MORGAN STANLEY
Financial Supplement - 4Q02
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# Morgan Stanley

## Financial Summary

**(unaudited, dollars in millions)**

<table>
<thead>
<tr>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q02 vs. 4Q01</td>
<td>Nov 30, 2001</td>
<td>Nov 30, 2002</td>
</tr>
<tr>
<td>4Q02 vs. 3Q02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 30, 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 30, 2002</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Net Revenues

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Securities</td>
<td>$3,537</td>
<td>$3,279</td>
<td>$2,571</td>
<td>$2,167</td>
<td>$2,167</td>
<td>$2,835</td>
<td>$2,152</td>
<td>$1,881</td>
</tr>
<tr>
<td>Individual Investor Group</td>
<td>$1,224</td>
<td>$1,163</td>
<td>$1,077</td>
<td>$991</td>
<td>$1,019</td>
<td>$1,041</td>
<td>$1,013</td>
<td>$907</td>
</tr>
<tr>
<td>Credit Services</td>
<td>$675</td>
<td>$624</td>
<td>$645</td>
<td>$581</td>
<td>$617</td>
<td>$615</td>
<td>$538</td>
<td>$534</td>
</tr>
<tr>
<td>Consolidated net revenues</td>
<td>$6,296</td>
<td>$5,968</td>
<td>$5,186</td>
<td>$4,643</td>
<td>$4,463</td>
<td>$4,635</td>
<td>$4,249</td>
<td>$4,249</td>
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</tbody>
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## Net Income

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Institutional Securities</td>
<td>$763</td>
<td>$665</td>
<td>$469</td>
<td>$575</td>
<td>$530</td>
<td>$448</td>
<td>$272</td>
<td>$453</td>
</tr>
<tr>
<td>Individual Investor Group</td>
<td>$25</td>
<td>$(25)</td>
<td>$(58)</td>
<td>$14</td>
<td>$7</td>
<td>$5</td>
<td>$(31)</td>
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<tr>
<td>Credit Services</td>
<td>$145</td>
<td>$119</td>
<td>$128</td>
<td>$88</td>
<td>$144</td>
<td>$141</td>
<td>$124</td>
<td>$116</td>
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<tr>
<td>Consolidated net income</td>
<td>$1,016</td>
<td>$930</td>
<td>$705</td>
<td>$670</td>
<td>$648</td>
<td>$797</td>
<td>$611</td>
<td>$732</td>
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## Basic Earnings per Common Share

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Income before extraordinary item and cumulative effect of accounting change</td>
<td>$0.98</td>
<td>$0.85</td>
<td>$0.67</td>
<td>$0.80</td>
<td>$0.78</td>
<td>$0.73</td>
<td>$0.57</td>
<td>$0.68</td>
</tr>
<tr>
<td>Extraordinary item</td>
<td>$(0.05)</td>
<td>$ -</td>
<td>$(0.03)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net income</td>
<td>$0.93</td>
<td>$0.85</td>
<td>$0.64</td>
<td>$0.80</td>
<td>$0.78</td>
<td>$0.73</td>
<td>$0.57</td>
<td>$0.68</td>
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</tbody>
</table>

## Diluted Earnings per Common Share

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before extraordinary item and cumulative effect of accounting change</td>
<td>$0.94</td>
<td>$0.82</td>
<td>$0.65</td>
<td>$0.78</td>
<td>$0.76</td>
<td>$0.72</td>
<td>$0.55</td>
<td>$0.67</td>
</tr>
<tr>
<td>Extraordinary item</td>
<td>$(0.05)</td>
<td>$ -</td>
<td>$(0.03)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Net income</td>
<td>$0.89</td>
<td>$0.82</td>
<td>$0.62</td>
<td>$0.78</td>
<td>$0.76</td>
<td>$0.72</td>
<td>$0.55</td>
<td>$0.67</td>
</tr>
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</table>

## Average Common Shares Outstanding

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>1,089,270,364</td>
<td>1,085,305,558</td>
<td>1,085,447,127</td>
<td>1,078,517,918</td>
<td>1,082,380,245</td>
<td>1,084,993,202</td>
<td>1,081,708,833</td>
<td>1,074,654,825</td>
</tr>
<tr>
<td>Diluted</td>
<td>1,134,150,225</td>
<td>1,120,687,197</td>
<td>1,119,301,107</td>
<td>1,108,980,235</td>
<td>1,112,959,092</td>
<td>1,113,949,482</td>
<td>1,105,494,894</td>
<td>1,105,716,005</td>
</tr>
</tbody>
</table>

## Return on Common Equity

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>22.5%</td>
<td>19.1%</td>
<td>14.9%</td>
<td>17.6%</td>
<td>16.4%</td>
<td>15.1%</td>
<td>11.4%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Diluted</td>
<td>18.5%</td>
<td>14.1%</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

**Notes:**

1. Represents extraordinary loss on the early extinguishment of debt.
2. Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.
3. Excludes the cumulative effect of accounting change and extraordinary item.

