MORGAN STANLEY, DEAN WITTER, DISCOVER & CO.

Philip Purcell
Chairman and CEO

Goldman Sachs
Financial Services Conference
November 5, 1997
Strong Financial Targets

- Average ROE of 18 to 20% over Economic Cycle
- Average Earnings Growth of 15%
MSDW Growth

Net Income

($ Millions)

CAGR 28.8%


1,980 2,586 3,276 4,791 5,456 1,075

Note: (1) Income before cumulative effect of accounting change
Source: SEC filings

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MSDW Profitability
ROE

Source: SEC filings

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Near Term Pressure
Industry Data 1Q00-1Q01(1)

- M&A Volume 62%
- AUM(2) 6%
- Bankruptcy 19%

- Equity UW 42%
- Mix shift to fixed income caused by:
  - NASDAQ 49%
  - S&P 12%
- Margin Debt 30%

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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Improving Efficiency

- Cutting non-comp expense
- Headcount reduced

- Stabilizing margins at historically favorable levels
Growth in Securities Trading Volume
Average Combined Daily Volume for NYSE, NASDAQ and All Other U.S. Exchanges
(MM of Shares)

CAGR
- 5-Year: 29.8%
- 10-Year: 24.8%
- 15-Year: 19.1%
- 20-Year: 19.6%

Note: (1) Includes Regional Stock Exchanges only through November 2000
Source: Securities Industry Association

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Growth in Mergers & Acquisitions
Global Announced Deals
($ Billions)

CAGR

<table>
<thead>
<tr>
<th></th>
<th>5-Year</th>
<th>10-Year</th>
<th>15-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$235</td>
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<tr>
<td>1990</td>
<td>$382</td>
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<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td>$837</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td>$3,263</td>
</tr>
</tbody>
</table>

Source: Thomson Financial Services

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Growth in Securities
Total Global Equity Underwritings
($ Billions)

CAGR

<table>
<thead>
<tr>
<th></th>
<th>5-Year</th>
<th>10-Year</th>
<th>15-Year</th>
<th>20-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>$12</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1985</td>
<td>$23</td>
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<td>1990</td>
<td>$32</td>
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<td>1995</td>
<td>$176</td>
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<td></td>
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<tr>
<td>2000</td>
<td>$460</td>
<td></td>
<td></td>
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</tr>
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</table>

Source: Thomson Financial Services; worldwide public and Rule 144A equity offerings

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Growth in U.S. Asset Management
Mutual Fund Assets
($ Billions)

<table>
<thead>
<tr>
<th>CAGR</th>
<th>Total</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Year</td>
<td>19.9%</td>
<td>26.0%</td>
</tr>
<tr>
<td>10-Year</td>
<td>20.7%</td>
<td>32.4%</td>
</tr>
<tr>
<td>15-Year</td>
<td>19.3%</td>
<td>26.5%</td>
</tr>
<tr>
<td>20-Year</td>
<td>21.8%</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

Source: Investment Company Institute, Open-End Funds Only
Growth in U.S. Credit Cards

Total Receivables

($ Billions)

CAGR
5-Year 11.3%
10-Year 12.9%
15-Year 16.0%

Source: Faulkner & Gray’s Card Industry Directory

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Growth in U.S. Credit Cards
Total Charge Volume
($ Billions)

CAGR
5-Year 13.5%
10-Year 14.1%
15-Year 14.7%

Source: Faulkner & Gray’s Card Industry Directory

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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>Banks</th>
<th>Brokers</th>
<th>Investment Banks</th>
<th>Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Merrill Lynch)</td>
<td>Dean Witter</td>
<td>Merrill Lynch</td>
<td>Merrill Lynch</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>Smith Barney</td>
<td>DLJ</td>
<td>Morgan Stanley</td>
</tr>
<tr>
<td>Citibank</td>
<td>PaineWebber O'Connor</td>
<td>Salomon Bros Schroders</td>
<td>CSFB</td>
</tr>
<tr>
<td>UBS Swiss Bank</td>
<td></td>
<td>Warburg Dillon Read</td>
<td>Travelers Citigroup</td>
</tr>
<tr>
<td>Chase</td>
<td></td>
<td></td>
<td>UBS Warburg</td>
</tr>
<tr>
<td>JP Morgan Chemical Manufacturers Hanover</td>
<td></td>
<td></td>
<td>JP Morgan Chase</td>
</tr>
<tr>
<td>Deutsche Bank Bankers Trust</td>
<td></td>
<td></td>
<td>Deutsche Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Goldman</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>AIG</td>
</tr>
</tbody>
</table>

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Mergers & Acquisitions Market Share
Worldwide Announced M&A

(%) 50 40 30 20 10 0

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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Gaining Market Share  
**1Q01**(1) vs 4Q00

<table>
<thead>
<tr>
<th></th>
<th>Industry</th>
<th>MWD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Announced M&amp;A</td>
<td>(37%)</td>
<td>1</td>
</tr>
<tr>
<td>Worldwide Equity UW</td>
<td>(19%)</td>
<td>1</td>
</tr>
<tr>
<td>Worldwide IPO UW</td>
<td>(49%)</td>
<td>1</td>
</tr>
</tbody>
</table>

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

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

**European Announced M&A**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPM</td>
<td>34.5%</td>
</tr>
<tr>
<td>MWD</td>
<td>26.4%</td>
</tr>
<tr>
<td>SSB</td>
<td>19.1%</td>
</tr>
<tr>
<td>LEH</td>
<td>15.0%</td>
</tr>
<tr>
<td>MER</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

**European Equity**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSFB</td>
<td>13.3%</td>
</tr>
<tr>
<td>MWD</td>
<td>11.0%</td>
</tr>
<tr>
<td>GS</td>
<td>4.5%</td>
</tr>
<tr>
<td>SSB</td>
<td>1.5%</td>
</tr>
<tr>
<td>MER</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

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

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Credit Card Transaction Volume
1H 2000
($ Billions)

Source: Discover, Company Reports
Note: Discover data based on fiscal quarters (December - May); all others based on calendar quarters (January - June)
Credit Card
Transaction Volume % Change

Note: Transaction volume percent change from 1H 1999 to 1H 2000. Discover data based on fiscal quarters (December - May); all others based on calendar quarters (January - June)

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Source: Company Earnings Releases/SIA Yearbook

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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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Risk Management
Net Revenue to VaR Ratio\(^{(1)}\)

Notes:
(1) Average daily trading Net Revenue 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 & Bloomberg

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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 Service Business

Net Income
($ Millions)

1997  473
1998(1)  721
1999  662
2000  726
1Q2001(2)  142

CAGR 15.4%

Notes:  
(1) Includes gain on sale of businesses
(2) Income before cumulative effect of accounting change

Source: SEC filings

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

EOP CAGR: 9.8%

Source: Internal reporting database

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Financial Strength
Capital Returned
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

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

- JP Morgan Chase(1): 31
- Salomon Smith Barney(2): 39
- Morgan Stanley(3): 41
- Bear Stearns: 58
- Lehman Brothers: 78
- Merrill Lynch: 117
- Goldman Sachs(4): 296

Notes:
1. Excludes Merger and Restructuring Costs of $1,302MM 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 $290MM, 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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Vision

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