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For Immediate Release

**Morgan Stanley Reports Full-Year Net Earnings of \$3.0 Billion,
Return on Equity of 14%;
Fourth Quarter Net Earnings of \$732 Million;
Including a Pre-tax Restructuring Charge of \$235 Million**

NEW YORK, December 19, 2002 -- Morgan Stanley (NYSE: MWD) today reported net earnings for the fiscal year of \$2,988 million, including a fourth quarter pre-tax restructuring charge of \$235 million. Diluted earnings per share were \$2.69, and the return on average common equity was 14 percent. Excluding the charge, net earnings were \$3,140 million, diluted earnings per share were \$2.83 and the return on average common equity was 15 percent.

Including the charge, net earnings for the fourth quarter were \$732 million, diluted earnings per share were \$0.67 and the annualized return on average common equity was 14 percent. Excluding the charge, net earnings were \$884 million, diluted earnings per share were \$0.81 and the annualized return on average common equity was 17 percent.

The pre-tax restructuring charge of \$235 million (\$152 million net of tax) consisted of \$162 million in write-offs related to space reductions, primarily in the U.S. and the U.K., and \$73 million in severance-related costs.

Philip J. Purcell, Chairman & CEO, and Robert G. Scott, President, said in a joint statement, "2002 was an extremely challenging year, especially on the heels of a very difficult 2001. Industry-wide declines in the level of activity significantly depressed revenues in our securities and asset management businesses. Nonetheless, we were able to generate a 14 percent return on equity thanks to record profits generated by our Discover Card business and an intense focus on costs and our business models firmwide. We're extremely proud of our employees who worked hard in this difficult period to provide the highest level of service to our clients."

Full-year net earnings of \$3,140 million before the fourth quarter charge were 13 percent below last year's \$3,610 million.¹ Diluted earnings per share of \$2.83 before the charge were down 11 percent. Net revenues (total revenues less interest expense and the provision for loan losses) declined 14 percent to \$19.1 billion and non-compensation expenses (excluding the charge) decreased 11 percent to \$6.2 billion.

Fourth quarter net earnings of \$884 million before the charge were 45 percent higher than third quarter 2002 and 2 percent higher than fourth quarter 2001. Diluted earnings per share of \$0.81 before the charge increased 47 percent compared to last quarter and 4 percent compared to last year. Net revenues of \$4.2 billion were 8 percent lower than both this year's third quarter and last year's fourth quarter. Non-compensation expenses (excluding the charge) rose 6 percent and declined 7 percent from those same periods.

INSTITUTIONAL SECURITIES

FULL YEAR

The Company's Institutional Securities business posted net income of \$1,703 million in fiscal 2002, down 31 percent from a year ago. Net revenues declined 20 percent to \$9.3 billion, reflecting the impact of difficult markets. Total non-interest expenses, including restructuring charges of \$117 million, declined 15 percent to \$6.6 billion.

Investment banking and equity underwriting were negatively impacted by the continued industry-wide slowdown in M&A activity and equity issuance. For the first eleven months of calendar 2002, industry-wide announced and completed global M&A activity fell 31 percent and 45 percent, respectively, from year ago levels. Worldwide equity and equity-related issuance was 23 percent lower. Fixed income underwriting revenues also declined from the prior year, reflecting a 21 percent decrease in industry-wide U.S. investment grade issuance.²

The Company ranked #2 with a market share of 29 percent in completed global M&A; #3 with a market share of 19 percent in announced global M&A; #4 with a market share of 10 percent in U.S. investment grade debt; and #4 with a market share of 8 percent in worldwide

¹ All amounts for the twelve-months ended November 30, 2001 exclude an after-tax charge of \$59 million, or \$0.05 per share, resulting from the adoption of SFAS 133 on December 1, 2000, and an extraordinary loss of \$30 million, or \$0.03 per share, resulting from the early extinguishment of debt. See Page F-1 of Financial Summary, Notes 1 & 2.

² Source: Thomson Financial Securities Data.

equity and equity-related underwritings.³ In equity research, the Company tied for first place in the *Institutional Investor's* 2002 Global Research Poll.

In the Company's equity sales and trading business, a decline in market indexes, lower dollar volumes and the decrease in the level of primary issuance resulted in difficult trading conditions. In fixed income sales and trading, a sharp decline in commodity price volatility and less favorable trading conditions for interest rate products depressed overall results.

