

MORGAN STANLEY
Quarterly Reconciliation of Adjusted Assets
(unaudited)

	QUARTER ENDED					
	Feb 28, 2002	May 31, 2002	Aug 31, 2002	Nov 30, 2002	Feb 28, 2003	May 31, 2003
Total assets	\$ 491,651	\$ 553,924	\$ 516,772	\$ 529,499	\$ 559,436	\$ 586,881
Less:						
Lesser of securities purchased under agreements to resell or securities sold under agreements to repurchase	(58,879)	(79,826)	(65,512)	(76,910)	(59,687)	(71,374)
Assets recorded under certain provisions of SFAS No. 140	(12,350)	(12,329)	(10,634)	(19,224)	(21,194)	(24,837)
Lesser of securities borrowed or securities loaned	(35,021)	(39,197)	(45,567)	(43,229)	(55,031)	(55,388)
Segregated customer cash and securities balances	(42,186)	(38,825)	(32,095)	(30,217)	(32,961)	(26,829)
Goodwill	(1,433)	(1,441)	(1,447)	(1,449)	(1,460)	(1,476)
Adjusted assets	<u>\$ 341,782</u>	<u>\$ 382,306</u>	<u>\$ 361,517</u>	<u>\$ 358,470</u>	<u>\$ 389,103</u>	<u>\$ 406,977</u>
Shareholders' equity	\$ 20,892	\$ 21,276	\$ 21,416	\$ 21,885	\$ 22,465	\$ 22,631
Preferred securities subject to mandatory redemption	1,210	1,210	1,210	1,210	2,010	2,710
Subtotal	22,102	22,486	22,626	23,095	24,475	25,341
Less: Goodwill	(1,433)	(1,441)	(1,447)	(1,449)	(1,460)	(1,476)
Tangible shareholders' equity	<u>\$ 20,669</u>	<u>\$ 21,045</u>	<u>\$ 21,179</u>	<u>\$ 21,646</u>	<u>\$ 23,015</u>	<u>\$ 23,865</u>
Leverage ratio (1)	<u>23.8x</u>	<u>26.3x</u>	<u>24.4x</u>	<u>24.5x</u>	<u>24.3x</u>	<u>24.6x</u>
Adjusted leverage ratio (2)	<u>16.5x</u>	<u>18.2x</u>	<u>17.1x</u>	<u>16.6x</u>	<u>16.9x</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.

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

Refer to Legal Notice page 20.