



David H. Sidwell, Chief Financial Officer

April 6, 2005

Agenda

- Wealth Creation
- Financial Performance
- Strategy
- Conclusion

Extraordinary Wealth Creation

Extraordinary Wealth Creation

	IPO Until Merger		Merger to Current
	Morgan Stanley	DW / Discover	
Annualized Return	17%	26%	14%
S&P 500 Annualized Return	12%	17%	4%
Relative Return	1.4x	1.5x	3.3x

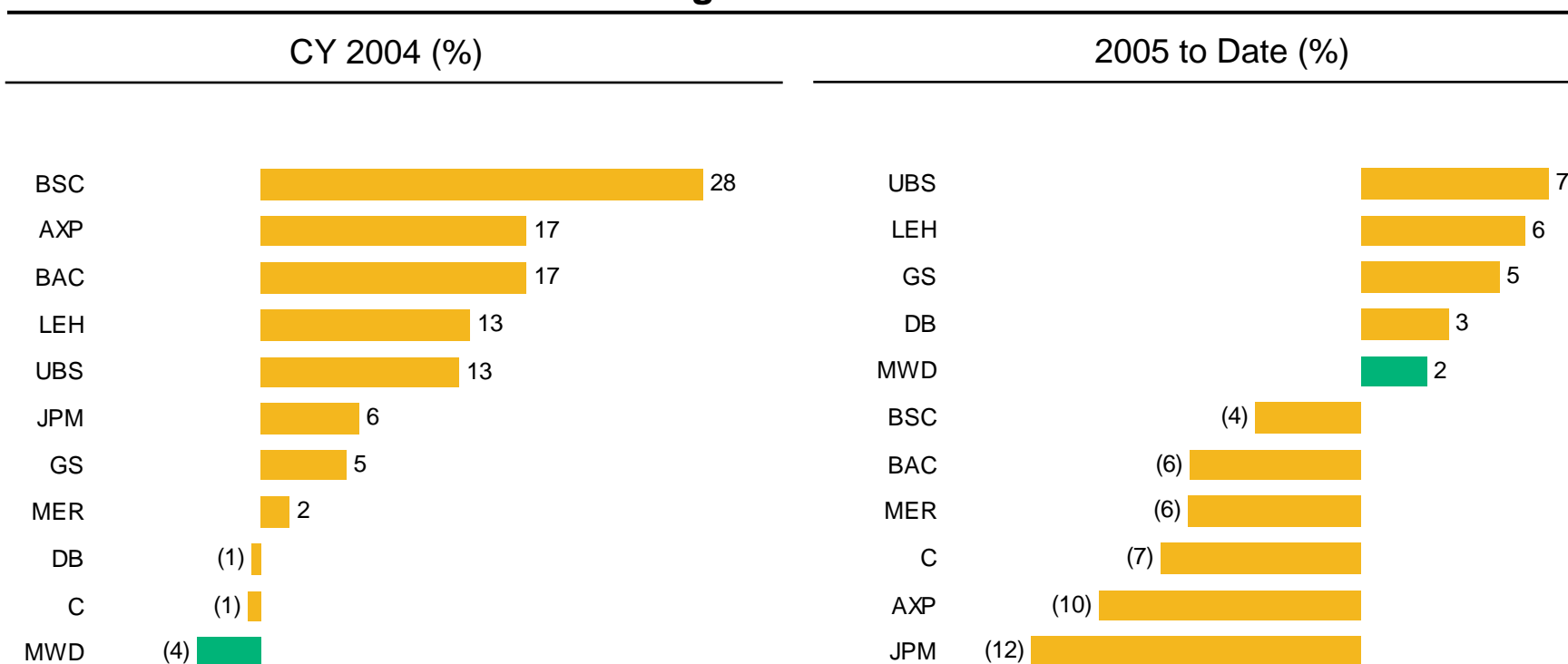
Source: FactSet.

Morgan Stanley

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Recent Stock Price Performance

