



Stephen S. Crawford, CFO

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January 28, 2004

Consolidated Financial Highlights

SEC P/L View (\$MM)

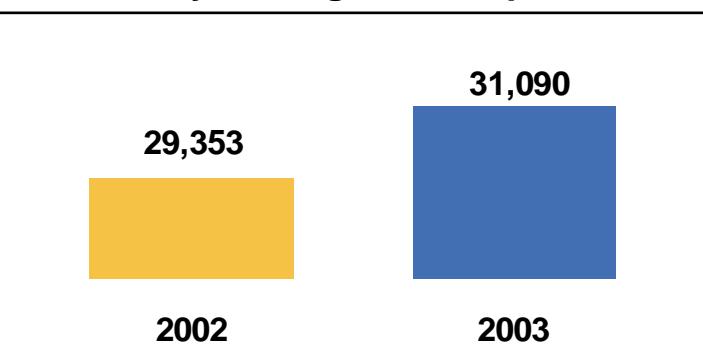
	Full Year		
	2003	2002	Variance
Net Revenues	\$20,857	\$19,120	9%
Compensation Expense	8,545	7,940	8%
Non-compensation Expense ⁽¹⁾	6,545	6,460	1%
PBT	5,767	4,720	22%
 Net Income	 \$3,787	 \$2,988	 27%
 Diluted EPS	 \$3.45	 \$2.69	 28%
 ROE	 16.5%	 14.1%	

Note: (1) 2002 includes \$235 million restructuring charge
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

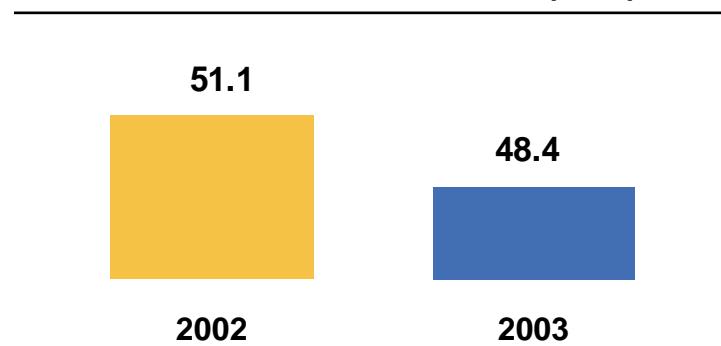
Discover Financial Services

Discover – 2003 Developments

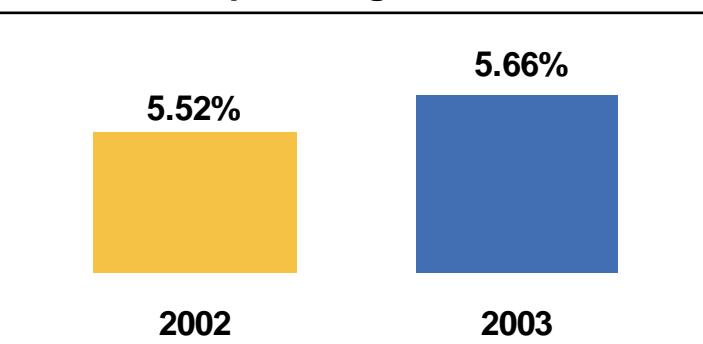
Weekly Average Bankruptcies



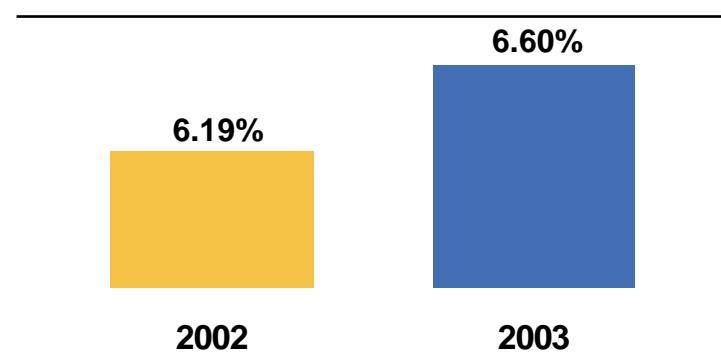
Discover Loan Balances (\$Bn)



Peer Group Average Loss Rates⁽¹⁾

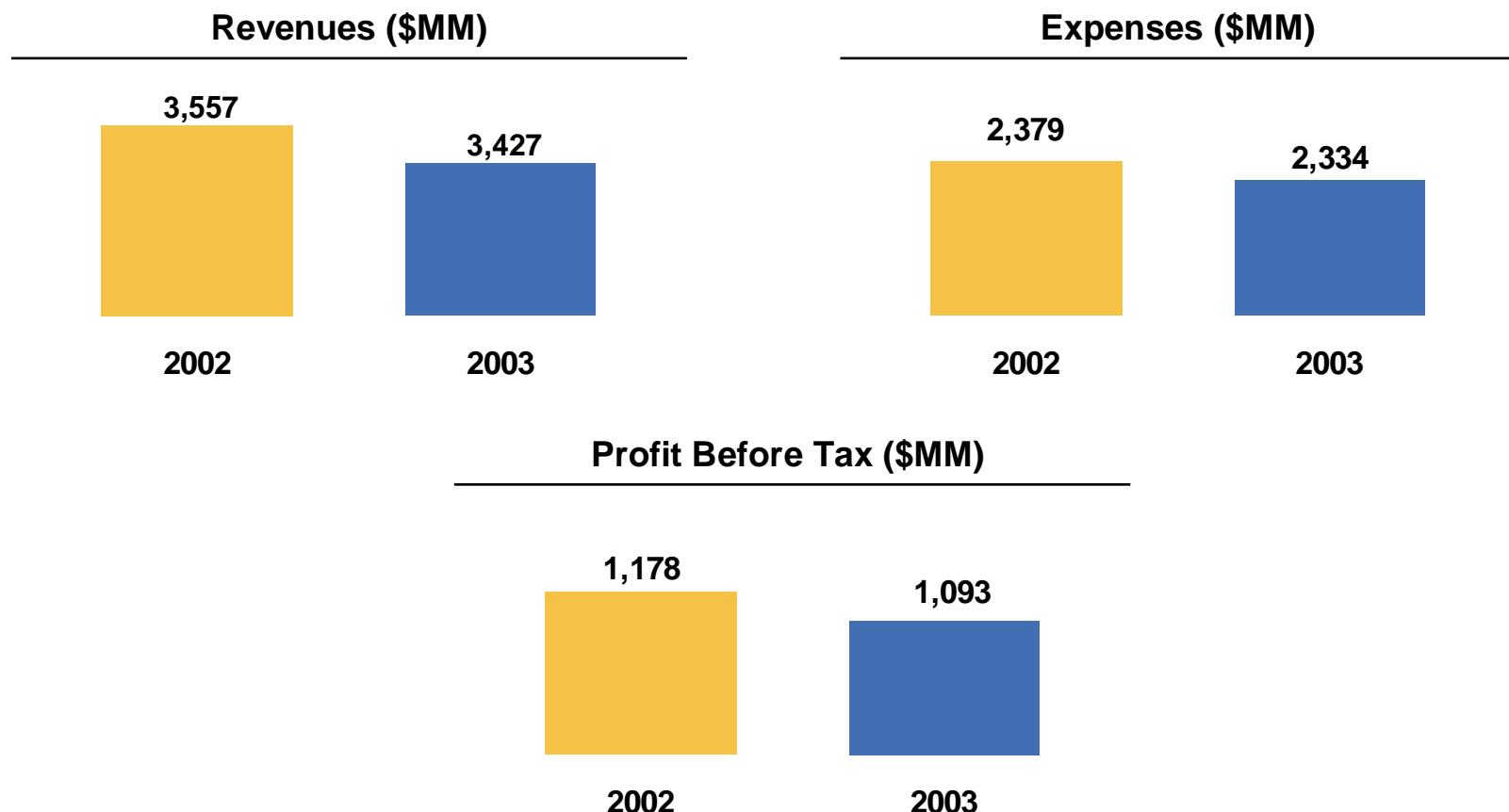


Discover Loss Rates



Note: (1) Peer Group is a Calendar year weighted average of 7 peers: Citigroup, MBNA, Bank One, Capital One, JPM Chase, AMEX and Bank of America
Sources: Morgan Stanley 4Q03 Earnings Financial Supplement, Company Filings and Morgan Stanley Equity Research

