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For Immediate Release

**Morgan Stanley Reports Second Quarter Net Income of \$599 Million;
Return on Equity of 10.6%;
Including a Pre-tax Aircraft Impairment Charge of \$287 Million**

NEW YORK, June 18, 2003 -- Morgan Stanley (NYSE: MWD) today reported net income of \$599 million for the quarter ended May 31, 2003, including a pre-tax asset impairment charge of \$287 million related to the Company's aircraft financing business. Diluted earnings per share were \$0.55 and the annualized return on average common equity was 10.6 percent. The aircraft impairment charge reduced net income by \$172 million, diluted earnings per share by \$0.16 and the annualized return on average common equity by 3.1 percentage points.

Net revenues (total revenues less interest expense and the provision for loan losses) of \$5.0 billion were 2 percent higher than last year's second quarter and 8 percent below this year's first quarter.

Philip J. Purcell, Chairman & CEO, and Robert G. Scott, President, said in a joint statement, "While there have been some encouraging signs recently, the business environment has continued to be very difficult. Nonetheless, we performed well with our fixed income business making a major contribution to our earnings. We believe our expense initiatives and market share in major business segments position us well to capitalize on future upswings in business activity."

Year-to-date net income was \$1,504 million, diluted earnings per share were \$1.37 and the annualized return on average common equity was 13.4 percent. The aircraft impairment charge reduced year-to-date net income by \$172 million, diluted earnings per share by \$0.16 and the annualized return on average common equity by 1.5 percentage points. Net revenues (total revenues less interest expense and the provision for loan losses) of \$10.5 billion were 3 percent higher than a year ago.

INSTITUTIONAL SECURITIES

Institutional Securities net income declined 33 percent to \$298 million, reflecting the \$287 million pretax (\$172 million after tax) aircraft impairment charge. Net revenues increased 11 percent driven by strong revenues in the Company's fixed income business -- which achieved its second best quarter ever. Challenging market conditions continued to negatively impact M&A advisory and equity revenues.

- Fixed income sales and trading net revenues increased 48 percent from second quarter 2002 to \$1.3 billion. The increase resulted from strong performances across the Company's credit products, interest-rate and currency products, and commodities groups. The revenue increases in credit and interest rate products reflected tighter spreads, strong investor demand and an improved trading environment. Higher commodities revenues were driven by higher volatilities, largely in oil markets.
- Equity sales and trading net revenues declined 9 percent from a year ago to \$865 million, primarily due to lower revenues from the Company's global cash business.
- Advisory revenues were \$141 million, down 44 percent from last year due to declining levels of global M&A activity. Industry-wide, global completed M&A transaction volume fell 18 percent compared with second quarter 2002.¹
- Underwriting revenues of \$322 million were 5 percent below last year's second quarter, despite a 41 percent industry-wide decline in overall equity underwriting activity and a 78 percent decline in IPOs. Fixed income activity was essentially unchanged from a year ago. An improved market share in equity and a stable market share in fixed income contributed to these results.²
- For the calendar year-to-date, the Company ranked third in completed global M&A with a 20 percent market share; sixth in announced global M&A with a 13 percent market share; second in worldwide equity and equity related issuances with a 13 percent market share; and fourth in U.S. investment grade debt issuances with an 11 percent market share.³

^{1, 2} Source: Thomson Financial Securities Data -- for the periods: March 1, 2002 to May 31, 2002 and March 1, 2003 to May 31, 2003.

³ Source: Thomson Financial Securities Data -- for the period January 1, 2003 to May 31, 2003.

INDIVIDUAL INVESTOR GROUP

The Individual Investor Group reported a \$2 million net loss compared to \$12 million in net income for second quarter 2002.

- Net revenues decreased 11 percent from a year ago to \$924 million. Retail participation in equity markets was below last year's levels, and asset management fees declined primarily as a result of lower assets under management.
- Non-interest expenses of \$916 million were 10 percent below last year.
- Total client assets of \$532 billion were 7 percent lower than the end of last year's second quarter, reflecting, in part, a 10 percent decline for the S&P 500. Client assets in fee-based accounts fell 3 percent to \$113 billion over the past twelve months. However, the percentage of client assets in fee-based accounts increased to 21 percent from 20 percent a year ago.
- At quarter-end, the number of global financial advisors was 11,644 -- a decrease of 412 for the quarter and 2,063 over the past year.

