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For Immediate Release

**Morgan Stanley Reports Third Quarter Net Income of \$1.3 Billion
With Return on Equity of 22.0%;
Earnings Per Share are \$1.15**

NEW YORK, September 23, 2003 -- Morgan Stanley (NYSE: MWD) today reported net income of \$1,269 million for the quarter ended August 31, 2003 -- a 108 percent increase from the third quarter of 2002 and 112 percent from the second quarter of 2003. Diluted earnings per share were \$1.15 -- compared to \$0.55 a year ago and \$0.55 in the second quarter. Changes to the terms of the Company's equity-based compensation program made in the third quarter increased net income by \$350 million and diluted earnings per share by \$0.32.

Third quarter net revenues (total revenues less interest expense and the provision for loan losses) were \$5.3 billion -- 13 percent better than last year's third quarter and 4 percent ahead of this year's second quarter. The annualized return on average common equity for the quarter was 22.0 percent.

Philip J. Purcell, Chairman & CEO, and Robert G. Scott, President & COO, said in a joint statement, "We are very pleased with these results. Business has clearly picked up in equity underwriting and retail securities, and our fixed income division had another outstanding quarter. We have begun to see the benefits of an improving environment as well as our previous expense initiatives."

For the first nine months of 2003, net income was \$2,773 million, a 23 percent increase over \$2,256 million a year ago. Nine-month diluted earnings per share were \$2.52, up 24 percent from last year's \$2.03. Net revenues rose 6 percent from

a year ago to \$15.8 billion and the annualized return on average common equity was 16.3 percent.

During the quarter, the Company completed an extensive analysis of its equity-based compensation program and implemented changes that emphasized long-term service and retention objectives, including longer vesting periods and higher eligibility requirements. As a result, the Company is expensing awards over a longer period of service. The effect of these changes reduced compensation expense by \$519 million and increased net income by \$350 million, or \$0.32 per share, for the three and nine month periods ended August 31, 2003. The annualized return on average common equity increased by 6.1 percentage points for the quarter and 2.1 percentage points for the year-to-date period. By business segment, net income increased as follows: Institutional Securities, \$273 million; Individual Investor Group, \$48 million; Investment Management, \$22 million; and Credit Services, \$7 million. The business segment review below *includes* the effects of these changes.

In addition, the Company's segment results have been restated to reflect reallocations of certain revenues and expenses. While such reallocations had no effect on the Company's consolidated results of operations, they affected the net income of each segment. For a discussion of these changes, see "Explanatory Note" immediately preceding the financial pages of this release.

INSTITUTIONAL SECURITIES

Institutional Securities net income increased to \$825 million from last year's third quarter of \$264 million. Net revenues increased 32 percent, driven by the Company's fixed income business, which achieved its second best quarter, and an improved market for equity underwriting.

- Fixed income sales and trading net revenues more than doubled from third quarter 2002 to \$1.5 billion. The increase resulted from strong performances in

the credit products, interest-rate and currency products, and commodities groups. The revenue increases in credit products and interest rate products reflected a favorable trading environment, strong capital markets activity and increases in interest rate volatility. Higher commodities revenues were driven by increased activity in electricity, natural gas and oil markets.

- Equity sales and trading net revenues declined 21 percent from a year ago to \$830 million, reflecting lower revenues in the Company's cash and derivative products businesses. Sharply lower equity market volatility negatively affected results.
- Advisory revenues were \$130 million, down 13 percent from last year due to declining levels of global M&A activity. Industry-wide, completed M&A transaction volume fell 24 percent compared with third quarter 2002.¹
- Underwriting revenues of \$388 million were 55 percent above last year's third quarter. An improved market share in equity -- combined with an industry-wide increase in equity underwriting activity -- drove the increase. An increase in industry-wide fixed income underwriting activity also contributed to these results.
- For the calendar year-to-date, the Company ranked third in completed global M&A with a 20 percent market share; fifth in announced global M&A with a 14 percent market share; third in worldwide equity and equity related issuances with a 10 percent market share; and fourth in U.S. investment grade debt issuances with an 11 percent market share.²

INDIVIDUAL INVESTOR GROUP

The Individual Investor Group net income rose to \$125 million compared to \$18 million for the third quarter of 2002.

- Total net revenues increased 3 percent from third quarter 2002 to \$1,054 million. Third quarter 2002 net revenues included \$95 million associated with

¹ Source: Thomson Financial Securities Data -- for the periods: June 1 to August 31, 2002 & 2003.

² Source: Thomson Financial Securities Data -- for the period January 1, 2003 to August 31, 2003.

the sale of the Company's MS Online brokerage accounts, and a \$45 million writedown of an equity investment related to the Company's European retail securities activities. In the current quarter, principal transaction trading revenues increased 22 percent and commissions rose 7 percent, driven primarily by increased individual investor interest in equity products.

- Total client assets of \$544 billion were 5 percent higher than the end of last year's third quarter, reflecting, in part, a 10 percent increase in the S&P 500 over the same period of time. In addition, client assets in fee-based accounts rose 14 percent to \$122 billion, and the percentage of client assets in fee-based accounts increased to 22 percent from 21 percent a year ago.
- At quarter-end, the number of global financial advisors was 11,326 -- a decrease of 318 for the quarter and 2,264 over the past year.

