



For Immediate Release

**Morgan Stanley Reports Third Quarter Net Income of \$611 Million;
Return on Equity of 11.4%**

NEW YORK, September 19, 2002 -- Morgan Stanley (NYSE: MWD) today reported net income of \$611 million for the quarter ended August 31, 2002 -- a 17 percent decline from the third quarter of 2001 and 23 percent lower than the second quarter of 2002. Diluted earnings per share were \$0.55 -- compared to \$0.65 a year ago and \$0.72 in the second quarter.¹

Third quarter net revenues (total revenues less interest expense and the provision for loan losses) were \$4.6 billion -- 11 percent below third quarter 2001 and 7 percent below second quarter 2002. The annualized return on average common equity for the current quarter was 11.4 percent.

Philip J. Purcell, Chairman & CEO, and Robert G. Scott, President, said in a joint statement, "We've done a good job in balancing profitability and risk in a tough environment. We have continued to face a severe cyclical downturn, yet we've had to make sure we don't weaken our franchise and our capacity for future growth. In this difficult time, we are proud of how our people have served the best interests of our clients."

In the first nine months of fiscal 2002, net income was \$2,256 million, 18 percent lower than \$2,740 million a year ago. Nine-month diluted earnings per share

¹ Amounts for the three months ended August 31, 2001 exclude an extraordinary loss of \$30 million, or \$.03 per share, related to the early extinguishment of debt. See page F-1 of Financial Summary, Note 1.

were \$2.03, down 16 percent from last year's \$2.41.² Net revenues declined 15 percent and non-compensation expenses declined 13 percent from a year ago. The annualized return on average common equity for the nine-month period was 14.3 percent.

SECURITIES

Securities posted net income of \$265 million, 36 percent lower than last year's third quarter. The decline in earnings reflected the impact of difficult markets on virtually all of the Company's securities businesses.

- In the institutional business:
 - Advisory revenues were \$149 million, down 59 percent from a year ago. The decline resulted primarily from depressed levels of global M&A activity. Industry-wide, global completed M&A transaction volume was 51 percent lower in the third quarter compared to a year ago.³
 - Underwriting revenues of \$325 million were 25 percent lower than last year's third quarter, reflecting declines in industry-wide global equity and debt underwriting issuances.
 - Fixed income sales and trading net revenues were \$548 million, a 33 percent decrease from third quarter 2001. Weakness in most product areas was partially offset by strength in interest rate derivatives and foreign exchange trading.
 - Equity sales and trading net revenues of \$1,066 million were up 7 percent from a year ago, primarily due to higher levels of market volatility and volumes.
- In the individual investor group:
 - Net revenues decreased 5 percent to \$1.0 billion, as retail participation in equity markets fell from last year's levels. The quarter's revenues also

² Amounts for the nine months ended August 31, 2001, exclude an after-tax charge of \$59 million, or \$.05 per share, resulting from the adoption of SFAS 133 on December 1, 2000, and an extraordinary loss of \$30 million, or \$.03 per share, related to the early extinguishment of debt. See page F-1 of Financial Summary, Note 1.

³ Source: Thomson Financial Securities Data – June 1 to August 31, 2002.

included \$95 million associated with the sale of the Company's MS Online brokerage accounts, and a \$45 million writedown of an equity investment related to the Company's European retail securities activities.

- Total client assets of \$520 billion were 13 percent lower than the end of last year's third quarter, compared to declines of 19 percent for the S&P 500 and 27 percent for the Nasdaq. Client assets in fee-based accounts of \$103 billion declined 6 percent over the past twelve months. However, the percentage of client assets in fee-based accounts increased to 20 percent from 18 percent a year ago.
- At quarter-end, the number of global financial advisors stood at 13,590 -- a decrease of 117 for the quarter and 752 over the past year.
- Total securities non-compensation expenses were unchanged from the third quarter of 2001. However, these expenses declined 6 percent, excluding asset impairment charges of \$74 million associated with the Company's aircraft leasing business, costs of \$47 million related to the sale of the MS Online accounts, and a credit of \$59 million related to the resolution of certain legal matters.

