

**MORGAN STANLEY**  
**Financial Supplement - 1Q2004**  
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**MORGAN STANLEY**  
**Quarterly Financial Summary**  
(unaudited, dollars in millions)

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
<b>Net revenues</b>							
Institutional Securities	\$ 3,135	\$ 2,679	\$ 2,794	\$ 2,603	\$ 3,504	12%	35%
Individual Investor Group	985	1,002	1,102	1,153	1,211	23%	5%
Investment Management	525	558	598	595	642	22%	8%
Credit Services	898	884	834	811	958	7%	18%
Intersegment Eliminations	(69)	(78)	(77)	(75)	(74)	(7%)	1%
Consolidated net revenues	<u>\$ 5,474</u>	<u>\$ 5,045</u>	<u>\$ 5,251</u>	<u>\$ 5,087</u>	<u>\$ 6,241</u>	14%	23%
<b>Income before taxes <sup>(1)</sup></b>							
Institutional Securities	\$ 942	\$ 400	\$ 1,203	\$ 1,062	\$ 1,186	26%	12%
Individual Investor Group	61	62	188	153	166	*	8%
Investment Management	100	122	163	97	170	70%	75%
Credit Services	290	302	292	209	365	26%	75%
Intersegment Eliminations	33	29	31	28	29	(12%)	4%
Consolidated income before taxes	<u>\$ 1,426</u>	<u>\$ 915</u>	<u>\$ 1,877</u>	<u>\$ 1,549</u>	<u>\$ 1,916</u>	34%	24%
<b>Basic earnings per common share</b>	\$ 0.84	\$ 0.56	\$ 1.18	\$ 0.94	\$ 1.14	36%	21%
<b>Diluted earnings per common share</b>	\$ 0.82	\$ 0.55	\$ 1.15	\$ 0.92	\$ 1.11	35%	21%
<b>Average common shares outstanding</b>							
Basic	1,079,052,442	1,077,386,468	1,077,680,996	1,077,914,054	1,078,718,046		
Diluted	1,099,724,140	1,097,478,351	1,100,593,303	1,103,285,225	1,106,000,596		
<b>Period end common shares outstanding</b>	1,089,745,941	1,086,735,086	1,088,107,975	1,084,696,446	1,097,652,112		
<b>Return on common equity</b>	16.3%	10.6%	22.0%	16.9%	19.2%		

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

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

Refer to Legal Notice page 19.

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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q03 vs. 4Q03
Investment banking	\$ 589	\$ 536	\$ 608	\$ 707	\$ 829	41%	17%
Principal transactions:							
Trading	1,556	1,583	2,105	894	2,347	51%	*
Investments	(22)	59	38	11	29	*	*
Commissions	673	709	775	813	901	34%	11%
Fees:							
Asset management, distribution and admin.	896	881	956	973	1,072	20%	10%
Merchant and cardmember	364	338	340	337	337	(7%)	--
Servicing	567	503	462	483	572	1%	18%
Interest and dividends	3,789	3,692	3,534	4,729	3,782	--	(20%)
Other	86	113	111	145	123	43%	(15%)
Total revenues	8,498	8,414	8,929	9,092	9,992	18%	10%
Interest expense	2,688	3,060	3,368	3,693	3,489	30%	(6%)
Provision for consumer loan losses	336	309	310	312	262	(22%)	(16%)
Net revenues	5,474	5,045	5,251	5,087	6,241	14%	23%
Compensation and benefits	2,549	2,274	1,940	1,782	2,712	6%	52%
Occupancy and equipment	196	195	191	212	200	2%	(6%)
Brokerage, clearing and exchange fees	191	202	212	233	224	17%	(4%)
Information processing and communications	315	315	315	343	320	2%	(7%)
Marketing and business development	263	251	197	256	254	(3%)	(1%)
Professional services	225	259	283	368	318	41%	(14%)
Other	309	634	236	344	297	(4%)	(14%)
Total non-interest expenses	4,048	4,130	3,374	3,538	4,325	7%	22%
Income before losses from unconsolidated							
investees, taxes and dividends on preferred							
securities subject to mandatory redemption	1,426	915	1,877	1,549	1,916	34%	24%
Losses from unconsolidated investees	34	36	105	104	93	*	(11%)
Income tax expense	465	240	456	386	552	19%	43%
Div. on pref. sec. subject to mandatory redemption (1)	22	40	47	45	45	105%	--
Net income	\$ 905	\$ 599	\$ 1,269	\$ 1,014	\$ 1,226	35%	21%
Compensation and benefits as a % of net revenues	47%	45%	37%	35%	44%		

