



Stephen S. Crawford, CFO

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January 28, 2004

Consolidated Financial Highlights

SEC P/L View (\$MM)

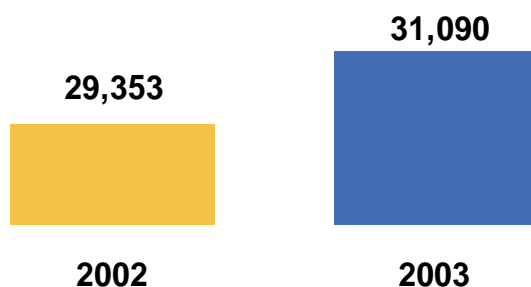
| | Full Year | | |
|---|----------------|----------------|------------|
| | 2003 | 2002 | Variance |
| Net Revenues | \$20,857 | \$19,120 | 9% |
| Compensation Expense | 8,545 | 7,940 | 8% |
| Non-compensation Expense ⁽¹⁾ | 6,545 | 6,460 | 1% |
| PBT | 5,767 | 4,720 | 22% |
| Net Income | \$3,787 | \$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

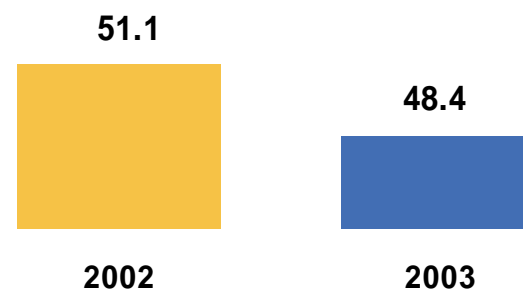
Discover Financial Services

Discover – 2003 Developments

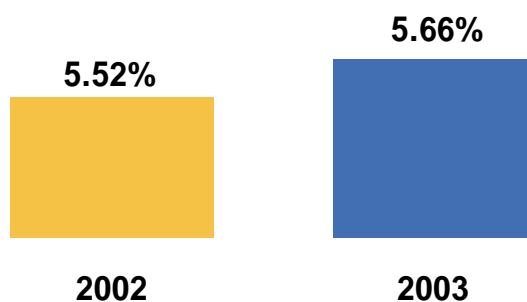
Weekly Average Bankruptcies



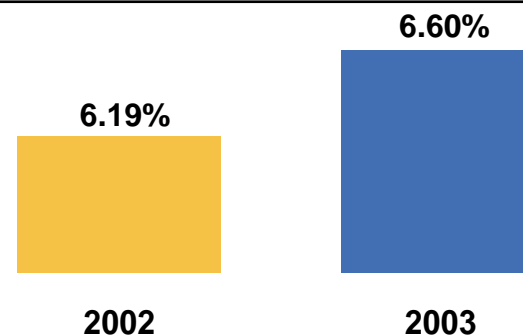
Discover Loan Balances (\$Bn)



