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For Immediate Release

Morgan Stanley

Morgan Stanley 4th Quarter Earnings Up by 42%;
Full Year Earnings Increase to $3.8 Billion;
Return on Equity for Year is 17%;
Dividend Increased by 9%

NEW YORK, December 18, 2003 -- Morgan Stanley (NYSE: MWD) today reported net income for the fiscal year of $3,814 million, 28 percent above last year's $2,988 million. Diluted earnings per share were $3.47, an increase of 29 percent from $2.69 a year ago. Net revenues (total revenues less interest expense and the provision for loan losses) rose 9 percent to $20.9 billion and the return on average common equity was 16.6 percent.

Net income for the fourth quarter ended November 30, 2003 was $1,041 million -- a 42 percent increase from the fourth quarter of 2002, but 18 percent below the third quarter of 2003. Diluted earnings per share were $0.94 compared to $0.67 a year ago and $1.15 in the third quarter. Fourth quarter net revenues of $5.1 billion were 20 percent ahead of last year's fourth quarter and 3 percent below this year's third quarter. The annualized return on average common equity for the quarter was 17.3 percent.

Philip J. Purcell, Chairman & CEO, said, "We are very pleased with our full year results. Business activity has clearly picked up, both in the capital markets and at the retail level. We ended the year with increased market shares in key areas of our business and enter 2004 with significant momentum."

The Company also announced that its Board of Directors declared a $0.25 quarterly dividend per common share -- a 9 percent increase from $0.23 per common share in the previous quarter. The dividend is payable on January 30, 2004 to common shareholders of record on January 9, 2004.

During the third quarter, the Company completed an extensive analysis of its equity-based compensation program and implemented changes that emphasized long-term service and retention objectives, including longer vesting periods and higher eligibility requirements for all equity-based awards. As a result, the Company is expensing awards over a longer period of service. The effect of these changes reduced compensation expense recorded for restricted stock awards by $438 million in fiscal 2003. In addition, in connection with the fiscal 2003 adoption of SFAS No. 123, the Company recorded compensation expense of $171 million based on the fair value of stock options granted in fiscal 2003. The net effect of these changes reduced compensation expense by $267 million, increased net income by $180 million, or $0.16 per share, and increased the return on average common equity by 0.8 percent in fiscal 2003. By business segment, the increase in net income was as follows: Institutional Securities, $154 million; Individual Investor Group, $17 million; Investment Management, $8 million; and Credit Services, $1 million. The business segment review below includes the effects of these changes.

INSTITUTIONAL SECURITIES

FULL YEAR

The Company's Institutional Securities business posted net income of $2,464 million, an increase of 48 percent from a year ago. Net revenues rose 23 percent to $11.2 billion, driven by record results in fixed income and an improved environment in equity underwriting during the second half of the year. Total non-interest expenses increased 17 percent to $7.6 billion, largely reflecting the increase in business activity. This year's expenses included $323 million in aircraft impairment charges, while 2002 expenses included $117 million in restructuring charges and a $74 million aircraft impairment charge.

In the Company's fixed income sales and trading business, revenues increased 65 percent from a year ago to $5.4 billion. The increase was broad-based, with significant gains in the interest rate and currency products, credit products and commodities groups. All three product areas benefited from strong customer flows and high levels of market volatility. In equity sales and trading, revenues increased 2 percent to $3.6 billion as the benefit of rising market indices was partially offset by the negative impact of lower dollar volumes, and a decline in market volatility during the second half of the year.

In investment banking, the Company ranked #2 with a market share of 21 percent in announced global M&A, and #4 with a market share of 19 percent in completed global M&A.

In addition, the Company improved its market share and ranked #2 in U.S investment grade debt underwriting and #3 in worldwide equity and equity-related underwritings.[1] Total underwriting revenues rose 18 percent from last year to $1.4 billion, benefiting from the Company's improved market share and increased industry-wide fixed income underwriting activity. Advisory revenues fell 31 percent to $662 million, partially reflecting a decline in industry-wide completed M&A volume.[2]

The increase in losses from unconsolidated investees, which principally represents the Company's operating losses from investment partnerships related to synthetic fuel production, was attributable to additional investments made by the Company. These operating losses are more than offset by tax benefits, including tax credits, which are included in income tax expense. The Company had previously reported the operating losses from investment partnerships within income tax expense.

FOURTH QUARTER

Institutional Securities posted net income of $753 million, an increase of 69 percent versus fourth quarter 2002. Net revenues rose 42 percent to $2.6 billion, primarily due to continued strength in the Company's fixed income business and an improved environment for equity trading and underwriting. Non-interest expenses were 35 percent above last year's fourth quarter, due to the improved business environment.

- Fixed income sales and trading net revenues were $977 million, up 66 percent from fourth quarter 2002. Tighter credit spreads, a steeper yield curve and increased interest rate, currency and commodities market volatility -- drove the overall increase.
- Equity sales and trading net revenues of $919 million were up 48 percent from the prior year's fourth quarter. Rising market indices, higher dollar volumes and increased primary activity led to increases across the Company's equity businesses.
- Advisory revenues were $225 million, down 17 percent from fourth quarter 2002, reflecting the industry-wide decline in completed M&A activity. Industry-wide, completed M&A transaction volume was 36 percent lower than a year ago.[3]

[1] Source: Thomson Financial Securities Data -- January 1, 2003 through November 30, 2003.
[2] Source: Thomson Financial Securities Data -- December 1, 2002 through November 30, 2003.
[3] Source: Thomson Financial Securities Data.

