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Morgan Stanley Investment Management

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Consolidated Financial Highlights

SEC P/L View (\$MM)

	Full Year		Variance
	2003	2002	
Net Revenues	\$20,857	\$19,120	9%
Compensation Expense	8,545	7,940	8%
Non-compensation Expense ⁽¹⁾	6,545	6,460	1%
PBT	5,767	4,720	22%
Net Income	\$3,787	\$2,988	27%
Diluted EPS	\$3.45	\$2.69	28%
ROE	16.5%	14.1%	

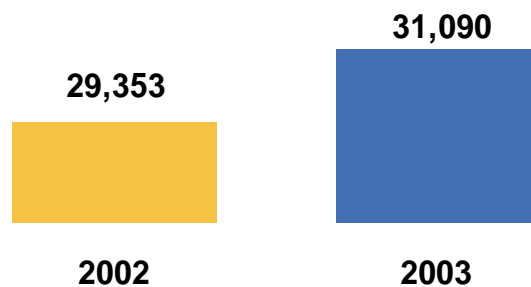
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Note: (1) 2002 includes \$235 million restructuring charge

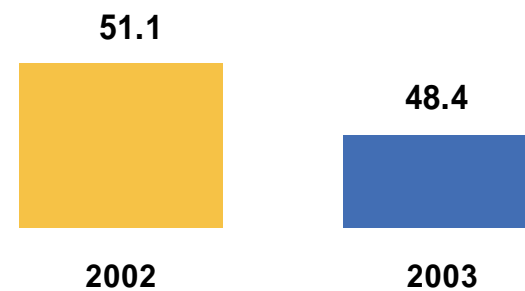
Credit Services

Credit Services – 2003 Developments

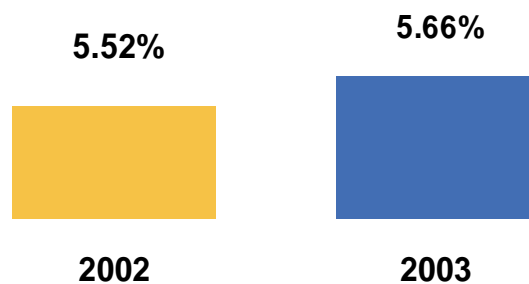
Weekly Average Bankruptcies



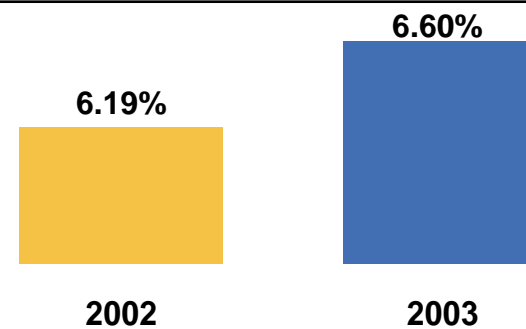
Discover Loan Balances (\$Bn)⁽¹⁾



Peer Group Average Loss Rates⁽²⁾



Discover Loss Rates



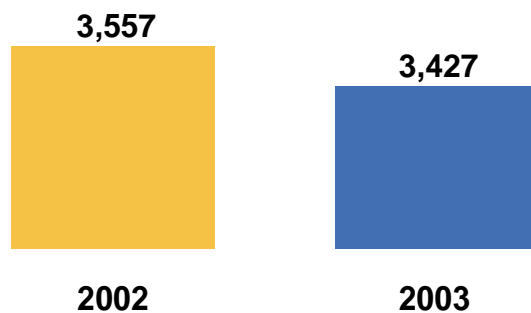
Sources: Morgan Stanley 4Q03 Earnings Financial Supplement, Company Filings and Morgan Stanley Equity Research

Notes: (1) Period End Owned Credit Card Loans were \$22.2Bn and \$18.9Bn at 11/30/02 and 11/30/03 respectively

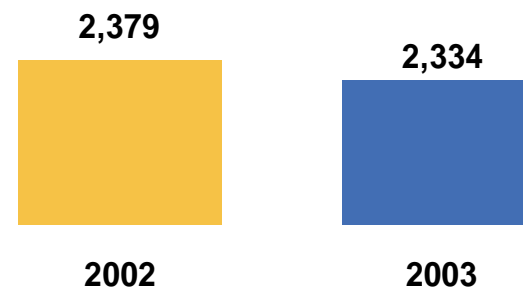
(2) Peer Group is a Calendar year weighted average of 7 peers: Citigroup, MBNA, Bank One, Capital One, JPM Chase, AMEX and Bank of America

Credit Services Financial Performance

Revenues (\$MM)



Expenses (\$MM)



Profit Before Tax (\$MM)

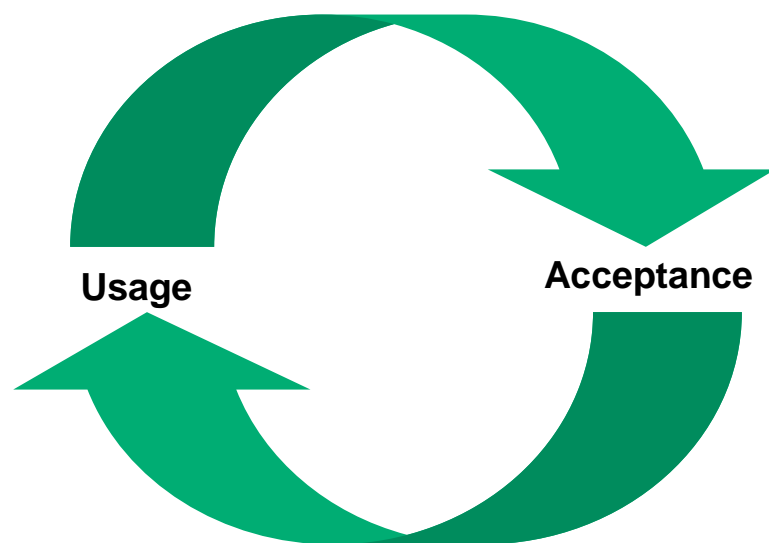


Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Credit Services 2003 Accomplishments

- Meaningful progress on credit quality
 - Decline in 30+ and 90+ day delinquency volumes over course of year
- Signed 600,000 new merchants
 - McDonald's, Starbucks, AIG
- Added quality CashBack Bonus partners
 - Bed Bath & Beyond, Budget, Sprint
- Launched innovative new products
 - Gasoline Card with up to 10% back
 - Miles Card
 - CashBack Bonus Inverted Tier Card
- Growth in International cards and mortgage business

Credit Services 2004 Initiatives

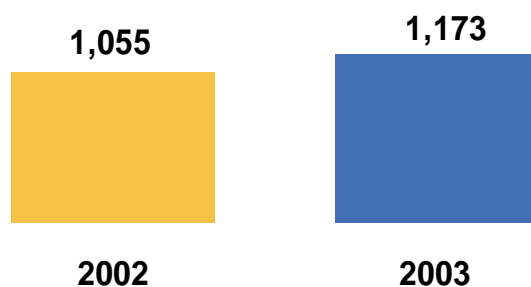


- Leverage Discover brand and CashBack Bonus to grow retail volume
- Significantly increase total and exclusive network acceptance
- Improve portfolio credit quality
- Achieve operating expense reductions
- Grow International and Mortgage businesses