Change in Stock Price

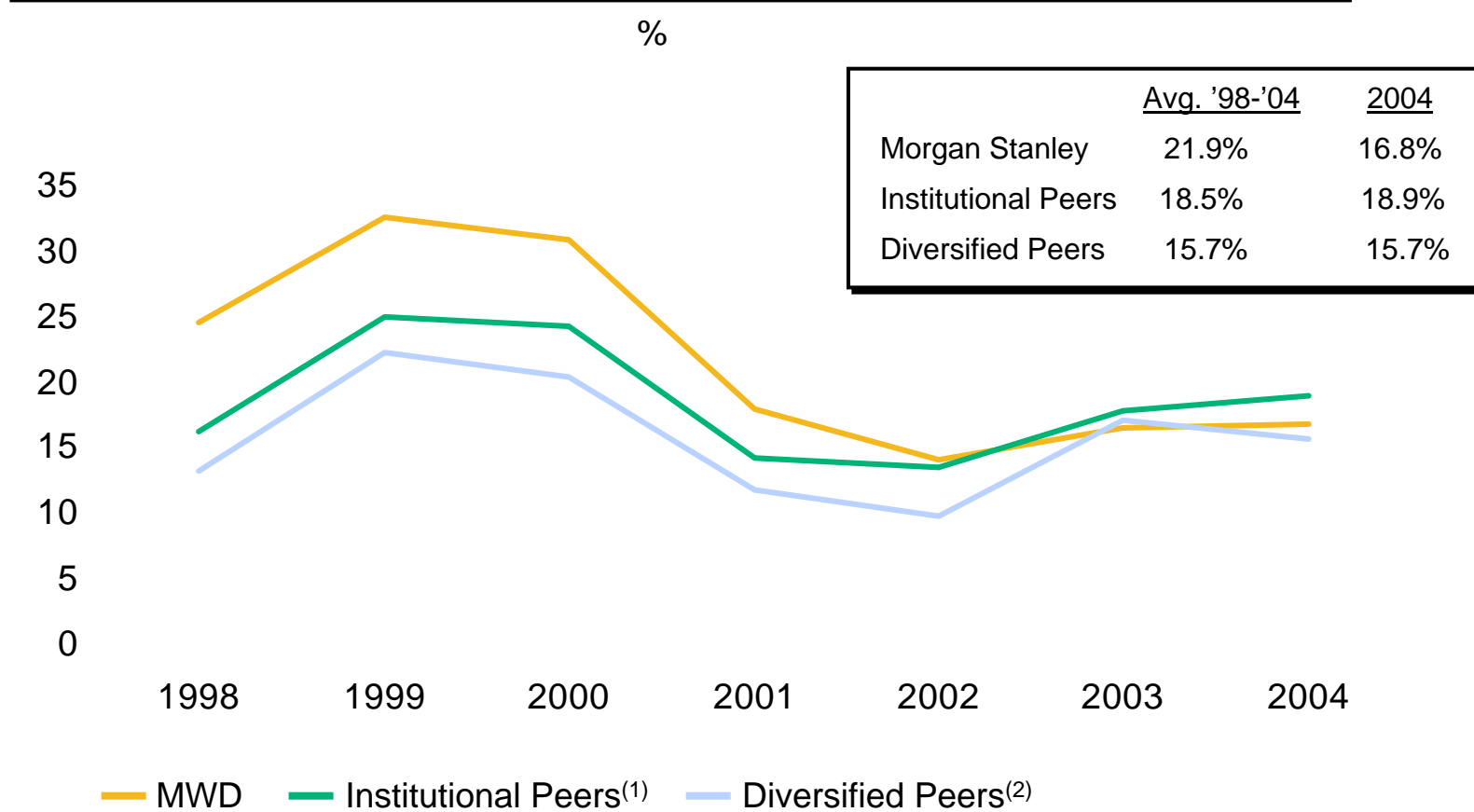


Source: FactSet. Calendar year-to-date is through April 1, 2005.

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Excellent Performance Through the Cycle

ROE Comparison



Source: Company filings.

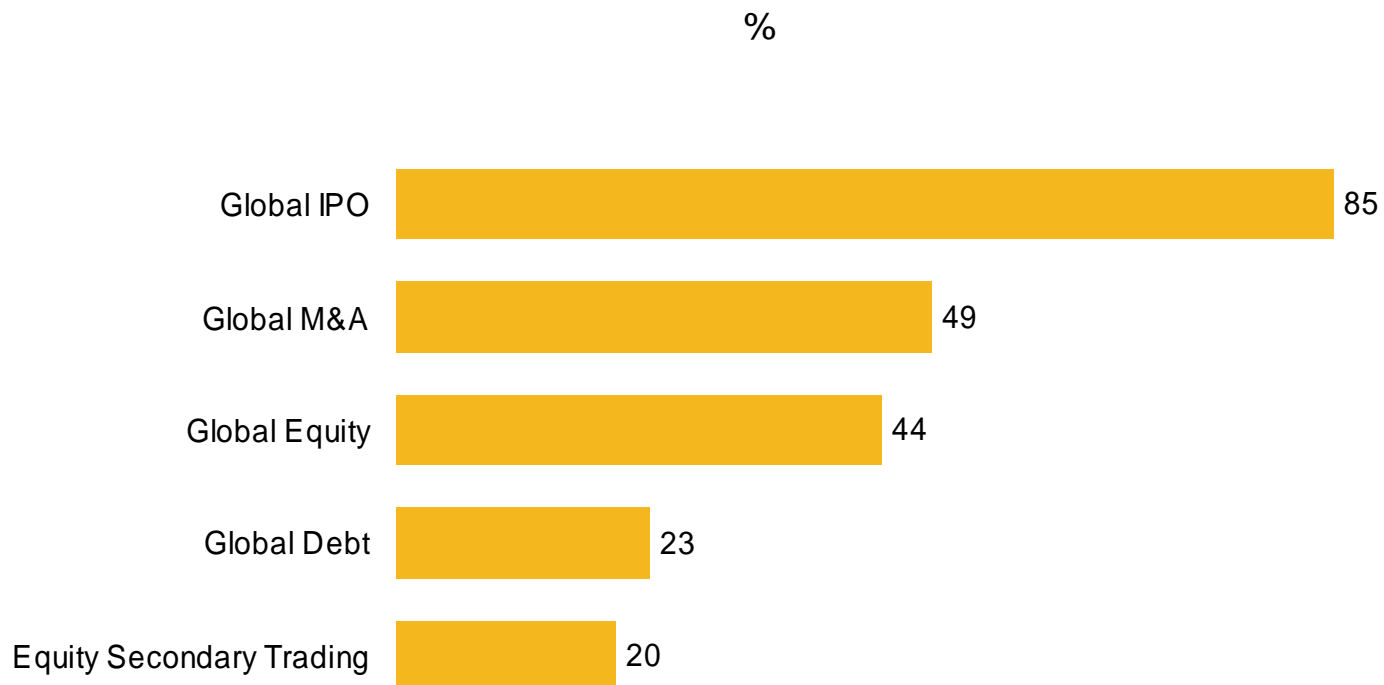
Notes: (1) Institutional peers include: BSC, GS, LEH