- Underwriting revenues rose 21 percent from last year's fourth quarter to $391 million due to increased market share in investment grade debt and higher levels of industry-wide equity and fixed income underwriting activity.

INDIVIDUAL INVESTOR GROUP

FULL YEAR

The Individual Investor Group reported net income of $265 million for the year, compared to $59 million in fiscal 2002. Net revenues were essentially unchanged at $4.0 billion, as retail participation in equity markets increased over the second half of the year after declining during the first half. The second half upswing was consistent with a stronger economy and improving investor confidence. Total non-interest expenses decreased 10 percent from a year ago, which included $112 million in restructuring charges. Total client assets of $565 billion rose 9 percent from the end of fiscal 2002, reflecting, in part, a 13 percent increase in the S&P 500 over the same period. In addition, client assets in fee-based accounts increased 21 percent to $130 billion, and represented 23 percent of total client assets compared to 21 percent a year ago. The number of global financial advisors was 11,086 -- a decline over the past year of 1,460.

FOURTH QUARTER

Driven by higher net revenues, IIG net income rose to $79 million from a net loss of $11 million a year ago. Non-interest expenses declined 2 percent from fourth quarter 2002, which included the $112 million in restructuring charges noted above.

- Net revenues rose 16 percent to $1,089 million, primarily due to increases in commissions and higher fee-based revenues.
- During the quarter, total client assets increased by $21 billion, or 4 percent, to $565 billion while client assets in fee-based accounts increased by $8 billion, or 7 percent, to $130 billion.

INVESTMENT MANAGEMENT

FULL YEAR

Investment Management reported net income of $326 million, 22 percent lower than last year's $418 million. The decline was driven by an 8 percent decrease in net revenues reflecting a decline in average assets under management and a less favorable asset mix.

Assets under management at November 30 were $462 billion, up $42 billion, or 10 percent, from a year ago -- primarily as a result of market appreciation. During the year, the Company launched 10 new funds or products, generating sales of approximately $2.4 billion. Among full-service brokerage firms, the Company had the highest number of domestic funds (41) receiving one of Morningstar's two highest ratings.[4] The percent of the Company's fund assets performing in the top half of the Lipper rankings for one year was 57 percent compared to 62 percent a year ago.[5]

FOURTH QUARTER

Investment Management's net income was $61 million, a 27 percent decline from $84 million in the fourth quarter of 2002. The earnings decline was due to an increase in non-interest expenses, primarily compensation and legal costs -- partially offset by higher net revenues, driven by higher average assets under management and an improving asset mix.

- Retail assets increased $9 billion during the quarter and $21 billion from a year ago to a total of $277 billion.
- Institutional assets rose $20 billion during the fourth quarter and $21 billion over the past twelve months to $185 billion.

CREDIT SERVICES

FULL YEAR

Credit Services net income was $688 million, down 9 percent from 2002's record earnings of $760 million. The current year's results included pretax severance and facilities closing charges of $35 million. The decline in earnings, on a managed basis, was driven by a higher provision for loan losses -- which more than offset an increase in net interest income and lower marketing and business development costs. The managed credit card charge-off rate increased 41 basis points from a year ago to 6.60 percent. The over-30-day-delinquency rate increased 1 basis point to 5.97 percent and the over-90-day-delinquency rate increased 16 basis points to 2.82 percent. Relatively high levels of unemployment and near record levels of U.S. bankruptcy filings along with changes in the Company's re-age policy -- which tightened terms under which delinquent accounts are returned to a current status -- negatively affected charge-off and delinquency rates. Managed credit card loans were $48.4 billion at

[4] Full service brokerage firms include Merrill Lynch, Citigroup and Prudential. As of November 30, 2003.
[5] As of November 30, 2003 and November 30, 2002.

fiscal year end, 5 percent lower than a year ago. Total transaction volume rose to a record $97.9 billion, and Discover added over 600,000 new merchant locations during the fiscal year.

FOURTH QUARTER

Credit Services fourth quarter net income was $131 million, down 31 percent from a year ago. The current quarter's earnings included the $35 million in pretax severance and facilities closing charges noted above. On a managed basis, a higher provision for loan losses and a decline in merchant and cardmember fees more than offset a decrease in marketing and business development expenses and higher net interest income.

- The interest rate spread on Discover's credit card portfolio increased 43 basis points from a year ago, driven by a decline in the cost of funds that more than offset a lower finance charge yield.
- Merchant and cardmember fees were $512 million, down 6 percent from last year's fourth quarter. An increase in merchant discount revenue driven by higher sales activity was more than offset by a decline in cardmember late fees. Total transaction volume declined 9 percent to $23.0 billion, due to a lower level of balance transfers.
- The credit card net charge-off rate was 6.87 percent, 92 basis points higher than a year ago but 3 basis points lower than the third quarter. The over-30-day-delinquency rate declined 8 basis points from last quarter to 5.97 percent, and the over-90-day-delinquency rate declined 9 basis points over the same period to 2.82 percent. The decline in the over-30-day-delinquency rate was the third consecutive quarterly decrease.