Institutional Securities

Institutional Securities 2003 Developments

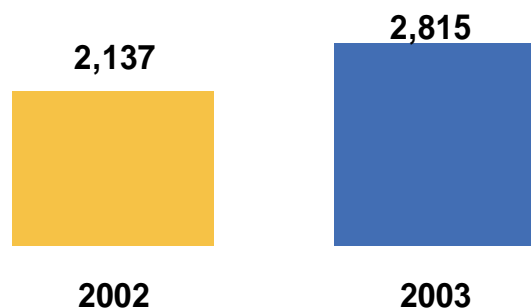
Global Announced Merger & Acquisition (\$Bn)



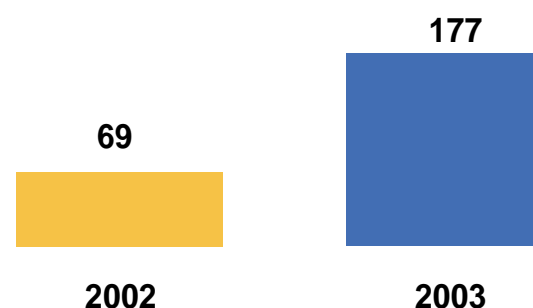
Global Equity Underwriting (\$Bn)



Global Investment Grade Debt (\$Bn)



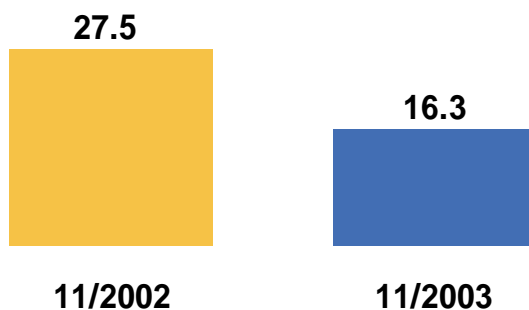
Global High Yield Debt (\$Bn)



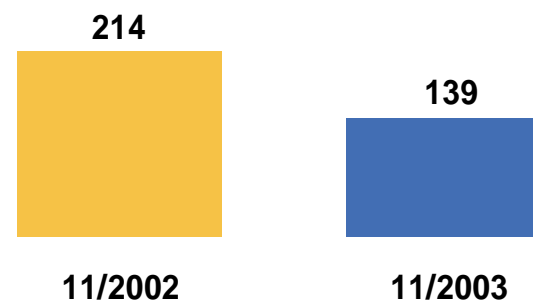
Sources: Thomson Financial – Calendar YTD January 1 - December 31, 2003

Institutional Securities 2003 Developments

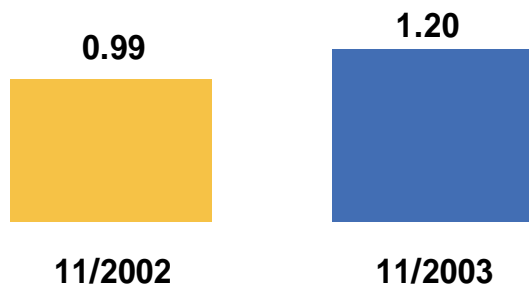
Volatility Index (VIX)



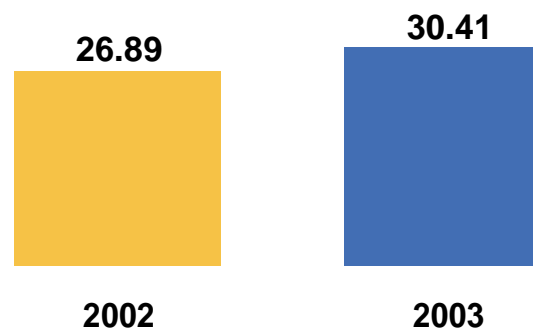
10 Year BBB Credit Spread



Euro/USD Exchange Rate



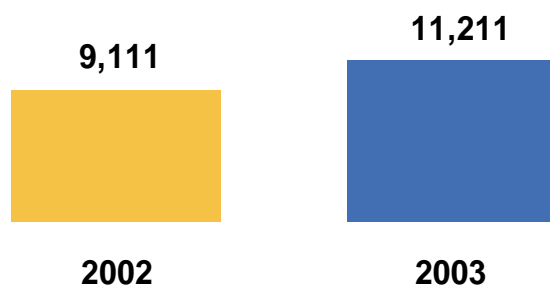
WTI 1-Month (\$/Barrel)



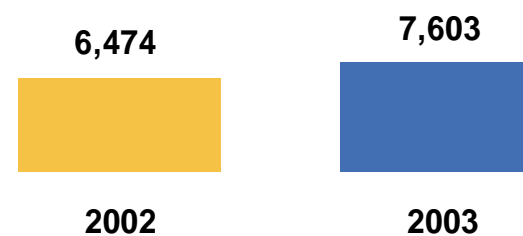
Sources: Factset, MSCI, Bloomberg

Institutional Securities Financial Performance

Revenues (\$MM)



Expenses (\$MM)



Profit Before Tax (\$MM)



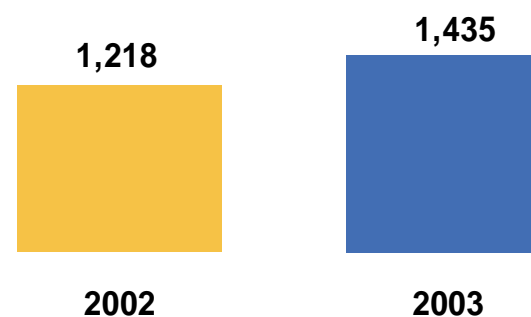
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Institutional Securities Financial Performance

Advisory Revenues (\$MM)



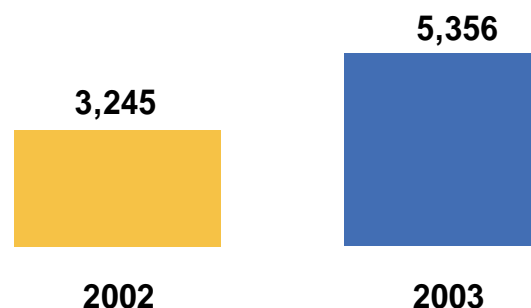
Underwriting Revenues (\$MM)



Equity Sales & Trading Net Revenues (\$MM)



Fixed Income Sales & Trading Net Revenues (\$MM)



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Institutional Securities 2003 Accomplishments

- Increased Client Share: Executing on Differentiation
- Capitalized on Market-Making Opportunities
- Efficiency Enhancements