Credit Services Financial Performance

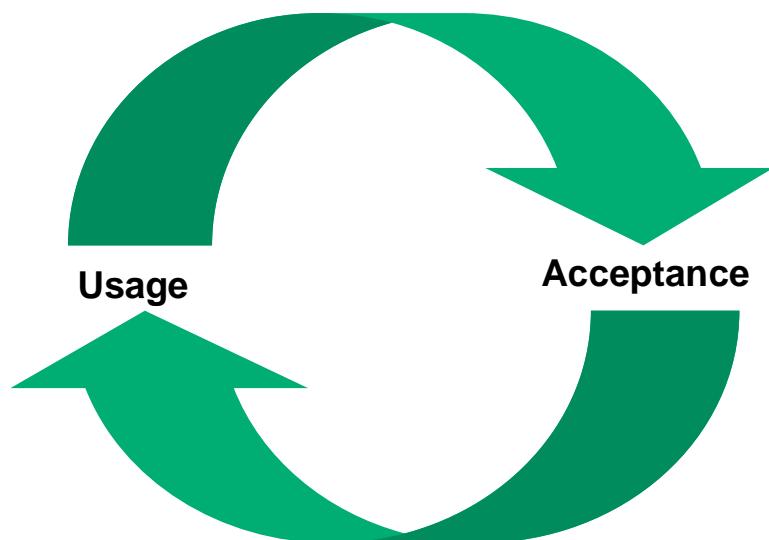


Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Credit Services 2003 Accomplishments

- Meaningful progress on credit quality
 - Decline in delinquency and net charge-off dollar volumes
- 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

