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For Immediate Release

Morgan Stanley

Morgan Stanley Reports $1.2 Billion
In Second Quarter Earnings;
Return on Equity of 18.4%

NEW YORK, June 22, 2004 -- Morgan Stanley (NYSE: MWD) today reported net income of $1,223 million for the quarter ended May 31, 2004 -- an increase of 104 percent from the second quarter of 2003 and virtually unchanged from the first quarter of 2004. Diluted earnings per share were $1.10 compared with $0.55 a year ago and $1.11 in the first quarter. The annualized return on average common equity was 18.4 percent.

The quarter's results included a $109 million pre-tax asset impairment charge related to the Company's aircraft financing business, which reduced net income by $65 million, diluted earnings per share by $0.06 and the annualized return on average common equity by 1.0 percent. Second quarter 2003 results included a $287 million pre-tax aircraft impairment charge that reduced net income by $172 million and diluted earnings per share by $0.16.

Net revenues (total revenues less interest expense and the provision for loan losses) of $6.7 billion were 32 percent higher than last year's second quarter and 7 percent ahead of this year's first quarter. Non-interest expenses of $4.8 billion were 17 percent higher than a year ago and 12 percent higher than last quarter.

Business Highlights

- Morgan Stanley generated earnings of $1.2 billion and a return on equity of 18 percent.

- Institutional Securities continued to produce impressive client-driven growth, market share gains and strong trading performance. Fixed Income achieved record quarterly revenues.
- Firmwide assets under management were $500 billion.[1] Our investment management fund performance improved in the Lipper rankings.
- In early June, Morgan Stanley completed the acquisition of Barra, Inc., which expands the firm's capacity to provide global risk management services to clients.

Philip J. Purcell, chairman and CEO, said, "We had another excellent quarter, bringing first half earnings to $2.4 billion. All of our businesses performed well, particularly Institutional Securities, which achieved near record revenues and continued gains in market share. We believe the breadth of our revenue streams and our client focused strategy put us in a very strong position for the long term."

For the first six months of 2004, net income was $2,449 million, a 63 percent increase over $1,504 million a year ago. Diluted earnings per share were $2.21, up 61 percent from a year ago. Net revenues rose 23 percent from a year ago to $12.9 billion and non-interest expenses increased 12 percent to $9.2 billion. The annualized return on average common equity was 18.8 percent.

INSTITUTIONAL SECURITIES

Institutional Securities posted income before taxes[2] of $1,134 million, up 184 percent over the second quarter of 2003. Net revenues increased 47 percent to $3.9 billion, driven by record revenues in the Company's fixed income business and strong results in both its equities and investment banking businesses.

- Fixed income sales and trading net revenues were $1.8 billion, up 43 percent from the second quarter of 2003. Record revenues in interest rate & currency products, driven by foreign exchange and interest rate derivatives, reflected favorable trading conditions and increased customer flow activity. Commodities had its second best

[1] The $500 billion in assets under management is comprised of: Investment Management, $384 billion; Individual Investor Group, $103 billion; and Institutional Securities, $13 billion.
[2] Represents income before losses from unconsolidated investees and taxes.

quarter ever, as tight supply and rising demand in energy markets drove prices and volatilities higher. Credit products revenues were down slightly, reflecting lower revenues from high yield and securitized products, partially offset by an increase in investment grade products.

- Equity sales and trading net revenues increased 29 percent from last year to $1.1 billion, reflecting higher revenues in the Company's derivative products and cash businesses. Derivative products benefited from increased customer trading activity, while the increase in the cash business was driven by higher global market volumes. Higher revenues in the Company's Prime Brokerage business also contributed to the increase in equity sales and trading revenues.
- Advisory revenues were $324 million, a 130 percent increase from last year's second quarter, reflecting a near doubling of the Company's market share in completed M&A transactions. Industry-wide completed M&A activity rose 3 percent over the same period.[3]
- Underwriting revenues were $567 million, an increase of 77 percent from last year's second quarter. Equity underwriting revenues more than doubled, reflecting the Company's participation in significantly higher levels of industry-wide equity underwriting activity. Fixed income underwriting revenues rose 51 percent, as the Company's global market share expanded from 7 percent a year ago to 8 percent in the current quarter.[3]
- For the calendar year-to-date, the Company ranked first in global equity and equity-linked issuances with a 14 percent market share, first in global IPOs with a 16 percent market share, third in announced global M&A with a 27 percent market share and third in global debt issuances with a 7 percent market share.[4]
- Principal transaction investment revenues were $136 million, compared with $44 million in last year's second quarter. The quarter's revenues were primarily associated with the Company's real estate and principal investment activities, as well as a gain on the sale of its interest in TradeWeb.
- Non-interest expenses rose 23 percent to $2.8 billion, on increased compensation related to higher net revenues and increased brokerage & clearing and professional

