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| Updated as of July 10, 2007 |
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MORGAN STANLEY
Financial Supplement - 2Q 2007
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MORGAN STANLEY
Quarterly Financial Summary⁽¹⁾
(unaudited, dollars in millions)

| | Quarter Ended | | | | Percentage Change From: | | | | Six Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|------------------|---------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Net revenues | | | | | | | | | | | |
| Institutional Securities | \$ 5,437 | \$ 5,305 | \$ 4,894 | \$ 5,438 | \$ 7,124 | \$ 7,393 | 39% | 4% | \$ 10,742 | \$ 14,517 | 35% |
| Global Wealth Management Group | 1,289 | 1,400 | 1,371 | 1,452 | 1,511 | 1,642 | 17% | 9% | 2,689 | 3,153 | 17% |
| Asset Management | 737 | 898 | 845 | 973 | 1,368 | 1,509 | 68% | 10% | 1,635 | 2,877 | 76% |
| Discover | 1,089 | 1,191 | 1,047 | 963 | 1,025 | 1,035 | (13%) | 1% | 2,280 | 2,060 | (10%) |
| Intersegment Eliminations | (49) | (90) | (46) | (51) | (47) | (56) | 38% | (19%) | (139) | (103) | 26% |
| Consolidated net revenues | \$ 8,503 | \$ 8,704 | \$ 8,111 | \$ 8,775 | \$ 10,981 | \$ 11,523 | 32% | 5% | \$ 17,207 | \$ 22,504 | 31% |
| Income before taxes ⁽²⁾ | | | | | | | | | | | |
| Institutional Securities | \$ 1,721 | \$ 1,910 | \$ 1,932 | \$ 2,218 | \$ 2,860 | \$ 2,965 | 55% | 4% | \$ 3,631 | \$ 5,825 | 60% |
| Global Wealth Management Group | 24 | 161 | 166 | 175 | 229 | 269 | 67% | 17% | 185 | 498 | 169% |
| Asset Management | 168 | 264 | 158 | 270 | 381 | 306 | 16% | (20%) | 432 | 687 | 59% |
| Discover | 479 | 541 | 368 | 199 | 372 | 333 | (38%) | (10%) | 1,020 | 705 | (31%) |
| Intersegment Eliminations | 19 | (13) | 15 | 12 | 5 | 1 | 108% | (80%) | 6 | 6 | -- |
| Consolidated income before taxes | \$ 2,411 | \$ 2,863 | \$ 2,639 | \$ 2,874 | \$ 3,847 | \$ 3,874 | 35% | 1% | \$ 5,274 | \$ 7,721 | 46% |
| Earnings per basic share: ⁽³⁾ | | | | | | | | | | | |
| Income from continuing operations | \$ 1.57 | \$ 1.81 | \$ 1.83 | \$ 2.19 | \$ 2.52 | \$ 2.57 | 42% | 2% | \$ 3.37 | \$ 5.09 | 51% |
| Discontinued operations | \$ (0.03) | \$ 0.01 | \$ - | \$ - | \$ 0.11 | \$ - | * | * | \$ (0.01) | \$ 0.12 | * |
| Earnings per basic share | \$ 1.54 | \$ 1.82 | \$ 1.83 | \$ 2.19 | \$ 2.63 | \$ 2.57 | 41% | (2%) | \$ 3.36 | \$ 5.21 | 55% |
| Earnings per diluted share: ⁽³⁾ | | | | | | | | | | | |
| Income from continuing operations | \$ 1.51 | \$ 1.74 | \$ 1.75 | \$ 2.08 | \$ 2.40 | \$ 2.45 | 41% | 2% | \$ 3.25 | \$ 4.86 | 50% |
| Discontinued operations | \$ (0.03) | \$ 0.01 | \$ - | \$ - | \$ 0.11 | \$ - | * | * | \$ (0.02) | \$ 0.10 | * |
| Earnings per diluted share | \$ 1.48 | \$ 1.75 | \$ 1.75 | \$ 2.08 | \$ 2.51 | \$ 2.45 | 40% | (2%) | \$ 3.23 | \$ 4.96 | 54% |
| Average common shares outstanding | | | | | | | | | | | |
| Basic | 1,020,041,181 | 1,013,241,715 | 1,010,468,365 | 997,892,310 | 1,009,186,993 | 996,544,761 | | | 1,016,756,096 | 1,002,894,369 | |
| Diluted | 1,061,764,798 | 1,054,733,745 | 1,055,664,392 | 1,052,831,345 | 1,057,912,545 | 1,045,643,087 | | | 1,056,493,761 | 1,051,684,753 | |
| Period end common shares outstanding | 1,070,407,513 | 1,071,786,172 | 1,058,664,567 | 1,048,877,006 | 1,061,644,077 | 1,051,690,047 | | | 1,071,786,172 | 1,051,690,047 | |
| Return on average common equity | | | | | | | | | | | |
| from continuing operations | 21.9% | 23.7% | 22.8% | 26.1% | 28.8% | 27.5% | | | 22.8% | 28.2% | |
| Return on average common equity | 21.3% | 23.7% | 22.7% | 26.0% | 29.9% | 27.5% | | | 22.5% | 28.7% | |

(1) All periods have been restated to reflect the transfer of the real estate investing business from Institutional Securities to Asset Management. Real estate advisory and certain passive limited partnership interests remain in Institutional Securities.

(2) Represents consolidated income from continuing operations before gain/(loss) from unconsolidated investees, taxes and gain/(loss) from discontinued operations.

(3) Summation of the quarters' earnings per common share may not equal the annual amounts due to the averaging effect of the number of shares and share equivalents throughout the year.

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

Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|--|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------|---------------|------------------|--------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Investment banking | \$ 982 | \$ 1,132 | \$ 1,138 | \$ 1,503 | \$ 1,227 | \$ 1,913 | 69% | 56% | \$ 2,114 | \$ 3,140 | 49% |
| Principal transactions: | | | | | | | | | | | |
| Trading | 3,086 | 3,559 | 2,843 | 2,317 | 4,158 | 4,838 | 36% | 16% | 6,645 | 8,996 | 35% |
| Investments | 300 | 629 | 300 | 578 | 880 | 1,004 | 60% | 14% | 929 | 1,884 | 103% |
| Commissions | 920 | 994 | 880 | 976 | 1,005 | 1,123 | 13% | 12% | 1,914 | 2,128 | 11% |
| Fees: | | | | | | | | | | | |
| Asset management, distribution and admin. | 1,268 | 1,321 | 1,312 | 1,337 | 1,479 | 1,596 | 21% | 8% | 2,589 | 3,075 | 19% |
| Merchant, cardmember and other | 289 | 277 | 312 | 289 | 297 | 261 | (6%) | (12%) | 566 | 558 | (1%) |
| Servicing and securitization income | 596 | 651 | 565 | 526 | 556 | 643 | (1%) | 16% | 1,247 | 1,199 | (4%) |
| Interest and dividends | 10,544 | 10,111 | 12,664 | 11,880 | 14,814 | 16,066 | 59% | 8% | 20,655 | 30,880 | 50% |
| Other | 134 | 125 | 132 | 228 | 245 | 290 | 132% | 18% | 259 | 535 | 107% |
| Total revenues | 18,119 | 18,799 | 20,146 | 19,634 | 24,661 | 27,734 | 48% | 12% | 36,918 | 52,395 | 42% |
| Interest expense | 9,461 | 9,965 | 11,803 | 10,620 | 13,485 | 16,007 | 61% | 19% | 19,426 | 29,492 | 52% |
| Provision for consumer loan losses | 155 | 130 | 232 | 239 | 195 | 204 | 57% | 5% | 285 | 399 | 40% |
| Net revenues | 8,503 | 8,704 | 8,111 | 8,775 | 10,981 | 11,523 | 32% | 5% | 17,207 | 22,504 | 31% |
| Compensation and benefits | 4,242 | 3,802 | 3,305 | 3,506 | 4,992 | 5,218 | 37% | 5% | 8,044 | 10,210 | 27% |
| Occupancy and equipment | 230 | 236 | 253 | 274 | 280 | 301 | 28% | 8% | 466 | 581 | 25% |
| Brokerage, clearing and exchange fees | 292 | 340 | 339 | 334 | 361 | 366 | 8% | 1% | 632 | 727 | 15% |
| Information processing and communications | 346 | 364 | 369 | 384 | 369 | 381 | 5% | 3% | 710 | 750 | 6% |
| Marketing and business development | 238 | 297 | 291 | 418 | 294 | 340 | 14% | 16% | 535 | 634 | 19% |
| Professional services | 433 | 537 | 548 | 724 | 499 | 626 | 17% | 25% | 970 | 1,125 | 16% |
| Other | 311 | 265 | 367 | 261 | 339 | 417 | 57% | 23% | 576 | 756 | 31% |
| Total non-interest expenses | 6,092 | 5,841 | 5,472 | 5,901 | 7,134 | 7,649 | 31% | 7% | 11,933 | 14,783 | 24% |
| Income from continuing operations before gain/(loss) | | | | | | | | | | | |
| from unconsolidated investees and taxes | 2,411 | 2,863 | 2,639 | 2,874 | 3,847 | 3,874 | 35% | 1% | 5,274 | 7,721 | 46% |
| Gain/(loss) from unconsolidated investees | (20) | 23 | 20 | (65) | (27) | (21) | (191%) | 22% | 3 | (48) | * |
| Provision for income taxes | 789 | 1,058 | 811 | 607 | 1,261 | 1,271 | 20% | 1% | 1,847 | 2,532 | 37% |
| Income from continuing operations | 1,602 | 1,828 | 1,848 | 2,202 | 2,559 | 2,582 | 41% | 1% | 3,430 | 5,141 | 50% |
| Discontinued operations ⁽¹⁾ | | | | | | | | | | | |
| Gain/(loss) from discontinued operations | (48) | 21 | 5 | 6 | 174 | 0 | * | * | (26) | 174 | * |
| Income tax benefit/(provision) | 20 | (8) | (2) | (2) | (61) | 0 | * | * | 11 | (61) | * |
| Gain/(loss) from discontinued operations | (28) | 13 | 3 | 4 | 113 | 0 | * | * | (15) | 113 | * |
| Net income | \$ 1,574 | \$ 1,841 | \$ 1,851 | \$ 2,206 | \$ 2,672 | \$ 2,582 | 40% | (3%) | \$ 3,415 | \$ 5,254 | 54% |
| Preferred stock dividend requirements | \$ - | \$ - | \$ - | \$ 19 | \$ 17 | \$ 17 | * | -- | \$ - | \$ 34 | * |
| Earnings applicable to common shareholders | \$ 1,574 | \$ 1,841 | \$ 1,851 | \$ 2,187 | \$ 2,655 | \$ 2,565 | 39% | (3%) | \$ 3,415 | \$ 5,220 | 53% |
| Return on average common equity | | | | | | | | | | | |
| from continuing operations | 21.9% | 23.7% | 22.8% | 26.1% | 28.8% | 27.5% | | | 22.8% | 28.2% | |
| Return on average common equity | 21.3% | 23.7% | 22.7% | 26.0% | 29.9% | 27.5% | | | 22.5% | 28.7% | |
| Pre-tax profit margin ⁽²⁾ | 28% | 33% | 33% | 33% | 35% | 34% | | | 31% | 34% | |
| Compensation and benefits as a % of net revenues | 50% | 44% | 41% | 40% | 46% | 45% | | | 47% | 45% | |

(1) Gain/(loss) from discontinued operations for the quarter ended Feb 28, 2007 reflects the operating results for Quilter Holdings Limited and the gain related to the sale of this business.