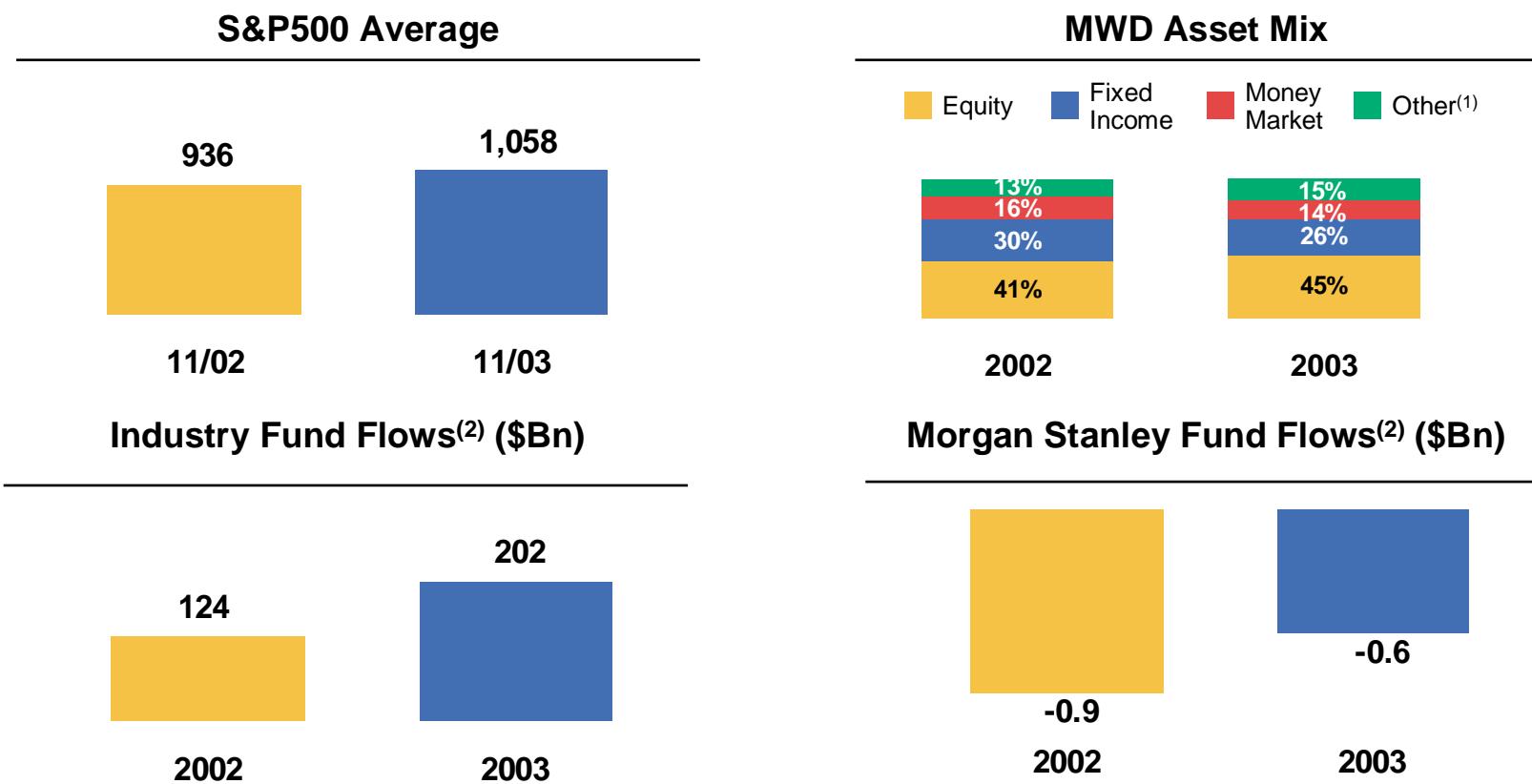
Credit Services 2004 Initiatives



- 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

Investment Management

Investment Management 2003 Developments

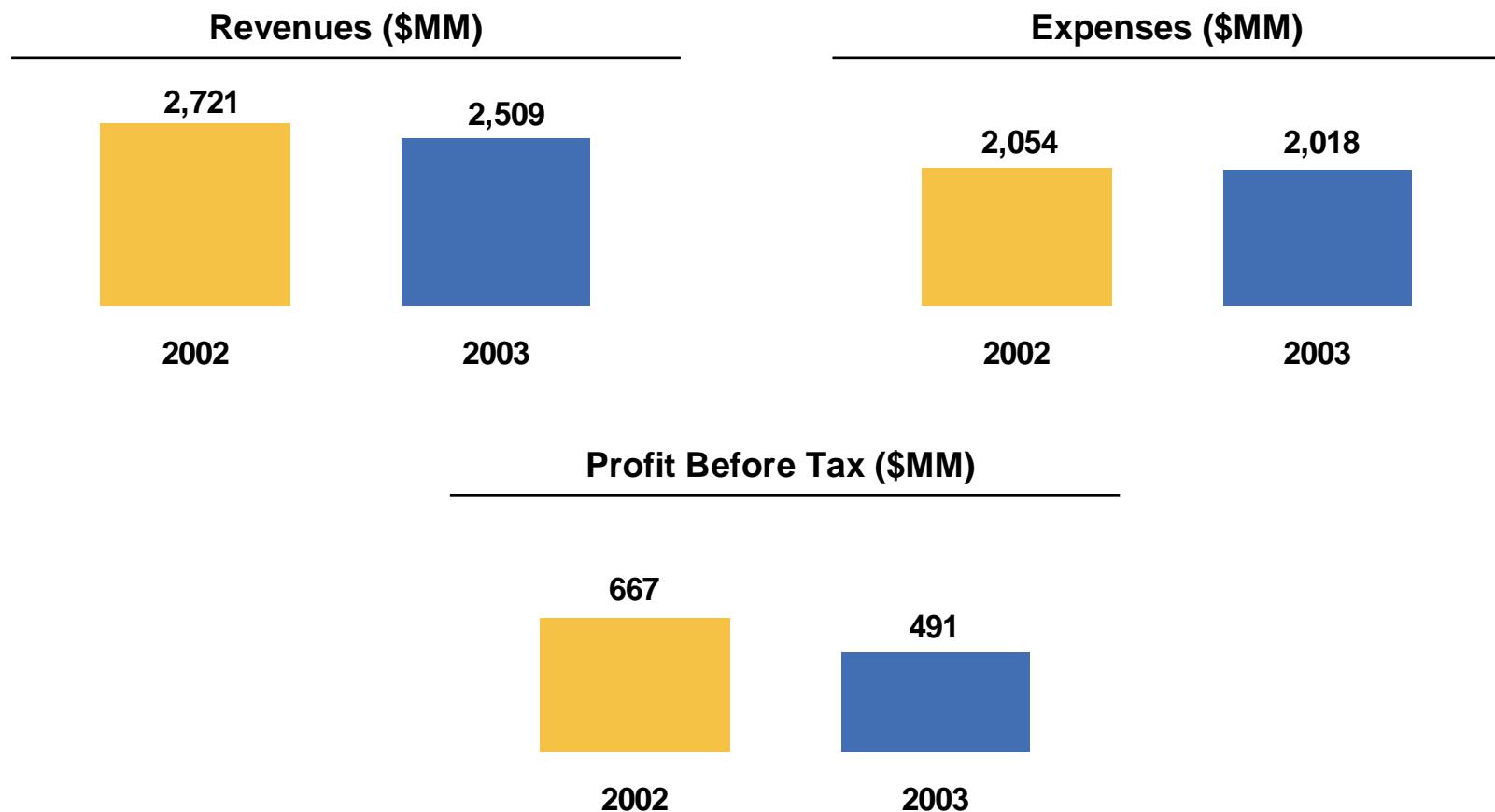


Notes: (1) Includes Alternative Investments

(2) Excludes Money Market Fund Flows

Sources: Factset, Investment Company Institute, Morgan Stanley 4Q03 Earnings Financial Supplement

Investment Management Financial Performance



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Investment Management 2003 Accomplishments

- New Products
 - Sterling & Euro Institutional Liquidity Funds
 - Traxis Partners
 - Alternative Investment Partners
- Expense Management
- Strong Van Kampen Sales