INVESTMENT MANAGEMENT

Investment Management net income declined 23 percent from last year's second quarter to \$109 million. Lower revenues, reflecting a decrease in average assets under management and a shift in asset mix away from equity products, drove the earnings decline. An 8 percent decline in non-interest expenses partially offset the lower revenues.

- The Company's assets under management were \$421 billion, up \$17 billion over the first quarter of this year but \$30 billion below the second quarter of last year. The increase during the quarter was due to market appreciation, while the decline from last year reflected market depreciation and negative net customer flows.
- Retail assets of \$259 billion were \$13 billion higher than the end of the first quarter but \$17 billion lower than a year ago. Institutional assets were \$162 billion, an increase of \$4 billion for the quarter but \$13 billion below last year.
- Among full-service brokerage firms, the Company had the highest number of domestic funds (47) receiving one of Morningstar's two highest ratings.⁴ In

⁴ Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of April 30, 2003.

addition, the percent of the Company's fund assets performing in the top half of the Lipper rankings over three years was 69 percent compared to 71 percent a year ago.⁵

CREDIT SERVICES

Credit Services quarterly net income of \$194 million was slightly below the second quarter of 2002. On a managed basis, increases in the provision for loan losses and non-interest expenses were offset by higher net interest income and merchant and cardmember fees.

- Managed credit card loans at quarter end rose 3 percent from a year ago to \$50.9 billion. The interest rate spread widened 6 basis points over the same period, as a decline in the cost of funds more than offset a lower finance charge yield.
- Merchant and cardmember fees rose 2 percent to \$524 million as a result of higher merchant discount fees from increased transaction volume. Transaction volume also rose 2 percent from a year ago to \$24.0 billion, primarily as a result of increased sales.
- The credit card net charge-off rate increased to 6.50 percent -- 15 basis points above a year ago. The over-30-day delinquency rate increased 58 basis points to 6.21 percent, and the over-90-day delinquency rate increased 36 basis points to 3.01 percent from the second quarter of 2002. Persistent weakness in the economy, reflected in high levels of unemployment and bankruptcy filings, has driven losses and delinquencies higher.
- Non-interest expenses of \$576 million were up 2 percent compared to second quarter 2002 driven by higher marketing and advertising expenses.

As of May 31, 2003, the Company had repurchased approximately 9 million shares of its common stock since the end of fiscal 2002. The Company also announced that its Board of Directors declared a \$0.23 quarterly dividend per common share. The dividend is payable on July 31, 2003, to common shareholders of record on July 11, 2003.

⁵ As of April 30, 2003.

Total capital at May 31, 2003 was \$78.7 billion, including \$25.3 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was \$20.83, 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 27 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
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Net revenues								
Institutional Securities	\$ 2,706	\$ 2,435	\$ 3,161	11%	(14%)	\$ 5,867	\$ 5,235	12%
Individual Investor Group	924	1,041	900	(11%)	3%	1,824	2,060	(11%)
Investment Management	535	622	519	(14%)	3%	1,054	1,245	(15%)
Credit Services	884	874	898	1%	(2%)	1,782	1,697	5%
Consolidated net revenues	<u>\$ 5,049</u>	<u>\$ 4,972</u>	<u>\$ 5,478</u>	2%	(8%)	<u>\$ 10,527</u>	<u>\$ 10,237</u>	3%
Net income / (loss)								
Institutional Securities	\$ 298	\$ 448	\$ 618	(33%)	(52%)	\$ 916	\$ 978	(6%)
Individual Investor Group	(2)	12	(1)	(117%)	(100%)	(3)	19	(116%)
Investment Management	109	141	106	(23%)	3%	215	285	(25%)
Credit Services	194	196	182	(1%)	7%	376	363	4%
Consolidated net income	<u>\$ 599</u>	<u>\$ 797</u>	<u>\$ 905</u>	(25%)	(34%)	<u>\$ 1,504</u>	<u>\$ 1,645</u>	(9%)
Basic earnings per common share	\$ 0.56	\$ 0.73	\$ 0.84	(23%)	(33%)	\$ 1.40	\$ 1.52	(8%)
Diluted earnings per common share	\$ 0.55	\$ 0.72	\$ 0.82	(24%)	(33%)	\$ 1.37	\$ 1.48	(7%)
Average common shares outstanding								
Basic	1,077,386,468	1,084,993,202	1,079,052,442			1,077,413,715	1,084,223,242	
Diluted	1,097,478,351	1,113,949,482	1,099,724,140			1,097,824,226	1,113,925,043	
Period end common shares outstanding	1,086,735,086	1,097,109,821	1,089,745,941			1,086,735,086	1,097,109,821	
Return on common equity	10.6%	15.1%	16.3%			13.4%	15.7%	

