

 Morgan Stanley

**Robert G. Scott**

**President & Chief Operating Officer**

**May 2, 2001**

# Overview

## Leading Franchises in Attractive Businesses<sup>(1)</sup>

|                           | Global Securities                                                                                                                                            | Global Asset Management                                                                                                                                                                                                                                                                                                                                    | Global Credit Card                                                                                                                                                           |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key Franchises</b>     | <p>Morgan Stanley</p> <p>Morgan Stanley Dean Witter</p>                                                                                                      | <p>Retail Proprietary</p> <ul style="list-style-type: none"> <li>- Morgan Stanley Advisors</li> </ul> <p>Retail Non Proprietary</p> <ul style="list-style-type: none"> <li>- Van Kampen</li> </ul> <p>Institutional</p> <ul style="list-style-type: none"> <li>- Morgan Stanley Investment Management</li> <li>- Miller Anderson &amp; Sherrerd</li> </ul> | <p>Discover</p> <p>Morgan Stanley (UK)</p>                                                                                                                                   |
| <b>Franchise Position</b> | <p>Top Tier Global M&amp;A, IPOs, U.S. Equity</p> <p>#1 Ranked Research<sup>(2)</sup></p> <p>Over 600 Offices Worldwide</p> <p>14,108 Financial Advisors</p> | <p>Top 10 in U.S. based Money Managers (\$492 billion AUM<sup>(3)</sup>)</p> <p>#2 in Domestic 4 and 5 Star Morningstar Rated Funds</p> <p>Multiple Products &amp; Distribution Channels</p>                                                                                                                                                               | <p>\$49.5 billion in Managed Loans</p> <p>\$91.0 billion in Transaction Volume<sup>(4)</sup></p> <p>Over 40 million Accounts</p> <p>#1 Proprietary U.S. Merchant Network</p> |

- Notes:
- (1) As of fiscal 1Q01
  - (2) Institutional Investor's Fourth Annual Global Research Poll. Morgan Stanley ranked #1 in 1999 and 2000
  - (3) Includes assets under supervision
  - (4) 12 months ending fiscal 1Q01

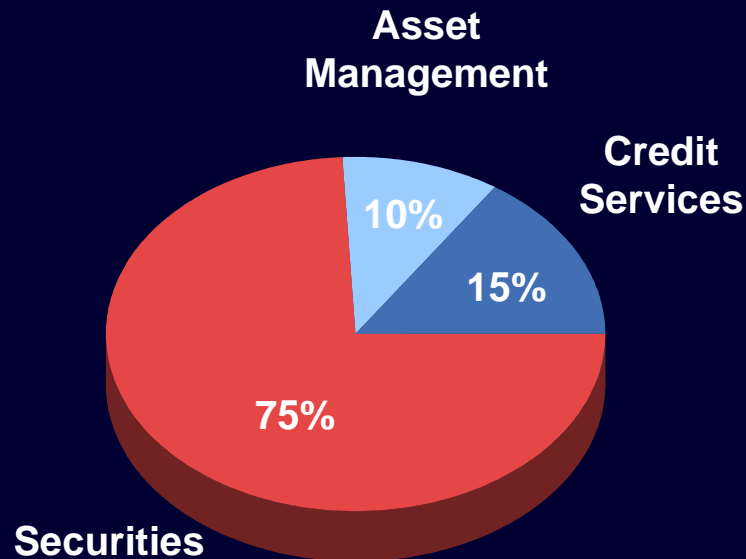
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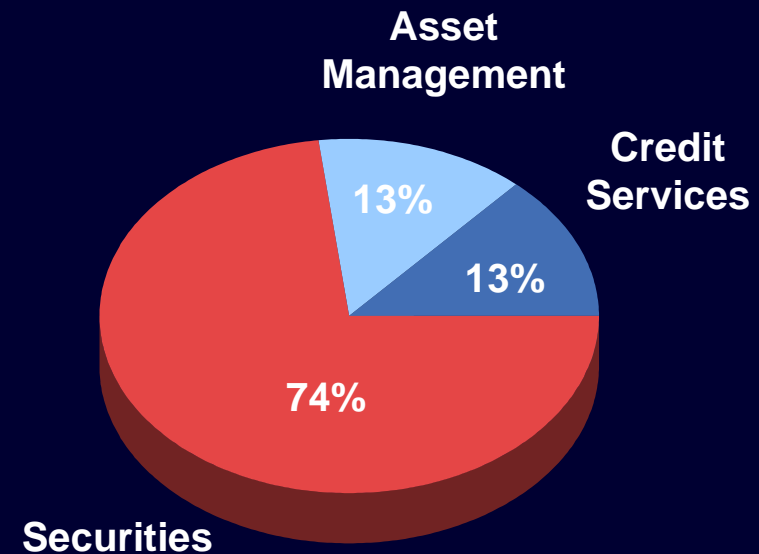
## 1Q01

### Net Revenues Segment Breakdown (\$MM)



**Total: \$6,385**

### Net Income<sup>(1)</sup> Segment Breakdown (\$MM)



**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

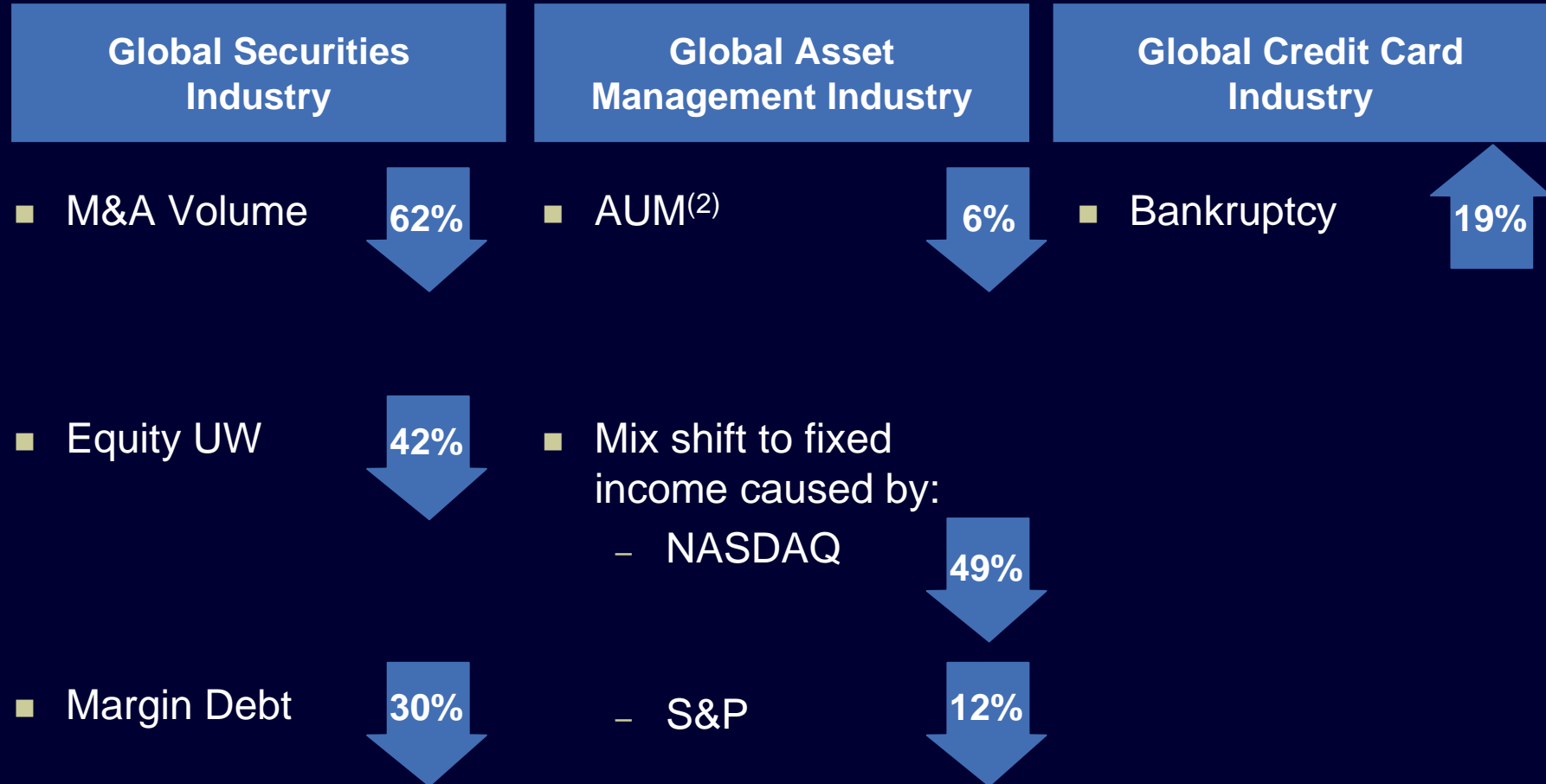
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# Overview

## Near Term Pressure

### Industry Data 1Q00-1Q01<sup>(1)</sup>



Notes: (1) Calendar quarter.

