

Philip J. Purcell, Chairman & CEO
Stephen S. Crawford, Chief Financial Officer

May 15, 2003

Long-term Outlook



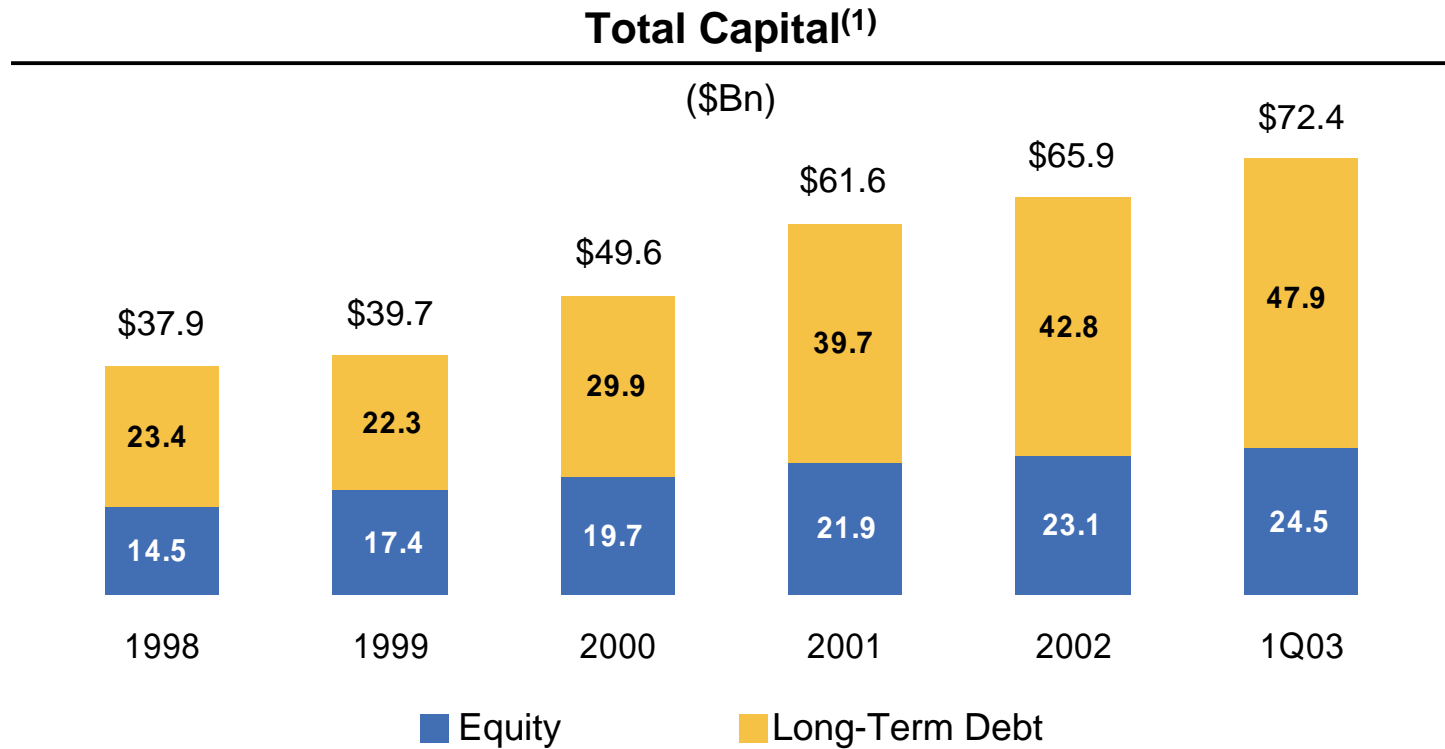
Current Environment

<u>Trends/Challenges</u>	<u>Secular vs. Cyclical</u>	<u>Implication</u>
Overcapacity	Secular	<ul style="list-style-type: none">• Maintain financial, brand and talent differentiation
Fixed Income Outperforming Equities	Cyclical	<ul style="list-style-type: none">• Don't overreact to market movements
Risk Capital Increasing	Cyclical	<ul style="list-style-type: none">• Focus on "tradeable" risk• Intelligent approach to market share
Margin Compression	Secular	<ul style="list-style-type: none">• Investment in technology• Maintain innovation edge