(2) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

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

Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Consolidated Financial Information and Statistical Data
(unaudited)

| | Quarter Ended | | | | | | Percentage Change From: | |
|--|---------------|--------------|--------------|--------------|------------------|--------------|-------------------------|---------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 (1) | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 |
| Morgan Stanley | | | | | | | | |
| Total assets (millions) | \$ 959,950 | \$ 1,027,419 | \$ 1,029,354 | \$ 1,121,192 | \$ 1,182,061 | \$ 1,199,993 | 17% | 2% |
| Adjusted assets (millions) ⁽²⁾ | \$ 517,329 | \$ 534,034 | \$ 544,167 | \$ 638,158 | \$ 654,999 | \$ 704,421 | 32% | 8% |
| Period end common shares outstanding (millions) | 1,070.4 | 1,071.8 | 1,058.7 | 1,048.9 | 1,061.6 | 1,051.7 | (2%) | (1%) |
| Book value per common share | \$ 28.12 | \$ 29.97 | \$ 31.24 | \$ 32.67 | \$ 34.71 | \$ 36.52 | 22% | 5% |
| Shareholders' equity (millions) ⁽³⁾ | \$ 33,886 | \$ 35,902 | \$ 37,956 | \$ 40,248 | \$ 42,839 | \$ 44,385 | 24% | 4% |
| Total capital (millions) ⁽⁴⁾ | \$ 134,366 | \$ 145,849 | \$ 149,956 | \$ 162,134 | \$ 177,270 | \$ 187,250 | 28% | 6% |
| Worldwide employees | 53,870 | 53,163 | 54,349 | 56,310 | 57,845 | 58,333 | 10% | 1% |
| | | | | | | | | |
| Average Daily 95%/One-Day Value-at-Risk ("VaR") ⁽⁵⁾ | | | | | | | | |
| Primary Market Risk Category (\$ millions, pre-tax) | | | | | | | | |
| Interest rate and credit spread | \$ 35 | \$ 39 | \$ 33 | \$ 34 | \$ 39 | \$ 40 | | |
| Equity price | \$ 25 | \$ 29 | \$ 26 | \$ 32 | \$ 45 | \$ 44 | | |
| Foreign exchange rate | \$ 9 | \$ 9 | \$ 7 | \$ 12 | \$ 15 | \$ 16 | | |
| Commodity price | \$ 31 | \$ 28 | \$ 33 | \$ 30 | \$ 40 | \$ 34 | | |
| Trading VaR | \$ 58 | \$ 63 | \$ 56 | \$ 61 | \$ 90 | \$ 81 | | |
| Non - trading VaR | \$ 20 | \$ 26 | \$ 24 | \$ 18 | \$ 14 | \$ 17 | | |
| Aggregate trading and non - trading VaR | \$ 65 | \$ 70 | \$ 66 | \$ 67 | \$ 92 | \$ 87 | | |

(1) Effective December 1, 2006, the Company elected early adoption of SFAS No. 157, "Fair Value Measurements", and SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." As a result of the adoption of SFAS No. 157 and SFAS No. 159, the Company recorded an after-tax cumulative effect adjustment of \$186 million as an increase to the opening balance of retained earnings as of December 1, 2006.

(2) 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 23 for further information.

(3) Includes common equity, preferred equity and junior subordinated debt issued to capital trusts.

(4) Includes common equity, preferred equity, junior subordinated debt issued to capital trusts, capital units and the non-current portion of long-term debt.

(5) 95%/One-Day VaR represents the loss amount that one would not expect to exceed, on average, more than five times every one hundred trading days in the Company's trading positions if the portfolio were held constant for a one day period. 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 2006.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Consolidated Financial Information and Statistical Data
(unaudited)

| | Quarter Ended | | | | | | Six Months Ended | | |
|--------------------------------|--|--|---------------------------------------|--|--|---------------------------------------|--|--|---------------------------------------|
| | Feb 28, 2007 (1) | | | May 31, 2007 | | | May 31, 2007 (1) | | |
| | Average tier 1 equity (billions) (2) | Average common equity (billions) (2) | Return on average common equity | Average tier 1 equity (billions) (2) | Average common equity (billions) (2) | Return on average common equity | Average tier 1 equity (billions) (2) | Average common equity (billions) (2) | Return on average common equity |
| Institutional Securities | \$ 21.0 | \$ 20.0 | 39% | \$ 23.7 | \$ 22.8 | 35% | \$ 22.4 | \$ 21.4 | 37% |
| Global Wealth Management Group | 1.5 | 1.7 | 33% | 1.5 | 1.6 | 41% | 1.5 | 1.7 | 37% |
| Asset Management | 2.3 | 3.0 | 31% | 2.7 | 3.4 | 23% | 2.5 | 3.2 | 27% |
| Securities Business | 24.8 | 24.7 | 37% | 27.9 | 27.8 | 34% | 26.4 | 26.3 | 36% |
| Discover | 4.6 | 5.5 | 17% | 4.5 | 5.3 | 16% | 4.6 | 5.4 | 16% |
| Capital surplus (unallocated) | 5.1 | 5.1 | | 4.2 | 4.2 | | 4.6 | 4.6 | |
| Total - continuing operations | 34.5 | 35.3 | 29% | 36.6 | 37.3 | 27% | 35.6 | 36.3 | 28% |
| Discontinued operations | 0.0 | 0.2 | | 0.0 | 0.1 | | 0.0 | 0.1 | |
| Firm | <u>\$ 34.5</u> | <u>\$ 35.5</u> | 30% | <u>\$ 36.6</u> | <u>\$ 37.4</u> | 27% | <u>\$ 35.6</u> | <u>\$ 36.4</u> | 29% |

| | Quarter Ended | | | | | | Six Months Ended | | | |
|--------------------------------|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
| | Feb 28, 2006 | | May 31, 2006 | | Aug 31, 2006 | | Nov 30, 2006 | | May 31, 2006 | |
| | Average common equity (billions) | Return on average common equity | Average common equity (billions) | Return on average common equity | Average common equity (billions) | Return on average common equity | Average common equity (billions) | Return on average common equity | Average common equity (billions) (2) | Return on average common equity |
| Institutional Securities | \$ 16.0 | 29% | \$ 17.9 | 28% | \$ 18.6 | 30% | \$ 19.4 | 35% | \$ 16.9 | 28% |
| Global Wealth Management Group | 3.3 | 2% | 3.1 | 14% | 2.8 | 16% | 2.8 | 18% | 3.2 | 8% |
| Asset Management | 2.2 | 18% | 2.3 | 28% | 2.5 | 15% | 2.7 | 23% | 2.2 | 23% |
| Securities Business | 21.5 | 24% | 23.3 | 26% | 23.9 | 27% | 24.9 | 32% | 22.3 | 25% |
| Discover | 4.6 | 26% | 5.0 | 27% | 5.1 | 19% | 5.1 | 15% | 4.8 | 27% |
| Capital surplus (unallocated) | 3.2 | | 2.6 | | 3.4 | | 3.5 | | 3.0 | |
| Total - continuing operations | 29.3 | 22% | 30.9 | 24% | 32.4 | 23% | 33.5 | 26% | 30.1 | 23% |
| Discontinued operations | 0.2 | | 0.2 | | 0.2 | | 0.2 | | 0.2 | |
| Firm | <u>\$ 29.5</u> | 21% | <u>\$ 31.1</u> | 24% | <u>\$ 32.6</u> | 23% | <u>\$ 33.7</u> | 26% | <u>\$ 30.3</u> | 23% |

(1) For the quarter ended Feb 28, 2007, the Company had reassessed the amount of capital required to support the market risks and credit risks in its Global Wealth Management business.

(2) The Company uses an economic capital model to determine the amount of equity capital needed to support the risk of its business activities and to ensure that the Company remains adequately capitalized. Economic capital is defined as the amount of capital needed to run the business through the business cycle and satisfy the requirements of regulators, rating agencies and the market. The Company's methodology is based on a going concern approach that assigns economic capital to each segment based on regulatory capital usage plus additional capital for stress losses, goodwill and principal investment risk. The economic capital model and allocation methodology may be enhanced over time in response to changes in the business and regulatory environment. Beginning in 1Q07, economic capital is met by regulatory Tier 1 equity (including common shareholders' equity, certain preferred stock, eligible hybrid capital instruments and deductions of goodwill and certain intangibles and deferred tax assets), subject to regulatory limits. This enhancement to the Company's equity capital model and related disclosures has been made on a prospective basis.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Additionally, the average common equity related to Quilter Holdings Limited has been reclassified to discontinued operations in all periods. Refer to Legal Notice page 25.

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

| | Quarter Ended ⁽¹⁾ | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|--|------------------------------|-----------------|-----------------|-----------------|------------------|------------------|-------------------------|---------------|------------------|------------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 (2) | May 31, 2007 (2) | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 (2) | |
| Investment banking | \$ 892 | \$ 1,035 | \$ 992 | \$ 1,309 | \$ 1,032 | \$ 1,704 | 65% | 65% | \$ 1,927 | \$ 2,736 | 42% |
| Principal transactions: | | | | | | | | | | | |
| Trading | 2,963 | 3,442 | 2,728 | 2,193 | 4,029 | 4,705 | 37% | 17% | 6,405 | 8,734 | 36% |
| Investments | 243 | 389 | 114 | 335 | 350 | 396 | 2% | 13% | 632 | 746 | 18% |
| Commissions | 610 | 693 | 630 | 673 | 691 | 766 | 11% | 11% | 1,303 | 1,457 | 12% |
| Asset management, distribution and admin. fees | 8 | 29 | 19 | 17 | 25 | 25 | (14%) | -- | 37 | 50 | 35% |
| Servicing income | 0 | 0 | 0 | 0 | 35 | 42 | * | 20% | 0 | 77 | * |
| Interest and dividends | 9,788 | 9,318 | 11,823 | 11,044 | 13,960 | 15,132 | 62% | 8% | 19,106 | 29,092 | 52% |
| Other | 95 | 86 | 91 | 172 | 168 | 227 | 164% | 35% | 181 | 395 | 118% |
| Total revenues | 14,599 | 14,992 | 16,397 | 15,743 | 20,290 | 22,997 | 53% | 13% | 29,591 | 43,287 | 46% |
| Interest expense | 9,162 | 9,687 | 11,503 | 10,305 | 13,166 | 15,604 | 61% | 19% | 18,849 | 28,770 | 53% |
| Net revenues | 5,437 | 5,305 | 4,894 | 5,438 | 7,124 | 7,393 | 39% | 4% | 10,742 | 14,517 | 35% |
| Total non-interest expenses | 3,716 | 3,395 | 2,962 | 3,220 | 4,264 | 4,428 | 30% | 4% | 7,111 | 8,692 | 22% |
| Income from continuing operations before gain/(loss) from unconsolidated investees and taxes | 1,721 | 1,910 | 1,932 | 2,218 | 2,860 | 2,965 | 55% | 4% | 3,631 | 5,825 | 60% |
| Gain/(loss) from unconsolidated investees | (19) | 23 | 21 | (64) | (26) | (20) | (187%) | 23% | 4 | (46) | * |
| Income before taxes | 1,702 | 1,933 | 1,953 | 2,154 | 2,834 | 2,945 | 52% | 4% | 3,635 | 5,779 | 59% |
| Provision for income taxes | 528 | 703 | 562 | 439 | 884 | 937 | 33% | 6% | 1,231 | 1,821 | 48% |
| Income from continuing operations ⁽³⁾ | <u>\$ 1,174</u> | <u>\$ 1,230</u> | <u>\$ 1,391</u> | <u>\$ 1,715</u> | <u>\$ 1,950</u> | <u>\$ 2,008</u> | 63% | 3% | <u>\$ 2,404</u> | <u>\$ 3,958</u> | 65% |
| Return on average common equity ⁽⁴⁾ | 29% | 28% | 30% | 35% | 39% | 35% | | | 28% | 37% | |
| Pre-tax profit margin ⁽⁵⁾ | 32% | 36% | 40% | 41% | 40% | 40% | | | 34% | 40% | |

(1) All periods have been restated to reflect the transfer of the real estate investing business from Institutional Securities to Asset Management. Real estate advisory and certain passive limited partnership interests remain in Institutional Securities.

