



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	Corporate Market	Retail Investors	Credit Cards
<ul style="list-style-type: none"> Dollar Volume: <ul style="list-style-type: none"> NYSE NASDAQ Volatility: <ul style="list-style-type: none"> Nasdaq (VIX) Amex QQQ Crude Oil (WTI) 	<ul style="list-style-type: none"> M&A Announced M&A Completed Equity Underwriting IPOs Investment Grade Issuance 	<ul style="list-style-type: none"> Margin Debits Fund Flows: <ul style="list-style-type: none"> Total Long-Term Fund Flows⁽¹⁾ Equity Fund Flows⁽²⁾ Market Performance: <ul style="list-style-type: none"> S&P Dow Nasdaq 	<ul style="list-style-type: none"> Unemployment rate Bankruptcy filings Interest Rates: <ul style="list-style-type: none"> 2-Year Treasury Retail Sales

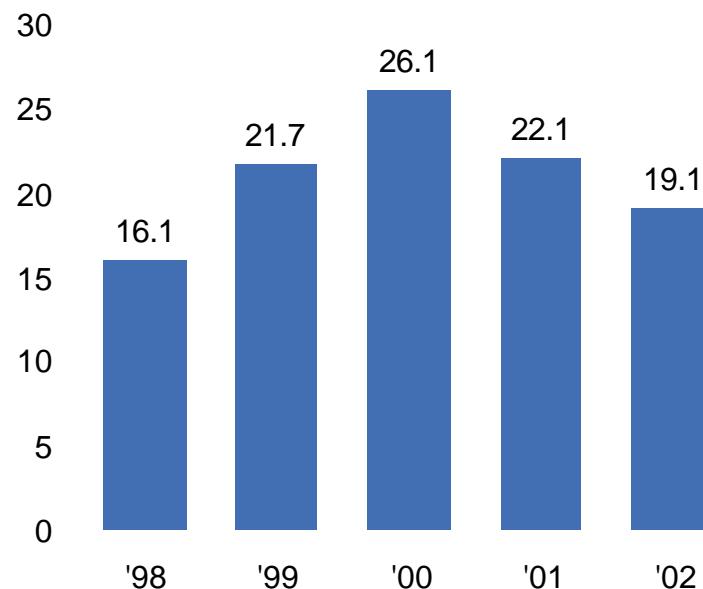
Sources: NYSE, NASDAQ, SIA, Thomson Financial Securities Data, Investment Company Institute, Bloomberg, FactSet

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

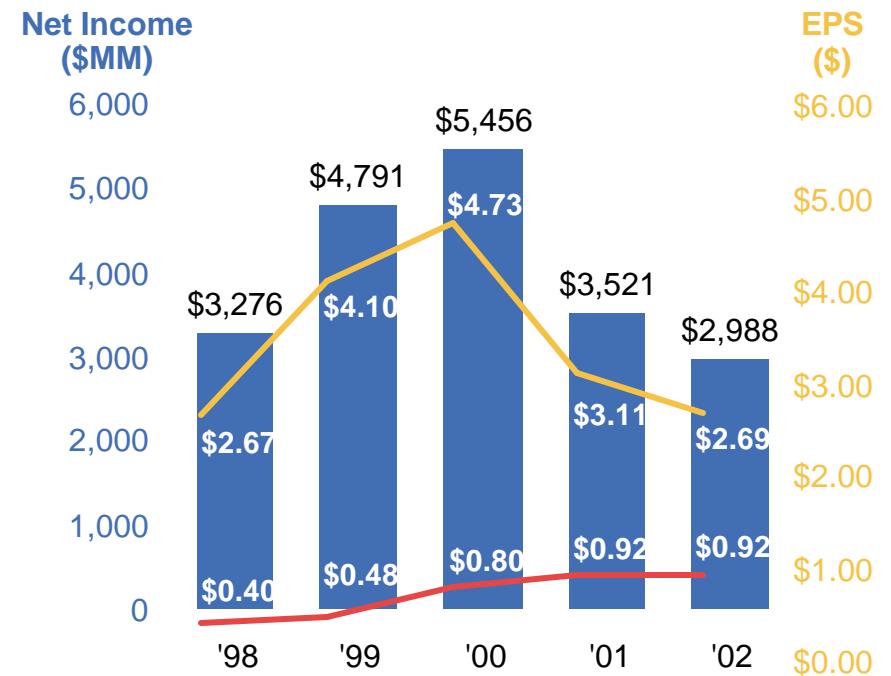
(2) Equity Fund outflows were \$15Bn during 2002 compared to inflows of \$42Bn during 2001