(1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FASB Interpretation No. 46, "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51" ("FIN 46"). In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.

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

Refer to Legal Notice page 19.

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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
<b>Morgan Stanley</b>							
Total assets (millions)	\$ 559,436	\$ 586,881	\$ 580,632	\$ 602,843	\$ 656,898	17%	9%
Adjusted assets (millions) (1)	\$ 361,685	\$ 383,501	\$ 363,985	\$ 388,595	\$ 428,479	18%	10%
Period end common shares outstanding (millions)	1,089.7	1,086.7	1,088.1	1,084.7	1,097.7	1%	1%
Book value per common share	\$ 20.62	\$ 20.83	\$ 21.79	\$ 22.93	\$ 23.75	15%	4%
Shareholders' equity (millions) (2)	\$ 24,475	\$ 25,341	\$ 26,517	\$ 27,677	\$ 28,961	18%	5%
Total capital (millions) (3)	\$ 72,432	\$ 78,665	\$ 78,241	\$ 82,769	\$ 96,359	33%	16%
Worldwide employees	54,493	53,507	52,205	51,196	50,979	(6%)	--
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)							
Primary Market Risk Category (\$ millions, pre-tax)							
Interest rate and credit spread	\$ 42	\$ 41	\$ 42	\$ 45	\$ 42		
Equity price	24	23	25	29	30		
Foreign exchange rate	12	11	7	13	11		
Commodity price	29	27	27	26	27		
Aggregate trading VaR	\$ 52	\$ 54	\$ 54	\$ 61	\$ 62		

- (1) Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. The Company changed its methodology for calculating the adjusted leverage ratio to reflect those assets that are not subject to material market, credit and/or liquidity risk. See page 18 for further information.
- (2) At February 29, 2004, shareholders' equity includes \$2,897 million of junior subordinated debt issued to capital trusts that in prior periods was classified as preferred securities subject to mandatory redemption. This amount was reclassified to long-term debt at February 29, 2004 pursuant to the adoption of FIN 46. See Note 12 to the Consolidated Financial Statements in the Company's Form 10-K for fiscal 2003. At the prior quarter ends, shareholders' equity included preferred securities subject to mandatory redemption. The junior subordinated debt issued to capital trusts at February 29, 2004 and the preferred securities subject to mandatory redemption at the prior quarter ends are collectively referred to hereinafter as junior subordinated debt issued to capital trusts.
- (3) Includes common equity, junior subordinated debt issued to capital trusts, capital units and the non-current portion of long-term debt.
- (4) 99%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than one time every one hundred trading days in the Company's trading positions if the portfolio were held constant for a one day period. The Company's VaR incorporates substantially all financial instruments generating market risk that are managed by the Company's trading businesses. For a further discussion of the calculation of VaR and the limitations of the Company's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Form 10-K for fiscal 2003.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 19.

