

MORGAN STANLEY
Financial Supplement - 2Q2004
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MORGAN STANLEY
Quarterly Financial Summary
(unaudited, dollars in millions)

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Net revenues											
Institutional Securities	\$ 3,135	\$ 2,679	\$ 2,794	\$ 2,603	\$ 3,504	\$ 3,948	47%	13%	\$ 5,814	\$ 7,452	28%
Individual Investor Group	985	1,002	1,102	1,153	1,211	1,209	21%	--	1,987	2,420	22%
Investment Management	525	558	598	595	642	690	24%	7%	1,083	1,332	23%
Credit Services	898	884	834	811	958	879	(1%)	(8%)	1,782	1,837	3%
Intersegment Eliminations	(69)	(78)	(77)	(75)	(74)	(75)	4%	(1%)	(147)	(149)	(1%)
Consolidated net revenues	<u>\$ 5,474</u>	<u>\$ 5,045</u>	<u>\$ 5,251</u>	<u>\$ 5,087</u>	<u>\$ 6,241</u>	<u>\$ 6,651</u>	32%	7%	<u>\$ 10,519</u>	<u>\$ 12,892</u>	23%
Income before taxes ⁽¹⁾											
Institutional Securities	\$ 942	\$ 400	\$ 1,203	\$ 1,062	\$ 1,186	\$ 1,134	*	(4%)	\$ 1,342	\$ 2,320	73%
Individual Investor Group	61	62	188	153	166	132	113%	(20%)	123	298	142%
Investment Management	100	122	163	97	170	209	71%	23%	222	379	71%
Credit Services	290	302	292	209	365	298	(1%)	(18%)	592	663	12%
Intersegment Eliminations	33	29	31	28	29	29	--	--	62	58	(6%)
Consolidated income before taxes	<u>\$ 1,426</u>	<u>\$ 915</u>	<u>\$ 1,877</u>	<u>\$ 1,549</u>	<u>\$ 1,916</u>	<u>\$ 1,802</u>	97%	(6%)	<u>\$ 2,341</u>	<u>\$ 3,718</u>	59%
Basic earnings per common share	\$ 0.84	\$ 0.56	\$ 1.18	\$ 0.94	\$ 1.14	\$ 1.13	102%	(1%)	\$ 1.40	\$ 2.27	62%
Diluted earnings per common share	\$ 0.82	\$ 0.55	\$ 1.15	\$ 0.92	\$ 1.11	\$ 1.10	100%	(1%)	\$ 1.37	\$ 2.21	61%
Average common shares outstanding											
Basic	1,079,052,442	1,077,386,468	1,077,680,996	1,077,914,054	1,078,718,046	1,082,211,511			1,077,413,715	1,080,776,922	
Diluted	1,099,724,140	1,097,478,351	1,100,593,303	1,103,285,225	1,106,000,596	1,110,357,415			1,097,824,226	1,108,270,257	
Period end common shares outstanding	1,089,745,941	1,086,735,086	1,088,107,975	1,084,696,446	1,097,652,112	1,098,127,106			1,086,735,086	1,098,127,106	
Return on common equity	16.3%	10.6%	22.0%	16.9%	19.2%	18.4%			13.4%	18.8%	

(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 22.

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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Investment banking	\$ 589	\$ 536	\$ 608	\$ 707	\$ 829	\$ 983	83%	19%	\$ 1,125	\$ 1,812	61%
Principal transactions:											
Trading	1,712	1,670	1,818	992	1,832	2,064	24%	13%	3,382	3,896	15%
Investments	(22)	59	38	11	29	191	*	*	37	220	*
Commissions	673	709	775	813	901	877	24%	(3%)	1,382	1,778	29%
Fees:											
Asset management, distribution and admin.	896	881	956	973	1,072	1,113	26%	4%	1,777	2,185	23%
Merchant and cardmember	364	338	340	337	337	306	(9%)	(9%)	702	643	(8%)
Servicing	567	503	462	483	572	485	(4%)	(15%)	1,070	1,057	(1%)
Interest and dividends	3,789	3,449	3,821	4,631	3,782	3,663	6%	(3%)	7,238	7,445	3%
Other	86	113	111	145	123	120	6%	(2%)	199	243	22%
Total revenues	<u>8,654</u>	<u>8,258</u>	<u>8,929</u>	<u>9,092</u>	<u>9,477</u>	<u>9,802</u>	19%	3%	16,912	19,279	14%
Interest expense	2,844	2,904	3,368	3,693	2,974	2,951	2%	(1%)	5,748	5,925	3%
Provision for consumer loan losses	336	309	310	312	262	200	(35%)	(24%)	645	462	(28%)
Net revenues	<u>5,474</u>	<u>5,045</u>	<u>5,251</u>	<u>5,087</u>	<u>6,241</u>	<u>6,651</u>	32%	7%	10,519	12,892	23%
Compensation and benefits	2,549	2,274	1,940	1,782	2,712	2,923	29%	8%	4,823	5,635	17%
Occupancy and equipment	196	195	191	212	200	206	6%	3%	391	406	4%
Brokerage, clearing and exchange fees	191	202	212	233	224	237	17%	6%	393	461	17%
Information processing and communications	315	315	315	343	320	318	1%	(1%)	630	638	1%
Marketing and business development	263	251	197	256	254	263	5%	4%	514	517	1%
Professional services	225	259	283	368	318	356	37%	12%	484	674	39%
Other	309	634	236	344	297	546	(14%)	84%	943	843	(11%)
Total non-interest expenses	<u>4,048</u>	<u>4,130</u>	<u>3,374</u>	<u>3,538</u>	<u>4,325</u>	<u>4,849</u>	17%	12%	8,178	9,174	12%
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	1,802	97%	(6%)	2,341	3,718	59%
Losses from unconsolidated investees	34	36	105	104	93	81	125%	(13%)	70	174	149%
Income tax expense	465	240	456	386	552	498	108%	(10%)	705	1,050	49%
Div. on pref. sec. subject to mandatory redemption (1)	22	40	47	45	45	0	*	*	62	45	(27%)
Net income	<u>\$ 905</u>	<u>\$ 599</u>	<u>\$ 1,269</u>	<u>\$ 1,014</u>	<u>\$ 1,226</u>	<u>\$ 1,223</u>	104%	--	<u>\$ 1,504</u>	<u>\$ 2,449</u>	63%
Compensation and benefits as a % of net revenues	47%	45%	37%	35%	44%	44%			46%	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". Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 22.