INVESTMENT MANAGEMENT

Investment Management net income rose 6 percent from last year's third quarter to \$136 million as a result of a continued reduction of operating expenses. Net revenues were 13 percent lower than a year ago, primarily due to a decline in average assets under management and a shift in asset mix to a lower level of equity products.

- The Company's assets under management declined \$47 billion, or 10 percent, from a year ago to \$424 billion, primarily as a result of a decline in market values.
- Retail assets were \$252 billion, \$17 billion below this year's second quarter and \$40 billion below last year's third quarter. Institutional assets of \$172 billion decreased \$10 billion over the quarter and were \$7 billion lower than a

year ago. Net flows (excluding money markets) were essentially flat during the quarter and modestly positive year-to-date.

- Among investment managers, the Company had the fourth highest number of domestic funds (50) receiving one of Morningstar's two highest ratings.⁴
- Total non-compensation expenses declined 23 percent from the third quarter of 2001. Excluding a net credit of \$27 million related to the resolution of certain legal matters, expenses declined 11 percent.

CREDIT SERVICES

Credit Services posted strong third quarter earnings of \$210 million, 7 percent ahead of the third quarter of 2001.

- Managed credit card loans at quarter end of \$49.7 billion were flat to a year ago. The interest rate spread widened 80 basis points over the same period, driven by a decline in cost of funds.
- Merchant and cardmember fees rose 1 percent to \$547 million primarily as a result of higher merchant discount from increased transaction volume. Transaction volume rose 4 percent from a year ago to \$24.3 billion.
- The credit card net charge-off rate rose to 6.02 percent -- 23 basis points higher than a year ago -- largely due to the continued softness in the U.S. economy. The over-30-day delinquency rate, however, improved 59 basis points to 5.72 percent, and the over-90-day delinquency rate was 2.49 percent -- the lowest level in the last seven quarters.
- Non-interest expenses were \$614 million, up 7 percent compared to third quarter 2001 -- driven by increased marketing and advertising expenses and higher personnel costs.

As of August 31, the Company had repurchased approximately 14 million shares of its common stock since the end of fiscal 2001. The Company also announced that its Board of Directors declared a \$0.23 quarterly dividend per common share.

⁴ As of July 31, 2002.

The dividend is payable on October 25, 2002, to common shareholders of record on October 4, 2002.

Total capital at August 31, 2002 was \$66.6 billion, including \$22.6 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was \$19.59, 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 700 offices in 28 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