(2) Principal transactions investments revenue reflects net gain/(loss) on investments marked at fair value. The related investment asset balance for the quarters ended Feb 28, 2007 and May 31, 2007 are \$4.4 billion and \$5.9 billion, respectively.

(3) Excludes gain/(loss) from discontinued operations.

(4) Refer to page 4 for the allocation of average common equity.

(5) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | Percentage Change From: | | | | Six Months Ended | | Percentage Change |
|---|---------------|--------------|--------------|--------------|-------------------------|--------------|---------------|---------------|------------------|--------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Investment Banking | | | | | | | | | | | |
| Advisory revenue | \$ 344 | \$ 365 | \$ 444 | \$ 600 | \$ 373 | \$ 725 | 99% | 94% | \$ 709 | \$ 1,098 | 55% |
| Underwriting revenue | | | | | | | | | | | |
| Equity | 197 | 371 | 237 | 254 | 300 | 493 | 33% | 64% | 568 | 793 | 40% |
| Fixed income | 351 | 299 | 311 | 455 | 359 | 486 | 63% | 35% | 650 | 845 | 30% |
| Total underwriting revenue | \$ 548 | \$ 670 | \$ 548 | \$ 709 | \$ 659 | \$ 979 | 46% | 49% | \$ 1,218 | \$ 1,638 | 34% |
| Total investment banking revenue | \$ 892 | \$ 1,035 | \$ 992 | \$ 1,309 | \$ 1,032 | \$ 1,704 | 65% | 65% | \$ 1,927 | \$ 2,736 | 42% |
| Sales & Trading ⁽¹⁾ | | | | | | | | | | | |
| Equity | \$ 1,656 | \$ 1,669 | \$ 1,520 | \$ 1,436 | \$ 2,209 | \$ 2,216 | 33% | -- | \$ 3,325 | \$ 4,425 | 33% |
| Fixed income | 2,651 | 2,131 | 2,257 | 2,216 | 3,393 | 2,859 | 34% | (16%) | 4,782 | 6,252 | 31% |
| Other | (108) | (34) | (99) | (47) | (88) | (76) | (124%) | 14% | (142) | (164) | (15%) |
| Total sales & trading net revenue | \$ 4,199 | \$ 3,766 | \$ 3,678 | \$ 3,605 | \$ 5,514 | \$ 4,999 | 33% | (9%) | \$ 7,965 | \$ 10,513 | 32% |

| | Fiscal View | | | | | | Calendar View | |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|--------------|
| | Quarter Ended (2) | | | | | | Five Months Ended (2) | |
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | May 31, 2006 | May 31, 2007 |
| Mergers and acquisitions announced transactions | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ 301.2 | \$ 178.8 | \$ 167.4 | \$ 373.9 | \$ 316.8 | \$ 484.7 | \$ 314.5 | \$ 698.1 |
| Market share | 42.1% | 20.6% | 23.1% | 36.9% | 33.5% | 31.3% | 25.0% | 32.7% |
| Rank | 2 | 3 | 4 | 1 | 2 | 4 | 3 | 2 |
| Mergers and acquisitions completed transactions | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ 176.8 | \$ 182.3 | \$ 172.6 | \$ 227.3 | \$ 181.7 | \$ 338.9 | \$ 290.1 | \$ 488.8 |
| Market share | 27.5% | 29.5% | 25.9% | 32.3% | 22.2% | 42.7% | 28.1% | 38.5% |
| Rank | 3 | 2 | 5 | 1 | 3 | 1 | 2 | 1 |
| Global equity and related issues | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ 10.8 | \$ 19.2 | \$ 10.5 | \$ 14.9 | \$ 13.9 | \$ 20.0 | \$ 24.0 | \$ 26.0 |
| Market share | 7.4% | 9.3% | 8.5% | 6.6% | 7.6% | 8.6% | 8.4% | 7.7% |
| Rank | 4 | 2 | 4 | 6 | 4 | 3 | 3 | 5 |
| Global IPO's | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ 2.7 | \$ 7.6 | \$ 5.2 | \$ 6.1 | \$ 4.0 | \$ 6.3 | \$ 9.0 | \$ 8.0 |
| Market Share | 6.8% | 11.0% | 11.1% | 6.3% | 7.6% | 8.0% | 9.8% | 7.7% |
| Rank | 5 | 3 | 1 | 6 | 3 | 4 | 2 | 3 |
| Global debt | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ 96.1 | \$ 102.3 | \$ 89.2 | \$ 111.5 | \$ 100.5 | \$ 133.4 | \$ 178.3 | \$ 203.1 |
| Market share | 5.9% | 5.9% | 5.6% | 5.3% | 5.6% | 6.6% | 6.2% | 6.2% |
| Rank | 5 | 5 | 7 | 7 | 5 | 3 | 5 | 5 |

(1) Includes principal transactions trading, commissions and net interest revenue. Equity and Fixed income sales and trading net revenue have been restated to include certain funding costs not previously allocated to those businesses. Other sales and trading net revenue primarily includes results related to Investment Banking and other activities.

(2) Source: Thomson Financial, data as of June 7, 2007.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Institutional Securities
(unaudited, dollars in billions)

| | Quarter Ended | | | | | | Percentage Change From: | |
|--|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------|---------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 |
| Corporate funded loans | | | | | | | | |
| Investment grade | \$ 5.6 | \$ 6.2 | \$ 7.4 | \$ 6.4 | \$ 6.2 | \$ 13.7 | 121% | 121% |
| Non-investment grade | 2.9 | 2.9 | 5.4 | 3.4 | 3.9 | 4.9 | 69% | 26% |
| Total corporate funded loans | \$ 8.5 | \$ 9.1 | \$ 12.8 | \$ 9.8 | \$ 10.1 | \$ 18.6 | 104% | 84% |
| Corporate lending commitments | | | | | | | | |
| Investment grade | \$ 30.2 | \$ 28.2 | \$ 30.4 | \$ 35.0 | \$ 31.5 | \$ 42.1 | 49% | 34% |
| Non-investment grade | 6.3 | 9.0 | 19.1 | 18.5 | 25.5 | 32.4 | * | 27% |
| Total corporate lending commitments | \$ 36.5 | \$ 37.2 | \$ 49.5 | \$ 53.5 | \$ 57.0 | \$ 74.5 | 100% | 31% |
| Corporate funded loans plus lending commitments | | | | | | | | |
| Investment grade | \$ 35.8 | \$ 34.4 | \$ 37.8 | \$ 41.4 | \$ 37.7 | \$ 55.8 | 62% | 48% |
| Non-investment grade | \$ 9.2 | \$ 11.9 | \$ 24.5 | \$ 21.9 | \$ 29.4 | \$ 37.3 | * | 27% |
| % investment grade | 80% | 74% | 61% | 65% | 56% | 60% | | |
| % non-investment grade | 20% | 26% | 39% | 35% | 44% | 40% | | |
| Total corporate funded loans and lending commitments | \$ 45.0 | \$ 46.3 | \$ 62.3 | \$ 63.3 | \$ 67.1 | \$ 93.1 | 101% | 39% |
| Hedges ⁽¹⁾ | \$ 17.7 | \$ 23.8 | \$ 24.3 | \$ 26.5 | \$ 29.9 | \$ 34.2 | 44% | 14% |
| Total corporate funded loans and lending commitments net of hedges | \$ 27.3 | \$ 22.5 | \$ 38.0 | \$ 36.8 | \$ 37.2 | \$ 58.9 | 162% | 58% |

(1) Includes both internal and external hedges utilized by the lending business.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Global Wealth Management Group Income Statement Information
(unaudited, dollars in millions)

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|------------------|---------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Investment banking | \$ 67 | \$ 95 | \$ 120 | \$ 146 | \$ 166 | \$ 164 | 73% | (1%) | \$ 162 | \$ 330 | 104% |
| Principal transactions: | | | | | | | | | | | |
| Trading | 125 | 120 | 117 | 125 | 129 | 133 | 11% | 3% | 245 | 262 | 7% |
| Investments | 1 | 27 | 16 | 13 | (2) | 20 | (26%) | * | 28 | 18 | (36%) |
| Commissions | 310 | 302 | 252 | 304 | 315 | 357 | 18% | 13% | 612 | 672 | 10% |
| Asset management, distribution and admin fees | 667 | 691 | 704 | 695 | 729 | 769 | 11% | 5% | 1,358 | 1,498 | 10% |
| Interest and dividends | 203 | 243 | 265 | 293 | 274 | 298 | 23% | 9% | 446 | 572 | 28% |
| Other | 31 | 36 | 26 | 37 | 38 | 40 | 11% | 5% | 67 | 78 | 16% |
| Total revenues | <u>1,404</u> | <u>1,514</u> | <u>1,500</u> | <u>1,613</u> | <u>1,649</u> | <u>1,781</u> | 18% | 8% | <u>2,918</u> | <u>3,430</u> | 18% |
| Interest expense | <u>115</u> | <u>114</u> | <u>129</u> | <u>161</u> | <u>138</u> | <u>139</u> | 22% | 1% | <u>229</u> | <u>277</u> | 21% |
| Net revenues | <u>1,289</u> | <u>1,400</u> | <u>1,371</u> | <u>1,452</u> | <u>1,511</u> | <u>1,642</u> | 17% | 9% | <u>2,689</u> | <u>3,153</u> | 17% |
| Total non-interest expenses | <u>1,265</u> | <u>1,239</u> | <u>1,205</u> | <u>1,277</u> | <u>1,282</u> | <u>1,373</u> | 11% | 7% | <u>2,504</u> | <u>2,655</u> | 6% |
| Income before taxes | 24 | 161 | 166 | 175 | 229 | 269 | 67% | 17% | 185 | 498 | 169% |
| Provision for income taxes | <u>9</u> | <u>54</u> | <u>55</u> | <u>54</u> | <u>88</u> | <u>104</u> | 93% | 18% | <u>63</u> | <u>192</u> | * |
| Income from continuing operations | <u>\$ 15</u> | <u>\$ 107</u> | <u>\$ 111</u> | <u>\$ 121</u> | <u>\$ 141</u> | <u>\$ 165</u> | 54% | 17% | <u>\$ 122</u> | <u>\$ 306</u> | 151% |
| Return on average common equity ⁽¹⁾ | 2% | 14% | 16% | 18% | 33% | 41% | | | 8% | 37% | |
| Pre-tax profit margin ⁽²⁾ | 2% | 12% | 12% | 12% | 15% | 16% | | | 7% | 16% | |

(1) Refer to page 4 for the allocation of average common equity.