Revised: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 15.
## Quarterly Consolidated Income Statement Information

(unaudited, dollars in millions)

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>4Q02 vs. 4Q01</th>
<th>4Q02 vs. 3Q02</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nov 30, 2001</td>
<td>Nov 30, 2002</td>
<td></td>
</tr>
</tbody>
</table>

### Investment banking

- **1Q02** vs. **1Q01**: 15%  
- **1Q02** vs. **3Q02**: 43%

### Principal Transactions:

#### Trading
- 1.697% from **1Q01**
- **1Q02** vs. **3Q02**: 35%

#### Investments
- **1Q02** vs. **3Q02**: 119%

#### Commissions
- **1Q02** vs. **3Q02**: 13%

### Fees:

#### Interest and dividends
- **1Q02** vs. **3Q02**: 7%

### Total revenues

- **1Q02** vs. **3Q02**: 4%

### Compensation and benefits

- **1Q02** vs. **3Q02**: 20%

### Income before taxes, extraordinary item, div. on pref.

- **1Q02** vs. **3Q02**: 19%

### Income before extraordinary item and cumulative effect of acctg. change

- **1Q02** vs. **3Q02**: 20%

### Net income

- **1Q02** vs. **3Q02**: 20%

### Notes:

1. Represents extraordinary loss on the early extinguishment of debt.
2. Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

Refer to Legal Notice page 15.
MORGAN STANLEY
Quarterly Financial Information and Statistical Data
(unaudited)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (millions)</td>
<td>$ 450,000</td>
<td>$ 497,000</td>
<td>$ 505,000</td>
<td>$ 483,000</td>
<td>$ 492,000</td>
<td>$ 554,000</td>
<td>$ 517,000</td>
<td>10%</td>
</tr>
<tr>
<td>Period end common shares outstanding (millions)</td>
<td>1,114.4</td>
<td>1,110.1</td>
<td>1,106.3</td>
<td>1,093.0</td>
<td>1,101.2</td>
<td>1,097.1</td>
<td>1,093.1</td>
<td>1,081.4</td>
</tr>
<tr>
<td>Book value per common share</td>
<td>$ 17.23</td>
<td>$ 17.54</td>
<td>$ 17.76</td>
<td>$ 18.64</td>
<td>$ 18.97</td>
<td>$ 19.39</td>
<td>$ 19.59</td>
<td>$ 20.24</td>
</tr>
<tr>
<td>Shareholders’ equity (millions) (1)</td>
<td>$ 20,150</td>
<td>$ 20,419</td>
<td>$ 21,199</td>
<td>$ 21,926</td>
<td>$ 22,102</td>
<td>$ 22,486</td>
<td>$ 22,626</td>
<td>$ 23,096</td>
</tr>
<tr>
<td>Total capital (millions) (2)</td>
<td>$ 51,249</td>
<td>$ 61,274</td>
<td>$ 60,652</td>
<td>$ 61,633</td>
<td>$ 61,042</td>
<td>$ 67,690</td>
<td>$ 66,631</td>
<td>$ 65,936</td>
</tr>
<tr>
<td>Worldwide employees</td>
<td>63,708</td>
<td>62,909</td>
<td>62,392</td>
<td>61,319</td>
<td>59,875</td>
<td>58,538</td>
<td>57,799</td>
<td>55,726</td>
</tr>
</tbody>
</table>

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

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

Refer to Legal Notice page 15.
# Quarterly Institutional Securities Income Statement Information
(unaudited, dollars in millions)

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q02 vs. 4Q01</td>
<td>4Q02 vs. 3Q02</td>
<td>Nov 30, 2001</td>
</tr>
<tr>
<td>Investment banking</td>
<td>$892 $756 $708 $735 $614 $596 $413 $617</td>
<td>(16%) 49%</td>
<td>$3,091 $2,240</td>
</tr>
<tr>
<td>Principal transactions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading</td>
<td>1,468 1,862 903 486 946 560 328 280</td>
<td>(42%) (15%)</td>
<td>4,719 2,114</td>
</tr>
<tr>
<td>Investments</td>
<td>(14) (73) (54) (75) 30 (17) 13 15</td>
<td>120% 15%</td>
<td>(216) 41</td>
</tr>
<tr>
<td>Commissions</td>
<td>479 463 414 440 492 560 556 465</td>
<td>6% (16%)</td>
<td>1,816 2,073</td>
</tr>
<tr>
<td>Asset management, distribution and admin. fees</td>
<td>28 26 23 19 25 23 30 28</td>
<td>47% (7%)</td>
<td>96 106</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>6,267 6,089 4,978 3,933 3,175 3,169 3,630 3,095</td>
<td>(9%) (15%)</td>
<td>20,727 13,069</td>
</tr>
<tr>
<td>Other</td>
<td>100 121 97 130 147 95 78 94</td>
<td>(22%) 21%</td>
<td>438 414</td>
</tr>
<tr>
<td>Total revenues</td>
<td>9,220 9,264 7,069 5,118 5,429 4,966 5,048 4,594</td>
<td>(10%) (9%)</td>
<td>30,671 20,057</td>
</tr>
<tr>
<td>Interest expense</td>
<td>5,683 5,985 4,498 2,951 2,629 2,551 2,896 2,713</td>
<td>(8%) (6%)</td>
<td>19,117 10,789</td>
</tr>
<tr>
<td>Net revenues</td>
<td>3,537 3,279 2,571 2,167 2,300 2,435 2,152 1,881</td>
<td>(13%) (13%)</td>
<td>11,554 9,268</td>
</tr>
<tr>
<td>Total non-interest expenses</td>
<td>2,360 2,251 1,839 1,265 1,953 1,752 1,720 1,139</td>
<td>(10%) (34%)</td>
<td>7,715 6,564</td>
</tr>
<tr>
<td>Income before taxes, extraordinary item, div. on pref.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sec. and cumulative effect of acctg. change</td>
<td>1,177 1,028 732 902 922 847 783 432 742</td>
<td>(18%) 72%</td>
<td>3,839 2,704</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>407 356 249 305 295 213 213 267</td>
<td>(12%) 92%</td>
<td>1,317 914</td>
</tr>
<tr>
<td>Div. on pref. sec. subject to mandatory redemption</td>
<td>7 7 14 22 22 22 22 22</td>
<td>-- 5%</td>
<td>10 8</td>
</tr>
<tr>
<td>Income before extraordinary item and cumulative effect of accounting change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>763 666 469 575 530 448 272 453</td>
<td>(21%) 67%</td>
<td>2,472 1,703</td>
<td>(31%)</td>
</tr>
<tr>
<td>Extraordinary item (1)</td>
<td>0 0 (30) 0 0 0 0 0</td>
<td>-- --</td>
<td>(30) 0</td>
</tr>
<tr>
<td>Cumulative effect of accounting change (2)</td>
<td>46 0 0 0 0 0 0 0</td>
<td>-- --</td>
<td>(46) 0</td>
</tr>
<tr>
<td>Net income</td>
<td>$717 $666 $439 $575 $530 $448 $272 $453</td>
<td>(21%) 67%</td>
<td>$2,396 $1,703</td>
</tr>
<tr>
<td>Profit margin (3)</td>
<td>22% 20% 18% 27% 19% 18% 13% 24%</td>
<td>21% 18%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Represents extraordinary loss on the early extinguishment of debt.
(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.
(3) Net income excluding cumulative effect of accounting change as a % of net revenues.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 15.
# Morgan Stanley

