

Morgan Stanley

September 29, 2004

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Table of Contents

- European Overview
- European Markets

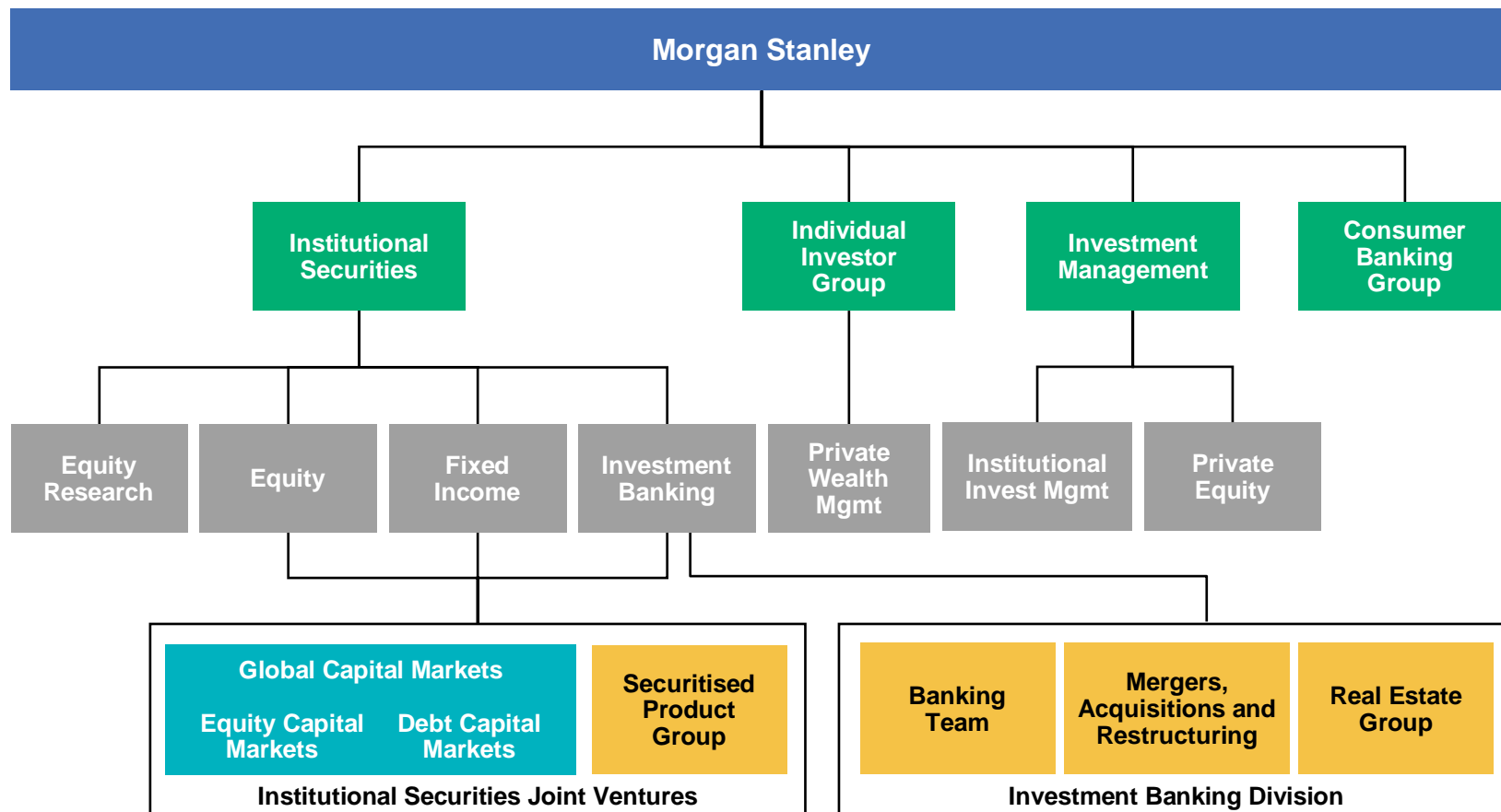
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European Overview

