



# 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<sup>(1)</sup>  8%
  - Equity Fund Flows<sup>(2)</sup>  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%

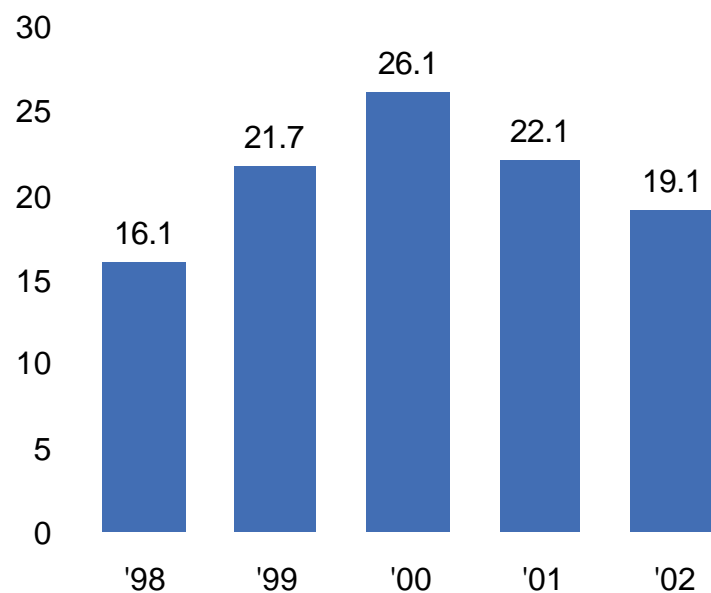
Sources: NYSE, NASDAQ, SIA, Thomson Financial Securities Data, Investment Company Institute, Bloomberg, FactSet

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

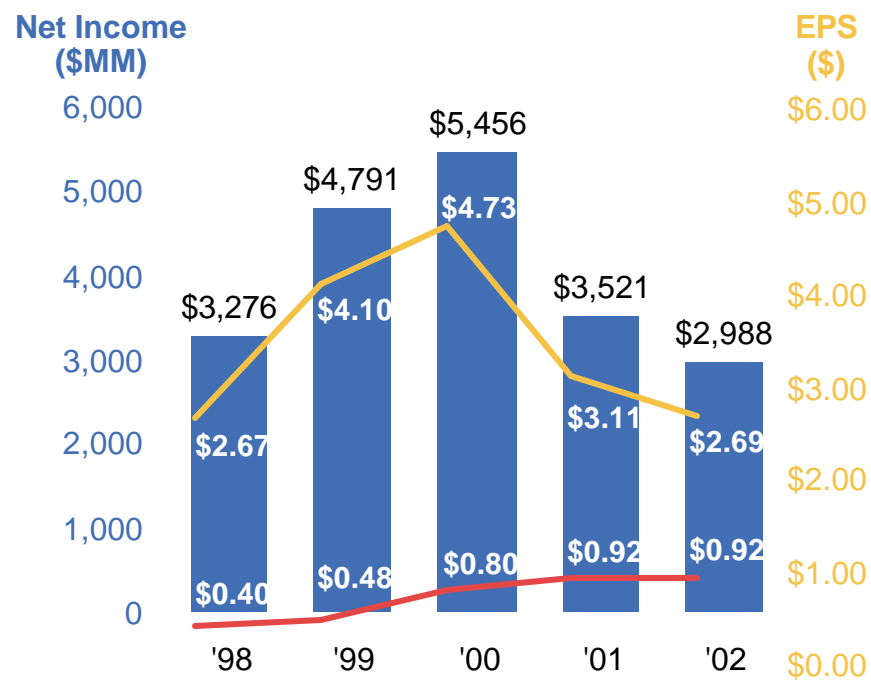
(2) Equity Fund outflows were \$15Bn during 2002 compared to inflows of \$42Bn during 2001