FOURTH QUARTER

Institutional Securities posted net income of \$453 million, a decline of 21 percent versus fourth quarter 2001. Net revenues decreased 13 percent to \$1.9 billion, primarily due to continued difficult market conditions. Non-interest expenses, including restructuring charges of \$117 million, were 10 percent lower than last year's fourth quarter.

- Advisory revenues were \$271 million, down 16 percent from fourth quarter 2001. The decline in advisory revenues reflects the decline in global M&A activity. Industry-wide, global completed M&A transaction volume fell 24 percent compared to a year ago.⁴
- Underwriting revenues fell 16 percent from last year's fourth quarter to \$346 million on lower equity and fixed income underwriting activity.
- Fixed income sales and trading net revenues were \$589 million, down 22 percent from fourth quarter 2001. A more difficult trading environment for interest rate products was partially offset by a more favorable one for credit products.
- Equity sales and trading net revenues of \$634 million were down 26 percent from a year ago, primarily due to declines in customer trading volumes and lower market volatility.

INDIVIDUAL INVESTOR GROUP

FULL YEAR

The Individual Investor Group recorded a net loss of \$7 million for the year compared to a net loss of \$44 million in fiscal 2001. Net revenues declined 11 percent to \$4.0 billion as retail participation in equity markets was down throughout the year. Total non-interest expenses,

³ Source: Thomson Financial Securities Data -- January 1 to December 18, 2002.

⁴ Source: Thomson Financial Securities Data.

including restructuring charges of \$112 million, decreased 12 percent from a year ago. Total client assets of \$517 billion were 13 percent lower than the end of last year, compared to declines of 18 percent in the S&P 500 and 23 percent in the Nasdaq. Client assets in fee-based accounts fell 5 percent to \$104 billion, but represented 20 percent of total client assets compared to 18 percent at 2001 fiscal year end.

FOURTH QUARTER

IIG reported a fourth quarter net loss of \$31 million compared to net income of \$14 million a year ago. The decrease was driven by lower revenues and the \$112 million in restructuring charges.

- Net revenues declined 8 percent to \$907 million, primarily reflecting a decline in retail participation in equity markets compared to last year.
- During the quarter, the number of global financial advisors decreased by 1,044 to 12,546, and client assets in fee-based accounts increased by \$1 billion to \$104 billion.

INVESTMENT MANAGEMENT

FULL YEAR

Investment Management reported net income of \$525 million, 9 percent higher than last year's \$480 million. The increase was driven by a 14 percent decline in non-interest expenses and lower income tax expense which more than offset lower net revenues. The revenue decline reflected a decrease in the Company's average assets under management and a shift in asset mix away from equity products. Assets under management were \$420 billion, down \$39 billion, or 8 percent from a year ago, primarily as a result of a decline in market values.

During the year, the Company launched 21 new funds or products, generating sales of nearly \$1.2 billion. Among investment managers, the Company had the fourth highest number of domestic funds (48) receiving one of Morningstar's two highest ratings.⁵ The percent of the Company's fund assets performing in the top half of the Lipper rankings for one year was 65 percent compared to 59 percent a year ago.⁶

⁵ As of October 2002 and based on the highest rated share class.

⁶ As of October 2002.

FOURTH QUARTER

Investment Management's net income was \$116 million, a 32 percent increase from \$88 million in the fourth quarter of 2001. The earnings increase reflects a decline in non-interest expenses and income tax expense -- partially offset by lower net revenues driven primarily by lower average assets under management.

- Retail assets fell \$5 billion during the quarter and \$33 billion from a year ago to a total of \$247 billion.
- Institutional assets rose \$1 billion during the fourth quarter but declined \$6 billion over the past twelve months to \$173 billion.

CREDIT SERVICES

FULL YEAR

Credit Services achieved record net income of \$767 million, up 9 percent from a year ago. An increase in the interest rate spread on Discover's credit card portfolio, higher merchant and cardmember fees and lower marketing and business development costs were partially offset by an increase in the provision for loan losses. Managed credit card loans were \$51.1 billion at fiscal year end, 4 percent greater than a year ago, and the interest spread increased 82 basis points over the same time period. The credit card charge-off rate increased 83 basis points to 6.19 percent. The increase in charge-offs reflects persisting softness in the U.S. economy and a high level of national bankruptcy filings. The over-30-day delinquency rate declined 89 basis points to 5.96 percent, and the over-90-day rate declined 36 basis points to 2.66 percent. Total transaction volume rose to a record \$97.3 billion, and Discover ended the fiscal year with 46.5 million cardmember accounts.

