

Contact: Investor Relations Media Relations
William Pike Ray O'Rourke
212-761-0008 212-761-4262



For Immediate Release

**Morgan Stanley Reports First Quarter Net Income of \$905 Million;
Return on Equity of 16%**

NEW YORK, March 20, 2003 -- Morgan Stanley (NYSE: MWD) today reported net income of \$905 million for the quarter ended February 28, 2003 -- an increase of 7 percent from the first quarter of 2002 and 24 percent from the fourth quarter of 2002. Diluted earnings per share were \$0.82 -- compared to \$0.76 a year ago and \$0.67 in the fourth quarter.

First quarter net revenues (total revenues less interest expense and the provision for loan losses) were \$5.5 billion -- 4 percent ahead of first quarter 2002 and 29 percent ahead of fourth quarter 2002. The annualized return on average common equity was 16 percent.

Philip J. Purcell, Chairman & CEO, and Robert G. Scott, President, said in a joint statement, "We are pleased with our performance, including our return on equity of 16 percent. This was accomplished in an exceedingly challenging environment characterized by a slumping global economy, declining consumer confidence, and a market consumed by the prospect of war in Iraq. Fixed income markets were the exception, leading to record results in our fixed income business. In addition, Discover had another strong quarter. Our focus on clients has resulted in market share gains in a number of key businesses."

INSTITUTIONAL SECURITIES

Institutional Securities posted net income of \$618 million, 17 percent above last year's first quarter. The increase was driven by record revenues in the Company's fixed income business, offsetting the revenue impact of challenging market conditions on the Company's M&A advisory and equity underwriting businesses.

- Fixed income sales and trading net revenues of nearly \$1.7 billion were up 48 percent from first quarter 2002. The increase in revenues was broadly based, with strong performances throughout the Company's commodities, credit products, and interest-rate and currency groups. Higher commodities revenues were driven by higher prices and volatilities across major energy markets, while the revenue increases in credit and interest rate products reflected heavier customer volumes and a more favorable trading environment.
- Equity sales and trading net revenues rose 5 percent from a year ago to \$977 million, primarily as a result of higher market volatility partially offset by declines in customer volumes and lower commissions.
- Advisory revenues were \$166 million, down 43 percent from last year, due to declining levels of global M&A activity. Industry-wide, global completed M&A transaction volume fell 22 percent compared with first quarter 2002.¹
- Underwriting revenues of \$337 million were 8 percent above last year's first quarter. A strong increase in debt underwriting revenues driven by robust levels of fixed income new issue activity was partially offset by lower equity underwriting revenues, reflecting a 60 percent industry-wide decline in equity activity.¹
- The Company ranks second in announced global M&A with a 21 percent market share; second in worldwide equity and equity related issuances with a 13 percent market share; and second in U.S. investment grade debt issuances with an 11 percent market share.²

INDIVIDUAL INVESTOR GROUP

The Individual Investor Group reported a \$1 million net loss compared to \$7 million in net income for the first quarter of 2002, as a result of a decline in net revenues partially offset by lower non-interest expenses.

¹ Source: Thomson Financial Securities Data – for the periods: December 1, 2001 to February 28, 2002 and December 1, 2002 to February 28, 2003.

² Source: Thomson Financial Securities Data – for the period January 1, 2003 to February 28, 2003.

- Net revenues decreased 12 percent from a year ago to \$900 million. Retail participation in equity markets fell from last year's levels, and asset management fees declined as a result of a lower level of retail assets under management.
- Total client assets of \$499 billion were 15 percent lower than the end of last year's first quarter, reflecting in part, declines of 24 percent for the S&P 500 and 23 percent for the Nasdaq. Client assets in fee-based accounts of \$106 billion fell 7 percent over the past twelve months. However, the percentage of client assets in fee-based accounts increased to 21 percent from 19 percent a year ago.
- At quarter-end, the number of global financial advisors was 12,056 -- a decrease of 490 for the quarter and 2,059 over the past year.