(2) Diversified peers include: MER, C, JPM, UBS

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Franchise Momentum

Change in Average Market Share Since Merger



Source: Thomson, Independent Survey

Notes: (1) Compares average annual market share for the period 1989 – 1996 to the average annual market share for the period 1997-2004 for Thomson data. Compares average annual market share for the period 1994 – 1996 to the average annual market share for the period 1997 – 2004 for the Independent Survey data.

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Business Line Momentum

Institutional Securities

- #1 Global Equity Underwriting and Global IPOs
- #1 Equity Secondary Trading
- #2 Completed Global M&A
- Overall Debt, Equity and M&A Deals of the Year
- Preeminent Prime Brokerage Business
- Record Commodities Results

Individual Investor

- #3 Brokerage House by Revenues and No. of Global Representatives
- #3 Managed Account Sponsor by Assets
- Total Client Assets of \$618Bn, 27% in Fee-Based Accounts

Investment Management

- 45% of Funds ranked 4/5 Star by MorningStar
- 65 – 76% of funds in Lipper top half rankings
- Van Kampen Fund named to Money 100
- Five funds included in WSJ “Category Kings” for 2004
- AUM of \$427Bn up \$100Bn in past 2 years

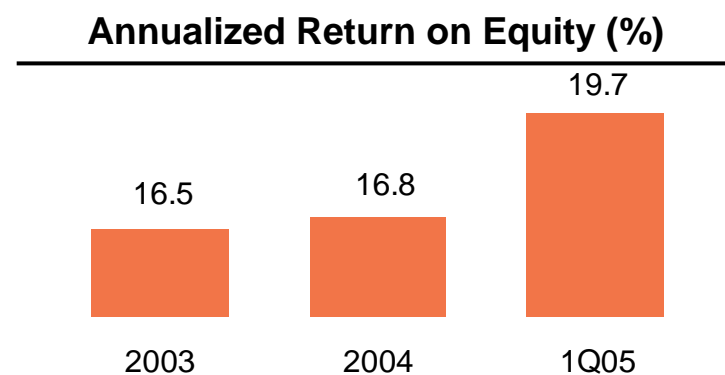
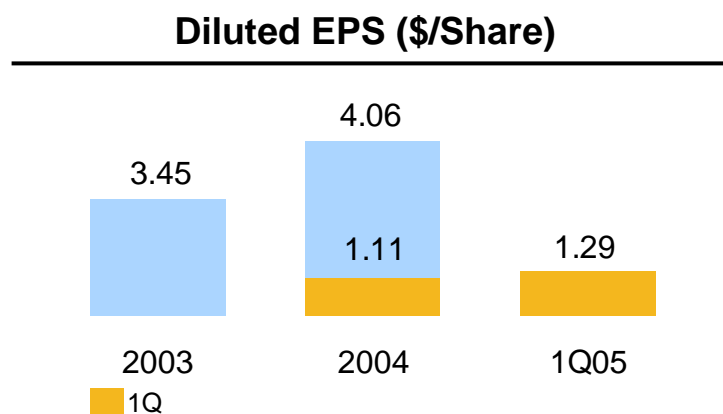
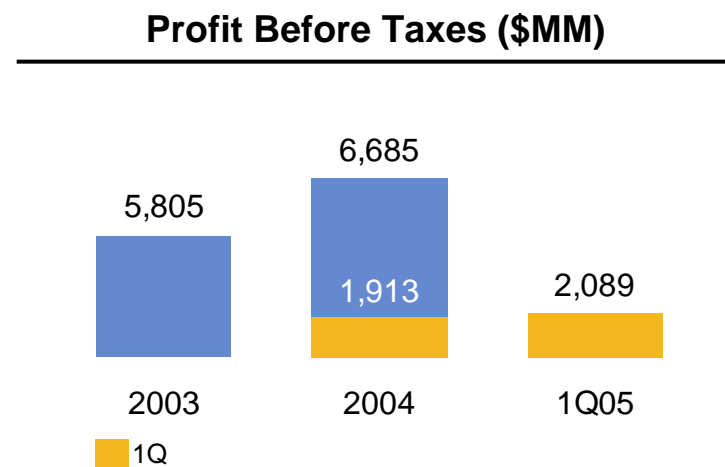
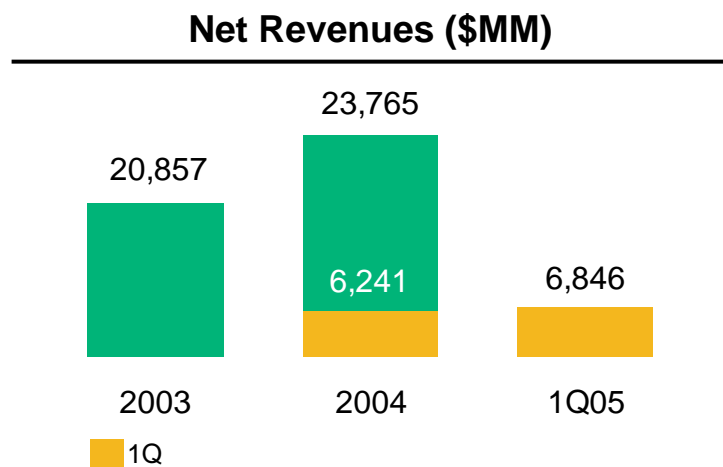
Credit Services