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Our European Business

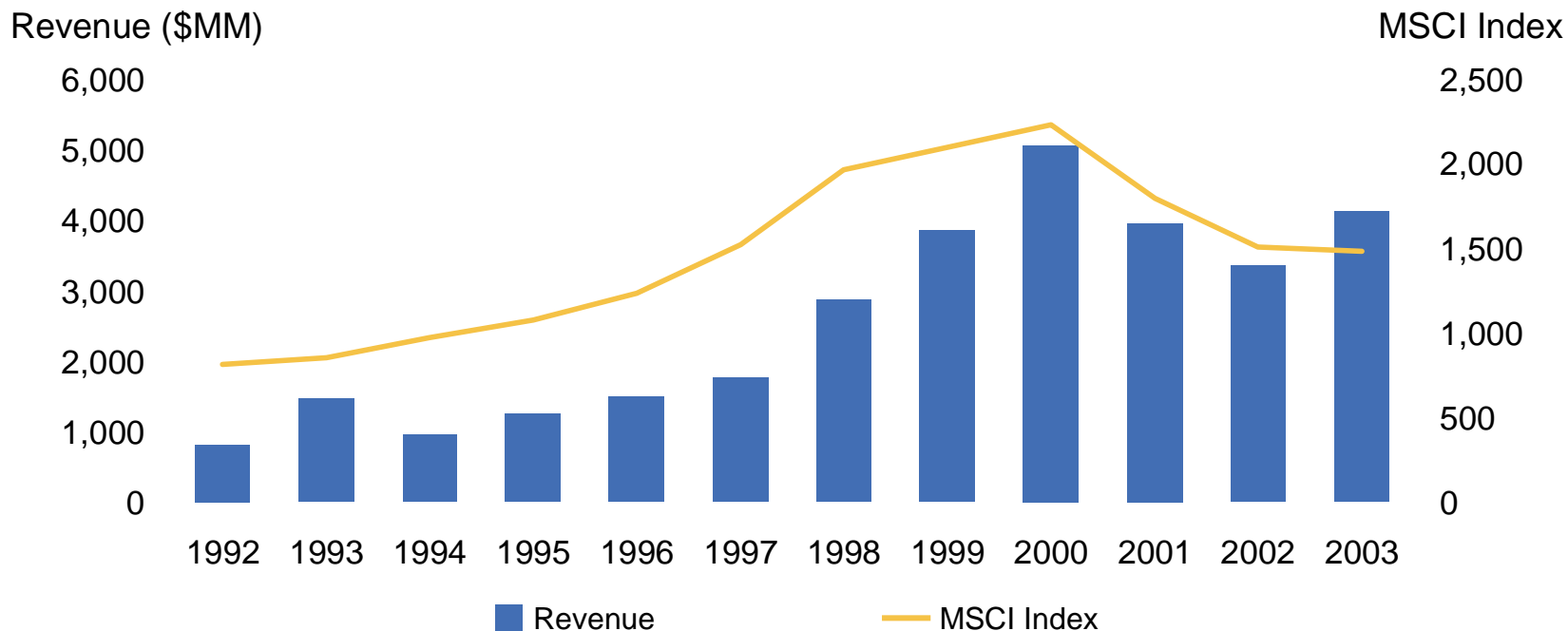
Full Line of Financial Services



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European Revenue Trends

Morgan Stanley European Revenues vs. MSCI Index Performance⁽¹⁾



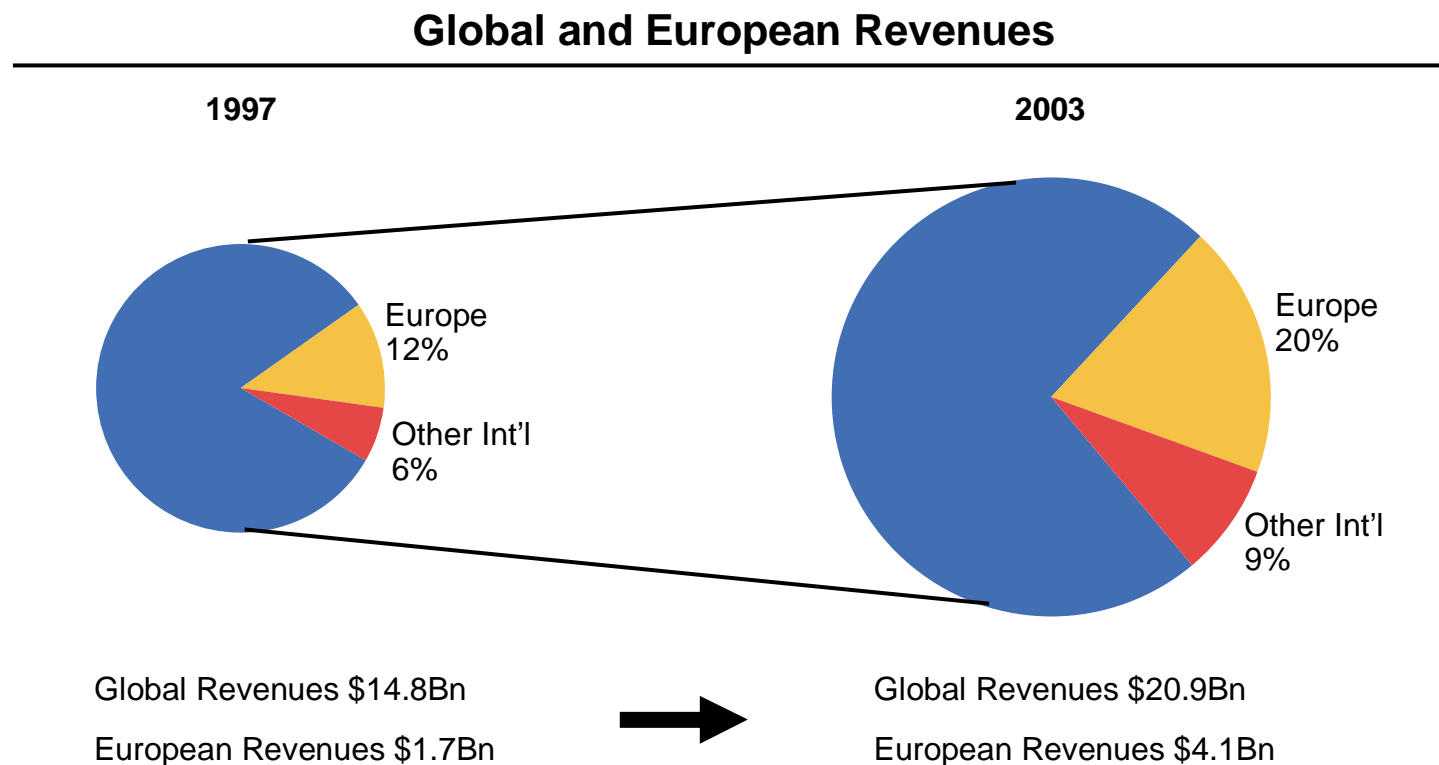
Source: Morgan Stanley 10-K filings and Annual Reports, MSCI

Note: (1) MSCI average monthly closing value indexed to Morgan Stanley European revenues

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European Revenues

1997 and 2003



Source: Morgan Stanley 1997 Annual Report and 2003 10K Filing

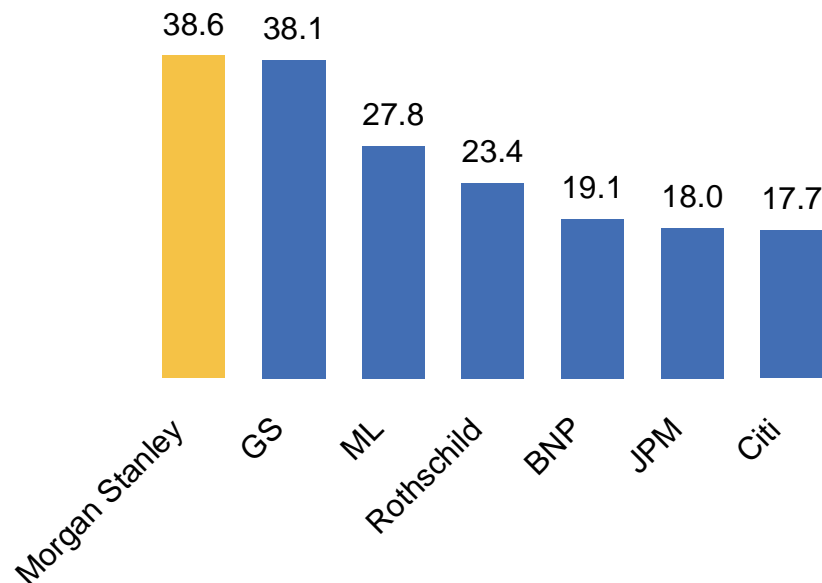
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European Primary Market Share