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	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04
Morgan Stanley								
Total assets	\$ 559,436	\$ 586,881	\$ 580,632	\$ 602,843	\$ 656,898	\$ 729,501	24%	11%
Adjusted assets (millions) (1)	\$ 361,685	\$ 383,501	\$ 363,985	\$ 388,595	\$ 428,479	\$ 448,144	17%	5%
Period end common shares outstanding (millions)	1,089.7	1,086.7	1,088.1	1,084.7	1,097.7	1,098.1	1%	--
Book value per common share	\$ 20.62	\$ 20.83	\$ 21.79	\$ 22.93	\$ 23.75	\$ 24.59	18%	4%
Shareholders' equity (millions) (2)	\$ 24,475	\$ 25,341	\$ 26,517	\$ 27,677	\$ 28,961	\$ 29,899	18%	3%
Total capital (millions) (3)	\$ 72,432	\$ 78,665	\$ 78,241	\$ 82,769	\$ 96,359	\$ 100,127	27%	4%
Worldwide employees	54,493	53,507	52,205	51,196	50,979	51,580	(4%)	1%
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	\$ 50		
Equity price	24	23	25	29	30	32		
Foreign exchange rate	12	11	7	13	11	12		
Commodity price	29	27	27	26	27	34		
Aggregate trading VaR	\$ 52	\$ 54	\$ 54	\$ 61	\$ 62	\$ 72		

- (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. See page 21 for further information.
- (2) At February 29, 2004 and May 31, 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 22.

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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Investment banking	\$ 501	\$ 461	\$ 518	\$ 616	\$ 739	\$ 891	93%	21%	\$ 962	\$ 1,630	69%
Principal transactions:											
Trading	1,558	1,503	1,644	836	1,691	1,923	28%	14%	3,061	3,614	18%
Investments	(10)	44	31	(2)	16	136	*	*	34	152	*
Commissions	415	423	441	469	505	527	25%	4%	838	1,032	23%
Asset management, distribution and admin. fees	23	22	24	23	34	32	45%	(6%)	45	66	47%
Interest and dividends	3,194	2,831	3,231	4,071	3,225	3,151	11%	(2%)	6,025	6,376	6%
Other	62	76	61	91	77	59	(22%)	(23%)	138	136	(1%)
Total revenues	5,743	5,360	5,950	6,104	6,287	6,719	25%	7%	11,103	13,006	17%
Interest expense	2,608	2,681	3,156	3,501	2,783	2,771	3%	--	5,289	5,554	5%
Net revenues	3,135	2,679	2,794	2,603	3,504	3,948	47%	13%	5,814	7,452	28%
Total non-interest expenses	2,193	2,279	1,591	1,541	2,318	2,814	23%	21%	4,472	5,132	15%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	942	400	1,203	1,062	1,186	1,134	*	(4%)	1,342	2,320	73%
Losses from unconsolidated investees	34	36	105	104	93	81	125%	(13%)	70	174	149%
Div. on pref. sec. subject to mandatory redemption (1)	22	40	47	45	45	0	*	*	62	45	(27%)
Income before taxes	<u>\$ 886</u>	<u>\$ 324</u>	<u>\$ 1,051</u>	<u>\$ 913</u>	<u>\$ 1,048</u>	<u>\$ 1,053</u>	*	--	<u>\$ 1,210</u>	<u>\$ 2,101</u>	74%
Pre-tax profit margin (2)	29%	13%	41%	39%	33%	29%			22%	31%	

(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. Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.

(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 22.

