

# Morgan Stanley

Europe Update

August 4, 2004

# Table of Contents

- European Overview
- European Markets

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European Overview

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Size Matters

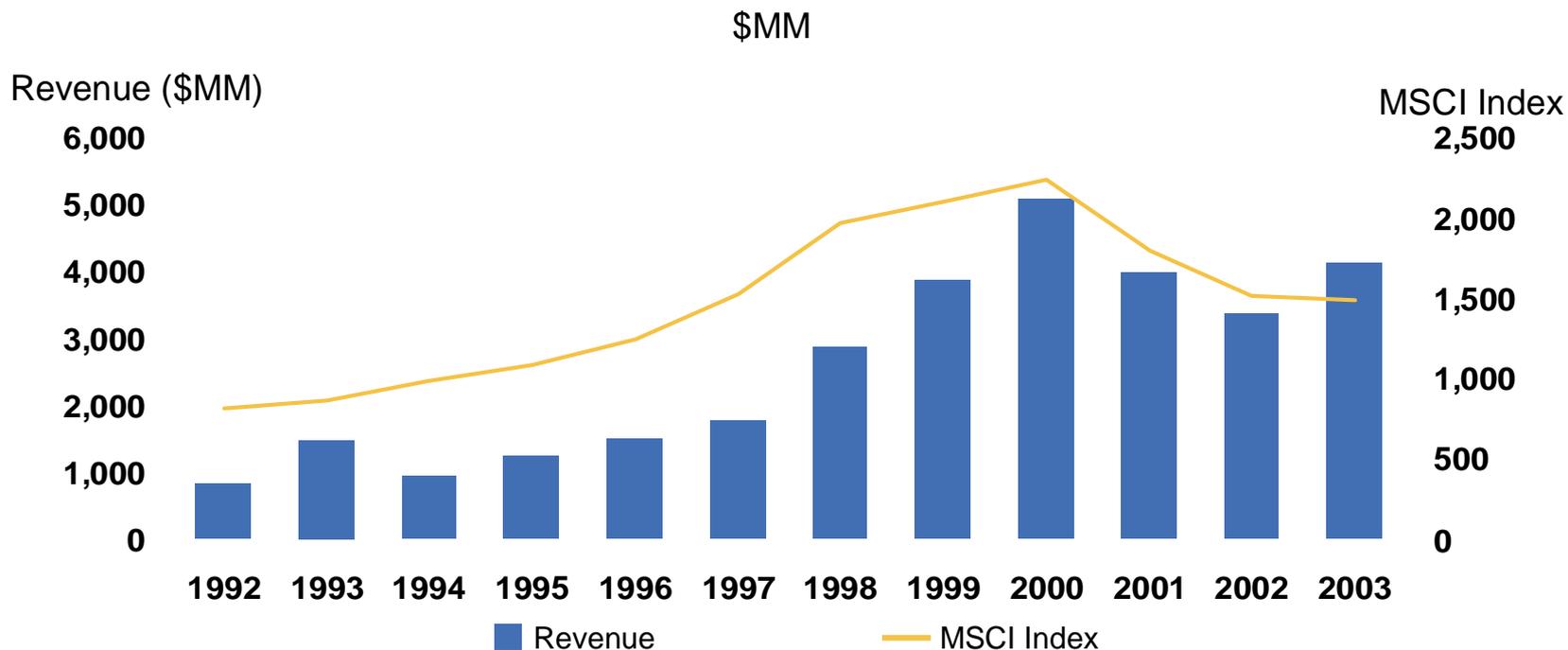
| <b>Key Statistics</b>   | <br><b>U.S.</b> | <br><b>EU-25</b> |
|-------------------------|--|---|
| Population (000s)       | 293,028  | 452,700   |
| Area (Km <sup>2</sup> ) | 9,631,418  | 3,972,866   |
| GDP (\$Bn)              | 10,980   | 9,613   |
| GDP Growth (%)          | 3.1  | 2.2   |
| Inflation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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European Revenue Trends