- Industry Leading Cash Back Bonus Awards Program
- Largest U.S. Proprietary Network
- #3 in Total Domestic Credit Card Accounts Among Peers
- Record Profits and Margins in 2004
- Over 1 Million New Merchants Signed in 2004

Note: Information as of Year-end 2004 or 1Q 2005

Financial Performance

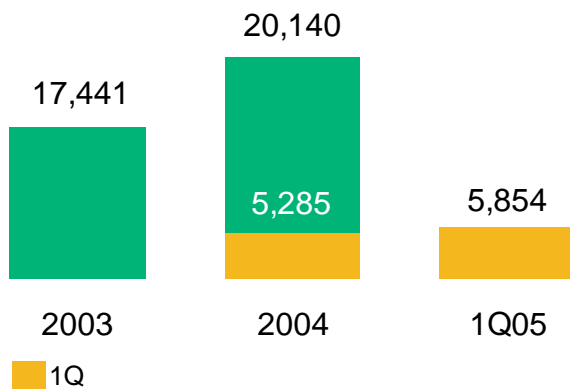
Consolidated Financial Highlights



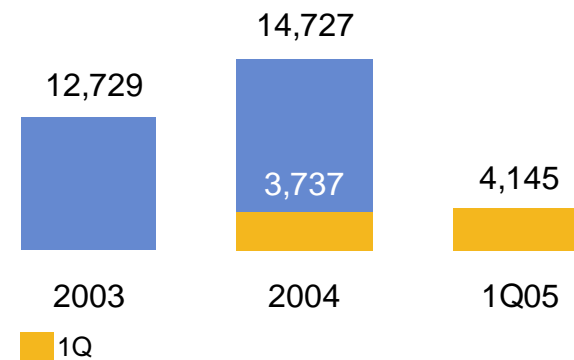
Source: Morgan Stanley

Securities ⁽¹⁾ Financial Highlights

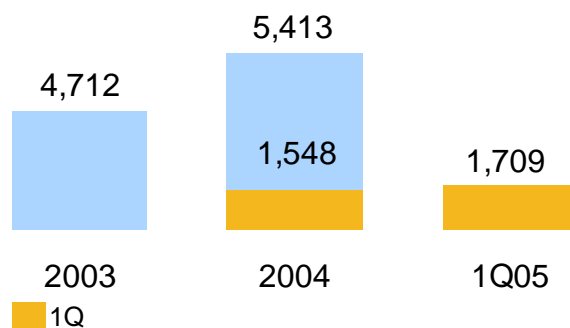
Net Revenues (\$MM)



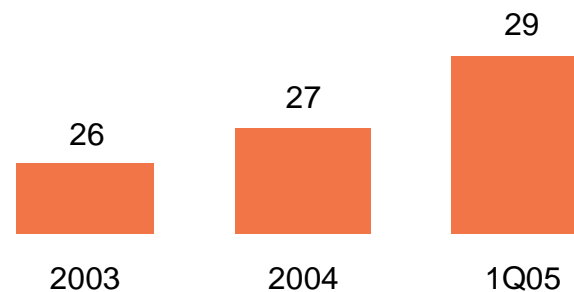
Expenses (\$MM)



Profit Before Tax (\$MM)



PBT Margin (%)

