BASE PROSPECTUS SUPPLEMENT FOR NOTES

Morgan Stanley

as issuer
(incorporated under
the laws of the State of Delaware in the United States of America)

MORGAN STANLEY (JERSEY) LIMITED
as issuer
(incorporated with limited liability in Jersey, Channel Islands)

MORGAN STANLEY B.V.
as issuer
(incorporated with limited liability in The Netherlands)

Program for the
Issuance of Notes, Series A and B

The Issuers, as defined below, have prepared this base prospectus supplement (the "**Base Prospectus Supplement**"), which constitutes and has been approved as a base prospectus supplement by the Irish Financial Services Regulatory Authority in its capacity as the Irish competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, to supplement and be read in conjunction with the base prospectus dated 22 June 2007 as supplemented by a base prospectus supplement dated 2 October 2007 and a base prospectus supplement dated 19 November 2007 prepared by the Issuers (the "**Base Prospectus**") (and any documents incorporated by reference therein and any supplements thereto) and used in connection with the program (the "**Program**") under which Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley (Jersey) Limited ("**Morgan Stanley Jersey**") and Morgan Stanley B.V. ("**MSBV**") (each, an "**Issuer**" and together, the "**Issuers**") may offer from time to time Series A Notes and Series B Notes (together, the "**Notes**").

Application has been made to the Irish Financial Services Regulatory Authority (the "**IFSRA**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") for this Base Prospectus Supplement to be approved. This document constitutes a base prospectus supplement for the purposes of the Prospectus Directive.

On 19 December 2007, Morgan Stanley filed a Form 8-K with the Securities and Exchange Commission providing updated financial information with relation to Morgan Stanley, the text of which is set out in Appendix 1 to this document. Copies of such Form 8-K will be made available for inspection at the offices of the parties at whose offices documents are to be available for inspection as identified in "General Information" in the Base Prospectus dated 22 June 2007. The exhibit to the Form 8-K forms part of this Base Prospectus Supplement.

On 19 December 2007, Standard & Poor's Ratings Services placed its ratings on Morgan Stanley ("AA-/A-1+") and all related entities on CreditWatch with negative implications. On 19 December 2007, Moody's Investors Service ("**Moody's**") affirmed all ratings of Morgan Stanley including Morgan Stanley's "Aa3" senior unsecured and "Prime-1" short-term ratings. According to Moody's, Morgan Stanley's outlook remains negative. On 19 December 2007, Fitch Ratings ("**Fitch**") affirmed the long- and short-term Issuer

Default Ratings ("**IDR**") of Morgan Stanley and all related ratings, including those of its subsidiaries. According to Fitch, the Rating Outlook remains negative. Fitch has affirmed the long-term IDR of Morgan Stanley at "AA-" and the short-term IDR at "F1+".

To the extent that there is any inconsistency between any statement in this Base Prospectus Supplement and any other statement in or incorporated by reference in the Base Prospectus, the statements in this Base Prospectus Supplement will prevail.

Save as disclosed in this Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus.

Each Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuers (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus Supplement is available for viewing, and copies may be obtained from, the offices of the Issuers and the Paying Agents.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED).

Neither the Issuers nor Morgan Stanley & Co. International Plc, as agent for the Notes, has or will take any action in any country or jurisdiction that would permit a public offering of the Notes or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes this Base Prospectus Supplement, the Base Prospectus or any accompanying Final Terms.

MORGAN STANLEY

20 December 2007

Appendix 1

Form 8-K

8-K 1 a5568797.htm MORGAN STANLEY 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 19, 2007

Morgan Stanley

(Exact name of Registrant as specified in its charter)

Delaware	1-11758	36-3145972
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1585 Broadway, New York, New York 10036

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (212) 761-4000

(Former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On December 19, 2007, Morgan Stanley (the "Registrant") released financial information with respect to its fiscal year and quarter ended November 30, 2007. A copy of the press release containing this information is annexed as Exhibit 99.1 to this Report and by this reference incorporated herein and made a part hereof. In addition, a copy of the Registrant's Financial Data Supplement for its fiscal year and quarter ended November 30, 2007 is annexed as Exhibit 99.2 to this Report and by this reference incorporated herein and made a part hereof.

The information furnished under Item 2.02 of this Report, including Exhibit 99.1 and Exhibit 99.2, shall be deemed to be "filed" for purposes of the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits

99.1 Press release of the Registrant dated December 19, 2007 containing financial information for the fourth quarter ended November 30, 2007.

99.2 Quarterly Financial Data Supplement of the Registrant for the fourth quarter ended November 30, 2007.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

MORGAN STANLEY
(Registrant)

By: /s/ Paul C. Wirth

Paul C. Wirth
Controller and Principal Accounting Officer

Dated: December 19, 2007

EX-99.1 3 a5568797ex991.htm EXHIBIT 99.1

Contact:	Media Relations	Investor Relations
	Jeanmarie McFadden	William Pike
	212-762-6901	212-761-0008

Morgan Stanley

Exhibit 99.1

Morgan Stanley Reports Fourth Quarter and Full Year Results

Full Year Net Revenues of $28.0 Billion and EPS from Continuing Operations of $2.37

Record Full Year Results in Investment Banking, Equities and Asset Management; Global Wealth Management PBT Increases 127 Percent from 2006

Fourth Quarter Results Reflect an Additional $5.7 Billion of Mortgage Related Writedowns in November Beyond Those Previously Announced as of October 31

Firm Further Bolsters Its Strong Capital Position With a Long-Term Investment of Approximately $5 Billion from China Investment Corporation

Firm Also Has Moved Aggressively to Put in Place New Senior Leadership, Consolidate Proprietary Trading Activities and Further Enhance Risk Management

NEW YORK, December 19, 2007 – Morgan Stanley (NYSE: MS) today reported income from continuing operations for the fiscal year ended November 30, 2007 of $2,563 million, or $2.37 per diluted share, compared with $6,335 million, or $5.99 per diluted share, a year ago. Net revenues of $28.0 billion were the second highest in Firm history, although they decreased 6 percent from the record revenues of $29.8 billion in 2006. Non-interest expenses of $24.6 billion were 19 percent above 2006. The return on average common equity from continuing operations was 7.8 percent, compared with 23.8 percent the prior year.

The additional $5.7 billion writedown of U.S. subprime, and other mortgage related exposures in November, and the $3.7 billion writedown as of October 31 (as announced on November 7), result in a total fourth quarter writedown of approximately $9.4 billion. In total, these writedowns reduced full year earnings per diluted share from continuing operations and the return on average common equity from continuing operations by approximately $5.80 and 19 percentage points, respectively.

The loss from continuing operations for the fourth quarter was $3,588 million, or $3.61 per diluted share, compared with income from continuing operations of $1,982 million, or $1.87 per diluted share, in the fourth quarter of 2006. Net revenues were negative $450 million, compared with $7,849 million in last year's fourth quarter. Non-interest expenses of $5.4 billion increased 3 percent from last year.
Net income for the year was $3,209 million, or $2.98 per diluted share, compared with $7,472 million, or $7.07 per diluted share, a year ago. The return on average common equity for the year was 8.9 percent compared with 23.5 percent a year ago. For the quarter, the net loss was $3,588 million, or $3.61 per diluted share, compared with net income of $2,206 million, or $2.08 per diluted share, in the fourth quarter of 2006. The results for Discover Financial Services prior to its spin-off on June 30, 2007 are reported in discontinued operations on an after-tax basis.

Full Year Business Highlights

Morgan Stanley, with the exception of its mortgage related businesses, delivered exceptionally strong performance this year:

- Investment Banking revenues increased 31 percent from last year to a record $5.5 billion. Advisory revenues were a record $2.5 billion, up 45 percent from last year, and underwriting revenues increased 21 percent to a record $3.0 billion. Morgan Stanley ranked #1 in Global Completed M&A and #2 in Global Announced M&A.[1]
- Equity sales and trading delivered its best full-year results ever, with net revenues for the year increasing 38 percent to a record $8.7 billion. This reflected record results in both derivatives and prime brokerage, driven in part by our continued investment in these businesses. Equity underwriting revenues increased 48 percent to a record $1.6 billion.
- Fixed income sales and trading achieved record results in interest rate & currency products, up 62 percent from last year, and our second best year ever in commodities, although this strong performance was more than offset by the mortgage related writedowns noted above. Fixed income underwriting revenues of $1.4 billion were a record.
- Global Wealth Management net revenues were $6.6 billion and pre-tax income was $1.2 billion, a 127 percent increase from 2006. Pre-tax margin for the year and the fourth quarter of 17 percent and 21 percent, respectively, were the highest annual and quarterly margins since 2000. This business also achieved record annualized productivity per global representative of $853,000 in the quarter while increasing global representatives by 6 percent over the past year, and generated strong client inflows of $40 billion in the year. The Firm has also named Ellyn A. McColgan President and Chief Operating Officer of Global Wealth Management effective April 2008.
- Asset Management delivered its best year ever, with assets under management of $597 billion, up $101 billion from a year ago, and record net inflows of $35.0 billion for the year compared with net outflows of $9.3 billion a year ago. Pre-tax income increased 72 percent to a record $1.5 billion.
- The Firm's international businesses achieved record revenues of $15.9 billion, up 44 percent from last year, on strong results across Europe, Asia and the emerging markets.
- As a result of the December 12, 2007, Florida Supreme Court order regarding the Coleman litigation, the Company has reversed its reserve of $360 million during the quarter.

John J. Mack, Chairman and CEO, said, "The writedown Morgan Stanley took this quarter is deeply disappointing – to me, to our colleagues, to our Board and to our shareholders. Ultimately, accountability for our results rests with me, and I believe in pay for performance, so I've told our compensation committee that I will not accept a bonus for 2007. Across the Firm, we have moved aggressively to make the necessary changes, and these isolated losses by a small trading team in one part of the Firm should not overshadow the momentum we see in virtually all of our other businesses. In 2007, Morgan Stanley delivered record results in Investment Banking, Equities and Asset Management, and pre-tax income more than doubled in Global Wealth Management. We have put in place a new leadership team that has the right skills to help us build on that strong performance and realize the tremendous opportunities across Morgan Stanley's world-class franchise. As we look to drive growth and profitability, we also have consolidated our proprietary trading activities, further enhanced our risk management function and bolstered our already strong capital position with a long-term investment from China Investment Corporation. While market conditions are likely to be challenging, we are moving forward with an intense focus on continuing to build our global platform and delivering value for our clients and our shareholders."

Firm Further Bolsters Its Strong Capital Position With a Long-Term Investment of Approximately $5 Billion from China Investment Corporation

Morgan Stanley also said that it has entered into an agreement with China Investment Corporation Ltd. ("CIC"), as a long-term financial investor to issue new capital of approximately $5 billion through Equity Units with mandatory conversion into common stock. These Equity Units will help to further bolster the Firm's strong capital position and enhance growth opportunities globally, while also building on Morgan Stanley's deep historic ties and market leadership in China.

Mr. Mack said, "Morgan Stanley has a long-standing commitment to China and has built a clear leadership position in the region, having helped raise $45 billion for Chinese clients in the international capital markets since 2000. We are delighted to welcome CIC as a long-term investor in Morgan Stanley, and believe it is an important step in increasing the flow of capital between our countries and across these increasingly critical markets.

