



**MORGAN STANLEY**  
 Quarterly Institutional Securities, Individual Investor Group and Investment Management  
 Combined Income Statement Information  
 (unaudited, dollars in millions)

	QUARTER ENDED					Percentage Change From:	
	Feb 28, 2002	May 31, 2002	Aug 31, 2002	Nov 30, 2002	Feb 28, 2003		
	\$	\$	\$	\$	\$	1Q03 vs. 1Q02	1Q03 vs. 4Q02
Investment banking	\$ 674	\$ 663	\$ 470	\$ 671	\$ 589	(13%)	(12%)
Principal transactions:							
Trading	1,132	696	469	433	1,556	37%	*
Investments	33	(16)	(64)	16	(22)	(167%)	*
Commissions	777	900	855	748	670	(14%)	(10%)
Asset management, distribution and administration fees	1,016	1,054	971	904	903	(11%)	--
Interest and dividends	3,283	3,275	3,730	3,178	3,243	(1%)	2%
Other	194	112	205	120	90	(54%)	(25%)
Total revenues	<u>7,109</u>	<u>6,684</u>	<u>6,636</u>	<u>6,070</u>	<u>7,029</u>	(1%)	16%
Interest expense	2,667	2,586	2,926	2,741	2,449	(8%)	(11%)
Net revenues	<u>4,442</u>	<u>4,098</u>	<u>3,710</u>	<u>3,329</u>	<u>4,580</u>	3%	38%
Compensation and benefits	2,297	2,039	1,855	968	2,334	2%	141%
Occupancy and equipment	182	190	180	200	176	(3%)	(12%)
Brokerage, clearing and exchange fees	179	176	208	212	191	7%	(10%)
Information processing and communications	242	246	247	281	228	(6%)	(19%)
Marketing and business development	134	157	145	159	116	(13%)	(27%)
Professional services	174	191	211	266	174	--	(35%)
Other	142	164	214	154	225	58%	46%
Restructuring and other charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>235</u>	<u>0</u>	--	*
Total non-interest expenses	<u>3,350</u>	<u>3,163</u>	<u>3,060</u>	<u>2,475</u>	<u>3,444</u>	3%	39%
Income before taxes and dividend on pref. sec.							
subject to mandatory redemption	1,092	935	650	854	1,136	4%	33%
Income tax expense	389	312	228	294	391	1%	33%
Div. on pref. sec. subject to mandatory redemption	22	22	21	22	22	--	--
Net income	<u>\$ 681</u>	<u>\$ 601</u>	<u>\$ 401</u>	<u>\$ 538</u>	<u>\$ 723</u>	6%	34%
Compensation and benefits as a % of net revenues	52%	50%	50%	29%	51%		
Non-compensation expenses as a % of net revenues (1)	24%	27%	32%	38%	24%		
Profit margin (2)	15%	15%	11%	16%	16%		
Number of employees (3)	43,878	43,237	42,585	40,424	38,867	(11%)	(4%)

(1) Excludes restructuring and other charges.

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

(3) Includes Institutional Securities, Individual Investor Group, Investment Management and Infrastructure / Company areas.

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

Refer to Legal Notice page 15.