INVESTMENT MANAGEMENT

Investment Management net income rose to \$116 million from \$97 million in last year's third quarter. The increase was driven primarily by a lower income tax rate. Asset management fees decreased 4 percent reflecting lower distribution and redemption fees.

- The Company's assets under management were \$433 billion, up \$12 billion over the second quarter of this year and \$9 billion over the third quarter of last year. The increase during the quarter reflected market appreciation and positive net customer flows, while the increase from last year was due to market appreciation.
- Retail assets of \$268 billion were \$9 billion higher than the end of the second quarter and \$8 billion higher than a year ago. Institutional assets were \$165 billion, an increase of \$3 billion for the quarter and \$1 billion compared to a year ago.

- Among full-service brokerage firms, the Company had the highest number of domestic funds (47) receiving one of Morningstar's two highest ratings.³ The percent of the Company's fund assets performing in the top half of the Lipper rankings over three years was 69 percent, unchanged from a year ago.⁴

CREDIT SERVICES

Credit Services quarterly net income declined to \$185 million from \$209 million in the third quarter of 2002. On a managed loan basis, an increase in the provision for loan losses was partially offset by lower non-interest expenses and higher net interest income.

- Managed credit card loans at quarter end rose 1 percent from a year ago to \$50 billion and the interest rate spread was unchanged at 8.91 percent.
- Merchant and cardmember fees were essentially unchanged at \$523 million as higher merchant discount fees from increased transaction volume were offset by lower cardmember late fees. Transaction volume rose 2 percent from a year ago to \$24.8 billion, driven by a 6 percent increase in sales.
- The managed credit card net charge-off rate increased to 6.90 percent -- 83 basis points above a year ago and 40 basis points above last quarter. The over-30-day delinquency rate was 6.05 percent -- 33 basis points above last year but 16 basis points below last quarter. Sustained high levels of U.S. bankruptcy filings and unemployment along with changes in the Company's account re-aging policy, which tightened terms under which delinquent accounts are returned to a current status -- negatively affected the charge-off and delinquency rates.
- Non-interest expenses of \$542 million declined 12 percent compared with third quarter 2002, primarily due to a decline in marketing and advertising expenses.

As of August 31, 2003, the Company had repurchased approximately 9 million shares of its common stock since the end of fiscal 2002. The Company also

³ Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of August 31, 2003.

⁴ As of July 31, 2003.

announced that its Board of Directors declared a \$0.23 quarterly dividend per common share. The dividend is payable on October 31, 2003, to common shareholders of record on October 10, 2003.

Total capital at August 31, 2003 was \$78.2 billion, including \$26.5 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was \$21.79, 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 28 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

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

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(See Attached Schedules)

This release may contain forward-looking statements. These statements reflect management's beliefs and expectations, and are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "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 and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Quarterly Reports on Form 10-Q for fiscal 2003.

MORGAN STANLEY

Explanatory Note

As previously disclosed, the Company has been reviewing its segment allocation methodology. This review resulted in the reallocation of certain revenues and expenses in the third quarter of 2003 among the Company's business segments, Institutional Securities ("IS"), Individual Investor Group ("IIG"), Investment Management ("IM") and Credit Services. The Company believes that the results of these reallocations better reflect the economics of each business segment by representing transactions as if conducted between a segment and an external party. Prior periods have been restated to reflect these segment allocation changes. While the segment allocation changes had no effect on the Company's consolidated net income, they affected the net income of each segment.

The principal revenues and expenses that have been reallocated among the segments are:

- **Retail Customer Fixed Income Transactions.** The results of the individual fixed income business are now allocated between IS and IIG to reflect the relative value from both the execution of the retail customer trading activities through IS and the retail customer relationship management through IIG. Previously, the trading results of this business were reflected entirely in IS.
- **Money Market Funds.** Retail customers of IIG invest in money market funds managed by the Company. A percentage of the fund management fees associated with these investments is now allocated to IIG. Previously, all of these fees were reflected in IM.
- **Transfer Agency Costs.** IIG provides certain transfer agency-related activities for mutual funds, including funds managed by the Company. IM receives revenue from these funds and now reimburses certain transfer agency-related costs, including costs related to mailings, to IIG. Previously, these costs were not reimbursed by IM.
- **Certain Mutual Fund Distribution Fees.** Retail customers invest in shares of mutual funds managed by the Company. The segment results now reflect the establishment of a third party distribution relationship between IM and IIG relating to the sales of these funds. Accordingly, IM now reports the distribution fees, contingent deferred sales charge revenues and commission expenses paid to IIG associated with these sales. IIG results now reflect these commission revenues associated with current period sales. Previously, all of the revenues and expenses associated with these transactions were reported by IIG.