"The investments we've made in China over the past two years have helped strengthen our global platform and financial performance. The investment from CIC will help to strengthen our deep ties in these growth markets and ensure that Morgan Stanley has the resources necessary to pursue growth opportunities globally across our Institutional Securities, Global Wealth Management and Asset Management businesses into 2008 and beyond."

CIC's ownership in Morgan Stanley's common shares, including the conversion of these Equity Units, will be 9.9 percent or less of Morgan Stanley's total shares outstanding. CIC will be a passive financial investor. CIC will have no special rights of ownership and no role in the management of Morgan Stanley, including no right to designate a member of the Firm's Board of Directors.

Each Equity Unit is mandatorily convertible into Morgan Stanley shares at prices between a reference price and a threshold price at a premium of 20 percent to the reference price. The reference price will be determined the week of December 17, 2007. The Equity Units convert to Morgan Stanley common shares on August 17, 2010, subject to adjustment of the stock purchase date. Each Equity Unit will pay a fixed annual payment rate of 9 percent, payable quarterly.

Actions to Address Disruption in Mortgage Securities Market and Build on Momentum Across Business

Morgan Stanley has taken a number of actions to address the disruption in the mortgage securities market and continue building on the momentum across most of its businesses, including:

- Putting in place new senior leaders, including appointing Walid Chammah and James Gorman as Co-Presidents, naming Michael Petrick as Global Head of Sales and Trading and making a series of other management changes throughout the Institutional Securities business;
- Further enhancing the Firm's risk management function by strengthening staffing and having it report directly to Chief Financial Officer, Colm Kelleher, and creating a new, additional risk monitoring function within the trading business, which will report to Mr. Petrick; and
- Consolidating all of the Firm's proprietary trading activities under common leadership, reporting to Mr. Petrick

Fourth Quarter Writedowns Reflects Continued Deterioration in the Mortgage Markets

During the fourth quarter, the Firm recognized a total of $9.4 billion in mortgage related writedowns as a result of the continued deterioration and lack of liquidity in the market for subprime and other mortgage related securities since August 2007. Of this total, $7.8 billion represents writedowns of the Firm's U.S. subprime trading positions (including the $3.7 billion writedown of subprime assets announced on November 7, based on valuations as of October 31). As indicated at the time of that announcement, year-end valuations depended on subsequent market conditions. Our valuation of this position as of November 30 takes into consideration a variety of inputs including observable trades, the continued deterioration in market conditions, the decline in the ABX Indices, other market developments, including mortgage remittances and updated cumulative loss data. The Firm's remaining direct net U.S. subprime exposure is $1.8 billion at November 30, down from $10.4 billion at August 31. The value of these positions remains subject to mark-to-market volatility. An updated schedule defining and detailing the Firm's direct U.S. subprime net exposure is included in the financial supplement.

In addition, the Firm's $9.4 billion in mortgage related writedowns also includes $1.2 billion of writedowns related to European Non-Conforming Loans, CMBS, ALT-A, and Non-Performing and Other Loans.

The writedowns also included an additional $0.4 billion related to securities in the Firm's subsidiary banks[2] classified as "available for sale". The portfolios have been redesignated as trading effective November 30, 2007 and all future valuation adjustments will be marked-to-market through the income statement. All of the securities in these portfolios are exclusively AAA-rated residential mortgage-backed securities, and the portfolios contain no subprime whole loans, subprime residuals or CDOs.

INSTITUTIONAL SECURITIES

FULL YEAR

Institutional Securities reported pre-tax income[3] of $817 million, an 89 percent decrease from 2006. Net revenues decreased 24 percent to $16.1 billion as record results in equity sales and trading, advisory and underwriting were more than offset by lower results in fixed income sales and trading. The year's pre-tax margin was 5 percent compared with 37 percent in 2006 and the full year return on average common equity was 4 percent compared with 30 percent in the prior year.

- Advisory revenues rose 45 percent from last year to a record $2.5 billion. Record underwriting revenues of $3.0 billion increased 21 percent from last year. Record equity underwriting revenues rose 48 percent to $1.6 billion and record fixed income underwriting revenues of $1.4 billion increased 1 percent from the prior year.
- For the calendar year-to-date, the Company ranked first in global completed M&A with a 37 percent market share, second in global announced M&A with a 33 percent market share, third in global IPOs with an 8 percent market share, fifth in global equity and equity-related issuances with a 7 percent market share and fifth in global debt issuance with a 5 percent market share.[1]
- Fixed income sales and trading revenues were $0.7 billion, down 93 percent from 2006 reflecting significant losses in credit products resulting from the mortgage related writedowns. The year included record results in interest rate & currency products reflecting stronger revenues in interest rates, emerging markets and foreign exchange. Commodities revenues declined from last year's record on lower trading results in oil liquids, electricity and natural gas. Last year's commodities results also benefited from revenue recognized on structured transactions. Fixed income sales and trading also benefited by approximately $450 million from the widening of Morgan Stanley's credit spreads on certain long-term debt.
- Equity sales and trading revenues were a record $8.7 billion, a 38 percent increase from the prior year. Record international results contributed to record derivatives and prime brokerage net revenues and strong results in cash equities that were partly offset by lower trading revenues in quantitative strategies. Equity sales and trading also benefited by approximately $390 million from the widening of Morgan Stanley's credit spreads on certain long-term debt.
- Other sales and trading losses of approximately $1.2 billion reflected loans and commitments largely related to acquisition financing to non-investment grade companies and the writedown of securities in the Firm's subsidiary banks[2] noted above.
- Principal investment gains were $1,459 million for the year compared with $1,081 million in 2006. Significant gains resulted from investment revenue associated with returns in our employee deferred compensation and co-investment plans, Grifols S.A. and Bovespa Holding S.A.
- Non-interest expenses rose 15 percent from the prior year to $15.3 billion. Non-compensation expenses increased from a year ago as higher levels of business activity, business investment and operating expenses associated with Saxon Capital, Inc., TransMontaigne and Heidenreich Marine, Inc. were partly offset by the reversal of the Coleman litigation reserve. Compensation costs were also higher. Excluding the reversal of the Coleman litigation reserve, non-interest expenses increased 17 percent over the prior year.

FOURTH QUARTER

Institutional Securities posted a pre-tax loss of $6,479 million, down from $2,200 million of pre-tax income in the fourth quarter of 2006 primarily reflecting the mortgage related writedowns noted above. Net revenues were a loss of $3.4 billion compared with net revenues of $5.5 billion a year ago.

- Record advisory revenues were $779 million, a 30 percent increase from last year's fourth quarter.
- Underwriting revenues of $584 million decreased 18 percent from last year's fourth quarter. Equity underwriting revenues were $348 million, a 37 percent increase from the prior year's fourth quarter and fixed income underwriting revenues decreased 48 percent to $236 million over the same period.
- Fixed income sales and trading recorded a net loss of $7.9 billion, compared with net revenues of $2.3 billion in the fourth quarter of 2006 reflecting the mortgage related writedowns. Commodities results were also lower reflecting unfavorable positioning in oil liquids and electricity and fewer structured transactions. Interest rate & currency products benefited from higher levels of volatility which resulted in higher net revenues in interest rates, emerging markets and foreign exchange.
- Record equity sales and trading net revenues were $2.5 billion, an increase of 72 percent from last year's fourth quarter. Increased trading results and strong client flows across both the cash and derivatives markets drove revenues higher. Prime brokerage revenues, while down slightly from the record results in the third quarter, increased significantly from last year's fourth quarter.
- Investment revenues were $496 million compared with $335 million in the fourth quarter of last year. Significant gains resulted from investment revenue associated with returns in our employee deferred compensation and co-investment plans and Bovespa Holding S.A.
- The Company's aggregate average trading VaR measured at the 95 percent confidence level was $89 million compared with $61 million in the fourth quarter of 2006 and $87 million in the third quarter of 2007. Total aggregate average trading and non-trading VaR was $98 million compared with $67 million in the fourth quarter of 2006 and $91 million in the third quarter of 2007. At quarter-end, the Company's aggregate trading VaR was $78 million, and the aggregate trading and non-trading VaR was $83 million, down from $81 million and $84 million, respectively, at the end of this year's third quarter.
- Non-interest expenses were $3.1 billion, a decrease of 7 percent from the fourth quarter of last year. Compensation costs decreased from last year's fourth quarter reflecting lower revenues. Non-compensation expenses increased from a year ago as higher levels of business activity and business investment were partly offset by the reversal of the Coleman litigation reserve. Excluding the reversal of the Coleman litigation reserve, non-interest expenses increased 4 percent from a year ago.

GLOBAL WEALTH MANAGEMENT GROUP

FULL YEAR

Global Wealth Management reported pre-tax income of $1,155 million compared with last year's $508 million. The year's pre-tax margin was 17 percent compared with 9 percent in 2006 and the return on average common equity was 41 percent compared with 11 percent last year, reflecting the increase in net income and lower capital required for this business.

- Net revenues of $6.6 billion were up 20 percent from 2006 driven by stronger transactional revenues including higher revenues from underwriting activity, higher asset management revenues resulting from growth in fee-based products and higher net interest revenue from growth in the bank deposit sweep program.
- Total non-interest expenses were up 9 percent from a year ago to $5.5 billion. The increase was driven by higher compensation costs primarily due to higher revenues, partially offset by lower non-compensation expenses primarily due to lower charges for legal and regulatory matters and continued cost discipline across the business.

FOURTH QUARTER

Global Wealth Management Group's pre-tax income for the fourth quarter was $378 million, a 124 percent increase from $169 million in the fourth quarter of last year. The quarter's pre-tax margin was 21 percent compared with 12 percent in last year's fourth quarter. The quarter's return on average common equity was 52 percent compared with 17 percent a year ago, reflecting the increase in net income and lower capital required for this business.

- Net revenues of $1.8 billion were up 23 percent from a year ago reflecting stronger transactional revenues, higher asset management revenues resulting from growth in fee-based products and higher net interest revenue from growth in the bank deposit sweep program.
- Non-interest expenses were $1.4 billion, up 10 percent from a year ago. Compensation costs increased from a year ago, primarily reflecting higher revenues and investment in the business. Non-compensation expenses increased modestly from a year ago primarily reflecting higher levels of business activity.
- Total client assets were $758 billion, a 12 percent increase from last year's fourth quarter. Client assets in fee-based accounts rose 3 percent to $201 billion over the last 12 months and represent 27 percent of total assets.
- The 8,429 global representatives at quarter-end achieved record average annualized revenue per global representative of $853,000 and record total client assets per global representative of $90 million.

ASSET MANAGEMENT

FULL YEAR

Asset Management's pre-tax income was $1,467 million, a 72 percent increase from last year's $851 million. The year's pre-tax margin was 27 percent compared with 25 percent a year ago. Full year return on average common equity was 26 percent, up from 21 percent in the prior year.