[3] Source: Thomson Financial -- for the periods: March 1, 2003 to May 31, 2003 and March 1, 2004 to May 31, 2004.
[4] Source: Thomson Financial -- for the period January 1, 2004 to May 31, 2004.

services costs driven by higher levels of business activity. These increases were partially offset by a lower aircraft impairment charge in the current quarter as compared with last year's second quarter.

INDIVIDUAL INVESTOR GROUP

The Individual Investor Group reported pre-tax income of $132 million, more than double the $62 million reported in the second quarter of 2003.

- Total net revenues rose 21 percent from a year ago to $1.2 billion. Asset management, distribution and administration fees increased 38 percent on higher asset levels, and commissions rose 18 percent on increased individual investor activity in equity products.
- Non-interest expenses were up 15 percent to $1.1 billion, driven by higher compensation expenses and sub-advisory fees related to higher net revenues, and higher costs associated with legal and regulatory matters.
- Total client assets were $579 billion, a 9 percent increase from last year's second quarter but 3 percent below this year's first quarter. Client assets in fee-based accounts rose 28 percent to $145 billion over the past twelve months and increased as a percentage of total client assets to 25 percent from 21 percent over the same period.
- At quarter-end, the number of global financial advisors was 10,722 -- a decrease of 110 over the quarter and 922 over the past year.

INVESTMENT MANAGEMENT

Investment Management pre-tax income rose 71 percent from last year's second quarter to $209 million. Net revenues rose 24 percent to $690 million, reflecting an increase in average assets under management and a more favorable asset mix due to improved equity markets, as well as higher investment gains. Non-interest expenses increased 10 percent to $481 million, primarily reflecting higher compensation levels and higher sub-advisory fees.

- Assets under management within Investment Management were $384 billion, up $4 billion over the first quarter of this year and $48 billion above the second quarter of last year. The increase over the quarter was due to positive net flows, partially offset by market depreciation. The increase over the past year resulted from both market appreciation and positive net flows.

- Retail assets of $195 billion declined $5 billion from the end of the first quarter but were $10 billion higher than a year ago. Institutional assets were $189 billion, an increase of $9 billion for the quarter and $38 billion from last year. The launch of the Morgan Stanley Institutional Liquidity funds and the addition of significant mandates contributed to the growth of the institutional assets.
- Among full-service brokerage firms, the Company had the highest number of domestic funds (40) receiving one of Morningstar's two highest ratings.[5] In addition, the percent of the Company's fund assets performing in the top half of the Lipper rankings was 68 percent over one year, 65 percent over three years and 77 percent over five years.[6]
- Private Equity contributed $60 million in investment gains compared with $13 million in the second quarter of last year.

CREDIT SERVICES

Credit Services posted pre-tax income of $298 million compared with $302 million in last year's second quarter. A lower provision for loan losses, reflecting improved credit quality, was offset by lower net interest income and a decline in merchant and cardmember fees.

- Managed credit card loans of $46.8 billion at quarter end were 8 percent lower than a year ago, mainly due to a decline in balance transfer volume and an increase in payment rates. While managed net interest income decreased $69 million, the interest rate spread widened 28 basis points to 9.06 percent from a year ago, as a lower cost of funds more than offset a lower yield.
- Managed merchant and cardmember fees were $467 million, down 11 percent from a year ago, due to lower late and overlimit fees, and higher cardmember rewards. The decline in fees reflected sharply lower credit card delinquencies.
- Transaction volume increased 2 percent to $24.4 billion, reflecting increased sales partially offset by lower balance transfer activity.

[5] Full service brokerage firms include: Merrill Lynch, Citigroup and Prudential. As of May 31, 2004.
[6] For the one, three and five year periods ending May 31, 2004.

- The managed credit card net charge-off rate for the second quarter was 6.48 percent, 2 basis points lower than a year ago but 17 basis points higher than the first quarter. The decrease in the charge-off rate from a year ago was due to lower net charge-off dollars, partially offset by a $4.2 billion decline in average credit card managed loans. The increase in the rate from the first quarter also reflected lower average managed credit card loans and a seasonal increase in U.S. personal bankruptcy filings.
- The managed over-30-day delinquency rate was 4.88 percent, a decrease of 133 basis points from the second quarter of 2003 and 92 basis points from the first quarter. The over-90-day delinquency rate was 2.40 percent, 61 basis points lower than a year ago and 46 basis points below last quarter.
- During the quarter, Discover enrolled 294,000 new merchants, a new quarterly record.