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

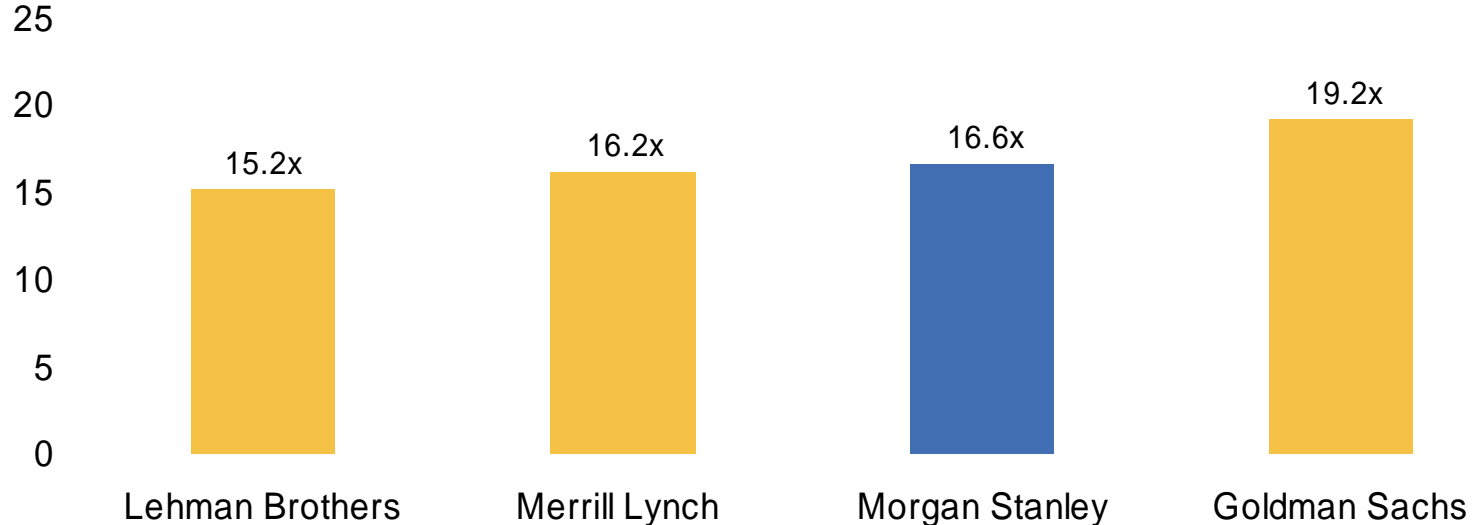


Source: Company filings

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⁾

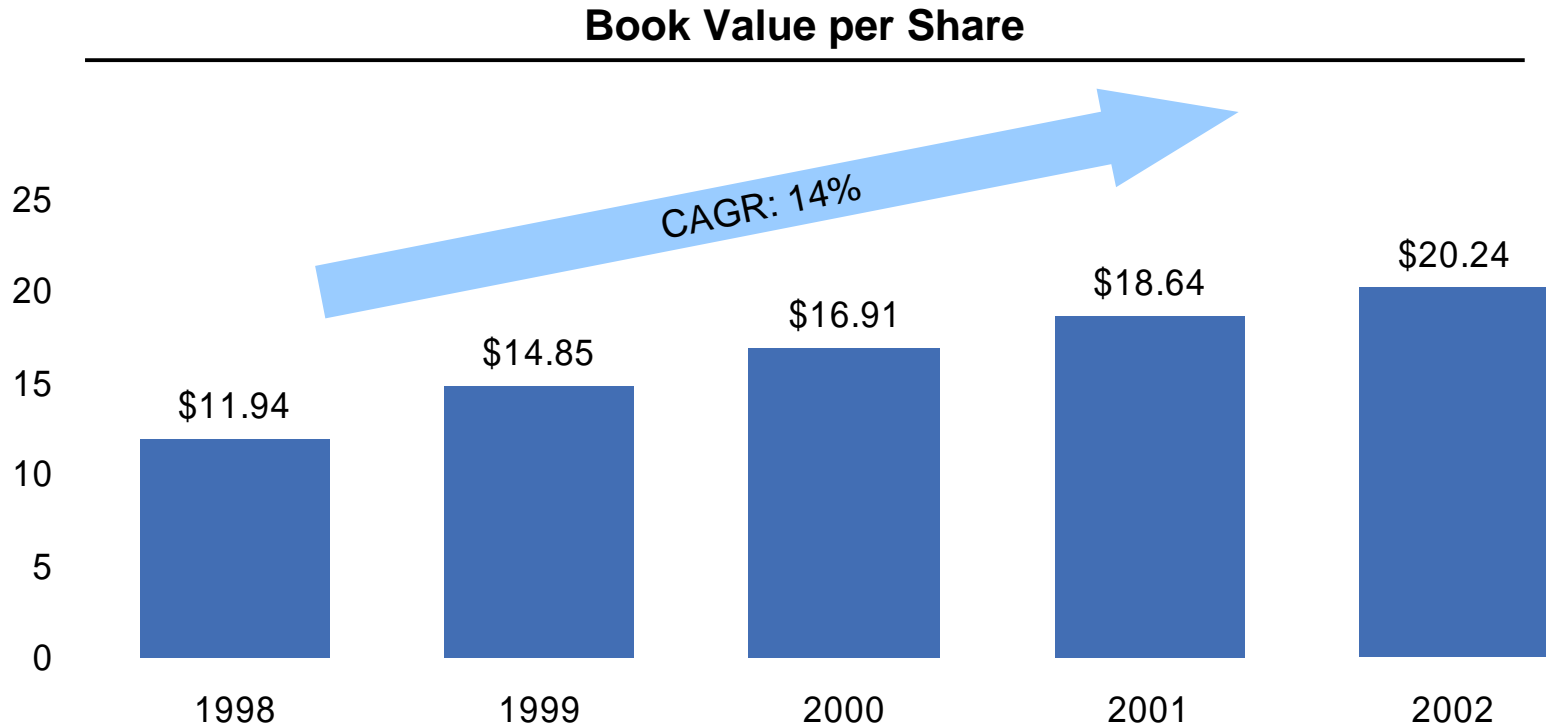
	<u>1Q03 ROE</u>	<u>2002 ROE</u>	<u>Avg. ROE 1997-2002</u>
Morgan Stanley	16.3%	14.8%	23.7%
MER	11.8%	12.0%	18.5%
LEH	13.9%	12.2%	17.9%
GS ⁽²⁾	13.7%	11.3%	20.6%

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



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