## Morgan Stanley European Revenues vs. MSCI Index Performance<sup>(1)</sup>



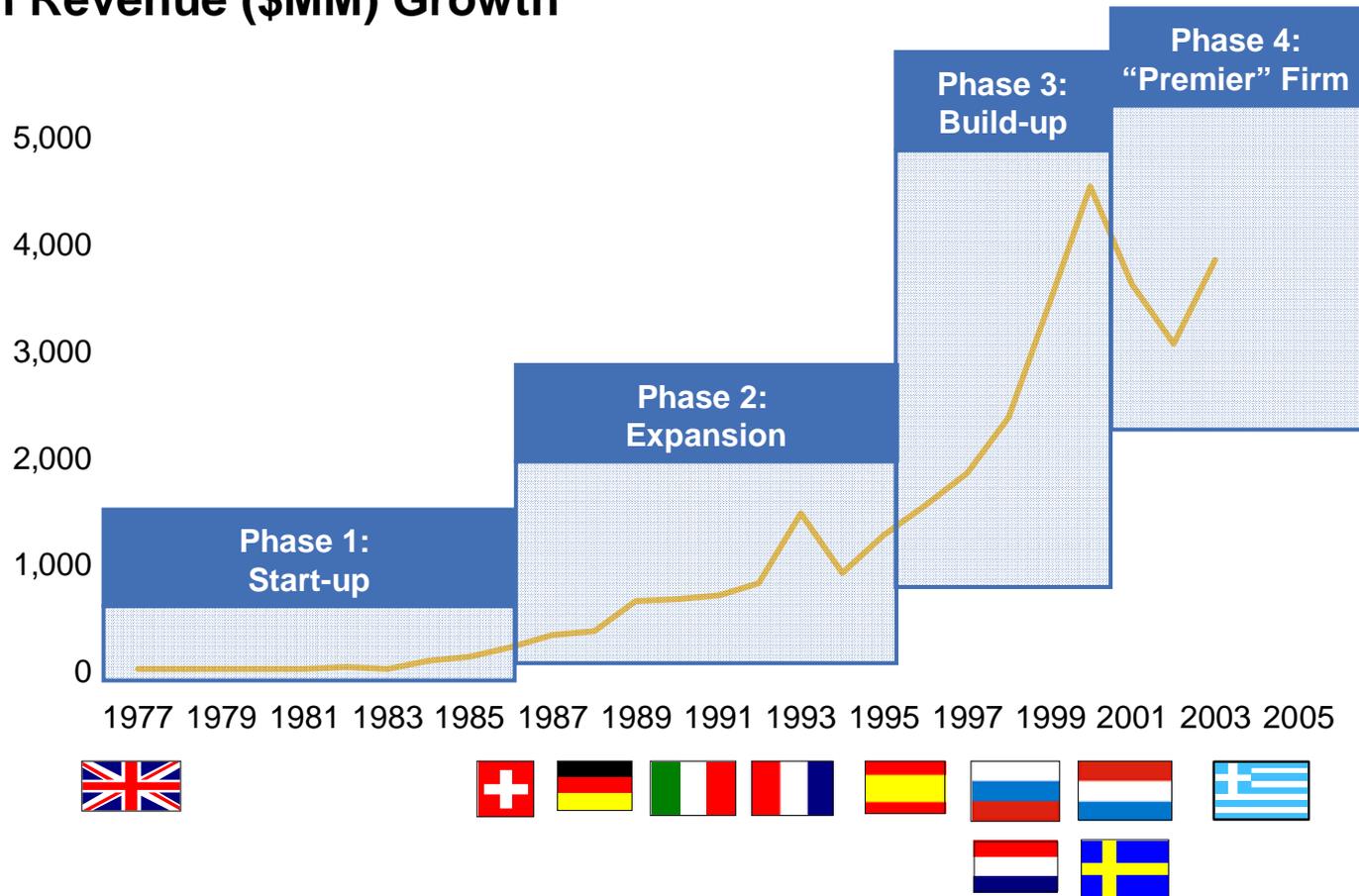
Source: Morgan Stanley 10-K filings and Annual Reports, MSCI

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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Morgan Stanley's Growth in Europe