# Fiscal 2002 Financial Results

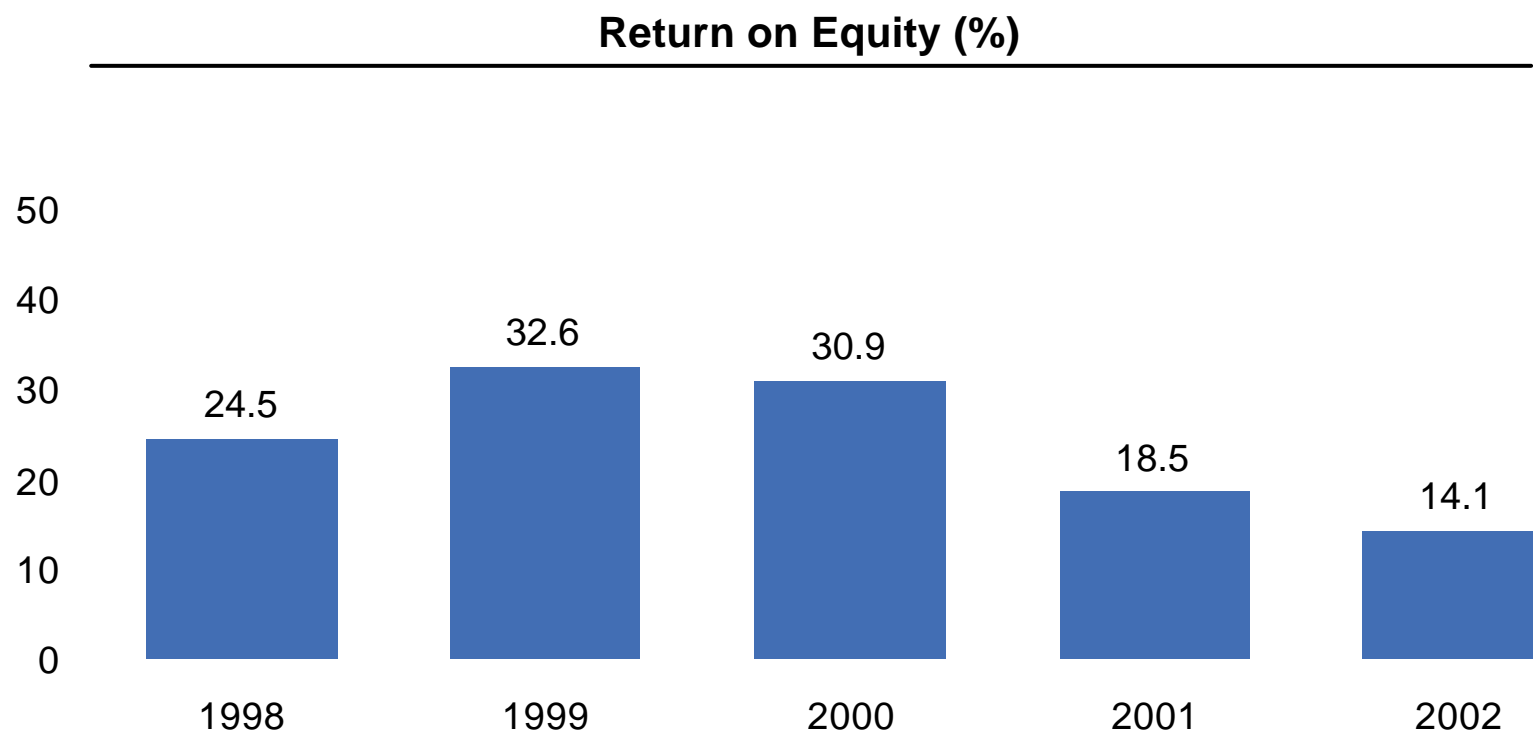
**Net Revenues (\$Bn)**



**Net Income, EPS and Dividends**



# Fiscal 2002 Financial Results



# Revenues

## **2002 Revenues as % of 2001 Revenues**

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

Source: Company 4Q02 earnings releases

# Cost Discipline

	<b>2002 Comp as % of 2001 Comp</b>	<b>2002 Non-Comp as % of 2001 Non-Comp</b>
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

