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For Immediate Release



Morgan Stanley Reports \$837 Million in Third Quarter Earnings

NEW YORK, September 22, 2004 -- Morgan Stanley (NYSE: MWD) today reported net income of \$837 million for the quarter ended August 31, 2004 -- a decrease of \$432 million, or 34 percent, from the third quarter of 2003 and \$386 million, or 32 percent, from the second quarter of 2004. Diluted earnings per share were \$0.76 compared with \$1.15 a year ago and \$1.10 in the second quarter. The annualized return on average common equity was 12.3 percent in the current quarter, as compared with 22.0 percent in the third quarter of 2003 and 18.4 percent in the second quarter of 2004.

Net revenues (total revenues less interest expense and the provision for loan losses) of \$5.4 billion were 3 percent higher than last year's third quarter but 18 percent below this year's second quarter. Non-interest expenses of \$4.1 billion were 23 percent higher than a year ago, but 15 percent below last quarter. In the third quarter of 2003, the year-to-date effect of changes to the terms of the Company's equity-based compensation program reduced compensation expense by \$519 million and increased net income by \$350 million, diluted earnings per share by \$0.32 and the annualized return on average common equity by 6.1 percentage points.

Business Highlights

- For the first eight months of calendar 2004, the Company ranked first in global equity and equity-linked issuances, first in global IPOs, and second in both global debt issuances and global completed M&A.

- Firmwide assets under management reached \$510 billion at quarter end, an 18 percent increase from a year ago.¹
- Credit quality at Discover Card continued to improve, with net charge-off and delinquency rates at their lowest levels in more than three years. Pre-tax earnings were \$330 million -- up 13 percent from a year ago and Discover Card's second best quarter in four years.

Philip J. Purcell, chairman and CEO, said, "Our firm continued to generate significant momentum with clients. In investment banking, we completed several landmark deals. Our Investment Management business and Discover Card also performed well, but reduced trading revenues resulted in lower quarterly earnings for the firm."

The Company recorded a pre-tax loss of \$42 million in the current quarter related to the markdown of certain aircraft that are subject to a probable sale and, accordingly, have been designated as "held for sale". The revenues and expenses associated with these aircraft have been classified as "discontinued operations" for all periods presented.

For the first nine months of 2004, net income was \$3,286 million, an 18 percent increase over \$2,773 million a year ago. Diluted earnings per share were \$2.97, up 18 percent from a year ago. Net revenues rose 16 percent to \$18.3 billion and non-interest expenses increased 16 percent to \$13.3 billion. The annualized return on average common equity for the nine-month period was 16.6 percent compared with 16.3 percent last year.

INSTITUTIONAL SECURITIES

Institutional Securities posted pre-tax income² of \$682 million, down 43 percent from the third quarter of 2003 -- largely driven by higher non-interest expenses, which included the impact of last year's compensation program changes. Net revenues of \$2.8 billion were 1 percent lower, reflecting a decline in fixed income sales and trading

¹ The \$510 billion in assets under management is composed of: Investment Management, \$394 billion; Individual Investor Group, \$103 billion; and Institutional Securities, \$13 billion.

² Represents income from continuing operations before losses from unconsolidated investees and taxes.

revenues, largely offset by improved results in advisory and underwriting activities, and higher equity sales and trading revenues.

- Fixed income sales and trading net revenues were \$1.2 billion, down 19 percent from the third quarter of 2003. Revenues declined sharply in interest rate & currency products. Mixed U.S. economic data coupled with higher global energy prices led to concerns about the strength of economic growth, and resulted in a more difficult trading environment. Commodities had another strong quarter, although slightly lower than last year, as tight oil supplies, concerns about production disruptions and growing demand drove energy prices and volatilities higher. Credit products revenues were modestly lower this quarter.
- Equity sales and trading net revenues increased 6 percent from last year to \$883 million. The increase was driven primarily by higher revenues from the Company's Prime Brokerage and cash businesses. This quarter's revenues were impacted by continuing low levels of market volatility, which reduced trading opportunities.
- The Company's aggregate average trading VaR was \$79 million in the current quarter compared with \$54 million in the third quarter of last year, and \$72 million in the second quarter of 2004.
- Advisory revenues were \$310 million, a 138 percent increase from last year's third quarter. There was a significant increase in the Company's market share in completed M&A transactions and a 62 percent increase in industry-wide completed M&A activity over the same period.³
- Underwriting revenues were \$401 million, up 3 percent from last year's third quarter. Equity underwriting revenues rose 9 percent. While industry-wide equity underwriting activity fell 12 percent compared to last year, the Company's volume of activity increased 12 percent over the same period. The Company's equity global market share rose from 7 percent a year ago to 9 percent in the current quarter. Fixed income underwriting revenues declined 2 percent from a year ago, compared with a 1 percent increase in industry-wide activity. The Company's fixed income global market share remained at 8 percent.³

³ Source: Thomson Financial -- for the periods: June 1, 2003 to August 31, 2003 and June 1, 2004 to August 31, 2004.

- For the calendar year-to-date, the Company ranked first in global equity and equity-linked issuances with a 12 percent market share, first in global IPOs with a 15 percent market share, second in global debt issuances with a 7 percent market share, second in completed global M&A with a 32 percent market share and fourth in announced global M&A with a 24 percent market share.⁴ Landmark transactions completed during the quarter included the \$1.9 billion Google IPO, the \$3.1 billion Deutsche PostBank IPO and the defense of Aventis resulting in its \$65.7 billion sale to Sanofi-Synthelabo S.A. Significant M&A transactions announced during the quarter included National Grid Transco's \$10.7 billion asset sale and the \$1.4 billion sale of Marks & Spencer Money to HSBC.
- Non-interest expenses for the quarter rose 32 percent to \$2.1 billion. Compensation expense increased because last year's third quarter included the year-to-date impact of changes in the Company's equity-based compensation program. In addition, higher levels of business activity resulted in increases in the professional services and other expense categories. Expected costs related to legal and regulatory matters increased to approximately \$50 million, driven by a failure to deliver certain prospectuses pursuant to regulatory requirements.

INDIVIDUAL INVESTOR GROUP

The Individual Investor Group posted pre-tax income of \$22 million, an 88 percent decline from last year's third quarter. The decline in earnings resulted from higher non-interest expenses, partially offset by a modest increase in net revenues.

