

Morgan Stanley International

European Overview

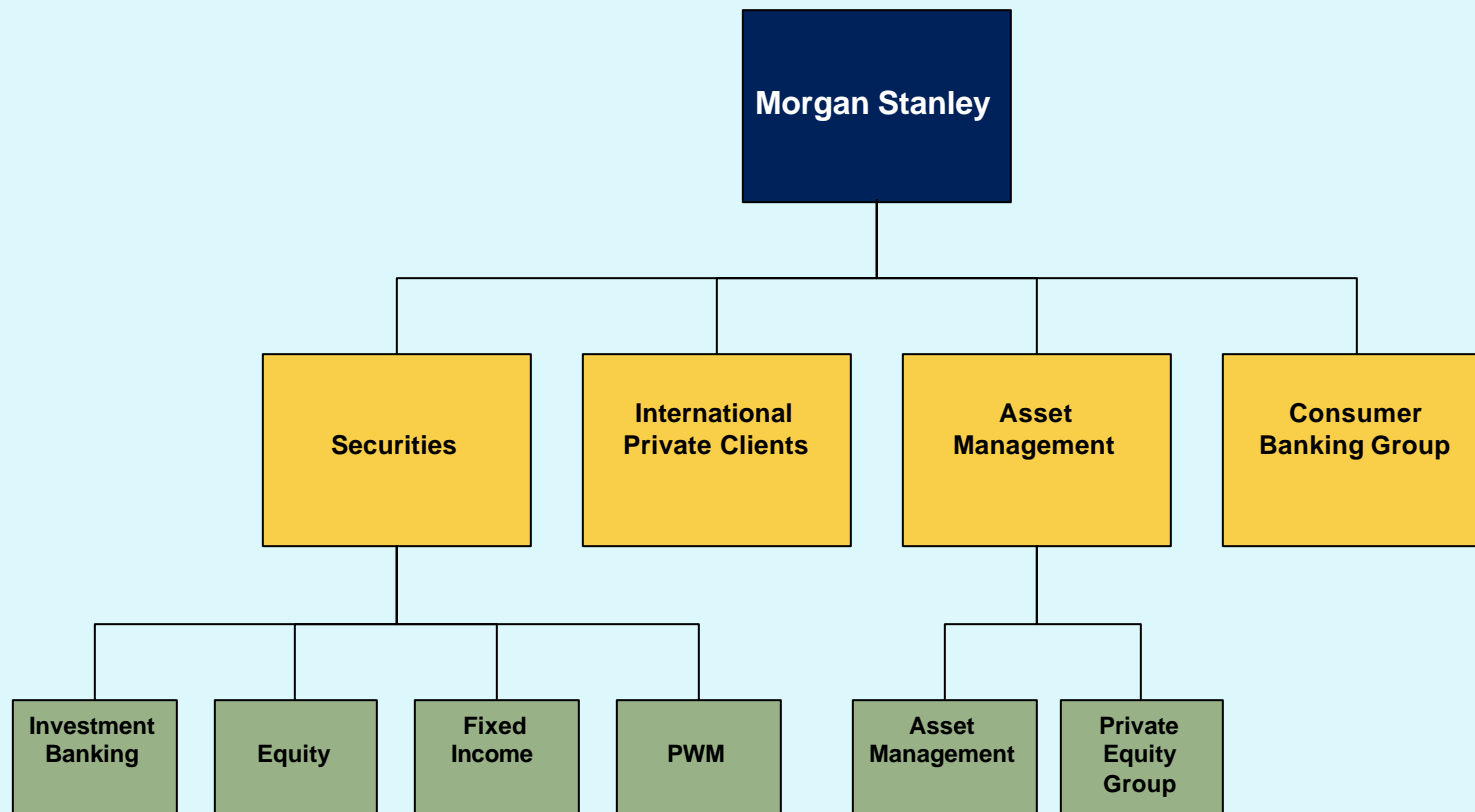
October 8, 2001

NOTICE

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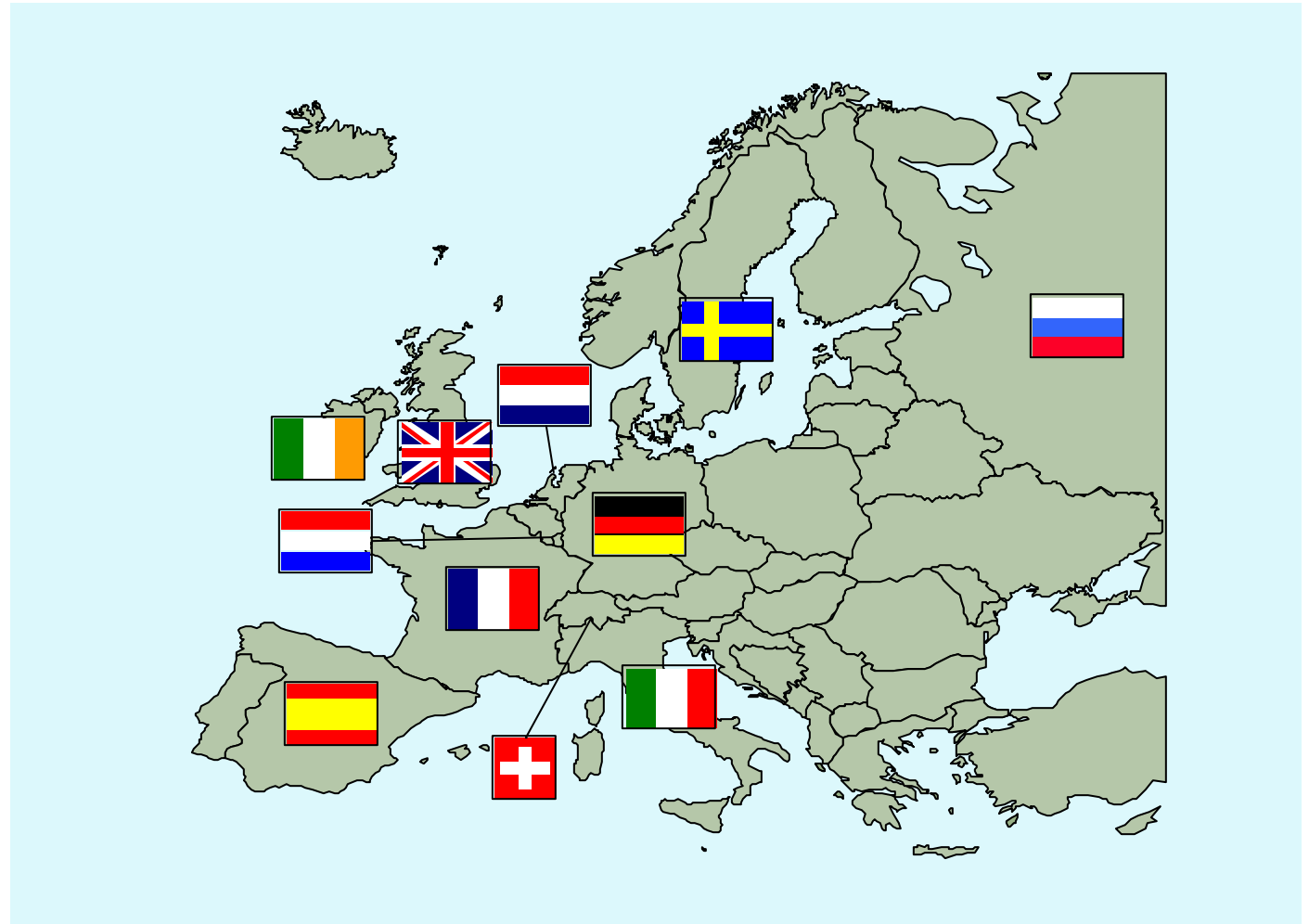
Our Business in Europe