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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Investment banking	\$ 501	\$ 461	\$ 518	\$ 616	\$ 739	48%	20%
Principal transactions:							
Trading	1,402	1,416	1,931	738	2,206	57%	*
Investments	(10)	44	31	(2)	16	*	*
Commissions	415	423	441	469	505	22%	8%
Asset management, distribution and admin. fees	23	22	24	23	34	48%	48%
Interest and dividends	3,194	3,075	2,943	4,169	3,225	1%	(23%)
Other	62	76	61	91	77	24%	(15%)
Total revenues	5,587	5,517	5,949	6,104	6,802	22%	11%
Interest expense	2,452	2,838	3,155	3,501	3,298	35%	(6%)
Net revenues	3,135	2,679	2,794	2,603	3,504	12%	35%
Total non-interest expenses	2,193	2,279	1,591	1,541	2,318	6%	50%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	942	400	1,203	1,062	1,186	26%	12%
Losses from unconsolidated investees	34	36	105	104	93	*	(11%)
Div. on pref. sec. subject to mandatory redemption (1)	22	40	47	45	45	105%	--
Income before taxes	<u>\$ 886</u>	<u>\$ 324</u>	<u>\$ 1,051</u>	<u>\$ 913</u>	<u>\$ 1,048</u>	18%	15%
Pre-tax profit margin (2)	29%	13%	41%	39%	33%		

- (1) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.

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

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.  
Refer to Legal Notice page 19.

**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Institutional Securities**  
**(unaudited)**

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Advisory revenue (millions)	\$ 166	\$ 141	\$ 130	\$ 225	\$ 232	40%	3%
Underwriting revenue (millions)							
Equity	\$ 127	\$ 152	\$ 183	\$ 178	\$ 314	147%	76%
Fixed income	\$ 208	\$ 169	\$ 205	\$ 213	\$ 193	(7%)	(9%)
Sales and trading net revenue (millions) (1)							
Equity	\$ 977	\$ 865	\$ 830	\$ 919	\$ 1,105	13%	20%
Fixed income	\$ 1,635	\$ 1,282	\$ 1,462	\$ 977	\$ 1,651	1%	69%
Mergers and acquisitions announced transactions (2)							
Morgan Stanley global market volume (billions)	\$ 26.8	\$ 48.4	\$ 88.1	\$ 225.4	\$ 172.2		
Rank	2	6	5	2	2		
Worldwide equity and related issues (2)							
Morgan Stanley global market volume (billions)	\$ 3.8	\$ 13.5	\$ 22.4	\$ 35.1	\$ 11.6		
Rank	2	2	3	3	1		

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

(2) Source: Thomson Financial. Market volume and rank are on a calendar year to date basis for each reporting period: January 1 to February 29, 2004, January 1 to February 28, 2003 and January 1 to November 30, 2003.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 19.



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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Investment banking	\$ 80	\$ 66	\$ 79	\$ 80	\$ 77	(4%)	(4%)
Principal transactions:							
Trading	154	167	174	156	141	(8%)	(10%)
Investments	6	1	(3)	0	4	(33%)	*
Commissions	280	310	356	365	417	49%	14%
Asset management, distribution and admin fees	386	370	403	432	472	22%	9%
Interest and dividends	89	92	93	96	93	4%	(3%)
Other	28	35	37	59	40	43%	(32%)
Total revenues	1,023	1,041	1,139	1,188	1,244	22%	5%
Interest expense	38	39	37	35	33	(13%)	(6%)
Net revenues	985	1,002	1,102	1,153	1,211	23%	5%
Total non-interest expenses	924	940	914	1,000	1,045	13%	5%
Income before taxes	\$ 61	\$ 62	\$ 188	\$ 153	\$ 166	*	8%
Pre-tax profit margin (1)	6%	6%	17%	13%	14%		

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

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

Refer to Legal Notice page 19.



**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Individual Investor Group**  
**(unaudited)**

	QUARTER ENDED					Percentage Change From:	
	<u>Feb 28, 2003</u>	<u>May 31, 2003</u>	<u>Aug 31, 2003</u>	<u>Nov 30, 2003</u>	<u>Feb 29, 2004</u>	<u>1Q04 vs. 1Q03</u>	<u>1Q04 vs. 4Q03</u>
Global financial advisors	12,056	11,644	11,326	11,086	10,832	(10%)	(2%)
Total client assets (billions)	\$ 498	\$ 532	\$ 544	\$ 565	\$ 595	19%	5%
Fee-based client account assets (billions) (1)	\$ 105	\$ 113	\$ 122	\$ 130	\$ 143	36%	10%
Fee-based assets as a % of client assets	21%	21%	22%	23%	24%		
Domestic retail locations	558	547	544	532	526	(6%)	(1%)

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

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

Refer to Legal Notice page 19.