Total capital at November 30, 2003 was $83.0 billion, including $27.9 billion of common shareholders' equity and preferred securities subject to mandatory redemption. Book value per common share was $23.10, based on quarter-end shares outstanding of 1.1 billion.

The Company repurchased approximately 9 million shares of its common stock during the 2003 fiscal year.

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 28 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, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Certain Factors Affecting Results of Operations" in "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and "Competition and Regulation" in Part 1, Item 1, in the Company's 2002 Annual Report to Shareholders on Form 10-K and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Quarterly Reports on Form 10-Q for fiscal 2003.

MORGAN STANLEY
Financial Summary
(unaudited, dollars in millions)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Net revenues								
Institutional Securities	$ 2,604	$ 1,839	$ 2,793	42%	(7%)	$ 11,211	$ 9,111	23%
Individual Investor Group	1,089	935	1,054	16%	3%	4,017	4,069	(1%)
Investment Management	658	624	653	5%	1%	2,509	2,721	(8%)
Credit Services	811	927	834	(13%)	(3%)	3,427	3,557	(4%)
Intersegment Eliminations	(75)	(74)	(83)	(1%)	10%	(307)	(338)	9%
Consolidated net revenues	$ 5,087	$ 4,251	$ 5,251	20%	(3%)	$ 20,857	$ 19,120	9%
Net income / (loss)								
Institutional Securities	$ 753	$ 445	$ 825	69%	(9%)	$ 2,464	$ 1,664	48%
Individual Investor Group	79	(11)	125	*	(37%)	265	59	*
Investment Management	61	84	116	(27%)	(47%)	326	418	(22%)
Credit Services	131	191	185	(31%)	(29%)	688	760	(9%)
Intersegment Eliminations	17	23	18	(26%)	(6%)	71	87	(18%)
Consolidated net income	$ 1,041	$ 732	$ 1,269	42%	(18%)	$ 3,814	$ 2,988	28%
Basic earnings per common share	$ 0.97	$ 0.68	$ 1.18	43%	(18%)	$ 3.54	$ 2.76	28%
Diluted earnings per common share	$ 0.94	$ 0.67	$ 1.15	40%	(18%)	$ 3.47	$ 2.69	29%
Average common shares outstanding								
Basic	1,077,914,054	1,074,654,825	1,077,680,996			1,076,754,740	1,083,270,783	
Diluted	1,103,285,225	1,095,716,005	1,100,593,303			1,099,117,972	1,109,637,953	
Period end common shares outstanding	1,084,696,446	1,081,417,377	1,088,107,975			1,084,696,446	1,081,417,377	
Return on common equity	17.3%	13.7%	22.0%			16.6%	14.1%	

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:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 707	$ 671	$ 608	5%	16%	$ 2,440	$ 2,478	(2%)
Principal transactions:								
Trading	894	433	2,105	106%	(58%)	6,138	2,730	125%
Investments	11	16	38	(31%)	(71%)	86	(31)	*
Commissions	813	747	775	9%	5%	2,970	3,278	(9%)
Fees:								
Asset mgmt., distribution and administration	973	902	956	8%	2%	3,706	3,932	(6%)
Merchant and cardmember	337	372	340	(9%)	(1%)	1,379	1,420	(3%)
Servicing	483	523	462	(8%)	5%	2,015	2,080	(3%)
Interest and dividends	4,729	3,790	3,534	25%	34%	15,744	15,879	(1%)
Other	145	118	111	23%	31%	455	660	(31%)
Total revenues	9,092	7,572	8,929	20%	2%	34,933	32,426	8%
Interest expense	3,693	3,002	3,368	23%	10%	12,809	11,970	7%
Provision for consumer loan losses	312	319	310	(2%)	1%	1,267	1,336	(5%)
Net revenues	5,087	4,251	5,251	20%	(3%)	20,857	19,120	9%
Compensation and benefits	1,782	1,149	1,940	55%	(8%)	8,545	7,940	8%
Occupancy and equipment	212	221	191	(4%)	11%	794	825	(4%)
Brokerage, clearing and exchange fees	233	213	212	9%	10%	838	779	8%
Information processing and communications	343	377	315	(9%)	9%	1,288	1,375	(6%)
Marketing and business development	256	322	197	(20%)	30%	967	1,105	(12%)
Professional services	368	346	283	6%	30%	1,135	1,094	4%
Other	306	231	236	32%	30%	1,485	1,047	42%
Restructuring and other charges	0	235	0	*	--	0	235	*
Total non-interest expenses	3,500	3,094	3,374	13%	4%	15,052	14,400	5%
Income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption	1,587	1,157	1,877	37%	(15%)	5,805	4,720	23%
Losses from unconsolidated investees	104	42	105	148%	(1%)	279	77	*
Income tax expense	397	361	456	10%	(13%)	1,558	1,568	(1%)
Dividends on preferred securities subject to mandatory redemption	45	22	47	105%	(4%)	154	87	77%
Net income	$ 1,041	$ 732	$ 1,269	42%	(18%)	$ 3,814	$ 2,988	28%
Compensation and benefits as a % of net revenues	35%	27%	37%			41%	42%	