INVESTMENT MANAGEMENT

Investment Management net income declined 26 percent from last year's first quarter to \$106 million. Lower revenues, reflecting a decrease in average assets under management and a continued shift in asset mix away from equity products, drove the earnings decline.

- The Company's assets under management declined \$52 billion, or 12 percent, from a year ago to \$400 billion, primarily as a result of a decline in market values.
- Retail assets were \$242 billion, \$14 billion below the previous quarter and \$38 billion below last year's first quarter. Institutional assets of \$158 billion decreased \$6 billion over the quarter and were \$14 billion lower than a year ago.
- Among full-service brokerage firms, the Company had the highest number of domestic funds (45) receiving one of Morningstar's two highest ratings.³ In addition, the percent of the Company's fund assets performing in the top half of

³ Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of February 28, 2003.

the Lipper rankings over three years was 70 percent compared to 71 percent a year ago.⁴

CREDIT SERVICES

Credit Services posted strong first quarter earnings of \$182 million, 9 percent higher than the first quarter of 2002. The increase was the result of increases in merchant and cardmember fees, net interest income and other revenue -- partially offset by higher non-interest expenses. Net charge-off and delinquency rates were lower than a year ago.

- Managed credit card loans at quarter end rose 5 percent from a year ago to a record \$51.8 billion. However, the interest rate spread contracted by 25 basis points over the same period, as a decline in the cost of funds was more than offset by a lower finance charge yield.
- Merchant and cardmember fees rose 4 percent to \$547 million largely as a result of higher merchant discount fees from increased transaction volume. Transaction volume rose 8 percent from a year ago to a record \$26.1 billion, on increased sales and higher balance transfers.
- The credit card net charge-off rate declined to 6.17 percent -- 23 basis points below a year ago. The Company's continued focus on credit quality helped improve the contractual loss rate despite continued softness in the U.S. economy. The over-30-day delinquency rate improved 42 basis points to 6.33 percent, and the over-90-day delinquency rate improved 17 basis points to 2.95 percent from the first quarter of 2002.
- Non-interest expenses were \$608 million, up 7 percent compared to first quarter 2002 -- driven by increases in marketing and advertising expenses, and higher personnel costs.

As of February 28, 2003 the Company had repurchased approximately 4 million shares of its common stock since the end of fiscal 2002. The Company also

⁴ As of February 28, 2003.

announced that its Board of Directors declared a \$0.23 quarterly dividend per common share. The dividend is payable on April 30, 2003, to common shareholders of record on April 11, 2003.

Total capital at February 28, 2003 was \$72.4 billion, including \$24.5 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was \$20.62, based on 1.1 billion shares outstanding.

Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With more than 600 offices in 26 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

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

###

(See Attached Schedules)

This release may contain forward-looking statements. These statements reflect management's beliefs and expectations, and are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Certain Factors Affecting Results of Operations" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Competition" and "Regulation" in Part I, Item 1 in the Company's 2002 Annual Report on Form 10-K.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Net revenues					
Institutional Securities	\$ 3,161	\$ 2,800	\$ 1,881	13%	68%
Individual Investor Group	900	1,019	907	(12%)	(1%)
Investment Management	519	623	541	(17%)	(4%)
Credit Services	898	823	927	9%	(3%)
Consolidated net revenues	<u>\$ 5,478</u>	<u>\$ 5,265</u>	<u>\$ 4,256</u>	4%	29%
Net income / (loss)					
Institutional Securities	\$ 618	\$ 530	\$ 453	17%	36%
Individual Investor Group	(1)	7	(31)	(114%)	97%
Investment Management	106	144	116	(26%)	(9%)
Credit Services	182	167	194	9%	(6%)
Consolidated net income	<u>\$ 905</u>	<u>\$ 848</u>	<u>\$ 732</u>	7%	24%
Basic earnings per common share	\$ 0.84	\$ 0.78	\$ 0.68	8%	24%
Diluted earnings per common share	\$ 0.82	\$ 0.76	\$ 0.67	8%	22%
Average common shares outstanding					
Basic	1,079,052,442	1,082,380,245	1,074,654,825		
Diluted	1,099,724,140	1,112,959,092	1,095,716,005		
Period end common shares outstanding	1,089,745,941	1,101,194,353	1,081,417,377		
Return on common equity	16.3%	16.4%	13.7%		

