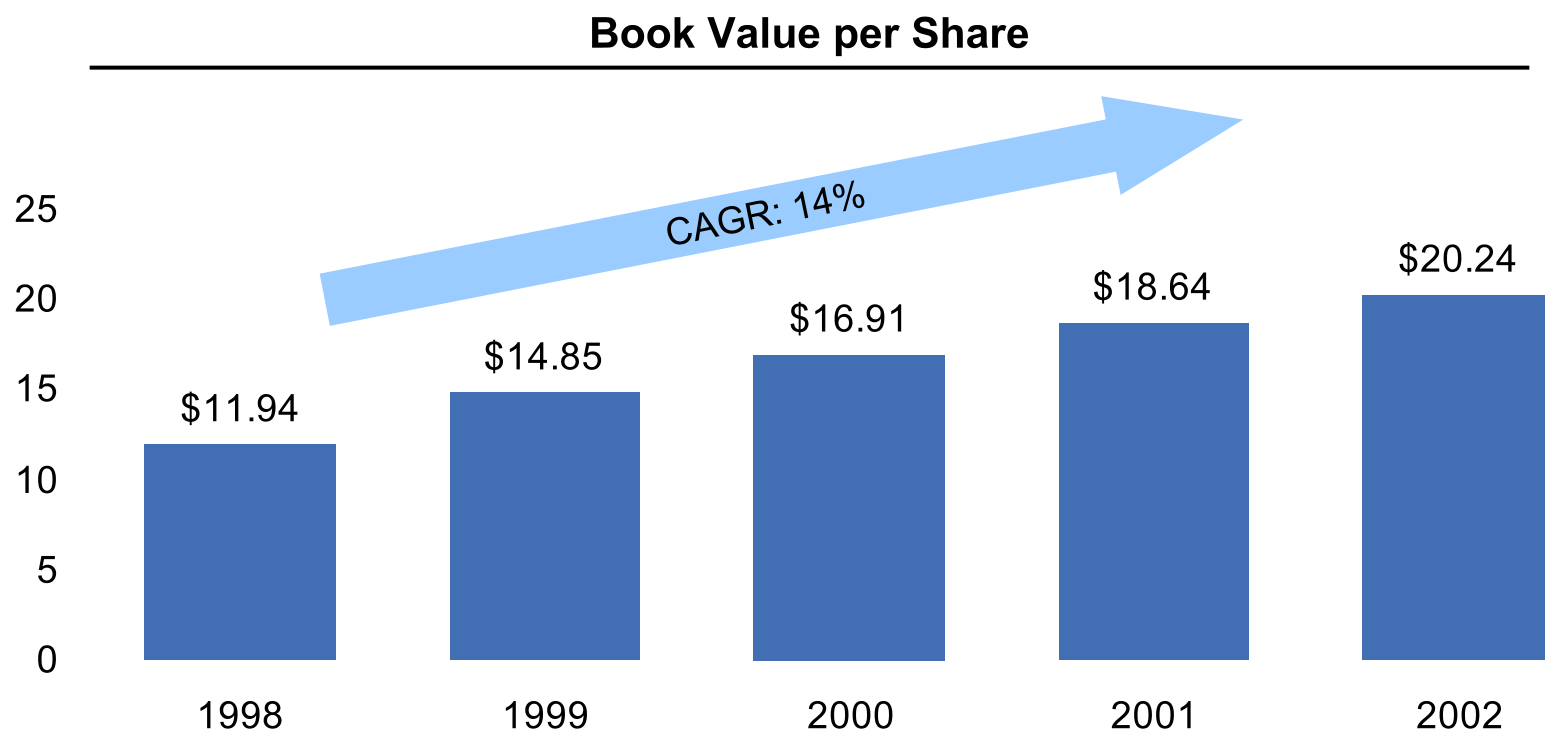
	<u>2002 ROE</u>	<u>Avg. ROE 1997-2002</u>
Morgan Stanley	14.8%	23.6%
MER	12.0%	18.5%
LEH	11.9%	17.9%
GS (1)	11.3%	20.6%

(1) GS 1999-2002 only

Notes: Excludes restructuring charges, regulatory settlement and 9/11-related costs