1 January 2004 – 24 September 2004

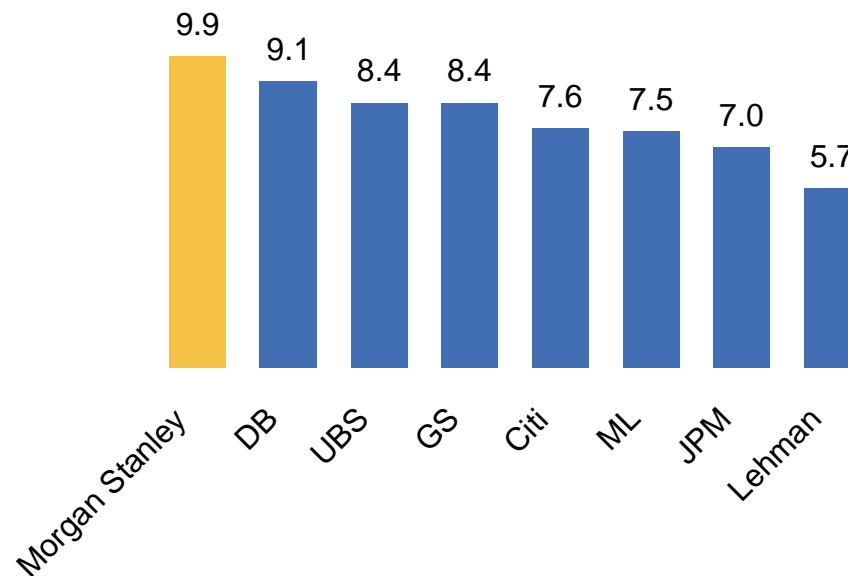
European Announced M&A Transactions ⁽¹⁾

% of Total



EMEA Equity and Equity-Linked Issuance ⁽²⁾

% of Total



Source: Thomson Financial

Notes: (1) Announced deals \geq \$100MM.

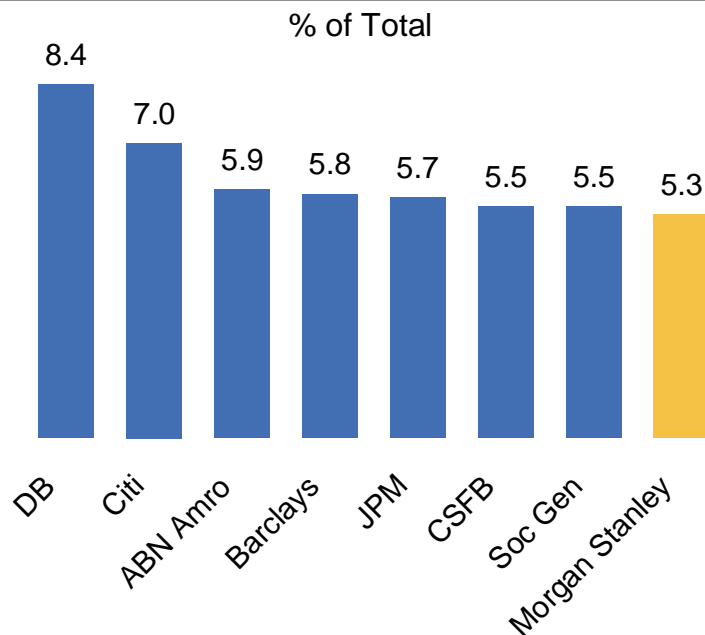
(2) The EMEA region is Europe, Middle East and Africa.

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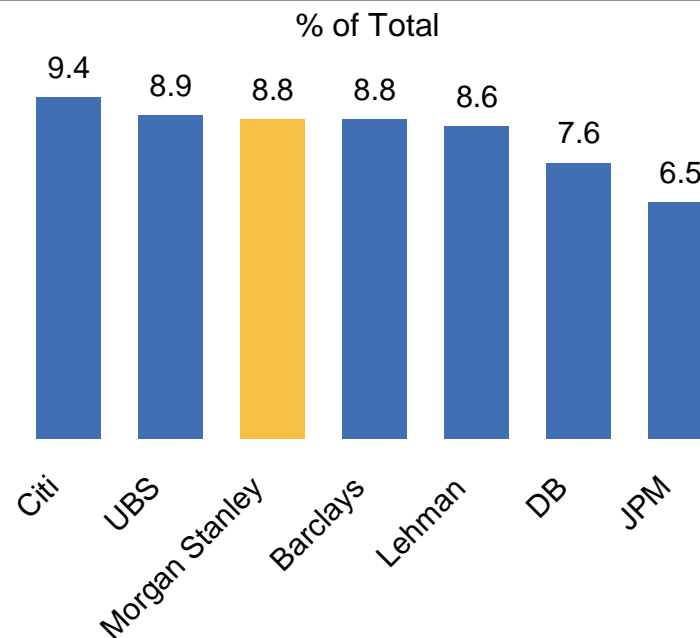
European Primary Market Share (cont'd)

1 January 2004 – 24 September 2004

Euro-Denominated Debt Issuance ⁽¹⁾



European Securitizations



Source: Thomson Financial

Note: (1) Encompasses debt issued in Euro denominations, including Euro preferreds. Excludes equity-related debt and U.S. Global ABS / MBS. Excludes Sterling denominated debt