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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Investment banking	\$ 8	\$ 9	\$ 11	\$ 11	\$ 13	63%	18%
Principal transactions:							
Investments	(18)	14	10	13	9	150%	(31%)
Commissions	4	3	7	7	8	100%	14%
Asset management, distribution and admin fees	523	528	567	556	603	15%	8%
Interest and dividends	2	(1)	(1)	0	2	--	*
Other	7	8	5	9	9	29%	--
Total revenues	526	561	599	596	644	22%	8%
Interest expense	1	3	1	1	2	100%	100%
Net revenues	525	558	598	595	642	22%	8%
Total non-interest expenses	425	436	435	498	472	11%	(5%)
Income before taxes	<u>\$ 100</u>	<u>\$ 122</u>	<u>\$ 163</u>	<u>\$ 97</u>	<u>\$ 170</u>	70%	75%
Pre-tax profit margin (1)	19%	22%	27%	16%	27%		

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

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

Refer to Legal Notice page 19.

**MORGAN STANLEY**  
**Quarterly Statistical Data**  
**Investment Management**  
**(unaudited)**

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
<b>Assets under management or supervision (\$ billions)</b>							
Net flows							
Retail	\$ (0.5)	\$ 1.2	\$ 4.9	\$ 3.7	\$ 3.4	*	(8%)
Institutional	(2.5)	(4.0)	(2.1)	(1.3)	1.3	*	*
Net flows excluding money markets	(3.0)	(2.8)	2.8	2.4	4.7	*	96%
Money markets	(0.9)	(2.6)	0.2	(2.5)	1.4	*	*
Assets under management or supervision by distribution channel							
Retail	\$ 246	\$ 259	\$ 268	\$ 277	\$ 294	20%	6%
Institutional	158	162	165	185	201	27%	9%
Total (1)	<u>\$ 404</u>	<u>\$ 421</u>	<u>\$ 433</u>	<u>\$ 462</u>	<u>\$ 495</u>	23%	7%
Assets under management or supervision by asset class							
Equity	\$ 155	\$ 174	\$ 189	\$ 207	\$ 231	49%	12%
Fixed income	129	127	123	123	124	(4%)	1%
Money market	67	65	66	64	65	(3%)	2%
Other (2)	53	55	55	68	75	42%	10%
Total (1)	<u>\$ 404</u>	<u>\$ 421</u>	<u>\$ 433</u>	<u>\$ 462</u>	<u>\$ 495</u>	23%	7%

(1) Revenues and expenses associated with customer assets of \$107 billion, \$82 billion and \$96 billion for fiscal 1Q04, fiscal 1Q03 and fiscal 4Q03, respectively, are included in the Company's Individual Investor Group segment, and \$14 billion, \$3 billion and \$14 billion for fiscal 1Q04, fiscal 1Q03 and fiscal 4Q03, respectively, are included in the Company's Institutional Securities segment.

(2) Includes Alternative Investments.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 19.



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

					Percentage Change From:	
	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Fees:						
Merchant and cardmember	\$ 338	\$ 340	\$ 337	\$ 337	(7%)	--
Servicing	503	462	483	572	1%	18%
Other	6	18	(5)	5	*	*
Total non-interest revenues	847	820	815	914	(1%)	12%
Interest revenue	543	515	487	480	(12%)	(1%)
Interest expense	197	191	179	174	(27%)	(3%)
Net interest income	346	324	308	306	--	(1%)
Provision for consumer loan losses	309	310	312	262	(22%)	(16%)
Net credit income	37	14	(4)	44	*	*
Net revenues	884	834	811	958	7%	18%
Total non-interest expenses	582	542	602	593	(2%)	(1%)
Income before taxes	<u>\$ 302</u>	<u>\$ 292</u>	<u>\$ 209</u>	<u>\$ 365</u>	26%	75%
Pre-tax profit margin (1)	34%	35%	26%	38%		

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

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

Refer to Legal Notice page 19.