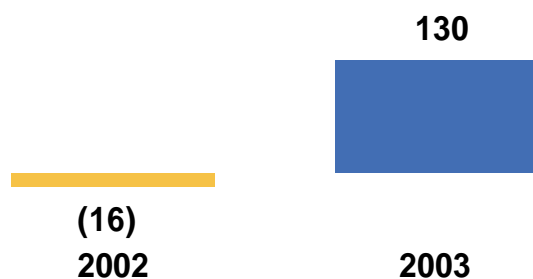
Institutional Securities 2004 Initiatives

- Continue Momentum in Client Share
- Develop “Smarter” Capital Usage
- Establish Lower-Cost Processing Platform

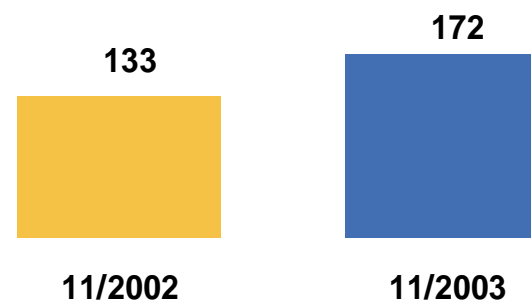
Individual Investor Group

Individual Investor Group 2003 Developments

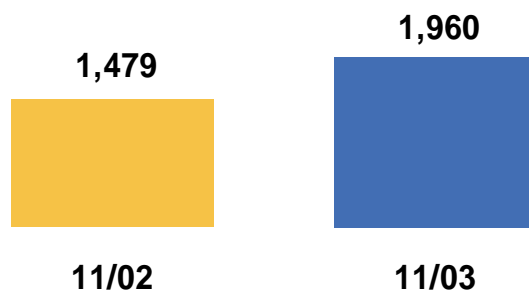
Industry Equity Fund Flows (\$Bn)



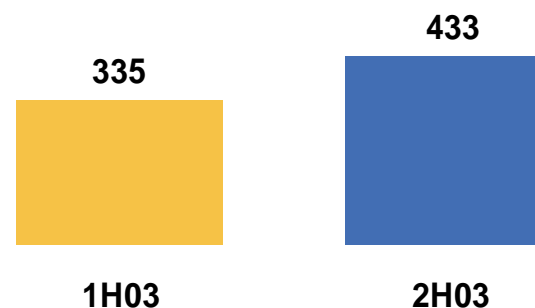
Industry Margin Debits (\$Bn)



NASDAQ Index Level



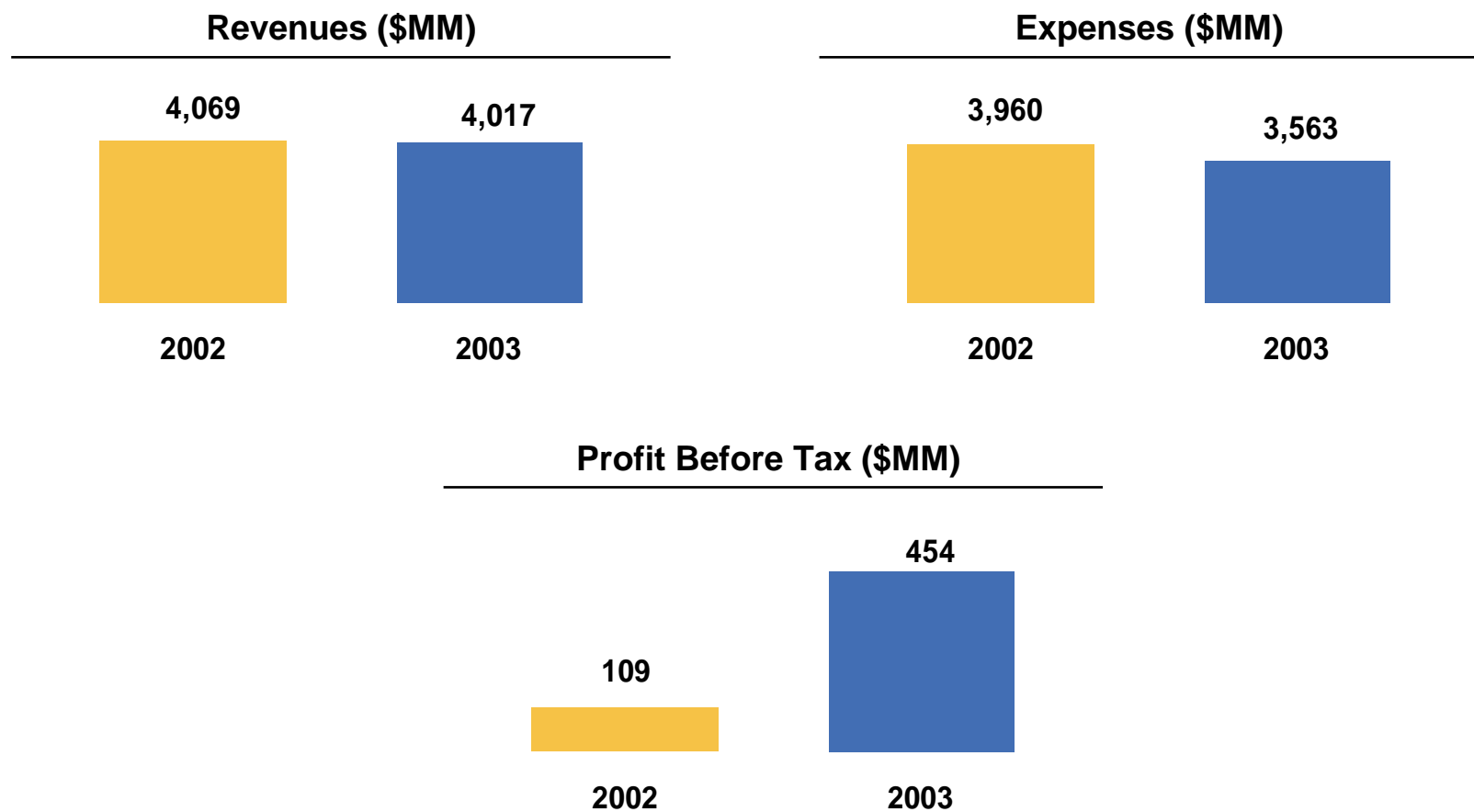
Online Daily Average Revenue Trades⁽¹⁾ ('000s)



Sources: Investment Company Institute, NASDAQ, NYSE, company filings

Note: (1) Average of Sum of Monthly Reported Data by Charles Schwab Corp, TD Waterhouse and Ameritrade Corp.