Fiscal 2002 Financial Results

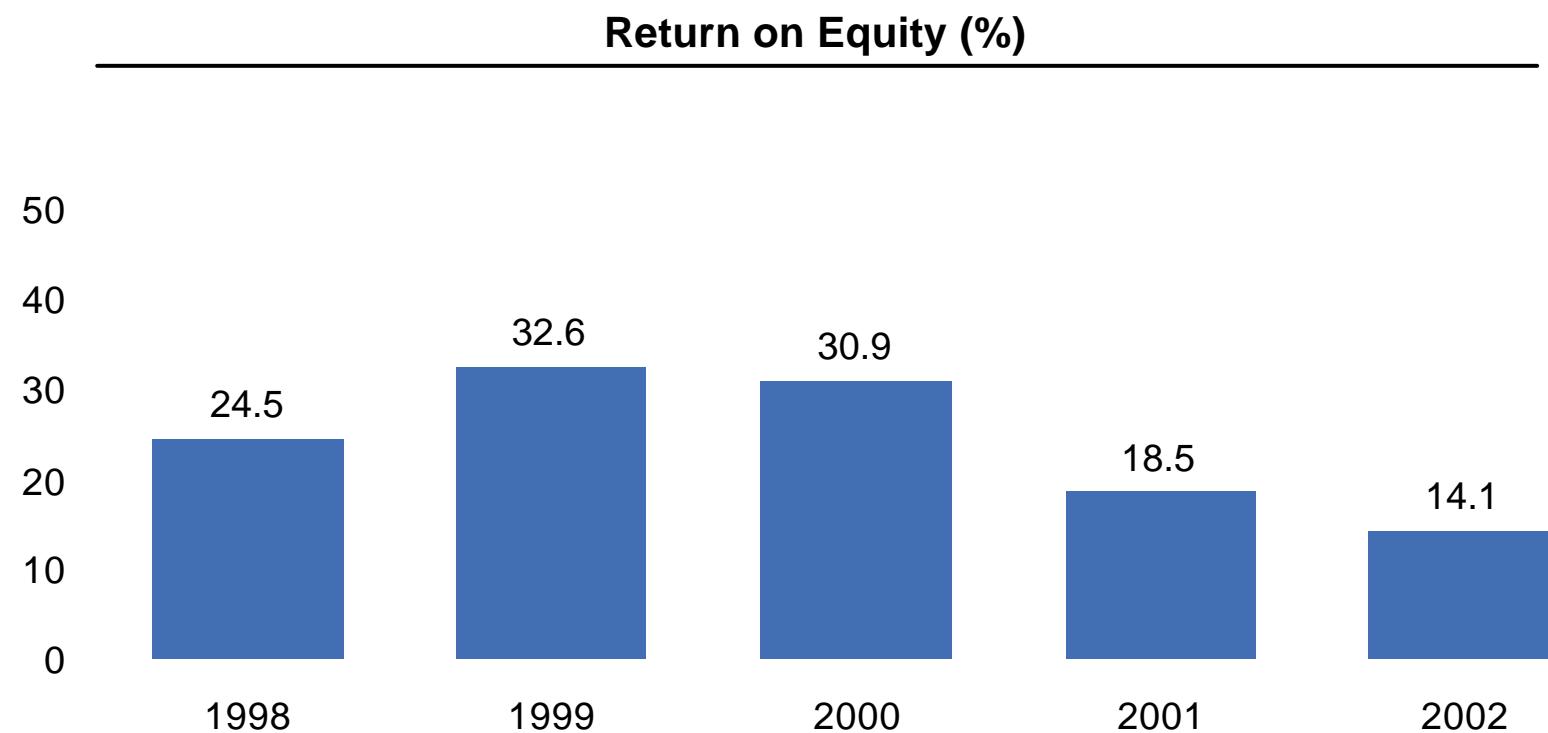
Net Revenues (\$Bn)