As a result of treating these intersegment transactions as external transactions, the Company has a new "Intersegment Eliminations" category to reconcile the segment results to the Company's consolidated results. The net income/loss in Intersegment Eliminations represents the effect of timing differences associated with the revenue and expense recognition of commissions paid by IM to IIG and the related compensation costs paid to IIG's financial advisors.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Net revenues								
Institutional Securities	\$ 2,793	\$ 2,117	\$ 2,680	32%	4%	\$ 8,607	\$ 7,272	18%
Individual Investor Group	1,054	1,028	952	3%	11%	2,928	3,134	(7%)
Investment Management	653	642	608	2%	7%	1,851	2,097	(12%)
Credit Services	834	933	884	(11%)	(6%)	2,616	2,630	(1%)
Intersegment Eliminations	(83)	(81)	(79)	(2%)	(5%)	(232)	(264)	12%
Consolidated net revenues	<u>\$ 5,251</u>	<u>\$ 4,639</u>	<u>\$ 5,045</u>	13%	4%	<u>\$ 15,770</u>	<u>\$ 14,869</u>	6%
Net income / (loss)								
Institutional Securities	\$ 825	\$ 264	\$ 283	*	*	\$ 1,711	\$ 1,219	40%
Individual Investor Group	125	18	32	*	*	186	70	*
Investment Management	116	97	77	20%	51%	265	334	(21%)
Credit Services	185	209	190	(11%)	(3%)	557	569	(2%)
Intersegment Eliminations	18	23	17	(22%)	6%	54	64	(16%)
Consolidated net income	<u>\$ 1,269</u>	<u>\$ 611</u>	<u>\$ 599</u>	108%	112%	<u>\$ 2,773</u>	<u>\$ 2,256</u>	23%
Basic earnings per common share	\$ 1.18	\$ 0.57	\$ 0.56	107%	111%	\$ 2.57	\$ 2.08	24%
Diluted earnings per common share	\$ 1.15	\$ 0.55	\$ 0.55	109%	109%	\$ 2.52	\$ 2.03	24%
Average common shares outstanding								
Basic	1,077,680,996	1,081,708,833	1,077,386,468			1,077,140,296	1,084,059,497	
Diluted	1,100,593,303	1,105,494,894	1,097,478,351			1,098,234,894	1,111,980,428	
Period end common shares outstanding	1,088,107,975	1,093,052,009	1,086,735,086			1,088,107,975	1,093,052,009	
Return on common equity	22.0%	11.4%	10.6%			16.3%	14.3%	

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

The Company's segment results have been restated to reflect certain segment allocation changes.

While such changes had no effect on the Company's consolidated net income, they impacted the net income of each segment. For a discussion of the nature of these changes, see "Explanatory Note" immediately preceding the financial pages of this release.

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

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	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 608	\$ 470	\$ 536	29%	13%	\$ 1,733	\$ 1,807	(4%)
Principal transactions:								
Trading	2,105	469	1,583	*	33%	5,244	2,297	128%
Investments	38	(64)	59	*	(36%)	75	(47)	*
Commissions	775	854	709	(9%)	9%	2,157	2,531	(15%)
Fees:								
Asset mgmt., distribution and administration	956	969	881	(1%)	9%	2,733	3,030	(10%)
Merchant and cardmember	340	359	339	(5%)	--	1,042	1,048	(1%)
Servicing	462	510	503	(9%)	(8%)	1,532	1,556	(2%)
Interest and dividends	3,534	4,376	3,692	(19%)	(4%)	11,015	12,089	(9%)
Other	111	216	112	(49%)	(1%)	310	543	(43%)
Total revenues	<u>8,929</u>	<u>8,159</u>	<u>8,414</u>	9%	6%	<u>25,841</u>	<u>24,854</u>	4%
Interest expense	3,368	3,188	3,060	6%	10%	9,116	8,968	2%
Provision for consumer loan losses	310	332	309	(7%)	--	955	1,017	(6%)
Net revenues	<u>5,251</u>	<u>4,639</u>	<u>5,045</u>	13%	4%	<u>15,770</u>	<u>14,869</u>	6%
Compensation and benefits	1,938	2,064	2,274	(6%)	(15%)	6,763	6,794	--
Occupancy and equipment	191	198	195	(4%)	(2%)	582	604	(4%)
Brokerage, clearing and exchange fees	212	207	202	2%	5%	605	566	7%
Information processing and communications	313	341	316	(8%)	(1%)	945	1,000	(6%)
Marketing and business development	199	285	250	(30%)	(20%)	711	781	(9%)
Professional services	283	273	259	4%	9%	767	748	3%
Other	238	302	634	(21%)	(62%)	1,179	813	45%
Total non-interest expenses	<u>3,374</u>	<u>3,670</u>	<u>4,130</u>	(8%)	(18%)	<u>11,552</u>	<u>11,306</u>	2%
Income before taxes and dividends on preferred securities subject to mandatory redemption	1,877	969	915	94%	105%	4,218	3,563	18%
Income tax expense	561	337	276	66%	103%	1,336	1,242	8%
Dividends on preferred securities subject to mandatory redemption	47	21	40	124%	18%	109	65	68%
Net income	<u>\$ 1,269</u>	<u>\$ 611</u>	<u>\$ 599</u>	108%	112%	<u>\$ 2,773</u>	<u>\$ 2,256</u>	23%
Compensation and benefits as a % of net revenues	37%	44%	45%			43%	46%	