## European Revenue (\$MM) Growth

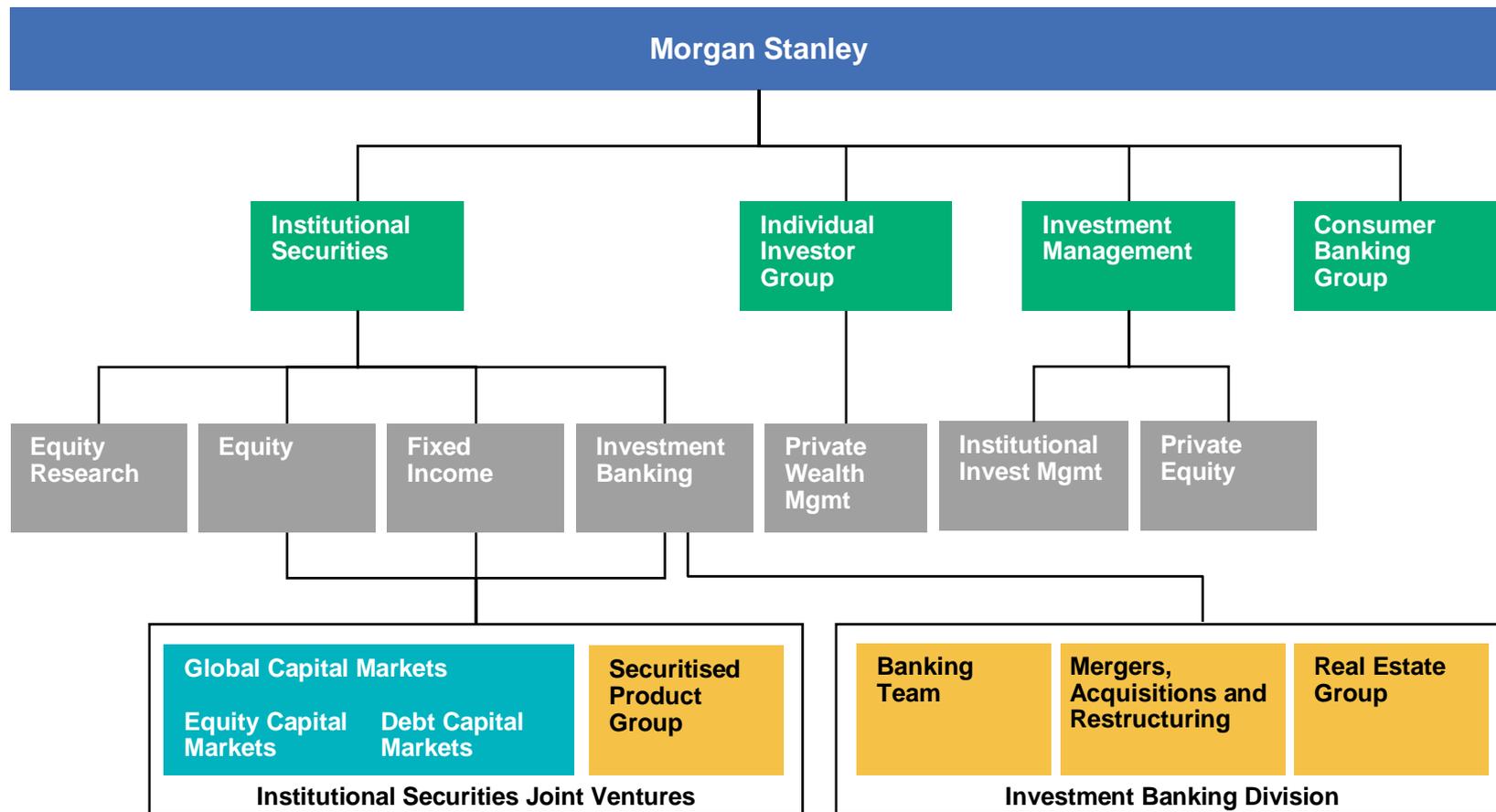


Source: Morgan Stanley 10-K filings and Annual Reports.

