



Philip J. Purcell, Chairman & CEO

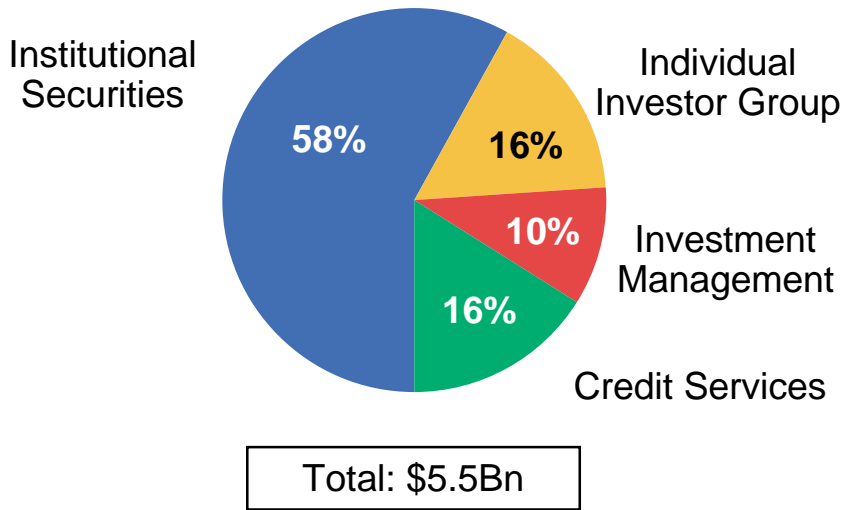
Stephen S. Crawford, Chief Financial Officer