Individual Investor Group Financial Performance



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

2003 Accomplishments

- Reorganized IIG around client segments
- Created single sales organization out of PWM and IAS
- Created 70 market complexes
- Combined investment strategy, products and marketing into Client Solutions
- Training FAs/IRs to improve advice model
 - Wealth Advisors program
 - Launched ClientOne pilots
 - Launched PWM Expertise Exchange
- Introduced client “tiered benefits”
 - Platinum, Gold, Blue
- Increased PBT and margins substantially

Individual Investor Group 2004 Initiatives





- Continue client focus
- Grow the business
 - Assets, particularly fee-based
 - FA trainees and recruits
 - Platinum and Gold Households
 - Margins and Earnings
- Continue execution of segmented strategy & organization
- Maintain strict expense control

Investment Management

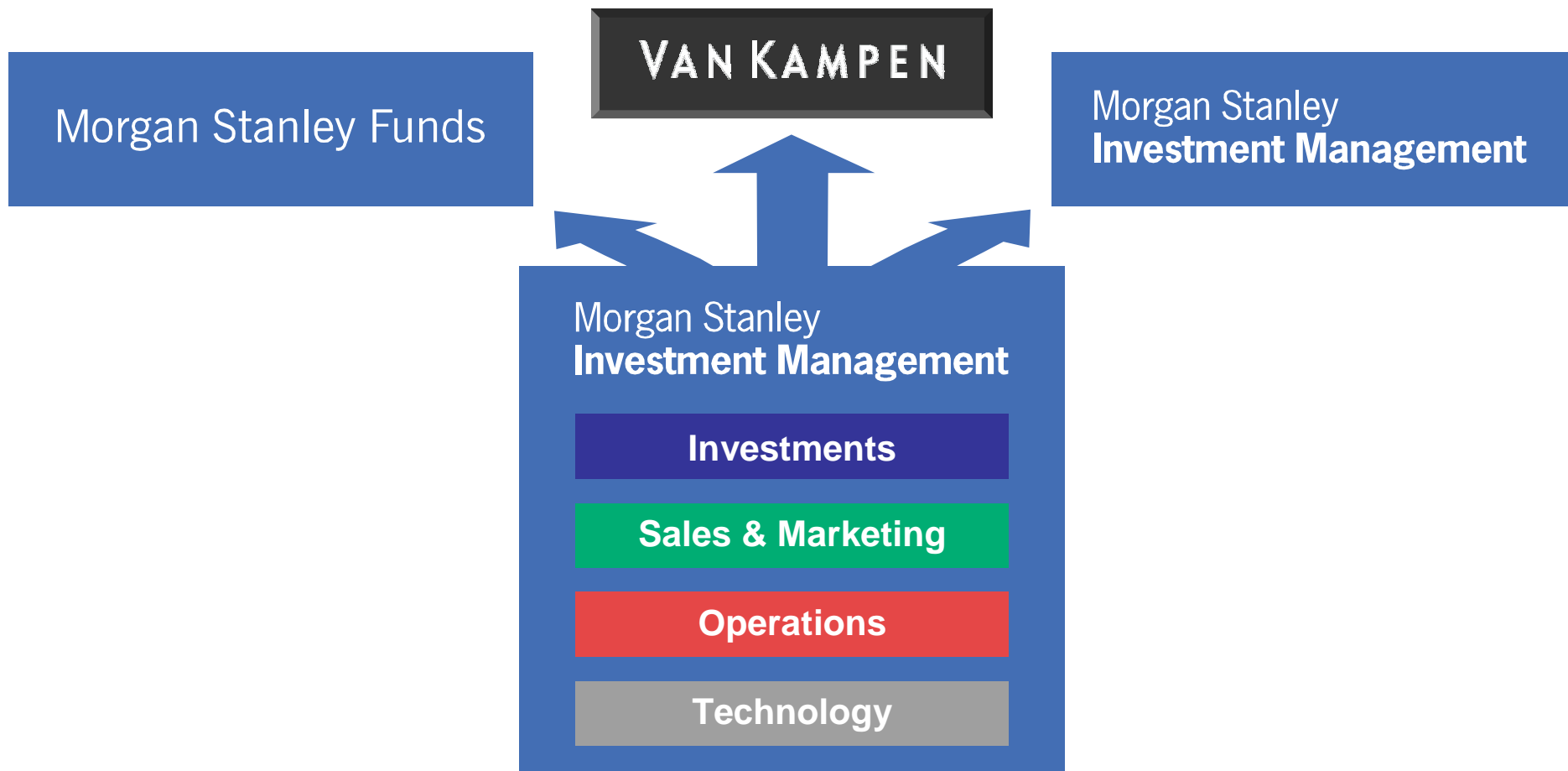
Mitch Merin

MSIM Has Evolved Since We Last Met

MORGAN STANLEY DEAN WITTER ASSET MANAGEMENT

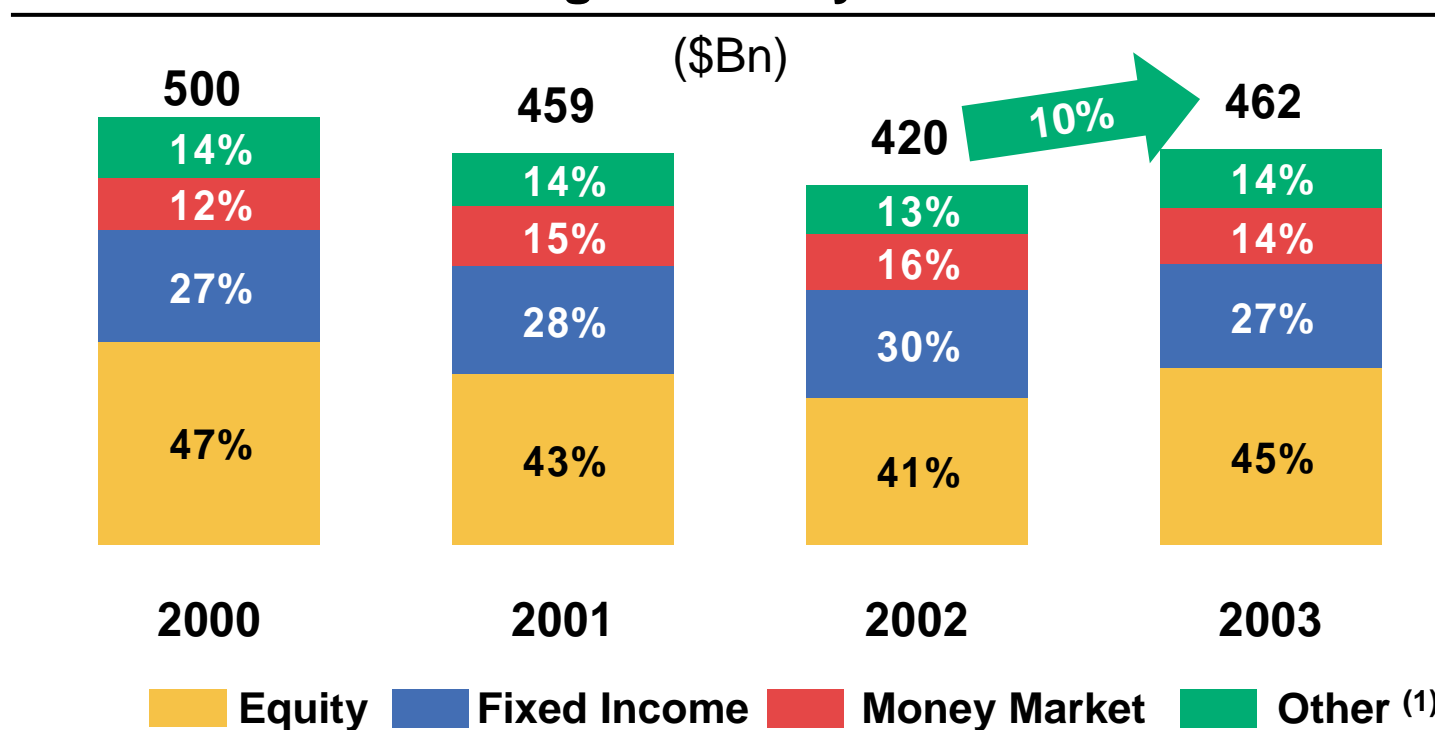
Investments	Investments	Investments	Investments
Sales & Marketing	Sales & Marketing	Sales & Marketing	Sales & Marketing
Operations	Operations	Operations	Operations
Technology	Technology	Technology	Technology
			