(2) Includes money market funds. 1Q01 data is through Feb. 28.

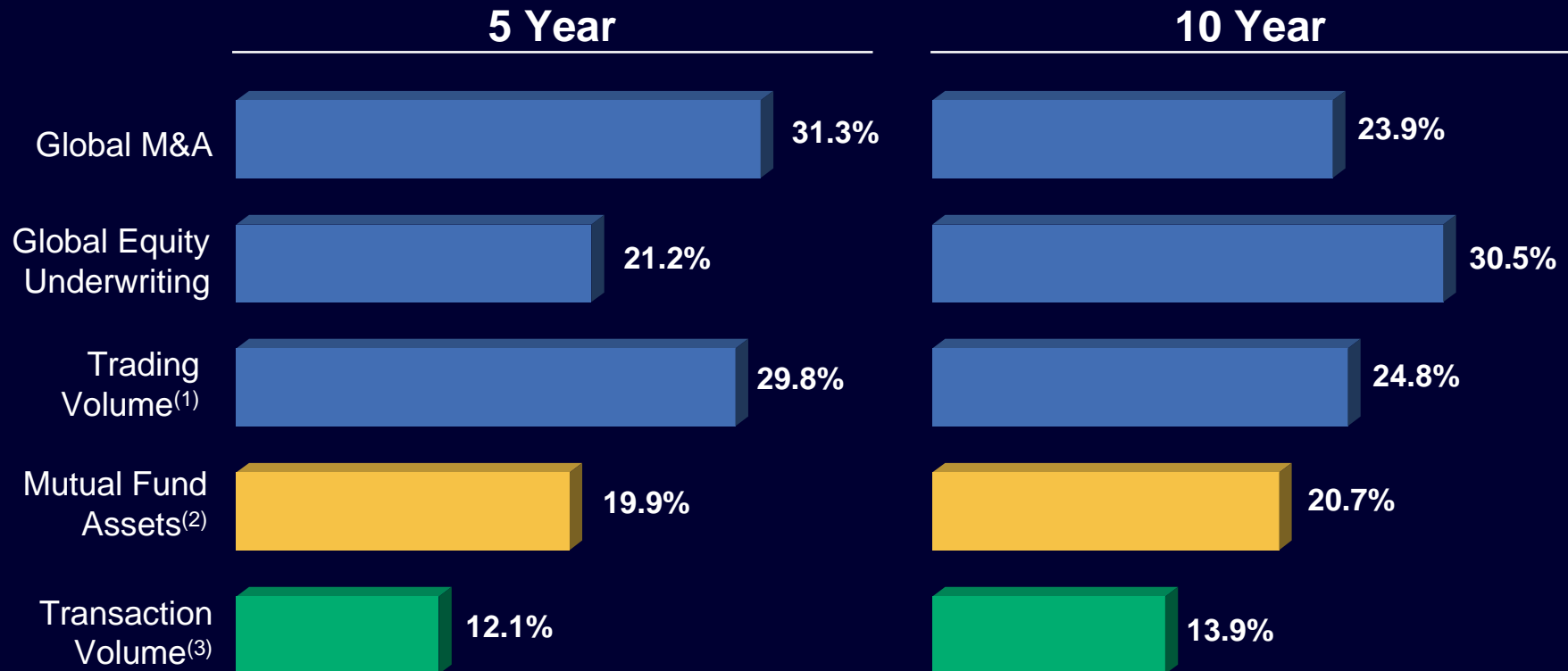
Sources: Thomson Financial; ICI; NYSE; Visa USA Weekly Statistics from U.S. Courts; Commodity Systems, Inc.

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# Overview

## Secular Trends Positive CAGRs

### 1990 - 2000



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.

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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

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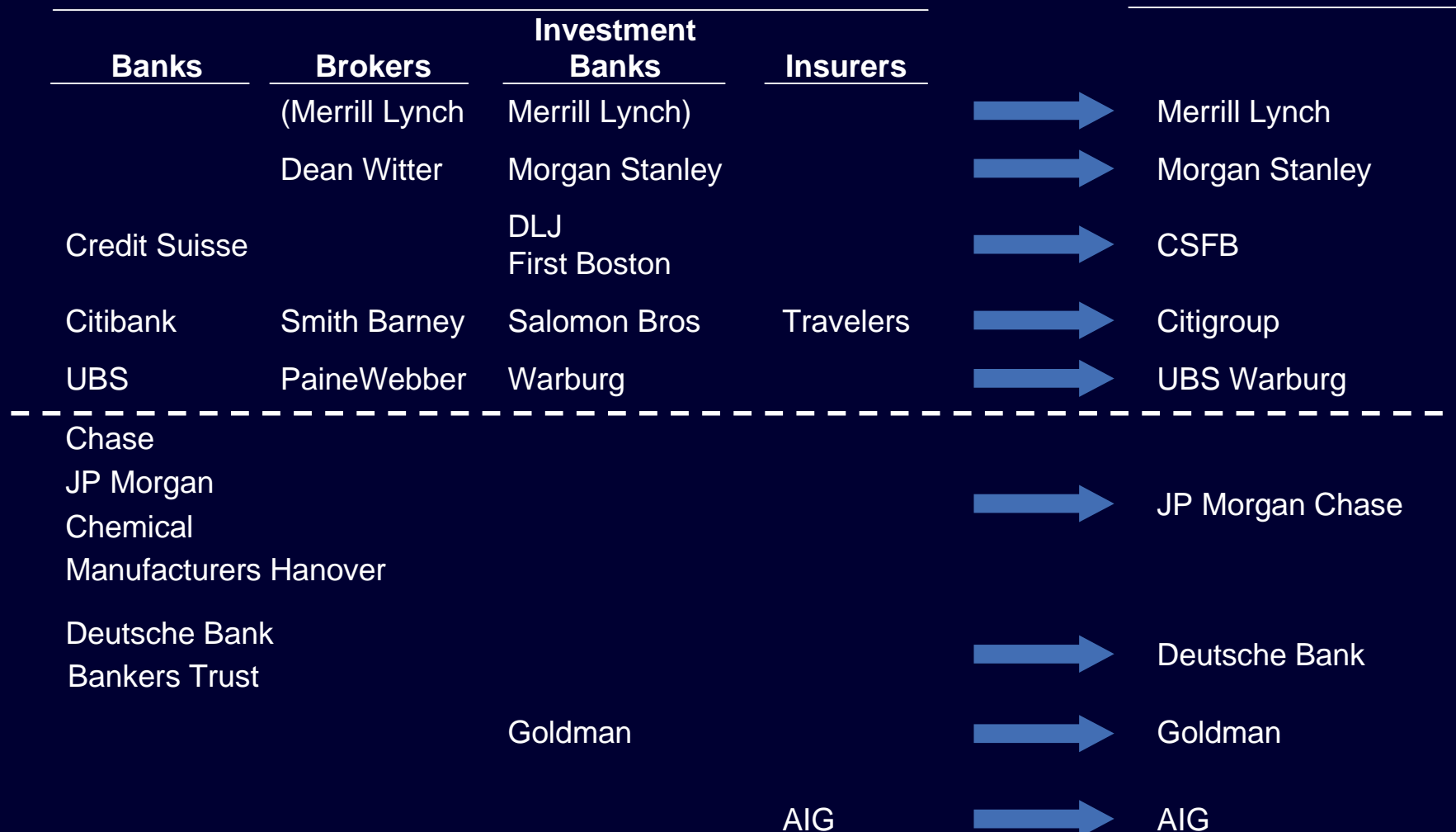
# Convergence