Vikram S. Pandit, Co-Head of Institutional Securities

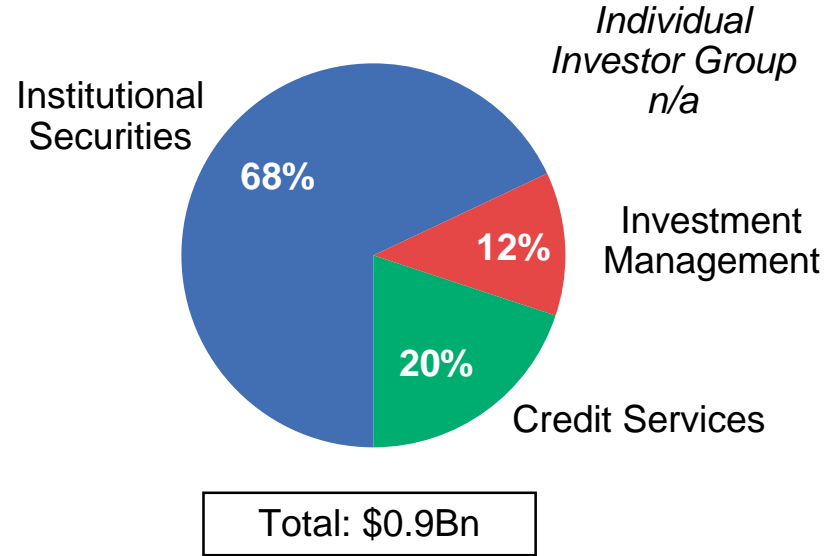
April 29, 2003

Business Mix – 1Q03 Results

Net revenues



Net income



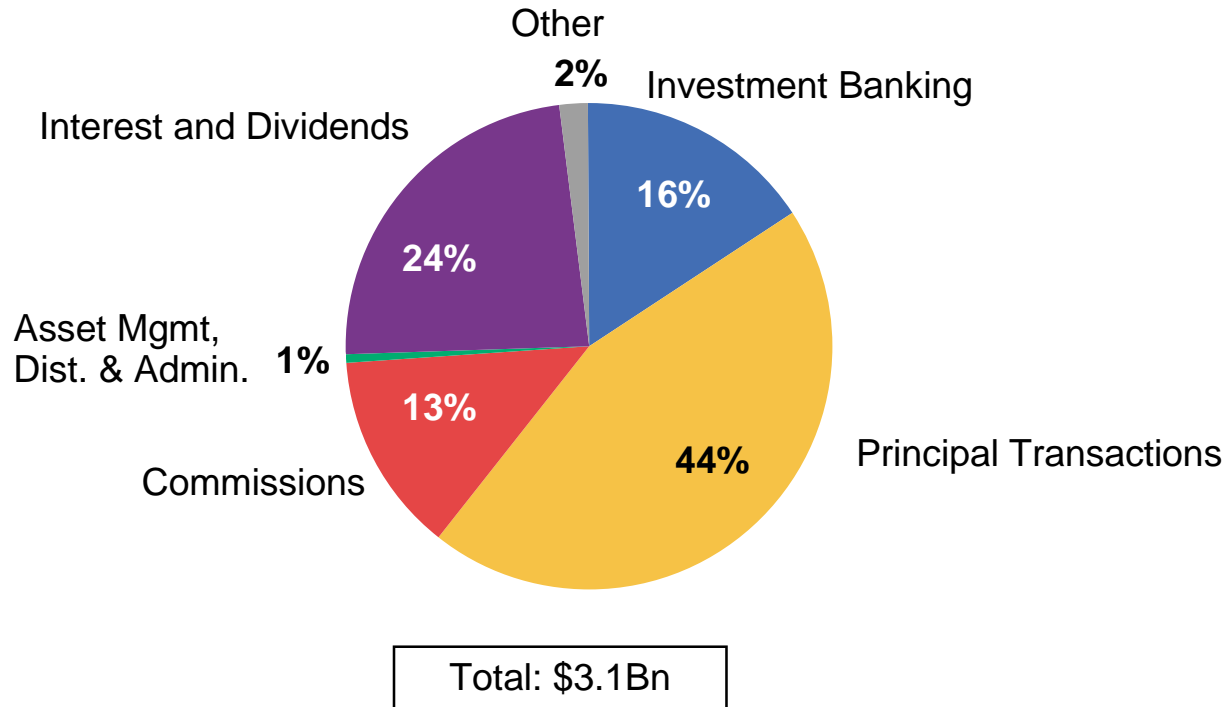
Source: Company filings

Institutional Securities

Vikram S. Pandit,
Co-Head of Institutional Securities

GAAP Income Statement View

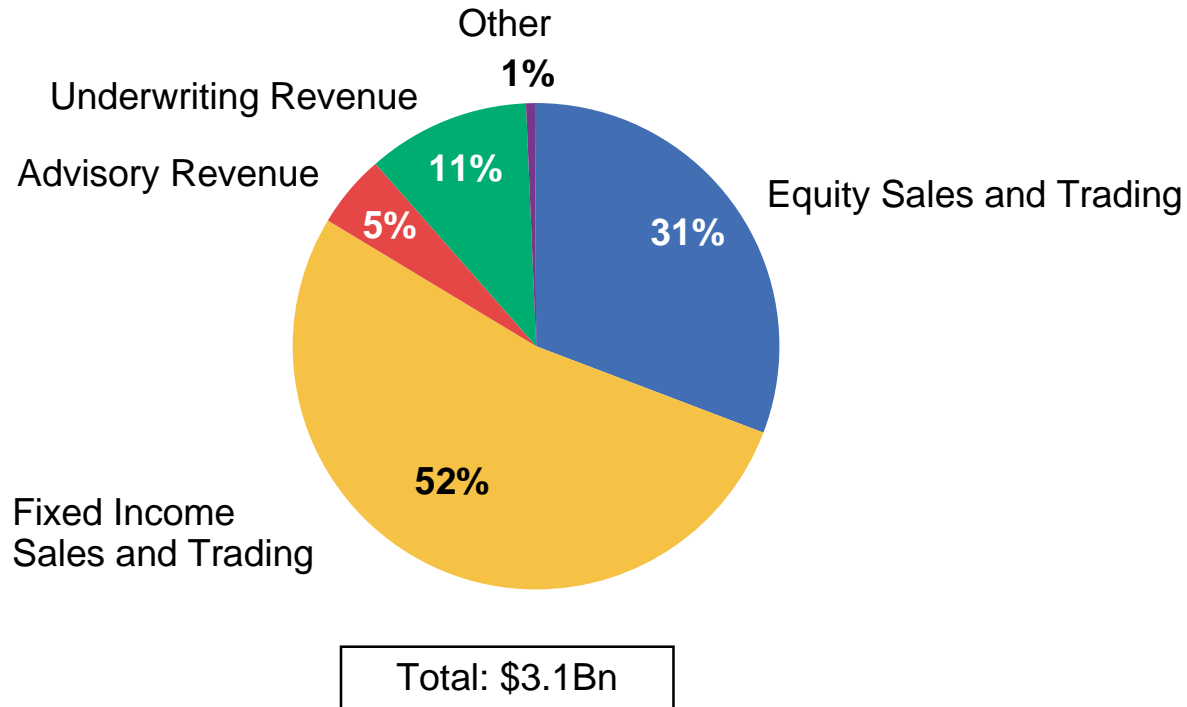
1Q03 Net Revenues



Source: Company filings

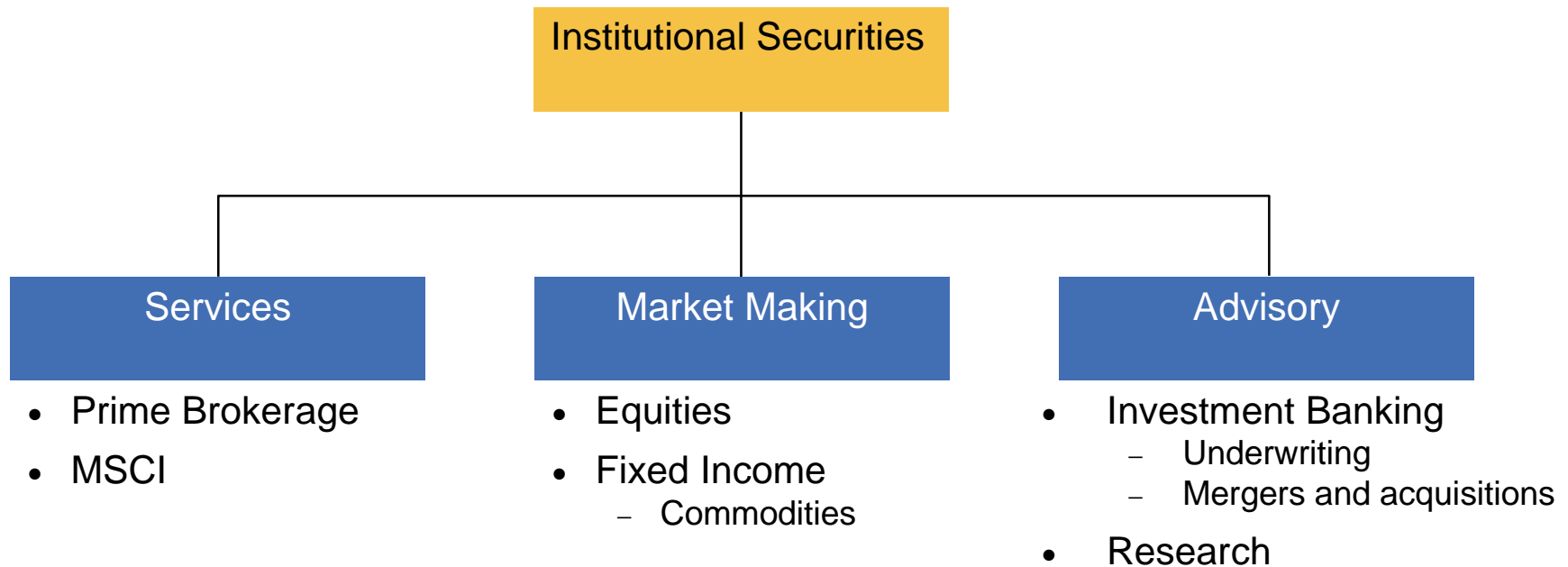
Institutional Securities – Business View