Focused Brand and Distribution Channels Supported by a Single Functional Organization



Ended the Year with an Increase in AUM

Morgan Stanley AUM

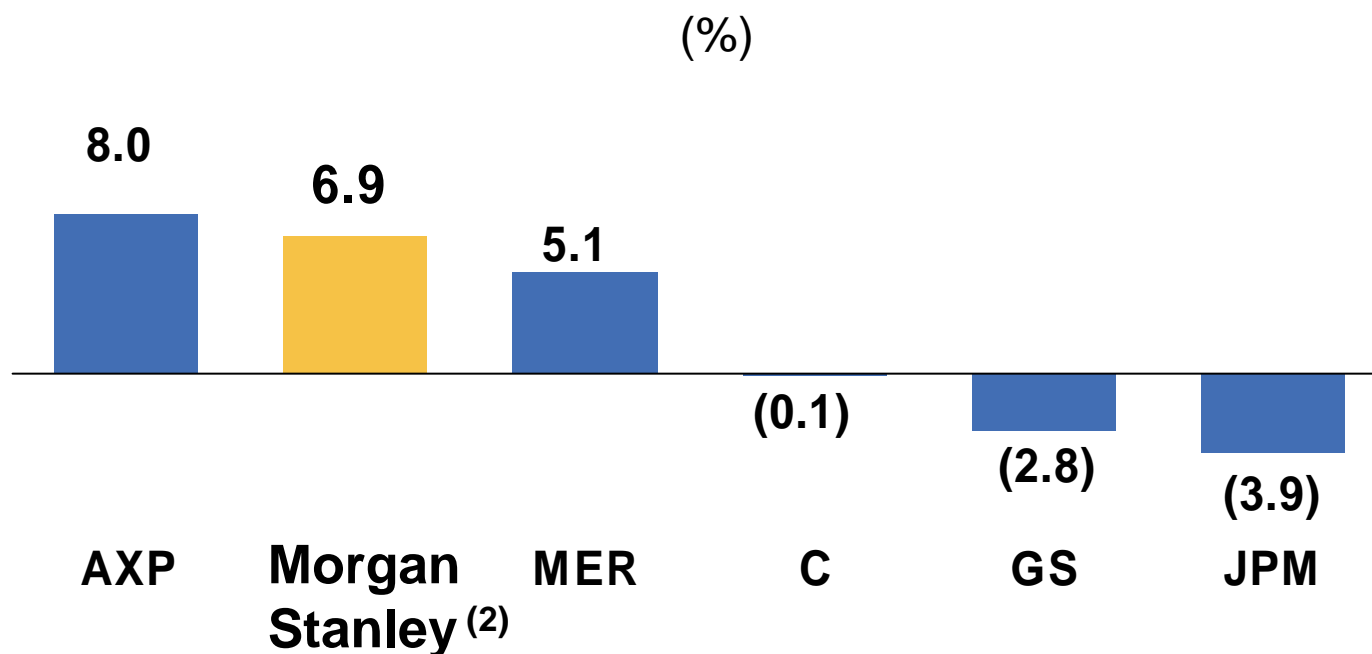


Source: Morgan Stanley SEC filings and Financial Supplements

Note: (1) Includes Alternative Investments

AUM Increase at Top End of the Industry

2003 Change in U.S. Mutual Fund AUM ⁽¹⁾



Source: Strategic Insight. Data is calendar year-to-date as of December 31, 2003

Notes: (1) AUM include all long-term, short-term and closed-end U.S. mutual (40 Act) funds