Full Line of Financial Services



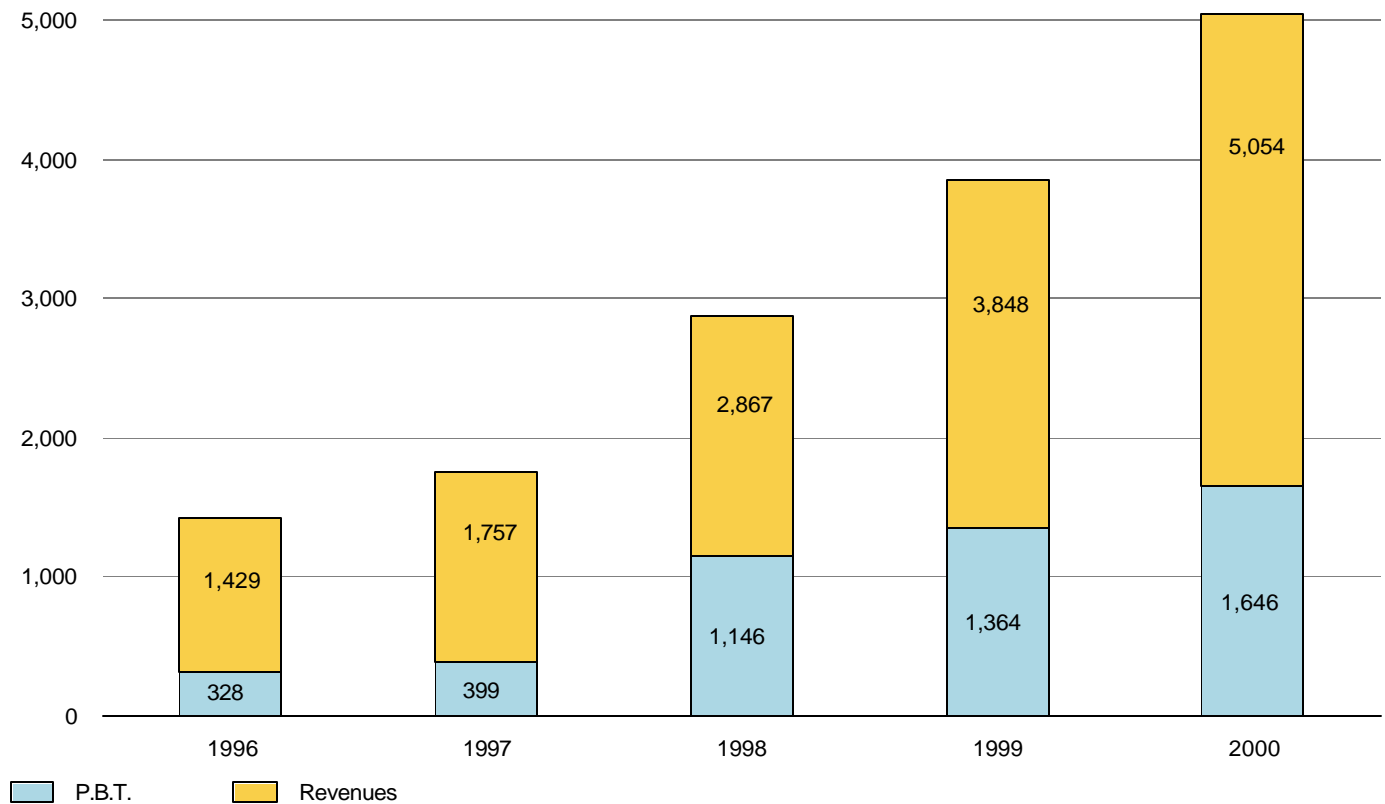
European Presence

UK (1977)
Spain (1993/1999)
Switzerland (1986)
Germany (1987)
France (1990)
Ireland (1998)
Italy (1989)
Netherlands (1997)
Russia (1994)
Luxembourg (1989)
Sweden (1999)
South Africa (1994)



Revenues and PBT

US\$ MM



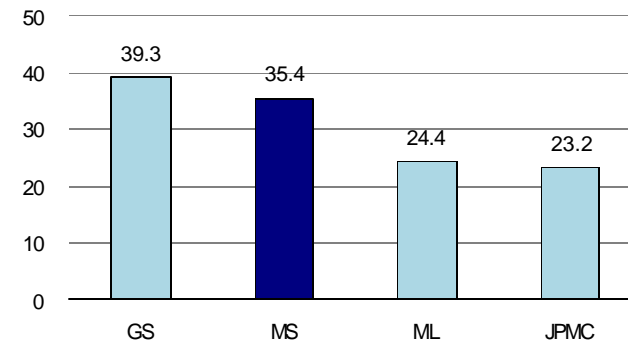
Source Morgan Stanley Annual Reports

The Competitive Landscape - Europe

January 1, 1998 to September 30, 2001

Completed European M&A

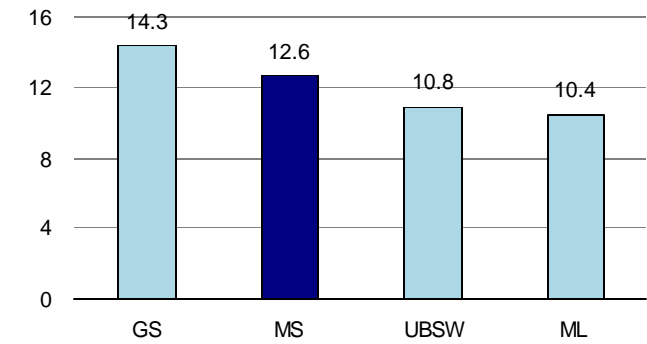
Market Share %



Source Thomson Financial Securities Data

European Equity Offerings

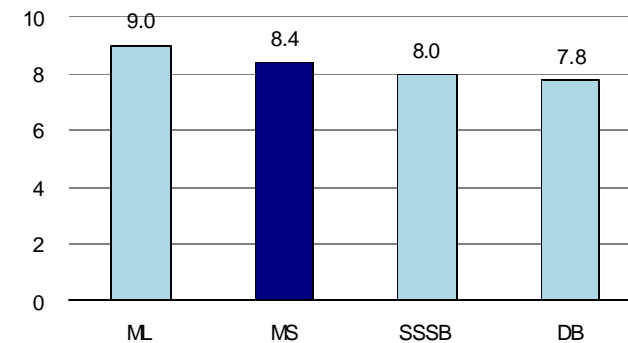
Market Share %



Source Capital Data Bondware

International Bond⁽¹⁾

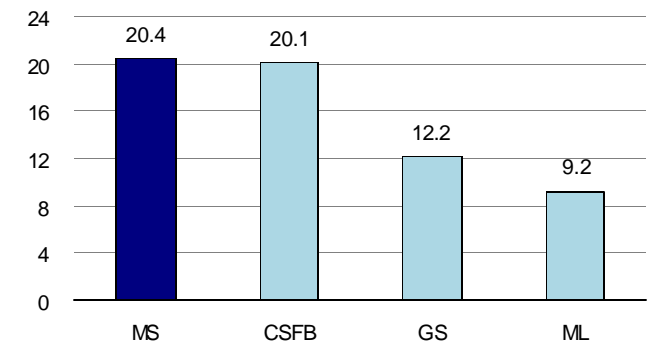
Market Share %



Source Capital Data Bondware

European High Yield

Market Share %



Source Capital Data Bondware

Note

(1) Includes global, Euro and foreign-targeted domestic bonds

Leadership and Creativity: Awards 2000 - 2001

- **Bond House of the Year** - *IFR*
- **Best Investment Bank for Securitisation** - *Structured Finance International*
- **Asset Backed Trading House of the Year** - *Structured Finance International*
- **Energy and Commodity Derivatives House of the Year** - *Risk magazine*
- **Best Overall Capital Raising** - *Euroweek*
- **Best European Investment Grade Credit Research Team** - *Euromoney*
- **Best High Yield Credit Research Team** - *Credit Magazine*
- **Best Securitisation Credit Research Team** - *Credit Magazine*
- **Best European Investment Grade Credit Research Team** - *Credit Magazine*
- **Investment Bank of 2000** - *Corporate Finance*
- **Best Bank for M&A** - *Corporate Finance*
- **Best Bank for High Yield Bonds** - *Corporate Finance*

Near-term Pressure

Industry Data for 2000 YTD -v- 2001 YTD ⁽¹⁾

European Securities Industry

M&A Volume

54.3%

UK Asset Management Industry

AUM

7.0%

Equity UW

57.9%

Debt UW

21.1%

Notes

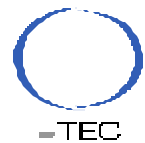
1. As of October 5, 2000 and 2001 for Securities data; as at June 30, 2000 and 2001 for Asset Management data

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European Markets

New Markets - 2000

Bond Trading



National MTS
(France, Portugal, Belgium)