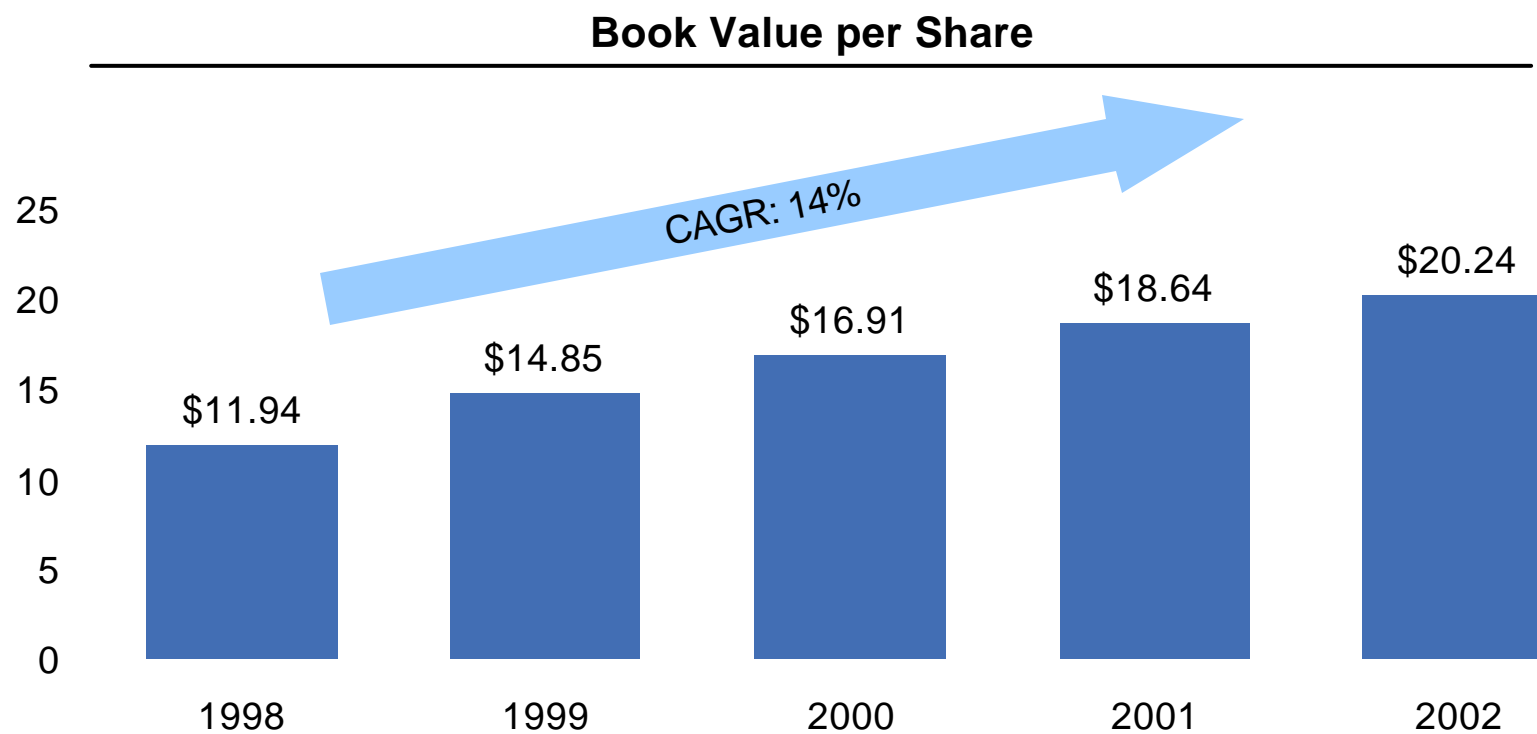
	<u>2002 ROE</u>	<u>Avg. ROE 1997-2002</u>
Morgan Stanley	14.8%	23.6%
MER	12.0%	18.5%
LEH	11.9%	17.9%
GS <sup>(1)</sup>	11.3%	20.6%