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Our European Business

## Full Line of Financial Services

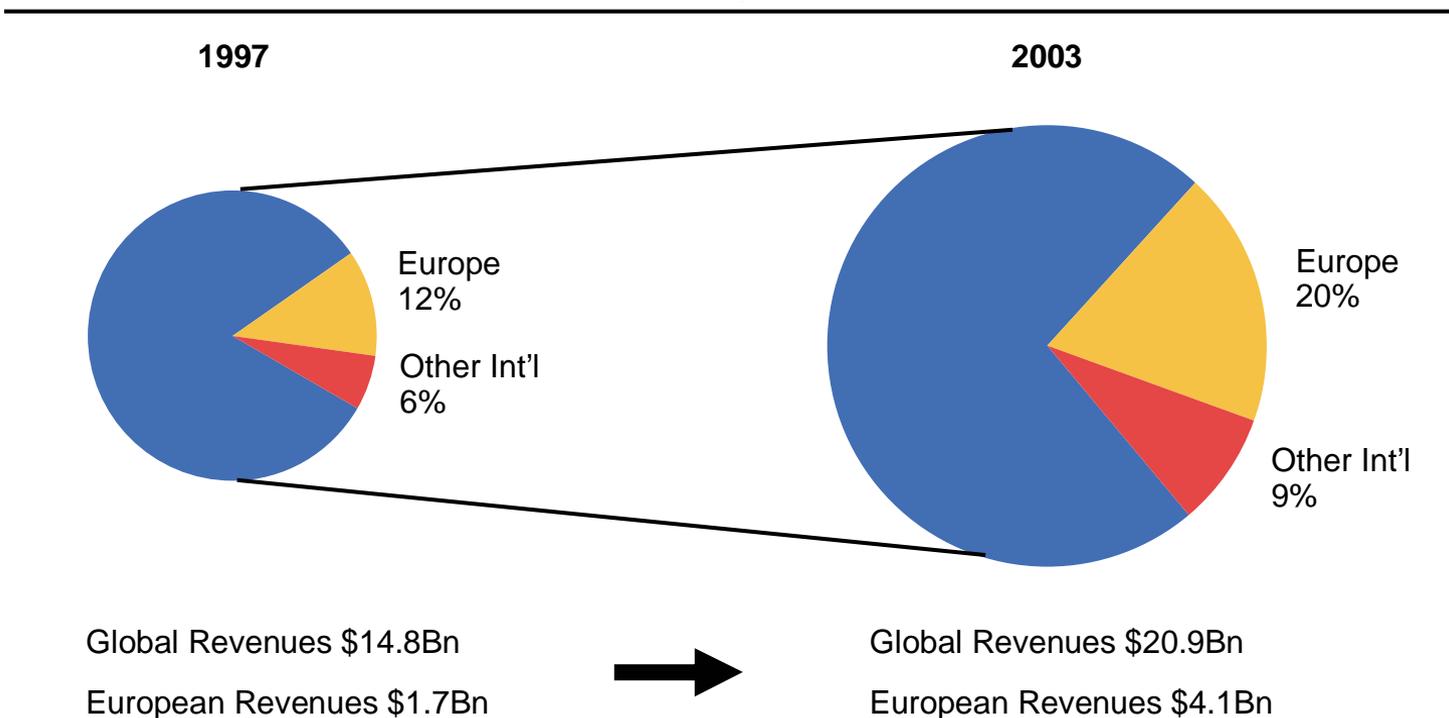


This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European Revenues

1997 and 2003

## Global and European Revenues



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

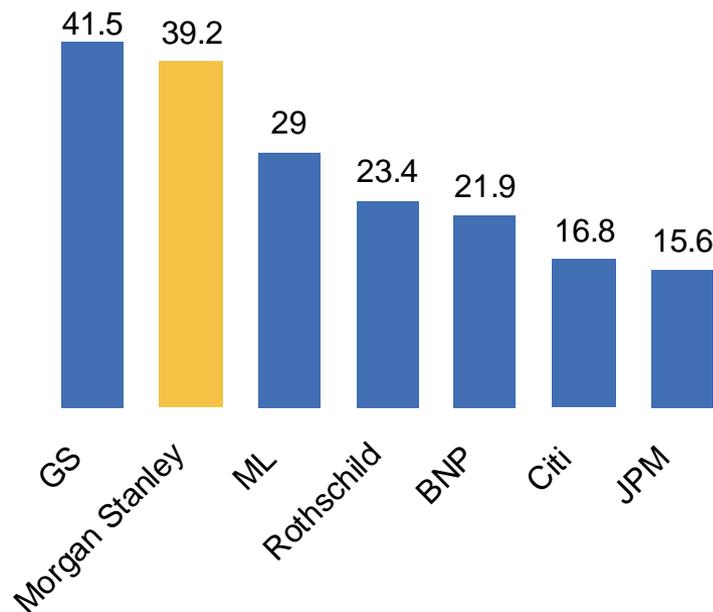
This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European Primary Market Share

1 January 2004 – 30 July 2004

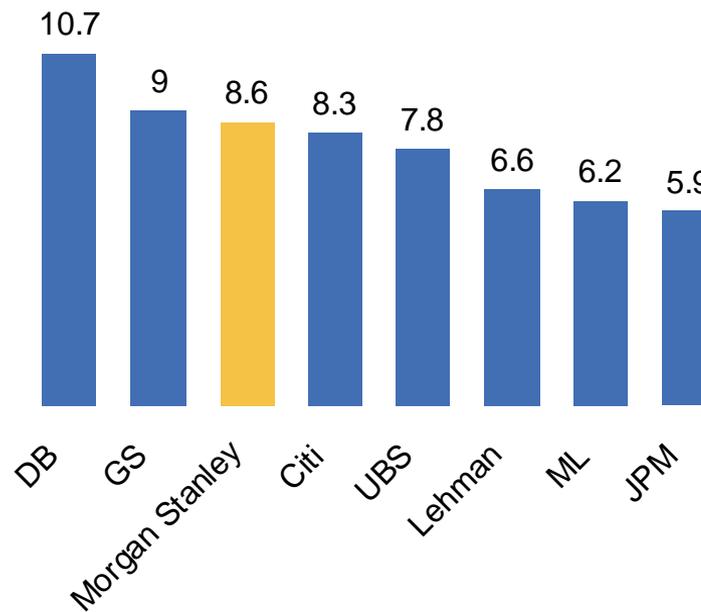
## European Announced M&A Transactions <sup>(1)</sup>

% of Total



## EMEA Equity and Equity-Linked Issuance <sup>(2)</sup>

% of Total



Source: Thomson Financial

Notes: (1) Announced deals ≥ \$100MM.

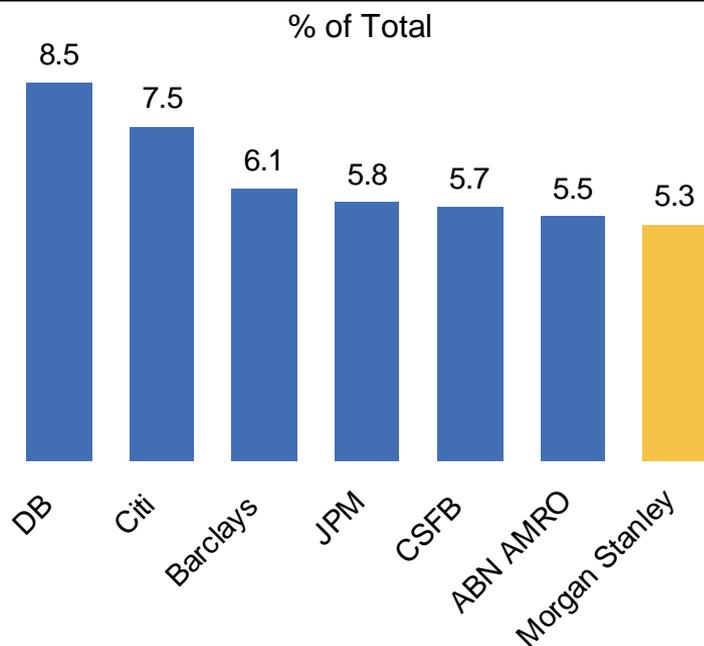
(2) The EMEA region is Europe, Middle East and Africa.