BBT - Europe

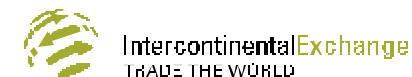
Equity Trading



Derivatives



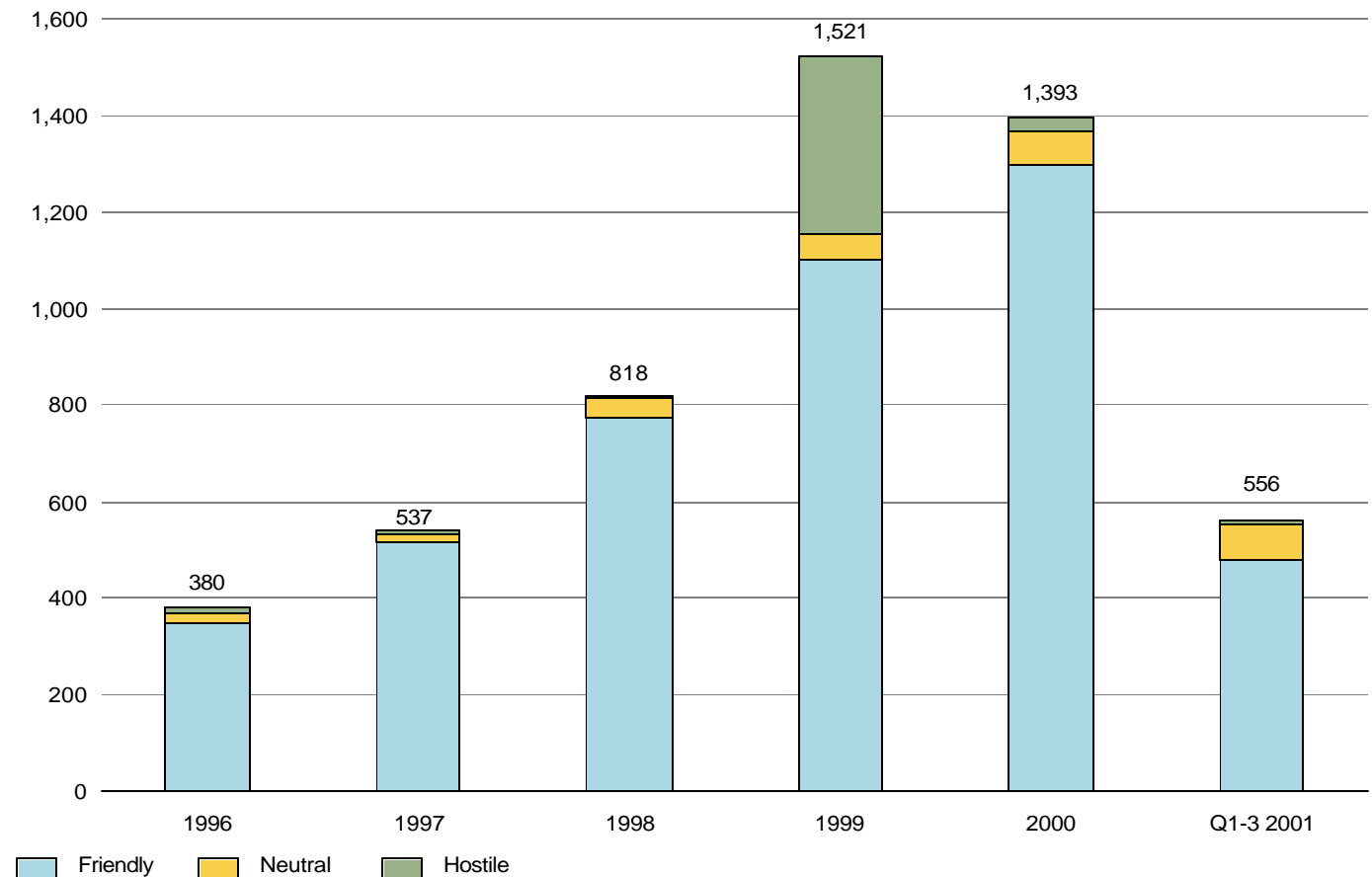
Commodities/Foreign Exchange



European M&A

Announced Deals

US\$ Bn



Source Thomson Financial Securities Data

European Financial Services

European Industry Consolidation 2000 - 2001⁽¹⁾



2,421 deals totalling \$392 billion

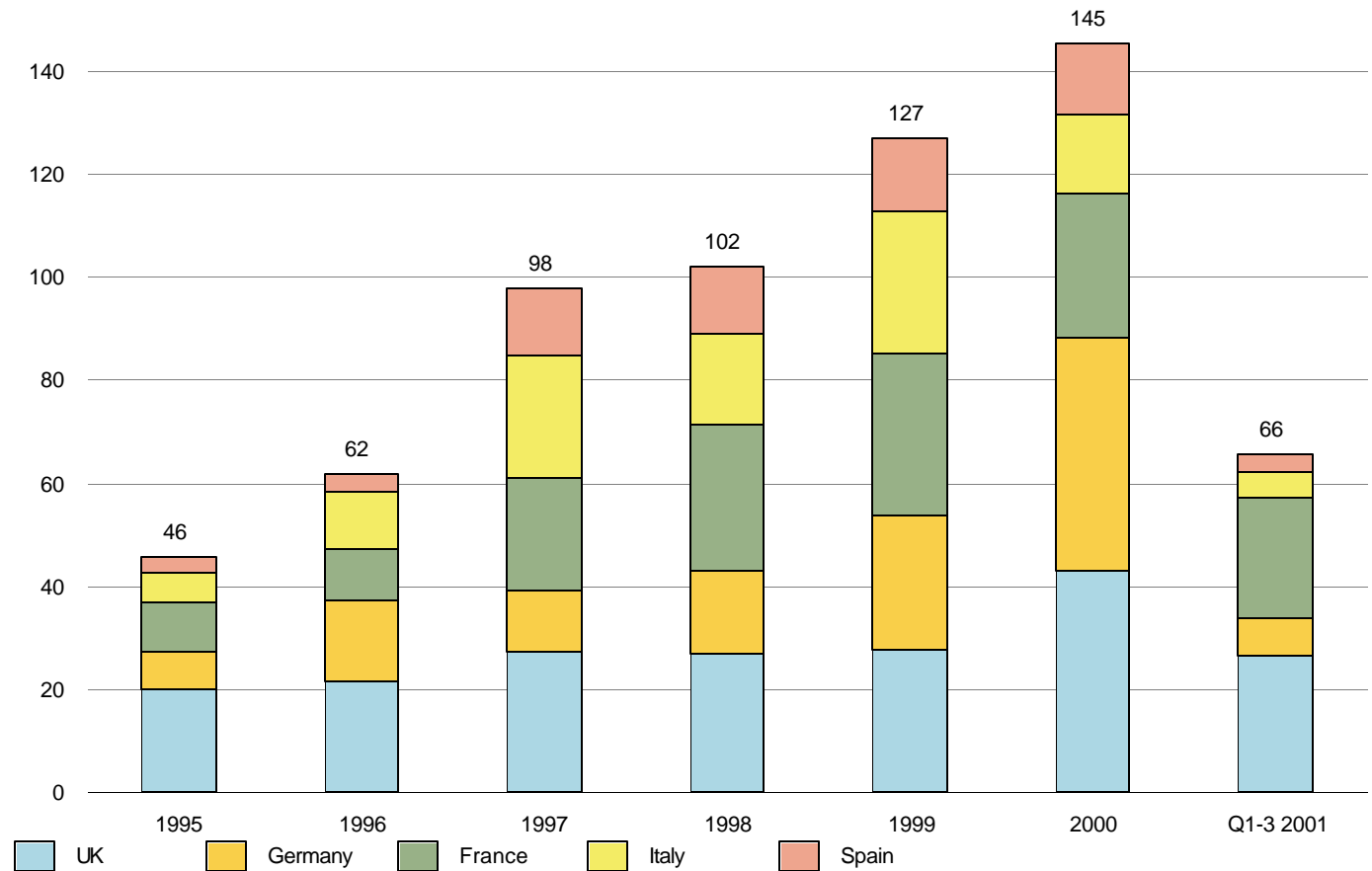
Source Thomson Financial Securities Data