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

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Global Wealth Management Group
(unaudited)

| | Quarter Ended | | | | | | Percentage Change From: | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------|---------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 |
| Global representatives | 8,913 | 8,091 | 7,982 | 7,944 | 7,993 | 8,137 | 1% | 2% |
| Annualized revenue per global representative (thousands) ⁽¹⁾ | \$ 562 | \$ 659 | \$ 682 | \$ 729 | \$ 758 | \$ 814 | 24% | 7% |
| Assets by client segment (billions) | | | | | | | | |
| \$10m or more | 166 | 170 | 176 | 199 | 210 | 223 | 31% | 6% |
| \$1m - \$10m | 220 | 220 | 229 | 243 | 248 | 268 | 22% | 8% |
| Subtotal - > \$1m | 386 | 390 | 405 | 442 | 458 | 491 | 26% | 7% |
| \$100k - \$1m | 177 | 180 | 180 | 177 | 174 | 180 | -- | 3% |
| < \$100k | 32 | 29 | 28 | 27 | 26 | 24 | (17%) | (8%) |
| Client assets excluding corporate/other | 595 | 599 | 613 | 646 | 658 | 695 | 16% | 6% |
| Corporate / other | 29 | 30 | 29 | 30 | 32 | 33 | 10% | 3% |
| Total client assets (billions) | \$ 624 | \$ 629 | \$ 642 | \$ 676 | \$ 690 | \$ 728 | 16% | 6% |
| % of assets by client segment > \$1m ⁽²⁾ | 65% | 65% | 66% | 68% | 70% | 71% | | |
| Fee-based client account assets (billions) ⁽³⁾ | \$ 173 | \$ 180 | \$ 183 | \$ 195 | \$ 202 | \$ 210 | 17% | 4% |
| Fee-based assets as a % of client assets | 28% | 29% | 29% | 29% | 29% | 29% | | |
| Bank deposit program (millions) | \$ 7,319 | \$ 9,114 | \$ 9,839 | \$ 13,301 | \$ 16,364 | \$ 18,226 | 100% | 11% |
| Client assets per global representative (millions) ⁽⁴⁾ | \$ 70 | \$ 78 | \$ 80 | \$ 85 | \$ 86 | \$ 89 | 14% | 3% |
| Domestic retail net new assets (billions) ⁽⁵⁾ | \$ - | \$ 2.4 | \$ 5.4 | \$ 0.7 | \$ 6.7 | \$ 8.7 | * | 30% |
| Domestic retail locations | 484 | 473 | 460 | 453 | 451 | 453 | (4%) | -- |

(1) Annualized revenue divided by average global representative headcount.

(2) Excludes corporate/other assets.

(3) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.

(4) Total client assets divided by period end global representative headcount.

(5) Represents net new assets in the U.S. broad-based branch system.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

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

| | Quarter Ended ⁽¹⁾ | | | | Percentage Change From: | | Six Months Ended | | Percentage Change | | |
|--|------------------------------|---------------|--------------|---------------|-------------------------|------------------|------------------|---------------|-------------------|---------------|------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 (2) | May 31, 2007 (2) | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | | May 31, 2006 | May 31, 2007 (2) |
| Investment banking | \$ 23 | \$ 35 | \$ 26 | \$ 54 | \$ 31 | \$ 61 | 74% | 97% | \$ 58 | \$ 92 | 59% |
| Principal transactions: | | | | | | | | | | | |
| Investments | 56 | 213 | 170 | 230 | 532 | 588 | 176% | 11% | 269 | 1,120 | * |
| Commissions | 7 | 7 | 5 | 6 | 6 | 6 | (14%) | -- | 14 | 12 | (14%) |
| Asset management, distribution and admin fees | 644 | 636 | 629 | 665 | 768 | 844 | 33% | 10% | 1,280 | 1,612 | 26% |
| Interest and dividends | 6 | 10 | 21 | 11 | 14 | 29 | 190% | 107% | 16 | 43 | 169% |
| Other | 6 | 5 | 5 | 10 | 34 | 18 | * | (47%) | 11 | 52 | * |
| Total revenues | 742 | 906 | 856 | 976 | 1,385 | 1,546 | 71% | 12% | 1,648 | 2,931 | 78% |
| Interest expense | 5 | 8 | 11 | 3 | 17 | 37 | * | 118% | 13 | 54 | * |
| Net revenues | 737 | 898 | 845 | 973 | 1,368 | 1,509 | 68% | 10% | 1,635 | 2,877 | 76% |
| Total non-interest expenses | 569 | 634 | 687 | 703 | 987 | 1,203 | 90% | 22% | 1,203 | 2,190 | 82% |
| Income before taxes | 168 | 264 | 158 | 270 | 381 | 306 | 16% | (20%) | 432 | 687 | 59% |
| Provision for income taxes | 67 | 103 | 63 | 110 | 149 | 107 | 4% | (28%) | 170 | 256 | 51% |
| Income from continuing operations | <u>\$ 101</u> | <u>\$ 161</u> | <u>\$ 95</u> | <u>\$ 160</u> | <u>\$ 232</u> | <u>\$ 199</u> | 24% | (14%) | <u>\$ 262</u> | <u>\$ 431</u> | 65% |
| Return on average common equity ⁽³⁾ | 18% | 28% | 15% | 23% | 31% | 23% | | | 23% | 27% | |
| Pre-tax profit margin ⁽⁴⁾ | 23% | 29% | 19% | 28% | 28% | 20% | | | 26% | 24% | |

(1) All periods have been restated to reflect the transfer of the real estate investing business from Institutional Securities to Asset Management. Real estate advisory and certain passive limited partnership interests remain in Institutional Securities.

(2) Principal transactions investments revenue reflects net gain/(loss) on investments marked at fair value including real estate funds, private equity funds and seed capital investments. The related investment asset balance for the quarters ended Feb 28, 2007 and May 31, 2007 are \$2.9 billion and \$3.9 billion, respectively.

(3) Refer to page 4 for the allocation of average common equity.

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

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

Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Asset Management
(unaudited, dollars in billions)

| | Quarter Ended ⁽¹⁾ | | | | | | Percentage Change From: | | Six Months Ended | | Percentage |
|--|------------------------------|-----------------|-----------------|---------------|---------------|---------------|-------------------------|---------------|------------------|----------------|------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | Change |
| Assets under management or supervision | | | | | | | | | | | |
| Net flows by distribution channel | | | | | | | | | | | |
| Americas Retail Morgan Stanley Brand | \$ (3.1) | \$ (2.1) | \$ (2.2) | \$ (1.9) | \$ (2.0) | \$ 0.1 | 105% | 105% | \$ (5.2) | \$ (1.9) | 63% |
| Americas Retail Van Kampen Brand | (0.7) | (0.4) | (0.8) | (0.1) | 0.0 | 0.0 | * | -- | (1.1) | 0.0 | * |
| Americas Intermediary | 1.7 | 4.0 | 1.5 | 1.0 | 1.0 | 1.8 | (55%) | 80% | 5.7 | 2.8 | (51%) |
| U.S. Institutional | (4.7) | (4.7) | (2.7) | (1.0) | 0.1 | 1.3 | 128% | * | (9.4) | 1.4 | 115% |
| Non- U.S. | 1.2 | 2.5 | 0.3 | 2.5 | 4.7 | 4.1 | 64% | (13%) | 3.7 | 8.8 | 138% |
| Net flows excluding money markets | <u>\$ (5.6)</u> | <u>\$ (0.7)</u> | <u>\$ (3.9)</u> | <u>\$ 0.5</u> | <u>\$ 3.8</u> | <u>\$ 7.3</u> | * | 92% | <u>\$ (6.3)</u> | <u>\$ 11.1</u> | * |
| Money Market Net Flows | | | | | | | | | | | |
| Institutional | 4.0 | (1.4) | 2.8 | 7.7 | 2.5 | 3.5 | * | 40% | 2.6 | 6.0 | 131% |
| Retail | (5.7) | (3.0) | (0.7) | (3.3) | (1.8) | (1.5) | 50% | 17% | (8.7) | (3.3) | 62% |
| Total money market net flows | <u>\$ (1.7)</u> | <u>\$ (4.4)</u> | <u>\$ 2.1</u> | <u>\$ 4.4</u> | <u>\$ 0.7</u> | <u>\$ 2.0</u> | 145% | 186% | <u>\$ (6.1)</u> | <u>\$ 2.7</u> | 144% |
| Total net flows | <u>\$ (7.3)</u> | <u>\$ (5.1)</u> | <u>\$ (1.8)</u> | <u>\$ 4.9</u> | <u>\$ 4.5</u> | <u>\$ 9.3</u> | * | 107% | <u>\$ (12.4)</u> | <u>\$ 13.8</u> | * |
| Assets under management or supervision by distribution channel | | | | | | | | | | | |
| Americas Retail Morgan Stanley Brand | \$ 65 | \$ 63 | \$ 61 | \$ 63 | \$ 62 | \$ 67 | 6% | 8% | | | |
| Americas Retail Van Kampen Brand | 90 | 89 | 90 | 94 | 96 | 102 | 15% | 6% | | | |
| Americas Intermediary | 47 | 51 | 55 | 58 | 61 | 67 | 31% | 10% | | | |
| U.S. Institutional | 98 | 96 | 95 | 100 | 110 | 119 | 24% | 8% | | | |
| Non- U.S. | 77 | 80 | 84 | 93 | 102 | 111 | 39% | 9% | | | |
| Total long term assets under management or supervision | <u>377</u> | <u>379</u> | <u>385</u> | <u>408</u> | <u>431</u> | <u>466</u> | 23% | 8% | | | |
| Institutional money markets/liquidity | 37 | 37 | 40 | 49 | 52 | 57 | 54% | 10% | | | |
| Retail money markets | 41 | 38 | 38 | 35 | 33 | 32 | (16%) | (3%) | | | |
| Total Money Markets | <u>78</u> | <u>75</u> | <u>78</u> | <u>84</u> | <u>85</u> | <u>89</u> | 19% | 5% | | | |
| Total assets under management or supervision | <u>\$ 455</u> | <u>\$ 454</u> | <u>\$ 463</u> | <u>\$ 492</u> | <u>\$ 516</u> | <u>\$ 555</u> | 22% | 8% | | | |
| Share of minority interest assets ⁽²⁾ | 0 | 0 | 0 | 4 | 5 | 5 | * | -- | | | |
| Total | <u>\$ 455</u> | <u>\$ 454</u> | <u>\$ 463</u> | <u>\$ 496</u> | <u>\$ 521</u> | <u>\$ 560</u> | 23% | 7% | | | |
| Assets under management or supervision by asset class | | | | | | | | | | | |
| Equity | \$ 230 | \$ 226 | \$ 226 | \$ 239 | \$ 245 | \$ 265 | 17% | 8% | | | |
| Fixed income | 90 | 91 | 93 | 94 | 94 | 98 | 8% | 4% | | | |
| Money market | 78 | 75 | 78 | 84 | 85 | 89 | 19% | 5% | | | |
| Alternatives ⁽³⁾ | 45 | 49 | 53 | 61 | 77 | 87 | 78% | 13% | | | |
| Subtotal | 443 | 441 | 450 | 478 | 501 | 539 | 22% | 8% | | | |
| Unit trusts | 12 | 13 | 13 | 14 | 15 | 16 | 23% | 7% | | | |
| Total assets under management or supervision | <u>\$ 455</u> | <u>\$ 454</u> | <u>\$ 463</u> | <u>\$ 492</u> | <u>\$ 516</u> | <u>\$ 555</u> | 22% | 8% | | | |
| Share of minority interest assets ⁽²⁾ | 0 | 0 | 0 | 4 | 5 | 5 | * | -- | | | |
| Total | <u>\$ 455</u> | <u>\$ 454</u> | <u>\$ 463</u> | <u>\$ 496</u> | <u>\$ 521</u> | <u>\$ 560</u> | 23% | 7% | | | |

(1) Assets under management or supervision and net flows by distribution channel for all periods have been restated to include amounts related to real estate funds previously managed within Institutional Securities. Additionally, the amounts reported for the real estate funds have been redefined to reflect invested equity in those funds. Previously, these amounts were disclosed on a gross real estate asset basis which included leverage.

(2) Amount represents Asset Management's proportional share of assets managed by entities in which it owns a minority interest.

(3) Includes a range of alternative investment products such as real estate funds, hedge funds, private equity funds, funds of hedge funds and funds of private equity funds.

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

Refer to Legal Notice page 25.

