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Our Business in Europe
Full Line of Financial Services

Morgan Stanley

Securities
International Private Clients
Asset Management
Consumer Banking Group

Investment Banking
Equity
Fixed Income
PWM
Asset Management
Private Equity Group
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 %

<table>
<thead>
<tr>
<th></th>
<th>GS</th>
<th>MS</th>
<th>ML</th>
<th>JPMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>39.3</td>
<td>35.4</td>
<td>24.4</td>
<td>23.2</td>
</tr>
</tbody>
</table>

European Equity Offerings
Market Share %

<table>
<thead>
<tr>
<th></th>
<th>GS</th>
<th>MS</th>
<th>UBSW</th>
<th>ML</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>14.3</td>
<td>12.6</td>
<td>10.8</td>
<td>10.4</td>
</tr>
</tbody>
</table>

International Bond(1)
Market Share %

<table>
<thead>
<tr>
<th></th>
<th>ML</th>
<th>MS</th>
<th>SSSB</th>
<th>DB</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>9.0</td>
<td>8.4</td>
<td>8.0</td>
<td>7.8</td>
</tr>
</tbody>
</table>

European High Yield
Market Share %

<table>
<thead>
<tr>
<th></th>
<th>MS</th>
<th>CSFB</th>
<th>GS</th>
<th>ML</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>20.4</td>
<td>20.1</td>
<td>12.2</td>
<td>9.2</td>
</tr>
</tbody>
</table>

Source
Thomson Financial Securities Data
Capital Data Bondware
Capital Data Bondware

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

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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)

<table>
<thead>
<tr>
<th>European Securities Industry</th>
<th>UK Asset Management Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A Volume</td>
<td>AUM</td>
</tr>
<tr>
<td>54.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Equity UW</td>
<td></td>
</tr>
<tr>
<td>57.9%</td>
<td></td>
</tr>
<tr>
<td>Debt UW</td>
<td></td>
</tr>
<tr>
<td>21.1%</td>
<td></td>
</tr>
</tbody>
</table>

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
- BBT - Europe
- National MTS (France, Portugal, Belgium)
- euroTEC
- MTS
- CORCAR

#### Equity Trading
- TradePoint
- virt-X
- E-Crossnet
- JIWAY

#### Derivatives
- LIFFE
- creditEX

#### Commodities/Foreign Exchange
- FXall
- EEX
- Intercontinental Exchange
European M&A
Announced Deals

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

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

CAGR
3-year 21.3%
5-year 20.1%

Source: London Stock Exchange, Deutsche Börse, Paris Bourse, Milan Stock Exchange
<table>
<thead>
<tr>
<th>Market Capitalisation</th>
<th>As a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Year-end 2000, %</strong></td>
<td></td>
</tr>
<tr>
<td>150</td>
<td></td>
</tr>
<tr>
<td>125</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td></td>
</tr>
<tr>
<td>75</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
</tr>
<tr>
<td>US GDP</td>
<td>141</td>
</tr>
<tr>
<td>EMU</td>
<td>76</td>
</tr>
<tr>
<td>Germany</td>
<td>67</td>
</tr>
<tr>
<td>France</td>
<td>86</td>
</tr>
</tbody>
</table>

Source: MSCI, IMF
Debt Markets Growth

International Corporate Transactions > €750 MM
12 Months Moving Average by Value

Source: Capital Data Bondware
Debt Markets Growth

Outstanding Bonds by Rating

Eurozone 1999
- AA/AAA: 91%
- BBB/A: 9%

Eurozone 2001
- AA/AAA: 77%
- BBB/A: 23%

US 2001
- AA/AAA: 22%
- BBB/A: 78%

Source: Capital Data Bondware
Debt Markets Growth

<table>
<thead>
<tr>
<th>European Environment Debt Markets Growth</th>
<th>GDP €</th>
<th>Bonds € MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>US GDP</td>
<td>9,732</td>
<td>6,111</td>
</tr>
<tr>
<td>EU GDP</td>
<td>9,349</td>
<td>4,111</td>
</tr>
<tr>
<td>US Bonds</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>EU Bonds</td>
<td></td>
<td>3,823</td>
</tr>
</tbody>
</table>

- Government Bonds
- Non-Government Bonds
Asset Management
Overview by Country

Total Assets, 2000
$Bn


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

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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.

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Asset Management

Outlook for Key Products

### Annual New Flows into European Equity by Investment Vehicle by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Mutual Funds</th>
<th>Pension Funds</th>
<th>Insurance Funds</th>
<th>Households</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>220</td>
<td>87</td>
<td>77</td>
<td>76</td>
<td>454</td>
</tr>
<tr>
<td>2001</td>
<td>204</td>
<td>131</td>
<td>86</td>
<td>60</td>
<td>481</td>
</tr>
<tr>
<td>2005</td>
<td>248</td>
<td>201</td>
<td>135</td>
<td>92</td>
<td>676</td>
</tr>
<tr>
<td>2010</td>
<td>317</td>
<td>289</td>
<td>153</td>
<td>132</td>
<td>890</td>
</tr>
</tbody>
</table>

**Source:** Morgan Stanley Equity Research estimates
Asset Management
Market Overview

Retail Distribution

<table>
<thead>
<tr>
<th>Channel</th>
<th>UK Retail</th>
<th>France Retail</th>
<th>Netherlands Retail</th>
<th>Switzerland Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>50</td>
<td>75</td>
<td>88</td>
<td>90</td>
</tr>
<tr>
<td>Brokers</td>
<td>14</td>
<td>10</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Insurance Agents</td>
<td>11</td>
<td>13</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>True Direct</td>
<td>12</td>
<td>13</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>10</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Cash/deposits</th>
<th>Securities</th>
<th>Life Insurance</th>
<th>Pension Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>21%</td>
<td>37%</td>
<td>31%</td>
<td>3%</td>
</tr>
<tr>
<td>Germany</td>
<td>23%</td>
<td>37%</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>France</td>
<td>21%</td>
<td>52%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>US</td>
<td>35%</td>
<td>46%</td>
<td>2%</td>
<td>16%</td>
</tr>
<tr>
<td>Japan</td>
<td>29%</td>
<td>16%</td>
<td>0%</td>
<td>56%</td>
</tr>
</tbody>
</table>

- **Total Asset Value (€ Trillion):**
  - UK: 4.5
  - Germany: 3.2
  - France: 3.0
  - US: 18.1
  - Japan: 12.2

- **Financial Assets per Capita (€):**
  - UK: 76,000
  - Germany: 39,000
  - France: 51,000
  - US: 84,000
  - Japan: 96,000

### Notes

1. 1997 data, does not include trust assets of €916 MM
2. Includes "unlisted" shares (e.g., in 1998 ~60% of French and Italian equities were non-traded shares)


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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