Source: Company filings

Growth in Morgan Stanley Book Value



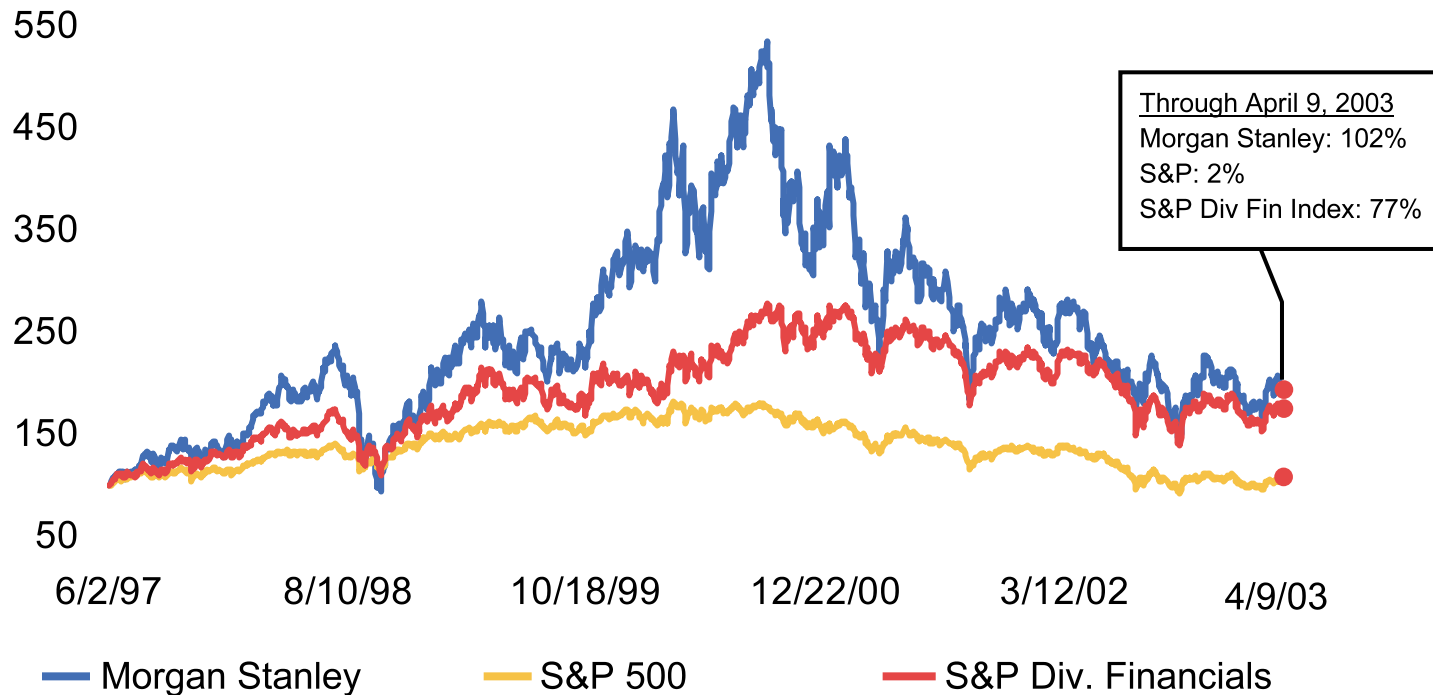
Morgan Stanley Stock Performance

Morgan Stanley Stock Performance



Morgan Stanley Relative Stock Performance






Relative Stock Performance (Indexed)








Source: Bloomberg

Market Conditions – 1Q03 vs. 4Q02







Institutional Investors

- Dollar Volume:
 - NYSE  12%
 - NASDAQ  8%
- Volatility:
 - Nasdaq (VIX)  10%
 - Amex QQQ  10%
 - Crude Oil (WTI)  6%





Corporate Market

- M&A Announced  14%
- M&A Completed  22%
- Equity Underwriting  25%
- IPOs  67%
- Investment Grade Issuance  40%

Retail Investors

- Margin Debits  3%
- Fund Flows:
 - Total Long-Term Fund Flows⁽¹⁾  73%
 - Equity Fund Flows⁽²⁾  18%
- Market Performance:
 - S&P  10%
 - Dow  11%
 - Nasdaq  10%