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

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

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 518	\$ 399	\$ 462	30%	12%	\$ 1,481	\$ 1,584	(7%)
Principal transactions:								
Trading	1,931	326	1,416	*	36%	4,749	1,809	*
Investments	30	14	46	114%	(35%)	65	28	132%
Commissions	440	548	423	(20%)	4%	1,279	1,577	(19%)
Asset mgmt., distribution and administration fees	24	24	22	--	9%	68	66	3%
Interest and dividends	2,943	3,618	3,075	(19%)	(4%)	9,212	9,968	(8%)
Other	60	72	75	(17%)	(20%)	197	307	(36%)
Total revenues	<u>5,946</u>	<u>5,001</u>	<u>5,519</u>	19%	8%	<u>17,051</u>	<u>15,339</u>	11%
Interest expense	<u>3,153</u>	<u>2,884</u>	<u>2,839</u>	9%	11%	<u>8,444</u>	<u>8,067</u>	5%
Net revenues	<u>2,793</u>	<u>2,117</u>	<u>2,680</u>	32%	4%	<u>8,607</u>	<u>7,272</u>	18%
Total non-interest expenses	<u>1,589</u>	<u>1,699</u>	<u>2,280</u>	(6%)	(30%)	<u>6,062</u>	<u>5,363</u>	13%
Income before taxes and dividends on preferred securities subject to mandatory redemption	1,204	418	400	*	*	2,545	1,909	33%
Income tax expense	332	133	77	150%	*	725	625	16%
Dividends on preferred securities subject to mandatory redemption	47	21	40	124%	18%	109	65	68%
Net income	<u>\$ 825</u>	<u>\$ 264</u>	<u>\$ 283</u>	*	*	<u>\$ 1,711</u>	<u>\$ 1,219</u>	40%
Pre-tax profit margin (1)	41%	19%	13%			28%	25%	
After-tax profit margin (2)	30%	12%	11%			20%	17%	

(1) Income before taxes, less dividends on preferred securities as a % of net revenues.

(2) 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)

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	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 79	\$ 63	\$ 65	25%	22%	\$ 224	\$ 198	13%
Principal transactions:								
Trading	174	143	167	22%	4%	495	488	1%
Investments	0	(46)	0	*	--	0	(45)	*
Commissions	348	325	300	7%	16%	919	1,030	(11%)
Asset mgmt., distribution and administration fees	364	352	333	3%	9%	1,034	1,087	(5%)
Interest and dividends	92	112	91	(18%)	1%	272	342	(20%)
Other	35	126	35	(72%)	--	99	183	(46%)
Total revenues	<u>1,092</u>	<u>1,075</u>	<u>991</u>	2%	10%	<u>3,043</u>	<u>3,283</u>	(7%)
Interest expense	<u>38</u>	<u>47</u>	<u>39</u>	(19%)	(3%)	<u>115</u>	<u>149</u>	(23%)
Net revenues	<u>1,054</u>	<u>1,028</u>	<u>952</u>	3%	11%	<u>2,928</u>	<u>3,134</u>	(7%)
Total non-interest expenses	<u>861</u>	<u>993</u>	<u>887</u>	(13%)	(3%)	<u>2,622</u>	<u>3,004</u>	(13%)
Income / (loss) before income taxes	193	35	65	*	*	306	130	135%
Income tax expense / (benefit)	<u>68</u>	<u>17</u>	<u>33</u>	*	106%	<u>120</u>	<u>60</u>	100%
Net income / (loss)	<u>\$ 125</u>	<u>\$ 18</u>	<u>\$ 32</u>	*	*	<u>\$ 186</u>	<u>\$ 70</u>	*
Pre-tax profit margin (1)	18%	3%	7%			11%	4%	
After-tax profit margin (2)	12%	2%	3%			6%	2%	

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

(2) 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:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 11	\$ 8	\$ 9	38%	22%	\$ 28	\$ 25	12%
Principal transactions:								
Investments	8	(32)	13	125%	(38%)	10	(30)	133%
Commissions	16	11	13	45%	23%	41	36	14%
Asset mgmt., distribution and administration fees	612	635	565	(4%)	8%	1,752	2,004	(13%)
Interest and dividends	0	7	0	*	--	2	17	(88%)
Other	8	15	10	(47%)	(20%)	23	47	(51%)
Total revenues	<u>655</u>	<u>644</u>	<u>610</u>	2%	7%	<u>1,856</u>	<u>2,099</u>	(12%)
Interest expense	<u>2</u>	<u>2</u>	<u>2</u>	--	--	<u>5</u>	<u>2</u>	150%
Net revenues	<u>653</u>	<u>642</u>	<u>608</u>	2%	7%	<u>1,851</u>	<u>2,097</u>	(12%)
Total non-interest expenses	<u>496</u>	<u>477</u>	<u>489</u>	4%	1%	<u>1,461</u>	<u>1,547</u>	(6%)
Income before income taxes	157	165	119	(5%)	32%	390	550	(29%)
Income tax expense	<u>41</u>	<u>68</u>	<u>42</u>	(40%)	(2%)	<u>125</u>	<u>216</u>	(42%)
Net income	<u>\$ 116</u>	<u>\$ 97</u>	<u>\$ 77</u>	20%	51%	<u>\$ 265</u>	<u>\$ 334</u>	(21%)
Pre-tax profit margin (1)	24%	26%	20%			21%	26%	
After-tax profit margin (2)	18%	15%	13%			14%	16%	