## 1990 – Present

Examples

THEN

NOW

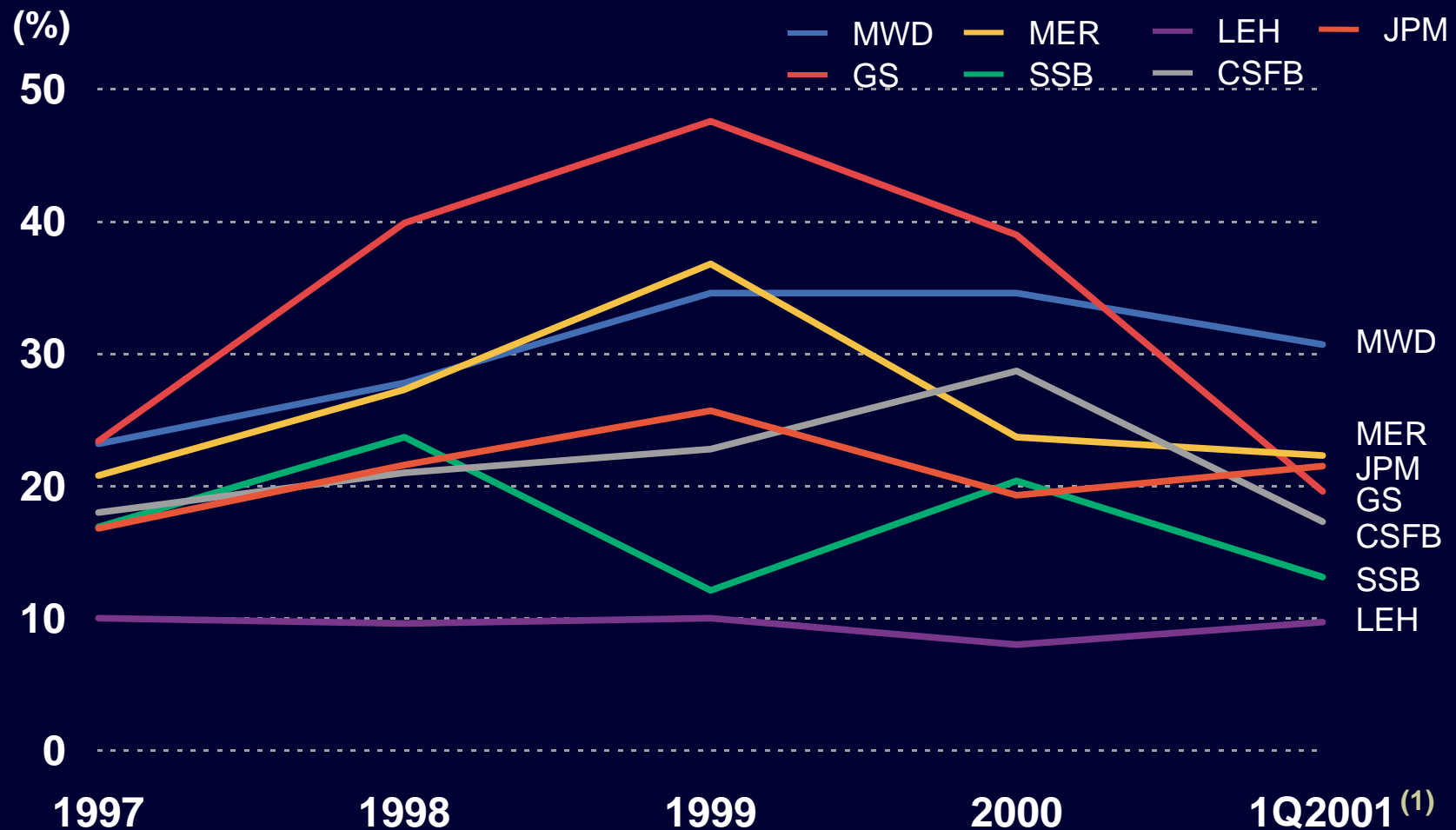


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# Mergers & Acquisitions Market Share