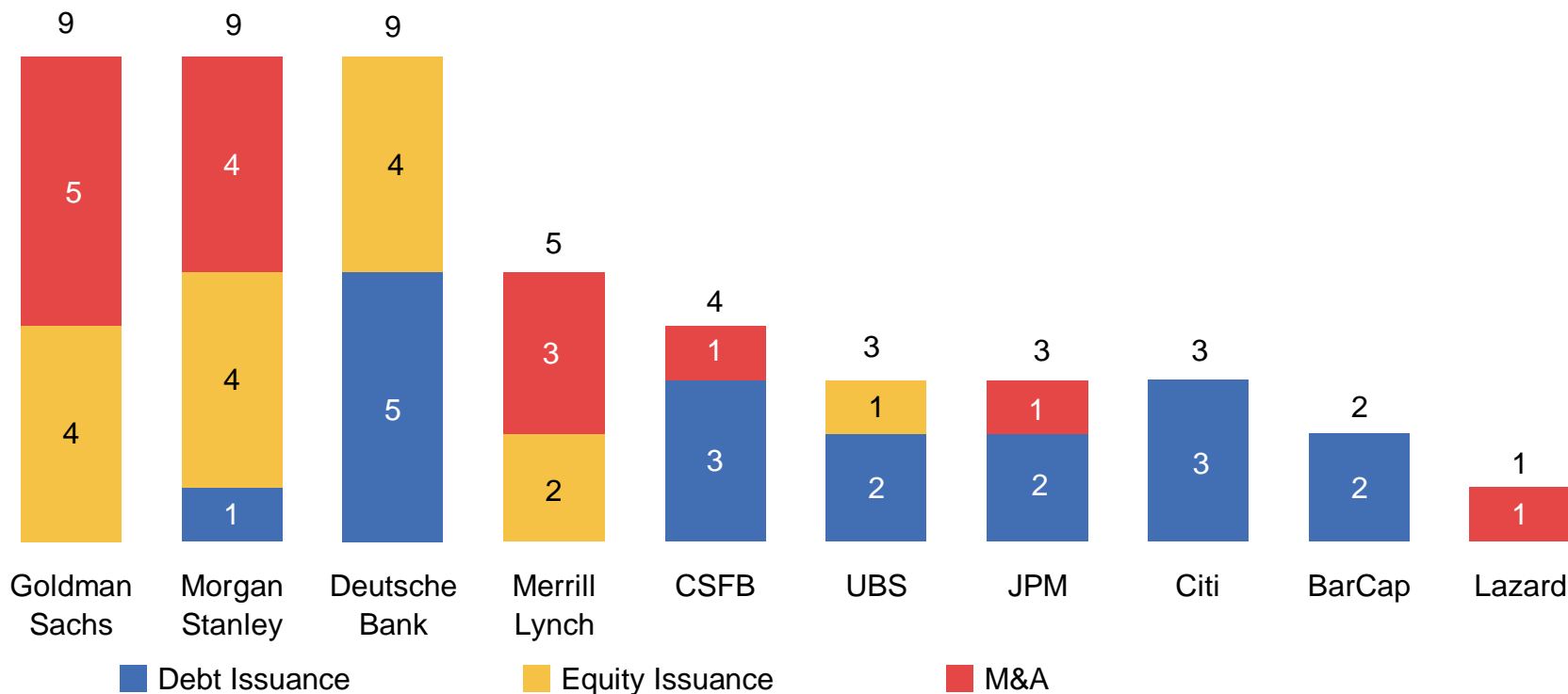
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Historical Market Positioning

2000–2004YTD

Total Number of Years in Top 3 Market Share Position

European Primary Debt and Equity Issuance, Announced M&A Deals ≥ \$100MM

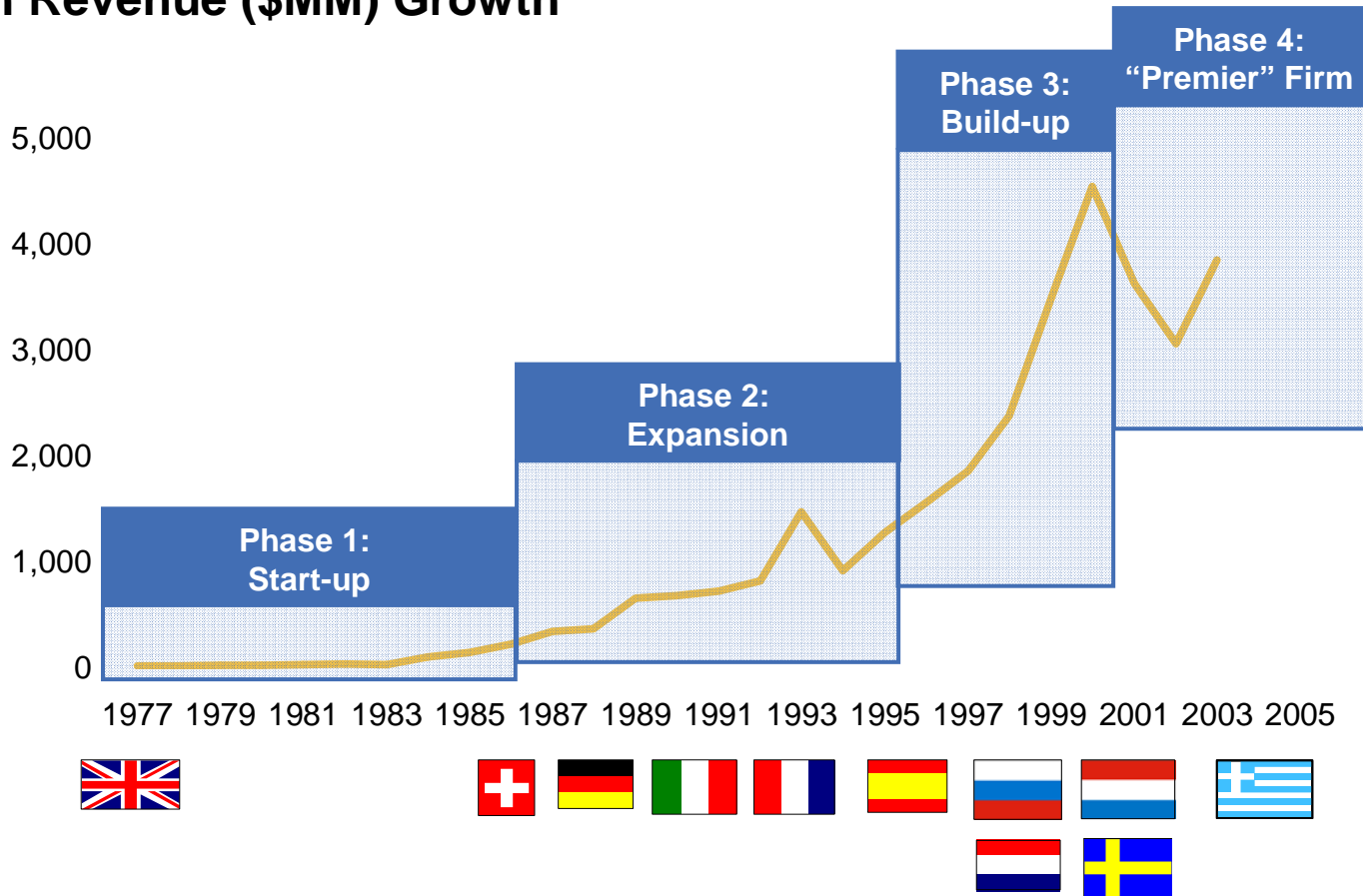


Source: Thomson Financial

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Morgan Stanley's Growth in Europe

European Revenue (\$MM) Growth





Source: Morgan Stanley 10-K filings and Annual Reports.