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

(2) 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:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Fees:								
Merchant and cardmember Servicing	\$ 340	\$ 359	\$ 339	(5%)	--	\$ 1,042	\$ 1,048	(1%)
Other	462	510	503	(9%)	(8%)	1,532	1,556	(2%)
Total non-interest revenues	18	12	5	50%	*	20	31	(35%)
Interest revenue	820	881	847	(7%)	(3%)	2,594	2,635	(2%)
Interest expense	515	646	543	(20%)	(5%)	1,604	1,801	(11%)
Net interest income	191	262	197	(27%)	(3%)	627	789	(21%)
Provision for consumer loan losses	324	384	346	(16%)	(6%)	977	1,012	(3%)
Net credit income	310	332	309	(7%)	--	955	1,017	(6%)
Net revenues	14	52	37	(73%)	(62%)	22	(5)	*
Total non-interest expenses	834	933	884	(11%)	(6%)	2,616	2,630	(1%)
Income before taxes	542	617	582	(12%)	(7%)	1,732	1,751	(1%)
Income tax expense	292	316	302	(8%)	(3%)	884	879	1%
Net income	107	107	112	--	(4%)	327	310	5%
Pre-tax profit margin (1)	\$ 185	\$ 209	\$ 190	(11%)	(3%)	\$ 557	\$ 569	(2%)
After-tax profit margin (2)	35%	34%	34%			34%	33%	
	22%	22%	21%			21%	22%	

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

(2) 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:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Fees:								
Merchant and cardmember Servicing	\$ 523	\$ 525	\$ 524	--	--	\$ 1,594	\$ 1,568	2%
Other	19	25	35	(24%)	(46%)	108	77	40%
Total non-interest revenues	<u>542</u>	<u>550</u>	<u>559</u>	(1%)	(3%)	<u>1,702</u>	<u>1,645</u>	3%
Interest revenue	1,576	1,643	1,592	(4%)	(1%)	4,748	4,868	(2%)
Interest expense	391	483	410	(19%)	(5%)	1,242	1,462	(15%)
Net interest income	<u>1,185</u>	<u>1,160</u>	<u>1,182</u>	2%	--	<u>3,506</u>	<u>3,406</u>	3%
Provision for consumer loan losses	893	777	857	15%	4%	2,592	2,421	7%
Net credit income	<u>292</u>	<u>383</u>	<u>325</u>	(24%)	(10%)	<u>914</u>	<u>985</u>	(7%)
Net revenues	<u>834</u>	<u>933</u>	<u>884</u>	(11%)	(6%)	<u>2,616</u>	<u>2,630</u>	(1%)
Total non-interest expenses	<u>542</u>	<u>617</u>	<u>582</u>	(12%)	(7%)	<u>1,732</u>	<u>1,751</u>	(1%)
Income before taxes	292	316	302	(8%)	(3%)	884	879	1%
Income tax expense	107	107	112	--	(4%)	327	310	5%
Net income	<u>\$ 185</u>	<u>\$ 209</u>	<u>\$ 190</u>	(11%)	(3%)	<u>\$ 557</u>	<u>\$ 569</u>	(2%)
Pre-tax profit margin (1)	35%	34%	34%			34%	33%	
After-tax profit margin (2)	22%	22%	21%			21%	22%	

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

(2) 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
Intersegment Eliminations
(unaudited, dollars in millions)

:

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 0	\$ 0	\$ 0	--	--	\$ 0	\$ 0	--
Principal transactions:								
Trading	0	0	0	--	--	0	0	--
Investments	0	0	0	--	--	0	0	--
Commissions	(29)	(30)	(27)	3%	(7%)	(82)	(112)	27%
Asset mgmt., distribution and administration fees	(44)	(42)	(39)	(5%)	(13%)	(121)	(127)	5%
Interest and dividends	(16)	(7)	(17)	(129%)	6%	(75)	(39)	(92%)
Other	(10)	(9)	(13)	(11%)	23%	(29)	(25)	(16%)
Total revenues	(99)	(88)	(96)	(13%)	(3%)	(307)	(303)	(1%)
Interest expense	(16)	(7)	(17)	(129%)	6%	(75)	(39)	(92%)
Net revenues	(83)	(81)	(79)	(2%)	(5%)	(232)	(264)	12%
Total non-interest expenses	(114)	(116)	(108)	2%	(6%)	(325)	(359)	9%
Income before taxes and dividends on preferred securities subject to mandatory redemption	31	35	29	(11%)	7%	93	95	(2%)
Income tax expense	13	12	12	8%	8%	39	31	26%
Net income	\$ 18	\$ 23	\$ 17	(22%)	6%	\$ 54	\$ 64	(16%)

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003
Total assets (millions)	\$ 580,632	\$ 516,772	\$ 586,881	12%	(1%)
Adjusted assets (1)	\$ 392,820	\$ 361,517	\$ 406,977	9%	(3%)
Period end common shares outstanding (millions)	1,088.1	1,093.1	1,086.7	--	--
Book value per common share	\$ 21.79	\$ 19.59	\$ 20.83	11%	5%
Shareholders' equity (millions) (2)	\$ 26,517	\$ 22,626	\$ 25,341	17%	5%
Total capital (millions) (3)	\$ 78,241	\$ 66,631	\$ 78,665	17%	(1%)
Worldwide employees	52,205	57,799	53,507	(10%)	(2%)
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category (\$ millions, pre-tax)					
Interest rate and credit spread	\$ 42	\$ 45	\$ 41		
Equity price	25	22	23		
Foreign exchange rate	7	7	11		
Commodity price	27	22	27		
Aggregate trading VaR	\$ 54	\$ 54	\$ 54		

-
- (1) Represents total assets less assets attributable to matched resale agreements, certain securities borrowed transactions and segregated customer cash balances. See page F-18 for further information.
- (2) Includes preferred and common equity and preferred securities subject to mandatory redemption.
- (3) Includes preferred and common equity, preferred securities subject to mandatory redemption, capital units and the non-current portion of long-term debt.
- (4) 99%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than one time every one hundred trading days in the Company's Institutional trading positions if the portfolio were held constant for a one day period. The Company's VaR incorporates substantially all financial instruments generating market risk that are managed by the Company's Institutional trading businesses. For a further discussion of the calculation of VaR and the limitations of the Company's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in the firm's Annual Report on Form 10-K for the fiscal year ended November 30, 2002.