1Q03 Net Revenues



Source: Company filings

Business Mix

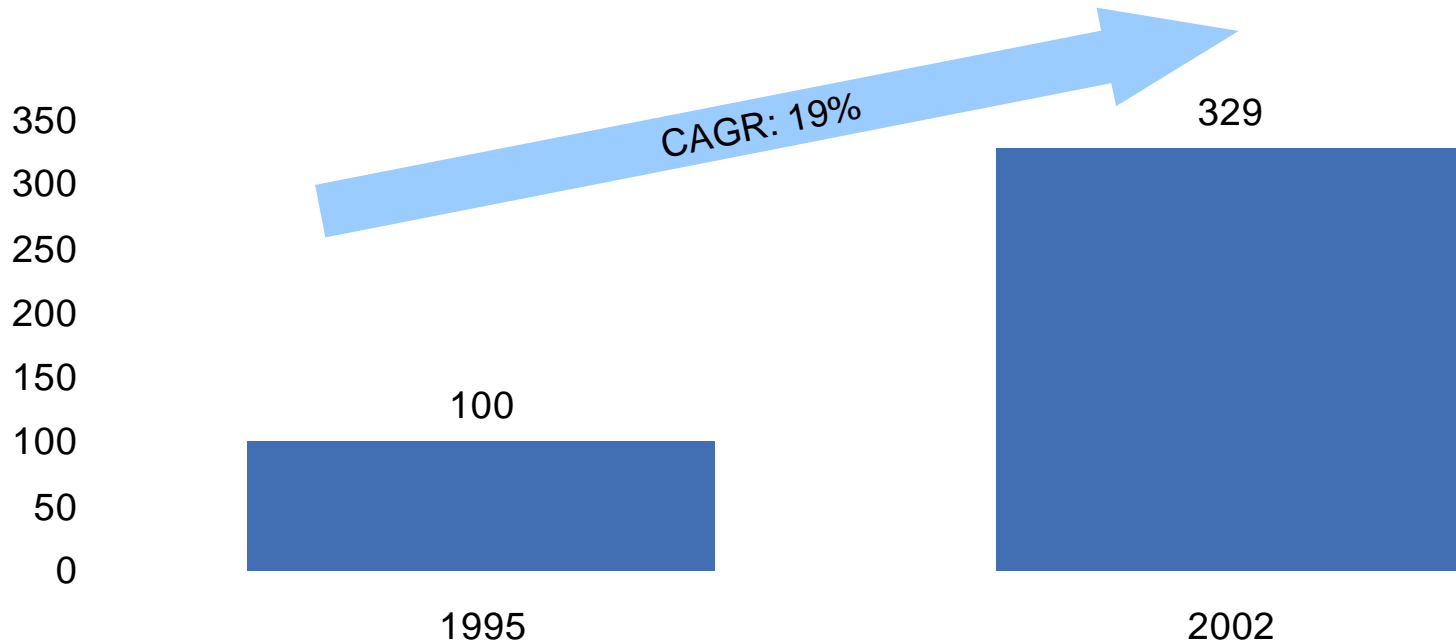


Services

- Analytics
- Indices
- Financing
- Settlement
- Securities lending
- Tax
- Technology

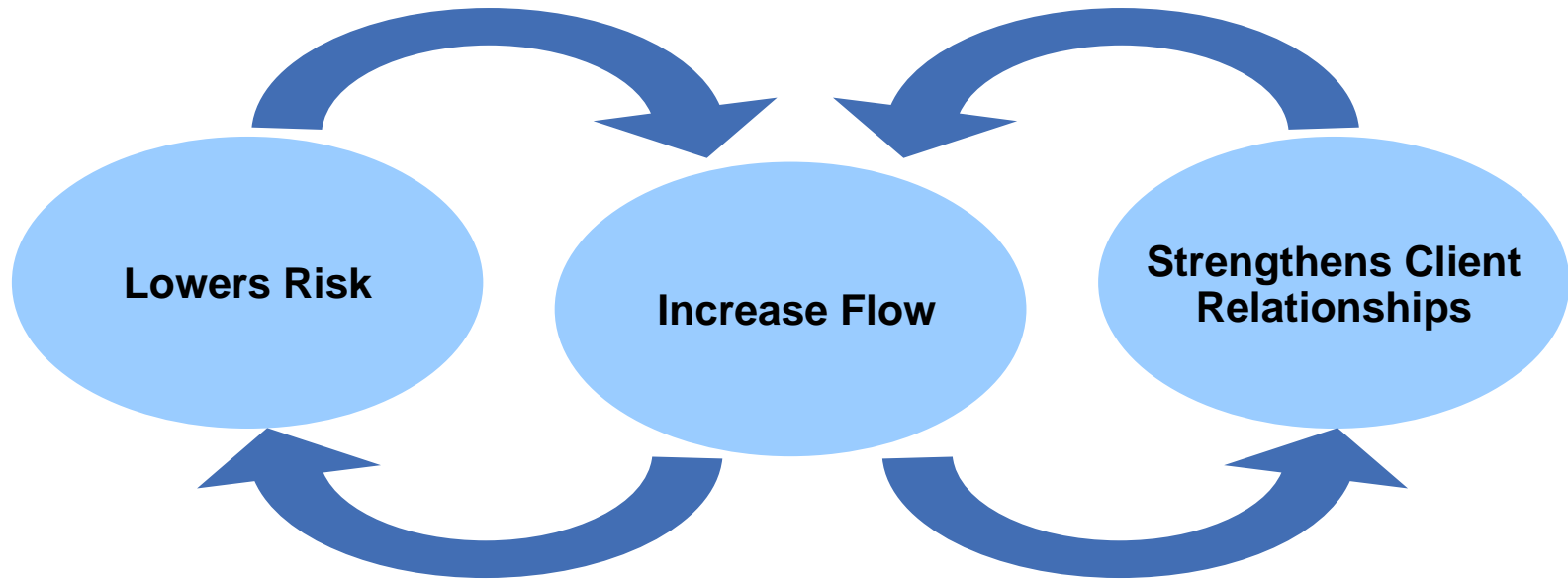
Services – Prime Brokerage

Morgan Stanley Prime Brokerage Net Revenues Indexed to 100



Source: Internal Company information

Market Making – Equities Business Model



Market Making – Fixed Income Business Model

- Principal markets
- Thousands of instruments
- Robust over-the-counter market
- Market share not entirely meaningful measure