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

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

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment banking	\$ 536	\$ 663	\$ 589	(19%)	(9%)	\$ 1,125	\$ 1,337	(16%)
Principal transactions:								
Trading	1,583	696	1,556	127%	2%	3,139	1,828	72%
Investments	59	(16)	(22)	*	*	37	17	118%
Commissions	709	900	670	(21%)	6%	1,379	1,677	(18%)
Fees:								
Asset mgmt., distribution and administration	885	1,054	903	(16%)	(2%)	1,788	2,070	(14%)
Merchant and cardmember	339	347	363	(2%)	(7%)	702	689	2%
Servicing	503	506	567	(1%)	(11%)	1,070	1,046	2%
Interest and dividends	3,692	3,877	3,789	(5%)	(3%)	7,481	7,713	(3%)
Other	112	129	87	(13%)	29%	199	325	(39%)
Total revenues	<u>8,418</u>	<u>8,156</u>	<u>8,502</u>	3%	(1%)	<u>16,920</u>	<u>16,702</u>	1%
Interest expense	3,060	2,844	2,688	8%	14%	5,748	5,780	(1%)
Provision for consumer loan losses	309	340	336	(9%)	(8%)	645	685	(6%)
Net revenues	<u>5,049</u>	<u>4,972</u>	<u>5,478</u>	2%	(8%)	<u>10,527</u>	<u>10,237</u>	3%
Compensation and benefits	2,272	2,236	2,548	2%	(11%)	4,820	4,725	2%
Occupancy and equipment	195	208	196	(6%)	(1%)	391	406	(4%)
Brokerage, clearing and exchange fees	202	176	191	15%	6%	393	355	11%
Information processing and communications	316	337	316	(6%)	--	632	659	(4%)
Marketing and business development	257	259	269	(1%)	(4%)	526	513	3%
Professional services	259	250	225	4%	15%	484	475	2%
Other	633	259	307	144%	106%	940	510	84%
Total non-interest expenses	<u>4,134</u>	<u>3,725</u>	<u>4,052</u>	11%	2%	<u>8,186</u>	<u>7,643</u>	7%
Income before taxes and dividends on preferred securities subject to mandatory redemption	915	1,247	1,426	(27%)	(36%)	2,341	2,594	(10%)
Income tax expense	276	428	499	(36%)	(45%)	775	905	(14%)
Dividends on preferred securities subject to mandatory redemption	40	22	22	82%	82%	62	44	41%
Net income	<u>\$ 599</u>	<u>\$ 797</u>	<u>\$ 905</u>	(25%)	(34%)	<u>\$ 1,504</u>	<u>\$ 1,645</u>	(9%)
Compensation and benefits as a % of net revenues	45%	45%	47%			46%	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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment banking	\$ 463	\$ 588	\$ 503	(21%)	(8%)	\$ 966	\$ 1,191	(19%)
Principal transactions:								
Trading	1,439	568	1,425	*	1%	2,864	1,525	88%
Investments	46	(17)	(11)	*	*	35	13	*
Commissions	424	560	415	(24%)	2%	839	1,052	(20%)
Asset mgmt., distribution and administration fees	20	23	22	(13%)	(9%)	42	48	(13%)
Interest and dividends	3,071	3,172	3,166	(3%)	(3%)	6,237	6,351	(2%)
Other	77	92	61	(16%)	26%	138	235	(41%)
Total revenues	<u>5,540</u>	<u>4,986</u>	<u>5,581</u>	11%	(1%)	<u>11,121</u>	<u>10,415</u>	7%
Interest expense	<u>2,834</u>	<u>2,551</u>	<u>2,420</u>	11%	17%	<u>5,254</u>	<u>5,180</u>	1%
Net revenues	<u>2,706</u>	<u>2,435</u>	<u>3,161</u>	11%	(14%)	<u>5,867</u>	<u>5,235</u>	12%
Total non-interest expenses	<u>2,281</u>	<u>1,752</u>	<u>2,194</u>	30%	4%	<u>4,475</u>	<u>3,705</u>	21%
Income before taxes and dividends on preferred securities subject to mandatory redemption	425	683	967	(38%)	(56%)	1,392	1,530	(9%)
Income tax expense	87	213	327	(59%)	(73%)	414	508	(19%)
Dividends on preferred securities subject to mandatory redemption	40	22	22	82%	82%	62	44	41%
Net income	<u>\$ 298</u>	<u>\$ 448</u>	<u>\$ 618</u>	(33%)	(52%)	<u>\$ 916</u>	<u>\$ 978</u>	(6%)
Profit margin (1)	11%	18%	20%			16%	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
Individual Investor Group Income Statement Information
(unaudited, dollars in millions)