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)

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	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 616	$ 595	$ 518	4%	19%	$ 2,097	$ 2,179	(4%)
Principal transactions:								
Trading	738	279	1,931	*	(62%)	5,487	2,088	*
Investments	(1)	14	30	(107%)	(103%)	64	42	52%
Commissions	469	456	440	3%	7%	1,748	2,033	(14%)
Asset mgmt., distribution and administration fees	23	25	24	(8%)	(4%)	91	91	--
Interest and dividends	4,169	3,088	2,943	35%	42%	13,381	13,056	2%
Other	92	89	60	3%	53%	289	396	(27%)
Total revenues	6,106	4,546	5,946	34%	3%	23,157	19,885	16%
Interest expense	3,502	2,707	3,153	29%	11%	11,946	10,774	11%
Net revenues	2,604	1,839	2,793	42%	(7%)	11,211	9,111	23%
Total non-interest expenses	1,503	1,111	1,589	35%	(5%)	7,565	6,474	17%
Income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption	1,101	728	1,204	51%	(9%)	3,646	2,637	38%
Losses from unconsolidated investees	104	42	105	148%	(1%)	279	77	*
Income tax expense	199	219	227	(9%)	(12%)	749	809	(7%)
Dividends on preferred securities subject to mandatory redemption	45	22	47	105%	(4%)	154	87	77%
Net income	$ 753	$ 445	$ 825	69%	(9%)	$ 2,464	$ 1,664	48%
Pre-tax profit margin (1)	37%	36%	38%			29%	27%	
Pre-tax profit margin excl. losses from unconsolidated investees (2)	41%	38%	41%			31%	28%	
After-tax profit margin (3)	29%	24%	30%			22%	18%	

(1) Income before taxes, less losses from unconsolidated investees and dividends on preferred securities, as a % of net revenues.
(2) Income before taxes, less dividends on preferred securities, as a % of net revenues.
(3) Net income as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

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

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	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 80	$ 69	$ 79	16%	1%	$ 304	$ 267	14%
Principal transactions:								
Trading	156	154	174	1%	(10%)	651	642	1%
Investments	0	0	0	--	--	0	(45)	*
Commissions	357	300	348	19%	3%	1,276	1,330	(4%)
Asset mgmt., distribution and administration fees	379	322	364	18%	4%	1,413	1,409	--
Interest and dividends	96	101	92	(5%)	4%	368	443	(17%)
Other	56	35	35	60%	60%	155	218	(29%)
Total revenues	1,124	981	1,092	15%	3%	4,167	4,264	(2%)
Interest expense	35	46	38	(24%)	(8%)	150	195	(23%)
Net revenues	1,089	935	1,054	16%	3%	4,017	4,069	(1%)
Total non-interest expenses	941	956	861	(2%)	9%	3,563	3,960	(10%)
Income / (loss) before income taxes	148	(21)	193	*	(23%)	454	109	*
Income tax expense / (benefit)	69	(10)	68	*	1%	189	50	*
Net income / (loss)	$ 79	$ (11)	$ 125	*	(37%)	$ 265	$ 59	*
Pre-tax profit margin (1)	14%	(2%)	18%			11%	3%	
After-tax profit margin (2)	7%	(1%)	12%			7%	1%	

(1) Income before taxes as a % of net revenues.
(2) Net income as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

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

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 11	$ 7	$ 11	57%	--	$ 39	$ 32	22%
Principal transactions:								
Investments	12	2	8	*	50%	22	(28)	*
Commissions	15	16	16	(6%)	(6%)	56	52	8%
Asset mgmt., distribution and administration fees	609	594	612	3%	--	2,361	2,598	(9%)
Interest and dividends	0	0	0	--	--	2	17	(88%)
Other	11	4	8	*	38%	34	51	(33%)
Total revenues	658	623	655	6%	--	2,514	2,722	(8%)
Interest expense	0	(1)	2	*	*	5	1	*
Net revenues	658	624	653	5%	1%	2,509	2,721	(8%)
Total non-interest expenses	557	507	496	10%	12%	2,018	2,054	(2%)
Income before income taxes	101	117	157	(14%)	(36%)	491	667	(26%)
Income tax expense	40	33	41	21%	(2%)	165	249	(34%)
Net income	$ 61	$ 84	$ 116	(27%)	(47%)	$ 326	$ 418	(22%)
Pre-tax profit margin (1)	15%	19%	24%			20%	25%	
After-tax profit margin (2)	9%	13%	18%			13%	15%	

(1) Income before taxes as a % of net revenues.
(2) Net income as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