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

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Institutional Securities								
Advisory revenue (millions)	\$ 130	\$ 149	\$ 141	(13%)	(8%)	\$ 437	\$ 690	(37%)
Underwriting revenue (millions)	\$ 388	\$ 250	\$ 321	55%	21%	\$ 1,044	\$ 894	17%
Sales and trading net revenue (millions) (1)								
Equity	\$ 830	\$ 1,052	\$ 865	(21%)	(4%)	\$ 2,672	\$ 2,907	(8%)
Fixed income	\$ 1,462	\$ 697	\$ 1,282	110%	14%	\$ 4,379	\$ 2,657	65%
Mergers and acquisitions announced transactions (2)								
Morgan Stanley global market volume (billions)	\$ 88.1	\$ 126.9	\$ 48.4					
Rank	5	4	6					
Worldwide equity and related issues (2)								
Morgan Stanley global market volume (billions)	\$ 22.4	\$ 13.7	\$ 13.5					
Rank	3	5	2					
Individual Investor Group								
Global financial advisors	11,326	13,590	11,644	(17%)	(3%)			
Total client assets (billions)	\$ 544	\$ 520	\$ 532	5%	2%			
Fee-based client account assets (billions) (3)	\$ 122	\$ 107	\$ 113	14%	8%			
Fee-based assets as a % of client assets	22%	21%	21%					
Domestic retail locations	525	649	547	(19%)	(4%)			

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

(2) Source: Thomson Financial Securities Data - January 1 to August 31, 2003.

(3) 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:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment Management (\$ billions)								
Net flows								
Retail	\$ 4.9	\$ (0.7)	\$ 1.2	*	*	\$ 5.6	\$ 2.1	*
Institutional	(2.1)	0.0	(4.0)	*	48%	(8.6)	(1.2)	*
Net flows excluding money markets	2.8	(0.7)	(2.8)	*	*	(3.0)	0.9	*
Money markets	0.2	1.0	(2.6)	(80%)	108%	(3.3)	(4.3)	23%
Assets under management or supervision by distribution channel								
Retail	\$ 268	\$ 260	\$ 259	3%	3%			
Institutional	165	164	162	1%	2%			
Total	<u>\$ 433</u>	<u>\$ 424</u>	<u>\$ 421</u>	2%	3%			
Assets under management or supervision by asset class								
Equity	\$ 189	\$ 175	\$ 174	8%	9%			
Fixed income	123	127	127	(3%)	(3%)			
Money market	66	66	65	--	2%			
Other (1)	55	56	55	(2%)	--			
Total	<u>\$ 433</u>	<u>\$ 424</u>	<u>\$ 421</u>	2%	3%			

(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:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Credit Services								
Owned credit card loans								
Period end	\$ 18,106	\$ 21,452	\$ 18,465	(16%)	(2%)	\$ 18,106	\$ 21,452	(16%)
Average	\$ 18,600	\$ 20,083	\$ 19,120	(7%)	(3%)	\$ 19,991	\$ 20,333	(2%)
Managed credit card loans (1)								
Period end	\$ 49,965	\$ 49,677	\$ 50,880	1%	(2%)	\$ 49,965	\$ 49,677	1%
Average	\$ 50,663	\$ 49,344	\$ 51,174	3%	(1%)	\$ 51,537	\$ 49,701	4%
Interest yield	11.94%	12.86%	11.97%	(92 bp)	(3 bp)	11.90%	12.71%	(81 bp)
Interest spread	8.91%	8.91%	8.78%	0 bp	13 bp	8.69%	8.75%	(6 bp)
Net charge-off rate	6.90%	6.07%	6.50%	83 bp	40 bp	6.52%	6.28%	24 bp
Delinquency rate (over 30 days)	6.05%	5.72%	6.21%	33 bp	(16 bp)	6.05%	5.72%	33 bp
Delinquency rate (over 90 days)	2.91%	2.49%	3.01%	42 bp	(10 bp)	2.91%	2.49%	42 bp
Transaction volume (billions)	\$ 24.8	\$ 24.3	\$ 24.0	2%	3%	\$ 74.9	\$ 72.0	4%
Accounts (millions)	46.3	46.2	46.4	--	--	46.3	46.2	--
Active accounts (millions)	21.3	22.8	21.8	(7%)	(2%)	21.3	22.8	(7%)
Avg. receivables per avg. active account (actual \$)	\$ 2,348	\$ 2,145	\$ 2,319	9%	1%	\$ 2,333	\$ 2,109	11%
Securitization gain	\$ (9)	\$ (3)	\$ 11	*	*	\$ 37	\$ 16	131%

(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-13) presents more detailed financial information regarding the results of operations for the combined institutional securities, individual investor group and investment management businesses. Morgan Stanley believes that a combined presentation is informative due to certain synergies among these businesses, as well as to facilitate comparisons of the Company's results with those of other companies in the financial services industry that have securities and asset management businesses. Morgan Stanley provides this type of presentation for its credit services activities page (F-14) in order to provide helpful comparison to other credit card issuers.

