



MORGAN STANLEY
Quarterly Investment Management 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	\$ 19	\$ 15	\$ 12	\$ 7	\$ 9	\$ 8	\$ 8	(33%)	--	\$ 46	\$ 25	(46%)
Principal transactions:												
Investments	1	(1)	(1)	(4)	1	1	(6)	*	*	(1)	(4)	*
Commissions	12	9	12	13	11	12	11	(8%)	(8%)	33	34	3%
Asset management, distribution and admin fees	623	598	593	559	559	576	522	(12%)	(9%)	1,814	1,657	(9%)
Interest and dividends	24	17	16	11	8	6	9	(44%)	50%	57	23	(60%)
Other	11	4	7	10	18	1	8	14%	*	22	27	23%
Total revenues	690	642	639	596	606	604	552	(14%)	(9%)	1,971	1,762	(11%)
Interest expense	2	3	2	3	1	0	0	*	--	7	1	(86%)
Net revenues	688	639	637	593	605	604	552	(13%)	(9%)	1,964	1,761	(10%)
Compensation and benefits	212	197	202	108	181	173	154	(24%)	(11%)	611	508	(17%)
Occupancy and equipment	22	24	21	27	19	20	18	(14%)	(10%)	67	57	(15%)
Brokerage, clearing and exchange fees	50	50	53	51	53	57	62	17%	9%	153	172	12%
Information processing and communications	25	28	30	27	23	26	27	(10%)	4%	83	76	(8%)
Marketing and business development	40	42	38	26	34	32	26	(32%)	(19%)	120	92	(23%)
Professional services	53	58	44	60	51	51	52	18%	2%	155	154	(1%)
Other	31	24	33	36	10	18	(16)	(148%)	(189%)	88	12	(86%)
Total non-interest expenses	433	423	421	335	371	377	323	(23%)	(14%)	1,277	1,071	(16%)
Income before income taxes	255	216	216	258	234	227	229	6%	1%	687	690	--
Income tax expense	102	89	88	110	92	86	93	6%	8%	279	271	(3%)
Net income	\$ 153	\$ 127	\$ 128	\$ 148	\$ 142	\$ 141	\$ 136	6%	(4%)	\$ 408	\$ 419	3%
Compensation and benefits as a % of net revenues	31%	31%	32%	18%	30%	29%	28%			31%	29%	
Non-compensation expenses as a % of net revenues	32%	35%	34%	38%	31%	34%	31%			34%	32%	
Profit margin (1)	22%	20%	20%	25%	23%	23%	25%			21%	24%	

(1) 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.