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

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Fees:								
Merchant and cardmember	$ 337	$ 372	$ 340	(9%)	(1%)	$ 1,379	$ 1,420	(3%)
Servicing	483	523	462	(8%)	5%	2,015	2,080	(3%)
Other	(5)	0	18	*	(128%)	15	30	(50%)
Total non-interest revenues	815	895	820	(9%)	(1%)	3,409	3,530	(3%)
Interest revenue	487	612	515	(20%)	(5%)	2,091	2,413	(13%)
Interest expense	179	261	191	(31%)	(6%)	806	1,050	(23%)
Net interest income	308	351	324	(12%)	(5%)	1,285	1,363	(6%)
Provision for consumer loan losses	312	319	310	(2%)	1%	1,267	1,336	(5%)
Net credit income	(4)	32	14	(113%)	(129%)	18	27	(33%)
Net revenues	811	927	834	(13%)	(3%)	3,427	3,557	(4%)
Total non-interest expenses	602	628	542	(4%)	11%	2,334	2,379	(2%)
Income before taxes	209	299	292	(30%)	(28%)	1,093	1,178	(7%)
Income tax expense	78	108	107	(28%)	(27%)	405	418	(3%)
Net income	$ 131	$ 191	$ 185	(31%)	(29%)	$ 688	$ 760	(9%)
Pre-tax profit margin (1)	26%	32%	35%			32%	33%	
After-tax profit margin (2)	16%	21%	22%			20%	21%	

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

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

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

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

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Fees:								
Merchant and cardmember	$ 512	$ 542	$ 523	(6%)	(2%)	$ 2,106	$ 2,110	--
Servicing	0	0	0	--	--	0	0	--
Other	1	3	19	(67%)	(95%)	109	80	36%
Total non-interest revenues	513	545	542	(6%)	(5%)	2,215	2,190	1%
Interest revenue	1,517	1,606	1,576	(6%)	(4%)	6,265	6,474	(3%)
Interest expense	366	475	391	(23%)	(6%)	1,608	1,937	(17%)
Net interest income	1,151	1,131	1,185	2%	(3%)	4,657	4,537	3%
Provision for consumer loan losses	853	749	893	14%	(4%)	3,445	3,170	9%
Net credit income	298	382	292	(22%)	2%	1,212	1,367	(11%)
Net revenues	811	927	834	(13%)	(3%)	3,427	3,557	(4%)
Total non-interest expenses	602	628	542	(4%)	11%	2,334	2,379	(2%)
Income before taxes	209	299	292	(30%)	(28%)	1,093	1,178	(7%)
Income tax expense	78	108	107	(28%)	(27%)	405	418	(3%)
Net income	$ 131	$ 191	$ 185	(31%)	(29%)	$ 688	$ 760	(9%)
Pre-tax profit margin (1)	26%	32%	35%			32%	33%	
After-tax profit margin (2)	16%	21%	22%			20%	21%	

(1) Income before taxes as a % of net revenues.
(2) Net income as a % of net revenues.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Intersegment Eliminations
(unaudited, dollars in millions)

:

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 0	$ 0	$ 0	--	--	$ 0	$ 0	--
Principal transactions:								
Trading	0	0	0	--	--	0	0	--
Investments	0	0	0	--	--	0	0	--
Commissions	(28)	(25)	(29)	(12%)	3%	(110)	(137)	20%
Asset mgmt., distribution and administration fees	(38)	(39)	(44)	3%	14%	(159)	(166)	4%
Interest and dividends	(23)	(11)	(16)	(109%)	(44%)	(98)	(50)	(96%)
Other	(9)	(10)	(10)	10%	10%	(38)	(35)	(9%)
Total revenues	(98)	(85)	(99)	(15%)	1%	(405)	(388)	(4%)
Interest expense	(23)	(11)	(16)	(109%)	(44%)	(98)	(50)	(96%)
Net revenues	(75)	(74)	(83)	(1%)	10%	(307)	(338)	9%
Total non-interest expenses	(103)	(108)	(114)	5%	10%	(428)	(467)	8%
Income before taxes and dividends on preferred securities subject to mandatory redemption	28	34	31	(18%)	(10%)	121	129	(6%)
Income tax expense	11	11	13	--	(15%)	50	42	19%
Net income	$ 17	$ 23	$ 18	(26%)	(6%)	$ 71	$ 87	(18%)

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:	
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003
Total assets (millions)	$ 602,843	$ 529,503	$ 580,632	14%	4%
Adjusted assets (millions) (1)	$ 402,827	$ 358,470	$ 392,815	12%	3%
Period end common shares outstanding (millions)	1,084.7	1,081.4	1,088.1	--	--
Book value per common share	$ 23.10	$ 20.24	$ 21.79	14%	6%
Shareholders' equity (millions) (2)	$ 27,871	$ 23,095	$ 26,517	21%	5%
Total capital (millions) (3)	$ 82,963	$ 65,936	$ 78,241	26%	6%
Worldwide employees	51,196	55,726	52,205	(8%)	(2%)
Average Daily 99%/One-Day Value-at-Risk ("VaR") (4)					
Primary Market Risk Category ($ millions, pre-tax)					
Interest rate and credit spread	$ 45	$ 40	$ 42		
Equity price	29	15	25		
Foreign exchange rate	13	6	7		
Commodity price	26	23	27		
Aggregate trading VaR	$ 61	$ 54	$ 54		

(1) Represents total assets less assets attributable to matched resale agreements, certain securities borrowed transactions and segregated customer cash balances. See page F-18 for further information.

(2) Includes common equity and preferred securities subject to mandatory redemption.

(3) Includes common equity, preferred securities subject to mandatory redemption, capital units and the non-current portion of long-term debt.