As of May 31, 2004, the Company had repurchased approximately 3 million shares of its common stock since the end of fiscal 2003. The Company also announced that its Board of Directors declared a $0.25 quarterly dividend per common share. The dividend is payable on July 30, 2004, to common shareholders of record on July 9, 2004.

Total capital at May 31, 2004 was $100.1 billion, including $29.9 billion of common shareholders' equity and junior subordinated debt issued to capital trusts. Book value per common share was $24.59, 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 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 "Forward-Looking Statements" immediately preceding Part I, Item 1, "Certain Factors Affecting Results of Operations" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Competition" and "Regulation" in Part I, Item 1 of the Company's 2003 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 2004.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Net revenues								
Institutional Securities	$ 3,948	$ 2,679	$ 3,504	47%	13%	$ 7,452	$ 5,814	28%
Individual Investor Group	1,209	1,002	1,211	21%	--	2,420	1,987	22%
Investment Management	690	558	642	24%	7%	1,332	1,083	23%
Credit Services	879	884	958	(1%)	(8%)	1,837	1,782	3%
Intersegment Eliminations	(75)	(78)	(74)	4%	(1%)	(149)	(147)	(1%)
Consolidated net revenues	$ 6,651	$ 5,045	$ 6,241	32%	7%	$ 12,892	$ 10,519	23%
Income before taxes (1)								
Institutional Securities	$ 1,134	$ 400	$ 1,186	*	(4%)	$ 2,320	$ 1,342	73%
Individual Investor Group	132	62	166	113%	(20%)	298	123	142%
Investment Management	209	122	170	71%	23%	379	222	71%
Credit Services	298	302	365	(1%)	(18%)	663	592	12%
Intersegment Eliminations	29	29	29	--	--	58	62	(6%)
Consolidated income before taxes	$ 1,802	$ 915	$ 1,916	97%	(6%)	$ 3,718	$ 2,341	59%
Basic earnings per common share	$ 1.13	$ 0.56	$ 1.14	102%	(1%)	$ 2.27	$ 1.40	62%
Diluted earnings per common share	$ 1.10	$ 0.55	$ 1.11	100%	(1%)	$ 2.21	$ 1.37	61%
Average common shares outstanding								
Basic	1,082,211,511	1,077,386,468	1,078,718,046			1,080,776,922	1,077,413,715	
Diluted	1,110,357,415	1,097,478,351	1,106,000,596			1,108,270,257	1,097,824,226	
Period end common shares outstanding	1,098,127,106	1,086,735,086	1,097,652,112			1,098,127,106	1,086,735,086	
Return on common equity	18.4%	10.6%	19.2%			18.8%	13.4%	

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

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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 983	$ 536	$ 829	83%	19%	$ 1,812	$ 1,125	61%
Principal transactions:								
Trading	2,064	1,670	1,832	24%	13%	3,896	3,382	15%
Investments	191	59	29	*	*	220	37	*
Commissions	877	709	901	24%	(3%)	1,778	1,382	29%
Fees:								
Asset mgmt., distribution and administration	1,113	881	1,072	26%	4%	2,185	1,777	23%
Merchant and cardmember	306	338	337	(9%)	(9%)	643	702	(8%)
Servicing	485	503	572	(4%)	(15%)	1,057	1,070	(1%)
Interest and dividends	3,663	3,449	3,782	6%	(3%)	7,445	7,238	3%
Other	120	113	123	6%	(2%)	243	199	22%
Total revenues	9,802	8,258	9,477	19%	3%	19,279	16,912	14%
Interest expense	2,951	2,904	2,974	2%	(1%)	5,925	5,748	3%
Provision for consumer loan losses	200	309	262	(35%)	(24%)	462	645	(28%)
Net revenues	6,651	5,045	6,241	32%	7%	12,892	10,519	23%
Compensation and benefits	2,923	2,274	2,712	29%	8%	5,635	4,823	17%
Occupancy and equipment	206	195	200	6%	3%	406	391	4%
Brokerage, clearing and exchange fees	237	202	224	17%	6%	461	393	17%
Information processing and communications	318	315	320	1%	(1%)	638	630	1%
Marketing and business development	263	251	254	5%	4%	517	514	1%
Professional services	356	259	318	37%	12%	674	484	39%
Other	546	634	297	(14%)	84%	843	943	(11%)
Total non-interest expenses	4,849	4,130	4,325	17%	12%	9,174	8,178	12%
Income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption	1,802	915	1,916	97%	(6%)	3,718	2,341	59%
Losses from unconsolidated investees	81	36	93	125%	(13%)	174	70	149%
Income tax expense	498	240	552	108%	(10%)	1,050	705	49%
Div. on pref. sec. subject to mandatory redemption (1)	0	40	45	*	*	45	62	(27%)
Net income	$ 1,223	$ 599	$ 1,226	104%	--	$ 2,449	$ 1,504	63%
Compensation and benefits as a % of net revenues	44%	45%	44%			44%	46%	