FOURTH QUARTER

Credit Services fourth quarter net income was \$194 million, up 1 percent from a year ago. A lower provision for loan losses offset an increase in marketing and business development expenses.

- The interest rate spread on Discover's credit card portfolio contracted by 20 basis points compared to last year's fourth quarter, driven by a lower finance charge yield which more than offset a decline in the cost of funds.
- Merchant and cardmember fees were \$542 million, essentially unchanged from a year ago. Higher merchant discount revenue from increased transaction volume was offset by lower

cardmember fees. Transaction volume rose 15 percent to a record \$25.3 billion, as a result of higher balance transfers and an increase in sales.

- The credit card net charge-off rate was 5.96 percent, 6 basis points lower than the third quarter, but 11 basis points higher than a year ago. The increase in the charge-off rate from fourth quarter 2001 was largely the result of an increase in bankruptcy losses.

Morgan Stanley reports its results in four business segments: institutional securities, individual investor group, investment management and credit services. Previously, the results of the institutional and individual securities activities were reported in one reporting segment. Management is currently evaluating how it allocates revenues and expenses among its business segments and expects to change such allocations in the future. Business segment results will reflect reallocations of revenues and expenses that result from such changes and the effect may be material to a particular segment. Reallocations of revenues or expenses among segments will have no effect on Morgan Stanley's overall results of operations.

Total capital at November 30, 2002 was \$65.9 billion, including \$23.1 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was \$20.24, based on quarter-end shares outstanding of 1.08 billion.

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

The Company repurchased approximately 22 million shares of its common stock during the 2002 fiscal year.

Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With over 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, which reflect management's beliefs and expectations, 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" and "Competition and Regulation" under each of "Securities," "Investment Management" and "Credit Services" in Part 1, Item 1, in the Company's 2001 Annual Report to Shareholders 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 2002.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Net revenues								
Institutional Securities	\$ 1,881	\$ 2,167	\$ 2,152	(13%)	(13%)	\$ 9,268	\$ 11,554	(20%)
Individual Investor Group	907	991	1,013	(8%)	(10%)	3,980	4,455	(11%)
Investment Management	534	581	538	(8%)	(1%)	2,304	2,525	(9%)
Credit Services	927	904	933	3%	(1%)	3,557	3,559	--
Consolidated net revenues	<u>\$ 4,249</u>	<u>\$ 4,643</u>	<u>\$ 4,636</u>	(8%)	(8%)	<u>\$ 19,109</u>	<u>\$ 22,093</u>	(14%)
Net income								
Institutional Securities	\$ 453	\$ 575	\$ 272	(21%)	67%	\$ 1,703	\$ 2,472	(31%)
Individual Investor Group	(31)	14	5	*	*	(7)	(44)	84%
Investment Management	116	88	124	32%	(6%)	525	480	9%
Credit Services	194	193	210	1%	(8%)	767	702	9%
Income before extraordinary item and cumulative effect of accounting change	732	870	611	(16%)	20%	2,988	3,610	(17%)
Extraordinary item (1)	0	0	0	--	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(59)	*
Consolidated net income	<u>\$ 732</u>	<u>\$ 870</u>	<u>\$ 611</u>	(16%)	20%	<u>\$ 2,988</u>	<u>\$ 3,521</u>	(15%)
Preferred stock dividend requirements	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 0</u>	*	--	<u>\$ 0</u>	<u>\$ 32</u>	*
Earnings applicable to common shares	<u>\$ 732</u>	<u>\$ 865</u>	<u>\$ 611</u>	(15%)	20%	<u>\$ 2,988</u>	<u>\$ 3,489</u>	(14%)
Basic earnings per common share								
Income before extraordinary item and cumulative effect of accounting change	\$ 0.68	\$ 0.80	\$ 0.57	(15%)	19%	\$ 2.76	\$ 3.29	(16%)
Extraordinary item	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.03)	*
Cumulative effect of accounting change	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.05)	*
Net income	\$ 0.68	\$ 0.80	\$ 0.57	(15%)	19%	\$ 2.76	\$ 3.21	(14%)
Diluted earnings per common share								
Income before extraordinary item and cumulative effect of accounting change	\$ 0.67	\$ 0.78	\$ 0.55	(14%)	22%	\$ 2.69	\$ 3.19	(16%)
Extraordinary item	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.03)	*
Cumulative effect of accounting change	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.05)	*
Net income	\$ 0.67	\$ 0.78	\$ 0.55	(14%)	22%	\$ 2.69	\$ 3.11	(14%)
Average common shares outstanding								
Basic	1,074,654,825	1,078,517,918	1,081,708,833			1,083,270,783	1,086,121,508	
Diluted	1,095,716,005	1,108,980,235	1,105,494,894			1,109,637,953	1,121,764,086	
Period end common shares outstanding								
	1,081,417,377	1,093,006,744	1,093,052,009			1,081,417,377	1,093,006,744	
Return on common equity (3)	13.7%	17.6%	11.4%			14.1%	18.5%	