## Worldwide Announced M&A

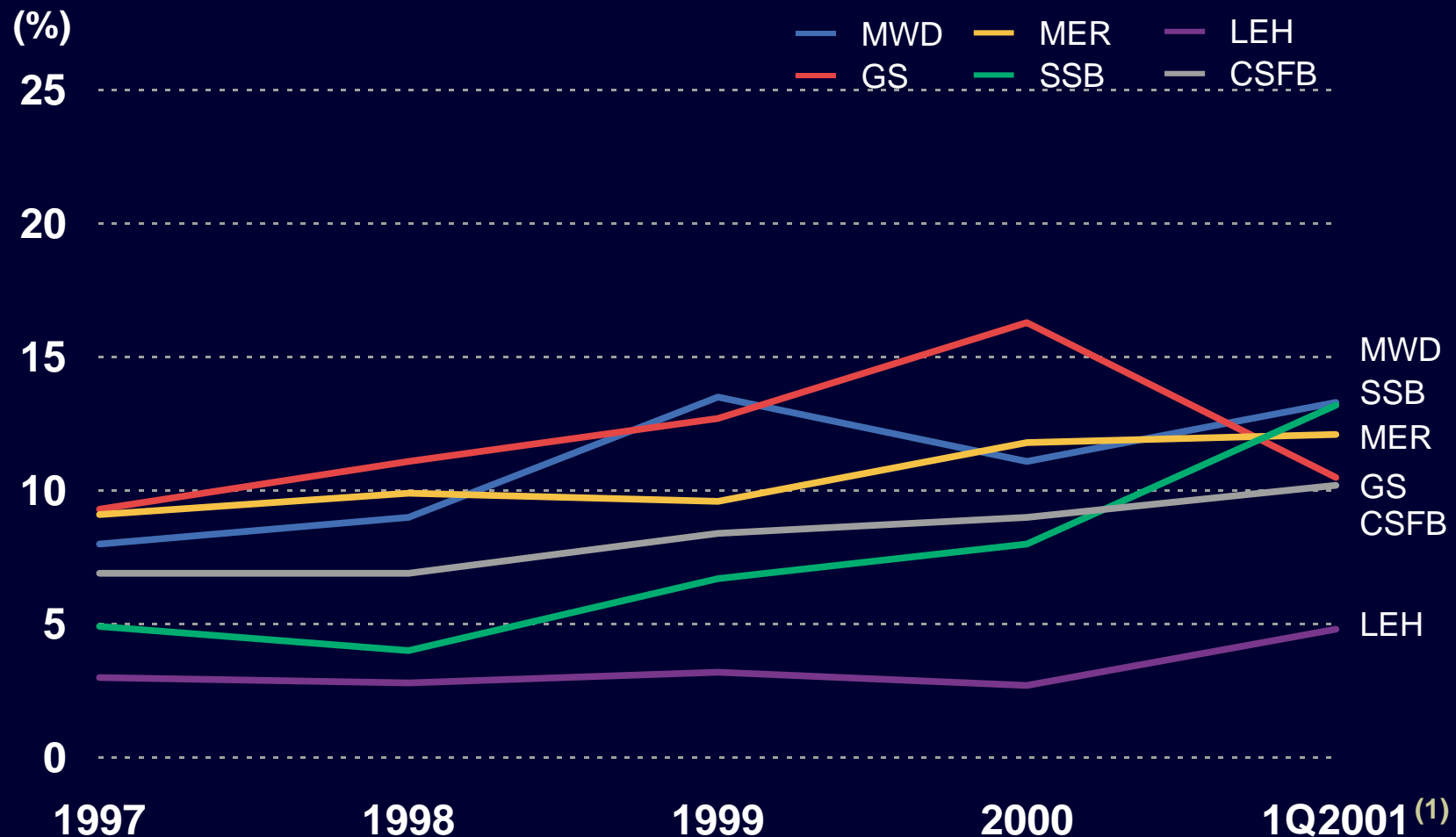


Note: (1) Calendar quarter  
 Source: Thomson Financial Services

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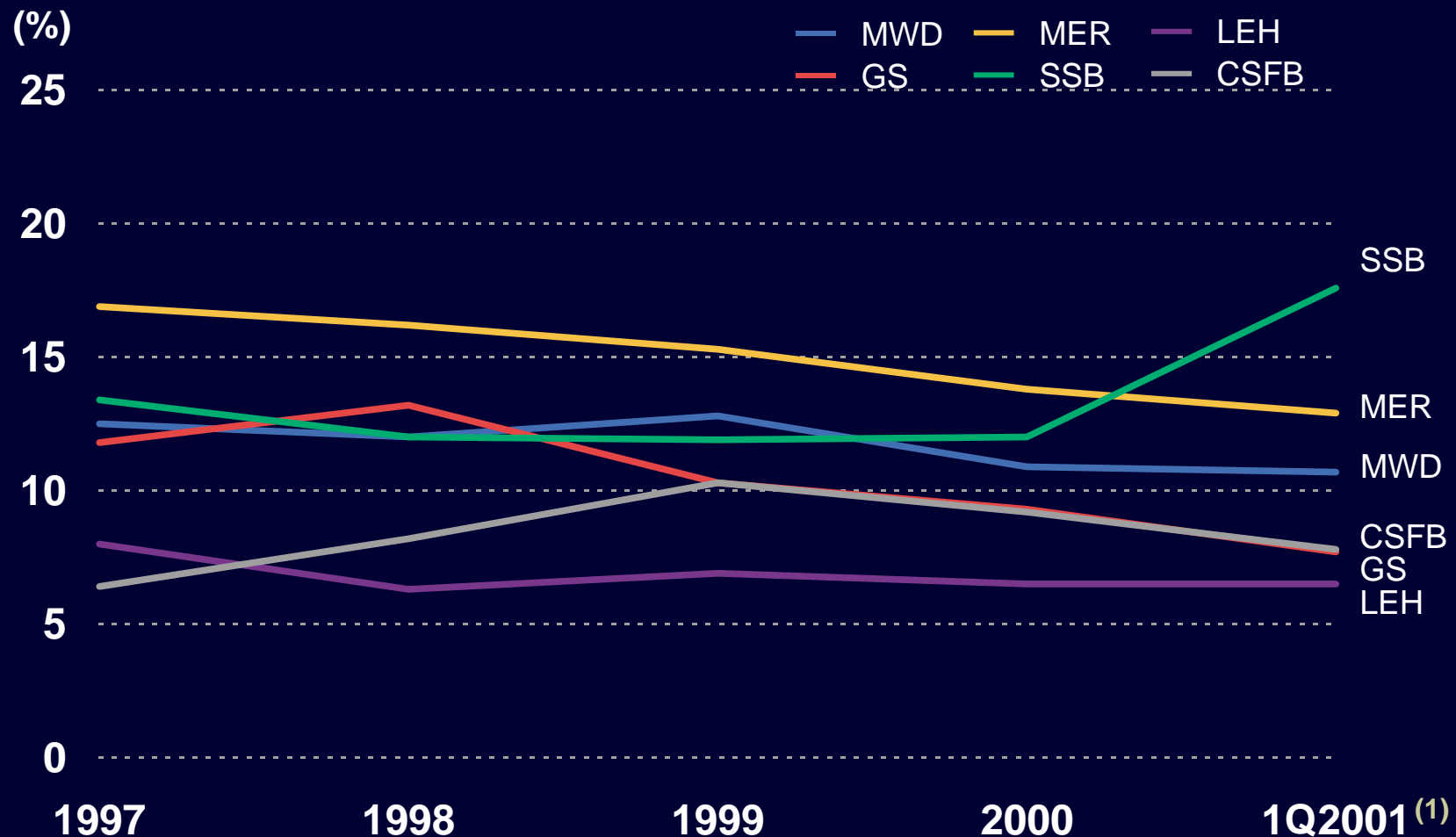
# Equity Underwriting Market Share Worldwide Equity



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

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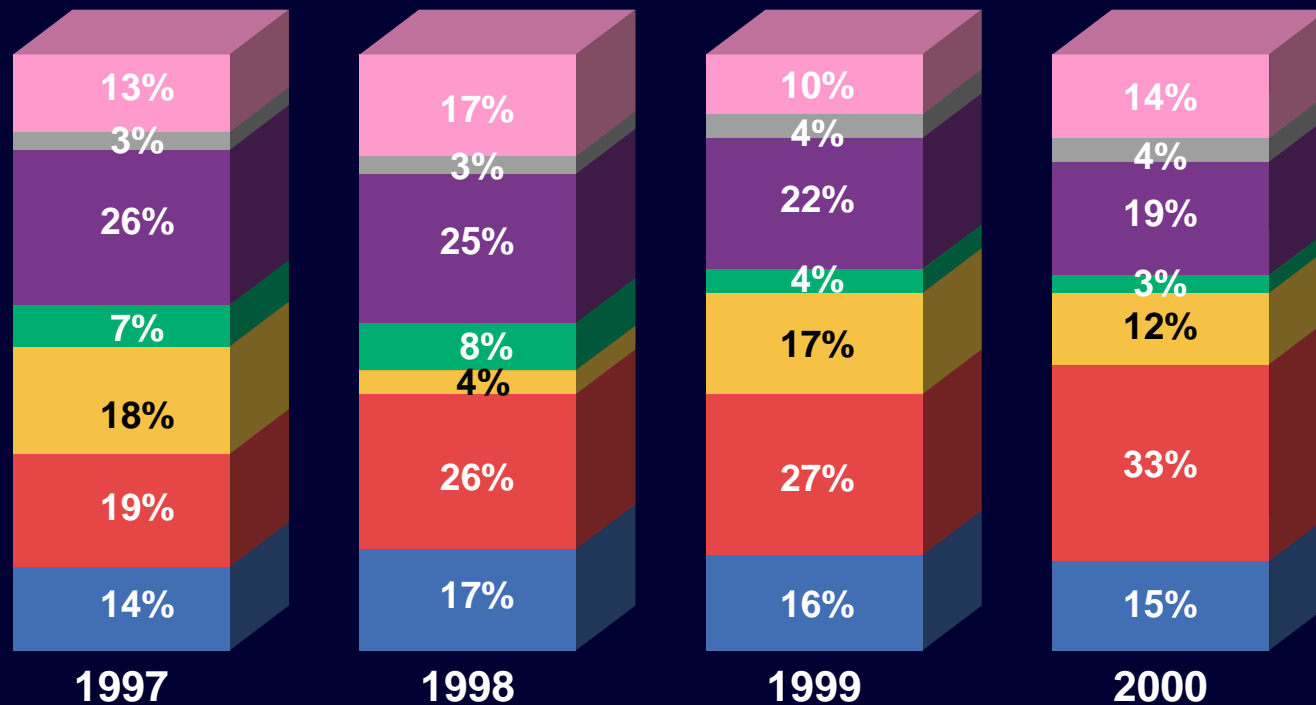
# Debt Underwriting Market Share North American Investment Grade



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

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# Securities Revenues<sup>(1)</sup>



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

Source: Annual reports

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# Gaining Market Share

## 1Q01<sup>(1)</sup> vs 4Q00

|                      | <u>Industry</u> | <u>MWD</u>          |             |             |
|----------------------|-----------------|---------------------|-------------|-------------|
|                      |                 | <u>Share Change</u> | <u>Rank</u> |             |
|                      |                 |                     | <u>1Q01</u> | <u>4Q00</u> |
| Global Announced M&A | (37%)           | 62%                 | 1           | 5           |
| Worldwide Equity UW  | (19%)           | 54%                 | 1           | 3           |
| Worldwide IPO UW     | (49%)           | 283%                | 1           | 2           |