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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Advisory revenue (millions)	\$ 166	\$ 141	\$ 130	\$ 225	\$ 232	\$ 324	130%	40%	\$ 307	\$ 556	81%
Underwriting revenue (millions)											
Equity	\$ 127	\$ 152	\$ 183	\$ 178	\$ 314	\$ 314	107%	--	\$ 279	\$ 628	125%
Fixed income	\$ 208	\$ 168	\$ 205	\$ 213	\$ 193	\$ 253	51%	31%	\$ 376	\$ 446	19%
Sales and trading net revenue (millions) (1)											
Equity	\$ 977	\$ 865	\$ 830	\$ 919	\$ 1,105	\$ 1,113	29%	1%	\$ 1,842	\$ 2,218	20%
Fixed income	\$ 1,635	\$ 1,282	\$ 1,462	\$ 977	\$ 1,651	\$ 1,828	43%	11%	\$ 2,917	\$ 3,479	19%

	Fiscal View			Calendar View	
	Quarter Ended (2)			Five Months Ended (3)	
	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	May 31, 2004
Mergers and acquisitions announced transactions					
Morgan Stanley global market volume (billions)	\$ 24.5	\$ 122.2	\$ 67.9	\$ 50.7	\$ 180.2
Market share	8.2%	29.5%	19.9%	11.7%	26.9%
Rank	10	3	4	9	3
Worldwide equity and related issues					
Morgan Stanley global market volume (billions)	\$ 10.1	\$ 16.7	\$ 16.4	\$ 14.0	\$ 28.7
Market share	13.9%	11.9%	13.2%	13.5%	13.7%
Rank	1	1	1	2	1
Worldwide fixed income					
Morgan Stanley global market volume (billions)	\$ 88.5	\$ 90.4	\$ 100.7	\$ 153.8	\$ 163.3
Market share	6.8%	7.1%	7.7%	6.9%	7.2%
Rank	5	4	2	2	3

- (1) Includes principal trading, commissions and net interest revenue.
- (2) Source: Thomson Financial. Market volume, market share and rank are on a fiscal quarter basis for each reporting period: March 1 to May 31, 2003, December 1 to February 29, 2004 and March 1 to May 31, 2004.
- (3) Source: Thomson Financial. Market volume, market share and rank are on a calendar year to date basis for each reporting period: January 1 to May 31, 2003 and January 1 to May 31, 2004.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 22.



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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	Change
Investment banking	\$ 80	\$ 66	\$ 79	\$ 80	\$ 77	\$ 82	24%	6%	\$ 146	\$ 159	9%
Principal transactions:											
Trading	154	167	174	156	141	141	(16%)	--	321	282	(12%)
Investments	6	1	(3)	0	4	(4)	*	*	7	0	*
Commissions	280	310	356	365	417	367	18%	(12%)	590	784	33%
Asset management, distribution and admin fees	386	370	403	432	472	511	38%	8%	756	983	30%
Interest and dividends	89	92	93	96	93	95	3%	2%	181	188	4%
Other	28	35	37	59	40	52	49%	30%	63	92	46%
Total revenues	<u>1,023</u>	<u>1,041</u>	<u>1,139</u>	<u>1,188</u>	<u>1,244</u>	<u>1,244</u>	20%	--	2,064	2,488	21%
Interest expense	<u>38</u>	<u>39</u>	<u>37</u>	<u>35</u>	<u>33</u>	<u>35</u>	(10%)	6%	77	68	(12%)
Net revenues	<u>985</u>	<u>1,002</u>	<u>1,102</u>	<u>1,153</u>	<u>1,211</u>	<u>1,209</u>	21%	--	1,987	2,420	22%
Total non-interest expenses	<u>924</u>	<u>940</u>	<u>914</u>	<u>1,000</u>	<u>1,045</u>	<u>1,077</u>	15%	3%	1,864	2,122	14%
Income before taxes	<u>\$ 61</u>	<u>\$ 62</u>	<u>\$ 188</u>	<u>\$ 153</u>	<u>\$ 166</u>	<u>\$ 132</u>	113%	(20%)	<u>\$ 123</u>	<u>\$ 298</u>	142%
Pre-tax profit margin (1)	6%	6%	17%	13%	14%	11%			6%	12%	

(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 22.

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

	QUARTER ENDED						Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04
Global financial advisors	12,056	11,644	11,326	11,086	10,832	10,722	(8%)	(1%)
Total client assets (billions)	\$ 498	\$ 532	\$ 544	\$ 565	\$ 595	\$ 579	9%	(3%)
Fee-based client account assets (billions) (1)	\$ 105	\$ 113	\$ 122	\$ 130	\$ 143	\$ 145	28%	1%
Fee-based assets as a % of client assets	21%	21%	22%	23%	24%	25%		
Domestic retail locations	558	547	544	532	526	526	(4%)	--

(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 22.

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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	Change
Investment banking	\$ 8	\$ 9	\$ 11	\$ 11	\$ 13	\$ 10	11%	(23%)	\$ 17	\$ 23	35%
Principal transactions:											
Investments	(18)	14	10	13	9	59	*	*	(4)	68	*
Commissions	4	3	7	7	8	8	*	--	7	16	129%
Asset management, distribution and admin fees	523	528	567	556	603	607	15%	1%	1,051	1,210	15%
Interest and dividends	2	0	(2)	0	2	1	*	(50%)	2	3	50%
Other	7	8	5	9	9	6	(25%)	(33%)	15	15	--
Total revenues	526	562	598	596	644	691	23%	7%	1,088	1,335	23%
Interest expense	1	4	0	1	2	1	(75%)	(50%)	5	3	(40%)
Net revenues	525	558	598	595	642	690	24%	7%	1,083	1,332	23%
Total non-interest expenses	425	436	435	498	472	481	10%	2%	861	953	11%
Income before taxes	\$ 100	\$ 122	\$ 163	\$ 97	\$ 170	\$ 209	71%	23%	\$ 222	\$ 379	71%
Pre-tax profit margin (1)	19%	22%	27%	16%	27%	30%			21%	29%	

(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 22.