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	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment banking	\$ 64	\$ 67	\$ 78	(4%)	(18%)	\$ 142	\$ 129	10%
Principal transactions:								
Trading	144	128	131	13%	10%	275	303	(9%)
Investments	0	0	0	--	--	0	1	*
Commissions	275	328	245	(16%)	12%	520	602	(14%)
Asset mgmt., distribution and administration fees	372	444	376	(16%)	(1%)	748	865	(14%)
Interest and dividends	77	97	74	(21%)	4%	151	193	(22%)
Other	20	12	24	67%	(17%)	44	39	13%
Total revenues	952	1,076	928	(12%)	3%	1,880	2,132	(12%)
Interest expense	28	35	28	(20%)	--	56	72	(22%)
Net revenues	924	1,041	900	(11%)	3%	1,824	2,060	(11%)
Total non-interest expenses	916	1,017	903	(10%)	1%	1,819	2,027	(10%)
Income / (loss) before income taxes	8	24	(3)	(67%)	*	5	33	(85%)
Income tax expense / (benefit)	10	12	(2)	(17%)	*	8	14	(43%)
Net income / (loss)	\$ (2)	\$ 12	\$ (1)	(117%)	(100%)	\$ (3)	\$ 19	(116%)
Profit margin (1)	(0%)	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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment banking	\$ 9	\$ 8	\$ 8	13%	13%	\$ 17	\$ 17	--
Principal transactions:								
Investments	13	1	(11)	*	*	2	3	(33%)
Commissions	10	12	10	(17%)	--	20	23	(13%)
Asset mgmt., distribution and administration fees	493	587	505	(16%)	(2%)	998	1,157	(14%)
Interest and dividends	1	6	3	(83%)	(67%)	4	14	(71%)
Other	10	8	5	25%	100%	15	32	(53%)
Total revenues	536	622	520	(14%)	3%	1,056	1,246	(15%)
Interest expense	1	0	1	*	--	2	1	100%
Net revenues	535	622	519	(14%)	3%	1,054	1,245	(15%)
Total non-interest expenses	361	394	347	(8%)	4%	708	781	(9%)
Income before income taxes	174	228	172	(24%)	1%	346	464	(25%)
Income tax expense	65	87	66	(25%)	(2%)	131	179	(27%)
Net income	\$ 109	\$ 141	\$ 106	(23%)	3%	\$ 215	\$ 285	(25%)
Profit margin (1)	20%	23%	20%			20%	23%	