Peer Group Average Loss Rates⁽¹⁾



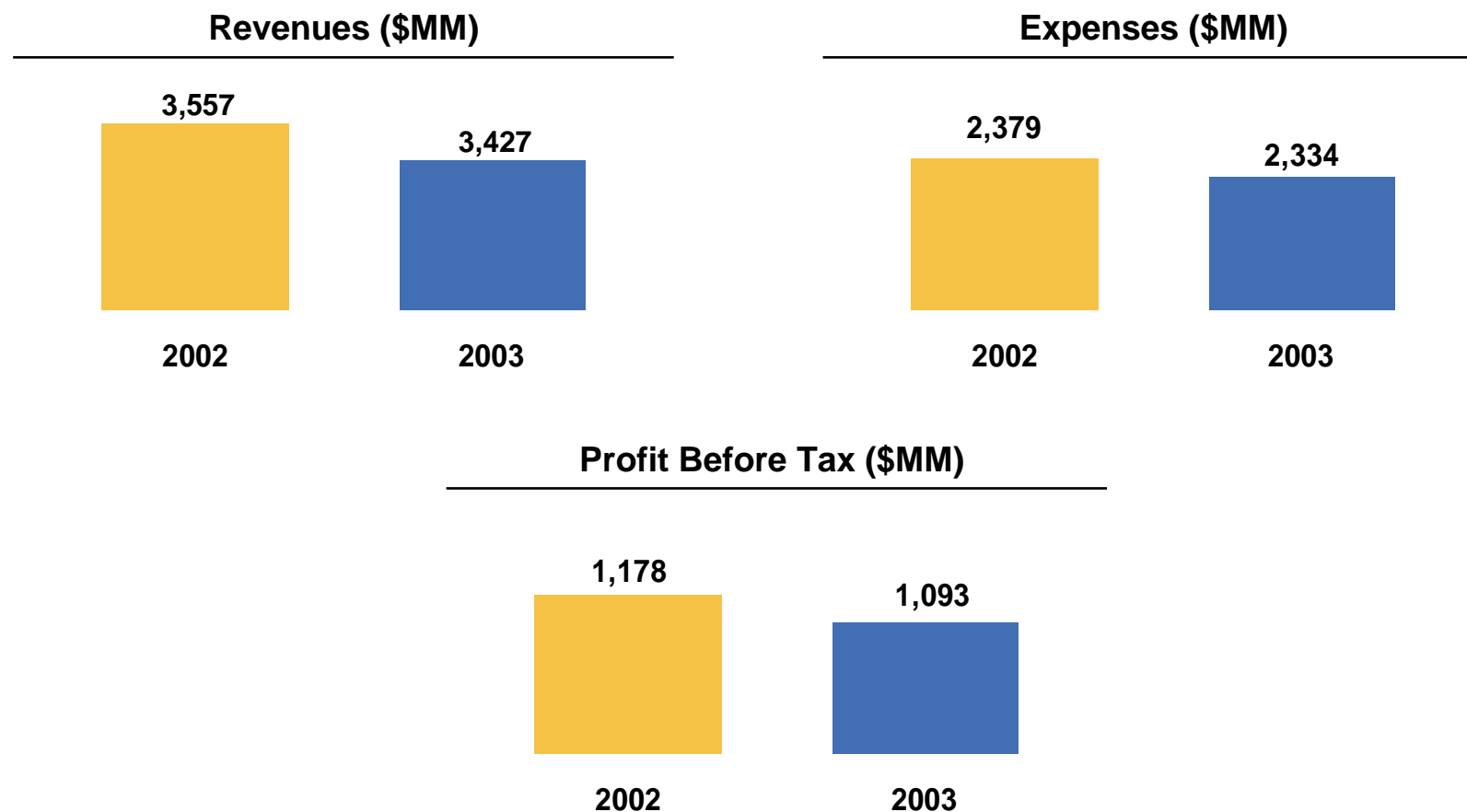
Discover Loss Rates



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

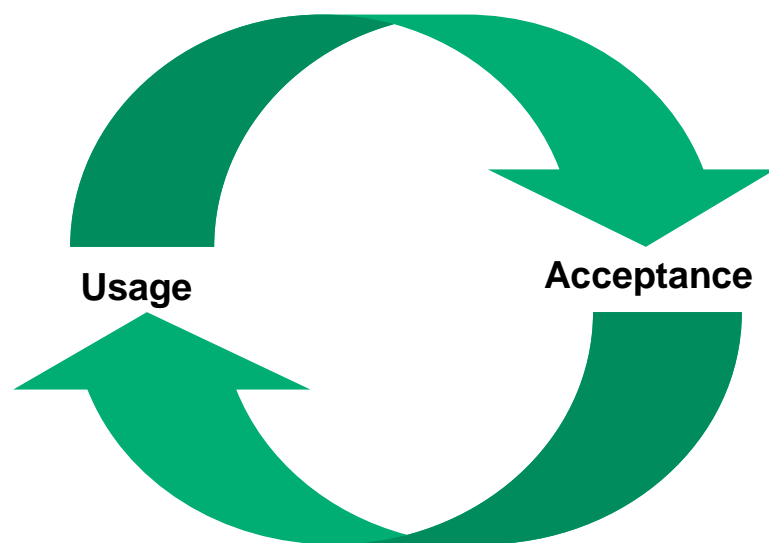


Source: Morgan Stanley 4Q03 Earnings Financial Supplement

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

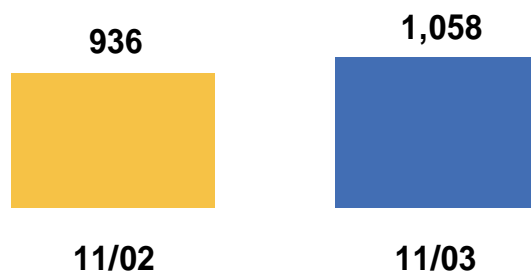


- Leverage Discover brand and CashBack Bonus to grow retail volume
- Significantly increase total and exclusive network acceptance
- Improve portfolio credit quality
- Achieve operating expense reductions
- Grow International and Mortgage businesses

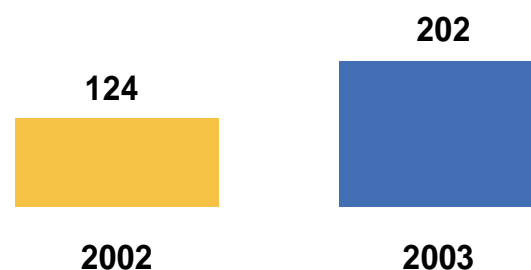
Investment Management

Investment Management 2003 Developments

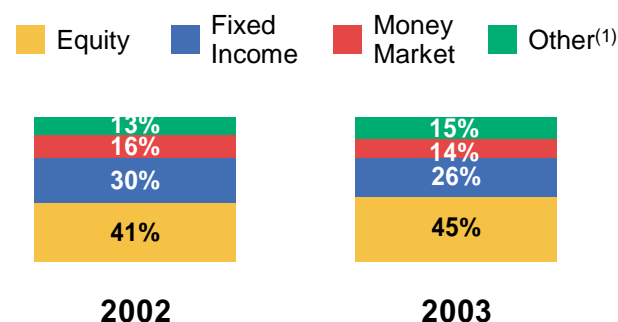
S&P500 Average



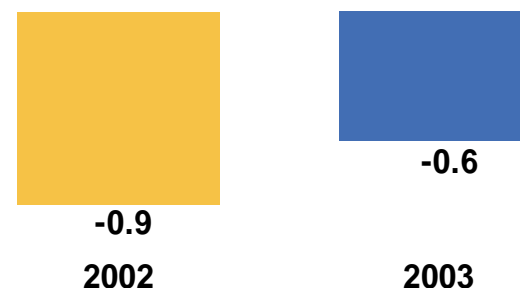
Industry Fund Flows⁽²⁾ (\$Bn)



MWD Asset Mix



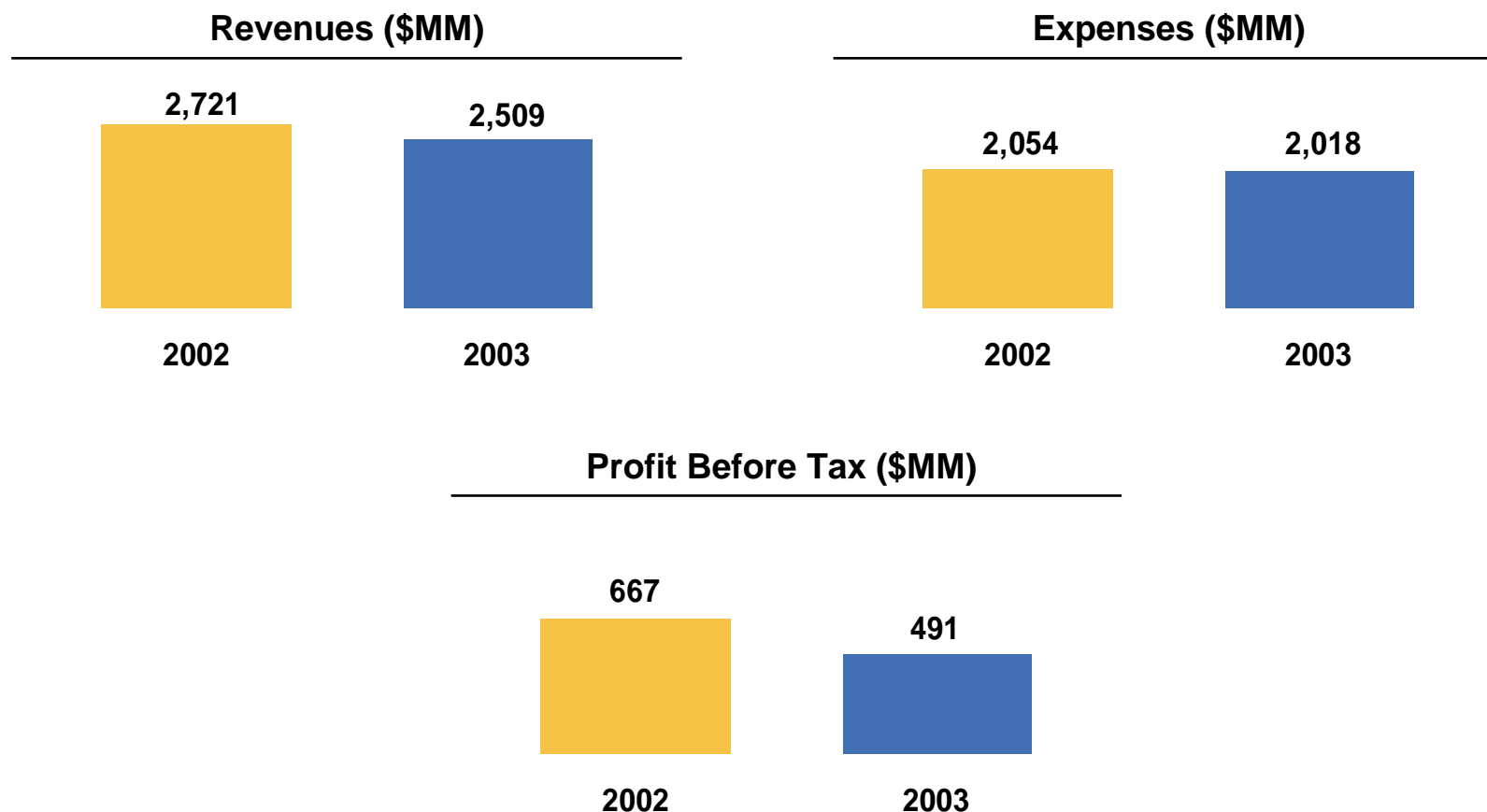
Morgan Stanley Fund Flows⁽²⁾ (\$Bn)