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

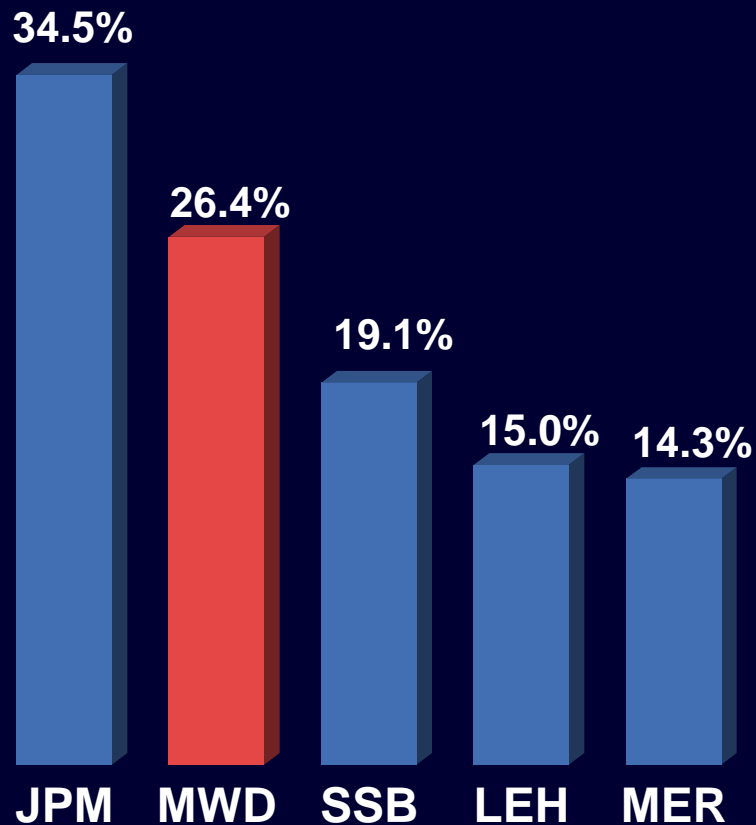
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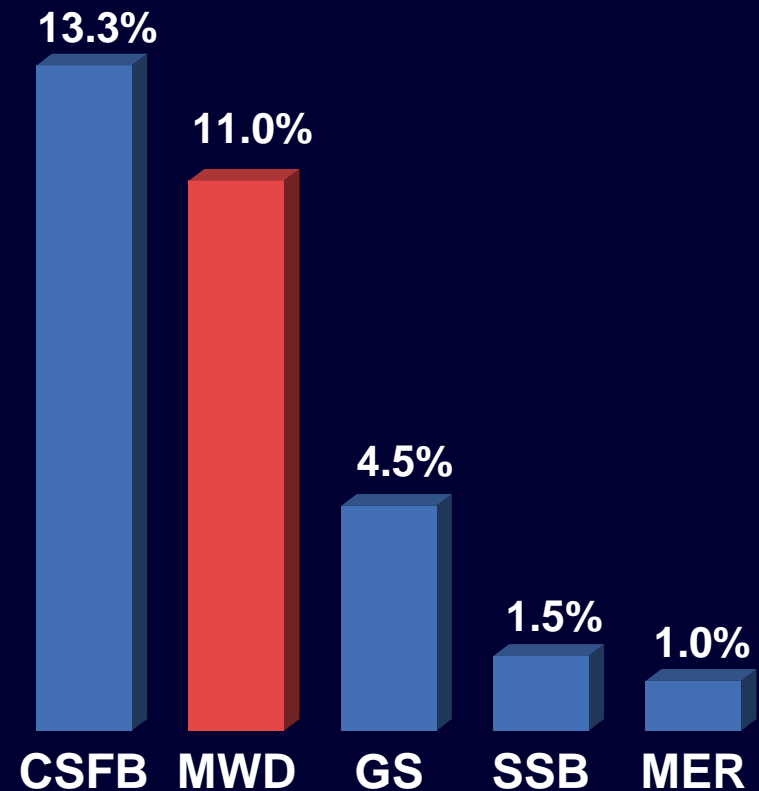
# Global Strength

## 1Q01<sup>(1)</sup>

### European Announced M&A



### European Equity



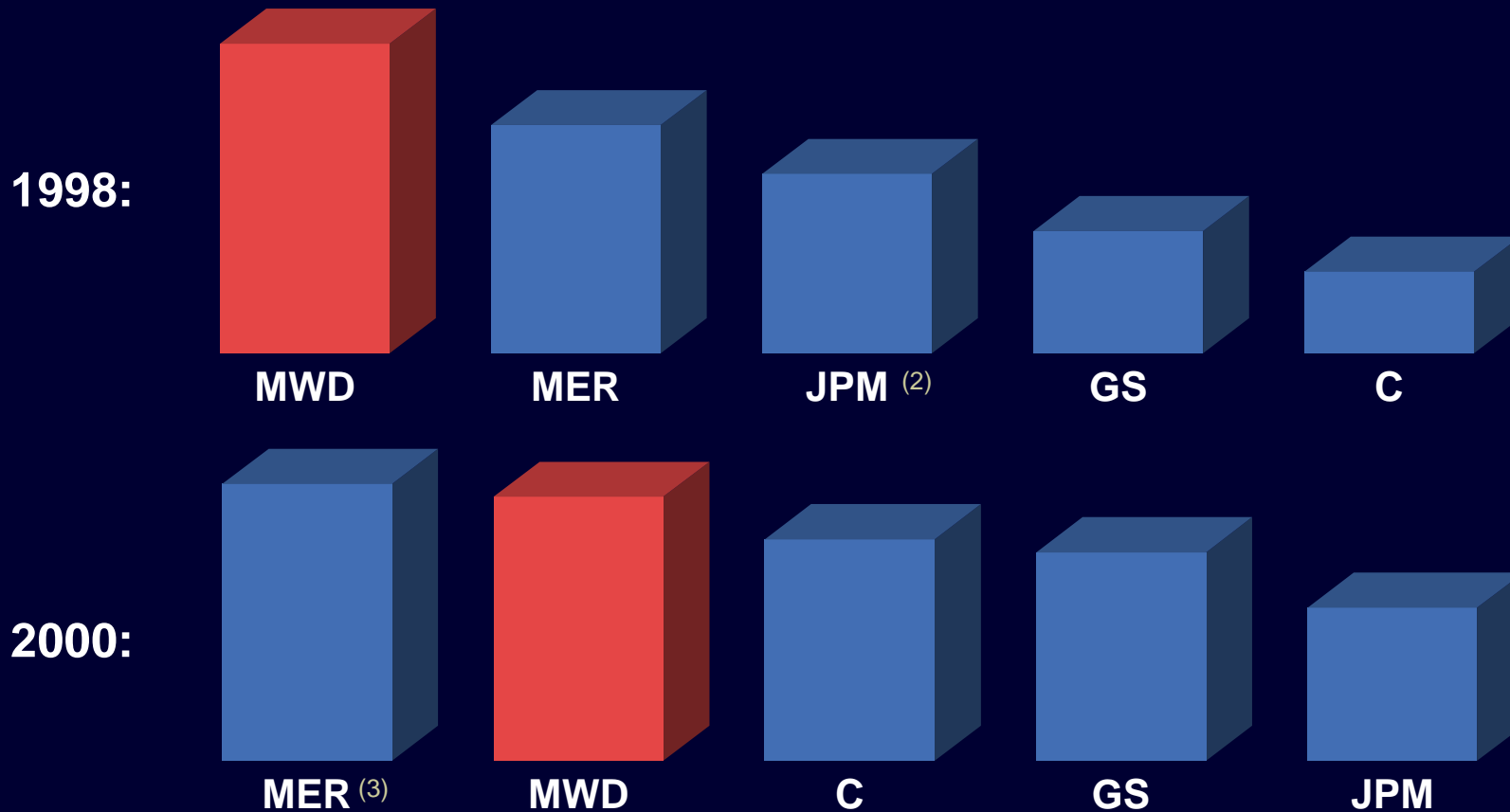
Note: (1) Calendar quarter  
Source: Thomson Financial Services