- Net revenues rose 59 percent to $5.5 billion primarily reflecting significantly higher investment revenues, principally in the merchant banking business[4], including revenues associated with employee deferred compensation and co-investment plans. The increase was also driven by higher asset management and administration fees due to an increase in assets under management, a more favorable asset mix and higher performance fees primarily reflecting growth in the alternatives business, including FrontPoint Partners.
- Non-interest expenses increased 55 percent to $4.0 billion primarily resulting from increased compensation costs reflecting expenses associated with deferred compensation plans, higher levels of business investment and higher revenues. Non-compensation expenses increased from last year due to higher sub-advisory fees related to the acquisition of FrontPoint Partners and higher levels of business investment and activity.

FOURTH QUARTER

Asset Management's pre-tax income for the fourth quarter was $294 million compared with $268 million in the fourth quarter of last year. The quarter's pre-tax margin was 24 percent compared with 28 percent a year ago and the return on average common equity was 18 percent compared with 23 percent in last year's fourth quarter. The results for the quarter include losses of approximately $129 million related to securities issued by structured investment vehicles (SIV losses) held by Asset Management.

- Net revenues increased 29 percent to $1.3 billion from last year's fourth quarter primarily reflecting higher asset management and administration fees due to an increase in assets under management and higher performance fees from the alternatives business, including FrontPoint Partners. Investment revenues, including revenues associated with employee deferred compensation and co-investment plans, increased from a year ago as higher gains in the Private Equity business were partially offset by lower results in Real Estate. Trading results reflect the SIV losses noted above.
- Non-interest expenses increased 36 percent to $1.0 billion from a year ago driven by higher compensation costs resulting from increased revenues including employee deferred compensation and co-investment plans mentioned above. Non-compensation expenses increased from last year due to higher levels of business activity and operating costs associated with FrontPoint Partners.
- Asset Management recorded net customer inflows of $0.4 billion for the quarter. Positive long-term flows, primarily from the Non-US distribution channel, totaled $5.6 billion, the fifth consecutive quarter of long-term inflows. Short-term outflows totaled $5.2 billion. Institutional outflows of $2.9 billion were driven by an expected $5.2 billion client outflow gained in the prior quarter.
- Assets under management or supervision at November 30, 2007 were a record $597 billion, up $101 billion, or 20 percent, from a year ago, driven by increases in alternative, equity and institutional money market asset classes. These increases primarily resulted from market appreciation and net customer inflows.
- The percent of the Company's long-term fund assets performing in the top half of the Lipper rankings was 49 percent over one year, 56 percent over three years, 73 percent over five years and 78 percent over 10 years.

OTHER MATTERS

The annual effective tax rate from continuing operations for fiscal 2007 was 24.5 percent, down from 30.1 percent a year ago primarily reflecting lower earnings which increased the effect of permanent differences. The prior year included an income tax benefit resulting from the outcome of a federal tax audit. Excluding this benefit, the annual effective tax rate from continuing operations for 2006 would have been 32.8 percent.

As of November 30, 2007, the Company repurchased approximately 52 million shares of its common stock since the end of fiscal 2006.

The Firm's Tier 1 equity and common equity averaged $32.3 billion and $32.9 billion, respectively for the quarter and $29.4 billion and $30.2 billion, respectively at November 30, 2007. The Firm's economic capital model is based on a going concern approach that assigns economic capital to each segment based on regulatory capital usage plus additional capital for stress losses, goodwill and principal investment risk to ensure that the amount of capital at the Firm supports the risks of our business activities. While the Firm continues to maintain total capital levels which significantly exceed regulatory capital requirements, at quarter end because of the loss for the quarter and the increase in the capital assigned to the Institutional Securities segment, the Firm's unallocated economic capital was a negative $4.1 billion. We believe in being strongly capitalized to ensure we can take advantage of business opportunities as they arise in addition to meeting the requirements of regulators. The long-term capital investment of approximately $5 billion from CIC will further strengthen the Firm's capital position and allow us to meet these objectives.

During the quarter, the Company completed an initial public offering of a minority interest in its MSCI business.

The Company announced that its Board of Directors declared a $0.27 quarterly dividend per common share. The dividend is payable on January 31, 2008, to common shareholders of record on January 11, 2008. The Company also announced that its Board of Directors declared a quarterly dividend of $379.66 per share of Series A Floating Rate Non-Cumulative Preferred Stock (represented by depositary shares, each representing 1/1,000th interest in a share of preferred stock and each having a dividend of $0.37966) to be paid on January 15, 2008 to preferred shareholders of record on December 31, 2007.

Total capital as of November 30, 2007 was $193.7 billion, including $36.1 billion of common shareholders' equity, preferred equity and junior subordinated debt issued to capital trusts. Book value per common share was $28.56, based on 1.1 billion shares outstanding.

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. The Firm's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 600 offices in 33 countries. For further information about Morgan Stanley, please visit www.morganstanley.com.

A financial summary follows. Financial, statistical and business-related information, as well as information regarding business and segment trends, is included in the Financial Supplement. Both the earnings release and the Financial Supplement are available online in the Investor Relations section at www.morganstanley.com.

# # #

(See Attached Schedules)

The information above contains forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of additional risks and uncertainties that may affect the future results of the Company, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Competition" and "Regulation" in Part I, Item 1, "Risk Factors" in Part I, Item 1A and "Certain Factors Affecting Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2006 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in the Company's Quarterly Reports on Forms 10-Q and other items throughout the Form 10-K, Forms 10-Q and the Company's Current Reports on Form 8-K.

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[1] Source: Thomson Financial – for the period of January 1, 2007 to November 30, 2007.

[2] Includes Morgan Stanley Bank (Utah) and Morgan Stanley Trust FSB.

[3] Represents income / (loss) from continuing operations before gains / (losses) from unconsolidated investees and taxes.

[4] The merchant banking business includes the Real Estate, Private Equity and Infrastructure businesses.

MORGAN STANLEY
Quarterly Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentag
	Nov 30, 2007	Nov 30, 2006	Aug 31, 2007	Nov 30, 2006	Aug 31, 2007	Nov 30, 2007	Nov 30, 2006	Change
Net revenues								
Institutional Securities	$ (3,425)	$ 5,475	$ 4,983	(163%)	(169%)	$ 16,149	$ 21,110	(2
Global Wealth Management Group	1,789	1,452	1,683	23%	6%	6,625	5,512	2
Asset Management	1,252	973	1,364	29%	(8%)	5,493	3,453	5
Intersegment Eliminations	(66)	(51)	(72)	(29%)	8%	(241)	(236)	(
Consolidated net revenues	$ (450)	$ 7,849	$ 7,958	(106%)	(106%)	$ 28,026	$ 29,839	(
Income/(loss) before taxes (1)								
Institutional Securities	$ (6,479)	$ 2,200	$ 1,501	*	*	$ 817	$ 7,721	(8
Global Wealth Management Group	378	169	287	124%	32%	1,155	508	12
Asset Management	294	268	491	10%	(40%)	1,467	851	7
Intersegment Eliminations	3	11	(14)	(73%)	121%	2	23	(9
Consolidated income / (loss) before taxes	$ (5,804)	$ 2,648	$ 2,265	*	*	$ 3,441	$ 9,103	(6
Earnings per basic share:								
Income from continuing operations	$ (3.61)	$ 1.97	$ 1.45	*	*	$ 2.49	$ 6.25	(6
Discontinued operations (2)	$ -	$ 0.22	$ 0.07	*	*	$ 0.64	$ 1.13	(4.
Earnings per basic share	$ (3.61)	$ 2.19	$ 1.52	*	*	$ 3.13	$ 7.38	(5
Earnings per diluted share:								
Income from continuing operations	$ (3.61)	$ 1.87	$ 1.38	*	*	$ 2.37	$ 5.99	(6
Discontinued operations (2)	$ -	$ 0.21	$ 0.06	*	*	$ 0.61	$ 1.08	(4
Earnings per diluted share	$ (3.61)	$ 2.08	$ 1.44	*	*	$ 2.98	$ 7.07	(5
Average common shares outstanding(3)								
Basic	999,553,568	997,892,310	1,002,330,181			1,001,878,651	1,010,254,255	
Diluted	999,553,568	1,052,831,345	1,057,495,875			1,054,240,169	1,054,796,062	
Period end common shares outstanding	1,056,289,659	1,048,877,006	1,062,450,986			1,056,289,659	1,048,877,006	
Return on average common equity from continuing operations	*	27.8%	17.2%			7.8%	23.8%	
Return on average common equity	*	26.0%	17.1%			8.9%	23.5%	

(1) Represents consolidated income / (loss) from continuing operations before gain / (loss) from unconsolidated investees, taxes and gain / (loss) from discontinued operations.
(2) All periods have been restated to include the results of Discover Financial Services in discontinued operations.
(3) 2007 is affected by the loss reported for the quarter ended November 30, 2007. As a result of this loss, basic and diluted shares outstanding are equal for this period.

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

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2007	Nov 30, 2006	Aug 31, 2007	Nov 30, 2006	Aug 31, 2007	Nov 30, 2007	Nov 30, 2006	Change
Investment banking	$ 1,569	$ 1,503	$ 1,659	4%	(5%)	$ 6,368	$ 4,755	34%
Principal transactions:								
Trading	(7,171)	2,317	1,381	*	*	3,206	11,805	(73%)
Investments	820	578	558	42%	47%	3,262	1,807	81%
Commissions	1,290	976	1,264	32%	2%	4,682	3,770	24%
Asset management, distribution and admin. fees	1,743	1,337	1,701	30%	2%	6,519	5,238	24%
Interest and dividends	16,107	11,293	14,405	43%	12%	60,083	42,776	40%
Other	353	218	262	62%	35%	1,208	585	106%
Total revenues	14,711	18,222	21,230	(19%)	(31%)	85,328	70,736	21%
Interest expense	15,161	10,373	13,272	46%	14%	57,302	40,897	40%
Net revenues	(450)	7,849	7,958	(106%)	(106%)	28,026	29,839	(6%)
Compensation and benefits	3,187	3,304	3,596	(4%)	(11%)	16,552	13,986	18%
Occupancy and equipment	312	254	279	23%	12%	1,130	912	24%
Brokerage, clearing and exchange fees	470	334	459	41%	2%	1,656	1,305	27%
Information processing and communications	328	284	302	15%	9%	1,193	1,089	10%
Marketing and business development	271	221	190	23%	43%	813	643	26%
Professional services	676	608	507	11%	33%	2,112	1,889	12%
Other	110	196	360	(44%)	(69%)	1,129	912	24%
Non-comp expenses sub-total	2,167	1,897	2,097	14%	3%	8,033	6,750	19%
Total non-interest expenses	5,354	5,201	5,693	3%	(6%)	24,585	20,736	19%
Income / (loss) from continuing operations before gain / (loss) from unconsolidated investees and taxes	(5,804)	2,648	2,265	*	*	3,441	9,103	(62%)
Gain / (loss) from unconsolidated investees	18	(65)	(19)	128%	195%	(47)	(40)	(18%)
Provision / (benefit) for income taxes	(2,198)	601	772	*	*	831	2,728	(70%)
Income / (loss) from continuing operations	(3,588)	1,982	1,474	*	*	2,563	6,335	(60%)
Discontinued operations [(1)]								
Gain / (loss) from discontinued operations	0	231	111	*	*	1,024	1,666	(39%)
Income tax provision / (benefit)	0	7	42	*	*	378	529	(29%)
Gain / (loss) from discontinued operations	0	224	69	*	*	646	1,137	(43%)
Net income / (loss)	$ (3,588)	$ 2,206	$ 1,543	*	*	$ 3,209	$ 7,472	(57%)
Preferred stock dividend requirements	$ 17	$ 19	$ 17	(11%)	--	$ 68	$ 19	*
Earnings / (loss) applicable to common shareholders	$ (3,605)	$ 2,187	$ 1,526	*	*	$ 3,141	$ 7,453	(58%)
Return on average common equity from continuing operations	*	27.8%	17.2%			7.8%	23.8%	
Return on average common equity	*	26.0%	17.1%			8.9%	23.5%	
Pre-tax profit margin [(2)]	*	34%	29%			12%	31%	
Compensation and benefits as a % of net revenues	*	42%	45%			59%	47%	