MORGAN STANLEY
Quarterly Financial Information
Investment Management
(unaudited)

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	Change
Assets under management or supervision (\$ billions)											
Net flows											
Retail	\$ (1.4)	\$ 0.3	\$ 1.1	\$ 1.1	\$ 0.5	\$ (0.6)	*	*	\$ (1.1)	\$ (0.1)	91%
Institutional	(2.5)	(4.2)	(1.8)	(1.5)	1.4	5.7	*	*	(6.7)	7.1	*
Net flows excluding money markets	(3.9)	(3.9)	(0.7)	(0.4)	1.9	5.1	*	*	(7.8)	7.0	*
Money markets	(0.9)	(2.6)	0.2	(2.5)	1.4	4.2	*	*	(3.5)	5.6	*
Assets under management or supervision by distribution channel											
Retail	\$ 177	\$ 185	\$ 190	\$ 193	\$ 200	\$ 195	5%	(3%)			
Institutional	146	151	155	164	180	189	25%	5%			
Total	<u>\$ 323</u>	<u>\$ 336</u>	<u>\$ 345</u>	<u>\$ 357</u>	<u>\$ 380</u>	<u>\$ 384</u>	14%	1%			
Assets under management or supervision by asset class											
Equity	\$ 126	\$ 142	\$ 153	\$ 167	\$ 186	\$ 182	28%	(2%)			
Fixed income	118	116	111	111	111	114	(2%)	3%			
Money market	64	62	63	60	62	66	6%	6%			
Other (1)	15	16	18	19	21	22	38%	5%			
Total	<u>\$ 323</u>	<u>\$ 336</u>	<u>\$ 345</u>	<u>\$ 357</u>	<u>\$ 380</u>	<u>\$ 384</u>	14%	1%			

(1) Includes Alternative Investments.

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

Refer to Legal Notice page 22.

MORGAN STANLEY
Consolidated Assets Under Management or Supervision
(unaudited, dollars in billions)

	QUARTER ENDED						Percentage Change From:	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04
Consolidated assets under management or supervision by distribution channel								
Retail	\$ 246	\$ 259	\$ 268	\$ 277	\$ 294	\$ 290	12%	(1%)
Institutional	158	162	165	185	201	210	30%	4%
Total (1)	<u>\$ 404</u>	<u>\$ 421</u>	<u>\$ 433</u>	<u>\$ 462</u>	<u>\$ 495</u>	<u>\$ 500</u>	19%	1%
Consolidated assets under management or supervision by asset class								
Equity	\$ 155	\$ 174	\$ 189	\$ 207	\$ 231	\$ 226	30%	(2%)
Fixed income	129	127	123	123	124	128	1%	3%
Money market	67	65	66	64	65	70	8%	8%
Other (2)	53	55	55	68	75	76	38%	1%
Total (1)	<u>\$ 404</u>	<u>\$ 421</u>	<u>\$ 433</u>	<u>\$ 462</u>	<u>\$ 495</u>	<u>\$ 500</u>	19%	1%

(1) Revenues and expenses associated with customer assets of \$103 billion, \$82 billion and \$101 billion for fiscal 2Q04, fiscal 2Q03 and fiscal 1Q04, respectively, are included in the Company's Individual Investor Group segment, and \$13 billion, \$3 billion and \$14 billion for fiscal 2Q04, fiscal 2Q03 and fiscal 1Q04, 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 22.



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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Fees:											
Merchant and cardmember	\$ 364	\$ 338	\$ 340	\$ 337	\$ 337	\$ 306	(9%)	(9%)	\$ 702	\$ 643	(8%)
Servicing	567	503	462	483	572	485	(4%)	(15%)	1,070	1,057	(1%)
Other	(4)	6	18	(5)	5	16	*	*	2	21	*
Total non-interest revenues	<u>927</u>	<u>847</u>	<u>820</u>	<u>815</u>	<u>914</u>	<u>807</u>	(5%)	(12%)	<u>1,774</u>	<u>1,721</u>	(3%)
Interest revenue	546	543	515	487	480	435	(20%)	(9%)	1,089	915	(16%)
Interest expense	239	197	191	179	174	163	(17%)	(6%)	436	337	(23%)
Net interest income	<u>307</u>	<u>346</u>	<u>324</u>	<u>308</u>	<u>306</u>	<u>272</u>	(21%)	(11%)	<u>653</u>	<u>578</u>	(11%)
Provision for consumer loan losses	336	309	310	312	262	200	(35%)	(24%)	645	462	(28%)
Net credit income	<u>(29)</u>	<u>37</u>	<u>14</u>	<u>(4)</u>	<u>44</u>	<u>72</u>	95%	64%	<u>8</u>	<u>116</u>	*
Net revenues	<u>898</u>	<u>884</u>	<u>834</u>	<u>811</u>	<u>958</u>	<u>879</u>	(1%)	(8%)	<u>1,782</u>	<u>1,837</u>	3%
Total non-interest expenses	<u>608</u>	<u>582</u>	<u>542</u>	<u>602</u>	<u>593</u>	<u>581</u>	--	(2%)	<u>1,190</u>	<u>1,174</u>	(1%)
Income before taxes	<u>\$ 290</u>	<u>\$ 302</u>	<u>\$ 292</u>	<u>\$ 209</u>	<u>\$ 365</u>	<u>\$ 298</u>	(1%)	(18%)	<u>\$ 592</u>	<u>\$ 663</u>	12%
Pre-tax profit margin (1)	32%	34%	35%	26%	38%	34%			33%	36%	

(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 22.