- Total net revenues rose 2 percent from a year ago to \$1.1 billion, driven by a 28 percent increase in asset management, distribution and administration fees, reflecting higher client asset levels in fee-based accounts. This increase was largely offset by declines of 12 percent in commissions and 25 percent in principal transaction trading revenues resulting from lower sales of fixed income products.
- Non-interest expenses increased 21 percent from a year ago to \$1.1 billion. Compensation expense was higher because last year's third quarter included the year-to-date impact of changes in the Company's equity-based compensation program. Also, legal and regulatory expenses increased approximately \$70 million,

⁴ Source: Thomson Financial -- for the period January 1, 2004 to August 31, 2004.

of which the largest driver was expected costs associated with a failure to deliver certain prospectuses pursuant to regulatory requirements.

- Total client assets were \$576 billion, a 6 percent increase from last year's third quarter and a decrease of 1 percent from this year's second quarter. Client assets in fee-based accounts rose 20 percent to \$146 billion over the past twelve months and increased as a percentage of total client assets to 25 percent from 22 percent over the same period.
- At quarter-end, the number of global financial advisors was 10,785 -- 541 lower than a year ago but an increase of 63 over the quarter.

INVESTMENT MANAGEMENT

Investment Management pre-tax income rose 33 percent from last year's third quarter to \$217 million. Net revenues increased 16 percent to \$692 million, driven by higher investment gains and an increase in average assets under management. Non-interest expenses rose 9 percent to \$475 million on higher compensation expenses reflecting the increase in net revenues, as well as the impact of last year's compensation program change.

- Assets under management within Investment Management were \$394 billion, \$49 billion above the third quarter of last year. The increase resulted from both market appreciation and positive net flows.
- Institutional assets were \$200 billion, an increase of \$45 billion from a year ago. The increase in institutional assets reflected market appreciation and the continuation of robust growth in liquidity products. Retail assets of \$194 billion were \$4 billion higher than a year ago.
- Among full-service brokerage firms, the Company had the highest number of domestic funds (37) receiving one of Morningstar's two highest ratings.⁵ In addition, the percent of the Company's fund assets performing in the top half of the Lipper rankings was 60 percent over one year, 70 percent over three years and 76 percent over five years.⁶

⁵ Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of August 31, 2004.

⁶ For the one, three and five year periods ending August 31, 2004.

- Investment gains for the quarter were \$90 million, up from \$10 million a year ago and included approximately \$75 million associated with an ownership interest in Vanguard Health Systems.

CREDIT SERVICES

Credit Services posted pre-tax income of \$330 million on a managed basis, up 13 percent from last year's third quarter. The increase was driven by a lower provision for loan losses, reflecting improved credit quality, partially offset by a decline in net interest income, lower merchant and cardmember fees and higher non-interest expenses driven by an increase in marketing expenses.

- Managed credit card loans of \$47.1 billion at quarter end were 6 percent lower than a year ago although slightly above the level at the beginning of the quarter. Net interest income fell \$100 million from a year ago, reflecting the decline in credit card loan balances and a narrower interest rate spread, which contracted eight basis points to 8.83 percent, as a lower yield more than offset lower cost of funds.
- Managed merchant and cardmember fees were \$499 million, down 5 percent from a year ago, primarily due to lower late and overlimit fees. The decline in these fees reflected sharply lower credit card delinquencies.
- Transaction volume increased 2 percent to \$25.4 billion, the second highest quarterly volume ever.
- The managed credit card net charge-off rate for the third quarter was 5.76 percent, 114 basis points below a year ago -- and its lowest level in more than three years. The decrease reflects the effect of the Company's credit and collection initiatives and an industry-wide improvement in credit quality, including the stabilization of bankruptcy filings.
- The managed credit card over-30-day delinquency rate was 4.81 percent, a decrease of 124 basis points from the third quarter of 2003. The managed credit card over-90-day delinquency rate was 2.22 percent, 69 basis points lower than a year ago.
- Non-interest expenses of \$567 million rose 5 percent from a year ago, primarily due to increased marketing expenses, largely related to account acquisition activity and merchant initiatives.

As of August 31, 2004, the Company had repurchased approximately 9 million shares of its common stock since the end of fiscal 2003. The Company also announced that its Board of Directors declared a \$0.25 quarterly dividend per common share. The dividend is payable on October 29, 2004, to common shareholders of record on October 8, 2004.

Total capital at August 31, 2004 was \$101.2 billion, including \$30.3 billion of common shareholders' equity and junior subordinated debt issued to capital trusts. Book value per common share was \$25.00, based on 1.1 billion shares outstanding.

OTHER MATTERS

The Company also announced that it has reached an agreement in principle with the Staff of the New York Stock Exchange relating to its failure to comply with certain prospectus delivery requirements, operational deficiencies, employee defalcations (including the Soto matter) and other matters. The settlement will include a fine of \$19 million. Negotiations with the Staff about the details of the resolution have not concluded, and no assurance can be given that a resolution will be achieved.

Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With more than 600 offices in 27 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

Access this press release on-line @www.morganstanley.com

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(See Attached Schedules)

This release may contain forward-looking statements. These statements reflect management's beliefs and expectations, and are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Certain Factors Affecting Results of Operations" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Competition" and "Regulation" in Part I, Item 1 of the Company's 2003 Annual Report on Form 10-K and