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# Risk Management

## P&L to VaR Ratio<sup>(1)</sup>



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

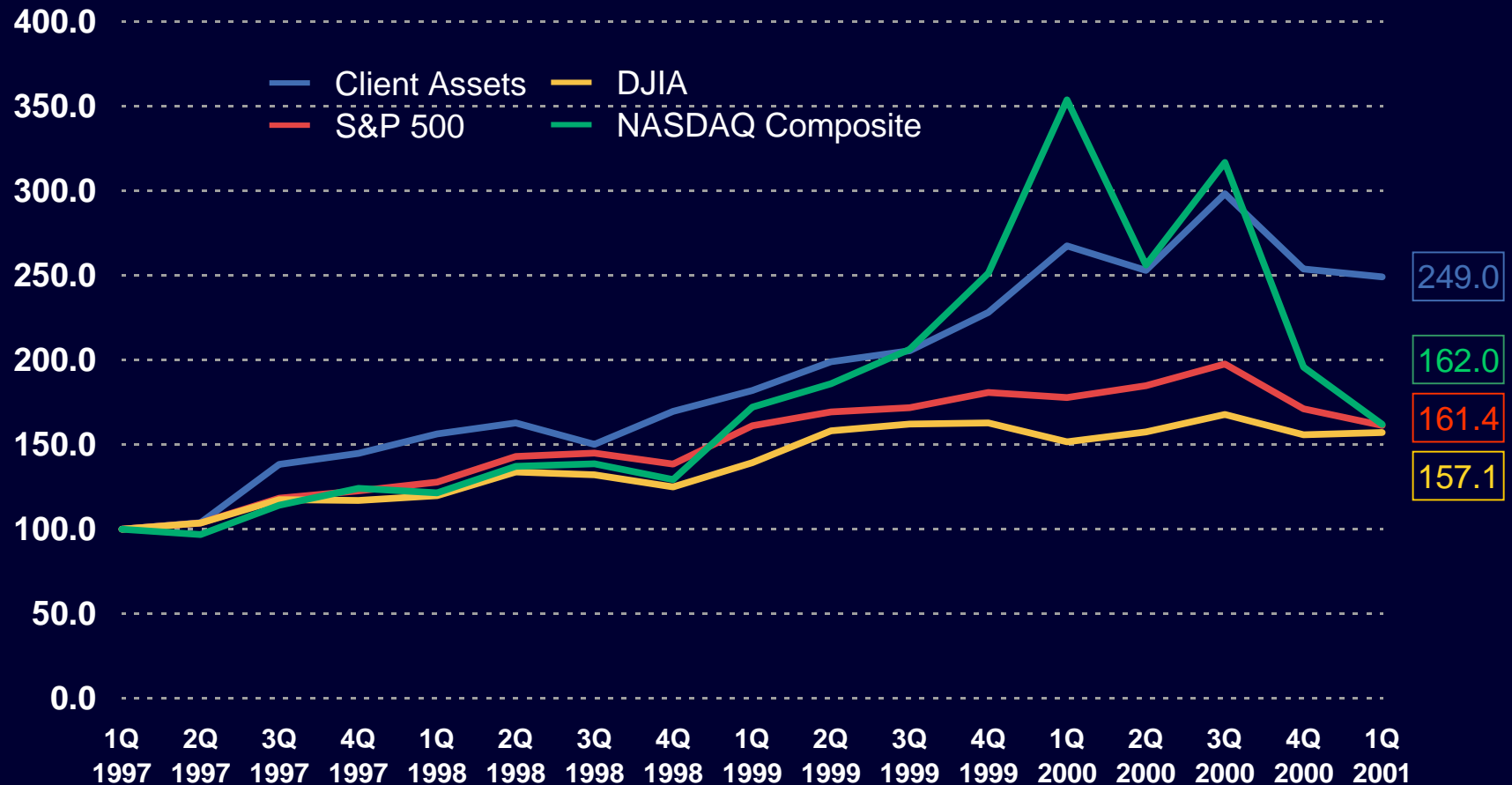
(2) JPMChase pro forma

(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<sup>(1)</sup>

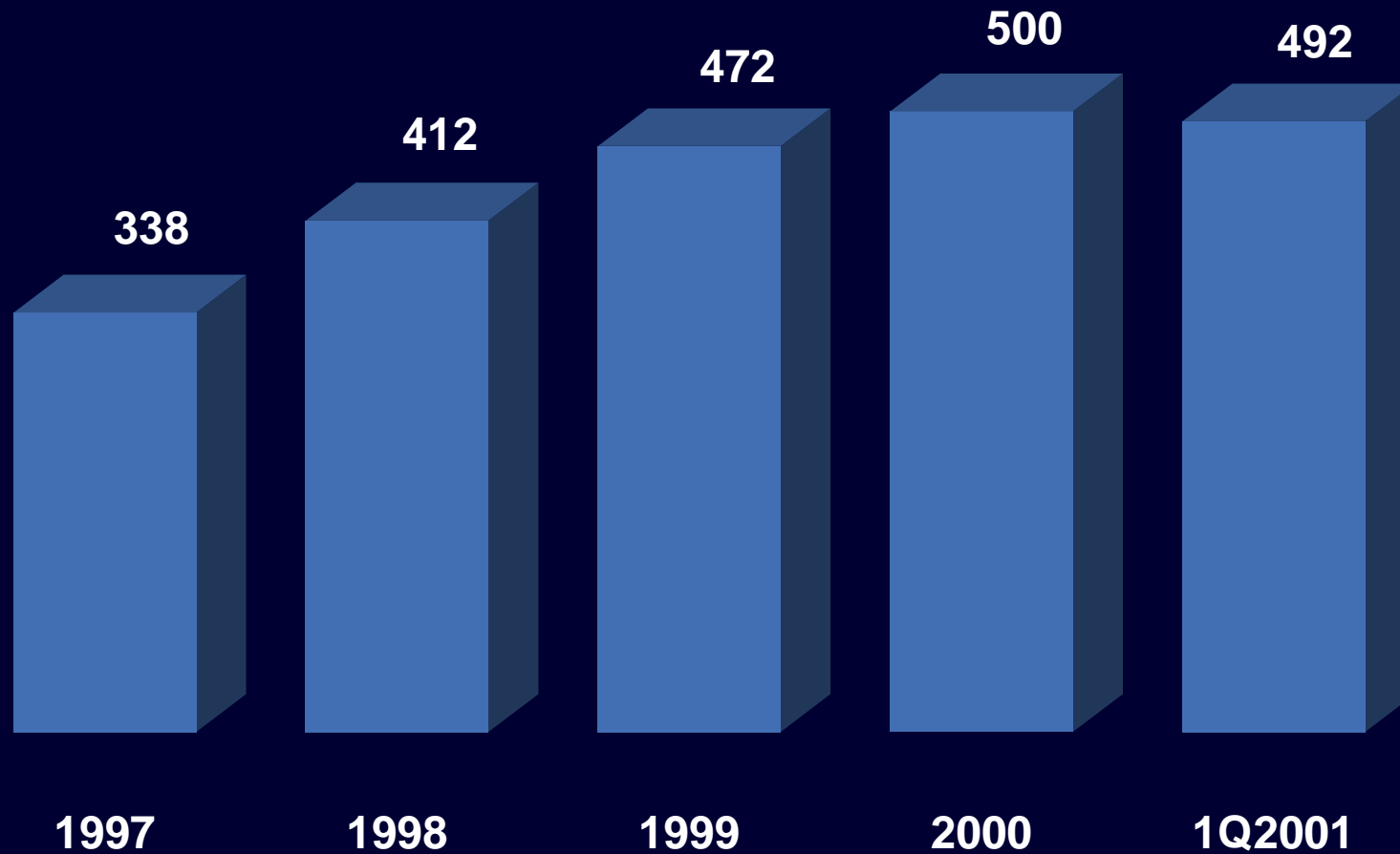


Note: (1) Market indices as of calendar quarter end; Morgan Stanley assets as of fiscal quarter end.

Source: Internal Morgan Stanley database

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# Asset Management Assets Under Management (\$Bn)