Note

(1) As of October 5, 2001

Equity Markets Growth

New Equity Issuance Volumes US\$ Bn



Source Thomson Financial Securities Data

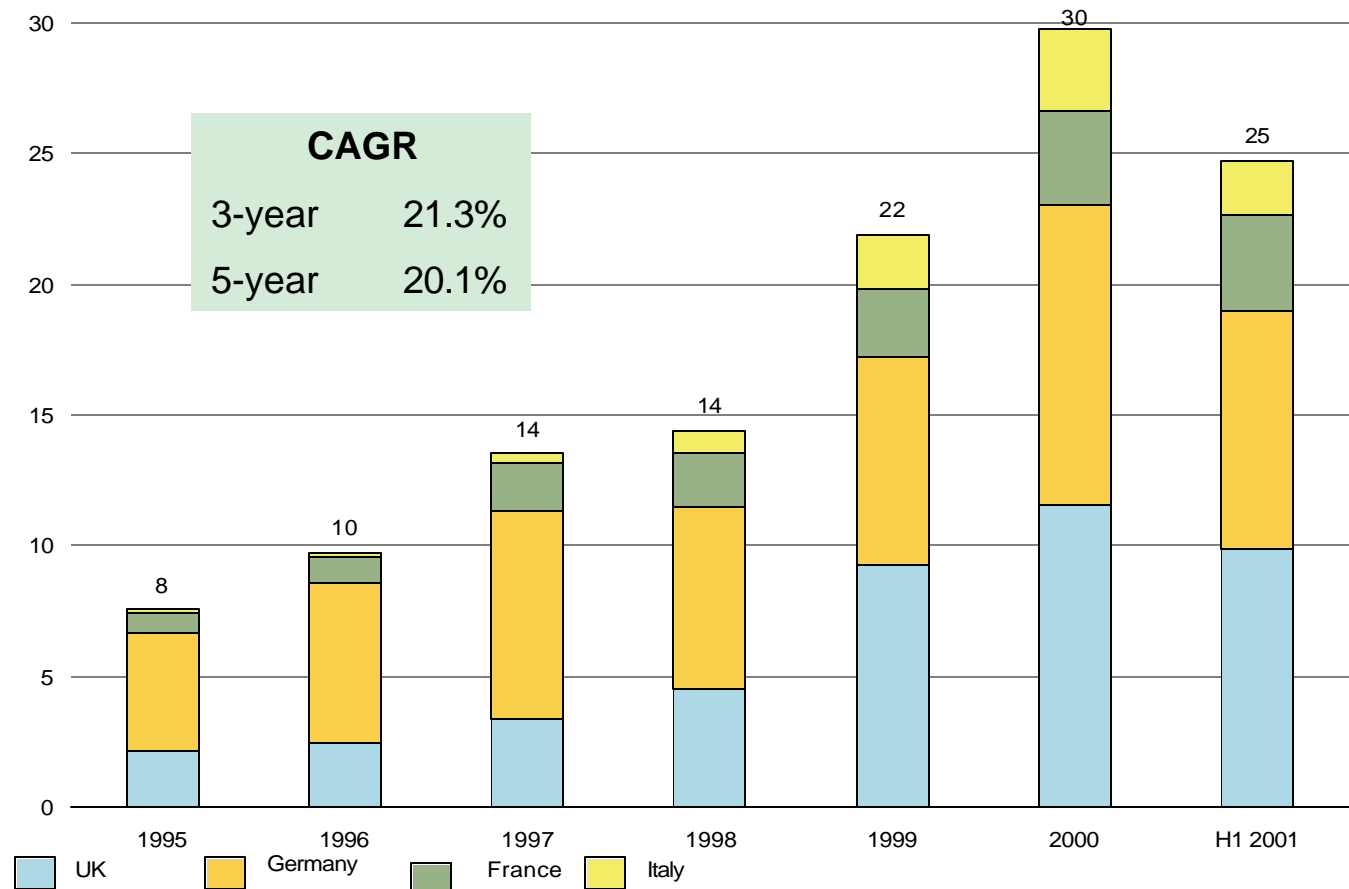
Note

(1) New issues includes all issues priced/issued in the following categories: primaries, secondaries, combination issues and convertible issues. It does not include bonds with warrants, funds, rights, non-Rule 144A private placements, issues which are callable/putable in one year, which are not underwritten, where the manager was not available, with a minimum life under 1.5 years and which are self-funded ineligible issues.

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Securities Trading Growth

Average Combined Daily Turnover for LSE, Deutsche Börse, Euronext and Milan Stock Exchange
US\$ Bn