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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	Change
Fees:											
Merchant and cardmember	\$ 548	\$ 523	\$ 523	\$ 512	\$ 519	\$ 467	(11%)	(10%)	\$ 1,071	\$ 986	(8%)
Servicing	0	0	0	0	0	0	--	--	0	0	--
Other	53	36	19	1	35	16	(56%)	(54%)	89	51	(43%)
Total non-interest revenues	<u>601</u>	<u>559</u>	<u>542</u>	<u>513</u>	<u>554</u>	<u>483</u>	(14%)	(13%)	<u>1,160</u>	<u>1,037</u>	(11%)
Interest revenue	1,580	1,592	1,576	1,517	1,524	1,450	(9%)	(5%)	3,172	2,974	(6%)
Interest expense	441	410	391	366	350	337	(18%)	(4%)	851	687	(19%)
Net interest income	<u>1,139</u>	<u>1,182</u>	<u>1,185</u>	<u>1,151</u>	<u>1,174</u>	<u>1,113</u>	(6%)	(5%)	<u>2,321</u>	<u>2,287</u>	(1%)
Provision for consumer loan losses	842	857	893	853	770	717	(16%)	(7%)	1,699	1,487	(12%)
Net credit income	<u>297</u>	<u>325</u>	<u>292</u>	<u>298</u>	<u>404</u>	<u>396</u>	22%	(2%)	<u>622</u>	<u>800</u>	29%
Net revenues	<u>898</u>	<u>884</u>	<u>834</u>	<u>811</u>	<u>958</u>	<u>879</u>	(1%)	(8%)	<u>1,782</u>	<u>1,837</u>	3%
Total non-interest expenses	<u>608</u>	<u>582</u>	<u>542</u>	<u>602</u>	<u>593</u>	<u>581</u>	--	(2%)	<u>1,190</u>	<u>1,174</u>	(1%)
Income before taxes	<u>\$ 290</u>	<u>\$ 302</u>	<u>\$ 292</u>	<u>\$ 209</u>	<u>\$ 365</u>	<u>\$ 298</u>	(1%)	(18%)	<u>\$ 592</u>	<u>\$ 663</u>	12%
Pre-tax profit margin (1)	32%	34%	35%	26%	38%	34%			33%	36%	

(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 22.



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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Total owned credit card loans											
Period end	\$ 20,847	\$ 18,465	\$ 18,106	\$ 18,930	\$ 15,850	\$ 17,506	(5%)	10%	\$ 18,465	\$ 17,506	(5%)
Average	\$ 22,305	\$ 19,120	\$ 18,600	\$ 18,143	\$ 17,880	\$ 16,202	(15%)	(9%)	\$ 20,695	\$ 17,036	(18%)
Total managed credit card loans (1)(2)											
Period end	\$ 51,811	\$ 50,880	\$ 49,965	\$ 48,358	\$ 47,336	\$ 46,828	(8%)	(1%)	\$ 50,880	\$ 46,828	(8%)
Average	\$ 52,802	\$ 51,174	\$ 50,663	\$ 48,835	\$ 48,667	\$ 46,929	(8%)	(4%)	\$ 51,979	\$ 47,793	(8%)
Interest yield	11.78%	11.97%	11.94%	12.05%	12.20%	11.88%	(9 bp)	(32 bp)	11.87%	12.04%	17 bp
Interest spread	8.36%	8.78%	8.91%	9.05%	9.35%	9.06%	28 bp	(29 bp)	8.56%	9.21%	65 bp
Transaction volume (billions)	\$ 26.1	\$ 24.0	\$ 24.8	\$ 23.0	\$ 24.2	\$ 24.4	2%	1%	\$ 50.0	\$ 48.5	(3%)
Accounts (millions)	46.5	46.4	46.3	46.1	45.9	46.0	(1%)	--	46.4	46.0	(1%)
Active accounts (millions)	22.3	21.8	21.3	20.8	20.3	19.9	(9%)	(2%)	21.8	19.9	(9%)
Average receivables per avg. active account (actual \$)	\$ 2,333	\$ 2,319	\$ 2,348	\$ 2,319	\$ 2,360	\$ 2,330	--	(1%)	\$ 2,326	\$ 2,345	1%
Net gain on securitization	\$ 35	\$ 11	\$ (9)	\$ (7)	\$ 19	\$ (12)	*	*	\$ 46	\$ 7	(85%)
Credit quality											
Net charge-off rate	6.17%	6.50%	6.90%	6.87%	6.31%	6.48%	(2 bp)	17 bp	6.34%	6.40%	6 bp
Delinquency rate (over 30 days)	6.33%	6.21%	6.05%	5.97%	5.80%	4.88%	(133 bp)	(92 bp)	6.21%	4.88%	(133 bp)
Delinquency rate (over 90 days)	2.95%	3.01%	2.91%	2.82%	2.86%	2.40%	(61 bp)	(46 bp)	3.01%	2.40%	(61 bp)
Allowance for loan losses at period end	\$ 937	\$ 958	\$ 969	\$ 982	\$ 985	\$ 940	(2%)	(5%)	\$ 958	\$ 940	(2%)
International managed credit card loans (2)											
Period end	\$ 2,272	\$ 2,332	\$ 2,180	\$ 2,216	\$ 2,463	\$ 2,409	3%	(2%)	\$ 2,332	\$ 2,409	3%
Average	\$ 2,283	\$ 2,261	\$ 2,356	\$ 2,192	\$ 2,302	\$ 2,411	7%	5%	\$ 2,272	\$ 2,357	4%
Accounts (millions)	1.0	1.0	1.1	1.1	1.2	1.2	20%	--	1.0	1.2	20%
Mortgages											
Mortgage originations	\$ 1,319	\$ 1,368	\$ 1,618	\$ 1,205	\$ 959	\$ 1,380	1%	44%	\$ 2,687	\$ 2,339	(13%)