(1) Represents extraordinary loss on the early extinguishment of debt.

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(3) Excludes the cumulative effect of accounting change and extraordinary item.

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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment banking	\$ 689	\$ 809	\$ 482	(15%)	43%	\$ 2,527	\$ 3,425	(26%)
Principal transactions:								
Trading	419	645	457	(35%)	(8%)	2,685	5,491	(51%)
Investments	12	(104)	(64)	112%	119%	(35)	(316)	89%
Commissions	748	753	855	(1%)	(13%)	3,280	3,162	4%
Fees:								
Asset management, distribution and administration	904	979	971	(8%)	(7%)	3,945	4,216	(6%)
Merchant and cardmember	372	348	359	7%	4%	1,420	1,349	5%
Servicing	525	567	514	(7%)	2%	2,091	1,904	10%
Interest and dividends	3,787	4,116	4,373	(8%)	(13%)	15,866	24,127	(34%)
Other	114	143	209	(20%)	(45%)	636	516	23%
Total revenues	7,570	8,256	8,156	(8%)	(7%)	32,415	43,874	(26%)
Interest expense	3,002	3,282	3,188	(9%)	(6%)	11,970	20,729	(42%)
Provision for consumer loan losses	319	331	332	(4%)	(4%)	1,336	1,052	27%
Net revenues	4,249	4,643	4,636	(8%)	(8%)	19,109	22,093	(14%)
Compensation and benefits	1,147	1,422	2,061	(19%)	(44%)	7,933	9,372	(15%)
Occupancy and equipment	221	215	198	3%	12%	825	881	(6%)
Brokerage, clearing and exchange fees	212	180	208	18%	2%	775	700	11%
Information processing and communications	379	371	341	2%	11%	1,379	1,460	(6%)
Marketing and business development	329	290	291	13%	13%	1,133	1,277	(11%)
Professional services	346	345	273	--	27%	1,094	1,299	(16%)
Other	223	430	295	(48%)	(24%)	1,015	1,370	(26%)
Restructuring and other charges	235	0	0	*	*	235	0	*
Total non-interest expenses	3,092	3,253	3,667	(5%)	(16%)	14,389	16,359	(12%)
Income before taxes, extraordinary item, dividends on pref. sec. and cumulative effect of acctg. change	1,157	1,390	969	(17%)	19%	4,720	5,734	(18%)
Income tax expense	403	498	337	(19%)	20%	1,645	2,074	(21%)
Div. on pref. sec. subject to mandatory redemption	22	22	21	--	5%	87	50	74%
Income before extraordinary item and cumulative effect of accounting change	732	870	611	(16%)	20%	2,988	3,610	(17%)
Extraordinary item (1)	0	0	0	--	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(59)	*
Net income	\$ 732	\$ 870	\$ 611	(16%)	20%	\$ 2,988	\$ 3,521	(15%)
Preferred stock dividend requirements	\$ 0	\$ 5	\$ 0	*	--	\$ 0	\$ 32	*
Earnings applicable to common shares	\$ 732	\$ 865	\$ 611	(15%)	20%	\$ 2,988	\$ 3,489	(14%)
Compensation and benefits as a % of net revenues	27%	31%	44%			42%	42%	

(1) Represents extraordinary loss on the early extinguishment of debt.

