## Overview

### Leading Franchises in Attractive Businesses

<table>
<thead>
<tr>
<th>Key Franchises</th>
<th>Global Securities</th>
<th>Global Asset Management</th>
<th>Global Credit Card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise Position</td>
<td>Morgan Stanley</td>
<td>Retail Proprietary</td>
<td>Discover</td>
</tr>
<tr>
<td></td>
<td>Morgan Stanley Dean Witter</td>
<td>- Morgan Stanley Advisors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Top Tier Global M&amp;A, IPOs, U.S. Equity</td>
<td>Retail Non Proprietary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>#1 Ranked Research(^{(2)})</td>
<td>- Van Kampen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over 600 Offices Worldwide</td>
<td>Institutional</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14,108 Financial Advisors</td>
<td>- Morgan Stanley</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Miller Anderson &amp; Sherrerd</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Top 10 in U.S. based Money Managers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>($492 billion AUM(^{(3)}))</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>#2 in Domestic 4 and 5 Star Morningstar Rated Funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Multiple Products &amp; Distribution Channels</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>$49.5 billion in Managed Loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$91.0 billion in Transaction Volume(^{(4)})</td>
<td></td>
</tr>
<tr>
<td>Notes:</td>
<td>(1) As of fiscal 1Q01</td>
<td></td>
<td>#1 Proprietary U.S. Merchant Network</td>
</tr>
<tr>
<td></td>
<td>(2) Institutional Investor’s Fourth Annual Global Research Poll. Morgan Stanley ranked #1 in 1999 and 2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) Includes assets under supervision</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4) 12 months ending fiscal 1Q01</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Net Revenues
Segment Breakdown ($MM)

Overview
1Q01

Net Income\(^{(1)}\)
Segment Breakdown ($MM)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Revenues</th>
<th>Net Income(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>Asset Management</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Credit Services</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Total: $6,385
Total: $1,075

Note: (1) Excludes cumulative effect of an accounting change for derivative instruments and hedging activities associated with SFAS 133.
Source: 1Q 2001 Earnings Release

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Overview
Near Term Pressure
Industry Data 1Q00-1Q01\(^{(1)}\)

- **Global Securities Industry**
  - M&A Volume: 62%
  - Equity UW: 42%
  - Margin Debt: 30%

- **Global Asset Management Industry**
  - AUM\(^{(2)}\): 6%
  - Mix shift to fixed income caused by:
    - NASDAQ: 49%
    - S&P: 12%

- **Global Credit Card Industry**
  - Bankruptcy: 19%

Notes: (1) Calendar quarter.
(2) Includes money market funds. 1Q01 data is through Feb. 28.
Sources: Thomson Financial; ICI; NYSE; Visa USA Weekly Statistics from U.S. Courts; Commodity Systems, Inc.

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Overview
Secular Trends Positive
CAGRs
1990 - 2000

<table>
<thead>
<tr>
<th></th>
<th>5 Year</th>
<th></th>
<th>10 Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global M&amp;A</td>
<td></td>
<td>31.3%</td>
<td></td>
<td>23.9%</td>
</tr>
<tr>
<td>Global Equity</td>
<td></td>
<td>21.2%</td>
<td></td>
<td>30.5%</td>
</tr>
<tr>
<td>Underwriting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading Volume(^1)</td>
<td></td>
<td>29.8%</td>
<td></td>
<td>24.8%</td>
</tr>
<tr>
<td>Mutual Fund</td>
<td></td>
<td>19.9%</td>
<td></td>
<td>20.7%</td>
</tr>
<tr>
<td>Assets(^2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction</td>
<td></td>
<td>12.1%</td>
<td></td>
<td>13.9%</td>
</tr>
<tr>
<td>Volume(^3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Average combined daily volume for NYSE, NASDAQ and all other US Exchanges. For year 2000, the Regional Stock Exchanges is through Nov 2000.
(2) U.S.
(3) Includes Visa, MasterCard, American Express, Discover. Excludes debit cards.
Sources: Thomson Financial Services; Faulkner & Gray Card Industry Directory.
Industry Dynamic

Globalization
■ Worldwide deregulation of markets and financial systems lead to globalization of capital flows

Technology
■ Rapid change shapes the platform and drives the speed by which globalization occurs

Convergence
■ Consolidation of players to meet competitive imperative of global size and scale
**Convergence**  
**1990 - Present**

<table>
<thead>
<tr>
<th>THEN</th>
<th>NOW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banks</strong></td>
<td><strong>Banks</strong></td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>Merrill Lynch</td>
</tr>
<tr>
<td>Dean Witter</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>DLJ</td>
</tr>
<tr>
<td>Citibank</td>
<td>Citibank</td>
</tr>
<tr>
<td>UBS</td>
<td>PaineWebber</td>
</tr>
<tr>
<td>Chase</td>
<td>Smith Barney</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>Salomon Bros</td>
</tr>
<tr>
<td>Chemical</td>
<td>Travelers</td>
</tr>
<tr>
<td>Manufacturers Hanover</td>
<td>Warburg</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Goldman</td>
</tr>
<tr>
<td>Bankers Trust</td>
<td>AIG</td>
</tr>
</tbody>
</table>

**Examples**

- Merrill Lynch
- Morgan Stanley
- CSFB
- Citigroup
- UBS Warburg
- JP Morgan Chase
- Deutsche Bank
- Goldman
- AIG

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Mergers & Acquisitions Market Share
Worldwide Announced M&A

Note: (1) Calendar quarter
Source: Thomson Financial Services

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Equity Underwriting Market Share
Worldwide Equity