“Management’s Discussion and Analysis of Financial Conditions and Results of Operations” in the Company’s Quarterly Reports on Form 10-Q for fiscal 2004.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Net revenues								
Institutional Securities	\$ 2,776	\$ 2,792	\$ 3,947	(1%)	(30%)	\$ 10,227	\$ 8,608	19%
Individual Investor Group	1,124	1,102	1,209	2%	(7%)	3,544	3,089	15%
Investment Management	692	598	690	16%	--	2,024	1,681	20%
Credit Services	897	834	879	8%	2%	2,734	2,616	5%
Intersegment Eliminations	(64)	(77)	(75)	17%	15%	(213)	(224)	5%
Consolidated net revenues	<u>\$ 5,425</u>	<u>\$ 5,249</u>	<u>\$ 6,650</u>	3%	(18%)	<u>\$ 18,316</u>	<u>\$ 15,770</u>	16%
Income before taxes ⁽¹⁾								
Institutional Securities	\$ 682	\$ 1,201	\$ 1,135	(43%)	(40%)	\$ 3,000	\$ 2,581	16%
Individual Investor Group	22	188	132	(88%)	(83%)	320	311	3%
Investment Management	217	163	209	33%	4%	596	385	55%
Credit Services	330	292	298	13%	11%	993	884	12%
Intersegment Eliminations	31	31	29	--	7%	89	93	(4%)
Consolidated income before taxes	<u>\$ 1,282</u>	<u>\$ 1,875</u>	<u>\$ 1,803</u>	(32%)	(29%)	<u>\$ 4,998</u>	<u>\$ 4,254</u>	17%
Earnings per basic share:								
Income from continuing operations	\$ 0.80	\$ 1.18	\$ 1.13	(32%)	(29%)	\$ 3.06	\$ 2.59	18%
Loss from discontinued operations	\$ (0.02)	\$ -	\$ -	*	*	\$ (0.02)	\$ (0.02)	--
Earnings per basic share	\$ 0.78	\$ 1.18	\$ 1.13	(34%)	(31%)	\$ 3.04	\$ 2.57	18%
Earnings per diluted share:								
Income from continuing operations	\$ 0.78	\$ 1.15	\$ 1.10	(32%)	(29%)	\$ 2.99	\$ 2.54	18%
Loss from discontinued operations	\$ (0.02)	\$ -	\$ -	*	*	\$ (0.02)	\$ (0.02)	--
Earnings per diluted share	\$ 0.76	\$ 1.15	\$ 1.10	(34%)	(31%)	\$ 2.97	\$ 2.52	18%
Average common shares outstanding								
Basic	1,081,448,663	1,077,680,996	1,082,211,511			1,081,160,252	1,077,140,296	
Diluted	1,105,546,130	1,100,593,303	1,110,357,415			1,107,494,887	1,098,234,894	
Period end common shares outstanding	1,096,707,183	1,088,107,975	1,098,127,106			1,096,707,183	1,088,107,975	
Return on common equity	12.3%	22.0%	18.4%			16.6%	16.3%	

(1) Represents consolidated income from continuing operations before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Consolidated Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 783	\$ 608	\$ 983	29%	(20%)	\$ 2,595	\$ 1,733	50%
Principal transactions:								
Trading	695	1,818	2,064	(62%)	(66%)	4,591	5,200	(12%)
Investments	125	38	191	*	(35%)	345	75	*
Commissions	768	775	877	(1%)	(12%)	2,546	2,157	18%
Fees:								
Asset mgmt., distribution and administration	1,088	956	1,113	14%	(2%)	3,273	2,733	20%
Merchant and cardmember	349	340	306	3%	14%	992	1,042	(5%)
Servicing	459	462	485	(1%)	(5%)	1,516	1,532	(1%)
Interest and dividends	5,410	3,821	3,663	42%	48%	12,855	11,059	16%
Other	177	108	118	64%	50%	416	305	36%
Total revenues	<u>9,854</u>	<u>8,926</u>	<u>9,800</u>	10%	1%	<u>29,129</u>	<u>25,836</u>	13%
Interest expense	4,189	3,367	2,950	24%	42%	10,111	9,111	11%
Provision for consumer loan losses	240	310	200	(23%)	20%	702	955	(26%)
Net revenues	<u>5,425</u>	<u>5,249</u>	<u>6,650</u>	3%	(18%)	<u>18,316</u>	<u>15,770</u>	16%
Compensation and benefits	2,347	1,940	2,923	21%	(20%)	7,982	6,763	18%
Occupancy and equipment	228	191	206	19%	11%	634	582	9%
Brokerage, clearing and exchange fees	231	212	237	9%	(3%)	692	605	14%
Information processing and communications	326	315	318	3%	3%	964	945	2%
Marketing and business development	279	197	263	42%	6%	796	711	12%
Professional services	400	283	356	41%	12%	1,074	767	40%
Other	332	236	544	41%	(39%)	1,176	1,143	3%
Total non-interest expenses	<u>4,143</u>	<u>3,374</u>	<u>4,847</u>	23%	(15%)	<u>13,318</u>	<u>11,516</u>	16%
Income from continuing operations before losses from unconsolidated investees, income taxes and dividends on preferred securities subject to mandatory redemption	1,282	1,875	1,803	(32%)	(29%)	4,998	4,254	17%
Losses from unconsolidated investees	77	105	81	(27%)	(5%)	251	175	43%
Provision for income taxes	343	455	498	(25%)	(31%)	1,392	1,175	18%
Dividends on preferred securities subject to mandatory redemption (1)	0	47	0	*	--	45	109	(59%)
Income from continuing operations	<u>862</u>	<u>1,268</u>	<u>1,224</u>	(32%)	(30%)	<u>3,310</u>	<u>2,795</u>	18%
Discontinued operations								
Loss/(gain) from discontinued operations (including loss on disposal of \$42 million in 2004)	42	(2)	1	*	*	40	36	11%
Income tax benefit/(provision)	(17)	1	0	*	*	(16)	(14)	(14%)
Loss/(gain) on discontinued operations	<u>25</u>	<u>(1)</u>	<u>1</u>	*	*	<u>24</u>	<u>22</u>	9%
Net income	<u>\$ 837</u>	<u>\$ 1,269</u>	<u>\$ 1,223</u>	(34%)	(32%)	<u>\$ 3,286</u>	<u>\$ 2,773</u>	18%
Compensation and benefits as a % of net revenues	43%	37%	44%			44%	43%	