(4) 99%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than one time every one hundred trading days in the Company's Institutional trading positions if the portfolio were held constant for a one day period. The Company's VaR incorporates substantially all financial instruments generating market risk that are managed by the Company's Institutional trading businesses. For a further discussion of the calculation of VaR and the limitations of the Company's VaR methodology, see Part II, Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in the firm's Annual Report on Form 10-K for the fiscal year ended November 30, 2002.

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

MORGAN STANLEY
Financial Information and Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Institutional Securities								
Advisory revenue (millions)	$ 225	$ 271	$ 130	(17%)	73%	$ 662	$ 961	(31%)
Underwriting revenue (millions)	$ 391	$ 324	$ 388	21%	1%	$ 1,435	$ 1,218	18%
Sales and trading net revenue (millions) (1)								
Equity	$ 919	$ 621	$ 830	48%	11%	$ 3,591	$ 3,528	2%
Fixed income	$ 977	$ 588	$ 1,462	66%	(33%)	$ 5,356	$ 3,245	65%
Mergers and acquisitions announced transactions (2)								
Morgan Stanley global market volume (billions)	$ 225.4	$ 198.0	$ 88.1					
Rank	2	3	5					
Worldwide equity and related issues (2)								
Morgan Stanley global market volume (billions)	$ 35.1	$ 25.6	$ 22.4					
Rank	3	4	3					
Individual Investor Group								
Global financial advisors	11,086	12,546	11,326	(12%)	(2%)			
Total client assets (billions)	$ 565	$ 516	$ 544	9%	4%			
Fee-based client account assets (billions) (3)	$ 130	$ 107	$ 122	21%	7%			
Fee-based assets as a % of client assets	23%	21%	22%					
Domestic retail locations	532	608	544	(13%)	(2%)			

(1) Includes principal trading, commissions and net interest revenue.
(2) Source: Thomson Financial Securities Data - January 1 to November 30, 2003.
(3) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

MORGAN STANLEY
Statistical Data
(unaudited)

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment Management ($ billions)								
Net flows								
Retail	$ 3.7	$ (1.0)	$ 4.9	*	(24%)	$ 9.3	$ 1.1	*
Institutional	(1.3)	(0.8)	(2.1)	(63%)	38%	(9.9)	(2.0)	*
Net flows excluding money markets	2.4	(1.8)	2.8	*	(14%)	(0.6)	(0.9)	33%
Money markets	(2.5)	(1.2)	0.2	(108%)	*	(5.8)	(5.5)	(5%)
Assets under management or supervision by distribution channel								
Retail	$ 277	$ 256	$ 268	8%	3%			
Institutional	185	164	165	13%	12%			
Total	$ 462	$ 420	$ 433	10%	7%			
Assets under management or supervision by asset class								
Equity	$ 207	$ 172	$ 189	20%	10%			
Fixed income	123	127	123	(3%)	--			
Money market	64	66	66	(3%)	(3%)			
Other (1)	68	55	55	24%	24%			
Total	$ 462	$ 420	$ 433	10%	7%			

(1) Includes Alternative Investments.

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

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

	Quarter Ended			Percentage Change From:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Credit Services								
Owned credit card loans								
Period end	$ 18,930	$ 22,153	$ 18,106	(15%)	5%	$ 18,930	$ 22,153	(15%)
Average	$ 18,143	$ 21,641	$ 18,600	(16%)	(2%)	$ 19,531	$ 20,659	(5%)
Managed credit card loans (1)								
Period end	$ 48,358	$ 51,143	$ 49,965	(5%)	(3%)	$ 48,358	$ 51,143	(5%)
Average	$ 48,835	$ 50,239	$ 50,663	(3%)	(4%)	$ 50,864	$ 49,835	2%
Interest yield	12.05%	12.45%	11.94%	(40 bp)	11 bp	11.93%	12.64%	(71 bp)
Interest spread	9.05%	8.62%	8.91%	43 bp	14 bp	8.77%	8.71%	6 bp
Net charge-off rate	6.87%	5.95%	6.90%	92 bp	(3 bp)	6.60%	6.19%	41 bp
Delinquency rate (over 30 days)	5.97%	5.96%	6.05%	1 bp	(8 bp)	5.97%	5.96%	1 bp
Delinquency rate (over 90 days)	2.82%	2.66%	2.91%	16 bp	(9 bp)	2.82%	2.66%	16 bp
Transaction volume (billions)	$ 23.0	$ 25.3	$ 24.8	(9%)	(7%)	$ 97.9	$ 97.3	1%
Accounts (millions)	46.1	46.5	46.3	(1%)	--	46.1	46.5	(1%)
Active accounts (millions)	20.8	22.6	21.3	(8%)	(2%)	20.8	22.6	(8%)
Avg. receivables per avg. active account (actual $)	$ 2,319	$ 2,214	$ 2,348	5%	(1%)	$ 2,329	$ 2,135	9%
Securitization gain	$ (7)	$ 4	$ (9)	*	22%	$ 30	$ 20	50%