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

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Investment banking	\$ 608	\$ 470	\$ 536	29%	13%	\$ 1,733	\$ 1,807	(4%)
Principal transactions:								
Trading	2,105	469	1,583	*	33%	5,244	2,297	128%
Investments	38	(64)	59	*	(36%)	75	(47)	*
Commissions	775	854	709	(9%)	9%	2,157	2,531	(15%)
Asset mgmt., distribution and administration fees	956	969	881	(1%)	9%	2,733	3,030	(10%)
Interest and dividends	3,029	3,730	3,159	(19%)	(4%)	9,471	10,302	(8%)
Other	96	207	113	(54%)	(15%)	299	519	(42%)
Total revenues	7,607	6,635	7,040	15%	8%	21,712	20,439	6%
Interest expense	3,187	2,926	2,873	9%	11%	8,549	8,193	4%
Net revenues	4,420	3,709	4,167	19%	6%	13,163	12,246	7%
Compensation and benefits	1,746	1,858	2,071	(6%)	(16%)	6,154	6,199	(1%)
Occupancy and equipment	170	180	176	(6%)	(3%)	522	552	(5%)
Brokerage, clearing and exchange fees	212	207	202	2%	5%	605	566	7%
Information processing and communications	227	247	234	(8%)	(3%)	689	735	(6%)
Marketing and business development	108	139	122	(22%)	(11%)	339	413	(18%)
Professional services	218	211	196	3%	11%	588	576	2%
Other	154	214	553	(28%)	(72%)	932	521	79%
Total non-interest expenses	2,835	3,056	3,554	(7%)	(20%)	9,829	9,562	3%
Income before taxes and dividends on preferred securities subject to mandatory redemption	1,585	653	613	143%	*	3,334	2,684	24%
Income tax expense	454	230	164	97%	*	1,009	932	8%
Div. on pref. sec. subject to mandatory redemption	47	21	40	124%	18%	109	65	68%
Net income	\$ 1,084	\$ 402	\$ 409	*	*	\$ 2,216	\$ 1,687	31%
Compensation and benefits as a % of net revenues	40%	50%	50%			47%	51%	
Non-compensation expenses as a % of net revenues	25%	32%	36%			28%	27%	
Pre-tax profit margin (2)	35%	17%	14%			25%	21%	
After-tax profit margin (3)	25%	11%	10%			17%	14%	
Number of employees (4)	37,493	42,585	38,031	(12%)	(1%)			

(1) Includes the elimination of intersegment activity.

(2) Income before taxes, less dividends on preferred securities as a % of net revenues.

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

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

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

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

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002	
Fees:								
Merchant and cardmember	\$ 523	\$ 525	\$ 524	--	--	\$ 1,594	\$ 1,568	2%
Servicing	0	0	0	--	--	0	0	--
Other	19	25	35	(24%)	(46%)	108	77	40%
Total non-interest revenues	542	550	559	(1%)	(3%)	1,702	1,645	3%
Interest revenue	1,576	1,643	1,592	(4%)	(1%)	4,748	4,868	(2%)
Interest expense	391	483	410	(19%)	(5%)	1,242	1,462	(15%)
Net interest income	1,185	1,160	1,182	2%	--	3,506	3,406	3%
Provision for consumer loan losses	893	777	857	15%	4%	2,592	2,421	7%
Net credit income	292	383	325	(24%)	(10%)	914	985	(7%)
Net revenues	834	933	884	(11%)	(6%)	2,616	2,630	(1%)
Compensation and benefits	192	206	203	(7%)	(5%)	609	595	2%
Occupancy and equipment	21	18	19	17%	11%	60	52	15%
Information processing and communications	86	94	82	(9%)	5%	256	265	(3%)
Marketing and business development	91	146	128	(38%)	(29%)	372	368	1%
Professional services	65	62	63	5%	3%	179	172	4%
Other	87	91	87	(4%)	--	256	299	(14%)
Total non-interest expenses	542	617	582	(12%)	(7%)	1,732	1,751	(1%)
Income before taxes	292	316	302	(8%)	(3%)	884	879	1%
Income tax expense	107	107	112	--	(4%)	327	310	5%
Net income	\$ 185	\$ 209	\$ 190	(11%)	(3%)	\$ 557	\$ 569	(2%)
Compensation and benefits as a % of net revenues	23%	22%	23%			23%	23%	
Non-compensation expenses as a % of net revenues	42%	44%	43%			43%	44%	
Pre-tax profit margin (1)	35%	34%	34%			34%	33%	
After-tax profit margin (2)	22%	22%	21%			21%	22%	
Number of employees	14,712	15,214	15,476	(3%)	(5%)			

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

(2) 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

The following pages (F-15 - F-17) present a reconciliation for certain information disclosed on pages F-7, F-12 and F-14.