(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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Fees:								
Merchant and cardmember Servicing	\$ 339	\$ 347	\$ 363	(2%)	(7%)	\$ 702	\$ 689	2%
Other	5	17	(3)	(71%)	*	2	19	(89%)
Total non-interest revenues	847	870	927	(3%)	(9%)	1,774	1,754	1%
Interest revenue	543	602	546	(10%)	(1%)	1,089	1,155	(6%)
Interest expense	197	258	239	(24%)	(18%)	436	527	(17%)
Net interest income	346	344	307	1%	13%	653	628	4%
Provision for consumer loan losses	309	340	336	(9%)	(8%)	645	685	(6%)
Net credit income	37	4	(29)	*	*	8	(57)	114%
Net revenues	884	874	898	1%	(2%)	1,782	1,697	5%
Total non-interest expenses	576	562	608	2%	(5%)	1,184	1,130	5%
Income before taxes	308	312	290	(1%)	6%	598	567	5%
Income tax expense	114	116	108	(2%)	6%	222	204	9%
Net income	\$ 194	\$ 196	\$ 182	(1%)	7%	\$ 376	\$ 363	4%
Profit margin (1)	22%	22%	20%			21%	21%	

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

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

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

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Fees:								
Merchant and cardmember Servicing	\$ 524	\$ 516	\$ 547	2%	(4%)	\$ 1,071	\$ 1,043	3%
Other	0	0	0	--	--	0	0	--
Total non-interest revenues	35	36	54	(3%)	(35%)	89	52	71%
Interest revenue	559	552	601	1%	(7%)	1,160	1,095	6%
Interest expense	1,592	1,614	1,580	(1%)	1%	3,172	3,225	(2%)
Net interest income	410	480	441	(15%)	(7%)	851	979	(13%)
Provision for consumer loan losses	1,182	1,134	1,139	4%	4%	2,321	2,246	3%
Net credit income	857	812	842	6%	2%	1,699	1,644	3%
Net revenues	325	322	297	1%	9%	622	602	3%
Total non-interest expenses	884	874	898	1%	(2%)	1,782	1,697	5%
Income before taxes	576	562	608	2%	(5%)	1,184	1,130	5%
Income tax expense	308	312	290	(1%)	6%	598	567	5%
Net income	114	116	108	(2%)	6%	222	204	9%
Profit margin (1)	\$ 194	\$ 196	\$ 182	(1%)	7%	\$ 376	\$ 363	4%
	22%	22%	20%			21%	21%	

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

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

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:	
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003
Total assets (millions)	\$ 586,881	\$ 553,924	\$ 559,436	6%	5%
Adjusted assets (1)	\$ 406,977	\$ 382,306	\$ 389,103	6%	5%
Period end common shares outstanding (millions)	1,086.7	1,097.1	1,089.7	(1%)	--
Book value per common share	\$ 20.83	\$ 19.39	\$ 20.62	7%	1%
Shareholders' equity (millions) (2)	\$ 25,341	\$ 22,486	\$ 24,475	13%	4%
Total capital (millions) (3)	\$ 78,665	\$ 67,690	\$ 72,432	16%	9%
Worldwide employees	53,507	58,538	54,493	(9%)	(2%)
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category (\$ millions, pre-tax)					
Interest rate and credit spread	\$ 41	\$ 34	\$ 42		
Equity price	23	26	24		
Foreign exchange rate	11	5	12		
Commodity price	27	27	29		
Aggregate trading VaR	\$ 54	\$ 52	\$ 52		

- (1) Represents total assets less assets attributable to matched resale agreements, certain securities borrowed transactions and segregated customer cash balances. See page F-17 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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Institutional Securities								
Advisory revenue (millions)	\$ 141	\$ 250	\$ 166	(44%)	(15%)	\$ 307	\$ 542	(43%)
Underwriting revenue (millions)	\$ 322	\$ 338	\$ 337	(5%)	(4%)	\$ 659	\$ 649	2%
Sales and trading net revenue (millions) (1)								
Equity	\$ 865	\$ 953	\$ 977	(9%)	(11%)	\$ 1,842	\$ 1,884	(2%)
Fixed income	\$ 1,308	\$ 881	\$ 1,662	48%	(21%)	\$ 2,970	\$ 2,004	48%
Mergers and acquisitions announced transactions (2)								
Morgan Stanley global market volume (billions)	\$ 48.4	\$ 85.4	\$ 26.8					
Rank	6	3	2					
Worldwide equity and related issues (2)								
Morgan Stanley global market volume (billions)	\$ 13.5	\$ 11.3	\$ 3.8					
Rank	2	5	2					
Individual Investor Group								
Global financial advisors	11,644	13,707	12,056	(15%)	(3%)			
Total client assets (billions)	\$ 532	\$ 570	\$ 498	(7%)	7%			
Fee-based client account assets (billions) (3)	\$ 113	\$ 116	\$ 105	(3%)	8%			
Domestic retail locations	547	663	558	(17%)	(2%)			