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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" under each of "Securities," "Investment Management" and "Credit Services" in Part I, Item 1 in the Company's 2001 Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition 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:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Net revenues								
Securities	\$ 3,151	\$ 3,656	\$ 3,487	(14%)	(10%)	\$ 10,469	\$ 12,831	(18%)
Investment Management	552	637	604	(13%)	(9%)	1,761	1,964	(10%)
Credit Services	933	893	874	4%	7%	2,630	2,655	(1%)
Consolidated net revenues	<u>\$ 4,636</u>	<u>\$ 5,186</u>	<u>\$ 4,965</u>	(11%)	(7%)	<u>\$ 14,860</u>	<u>\$ 17,450</u>	(15%)
Net income								
Securities	\$ 265	\$ 411	\$ 460	(36%)	(42%)	\$ 1,264	\$ 1,823	(31%)
Investment Management	136	128	141	6%	(4%)	419	408	3%
Credit Services	210	196	196	7%	7%	573	509	13%
Income before extraordinary item and cumulative effect of accounting change	611	735	797	(17%)	(23%)	2,256	2,740	(18%)
Extraordinary item (1)	0	(30)	0	*	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(59)	*
Consolidated net income	<u>\$ 611</u>	<u>\$ 705</u>	<u>\$ 797</u>	(13%)	(23%)	<u>\$ 2,256</u>	<u>\$ 2,651</u>	(15%)
Preferred stock dividend requirements	<u>\$ 0</u>	<u>\$ 9</u>	<u>\$ 0</u>	*	--	<u>\$ 0</u>	<u>\$ 27</u>	*
Earnings applicable to common shares	<u>\$ 611</u>	<u>\$ 696</u>	<u>\$ 797</u>	(12%)	(23%)	<u>\$ 2,256</u>	<u>\$ 2,624</u>	(14%)
Basic earnings per common share								
Income before extraordinary item and cumulative effect of accounting change	\$ 0.57	\$ 0.67	\$ 0.73	(15%)	(22%)	\$ 2.08	\$ 2.49	(16%)
Extraordinary item	\$ 0.00	\$ (0.03)	\$ 0.00	*	--	\$ 0.00	\$ (0.03)	*
Cumulative effect of accounting change	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.05)	*
Net income	\$ 0.57	\$ 0.64	\$ 0.73	(11%)	(22%)	\$ 2.08	\$ 2.41	(14%)
Diluted earnings per common share								
Income before extraordinary item and cumulative effect of accounting change	\$ 0.55	\$ 0.65	\$ 0.72	(15%)	(24%)	\$ 2.03	\$ 2.41	(16%)
Extraordinary item	\$ 0.00	\$ (0.03)	\$ 0.00	*	--	\$ 0.00	\$ (0.03)	*
Cumulative effect of accounting change	\$ 0.00	\$ 0.00	\$ 0.00	--	--	\$ 0.00	\$ (0.05)	*
Net income	\$ 0.55	\$ 0.62	\$ 0.72	(11%)	(24%)	\$ 2.03	\$ 2.33	(13%)
Average common shares outstanding								
Basic	1,081,708,833	1,085,447,127	1,084,993,202			1,084,059,497	1,089,017,948	
Diluted	1,105,494,894	1,119,301,107	1,113,949,482			1,111,980,428	1,126,540,440	
Period end common shares outstanding								
	1,093,052,009	1,106,317,423	1,097,109,821			1,093,052,009	1,106,317,423	
Return on common equity (3)	11.4%	14.9%	15.1%			14.3%	18.8%	

(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.

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:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Investment banking	\$ 482	\$ 807	\$ 671	(40%)	(28%)	\$ 1,838	\$ 2,616	(30%)
Principal transactions:								
Trading	457	1,079	688	(58%)	(34%)	2,266	4,846	(53%)
Investments	(64)	(59)	(16)	(8%)	*	(47)	(212)	78%
Commissions	855	720	900	19%	(5%)	2,532	2,409	5%
Fees:								
Asset management, distribution and administration	971	1,054	1,054	(8%)	(8%)	3,041	3,237	(6%)
Merchant and cardmember	364	362	359	1%	1%	1,064	1,000	6%
Servicing	514	434	511	18%	1%	1,566	1,337	17%
Interest and dividends	4,373	5,825	3,874	(25%)	13%	12,079	20,011	(40%)
Other	204	110	108	85%	89%	506	374	35%
Total revenues	8,156	10,332	8,149	(21%)	--	24,845	35,618	(30%)
Interest expense	3,188	4,869	2,844	(35%)	12%	8,968	17,447	(49%)
Provision for consumer loan losses	332	277	340	20%	(2%)	1,017	721	41%
Net revenues	4,636	5,186	4,965	(11%)	(7%)	14,860	17,450	(15%)
Compensation and benefits	2,061	2,376	2,236	(13%)	(8%)	6,786	7,950	(15%)
Occupancy and equipment	198	224	208	(12%)	(5%)	604	666	(9%)
Brokerage, clearing and exchange fees	208	176	176	18%	18%	563	520	8%
Information processing and communications	341	363	337	(6%)	1%	1,000	1,089	(8%)
Marketing and business development	291	280	259	4%	12%	804	987	(19%)
Professional services	273	284	250	(4%)	9%	748	954	(22%)
Other	295	311	252	(5%)	17%	792	940	(16%)
Total non-interest expenses	3,667	4,014	3,718	(9%)	(1%)	11,297	13,106	(14%)
Income before taxes, extraordinary item, dividends								
on pref. sec. and cumulative effect of acctg. change	969	1,172	1,247	(17%)	(22%)	3,563	4,344	(18%)
Income tax expense	337	423	428	(20%)	(21%)	1,242	1,576	(21%)
Div. on pref. sec. subject to mandatory redemption	21	14	22	50%	(5%)	65	28	132%
Income before extraordinary item and								
cumulative effect of accounting change	611	735	797	(17%)	(23%)	2,256	2,740	(18%)
Extraordinary item (1)	0	(30)	0	*	--	0	(30)	*
Cumulative effect of accounting change (2)	0	0	0	--	--	0	(59)	*
Net income	\$ 611	\$ 705	\$ 797	(13%)	(23%)	\$ 2,256	\$ 2,651	(15%)
Preferred stock dividend requirements	\$ 0	\$ 9	\$ 0	*	--	\$ 0	\$ 27	*
Earnings applicable to common shares	\$ 611	\$ 696	\$ 797	(12%)	(23%)	\$ 2,256	\$ 2,624	(14%)
Compensation and benefits as a % of net revenues	44%	46%	45%			46%	46%	