(1) All periods have been restated to include the results of Discover Financial Services in discontinued operations.
(2) Income / (loss) before taxes, excluding gain / (loss) from unconsolidated investees, as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

EX-99.2 4 a5568797ex992.htm EXHIBIT 99.2

Morgan Stanley

Exhibit 99.2

MORGAN STANLEY
Financial Supplement - 4Q 2007
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MORGAN STANLEY
Quarterly Financial Summary
(unaudited, dollars in millions)

	Quarter Ended								Percen Chan Fror
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06
Net revenues									
Institutional Securities	$ 5,436	$ 5,305	$ 4,894	$ 5,475	$ 7,162	$ 7,429	$ 4,983	$ (3,425)	(163%)
Global Wealth Management Group	1,289	1,400	1,371	1,452	1,511	1,642	1,683	1,789	23%
Asset Management	737	898	845	973	1,368	1,509	1,364	1,252	29%
Intersegment Eliminations	(49)	(90)	(46)	(51)	(47)	(56)	(72)	(66)	(29%)
Consolidated net revenues	$ 7,413	$ 7,513	$ 7,064	$ 7,849	$ 9,994	$ 10,524	$ 7,958	$ (450)	(106%)
Income/(loss) before taxes (1)									
Institutional Securities	$ 1,707	$ 1,899	$ 1,915	$ 2,200	$ 2,845	$ 2,950	$ 1,501	$ (6,479)	*
Global Wealth Management Group	20	158	161	169	226	264	287	378	124%
Asset Management	166	262	155	268	379	303	491	294	10%
Intersegment Eliminations	17	(18)	13	11	6	7	(14)	3	(73%)
Consolidated income / (loss) before taxes	$ 1,910	$ 2,301	$ 2,244	$ 2,648	$ 3,456	$ 3,524	$ 2,265	$ (5,804)	*
Earnings per basic share: (2)									
Income from continuing operations	$ 1.26	$ 1.46	$ 1.57	$ 1.97	$ 2.28	$ 2.35	$ 1.45	$ (3.61)	*
Discontinued operations (3)	$ 0.28	$ 0.36	$ 0.26	$ 0.22	$ 0.35	$ 0.22	$ 0.07	$ -	*
Earnings per basic share	$ 1.54	$ 1.82	$ 1.83	$ 2.19	$ 2.63	$ 2.57	$ 1.52	$ (3.61)	*
Earnings per diluted share: (2)									
Income from continuing operations	$ 1.21	$ 1.40	$ 1.50	$ 1.87	$ 2.17	$ 2.24	$ 1.38	$ (3.61)	*
Discontinued operations (3)	$ 0.27	$ 0.35	$ 0.25	$ 0.21	$ 0.34	$ 0.21	$ 0.06	$ -	*
Earnings per diluted share	$ 1.48	$ 1.75	$ 1.75	$ 2.08	$ 2.51	$ 2.45	$ 1.44	$ (3.61)	*
Average common shares outstanding (2)									
Basic	1,020,041,181	1,013,241,715	1,010,468,365	997,892,310	1,009,186,993	996,544,761	1,002,330,181	999,553,568	
Diluted	1,061,764,798	1,054,733,745	1,055,664,392	1,052,831,345	1,057,912,545	1,045,643,087	1,057,495,875	999,553,568	
Period end common shares outstanding	1,070,407,513	1,071,786,172	1,058,664,567	1,048,877,006	1,061,644,077	1,051,690,047	1,062,450,986	1,056,289,659	
Return on average common equity from continuing operations	20.9%	22.8%	23.3%	27.8%	30.9%	29.4%	17.2%	*	
Return on average common equity	21.3%	23.7%	22.7%	26.0%	29.9%	27.4%	17.1%	*	

(1) Represents consolidated income / (loss) from continuing operations before gain / (loss) from unconsolidated investees, taxes and gain / (loss) from discontinued operations.

(2) Summation of the quarters' earnings per common share may not equal the annual amounts due to the averaging effect of the number of shares and share equivalents throughout the year.
2007 is also affected by the loss reported for the quarter ended November 30, 2007. As a result of this loss, basic and diluted shares outstanding are equal for this period.

(3) All periods have been restated to include the results of Discover Financial Services in discontinued operations.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

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

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Investment banking	$ 982	$ 1,132	$ 1,138	$ 1,503	$ 1,227	$ 1,913	$ 1,659	$ 1,569	4%	(5%)	$ 4,755	$ 6,368	34%
Principal transactions:													
Trading	3,086	3,559	2,843	2,317	4,158	4,838	1,381	(7,171)	*	*	11,805	3,206	(73%)
Investments	300	629	300	578	880	1,004	558	820	42%	47%	1,807	3,262	81%
Commissions	920	994	880	976	1,005	1,123	1,264	1,290	32%	2%	3,770	4,682	24%
Asset management, distribution and admin. fees	1,268	1,321	1,312	1,337	1,479	1,596	1,701	1,743	30%	2%	5,238	6,519	24%
Interest and dividends	9,958	9,504	12,021	11,293	14,171	15,400	14,405	16,107	43%	12%	42,776	60,083	40%
Other	130	118	119	218	272	321	262	353	62%	35%	585	1,208	106%
Total revenues	16,644	17,257	18,613	18,222	23,192	26,195	21,230	14,711	(19%)	(31%)	70,736	85,328	21%
Interest expense	9,231	9,744	11,549	10,373	13,198	15,671	13,272	15,161	46%	14%	40,897	57,302	40%
Net revenues	7,413	7,513	7,064	7,849	9,994	10,524	7,958	(450)	(106%)	(106%)	29,839	28,026	(6%)
Compensation and benefits	4,010	3,587	3,085	3,304	4,775	4,994	3,596	3,187	(4%)	(11%)	13,986	16,552	18%
Occupancy and equipment	210	215	233	254	260	279	279	312	23%	12%	912	1,130	24%
Brokerage, clearing and exchange fees	292	340	339	334	361	366	459	470	41%	2%	1,305	1,656	27%
Information processing and communications	259	272	274	284	277	286	302	328	15%	9%	1,089	1,193	10%
Marketing and business development	120	155	147	221	153	199	190	271	23%	43%	643	813	26%
Professional services	372	450	459	608	419	510	507	676	11%	33%	1,889	2,112	12%
Other	240	193	283	196	293	366	360	110	(44%)	(69%)	912	1,129	24%
Total non-compensation expenses	1,493	1,625	1,735	1,897	1,763	2,006	2,097	2,167	14%	3%	6,750	8,033	19%
Total non-interest expenses	5,503	5,212	4,820	5,201	6,538	7,000	5,693	5,354	3%	(6%)	20,736	24,585	19%
Income / (loss) from continuing operations before gain / (loss) from unconsolidated investees and taxes	1,910	2,301	2,244	2,648	3,456	3,524	2,265	(5,804)	*	*	9,103	3,441	(62%)
Gain / (loss) from unconsolidated investees	(19)	24	20	(65)	(26)	(20)	(19)	18	128%	195%	(40)	(47)	(18%)
Provision / (benefit) for income taxes	603	848	676	601	1,116	1,141	772	(2,198)	*	*	2,728	831	(70%)
Income / (loss) from continuing operations	1,288	1,477	1,588	1,982	2,314	2,363	1,474	(3,588)	*	*	6,335	2,563	(60%)
Discontinued operations [1]													
Gain / (loss) from discontinued operations	453	583	399	231	564	349	111	0	*	*	1,666	1,024	(39%)
Income Tax Provision / (benefit)	167	219	136	7	206	130	42	0	*	*	529	378	(29%)
Gain / (loss) from discontinued													

operations	286	364	263	224	358	219	69	0	*	*	1,137	646	(43%)
Net income / (loss)	$ 1,574	$ 1,841	$ 1,851	$ 2,206	$ 2,672	$ 2,582	$ 1,543	$ (3,588)	*	*	$ 7,472	$ 3,209	(57%)
Preferred stock dividend requirements	$ -	$ -	$ -	$ 19	$ 17	$ 17	$ 17	$ 17	(11%)	--	$ 19	$ 68	*
Earnings / (loss) applicable to common shareholders	$ 1,574	$ 1,841	$ 1,851	$ 2,187	$ 2,655	$ 2,565	$ 1,526	$ (3,605)	*	*	$ 7,453	$ 3,141	(58%)
Return on average common equity from continuing operations	20.9%	22.8%	23.3%	27.8%	30.9%	29.4%	17.2%	*			23.8%	7.8%	
Return on average common equity	21.3%	23.7%	22.7%	26.0%	29.9%	27.4%	17.1%	*			23.5%	8.9%	
Pre-tax profit margin (2)	26%	31%	32%	34%	35%	34%	29%	*			31%	12%	
Compensation and benefits as a % of net revenues	54%	48%	44%	42%	48%	48%	45%	*			47%	59%	

(1) All periods have been restated to include the results of Discover Financial Services in discontinued operations.
(2) Income / (loss) before taxes, excluding gain / (loss) from unconsolidated investees, as a % or net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Consolidated Financial Information and Statistical Data
(unaudited)