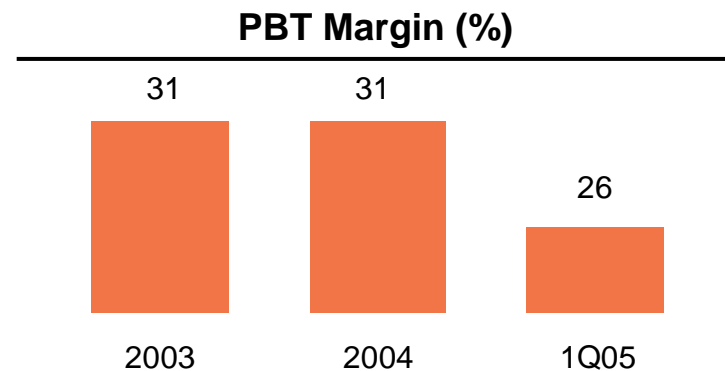
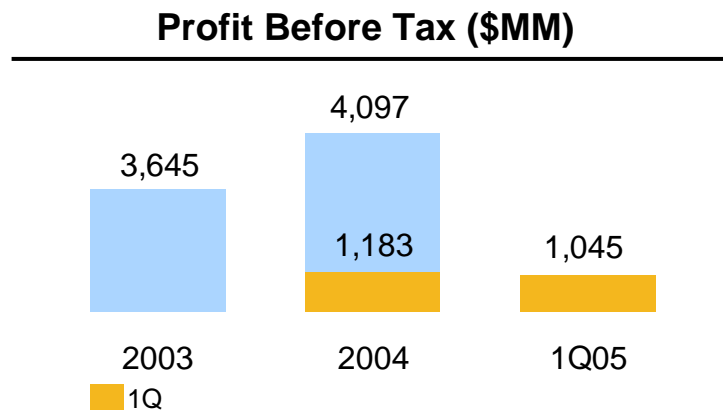
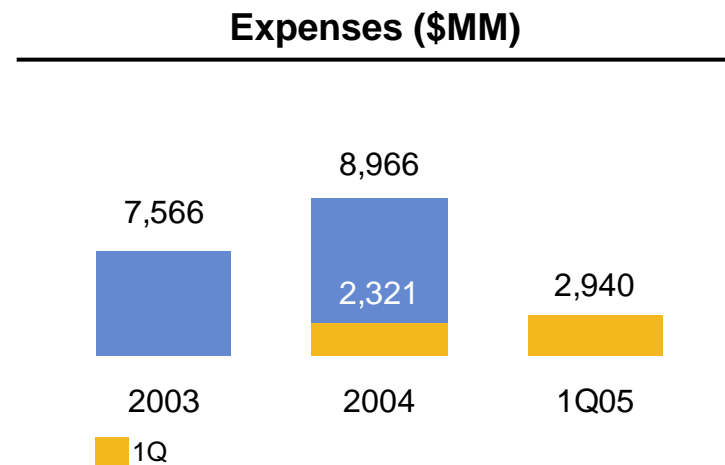
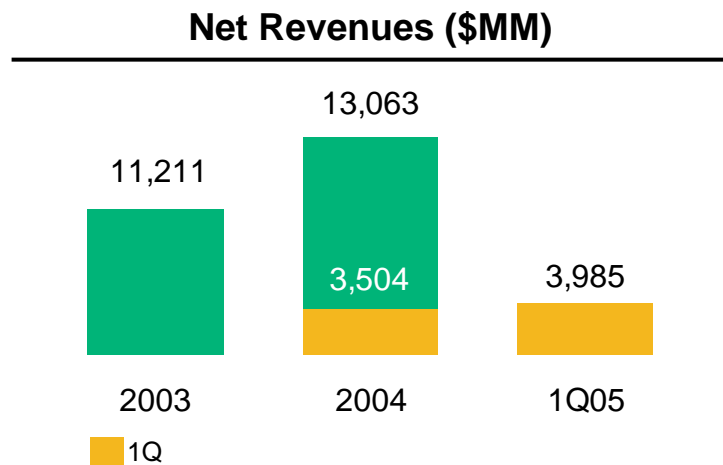


Source: Morgan Stanley

Note: (1) Combined Institutional Securities, Individual Investor and Investment Management Group results.

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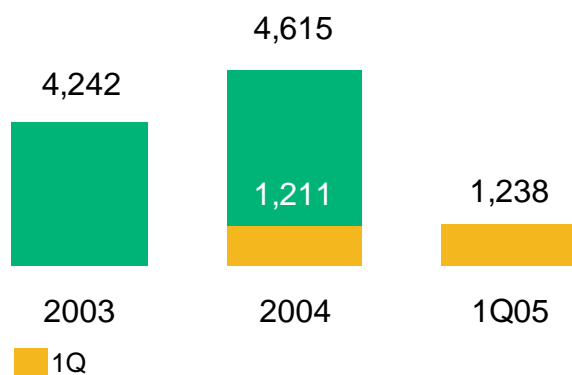
Institutional Securities Financial Highlights