## Quarterly Financial Information and Statistical Data

**Institutional Securities**

(unaudited)

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q02 vs. 4Q01</td>
<td>4Q02 vs. 3Q02</td>
<td>Nov 30, 2001</td>
</tr>
<tr>
<td>Advisory revenue (millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$449</td>
<td>$291</td>
<td>$358</td>
<td>$322</td>
</tr>
<tr>
<td>Underwriting revenue (millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$443</td>
<td>$465</td>
<td>$350</td>
<td>$413</td>
</tr>
<tr>
<td>Sales and trading net revenue (millions) (1)</td>
<td></td>
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<tr>
<td>Equity</td>
<td>$1,496</td>
<td>$1,263</td>
<td>$998</td>
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<tr>
<td>Fixed Income</td>
<td>$1,068</td>
<td>$1,232</td>
<td>$854</td>
</tr>
<tr>
<td>Mergers and acquisitions announced transactions (2)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Morgan Stanley global market volume (billions)</td>
<td>$109.4</td>
<td>$185.4</td>
<td>$279.4</td>
</tr>
<tr>
<td>Rank</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Worldwide equity and related issues (2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morgan Stanley global market volume (billions)</td>
<td>$7.9</td>
<td>$25.8</td>
<td>$32.9</td>
</tr>
<tr>
<td>Rank</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

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1. Includes principal trading, commissions and net interest revenue.


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

Refer to Legal Notice page 15.
MORGAN STANLEY
Quarterly Individual Investor Group Income Statement Information
(unaudited, dollars in millions)

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q02 vs. 4Q01</td>
<td>4Q02 vs. 3Q02</td>
<td>Nov 30, 2001</td>
</tr>
<tr>
<td></td>
<td>(2%)</td>
<td>7%</td>
<td>$ 280</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment banking</th>
<th>$ 50</th>
<th>$ 69</th>
<th>$ 87</th>
<th>$ 66</th>
<th>$ 62</th>
<th>$ 67</th>
<th>$ 61</th>
<th>$ 65</th>
<th>(2%)</th>
<th>7%</th>
<th>280</th>
<th>255</th>
<th>(9%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal transactions:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading</td>
<td>229</td>
<td>208</td>
<td>176</td>
<td>159</td>
<td>175</td>
<td>128</td>
<td>129</td>
<td>135</td>
<td>(15%)</td>
<td>5%</td>
<td>722</td>
<td>967</td>
<td>(27%)</td>
</tr>
<tr>
<td>Investments</td>
<td>(7)</td>
<td>(5)</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>(45)</td>
<td>(1)</td>
<td>*</td>
<td>96%</td>
<td>(11)</td>
<td>(45)</td>
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<td>288</td>
<td>267</td>
<td>(11%)</td>
<td>(7%)</td>
<td>1,300</td>
<td>1,157</td>
<td>(11%)</td>
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<td>444</td>
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<td>368</td>
<td>(6%)</td>
<td>(10%)</td>
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<td>1,640</td>
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<td>118</td>
<td>96</td>
<td>97</td>
<td>88</td>
<td>78</td>
<td>(34%)</td>
<td>(11%)</td>
<td>735</td>
<td>359</td>
<td>(51%)</td>
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<td>14</td>
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<td>14</td>
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<td>115</td>
<td>24</td>
<td>71%</td>
<td>(79%)</td>
<td>45</td>
<td>178</td>
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<td>Total revenues</td>
<td>1,372</td>
<td>1,259</td>
<td>1,143</td>
<td>1,047</td>
<td>1,056</td>
<td>1,076</td>
<td>1,043</td>
<td>936</td>
<td>(11%)</td>
<td>(10%)</td>
<td>4,621</td>
<td>4,111</td>
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<td>96</td>
<td>66</td>
<td>56</td>
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<td>35</td>
<td>30</td>
<td>29</td>
<td>(48%)</td>
<td>(3%)</td>
<td>366</td>
<td>131</td>
<td>(64%)</td>
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<tr>
<td>Net revenues</td>
<td>1,224</td>
<td>1,163</td>
<td>1,077</td>
<td>991</td>
<td>1,019</td>
<td>1,041</td>
<td>1,013</td>
<td>907</td>
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<td>(10%)</td>
<td>4,555</td>
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<td>1,172</td>
<td>968</td>
<td>1,010</td>
<td>1,017</td>
<td>1,005</td>
<td>963</td>
<td>(1%)</td>
<td>(4%)</td>
<td>4,516</td>
<td>3,995</td>
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<td>(38)</td>
<td>(95)</td>
<td>23</td>
<td>9</td>
<td>24</td>
<td>8</td>
<td>(56)</td>
<td>*</td>
<td>*</td>
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<td>2</td>
<td>12</td>
<td>3</td>
<td>(25)</td>
<td>*</td>
<td>*</td>
<td>(17)</td>
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<td>Net income</td>
<td>$ 25</td>
<td>$ (25)</td>
<td>$ (56)</td>
<td>$ 14</td>
<td>$ 7</td>
<td>$ 12</td>
<td>$ 5</td>
<td>$ (31)</td>
<td>*</td>
<td>*</td>
<td>$ (46)</td>
<td>$ (7)</td>
<td>84%</td>
</tr>
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</table>