(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
Securities Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Investment banking	\$ 474	\$ 795	\$ 663	(40%)	(29%)	\$ 1,813	\$ 2,570	(29%)
Principal transactions:								
Trading	457	1,079	688	(58%)	(34%)	2,266	4,846	(53%)
Investments	(58)	(58)	(17)	--	(241%)	(43)	(211)	80%
Commissions	844	708	888	19%	(5%)	2,498	2,376	5%
Asset management, distribution and administration fees	449	461	478	(3%)	(6%)	1,384	1,423	(3%)
Interest and dividends	3,718	5,135	3,266	(28%)	14%	10,255	17,954	(43%)
Other	193	100	107	93%	80%	474	349	36%
Total revenues	<u>6,077</u>	<u>8,220</u>	<u>6,073</u>	(26%)	--	<u>18,647</u>	<u>29,307</u>	(36%)
Interest expense	<u>2,926</u>	<u>4,564</u>	<u>2,586</u>	(36%)	13%	<u>8,178</u>	<u>16,476</u>	(50%)
Net revenues	<u>3,151</u>	<u>3,656</u>	<u>3,487</u>	(14%)	(10%)	<u>10,469</u>	<u>12,831</u>	(18%)
Compensation and benefits	1,701	1,988	1,866	(14%)	(9%)	5,683	6,765	(16%)
Occupancy and equipment	162	181	170	(10%)	(5%)	495	535	(7%)
Brokerage, clearing and exchange fees	146	123	119	19%	23%	391	367	7%
Information processing and communications	220	243	220	(9%)	--	659	734	(10%)
Marketing and business development	119	116	125	3%	(5%)	344	395	(13%)
Professional services	159	189	140	(16%)	14%	422	636	(34%)
Other	223	178	139	25%	60%	488	570	(14%)
Total non-interest expenses	<u>2,730</u>	<u>3,018</u>	<u>2,779</u>	(10%)	(2%)	<u>8,482</u>	<u>10,002</u>	(15%)
Income before taxes, extraordinary item, dividends on pref. sec. and cumulative effect of acctg. change	421	638	708	(34%)	(41%)	1,987	2,829	(30%)
Income tax expense	135	213	226	(37%)	(40%)	658	978	(33%)
Div. on pref. sec. subject to mandatory redemption	21	14	22	50%	(5%)	65	28	132%
Income before extraordinary item and cumulative effect of accounting change	265	411	460	(36%)	(42%)	1,264	1,823	(31%)
Extraordinary item - loss on the early extinguishment of debt	0	(30)	0	*	--	0	(30)	*
Cumulative effect of accounting change (1)	0	0	0	--	--	0	(46)	*
Net income	<u>\$ 265</u>	<u>\$ 381</u>	<u>\$ 460</u>	(30%)	(42%)	<u>\$ 1,264</u>	<u>\$ 1,747</u>	(28%)
Compensation and benefits as a % of net revenues	54%	54%	54%			54%	53%	
Non-compensation expenses as a % of net revenues	33%	28%	26%			27%	25%	
Profit margin (2)	8%	11%	13%			12%	14%	