MORGAN STANLEY
Quarterly Financial Information and Statistical Data
Consolidated Assets Under Management or Supervision⁽¹⁾
(unaudited, dollars in billions)

| | Quarter Ended | | | | | | Percentage Change From: | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 |
| Assets under management or supervision by distribution channel | | | | | | | | |
| Americas Retail Morgan Stanley Brand | \$ 65 | \$ 63 | \$ 61 | \$ 63 | \$ 62 | \$ 67 | 6% | 8% |
| Americas Retail Van Kampen Brand | 90 | 89 | 90 | 94 | 96 | 102 | 15% | 6% |
| Americas Intermediary | 47 | 51 | 55 | 58 | 61 | 67 | 31% | 10% |
| U.S. Institutional | 98 | 96 | 95 | 100 | 110 | 119 | 24% | 8% |
| Non - U.S. | 77 | 80 | 84 | 93 | 102 | 111 | 39% | 9% |
| Total long term assets under management or supervision | <u>377</u> | <u>379</u> | <u>385</u> | <u>408</u> | <u>431</u> | <u>466</u> | 23% | 8% |
| Institutional money markets/liquidity | 37 | 37 | 40 | 49 | 52 | 57 | 54% | 10% |
| Retail money markets | 41 | 38 | 38 | 35 | 33 | 32 | (16%) | (3%) |
| Total Money Markets | <u>78</u> | <u>75</u> | <u>78</u> | <u>84</u> | <u>85</u> | <u>89</u> | 19% | 5% |
| Sub-total assets under management or supervision | <u>455</u> | <u>454</u> | <u>463</u> | <u>492</u> | <u>516</u> | <u>555</u> | 22% | 8% |
| Global Wealth Management Group | | | | | | | | |
| Total assets under management or supervision | <u>129</u> | <u>127</u> | <u>142</u> | <u>153</u> | <u>153</u> | <u>157</u> | 24% | 3% |
| Share of minority interest assets ⁽²⁾ | <u>0</u> | <u>0</u> | <u>0</u> | <u>4</u> | <u>5</u> | <u>5</u> | * | -- |
| Total | <u>\$ 584</u> | <u>\$ 581</u> | <u>\$ 605</u> | <u>\$ 645</u> | <u>\$ 669</u> | <u>\$ 712</u> | 23% | 6% |
| Consolidated assets under management or supervision by asset class | | | | | | | | |
| Equity | \$ 288 | \$ 288 | \$ 289 | \$ 307 | \$ 317 | \$ 344 | 19% | 9% |
| Fixed income | 105 | 106 | 109 | 111 | 111 | 116 | 9% | 5% |
| Money market | 82 | 79 | 83 | 89 | 90 | 94 | 19% | 4% |
| Alternatives ⁽³⁾ | 45 | 49 | 53 | 61 | 77 | 87 | 78% | 13% |
| Subtotal | <u>520</u> | <u>522</u> | <u>534</u> | <u>568</u> | <u>595</u> | <u>641</u> | 23% | 8% |
| Unit trusts | 12 | 13 | 13 | 14 | 15 | 16 | 23% | 7% |
| Other ⁽⁴⁾ | 52 | 46 | 58 | 63 | 59 | 55 | 20% | (7%) |
| Total assets under management or supervision | <u>\$ 584</u> | <u>\$ 581</u> | <u>\$ 605</u> | <u>\$ 645</u> | <u>\$ 669</u> | <u>\$ 712</u> | 23% | 6% |
| Share of minority interest assets ⁽²⁾ | <u>0</u> | <u>0</u> | <u>0</u> | <u>4</u> | <u>5</u> | <u>5</u> | * | -- |
| Total | <u>\$ 584</u> | <u>\$ 581</u> | <u>\$ 605</u> | <u>\$ 649</u> | <u>\$ 674</u> | <u>\$ 717</u> | 23% | 6% |

(1) The amounts reported for the real estate funds have been redefined to reflect invested equity in those funds. Previously, these amounts were disclosed on a gross real estate asset basis which included leverage.

(2) Amount represents Asset Management's proportional share of assets managed by entities in which it owns a minority interest.

(3) Includes a range of alternative investment products such as real estate funds, hedge funds, private equity funds, funds of hedge funds and funds of private equity funds.

(4) Includes assets under management or supervision associated with the Global Wealth Management Group.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|------------------|---------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Merchant, cardmember and other fees | \$ 289 | \$ 277 | \$ 312 | \$ 289 | \$ 297 | \$ 261 | (6%) | (12%) | \$ 566 | \$ 558 | (1%) |
| Servicing and securitization income | 596 | 651 | 565 | 526 | 521 | 601 | (8%) | 15% | 1,247 | 1,122 | (10%) |
| Other | 4 | 5 | 13 | 13 | 9 | 9 | 80% | -- | 9 | 18 | 100% |
| Total non-interest revenues | <u>889</u> | <u>933</u> | <u>890</u> | <u>828</u> | <u>827</u> | <u>871</u> | (7%) | 5% | <u>1,822</u> | <u>1,698</u> | (7%) |
| Interest revenue | 586 | 608 | 642 | 622 | 680 | 704 | 16% | 4% | 1,194 | 1,384 | 16% |
| Interest expense | 231 | 220 | 253 | 248 | 287 | 336 | 53% | 17% | 451 | 623 | 38% |
| Net interest income | <u>355</u> | <u>388</u> | <u>389</u> | <u>374</u> | <u>393</u> | <u>368</u> | (5%) | (6%) | <u>743</u> | <u>761</u> | 2% |
| Provision for consumer loan losses | 155 | 130 | 232 | 239 | 195 | 204 | 57% | 5% | 285 | 399 | 40% |
| Net credit income | <u>200</u> | <u>258</u> | <u>157</u> | <u>135</u> | <u>198</u> | <u>164</u> | (36%) | (17%) | <u>458</u> | <u>362</u> | (21%) |
| Net revenues | <u>1,089</u> | <u>1,191</u> | <u>1,047</u> | <u>963</u> | <u>1,025</u> | <u>1,035</u> | (13%) | 1% | <u>2,280</u> | <u>2,060</u> | (10%) |
| Total non-interest expenses | <u>610</u> | <u>650</u> | <u>679</u> | <u>764</u> | <u>653</u> | <u>702</u> | 8% | 8% | <u>1,260</u> | <u>1,355</u> | 8% |
| Income before gain/(loss) from unconsolidated investees and taxes | 479 | 541 | 368 | 199 | 372 | 333 | (38%) | (10%) | 1,020 | 705 | (31%) |
| Gain/(loss) from unconsolidated investees | (1) | 0 | (1) | (1) | (1) | (1) | * | -- | (1) | (2) | (100%) |
| Income before taxes | <u>478</u> | <u>541</u> | <u>367</u> | <u>198</u> | <u>371</u> | <u>332</u> | (39%) | (11%) | <u>1,019</u> | <u>703</u> | (31%) |
| Provision for income taxes | 178 | 203 | 125 | - | 138 | 123 | (39%) | (11%) | 381 | 261 | (31%) |
| Income from continuing operations | <u>\$ 300</u> | <u>\$ 338</u> | <u>\$ 242</u> | <u>\$ 198</u> | <u>\$ 233</u> | <u>\$ 209</u> | (38%) | (10%) | <u>\$ 638</u> | <u>\$ 442</u> | (31%) |
| Return on average common equity ⁽¹⁾ | 26% | 27% | 19% | 15% | 17% | 16% | | | 27% | 16% | |
| Pre-tax profit margin ⁽²⁾ | 44% | 45% | 35% | 21% | 36% | 32% | | | 45% | 34% | |

(1) Refer to page 4 for the allocation of average common equity.

(2) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|------------------|---------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Merchant, cardmember and other fees | \$ 519 | \$ 541 | \$ 579 | \$ 542 | \$ 552 | \$ 551 | 2% | -- | \$ 1,060 | \$ 1,103 | 4% |
| Servicing and securitization income | 0 | 0 | 0 | 0 | 0 | 0 | -- | -- | 0 | 0 | -- |
| Other | 143 | 22 | 11 | 18 | 5 | 45 | 105% | * | 165 | 50 | (70%) |
| Total non-interest revenues | 662 | 563 | 590 | 560 | 557 | 596 | 6% | 7% | 1,225 | 1,153 | (6%) |
| Interest revenue | 1,475 | 1,576 | 1,572 | 1,544 | 1,599 | 1,717 | 9% | 7% | 3,051 | 3,316 | 9% |
| Interest expense | 541 | 576 | 619 | 614 | 649 | 747 | 30% | 15% | 1,117 | 1,396 | 25% |
| Net interest income | 934 | 1,000 | 953 | 930 | 950 | 970 | (3%) | 2% | 1,934 | 1,920 | (1%) |
| Provision for consumer loan losses | 507 | 372 | 496 | 527 | 482 | 531 | 43% | 10% | 879 | 1,013 | 15% |
| Net credit income | 427 | 628 | 457 | 403 | 468 | 439 | (30%) | (6%) | 1,055 | 907 | (14%) |
| Net revenues | 1,089 | 1,191 | 1,047 | 963 | 1,025 | 1,035 | (13%) | 1% | 2,280 | 2,060 | (10%) |
| Total non-interest expenses | 610 | 650 | 679 | 764 | 653 | 702 | 8% | 8% | 1,260 | 1,355 | 8% |
| Income before gain/(loss) from unconsolidated investees and taxes | 479 | 541 | 368 | 199 | 372 | 333 | (38%) | (10%) | 1,020 | 705 | (31%) |
| Gain/(loss) from unconsolidated investees | (1) | 0 | (1) | (1) | (1) | (1) | * | -- | (1) | (2) | (100%) |
| Income before taxes | 478 | 541 | 367 | 198 | 371 | 332 | (39%) | (11%) | 1,019 | 703 | (31%) |
| Provision for income taxes | 178 | 203 | 125 | - | 138 | 123 | (39%) | (11%) | 381 | 261 | (31%) |
| Income from continuing operations | <u>\$ 300</u> | <u>\$ 338</u> | <u>\$ 242</u> | <u>\$ 198</u> | <u>\$ 233</u> | <u>\$ 209</u> | (38%) | (10%) | <u>\$ 638</u> | <u>\$ 442</u> | (31%) |
| Return on average common equity ⁽¹⁾ | 26% | 27% | 19% | 15% | 17% | 16% | | | 27% | 16% | |
| Pre-tax profit margin ⁽²⁾ | 44% | 45% | 35% | 21% | 36% | 32% | | | 45% | 34% | |

(1) Refer to page 4 for the allocation of average common equity.