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

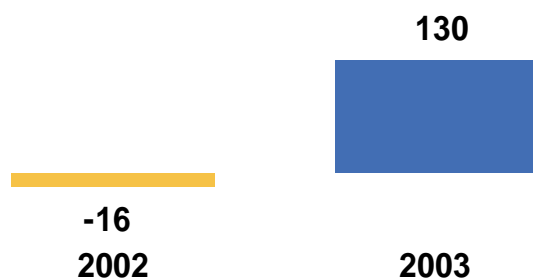
- Improve investment performance
- Achieve positive net sales
- Grow alternative investment products business

Individual Investor Group

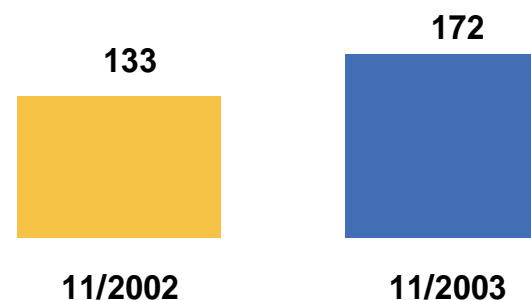
John Schaefer
President & COO

Individual Investor Group 2003 Developments

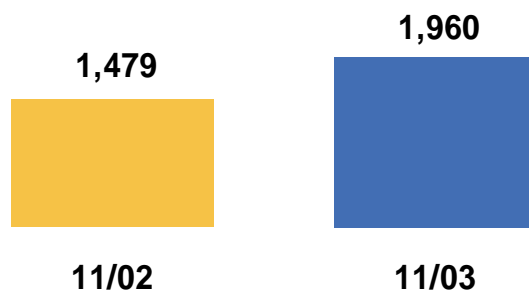
Industry Equity Fund Flows (\$Bn)



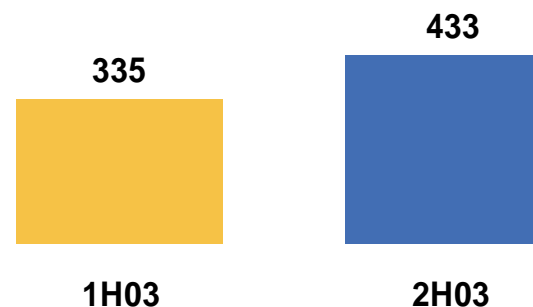
Industry Margin Debits (\$Bn)



NASDAQ Index Level



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



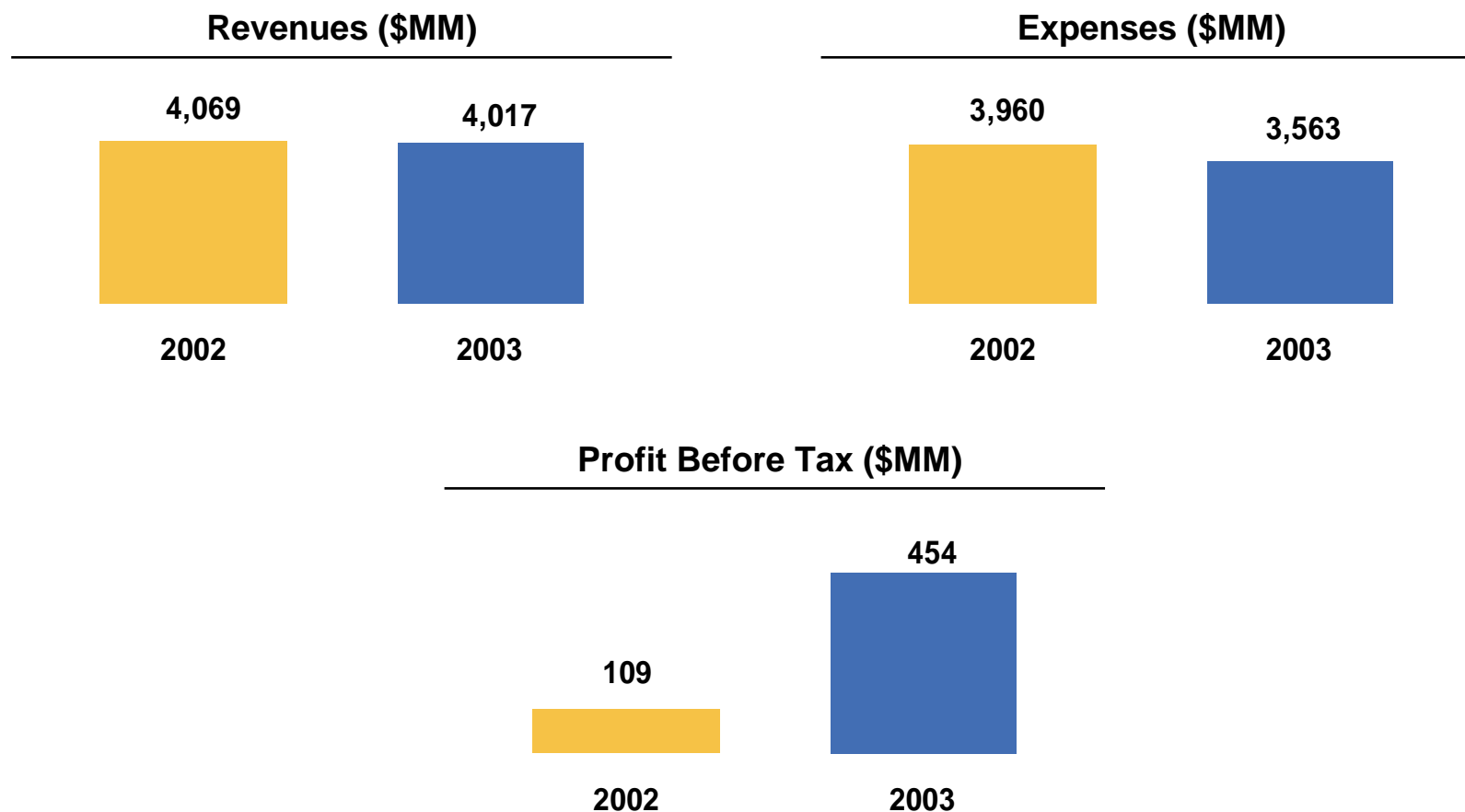
Note: (1) Average of Sum of Monthly Reported Data by Charles Schwab Corp, TD Waterhouse and Ameritrade Corp.