Investment Management 2004 Initiatives

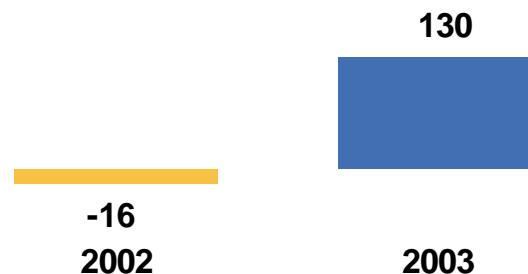
- Improve investment performance
- Achieve positive net sales
- Grow alternative investment products business

Individual Investor Group

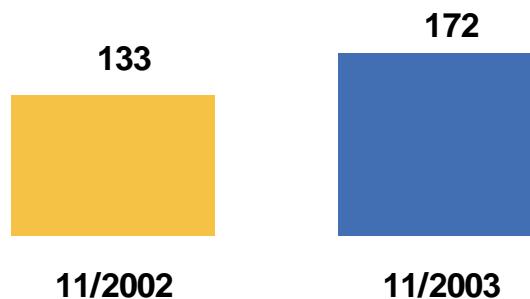
John Schaefer
President & COO

Individual Investor Group 2003 Developments

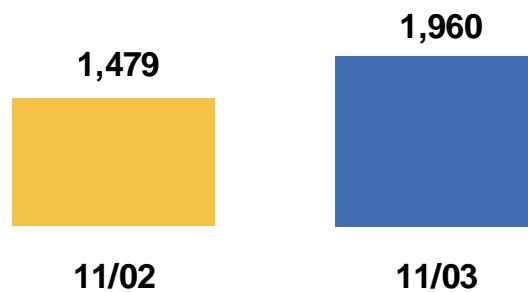
Industry Equity Fund Flows (\$Bn)



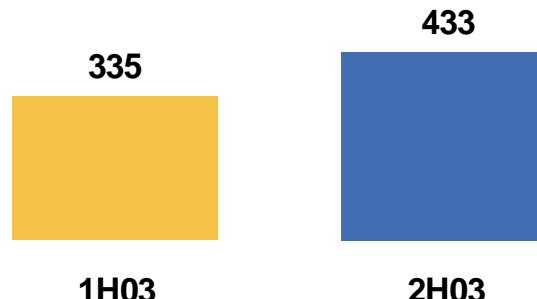
Industry Margin Debits (\$Bn)



NASDAQ Index Level



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



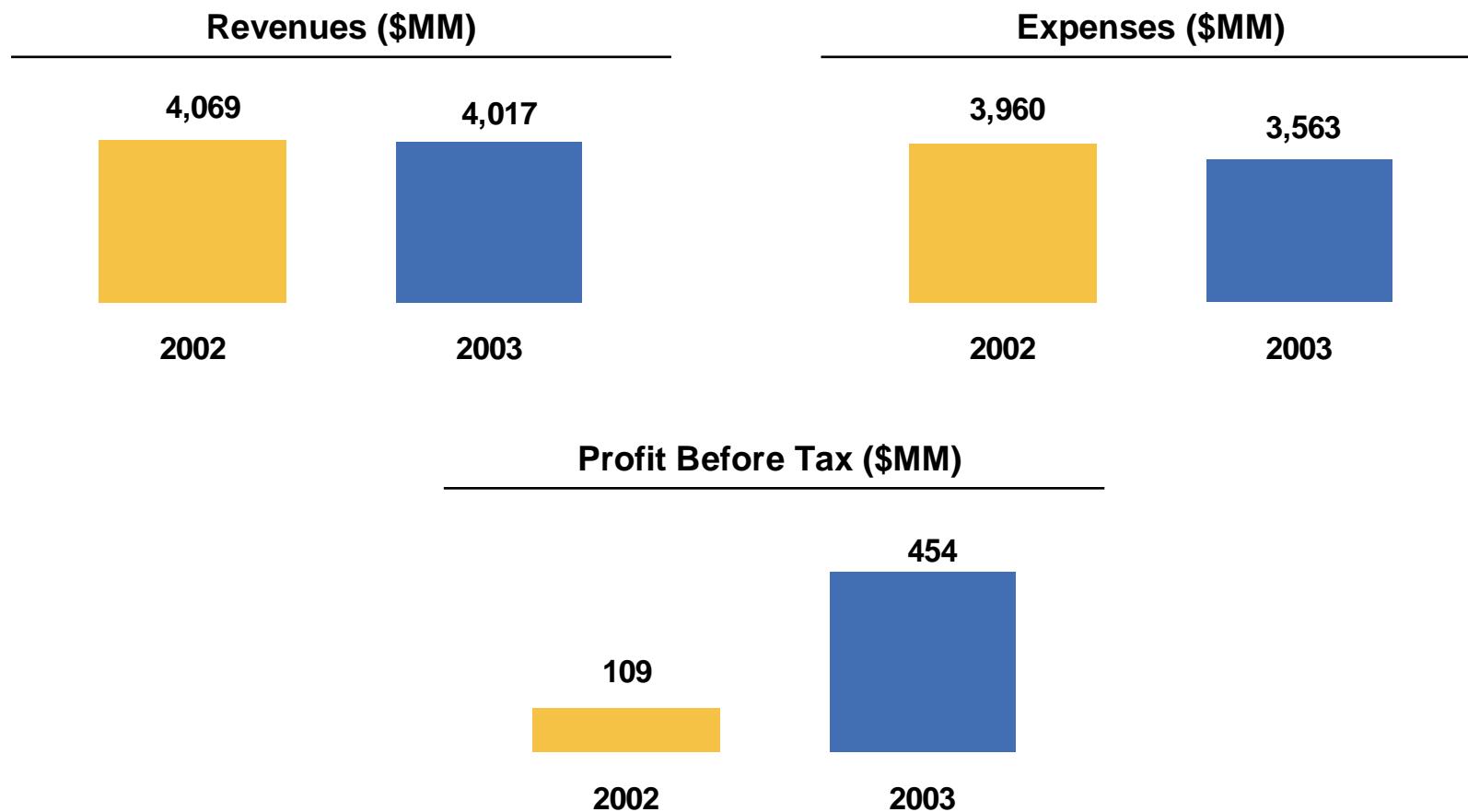
Note: (1) Average of Sum of Monthly Reported Data by Charles Schwab Corp, TD Waterhouse and Ameritrade Corp.