Net Income, EPS and Dividends



Fiscal 2002 Financial Results



Revenues

2002 Revenues as % of 2001 Revenues

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

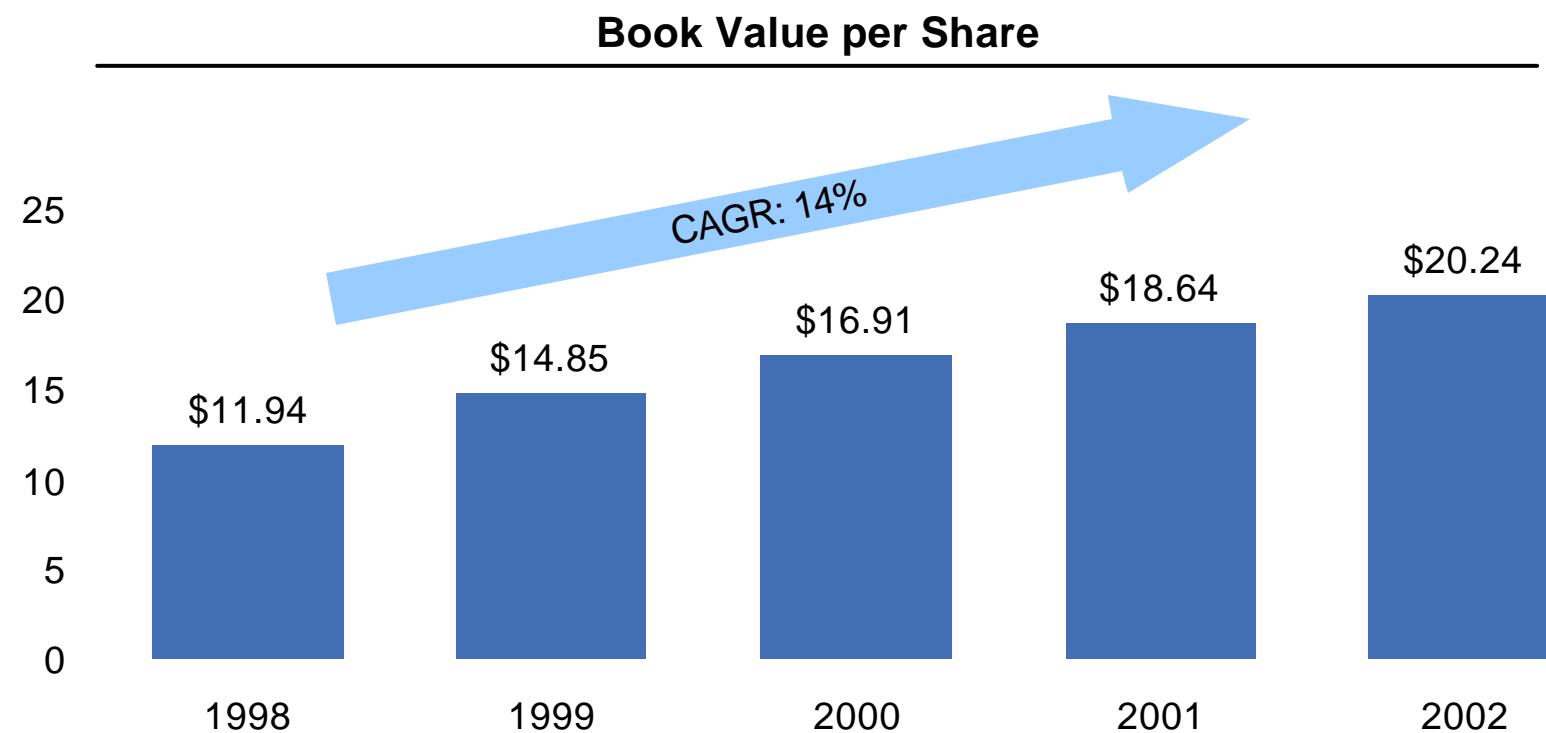
	<u>2002 ROE</u>	<u>Avg. ROE 1997-2002</u>
Morgan Stanley	14.8%	23.6%
MER	12.0%	18.5%
LEH	11.9%	17.9%
GS ⁽¹⁾	11.3%	20.6%