(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
Investment Management Income Statement Information
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Investment banking	\$ 8	\$ 12	\$ 8	(33%)	--	\$ 25	\$ 46	(46%)
Principal transactions:								
Investments	(6)	(1)	1	*	*	(4)	(1)	*
Commissions	11	12	12	(8%)	(8%)	34	33	3%
Asset management, distribution and administration fees	522	593	576	(12%)	(9%)	1,657	1,814	(9%)
Interest and dividends	9	16	6	(44%)	50%	23	57	(60%)
Other	8	7	1	14%	*	27	22	23%
Total revenues	552	639	604	(14%)	(9%)	1,762	1,971	(11%)
Interest expense	0	2	0	*	--	1	7	(86%)
Net revenues	552	637	604	(13%)	(9%)	1,761	1,964	(10%)
Compensation and benefits	154	202	173	(24%)	(11%)	508	611	(17%)
Occupancy and equipment	18	21	20	(14%)	(10%)	57	67	(15%)
Brokerage, clearing and exchange fees	62	53	57	17%	9%	172	153	12%
Information processing and communications	27	30	26	(10%)	4%	76	83	(8%)
Marketing and business development	26	38	32	(32%)	(19%)	92	120	(23%)
Professional services	52	44	51	18%	2%	154	155	(1%)
Other	(16)	33	18	(148%)	(189%)	12	88	(86%)
Total non-interest expenses	323	421	377	(23%)	(14%)	1,071	1,277	(16%)
Income before income taxes	229	216	227	6%	1%	690	687	--
Income tax expense	93	88	86	6%	8%	271	279	(3%)
Net income	\$ 136	\$ 128	\$ 141	6%	(4%)	\$ 419	\$ 408	3%
Compensation and benefits as a % of net revenues	28%	32%	29%			29%	31%	
Non-compensation expenses as a % of net revenues	31%	34%	34%			32%	34%	
Profit margin (1)	25%	20%	23%			24%	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)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Fees:								
Merchant and cardmember Servicing	\$ 364	\$ 362	\$ 359	1%	1%	\$ 1,064	\$ 1,000	6%
Other	514	434	511	18%	1%	1,566	1,337	17%
Total non-interest revenues	3	3	0	--	*	5	3	67%
Interest revenue	881	799	870	10%	1%	2,635	2,340	13%
Interest expense	646	674	602	(4%)	7%	1,801	2,000	(10%)
Net interest income	262	303	258	(14%)	2%	789	964	(18%)
Provision for consumer loan losses	384	371	344	4%	12%	1,012	1,036	(2%)
Net credit income	332	277	340	20%	(2%)	1,017	721	41%
Net revenues	52	94	4	(45%)	*	(5)	315	(102%)
Compensation and benefits	933	893	874	4%	7%	2,630	2,655	(1%)
Occupancy and equipment	206	186	197	11%	5%	595	574	4%
Information processing and communications	18	22	18	(18%)	--	52	64	(19%)
Marketing and business development	94	90	91	4%	3%	265	272	(3%)
Professional services	146	126	102	16%	43%	368	472	(22%)
Other	62	51	59	22%	5%	172	163	6%
Total non-interest expenses	88	100	95	(12%)	(7%)	292	282	4%
Income before taxes and cumulative effect of accounting change	614	575	562	7%	9%	1,744	1,827	(5%)
Income tax expense	319	318	312	--	2%	886	828	7%
Income before cumulative effect of accounting change	109	122	116	(11%)	(6%)	313	319	(2%)
Cumulative effect of accounting change (1)	210	196	196	7%	7%	573	509	13%
Net income	0	0	0	--	--	0	(13)	*
	<u>\$ 210</u>	<u>\$ 196</u>	<u>\$ 196</u>	7%	7%	<u>\$ 573</u>	<u>\$ 496</u>	16%
Compensation and benefits as a % of net revenues	22%	21%	23%			23%	22%	
Non-compensation expenses as a % of net revenues	44%	44%	42%			44%	47%	
Profit margin (2)	23%	22%	22%			22%	19%	