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007 (2)	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Morgan Stanley													
Regional revenue (millions) (1) (3)													
Americas	$ 4,680	$ 4,702	$ 4,527	$ 4,894	$ 6,072	$ 6,049	$ 4,121	$ (4,092)	(184%)	(199%)	$18,803	$12,150	(3[illegible]
EMEA (Europe, Middle East, Africa)	1,895	2,061	1,826	1,980	2,702	2,970	2,405	1,931	(2%)	(20%)	7,762	10,008	2[illegible]
Asia	838	750	711	975	1,220	1,505	1,432	1,771	75%	19%	3,274	5,868	7[illegible]
Consolidated net revenues	$ 7,413	$ 7,513	$ 7,064	$ 7,849	$ 9,994	$ 10,524	$ 7,958	$ (450)	(106%)	(106%)	$29,839	$28,026	([illegible]
Total assets (millions)	$959,950	$1,027,419	$1,029,354	$1,121,192	$1,182,061	$1,199,993	$1,185,131	$1,051,678	(6%)	(11%)			
Adjusted assets (millions) (4)	$516,883	$ 533,488	$ 543,544	$ 638,158	$ 653,875	$ 704,421	$ 688,966	$ 564,439	(12%)	(18%)			
Period end common shares outstanding (millions)	1,070.4	1,071.8	1,058.7	1,048.9	1,061.6	1,051.7	1,062.5	1,056.3	1%	(1%)			
Book value per common share (5)	$ 28.12	$ 29.97	$ 31.24	$ 32.67	$ 34.71	$ 36.52	$ 32.14	$ 28.56	(13%)	(11%)			
Common equity	$ 30,103	$ 32,118	$ 33,072	$ 34,264	$ 36,854	$ 38,411	$ 34,150	$ 30,169	(12%)	(12%)			
Shareholders' equity (millions) (6)	$ 33,886	$ 35,902	$ 37,956	$ 40,248	$ 42,839	$ 44,385	$ 40,125	$ 36,145	(10%)	(10%)			
Total capital (millions) (7)	$134,366	$ 145,849	$ 149,956	$ 162,134	$ 177,270	$ 187,250	$ 187,480	$ 193,669	19%	3%			
Worldwide employees (1)	40,188	40,088	41,416	43,124	44,797	45,845	47,713	48,256	12%	1%			
Average Daily 95%/ One-Day Value-at-Risk ("VaR") (8)													
Primary Market Risk Category ($ millions, pre-tax)													
Interest rate and credit spread	$ 35	$ 39	$ 33	$ 34	$ 39	$ 40	$ 52	$ 53					
Equity price	$ 25	$ 29	$ 26	$ 32	$ 45	$ 44	$ 43	$ 41					
Foreign exchange rate	$ 9	$ 9	$ 7	$ 12	$ 15	$ 16	$ 17	$ 25					
Commodity price	$ 31	$ 28	$ 33	$ 30	$ 40	$ 34	$ 38	$ 35					
Trading VaR	$ 58	$ 63	$ 56	$ 61	$ 90	$ 81	$ 87	$ 89					
Non - trading VaR	$ 20	$ 26	$ 24	$ 18	$ 14	$ 17	$ 20	$ 36					
Aggregate, trading and non - trading VaR	$ 65	$ 70	$ 66	$ 67	$ 92	$ 87	$ 91	$ 98					

(1) Restated to exclude Discover Financial Services.

(2) Effective December 1, 2006, the Company elected early adoption of SFAS No. 157, "Fair Value Measurements", and SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." As a result of the adoption of SFAS No. 157 and SFAS No. 159, the Company recorded an after-tax cumulative effect adjustment of $186 million as an increase to the opening balance of retained earnings as of December 1, 2006.

(3) Reflects the regional view of the Company's consolidated net revenues, on a managed basis, based on the following methodology:
Institutional Securities: investment banking - client location, equity capital markets - client location, debt capital markets - revenue recording location, sales & trading - trading desk location
Global Wealth Management: financial advisor location
Asset Management: client location except for the merchant banking investing businesses which is based on asset location

(4) 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 14 for further information.

(5) The Company's spin-off of Discover Financial Services on June 30, 2007 reduced book value per common share by approximately $5.79.

(6) Includes common equity, preferred equity and junior subordinated debt issued to capital trusts.

(7) Includes common equity, preferred equity, junior subordinated debt issued to capital trusts, capital units and the non-current portion of long-term debt.

(8) 95%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than five times every one hundred trading days in the Company's trading positions if the portfolio were held constant for a one day period. 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 2006.

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

Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Consolidated Financial Information and Statistical Data
(unaudited)

	Quarter Ended												Twelve Months Ended		
	Feb 28, 2007 (1)			May 31, 2007			Aug 31, 2007			Nov 30, 2007			Nov 30, 2007 (1) (2)		
	Average tier 1 equity (billions) (3)	Average common equity (billions) (3)	Return on average common equity	Average tier 1 equity (billions) (3)	Average common equity (billions) (3)	Return on average common equity	Average tier 1 equity (billions) (3)	Average common equity (billions) (3)	Return on average common equity	Average tier 1 equity (billions) (3)	Average common equity (billions) (3)	Return on average common equity	Average tier 1 equity (billions) (3)	Average common equity (billions) (3)	Return on average common equity
Institutional Securities	$ 21.0	$ 20.0	38%	$ 23.7	$ 22.8	35%	$ 25.7	$ 25.1	16%	$ 28.0	$ 27.7	*	$ 24.6	$ 23.9	4%
Global Wealth Management Group	1.5	1.7	32%	1.5	1.6	40%	1.6	1.7	39%	1.6	1.7	52%	1.5	1.7	41%
Asset Management	2.3	3.0	31%	2.7	3.4	23%	2.8	3.6	35%	3.1	3.9	18%	2.7	3.5	26%
Unallocated capital	5.1	5.1		4.2	4.2		3.5	3.5		(0.4)	(0.4)		2.9	2.9	
Total - continuing operations	29.9	29.8	31%	32.1	32.0	29%	33.6	33.9	17%	32.3	32.9	*	31.7	32.0	8%
Discontinued operations	4.6	5.7		4.5	5.4		1.6	1.9		0.0	0.0		2.7	3.2	
Firm	$ 34.5	$ 35.5	30%	$ 36.6	$ 37.4	27%	$ 35.2	$ 35.8	17%	$ 32.3	$ 32.9	*	$ 34.4	$ 35.2	9%

	Quarter Ended								Twelve Months Ended	
	Feb 28, 2006		May 31, 2006		Aug 31, 2006		Nov 30, 2006		Nov 30, 2006	
	Average common equity (billions)	Return on average common equity	Average common equity (billions)	Return on average common equity	Average common equity (billions)	Return on average common equity	Average common equity (billions)	Return on average common equity	Average common equity (billions) (3)	Return on average common equity
Institutional Securities	$ 16.0	29%	$ 17.9	27%	$ 18.6	30%	$ 19.4	35%	$ 18.0	30%
Global Wealth Management Group	3.3	1%	3.1	14%	2.8	15%	2.8	17%	3.0	11%
Asset Management	2.2	18%	2.3	28%	2.5	15%	2.7	23%	2.4	21%
Unallocated capital	3.1		2.6		3.4		3.4		3.1	
Total - continuing operations	24.6	21%	25.9	23%	27.3	23%	28.3	28%	26.5	24%
Discontinued operations	4.9		5.2		5.3		5.4		5.2	
Firm	$ 29.5	21%	$ 31.1	24%	$ 32.6	23%	$ 33.7	26%	$ 31.7	23%

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(1) For the quarter ended Feb 28, 2007, the Company had reassessed the amount of capital required to support the market risks and credit risks in its Global Wealth Management business.

(2) At November 30, 2007, the Company had available Tier 1 equity of $29.4 billion and internally estimated Economic Capital needs of $33.5 billion, resulting in unallocated capital of negative $4.1 billion.

(3) The Company uses an economic capital model to determine the amount of equity capital needed to support the risk of its business activities and to ensure that the Company remains adequately capitalized. Economic capital is defined as the amount of capital needed to run the business through the business cycle and satisfy the requirements of regulators, rating agencies and the market. The Company's methodology is based on a going concern approach that assigns economic capital to each segment based on regulatory capital usage plus additional capital for stress losses, goodwill and principal investment risk. The economic capital model and allocation methodology may be enhanced over time in response to changes in the business and regulatory environment. Beginning in 1Q07, economic capital is met by regulatory Tier 1 equity (including common shareholders' equity, certain preferred stock, eligible hybrid capital instruments and deductions of goodwill and certain intangibles and deferred tax assets), subject to regulatory limits. This enhancement to the Company's equity capital model and related disclosures have been made on a prospective basis.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Additionally, the average equity related to Discover Financial Services and Quilter Holdings Limited have been reclassed to discontinued operations in all periods.

Refer to Legal Notice page 16.

Morgan Stanley

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

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007 (1)	May 31, 2007 (1)	Aug 31, 2007 (1)	Nov 30, 2007 (1)	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007 (1)	Percentage Change
Investment banking	$ 892	$ 1,035	$ 992	$ 1,309	$ 1,032	$ 1,704	$ 1,439	$ 1,363	4%	(5%)	$ 4,228	$ 5,538	31%
Principal transactions:													
Trading	2,963	3,442	2,728	2,193	4,029	4,705	1,236	(7,230)	*	*	11,326	2,740	(76%)
Investments	243	389	114	335	350	396	217	496	48%	129%	1,081	1,459	35%
Commissions	610	693	630	673	691	766	911	894	33%	(2%)	2,606	3,262	25%
Asset management, distribution and admin. fees	8	29	19	17	25	25	24	29	71%	21%	73	103	41%
Interest and dividends	9,822	9,338	11,852	11,094	14,021	15,193	14,141	15,776	42%	12%	42,106	59,131	40%
Other	95	83	92	174	205	266	222	290	67%	31%	444	983	121%
Total revenues	14,633	15,009	16,427	15,795	20,353	23,055	18,190	11,618	(26%)	(36%)	61,864	73,216	18%
Interest expense	9,197	9,704	11,533	10,320	13,191	15,626	13,207	15,043	46%	14%	40,754	57,067	40%
Net revenues	5,436	5,305	4,894	5,475	7,162	7,429	4,983	(3,425)	(163%)	(169%)	21,110	16,149	(24%)
Total non-interest expenses	3,729	3,406	2,979	3,275	4,317	4,479	3,482	3,054	(7%)	(12%)	13,389	15,332	15%
Income / (loss) from continuing operations before gain / (loss) from unconsolidated investees and taxes	1,707	1,899	1,915	2,200	2,845	2,950	1,501	(6,479)	*	*	7,721	817	(89%)
Gain / (loss) from unconsolidated investees	(19)	24	20	(65)	(26)	(20)	(19)	18	128%	195%	(40)	(47)	(18%)
Income / (loss) before taxes	1,688	1,923	1,935	2,135	2,819	2,930	1,482	(6,461)	*	*	7,681	770	(90%)
Provision / (benefit) for income taxes	522	700	556	434	878	932	483	(2,463)	*	*	2,212	(170)	(108%)
Income / (loss) from continuing operations (2)	$ 1,166	$ 1,223	$ 1,379	$ 1,701	$ 1,941	$ 1,998	$ 999	$ (3,998)	*	*	$ 5,469	$ 940	(83%)
Return on average common equity (3)	29%	27%	30%	35%	38%	35%	16%	*			30%	4%	
Pre-tax profit margin (4)	31%	36%	39%	40%	40%	40%	30%	*			37%	5%	

(1) Principal transactions investments revenue reflects net gain / (loss) on investments marked at fair value. The related investment asset balance for the quarters ended Feb 28, 2007, May 31, 2007, Aug 31, 2007 and Nov 30, 2007 are $4.4 billion, $5.9 billion, $8.2 billion and $9.7 billion, respectively.
(2) Excludes gain / (loss) from discontinued operations.
(3) Refer to page 4 for the allocation of average common equity.
(4) Income / (loss) before taxes, excluding gain / (loss) from unconsolidated investees, as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