Sources: 2000 Annual Report, 1Q 2001 Earnings Release

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# Credit Card

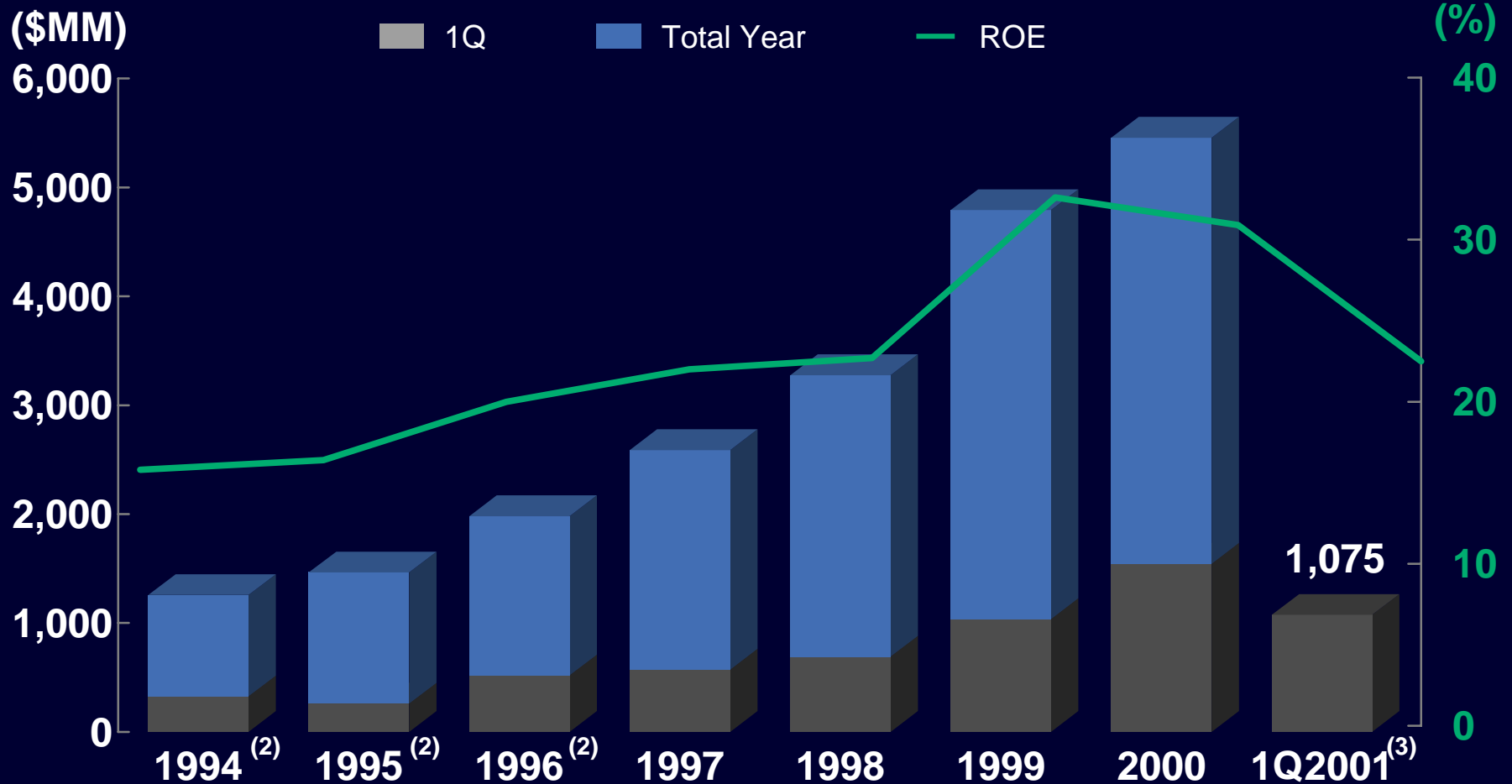
## Open Issues

- Impact of weak economy on:
  - Transaction volume
  - Receivable growth
  - Credit quality
- Impact of bankruptcy legislation
- Comprehensive network solution

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# Earnings Growth<sup>(1)</sup>

## 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

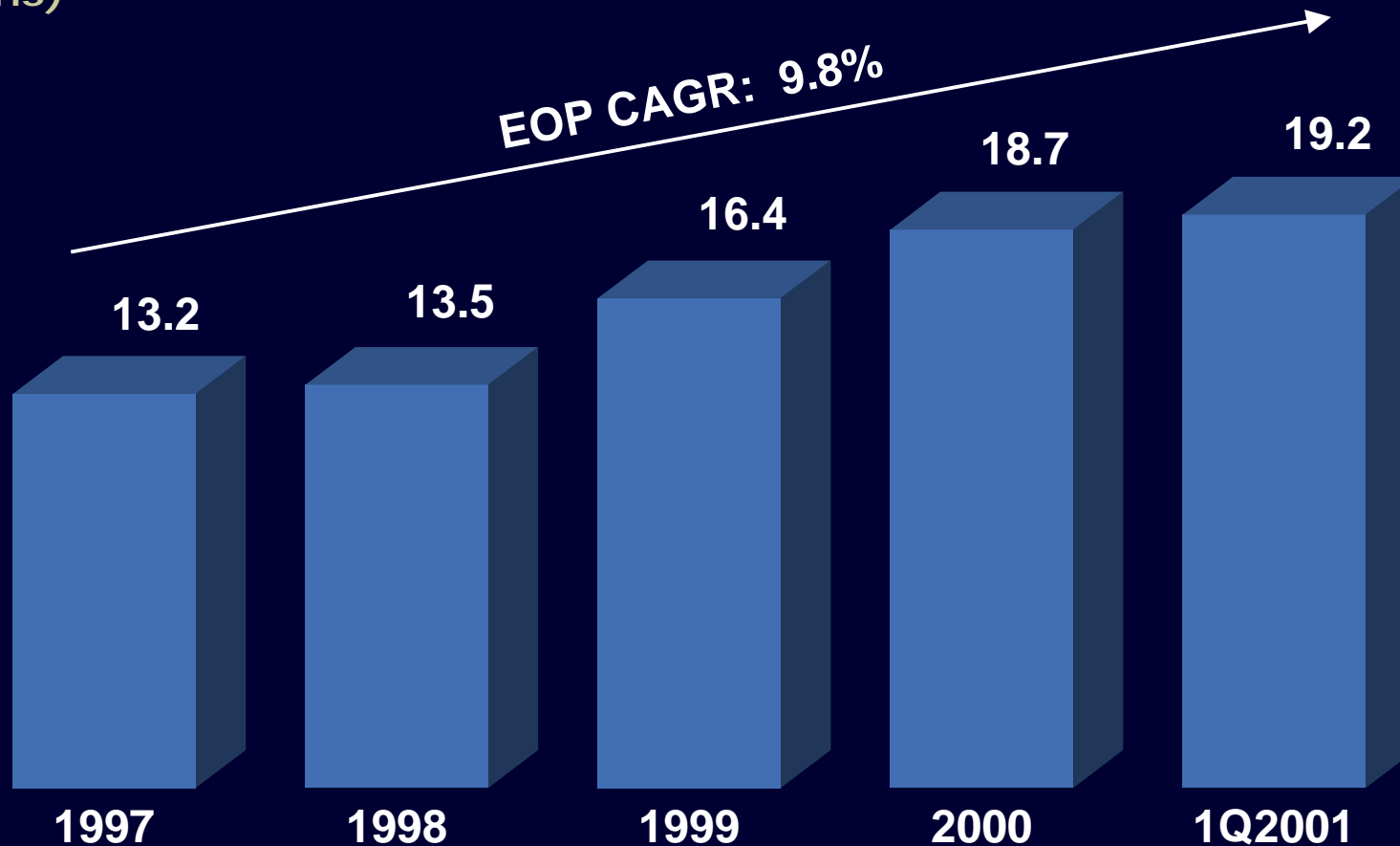
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# Financial Strength

## Common Equity Capital

### 1997–1Q01

(\$ Billions)



Source: Internal reporting database

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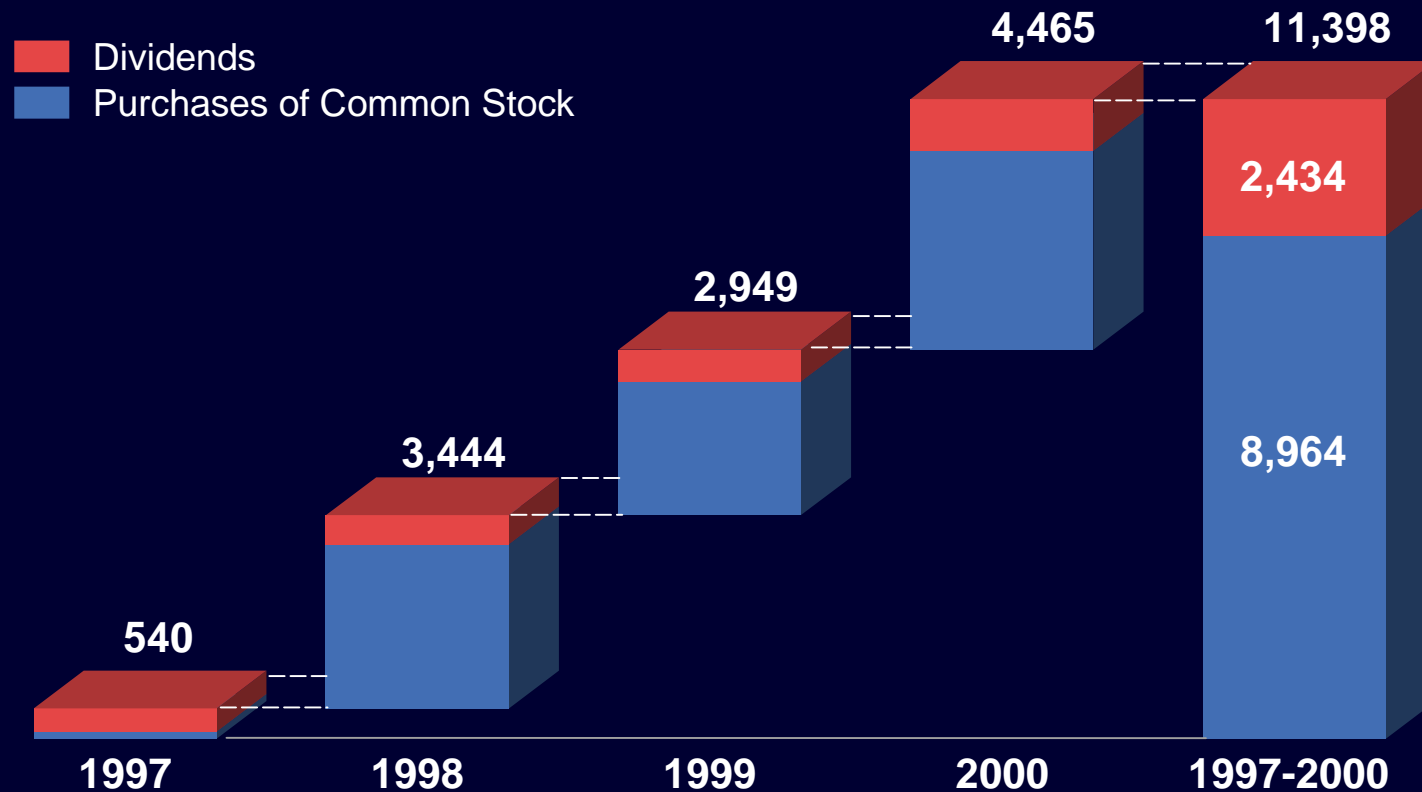
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# Financial Strength