(1) GS 1999-2002 only

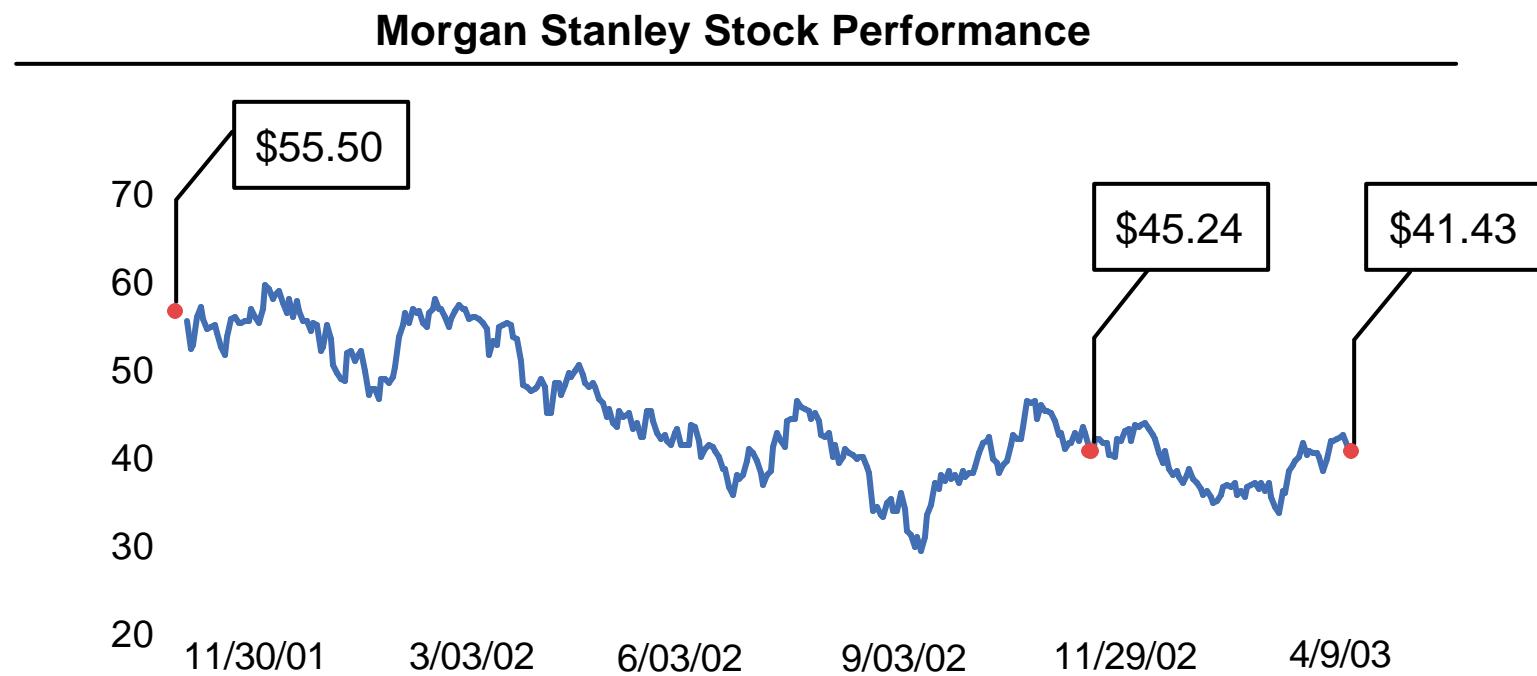
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Source: Company filings