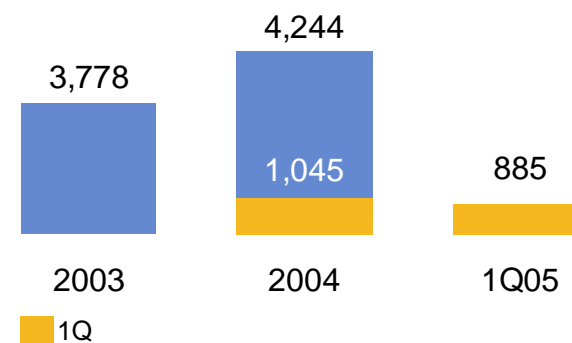
Source: Morgan Stanley

Individual Investor Financial Highlights

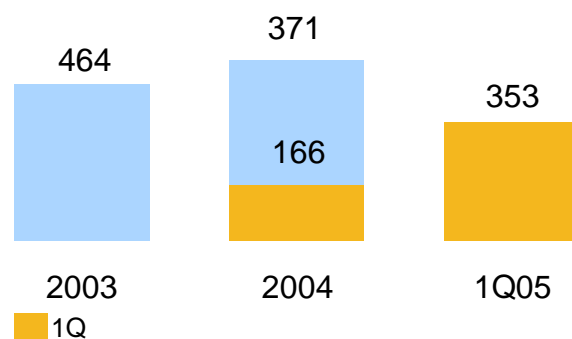
Net Revenues (\$MM)



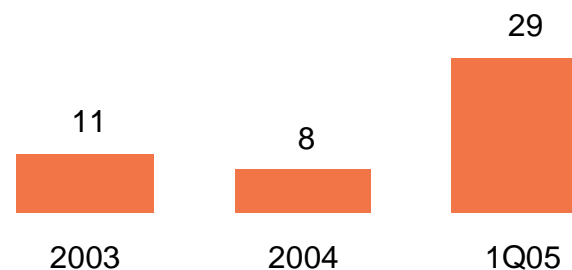
Expenses (\$MM)



Profit Before Tax (\$MM)



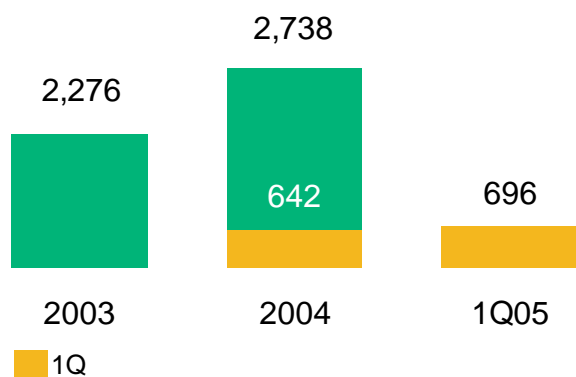
PBT Margin (%)



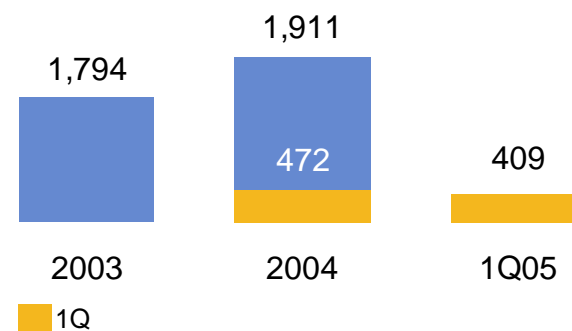
Source: Morgan Stanley

Investment Management Financial Highlights

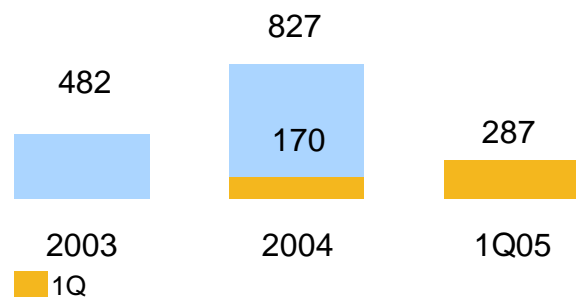
Net Revenues (\$MM)



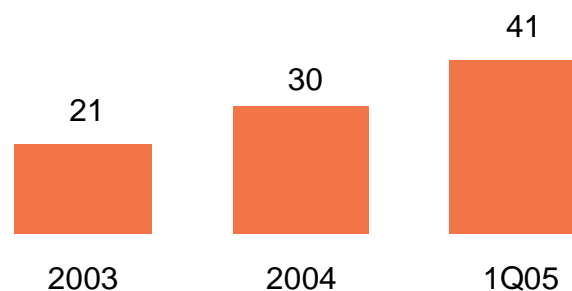
Expenses (\$MM)



Profit Before Tax (\$MM)



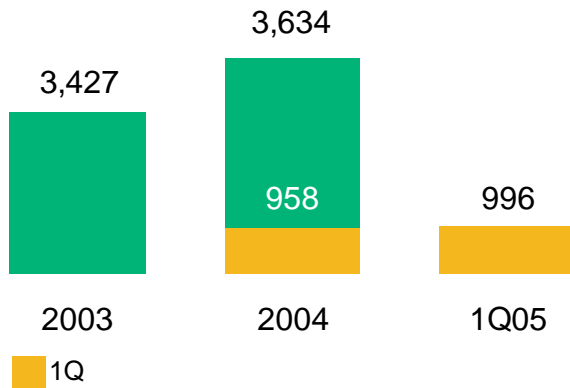
PBT Margin (%)