(2) Morgan Stanley includes MS, VK and MSIF brands

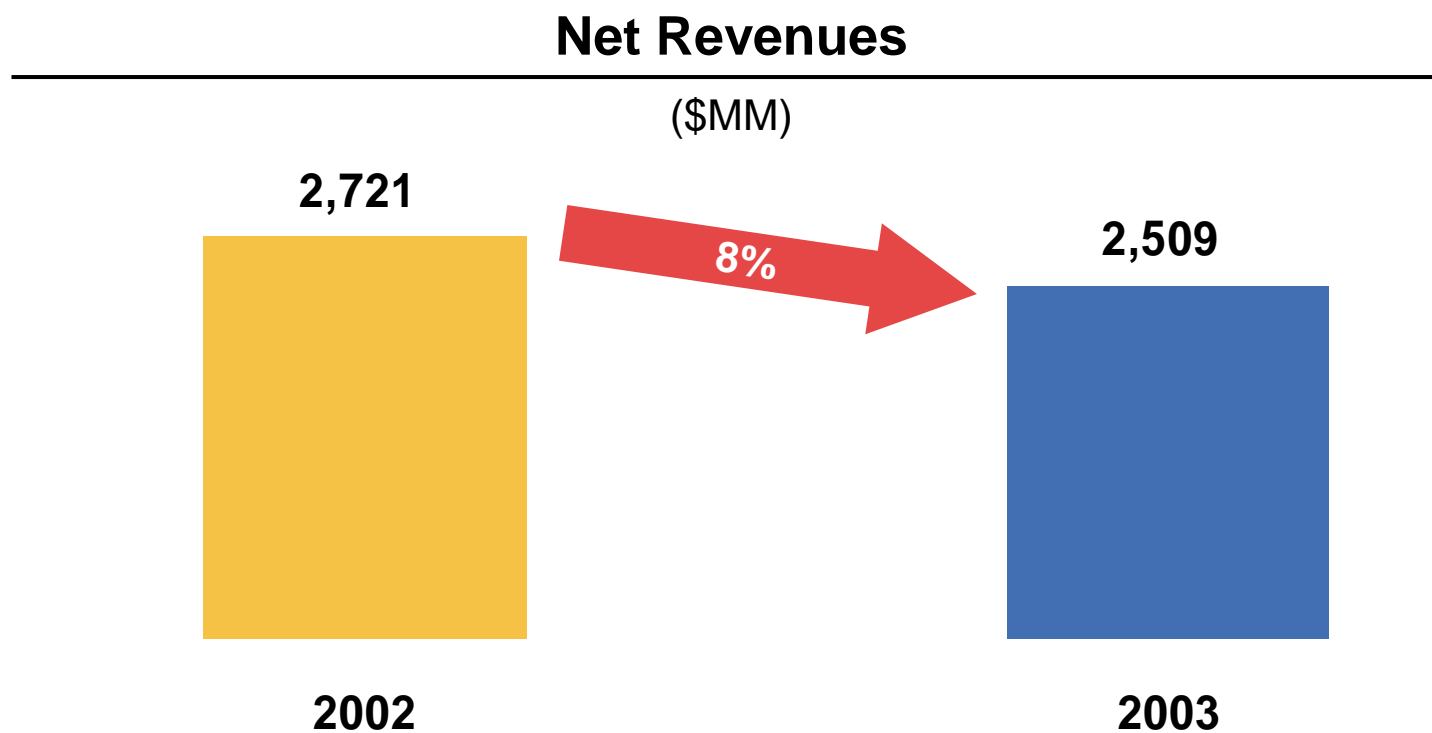
MSIM Remains a Major Asset Manager

<u>Rank</u>	<u>Fund Complex</u>	<u>40 Act Fund AUM (\$BN) ⁽¹⁾</u>
1	Fidelity Group	788
2	Vanguard Group	683
3	Capital Group	495
4	Merrill Lynch	207
5	Franklin Resources	202
6	Morgan Stanley	195
7	Federated	167
8	Allianz	158
9	Charles Schwab	151
10	Mellon	150

Source: Strategic Insight as of December 2003

Note: (1) Includes long-term, money market and closed-end mutual funds. Does not include separately managed accounts, variable annuities and other non-40 Act fund assets

Net Revenues Declined...



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

... While Expenses Remained Flat

Annual Non-Interest Expenses ⁽¹⁾

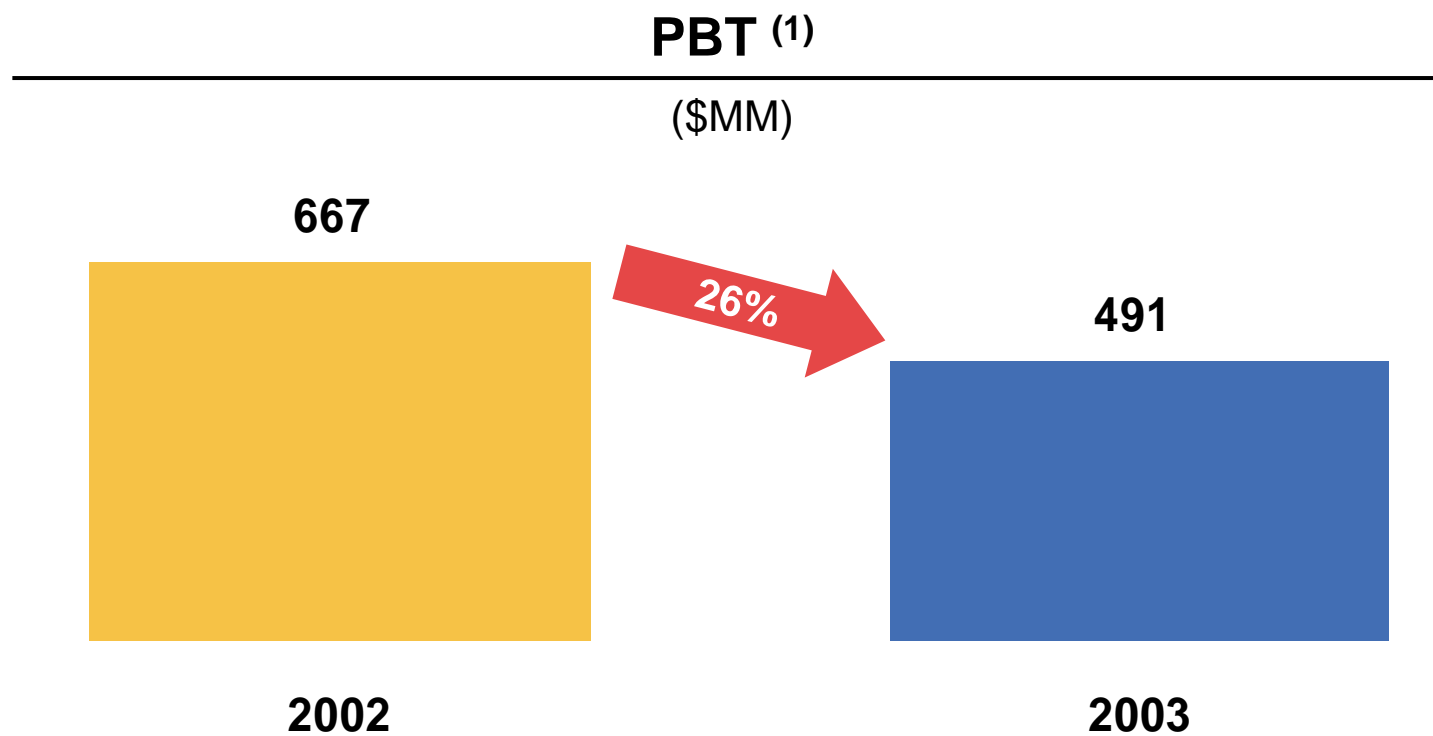
(\$MM)



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Note: (1) Includes comp and non-comp expenses