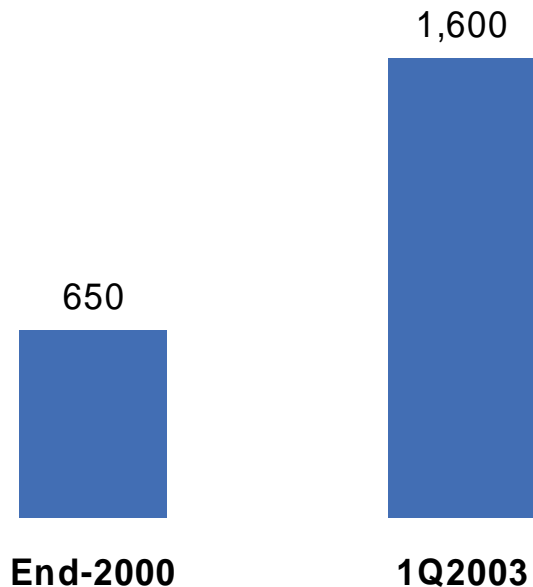
Market Making – Revenue Drivers

- Trading Volumes
- Volatility
- Primary Activity
- Market Direction
- Market Share

Market Making – Equities – Built Through Technology

OTC Market Making

Total Number of Stocks



Automated Options Market Making

- Developed “next generation” derivatives market making technology and strategy
- Making markets in 50,000 instruments, representing 550 names – from standing start in August 1999
- Highly automated operations with handful of traders

Source: Internal Company information

Market Making – Information Technology Efficiency

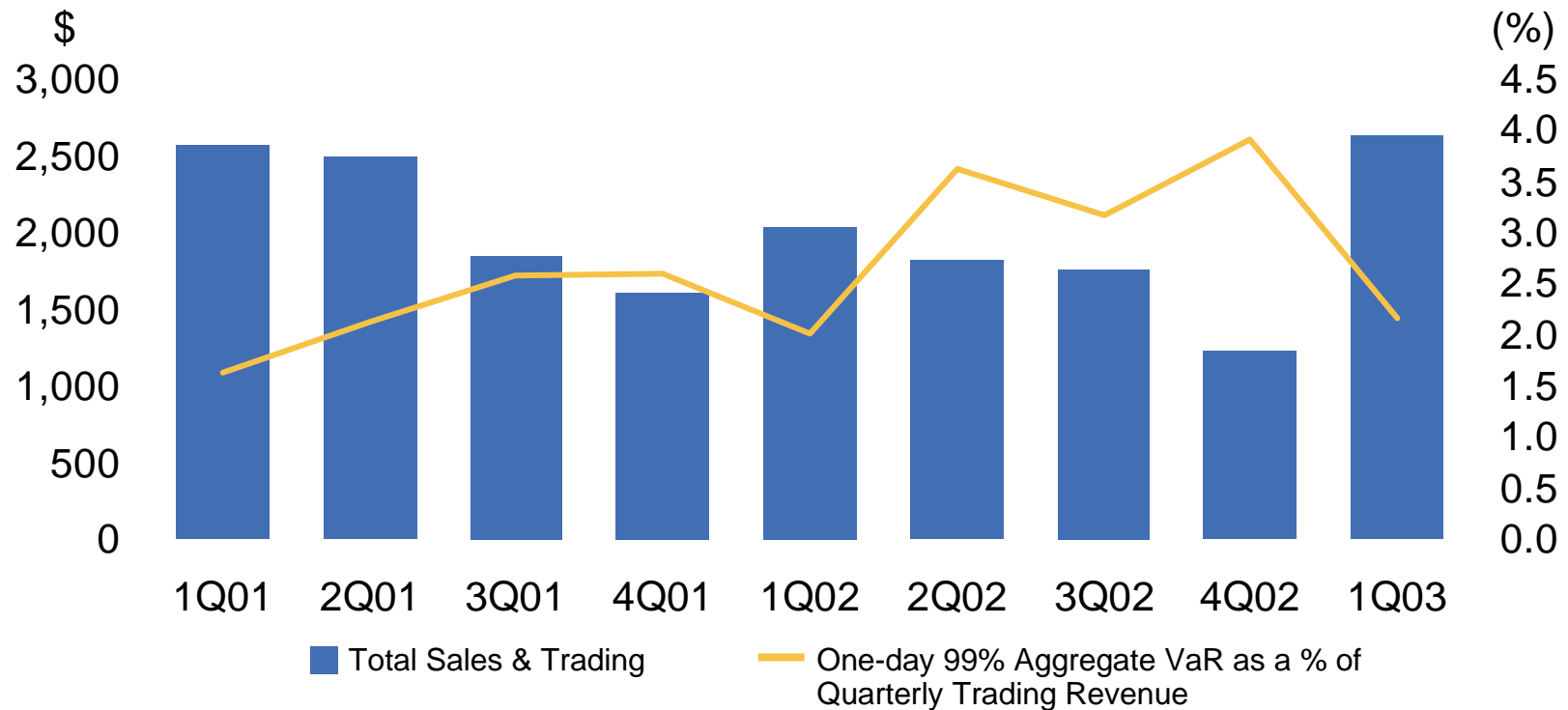
- Average Trade Volume continues to grow
 - 1999/2000 – up 79%
 - 2000/2001 – up 41%
 - 2001/2002 – up 33%
 - 2002/2003 – up ~40%
- 2003 Peak volumes 100% greater than average 2002 levels
- Information Technology cost per trade decreased 60% from 2000 to 2002

Market Making – Fixed Income Market Dynamics

- Significant drop in global interest rates
- Increase in risk aversion
- Shift in sales and trading customer flows
- Structural change in commodities markets
- Business line expansion in securitized products, credit derivatives
- Increased market share across most product areas, though measurements lack transparency
- Increased positional risk