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment banking	\$ 589	\$ 674	\$ 671	(13%)	(12%)
Principal transactions:					
Trading	1,556	1,132	433	37%	*
Investments	(22)	33	16	(167%)	*
Commissions	670	777	748	(14%)	(10%)
Fees:					
Asset management, distribution and administration	903	1,016	904	(11%)	--
Merchant and cardmember	363	342	372	6%	(2%)
Servicing	567	540	523	5%	8%
Interest and dividends	3,789	3,836	3,790	(1%)	--
Other	87	196	120	(56%)	(28%)
Total revenues	<u>8,502</u>	<u>8,546</u>	<u>7,577</u>	(1%)	12%
Interest expense	2,688	2,936	3,002	(8%)	(10%)
Provision for consumer loan losses	336	345	319	(3%)	5%
Net revenues	<u>5,478</u>	<u>5,265</u>	<u>4,256</u>	4%	29%
Compensation and benefits	2,548	2,489	1,147	2%	122%
Occupancy and equipment	196	198	221	(1%)	(11%)
Brokerage, clearing and exchange fees	191	179	212	7%	(10%)
Information processing and communications	316	322	379	(2%)	(17%)
Marketing and business development	269	254	329	6%	(18%)
Professional services	225	225	346	--	(35%)
Other	307	251	230	22%	33%
Restructuring and other charges	0	0	235	--	*
Total non-interest expenses	<u>4,052</u>	<u>3,918</u>	<u>3,099</u>	3%	31%
Income before taxes and dividends on preferred securities subject to mandatory redemption	1,426	1,347	1,157	6%	23%
Income tax expense	499	477	403	5%	24%
Div. on pref. sec. subject to mandatory redemption	22	22	22	--	--
Net income	<u>\$ 905</u>	<u>\$ 848</u>	<u>\$ 732</u>	7%	24%
Compensation and benefits as a % of net revenues	47%	47%	27%		

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment banking	\$ 503	\$ 603	\$ 599	(17%)	(16%)
Principal transactions:					
Trading	1,425	957	298	49%	*
Investments	(11)	30	15	(137%)	(173%)
Commissions	415	492	465	(16%)	(11%)
Asset management, distribution and administration fees	22	25	28	(12%)	(21%)
Interest and dividends	3,166	3,179	3,098	--	2%
Other	61	143	91	(57%)	(33%)
Total revenues	<u>5,581</u>	<u>5,429</u>	<u>4,594</u>	3%	21%
Interest expense	<u>2,420</u>	<u>2,629</u>	<u>2,713</u>	(8%)	(11%)
Net revenues	<u>3,161</u>	<u>2,800</u>	<u>1,881</u>	13%	68%
Total non-interest expenses	<u>2,194</u>	<u>1,953</u>	<u>1,139</u>	12%	93%
Income before taxes and dividends on preferred securities subject to mandatory redemption	967	847	742	14%	30%
Income tax expense	327	295	267	11%	22%
Div. on pref. sec. subject to mandatory redemption	22	22	22	--	--
Net income	<u>\$ 618</u>	<u>\$ 530</u>	<u>\$ 453</u>	17%	36%
Profit margin (1)	20%	19%	24%		

(1) Net income as a % of net revenues.

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment banking	\$ 78	\$ 62	\$ 65	26%	20%
Principal transactions:					
Trading	131	175	135	(25%)	(3%)
Investments	0	1	(1)	*	*
Commissions	245	274	267	(11%)	(8%)
Asset management, distribution and administration fees	376	421	368	(11%)	2%
Interest and dividends	74	96	78	(23%)	(5%)
Other	24	27	24	(11%)	--
Total revenues	<u>928</u>	<u>1,056</u>	<u>936</u>	(12%)	(1%)
Interest expense	28	37	29	(24%)	(3%)
Net revenues	<u>900</u>	<u>1,019</u>	<u>907</u>	(12%)	(1%)
Total non-interest expenses	<u>903</u>	<u>1,010</u>	<u>963</u>	(11%)	(6%)
Income / (loss) before income taxes	(3)	9	(56)	(133%)	95%
Income tax expense / (benefit)	(2)	2	(25)	(200%)	92%
Net income / (loss)	<u>\$ (1)</u>	<u>\$ 7</u>	<u>\$ (31)</u>	(114%)	97%
Profit margin (1)	0%	1%	(3%)		

(1) Net income as a % of net revenues.