(1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Institutional Securities Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 711	\$ 518	\$ 891	37%	(20%)	\$ 2,341	\$ 1,480	58%
Principal transactions:								
Trading	565	1,644	1,923	(66%)	(71%)	4,179	4,705	(11%)
Investments	38	31	136	23%	(72%)	190	65	*
Commissions	462	441	527	5%	(12%)	1,494	1,279	17%
Asset mgmt., distribution and administration fees	36	24	32	50%	13%	102	69	48%
Interest and dividends	4,831	3,231	3,151	50%	53%	11,207	9,256	21%
Other	137	58	57	136%	140%	269	194	39%
Total revenues	<u>6,780</u>	<u>5,947</u>	<u>6,717</u>	14%	1%	19,782	17,048	16%
Interest expense	<u>4,004</u>	<u>3,155</u>	<u>2,770</u>	27%	45%	9,555	8,440	13%
Net revenues	<u>2,776</u>	<u>2,792</u>	<u>3,947</u>	(1%)	(30%)	<u>10,227</u>	<u>8,608</u>	19%
Total non-interest expenses	<u>2,094</u>	<u>1,591</u>	<u>2,812</u>	32%	(26%)	<u>7,227</u>	<u>6,027</u>	20%
Income from continuing operations before losses								
from unconsolidated investees, income taxes								
and dividends on preferred securities subject								
to mandatory redemption	682	1,201	1,135	(43%)	(40%)	3,000	2,581	16%
Losses from unconsolidated investees	77	105	81	(27%)	(5%)	251	175	43%
Dividends on preferred securities subject to								
mandatory redemption (1)	0	47	0	*	--	45	109	(59%)
Income before taxes and discontinued operations	<u>\$ 605</u>	<u>\$ 1,049</u>	<u>\$ 1,054</u>	(42%)	(43%)	<u>\$ 2,704</u>	<u>\$ 2,297</u>	18%
Pre-tax profit margin (2)	25%	41%	29%			29%	29%	

(1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.

(2) Income before taxes and discontinued operations, excluding losses from unconsolidated investees, as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Individual Investor Group Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 64	\$ 79	\$ 82	(19%)	(22%)	\$ 223	\$ 225	(1%)
Principal transactions:								
Trading	130	174	141	(25%)	(8%)	412	495	(17%)
Investments	(3)	(3)	(4)	--	25%	(3)	4	*
Commissions	315	356	367	(12%)	(14%)	1,099	946	16%
Asset mgmt., distribution and administration fees	514	403	511	28%	1%	1,497	1,159	29%
Interest and dividends	103	93	95	11%	8%	291	274	6%
Other	45	37	52	22%	(13%)	137	100	37%
Total revenues	<u>1,168</u>	<u>1,139</u>	<u>1,244</u>	3%	(6%)	<u>3,656</u>	<u>3,203</u>	14%
Interest expense	44	37	35	19%	26%	112	114	(2%)
Net revenues	<u>1,124</u>	<u>1,102</u>	<u>1,209</u>	2%	(7%)	<u>3,544</u>	<u>3,089</u>	15%
Total non-interest expenses	<u>1,102</u>	<u>914</u>	<u>1,077</u>	21%	2%	<u>3,224</u>	<u>2,778</u>	16%
Income before taxes	<u>\$ 22</u>	<u>\$ 188</u>	<u>\$ 132</u>	(88%)	(83%)	<u>\$ 320</u>	<u>\$ 311</u>	3%
Pre-tax profit margin (1)	2%	17%	11%			9%	10%	

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Investment Management Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 8	\$ 11	\$ 10	(27%)	(20%)	\$ 31	\$ 28	11%
Principal transactions:								
Investments	90	10	59	*	53%	158	6	*
Commissions	8	7	8	14%	--	24	14	71%
Asset mgmt., distribution and administration fees	578	567	607	2%	(5%)	1,788	1,618	11%
Interest and dividends	3	(2)	1	*	*	6	0	*
Other	7	5	6	40%	17%	22	20	10%
Total revenues	<u>694</u>	<u>598</u>	<u>691</u>	16%	--	<u>2,029</u>	<u>1,686</u>	20%
Interest expense	<u>2</u>	<u>0</u>	<u>1</u>	*	100%	<u>5</u>	<u>5</u>	--
Net revenues	<u>692</u>	<u>598</u>	<u>690</u>	16%	--	<u>2,024</u>	<u>1,681</u>	20%
Total non-interest expenses	<u>475</u>	<u>435</u>	<u>481</u>	9%	(1%)	<u>1,428</u>	<u>1,296</u>	10%
Income before taxes	<u>\$ 217</u>	<u>\$ 163</u>	<u>\$ 209</u>	33%	4%	<u>\$ 596</u>	<u>\$ 385</u>	55%
Pre-tax profit margin (1)	31%	27%	30%			29%	23%	

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Fees:								
Merchant and cardmember Servicing	\$ 349	\$ 340	\$ 306	3%	14%	\$ 992	\$ 1,042	(5%)
Other	459	462	485	(1%)	(5%)	1,516	1,532	(1%)
Total non-interest revenues	(5)	18	16	(128%)	(131%)	16	20	(20%)
Interest revenue	803	820	807	(2%)	--	2,524	2,594	(3%)
Interest expense	496	515	435	(4%)	14%	1,411	1,604	(12%)
Net interest income	162	191	163	(15%)	(1%)	499	627	(20%)
Provision for consumer loan losses	334	324	272	3%	23%	912	977	(7%)
Net credit income	240	310	200	(23%)	20%	702	955	(26%)
Net revenues	94	14	72	*	31%	210	22	*
Total non-interest expenses	897	834	879	8%	2%	2,734	2,616	5%
Income before taxes	567	542	581	5%	(2%)	1,741	1,732	1%
Pre-tax profit margin (1)	\$ 330	\$ 292	\$ 298	13%	11%	\$ 993	\$ 884	12%

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)
(Managed loan basis)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Fees:								
Merchant and cardmember Servicing	\$ 499	\$ 523	\$ 467	(5%)	7%	\$ 1,485	\$ 1,594	(7%)
Other	0	0	0	--	--	0	0	--
Other	(10)	19	16	*	*	41	108	(62%)
Total non-interest revenues	<u>489</u>	<u>542</u>	<u>483</u>	(10%)	1%	<u>1,526</u>	<u>1,702</u>	(10%)
Interest revenue	1,422	1,576	1,450	(10%)	(2%)	4,396	4,748	(7%)
Interest expense	<u>337</u>	<u>391</u>	<u>337</u>	(14%)	--	<u>1,024</u>	<u>1,242</u>	(18%)
Net interest income	1,085	1,185	1,113	(8%)	(3%)	3,372	3,506	(4%)
Provision for consumer loan losses	<u>677</u>	<u>893</u>	<u>717</u>	(24%)	(6%)	<u>2,164</u>	<u>2,592</u>	(17%)
Net credit income	408	292	396	40%	3%	1,208	914	32%
Net revenues	<u>897</u>	<u>834</u>	<u>879</u>	8%	2%	<u>2,734</u>	<u>2,616</u>	5%
Total non-interest expenses	<u>567</u>	<u>542</u>	<u>581</u>	5%	(2%)	<u>1,741</u>	<u>1,732</u>	1%
Income before taxes	<u>\$ 330</u>	<u>\$ 292</u>	<u>\$ 298</u>	13%	11%	<u>\$ 993</u>	<u>\$ 884</u>	12%
Pre-tax profit margin (1)	37%	35%	34%			36%	34%	