(1) GS 1999-2002 only

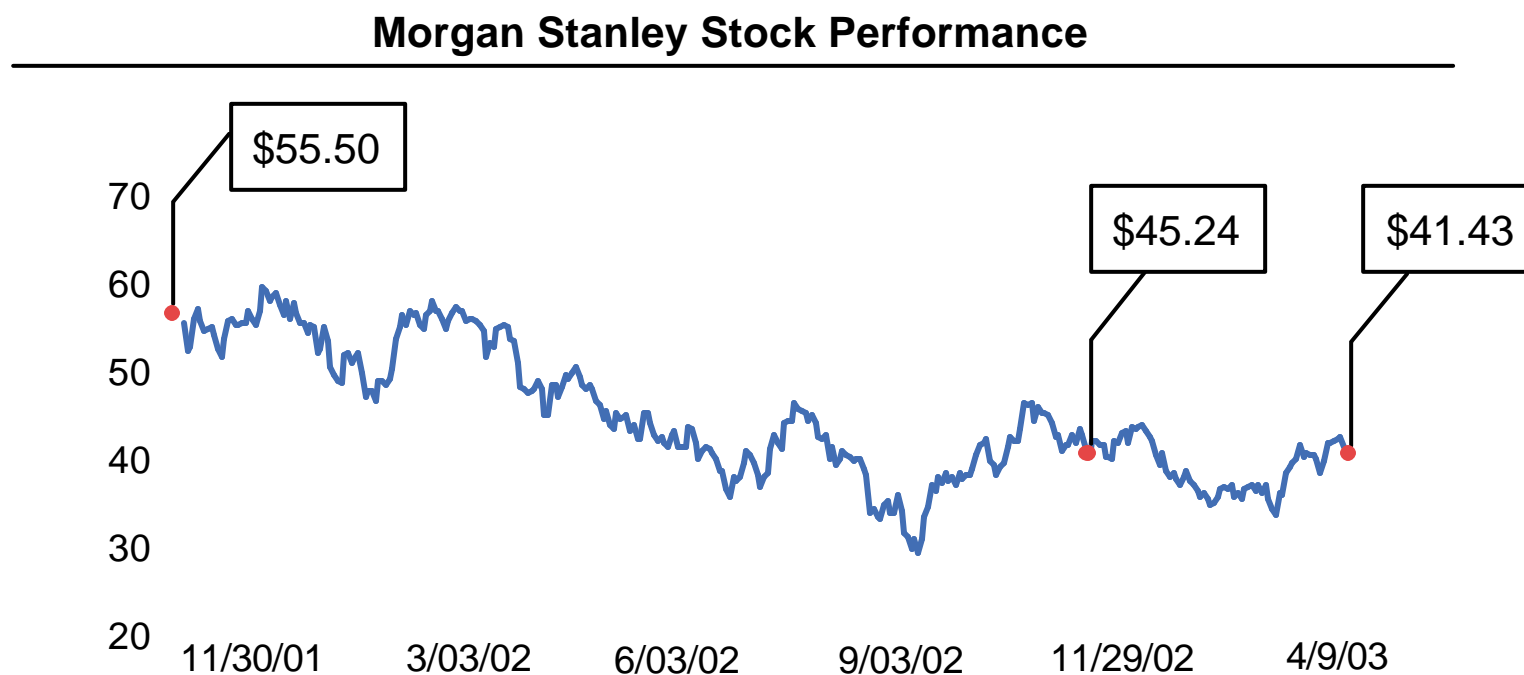
Notes: Excludes restructuring charges, regulatory settlement and 9/11-related costs