Market Making – Risk Efficiency

Quarterly Sales and Trading Net Revenues

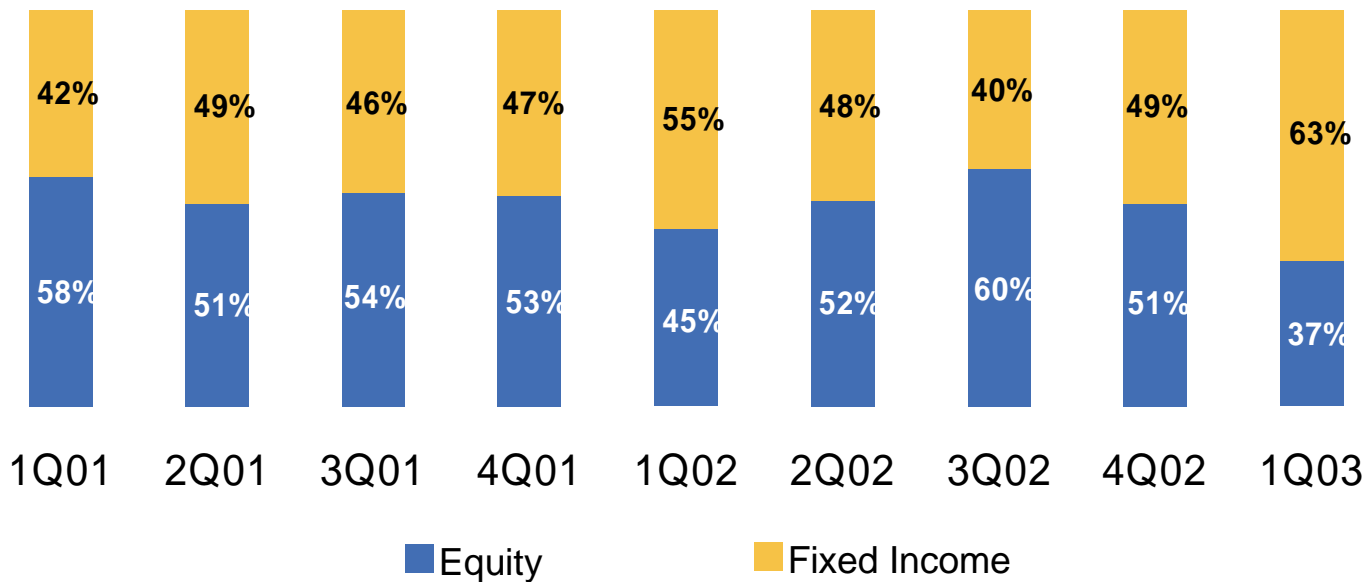


Source: Company filings

Market Making – Diversification

Sales and Trading Net Revenues

(% Total)



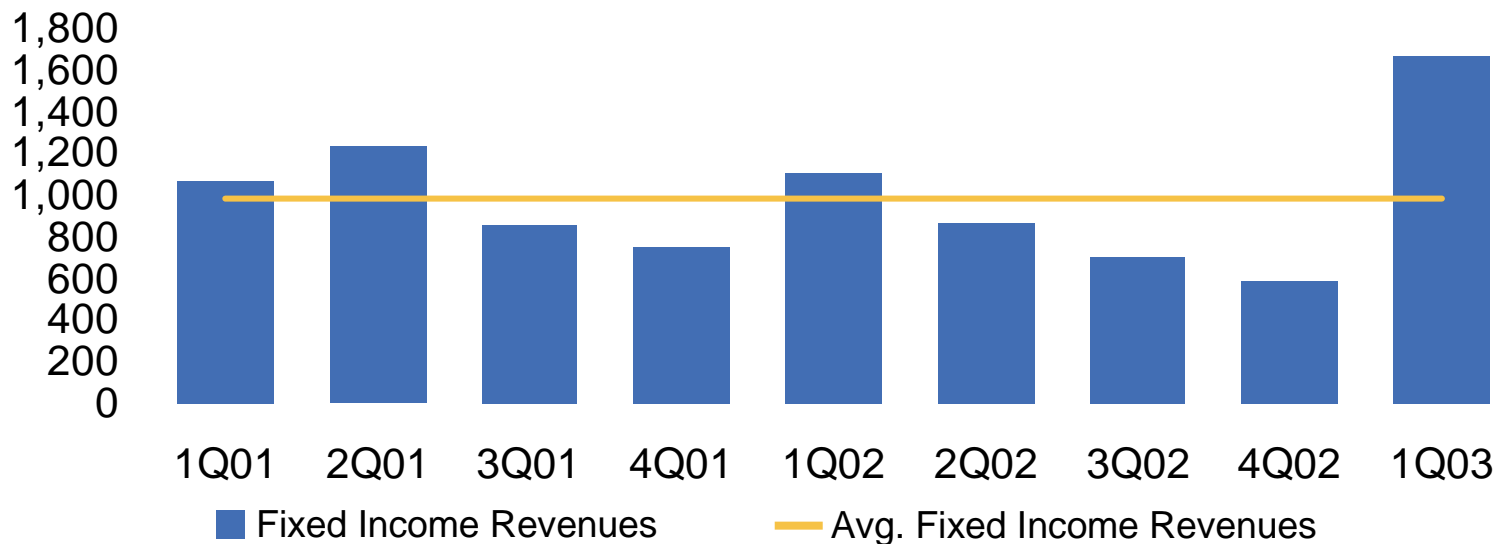
Average Quarterly Sales & Trading Revenue mix 1Q01–1Q03: 51% Equities, 49% Fixed Income

Source: Company filings

Market Making – Fixed Income

Fixed Income Sales and Trading Net Revenues

(\$ millions)