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment banking	\$ 8	\$ 9	\$ 7	(11%)	14%
Principal transactions:					
Trading	0	0	0	--	--
Investments	(11)	2	2	*	*
Commissions	10	11	16	(9%)	(38%)
Asset management, distribution and administration fees	505	570	508	(11%)	(1%)
Interest and dividends	3	8	2	(63%)	50%
Other	5	24	5	(79%)	--
Total revenues	<u>520</u>	<u>624</u>	<u>540</u>	(17%)	(4%)
Interest expense	1	1	(1)	--	200%
Net revenues	<u>519</u>	<u>623</u>	<u>541</u>	(17%)	(4%)
Total non-interest expenses	<u>347</u>	<u>387</u>	<u>373</u>	(10%)	(7%)
Income before income taxes	172	236	168	(27%)	2%
Income tax expense	66	92	52	(28%)	27%
Net income	<u>\$ 106</u>	<u>\$ 144</u>	<u>\$ 116</u>	(26%)	(9%)
Profit margin (1)	20%	23%	21%		

(1) Net income as a % of net revenues.

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Fees:					
Merchant and cardmember Servicing	\$ 363	\$ 342	\$ 372	6%	(2%)
Other	567	540	523	5%	8%
Total non-interest revenues	(3)	2	0	*	*
Interest revenue	927	884	895	5%	4%
Interest expense	546	553	612	(1%)	(11%)
Net interest income	239	269	261	(11%)	(8%)
Provision for consumer loan losses	307	284	351	8%	(13%)
Net credit income	336	345	319	(3%)	5%
Net revenues	(29)	(61)	32	52%	(191%)
Total non-interest expenses	898	823	927	9%	(3%)
Income before taxes	608	568	624	7%	(3%)
Income tax expense	290	255	303	14%	(4%)
Net income	108	88	109	23%	(1%)
	<u>\$ 182</u>	<u>\$ 167</u>	<u>\$ 194</u>	9%	(6%)
Profit margin (1)	20%	20%	21%		

(1) Net income as a % of net revenues.

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Fees:					
Merchant and cardmember Servicing	\$ 547	\$ 527	\$ 542	4%	1%
Other	0	0	0	--	--
Total non-interest revenues	54	16	3	*	*
Interest revenue	601	543	545	11%	10%
Interest expense	1,580	1,611	1,606	(2%)	(2%)
Net interest income	441	499	475	(12%)	(7%)
Provision for consumer loan losses	1,139	1,112	1,131	2%	1%
Net credit income	842	832	749	1%	12%
Net revenues	297	280	382	6%	(22%)
Total non-interest expenses	898	823	927	9%	(3%)
Income before taxes	608	568	624	7%	(3%)
Income tax expense	290	255	303	14%	(4%)
Net income	108	88	109	23%	(1%)
Profit margin (1)	\$ 182	\$ 167	\$ 194	9%	(6%)
	20%	20%	21%		

(1) Net income as a % of net revenues.