(2) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

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

Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|---|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------|---------------|------------------|--------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Total owned credit card loans ⁽¹⁾ | | | | | | | | | | | |
| Period end | \$ 19,924 | \$ 21,764 | \$ 22,922 | \$ 23,588 | \$ 22,410 | \$ 22,548 | 4% | 1% | \$ 21,764 | \$ 22,548 | 4% |
| Average | \$ 21,976 | \$ 19,664 | \$ 22,424 | \$ 22,539 | \$ 24,672 | \$ 21,286 | 8% | (14%) | \$ 20,808 | \$ 22,960 | 10% |
| Total managed credit card loans ⁽¹⁾⁽²⁾ | | | | | | | | | | | |
| Period end | \$ 47,825 | \$ 48,539 | \$ 49,585 | \$ 50,291 | \$ 50,730 | \$ 51,265 | 6% | 1% | \$ 48,539 | \$ 51,265 | 6% |
| Average | \$ 47,575 | \$ 47,307 | \$ 48,763 | \$ 49,181 | \$ 51,390 | \$ 50,618 | 7% | (2%) | \$ 47,439 | \$ 51,000 | 8% |
| Interest yield | 12.13% | 12.69% | 12.38% | 12.23% | 12.27% | 12.38% | (31 bp) | 11 bp | 12.42% | 12.32% | (10 bp) |
| Interest spread | 7.44% | 7.78% | 7.07% | 6.86% | 6.85% | 6.96% | (82 bp) | 11 bp | 7.61% | 6.91% | (70 bp) |
| Transaction volume (billions) | \$ 26.8 | \$ 28.5 | \$ 30.2 | \$ 29.1 | \$ 30.3 | \$ 29.9 | 5% | (1%) | \$ 55.4 | \$ 60.2 | 9% |
| Net Sales | 22.5 | 24.0 | 25.7 | 24.5 | 25.1 | 25.2 | 5% | -- | 46.5 | 50.3 | 8% |
| Other transaction volume | 4.3 | 4.5 | 4.5 | 4.6 | 5.2 | 4.7 | 4% | (10%) | 8.9 | 9.9 | 12% |
| Accounts (millions) | 46.1 | 45.9 | 45.6 | 45.3 | 44.9 | 44.5 | (3%) | (1%) | 45.9 | 44.5 | (3%) |
| Active accounts (millions) | 19.6 | 19.6 | 19.7 | 19.8 | 19.7 | 19.6 | -- | (1%) | 19.6 | 19.6 | -- |
| Average receivables per avg. active account (actual \$) | \$ 2,457 | \$ 2,415 | \$ 2,484 | \$ 2,500 | \$ 2,590 | \$ 2,576 | 7% | (1%) | \$ 2,436 | \$ 2,582 | 6% |
| Trans volume per avg. active account (actual \$) | \$ 1,385 | \$ 1,457 | \$ 1,538 | \$ 1,481 | \$ 1,528 | \$ 1,520 | 4% | (1%) | \$ 2,842 | \$ 3,048 | 7% |
| Net gain on securitization | \$ 139 | \$ 18 | \$ (2) | \$ 5 | \$ (4) | \$ 36 | 100% | * | \$ 157 | \$ 32 | (80%) |
| Return on managed receivables ⁽³⁾ | 2.56% | 2.84% | 1.96% | 1.62% | 1.84% | 1.62% | (122 bp) | (22 bp) | 2.70% | 1.73% | (97 bp) |
| Credit quality | | | | | | | | | | | |
| Net charge-off rate | 5.06% | 3.30% | 3.81% | 4.15% | 4.05% | 4.24% | 94 bp | 19 bp | 4.18% | 4.14% | (4 bp) |
| Delinquency rate (over 30 days) | 3.45% | 3.29% | 3.41% | 3.51% | 3.45% | 3.13% | (16 bp) | (32 bp) | 3.29% | 3.13% | (16 bp) |
| Delinquency rate (over 90 days) | 1.61% | 1.53% | 1.59% | 1.65% | 1.69% | 1.52% | (1 bp) | (17 bp) | 1.53% | 1.52% | (1 bp) |
| Allowance for loan losses at period end | \$ 777 | \$ 773 | \$ 808 | \$ 828 | \$ 787 | \$ 781 | 1% | (1%) | \$ 773 | \$ 781 | 1% |
| International managed credit card loans ⁽²⁾ | | | | | | | | | | | |
| Period end | \$ 4,183 | \$ 4,406 | \$ 4,522 | \$ 4,644 | \$ 4,575 | \$ 4,551 | 3% | (1%) | \$ 4,406 | \$ 4,551 | 3% |
| Average | \$ 2,911 | \$ 4,049 | \$ 4,361 | \$ 4,419 | \$ 4,608 | \$ 4,548 | 12% | (1%) | \$ 3,486 | \$ 4,578 | 31% |
| Accounts (millions) | 2.6 | 2.9 | 2.9 | 3.0 | 3.0 | 3.0 | 3% | -- | 2.9 | 3.0 | 3% |
| Payment services (millions of transactions) | | | | | | | | | | | |
| Discover network transaction volume | 339 | 340 | 362 | 358 | 361 | 362 | 6% | -- | 679 | 723 | 6% |
| PULSE network transaction volume | 425 | 471 | 473 | 488 | 521 | 559 | 19% | 7% | 896 | 1,080 | 21% |
| Total network transaction volume | 764 | 811 | 835 | 846 | 882 | 921 | 14% | 4% | 1,575 | 1,803 | 14% |

(1) Includes the domestic and international consumer credit card businesses and excludes the commercial credit card business.

(2) Includes owned and securitized credit card loans.

(3) Annualized net income divided by average managed receivables.

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

Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|--|---------------|---------------|--------------|--------------|--------------|--------------|-------------------------|---------------|------------------|--------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Investment banking ⁽¹⁾ | \$ 0 | \$ (33) | \$ 0 | \$ (6) | \$ (2) | \$ (16) | 52% | * | \$ (33) | \$ (18) | 45% |
| Principal transactions: | | | | | | | | | | | |
| Trading | (2) | (3) | (2) | (1) | 0 | 0 | * | -- | (5) | 0 | * |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 | -- | -- | 0 | 0 | -- |
| Commissions | (7) | (8) | (7) | (7) | (7) | (6) | 25% | 14% | (15) | (13) | 13% |
| Asset management, distribution and admin. fees | (51) | (35) | (40) | (40) | (43) | (42) | (20%) | 2% | (86) | (85) | 1% |
| Interest and dividends | (39) | (68) | (87) | (90) | (114) | (97) | (43%) | 15% | (107) | (211) | (97%) |
| Other | (2) | (7) | (3) | (4) | (4) | (4) | 43% | -- | (9) | (8) | 11% |
| Total revenues | (101) | (154) | (139) | (148) | (170) | (165) | (7%) | 3% | (255) | (335) | (31%) |
| Interest expense | (52) | (64) | (93) | (97) | (123) | (109) | (70%) | 11% | (116) | (232) | (100%) |
| Net revenues | (49) | (90) | (46) | (51) | (47) | (56) | 38% | (19%) | (139) | (103) | 26% |
| Total non-interest expenses | (68) | (77) | (61) | (63) | (52) | (57) | 26% | (10%) | (145) | (109) | 25% |
| Income before taxes | 19 | (13) | 15 | 12 | 5 | 1 | 108% | (80%) | 6 | 6 | -- |
| Provision for income taxes | 7 | (5) | 6 | 4 | 2 | - | * | * | 2 | 2 | -- |
| Income from continuing operations | <u>\$ 12</u> | <u>\$ (8)</u> | <u>\$ 9</u> | <u>\$ 8</u> | <u>\$ 3</u> | <u>\$ 1</u> | 113% | (67%) | <u>\$ 4</u> | <u>\$ 4</u> | -- |

(1) Included in the May 31, 2006 amount is \$30m related to the sale of the Company's aircraft leasing business.

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

Refer to Legal Notice page 25.

The following (page 17) presents more detailed financial information regarding the results of operations for the combined Institutional Securities, Global Wealth Management Group and Asset 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 also provides this type of presentation on a managed basis for its Discover business (page 18) in order to provide helpful comparison to other credit card issuers.

MORGAN STANLEY
Quarterly Institutional Securities, Global Wealth Management Group and Asset Management⁽¹⁾
Combined Income Statement Information
(unaudited, dollars in millions)

| | Quarter Ended | | | | Percentage Change From: | | Six Months Ended | | Percentage Change | | |
|--|-----------------|-----------------|-----------------|-----------------|-------------------------|-----------------|------------------|---------------|-------------------|-----------------|--------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | | May 31, 2006 | May 31, 2007 |
| Investment banking | \$ 982 | \$ 1,165 | \$ 1,138 | \$ 1,503 | \$ 1,227 | \$ 1,913 | 64% | 56% | \$ 2,147 | \$ 3,140 | 46% |
| Principal transactions: | | | | | | | | | | | |
| Trading | 3,088 | 3,562 | 2,845 | 2,318 | 4,158 | 4,838 | 36% | 16% | 6,650 | 8,996 | 35% |
| Investments | 300 | 629 | 300 | 578 | 880 | 1,004 | 60% | 14% | 929 | 1,884 | 103% |
| Commissions | 920 | 994 | 880 | 976 | 1,005 | 1,123 | 13% | 12% | 1,914 | 2,128 | 11% |
| Asset management, distribution and administration fees | 1,268 | 1,321 | 1,313 | 1,338 | 1,480 | 1,598 | 21% | 8% | 2,589 | 3,078 | 19% |
| Servicing income | 0 | 0 | 0 | 0 | 35 | 42 | * | 20% | 0 | 77 | * |
| Interest and dividends | 9,986 | 9,534 | 12,065 | 11,304 | 14,196 | 15,395 | 61% | 8% | 19,520 | 29,591 | 52% |
| Other | 130 | 120 | 119 | 215 | 236 | 281 | 134% | 19% | 250 | 517 | 107% |
| Total revenues | 16,674 | 17,325 | 18,659 | 18,232 | 23,217 | 26,194 | 51% | 13% | 33,999 | 49,411 | 45% |
| Interest expense | 9,258 | 9,776 | 11,593 | 10,419 | 13,261 | 15,706 | 61% | 18% | 19,034 | 28,967 | 52% |
| Net revenues | 7,416 | 7,549 | 7,066 | 7,813 | 9,956 | 10,488 | 39% | 5% | 14,965 | 20,444 | 37% |
| Compensation and benefits | 3,998 | 3,578 | 3,070 | 3,287 | 4,762 | 4,982 | 39% | 5% | 7,576 | 9,744 | 29% |
| Occupancy and equipment | 207 | 215 | 230 | 250 | 258 | 277 | 29% | 7% | 422 | 535 | 27% |
| Brokerage, clearing and exchange fees | 292 | 340 | 339 | 334 | 361 | 366 | 8% | 1% | 632 | 727 | 15% |
| Information processing and communications | 258 | 271 | 273 | 282 | 276 | 285 | 5% | 3% | 529 | 561 | 6% |
| Marketing and business development | 119 | 155 | 146 | 220 | 152 | 199 | 28% | 31% | 274 | 351 | 28% |
| Professional services | 369 | 448 | 455 | 605 | 416 | 508 | 13% | 22% | 817 | 924 | 13% |
| Other | 241 | 190 | 282 | 160 | 254 | 323 | 70% | 27% | 431 | 577 | 34% |
| Total non-interest expenses | 5,484 | 5,197 | 4,795 | 5,138 | 6,478 | 6,940 | 34% | 7% | 10,681 | 13,419 | 26% |
| Income from continuing operations before gain/(loss) from unconsolidated investees and taxes | 1,932 | 2,352 | 2,271 | 2,675 | 3,478 | 3,548 | 51% | 2% | 4,284 | 7,025 | 64% |
| Gain/(loss) from unconsolidated investees | (19) | 23 | 21 | (64) | (26) | (20) | (187%) | 23% | 4 | (46) | * |
| Income before taxes | 1,913 | 2,375 | 2,292 | 2,611 | 3,452 | 3,528 | 49% | 2% | 4,288 | 6,979 | 63% |
| Provision for income taxes | 611 | 855 | 686 | 607 | 1,123 | 1,148 | 34% | 2% | 1,466 | 2,271 | 55% |
| Income from continuing operations ⁽²⁾ | <u>\$ 1,302</u> | <u>\$ 1,520</u> | <u>\$ 1,606</u> | <u>\$ 2,004</u> | <u>\$ 2,329</u> | <u>\$ 2,380</u> | 57% | 2% | <u>\$ 2,822</u> | <u>\$ 4,708</u> | 67% |
| Return on average common equity ⁽³⁾ | 24% | 26% | 27% | 32% | 37% | 34% | | | 25% | 36% | |
| Compensation and benefits as a % of net revenues | 54% | 47% | 43% | 42% | 48% | 48% | | | 51% | 48% | |
| Non-compensation expenses as a % of net revenues | 20% | 21% | 24% | 24% | 17% | 19% | | | 21% | 18% | |
| Pre-tax profit margin ⁽⁴⁾ | 26% | 31% | 32% | 34% | 35% | 34% | | | 29% | 34% | |
| Number of employees ⁽⁵⁾ | 40,188 | 40,088 | 41,416 | 43,124 | 44,797 | 45,845 | 14% | 2% | | | |

(1) Includes the elimination of intersegment activity between Institutional Securities, Global Wealth Management Group and Asset Management.