Source: Company filings

# Growth in Morgan Stanley Book Value

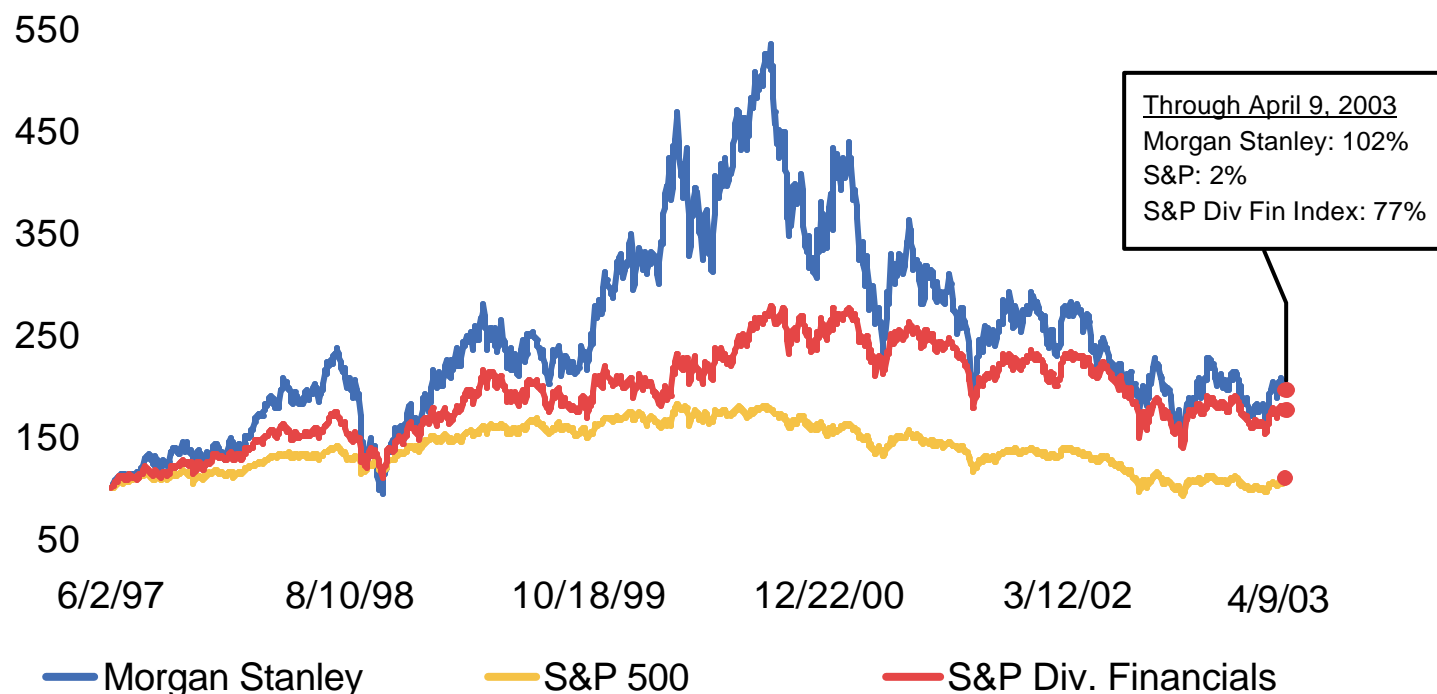


# Morgan Stanley Stock Performance



# Morgan Stanley Relative Stock Performance






**Relative Stock Performance (Indexed)**








Source: Bloomberg

# Market Conditions – 1Q03 vs. 4Q02







## Institutional Investors

- Dollar Volume:
  - NYSE 
  - NASDAQ 
- Volatility:
  - Nasdaq (VIX) 
  - Amex QQQ 
  - Crude Oil (WTI) 





## Corporate Market

- M&A Announced 
- M&A Completed 
- Equity Underwriting 
- IPOs 
- Investment Grade Issuance 

## Retail Investors

- Margin Debits 
- Fund Flows:
  - Total Long-Term Fund Flows<sup>(1)</sup> 
  - Equity Fund Flows<sup>(2)</sup> 
- Market Performance:
  - S&P 
  - Dow 
  - Nasdaq 