(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.

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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 891	$ 461	$ 739	93%	21%	$ 1,630	$ 962	69%
Principal transactions:								
Trading	1,923	1,503	1,691	28%	14%	3,614	3,061	18%
Investments	136	44	16	*	*	152	34	*
Commissions	527	423	505	25%	4%	1,032	838	23%
Asset mgmt., distribution and administration fees	32	22	34	45%	(6%)	66	45	47%
Interest and dividends	3,151	2,831	3,225	11%	(2%)	6,376	6,025	6%
Other	59	76	77	(22%)	(23%)	136	138	(1%)
Total revenues	6,719	5,360	6,287	25%	7%	13,006	11,103	17%
Interest expense	2,771	2,681	2,783	3%	--	5,554	5,289	5%
Net revenues	3,948	2,679	3,504	47%	13%	7,452	5,814	28%
Total non-interest expenses	2,814	2,279	2,318	23%	21%	5,132	4,472	15%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,134	400	1,186	*	(4%)	2,320	1,342	73%
Losses from unconsolidated investees	81	36	93	125%	(13%)	174	70	149%
Div. on pref. sec. subject to mandatory redemption (1)	0	40	45	*	*	45	62	(27%)
Income before taxes	$ 1,053	$ 324	$ 1,048	*	--	$ 2,101	$ 1,210	74%
Pre-tax profit margin (2)	29%	13%	33%			31%	22%	

(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.

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)

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 82	$ 66	$ 77	24%	6%	$ 159	$ 146	9%
Principal transactions:								
Trading	141	167	141	(16%)	--	282	321	(12%)
Investments	(4)	1	4	*	*	0	7	*
Commissions	367	310	417	18%	(12%)	784	590	33%
Asset mgmt., distribution and administration fees	511	370	472	38%	8%	983	756	30%
Interest and dividends	95	92	93	3%	2%	188	181	4%
Other	52	35	40	49%	30%	92	63	46%
Total revenues	1,244	1,041	1,244	20%	--	2,488	2,064	21%
Interest expense	35	39	33	(10%)	6%	68	77	(12%)
Net revenues	1,209	1,002	1,211	21%	--	2,420	1,987	22%
Total non-interest expenses	1,077	940	1,045	15%	3%	2,122	1,864	14%
Income before taxes	$ 132	$ 62	$ 166	113%	(20%)	$ 298	$ 123	142%
Pre-tax profit margin (1)	11%	6%	14%			12%	6%	

(1) Income before taxes 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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 10	$ 9	$ 13	11%	(23%)	$ 23	$ 17	35%
Principal transactions:								
Investments	59	14	9	*	*	68	(4)	*
Commissions	8	3	8	*	--	16	7	129%
Asset mgmt., distribution and administration fees	607	528	603	15%	1%	1,210	1,051	15%
Interest and dividends	1	0	2	*	(50%)	3	2	50%
Other	6	8	9	(25%)	(33%)	15	15	--
Total revenues	691	562	644	23%	7%	1,335	1,088	23%
Interest expense	1	4	2	(75%)	(50%)	3	5	(40%)
Net revenues	690	558	642	24%	7%	1,332	1,083	23%
Total non-interest expenses	481	436	472	10%	2%	953	861	11%
Income before taxes	$ 209	$ 122	$ 170	71%	23%	$ 379	$ 222	71%
Pre-tax profit margin (1)	30%	22%	27%			29%	21%	