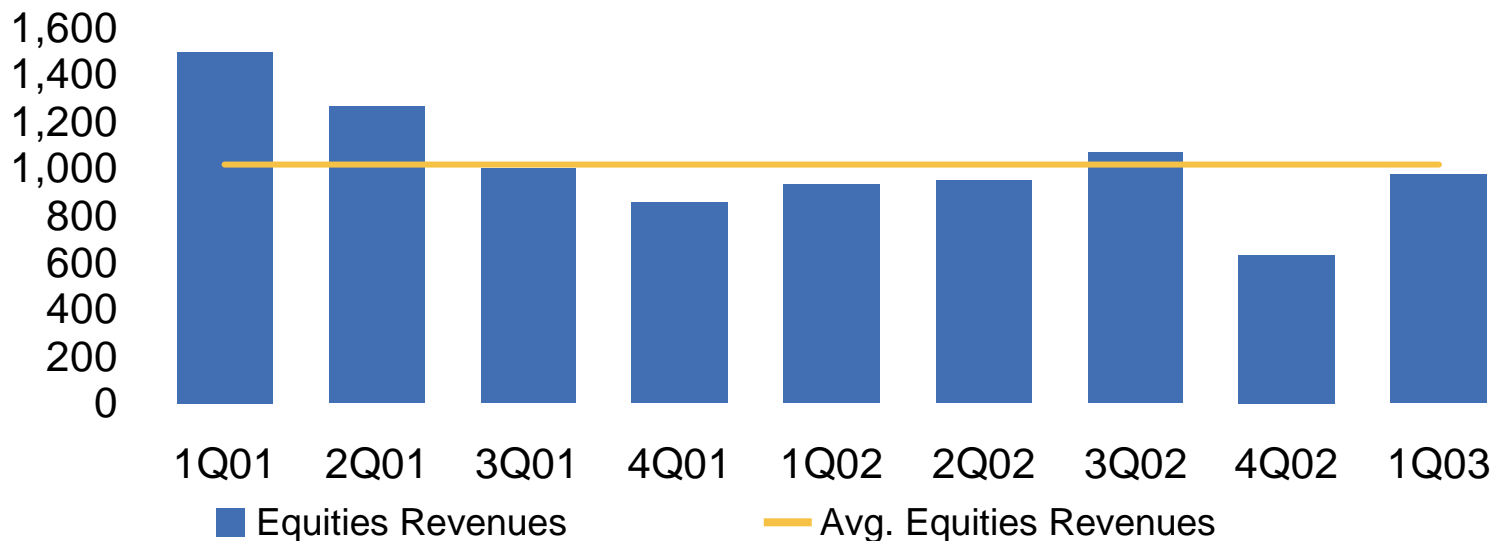


Source: Company filings

Market Making – Equities

Equity Sales and Trading Net Revenues

(\$ millions)



Source: Company filings

Advisory

- Investment Banking
 - Underwriting
 - Mergers and acquisitions
- Research

Advisory – Morgan Stanley Market Position

<u>Institutional Securities</u>	<u>FY 2002</u>	<u>4Q02</u>	<u>1Q03</u>
Global Equity Underwriting Market Share	7.4 %	14.5 %	15.6 %
Rank	5	1	2
Global Investment Grade Underwriting Market Share	7.4 %	6.6 %	6.6 %
Rank	3	4	4
Global Announced M&A Market Share	18.5 %	21.3 %	21.9 %
Rank	4	2	3

Sources: Underwriting and M&A: Thomson Financial – through February 2003.

Advisory – Morgan Stanley Market Position

Research

2002

Institutional Investor Global Research Poll

1

Greenwich Associates U.S. Equity Research Survey

1

Sources: Institutional Investor, Greenwich Associates

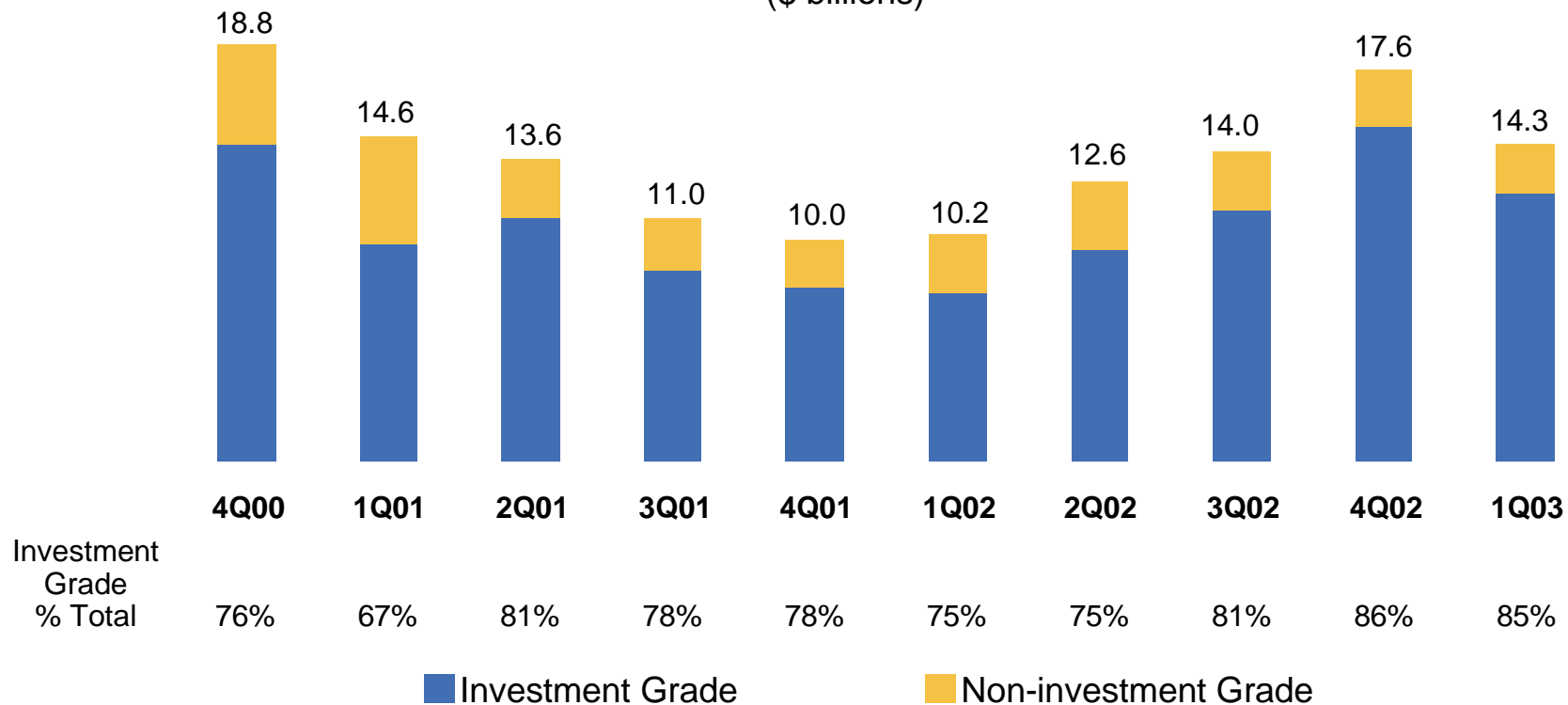
Advisory – Market Pressures

- Capital intensity
 - Cyclical vs. secular
- Competition
 - Market share does not necessarily equal profitability
 - e.g., convertible transactions bid under par and sold at par
- Lending
 - View as product not strategy
 - Majority investment grade with key clients
 - Intent not to warehouse
 - Sales into secondary market
 - Hedges