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European Markets

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Size Matters

<u>Key Statistics</u>	 <u>U.S.</u>	 <u>EU-25</u>
Population (000s)	293,028	452,700
Area (Km ²)	9,631,418	3,972,866
GDP (\$Bn)	10,980	9,613
GDP Growth (%)	3.1	2.2
Inflation (%)	2.1	2.0
Unemployment (%)	6.2	9.0

Source: Eurostat (GDP as of 2003, all others as of 2004) / U.S. figures as of June 2004

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U.S. & European Capital Markets Comparison

	Size at end-2003				Growth 1999-2003 ⁽¹⁾	
	Value (\$Bn)		% of Nominal GDP		US	EUR
	US	EUR	US	EUR		
Bond Markets: Cash ⁽²⁾						
General Government	5,390	5,499	49	60	3.8	7.0
Non-government	17,016	7,888	155	86	9.3	14.3
Bond Markets: Derivatives						
Exchange-traded ⁽³⁾	1,662	1,153	15	13	28.4	37.2
OTC ^{(4) (5)}	46,178	55,793	420	610	29.3	22.1
Equity Markets: Cash ⁽²⁾						
Market Capitalisation	14,266	4,949	130	54	-3.9	-7.3
Equity Markets: Derivatives						
Exchange-traded ⁽³⁾	129	45	1	0	10	9.4
OTC ⁽⁴⁾	856	2,382	8	26	13.5	17.2

Sources: Dealogic, Euroclear, FOW Tradedata, Futures Industry Association, ISMA, Thomson Financial Securities Data, national authorities, BIS calculations

Notes: (1) Average annual growth rate in local currency

(2) Outstanding stock

(3) Average daily turnover

(4) Notional amounts outstanding

(5) Includes money market swaps and forwards

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Fundamental Drivers of Growth

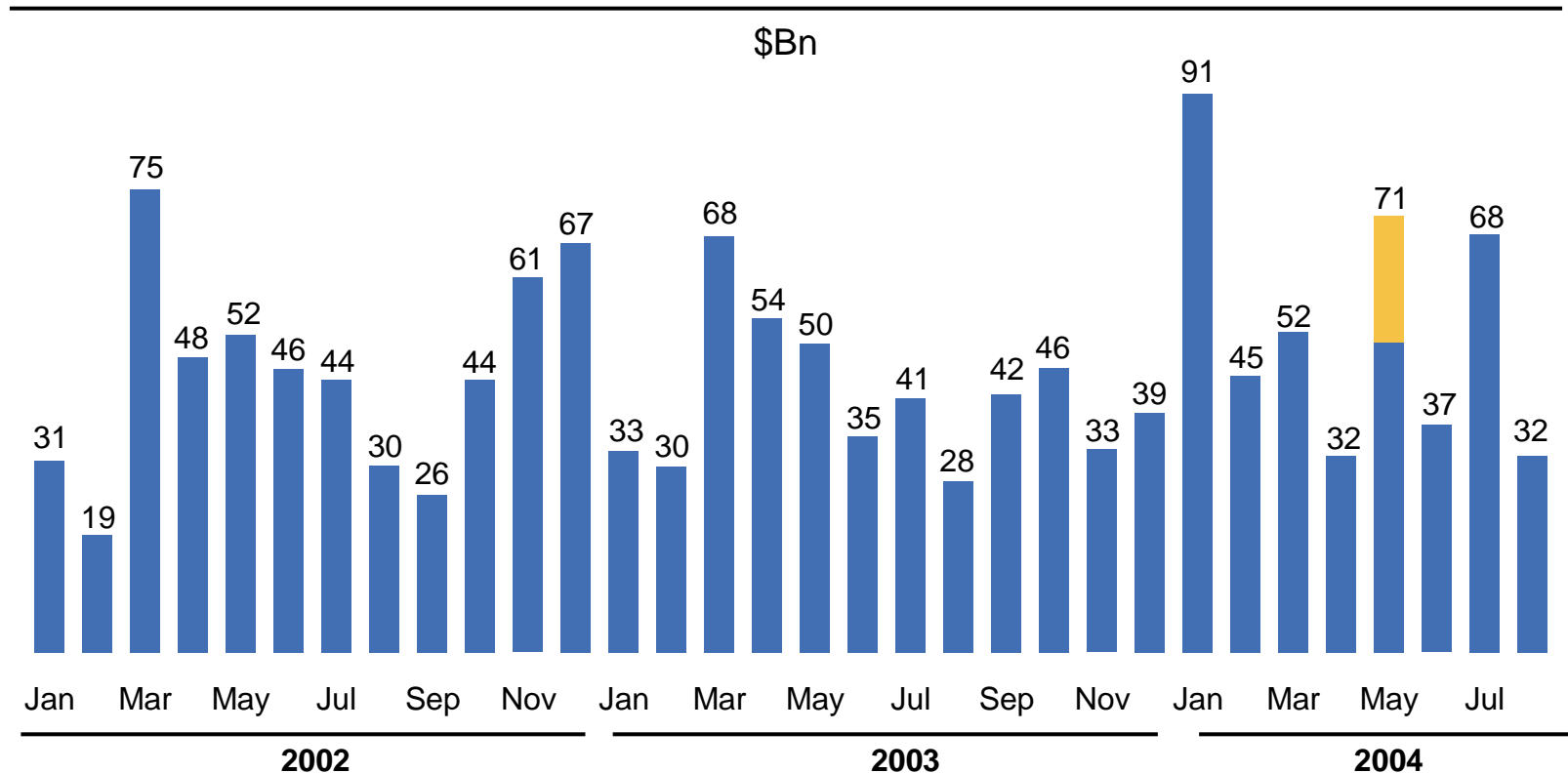
	Historical Trends	New Developments
Global Demographic and Political Trends	<ul style="list-style-type: none">• Rising incomes in developed world• Bulk of affluent population moving into peak savings years	<ul style="list-style-type: none">• Rapidly rising incomes in Asia (China, India) and expanded EU• Strong savings rates in Asia• Increasing pension / healthcare needs globally• Political volatility
Institutionalization of Capital Markets	<ul style="list-style-type: none">• Deepening of financial stock in developed markets• Mutual funds, pension funds, DC schemes	<ul style="list-style-type: none">• Rapid expansion of financial stock through GDP growth• Growth in absolute return players, e.g., hedge funds, private equity, multi-asset class funds
Disintermediation	<ul style="list-style-type: none">• Development of corporate bond and commercial paper markets• Maturing banking system	<ul style="list-style-type: none">• Take-off in credit intermediation, securitisations, loan trading, commodities• Increasing importance of traded assets and therefore of sales and trading
Regulation	<ul style="list-style-type: none">• Deregulation, privatisations, etc.	<ul style="list-style-type: none">• Focus on conflicts / fiduciary responsibilities• Pension and healthcare reform (public and private)
Complexity	<ul style="list-style-type: none">• Derivatives• Multi-currency business	<ul style="list-style-type: none">• Multi-asset class solutions• Risk management• Correlation derivatives• Increased volatility
Technology	<ul style="list-style-type: none">• Required to do business	<ul style="list-style-type: none">• Differentiator through collaboration, automation, open architecture

