



**MORGAN STANLEY**  
**Quarterly Credit Services Income Statement Information**  
 (unaudited, dollars in millions)  
 (Managed Loan Basis)

	QUARTER ENDED								Percentage Change From:				Twelve 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	Nov 30, 2002	4Q02 vs. 4Q01	4Q02 vs. 3Q02	Nov 30, 2001	Nov 30, 2002				
<b>Fees:</b>																
Merchant and cardmember servicing	\$ 467	\$ 463	\$ 527	\$ 543	\$ 527	\$ 516	\$ 525	\$ 542	--	3%	\$ 2,000	\$ 2,110		6%		
Other	0	0	0	0	0	0	0	0	--	--	0	0		--		
Total non-interest revenues	29	49	15	(2)	16	36	25	3	250%	(88%)	91	80		(12%)		
	496	512	542	541	543	552	550	545		1%	(1%)	2,091	2,190		5%	
Interest revenue	1,747	1,745	1,741	1,696	1,611	1,614	1,643	1,606	(5%)	(2%)	6,929	6,474		(7%)		
Interest expense	798	730	657	562	499	480	483	475	(15%)	(2%)	2,747	1,937		(29%)		
Net interest income	949	1,015	1,084	1,134	1,112	1,134	1,160	1,131	--	(3%)	4,182	4,537		8%		
Provision for consumer loan losses	585	625	733	771	832	812	777	749	(3%)	(4%)	2,714	3,170		17%		
Net credit income	364	390	351	363	280	322	383	382	5%	--	1,468	1,367		(7%)		
Net revenues	860	902	893	904	823	874	933	927	3%	(1%)	3,559	3,557		--		
Compensation and benefits	193	195	186	180	192	197	206	179	(1%)	(13%)	754	774		3%		
Occupancy and equipment	22	20	22	15	16	18	18	21	40%	17%	79	73		(8%)		
Information processing and communications	87	95	90	108	80	91	94	98	(9%)	4%	380	363		(4%)		
Marketing and business development	182	164	126	143	120	102	146	170	19%	16%	615	538		(13%)		
Professional services	58	54	51	62	51	59	62	80	29%	29%	225	252		12%		
Other	87	95	100	97	109	95	88	76	(22%)	(14%)	379	368		(3%)		
Total non-interest expenses	629	623	575	605	568	562	614	624	3%	2%	2,432	2,368		(3%)		
Income before taxes and cumulative effect of accounting change	231	279	318	299	255	312	319	303	1%	(5%)	1,127	1,189		6%		
Income tax expense	89	108	122	106	88	116	109	109	3%	--	425	422		(1%)		
Income before cumulative effect of accounting change	142	171	196	193	167	196	210	194	1%	(8%)	702	767		9%		
Cumulative effect of accounting change (1)	(13)	0	0	0	0	0	0	0	--	--	(13)	0		*		
Net income	\$ 129	\$ 171	\$ 196	\$ 193	\$ 167	\$ 196	\$ 210	\$ 194	1%	(8%)	\$ 689	\$ 767		11%		
Compensation and benefits as a % of net revenues	22%	22%	21%	20%	23%	23%	22%	19%			21%	22%				
Non-compensation expenses as a % of net revenues	51%	47%	44%	47%	46%	42%	44%	48%			47%	45%				
Profit margin (2)	17%	19%	22%	21%	20%	22%	23%	21%			20%	22%				
Number of employees	15,969	15,783	15,817	16,209	15,997	15,300	15,214	15,302	(6%)	1%						

(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 15.