(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:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Fees:								
Merchant and cardmember	\$ 547	\$ 539	\$ 552	1%	(1%)	\$ 1,640	\$ 1,547	6%
Servicing	0	0	0	--	--	0	0	--
Other	3	3	0	--	*	5	3	67%
Total non-interest revenues	550	542	552	1%	--	1,645	1,550	6%
Interest revenue	1,641	1,741	1,614	(6%)	2%	4,866	5,233	(7%)
Interest expense	481	657	480	(27%)	--	1,460	2,185	(33%)
Net interest income	1,160	1,084	1,134	7%	2%	3,406	3,048	12%
Provision for consumer loan losses	777	733	812	6%	(4%)	2,421	1,943	25%
Net credit income	383	351	322	9%	19%	985	1,105	(11%)
Net revenues	933	893	874	4%	7%	2,630	2,655	(1%)
Compensation and benefits	206	186	197	11%	5%	595	574	4%
Occupancy and equipment	18	22	18	(18%)	--	52	64	(19%)
Information processing and communications	94	90	91	4%	3%	265	272	(3%)
Marketing and business development	146	126	102	16%	43%	368	472	(22%)
Professional services	62	51	59	22%	5%	172	163	6%
Other	88	100	95	(12%)	(7%)	292	282	4%
Total non-interest expenses	614	575	562	7%	9%	1,744	1,827	(5%)
Income before taxes and cumulative effect of accounting change	319	318	312	--	2%	886	828	7%
Income tax expense	109	122	116	(11%)	(6%)	313	319	(2%)
Income before cumulative effect of accounting change	210	196	196	7%	7%	573	509	13%
Cumulative effect of accounting change (1)	0	0	0	--	--	0	(13)	*
Net income	<u>\$ 210</u>	<u>\$ 196</u>	<u>\$ 196</u>	7%	7%	<u>\$ 573</u>	<u>\$ 496</u>	16%
Compensation and benefits as a % of net revenues	22%	21%	23%			23%	22%	
Non-compensation expenses as a % of net revenues	44%	44%	42%			44%	47%	
Profit margin (2)	23%	22%	22%			22%	19%	

(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:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
Morgan Stanley								
Total assets (millions)	\$ 517,000	\$ 506,000	\$ 554,000	2%	(7%)			
Period end common shares outstanding (millions)	1,093.1	1,106.3	1,097.1	(1%)	--			
Book value per common share	\$ 19.59	\$ 17.76	\$ 19.39	10%	1%			
Shareholders' equity (millions) (1)	\$ 22,626	\$ 21,199	\$ 22,486	7%	1%			
Total capital (millions) (2)	\$ 66,631	\$ 60,652	\$ 67,690	10%	(2%)			
Worldwide employees	57,799	62,392	58,538	(7%)	(1%)			
SECURITIES								
Advisory revenue (millions)	\$ 149	\$ 360	\$ 250	(59%)	(40%)	\$ 691	\$ 1,100	(37%)
Underwriting revenue (millions)	\$ 325	\$ 435	\$ 413	(25%)	(21%)	\$ 1,122	\$ 1,470	(24%)
Institutional Securities								
Sales and trading net revenue (millions) (3)								
Equity	\$ 1,066	\$ 998	\$ 953	7%	12%	\$ 2,950	\$ 3,757	(21%)
Fixed income	\$ 548	\$ 814	\$ 829	(33%)	(34%)	\$ 2,480	\$ 3,096	(20%)
Mergers and acquisitions announced transactions (4)								
Morgan Stanley global market volume (billions)	\$ 126.9	\$ 279.4	\$ 85.4					
Rank	4	4	3					
Worldwide equity and related issues (4)								
Morgan Stanley global market volume (billions)	\$ 13.7	\$ 32.9	\$ 11.3					
Rank	5	4	5					
Individual Investor Group								
Net revenue (millions)	\$ 1,005	\$ 1,057	\$ 1,037	(5%)	(3%)	\$ 3,048	\$ 3,402	(10%)
Global financial advisors	13,590	14,342	13,707	(5%)	(1%)			
Total client assets (billions)	\$ 520	\$ 597	\$ 570	(13%)	(9%)			
Fee-based client account assets (billions) (5)	\$ 103	\$ 109	\$ 111	(6%)	(8%)			
Domestic retail locations	649	704	663	(8%)	(2%)			