## Credit Cards

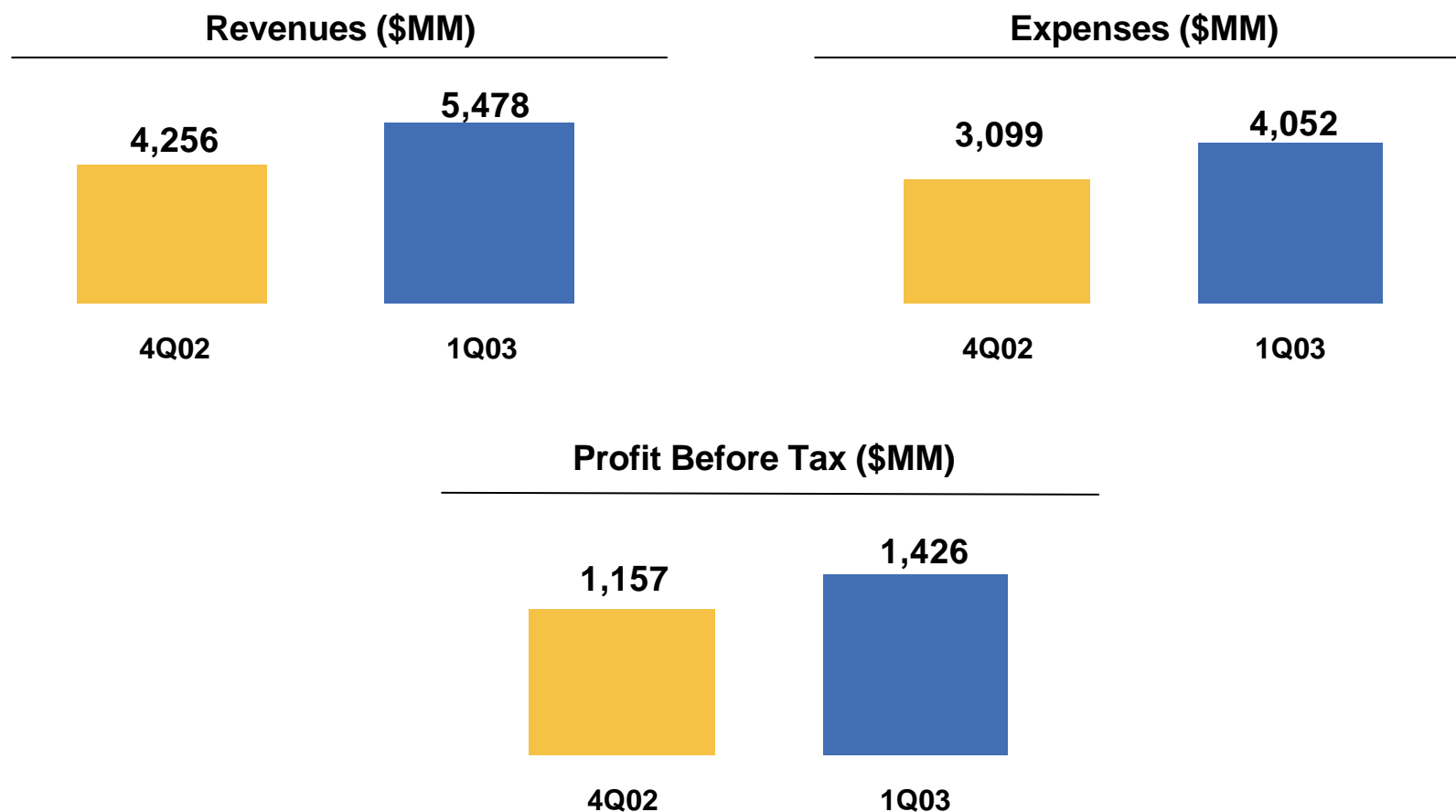
- Unemployment rate 
- Bankruptcy filings 
- Interest Rates:
  - 2-Year Treasury 
- Retail Sales 