(1) Includes domestic and international credit card businesses.

(2) 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 22.



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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Investment banking	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	--	--	\$ 0	\$ 0	--
Principal transactions:											
Trading	0	0	0	0	0	0	--	--	0	0	--
Investments	0	0	0	0	0	0	--	--	0	0	--
Commissions	(26)	(27)	(29)	(28)	(29)	(25)	7%	14%	(53)	(54)	(2%)
Asset management, distribution and admin. fees	(36)	(39)	(38)	(38)	(37)	(37)	5%	--	(75)	(74)	1%
Interest and dividends	(42)	(17)	(16)	(23)	(18)	(19)	(12%)	(6%)	(59)	(37)	37%
Other	(7)	(12)	(10)	(9)	(8)	(13)	(8%)	(63%)	(19)	(21)	(11%)
Total revenues	(111)	(95)	(93)	(98)	(92)	(94)	1%	(2%)	(206)	(186)	10%
Interest expense	(42)	(17)	(16)	(23)	(18)	(19)	(12%)	(6%)	(59)	(37)	37%
Net revenues	(69)	(78)	(77)	(75)	(74)	(75)	4%	(1%)	(147)	(149)	(1%)
Total non-interest expenses	(102)	(107)	(108)	(103)	(103)	(104)	3%	(1%)	(209)	(207)	1%
Income before taxes	<u>\$ 33</u>	<u>\$ 29</u>	<u>\$ 31</u>	<u>\$ 28</u>	<u>\$ 29</u>	<u>\$ 29</u>	--	--	<u>\$ 62</u>	<u>\$ 58</u>	(6%)

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 22.

The following (page 15) presents more detailed financial information regarding the results of operations for the combined institution: 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 comparison 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 16) 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:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Investment banking	\$ 589	\$ 536	\$ 608	\$ 707	\$ 829	\$ 983	83%	19%	\$ 1,125	\$ 1,812	61%
Principal transactions:											
Trading	1,712	1,670	1,818	992	1,832	2,064	24%	13%	3,382	3,896	15%
Investments	(22)	59	38	11	29	191	*	*	37	220	*
Commissions	673	709	775	813	901	877	24%	(3%)	1,382	1,778	29%
Asset management, distribution and administration fees	896	881	956	973	1,072	1,113	26%	4%	1,777	2,185	23%
Interest and dividends	3,282	2,916	3,316	4,156	3,314	3,241	11%	(2%)	6,198	6,555	6%
Other	90	113	96	152	120	107	(5%)	(11%)	203	227	12%
Total revenues	7,220	6,884	7,607	7,804	8,097	8,576	25%	6%	14,104	16,673	18%
Interest expense	2,644	2,717	3,187	3,526	2,812	2,801	3%	--	5,361	5,613	5%
Net revenues	4,576	4,167	4,420	4,278	5,285	5,775	39%	9%	8,743	11,060	27%
Compensation and benefits	2,336	2,073	1,745	1,572	2,514	2,725	31%	8%	4,409	5,239	19%
Occupancy and equipment	176	176	170	191	179	185	5%	3%	352	364	3%
Brokerage, clearing and exchange fees	191	202	212	233	224	237	17%	6%	393	461	17%
Information processing and communications	228	234	227	242	234	232	(1%)	(1%)	462	466	1%
Marketing and business development	109	123	107	148	111	137	11%	23%	232	248	7%
Professional services	174	196	218	290	253	291	48%	15%	370	544	47%
Other	226	550	156	262	219	464	(16%)	112%	776	683	(12%)
Total non-interest expenses	3,440	3,554	2,835	2,938	3,734	4,271	20%	14%	6,994	8,005	14%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,136	613	1,585	1,340	1,551	1,504	145%	(3%)	1,749	3,055	75%
Losses from unconsolidated investees	34	36	105	104	93	81	125%	(13%)	70	174	149%
Div. on pref. sec. subject to mandatory redemption (2)	22	40	47	45	45	0	*	*	62	45	(27%)
Income before taxes	<u>\$ 1,080</u>	<u>\$ 537</u>	<u>\$ 1,433</u>	<u>\$ 1,191</u>	<u>\$ 1,413</u>	<u>\$ 1,423</u>	*	1%	<u>\$ 1,617</u>	<u>\$ 2,836</u>	75%
Compensation and benefits as a % of net revenues	51%	50%	40%	37%	48%	47%			50%	47%	
Non-compensation expenses as a % of net revenues	24%	36%	25%	32%	23%	27%			30%	25%	
Pre-tax profit margin (3)	24%	14%	35%	30%	29%	26%			19%	27%	
Number of employees (4)	38,867	38,031	37,493	37,435	37,455	38,058	--	2%			

- (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. Dividends on junior subordinated debt issued to capital trusts are included in interest expense from February 29, 2004 forward.
- (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 22.