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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Fees:							
Merchant and cardmember	\$ 548	\$ 523	\$ 523	\$ 512	\$ 519	(5%)	1%
Servicing	0	0	0	0	0	--	--
Other	53	36	19	1	35	(34%)	*
Total non-interest revenues	601	559	542	513	554	(8%)	8%
Interest revenue	1,580	1,592	1,576	1,517	1,524	(4%)	--
Interest expense	441	410	391	366	350	(21%)	(4%)
Net interest income	1,139	1,182	1,185	1,151	1,174	3%	2%
Provision for consumer loan losses	842	857	893	853	770	(9%)	(10%)
Net credit income	297	325	292	298	404	36%	36%
Net revenues	898	884	834	811	958	7%	18%
Total non-interest expenses	608	582	542	602	593	(2%)	(1%)
Income before taxes	<u>\$ 290</u>	<u>\$ 302</u>	<u>\$ 292</u>	<u>\$ 209</u>	<u>\$ 365</u>	26%	75%
Pre-tax profit margin (1)	32%	34%	35%	26%	38%		

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

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

Refer to Legal Notice page 19.



**MORGAN STANLEY**  
**Quarterly Financial Information and Statistical Data**  
**Credit Services**  
(unaudited, dollars in millions)

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Owned credit card loans							
Period end	\$ 20,847	\$ 18,465	\$ 18,106	\$ 18,930	\$ 15,850	(24%)	(16%)
Average	\$ 22,305	\$ 19,120	\$ 18,600	\$ 18,143	\$ 17,880	(20%)	(1%)
Managed credit card loans (1)							
Period end	\$ 51,811	\$ 50,880	\$ 49,965	\$ 48,358	\$ 47,336	(9%)	(2%)
Average	\$ 52,802	\$ 51,174	\$ 50,663	\$ 48,835	\$ 48,667	(8%)	--
Interest yield	11.78%	11.97%	11.94%	12.05%	12.20%	42 bp	15 bp
Interest spread	8.36%	8.78%	8.91%	9.05%	9.35%	99 bp	30 bp
Net charge-off rate	6.17%	6.50%	6.90%	6.87%	6.31%	14 bp	(56 bp)
Delinquency rate (over 30 days)	6.33%	6.21%	6.05%	5.97%	5.80%	(53 bp)	(17 bp)
Delinquency rate (over 90 days)	2.95%	3.01%	2.91%	2.82%	2.86%	(9 bp)	4 bp
Transaction volume (billions)	\$ 26.1	\$ 24.0	\$ 24.8	\$ 23.0	\$ 24.2	(7%)	5%
Accounts (millions)	46.5	46.4	46.3	46.1	45.9	(1%)	--
Active accounts (millions)	22.3	21.8	21.3	20.8	20.3	(9%)	(2%)
Average receivables per avg. active account (actual \$)	\$ 2,333	\$ 2,319	\$ 2,348	\$ 2,319	\$ 2,360	1%	2%
Securitization gain	\$ 35	\$ 11	\$ (9)	\$ (7)	\$ 19	(46%)	*

(1) Includes owned and securitized credit card loans.

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

Refer to Legal Notice page 19.