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



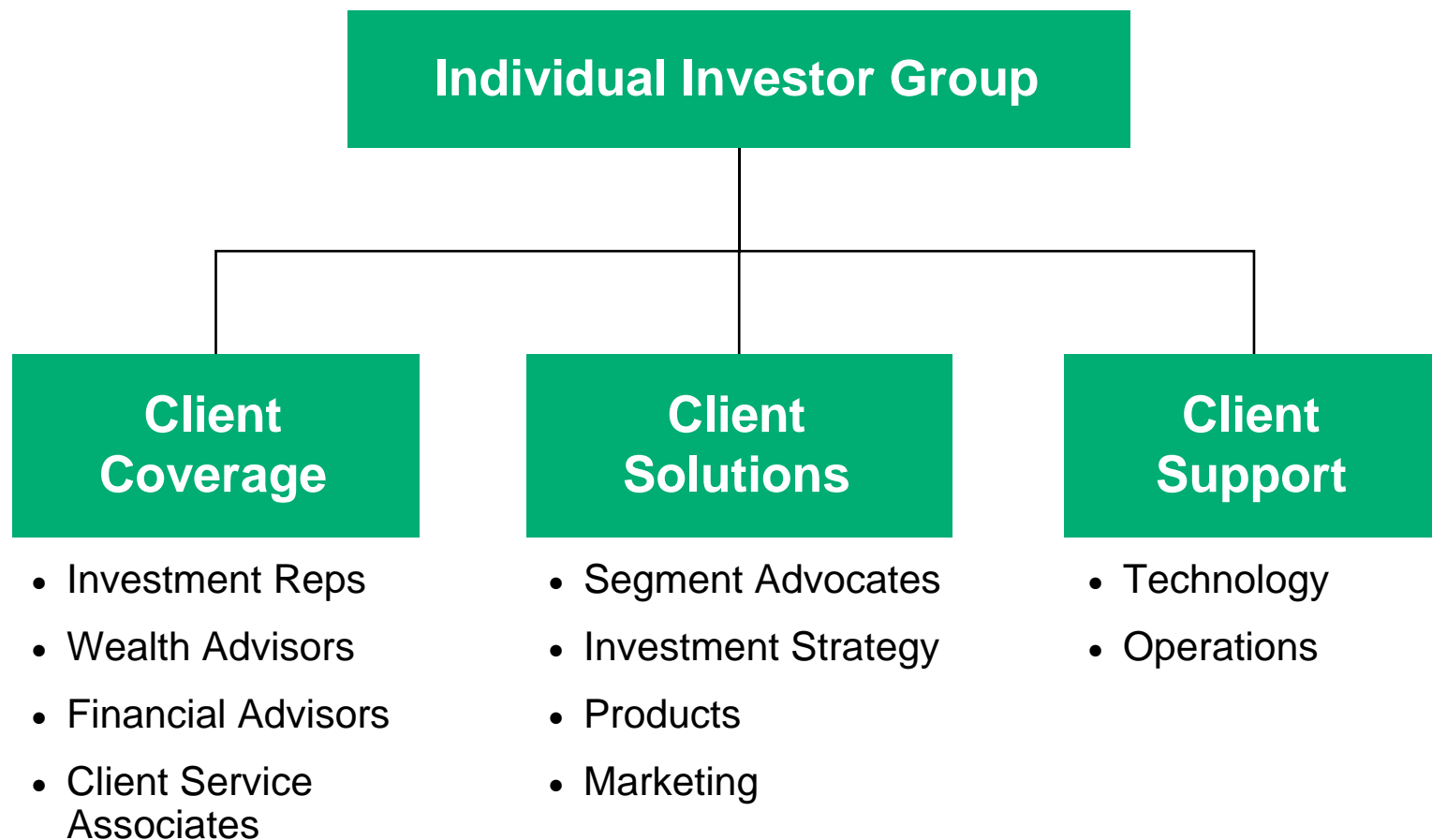
Client Relationship
Business

Product
Sales



Solving
Client Needs

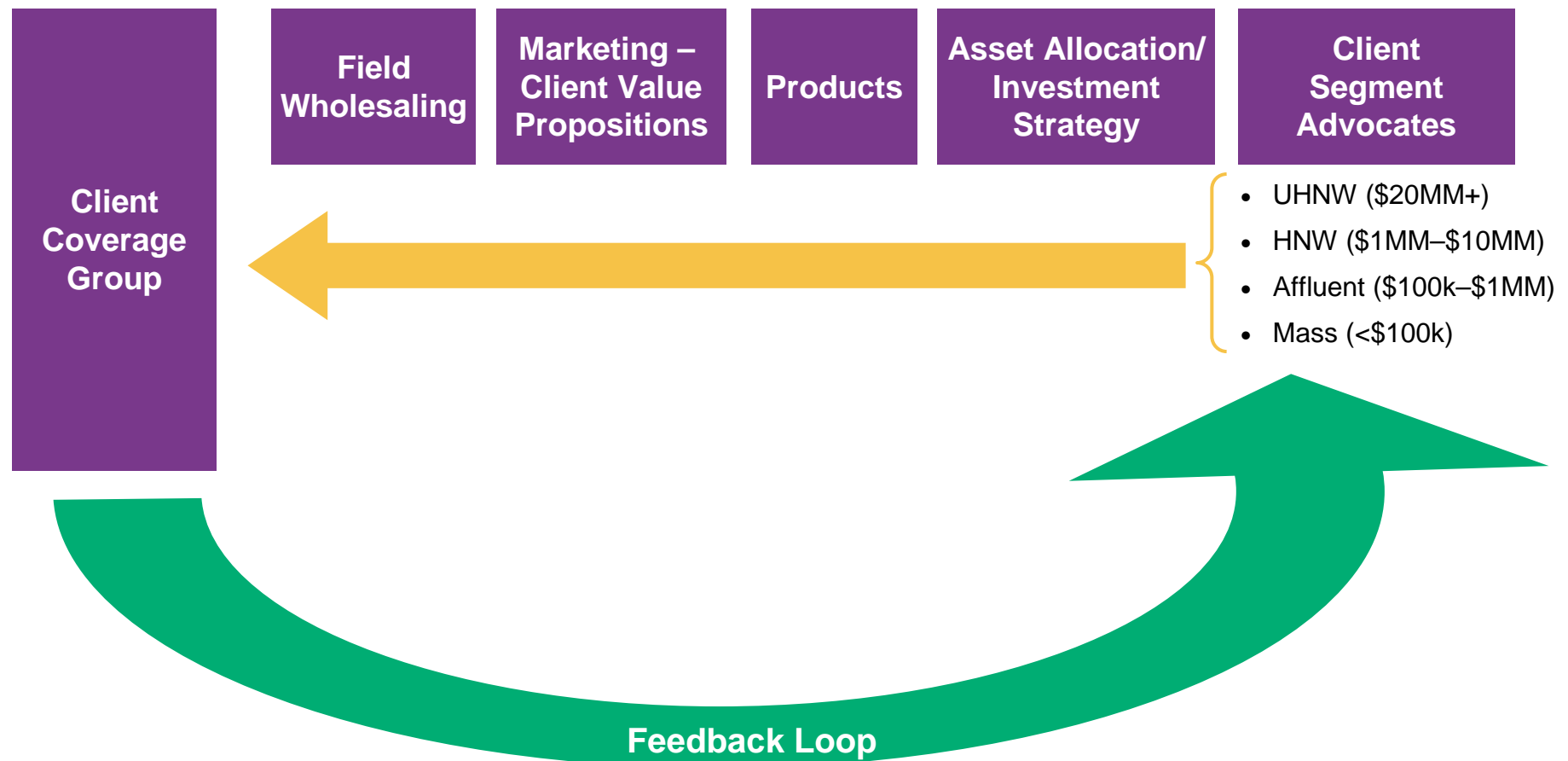
We Have Organized Around Clients



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

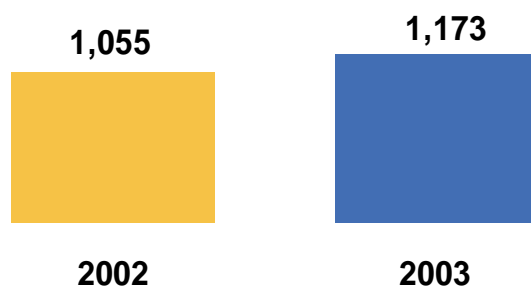
- Continue client focus
- Grow the business
 - Assets, particularly fee-based
 - FA trainees and recruits
 - Platinum and Gold Households
 - Margins and Earnings
- Continue execution of segmented strategy & organization
- Maintain strict expense control

Institutional Securities