Credit Cards

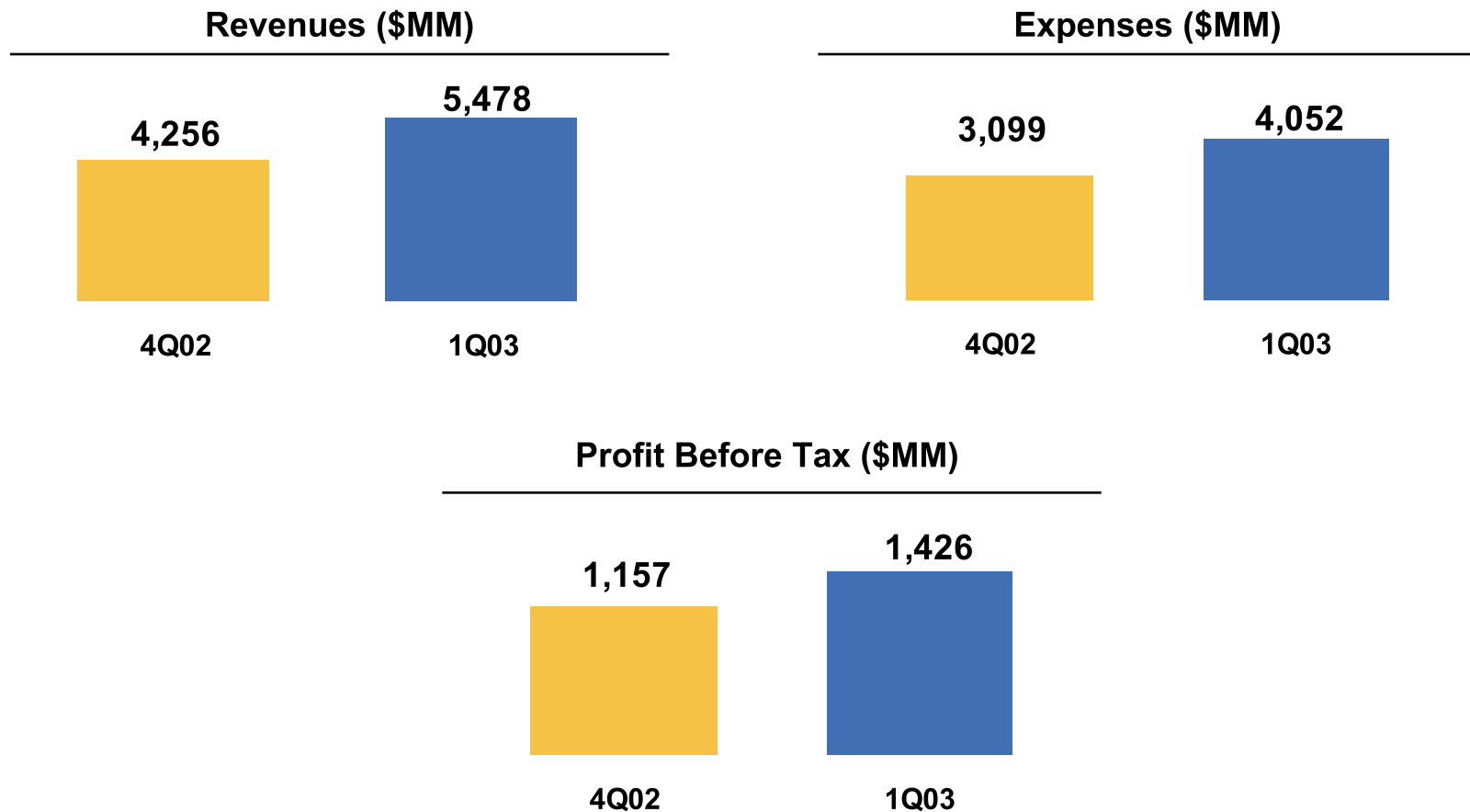
- Unemployment rate  2%
- Bankruptcy filings  8%
- Interest Rates:
 - 2-Year Treasury  15%
- Retail Sales  2%

Sources: NYSE, NASDAQ, SIA, Thomson Financial Securities Data, Investment Company Institute, Bloomberg