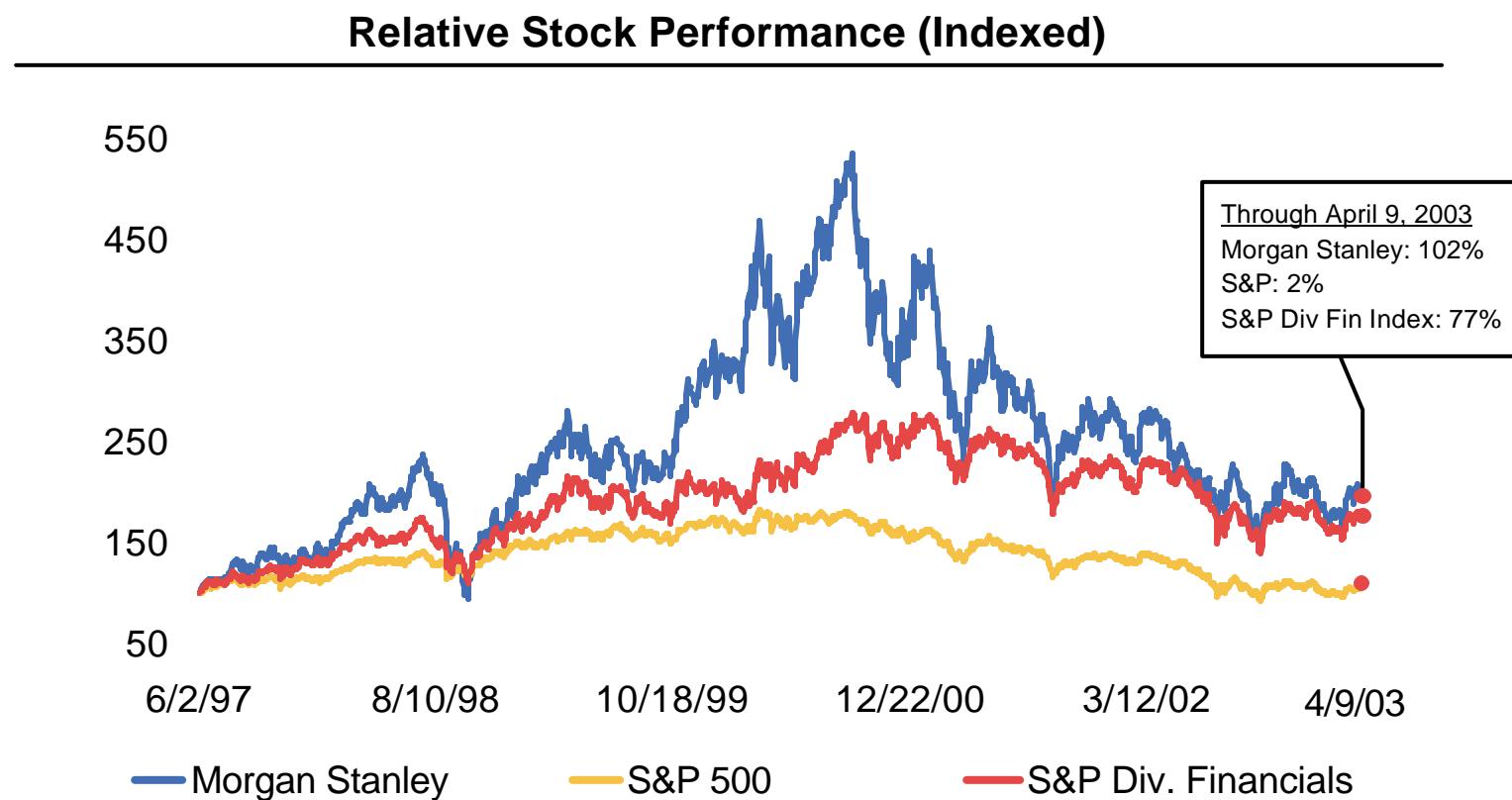
Growth in Morgan Stanley Book Value



Morgan Stanley Stock Performance



Morgan Stanley Relative Stock Performance



Source: Bloomberg