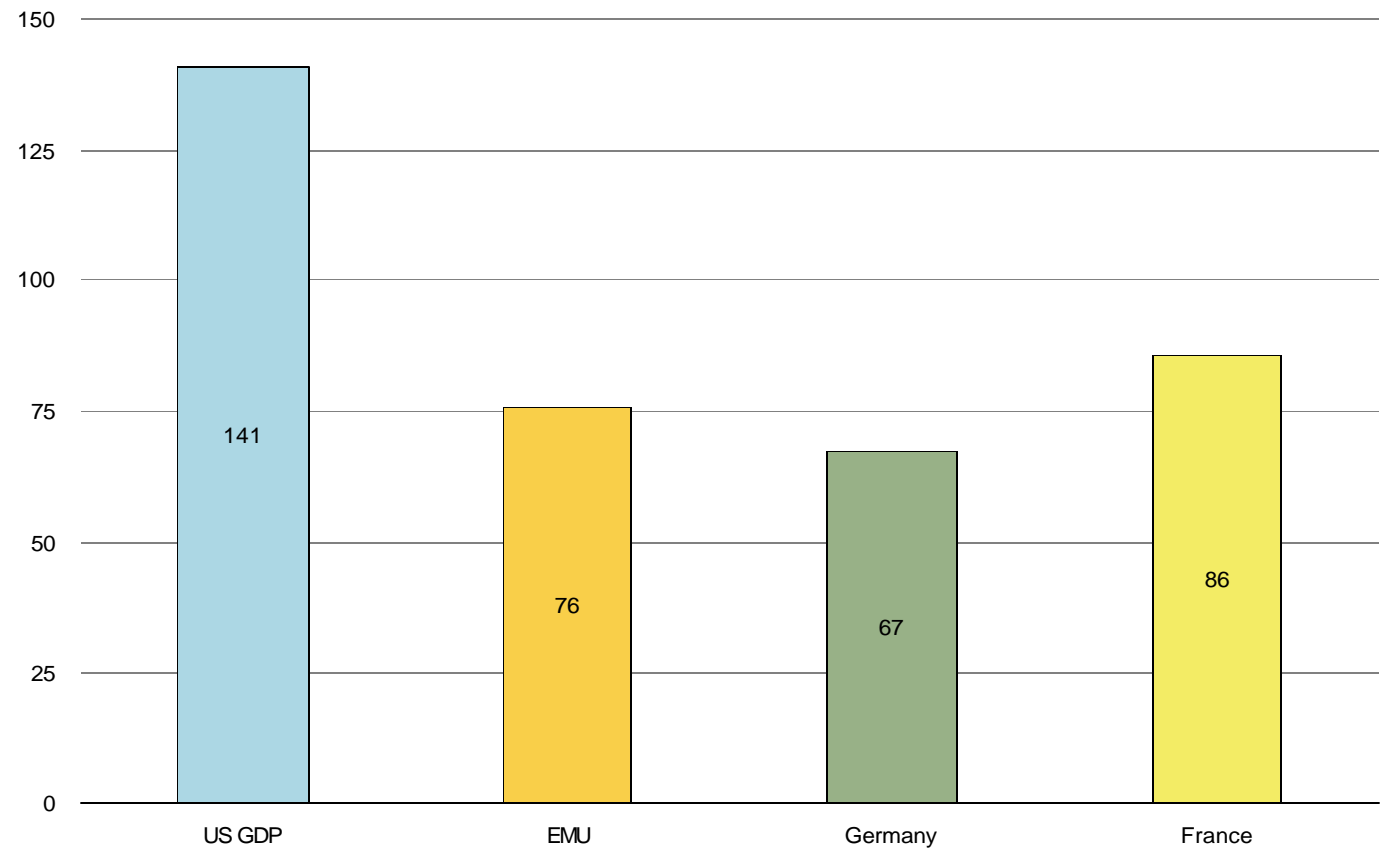


Source London Stock Exchange, Deutsche Börse, Paris Bourse, Milan Stock Exchange

Market Capitalisation

As a % of GDP

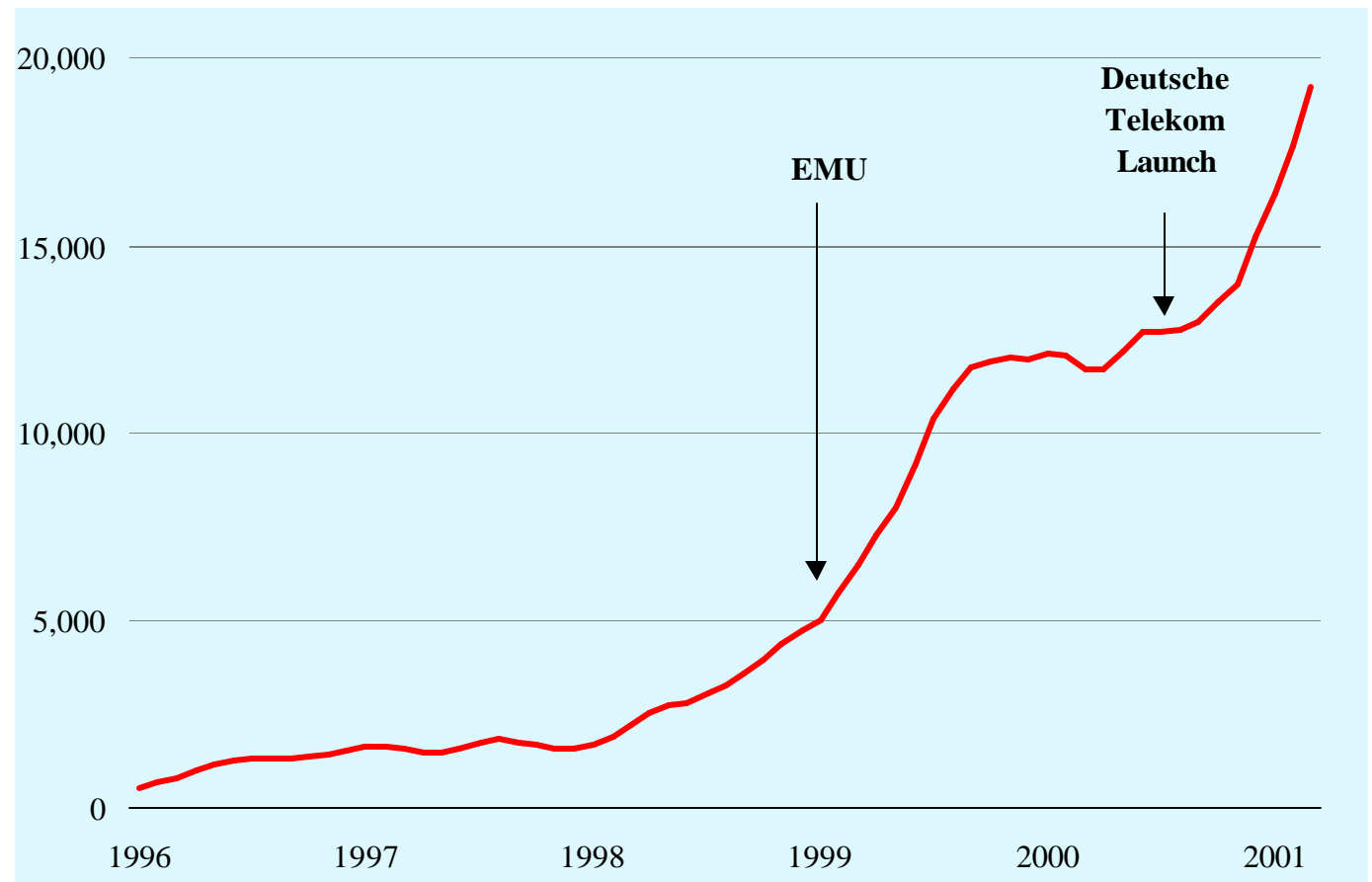
Year-end 2000, %



Source MSCI, IMF

Debt Markets Growth

International Corporate Transactions > €50 MM
12 Months Moving Average by Value

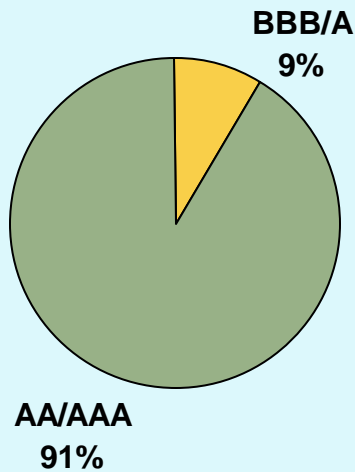


Source Capital Data Bondware

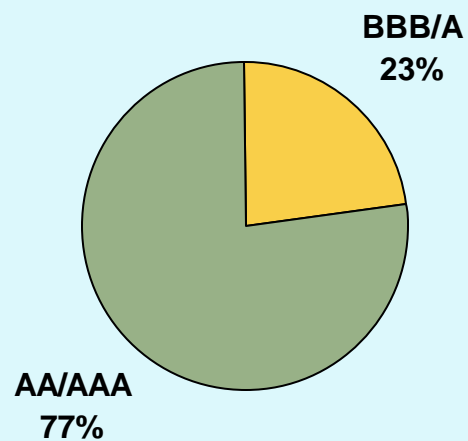
Debt Markets Growth

Outstanding Bonds by Rating

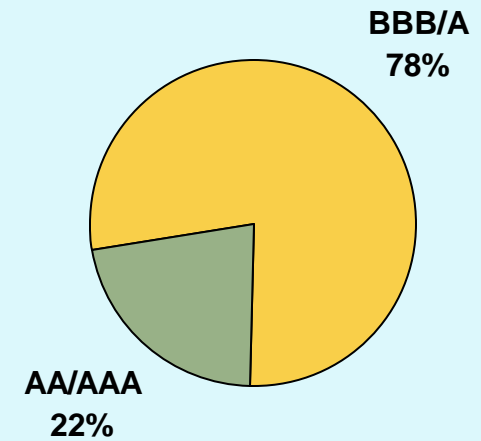
Eurozone 1999