Resulting in Decline in PBT

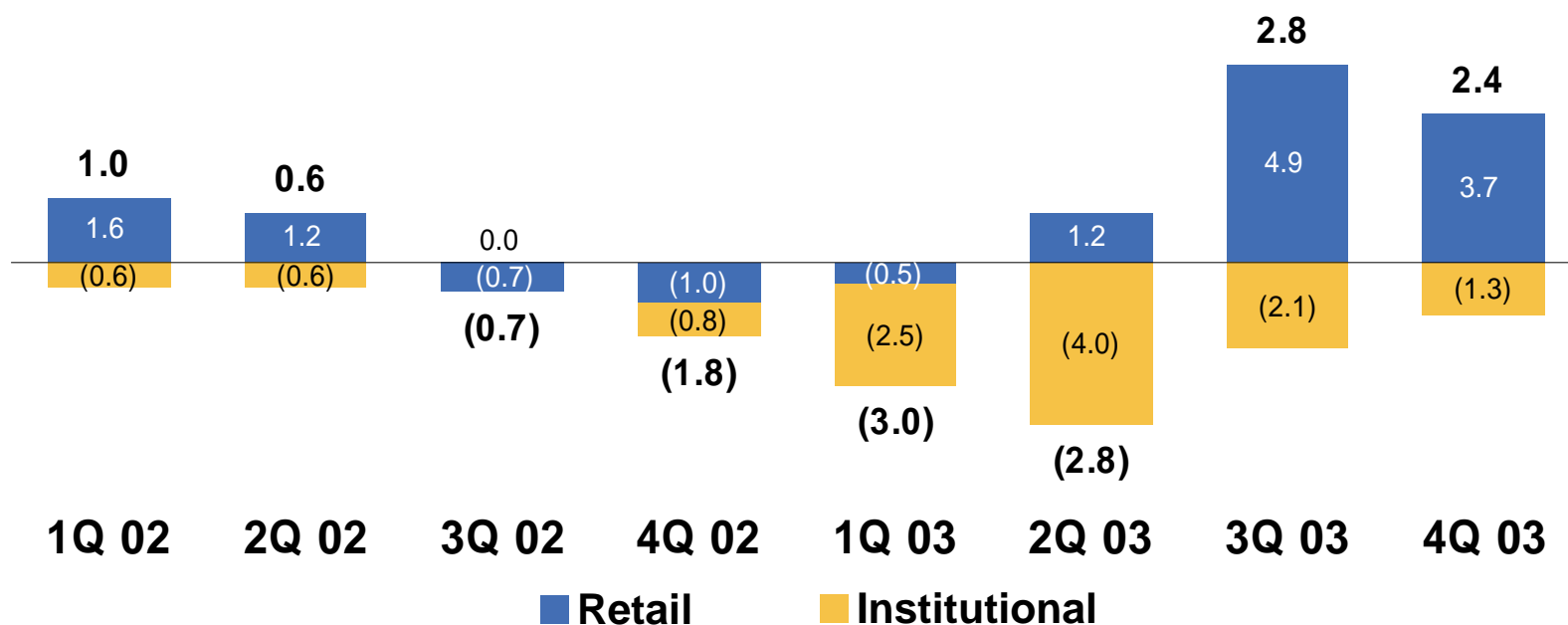


Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Net Sales Improvement in 2003

MSIM Net Sales⁽¹⁾

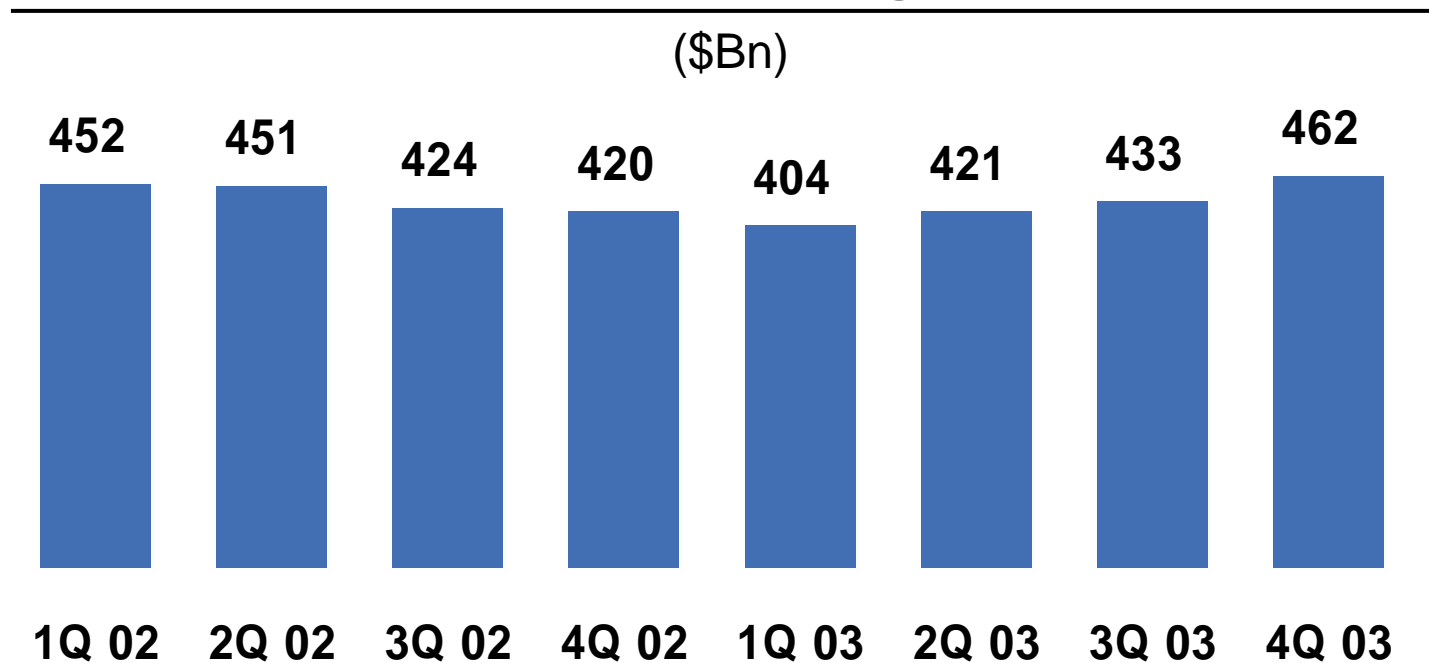
(\$Bn)



Source: Morgan Stanley 4Q03 Earnings Financial Supplement
 Note: (1) Includes Alternative Investments. Excludes money markets