(1) 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-13) 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-14) 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:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Investment banking	$ 707	$ 671	$ 608	5%	16%	$ 2,440	$ 2,478	(2%)
Principal transactions:								
Trading	894	433	2,105	106%	(58%)	6,138	2,730	125%
Investments	11	16	38	(31%)	(71%)	86	(31)	*
Commissions	813	747	775	9%	5%	2,970	3,278	(9%)
Asset mgmt., distribution and administration fees	973	902	956	8%	2%	3,706	3,932	(6%)
Interest and dividends	4,254	3,182	3,029	34%	40%	13,725	13,484	2%
Other	152	122	96	25%	58%	451	641	(30%)
Total revenues	7,804	6,073	7,607	29%	3%	29,516	26,512	11%
Interest expense	3,526	2,745	3,187	28%	11%	12,075	10,938	10%
Net revenues	4,278	3,328	4,420	29%	(3%)	17,441	15,574	12%
Compensation and benefits	1,572	971	1,745	62%	(10%)	7,726	7,170	8%
Occupancy and equipment	191	200	170	(5%)	12%	713	752	(5%)
Brokerage, clearing and exchange fees	233	213	212	9%	10%	838	779	8%
Information processing and communications	242	280	227	(14%)	7%	931	1,015	(8%)
Marketing and business development	148	152	107	(3%)	38%	487	564	(14%)
Professional services	290	266	218	9%	33%	878	842	4%
Other	224	153	156	46%	44%	1,156	675	71%
Restructuring and other charges	0	235	0	*	--	0	235	*
Total non-interest expenses	2,900	2,470	2,835	17%	2%	12,729	12,032	6%
Income before losses from unconsolidated investees, taxes and dividends on preferred securities subject to mandatory redemption	1,378	858	1,585	61%	(13%)	4,712	3,542	33%
Losses from unconsolidated investees	104	42	105	148%	(1%)	279	77	*
Income tax expense	319	253	349	26%	(9%)	1,153	1,150	--
Div. on pref. sec. subject to mandatory redemption	45	22	47	105%	(4%)	154	87	77%
Net income	$ 910	$ 541	$ 1,084	68%	(16%)	$ 3,126	$ 2,228	40%
Compensation and benefits as a % of net revenues	37%	29%	40%			44%	46%	
Non-compensation expenses as a % of net revenues (2)	31%	38%	25%			29%	30%	
Pre-tax profit margin (3)	29%	24%	32%			25%	22%	
Pre-tax profit margin excl. losses from unconsolidated investees (4)	31%	25%	35%			26%	22%	
After-tax profit margin (5)	21%	16%	25%			18%	14%	
Number of employees (6)	37,435	40,424	37,493	(7%)	--			

(1) Includes the elimination of intersegment activity.
(2) Excludes restructuring and other charges.
(3) Income before taxes, less losses from unconsolidated investees and dividends on preferred securities, as a % of net revenues.
(4) Income before taxes, less dividends on preferred securities, as a % of net revenues.
(5) Net income as a % of net revenues.
(6) 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:		Twelve Months Ended		Percentage
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002	Change
Fees:								
Merchant and cardmember	$ 512	$ 542	$ 523	(6%)	(2%)	$ 2,106	$ 2,110	--
Servicing	0	0	0	--	--	0	0	--
Other	1	3	19	(67%)	(95%)	109	80	36%
Total non-interest revenues	513	545	542	(6%)	(5%)	2,215	2,190	1%
Interest revenue	1,517	1,606	1,576	(6%)	(4%)	6,265	6,474	(3%)
Interest expense	366	475	391	(23%)	(6%)	1,608	1,937	(17%)
Net interest income	1,151	1,131	1,185	2%	(3%)	4,657	4,537	3%
Provision for consumer loan losses	853	749	893	14%	(4%)	3,445	3,170	9%
Net credit income	298	382	292	(22%)	2%	1,212	1,367	(11%)
Net revenues	811	927	834	(13%)	(3%)	3,427	3,557	(4%)
Compensation and benefits	210	178	195	18%	8%	819	770	6%
Occupancy and equipment	21	21	21	--	--	81	73	11%
Information processing and communications	101	97	88	4%	15%	357	360	(1%)
Marketing and business development	108	170	90	(36%)	20%	480	541	(11%)
Professional services	78	80	65	(3%)	20%	257	252	2%
Other	84	82	83	2%	1%	340	383	(11%)
Total non-interest expenses	602	628	542	(4%)	11%	2,334	2,379	(2%)
Income before taxes	209	299	292	(30%)	(28%)	1,093	1,178	(7%)
Income tax expense	78	108	107	(28%)	(27%)	405	418	(3%)
Net income	$ 131	$ 191	$ 185	(31%)	(29%)	$ 688	$ 760	(9%)
Compensation and benefits as a % of net revenues	26%	19%	23%			24%	22%	
Non-compensation expenses as a % of net revenues	48%	49%	42%			44%	45%	
Pre-tax profit margin (1)	26%	32%	35%			32%	33%	
After-tax profit margin (2)	16%	21%	22%			20%	21%	
Number of employees	13,761	15,302	14,712	(10%)	(6%)			

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

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

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

MORGAN STANLEY

The following pages (F-15 - F-17) present a reconciliation for certain information disclosed on pages F-7, F-12 and F-14.

