



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

	QUARTER ENDED						Percentage Change From:		Nine Months Ended		Percentage Change	
	Feb 28, 2001	May 31, 2001	Aug 31, 2001	Nov 30, 2001	Feb 28, 2002	May 31, 2002	Aug 31, 2002	3Q02 vs. 3Q01	3Q02 vs. 2Q02	Aug 31, 2001	Aug 31, 2002	
Investment banking	\$ 969	\$ 840	\$ 807	\$ 809	\$ 685	\$ 671	\$ 482	(40%)	(28%)	\$ 2,616	\$ 1,838	(30%)
Principal transactions:												
Trading	1,697	2,070	1,079	645	1,121	688	457	(58%)	(34%)	4,846	2,266	(53%)
Investments	(46)	(107)	(59)	(104)	33	(16)	(64)	(8%)	*	(212)	(47)	78%
Commissions	851	838	720	753	777	900	855	19%	(5%)	2,409	2,532	5%
Fees:												
Asset management, distribution and admin. fees	1,109	1,074	1,054	979	1,016	1,054	971	(8%)	(8%)	3,237	3,041	(6%)
Merchant and cardmember	313	325	362	345	341	359	364	1%	1%	1,000	1,064	6%
Servicing	427	476	434	567	541	511	514	18%	1%	1,337	1,566	17%
Interest and dividends	7,236	6,950	5,825	4,116	3,832	3,874	4,373	(25%)	13%	20,011	12,079	(40%)
Other	125	139	110	146	194	108	204	85%	89%	374	506	35%
Total revenues	12,681	12,605	10,332	8,256	8,540	8,149	8,156	(21%)	--	35,618	24,845	(30%)
Interest expense	6,172	6,406	4,869	3,282	2,936	2,844	3,188	(35%)	12%	17,447	8,968	(49%)
Provision for consumer loan losses	213	231	277	331	345	340	332	20%	(2%)	721	1,017	41%
Net revenues	6,296	5,968	5,186	4,643	5,259	4,965	4,636	(11%)	(7%)	17,450	14,860	(15%)
Compensation and benefits	2,841	2,733	2,376	1,422	2,489	2,236	2,061	(13%)	(8%)	7,950	6,786	(15%)
Occupancy and equipment	215	227	224	215	198	208	198	(12%)	(5%)	666	604	(9%)
Brokerage, clearing and exchange fees	167	177	176	180	179	176	208	18%	18%	520	563	8%
Information processing and communications	355	371	363	371	322	337	341	(6%)	1%	1,089	1,000	(8%)
Marketing and business development	373	334	280	290	254	259	291	4%	12%	987	804	(19%)
Professional services	334	336	284	345	225	250	273	(4%)	9%	954	748	(22%)
Other	311	318	311	430	245	252	295	(5%)	17%	940	792	(16%)
Total non-interest expenses	4,596	4,496	4,014	3,253	3,912	3,718	3,667	(9%)	(1%)	13,106	11,297	(14%)
Income before taxes, extraordinary item, dividends on pref. sec. and cumulative effect of acctg. change	1,700	1,472	1,172	1,390	1,347	1,247	969	(17%)	(22%)	4,344	3,563	(18%)
Income tax expense	618	535	423	498	477	428	337	(20%)	(21%)	1,576	1,242	(21%)
Div. on pref. sec. subject to mandatory redemption	7	7	14	22	22	22	21	50%	(5%)	28	65	132%
Income before extraordinary item and cumulative effect of accounting change	1,075	930	735	870	848	797	611	(17%)	(23%)	2,740	2,256	(18%)
Extraordinary Item (1)	0	0	(30)	0	0	0	0	*	--	(30)	0	*
Cumulative effect of accounting change (2)	(59)	0	0	0	0	0	0	--	--	(59)	0	*
Net income	<u>\$ 1,016</u>	<u>\$ 930</u>	<u>\$ 705</u>	<u>\$ 870</u>	<u>\$ 848</u>	<u>\$ 797</u>	<u>\$ 611</u>	(13%)	(23%)	<u>\$ 2,651</u>	<u>\$ 2,256</u>	(15%)
Preferred stock dividend requirements	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	*	--	<u>\$ 27</u>	<u>\$ 0</u>	*
Earnings applicable to common shares	<u>\$ 1,007</u>	<u>\$ 921</u>	<u>\$ 696</u>	<u>\$ 865</u>	<u>\$ 848</u>	<u>\$ 797</u>	<u>\$ 611</u>	(12%)	(23%)	<u>\$ 2,624</u>	<u>\$ 2,256</u>	(14%)
Compensation and benefits as a % of net revenues	45%	46%	46%	31%	47%	45%	44%			46%	46%	
Non-compensation expenses as a % of net revenues	28%	30%	32%	39%	27%	30%	35%			30%	30%	
Profit margin (3)	17%	16%	14%	19%	16%	16%	13%			16%	15%	

(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 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 11.