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

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
 - Launched ClientOne pilots
 - Launched PWM Expertise Exchange
- Introduced client “tiered benefits”
 - Platinum, Gold, Blue
- Increased PBT and margins substantially

Individual Investor Group Financial Performance



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Individual Investor Group Mission Statement

Become the first choice for affluent and high net worth customers who will **value and pay for** what Morgan Stanley, **as a firm**, has to offer

Transformation of Business Model

Distribution
Business



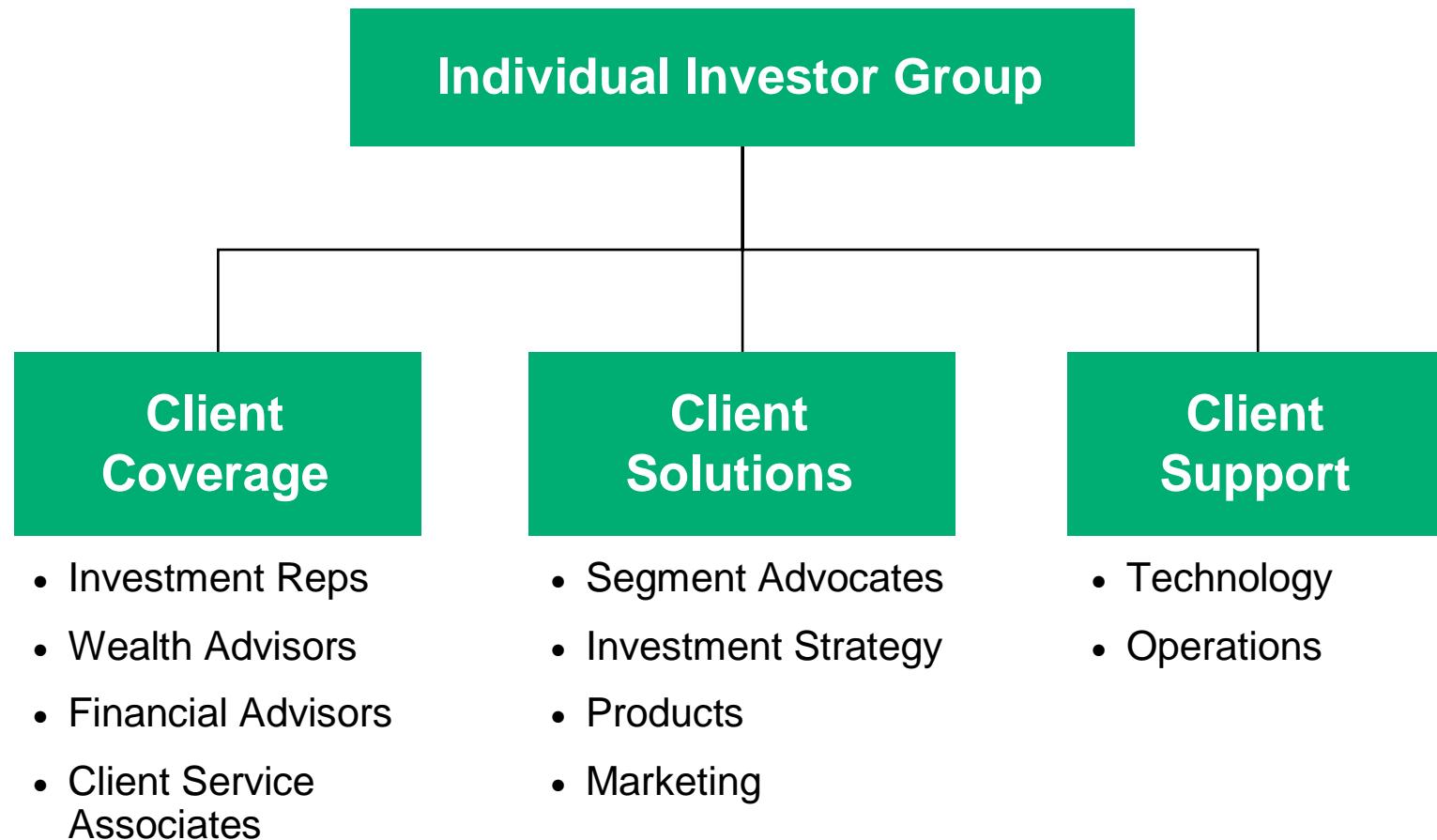
Client Relationship
Business

Product
Sales



Solving
Client Needs

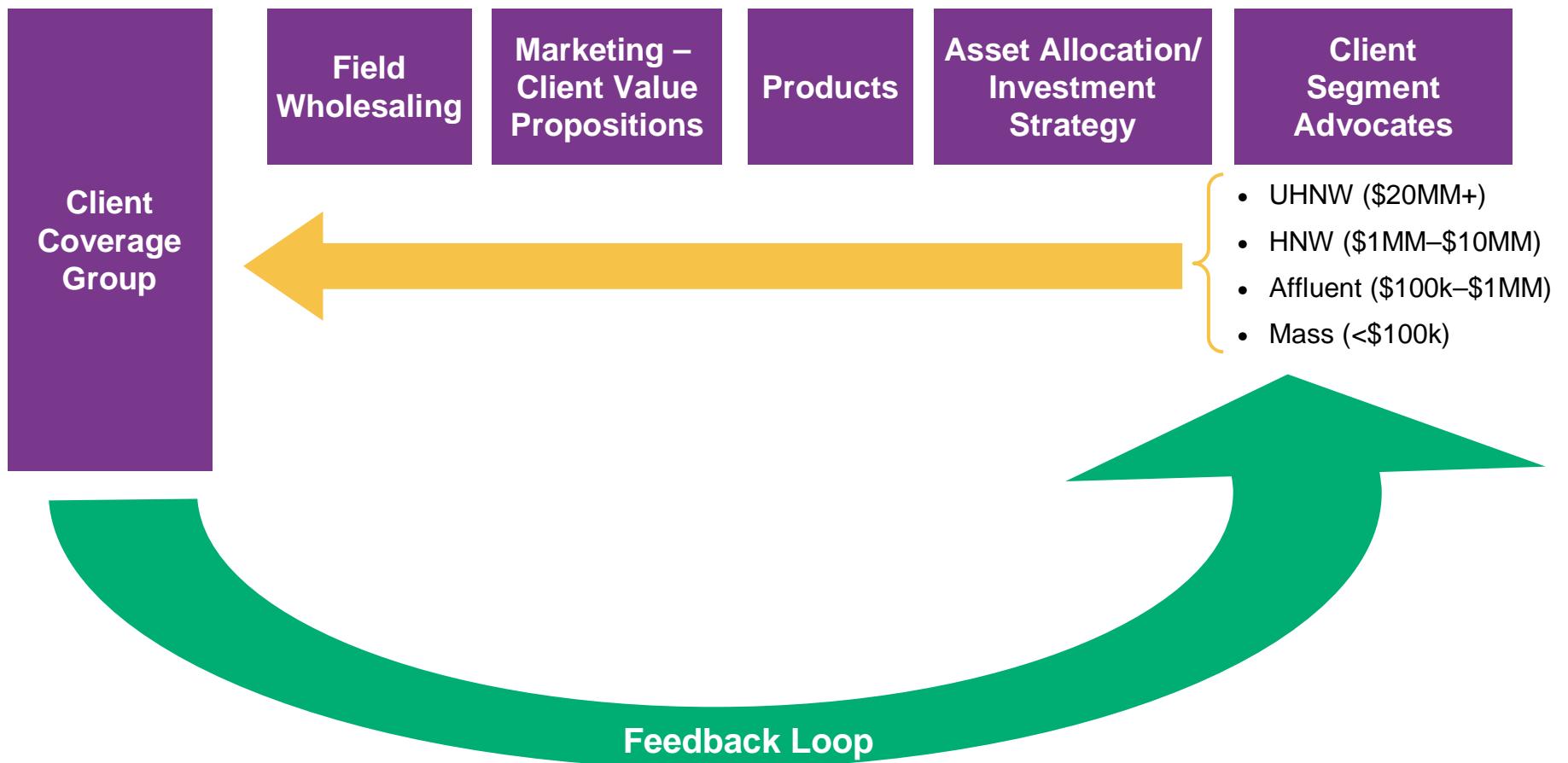
We Have Organized Around Clients



Segmented Client Coverage Model

Segment	Investable Assets	Coverage
UHNW	\$20MM+	Investment Representatives
UHNW/HNW Overlap	\$10MM–\$20MM	Investment Representatives/ Wealth Advisors
HNW	\$1MM–\$10MM	Wealth Advisors/ Financial Advisors
Affluent	\$100k–\$1MM	Financial Advisors
Mass Affluent	<\$100k	CSAs/Lower Cost Model

Client Solutions Approach



Individual Investor Group 2004 Initiatives

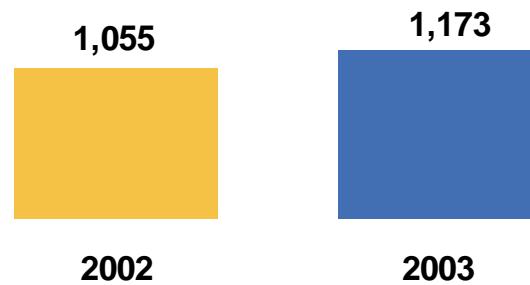
- Continue client focus
- Grow the business
 - Assets, particularly fee-based
 - FA trainees and recruits
 - Platinum and Gold Households
 - Margins and Earnings
- Continue execution of segmented strategy & organization
- Maintain strict expense control

Institutional Securities

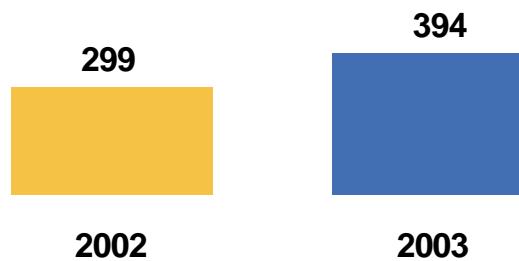
Vikram Pandit
President & COO

Institutional Securities 2003 Developments

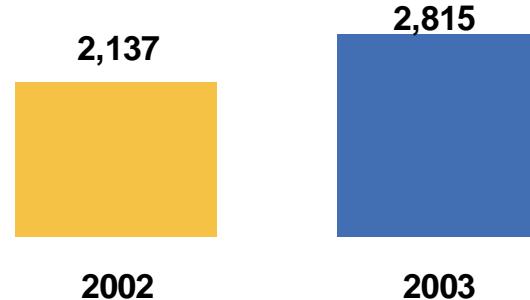
Global Announced Merger & Acquisition (\$Bn)



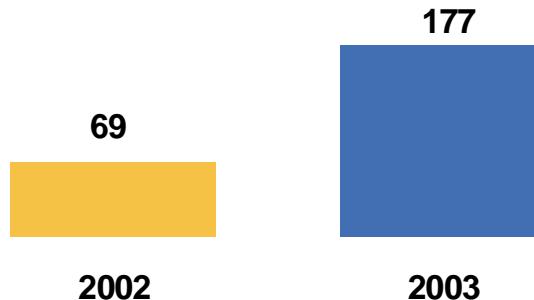
Global Equity Underwriting (\$Bn)



Global Investment Grade Debt (\$Bn)