(1) Net income as a % of net revenues.
Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 15.
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<td>Global financial advisors</td>
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<td>14,256</td>
<td>14,342</td>
<td>13,690</td>
<td>14,115</td>
<td>13,590</td>
<td>12,546</td>
<td>4Q02 vs. 4Q01 (8%)</td>
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<td>Total client assets (billions)</td>
<td>$638</td>
<td>$634</td>
<td>$597</td>
<td>$595</td>
<td>$588</td>
<td>$570</td>
<td>$520</td>
<td>$517         (13%)</td>
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<td>Fee-based client account assets (billions) (3)</td>
<td>$111</td>
<td>$117</td>
<td>$109</td>
<td>$110</td>
<td>$111</td>
<td>$111</td>
<td>$103</td>
<td>$104         (5%)</td>
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<td>Domestic retail locations</td>
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<td>722</td>
<td>704</td>
<td>697</td>
<td>680</td>
<td>663</td>
<td>649</td>
<td>606           (13%)</td>
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</tbody>
</table>

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

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

Refer to Legal Notice page 15.
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<thead>
<tr>
<th></th>
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<tr>
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<td>$8M</td>
<td>$9M</td>
<td>$8M</td>
<td>$8M</td>
<td>$7M</td>
<td>(13%)</td>
<td>(13%)</td>
<td>$54M</td>
<td>$32M</td>
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<td><strong>Principal transactions:</strong></td>
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</tr>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4</td>
<td>*</td>
<td>*</td>
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<td>$4</td>
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<td>Investments</td>
<td>(25M)</td>
<td>(29M)</td>
<td>(6M)</td>
<td>(29M)</td>
<td>(2M)</td>
<td>(32M)</td>
<td>(2M)</td>
<td>93%</td>
<td>94%</td>
<td>(89M)</td>
<td>(31M)</td>
<td>65%</td>
</tr>
<tr>
<td>Commissions</td>
<td>12M</td>
<td>9M</td>
<td>12M</td>
<td>11M</td>
<td>12M</td>
<td>11M</td>
<td>16M</td>
<td>23%</td>
<td>45%</td>
<td>46M</td>
<td>50M</td>
<td>9%</td>
</tr>
<tr>
<td>Asset management, distribution and admin fees</td>
<td>634M</td>
<td>611M</td>
<td>605M</td>
<td>570M</td>
<td>570M</td>
<td>587M</td>
<td>534M</td>
<td>508M</td>
<td>(11%)</td>
<td>(5%)</td>
<td>2.42B</td>
<td>2.19B</td>
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<td>Interest and dividends</td>
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<td>16M</td>
<td>18M</td>
<td>12M</td>
<td>8M</td>
<td>6M</td>
<td>9M</td>
<td>2M</td>
<td>(83%)</td>
<td>(78%)</td>
<td>72M</td>
<td>25M</td>
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<tr>
<td><strong>Other</strong></td>
<td>11M</td>
<td>5M</td>
<td>6M</td>
<td>10M</td>
<td>18M</td>
<td>1M</td>
<td>8M</td>
<td>(2M)</td>
<td>(120%)</td>
<td>(125%)</td>
<td>32M</td>
<td>25M</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>677M</td>
<td>627M</td>
<td>647M</td>
<td>584M</td>
<td>618M</td>
<td>615M</td>
<td>538M</td>
<td>533M</td>
<td>(9%)</td>
<td>(1%)</td>
<td>2.53B</td>
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<td>2M</td>
<td>3M</td>
<td>1M</td>
<td>0M</td>
<td>0M</td>
<td>(1M)</td>
<td>(133%)</td>
<td>*</td>
<td>10M</td>
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<tr>
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<td>645M</td>
<td>581M</td>
<td>617M</td>
<td>615M</td>
<td>538M</td>
<td>534M</td>
<td>(8%)</td>
<td>(1%)</td>
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<td>428M</td>
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<td>387M</td>
<td>328M</td>
<td>366M</td>
<td>(12%)</td>
<td>12%</td>
<td>1.69B</td>
<td>1.462B</td>
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<td>303M</td>
<td>277M</td>
<td>166M</td>
<td>236M</td>
<td>228M</td>
<td>210M</td>
<td>168M</td>
<td>1%</td>
<td>(20%)</td>
<td>829M</td>
<td>842M</td>
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<td>84M</td>
<td>89M</td>
<td>76M</td>
<td>92M</td>
<td>87M</td>
<td>86M</td>
<td>52M</td>
<td>(33%)</td>
<td>(40%)</td>
<td>349M</td>
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<td>$144M</td>
<td>$141M</td>
<td>$124M</td>
<td>$116M</td>
<td>32%</td>
<td>(6%)</td>
<td>$480M</td>
<td>$525M</td>
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</table>

