



**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  | <u>\$ 734</u> | <u>\$ 632</u> | <u>\$ 381</u> | <u>\$ 529</u> | <u>\$ 539</u> | <u>\$ 460</u> | <u>\$ 265</u> | (30%) | (42%)                   | <u>\$ 1,747</u> | <u>\$ 1,264</u>   | (28%)        |                   |
| Compensation and benefits as a % of net revenues  | 51%           | 53%           | 54%           | 36%           | 55%           | 54%           | 54%           |       |                         |                 |                   | 54%          |                   |
| Non-compensation expenses as a % of net revenues  | 23%           | 25%           | 28%           | 37%           | 22%           | 26%           | 33%           |       |                         |                 |                   | 27%          |                   |
| Profit margin (2)   | 16%           | 14%           | 11%           | 17%           | 14%           | 13%           | 8%            |       |                         |                 |                   | 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.