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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Investment banking	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	--	--
Principal transactions:							
Trading	0	0	0	0	0	--	--
Investments	0	0	0	0	0	--	--
Commissions	(26)	(27)	(29)	(28)	(29)	(12%)	(4%)
Asset management, distribution and admin. fees	(36)	(39)	(38)	(38)	(37)	(3%)	3%
Interest and dividends	(42)	(17)	(16)	(23)	(18)	57%	22%
Other	(7)	(12)	(10)	(9)	(8)	(14%)	11%
Total revenues	(111)	(95)	(93)	(98)	(92)	17%	6%
Interest expense	(42)	(17)	(16)	(23)	(18)	57%	22%
Net revenues	(69)	(78)	(77)	(75)	(74)	(7%)	1%
 Total non-interest expenses	 (102)	 (107)	 (108)	 (103)	 (103)	 (1%)	 --
Income before taxes	\$ 33	\$ 29	\$ 31	\$ 28	\$ 29	(12%)	4%

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.  
Refer to Legal Notice page 19.

The following (page 14) presents more detailed financial information regarding the results of operations for the combined institutional securities, individual investor group and investment management businesses. Morgan Stanley believes that a combined 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 15) in order to provide helpful comparison to other credit card issuers.

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

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 1Q03
Investment banking	\$ 589	\$ 536	\$ 608	\$ 707	\$ 829	41%	17%
Principal transactions:							
Trading	1,556	1,583	2,105	894	2,347	51%	*
Investments	(22)	59	38	11	29	*	*
Commissions	673	709	775	813	901	34%	11%
Asset management, distribution and administration fees	896	881	956	973	1,072	20%	10%
Interest and dividends	3,282	3,159	3,029	4,254	3,314	1%	(22%)
Other	90	113	96	152	120	33%	(21%)
Total revenues	7,064	7,040	7,607	7,804	8,612	22%	10%
Interest expense	2,488	2,873	3,187	3,526	3,327	34%	(6%)
Net revenues	4,576	4,167	4,420	4,278	5,285	15%	24%
Compensation and benefits	2,336	2,073	1,745	1,572	2,514	8%	60%
Occupancy and equipment	176	176	170	191	179	2%	(6%)
Brokerage, clearing and exchange fees	191	202	212	233	224	17%	(4%)
Information processing and communications	228	234	227	242	234	3%	(3%)
Marketing and business development	109	123	107	148	111	2%	(25%)
Professional services	174	196	218	290	253	45%	(13%)
Other	226	550	156	262	219	(3%)	(16%)
Total non-interest expenses	3,440	3,554	2,835	2,938	3,734	9%	27%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,136	613	1,585	1,340	1,551	37%	16%
Losses from unconsolidated investees	34	36	105	104	93	*	(11%)
Div. on pref. sec. subject to mandatory redemption (2)	22	40	47	45	45	105%	--
Income before taxes	<u>\$ 1,080</u>	<u>\$ 537</u>	<u>\$ 1,433</u>	<u>\$ 1,191</u>	<u>\$ 1,413</u>	31%	19%
Compensation and benefits as a % of net revenues	51%	50%	40%	37%	48%		
Non-compensation expenses as a % of net revenues	24%	36%	25%	32%	23%		
Pre-tax profit margin (3)	24%	14%	35%	30%	29%		
Number of employees (4)	38,867	38,031	37,493	37,435	37,455	(4%)	--

(1) Includes the elimination of intersegment activity.

(2) At February 29, 2004, preferred securities subject to mandatory redemption were reclassified to junior subordinated debt issued to capital trusts (a component of long-term debt) pursuant to the adoption of FIN 46. In future periods, dividends on junior subordinated debt issued to capital trusts will be included in interest expense.

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

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

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

Refer to Legal Notice page 19.