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

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

Refer to Legal Notice page 15.
**Net Flows**

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</thead>
<tbody>
<tr>
<td>Retail (Unaudited)</td>
<td>$ (0.6)</td>
<td>$ (1.8)</td>
<td>$ (1.7)</td>
<td>$ (9.0)</td>
<td>$ 1.6</td>
<td>$ 1.2</td>
<td>$ (0.7)</td>
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<td>Institutional</td>
<td>(2.2)</td>
<td>(1.2)</td>
<td>0.4</td>
<td>0.7</td>
<td>(0.6)</td>
<td>(0.6)</td>
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<td></td>
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<td></td>
<td></td>
<td>(214%)</td>
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<tr>
<td>Net flows excluding money markets</td>
<td>$ (2.8)</td>
<td>(3.0)</td>
<td>(1.3)</td>
<td>(8.3)</td>
<td>1.4</td>
<td>0.8</td>
<td>(0.7)</td>
<td>(1.8)</td>
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<td>5.9</td>
<td>(8.9)</td>
<td>0.4</td>
<td>1.4</td>
<td>(1.3)</td>
<td>(4.1)</td>
<td>1.8</td>
<td>(1.3)</td>
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<td>(188%)</td>
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<td>173</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>$ 492</td>
<td>$ 487</td>
<td>$ 471</td>
<td>$ 459</td>
<td>$ 452</td>
<td>$ 451</td>
<td>$ 424</td>
<td>$ 420</td>
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<td>Assets under management or supervision by asset class</td>
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</tr>
<tr>
<td>Total</td>
<td>$ 492</td>
<td>$ 487</td>
<td>$ 471</td>
<td>$ 459</td>
<td>$ 452</td>
<td>$ 451</td>
<td>$ 424</td>
<td>$ 420</td>
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</table>

(1) Includes alternative investments.

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

Refer to Legal Notice page 15.
MORGAN STANLEY
Quarterly Credit Services Income Statement Information
(unaudited, dollars in millions)

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<td>Merchant and cardmember</td>
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<td>$364</td>
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<td>514</td>
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<td>612</td>
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<td>$167</td>
<td>$196</td>
<td>$210</td>
<td>$194</td>
</tr>
<tr>
<td>Profit margin (2)</td>
<td>17%</td>
<td>19%</td>
<td>22%</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
<td>23%</td>
<td>21%</td>
</tr>
</tbody>
</table>

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.
(2) Net income excluding cumulative effect of accounting change as a % of net revenues.

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

Refer to Legal Notice page 15.
### Morgan Stanley

#### Quarterly Credit Services Income Statement Information

(Managed loan basis)

(UNAUDITED, DOLLARS IN MILLIONS)

<table>
<thead>
<tr>
<th>Fees:</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fees:</strong></td>
<td>4Q02 vs. 4Q01</td>
<td>4Q02 vs. 3Q02</td>
<td>Nov 30, 2001</td>
</tr>
<tr>
<td><strong>Fees:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchant and cardmember</td>
<td>$ 467</td>
<td>$ 463</td>
<td>$ 527</td>
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<tr>
<td>Servicing</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>49</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total non-interest revenues</strong></td>
<td>$ 496</td>
<td>$ 512</td>
<td>$ 542</td>
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<tr>
<td>Interest revenue</td>
<td>1,747</td>
<td>1,745</td>
<td>1,741</td>
</tr>
<tr>
<td>Interest expense</td>
<td>796</td>
<td>730</td>
<td>657</td>
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<tr>
<td><strong>Net interest income</strong></td>
<td>$ 949</td>
<td>$ 1,015</td>
<td>$ 1,084</td>
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<tr>
<td>Provision for consumer loan losses</td>
<td>585</td>
<td>625</td>
<td>733</td>
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<td><strong>Net credit income</strong></td>
<td>364</td>
<td>390</td>
<td>351</td>
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<tr>
<td><strong>Net revenues</strong></td>
<td>$ 860</td>
<td>$ 902</td>
<td>$ 893</td>
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<tr>
<td><strong>Total non-interest expenses</strong></td>
<td>$ 629</td>
<td>$ 623</td>
<td>$ 575</td>
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<td>Income before income taxes and cumulative effect of accounting change</td>
<td>231</td>
<td>279</td>
<td>318</td>
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<tr>
<td>Income tax expense</td>
<td>89</td>
<td>108</td>
<td>122</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change</td>
<td>142</td>
<td>171</td>
<td>196</td>
</tr>
<tr>
<td>Cumulative effect of accounting change (1)</td>
<td>(13)</td>
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<td>0</td>
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<tr>
<td><strong>Net income</strong></td>
<td>$ 129</td>
<td>$ 171</td>
<td>$ 196</td>
</tr>
<tr>
<td>Profit margin (2)</td>
<td>17%</td>
<td>19%</td>
<td>22%</td>
</tr>
</tbody>
</table>

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(2) Net income excluding cumulative effect of accounting change as a % of net revenues.