(1) Income before taxes 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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Fees:								
Merchant and cardmember	$ 306	$ 338	$ 337	(9%)	(9%)	$ 643	$ 702	(8%)
Servicing	485	503	572	(4%)	(15%)	1,057	1,070	(1%)
Other	16	6	5	*	*	21	2	*
Total non-interest revenues	807	847	914	(5%)	(12%)	1,721	1,774	(3%)
Interest revenue	435	543	480	(20%)	(9%)	915	1,089	(16%)
Interest expense	163	197	174	(17%)	(6%)	337	436	(23%)
Net interest income	272	346	306	(21%)	(11%)	578	653	(11%)
Provision for consumer loan losses	200	309	262	(35%)	(24%)	462	645	(28%)
Net credit income	72	37	44	95%	64%	116	8	*
Net revenues	879	884	958	(1%)	(8%)	1,837	1,782	3%
Total non-interest expenses	581	582	593	--	(2%)	1,174	1,190	(1%)
Income before taxes	$ 298	$ 302	$ 365	(1%)	(18%)	$ 663	$ 592	12%
Pre-tax profit margin (1)	34%	34%	38%			36%	33%	

(1) Income before taxes 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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Fees:								
Merchant and cardmember	$ 467	$ 523	$ 519	(11%)	(10%)	$ 986	$ 1,071	(8%)
Servicing	0	0	0	--	--	0	0	--
Other	16	36	35	(56%)	(54%)	51	89	(43%)
Total non-interest revenues	483	559	554	(14%)	(13%)	1,037	1,160	(11%)
Interest revenue	1,450	1,592	1,524	(9%)	(5%)	2,974	3,172	(6%)
Interest expense	337	410	350	(18%)	(4%)	687	851	(19%)
Net interest income	1,113	1,182	1,174	(6%)	(5%)	2,287	2,321	(1%)
Provision for consumer loan losses	717	857	770	(16%)	(7%)	1,487	1,699	(12%)
Net credit income	396	325	404	22%	(2%)	800	622	29%
Net revenues	879	884	958	(1%)	(8%)	1,837	1,782	3%
Total non-interest expenses	581	582	593	--	(2%)	1,174	1,190	(1%)
Income before taxes	$ 298	$ 302	$ 365	(1%)	(18%)	$ 663	$ 592	12%
Pre-tax profit margin (1)	34%	34%	38%			36%	33%	

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

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

MORGAN STANLEY
Intersegment Eliminations
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 0	$ 0	$ 0	--	--	$ 0	$ 0	--
Principal transactions:								
Trading	0	0	0	--	--	0	0	--
Investments	0	0	0	--	--	0	0	--
Commissions	(25)	(27)	(29)	7%	14%	(54)	(53)	(2%)
Asset mgmt., distribution and administration fees	(37)	(39)	(37)	5%	--	(74)	(75)	1%
Interest and dividends	(19)	(17)	(18)	(12%)	(6%)	(37)	(59)	37%
Other	(13)	(12)	(8)	(8%)	(63%)	(21)	(19)	(11%)
Total revenues	(94)	(95)	(92)	1%	(2%)	(186)	(206)	10%
Interest expense	(19)	(17)	(18)	(12%)	(6%)	(37)	(59)	37%
Net revenues	(75)	(78)	(74)	4%	(1%)	(149)	(147)	(1%)
Total non-interest expenses	(104)	(107)	(103)	3%	(1%)	(207)	(209)	1%
Income before taxes	$ 29	$ 29	$ 29	--	--	$ 58	$ 62	(6%)

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, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004
Total assets (millions)	$ 729,501	$ 586,881	$ 656,898	24%	11%
Adjusted assets (millions) (1)	$ 448,144	$ 383,501	$ 428,479	17%	5%
Period end common shares outstanding (millions)	1,098.1	1,086.7	1,097.7	1%	--
Book value per common share	$ 24.59	$ 20.83	$ 23.75	18%	4%
Shareholders' equity (millions) (2)	$ 29,899	$ 25,341	$ 28,961	18%	3%
Total capital (millions) (3)	$ 100,127	$ 78,665	$ 96,359	27%	4%
Worldwide employees	51,580	53,507	50,979	(4%)	1%
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category ($ millions, pre-tax)					
Interest rate and credit spread	$ 50	$ 41	$ 42		
Equity price	32	23	30		
Foreign exchange rate	12	11	11		
Commodity price	34	27	27		
Aggregate trading VaR	$ 72	$ 54	$ 62		

(1) Adjusted assets exclude certain self-funded assets considered to have minimal market, credit and/or liquidity risk that are generally attributable to matched book and securities lending businesses as measured by aggregate resale agreements and securities borrowed less non-derivative short positions. See page F-19 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 securites 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.