Lending

Total Loans and Commitments

(\$ billions)



Source: Company filings

Institutional Securities – Conclusion

- Environment continues to be challenging
- Executing well through the cycle
- Morgan Stanley a differentiated franchise

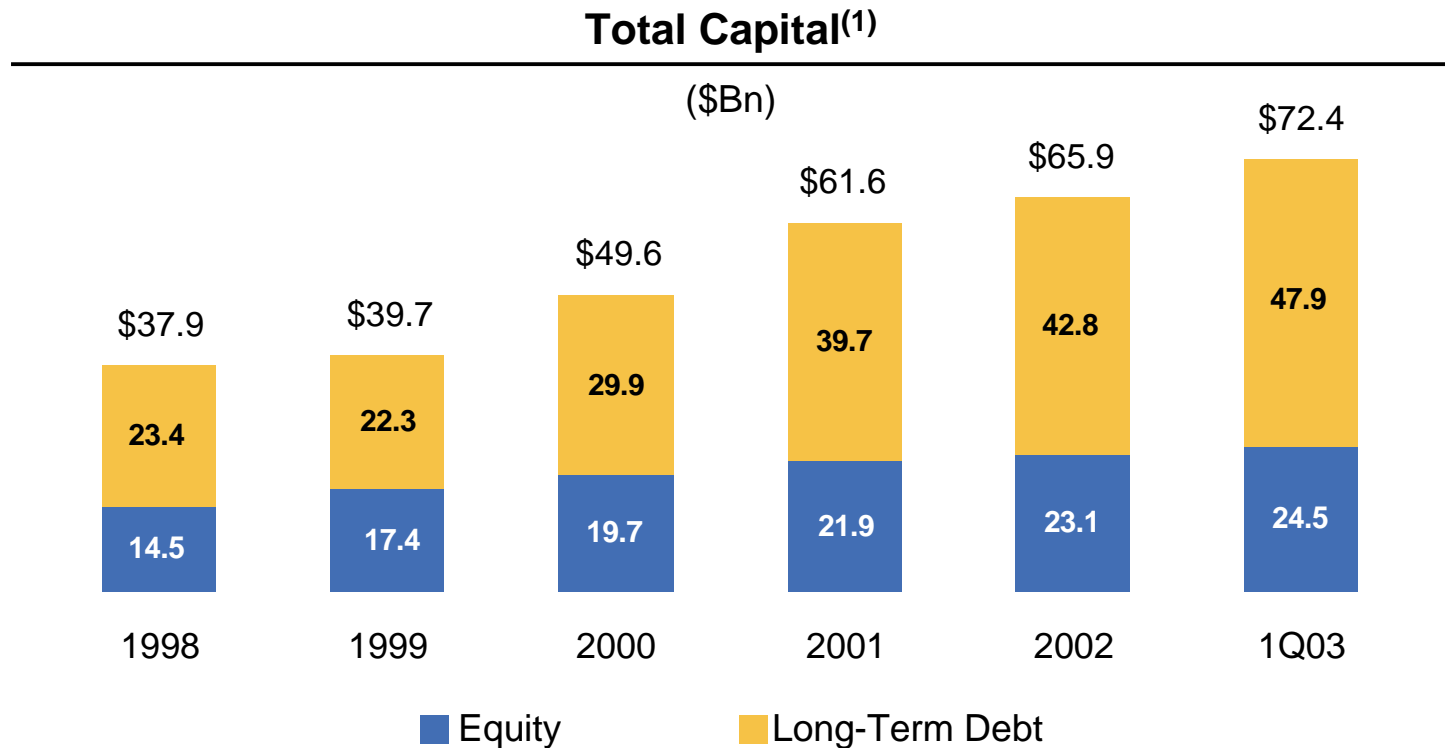
Conclusion

Stephen S. Crawford and
Philip J. Purcell

Aircraft Leasing

- Severe global downturn in travel industry
- Significant excess capacity
- Few healthy airlines
- Supply/demand imbalance beginning to correct
- Economic stability a prerequisite for valuation assessment
- Recent events warrant test for impairment in 2Q