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European M&A Volumes are Improving

2002–2004YTD

European Monthly M&A Volumes (Announced)



■ Marks & Spencer/Phillip Green (\$20.5Bn)

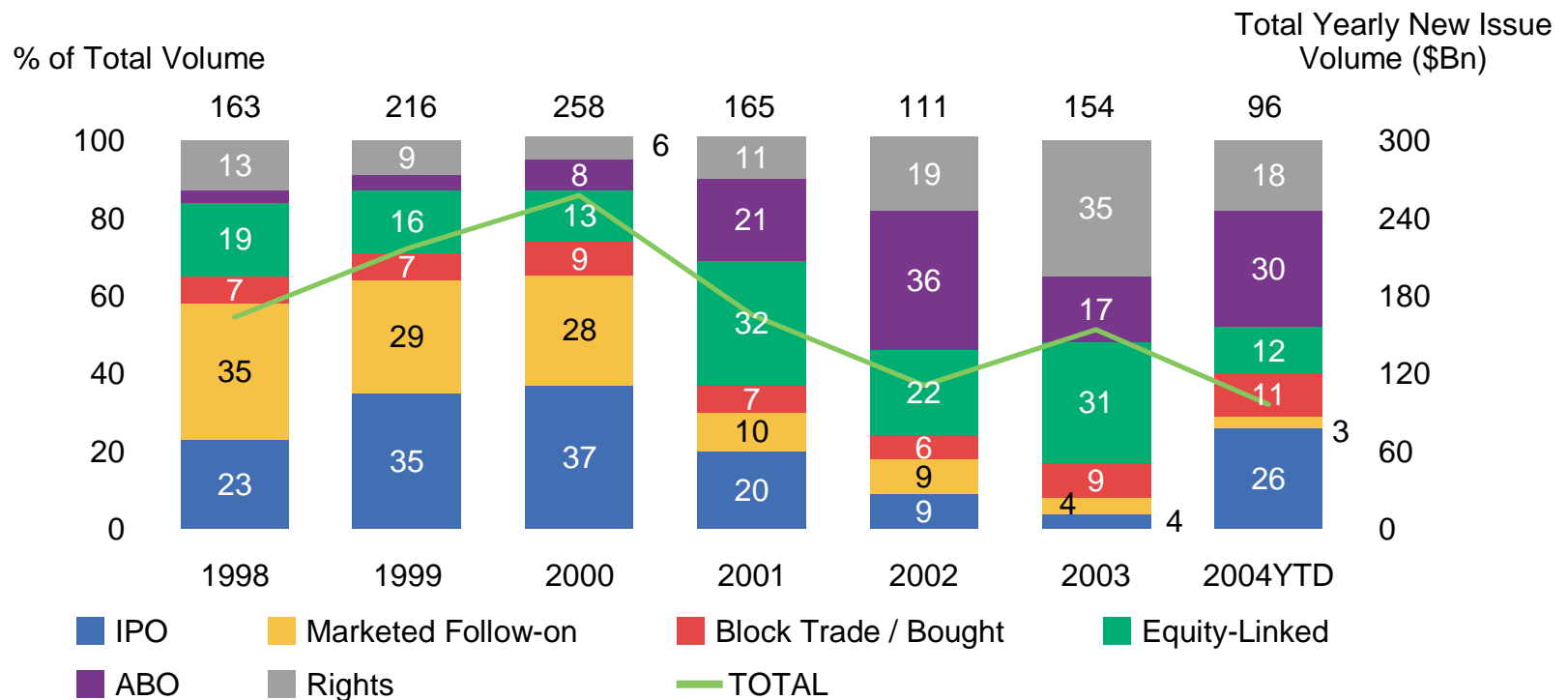
Source: Thomson Financial

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European Equity New Issue Market by Offering Type