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Intersegment Eliminations
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 0	\$ 0	\$ 0	--	--	\$ 0	\$ 0	--
Principal transactions:								
Trading	0	0	0	--	--	0	0	--
Investments	0	0	0	--	--	0	0	--
Commissions	(17)	(29)	(25)	41%	32%	(71)	(82)	13%
Asset mgmt., distribution and administration fees	(40)	(38)	(37)	(5%)	(8%)	(114)	(113)	(1%)
Interest and dividends	(23)	(16)	(19)	(44%)	(21%)	(60)	(75)	20%
Other	(7)	(10)	(13)	30%	46%	(28)	(29)	3%
Total revenues	<u>(87)</u>	<u>(93)</u>	<u>(94)</u>	6%	7%	<u>(273)</u>	<u>(299)</u>	9%
Interest expense	<u>(23)</u>	<u>(16)</u>	<u>(19)</u>	(44%)	(21%)	<u>(60)</u>	<u>(75)</u>	20%
Net revenues	<u>(64)</u>	<u>(77)</u>	<u>(75)</u>	17%	15%	<u>(213)</u>	<u>(224)</u>	5%
Total non-interest expenses	<u>(95)</u>	<u>(108)</u>	<u>(104)</u>	12%	9%	<u>(302)</u>	<u>(317)</u>	5%
Income before taxes	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 29</u>	--	7%	<u>\$ 89</u>	<u>\$ 93</u>	(4%)

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004
Total assets (millions)	\$ 745,033	\$ 580,632	\$ 729,501	28%	2%
Adjusted assets (millions) (1)	\$ 465,105	\$ 363,985	\$ 448,144	28%	4%
Period end common shares outstanding (millions)	1,096.7	1,088.1	1,098.1	1%	--
Book value per common share	\$ 25.00	\$ 21.79	\$ 24.59	15%	2%
Shareholders' equity (millions) (2)	\$ 30,317	\$ 26,517	\$ 29,899	14%	1%
Total capital (millions) (3)	\$ 101,237	\$ 78,241	\$ 100,127	29%	1%
Worldwide employees	52,812	52,205	51,580	1%	2%
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category (\$ millions, pre-tax)					
Interest rate and credit spread	\$ 52	\$ 42	\$ 50		
Equity price	36	25	32		
Foreign exchange rate	12	7	12		
Commodity price	40	27	34		
Aggregate trading VaR	\$ 79	\$ 54	\$ 72		

- (1) Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. See page F-19 for further information.
- (2) At May 31, 2004 and August 31, 2004, shareholders' equity includes \$2,897 million of junior subordinated debt issued to capital trusts that in prior periods was classified as preferred securities subject to mandatory redemption. This amount was reclassified to long-term debt at February 29, 2004 pursuant to the adoption of FIN 46. See Note 12 to the Consolidated Financial Statements in the Company's Form 10-K for fiscal 2003. At the prior quarter ends, shareholders' equity included preferred securities subject to mandatory redemption. The junior subordinated debt issued to capital trusts and the preferred securities subject to mandatory redemption at quarter ends prior to February 29, 2004 are collectively referred to hereinafter as junior subordinated debt issued to capital trusts.
- (3) Includes common equity, junior subordinated debt issued to capital trusts, capital units and the non-current portion of long-term debt.
- (4) 99%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than one time every one hundred trading days in the Company's trading positions if the portfolio were held constant for a one day period. The Company's VaR incorporates substantially all financial instruments generating market risk that are managed by the Company's trading businesses. For a further discussion of the calculation of VaR and the limitations of the Company's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Form 10-K for fiscal 2003.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Institutional Securities								
Advisory revenue (millions)	\$ 310	\$ 130	\$ 324	138%	(4%)	\$ 866	\$ 437	98%
Underwriting revenue (millions)								
Equity	\$ 200	\$ 183	\$ 314	9%	(36%)	\$ 828	\$ 462	79%
Fixed income	\$ 201	\$ 205	\$ 253	(2%)	(21%)	\$ 647	\$ 581	11%
Sales and trading net revenue (millions) (1)								
Equity	\$ 883	\$ 830	\$ 1,113	6%	(21%)	\$ 3,101	\$ 2,672	16%
Fixed income	\$ 1,186	\$ 1,462	\$ 1,828	(19%)	(35%)	\$ 4,665	\$ 4,379	7%
Fiscal View								
Quarter Ended (2)								
	Aug 31, 2004	Aug 31, 2003	May 31, 2004					
Calendar View								
Eight Months Ended (2)								
	Aug 31, 2004	Aug 31, 2003						
Mergers and acquisitions announced transactions								
Morgan Stanley global market volume (billions)	\$ 79.4	\$ 62.4	\$ 74.5			\$ 261.9	\$ 113.1	
Market share	20.3%	21.9%	20.9%			24.4%	15.4%	
Rank	4	3	4			4	5	
Mergers and acquisitions completed transactions								
Morgan Stanley global market volume (billions)	\$ 135.4	\$ 36.1	\$ 132.5			\$ 283.5	\$ 131.7	
Market share	32.2%	13.9%	37.3%			31.7%	18.9%	
Rank	2	6	2			2	3	
Worldwide equity and related issues								
Morgan Stanley global market volume (billions)	\$ 9.4	\$ 8.4	\$ 16.4			\$ 38.1	\$ 22.4	
Market share	9.4%	7.3%	12.9%			12.2%	10.3%	
Rank	2	6	2			1	3	
Worldwide fixed income								
Morgan Stanley global market volume (billions)	\$ 86.9	\$ 88.6	\$ 102.2			\$ 251.0	\$ 242.5	
Market share	7.6%	7.8%	7.5%			7.3%	7.2%	
Rank	2	3	2			2	3	

(1) Includes principal trading, commissions and net interest revenue.

