Europe Update

November 4, 2004
European Overview
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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 Revenues ($MM)

Phase 1: Start-up

Phase 2: Expansion

Phase 3: Build-up

Phase 4: “Premier” Firm


Source: Morgan Stanley 10-K filings and Annual Reports.
European Markets
### Size Matters

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>U.S.</th>
<th>EU-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (000s)</td>
<td>293,028</td>
<td>452,700</td>
</tr>
<tr>
<td>Area (Km²)</td>
<td>9,631,418</td>
<td>3,972,866</td>
</tr>
<tr>
<td>GDP ($Bn)</td>
<td>10,980</td>
<td>9,613</td>
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<tr>
<td>GDP Growth (%)</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>6.2</td>
<td>9.0</td>
</tr>
</tbody>
</table>

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

Secular Trends

- Globalization
- Deregulation
- Pension Reform
- Shareholder Focus
- Disintermediation
- Search for Yield
- Risk Management
- Regulation

Morgan Stanley – Lead with Strengths

- Long-term Client Relationships
- Expertise / Product Capability / Advice / Distribution
- Deep Roots in Local Markets
- Global Platform
Equity Market Capitalization vs. GDP


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Growth of Exchanges

**Total Value of Share Trading**

$Bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Deutsche Börse</th>
<th>Euronext Paris</th>
<th>London</th>
<th>Italy</th>
<th>Spanish Exchanges</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>2,194</td>
<td>594</td>
<td>1,153</td>
<td>87</td>
<td>62</td>
</tr>
<tr>
<td>1996</td>
<td>2,834</td>
<td>506</td>
<td>1,413</td>
<td>103</td>
<td>157</td>
</tr>
<tr>
<td>1997</td>
<td>4,009</td>
<td>437</td>
<td>1,989</td>
<td>203</td>
<td>341</td>
</tr>
<tr>
<td>1998</td>
<td>5,975</td>
<td>444</td>
<td>2,888</td>
<td>1,108</td>
<td>157</td>
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<tr>
<td>1999</td>
<td>6,829</td>
<td>539</td>
<td>1,399</td>
<td>1,340</td>
<td>203</td>
</tr>
<tr>
<td>2000</td>
<td>9,541</td>
<td>634</td>
<td>1,627</td>
<td>1,020</td>
<td>1,000</td>
</tr>
<tr>
<td>2001</td>
<td>8,697</td>
<td>635</td>
<td>1,503</td>
<td>634</td>
<td>1,000</td>
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<tr>
<td>2002</td>
<td>7,836</td>
<td>823</td>
<td>1,988</td>
<td>655</td>
<td>1,000</td>
</tr>
<tr>
<td>2003</td>
<td>7,657</td>
<td>823</td>
<td>1,905</td>
<td>823</td>
<td>1,000</td>
</tr>
<tr>
<td>2004YTD</td>
<td>6,929</td>
<td>694</td>
<td>1,840</td>
<td>694</td>
<td>1,082</td>
</tr>
</tbody>
</table>

Source: World Federation of Exchanges. Data as of September 30, 2004
European Debt Market

Annual European Bond Issuance

$Bn

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.
European Securitization Market

European Securitization Issuance

Total Yearly New Issue Volume

$MM

MSCI Closing Value

Source: Thomson, MSCI

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European Strategic Opportunities

- Multi-asset class products and services
- Hedge funds
- Middle markets
- Financial institutions
- Local investment / “deep roots”
- Russia