**MORGAN STANLEY**  
**Quarterly Credit Services Income Statement Information**  
(unaudited, dollars in millions)  
**(Managed Loan Basis)**

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	1Q04 vs. 1Q03	1Q04 vs. 4Q03
Fees:							
Merchant and cardmember	\$ 548	\$ 523	\$ 523	\$ 512	\$ 519	(5%)	1%
Servicing	0	0	0	0	0	--	--
Other	53	36	19	1	35	(34%)	*
Total non-interest revenues	601	559	542	513	554	(8%)	8%
Interest revenue	1,580	1,592	1,576	1,517	1,524	(4%)	--
Interest expense	441	410	391	366	350	(21%)	(4%)
Net interest income	1,139	1,182	1,185	1,151	1,174	3%	2%
Provision for consumer loan losses	842	857	893	853	770	(9%)	(10%)
Net credit income	297	325	292	298	404	36%	36%
Net revenues	898	884	834	811	958	7%	18%
Compensation and benefits	213	201	195	210	198	(7%)	(6%)
Occupancy and equipment	20	19	21	21	21	5%	--
Information processing and communications	87	81	88	101	86	(1%)	(15%)
Marketing and business development	154	128	90	108	143	(7%)	32%
Professional services	51	63	65	78	65	27%	(17%)
Other	83	90	83	84	80	(4%)	(5%)
Total non-interest expenses	608	582	542	602	593	(2%)	(1%)
Income before taxes	\$ 290	\$ 302	\$ 292	\$ 209	\$ 365	26%	75%
Compensation and benefits as a % of net revenues	24%	23%	23%	26%	21%		
Non-compensation expenses as a % of net revenues	44%	43%	42%	48%	41%		
Pre-tax profit margin (1)	32%	34%	35%	26%	38%		
Number of employees	15,626	15,476	14,712	13,761	13,524	(13%)	(2%)

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

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

Refer to Legal Notice page 19.

The following (pages 16 - 17) present a reconciliation for certain information disclosed on pages 11, 12 and 15.

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

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

Quarter Ended Feb 29, 2004							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
<b>General Purpose Credit Card Loans:</b>							
Owned	\$ 15,850	\$ 17,880	10.13%	6.08%	5.81%	5.17%	2.54%
Securitized	31,486	30,787	13.40%	11.20%	6.60%	6.11%	3.01%
Managed	<u>\$ 47,336</u>	<u>\$ 48,667</u>	12.20%	9.35%	6.31%	5.80%	2.86%
Quarter Ended Nov 30, 2003							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
<b>General Purpose Credit Card Loans:</b>							
Owned	\$ 18,930	\$ 18,143	10.07%	5.86%	6.56%	5.36%	2.53%
Securitized	29,428	30,692	13.23%	10.88%	7.06%	6.36%	3.01%
Managed	<u>\$ 48,358</u>	<u>\$ 48,835</u>	12.05%	9.05%	6.87%	5.97%	2.82%
Quarter Ended Aug 31, 2003							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
<b>General Purpose Credit Card Loans:</b>							
Owned	\$ 18,106	\$ 18,600	10.28%	6.05%	6.26%	5.28%	2.54%
Securitized	31,859	32,063	12.91%	10.52%	7.26%	6.48%	3.12%
Managed	<u>\$ 49,965</u>	<u>\$ 50,663</u>	11.94%	8.91%	6.90%	6.05%	2.91%
Quarter Ended May 31, 2003							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
<b>General Purpose Credit Card Loans:</b>							
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%
Quarter Ended Feb 28, 2003							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
<b>General Purpose Credit Card Loans:</b>							
Owned	\$ 20,847	\$ 22,305	9.26%	4.73%	5.55%	5.60%	2.63%
Securitized	30,964	30,497	13.61%	10.96%	6.63%	6.82%	3.17%
Managed	<u>\$ 51,811</u>	<u>\$ 52,802</u>	11.78%	8.36%	6.17%	6.33%	2.95%

(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.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.  
Refer to Legal Notice page 19.