Financial Strength

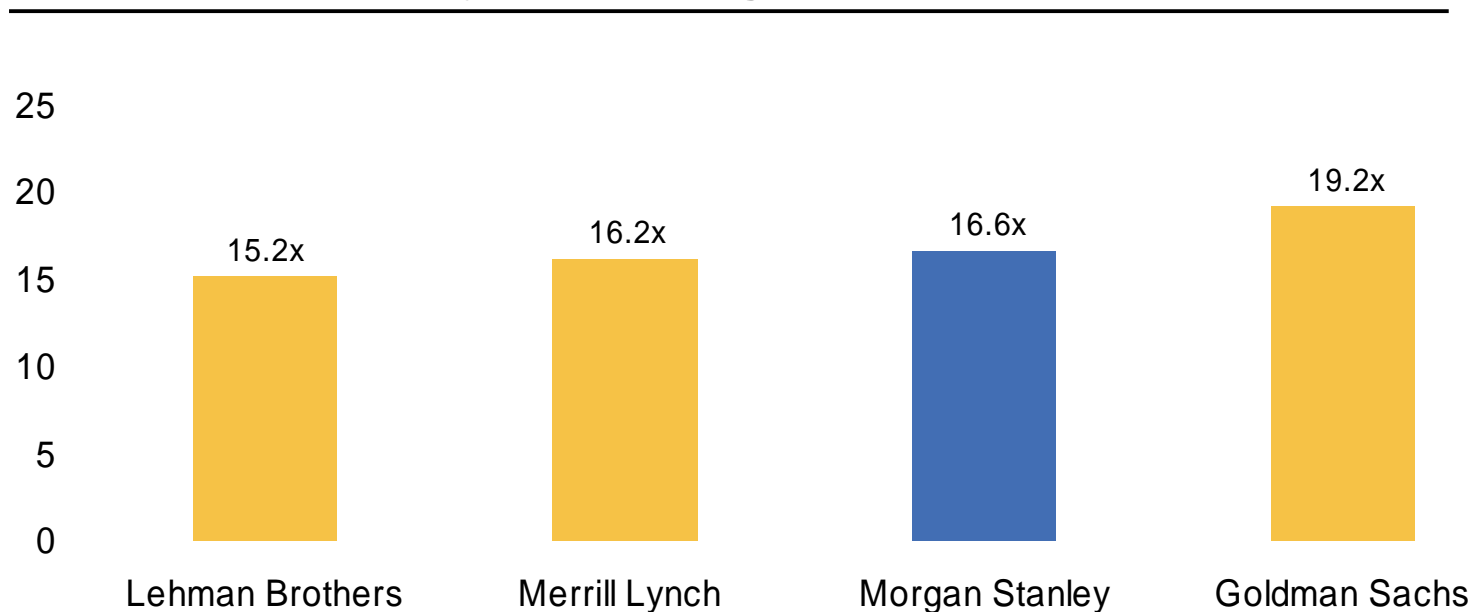


Source: Company filings

Note: (1) Includes preferred and common equity, preferred securities subject to mandatory redemption, capital units and non-current portion of long-term debt.

Balance Sheet Leverage

Adjusted Leverage⁽¹⁾ as of 4Q02



Source: Company filings. Additional information regarding Morgan Stanley's leverage ratio can be found in Morgan Stanley's 1Q03 10Q, available at www.morganstanley.com

Note: (1) Adjusted leverage = (Total assets - lesser of securities purchased under agreements to resell or securities sold under agreements to repurchase - securities received as collateral - lesser of securities borrowed or securities loaned- segregated cash and securities - goodwill) / Tangible Equity.

Return on Equity ⁽¹⁾

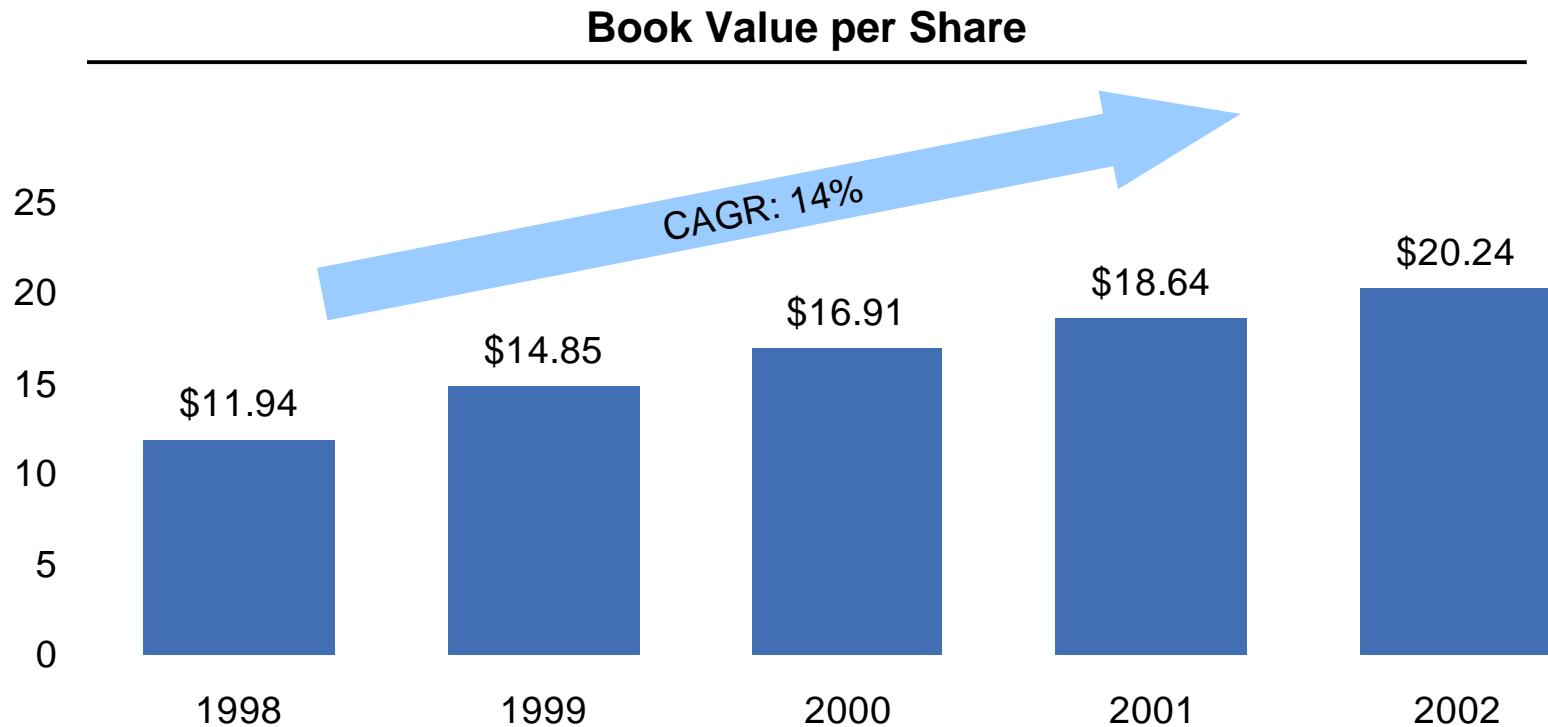
	<u>1Q03 ROE</u>	<u>2002 ROE</u>	<u>Avg. ROE 1997-2002</u>
Morgan Stanley	16.3%	14.8%	23.7%
MER	11.8%	12.0%	18.5%
LEH	13.9%	12.2%	17.9%
GS ⁽²⁾	13.7%	11.3%	20.6%

Source: Company filings

Notes: (1) Excludes restructuring charges, regulatory settlement and 9/11-related costs.

(2) GS Avg 1999-2002 only.

Growth in Morgan Stanley Book Value



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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April 29, 2003