

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.