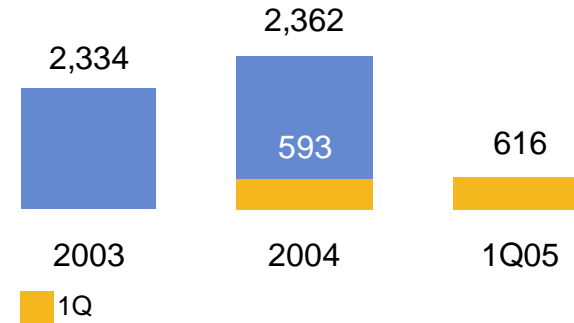
Source: Morgan Stanley

Credit Services Financial Highlights

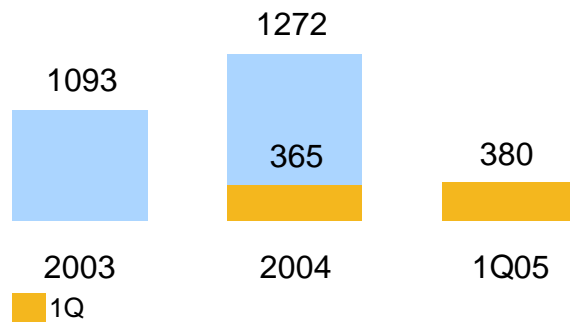
Net Revenues (\$MM)



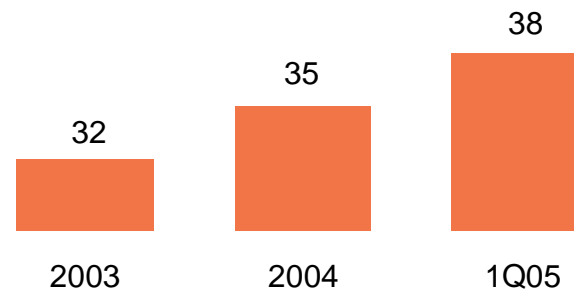
Expenses (\$MM)



Profit Before Tax (\$MM)



PBT Margin (%)