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment banking	\$ 617	\$ 735	\$ 413	(16%)	49%	\$ 2,240	\$ 3,091	(28%)
Principal transactions:								
Trading	280	486	328	(42%)	(15%)	2,114	4,719	(55%)
Investments	15	(75)	13	120%	15%	41	(216)	119%
Commissions	465	440	556	6%	(16%)	2,073	1,816	14%
Asset management, distribution and administration fees	28	19	30	47%	(7%)	106	96	10%
Interest and dividends	3,095	3,393	3,630	(9%)	(15%)	13,069	20,727	(37%)
Other	94	120	78	(22%)	21%	414	438	(5%)
Total revenues	4,594	5,118	5,048	(10%)	(9%)	20,057	30,671	(35%)
Interest expense	2,713	2,951	2,896	(8%)	(6%)	10,789	19,117	(44%)
Net revenues	1,881	2,167	2,152	(13%)	(13%)	9,268	11,554	(20%)
Total non-interest expenses	1,139	1,265	1,720	(10%)	(34%)	6,564	7,715	(15%)
Income before taxes, extraordinary item, dividends								
on pref. sec. and cumulative effect of acctg. change	742	902	432	(18%)	72%	2,704	3,839	(30%)
Income tax expense	267	305	139	(12%)	92%	914	1,317	(31%)
Div. on pref. sec. subject to mandatory redemption	22	22	21	--	5%	87	50	74%
Income before extraordinary item and cumulative effect of accounting change	453	575	272	(21%)	67%	1,703	2,472	(31%)
Extraordinary item (1)	0	0	0	--	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(46)	*
Net income	\$ 453	\$ 575	\$ 272	(21%)	67%	\$ 1,703	\$ 2,396	(29%)
Profit margin (3)	24%	27%	13%			18%	21%	

(1) Represents extraordinary loss on the early extinguishment of debt.

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(3) Net income excluding cumulative effect of accounting change 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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment banking	\$ 65	\$ 66	\$ 61	(2%)	7%	\$ 255	\$ 280	(9%)
Principal transactions:								
Trading	135	159	129	(15%)	5%	567	772	(27%)
Investments	(1)	0	(45)	*	98%	(45)	(11)	*
Commissions	267	300	288	(11%)	(7%)	1,157	1,300	(11%)
Asset management, distribution and administration fees	368	390	407	(6%)	(10%)	1,640	1,700	(4%)
Interest and dividends	78	118	88	(34%)	(11%)	359	735	(51%)
Other	24	14	115	71%	(79%)	178	45	*
Total revenues	936	1,047	1,043	(11%)	(10%)	4,111	4,821	(15%)
Interest expense	29	56	30	(48%)	(3%)	131	366	(64%)
Net revenues	907	991	1,013	(8%)	(10%)	3,980	4,455	(11%)
Total non-interest expenses	963	968	1,005	(1%)	(4%)	3,995	4,516	(12%)
Income before income taxes	(56)	23	8	*	*	(15)	(61)	75%
Income tax expense	(25)	9	3	*	*	(8)	(17)	53%
Net income	\$ (31)	\$ 14	\$ 5	*	*	\$ (7)	\$ (44)	84%
Profit margin (1)	(3%)	1%	0%			(0%)	(1%)	

(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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment banking	\$ 7	\$ 8	\$ 8	(13%)	(13%)	\$ 32	\$ 54	(41%)
Principal transactions:								
Trading	4	0	0	*	*	4	0	*
Investments	(2)	(29)	(32)	93%	94%	(31)	(89)	65%
Commissions	16	13	11	23%	45%	50	46	9%
Asset management, distribution and administration fees	508	570	534	(11%)	(5%)	2,199	2,420	(9%)
Interest and dividends	2	12	9	(83%)	(78%)	25	72	(65%)
Other	(2)	10	8	(120%)	(125%)	25	32	(22%)
Total revenues	533	584	538	(9%)	(1%)	2,304	2,535	(9%)
Interest expense	(1)	3	0	(133%)	*	0	10	*
Net revenues	534	581	538	(8%)	(1%)	2,304	2,525	(9%)
Total non-interest expenses	366	415	328	(12%)	12%	1,462	1,696	(14%)
Income before income taxes	168	166	210	1%	(20%)	842	829	2%
Income tax expense	52	78	86	(33%)	(40%)	317	349	(9%)
Net income	<u>\$ 116</u>	<u>\$ 88</u>	<u>\$ 124</u>	32%	(6%)	<u>\$ 525</u>	<u>\$ 480</u>	9%
Profit margin (1)	22%	15%	23%			23%	19%	