(2) Excludes gain/(loss) from discontinued operations.

(3) Refer to page 4 for the allocation of average common equity.

(4) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

(5) Includes Institutional Securities, Global Wealth Management Group, Asset Management and Infrastructure / Company areas.

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

Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------|---------------|------------------|---------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | 2Q07 vs. 2Q06 | 2Q07 vs. 1Q07 | May 31, 2006 | May 31, 2007 | |
| Merchant, cardmember and other fees | \$ 519 | \$ 541 | \$ 579 | \$ 542 | \$ 552 | \$ 551 | 2% | -- | \$ 1,060 | \$ 1,103 | 4% |
| Servicing and securitization income | 0 | 0 | 0 | 0 | 0 | 0 | -- | -- | 0 | 0 | -- |
| Other | 143 | 22 | 11 | 18 | 5 | 45 | 105% | * | 165 | 50 | (70%) |
| Total non-interest revenues | <u>662</u> | <u>563</u> | <u>590</u> | <u>560</u> | <u>557</u> | <u>596</u> | 6% | 7% | <u>1,225</u> | <u>1,153</u> | (6%) |
| Interest revenue | 1,475 | 1,576 | 1,572 | 1,544 | 1,599 | 1,717 | 9% | 7% | 3,051 | 3,316 | 9% |
| Interest expense | 541 | 576 | 619 | 614 | 649 | 747 | 30% | 15% | 1,117 | 1,396 | 25% |
| Net interest income | <u>934</u> | <u>1,000</u> | <u>953</u> | <u>930</u> | <u>950</u> | <u>970</u> | (3%) | 2% | <u>1,934</u> | <u>1,920</u> | (1%) |
| Provision for consumer loan losses | 507 | 372 | 496 | 527 | 482 | 531 | 43% | 10% | 879 | 1,013 | 15% |
| Net credit income | <u>427</u> | <u>628</u> | <u>457</u> | <u>403</u> | <u>468</u> | <u>439</u> | (30%) | (6%) | <u>1,055</u> | <u>907</u> | (14%) |
| Net revenues | <u>1,089</u> | <u>1,191</u> | <u>1,047</u> | <u>963</u> | <u>1,025</u> | <u>1,035</u> | (13%) | 1% | <u>2,280</u> | <u>2,060</u> | (10%) |
| Compensation and benefits | 244 | 224 | 235 | 219 | 230 | 236 | 5% | 3% | 468 | 466 | -- |
| Occupancy and equipment | 23 | 21 | 23 | 24 | 22 | 24 | 14% | 9% | 44 | 46 | 5% |
| Information processing and communications | 90 | 96 | 98 | 103 | 94 | 97 | 1% | 3% | 186 | 191 | 3% |
| Marketing and business development | 119 | 142 | 145 | 198 | 142 | 141 | (1%) | (1%) | 261 | 283 | 8% |
| Professional services | 64 | 92 | 93 | 119 | 81 | 113 | 23% | 40% | 156 | 194 | 24% |
| Other | 70 | 75 | 85 | 101 | 84 | 91 | 21% | 8% | 145 | 175 | 21% |
| Total non-interest expenses | <u>610</u> | <u>650</u> | <u>679</u> | <u>764</u> | <u>653</u> | <u>702</u> | 8% | 8% | <u>1,260</u> | <u>1,355</u> | 8% |
| Income before gain/(loss) from unconsolidated investees and taxes | 479 | 541 | 368 | 199 | 372 | 333 | (38%) | (10%) | 1,020 | 705 | (31%) |
| Gain/(loss) from unconsolidated investees | <u>(1)</u> | <u>0</u> | <u>(1)</u> | <u>(1)</u> | <u>(1)</u> | <u>(1)</u> | * | -- | <u>(1)</u> | <u>(2)</u> | (100%) |
| Income before taxes | 478 | 541 | 367 | 198 | 371 | 332 | (39%) | (11%) | 1,019 | 703 | (31%) |
| Provision for income taxes | 178 | 203 | 125 | 0 | 138 | 123 | (39%) | (11%) | 381 | 261 | (31%) |
| Income from continuing operations | <u>\$ 300</u> | <u>\$ 338</u> | <u>\$ 242</u> | <u>\$ 198</u> | <u>\$ 233</u> | <u>\$ 209</u> | (38%) | (10%) | <u>\$ 638</u> | <u>\$ 442</u> | (31%) |
| Return on average common equity ⁽¹⁾ | 26% | 27% | 19% | 15% | 17% | 16% | | | 27% | 16% | |
| Compensation and benefits as a % of net revenues | 22% | 19% | 22% | 23% | 22% | 23% | | | 21% | 23% | |
| Non-compensation expenses as a % of net revenues | 34% | 36% | 42% | 57% | 41% | 45% | | | 35% | 43% | |
| Pre-tax profit margin ⁽²⁾ | 44% | 45% | 35% | 21% | 36% | 32% | | | 45% | 34% | |
| Number of employees | 13,683 | 13,075 | 12,933 | 13,186 | 13,048 | 12,488 | (4%) | (4%) | | | |

(1) Refer to page 4 for the allocation of average common equity.

(2) Income before taxes, excluding gain/(loss) from unconsolidated investees, as a % of net revenues.

Note: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 25.

The following (pages 19 - 22) present a reconciliation for certain information disclosed on pages 13, 14, 15 and 18.

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

| | | Quarter Ended May 31, 2007 | | | | | Delinquency Rate | |
|---|-------------------|-----------------------------------|----------------------------------|---------------------------|----------------------------|----------------------------|-------------------------|----------------|
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | 30 Days | 90 Days |
| Owned | \$ 22,548 | \$ 21,286 | 3.86% | 10.56% | 5.31% | 3.93% | 2.95% | 1.43% |
| Securitized | 28,717 | 29,332 | 2.80% | 13.69% | 8.14% | 4.46% | 3.26% | 1.58% |
| Managed | <u>\$ 51,265</u> | <u>\$ 50,618</u> | 1.62% | 12.38% | 6.96% | 4.24% | 3.13% | 1.52% |
| | | Quarter Ended Feb 28, 2007 | | | | | Delinquency Rate | |
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | 30 Days | 90 Days |
| Owned | \$ 22,410 | \$ 24,672 | 3.84% | 10.44% | 5.20% | 3.78% | 3.16% | 1.56% |
| Securitized | 28,320 | 26,718 | 3.55% | 13.96% | 8.39% | 4.30% | 3.67% | 1.79% |
| Managed | <u>\$ 50,730</u> | <u>\$ 51,390</u> | 1.84% | 12.27% | 6.85% | 4.05% | 3.45% | 1.69% |

(1) The table provides a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, return on receivables, 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. Refer to Legal Notice page 25.

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

| Quarter Ended Nov 30, 2006 | | | | | | | | |
|------------------------------------|------------------|------------------|-----------------------|----------------|-----------------|-----------------|------------------|---------|
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | Delinquency Rate | |
| | | | | | | | 30 Days | 90 Days |
| Owned | \$ 23,588 | \$ 22,539 | 3.53% | 10.28% | 5.18% | 3.95% | 3.22% | 1.53% |
| Securitized | 26,703 | 26,642 | 2.99% | 13.88% | 8.32% | 4.32% | 3.76% | 1.75% |
| Managed | <u>\$ 50,291</u> | <u>\$ 49,181</u> | 1.62% | 12.23% | 6.86% | 4.15% | 3.51% | 1.65% |
| Quarter Ended Aug 31, 2006 | | | | | | | | |
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | Delinquency Rate | |
| | | | | | | | 30 Days | 90 Days |
| Owned | \$ 22,922 | \$ 22,424 | 4.27% | 10.45% | 5.40% | 3.57% | 3.17% | 1.48% |
| Securitized | 26,663 | 26,339 | 3.64% | 14.02% | 8.52% | 4.01% | 3.62% | 1.68% |
| Managed | <u>\$ 49,585</u> | <u>\$ 48,763</u> | 1.96% | 12.38% | 7.07% | 3.81% | 3.41% | 1.59% |
| Quarter Ended May 31, 2006 | | | | | | | | |
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | Delinquency Rate | |
| | | | | | | | 30 Days | 90 Days |
| Owned | \$ 21,764 | \$ 19,664 | 6.83% | 11.01% | 6.41% | 3.02% | 2.97% | 1.38% |
| Securitized | 26,775 | 27,643 | 4.86% | 13.89% | 8.76% | 3.50% | 3.56% | 1.65% |
| Managed | <u>\$ 48,539</u> | <u>\$ 47,307</u> | 2.84% | 12.69% | 7.78% | 3.30% | 3.29% | 1.53% |
| Quarter Ended Feb 28, 2006 | | | | | | | | |
| General Purpose Credit Card Loans: | Period End | Average | Return on Receivables | Interest Yield | Interest Spread | Net Charge-offs | Delinquency Rate | |
| | | | | | | | 30 Days | 90 Days |
| Owned | \$ 19,924 | \$ 21,976 | 5.54% | 9.87% | 5.41% | 4.54% | 2.97% | 1.36% |
| Securitized | 27,901 | 25,599 | 4.75% | 14.08% | 9.20% | 5.51% | 3.79% | 1.79% |
| Managed | <u>\$ 47,825</u> | <u>\$ 47,575</u> | 2.56% | 12.13% | 7.44% | 5.06% | 3.45% | 1.61% |

(1) The tables provide a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, return on receivables, 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.

Refer to Legal Notice page 25.

MORGAN STANLEY
Year to Date Discover Reconciliation of General Purpose Credit Card Loan Data ⁽¹⁾
(unaudited, dollars in millions)

| Six Months Ended May 31, 2007 | | | | | | | | |
|---|-------------------|------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------|----------------|
| | <u>Period End</u> | <u>Average</u> | <u>Return on Receivables</u> | <u>Interest Yield</u> | <u>Interest Spread</u> | <u>Net Charge-offs</u> | <u>Delinquency Rate</u> | |
| | | | | | | | <u>30 Days</u> | <u>90 Days</u> |
| General Purpose Credit Card Loans: | | | | | | | | |
| Owned | \$ 22,548 | \$ 22,960 | 3.85% | 10.50% | 5.25% | 3.85% | 2.95% | 1.43% |
| Securitized | 28,717 | 28,040 | 3.15% | 13.82% | 8.26% | 4.38% | 3.26% | 1.58% |
| Managed | <u>\$ 51,265</u> | <u>\$ 51,000</u> | 1.73% | 12.32% | 6.91% | 4.14% | 3.13% | 1.52% |
| Six Months Ended May 31, 2006 | | | | | | | | |
| | <u>Period End</u> | <u>Average</u> | <u>Return on Receivables</u> | <u>Interest Yield</u> | <u>Interest Spread</u> | <u>Net Charge-offs</u> | <u>Delinquency Rate</u> | |
| | | | | | | | <u>30 Days</u> | <u>90 Days</u> |
| General Purpose Credit Card Loans: | | | | | | | | |
| Owned | \$ 21,764 | \$ 20,808 | 6.15% | 10.41% | 5.89% | 3.82% | 2.97% | 1.38% |
| Securitized | 26,775 | 26,631 | 4.80% | 13.98% | 8.97% | 4.46% | 3.56% | 1.65% |
| Managed | <u>\$ 48,539</u> | <u>\$ 47,439</u> | 2.70% | 12.42% | 7.61% | 4.18% | 3.29% | 1.53% |

(1) The tables provide a reconciliation of certain managed and owned basis statistical data (period-end and average loan balances, return on receivables, interest yield, interest spread, net charge-off rates, and 30- and 90-day delinquency rates) for the periods indicated.