Equity and Equity-Linked Offerings Since 1998 ⁽¹⁾

European New Issue Market by Offering Type



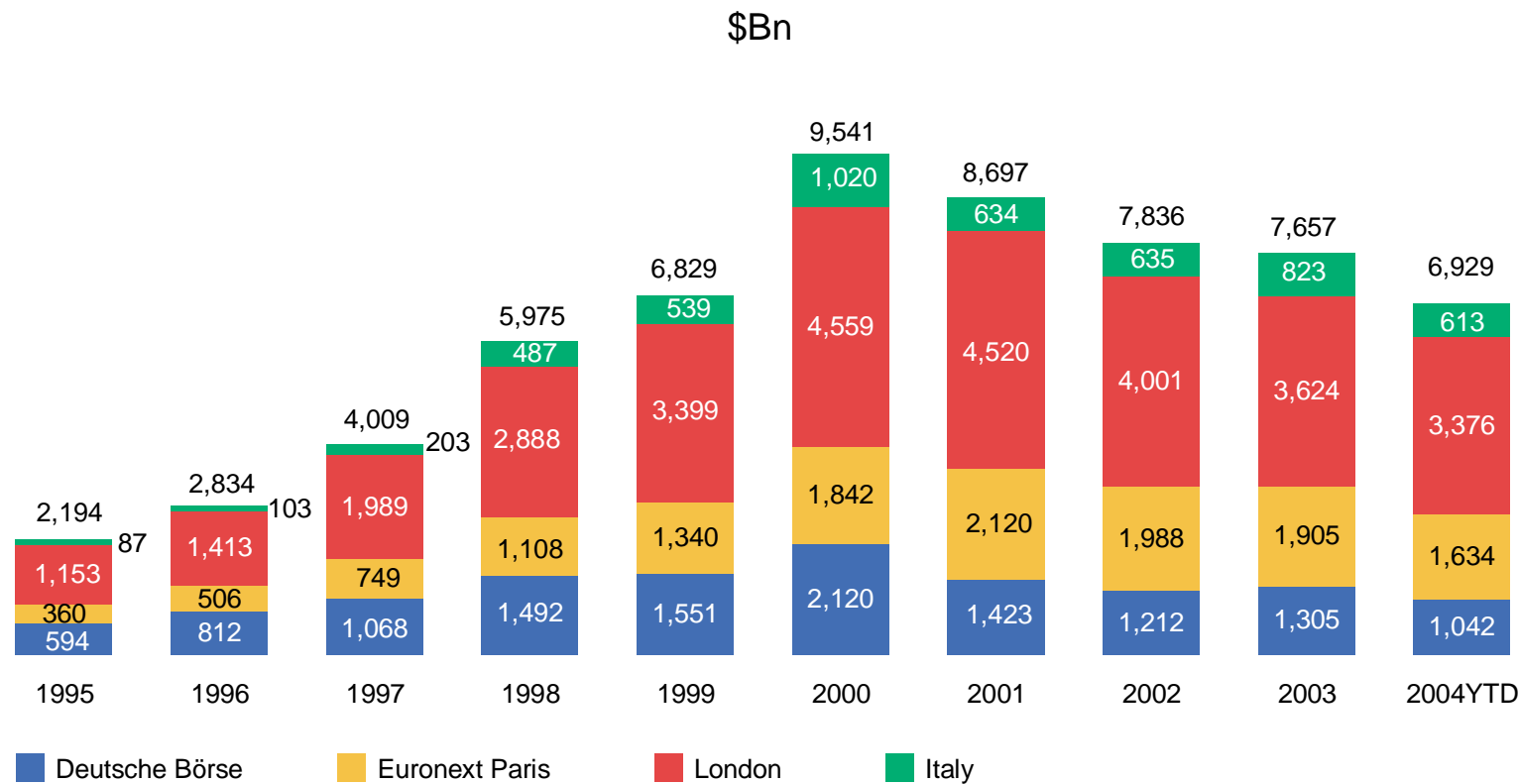
Source: Thomson

Note: (1) Includes rights issues and domestic tranches.

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Growth of Exchanges

Total Value of Share Trading

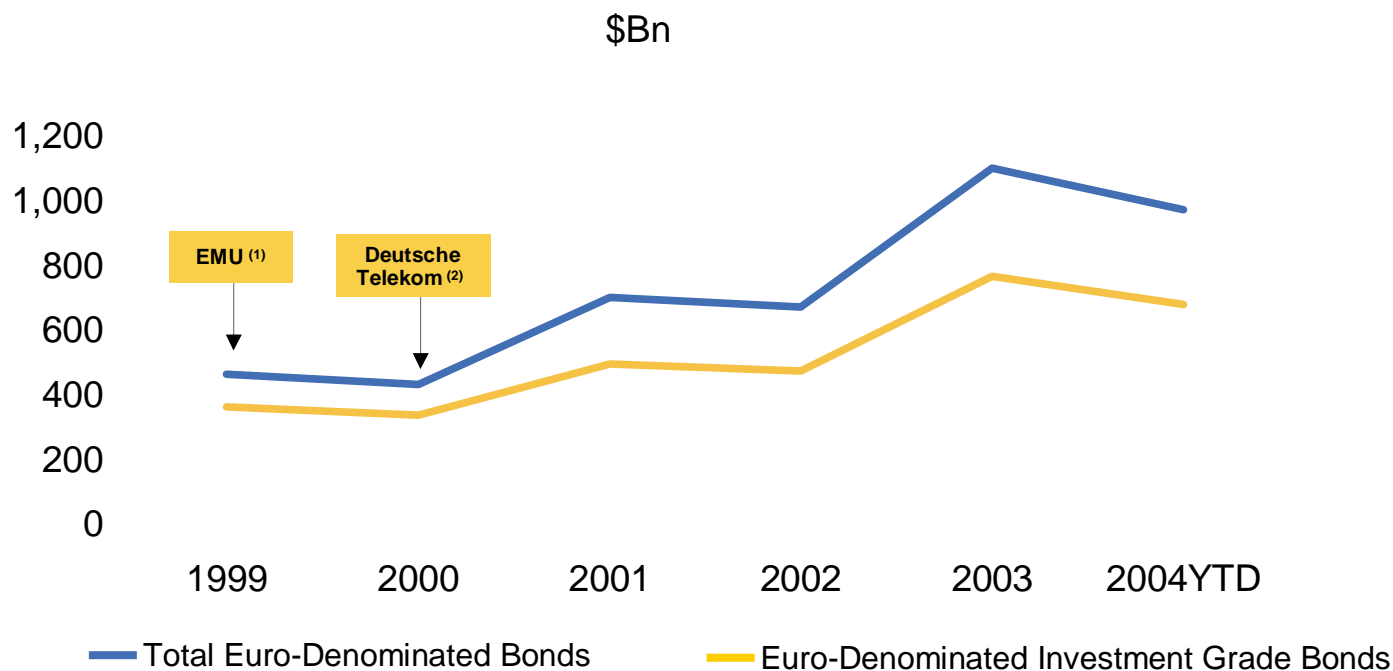


Source: World Federation of Exchanges. Data as of 30 June 2004

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European Debt Market

Annual European Bond Issuance



Source: Thomson as of 24 September 2004.