(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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Fees:								
Merchant and cardmember	\$ 372	\$ 348	\$ 359	7%	4%	\$ 1,420	\$ 1,349	5%
Servicing	525	567	514	(7%)	2%	2,091	1,904	10%
Other	(2)	(1)	8	(100%)	(125%)	19	1	*
Total non-interest revenues	895	914	881	(2%)	2%	3,530	3,254	8%
Interest revenue	612	593	646	3%	(5%)	2,413	2,593	(7%)
Interest expense	261	272	262	(4%)	--	1,050	1,236	(15%)
Net interest income	351	321	384	9%	(9%)	1,363	1,357	--
Provision for consumer loan losses	319	331	332	(4%)	(4%)	1,336	1,052	27%
Net credit income	32	(10)	52	*	(38%)	27	305	(91%)
Net revenues	927	904	933	3%	(1%)	3,557	3,559	--
Total non-interest expenses	624	605	614	3%	2%	2,368	2,432	(3%)
Income before taxes and cumulative								
effect of accounting change	303	299	319	1%	(5%)	1,189	1,127	6%
Income tax expense	109	106	109	3%	--	422	425	(1%)
Income before cumulative effect								
of accounting change	194	193	210	1%	(8%)	767	702	9%
Cumulative effect of accounting change (1)	0	0	0	--	--	0	(13)	*
Net income	\$ 194	\$ 193	\$ 210	1%	(8%)	\$ 767	\$ 689	11%
Profit margin (2)	21%	21%	23%			22%	20%	

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(2) Net income excluding cumulative effect of accounting change 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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Fees:								
Merchant and cardmember Servicing	\$ 542	\$ 543	\$ 525	--	3%	\$ 2,110	\$ 2,000	6%
Other	0	0	0	--	--	0	0	--
Total non-interest revenues	3	(2)	25	250%	(88%)	80	91	(12%)
Interest revenue	545	541	550	1%	(1%)	2,190	2,091	5%
Interest expense	1,606	1,696	1,643	(5%)	(2%)	6,474	6,929	(7%)
Net interest income	475	562	483	(15%)	(2%)	1,937	2,747	(29%)
Provision for consumer loan losses	1,131	1,134	1,160	--	(3%)	4,537	4,182	8%
Net credit income	749	771	777	(3%)	(4%)	3,170	2,714	17%
Net revenues	382	363	383	5%	--	1,367	1,468	(7%)
Total non-interest expenses	927	904	933	3%	(1%)	3,557	3,559	--
Income before taxes and cumulative effect of accounting change	624	605	614	3%	2%	2,368	2,432	(3%)
Income tax expense	303	299	319	1%	(5%)	1,189	1,127	6%
Income before cumulative effect of accounting change	109	106	109	3%	--	422	425	(1%)
Cumulative effect of accounting change (1)	194	193	210	1%	(8%)	767	702	9%
Net income	0	0	0	--	--	0	(13)	*
Profit margin (2)	\$ 194	\$ 193	\$ 210	1%	(8%)	\$ 767	\$ 689	11%
	21%	21%	23%			22%	20%	

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(2) Net income excluding cumulative effect of accounting change 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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Morgan Stanley								
Total assets (millions)	\$ 531,000	\$ 483,000	\$ 517,000	10%	3%			
Period end common shares outstanding (millions)	1,081.4	1,093.0	1,093.1	(1%)	(1%)			
Book value per common share	\$ 20.24	\$ 18.64	\$ 19.59	9%	3%			
Shareholders' equity (millions) (1)	\$ 23,096	\$ 21,926	\$ 22,626	5%	2%			
Total capital (millions) (2)	\$ 65,936	\$ 61,633	\$ 66,631	7%	(1%)			
Worldwide employees	55,726	61,319	57,799	(9%)	(4%)			
Institutional Securities								
Advisory revenue (millions)	\$ 271	\$ 322	\$ 149	(16%)	82%	\$ 962	\$ 1,420	(32%)
Underwriting revenue (millions)	\$ 346	\$ 413	\$ 264	(16%)	31%	\$ 1,278	\$ 1,671	(24%)
Sales and trading net revenue (millions) (3)								
Equity	\$ 634	\$ 858	\$ 1,066	(26%)	(41%)	\$ 3,584	\$ 4,615	(22%)
Fixed income	\$ 589	\$ 755	\$ 698	(22%)	(16%)	\$ 3,265	\$ 3,909	(16%)
Mergers and acquisitions announced transactions (4)								
Morgan Stanley global market volume (billions)	\$ 198.0	\$ 395.0	\$ 126.9					
Rank	3	3	4					
Worldwide equity and related issues (4)								
Morgan Stanley global market volume (billions)	\$ 25.6	\$ 40.2	\$ 13.7					
Rank	4	4	5					
Individual Investor Group								
Global financial advisors	12,546	13,690	13,590	(8%)	(8%)			
Total client assets (billions)	\$ 517	\$ 595	\$ 520	(13%)	(1%)			
Fee-based client account assets (billions) (5)	\$ 104	\$ 110	\$ 103	(5%)	1%			
Domestic retail locations	606	697	649	(13%)	(7%)			

(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 December 18, 2002.