AUM Growth Has Rebounded

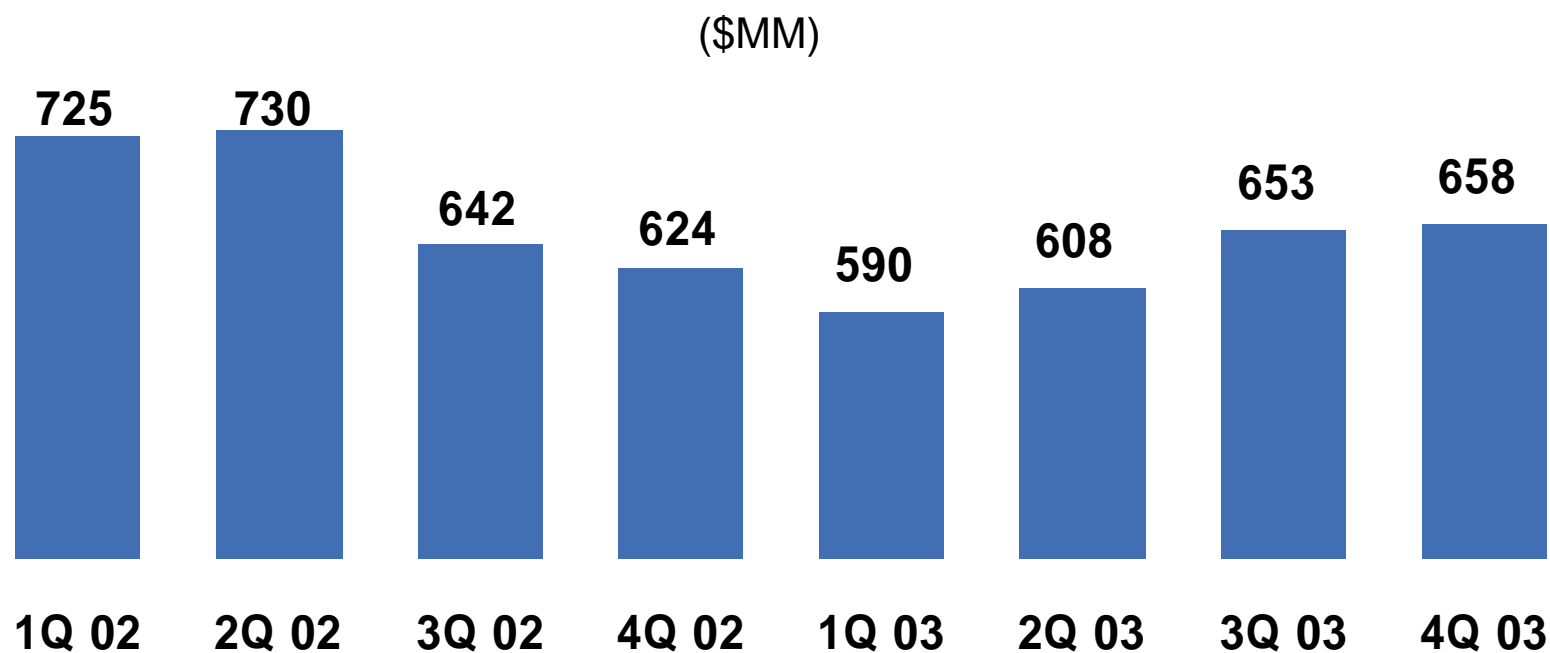
Assets Under Management



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Revenue Trended Up in 2003

Quarterly Net Revenues



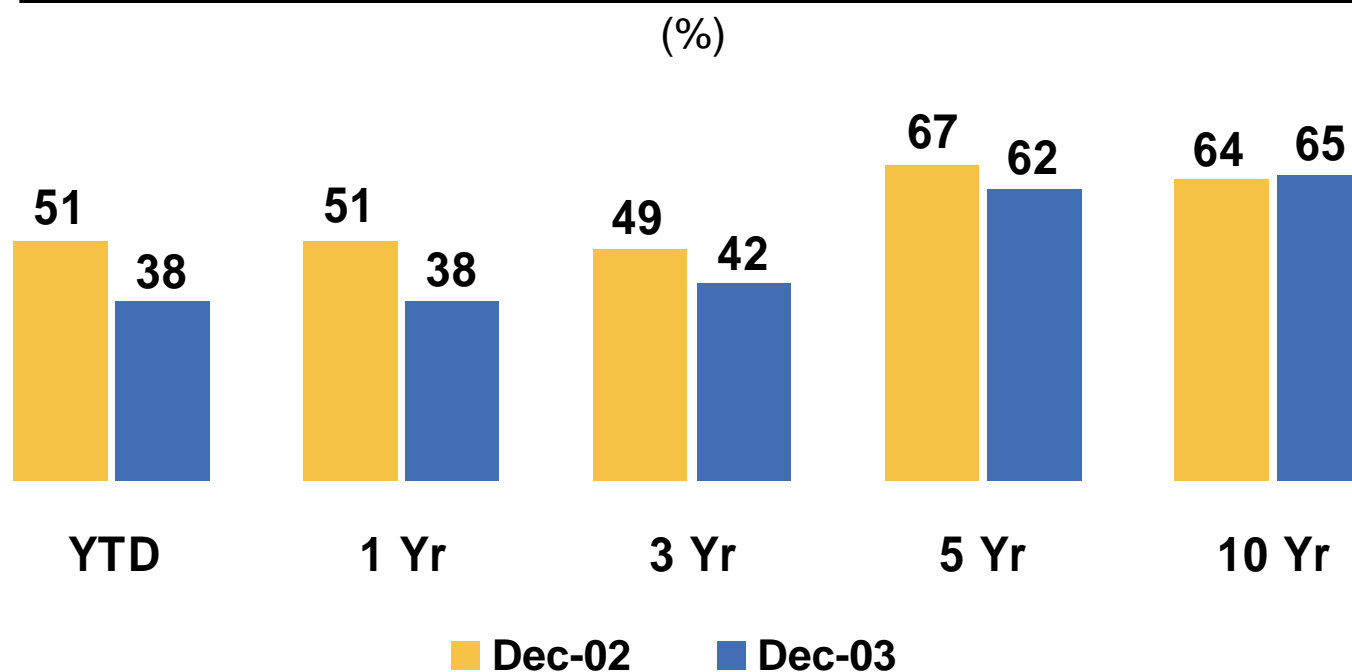
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

MSIM Innovation in 2003

- New and Innovative Products
 - Sterling & Euro Institutional Liquidity Funds
 - Traxis Partners
 - Alternative Investment Partners

Investment Performance Remains Challenging

Lipper % of MSIM Long-Term Assets in Top Half



Source: Lipper

6th Among U.S. Asset Managers in Number of 4 & 5 Star Funds

<u>Fund Complex</u>	<u># of 4/5 Star Funds⁽¹⁾</u>	<u>Rank</u>
Fidelity Group	108	1
Vanguard Group	58	2
Franklin Templeton Funds	54	3
T. Rowe Price	50	4
J.P. Morgan Chase	46	5
Morgan Stanley	45	6
Allianz	43	7
Evergreen Investments	40	8
Liberty Financial	39	9
Deutsche	37	10

Source: Morningstar, December 2003

Note: (1) Includes complex-wide investment performance. Funds classified by the highest-rated share class

2004 Priorities

- Achieve positive net sales
- Improve investment performance
- Protect the Firm's reputation

Current Mutual Fund Industry Regulatory Issues

- Fund governance
- Market timing and late trading
- Mutual funds trading
- Disclosure
- “Soft dollar” payments
- Fees and expenses
- Proxy voting
- Mutual fund taxation

What MSIM Stands For

The Intelligent Use of Capital

- Commitment to intellectual leadership
- Producing alpha through proprietary research
- Portfolios managed by independent teams
- The benefits of size, scale and global scope
- A focus on superior performance

Conclusion

Stephen S. Crawford

Return on Equity

	<u>2003 ROE</u>	<u>Avg. ROE 1998-2003</u>
Morgan Stanley	16.5%	22.8%
MER	16.1%	15.3%
LEH	18.2%	18.0%
GS (1)	15.0%	19.5%

Source: Company filings

Note: (1) GS Avg. 1999-2003 only. For 1999, ROE is estimated based on company filings

Firmwide 2004 Initiatives

- Client focus
- Cost discipline
- Capital strength



Stephen S. Crawford, Chief Financial Officer

Mitch Merin, President & Chief Operating Officer,
Morgan Stanley Investment Management

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