## Capital Returned to Shareholders

### Cumulative

(\$ Millions)



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

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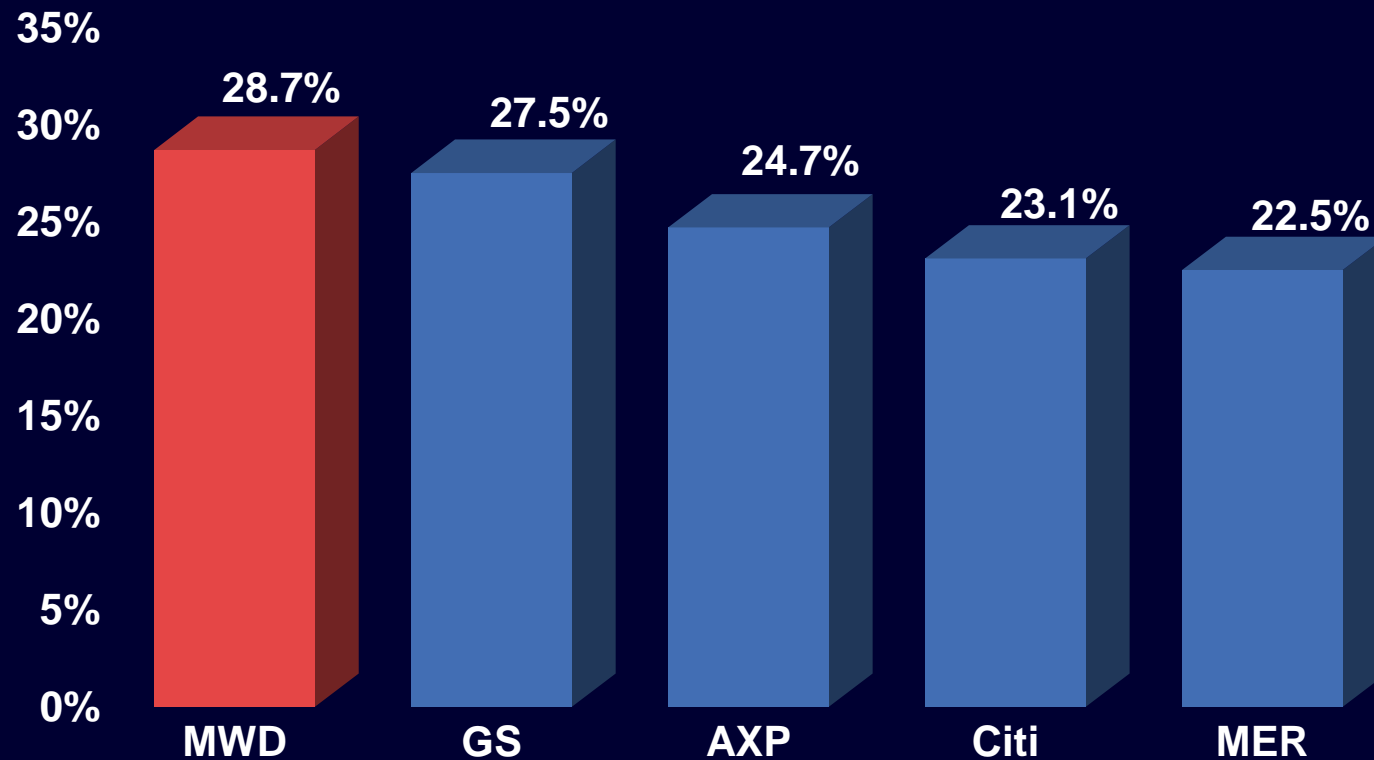
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# Financial Strength

## Average Annual ROE

### Morgan Stanley vs. Competitors

1999 - 1Q01



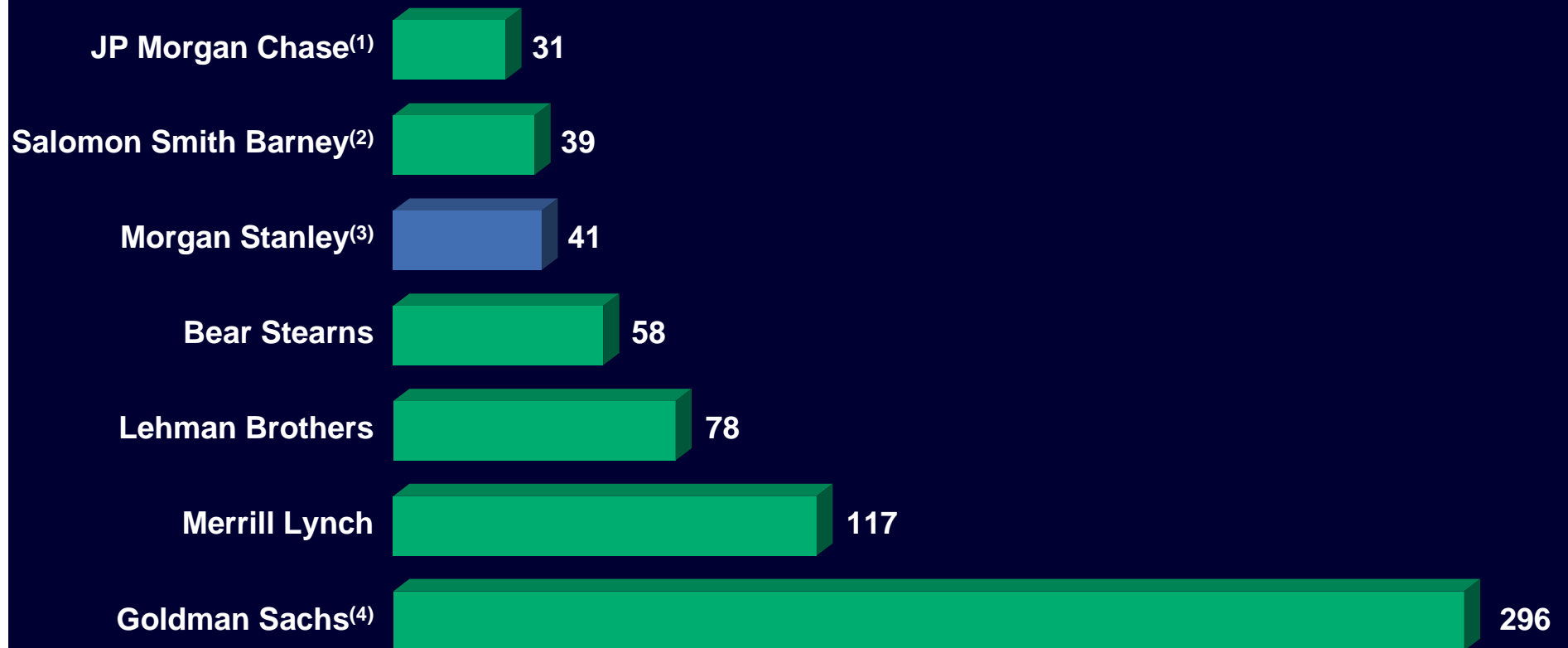
Sources: Annual Reports, Earnings Press Releases

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# Stable Earnings

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



- 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

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# Vision

Connecting people, ideas and capital,  
we will be the world's first choice  
for achieving financial aspirations

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# Client Centricity

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

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# Measuring Progress

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

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