



MORGAN STANLEY
Quarterly Securities 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	\$ 950	\$ 825	\$ 795	\$ 802	\$ 676	\$ 663	\$ 474	(40%)	(29%)	\$ 2,570	\$ 1,813	(29%)
Principal transactions:												
Trading	1,697	2,070	1,079	645	1,121	688	457	(58%)	(34%)	4,846	2,266	(53%)
Investments	(47)	(106)	(58)	(100)	32	(17)	(58)	--	(241%)	(211)	(43)	80%
Commissions	839	829	708	740	766	888	844	19%	(5%)	2,376	2,498	5%
Asset management, distribution and admin fees	486	476	461	420	457	478	449	(3%)	(6%)	1,423	1,384	(3%)
Interest and dividends	6,540	6,279	5,135	3,512	3,271	3,266	3,718	(28%)	14%	17,954	10,255	(43%)
Other	114	135	100	134	174	107	193	93%	80%	349	474	36%
Total revenues	10,579	10,508	8,220	6,153	6,497	6,073	6,077	(26%)	--	29,307	18,647	(36%)
Interest expense	5,831	6,081	4,564	3,007	2,666	2,586	2,926	(36%)	13%	16,476	8,178	(50%)
Net revenues	4,748	4,427	3,656	3,146	3,831	3,487	3,151	(14%)	(10%)	12,831	10,469	(18%)
Compensation and benefits	2,436	2,341	1,988	1,134	2,116	1,866	1,701	(14%)	(9%)	6,765	5,683	(16%)
Occupancy and equipment	171	183	181	173	163	170	162	(10%)	(5%)	535	495	(7%)
Brokerage, clearing and exchange fees	117	127	123	129	126	119	146	19%	23%	367	391	7%
Information processing and communications	243	248	243	236	219	220	220	(9%)	--	734	659	(10%)
Marketing and business development	151	128	116	121	100	125	119	3%	(5%)	395	344	(13%)
Professional services	223	224	189	223	123	140	159	(16%)	14%	636	422	(34%)
Other	193	199	178	297	126	139	223	25%	60%	570	488	(14%)
Total non-interest expenses	3,534	3,450	3,018	2,313	2,973	2,779	2,730	(10%)	(2%)	10,002	8,482	(15%)
Income before taxes, extraordinary item, dividends on pref. sec. and cumulative effect of acctg. change	1,214	977	638	833	858	708	421	(34%)	(41%)	2,829	1,987	(30%)
Income tax expense	427	338	213	282	297	226	135	(37%)	(40%)	978	658	(33%)
Div. on pref. sec. subject to mandatory redemption	7	7	14	22	22	22	21	50%	(5%)	28	65	132%
Income before taxes, dividends on pref. sec. and cumulative effect of accounting change	780	632	411	529	539	460	265	(36%)	(42%)	1,823	1,264	(31%)
Extraordinary item - loss on the early extinguishment of debt	0	0	(30)	0	0	0	0	*	--	(30)	0	*
Cumulative effect of accounting change (1)	(46)	0	0	0	0	0	0	--	--	(46)	0	*
Net income	\$ 734	\$ 632	\$ 381	\$ 529	\$ 539	\$ 460	\$ 265	(30%)	(42%)	\$ 1,747	\$ 1,264	(28%)
Compensation and benefits as a % of net revenues	51%	53%	54%	36%	55%	54%	54%			53%	54%	
Non-compensation expenses as a % of net revenues	23%	25%	28%	37%	22%	26%	33%			25%	27%	
Profit margin (2)	16%	14%	11%	17%	14%	13%	8%			14%	12%	

(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 and extraordinary item 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.