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

	QUARTER ENDED						Percentage Change From:		Six Months Ended		Percentage Change
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	2Q04 vs. 2Q03	2Q04 vs. 1Q04	May 31, 2003	May 31, 2004	
Fees:											
Merchant and cardmember	\$ 548	\$ 523	\$ 523	\$ 512	\$ 519	\$ 467	(11%)	(10%)	\$ 1,071	\$ 986	(8%)
Servicing	0	0	0	0	0	0	--	--	0	0	--
Other	53	36	19	1	35	16	(56%)	(54%)	89	51	(43%)
Total non-interest revenues	<u>601</u>	<u>559</u>	<u>542</u>	<u>513</u>	<u>554</u>	<u>483</u>	(14%)	(13%)	1,160	1,037	(11%)
Interest revenue	1,580	1,592	1,576	1,517	1,524	1,450	(9%)	(5%)	3,172	2,974	(6%)
Interest expense	441	410	391	366	350	337	(18%)	(4%)	851	687	(19%)
Net interest income	<u>1,139</u>	<u>1,182</u>	<u>1,185</u>	<u>1,151</u>	<u>1,174</u>	<u>1,113</u>	(6%)	(5%)	2,321	2,287	(1%)
Provision for consumer loan losses	842	857	893	853	770	717	(16%)	(7%)	1,699	1,487	(12%)
Net credit income	<u>297</u>	<u>325</u>	<u>292</u>	<u>298</u>	<u>404</u>	<u>396</u>	22%	(2%)	622	800	29%
Net revenues	<u>898</u>	<u>884</u>	<u>834</u>	<u>811</u>	<u>958</u>	<u>879</u>	(1%)	(8%)	1,782	1,837	3%
Compensation and benefits	213	201	195	210	198	198	(1%)	--	414	396	(4%)
Occupancy and equipment	20	19	21	21	21	21	11%	--	39	42	8%
Information processing and communications	87	81	88	101	86	86	6%	--	168	172	2%
Marketing and business development	154	128	90	108	143	126	(2%)	(12%)	282	269	(5%)
Professional services	51	63	65	78	65	65	3%	--	114	130	14%
Other	83	90	83	84	80	85	(6%)	6%	173	165	(5%)
Total non-interest expenses	<u>608</u>	<u>582</u>	<u>542</u>	<u>602</u>	<u>593</u>	<u>581</u>	--	(2%)	1,190	1,174	(1%)
Income before taxes	<u>\$ 290</u>	<u>\$ 302</u>	<u>\$ 292</u>	<u>\$ 209</u>	<u>\$ 365</u>	<u>\$ 298</u>	(1%)	(18%)	\$ 592	\$ 663	12%
Compensation and benefits as a % of net revenues	24%	23%	23%	26%	21%	23%			23%	22%	
Non-compensation expenses as a % of net revenues	44%	43%	42%	48%	41%	44%			44%	42%	
Pre-tax profit margin (1)	32%	34%	35%	26%	38%	34%			33%	36%	
Number of employees	15,626	15,476	14,712	13,761	13,524	13,522	(13%)	--			

(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 22.

The following (pages 17 - 20) present a reconciliation for certain information disclosed on pages 12, 13 and 16.

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 May 31, 2004

	<u>Period End</u>	<u>Average</u>	<u>Interest Yield</u>	<u>Interest Spread</u>	<u>Net Charge-offs</u>	<u>Delinquency Rate</u>	
						<u>30 Days</u>	<u>90 Days</u>
General Purpose Credit Card Loans:							
Owned	\$ 17,506	\$ 16,202	9.93%	5.67%	6.02%	4.37%	2.15%
Securitized	29,322	30,727	12.91%	10.77%	6.73%	5.18%	2.55%
Managed	<u>\$ 46,828</u>	<u>\$ 46,929</u>	11.88%	9.06%	6.48%	4.88%	2.40%

Quarter Ended Feb 29, 2004

	<u>Period End</u>	<u>Average</u>	<u>Interest Yield</u>	<u>Interest Spread</u>	<u>Net Charge-offs</u>	<u>Delinquency Rate</u>	
						<u>30 Days</u>	<u>90 Days</u>
General Purpose Credit Card Loans:							
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%

(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 22.

MORGAN STANLEY
Quarterly Credit Services Reconciliation of General Purpose Credit Card Loan Data (1)
(unaudited, dollars in millions)

Quarter Ended Nov 30, 2003							Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days	
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							Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days	
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							Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days	
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							Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days	
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 22.

MORGAN STANLEY

**Year to Date Credit Services Reconciliation of General Purpose Credit Card Loan Data (1)
(unaudited, dollars in millions)**

Six Months Ended May 31, 2004							
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	Delinquency Rate	
						30 Days	90 Days
General Purpose Credit Card Loans:							
Owned	\$ 17,506	\$ 17,036	10.03%	5.88%	5.91%	4.37%	2.15%
Securitized	29,322	30,757	13.15%	10.98%	6.67%	5.18%	2.55%
Managed	<u>\$ 46,828</u>	<u>\$ 47,793</u>	12.04%	9.21%	6.40%	4.88%	2.40%
Six Months 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	\$ 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%

(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 22.

