



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

| | QUARTER ENDED | | | | | | Percentage Change From: | | Six Months Ended | | Percentage Change |
|---|---------------|--------------|--------------|--------------|--------------|--------------|-------------------------|---------------|------------------|--------------|-------------------|
| | Feb 28, 2002 | May 31, 2002 | Aug 31, 2002 | Nov 30, 2002 | Feb 28, 2003 | May 31, 2003 | 2Q03 vs. 2Q02 | 2Q03 vs. 1Q03 | May 31, 2002 | May 31, 2003 | |
| Investment banking | \$ 674 | \$ 663 | \$ 470 | \$ 671 | \$ 589 | \$ 536 | (19%) | (9%) | \$ 1,337 | \$ 1,125 | (16%) |
| Principal transactions: | | | | | | | | | | | |
| Trading | 1,132 | 696 | 469 | 433 | 1,556 | 1,583 | 127% | 2% | 1,828 | 3,139 | 72% |
| Investments | 33 | (16) | (64) | 16 | (22) | 59 | * | * | 17 | 37 | 118% |
| Commissions | 777 | 900 | 855 | 748 | 670 | 709 | (21%) | 6% | 1,677 | 1,379 | (18%) |
| Asset management, distribution and administration fees | 1,016 | 1,054 | 971 | 904 | 903 | 885 | (16%) | (2%) | 2,070 | 1,788 | (14%) |
| Interest and dividends | 3,283 | 3,275 | 3,730 | 3,178 | 3,243 | 3,149 | (4%) | (3%) | 6,558 | 6,392 | (3%) |
| Other | 194 | 112 | 205 | 120 | 90 | 107 | (4%) | 19% | 306 | 197 | (36%) |
| Total revenues | 7,109 | 6,684 | 6,636 | 6,070 | 7,029 | 7,028 | 5% | -- | 13,793 | 14,057 | 2% |
| Interest expense | 2,667 | 2,586 | 2,926 | 2,741 | 2,449 | 2,863 | 11% | 17% | 5,253 | 5,312 | 1% |
| Net revenues | 4,442 | 4,098 | 3,710 | 3,329 | 4,580 | 4,165 | 2% | (9%) | 8,540 | 8,745 | 2% |
| Compensation and benefits | 2,297 | 2,039 | 1,855 | 968 | 2,334 | 2,069 | 1% | (11%) | 4,336 | 4,403 | 2% |
| Occupancy and equipment | 182 | 190 | 180 | 200 | 176 | 176 | (7%) | -- | 372 | 352 | (5%) |
| Brokerage, clearing and exchange fees | 179 | 176 | 208 | 212 | 191 | 202 | 15% | 6% | 355 | 393 | 11% |
| Information processing and communications | 242 | 246 | 247 | 281 | 228 | 234 | (5%) | 3% | 488 | 462 | (5%) |
| Marketing and business development | 134 | 157 | 145 | 159 | 116 | 129 | (18%) | 11% | 291 | 245 | (16%) |
| Professional services | 174 | 191 | 211 | 266 | 174 | 196 | 3% | 13% | 365 | 370 | 1% |
| Other | 142 | 164 | 214 | 154 | 225 | 552 | * | 145% | 306 | 777 | * |
| Restructuring and other charges | 0 | 0 | 0 | 235 | 0 | 0 | -- | -- | 0 | 0 | -- |
| Total non-interest expenses | 3,350 | 3,163 | 3,060 | 2,475 | 3,444 | 3,558 | 12% | 3% | 6,513 | 7,002 | 8% |
| Income before taxes and dividend on pref. sec. subject to mandatory redemption | 1,092 | 935 | 650 | 854 | 1,136 | 607 | (35%) | (47%) | 2,027 | 1,743 | (14%) |
| Income tax expense | 389 | 312 | 228 | 294 | 391 | 162 | (48%) | (59%) | 701 | 553 | (21%) |
| Div. on pref. sec. subject to mandatory redemption | 22 | 22 | 21 | 22 | 22 | 40 | 82% | 82% | 44 | 62 | 41% |
| Net income | \$ 681 | \$ 601 | \$ 401 | \$ 538 | \$ 723 | \$ 405 | (33%) | (44%) | \$ 1,282 | \$ 1,128 | (12%) |
| Compensation and benefits as a % of net revenues | 52% | 50% | 50% | 29% | 51% | 50% | | | 51% | 50% | |
| Non-compensation expenses as a % of net revenues (1) | 24% | 27% | 32% | 38% | 24% | 36% | | | 25% | 30% | |
| Profit margin (2) | 15% | 15% | 11% | 16% | 16% | 10% | | | 15% | 13% | |
| Number of employees (3) | 43,878 | 43,237 | 42,585 | 40,424 | 38,867 | 38,031 | (12%) | (2%) | | | |

(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 20.