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

(2) Source: Thomson Financial Securities Data - January 1 to May 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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment Management (\$ billions)								
Net flows								
Retail	\$ 1.2	\$ 1.2	\$ (0.5)	--	*	\$ 0.7	\$ 2.8	(75%)
Institutional	(4.0)	(0.6)	(2.5)	*	(60%)	(6.5)	(1.2)	*
Net flows excluding money markets	(2.8)	0.6	(3.0)	*	7%	(5.8)	1.6	*
Money markets	(2.6)	(4.1)	(0.9)	37%	*	(3.5)	(5.3)	34%
Assets under management or supervision by distribution channel								
Retail	\$ 259	\$ 276	\$ 246	(6%)	5%			
Institutional	162	175	158	(7%)	3%			
Total	<u>\$ 421</u>	<u>\$ 451</u>	<u>\$ 404</u>	(7%)	4%			
Assets under management or supervision by asset class								
Equity	\$ 174	\$ 201	\$ 155	(13%)	12%			
Fixed income	127	126	129	1%	(2%)			
Money market	65	65	67	--	(3%)			
Other (1)	55	59	53	(7%)	4%			
Total	<u>\$ 421</u>	<u>\$ 451</u>	<u>\$ 404</u>	(7%)	4%			

(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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Credit Services								
Owned credit card loans								
Period end	\$ 18,465	\$ 19,834	\$ 20,847	(7%)	(11%)	\$ 18,465	\$ 19,834	(7%)
Average	\$ 19,120	\$ 20,362	\$ 22,305	(6%)	(14%)	\$ 20,695	\$ 20,459	1%
Managed credit card loans (1)								
Period end	\$ 50,880	\$ 49,377	\$ 51,811	3%	(2%)	\$ 50,880	\$ 49,377	3%
Average	\$ 51,174	\$ 49,379	\$ 52,802	4%	(3%)	\$ 51,979	\$ 49,882	4%
Interest yield	11.97%	12.64%	11.78%	(67 bp)	19 bp	11.87%	12.63%	(76 bp)
Interest spread	8.78%	8.72%	8.36%	6 bp	42 bp	8.56%	8.66%	(10 bp)
Net charge-off rate	6.50%	6.35%	6.17%	15 bp	33 bp	6.34%	6.38%	(4 bp)
Delinquency rate (over 30 days)	6.21%	5.63%	6.33%	58 bp	(12 bp)	6.21%	5.63%	58 bp
Delinquency rate (over 90 days)	3.01%	2.65%	2.95%	36 bp	6 bp	3.01%	2.65%	36 bp
Transaction volume (billions)	\$ 24.0	\$ 23.5	\$ 26.1	2%	(8%)	\$ 50.1	\$ 47.6	5%
Accounts (millions)	46.4	46.2	46.5	1%	--	46.4	46.2	1%
Active accounts (millions)	21.8	23.4	22.3	(7%)	(2%)	21.8	23.4	(7%)
Avg. receivables per avg. active account (actual \$)	\$ 2,319	\$ 2,086	\$ 2,333	11%	(1%)	\$ 2,326	\$ 2,092	11%
Securitization gain	\$ 11	\$ 11	\$ 35	--	(69%)	\$ 46	\$ 19	142%