Eurozone 2001



US 2001



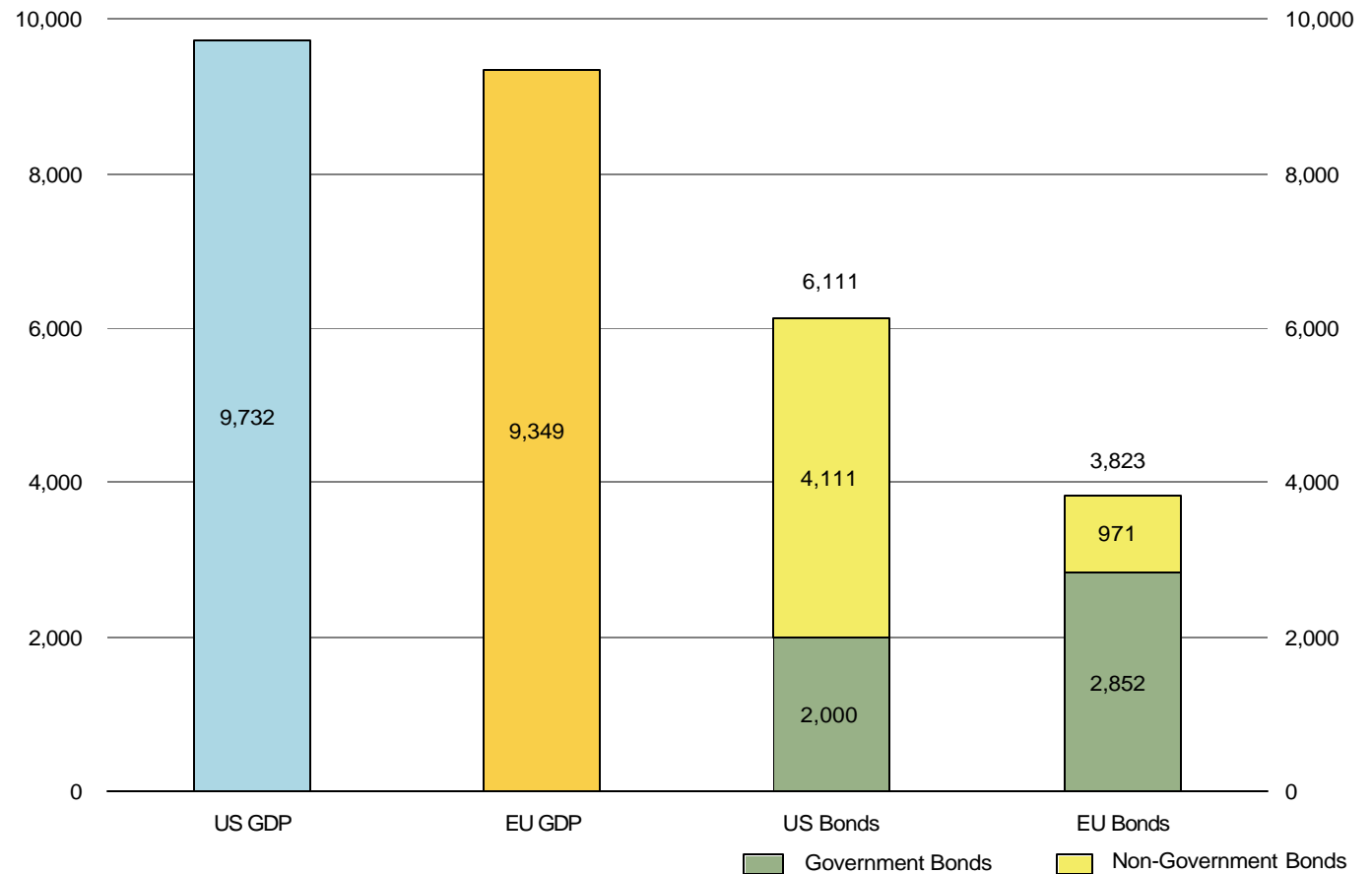
Source Capital Data Bondware

Debt Markets Growth

European Environment Debt Markets Growth

GDP €

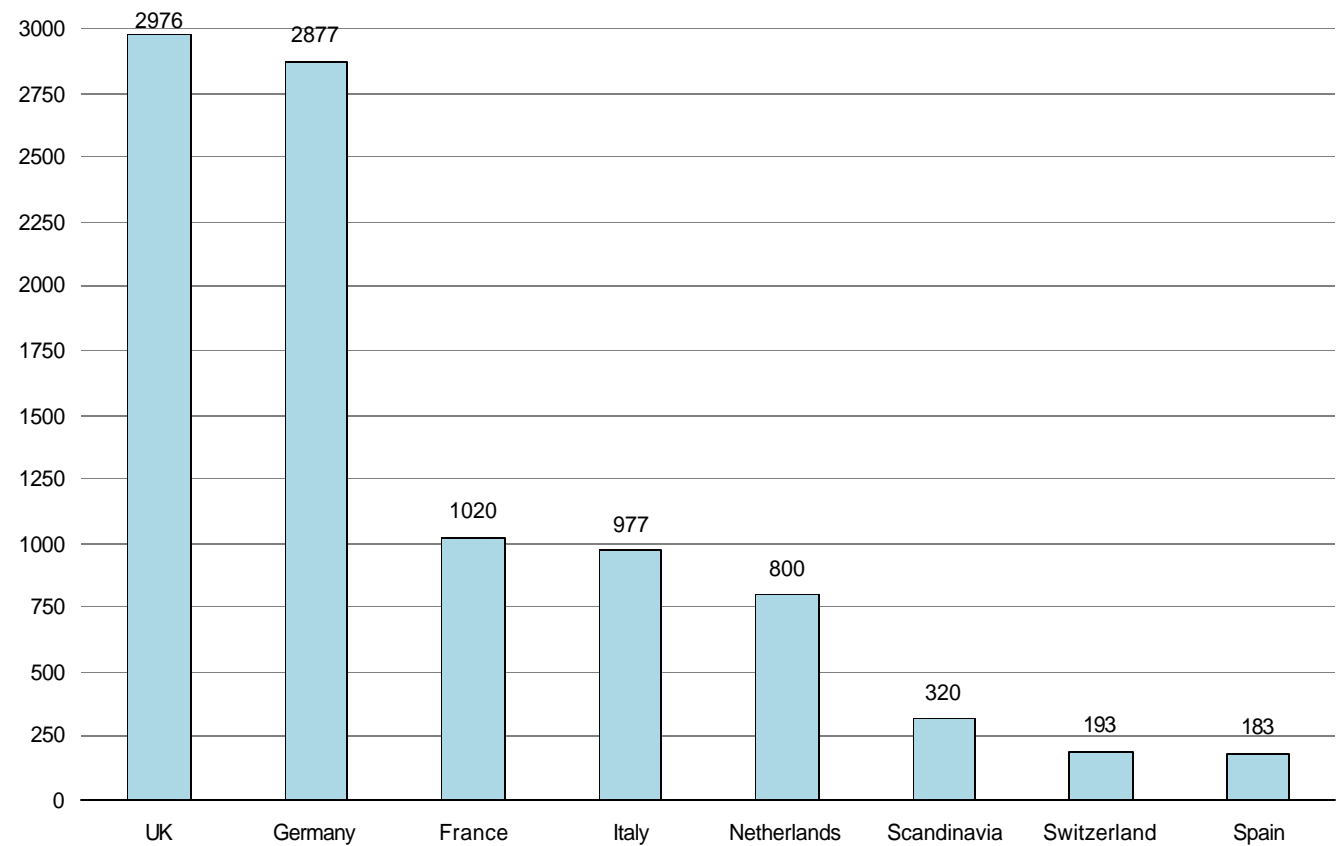
Bonds €MM



Asset Management

Overview by Country

Total Assets, 2000
\$Bn



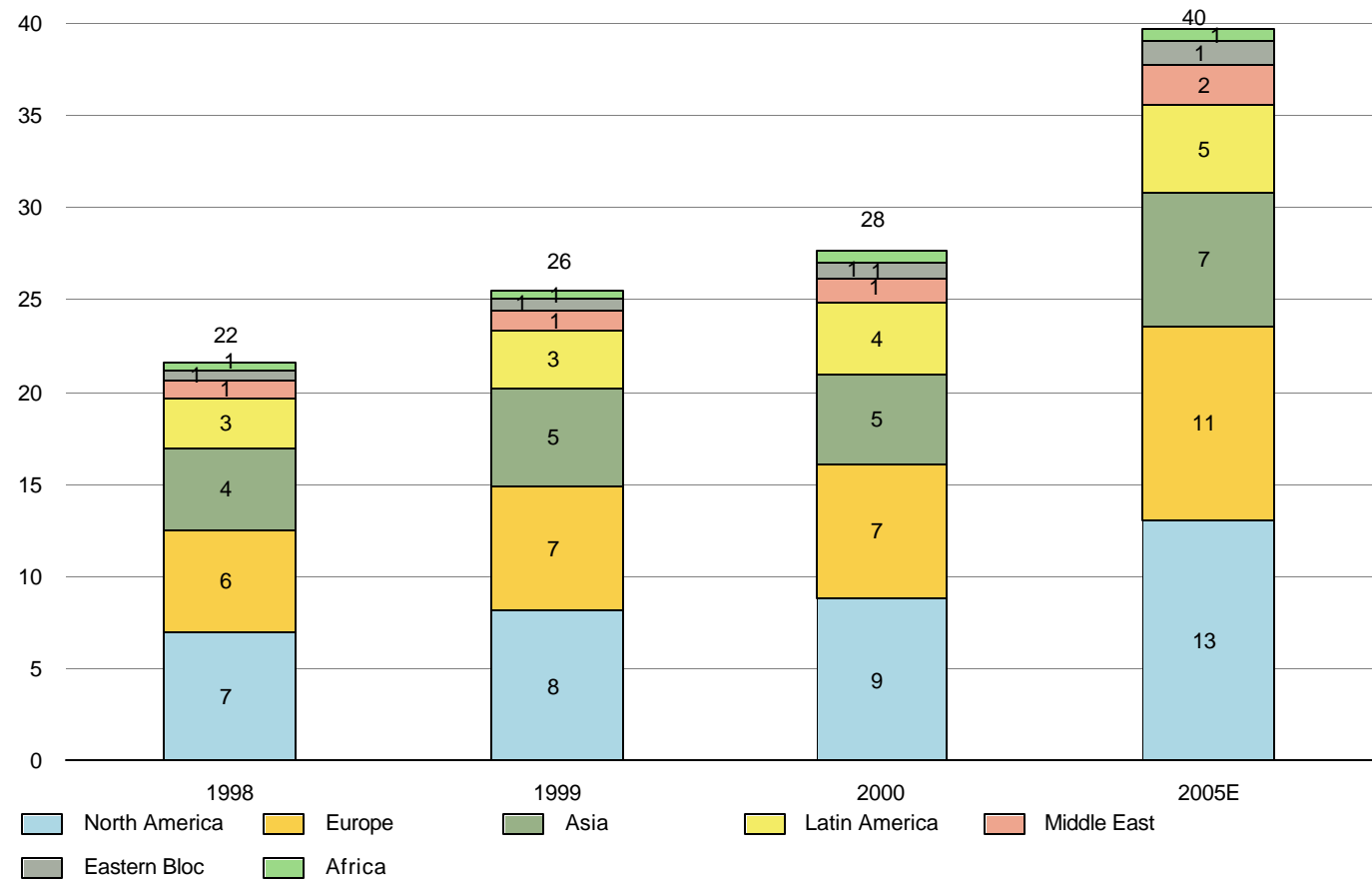
Source: Morgan Stanley Equity Research Estimates utilising research from Watson Wyatt, JP Morgan, Greenwich Associates, ING Barings and W Mercer.

Note
The totals do not include direct retail investment in stocks and bonds.