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

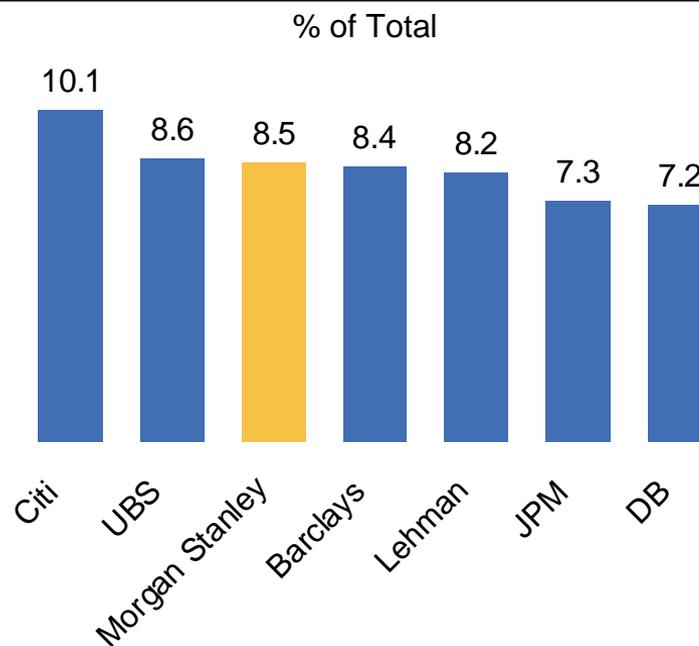
# European Primary Market Share (cont'd)

1 January 2004 – 30 July 2004

## Euro-Denominated Debt Issuance <sup>(1)</sup>



## 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.

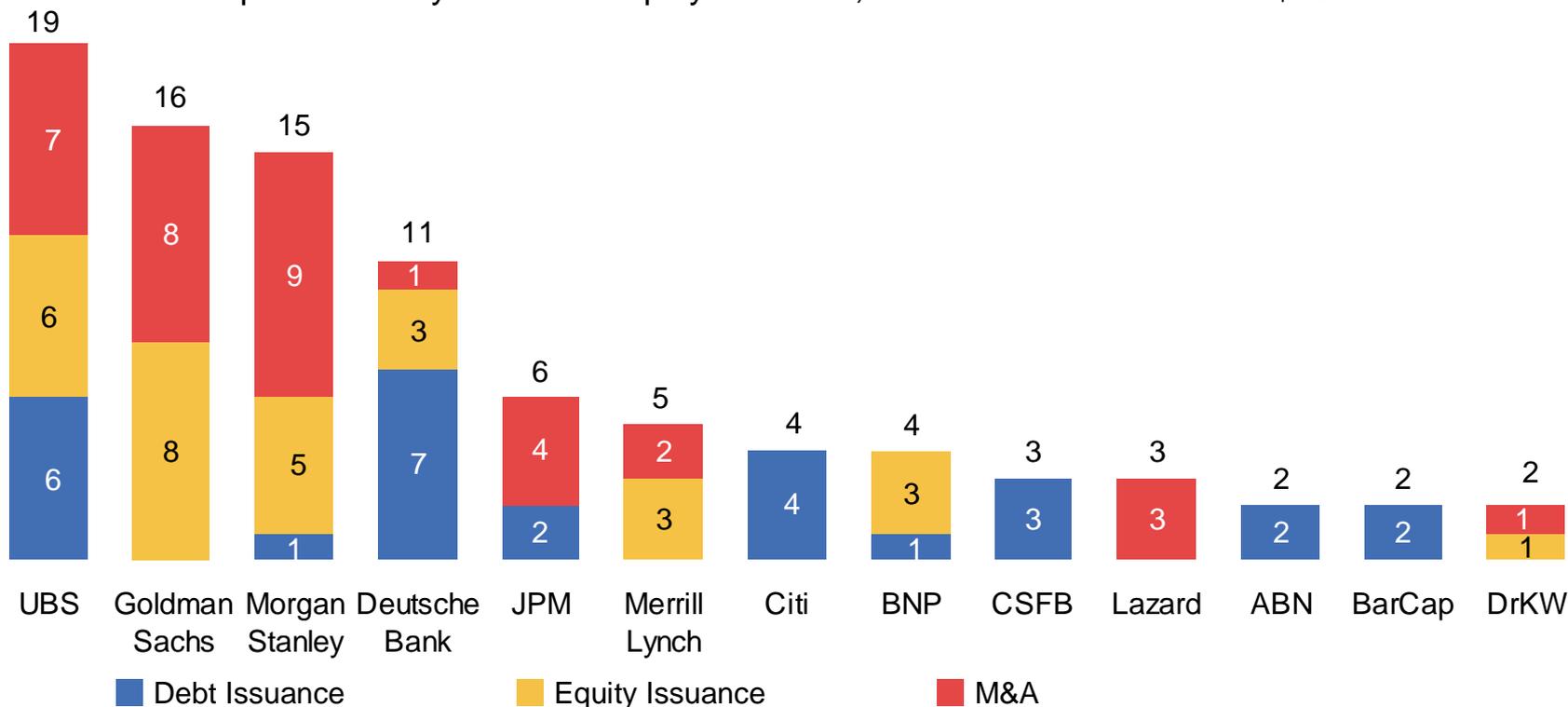
This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Historical Market Positioning