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

	QUARTER ENDED						Six Months Ended	
	Feb 28, 2003	May 31, 2003	Aug 31, 2003	Nov 30, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	May 31, 2004
Merchant and cardmember fees:								
Owned	\$ 364	\$ 338	\$ 340	\$ 337	\$ 337	\$ 306	\$ 702	\$ 643
Securitization adjustment	184	185	183	175	182	161	369	343
Managed	<u>\$ 548</u>	<u>\$ 523</u>	<u>\$ 523</u>	<u>\$ 512</u>	<u>\$ 519</u>	<u>\$ 467</u>	<u>\$ 1,071</u>	<u>\$ 986</u>
Servicing fees:								
Owned	\$ 567	\$ 503	\$ 462	\$ 483	\$ 572	\$ 485	\$ 1,070	\$ 1,057
Securitization adjustment	(567)	(503)	(462)	(483)	(572)	(485)	(1,070)	(1,057)
Managed	<u>\$ -</u>	<u>\$ -</u>						
Other:								
Owned	\$ (4)	\$ 6	\$ 18	\$ (5)	\$ 5	\$ 16	\$ 2	\$ 21
Securitization adjustment	57	30	1	6	30	0	87	30
Managed	<u>\$ 53</u>	<u>\$ 36</u>	<u>\$ 19</u>	<u>\$ 1</u>	<u>\$ 35</u>	<u>\$ 16</u>	<u>\$ 89</u>	<u>\$ 51</u>
Interest revenue:								
Owned	\$ 546	\$ 543	\$ 515	\$ 487	\$ 480	\$ 435	\$ 1,089	\$ 915
Securitization adjustment	1,034	1,049	1,061	1,030	1,044	1,015	2,083	2,059
Managed	<u>\$ 1,580</u>	<u>\$ 1,592</u>	<u>\$ 1,576</u>	<u>\$ 1,517</u>	<u>\$ 1,524</u>	<u>\$ 1,450</u>	<u>\$ 3,172</u>	<u>\$ 2,974</u>
Interest expense:								
Owned	\$ 239	\$ 197	\$ 191	\$ 179	\$ 174	\$ 163	\$ 436	\$ 337
Securitization adjustment	202	213	200	187	176	174	415	350
Managed	<u>\$ 441</u>	<u>\$ 410</u>	<u>\$ 391</u>	<u>\$ 366</u>	<u>\$ 350</u>	<u>\$ 337</u>	<u>\$ 851</u>	<u>\$ 687</u>
Provision for consumer loan losses:								
Owned	\$ 336	\$ 309	\$ 310	\$ 312	\$ 262	\$ 200	\$ 645	\$ 462
Securitization adjustment	506	548	583	541	508	517	1,054	1,025
Managed	<u>\$ 842</u>	<u>\$ 857</u>	<u>\$ 893</u>	<u>\$ 853</u>	<u>\$ 770</u>	<u>\$ 717</u>	<u>\$ 1,699</u>	<u>\$ 1,487</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 22.

The following (page 21) 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	May 31, 2004
Total assets	\$ 559,436	\$ 586,881	\$ 580,632	\$ 602,843	\$ 656,898	\$ 729,501
Less: Securities purchased under agreements to resell	(59,687)	(71,374)	(74,271)	(78,205)	(76,755)	(96,042)
Securities borrowed	(140,566)	(153,639)	(162,366)	(153,813)	(179,288)	(202,412)
Add: Financial instruments sold, not yet purchased	100,721	123,211	112,054	111,448	129,711	130,440
Less: Derivative contracts sold, not yet purchased	(42,604)	(48,436)	(36,008)	(36,242)	(43,857)	(41,615)
Subtotal	417,300	436,643	420,041	446,031	486,709	519,872
Less: Segregated customer cash and securities balances	(32,961)	(26,829)	(25,670)	(20,705)	(16,935)	(29,918)
Assets recorded under certain provisions of SFAS No.140 and FIN 46	(21,194)	(24,837)	(28,920)	(35,217)	(39,756)	(40,279)
Goodwill	(1,460)	(1,476)	(1,466)	(1,514)	(1,539)	(1,531)
Adjusted assets	<u>\$ 361,685</u>	<u>\$ 383,501</u>	<u>\$ 363,985</u>	<u>\$ 388,595</u>	<u>\$ 428,479</u>	<u>\$ 448,144</u>
Shareholders' equity	\$ 22,465	\$ 22,631	\$ 23,707	\$ 24,867	\$ 26,064	\$ 27,002
Junior subordinated debt issued to capital trusts (1)	2,010	2,710	2,810	2,810	2,897	2,897
Subtotal	24,475	25,341	26,517	27,677	28,961	29,899
Less: Goodwill	(1,460)	(1,476)	(1,466)	(1,514)	(1,539)	(1,531)
Tangible shareholders' equity	<u>\$ 23,015</u>	<u>\$ 23,865</u>	<u>\$ 25,051</u>	<u>\$ 26,163</u>	<u>\$ 27,422</u>	<u>\$ 28,368</u>
Leverage ratio (2)	<u>24.3x</u>	<u>24.6x</u>	<u>23.2x</u>	<u>23.0x</u>	<u>24.0x</u>	<u>25.7x</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>	<u>15.8x</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 22.

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 second quarter earnings press release issued June 22, 2004.