MORGAN STANLEY

Financial Information and Statistical Data

(unaudited)

	Quarter Ended			Percentage Change From:		Six Months Ended		Percentage
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Institutional Securities								
Advisory revenue (millions)	$ 324	$ 141	$ 232	130%	40%	$ 556	$ 307	81%
Underwriting revenue (millions)								
Equity	$ 314	$ 152	$ 314	107%	--	$ 628	$ 279	125%
Fixed income	$ 253	$ 168	$ 193	51%	31%	$ 446	$ 376	19%
Sales and trading net revenue (millions) (1)								
Equity	$ 1,113	$ 865	$ 1,105	29%	1%	$ 2,218	$ 1,842	20%
Fixed income	$ 1,828	$ 1,282	$ 1,651	43%	11%	$ 3,479	$ 2,917	19%

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

(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, 2004, March 1 to May 31, 2003 and December 1, 2003 to February 29, 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, 2004 and January 1 to May 31, 2003.

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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Individual Investor Group								
Global financial advisors	10,722	11,644	10,832	(8%)	(1%)			
Total client assets (billions)	$ 579	$ 532	$ 595	9%	(3%)			
Fee-based client account assets (billions) (1)	$ 145	$ 113	$ 143	28%	1%			
Fee-based assets as a % of client assets	25%	21%	24%					
Domestic retail locations	526	547	526	(4%)	--			
Investment Management								
Assets under management or supervision ($ billions)								
Net flows								
Retail	$ (0.6)	$ 0.3	$ 0.5	*	*	$ (0.1)	$ (1.1)	91%
Institutional	5.7	(4.2)	1.4	*	*	7.1	(6.7)	*
Net flows excluding money markets	5.1	(3.9)	1.9	*	*	7.0	(7.8)	*
Money markets	4.2	(2.6)	1.4	*	*	5.6	(3.5)	*
Assets under management or supervision by distribution channel								
Retail	$ 195	$ 185	$ 200	5%	(3%)			
Institutional	189	151	180	25%	5%			
Total	$ 384	$ 336	$ 380	14%	1%			
Assets under management or supervision by asset class								
Equity	$ 182	$ 142	$ 186	28%	(2%)			
Fixed income	114	116	111	(2%)	3%			
Money market	66	62	62	6%	6%			
Other (2)	22	16	21	38%	5%			
Total	$ 384	$ 336	$ 380	14%	1%			

(1) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
(2) Includes Alternative Investments.
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:	
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004
Consolidated assets under management or supervision ($ billions)					
Consolidated assets under management or supervision by distribution channel					
Retail	$ 290	$ 259	$ 294	12%	(1%)
Institutional	210	162	201	30%	4%
Total (1)	$ 500	$ 421	$ 495	19%	1%
Consolidated assets under management or supervision by asset class					
Equity	$ 226	$ 174	$ 231	30%	(2%)
Fixed income	128	127	124	1%	3%
Money market	70	65	65	8%	8%
Other (2)	76	55	75	38%	1%
Total (1)	$ 500	$ 421	$ 495	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.

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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Credit Services								
Total owned credit card loans								
Period end	$ 17,506	$ 18,465	$ 15,850	(5%)	10%	$ 17,506	$ 18,465	(5%)
Average	$ 16,202	$ 19,120	$ 17,880	(15%)	(9%)	$ 17,036	$ 20,695	(18%)
Total managed credit card loans (1)(2)								
Period end	$ 46,828	$ 50,880	$ 47,336	(8%)	(1%)	$ 46,828	$ 50,880	(8%)
Average	$ 46,929	$ 51,174	$ 48,667	(8%)	(4%)	$ 47,793	$ 51,979	(8%)
Interest yield	11.88%	11.97%	12.20%	(9 bp)	(32 bp)	12.04%	11.87%	17 bp
Interest spread	9.06%	8.78%	9.35%	28 bp	(29 bp)	9.21%	8.56%	65 bp
Transaction volume (billions)	$ 24.4	$ 24.0	$ 24.2	2%	1%	$ 48.5	$ 50.0	(3%)
Accounts (millions)	46.0	46.4	45.9	(1%)	--	46.0	46.4	(1%)
Active accounts (millions)	19.9	21.8	20.3	(9%)	(2%)	19.9	21.8	(9%)
Avg. receivables per avg. active account (actual $)	$ 2,330	$ 2,319	$ 2,360	--	(1%)	$ 2,345	$ 2,326	1%
Net gain on securitization	$ (12)	$ 11	$ 19	*	*	$ 7	$ 46	(85%)
Credit quality								
Net charge-off rate	6.48%	6.50%	6.31%	(2 bp)	17 bp	6.40%	6.34%	6 bp
Delinquency rate (over 30 days)	4.88%	6.21%	5.80%	(133 bp)	(92 bp)	4.88%	6.21%	(133 bp)
Delinquency rate (over 90 days)	2.40%	3.01%	2.86%	(61 bp)	(46 bp)	2.40%	3.01%	(61 bp)
Allowance for loan losses at period end	$ 940	$ 958	$ 985	(2%)	(5%)	$ 940	$ 958	(2%)
International managed credit card loans (2)								
Period end	$ 2,409	$ 2,332	$ 2,463	3%	(2%)	$ 2,409	$ 2,332	3%
Average	$ 2,411	$ 2,261	$ 2,302	7%	5%	$ 2,357	$ 2,272	4%
Accounts (millions)	1.2	1.0	1.2	20%	--	1.2	1.0	20%
Mortgages								
Mortgage originations	$ 1,380	$ 1,368	$ 959	1%	44%	$ 2,339	$ 2,687	(13%)