(2) Source: Thomson Financial, data as of September 13, 2004.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Individual Investor Group								
Global financial advisors	10,785	11,326	10,722	(5%)	1%			
Total client assets (billions)	\$ 576	\$ 544	\$ 579	6%	(1%)			
Fee-based client account assets (billions) (1)	\$ 146	\$ 122	\$ 145	20%	1%			
Fee-based assets as a % of client assets	25%	22%	25%					
Domestic retail locations	525	544	526	(3%)	--			
Investment Management								
Assets under management or supervision (\$ billions)								
Net flows								
Retail	\$ (0.3)	\$ 1.1	\$ (0.6)	(127%)	50%	\$ (0.4)	\$ -	*
Institutional	(0.2)	(1.8)	5.7	89%	(104%)	6.9	(8.5)	*
Net flows excluding money markets	(0.5)	(0.7)	5.1	29%	(110%)	6.5	(8.5)	*
Money markets	9.2	0.2	4.2	*	119%	14.8	(3.3)	*
Assets under management or supervision by distribution channel								
Retail	\$ 194	\$ 190	\$ 195	2%	(1%)			
Institutional	200	155	189	29%	6%			
Total	<u>\$ 394</u>	<u>\$ 345</u>	<u>\$ 384</u>	14%	3%			
Assets under management or supervision by asset class								
Equity	\$ 179	\$ 153	\$ 182	17%	(2%)			
Fixed income	116	111	114	5%	2%			
Money market	76	63	66	21%	15%			
Other (2)	23	18	22	28%	5%			
Total	<u>\$ 394</u>	<u>\$ 345</u>	<u>\$ 384</u>	14%	3%			

(1) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.

(2) Includes Alternative Investments.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004
Consolidated assets under management or supervision (\$ billions)					
Consolidated assets under management or supervision by distribution channel					
Retail	\$ 290	\$ 268	\$ 290	8%	--
Institutional	220	165	210	33%	5%
Total (1)	\$ 510	\$ 433	\$ 500	18%	2%
Consolidated assets under management or supervision by asset class					
Equity	\$ 224	\$ 189	\$ 226	19%	(1%)
Fixed income	130	123	128	6%	2%
Money market	80	66	70	21%	14%
Other (2)	76	55	76	38%	--
Total (1)	\$ 510	\$ 433	\$ 500	18%	2%

(1) Revenues and expenses associated with customer assets of \$103 billion, \$85 billion and \$103 billion for fiscal 3Q04, fiscal 3Q03 and fiscal 2Q04, respectively, are included in the Company's Individual Investor Group segment, and \$13 billion, \$3 billion and \$13 billion for fiscal 3Q04, fiscal 3Q03 and fiscal 2Q04, respectively, are included in the Company's Institutional Securities segment.

(2) Includes Alternative Investments.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Credit Services								
Total owned credit card loans								
Period end	\$ 18,471	\$ 18,106	\$ 17,506	2%	6%	\$ 18,471	\$ 18,106	2%
Average	\$ 17,787	\$ 18,600	\$ 16,202	(4%)	10%	\$ 17,287	\$ 19,991	(14%)
Total managed credit card loans (1)(2)								
Period end	\$ 47,126	\$ 49,965	\$ 46,828	(6%)	1%	\$ 47,126	\$ 49,965	(6%)
Average	\$ 46,873	\$ 50,663	\$ 46,929	(7%)	--	\$ 47,485	\$ 51,537	(8%)
Interest yield	11.69%	11.94%	11.88%	(25 bp)	(19 bp)	11.93%	11.90%	3 bp
Interest spread	8.83%	8.91%	9.06%	(8 bp)	(23 bp)	9.09%	8.69%	40 bp
Transaction volume (billions)	\$ 25.4	\$ 24.8	\$ 24.4	2%	4%	\$ 73.9	\$ 74.8	(1%)
Accounts (millions)	46.0	46.3	46.0	(1%)	--	46.0	46.3	(1%)
Active accounts (millions)	19.6	21.3	19.9	(8%)	(2%)	19.6	21.3	(8%)
Avg. receivables per avg. active account (actual \$)	\$ 2,381	\$ 2,348	\$ 2,330	1%	2%	\$ 2,357	\$ 2,333	1%
Net gain on securitization	\$ (14)	\$ (9)	\$ (12)	(56%)	(17%)	\$ (7)	\$ 37	(119%)
Credit quality								
Net charge-off rate	5.76%	6.90%	6.48%	(114 bp)	(72 bp)	6.19%	6.52%	(33 bp)
Delinquency rate (over 30 days)	4.81%	6.05%	4.88%	(124 bp)	(7 bp)	4.81%	6.05%	(124 bp)
Delinquency rate (over 90 days)	2.22%	2.91%	2.40%	(69 bp)	(18 bp)	2.22%	2.91%	(69 bp)
Allowance for loan losses at period end	\$ 939	\$ 969	\$ 940	(3%)	--	\$ 939	\$ 969	(3%)
International managed credit card loans (2)								
Period end	\$ 2,337	\$ 2,180	\$ 2,409	7%	(3%)	\$ 2,337	\$ 2,180	7%
Average	\$ 2,389	\$ 2,356	\$ 2,411	1%	(1%)	\$ 2,368	\$ 2,300	3%
Accounts (millions)	1.2	1.1	1.2	9%	--	1.2	1.1	9%
Mortgages								
Mortgage originations	\$ 1,231	\$ 1,618	\$ 1,380	(24%)	(11%)	\$ 3,570	\$ 4,305	(17%)

(1) Includes domestic and international credit card businesses.

(2) Includes owned and securitized credit card loans.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

The following page (F-14) presents more detailed financial information regarding the results of operations for the combined institutional securities, individual investor group and investment management businesses. Morgan Stanley believes that a combined presentation is informative due to certain synergies among these businesses, as well as to facilitate comparisons of the Company's results with those of other companies in the financial services industry that have securities and asset management businesses. Morgan Stanley provides this type of presentation for its credit services activities page (F-15) in order to provide helpful comparison to other credit card issuers.