Notes: (1) Fund flows include debt and equity funds

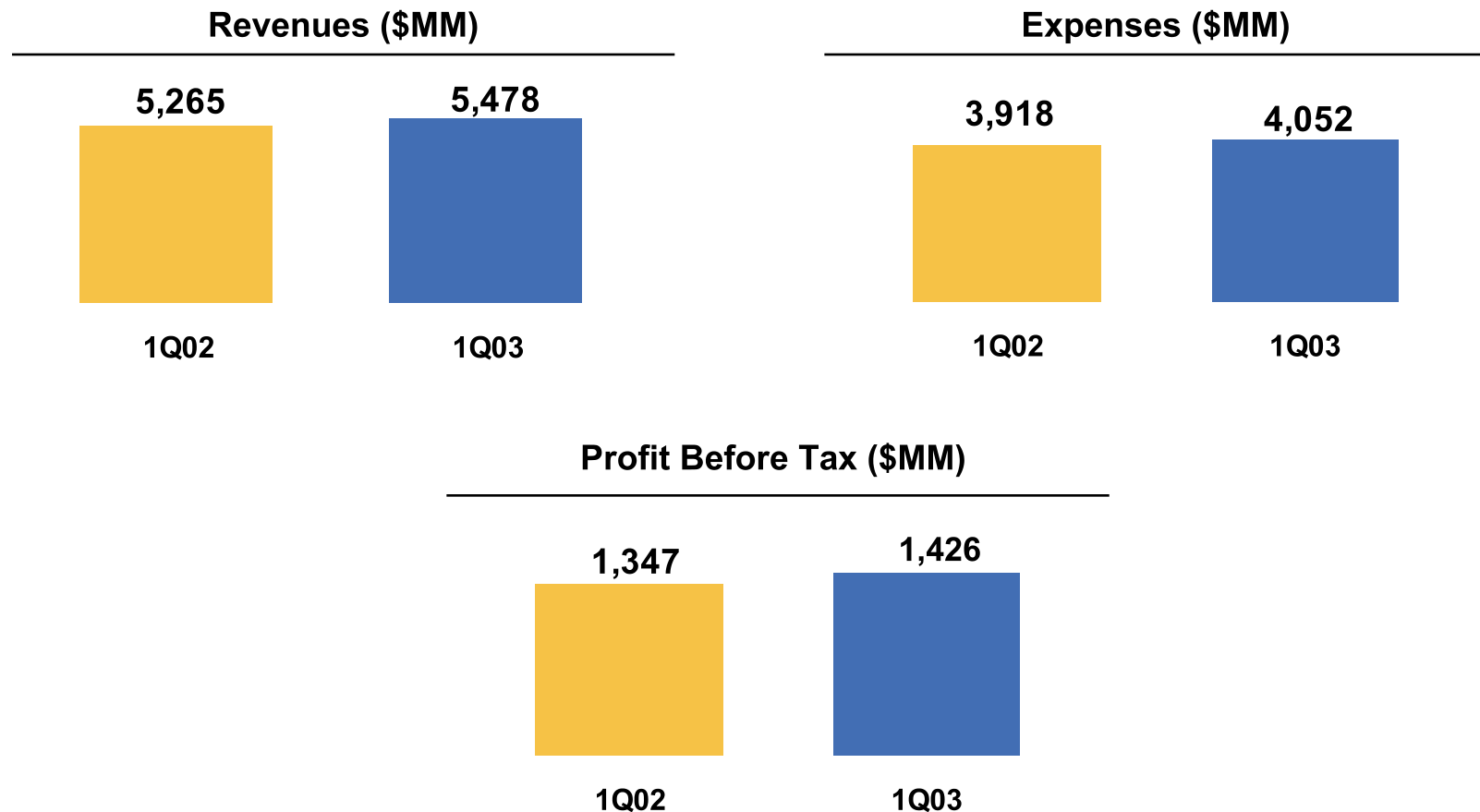
(2) Equity Fund outflows were \$20Bn during 1Q03 compared to outflows of \$17Bn during 4Q02

1Q03 Financial Performance – 1Q03 vs. 4Q02



Source: Morgan Stanley 1Q03 Earnings Financial Supplement

1Q03 Financial Performance – 1Q03 vs. 1Q02



Source: Morgan Stanley 1Q03 Earnings Financial Supplement

Morgan Stanley Market Position – 2002 vs. 1Q03

	<u>FY 2002</u>	<u>1Q03</u>
Institutional Securities		
Global Equity Underwriting	7.4%	16.1%
Rank	5	2
Global Investment Grade Underwriting	7.1%	6.6%
Rank	4	3
Global Announced M&A	18.3%	22.1%
Rank	4	2
Listed Equities	6.5%	6.4%
OTC	3.1%	3.7%
Europe Equities	6.6%	6.7%

Sources: Underwriting and M&A: Thomson Financial. Trading: NYSE and Nasdaq numerator data supplied by internal Morgan Stanley systems (ART); denominator data supplied by Reuters. Morgan Stanley data includes institutional trades only; no retail or proprietary trades are included in the numerator. All data is through February 2003.

Firmwide 2002 Accomplishments

- Intact and enhanced reputation relative to competitors
- Established brand for both Discover and Morgan Stanley
- Highest profitability among major competitors
- Continued strong balance sheet ratios and debt ratings
- No high-priced acquisitions from 1999 and 2000
- Restructured costs and improved profit economics firmwide

Firmwide 2003 Initiatives

- Superior financial performance
- Improve market share across all major businesses
- Positively differentiate the Firm's reputation and brand
- Ensure Firm is well-positioned for industry consolidation
- Manage talent



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