



**MORGAN STANLEY**  
**Quarterly Credit Services 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	
<b>Fees:</b>													
Merchant and cardmember servicing	\$ 313	\$ 325	\$ 362	\$ 345	\$ 341	\$ 359	\$ 364	1%	1%	\$ 1,000	\$ 1,064	6%	
Other	427	476	434	567	541	511	514	18%	1%	1,337	1,566	17%	
Total non-interest revenues	0	0	3	2	2	0	3	--	*	3	5	67%	
	740	801	799	914	884	870	881	10%	1%	2,340	2,635	13%	
Interest revenue	672	654	674	593	553	602	646	(4%)	7%	2,000	1,801	(10%)	
Interest expense	339	322	303	272	269	258	262	(14%)	2%	964	789	(18%)	
Net interest income	333	332	371	321	284	344	384	4%	12%	1,036	1,012	(2%)	
Provision for consumer loan losses	213	231	277	331	345	340	332	20%	(2%)	721	1,017	41%	
Net credit income	120	101	94	(10)	(61)	4	52	(45%)	*	315	(5)	(102%)	
Net revenues	860	902	893	904	823	874	933	4%	7%	2,655	2,630	(1%)	
Compensation and benefits	193	195	186	180	192	197	206	11%	5%	574	595	4%	
Occupancy and equipment	22	20	22	15	16	18	18	(18%)	--	64	52	(19%)	
Information processing and communications	87	95	90	108	80	91	94	4%	3%	272	265	(3%)	
Marketing and business development	182	164	126	143	120	102	146	16%	43%	472	368	(22%)	
Professional services	58	54	51	62	51	59	62	22%	5%	163	172	6%	
Other	87	95	100	97	109	95	88	(12%)	(7%)	282	292	4%	
Total non-interest expenses	629	623	575	605	568	562	614	7%	9%	1,827	1,744	(5%)	
Income before taxes and cumulative effect of accounting change	231	279	318	299	255	312	319	--	2%	828	886	7%	
Income tax expense	89	108	122	106	88	116	109	(11%)	(6%)	319	313	(2%)	
Income before cumulative effect of accounting change	142	171	196	193	167	196	210	7%	7%	509	573	13%	
Cumulative effect of accounting change (1)	(13)	0	0	0	0	0	0	--	--	(13)	0	*	
Net income	\$ 129	\$ 171	\$ 196	\$ 193	\$ 167	\$ 196	\$ 210	7%	7%	\$ 496	\$ 573	16%	
Compensation and benefits as a % of net revenues	22%	22%	21%	20%	23%	23%	22%			22%	23%		
Non-compensation expenses as a % of net revenues	51%	47%	44%	47%	46%	42%	44%			47%	44%		
Profit margin (2)	17%	19%	22%	21%	20%	22%	23%			19%	22%		

(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 11.