Asset Management

High Net Worth Individual Wealth By Region

Individual Wealth of High Net Worth Individuals
US\$ Trillion



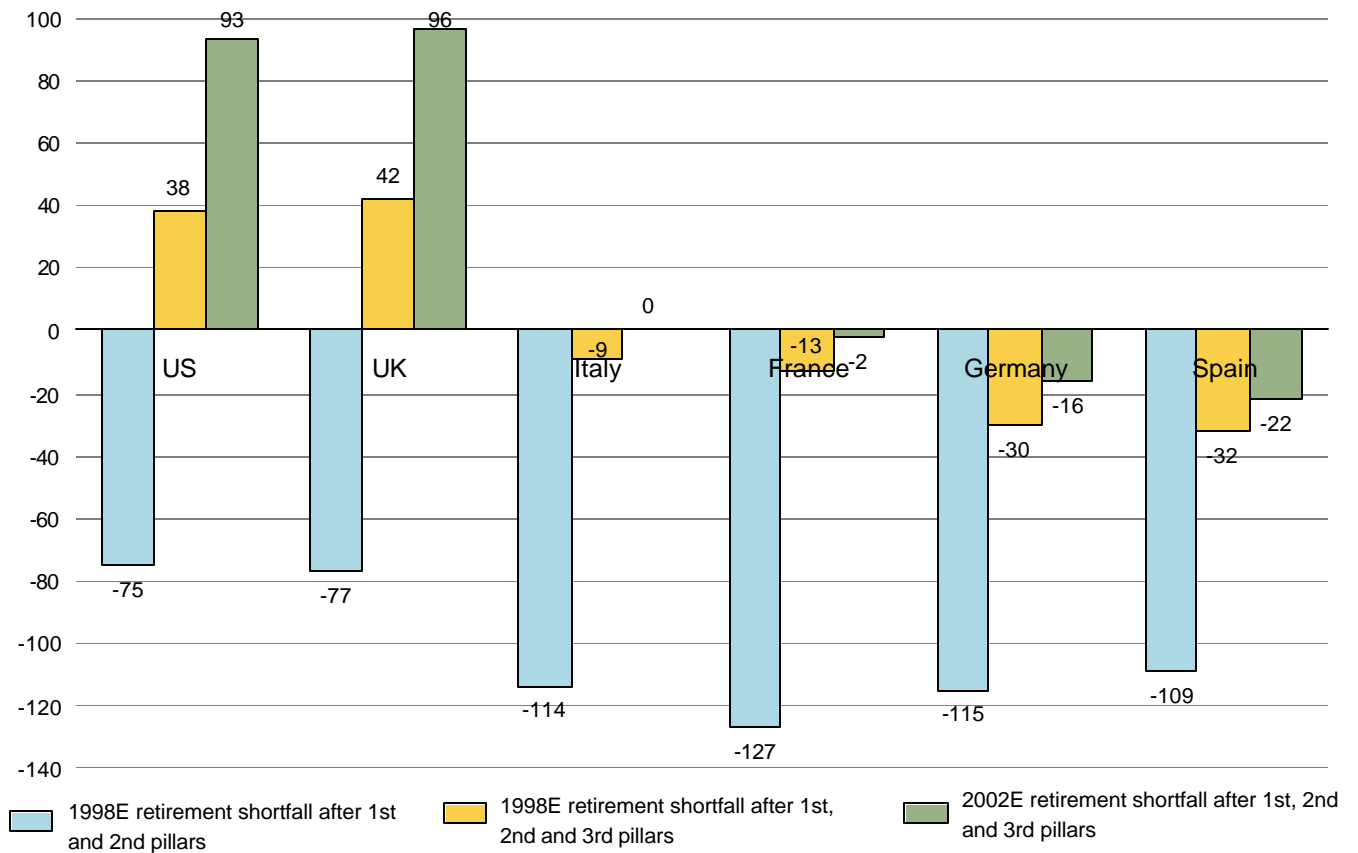
Source Cap Gemini Ernst & Young Lorenz curve analysis; base data from multiple sources, including MSCI

Asset Management

Projected Retirement Funding Gaps

1998E to 2002E

%



Source Cerulli Associates and Sanford C. Bernstein & Co.

Notes

After 1st/2nd pillars, gap remaining after accounting for social security and occupational pension schemes.

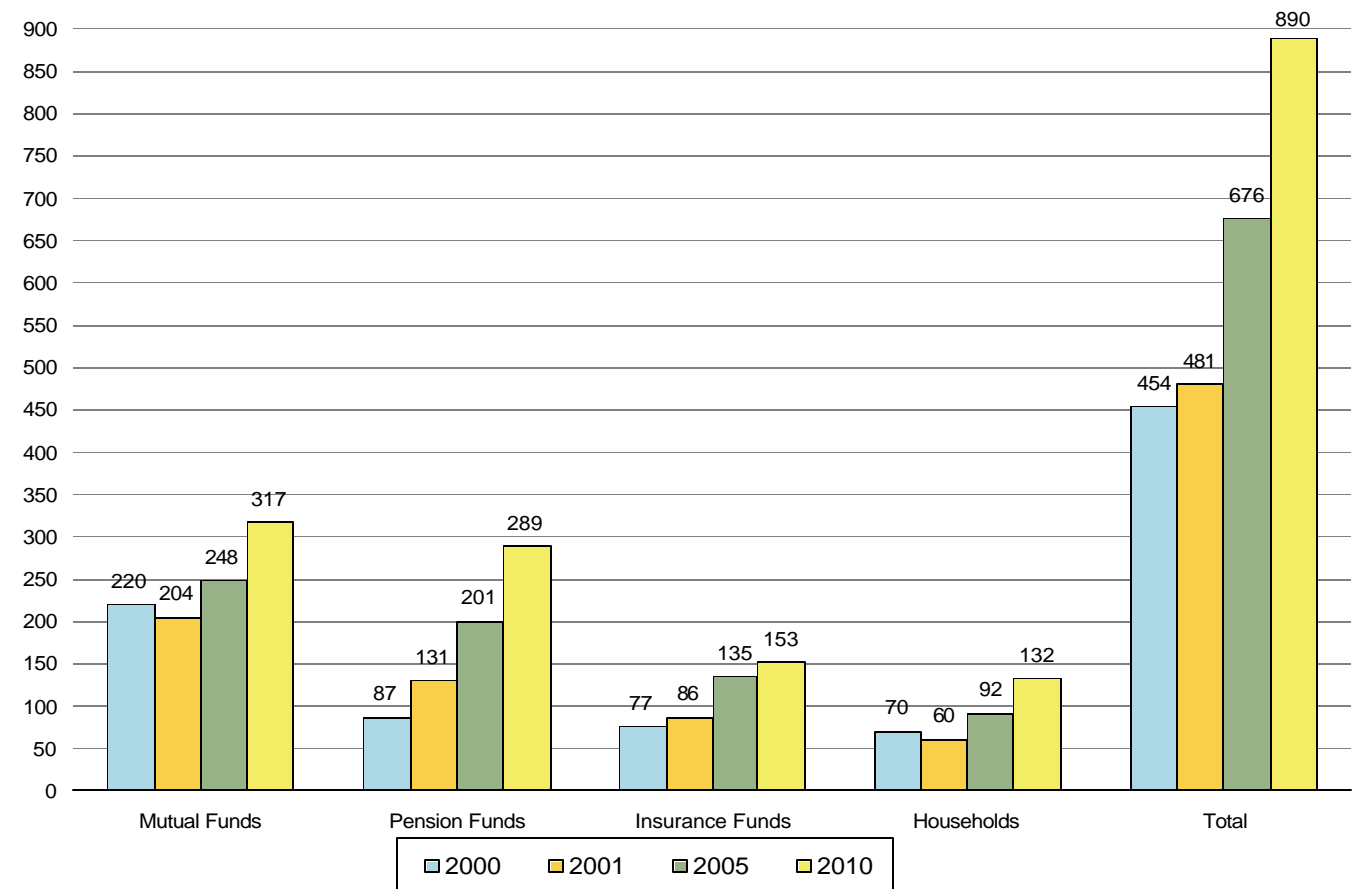
After 1st, 2nd and 3rd pillars, gap remaining after accounting for social security, occupational pension and household savings.