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

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Investment Banking													
Advisory revenue	$ 344	$ 365	$ 444	$ 600	$ 373	$ 725	$ 664	$ 779	30%	17%	$ 1,753	$ 2,541	45%
Underwriting revenue													
Equity	197	371	237	254	300	493	429	348	37%	(19%)	1,059	1,570	48%
Fixed income	351	299	311	455	359	486	346	236	(48%)	(32%)	1,416	1,427	1%
Total underwriting revenue	$ 548	$ 670	$ 548	$ 709	$ 659	$ 979	$ 775	$ 584	(18%)	(25%)	$ 2,475	$ 2,997	21%
Total investment banking revenue	$ 892	$ 1,035	$ 992	$ 1,309	$ 1,032	$ 1,704	$ 1,439	$ 1,363	4%	(5%)	$ 4,228	$ 5,538	31%
Sales & Trading (1)													
Equity	$ 1,656	$ 1,669	$ 1,520	$ 1,436	$ 2,209	$ 2,216	$ 1,761	$ 2,472	72%	40%	$ 6,281	$ 8,658	38%
Fixed income	2,651	2,131	2,257	2,252	3,430	2,896	2,197	(7,873)	*	*	9,291	650	(93%)
Other	(109)	(31)	(100)	(48)	(89)	(74)	(877)	(202)	*	77%	(288)	(1,242)	*
Total sales & trading net revenue	$ 4,198	$ 3,769	$ 3,677	$ 3,640	$ 5,550	$ 5,038	$ 3,081	$ (5,603)	*	*	$15,284	$ 8,066	(47%)

	Fiscal View								Calendar View	
	Quarter Ended (2)								Eleven Months Ended (2)	
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	Nov 30, 2006	Nov 30, 2007
Mergers and acquisitions announced transactions										
Morgan Stanley global market volume (billions)	$ 336.2	$ 180.3	$ 169.6	$ 349.6	$ 330.9	$ 494.3	$ 281.9	$ 302.6	$ 869.5	$1,306.8
Market share	44.7%	20.9%	23.5%	35.1%	36.2%	36.2%	24.2%	36.4%	28.9%	33.3%
Rank	2	3	4	1	2	1	2	4	2	2
Mergers and acquisitions completed transactions										
Morgan Stanley global market volume (billions)	$ 177.7	$ 182.4	$ 175.4	$ 230.1	$ 187.3	$ 352.5	$ 235.4	$ 483.2	$ 659.9	$1,224.2
Market share	26.9%	28.8%	25.6%	30.3%	21.1%	39.4%	25.7%	49.1%	27.8%	37.0%
Rank	3	2	5	1	4	1	2	2	2	1
Global equity and related issues										
Morgan Stanley global market volume (billions)	$ 10.8	$ 19.2	$ 10.4	$ 14.9	$ 13.9	$ 20.2	$ 18.3	$ 14.8	$ 49.3	$ 59.3
Market share	7.4%	9.3%	8.4%	6.5%	7.5%	8.4%	8.1%	6.6%	7.7%	7.4%

Rank	4	2	4	6	4	3	4	5	4	5
Global IPO's										
Morgan Stanley global market volume (billions)	$ 2.7	$ 7.6	$ 5.2	$ 6.1	$ 4.1	$ 6.4	$ 6.4	$ 6.8	$ 20.3	$ 21.3
Market Share	6.6%	11.0%	11.0%	6.1%	7.6%	7.9%	8.1%	7.0%	8.5%	7.6%
Rank	6	3	1	6	3	4	3	5	2	3
Global debt										
Morgan Stanley global market volume (billions)	$ 96.1	$ 102.3	$ 89.2	$ 111.6	$ 99.8	$ 131.5	$ 83.2	$ 64.4	$ 379.1	$ 348.2
Market share	5.9%	5.9%	5.6%	5.3%	5.5%	6.1%	4.9%	5.3%	5.7%	5.5%
Rank	5	5	7	7	5	5	8	5	5	5

(1) Includes principal transactions trading, commissions and net interest revenue. Equity and Fixed income sales and trading net revenue have been restated to include certain funding costs not previously allocated to those businesses. Other sales and trading net revenue primarily includes net losses from mark - to - market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

(2) Source: Thomson Financial, data as of December 5, 2007.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Institutional Securities
(unaudited, dollars in billions)

	Quarter Ended								Percentage Change From:	
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07
Corporate funded loans										
Investment grade	$ 5.6	$ 6.2	$ 7.4	$ 6.4	$ 6.2	$ 13.7	$ 11.1	$ 12.5	95%	13%
Non-investment grade	2.9	2.9	5.4	3.4	3.9	4.9	7.5	10.0	194%	33%
Total corporate funded loans	$ 8.5	$ 9.1	$ 12.8	$ 9.8	$ 10.1	$ 18.6	$ 18.6	$ 22.5	130%	21%
Corporate lending commitments										
Investment grade	$ 30.2	$ 28.2	$ 30.4	$ 35.0	$ 31.5	$ 42.1	$ 50.4	$ 50.2	43%	--
Non-investment grade	6.3	9.0	19.1	18.5	25.5	32.4	35.7	20.0	8%	(44%)
Total corporate lending commitments	$ 36.5	$ 37.2	$ 49.5	$ 53.5	$ 57.0	$ 74.5	$ 86.1	$ 70.2	31%	(18%)
Corporate funded loans plus lending commitments										
Investment grade	$ 35.8	$ 34.4	$ 37.8	$ 41.4	$ 37.7	$ 55.8	$ 61.5	$ 62.7	51%	2%
Non-investment grade	$ 9.2	$ 11.9	$ 24.5	$ 21.9	$ 29.4	$ 37.3	$ 43.2	$ 30.0	37%	(31%)
% investment grade	80%	74%	61%	65%	56%	60%	59%	68%		
% non-investment grade	20%	26%	39%	35%	44%	40%	41%	32%		
Total corporate funded loans and lending commitments	$ 45.0	$ 46.3	$ 62.3	$ 63.3	$ 67.1	$ 93.1	$ 104.7	$ 92.7	46%	(11%)
Hedges [(1)]	$ 17.7	$ 23.8	$ 24.3	$ 26.5	$ 29.9	$ 34.2	$ 37.5	$ 37.6	42%	--
Total corporate funded loans and lending commitments net of hedges	$ 27.3	$ 22.5	$ 38.0	$ 36.8	$ 37.2	$ 58.9	$ 67.2	$ 55.1	50%	(18%)

(1) Includes both internal and external hedges utilized by the lending business.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Global Wealth Management Group Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Investment banking	$ 67	$ 95	$ 120	$ 146	$ 166	$ 164	$ 166	$ 129	(12%)	(22%)	$ 428	$ 625	46%
Principal transactions:													
Trading	125	120	117	125	129	133	145	191	53%	32%	487	598	23%
Investments	1	27	16	13	(2)	20	3	8	(38%)	167%	57	29	(49%)
Commissions	310	302	252	304	315	357	353	408	34%	16%	1,168	1,433	23%
Asset management, distribution and admin fees	667	691	704	695	729	769	788	781	12%	(1%)	2,757	3,067	11%
Interest and dividends	203	243	265	293	274	298	321	328	12%	2%	1,004	1,221	22%
Other	31	36	26	37	38	40	33	52	41%	58%	130	163	25%
Total revenues	1,404	1,514	1,500	1,613	1,649	1,781	1,809	1,897	18%	5%	6,031	7,136	18%
Interest expense	115	114	129	161	138	139	126	108	(33%)	(14%)	519	511	(2%)
Net revenues	1,289	1,400	1,371	1,452	1,511	1,642	1,683	1,789	23%	6%	5,512	6,625	20%
Total non-interest expenses	1,269	1,242	1,210	1,283	1,285	1,378	1,396	1,411	10%	1%	5,004	5,470	9%
Income before taxes	20	158	161	169	226	264	287	378	124%	32%	508	1,155	127%
Provision for income taxes	8	52	54	53	87	102	119	151	185%	27%	167	459	175%
Income from continuing operations	$ 12	$ 106	$ 107	$ 116	$ 139	$ 162	$ 168	$ 227	96%	35%	$ 341	$ 696	104%
Return on average common equity (1)	1%	14%	15%	17%	32%	40%	39%	52%			11%	41%	
Pre-tax profit margin (2)	2%	11%	12%	12%	15%	16%	17%	21%			9%	17%	

(1) Refer to page 4 for the allocation of average common equity.
(2) Income before taxes as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Global Wealth Management Group
(unaudited)

	Quarter Ended								Percentage Change From:	
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07
Global representatives	8,913	8,091	7,982	7,944	7,993	8,137	8,341	8,429	6%	1%
Annualized revenue per global representative (thousands)(1)	$ 562	$ 659	$ 682	$ 729	$ 758	$ 814	$ 817	$ 853	17%	4%
Assets by client segment (billions)										
$10m or more	166	170	176	199	210	223	228	247	24%	8%
$1m - $10m	220	220	229	243	248	268	265	275	13%	4%
Subtotal -> $1m	386	390	405	442	458	491	493	522	18%	6%
$100k -$1m	177	180	180	177	174	180	182	179	1%	(2%)
< $100k	32	29	28	27	26	24	24	23	(15%)	(4%)
Client assets excluding corporate / other	595	599	613	646	658	695	699	724	12%	4%
Corporate / other	29	30	29	30	32	33	35	34	13%	(3%)
Total client assets (billions)	$ 624	$ 629	$ 642	$ 676	$ 690	$ 728	$ 734	$ 758	12%	3%
% of assets by client segment > $1m (2)	65%	65%	66%	68%	70%	71%	71%	72%		
Fee-based client account assets (billions) (3)	$ 173	$ 180	$ 183	$ 195	$ 202	$ 210	$ 211	$ 201	3%	(5%)
Fee-based assets as a % of client assets	28%	29%	29%	29%	29%	29%	29%	27%		
Bank deposit program (millions)	$ 7,319	$ 9,114	$ 9,839	$ 13,301	$ 16,364	$ 18,226	$ 19,409	$ 26,160	97%	35%
Client assets per global representative (millions) (4)	$ 70	$ 78	$ 80	$ 85	$ 86	$ 89	$ 88	$ 90	6%	2%
Domestic retail net new assets (billions) (5)	$ -	$ 2.4	$ 5.4	$ 0.7	$ 6.7	$ 8.7	$ 14.6	$ 10.0	*	(32%)
Domestic retail locations	484	473	460	453	451	453	455	451	--	(1%)

(1) Annualized revenue divided by average global representative headcount.
(2) Excludes corporate / other assets.
(3) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
(4) Total client assets divided by period end global representative headcount.
(5) Represents net new assets in the U.S. broad-based branch system.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

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

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007 (1)	May 31, 2007 (1)	Aug 31, 2007 (1)	Nov 30, 2007 (1)	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007 (1)	Percentage Change
Investment banking	$ 23	$ 35	$ 26	$ 54	$ 31	$ 61	$ 92	$ 80	48%	(13%)	$ 138	$ 264	91%
Principal transactions:													
Trading(2)	0	0	0	0	0	0	0	(129)	*	*	0	(129)	*
Investments	56	213	170	230	532	588	338	316	37%	(7%)	669	1,774	165%
Commissions	7	7	5	6	6	6	6	5	(17%)	(17%)	25	23	(8%)
Asset management, distribution and admin fees	644	636	629	665	768	844	926	986	48%	6%	2,574	3,524	37%
Interest and dividends	6	10	21	11	14	29	14	17	55%	21%	48	74	54%
Other	6	5	5	10	34	18	10	13	30%	30%	26	75	188%
Total revenues	742	906	856	976	1,385	1,546	1,386	1,288	32%	(7%)	3,480	5,605	61%
Interest expense	5	8	11	3	17	37	22	36	*	64%	27	112	*
Net revenues	737	898	845	973	1,368	1,509	1,364	1,252	29%	(8%)	3,453	5,493	59%
Total non-interest expenses	571	636	690	705	989	1,206	873	958	36%	10%	2,602	4,026	55%
Income before taxes	166	262	155	268	379	303	491	294	10%	(40%)	851	1,467	72%
Provision for income taxes	66	103	61	110	149	105	174	113	3%	(35%)	340	541	59%
Income from continuing operations	$ 100	$ 159	$ 94	$ 158	$ 230	$ 198	$ 317	$ 181	15%	(43%)	$ 511	$ 926	81%
Return on average common equity (3)	18%	28%	15%	23%	31%	23%	35%	18%			21%	26%	
Pre-tax profit margin (4)	23%	29%	18%	28%	28%	20%	36%	24%			25%	27%	

(1) Principal transactions investments revenue reflects net gain/(loss) on investments marked at fair value including real estate funds, private equity funds and seed capital investments. The related investment asset balance for the quarters ended Feb 28, 2007, May 31, 2007, Aug 31, 2007 and Nov 30, 2007 are $2.9 billion, $3.9 billion, $4.6 billion and $4.5 billion, respectively.