Note: (1) Calendar quarter
Source: Thomson Financial Services

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Debt Underwriting Market Share
North American Investment Grade

Note: (1) Calendar quarter
Source: Thomson Financial Services

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Securities Revenues (1)

Note: (1) Excludes commissions and asset management, distribution and administration fees
Source: Annual reports

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<table>
<thead>
<tr>
<th>Industry</th>
<th>Industry Share Change</th>
<th>MWD 1Q01</th>
<th>MWD 4Q00</th>
<th>Rank 1Q01</th>
<th>Rank 4Q00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Announced M&amp;A</td>
<td>(37%)</td>
<td>62%</td>
<td>1</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Worldwide Equity UW</td>
<td>(19%)</td>
<td>54%</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Worldwide IPO UW</td>
<td>(49%)</td>
<td>283%</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Note: (1) Calendar quarter
Source: Thomson Financial Services

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Global Strength
1Q01\(^{(1)}\)

### European Announced M&A

- JPM: 34.5%
- MWD: 26.4%
- SSB: 19.1%
- LEH: 15.0%
- MER: 14.3%

### European Equity

- CSFB: 13.3%
- MWD: 11.0%
- GS: 4.5%
- SSB: 1.5%
- MER: 1.0%

Note: (1) Calendar quarter
Source: Thomson Financial Services

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Risk Management
P&L to VaR Ratio\(^{(1)}\)

1998:
- MWD
- MER
- JPM \(^{(2)}\)
- GS
- C

2000:
- MER \(^{(3)}\)
- MWD
- C
- GS
- JPM

Notes:
- \(^{(1)}\) Average daily trading P&L divided by year end VaR using a 99% confidence interval to estimate potential trading losses over a one day period; excludes commissions
- \(^{(2)}\) JPMChase pro forma
- \(^{(3)}\) Merrill 2000 net interest estimated based on 1999 proportions

Source: Company 10Ks with Morgan Stanley estimates

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Retail Securities: Client Assets
Indexed\(^{(1)}\)

Note: (1) Market indices as of calendar quarter end; Morgan Stanley assets as of fiscal quarter end.
Source: Internal Morgan Stanley database

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Asset Management
Assets Under Management ($Bn)

1997: 338
1998: 412
1999: 472
2000: 500
1Q2001: 492

Sources: 2000 Annual Report, 1Q 2001 Earnings Release

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Credit Card
Open Issues

- Impact of weak economy on:
  - Transaction volume
  - Receivable growth
  - Credit quality

- Impact of bankruptcy legislation

- Comprehensive network solution
Earnings Growth\(^{(1)}\)

Net Income 1994-1Q01

Notes:
(1) 1994 through 1997 numbers are pro forma
(2) Results for 1994 through 1996 were computed as Morgan Stanley (fiscal) + Dean Witter Discover (calendar)
(3) Excludes cumulative effect of an accounting change for derivative instruments and hedging activities associated with SFAS 133

Sources: 10Ks; 1Q 2001 Earnings Release

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Financial Strength
Common Equity Capital
1997–1Q01
($ Billions)

EOP CAGR: 9.8%

1997: 13.2
1998: 13.5
1999: 16.4
2000: 18.7
1Q2001: 19.2

Source: Internal reporting database

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Financial Strength
Capital Returned to Shareholders
Cumulative
($ Millions)

Sources: Morgan Stanley Annual and Quarterly Reports, 1997-2000

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Financial Strength

Average Annual ROE

Morgan Stanley vs. Competitors

1999 - 1Q01

<table>
<thead>
<tr>
<th>Company</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>28.7%</td>
</tr>
<tr>
<td>GS</td>
<td>27.5%</td>
</tr>
<tr>
<td>AXP</td>
<td>24.7%</td>
</tr>
<tr>
<td>Citi</td>
<td>23.1%</td>
</tr>
<tr>
<td>MER</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

Sources: Annual Reports, Earnings Press Releases

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Stable Earnings
Standard Deviation of Percentage Change in Quarterly Pre-Tax Earnings for Trailing 12 Quarters

<table>
<thead>
<tr>
<th>Firm</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Morgan Chase(1)</td>
<td>31</td>
</tr>
<tr>
<td>Salomon Smith Barney(2)</td>
<td>39</td>
</tr>
<tr>
<td>Morgan Stanley(3)</td>
<td>41</td>
</tr>
<tr>
<td>Bear Stearns</td>
<td>58</td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>78</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>117</td>
</tr>
<tr>
<td>Goldman Sachs(4)</td>
<td>296</td>
</tr>
</tbody>
</table>

Notes:
(1) Excludes Merger and Restructuring Costs of $1,302 in 4Q00.
(2) Trailing 8 quarters only. Prior 4 quarters restated not available.
(3) Includes Securities and Asset Management segments only.
(4) Excludes SLK charge $290, net in 4Q00; amount taken from press release excluding non-recurring expenses associated with the Firm’s conversion to corporate form in 2Q99.

Sources: Company press releases, 10Qs.

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Improving Efficiency

- Cutting non-comp expense
- Headcount reduced
- Stabilizing margins at historically favorable levels
Connecting people, ideas and capital, we will be the world’s first choice for achieving financial aspirations.
Client Centricity

- Segmenting client base
- Developing client P&L models
- Aligning client satisfaction with internal reward system
- Unifying retail platform
Measuring Progress

- Client satisfaction
- Higher market share
- Revenue growth
- Industry leading margins and ROE
- Lower volatility of earnings relative to peers