(1) Includes domestic and international credit card businesses.

(2) Includes owned and securitized credit card loans.

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

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

MORGAN STANLEY
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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Investment banking	$ 983	$ 536	$ 829	83%	19%	$ 1,812	$ 1,125	61%
Principal transactions:								
Trading	2,064	1,670	1,832	24%	13%	3,896	3,382	15%
Investments	191	59	29	*	*	220	37	*
Commissions	877	709	901	24%	(3%)	1,778	1,382	29%
Asset mgmt., distribution and administration fees	1,113	881	1,072	26%	4%	2,185	1,777	23%
Interest and dividends	3,241	2,916	3,314	11%	(2%)	6,555	6,198	6%
Other	107	113	120	(5%)	(11%)	227	203	12%
Total revenues	8,576	6,884	8,097	25%	6%	16,673	14,104	18%
Interest expense	2,801	2,717	2,812	3%	--	5,613	5,361	5%
Net revenues	5,775	4,167	5,285	39%	9%	11,060	8,743	27%
Compensation and benefits	2,725	2,073	2,514	31%	8%	5,239	4,409	19%
Occupancy and equipment	185	176	179	5%	3%	364	352	3%
Brokerage, clearing and exchange fees	237	202	224	17%	6%	461	393	17%
Information processing and communications	232	234	234	(1%)	(1%)	466	462	1%
Marketing and business development	137	123	111	11%	23%	248	232	7%
Professional services	291	196	253	48%	15%	544	370	47%
Other	464	550	219	(16%)	112%	683	776	(12%)
Total non-interest expenses	4,271	3,554	3,734	20%	14%	8,005	6,994	14%
Income before losses from unconsolidated investees and dividends on preferred securities subject to mandatory redemption	1,504	613	1,551	145%	(3%)	3,055	1,749	75%
Losses from unconsolidated investees	81	36	93	125%	(13%)	174	70	149%
Div. on pref. sec. subject to mandatory redemption (2)	0	40	45	*	*	45	62	(27%)
Income before taxes	$ 1,423	$ 537	$ 1,413	*	1%	$ 2,836	$ 1,617	75%
Compensation and benefits as a % of net revenues	47%	50%	48%			47%	50%	
Non-compensation expenses as a % of net revenues	27%	36%	23%			25%	30%	
Pre-tax profit margin (3)	26%	14%	29%			27%	19%	
Number of employees (4)	38,058	38,031	37,455	--	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.
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
	May 31, 2004	May 31, 2003	Feb 29, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003	Change
Fees:								
Merchant and cardmember	$ 467	$ 523	$ 519	(11%)	(10%)	$ 986	$ 1,071	(8%)
Servicing	0	0	0	--	--	0	0	--
Other	16	36	35	(56%)	(54%)	51	89	(43%)
Total non-interest revenues	483	559	554	(14%)	(13%)	1,037	1,160	(11%)
Interest revenue	1,450	1,592	1,524	(9%)	(5%)	2,974	3,172	(6%)
Interest expense	337	410	350	(18%)	(4%)	687	851	(19%)
Net interest income	1,113	1,182	1,174	(6%)	(5%)	2,287	2,321	(1%)
Provision for consumer loan losses	717	857	770	(16%)	(7%)	1,487	1,699	(12%)
Net credit income	396	325	404	22%	(2%)	800	622	29%
Net revenues	879	884	958	(1%)	(8%)	1,837	1,782	3%
Compensation and benefits	198	201	198	(1%)	--	396	414	(4%)
Occupancy and equipment	21	19	21	11%	--	42	39	8%
Information processing and communications	86	81	86	6%	--	172	168	2%
Marketing and business development	126	128	143	(2%)	(12%)	269	282	(5%)
Professional services	65	63	65	3%	--	130	114	14%
Other	85	90	80	(6%)	6%	165	173	(5%)
Total non-interest expenses	581	582	593	--	(2%)	1,174	1,190	(1%)
Income before taxes	$ 298	$ 302	$ 365	(1%)	(18%)	$ 663	$ 592	12%
Compensation and benefits as a % of net revenues	23%	23%	21%			22%	23%	
Non-compensation expenses as a % of net revenues	44%	43%	41%			42%	44%	
Pre-tax profit margin (1)	34%	34%	38%			36%	33%	
Number of employees	13,522	15,476	13,524	(13%)	--			