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

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Morgan Stanley					
Total assets (millions)	\$ 558,000	\$ 492,000	\$ 530,000	13%	5%
Period end common shares outstanding (millions)	1,089.7	1,101.2	1,081.4	(1%)	1%
Book value per common share	\$ 20.62	\$ 18.97	\$ 20.24	9%	2%
Shareholders' equity (millions) (1)	\$ 24,475	\$ 22,102	\$ 23,096	11%	6%
Total capital (millions) (2)	\$ 72,432	\$ 61,042	\$ 65,936	19%	10%
Worldwide employees	54,493	59,875	55,726	(9%)	(2%)
Institutional Securities					
Advisory revenue (millions)	\$ 166	\$ 292	\$ 271	(43%)	(39%)
Underwriting revenue (millions)	\$ 337	\$ 311	\$ 328	8%	3%
Sales and trading net revenue (millions) (3)					
Equity	\$ 977	\$ 931	\$ 634	5%	54%
Fixed income	\$ 1,662	\$ 1,123	\$ 610	48%	172%
Mergers and acquisitions announced transactions (4)					
Morgan Stanley global market volume (billions)	\$ 26.8	\$ 36.0	\$ 198.0		
Rank	2	5	3		
Worldwide equity and related issues (4)					
Morgan Stanley global market volume (billions)	\$ 3.8	\$ 6.1	\$ 25.6		
Rank	2	5	4		
Individual Investor Group					
Global financial advisors	12,056	14,115	12,546	(15%)	(4%)
Total client assets (billions)	\$ 499	\$ 588	\$ 517	(15%)	(3%)
Fee-based client account assets (billions) (5)	\$ 106	\$ 114	\$ 108	(7%)	(2%)
Domestic retail locations	558	680	608	(18%)	(8%)

(1) Includes preferred and common equity and preferred securities subject to mandatory redemption.

(2) Includes preferred and common equity, preferred securities subject to mandatory redemption, capital units and non-current portion of long-term debt.

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

(4) Source: Thomson Financial Securities Data - January 1 to February 28, 2003.

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

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

MORGAN STANLEY
Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment Management (\$ billions)					
Net flows					
Retail	\$ (0.5)	\$ 1.6	\$ (1.0)	(131%)	50%
Institutional	(2.5)	(0.6)	(0.8)	*	*
Net flows excluding money markets	(3.0)	1.0	(1.8)	*	(67%)
Money markets	(0.9)	(1.2)	(1.2)	25%	25%
Assets under management or supervision by distribution channel					
Retail	\$ 242	\$ 280	\$ 256	(14%)	(5%)
Institutional	158	172	164	(8%)	(4%)
Total	<u>\$ 400</u>	<u>\$ 452</u>	<u>\$ 420</u>	(12%)	(5%)
Assets under management or supervision by asset class					
Equity	\$ 152	\$ 196	\$ 172	(22%)	(12%)
Fixed income	128	128	127	--	1%
Money market	67	70	66	(4%)	2%
Other (1)	53	58	55	(9%)	(4%)
Total	<u>\$ 400</u>	<u>\$ 452</u>	<u>\$ 420</u>	(12%)	(5%)

(1) Includes Alternative Investments.

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Credit Services					
Owned credit card loans					
Period end	\$ 20,847	\$ 20,138	\$ 22,153	4%	(6%)
Average	\$ 22,305	\$ 20,558	\$ 21,641	8%	3%
Managed credit card loans (1)					
Period end	\$ 51,811	\$ 49,569	\$ 51,143	5%	1%
Average	\$ 52,802	\$ 50,396	\$ 50,239	5%	5%
Interest yield	11.78%	12.63%	12.45%	(85 bp)	(67 bp)
Interest spread	8.36%	8.61%	8.62%	(25 bp)	(26 bp)
Net charge-off rate	6.17%	6.40%	5.95%	(23 bp)	22 bp
Delinquency rate (over 30 days)	6.33%	6.75%	5.96%	(42 bp)	37 bp
Delinquency rate (over 90 days)	2.95%	3.12%	2.66%	(17 bp)	29 bp
Transaction volume (billions)	\$ 26.1	\$ 24.1	\$ 25.3	8%	3%
Accounts (millions)	46.5	46.0	46.5	1%	--
Active accounts (millions)	22.3	23.8	22.6	(6%)	(1%)
Average receivables per average active account (actual \$)	\$ 2,333	\$ 2,098	\$ 2,214	11%	5%
Securitization gain	\$ 35	\$ 8	\$ 4	*	*

(1) Includes owned and securitized credit card loans.