MORGAN STANLEY
Institutional Securities, Individual Investor Group and Investment Management (1)
Combined Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Investment banking	\$ 783	\$ 608	\$ 983	29%	(20%)	\$ 2,595	\$ 1,733	50%
Principal transactions:								
Trading	695	1,818	2,064	(62%)	(66%)	4,591	5,200	(12%)
Investments	125	38	191	*	(35%)	345	75	*
Commissions	768	775	877	(1%)	(12%)	2,546	2,157	18%
Asset mgmt., distribution and administration fees	1,088	956	1,113	14%	(2%)	3,273	2,733	20%
Interest and dividends	4,929	3,316	3,241	49%	52%	11,484	9,515	21%
Other	184	93	105	98%	75%	407	294	38%
Total revenues	<u>8,572</u>	<u>7,604</u>	<u>8,574</u>	13%	--	<u>25,241</u>	<u>21,707</u>	16%
Interest expense	4,042	3,186	2,800	27%	44%	9,652	8,544	13%
Net revenues	<u>4,530</u>	<u>4,418</u>	<u>5,774</u>	3%	(22%)	<u>15,589</u>	<u>13,163</u>	18%
Compensation and benefits	2,155	1,745	2,725	23%	(21%)	7,394	6,154	20%
Occupancy and equipment	205	170	185	21%	11%	569	522	9%
Brokerage, clearing and exchange fees	231	212	237	9%	(3%)	692	605	14%
Information processing and communications	242	227	232	7%	4%	708	689	3%
Marketing and business development	143	107	137	34%	4%	391	339	15%
Professional services	334	218	291	53%	15%	878	588	49%
Other	268	156	462	72%	(42%)	952	896	6%
Total non-interest expenses	<u>3,578</u>	<u>2,835</u>	<u>4,269</u>	26%	(16%)	<u>11,584</u>	<u>9,793</u>	18%
Income from continuing operations before losses from unconsolidated investees, income taxes and dividends on preferred securities subject to mandatory redemption	952	1,583	1,505	(40%)	(37%)	4,005	3,370	19%
Losses from unconsolidated investees	77	105	81	(27%)	(5%)	251	175	43%
Dividends on preferred securities subject to mandatory redemption (2)	0	47	0	*	--	45	109	(59%)
Income before taxes and discontinued operations	<u>\$ 875</u>	<u>\$ 1,431</u>	<u>\$ 1,424</u>	(39%)	(39%)	<u>\$ 3,709</u>	<u>\$ 3,086</u>	20%
Compensation and benefits as a % of net revenues	48%	40%	47%			47%	47%	
Non-compensation expenses as a % of net revenues	31%	25%	27%			27%	28%	
Pre-tax profit margin (3)	21%	35%	26%			25%	25%	
Number of employees (4)	39,494	37,493	38,058	5%	4%			

(1) Includes the elimination of intersegment activity.

(2) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.

(3) Income before taxes and discontinued operations, excluding losses from unconsolidated investees, as a % of net revenues.

(4) Includes Institutional Securities, Individual Investor Group, Investment Management and Infrastructure/Company areas.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Credit Services Income Statement Information
(unaudited, dollars in millions)
(Managed loan basis)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003	
Fees:								
Merchant and cardmember	\$ 499	\$ 523	\$ 467	(5%)	7%	\$ 1,485	\$ 1,594	(7%)
Servicing	0	0	0	--	--	0	0	--
Other	(10)	19	16	*	*	41	108	(62%)
Total non-interest revenues	489	542	483	(10%)	1%	1,526	1,702	(10%)
Interest revenue	1,422	1,576	1,450	(10%)	(2%)	4,396	4,748	(7%)
Interest expense	337	391	337	(14%)	--	1,024	1,242	(18%)
Net interest income	1,085	1,185	1,113	(8%)	(3%)	3,372	3,506	(4%)
Provision for consumer loan losses	677	893	717	(24%)	(6%)	2,164	2,592	(17%)
Net credit income	408	292	396	40%	3%	1,208	914	32%
Net revenues	897	834	879	8%	2%	2,734	2,616	5%
Compensation and benefits	192	195	198	(2%)	(3%)	588	609	(3%)
Occupancy and equipment	23	21	21	10%	10%	65	60	8%
Information processing and communications	84	88	86	(5%)	(2%)	256	256	--
Marketing and business development	136	90	126	51%	8%	405	372	9%
Professional services	66	65	65	2%	2%	196	179	9%
Other	66	83	85	(20%)	(22%)	231	256	(10%)
Total non-interest expenses	567	542	581	5%	(2%)	1,741	1,732	1%
Income before taxes	\$ 330	\$ 292	\$ 298	13%	11%	\$ 993	\$ 884	12%
Compensation and benefits as a % of net revenues	21%	23%	23%			22%	23%	
Non-compensation expenses as a % of net revenues	42%	42%	44%			42%	43%	
Pre-tax profit margin (1)	37%	35%	34%			36%	34%	
Number of employees	13,318	14,712	13,522	(9%)	(2%)			

(1) Income before taxes as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

The following pages (F-16 - F-18) present a reconciliation for certain information disclosed on pages F-7, F-13 and F-15.

The data is presented on both a "managed" loan basis and as reported under generally accepted accounting principles ("owned" loan basis). Managed loan data assume that the Company's securitized loan receivables have not been sold and presents the results of securitized loan receivables in the same manner as the Company's owned loans. The Company operates its Credit Services business and analyzes its financial performance on a managed basis. Accordingly, underwriting and servicing standards are comparable for both owned and securitized loans. The Company believes that managed loan information is useful to investors because it provides information regarding the quality of loan origination and credit performance of the entire managed portfolio and allows investors to understand the related credit risks inherent in owned loans and retained interests in securitizations. In addition, investors often request information on a managed basis, which provides a more meaningful comparison to industry competitors.

MORGAN STANLEY
Financial Information and Statistical Data (1)
(unaudited, dollars in millions)

Quarter Ended Aug 31, 2004

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 18,471	\$ 17,787	10.45%	6.54%	5.36%	4.35%	2.01%
Securitized	28,655	29,086	12.44%	10.15%	6.01%	5.10%	2.35%
Managed	<u>\$ 47,126</u>	<u>\$ 46,873</u>	11.69%	8.83%	5.76%	4.81%	2.22%

Quarter Ended Aug 31, 2003

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 18,106	\$ 18,600	10.28%	6.05%	6.26%	5.28%	2.54%
Securitized	31,859	32,063	12.91%	10.52%	7.26%	6.48%	3.12%
Managed	<u>\$ 49,965</u>	<u>\$ 50,663</u>	11.94%	8.91%	6.90%	6.05%	2.91%

Quarter Ended May 31, 2004

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 17,506	\$ 16,202	9.93%	5.67%	6.02%	4.37%	2.15%
Securitized	29,322	30,727	12.91%	10.77%	6.73%	5.18%	2.55%
Managed	<u>\$ 46,828</u>	<u>\$ 46,929</u>	11.88%	9.06%	6.48%	4.88%	2.40%