(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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment Management (\$ billions)								
Net flows								
Retail	\$ (1.0)	\$ (9.0)	\$ (0.7)	89%	(43%)	\$ 1.1	\$ (13.1)	108%
Institutional	(0.8)	0.7	0.0	(214%)	*	(2.0)	(2.3)	13%
Net flows excluding money markets	(1.8)	(8.3)	(0.7)	78%	(157%)	(0.9)	(15.4)	94%
Money markets	(1.2)	1.4	1.0	(186%)	(220%)	(5.5)	6.0	(192%)
Assets under management or supervision by distribution channel								
Retail	\$ 247	\$ 280	\$ 252	(12%)	(2%)			
Institutional	173	179	172	(3%)	1%			
Total	<u>\$ 420</u>	<u>\$ 459</u>	<u>\$ 424</u>	(8%)	(1%)			
Assets under management or supervision by asset class								
Equity	\$ 172	\$ 199	\$ 175	(14%)	(2%)			
Fixed income	127	128	127	(1%)	--			
Money market	66	70	66	(6%)	--			
Other (1)	55	62	56	(11%)	(2%)			
Total	<u>\$ 420</u>	<u>\$ 459</u>	<u>\$ 424</u>	(8%)	(1%)			

(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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Credit Services								
Owned credit card loans								
Period end	\$ 22,543	\$ 20,085	\$ 21,840	12%	3%	\$ 22,543	\$ 20,085	12%
Average	\$ 22,030	\$ 19,546	\$ 20,476	13%	8%	\$ 21,054	\$ 20,701	2%
Managed credit card loans (1)								
Period end	\$ 51,143	\$ 49,332	\$ 49,677	4%	3%	\$ 51,143	\$ 49,332	4%
Average	\$ 50,239	\$ 48,964	\$ 49,344	3%	2%	\$ 49,835	\$ 49,432	1%
Interest yield	12.45%	13.48%	12.86%	(103 bp)	(41 bp)	12.64%	13.45%	(81 bp)
Interest spread	8.62%	8.82%	8.92%	(20 bp)	(30 bp)	8.71%	7.89%	82 bp
Net charge-off rate	5.96%	5.85%	6.02%	11 bp	(6 bp)	6.19%	5.36%	83 bp
Delinquency rate (over 30 days)	5.96%	6.85%	5.72%	(89 bp)	24 bp	5.96%	6.85%	(89 bp)
Delinquency rate (over 90 days)	2.66%	3.02%	2.49%	(36 bp)	17 bp	2.66%	3.02%	(36 bp)
Transaction volume (billions)	\$ 25.3	\$ 22.1	\$ 24.3	15%	4%	\$ 97.3	\$ 93.3	4%
Accounts (millions)	46.5	45.7	46.2	2%	1%	46.5	45.7	2%
Active accounts (millions)	22.6	24.0	22.8	(6%)	(1%)	22.6	24.0	(6%)
Average receivables per average active account (actual \$)	\$ 2,214	\$ 2,055	\$ 2,145	8%	3%	\$ 2,135	\$ 2,057	4%
Securitization gain	\$ 4	\$ (7)	\$ (3)	157%	233%	\$ 20	\$ 70	(71%)