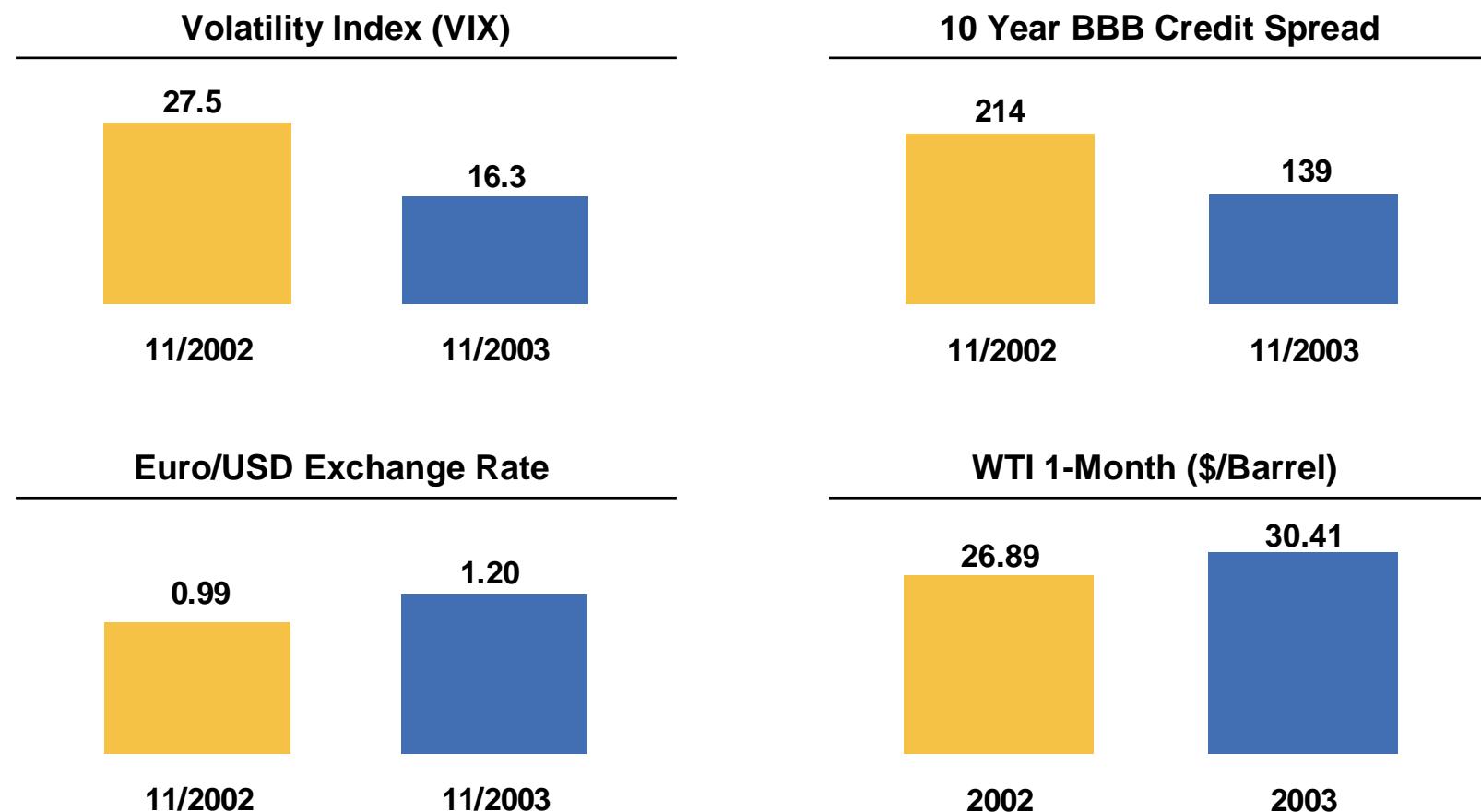


Global High Yield Debt (\$Bn)



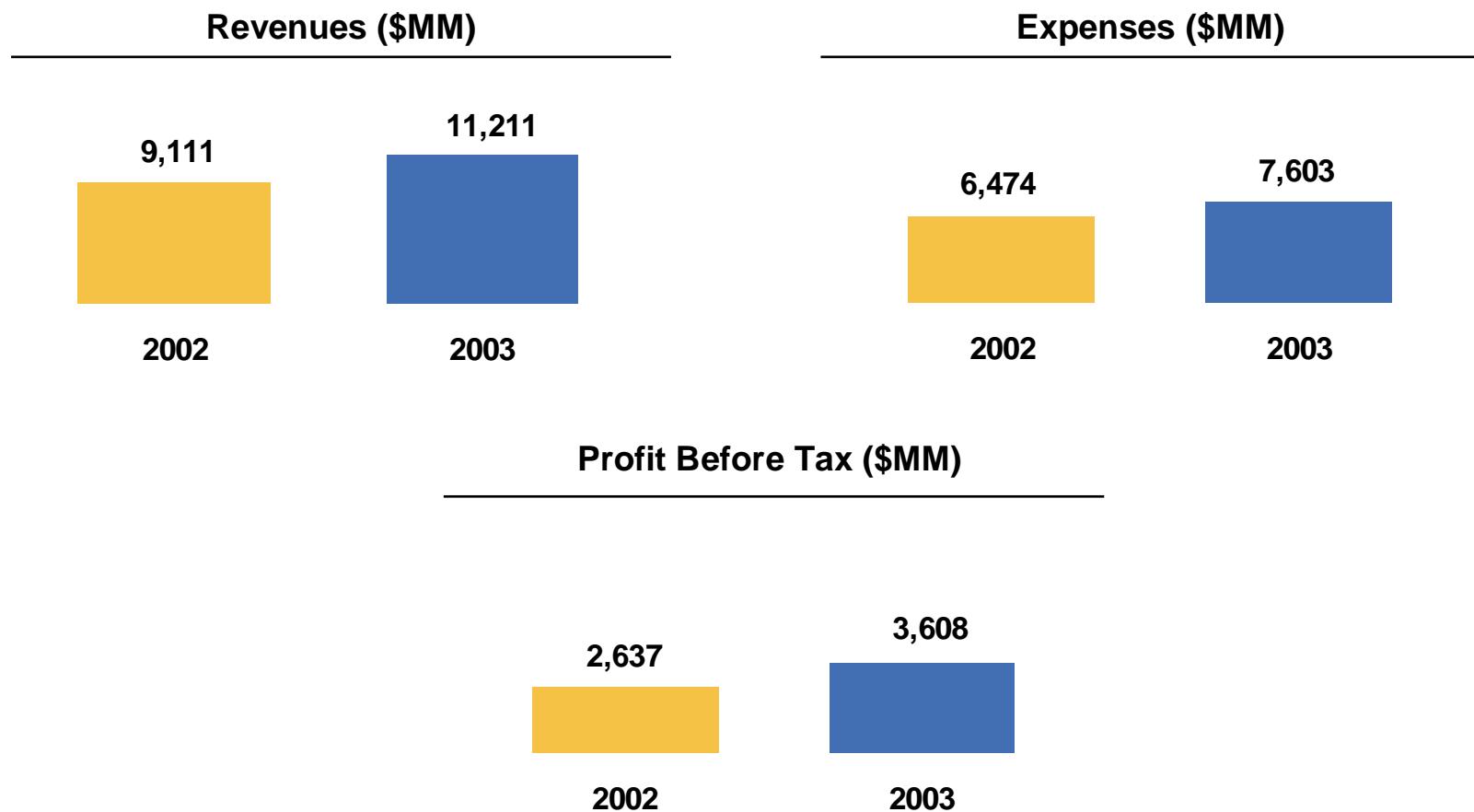
Source: Thomson Financial – Calendar YTD January 1 - December 31

Institutional Securities 2003 Developments



Sources: FactSet, MSCI, Bloomberg

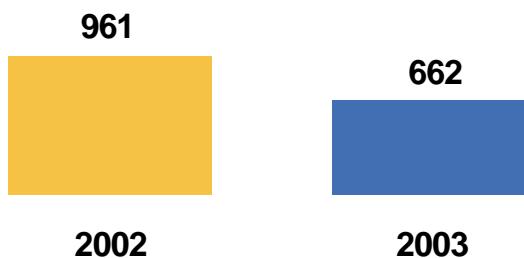
Institutional Securities Financial Performance



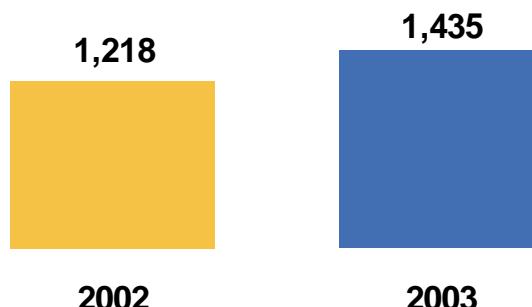
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Institutional Securities Financial Performance

Advisory Revenues (\$MM)



Underwriting Revenues (\$MM)



Equity Sales & Trading Net Revenues (\$MM)



