



**MORGAN STANLEY**  
**Quarterly Institutional Securities, Individual Investor Group and Investment Management**  
**Combined Income Statement Information**  
**(unaudited, dollars in millions)**

	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	
Investment banking	\$ 969	\$ 840	\$ 807	\$ 809	\$ 685	\$ 671	\$ 482	\$ 689	(15%)	43%	\$ 3,425	\$ 2,527	(26%)
Principal transactions:													
Trading	1,697	2,070	1,079	645	1,121	688	457	419	(35%)	(8%)	5,491	2,685	(51%)
Investments	(46)	(107)	(59)	(104)	33	(16)	(64)	12	112%	119%	(316)	(35)	89%
Commissions	851	838	720	753	777	900	855	748	(1%)	(13%)	3,162	3,280	4%
Asset management, distribution and administration fees	1,109	1,074	1,054	979	1,016	1,054	971	904	(8%)	(7%)	4,216	3,945	(6%)
Interest and dividends	6,564	6,296	5,151	3,523	3,279	3,272	3,727	3,175	(10%)	(15%)	21,534	13,453	(38%)
Other	125	139	107	144	192	108	201	116	(19%)	(42%)	515	617	20%
Total revenues	11,269	11,150	8,859	6,749	7,103	6,677	6,629	6,063	(10%)	(9%)	38,027	26,472	(30%)
Interest expense	5,833	6,084	4,566	3,010	2,667	2,586	2,926	2,741	(9%)	(6%)	19,493	10,920	(44%)
Net revenues	5,436	5,066	4,293	3,739	4,436	4,091	3,703	3,322	(11%)	(10%)	18,534	15,552	(16%)
Compensation and benefits	2,648	2,538	2,190	1,242	2,297	2,039	1,855	968	(22%)	(48%)	8,618	7,159	(17%)
Occupancy and equipment	193	207	202	200	182	190	180	200	--	11%	802	752	(6%)
Brokerage, clearing and exchange fees	167	177	176	180	179	176	208	212	18%	2%	700	775	11%
Information processing and communications	268	276	273	263	242	246	247	281	7%	14%	1,080	1,016	(6%)
Marketing and business development	191	170	154	147	134	157	145	159	8%	10%	662	595	(10%)
Professional services	276	282	233	283	174	191	211	266	(6%)	26%	1,074	842	(22%)
Other	224	223	211	333	136	157	207	147	(56%)	(29%)	991	647	(35%)
Restructuring and other charges	0	0	0	0	0	0	0	235	*	*	0	235	*
Total non-interest expenses	3,967	3,873	3,439	2,648	3,344	3,156	3,053	2,468	(7%)	(19%)	13,927	12,021	(14%)
Income before taxes, extraordinary item, div. on pref. sec. and cumulative effect of accounting change	1,469	1,193	854	1,091	1,092	935	650	854	(22%)	31%	4,607	3,531	(23%)
Income tax expense	529	427	301	392	389	312	228	294	(25%)	29%	1,649	1,223	(26%)
Div. on pref. sec. subject to mandatory redemption	7	7	14	22	22	22	21	22	--	5%	50	87	74%
Income before extraordinary item and cumulative effect of accounting change	933	759	539	677	681	601	401	538	(21%)	34%	2,908	2,221	(24%)
Extraordinary Item (1)	0	0	(30)	0	0	0	0	0	--	--	(30)	0	*
Cumulative effect of accounting change (2)	(46)	0	0	0	0	0	0	0	--	--	(46)	0	*
Net income	\$ 887	\$ 759	\$ 509	\$ 677	\$ 681	\$ 601	\$ 401	\$ 538	(21%)	34%	\$ 2,832	\$ 2,221	(22%)
Compensation and benefits as a % of net revenues	49%	50%	51%	33%	52%	50%	50%	29%			46%	46%	
Non-compensation expenses as a % of net revenues	24%	26%	29%	38%	24%	27%	32%	45%			29%	31%	
Profit margin (3)	17%	15%	13%	18%	15%	15%	11%	16%			16%	14%	
Number of employees (4)	47,739	47,127	46,575	45,110	43,878	43,238	42,585	40,424	(10%)	(5%)			

(1) Represents extraordinary loss on the early extinguishment of debt.

(2) 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.

(3) Net income excluding cumulative effect of accounting change as a % of net revenues.

(4) Includes Institutional Securities, Individual Investor Group, Investment Management and Infrastructure / Company areas.

Notes: Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Refer to Legal Notice page 15.