1994–2004YTD

## Total Number of Years in Top 3 Market Share Position

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



Source: Thomson Financial

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Fundamental Drivers of Growth

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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

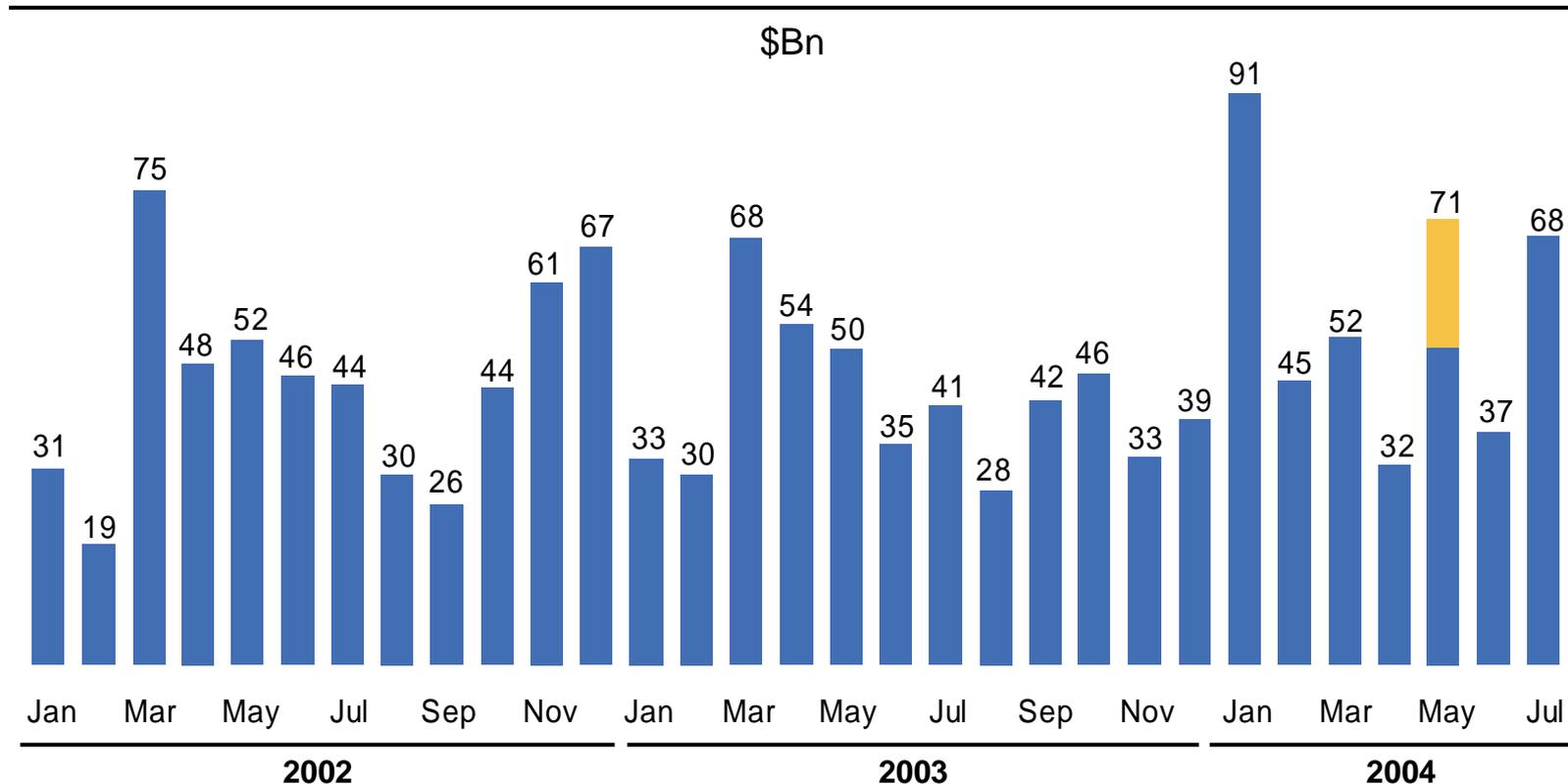
# European Markets

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European M&A Volumes are Improving