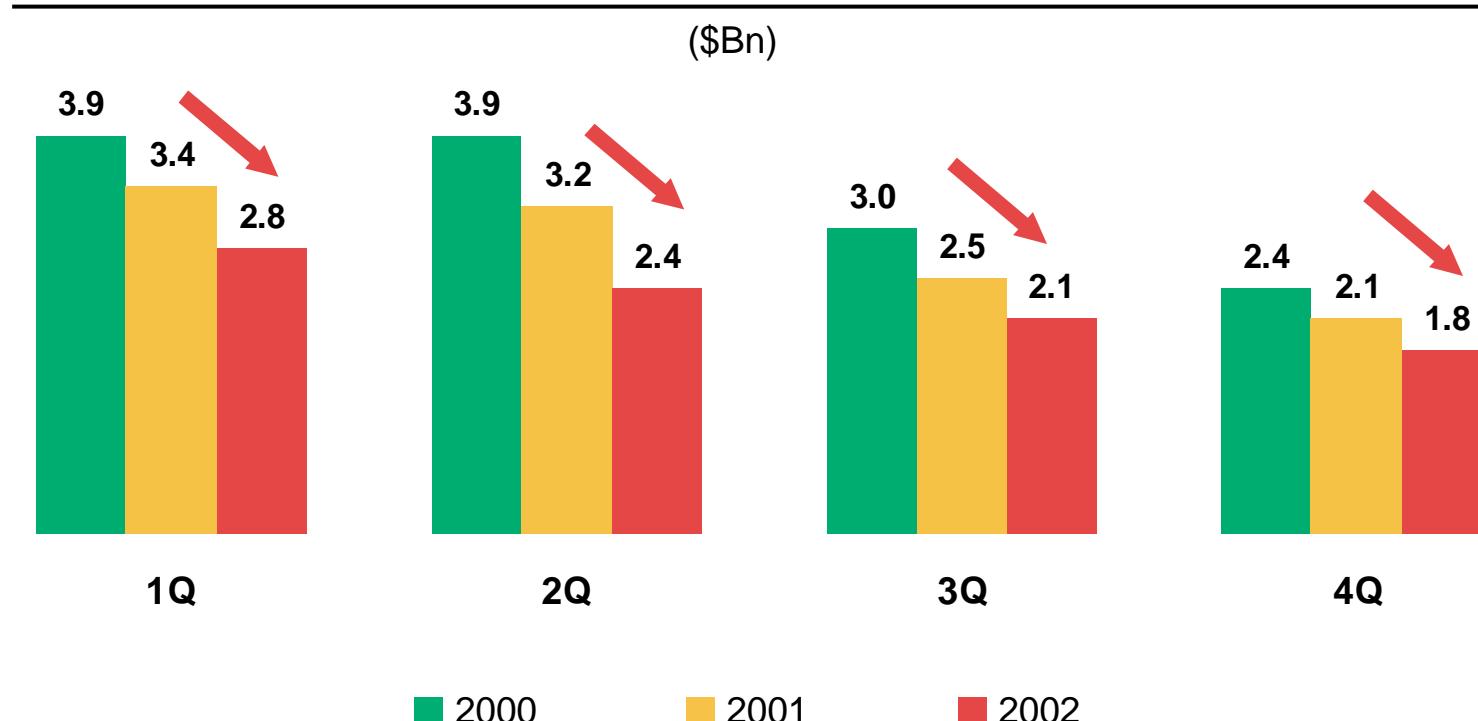
Fixed Income Sales & Trading Net Revenues (\$MM)