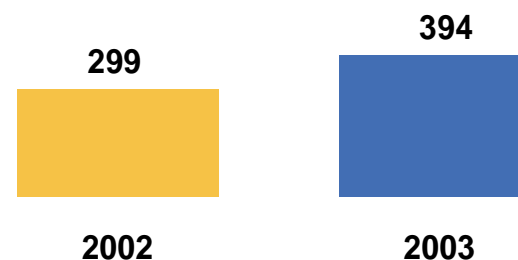
Vikram Pandit
President & COO

Institutional Securities 2003 Developments

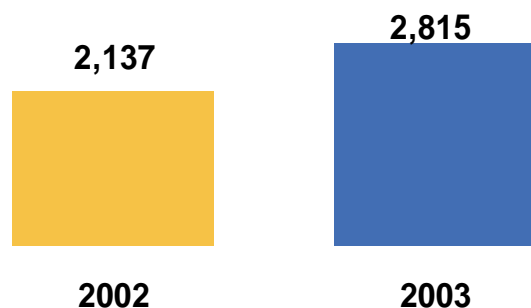
Global Announced Merger & Acquisition (\$Bn)



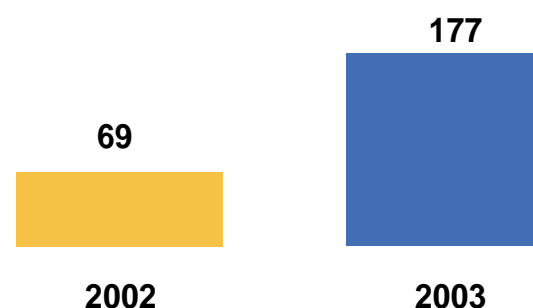
Global Equity Underwriting (\$Bn)



Global Investment Grade Debt (\$Bn)



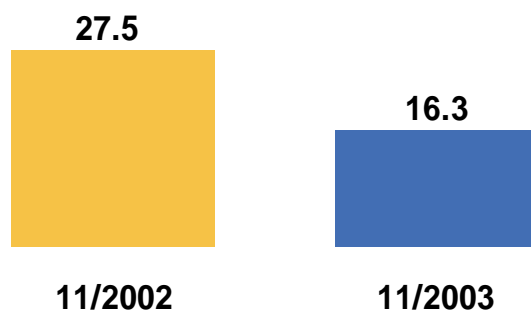
Global High Yield Debt (\$Bn)



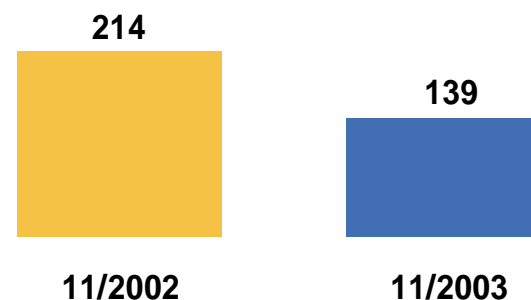
Source: Thomson Financial – Calendar YTD January 1 - December 31

Institutional Securities 2003 Developments

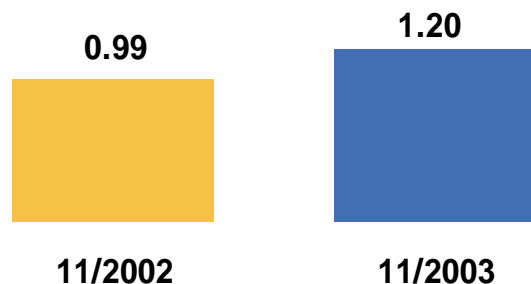
Volatility Index (VIX)