(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-12) 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-13) 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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Investment banking	\$ 536	\$ 663	\$ 589	(19%)	(9%)	\$ 1,125	\$ 1,337	(16%)
Principal transactions:								
Trading	1,583	696	1,556	127%	2%	3,139	1,828	72%
Investments	59	(16)	(22)	*	*	37	17	118%
Commissions	709	900	670	(21%)	6%	1,379	1,677	(18%)
Asset mgmt., distribution and administration fees	885	1,054	903	(16%)	(2%)	1,788	2,070	(14%)
Interest and dividends	3,149	3,275	3,243	(4%)	(3%)	6,392	6,558	(3%)
Other	107	112	90	(4%)	19%	197	306	(36%)
Total revenues	7,028	6,684	7,029	5%	--	14,057	13,793	2%
Interest expense	2,863	2,586	2,449	11%	17%	5,312	5,253	1%
Net revenues	4,165	4,098	4,580	2%	(9%)	8,745	8,540	2%
Compensation and benefits	2,069	2,039	2,334	1%	(11%)	4,403	4,336	2%
Occupancy and equipment	176	190	176	(7%)	--	352	372	(5%)
Brokerage, clearing and exchange fees	202	176	191	15%	6%	393	355	11%
Information processing and communications	234	246	228	(5%)	3%	462	488	(5%)
Marketing and business development	129	157	116	(18%)	11%	245	291	(16%)
Professional services	196	191	174	3%	13%	370	365	1%
Other	552	164	225	*	145%	777	306	*
Total non-interest expenses	3,558	3,163	3,444	12%	3%	7,002	6,513	8%
Income before taxes and dividends on preferred securities subject to mandatory redemption	607	935	1,136	(35%)	(47%)	1,743	2,027	(14%)
Income tax expense	162	312	391	(48%)	(59%)	553	701	(21%)
Div. on pref. sec. subject to mandatory redemption	40	22	22	82%	82%	62	44	41%
Net income	\$ 405	\$ 601	\$ 723	(33%)	(44%)	\$ 1,128	\$ 1,282	(12%)
Compensation and benefits as a % of net revenues	50%	50%	51%			50%	51%	
Non-compensation expenses as a % of net revenues	36%	27%	24%			30%	25%	
Profit margin (1)	10%	15%	16%			13%	15%	
Number of employees (2)	38,031	43,237	38,867	(12%)	(2%)			

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

(2) 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:		Six Months Ended		Percentage Change
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002	
Fees:								
Merchant and cardmember Servicing	\$ 524	\$ 516	\$ 547	2%	(4%)	\$ 1,071	\$ 1,043	3%
Other	0	0	0	--	--	0	0	--
Total non-interest revenues	35	36	54	(3%)	(35%)	89	52	71%
Interest revenue	559	552	601	1%	(7%)	1,160	1,095	6%
Interest expense	1,592	1,614	1,580	(1%)	1%	3,172	3,225	(2%)
Net interest income	410	480	441	(15%)	(7%)	851	979	(13%)
Provision for consumer loan losses	1,182	1,134	1,139	4%	4%	2,321	2,246	3%
Net credit income	857	812	842	6%	2%	1,699	1,644	3%
Net revenues	325	322	297	1%	9%	622	602	3%
Compensation and benefits	884	874	898	1%	(2%)	1,782	1,697	5%
Occupancy and equipment	203	197	214	3%	(5%)	417	389	7%
Information processing and communications	19	18	20	6%	(5%)	39	34	15%
Marketing and business development	82	91	88	(10%)	(7%)	170	171	(1%)
Professional services	128	102	153	25%	(16%)	281	222	27%
Other	63	59	51	7%	24%	114	110	4%
Total non-interest expenses	81	95	82	(15%)	(1%)	163	204	(20%)
Income before taxes	576	562	608	2%	(5%)	1,184	1,130	5%
Income tax expense	308	312	290	(1%)	6%	598	567	5%
Net income	114	116	108	(2%)	6%	222	204	9%
	\$ 194	\$ 196	\$ 182	(1%)	7%	\$ 376	\$ 363	4%
Compensation and benefits as a % of net revenues	23%	23%	24%			23%	23%	
Non-compensation expenses as a % of net revenues	42%	42%	44%			43%	44%	
Profit margin (1)	22%	22%	20%			21%	21%	
Number of employees	15,476	15,301	15,626	1%	(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

The following (pages F-14 - F-16) present a reconciliation for certain information disclosed on pages F-7, F-11 and F-13.

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 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%

Quarter Ended May 31, 2002

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 19,834	\$ 20,362	11.08%	5.81%	6.15%	5.23%	2.49%
Securitized	29,543	29,017	13.73%	10.71%	6.50%	5.91%	2.76%
Managed	<u>\$ 49,377</u>	<u>\$ 49,379</u>	12.64%	8.72%	6.35%	5.63%	2.65%

Quarter Ended Feb 28, 2003

	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
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.