2002–2004YTD

## European Monthly M&A Volumes (Announced)

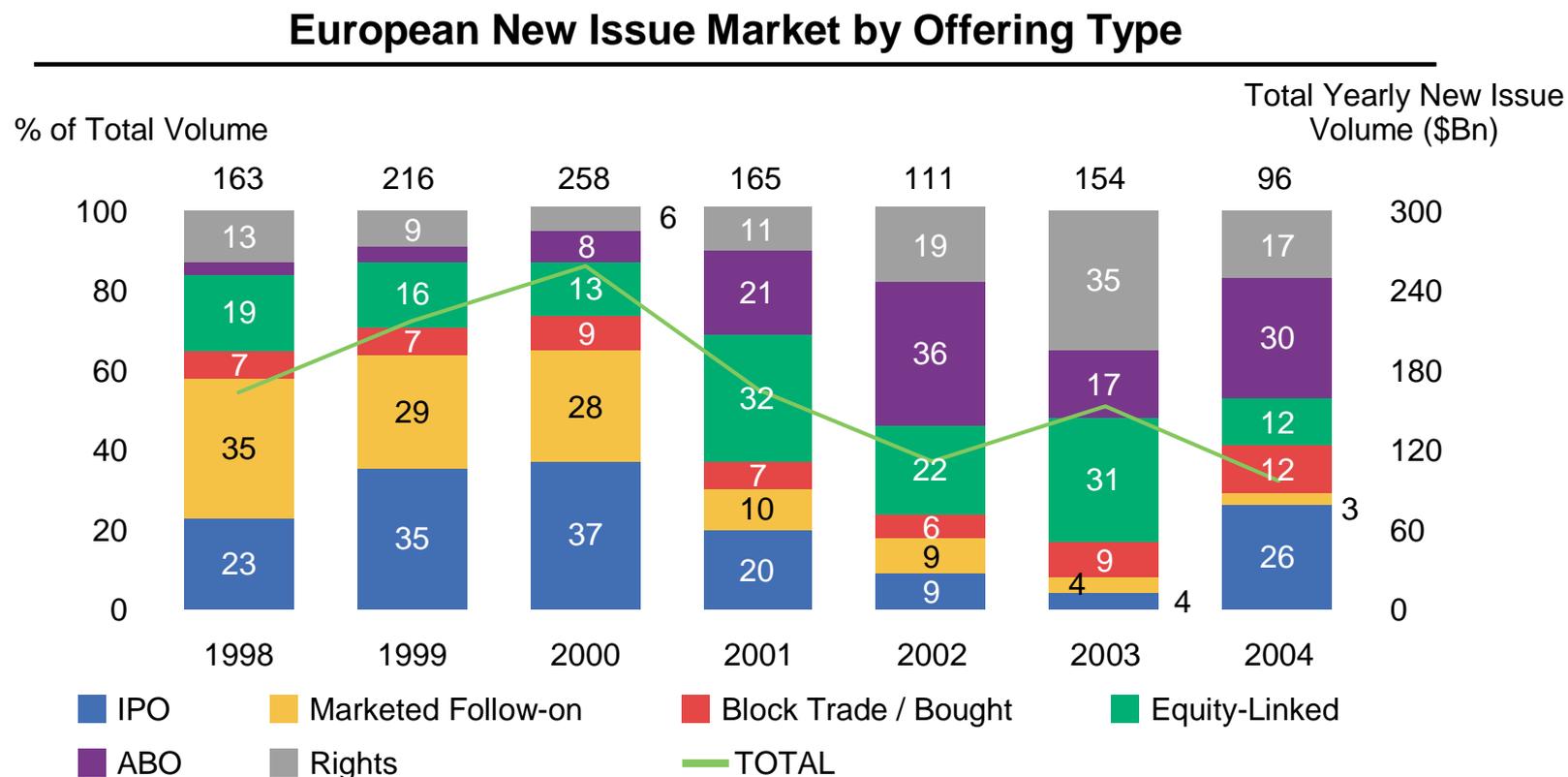


■ Marks & Spencer/Phillip Green (\$20.5Bn)