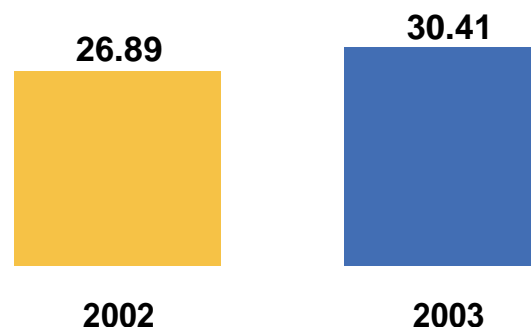
10 Year BBB Credit Spread



Euro/USD Exchange Rate

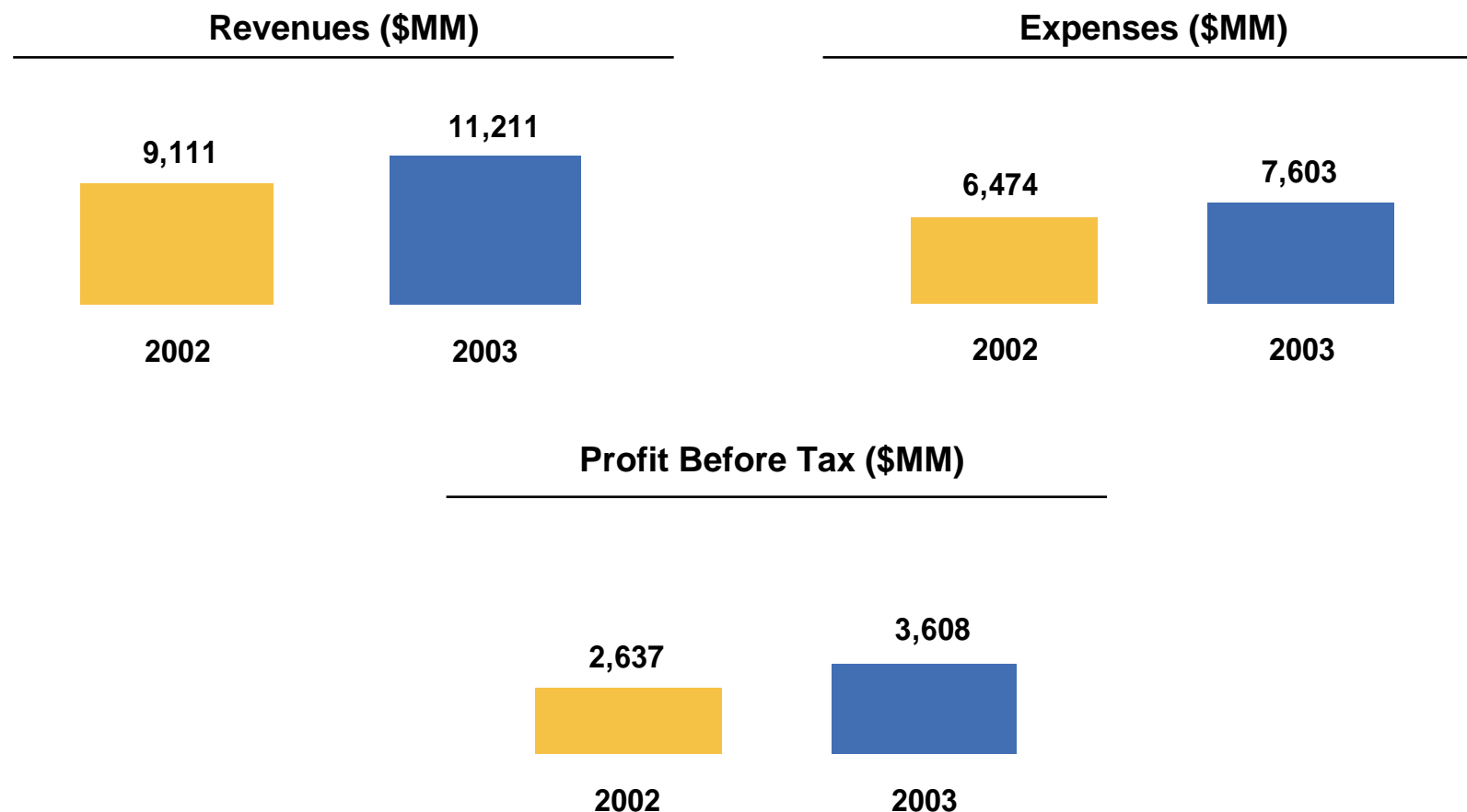


WTI 1-Month (\$/Barrel)



Sources: Factset, MSCI, Bloomberg

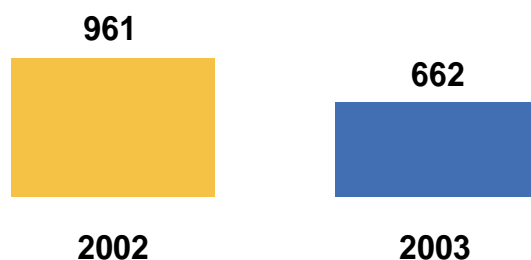
Institutional Securities Financial Performance



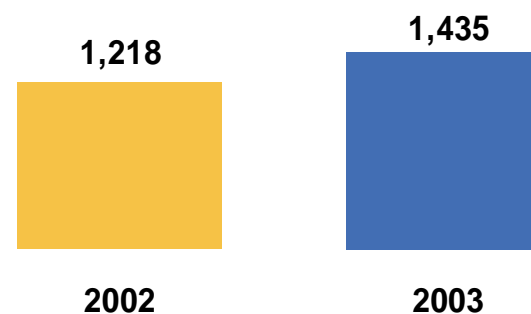
Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Institutional Securities Financial Performance

Advisory Revenues (\$MM)



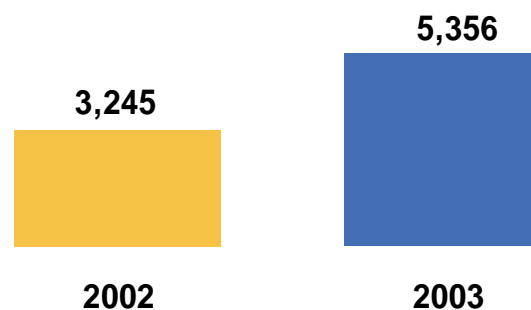
Underwriting Revenues (\$MM)



Equity Sales & Trading Net Revenues (\$MM)