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)

Six Months Ended May 31, 2003							
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
Owned	\$ 18,465	\$ 20,695	9.87%	5.45%	5.73%	5.27%	2.56%
Securitized	32,415	31,284	13.20%	10.59%	6.74%	6.74%	3.27%
Managed	<u>\$ 50,880</u>	<u>\$ 51,979</u>	11.87%	8.56%	6.34%	6.21%	3.01%

Six Months Ended May 31, 2002							
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
Owned	\$ 19,834	\$ 20,459	10.68%	5.34%	6.18%	5.23%	2.49%
Securitized	29,543	29,423	13.99%	10.93%	6.52%	5.91%	2.76%
Managed	<u>\$ 49,377</u>	<u>\$ 49,882</u>	12.63%	8.66%	6.38%	5.63%	2.65%

(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			Six Months Ended	
	May 31, 2003	May 31, 2002	Feb 28, 2003	May 31, 2003	May 31, 2002
Merchant and cardmember fees:					
Owned	\$ 339	\$ 347	\$ 363	\$ 702	\$ 689
Securitization Adjustment	185	169	184	369	354
Managed	<u>\$ 524</u>	<u>\$ 516</u>	<u>\$ 547</u>	<u>\$ 1,071</u>	<u>\$ 1,043</u>
Servicing fees:					
Owned	\$ 503	\$ 506	\$ 567	\$ 1,070	\$ 1,046
Securitization Adjustment	(503)	(506)	(567)	(1,070)	(1,046)
Managed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other:					
Owned	\$ 5	\$ 17	\$ (3)	\$ 2	\$ 19
Securitization Adjustment	30	19	57	87	33
Managed	<u>\$ 35</u>	<u>\$ 36</u>	<u>\$ 54</u>	<u>\$ 89</u>	<u>\$ 52</u>
Interest revenue:					
Owned	\$ 543	\$ 602	\$ 546	\$ 1,089	\$ 1,155
Securitization Adjustment	1,049	1,012	1,034	2,083	2,070
Managed	<u>\$ 1,592</u>	<u>\$ 1,614</u>	<u>\$ 1,580</u>	<u>\$ 3,172</u>	<u>\$ 3,225</u>
Interest expense:					
Owned	\$ 197	\$ 258	\$ 239	\$ 436	\$ 527
Securitization Adjustment	213	222	202	415	452
Managed	<u>\$ 410</u>	<u>\$ 480</u>	<u>\$ 441</u>	<u>\$ 851</u>	<u>\$ 979</u>
Provision for consumer loan losses:					
Owned	\$ 309	\$ 340	\$ 336	\$ 645	\$ 685
Securitization Adjustment	548	472	506	1,054	959
Managed	<u>\$ 857</u>	<u>\$ 812</u>	<u>\$ 842</u>	<u>\$ 1,699</u>	<u>\$ 1,644</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-17) 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		
	May 31, 2003	May 31, 2002	Feb 28, 2003
Total assets	\$ 586,881	\$ 553,924	\$ 559,436
Less:			
Lesser of securities purchased under agreements to resell or securities sold under agreements to repurchase	(71,374)	(79,826)	(59,687)
Assets recorded under certain provisions of SFAS No. 140	(24,837)	(12,329)	(21,194)
Lesser of securities borrowed or securities loaned	(55,388)	(39,197)	(55,031)
Segregated customer cash and securities balances	(26,829)	(38,825)	(32,961)
Goodwill	(1,476)	(1,441)	(1,460)
Adjusted assets	<u>\$ 406,977</u>	<u>\$ 382,306</u>	<u>\$ 389,103</u>
Shareholders' equity	\$ 22,631	\$ 21,276	\$ 22,465
Preferred securities subject to mandatory redemption	2,710	1,210	2,010
Subtotal	25,341	22,486	24,475
Less: Goodwill	(1,476)	(1,441)	(1,460)
Tangible shareholders' equity	<u>\$ 23,865</u>	<u>\$ 21,045</u>	<u>\$ 23,015</u>
Leverage ratio (1)	<u>24.6x</u>	<u>26.3x</u>	<u>24.3x</u>
Adjusted leverage ratio (2)	<u>17.1x</u>	<u>18.2x</u>	<u>16.9x</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.