Market Conditions – 1Q03 vs. 4Q02

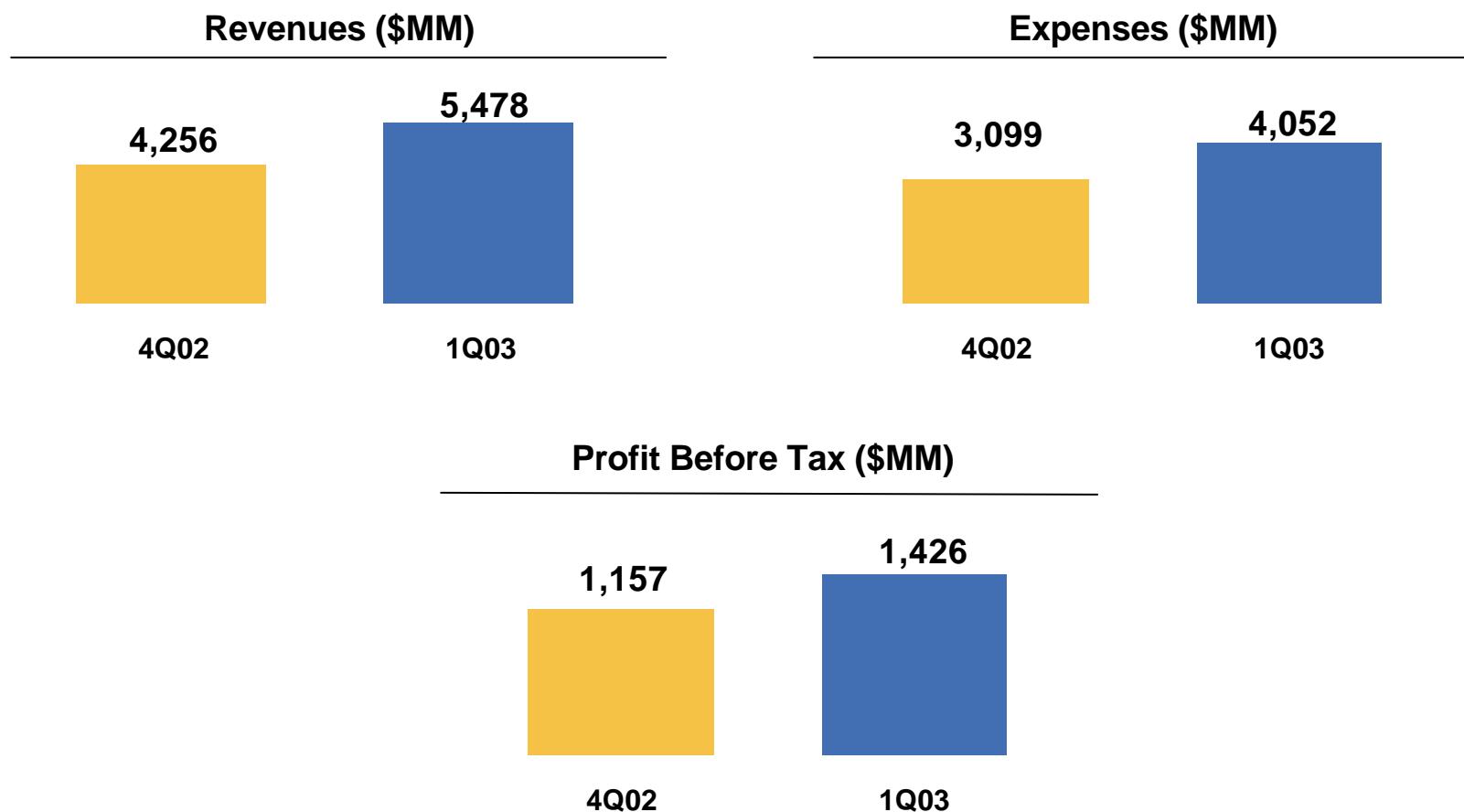
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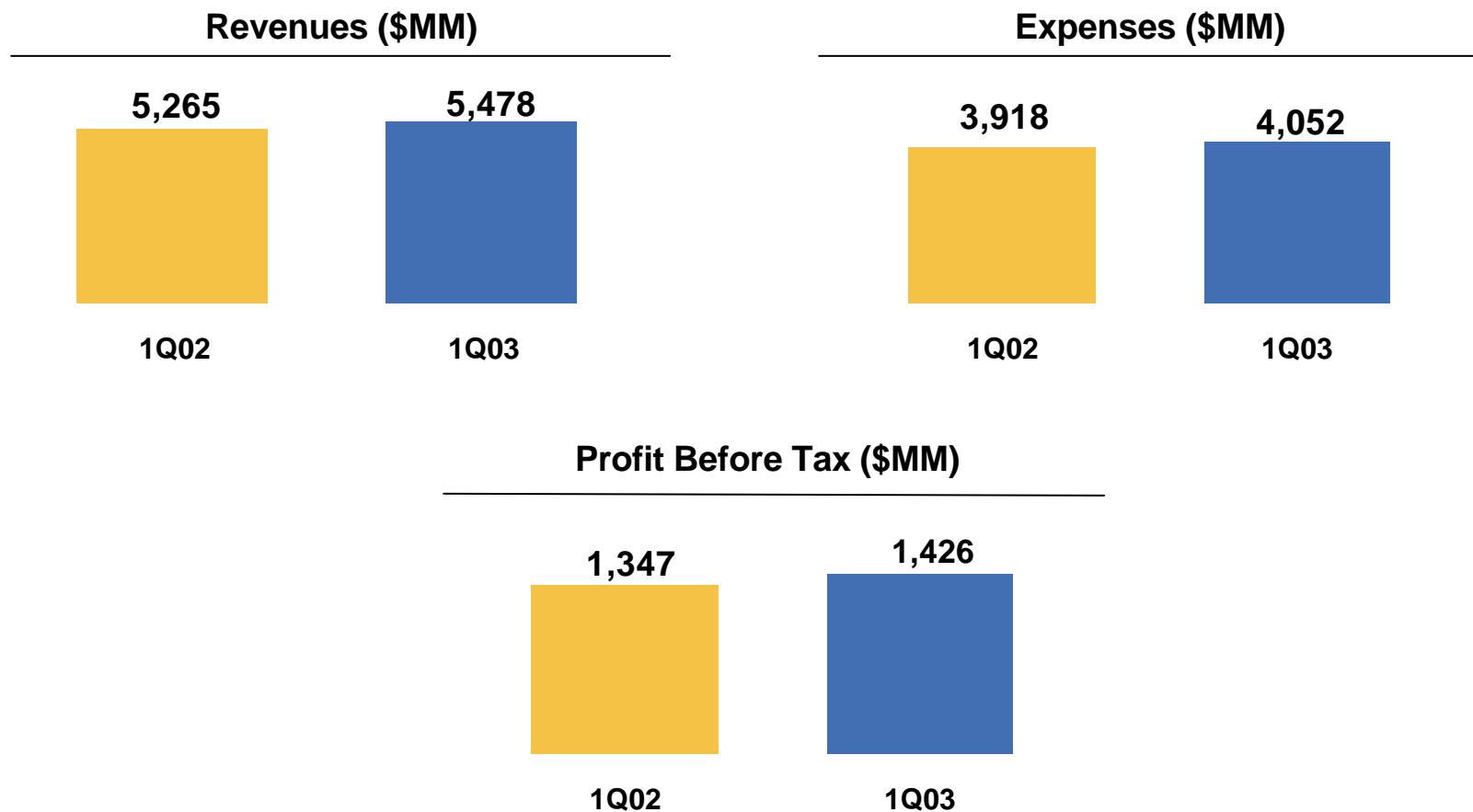
(2) Equity Fund outflows were \$20Bn during 1Q03 compared to outflows of \$17Bn during 4Q02

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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