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

Refer to Legal Notice page 15.
### MORGAN STANLEY

**Quarterly Financial Information and Statistical Data**

Credit Services

*(unaudited, dollars in millions)*

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Q402 vs. Q401</td>
<td>Q402 vs. Q302</td>
<td>Nov 30, 2001</td>
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<table>
<thead>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td><strong>Owned credit card loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Period end</td>
<td>$ 21,739</td>
<td>$ 20,909</td>
<td>$ 20,194</td>
<td>$ 20,085</td>
<td>$ 20,224</td>
<td>$ 21,840</td>
<td>$ 22,543</td>
<td>12% $ 20,085</td>
<td>3% $ 22,543</td>
<td>12% $ 20,085</td>
<td>3% $ 22,543</td>
<td></td>
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</tr>
<tr>
<td>Average</td>
<td>$ 21,555</td>
<td>$ 21,301</td>
<td>$ 20,407</td>
<td>$ 19,546</td>
<td>$ 20,972</td>
<td>$ 20,747</td>
<td>$ 20,476</td>
<td>13% $ 20,701</td>
<td>8% $ 21,054</td>
<td>2%</td>
<td></td>
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<tr>
<td><strong>Managed credit card loans (1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period end</td>
<td>$ 49,493</td>
<td>$ 50,227</td>
<td>$ 49,704</td>
<td>$ 49,332</td>
<td>$ 49,569</td>
<td>$ 49,377</td>
<td>$ 49,677</td>
<td>4% $ 51,143</td>
<td>3% $ 49,332</td>
<td>4%</td>
<td></td>
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</tr>
<tr>
<td>Average</td>
<td>$ 49,273</td>
<td>$ 49,658</td>
<td>$ 49,625</td>
<td>$ 49,964</td>
<td>$ 50,396</td>
<td>$ 49,579</td>
<td>$ 49,944</td>
<td>3% $ 50,239</td>
<td>2% $ 49,432</td>
<td>1%</td>
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<tr>
<td>Interest yield</td>
<td>13.66%</td>
<td>13.34%</td>
<td>13.34%</td>
<td>13.48%</td>
<td>12.63%</td>
<td>12.64%</td>
<td>12.86%</td>
<td>12.45%</td>
<td>(103 bp)</td>
<td>(41 bp)</td>
<td>13.45%</td>
<td>12.64%</td>
<td>(81 bp)</td>
</tr>
<tr>
<td>Interest spread</td>
<td>7.09%</td>
<td>7.50%</td>
<td>8.16%</td>
<td>8.22%</td>
<td>8.61%</td>
<td>8.72%</td>
<td>8.62%</td>
<td>20 bp</td>
<td>20 bp</td>
<td>7.89%</td>
<td>8.71%</td>
<td>82 bp</td>
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<tr>
<td>Net charge-off rate</td>
<td>4.79%</td>
<td>4.96%</td>
<td>5.79%</td>
<td>5.85%</td>
<td>6.49%</td>
<td>6.30%</td>
<td>6.02%</td>
<td>5.96%</td>
<td>11 bp</td>
<td>6 bp</td>
<td>5.36%</td>
<td>6.19%</td>
<td>83 bp</td>
</tr>
<tr>
<td>Delinquency rate (over 30 days)</td>
<td>6.34%</td>
<td>5.84%</td>
<td>6.31%</td>
<td>6.85%</td>
<td>6.75%</td>
<td>5.63%</td>
<td>5.72%</td>
<td>5.96%</td>
<td>(89 bp)</td>
<td>24 bp</td>
<td>6.85%</td>
<td>5.96%</td>
<td>(89 bp)</td>
</tr>
<tr>
<td>Delinquency rate (over 90 days)</td>
<td>2.74%</td>
<td>2.60%</td>
<td>2.61%</td>
<td>3.02%</td>
<td>3.12%</td>
<td>2.65%</td>
<td>2.49%</td>
<td>2.66%</td>
<td>(36 bp)</td>
<td>17 bp</td>
<td>3.02%</td>
<td>2.66%</td>
<td>(36 bp)</td>
</tr>
<tr>
<td>Transaction volume (billions)</td>
<td>$ 24.4</td>
<td>$ 23.5</td>
<td>$ 23.3</td>
<td>$ 22.1</td>
<td>$ 24.1</td>
<td>$ 23.5</td>
<td>$ 24.3</td>
<td>15% $ 25.3</td>
<td>4% $ 93.3</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts (millions)</td>
<td>42.7</td>
<td>44.7</td>
<td>45.4</td>
<td>45.7</td>
<td>46.0</td>
<td>46.2</td>
<td>46.2</td>
<td>46.5</td>
<td>2%</td>
<td>1%</td>
<td>45.7</td>
<td>46.5</td>
<td>2%</td>
</tr>
<tr>
<td>Active accounts (millions)</td>
<td>24.0</td>
<td>24.3</td>
<td>24.0</td>
<td>24.0</td>
<td>23.8</td>
<td>23.4</td>
<td>22.8</td>
<td>22.6</td>
<td>(6%)</td>
<td>(1%)</td>
<td>24.0</td>
<td>22.6</td>
<td>(6%)</td>
</tr>
<tr>
<td>Average receivables per average active account (actual $)</td>
<td>$ 2,050</td>
<td>$ 2,052</td>
<td>$ 2,069</td>
<td>$ 2,055</td>
<td>$ 2,098</td>
<td>$ 2,086</td>
<td>$ 2,145</td>
<td>8% $ 2,214</td>
<td>3% $ 2,057</td>
<td>4%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Securitization gain</td>
<td>$ 25</td>
<td>$ 49</td>
<td>$ 3</td>
<td>(7)</td>
<td>$ 8</td>
<td>$ 11</td>
<td>$ 4</td>
<td>157% $ 233</td>
<td>20% $ 70</td>
<td>(71%)</td>
<td></td>
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</tr>
</tbody>
</table>

(1) Includes owned and securitized credit card loans.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation. Refer to Legal Notice page 15.
The following (page 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. Morgan Stanley also provides this type of presentation for its credit services activities (page 14) in order to provide helpful comparison to other credit card issuers.
MORGAN STANLEY
Quarterly Institutional Securities, Individual Investor Group and Investment Management
Combined Income Statement Information
(unaudited, dollars in millions)