(1) The tables provide a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, interest yield, interest spread, net charge-off rates, and 30- and 90-day delinquency rates) for the periods indicated.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Financial Information and Statistical Data (1)
(unaudited, dollars in millions)

Nine Months Ended Aug 31, 2004							
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
Owned	\$ 18,471	\$ 17,287	10.18%	6.11%	5.72%	4.35%	2.01%
Securitized	28,655	30,198	12.92%	10.71%	6.45%	5.10%	2.35%
Managed	<u>\$ 47,126</u>	<u>\$ 47,485</u>	11.93%	9.09%	6.19%	4.81%	2.22%

Nine Months Ended Aug 31, 2003							
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
Owned	\$ 18,106	\$ 19,991	10.00%	5.64%	5.90%	5.28%	2.54%
Securitized	31,859	31,546	13.10%	10.56%	6.91%	6.48%	3.12%
Managed	<u>\$ 49,965</u>	<u>\$ 51,537</u>	11.90%	8.69%	6.52%	6.05%	2.91%

(1) The tables provide a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, interest yield, interest spread, net charge-off rates, and 30- and 90-day delinquency rates) for the periods indicated.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Reconciliation of Managed Income Statement Data (1)
(unaudited, dollars in millions)

	Quarter Ended			Nine Months Ended	
	Aug 31, 2004	Aug 31, 2003	May 31, 2004	Aug 31, 2004	Aug 31, 2003
Merchant and cardmember fees:					
Owned	\$ 349	\$ 340	\$ 306	\$ 992	\$ 1,042
Securitization adjustment	150	183	161	493	552
Managed	<u>\$ 499</u>	<u>\$ 523</u>	<u>\$ 467</u>	<u>\$ 1,485</u>	<u>\$ 1,594</u>
Servicing fees:					
Owned	\$ 459	\$ 462	\$ 485	\$ 1,516	\$ 1,532
Securitization adjustment	(459)	(462)	(485)	(1,516)	(1,532)
Managed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other:					
Owned	\$ (5)	\$ 18	\$ 16	\$ 16	\$ 20
Securitization adjustment	(5)	1	-	25	88
Managed	<u>\$ (10)</u>	<u>\$ 19</u>	<u>\$ 16</u>	<u>\$ 41</u>	<u>\$ 108</u>
Interest revenue:					
Owned	\$ 496	\$ 515	\$ 435	\$ 1,411	\$ 1,604
Securitization adjustment	926	1,061	1,015	2,985	3,144
Managed	<u>\$ 1,422</u>	<u>\$ 1,576</u>	<u>\$ 1,450</u>	<u>\$ 4,396</u>	<u>\$ 4,748</u>
Interest expense:					
Owned	\$ 162	\$ 191	\$ 163	\$ 499	\$ 627
Securitization adjustment	175	200	174	525	615
Managed	<u>\$ 337</u>	<u>\$ 391</u>	<u>\$ 337</u>	<u>\$ 1,024</u>	<u>\$ 1,242</u>
Provision for consumer loan losses:					
Owned	\$ 240	\$ 310	\$ 200	\$ 702	\$ 955
Securitization adjustment	437	583	517	1,462	1,637
Managed	<u>\$ 677</u>	<u>\$ 893</u>	<u>\$ 717</u>	<u>\$ 2,164</u>	<u>\$ 2,592</u>

(1) The tables provide a reconciliation of certain managed and owned basis income statement data (merchant and cardmember fees, servicing fees, other revenue, interest revenue, interest expense and provision for consumer loan losses) for the periods indicated.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY

The following page (F-19) presents a reconciliation of adjusted assets.

Balance sheet leverage ratios are one indicator of capital adequacy when viewed in the context of a company's overall liquidity and capital policies. The Company views the adjusted leverage ratio as a more relevant measure of financial risk when comparing financial services firms and evaluating leverage trends. Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. In addition, the adjusted leverage ratio reflects the deduction from shareholders' equity of the amount of equity used to support goodwill and intangible assets, as the Company does not view this amount of equity as available to support its risk capital needs.

MORGAN STANLEY
Reconciliation of Adjusted Assets
(unaudited, dollars in millions, except ratios)

	Quarter Ended		
	Aug 31, 2004	Aug 31, 2003	May 31, 2004
Total assets	\$ 745,033	\$ 580,632	\$ 729,501
Less: Securities purchased under agreements to resell	(92,816)	(74,271)	(96,042)
Securities borrowed	(202,863)	(162,366)	(202,412)
Add: Financial instruments sold, not yet purchased	132,618	112,054	130,440
Less: Derivative contracts sold, not yet purchased	(39,425)	(36,008)	(41,615)
Subtotal	542,547	420,041	519,872
Less: Segregated customer cash and securities balances	(35,194)	(25,670)	(29,918)
Assets recorded under certain provisions of SFAS No. 140 and FIN 46	(40,057)	(28,920)	(40,279)
Goodwill and intangible assets	(2,191)	(1,466)	(1,531)
Adjusted assets	<u>\$ 465,105</u>	<u>\$ 363,985</u>	<u>\$ 448,144</u>
Shareholders' equity	\$ 27,420	\$ 23,707	\$ 27,002
Junior subordinated debt issued to capital trusts (1)	2,897	2,810	2,897
Subtotal	30,317	26,517	29,899
Less: Goodwill and intangible assets	(2,191)	(1,466)	(1,531)
Tangible shareholders' equity	<u>\$ 28,126</u>	<u>\$ 25,051</u>	<u>\$ 28,368</u>
Leverage ratio (2)	<u>26.5x</u>	<u>23.2x</u>	<u>25.7x</u>
Adjusted leverage ratio (3)	<u>16.5x</u>	<u>14.5x</u>	<u>15.8x</u>

(1) The Company views the junior subordinated debt issued to capital trusts as a component of its equity capital base given the inherent characteristics of the securities. These characteristics include the long dated nature (final maturity at issuance of thirty years extendable at the Company's option by a further nineteen years), the Company's ability to defer coupon interest for up to 20 consecutive quarters, and the subordinated nature of the obligations in the capital structure. The Company also receives rating agency equity credit for these securities.

(2) Leverage ratio equals total assets divided by tangible shareholders' equity.

(3) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.