Source: Morgan Stanley

Strategy

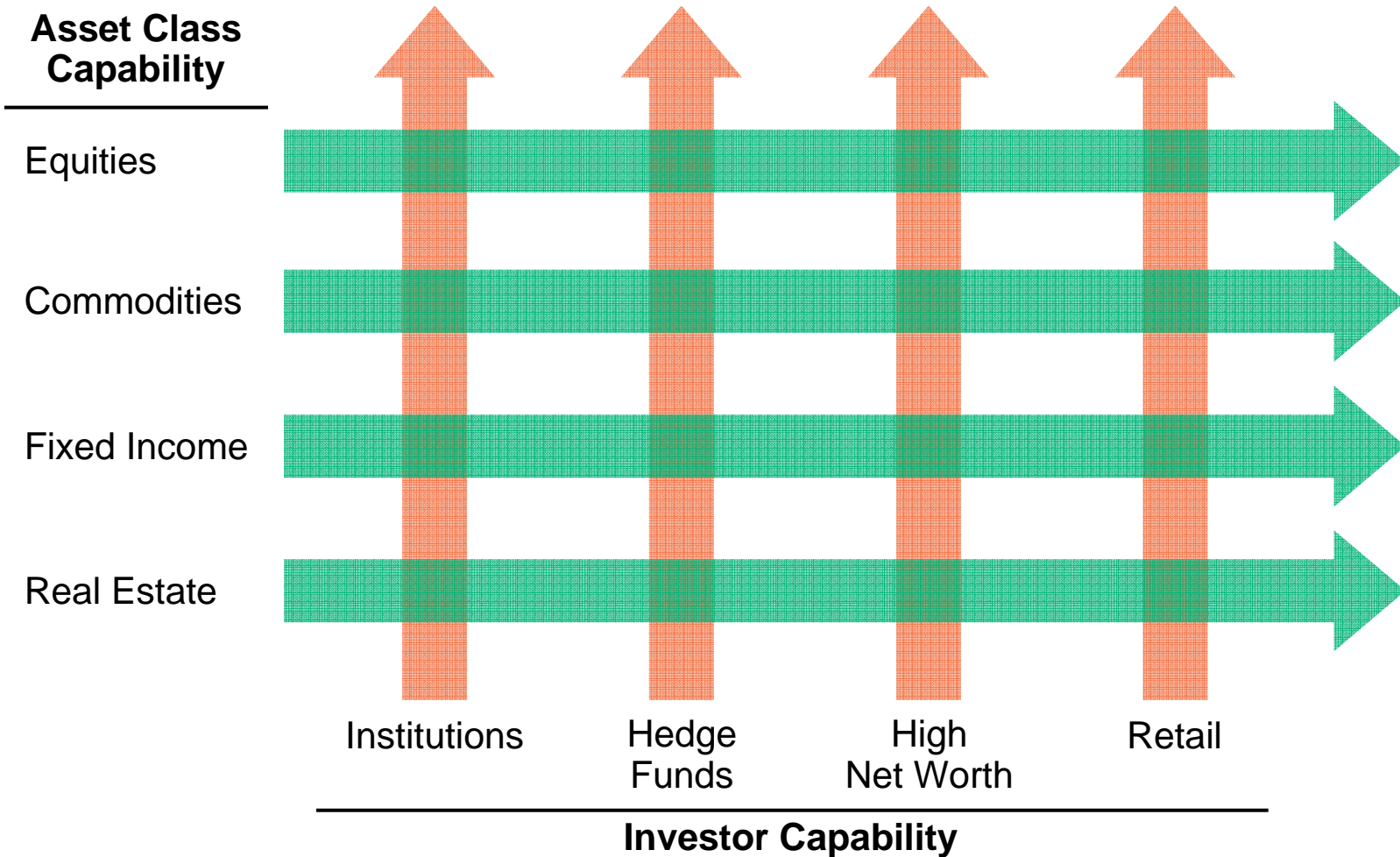
Clear Strategic Priorities

- Regain premium return on equity
- Achieve substantial margin improvement
- Deliver full firm benefits to clients and shareholders
- Leverage growth opportunities
 - Middle Market
 - Hedge Funds
 - Structured Products
 - Alternative Investments
 - China / Asia / Europe
 - Asset-Liability Management
- Capital and risk efficiency

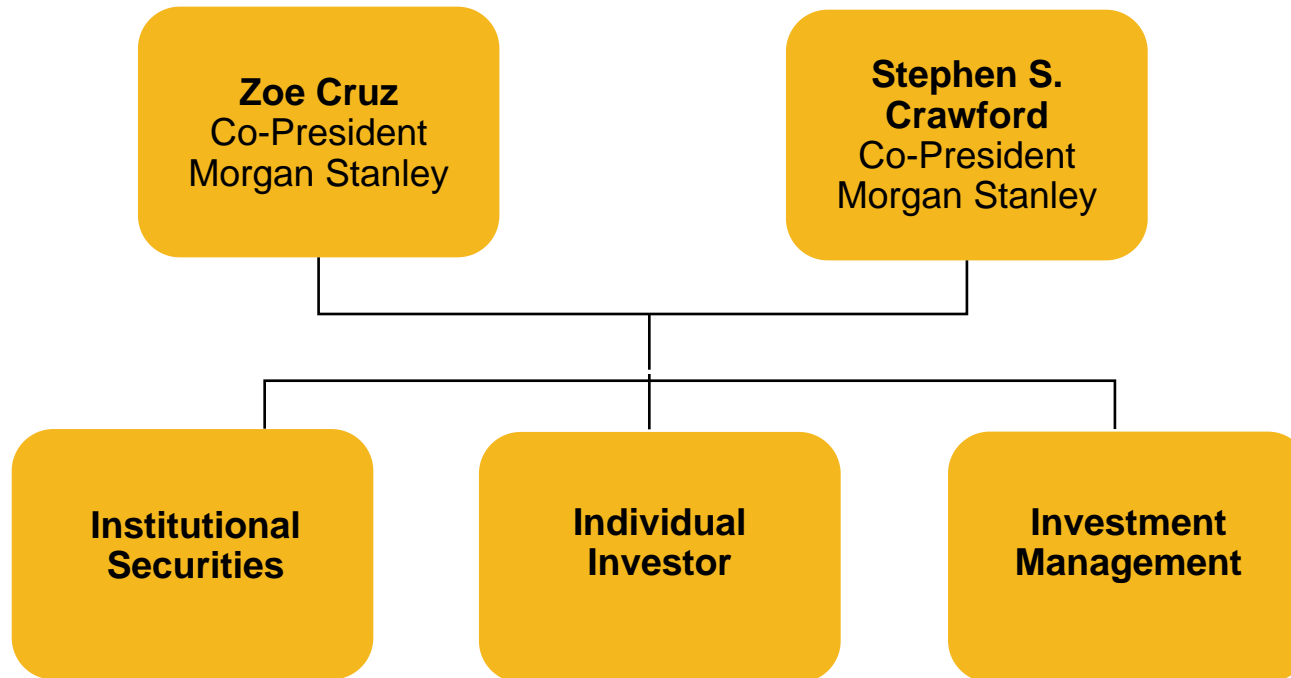
Morgan Stanley Strategic Decisions

- Pursue a Securities-Focused Strategy
- Integrate Our Securities Businesses
- Align Management Structure with our Integrated Securities Model
- Pursue Credit Services Business – Discover – Spin-off

Strong Foundation for Execution



Management Structure Aligned With Strategy



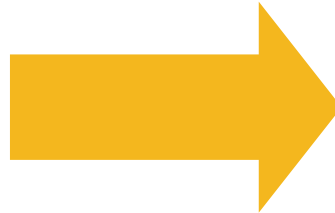
Discover Card Spin-Off

- Pursue Discover Card spin-off
- Rationale is twofold:
 - Maximize shareholder value in Discover Card division
 - Further intensify focus on integrated Securities businesses
- Discover building upon momentum
 - Record earnings in 2004 and 1Q05
 - Pulse acquisition
 - Wal-Mart Discover card with GE Consumer Finance
- Exciting opportunities in retail payments post-Supreme Court decision

Conclusion

Conclusion

- Right Strategy
- Right Organization
- Right People



- Premium Returns
- Growth
- Shareholder Value



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