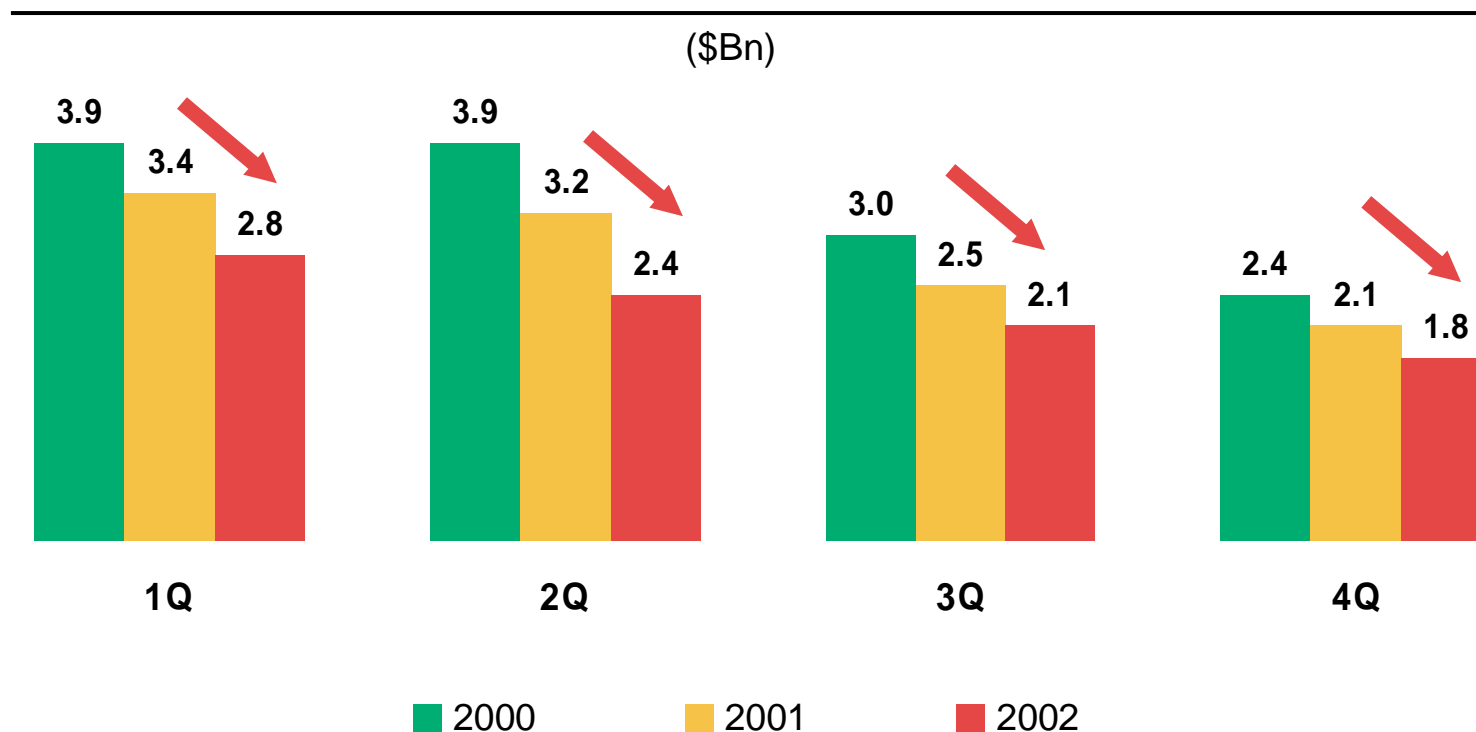
Fixed Income Sales & Trading Net Revenues (\$MM)