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Revenue Trends

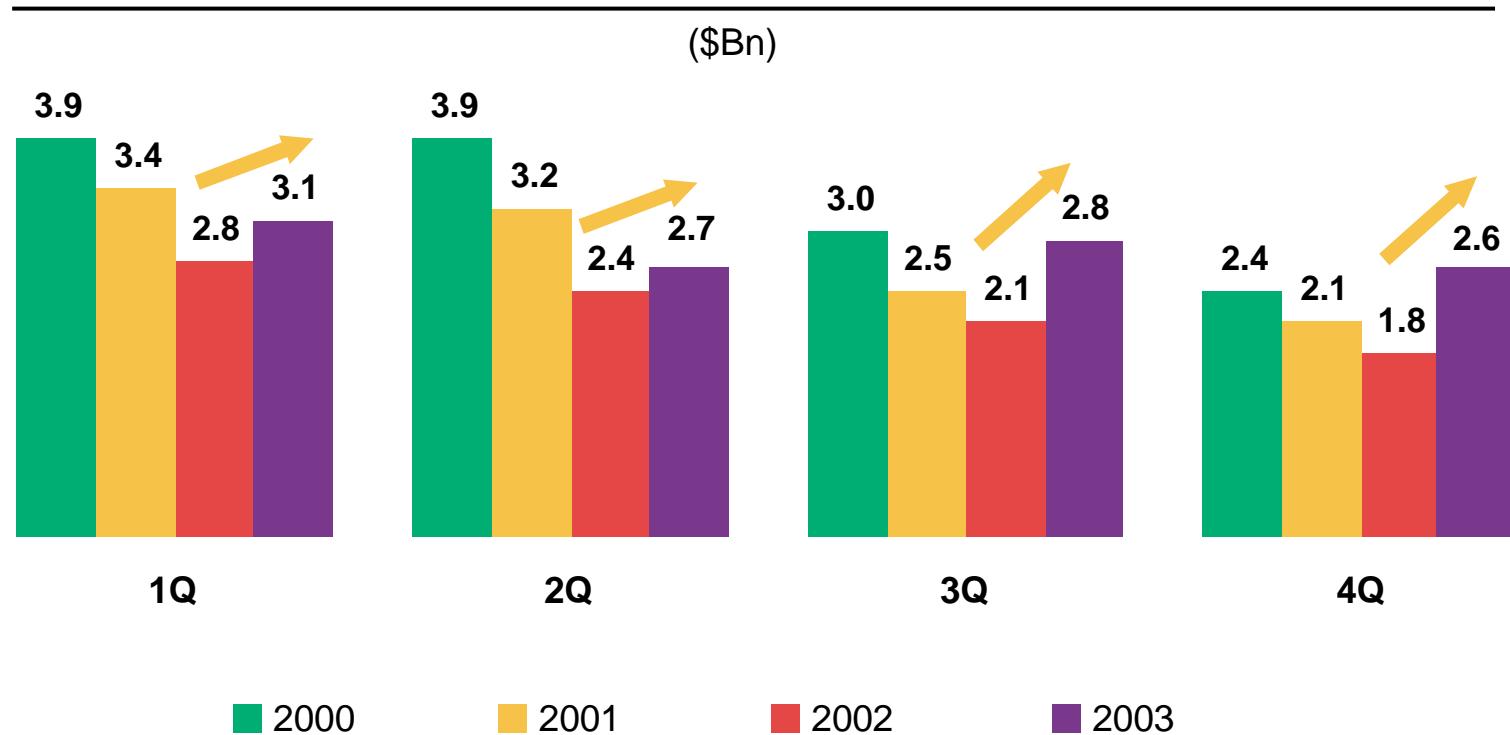
Institutional Securities Revenues



Source: Morgan Stanley SEC filings

Revenue Trends

Institutional Securities Revenues



Source: Morgan Stanley SEC filings

Institutional Securities 2003 Accomplishments

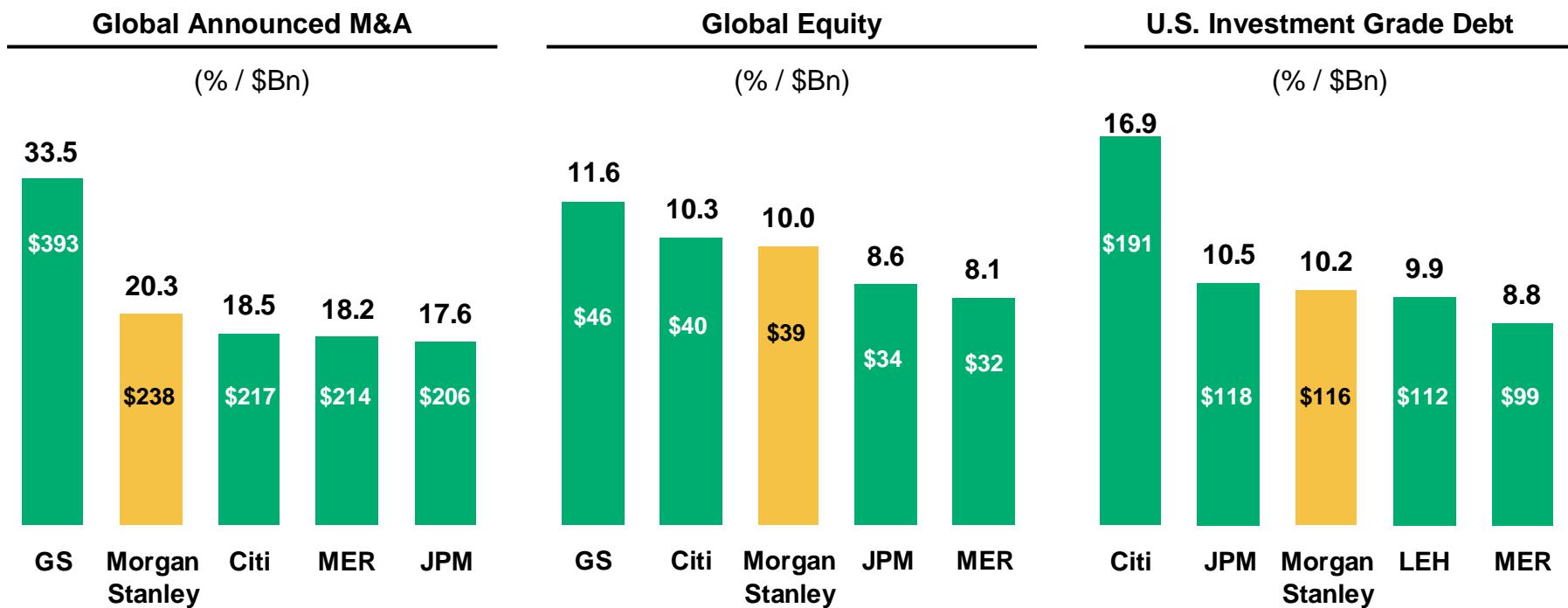
- Increased Client Share: Executing on Differentiation
- Capitalized on Market-Making Opportunities
- Efficiency Enhancements

Increased Client Share: Executing on Differentiation

- Achieved market share goals
- Strengthened client relationships
- Solved complex client problems with an integrated approach

2003 Market Share Results

Primary Market Share Performance



Source: Thomson Financial. Calendar year data January 1 – December 31, 2003

Capitalized on Market-Making Opportunities

- Active in making markets
- Focused on opportunities in commodities and distressed assets
- Maintained strong risk management

Efficiency Enhancements

- Progress on reducing fixed costs in trading
 - Prosecuted volumes up significantly
 - Yet cost per trade down nearly proportionately
- Improved operating efficiencies in IT and Operations areas
- Achieved cost savings in manageable areas

Institutional Securities 2004 Initiatives

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

Conclusion

Stephen S. Crawford

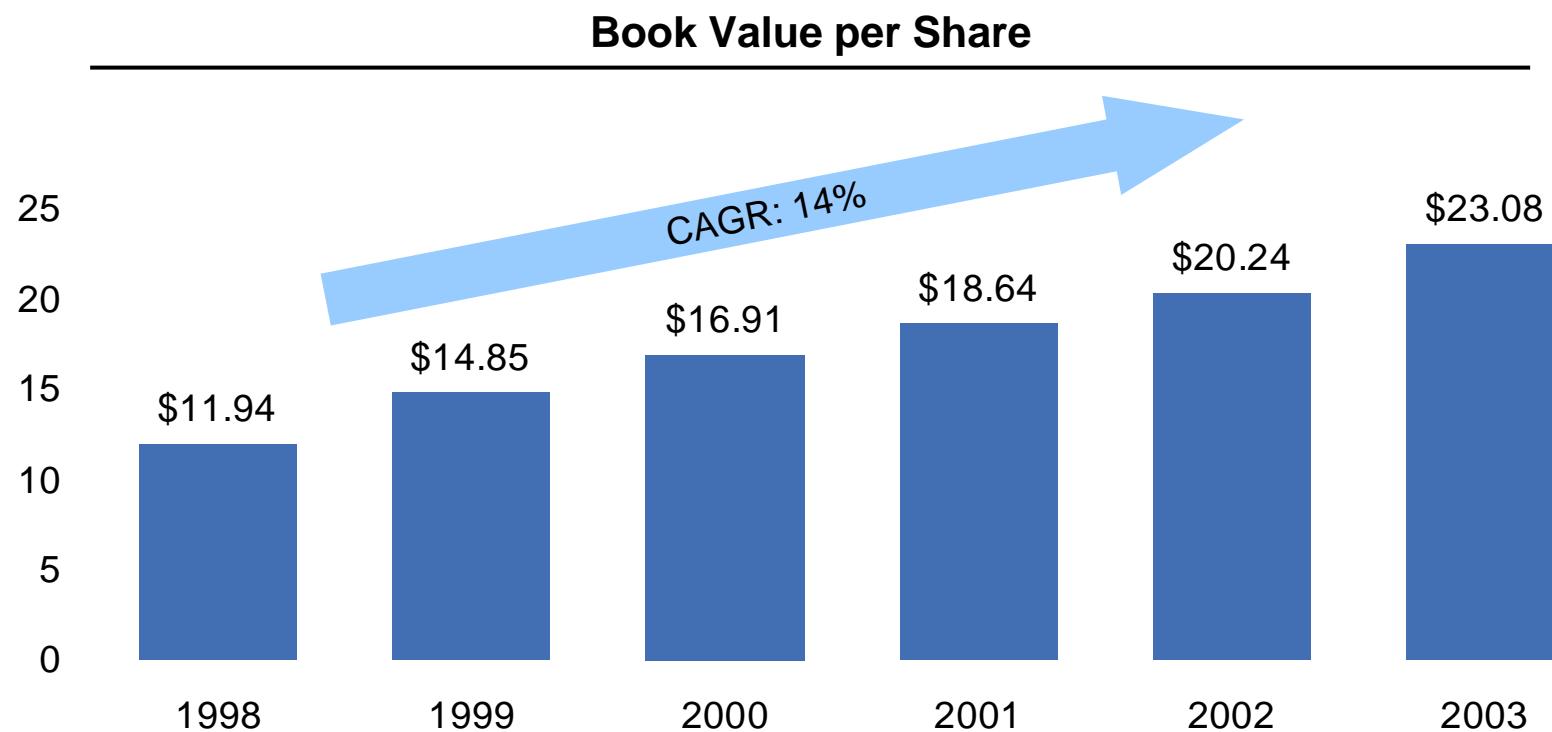
Return on Equity

	<u>2003 ROE</u>	<u>Avg. ROE 1998-2003</u>
Morgan Stanley	16.5%	22.9%
MER	16.1%	15.3%
LEH	18.2%	18.0%
GS ⁽¹⁾	15.0%	19.5%

Source: Company filings

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

Growth in Morgan Stanley Book Value



Source: Morgan Stanley SEC filings

Firmwide 2004 Initiatives

- Client focus
- Cost discipline
- Capital strength



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