(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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Investment banking	\$ 689	\$ 809	\$ 482	(15%)	43%	\$ 2,527	\$ 3,425	(26%)
Principal transactions:								
Trading	419	645	457	(35%)	(8%)	2,685	5,491	(51%)
Investments	12	(104)	(64)	112%	119%	(35)	(316)	89%
Commissions	748	753	855	(1%)	(13%)	3,280	3,162	4%
Asset management, distribution and administration fees	904	979	971	(8%)	(7%)	3,945	4,216	(6%)
Interest and dividends	3,175	3,523	3,727	(10%)	(15%)	13,453	21,534	(38%)
Other	116	144	201	(19%)	(42%)	617	515	20%
Total revenues	6,063	6,749	6,629	(10%)	(9%)	26,472	38,027	(30%)
Interest expense	2,741	3,010	2,926	(9%)	(6%)	10,920	19,493	(44%)
Net revenues	3,322	3,739	3,703	(11%)	(10%)	15,552	18,534	(16%)
Compensation and benefits	968	1,242	1,855	(22%)	(48%)	7,159	8,618	(17%)
Occupancy and equipment	200	200	180	--	11%	752	802	(6%)
Brokerage, clearing and exchange fees	212	180	208	18%	2%	775	700	11%
Information processing and communications	281	263	247	7%	14%	1,016	1,080	(6%)
Marketing and business development	159	147	145	8%	10%	595	662	(10%)
Professional services	266	283	211	(6%)	26%	842	1,074	(22%)
Other	147	333	207	(56%)	(29%)	647	991	(35%)
Restructuring and other charges	235	0	0	*	*	235	0	*
Total non-interest expenses	2,468	2,648	3,053	(7%)	(19%)	12,021	13,927	(14%)
Income before taxes, extraordinary item, dividends								
on pref. sec. and cumulative effect of acctg. change	854	1,091	650	(22%)	31%	3,531	4,607	(23%)
Income tax expense	294	392	228	(25%)	29%	1,223	1,649	(26%)
Div. on pref. sec. subject to mandatory redemption	22	22	21	--	5%	87	50	74%
Income before extraordinary item and								
cumulative effect of accounting change	538	677	401	(21%)	34%	2,221	2,908	(24%)
Extraordinary item (1)	0	0	0	--	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(46)	*
Net income	\$ 538	\$ 677	\$ 401	(21%)	34%	\$ 2,221	\$ 2,832	(22%)
Compensation and benefits as a % of net revenues	29%	33%	50%			46%	46%	
Non-compensation expenses as a % of net revenues	45%	38%	32%			31%	29%	
Profit margin (3)	16%	18%	11%			14%	16%	
Number of employees (4)	40,424	45,110	42,585	(10%)	(5%)			

(1) Represents extraordinary loss on the early extinguishment of debt.

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(3) Net income excluding cumulative effect of accounting change 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:		Twelve Months Ended		Percentage Change
	Nov 30, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2001	Aug 31, 2002	Nov 30, 2002	Nov 30, 2001	
Fees:								
Merchant and cardmember	\$ 542	\$ 543	\$ 525	--	3%	\$ 2,110	\$ 2,000	6%
Servicing	0	0	0	--	--	0	0	--
Other	3	(2)	25	250%	(88%)	80	91	(12%)
Total non-interest revenues	545	541	550	1%	(1%)	2,190	2,091	5%
Interest revenue	1,606	1,696	1,643	(5%)	(2%)	6,474	6,929	(7%)
Interest expense	475	562	483	(15%)	(2%)	1,937	2,747	(29%)
Net interest income	1,131	1,134	1,160	--	(3%)	4,537	4,182	8%
Provision for consumer loan losses	749	771	777	(3%)	(4%)	3,170	2,714	17%
Net credit income	382	363	383	5%	--	1,367	1,468	(7%)
Net revenues	927	904	933	3%	(1%)	3,557	3,559	--
Compensation and benefits	179	180	206	(1%)	(13%)	774	754	3%
Occupancy and equipment	21	15	18	40%	17%	73	79	(8%)
Information processing and communications	98	108	94	(9%)	4%	363	380	(4%)
Marketing and business development	170	143	146	19%	16%	538	615	(13%)
Professional services	80	62	62	29%	29%	252	225	12%
Other	76	97	88	(22%)	(14%)	368	379	(3%)
Total non-interest expenses	624	605	614	3%	2%	2,368	2,432	(3%)
Income before taxes and cumulative effect of accounting change	303	299	319	1%	(5%)	1,189	1,127	6%
Income tax expense	109	106	109	3%	--	422	425	(1%)
Income before cumulative effect of accounting change	194	193	210	1%	(8%)	767	702	9%
Cumulative effect of accounting change (1)	0	0	0	--	--	0	(13)	*
Net income	<u>\$ 194</u>	<u>\$ 193</u>	<u>\$ 210</u>	1%	(8%)	<u>\$ 767</u>	<u>\$ 689</u>	11%
Compensation and benefits as a % of net revenues	19%	20%	22%			22%	21%	
Non-compensation expenses as a % of net revenues	48%	47%	44%			45%	47%	
Profit margin (2)	21%	21%	23%			22%	20%	
Number of employees	15,302	16,209	15,214	(6%)	1%			

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(2) Net income excluding cumulative effect of accounting change as a % of net revenues.

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