Source: Morgan Stanley 4Q03 Earnings Financial Supplement

Revenue Trends

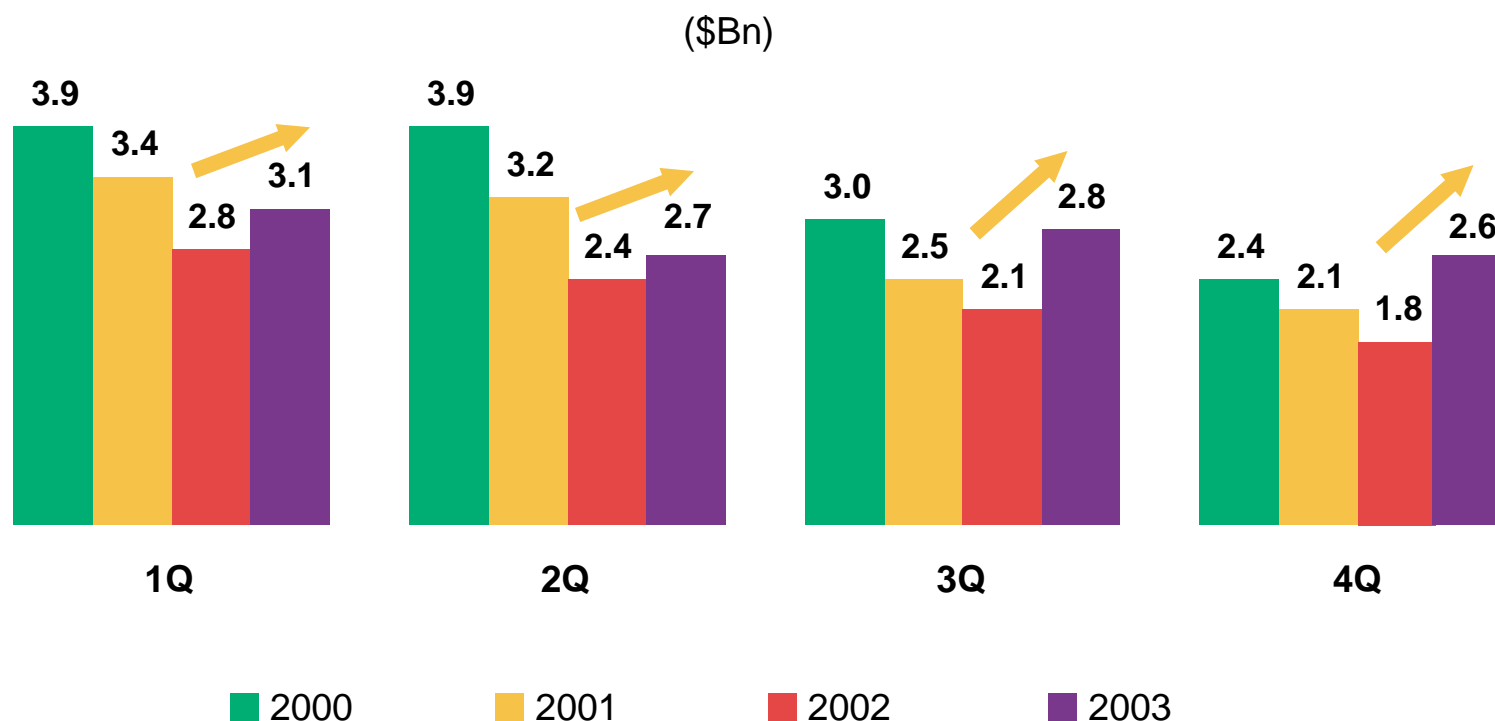
Institutional Securities Revenues



Source: Morgan Stanley SEC filings

Revenue Trends

Institutional Securities Revenues



Source: Morgan Stanley SEC filings

Institutional Securities 2003 Accomplishments

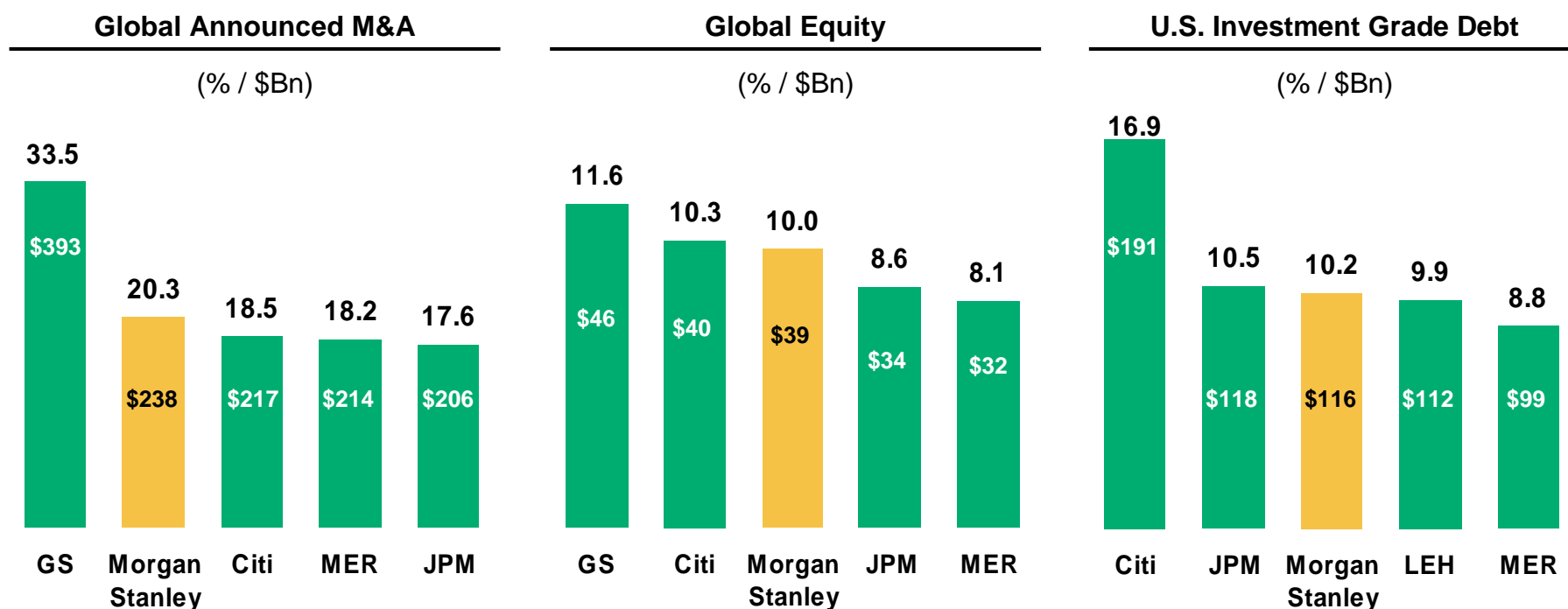
- Increased Client Share: Executing on Differentiation
- Capitalized on Market-Making Opportunities
- Efficiency Enhancements

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

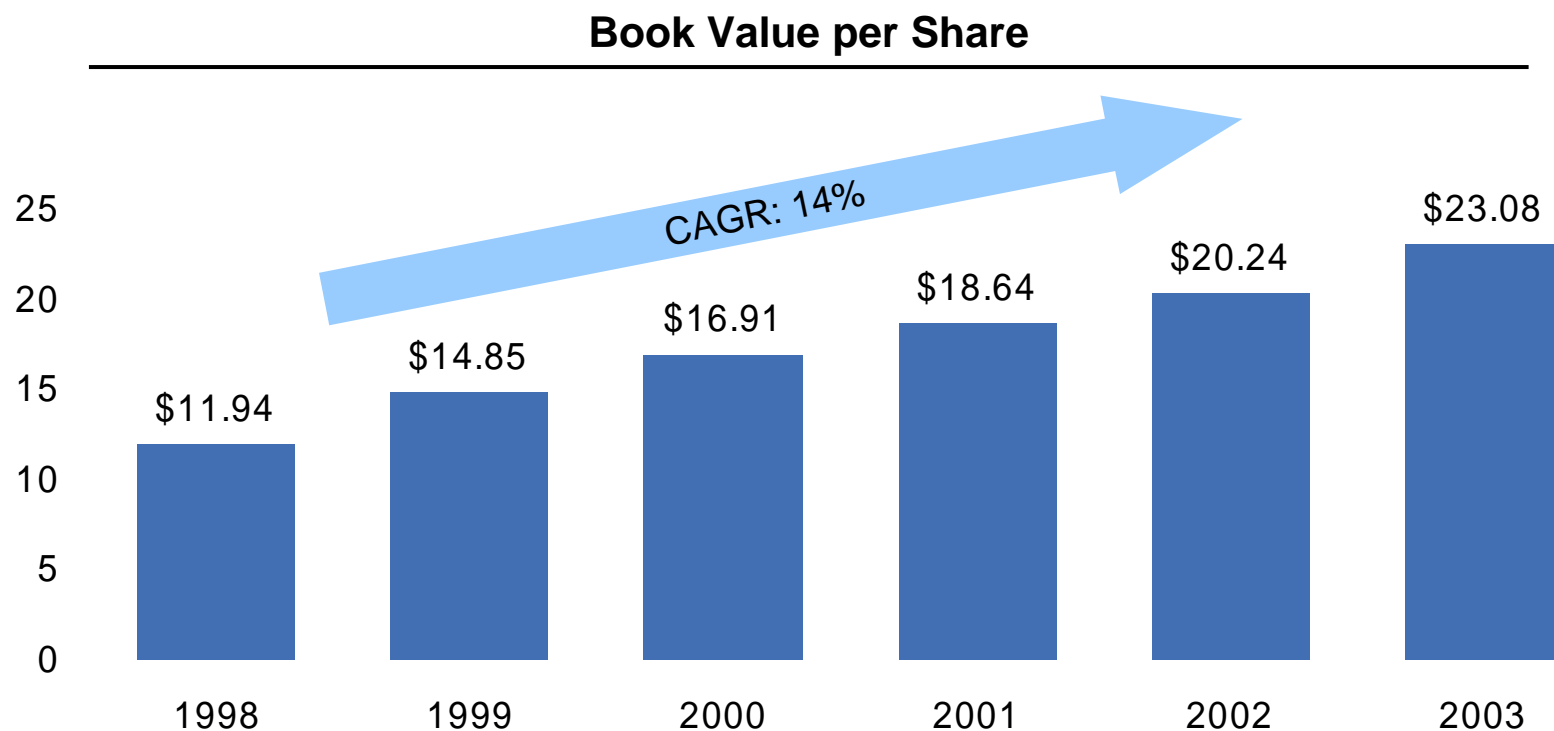
Return on Equity

| | <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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