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

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

General Purpose Credit Card Loans:	Quarter Ended Nov 30, 2003					Delinquency Rate	
	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	$ 48,358	$ 48,835	12.05%	9.05%	6.87%	5.97%	2.82%

General Purpose Credit Card Loans:	Quarter Ended Nov 30, 2002					Delinquency Rate	
	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
Owned	$ 22,153	$ 21,641	10.69%	5.59%	5.83%	5.32%	2.41%
Securitized	28,990	28,598	13.78%	10.84%	6.03%	6.45%	2.85%
Managed	$ 51,143	$ 50,239	12.45%	8.62%	5.95%	5.96%	2.66%

General Purpose Credit Card Loans:	Quarter Ended Aug 31, 2003					Delinquency Rate	
	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	$ 49,965	$ 50,663	11.94%	8.91%	6.90%	6.05%	2.91%

(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)

	Twelve Months 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	$ 19,531	10.02%	5.69%	6.05%	5.36%	2.53%
Securitized	29,428	31,333	13.13%	10.64%	6.95%	6.36%	3.01%
Managed	$ 48,358	$ 50,864	11.93%	8.77%	6.60%	5.97%	2.82%

	Twelve Months Ended Nov 30, 2002						
						Delinquency Rate	
General Purpose Credit Card Loans:	Period End	Average	Interest Yield	Interest Spread	Net Charge-offs	30 Days	90 Days
Owned	$ 22,153	$ 20,659	11.03%	5.74%	6.06%	5.32%	2.41%
Securitized	28,990	29,176	13.79%	10.78%	6.29%	6.45%	2.85%
Managed	$ 51,143	$ 49,835	12.64%	8.71%	6.19%	5.96%	2.66%

(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			Twelve Months Ended	
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003	Nov 30, 2003	Nov 30, 2002
Merchant and cardmember fees:					
Owned	$ 337	$ 372	$ 340	$ 1,379	$ 1,420
Securitization Adjustment	175	170	183	727	690
Managed	$ 512	$ 542	$ 523	$ 2,106	$ 2,110
Servicing fees:					
Owned	$ 483	$ 523	$ 462	$ 2,015	$ 2,080
Securitization Adjustment	(483)	(523)	(462)	(2,015)	(2,080)
Managed	$ -	$ -	$ -	$ -	$ -
Other:					
Owned	$ (5)	$ -	$ 18	$ 15	$ 30
Securitization Adjustment	6	3	1	94	50
Managed	$ 1	$ 3	$ 19	$ 109	$ 80
Interest revenue:					
Owned	$ 487	$ 612	$ 515	$ 2,091	$ 2,413
Securitization Adjustment	1,030	994	1,061	4,174	4,061
Managed	$ 1,517	$ 1,606	$ 1,576	$ 6,265	$ 6,474
Interest expense:					
Owned	$ 179	$ 261	$ 191	$ 806	$ 1,050
Securitization Adjustment	187	214	200	802	887
Managed	$ 366	$ 475	$ 391	$ 1,608	$ 1,937
Provision for consumer loan losses:					
Owned	$ 312	$ 319	$ 310	$ 1,267	$ 1,336
Securitization Adjustment	541	430	583	2,178	1,834
Managed	$ 853	$ 749	$ 893	$ 3,445	$ 3,170

(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-18) presents a reconciliation of adjusted assets.

Balance sheet leverage ratios are one indicator of capital adequacy when viewed in the context of a company's overall liquidity and capital policies. The Company views the adjusted leverage ratio as a more relevant measure of financial risk when comparing financial services firms and evaluating leverage trends. This ratio is adjusted to reflect the low-risk nature of assets attributable to matched resale agreements, certain securities borrowed transactions and segregated customer cash balances. In addition, the adjusted leverage ratio reflects the deduction from shareholders' equity of the amount of equity used to support goodwill, as the Company does not view this amount of equity as available to support its risk capital needs.

MORGAN STANLEY

Reconciliation of Adjusted Assets
(unaudited, dollars in millions, except ratios)

	Quarter Ended		
	Nov 30, 2003	Nov 30, 2002	Aug 31, 2003
Total assets	$ 602,843	$ 529,503	$ 580,632
Less:			
Lesser of securities purchased under agreements to resell or securities sold under agreements to repurchase	(78,205)	(76,910)	(74,271)
Assets recorded under certain provisions of SFAS No. 140 and FIN 46	(35,217)	(19,224)	(28,920)
Lesser of securities borrowed or securities loaned	(64,375)	(43,229)	(57,490)
Segregated customer cash and securities balances	(20,705)	(30,217)	(25,670)
Goodwill	(1,514)	(1,449)	(1,466)
Adjusted assets	$ 402,827	$ 358,474	$ 392,815
Shareholders' equity	$ 25,061	$ 21,885	$ 23,707
Preferred securities subject to mandatory redemption	2,810	1,210	2,810
Subtotal	27,871	23,095	26,517
Less: Goodwill	(1,514)	(1,449)	(1,466)
Tangible shareholders' equity	$ 26,357	$ 21,646	$ 25,051
Leverage ratio (1)	22.9x	24.5x	23.2x
Adjusted leverage ratio (2)	15.3x	16.6x	15.7x

(1) Leverage ratio equals total assets divided by tangible shareholders' equity.
(2) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.
Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.