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

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

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The following pages (F-16 - F-18) present a reconciliation for certain information disclosed on pages F-7, F-13 and F-15.

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

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

	Quarter Ended May 31, 2004						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
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	$ 46,828	$ 46,929	11.88%	9.06%	6.48%	4.88%	2.40%

	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	$ 50,880	$ 51,174	11.97%	8.78%	6.50%	6.21%	3.01%

	Quarter Ended Feb 29, 2004						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
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	$ 47,336	$ 48,667	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.

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, 2004						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
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	$ 46,828	$ 47,793	12.04%	9.21%	6.40%	4.88%	2.40%

	Six Months 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	$ 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	$ 50,880	$ 51,979	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.

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, 2004	May 31, 2003	Feb 29, 2004	May 31, 2004	May 31, 2003
Merchant and cardmember fees:					
Owned	$ 306	$ 338	$ 337	$ 643	$ 702
Securitization adjustment	161	185	182	343	369
Managed	$ 467	$ 523	$ 519	$ 986	$ 1,071
Servicing fees:					
Owned	$ 485	$ 503	$ 572	$ 1,057	$ 1,070
Securitization adjustment	(485)	(503)	(572)	(1,057)	(1,070)
Managed	$ -	$ -	$ -	$ -	$ -
Other:					
Owned	$ 16	$ 6	$ 5	$ 21	$ 2
Securitization adjustment	-	30	30	30	87
Managed	$ 16	$ 36	$ 35	$ 51	$ 89
Interest revenue:					
Owned	$ 435	$ 543	$ 480	$ 915	$ 1,089
Securitization adjustment	1,015	1,049	1,044	2,059	2,083
Managed	$ 1,450	$ 1,592	$ 1,524	$ 2,974	$ 3,172
Interest expense:					
Owned	$ 163	$ 197	$ 174	$ 337	$ 436
Securitization adjustment	174	213	176	350	415
Managed	$ 337	$ 410	$ 350	$ 687	$ 851
Provision for consumer loan losses:					
Owned	$ 200	$ 309	$ 262	$ 462	$ 645
Securitization adjustment	517	548	508	1,025	1,054
Managed	$ 717	$ 857	$ 770	$ 1,487	$ 1,699

(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.

The following page (F-19) 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. 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

Reconciliation of Adjusted Assets

(unaudited, dollars in millions, except ratios)

	Quarter Ended		
	May 31, 2004	May 31, 2003	Feb 29, 2004
Total assets	$ 729,501	$ 586,881	$ 656,898
Less: Securities purchased under agreements to resell	(96,042)	(71,374)	(76,755)
Securities borrowed	(202,412)	(153,639)	(179,288)
Add: Financial instruments sold, not yet purchased	130,440	123,211	129,711
Less: Derivative contracts sold, not yet purchased	(41,615)	(48,436)	(43,857)
Subtotal	519,872	436,643	486,709
Less: Segregated customer cash and securities balances	(29,918)	(26,829)	(16,935)
Assets recorded under certain provisions of SFAS No. 140 and FIN 46	(40,279)	(24,837)	(39,756)
Goodwill	(1,531)	(1,476)	(1,539)
Adjusted assets	$ 448,144	$ 383,501	$ 428,479
Shareholders' equity	$ 27,002	$ 22,631	$ 26,064
Junior subordinated debt issued to capital trusts (1)	2,897	2,710	2,897
Subtotal	29,899	25,341	28,961
Less: Goodwill	(1,531)	(1,476)	(1,539)
Tangible shareholders' equity	$ 28,368	$ 23,865	$ 27,422
Leverage ratio (2)	25.7x	24.6x	24.0x
Adjusted leverage ratio (3)	15.8x	16.1x	15.6x

(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.

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