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

MORGAN STANLEY

The following (page F-11) presents more detailed financial information regarding the results of operations for the combined institutional securities, individual investor group and investment management businesses. Morgan Stanley believes that a combined presentation is informative due to certain synergies among these businesses, as well as to facilitate comparisons of the Company's results with those of other companies in the financial services industry. Morgan Stanley also provides this type of presentation for its credit services activities (page F-12) in order to provide helpful comparison to other credit card issuers.

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Investment banking	\$ 589	\$ 674	\$ 671	(13%)	(12%)
Principal transactions:					
Trading	1,556	1,132	433	37%	*
Investments	(22)	33	16	(167%)	*
Commissions	670	777	748	(14%)	(10%)
Asset management, distribution and administration fees	903	1,016	904	(11%)	--
Interest and dividends	3,243	3,283	3,178	(1%)	2%
Other	90	194	120	(54%)	(25%)
Total revenues	<u>7,029</u>	<u>7,109</u>	<u>6,070</u>	(1%)	16%
Interest expense	2,449	2,667	2,741	(8%)	(11%)
Net revenues	<u>4,580</u>	<u>4,442</u>	<u>3,329</u>	3%	38%
Compensation and benefits	2,334	2,297	968	2%	141%
Occupancy and equipment	176	182	200	(3%)	(12%)
Brokerage, clearing and exchange fees	191	179	212	7%	(10%)
Information processing and communications	228	242	281	(6%)	(19%)
Marketing and business development	116	134	159	(13%)	(27%)
Professional services	174	174	266	--	(35%)
Other	225	142	154	58%	46%
Restructuring and other charges	0	0	235	--	*
Total non-interest expenses	<u>3,444</u>	<u>3,350</u>	<u>2,475</u>	3%	39%
Income before taxes and dividends on preferred securities subject to mandatory redemption	1,136	1,092	854	4%	33%
Income tax expense	391	389	294	1%	33%
Div. on pref. sec. subject to mandatory redemption	22	22	22	--	--
Net income	<u>\$ 723</u>	<u>\$ 681</u>	<u>\$ 538</u>	6%	34%
Compensation and benefits as a % of net revenues	51%	52%	29%		
Non-compensation expenses as a % of net revenues (1)	24%	24%	38%		
Profit margin (2)	16%	15%	16%		
Number of employees (3)	38,867	43,878	40,424	(11%)	(4%)

(1) Excludes restructuring and other charges.

(2) Net income as a % of net revenues.

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

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

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

	Quarter Ended			Percentage Change From:	
	Feb 28, 2003	Feb 28, 2002	Nov 30, 2002	Feb 28, 2002	Nov 30, 2002
Fees:					
Merchant and cardmember Servicing	\$ 547	\$ 527	\$ 542	4%	1%
Other	0	0	0	--	--
Total non-interest revenues	54	16	3	*	*
Interest revenue	601	543	545	11%	10%
Interest expense	1,580	1,611	1,606	(2%)	(2%)
Net interest income	441	499	475	(12%)	(7%)
Provision for consumer loan losses	1,139	1,112	1,131	2%	1%
Net credit income	842	832	749	1%	12%
Net revenues	297	280	382	6%	(22%)
Compensation and benefits	898	823	927	9%	(3%)
Occupancy and equipment	214	192	179	11%	20%
Information processing and communications	20	16	21	25%	(5%)
Marketing and business development	88	80	98	10%	(10%)
Professional services	153	120	170	28%	(10%)
Other	51	51	80	--	(36%)
Total non-interest expenses	82	109	76	(25%)	8%
Income before taxes	608	568	624	7%	(3%)
Income tax expense	290	255	303	14%	(4%)
Net income	108	88	109	23%	(1%)
	<u>\$ 182</u>	<u>\$ 167</u>	<u>\$ 194</u>	9%	(6%)
Compensation and benefits as a % of net revenues	24%	23%	19%		
Non-compensation expenses as a % of net revenues	44%	46%	48%		
Profit margin (1)	20%	20%	21%		
Number of employees	15,626	15,997	15,302	(2%)	2%

(1) Net income as a % of net revenues.

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