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

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

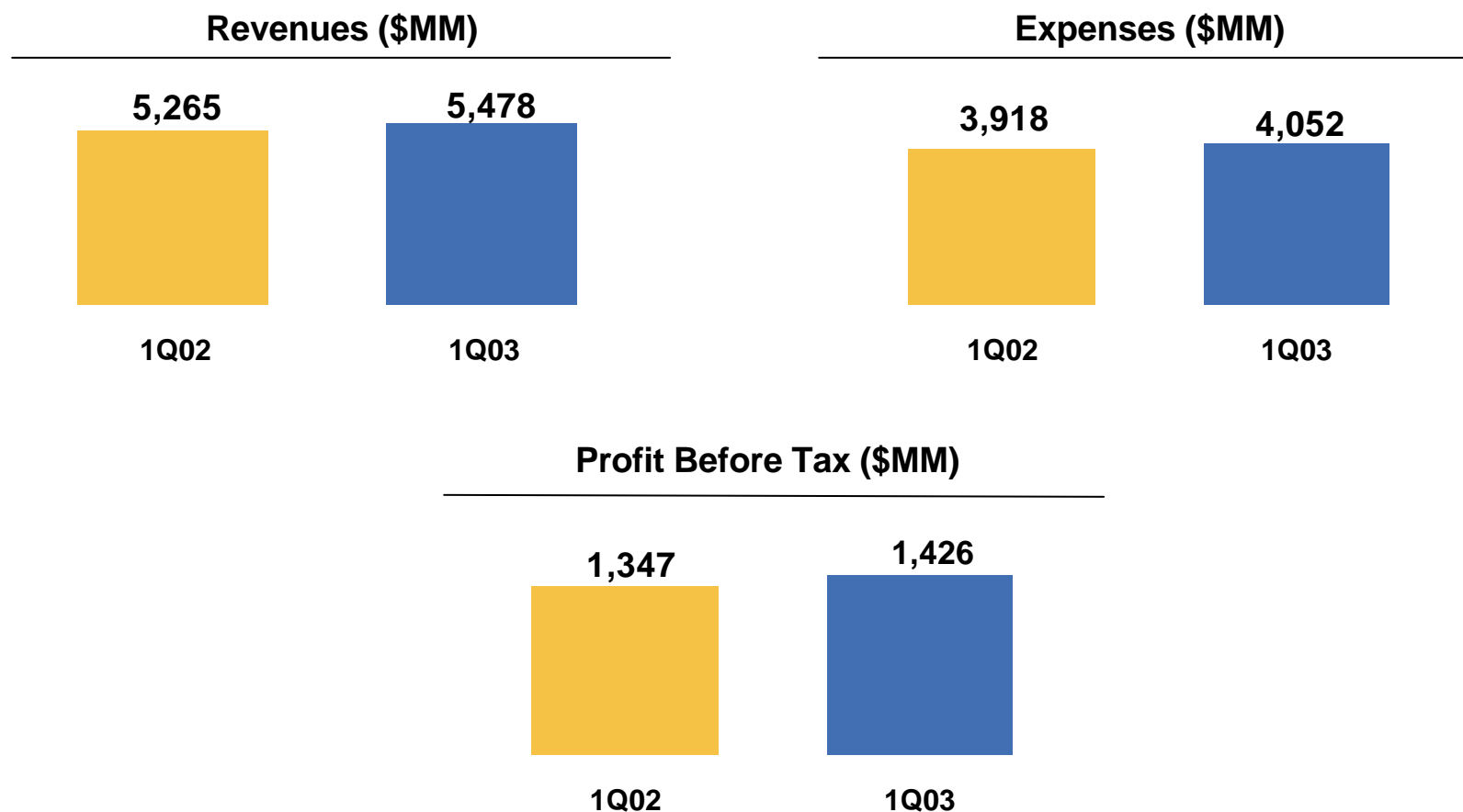
(2) Equity Fund outflows were \$20Bn during 1Q03 compared to outflows of \$17Bn during 4Q02

# 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>
<b>Institutional Securities</b>		
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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