### QUARTER ENDED

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment banking</td>
<td>$ 969</td>
<td>$ 840</td>
<td>$ 807</td>
<td>$ 809</td>
<td>$ 685</td>
<td>$ 671</td>
<td>$ 482</td>
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<td>Principal transactions:</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Trading</td>
<td>1,697</td>
<td>2,070</td>
<td>1,079</td>
<td>645</td>
<td>1,121</td>
<td>688</td>
<td>457</td>
<td>419</td>
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<td>Investments</td>
<td>(46)</td>
<td>(107)</td>
<td>(59)</td>
<td>(104)</td>
<td>33</td>
<td>(16)</td>
<td>(64)</td>
<td>12</td>
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<tr>
<td>Commissions</td>
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<td>838</td>
<td>720</td>
<td>753</td>
<td>777</td>
<td>900</td>
<td>855</td>
<td>748</td>
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<tr>
<td>Asset management, distribution and administration fees</td>
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<td>1,074</td>
<td>1,054</td>
<td>979</td>
<td>1,016</td>
<td>1,054</td>
<td>971</td>
<td>904</td>
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<td>6,296</td>
<td>5,151</td>
<td>3,523</td>
<td>3,279</td>
<td>3,272</td>
<td>3,175</td>
<td>3,175</td>
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<tr>
<td>Other</td>
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<td>139</td>
<td>107</td>
<td>144</td>
<td>192</td>
<td>198</td>
<td>201</td>
<td>116</td>
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<tr>
<td>Total revenues</td>
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<td>11,150</td>
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<td>6,749</td>
<td>7,103</td>
<td>6,677</td>
<td>6,629</td>
<td>6,063</td>
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<td>Interest expense</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>2,648</td>
<td>2,538</td>
<td>2,190</td>
<td>1,242</td>
<td>2,297</td>
<td>2,039</td>
<td>1,855</td>
<td>968</td>
</tr>
<tr>
<td>Occupancy and equipment</td>
<td>193</td>
<td>207</td>
<td>202</td>
<td>200</td>
<td>182</td>
<td>190</td>
<td>180</td>
<td>200</td>
</tr>
<tr>
<td>Brokerage, clearing and exchange fees</td>
<td>167</td>
<td>177</td>
<td>178</td>
<td>180</td>
<td>179</td>
<td>178</td>
<td>208</td>
<td>212</td>
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<tr>
<td>Information processing and communications</td>
<td>268</td>
<td>276</td>
<td>273</td>
<td>263</td>
<td>242</td>
<td>246</td>
<td>247</td>
<td>281</td>
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<td>Marketing and business development</td>
<td>191</td>
<td>170</td>
<td>154</td>
<td>147</td>
<td>134</td>
<td>157</td>
<td>145</td>
<td>159</td>
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<td>Professional services</td>
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<td>283</td>
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<td>191</td>
<td>211</td>
<td>266</td>
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<tr>
<td>Other</td>
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<td>223</td>
<td>211</td>
<td>333</td>
<td>136</td>
<td>157</td>
<td>207</td>
<td>147</td>
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<td>0</td>
<td>235</td>
<td>*</td>
<td>*</td>
<td>235</td>
</tr>
<tr>
<td>Total non-interest expenses</td>
<td>3,967</td>
<td>3,873</td>
<td>3,439</td>
<td>2,648</td>
<td>3,344</td>
<td>3,156</td>
<td>3,053</td>
<td>2,468</td>
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<tr>
<td>Income before taxes, extraordinary item, div. on pref. sec. and cumulative effect of accounting change</td>
<td>1,469</td>
<td>1,153</td>
<td>854</td>
<td>1,081</td>
<td>1,092</td>
<td>935</td>
<td>650</td>
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<td>301</td>
<td>352</td>
<td>389</td>
<td>312</td>
<td>228</td>
<td>294</td>
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<td>Div. on pref. sec. subject to mandatory redemption</td>
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<td>7</td>
<td>14</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>21</td>
<td>22</td>
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<tr>
<td>Income before extraordinary item and cumulative effect of accounting change</td>
<td>933</td>
<td>759</td>
<td>509</td>
<td>677</td>
<td>681</td>
<td>601</td>
<td>401</td>
<td>538</td>
</tr>
<tr>
<td>Extraordinary item (1)</td>
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<td>(30)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>Cumulative effect of accounting change (2)</td>
<td>(46)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Net income</td>
<td>$ 887</td>
<td>$ 759</td>
<td>$ 509</td>
<td>$ 677</td>
<td>$ 681</td>
<td>$ 601</td>
<td>$ 401</td>
<td>$ 538</td>
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### Percentage Change From:

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<th>4Q02 vs. 4Q01</th>
<th>4Q02 vs. 3Q02</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment banking</td>
<td>(15%)</td>
<td>(8%)</td>
<td>6,541</td>
<td>(35%)</td>
</tr>
<tr>
<td>Principal transactions:</td>
<td></td>
<td></td>
<td></td>
<td>(35%)</td>
</tr>
<tr>
<td>Trading</td>
<td>(35%)</td>
<td>(8%)</td>
<td>6,541</td>
<td>(35%)</td>
</tr>
<tr>
<td>Investments</td>
<td>(35%)</td>
<td>(8%)</td>
<td>6,541</td>
<td>(35%)</td>
</tr>
<tr>
<td>Commissions</td>
<td>(8%)</td>
<td>(35%)</td>
<td>6,541</td>
<td>(35%)</td>
</tr>
<tr>
<td>Asset management, distribution and administration fees</td>
<td>(8%)</td>
<td>(7%)</td>
<td>6,541</td>
<td>(8%)</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>(8%)</td>
<td>(7%)</td>
<td>6,541</td>
<td>(8%)</td>
</tr>
<tr>
<td>Other</td>
<td>(8%)</td>
<td>(7%)</td>
<td>6,541</td>
<td>(8%)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>(10%)</td>
<td>(9%)</td>
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<td>(10%)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1%)</td>
<td>(13%)</td>
<td>6,541</td>
<td>(11%)</td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>(22%)</td>
<td>(48%)</td>
<td>6,541</td>
<td>(22%)</td>
</tr>
<tr>
<td>Occupancy and equipment</td>
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<td>11%</td>
<td>6,541</td>
<td>11%</td>
</tr>
<tr>
<td>Brokerage, clearing and exchange fees</td>
<td>--</td>
<td>2%</td>
<td>6,541</td>
<td>2%</td>
</tr>
<tr>
<td>Information processing and communications</td>
<td>--</td>
<td>7%</td>
<td>6,541</td>
<td>7%</td>
</tr>
<tr>
<td>Marketing and business development</td>
<td>--</td>
<td>8%</td>
<td>6,541</td>
<td>8%</td>
</tr>
<tr>
<td>Professional services</td>
<td>--</td>
<td>8%</td>
<td>6,541</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>--</td>
<td>--</td>
<td>6,541</td>
<td>--</td>
</tr>
<tr>
<td>Restructuring and other charges</td>
<td>--</td>
<td>--</td>
<td>6,541</td>
<td>--</td>
</tr>
<tr>
<td>Total non-interest expenses</td>
<td>(11%)</td>
<td>(10%)</td>
<td>6,541</td>
<td>(11%)</td>
</tr>
<tr>
<td>Income before taxes, extraordinary item, div. on pref. sec. and cumulative effect of accounting change</td>
<td>(22%)</td>
<td>31%</td>
<td>6,541</td>
<td>31%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(25%)</td>
<td>29%</td>
<td>6,541</td>
<td>29%</td>
</tr>
<tr>
<td>Div. on pref. sec. subject to mandatory redemption</td>
<td>--</td>
<td>5%</td>
<td>6,541</td>
<td>5%</td>
</tr>
<tr>
<td>Income before extraordinary item and cumulative effect of accounting change</td>
<td>(21%)</td>
<td>34%</td>
<td>6,541</td>
<td>34%</td>
</tr>
<tr>
<td>Extraordinary item (1)</td>
<td>--</td>
<td>--</td>
<td>6,541</td>
<td>--</td>
</tr>
<tr>
<td>Cumulative effect of accounting change (2)</td>
<td>--</td>
<td>--</td>
<td>6,541</td>
<td>--</td>
</tr>
<tr>
<td>Net income</td>
<td>(21%)</td>
<td>34%</td>
<td>6,541</td>
<td>34%</td>
</tr>
</tbody>
</table>

### Notes:

1. Represents extraordinary loss on the early extinguishment of debt.
2. Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.
3. Net income excluding cumulative effect of accounting change as a % of net revenues.

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

Refer to Legal Notice page 15.
MORGAN STANLEY
Quarterly Credit Services Income Statement Information
(Managed Loan Basis)

(unaudited, dollars in millions)

<table>
<thead>
<tr>
<th>QUARTER ENDED</th>
<th>Percentage Change From:</th>
<th>Twelve Months Ended</th>
<th>Percentage Change</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>4Q02 vs. 4Q01</td>
<td>4Q02 vs. 3Q02</td>
<td>Nov 30, 2001</td>
</tr>
<tr>
<td>Fees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchant and cardmember</td>
<td>$467</td>
<td>$463</td>
<td>$527</td>
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<tr>
<td>Servicing</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>49</td>
<td>15</td>
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<tr>
<td>Total non-interest revenues</td>
<td>496</td>
<td>512</td>
<td>542</td>
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<tr>
<td>Interest revenue</td>
<td>1,747</td>
<td>1,745</td>
<td>1,741</td>
</tr>
<tr>
<td>Interest expense</td>
<td>798</td>
<td>730</td>
<td>657</td>
</tr>
<tr>
<td>Net interest income</td>
<td>949</td>
<td>1,015</td>
<td>1,084</td>
</tr>
<tr>
<td>Provision for consumer loan losses</td>
<td>585</td>
<td>625</td>
<td>733</td>
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<tr>
<td>Net credit income</td>
<td>364</td>
<td>390</td>
<td>351</td>
</tr>
<tr>
<td>Net revenues</td>
<td>860</td>
<td>902</td>
<td>893</td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>193</td>
<td>195</td>
<td>186</td>
</tr>
<tr>
<td>Occupancy and equipment</td>
<td>22</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>Information processing and communications</td>
<td>87</td>
<td>95</td>
<td>90</td>
</tr>
<tr>
<td>Marketing and business development</td>
<td>192</td>
<td>164</td>
<td>126</td>
</tr>
<tr>
<td>Professional services</td>
<td>58</td>
<td>54</td>
<td>51</td>
</tr>
<tr>
<td>Other</td>
<td>87</td>
<td>95</td>
<td>100</td>
</tr>
<tr>
<td>Total non-interest expenses</td>
<td>629</td>
<td>623</td>
<td>575</td>
</tr>
<tr>
<td>Income before taxes and cumulative effect of accounting change</td>
<td>231</td>
<td>279</td>
<td>318</td>
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<tr>
<td>Income tax expense</td>
<td>89</td>
<td>108</td>
<td>122</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change</td>
<td>142</td>
<td>171</td>
<td>194</td>
</tr>
<tr>
<td>Cumulative effect of accounting change (1)</td>
<td>(13)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net income</td>
<td>$129</td>
<td>$171</td>
<td>$196</td>
</tr>
<tr>
<td>Compensation and benefits as a % of net revenues</td>
<td>22%</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Non-compensation expenses as a % of net revenues</td>
<td>51%</td>
<td>47%</td>
<td>44%</td>
</tr>
<tr>
<td>Profit margin (2)</td>
<td>17%</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>15,969</td>
<td>15,783</td>
<td>15,817</td>
</tr>
</tbody>
</table>

Notes:
(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.
(2) Net income excluding cumulative effect of accounting change as a % of net revenues.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.
Refer to Legal Notice page 15.
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 fourth quarter earnings press release issued December 19, 2002.