Source: Thomson Financial

# European Equity New Issue Market by Offering Type

## Equity and Equity-Linked Offerings Since 1998 <sup>(1)</sup>



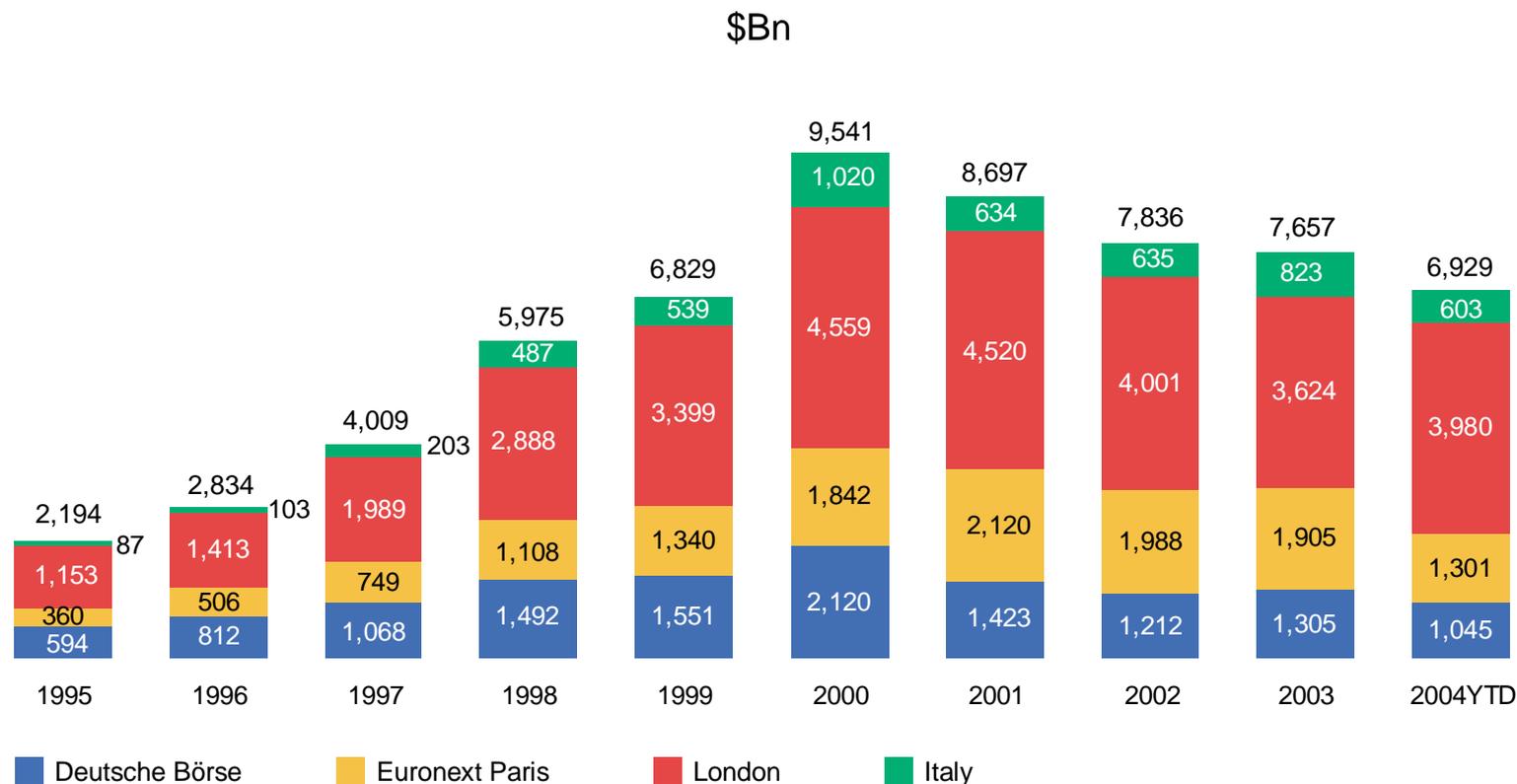
Source: EquityWare

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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Growth of Exchanges

## Total Value of Share Trading

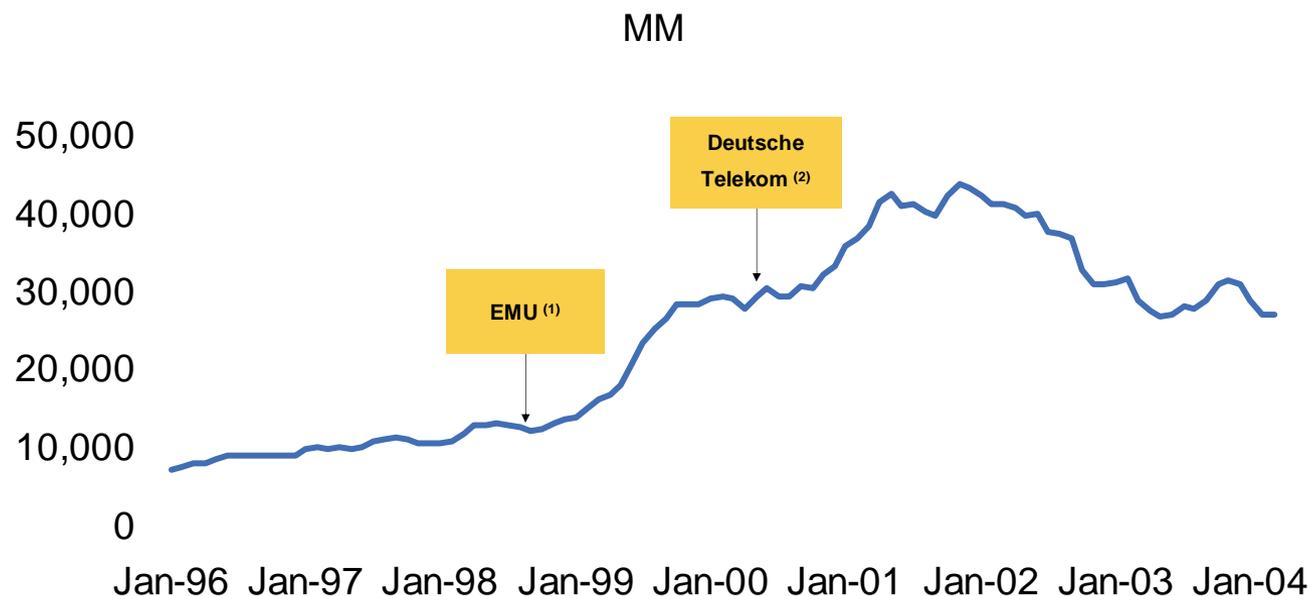


Source: World Federation of Exchanges. Data as of 30 June 2004

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# European Debt Market

## All-International Corporate Bond Issuance – 12 Months Moving Average



Source: BondWare. Data is through 19 March 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.

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# 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

This slide is part of a presentation by Morgan Stanley and is intended to be viewed as part of that presentation. The presentation is based on information generally available to the public and does not contain any material, non-public information. The presentation has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument and has not been updated since it was originally given on 4 August 2004.

# Morgan Stanley

Europe Update

August 4, 2004