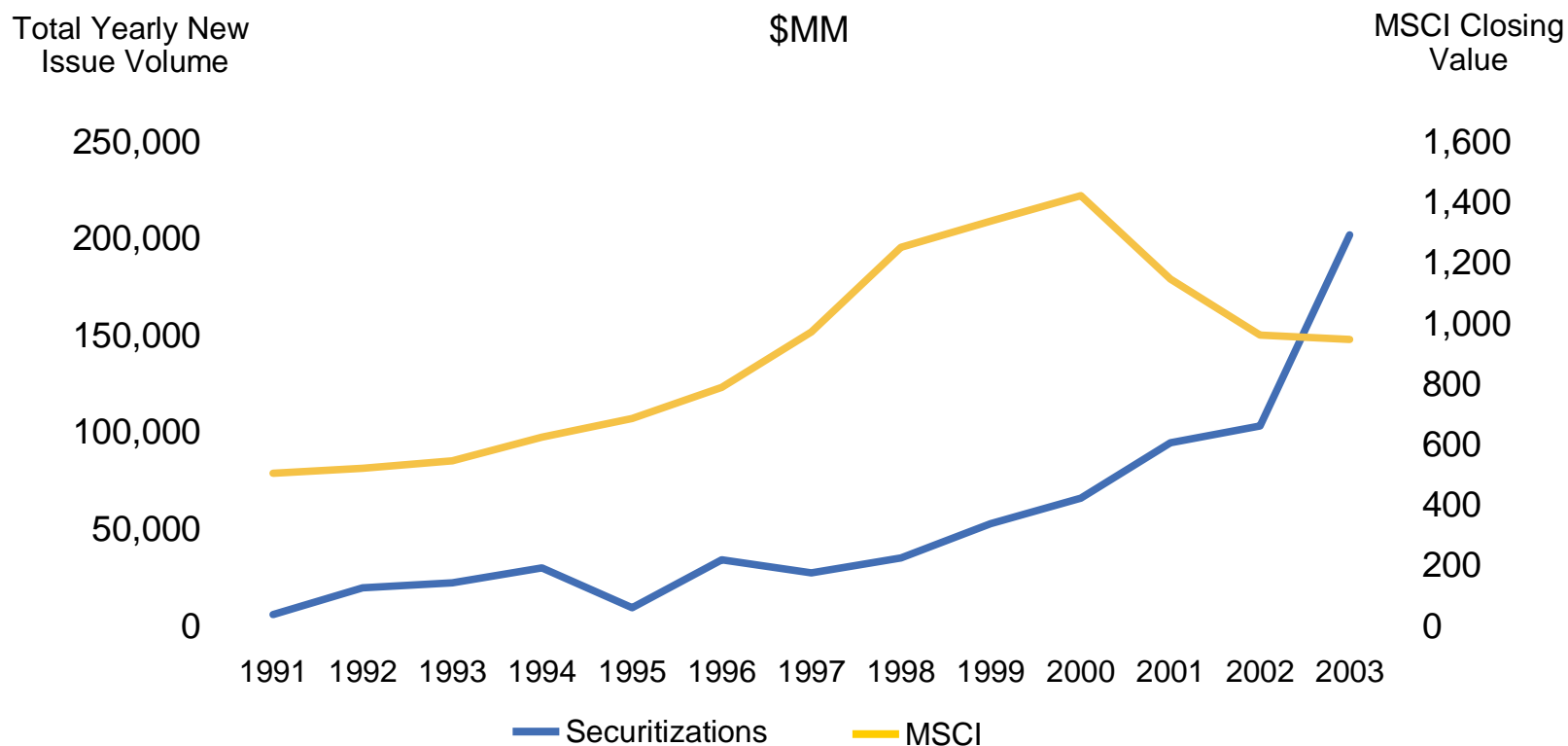
Notes: (1) EMU market the beginning of a more active primary corporate bond market in Europe.

(2) The DT multi-tranche bond offering in the summer of 2000 was the first of many jumbo deals pushing new issuance volumes to record highs.

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European Securitization Market

European Securitization Issuance



Source: Thomson, MSCI. Data as of 10 September, 2004

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European Institutional Securities Group Initiatives

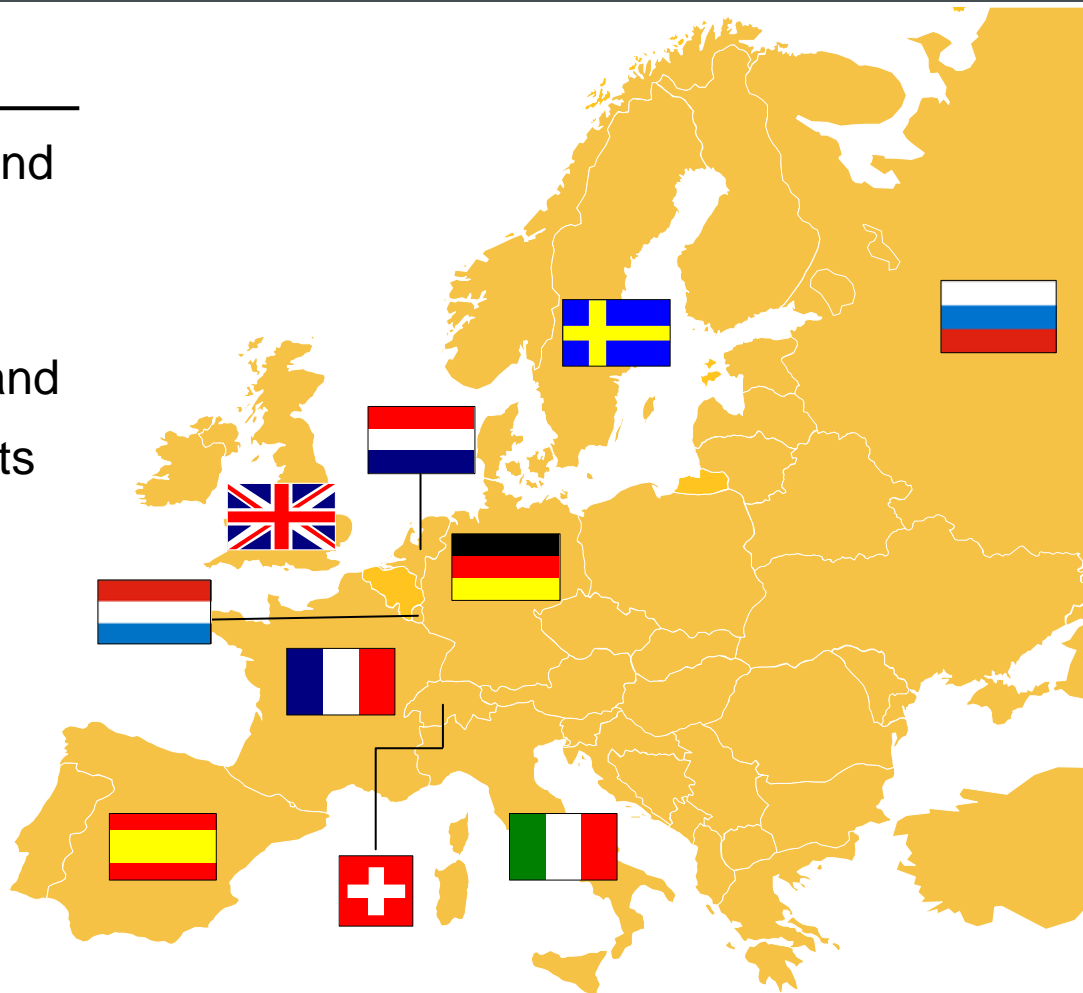
- Further build-out of global sales and trading platform
- Growth in equity and fixed income derivatives
- Growth in hedge funds / middle markets businesses
- Continued investment in U.K.
- Russian expansion

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Focus on Europe

Strategic Focus

- Capitalize on global strengths and emphasize “European-ness”
- Unremitting focus on clients
- Differentiation / pre-eminent brand
- Excellence in coverage, products and execution
- Nimbleness and flexibility
- Integrated solutions
- Investment and measurement
- Culture and talent



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