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

Refer to Legal Notice page 25.

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

| | Quarter Ended | | | | | | Six Months Ended | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 | May 31, 2006 | May 31, 2007 |
| Merchant, cardmember and other fees: | | | | | | | | |
| Owned | \$ 289 | \$ 277 | \$ 312 | \$ 289 | \$ 297 | \$ 261 | \$ 566 | \$ 558 |
| Securitization adjustment | 230 | 264 | 267 | 253 | 255 | 290 | 494 | 545 |
| Managed | <u>\$ 519</u> | <u>\$ 541</u> | <u>\$ 579</u> | <u>\$ 542</u> | <u>\$ 552</u> | <u>\$ 551</u> | <u>\$ 1,060</u> | <u>\$ 1,103</u> |
| Servicing and securitizations income: | | | | | | | | |
| Owned | \$ 596 | \$ 651 | \$ 565 | \$ 526 | \$ 521 | \$ 601 | \$ 1,247 | \$ 1,122 |
| Securitization adjustment | (596) | (651) | (565) | (526) | (521) | (601) | (1,247) | (1,122) |
| Managed | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Other: | | | | | | | | |
| Owned | \$ 4 | \$ 5 | \$ 13 | \$ 13 | \$ 9 | \$ 9 | \$ 9 | \$ 18 |
| Securitization adjustment | 139 | 17 | (2) | 5 | (4) | 36 | 156 | 32 |
| Managed | <u>\$ 143</u> | <u>\$ 22</u> | <u>\$ 11</u> | <u>\$ 18</u> | <u>\$ 5</u> | <u>\$ 45</u> | <u>\$ 165</u> | <u>\$ 50</u> |
| Interest revenue: | | | | | | | | |
| Owned | \$ 586 | \$ 608 | \$ 642 | \$ 622 | \$ 680 | \$ 704 | \$ 1,194 | \$ 1,384 |
| Securitization adjustment | 889 | 968 | 930 | 922 | 919 | 1,013 | 1,857 | 1,932 |
| Managed | <u>\$ 1,475</u> | <u>\$ 1,576</u> | <u>\$ 1,572</u> | <u>\$ 1,544</u> | <u>\$ 1,599</u> | <u>\$ 1,717</u> | <u>\$ 3,051</u> | <u>\$ 3,316</u> |
| Interest expense: | | | | | | | | |
| Owned | \$ 231 | \$ 220 | \$ 253 | \$ 248 | \$ 287 | \$ 336 | \$ 451 | \$ 623 |
| Securitization adjustment | 310 | 356 | 366 | 366 | 362 | 411 | 666 | 773 |
| Managed | <u>\$ 541</u> | <u>\$ 576</u> | <u>\$ 619</u> | <u>\$ 614</u> | <u>\$ 649</u> | <u>\$ 747</u> | <u>\$ 1,117</u> | <u>\$ 1,396</u> |
| Provision for consumer loan losses: | | | | | | | | |
| Owned | \$ 155 | \$ 130 | \$ 232 | \$ 239 | \$ 195 | \$ 204 | \$ 285 | \$ 399 |
| Securitization adjustment | 352 | 242 | 264 | 288 | 287 | 327 | 594 | 614 |
| Managed | <u>\$ 507</u> | <u>\$ 372</u> | <u>\$ 496</u> | <u>\$ 527</u> | <u>\$ 482</u> | <u>\$ 531</u> | <u>\$ 879</u> | <u>\$ 1,013</u> |

(1) The tables provide a reconciliation of certain managed and owned basis income statement data (merchant, cardmember and other 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. Refer to Legal Notice page 25.

The following (page 23) presents a reconciliation for adjusted assets.

Balance sheet leverage ratios are one indicator of capital adequacy when viewed in the context of a company's overall liquidity and capital policies. The Company views the adjusted leverage ratio as a more relevant measure of financial risk when comparing financial services firms and evaluating leverage trends. The Company has adopted a definition of adjusted assets that excludes certain self-funded assets considered to have minimal market, credit and/or liquidity risk. These low-risk assets generally are attributable to the Company's matched book and securities lending businesses. Adjusted assets are calculated by reducing gross assets by aggregate resale agreements and securities borrowed less non-derivative short positions and assets recorded under certain provisions of SFAS No. 140 and FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"). The adjusted leverage ratio reflects the deduction from shareholders' equity of the amount of equity used to support goodwill and intangible assets (as the Company does not view this amount of equity as available to support its risk capital needs). In addition, the Company views junior subordinated debt issued to capital trusts as a component of its capital base given the inherent characteristics of the securities. These characteristics include the long-dated nature (e.g., some have final maturity at issuance of 30 years extendible at the Company's option by a further 19 years, others have a 60-year final maturity at issuance), 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.

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

| | Quarter Ended | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Feb 28, 2006 | May 31, 2006 | Aug 31, 2006 | Nov 30, 2006 | Feb 28, 2007 | May 31, 2007 |
| Total assets | \$ 959,950 | \$ 1,027,419 | \$ 1,029,354 | \$ 1,121,192 | \$ 1,182,061 | \$ 1,199,993 |
| Less: Securities purchased under agreements to resell | (176,260) | (190,289) | (171,547) | (175,787) | (192,038) | (144,051) |
| Securities borrowed | (252,896) | (274,581) | (283,024) | (299,631) | (277,093) | (252,213) |
| Add: Financial instruments sold, not yet purchased | 149,561 | 159,822 | 152,979 | 183,119 | 157,807 | 166,549 |
| Less: Derivative contracts sold, not yet purchased | (42,928) | (48,747) | (47,017) | (57,491) | (51,574) | (58,919) |
| Subtotal | <u>637,427</u> | <u>673,624</u> | <u>680,745</u> | <u>771,402</u> | <u>819,163</u> | <u>911,359</u> |
| Less: Cash and securities deposited with clearing organizations or segregated under federal and other regulations or requirements ⁽¹⁾ | (38,300) | (46,612) | (43,986) | (29,565) | (35,739) | (47,114) |
| Assets recorded under certain provisions of SFAS No.140 and FIN 46 | (78,925) | (90,046) | (89,649) | (100,236) | (124,163) | (155,692) |
| Goodwill and intangible assets | (2,873) | (2,932) | (2,943) | (3,443) | (4,262) | (4,132) |
| Adjusted assets | <u>\$ 517,329</u> | <u>\$ 534,034</u> | <u>\$ 544,167</u> | <u>\$ 638,158</u> | <u>\$ 654,999</u> | <u>\$ 704,421</u> |
| Common equity | \$ 30,103 | \$ 32,118 | \$ 33,072 | \$ 34,264 | \$ 36,854 | \$ 38,411 |
| Preferred equity | 0 | 0 | 1,100 | 1,100 | 1,100 | 1,100 |
| Shareholders' equity | <u>30,103</u> | <u>32,118</u> | <u>34,172</u> | <u>35,364</u> | <u>37,954</u> | <u>39,511</u> |
| Junior subordinated debt issued to capital trusts ⁽²⁾ | 3,783 | 3,784 | 3,784 | 4,884 | 4,885 | 4,874 |
| Subtotal | <u>33,886</u> | <u>35,902</u> | <u>37,956</u> | <u>40,248</u> | <u>42,839</u> | <u>44,385</u> |
| Less: Goodwill and intangible assets | (2,873) | (2,932) | (2,943) | (3,443) | (4,262) | (4,132) |
| Tangible shareholders' equity | <u>\$ 31,013</u> | <u>\$ 32,970</u> | <u>\$ 35,013</u> | <u>\$ 36,805</u> | <u>\$ 38,577</u> | <u>\$ 40,253</u> |
| Leverage ratio ⁽³⁾ | <u>31.0x</u> | <u>31.2x</u> | <u>29.4x</u> | <u>30.5x</u> | <u>30.6x</u> | <u>29.8x</u> |
| Adjusted leverage ratio ⁽⁴⁾ | <u>16.7x</u> | <u>16.2x</u> | <u>15.5x</u> | <u>17.3x</u> | <u>17.0x</u> | <u>17.5x</u> |

(1) In the second quarter of fiscal 2007, the adjusted assets calculation was revised in order to reduce gross assets by the full amount of cash and securities deposited with clearing organizations or segregated under federal and other regulations or requirements. All prior periods have been restated to conform to the current presentation.

(2) 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 (some have final maturity at issuance of thirty years extendible at the Company's option by a further nineteen years, others have a sixty year final maturity at issuance), 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.

(3) Leverage ratio equals total assets divided by tangible shareholders' equity.

(4) 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.

Refer to Legal Notice page 25.

This page represents an addendum to the 2Q 2007 Financial Supplement.

Fiscal 2007 compensation expense primarily includes the amortization related to fiscal 2004 awards, as well as fiscal 2005 awards and fiscal 2006 awards granted to non-retirement-eligible employees, and an accrual for the estimated full cost of fiscal 2007 year-end equity awards expected to be granted to retirement-eligible employees in December 2007.

Awards to non-retirement-eligible employees will be amortized over the period from the grant date to the earlier of the employee's retirement eligibility date or the vesting date specified in the award terms.

For a further discussion of the Company's previous accounting for stock-based compensation, see the Company's Form 10-K for the fiscal year ended November 30, 2006.

Illustration of Standard Equity Award Amortization to Non-Retirement-Eligible and Retirement-Eligible Employees

| Year of Award | Non-Retirement-Eligible Employees - Fiscal Year Ended | | | | | | | Cumulative Amort. By Grant |
|---------------|---|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------|
| | Nov 30, 2003 | Nov 30, 2004 | Nov 30, 2005 | Nov 30, 2006 | Nov 30, 2007 | Nov 30, 2008 | Nov 30, 2009 | |
| 2003 | 28% | 28% | 28% | 15% | 1% | 0% | 0% | 100% |
| 2004 | | 28% | 28% | 28% | 15% | 1% | 0% | 100% |
| 2005 | | | | 40% | 40% | 18% | 2% | 100% |
| 2006 | | | | | 40% | 40% | 18% | 98% |
| 2007 | | | | | | 40% | 40% | 80% |
| 2008 | | | | | | | 40% | 40% |

| Year of Award | Retirement-Eligible Employees - Fiscal Year Ended | | | | | | | Cumulative Amort. By Grant |
|---------------|---|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------|
| | Nov 30, 2003 | Nov 30, 2004 | Nov 30, 2005 | Nov 30, 2006 | Nov 30, 2007 | Nov 30, 2008 | Nov 30, 2009 | |
| 2003 | 28% | 28% | 28% | 15% | 1% | 0% | 0% | 100% |
| 2004 | | 28% | 28% | 28% | 15% | 1% | 0% | 100% |
| 2005 | | | | 100% | 0% | 0% | 0% | 100% |
| 2006 | | | | 100% | 0% | 0% | 0% | 100% |
| 2007 | | | | | 100% | 0% | 0% | 100% |
| 2008 | | | | | | 100% | 0% | 100% |
| 2009 | | | | | | | 100% | 100% |

Note: The actual fiscal impact depends on several factors including, but not limited to, forfeitures, award terms and modifications. Refer to Legal Notice page 25.

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Legal Notice

This Financial Supplement contains financial, statistical and business-related information, as well as business and segment trends. The information should be read in conjunction with the Company's second quarter earnings press release issued June 20, 2007.