(2) Trading results for the quarter and twelve months ended November 30, 2007 include losses related to securities issued by structured investment vehicles held by Asset Management.

(3) Refer to page 4 for the allocation of average common equity.

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

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Asset Management
(unaudited, dollars in billions)

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Assets under management or supervision													
Net flows by distribution channel													
Americas Retail Morgan Stanley Brand	(3.1)	$ (2.1)	$ (2.2)	$ (1.9)	$ (2.0)	$ 0.1	$ (0.8)	$ (1.6)	16%	(100%)	$ (9.3)	$ (4.3)	54%
Americas Retail Van Kampen Brand	(0.7)	(0.4)	(0.8)	(0.1)	0.0	0.0	1.1	(1.4)	*	*	(2.0)	(0.3)	85%
Americas Intermediary	1.7	4.0	1.5	1.0	1.0	1.8	1.2	0.4	(60%)	(67%)	8.2	4.4	(46%)
U.S. Institutional	(4.7)	(4.7)	(2.7)	(1.0)	0.1	1.3	0.3	0.8	180%	167%	(13.1)	2.5	119%
Non- U.S.	1.2	2.5	0.3	2.5	4.7	4.1	6.1	7.4	196%	21%	6.5	22.3	*
Net flows excluding money markets	(5.6)	$ (0.7)	$ (3.9)	$ 0.5	$ 3.8	$ 7.3	$ 7.9	$ 5.6	*	(29%)	$ (9.7)	$ 24.6	*
Money Market Net Flows													
Institutional	4.0	(1.4)	2.8	7.7	2.5	3.5	12.4	(2.9)	(138%)	(123%)	13.1	15.5	18%
Retail	(5.7)	(3.0)	(0.7)	(3.3)	(1.8)	(1.5)	0.5	(2.3)	30%	*	(12.7)	(5.1)	60%
Total money market net flows	(1.7)	$ (4.4)	$ 2.1	$ 4.4	$ 0.7	$ 2.0	$ 12.9	$ (5.2)	*	(140%)	$ 0.4	$ 10.4	*
Total net flows	$ (7.3)	$ (5.1)	$ (1.8)	$ 4.9	$ 4.5	$ 9.3	$ 20.8	$ 0.4	(92%)	(98%)	$ (9.3)	$ 35.0	*
Assets under management or supervision by distribution channel													
Americas Retail Morgan Stanley Brand	$ 65	$ 63	$ 61	$ 63	$ 62	$ 67	$ 63	$ 64	2%	2%			
Americas Retail Van Kampen Brand	90	89	90	94	96	102	99	99	5%	--			
Americas Intermediary	47	51	55	58	61	67	66	68	17%	3%			
U.S. Institutional	98	96	95	100	110	119	122	128	28%	5%			
Non- U.S.	77	80	84	93	102	111	118	132	42%	12%			
Total long term assets under management or supervision	377	379	385	408	431	466	468	491	20%	5%			
Institutional money markets/liquidity	37	37	40	49	52	57	70	68	39%	(3%)			
Retail money markets	41	38	38	35	33	32	33	31	(11%)	(6%)			
Total Money Markets	78	75	78	84	85	89	103	99	18%	(4%)			
Total assets under management or supervision	$ 455	$ 454	$ 463	$ 492	$ 516	$ 555	$ 571	$ 590	20%	3%			
Share of minority interest assets (1)	0	0	0	4	5	5	6	7	75%	17%			
Total	$ 455	$ 454	$ 463	$ 496	$ 521	$ 560	$ 577	$ 597	20%	3%			

Assets under management or

supervision by asset class										
Equity	$ 230	$ 226	$ 226	$ 239	$ 245	$ 265	$ 254	$ 265	11%	4%
Fixed income	90	91	93	94	94	98	98	102	9%	4%
Money market	78	75	78	84	85	89	103	99	18%	(4%)
Alternatives (2)	45	49	53	61	77	87	101	109	79%	8%
Subtotal	443	441	450	478	501	539	556	575	20%	3%
Unit trusts	12	13	13	14	15	16	15	15	7%	--
Total assets under management or supervision	$ 455	$ 454	$ 463	$ 492	$ 516	$ 555	$ 571	$ 590	20%	3%
Share of minority interest assets (1)	0	0	0	4	5	5	6	7	75%	17%
Total	$ 455	$ 454	$ 463	$ 496	$ 521	$ 560	$ 577	$ 597	20%	3%

(1) Amount represents Asset Management's proportional share of assets managed by entities in which it owns a minority interest.
(2) Includes a range of alternative investment products such as real estate funds, hedge funds, private equity funds, funds of hedge funds and funds of private equity funds.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Consolidated Assets Under Management or Supervision
(unaudited, dollars in billions)

	Quarter Ended								Percentage Change From:	
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07
Assets under management or supervision by distribution channel										
Americas Retail Morgan Stanley Brand	$ 65	$ 63	$ 61	$ 63	$ 62	$ 67	$ 63	$ 64	2%	2%
Americas Retail Van Kampen Brand	90	89	90	94	96	102	99	99	5%	--
Americas Intermediary	47	51	55	58	61	67	66	68	17%	3%
U.S. Institutional	98	96	95	100	110	119	122	128	28%	5%
Non - U.S.	77	80	84	93	102	111	118	132	42%	12%
Total long term assets under management or supervision	377	379	385	408	431	466	468	491	20%	5%
Institutional money markets/liquidity	37	37	40	49	52	57	70	68	39%	(3%)
Retail money markets	41	38	38	35	33	32	33	31	(11%)	(6%)
Total Money Markets	78	75	78	84	85	89	103	99	18%	(4%)
Sub-total assets under management or supervision	455	454	463	492	516	555	571	590	20%	3%
Global Wealth Management Group	129	127	142	153	153	157	162	185	21%	14%
Total assets under management or supervision	$ 584	$ 581	$ 605	$ 645	$ 669	$ 712	$ 733	$ 775	20%	6%
Share of minority interest assets (1)	0	0	0	4	5	5	6	7	75%	17%
Total	$ 584	$ 581	$ 605	$ 649	$ 674	$ 717	$ 739	$ 782	20%	6%
Consolidated assets under management or supervision by asset class										
Equity	$ 288	$ 288	$ 289	$ 307	$ 317	$ 344	$ 333	$ 356	16%	7%
Fixed income	105	106	109	111	111	116	118	127	14%	7%
Money market	82	79	83	89	90	94	109	108	21%	(1%)
Alternatives (2)	45	49	53	61	77	87	101	109	79%	8%
Subtotal	520	522	534	568	595	641	661	699	23%	6%
Unit trusts	12	13	13	14	15	16	15	15	7%	--
Other (3)	52	46	58	63	59	55	57	61	(3%)	7%
Total assets under management or supervision	$ 584	$ 581	$ 605	$ 645	$ 669	$ 712	$ 733	$ 775	20%	6%
Share of minority interest assets (1)	0	0	0	4	5	5	6	7	75%	17%
Total	$ 584	$ 581	$ 605	$ 649	$ 674	$ 717	$ 739	$ 782	20%	6%

(1) Amount represents Asset Management's proportional share of assets managed by entities in which it owns a minority interest.
(2) Includes a range of alternative investment products such as real estate funds, hedge funds, private equity funds, funds of hedge funds and funds of private equity funds.
(3) Includes assets under management or supervision associated with the Global Wealth Management Group.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

Morgan Stanley

MORGAN STANLEY
Quarterly Intersegment Eliminations Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended								Percentage Change From:		Twelve Months Ended		
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007	4Q07 vs. 4Q06	4Q07 vs. 3Q07	Nov 30, 2006	Nov 30, 2007	Percentage Change
Investment banking [1]	$ 0	$ (33)	$ 0	$ (6)	$ (2)	$ (16)	$ (38)	$ (3)	50%	92%	$ (39)	$ (59)	(51%)
Principal transactions:													
Trading	(2)	(3)	(2)	(1)	0	0	0	(3)	(200%)	*	(8)	(3)	63%
Investments	0	0	0	0	0	0	0	0	--	--	0	0	--
Commissions	(7)	(8)	(7)	(7)	(7)	(6)	(6)	(17)	(143%)	(183%)	(29)	(36)	(24%)
Asset management, distribution and admin. fees	(51)	(35)	(40)	(40)	(43)	(42)	(37)	(53)	(33%)	(43%)	(166)	(175)	(5%)
Interest and dividends	(73)	(87)	(117)	(105)	(138)	(120)	(71)	(14)	87%	80%	(382)	(343)	10%
Other	(2)	(6)	(4)	(3)	(5)	(3)	(3)	(2)	33%	33%	(15)	(13)	13%
Total revenues	(135)	(172)	(170)	(162)	(195)	(187)	(155)	(92)	43%	41%	(639)	(629)	2%
Interest expense	(86)	(82)	(124)	(111)	(148)	(131)	(83)	(26)	77%	69%	(403)	(388)	4%
Net revenues	(49)	(90)	(46)	(51)	(47)	(56)	(72)	(66)	(29%)	8%	(236)	(241)	(2%)
Total non-compensation expenses	(80)	(83)	(69)	(71)	(60)	(68)	(68)	(72)	(1%)	(6%)	(303)	(268)	12%
Total non-interest expenses	(66)	(72)	(59)	(62)	(53)	(63)	(58)	(69)	(11%)	(19%)	(259)	(243)	6%
Income before taxes	17	(18)	13	11	6	7	(14)	3	(73%)	121%	23	2	(91%)
Provision for income taxes	7	(7)	5	4	2	2	(4)	1	(75%)	125%	9	1	(89%)
Income from continuing operations	$ 10	$ (11)	$ 8	$ 7	$ 4	$ 5	$ (10)	$ 2	(71%)	120%	$ 14	$ 1	(93%)

(1) Included in the May 31, 2006 amount is $30 million related to the sale of the Company's aircraft leasing business. Included in the August 31, 2007 amount is $25 million related to the spin-off of Discover Financial Services.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 16.