Asset Management

Outlook for Key Products

Annual New Flows into European Equity by Investment Vehicle by Year

%



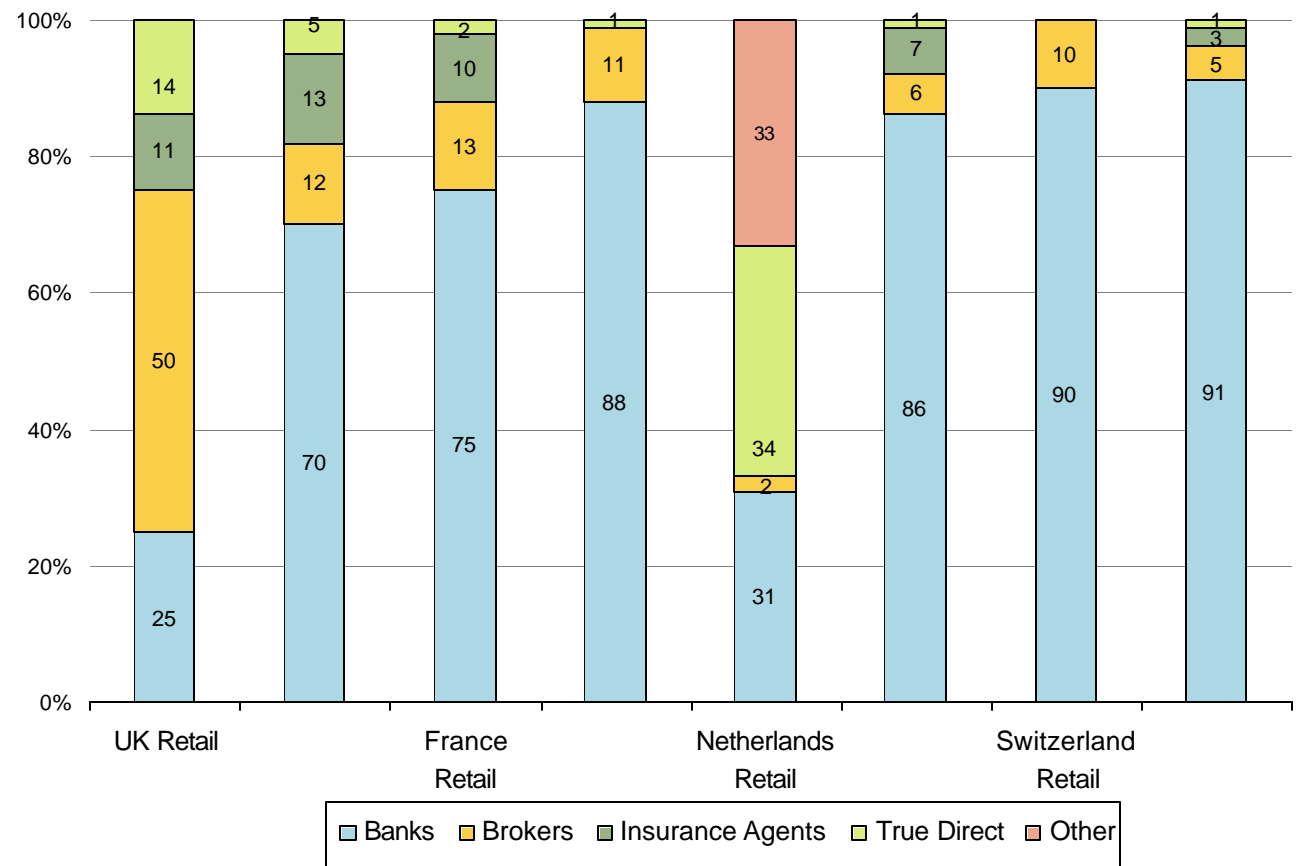
Source Morgan Stanley Equity Research estimates

Asset Management

Market Overview

Retail Distribution

%



Source: Morgan Stanley Investment Management research estimates using JP Morgan and Greenwich Associates research

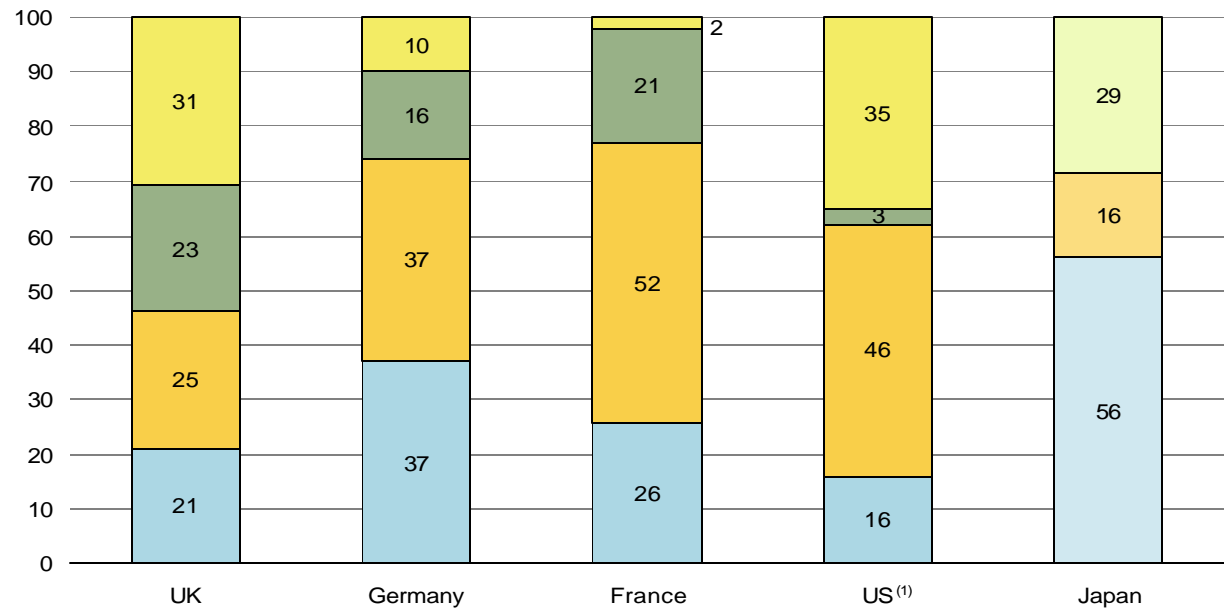
Note

For Italy, there is no number available for insurance agents, but this is an important channel.

European Household Assets by Products

Personal Financial Assets 1999

%



**Total Asset Value
(€Trillion)**

4.5

3.2

3.0

18.1

12.2

**Financial Assets
per Capita (€)**

76,000

39,000

51,000

84,000

96,000

Cash/deposits

Securities⁽²⁾/Mutual

Life Insurance

Pension Funds

Currency and Deposits

Securities

Insurance and Pensions

Source The Financial Accounts by the Bank of Spain, Geldvermögen privater Haushalte, national statistics of Deutsche Bundesbank, Banca d'Italia, Appendice alla Relazione Annuale, National accounts, Financial statistics, McKinsey EFIC

Notes

(1) 1997 data, does not include trust assets of €16 MM

(2) Includes "unlisted" shares (e.g., in 1998 ~60% of French and Italian equities were non-traded shares)

International Private Client Group

Morgan Stanley European Capabilities

Asset Management

- Mutual Funds
- Sub-Advisory

AB Asesores

- Spain
- Portugal

Quilter

- United Kingdom

PWM

- London, Geneva, Madrid, Milan, Zurich, Amsterdam
- Investment Group

International Private Client Group

United Kingdom

**December 2000 - Morgan Stanley
acquires Quilter Holding Limited**



- Private client and middle-market discretionary asset manager and stockbroker
- Provides discretionary investment management services to private individuals, small pension funds and the trustees of family settlements and charities

Spain

**1998 - Morgan Stanley acquired
largest independent brokerage
house in Spain**




- Over 375 Financial Advisers In 45 Branches In Spain
- Personal Investment
- Asset Management
- Brokerage and Research
- Venture Capital
- Corporate Finance

The European Opportunity

Secular Fundamentals Remain

- **Equification**
- **“Debtification”**
- **Restructuring**
- **Pension Reform**
- **Fiscal Reform**



**Europe is one of the Firm’s
great global opportunities**

Implications for Morgan Stanley Europe

Clients

- Increased focus on strategic clients

Results

- Increased focus on financial results

Investment

- Continued investment in strategic areas

Focus

- Focus on productivity, efficiency and costs

Consolidate

- Consolidate growth



**Obsessive
client focus
will be key**

Requirements for Success

What are the Requirements for Success?

- Intellectual capital
- Scale
- Obsessive client service
- Visionary management
- Global infrastructure
- Risk management

Morgan Stanley is Well-positioned

- Manufacturer and Distributor
- Leading brand
- Global network
- Leadership positions across all markets
- Market capitalization of \$55Bn⁽¹⁾

Note

1. As at October 4, 2001

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