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

	QUARTER ENDED				
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004
<b>Merchant and cardmember fees:</b>					
Owned	\$ 364	\$ 338	\$ 340	\$ 337	\$ 337
Securitization adjustment	184	185	183	175	182
Managed	<u>\$ 548</u>	<u>\$ 523</u>	<u>\$ 523</u>	<u>\$ 512</u>	<u>\$ 519</u>
<b>Servicing fees:</b>					
Owned	\$ 567	\$ 503	\$ 462	\$ 483	\$ 572
Securitization adjustment	(567)	(503)	(462)	(483)	(572)
Managed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other:</b>					
Owned	\$ (4)	\$ 6	\$ 18	\$ (5)	\$ 5
Securitization adjustment	57	30	1	6	30
Managed	<u>\$ 53</u>	<u>\$ 36</u>	<u>\$ 19</u>	<u>\$ 1</u>	<u>\$ 35</u>
<b>Interest revenue:</b>					
Owned	\$ 546	\$ 543	\$ 515	\$ 487	\$ 480
Securitization adjustment	1,034	1,049	1,061	1,030	1,044
Managed	<u>\$ 1,580</u>	<u>\$ 1,592</u>	<u>\$ 1,576</u>	<u>\$ 1,517</u>	<u>\$ 1,524</u>
<b>Interest expense:</b>					
Owned	\$ 239	\$ 197	\$ 191	\$ 179	\$ 174
Securitization adjustment	202	213	200	187	176
Managed	<u>\$ 441</u>	<u>\$ 410</u>	<u>\$ 391</u>	<u>\$ 366</u>	<u>\$ 350</u>
<b>Provision for consumer loan losses:</b>					
Owned	\$ 336	\$ 309	\$ 310	\$ 312	\$ 262
Securitization adjustment	506	548	583	541	508
Managed	<u>\$ 842</u>	<u>\$ 857</u>	<u>\$ 893</u>	<u>\$ 853</u>	<u>\$ 770</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.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.  
Refer to Legal Notice page 19.

The following (page 18) presents a reconciliation for adjusted assets.

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

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

	QUARTER ENDED				
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004
Total assets	\$ 559,436	\$ 586,881	\$ 580,632	\$ 602,843	\$ 656,898
Less: Securities purchased under agreements to resell	(59,687)	(71,374)	(74,271)	(78,205)	(76,755)
Securities borrowed	(140,566)	(153,639)	(162,366)	(153,813)	(179,288)
Add: Financial instruments sold, not yet purchased	100,721	123,211	112,054	111,448	129,711
Less: Derivative contracts sold, not yet purchased	(42,604)	(48,436)	(36,008)	(36,242)	(43,857)
Subtotal	417,300	436,643	420,041	446,031	486,709
Less: Segregated customer cash and securities balances	(32,961)	(26,829)	(25,670)	(20,705)	(16,935)
Assets recorded under certain provisions of SFAS No.140 and FIN 46	(21,194)	(24,837)	(28,920)	(35,217)	(39,756)
Goodwill	(1,460)	(1,476)	(1,466)	(1,514)	(1,539)
Adjusted assets	<u>\$ 361,685</u>	<u>\$ 383,501</u>	<u>\$ 363,985</u>	<u>\$ 388,595</u>	<u>\$ 428,479</u>
Shareholders' equity	\$ 22,465	\$ 22,631	\$ 23,707	\$ 24,867	\$ 26,064
Junior subordinated debt issued to capital trusts (1)	2,010	2,710	2,810	2,810	2,897
Subtotal	24,475	25,341	26,517	27,677	28,961
Less: Goodwill	(1,460)	(1,476)	(1,466)	(1,514)	(1,539)
Tangible shareholders' equity	<u>\$ 23,015</u>	<u>\$ 23,865</u>	<u>\$ 25,051</u>	<u>\$ 26,163</u>	<u>\$ 27,422</u>
Leverage ratio (2)	<u>24.3x</u>	<u>24.6x</u>	<u>23.2x</u>	<u>23.0x</u>	<u>24.0x</u>
Adjusted leverage ratio (3)	<u>15.7x</u>	<u>16.1x</u>	<u>14.5x</u>	<u>14.9x</u>	<u>15.6x</u>

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

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

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

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

Refer to Legal Notice page 19.

This Financial Supplement contains financial, statistical and business-related information, as well as business and segment trends. The information should be read in conjunction with the Company's first quarter earnings press release issued March 18, 2004.