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

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

Quarter Ended Aug 31, 2003

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

Quarter Ended Aug 31, 2002

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 21,452	\$ 20,083	12.09%	6.68%	6.07%	5.37%	2.38%
Securitized	28,225	29,261	13.40%	10.41%	6.07%	5.98%	2.57%
Managed	<u>\$ 49,677</u>	<u>\$ 49,344</u>	12.86%	8.91%	6.07%	5.72%	2.49%

Quarter Ended May 31, 2003

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 18,465	\$ 19,120	10.57%	6.28%	5.92%	5.27%	2.56%
Securitized	32,415	32,054	12.81%	10.23%	6.84%	6.74%	3.27%
Managed	<u>\$ 50,880</u>	<u>\$ 51,174</u>	11.97%	8.78%	6.50%	6.21%	3.01%

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

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

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

Nine Months Ended Aug 31, 2003

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

Nine Months Ended Aug 31, 2002

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 21,452	\$ 20,333	11.15%	5.79%	6.14%	5.37%	2.38%
Securitized	28,225	29,368	13.79%	10.75%	6.37%	5.98%	2.57%
Managed	<u>\$ 49,677</u>	<u>\$ 49,701</u>	12.71%	8.75%	6.28%	5.72%	2.49%

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

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

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

	Quarter Ended			Nine Months Ended	
	Aug 31, 2003	Aug 31, 2002	May 31, 2003	Aug 31, 2003	Aug 31, 2002
Merchant and cardmember fees:					
Owned	\$ 340	\$ 359	\$ 339	\$ 1,042	\$ 1,048
Securitization Adjustment	183	166	185	552	520
Managed	<u>\$ 523</u>	<u>\$ 525</u>	<u>\$ 524</u>	<u>\$ 1,594</u>	<u>\$ 1,568</u>
Servicing fees:					
Owned	\$ 462	\$ 510	\$ 503	\$ 1,532	\$ 1,556
Securitization Adjustment	(462)	(510)	(503)	(1,532)	(1,556)
Managed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other:					
Owned	\$ 18	\$ 12	\$ 5	\$ 20	\$ 31
Securitization Adjustment	1	13	30	88	46
Managed	<u>\$ 19</u>	<u>\$ 25</u>	<u>\$ 35</u>	<u>\$ 108</u>	<u>\$ 77</u>
Interest revenue:					
Owned	\$ 515	\$ 646	\$ 543	\$ 1,604	\$ 1,801
Securitization Adjustment	1,061	997	1,049	3,144	3,067
Managed	<u>\$ 1,576</u>	<u>\$ 1,643</u>	<u>\$ 1,592</u>	<u>\$ 4,748</u>	<u>\$ 4,868</u>
Interest expense:					
Owned	\$ 191	\$ 262	\$ 197	\$ 627	\$ 789
Securitization Adjustment	200	221	213	615	673
Managed	<u>\$ 391</u>	<u>\$ 483</u>	<u>\$ 410</u>	<u>\$ 1,242</u>	<u>\$ 1,462</u>
Provision for consumer loan losses:					
Owned	\$ 310	\$ 332	\$ 309	\$ 955	\$ 1,017
Securitization Adjustment	583	445	548	1,637	1,404
Managed	<u>\$ 893</u>	<u>\$ 777</u>	<u>\$ 857</u>	<u>\$ 2,592</u>	<u>\$ 2,421</u>

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

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

MORGAN STANLEY

The following page (F-18) presents a reconciliation of adjusted assets.

Balance sheet leverage ratios are one indicator of capital adequacy when viewed in the context of a company's overall liquidity and capital policies. The Company views the adjusted leverage ratio as a more relevant measure of financial risk when comparing financial services firms and evaluating leverage trends. This ratio is adjusted to reflect the low-risk nature of assets attributable to matched resale agreements, certain securities borrowed transactions and segregated customer cash balances. In addition, the adjusted leverage ratio reflects the deduction from shareholders' equity of the amount of equity used to support goodwill, as the Company does not view this amount of equity as available to support its risk capital needs.

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

	Quarter Ended		
	Aug 31, 2003	Aug 31, 2002	May 31, 2003
Total assets	\$ 580,632	\$ 516,772	\$ 586,881
Less:			
Lesser of securities purchased under agreements to resell or securities sold under agreements to repurchase	(74,271)	(65,512)	(71,374)
Assets recorded under certain provisions of SFAS No. 140	(28,920)	(10,634)	(24,837)
Lesser of securities borrowed or securities loaned	(57,490)	(45,567)	(55,388)
Segregated customer cash and securities balances	(25,670)	(32,095)	(26,829)
Goodwill	(1,461)	(1,447)	(1,476)
Adjusted assets	<u>\$ 392,820</u>	<u>\$ 361,517</u>	<u>\$ 406,977</u>
Shareholders' equity	\$ 23,707	\$ 21,416	\$ 22,631
Preferred securities subject to mandatory redemption	2,810	1,210	2,710
Subtotal	26,517	22,626	25,341
Less: Goodwill	(1,461)	(1,447)	(1,476)
Tangible shareholders' equity	<u>\$ 25,056</u>	<u>\$ 21,179</u>	<u>\$ 23,865</u>
Leverage ratio (1)	<u>23.2x</u>	<u>24.4x</u>	<u>24.6x</u>
Adjusted leverage ratio (2)	<u>15.7x</u>	<u>17.1x</u>	<u>17.1x</u>

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

(2) 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.