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The following (page 14) presents a reconciliation for 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. The Company has adopted a definition of adjusted assets that excludes certain self-funded assets considered to have minimal market, credit and / or liquidity risk. These low-risk assets generally are attributable to the Company's matched book and securities lending businesses. Adjusted assets are calculated by reducing gross assets by aggregate resale agreements and securities borrowed less non-derivative short positions and assets recorded under certain provisions of SFAS No. 140 and FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"). Gross assets are also reduced by the full amount of cash and securities deposited with clearing organizations or segregated under federal and other regulations or requirements. 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). In addition, the Company views junior subordinated debt issued to capital trusts as a component of its capital base given the inherent characteristics of the securities. These characteristics include the long-dated nature (e.g., some have final maturity at issuance of 30 years extendible at the Company's option by a further 19 years, others have a 60-year final maturity at issuance), 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.

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

	Quarter Ended							
	Feb 28, 2006	May 31, 2006	Aug 31, 2006	Nov 30, 2006	Feb 28, 2007	May 31, 2007	Aug 31, 2007	Nov 30, 2007
Total assets	$ 959,950	$ 1,027,419	$ 1,029,354	$ 1,121,192	$ 1,182,061	$ 1,199,993	$ 1,185,131	$ 1,051,678
Less: Securities purchased under agreements to resell	(176,706)	(190,835)	(172,170)	(175,787)	(193,162)	(144,051)	(176,910)	(128,686)
Securities borrowed	(252,896)	(274,581)	(283,024)	(299,631)	(277,093)	(252,213)	(257,032)	(245,596)
Add: Financial instruments sold, not yet purchased	149,561	159,822	152,979	183,119	157,807	166,549	176,097	134,341
Less: Derivative contracts sold, not yet purchased	(42,928)	(48,747)	(47,017)	(57,491)	(51,574)	(58,919)	(62,088)	(71,604)
Subtotal	636,981	673,078	680,122	771,402	818,039	911,359	865,198	740,133
Less: Cash and securities deposited with clearing organizations or segregated under federal and other regulations or requirements (1)	(38,300)	(46,612)	(43,986)	(29,565)	(35,739)	(47,114)	(43,229)	(61,608)
Assets recorded under certain provisions of SFAS No.140 and FIN 46	(78,925)	(90,046)	(89,649)	(100,236)	(124,163)	(155,692)	(129,552)	(110,001)
Goodwill and intangible assets	(2,873)	(2,932)	(2,943)	(3,443)	(4,262)	(4,132)	(3,451)	(4,085)
Adjusted assets	$ 516,883	$ 533,488	$ 543,544	$ 638,158	$ 653,875	$ 704,421	$ 688,966	$ 564,439
Common equity	$ 30,103	$ 32,118	$ 33,072	$ 34,264	$ 36,854	$ 38,411	$ 34,150	$ 30,169
Preferred equity	0	0	1,100	1,100	1,100	1,100	1,100	1,100
Shareholders' equity	30,103	32,118	34,172	35,364	37,954	39,511	35,250	31,269
Junior subordinated debt issued to capital trusts (2)	3,783	3,784	3,784	4,884	4,885	4,874	4,875	4,876
Subtotal	33,886	35,902	37,956	40,248	42,839	44,385	40,125	36,145
Less: Goodwill and intangible assets	(2,873)	(2,932)	(2,943)	(3,443)	(4,262)	(4,132)	(3,451)	(4,085)
Tangible shareholders' equity	$ 31,013	$ 32,970	$ 35,013	$ 36,805	$ 38,577	$ 40,253	$ 36,674	$ 32,060
Leverage ratio (3)	31.0x	31.2x	29.4x	30.5x	30.6x	29.8x	32.3x	32.8x
Adjusted leverage ratio (4)	16.7x	16.2x	15.5x	17.3x	16.9x	17.5x	18.8x	17.6x

(1) In the second quarter of fiscal 2007, the adjusted assets calculation was revised in order to reduce gross assets by the full amount of cash and securities deposited with clearing organizations or segregated under federal and other regulations or requirements. All prior periods have been restated to conform to the current presentation.

(2) 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 (some have final maturity at issuance of thirty years extendible at the Company's option by a further nineteen years, others have a sixty year final maturity at issuance), 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.

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

(4) 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.
Refer to Legal Notice page 16.

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This page represents an addendum to the 4Q 2007 Financial Supplement.

MORGAN STANLEY
Institutional Securities - Subprime Analysis
(unaudited, dollars in billions)

	Statement of Financial Condition			Profit / (Loss)		Profit / (Loss)		Profit / (Loss)			Net Exposure (1)		
				Three Months Ended	Nine Months Ended	Two Months Ended	Eleven Months Ended	One Month Ended	Three Months Ended	Twelve Months Ended			
	8/31/2007	10/31/2007	11/30/2007	8/31/2007		10/31/2007		11/30/2007			8/31/2007	10/31/2007	11/30/2007
Super Senior Exposure													
High-Grade	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mezzanine	(1.8)	(5.2)	(8.7)	(1.9)	(2.2)	(3.4)	(5.6)	(3.7)	(7.1)	(9.3)	11.4	8.3	3.9
CDO-Squared	-	-	(0.1)	-	-	-	-	(0.1)	(0.1)	(0.1)	-	0.1	0.1
Total ABS CDO Super Senior Exposure	**$ (1.8)**	**$ (5.2)**	**$ (8.8)**	**$ (1.9)**	**$ (2.2)**	**$ (3.4)**	**$ (5.6)**	**$ (3.8)**	**$ (7.2)**	**$ (9.4)**	**$ 11.4**	**$ 8.4**	**$ 4.0**
Other Retained and Warehouse Exposure													
ABS CDO CDS	$ 1.1	$ 1.7	$ 2.7	$ 0.8	$ 1.0	$ 0.5	$ 1.5	$ 0.8	$ 1.3	$ 2.3	$ (2.9)	$ (3.1)	$ (1.5)
ABS CDO Bonds	1.6	1.7	1.1	(0.4)	(0.3)	-	(0.3)	(0.5)	(0.5)	(0.8)	1.6	1.7	1.1
CDO Warehouse	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Retained and Warehouse Exposure	**2.7**	**3.4**	**3.8**	**0.4**	**0.7**	**0.5**	**1.2**	**0.3**	**0.8**	**1.5**	**(1.3)**	**(1.4)**	**(0.4)**
Subtotal ABS CDO Related Exposure (2)	**$ 0.9**	**$ (1.8)**	**$ (5.0)**	**$ (1.5)**	**$ (1.5)**	**$ (2.9)**	**$ (4.4)**	**$ (3.5)**	**$ (6.4)**	**$ (7.9)**	**$ 10.1**	**$ 7.0**	**$ 3.6**
U.S. Subprime Mortgage Related Exposure													
Loans	$ 2.9	$ 1.5	$ 0.6	$ -	$ (0.1)	$ -	$ (0.1)	$ (0.1)	$ (0.1)	$ (0.2)	$ 2.9	$ 1.5	$ 0.6
Total Rate of Return Swaps	0.1	-	-	-	0.1	-	0.1	-	-	0.1	(0.7)	-	-
ABS Bonds	4.2	3.0	2.7	(0.7)	(0.9)	(1.9)	(2.8)	(1.0)	(2.9)	(3.8)	4.0	3.0	2.7
ABS CDS	4.2	6.6	7.8	2.3	3.4	1.1	4.5	0.5	1.6	5.0	(5.9)	(5.5)	(5.1)
Subtotal U.S. Subprime Mortgage Related Exposure (3)	**$ 11.4**	**$ 11.1**	**$ 11.1**	**$ 1.6**	**$ 2.5**	**$ (0.8)**	**$ 1.7**	**$ (0.6)**	**$ (1.4)**	**$ 1.1**	**$ 0.3**	**$ (1.0)**	**$ (1.8)**
Total ABS CDO / Subprime Exposure (4)	**$ 12.3**	**$ 9.3**	**$ 6.1**	**$ 0.1**	**$ 1.0**	**$ (3.7)**	**$ (2.7)**	**$ (4.1)**	**$ (7.8)**	**$ (6.8)**	**$ 10.4**	**$ 6.0**	**$ 1.8**

(1) Net Exposure is defined as potential loss to the Firm in an event of 100% default, assuming zero recovery, over a period of time. The value of these positions remains subject to mark-to-market volatility. Positive amounts indicate potential loss (long position) in a default scenario. Negative amounts indicate potential gain (short position) in a default scenario.

(2) In determining the fair value of the Firm's ABS CDO super senior related exposures – which represent the most senior tranches of the capital structure of subprime ABS CDOs – Morgan Stanley took into consideration observable transactions and data for relevant benchmark instruments in synthetic subprime markets. The deterioration of these inputs have led to significant declines in the estimates of fair value. These declines reflect increase in implied losses across this portfolio. These implied loss levels are consistent with the losses in the range between 13% - 20% implied by the ABX indices. These cumulative loss levels, at a severity rate of 50%, imply defaults in the range of 43% - 50% for 2005 and 2006 outstanding mortgages.

(3) In calculating the fair value of the Firm's U.S. subprime mortgage related exposures – including loans, total rate-of-return swaps, ABS bonds (including subprime residuals) and ABS CDS – Morgan Stanley took into consideration observable transactions, the continued deterioration in market data, as evidenced by the sharp decline in the ABX indices, and other market developments, including updated cumulative loss data.

(4) Statement of financial condition is presented on a net basis, which is a non-GAAP measure. These balances are presented on a gross basis in the Company's statement of financial condition.

At November 30, 2007, the investment portfolios of Morgan Stanley Bank (Utah) and Morgan Stanley Trust FSB (collectively, the "Subsidiary Banks") include

certain subprime-related securities. The securities in the Subsidiary Banks' portfolios are part of the Company's overall Treasury liquidity management portfolio. Such portfolios do not contain any subprime whole loans, subprime residuals or CDOs.
The market value of the Subsidiary Banks' subprime-related securities, all of which are AAA-rated residential mortgage-backed securities, was $5.5 at November 30, 2007. Of that total, $4.3 are comprised of ABS bonds collateralized by first lien subprime mortgages of which $1.1 are further enhanced by FHLMC and AAA-rated monoline insurers. The remaining $1.2 of ABS bonds are collateralized by 2nd lien subprime mortgages and are enhanced by financial guarantees from AAA-rated monoline insurers. An 'other than temporary' impairment charge of $0.4 was reflected in net loss for the three months ended November 30, 2007. At November 30, 2007, the securities in the Subsidiary Banks' portfolio were redesignated as trading securities; prior to that date these securities were classified as 'available for sale' in accordance with SFAS 115, Accounting for Certain Investments in Debt and Equity Securities.

Note: Refer to Legal Notice page 16.

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This Financial Supplement contains financial, statistical and business-related information, as well as business and segment trends. The information should be read in conjunction with the Company's fourth quarter earnings press release issued December 19, 2007.