(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 September 4, 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
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
INVESTMENT MANAGEMENT (\$ billions)								
Net flows								
Retail	\$ (0.2)	\$ (1.1)	\$ 1.1	82%	(118%)	\$ 2.4	\$ 0.0	*
Institutional	0.0	0.7	(0.6)	*	*	(1.1)	(2.8)	61%
Net flows excluding money markets	(0.2)	(0.4)	0.5	50%	(140%)	1.3	(2.8)	146%
Money markets	0.1	(0.2)	(4.1)	150%	102%	(5.3)	3.5	*
Assets under management or supervision by business								
Retail	\$ 252	\$ 292	\$ 269	(14%)	(6%)			
Institutional	172	179	182	(4%)	(5%)			
Total	\$ 424	\$ 471	\$ 451	(10%)	(6%)			
Assets under management or supervision by product								
Equity	\$ 175	\$ 202	\$ 201	(13%)	(13%)			
Fixed income	127	138	126	(8%)	1%			
Money market	66	69	65	(4%)	2%			
Other (1)	56	62	59	(10%)	(5%)			
Total	\$ 424	\$ 471	\$ 451	(10%)	(6%)			

(1) Includes Alternative Investments.

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

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

	Quarter Ended			Percentage Change From:		Nine Months Ended		Percentage Change
	Aug 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2001	May 31, 2002	Aug 31, 2002	Aug 31, 2001	
CREDIT SERVICES								
Owned credit card loans								
Total Credit Services								
Period end	\$ 21,840	\$ 20,194	\$ 20,224	8%	8%	\$ 21,840	\$ 20,194	8%
Average	\$ 20,476	\$ 20,407	\$ 20,747	--	(1%)	\$ 20,730	\$ 21,084	(2%)
Managed credit card loans (1)								
Total Credit Services								
Period end	\$ 49,677	\$ 49,704	\$ 49,377	--	1%	\$ 49,677	\$ 49,704	--
Average	\$ 49,344	\$ 49,825	\$ 49,379	(1%)	--	\$ 49,701	\$ 49,588	--
Interest yield	12.86%	13.34%	12.64%	(48 bp)	22 bp	12.71%	13.45%	(74 bp)
Interest spread	8.93%	8.13%	8.72%	80 bp	21 bp	8.75%	7.58%	117 bp
Net charge-off rate	6.02%	5.79%	6.30%	23 bp	(28 bp)	6.27%	5.19%	108 bp
Delinquency rate (over 30 days)	5.72%	6.31%	5.63%	(59 bp)	9 bp	5.72%	6.31%	(59 bp)
Delinquency rate (over 90 days)	2.49%	2.61%	2.65%	(12 bp)	(16 bp)	2.49%	2.61%	(12 bp)
Transaction volume (billions)	\$ 24.3	\$ 23.3	\$ 23.5	4%	3%	\$ 72.0	\$ 71.2	1%
Accounts (millions)	46.2	45.4	46.2	2%	--	46.2	45.4	2%
Active accounts (millions)	22.8	24.0	23.4	(5%)	(3%)	22.8	24.0	(5%)
Average receivables per average active account (actual \$)	\$ 2,145	\$ 2,069	\$ 2,086	4%	3%	\$ 2,109	\$ 2,057	3%
Securitization gain	\$ (3)	\$ 3	\$ 11	(200%)	(127%)	\$ 16	\$ 77	(79%)

(1) Includes owned and securitized credit card loans.

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