

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

THE COMPANY

On March 31, 1997, Morgan Stanley Group Inc. ("Morgan Stanley") acquired the assets and liabilities of Dean Witter, Discover & Co. ("Dean Witter Discover") (the "Merger"). As a result, Morgan Stanley, Dean Witter Discover & Co. ("MSDWD"). In connection with the Merger, each share of Morgan Stanley common stock held by a shareholder of MSDWD (the "MSDWD Shareholder") was converted into one share of Morgan Stanley common stock (the "Morgan Stanley Share"). Each Morgan Stanley Shareholder received one Morgan Stanley Share for each MSDWD Share held. The Merger was a tax-free exchange.

On March 24, 1998, MSDWD changed its name to Morgan Stanley Dean Witter & Co. ("Morgan Stanley Dean Witter").

As a result of the Merger, the Company's financial condition and results of operations for the year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

The Company's financial condition and results of operations for the year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

Card brand.

BASIS OF FINANCIAL INFORMATION AND CHANGE IN FISCAL YEAR-END

The Company's financial condition and results of operations for the year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

Prior to the Merger, Dean Witter Discover's year ended December 31 and Morgan Stanley's year ended December 31. Since the Merger, the Company's year ended December 31 and Morgan Stanley's year ended December 31. Since the Merger, the Company's year ended December 31 and Morgan Stanley's year ended December 31.

year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

Card brand.

RESULTS OF OPERATIONS

CERTAIN FACTORS AFFECTING RESULTS OF OPERATIONS

The Company's financial condition and results of operations for the year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

The Company's financial condition and results of operations for the year ended December 31, 1996 are presented on a combined basis for the year ended December 31, 1996 (the "Combined Year"). The Company's financial condition and results of operations for the year ended December 31, 1997 (the "1997 Year") are presented on a combined basis for the year ended December 31, 1997 (the "1997 Year").

**This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements as well as a discussion of some of the risks and uncertainties involved in the Company's businesses that could affect the matters referred to in such statements.*

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GLOBAL MARKET AND ECONOMIC CONDITIONS IN FISCAL 1998

Credit institutions have been facing a number of challenges since the late 1980s. While the financial sector has experienced significant growth, it has also faced a number of challenges, including increased competition from non-financial companies, changes in customer behavior, and regulatory requirements. The credit industry has responded by developing new products and services, improving risk management practices, and enhancing customer service. These efforts have helped the industry remain competitive and resilient in the face of changing market conditions.

In the U.S., are children benefited by the era of high fidelity recordings. Through

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FISCAL 1998 AND 1997 RESULTS FOR THE COMPANY

The C o a h ied e i c e f \$3,276 i i i fi ca 1998, a 27% i crea e fr fi ca 1997. Fi ca 1998' e i c e i c ded a e gai f \$345 i i fr he ae f he C o a ' G ba C d b i e , i i ere i he oera i f SPS Tra ac i Ser ice , i c. (SPS), a d cer ai BRAVO Card recei ab e (BRAVO) (ee Re f Oera i B i e Di o i i here i). Fi ca 1998 e i c e a i c ded a charge f \$117 i i re i g fr he c a i e effec f a h acc h i g cha ge. Thi charge re o e he effec f a h acc h i g cha ge ad o ed i he f r h arer (effec i e Dece ber 1, 1997) i h re oec he acc i g f r ffer i g c oaid b i e e e ad i r f c ed e d a f d , here ch c are oecifica rei b red hr gh e oara e ad i r c h rac (ee Ne 2 he c i da ed fi a cia ae e h).

E c di g he e gai fr he ae f he b i e e h ed ab e a d he charge re i g fr he c a i e effec f a h acc h i g cha ge, fi ca 1998 i c e a \$3,048 i i h , a i crea e f 18% fr fi ca 1997. I fi ca 1997, e i c e a \$2,586 i i h , a i crea e f 31% fr fi ca 1996. Ba ic ear i g oer c h are i crea ed 28% \$5.60 i fi ca 1998 a d 31% \$4.38 i fi ca 1997. E c di g he e gai fr he ae f he b i e e h ed ab e a d he i oac f he c a i e effec

f a h acc h i g cha ge, ba ic ear i g oer c h are a \$5.20 i fi ca 1998, a i crea e f 19% fr fi ca 1997. Di ed ear i g oer c h are i crea ed 28% \$5.33 i fi ca 1998 a d 32% \$4.16 i fi ca 1997. E c di g he e gai fr he ae f he b i e e h ed ab e a d he i oac f he c a i e effec f a h acc h i g cha ge, di ed ear i g oer c h are a \$4.95 i fi ca 1998, a i crea e f 19% fr fi ca 1997. The C o a ' re r h a erage hare h der ' e i a 25%, 22% a d 20% i fi ca 1998, fi ca 1997 a d fi ca 1996, re oec i e . E c di g he e gai fr he ae f he b i e e h ed ab e a d he i oac f he c a i e effec f a h acc h i g cha ge, fi ca 1998' re r h a erage hare h der ' e i a 23%.

BUSINESS DISPOSITIONS

I fi ca 1998, he C o a e ered i e era ra ac i h refec i gi ra egic deci i f c h gr i gi c re Sec ri ie a d A e Ma age e a d Credi a d Tra ac i Ser ice b i e e . I he f r h arer f fi ca 1998, he C o a c o eed he ae fi G ba C d b i e . The C o a a d i i ere i he oera i f SPS, a 73% ed , o b i c he d b idiar f he C o a . I h add i h , he C o a d cer ai credi card recei ab e re a i g i di c h i ed BRAVO Card. The C o a ' aggrega e e o re a gai re i g fr he e ra ac i h a \$685 i i h .

I h add i h , d ri g fi ca 1998 he C o a d i Pri e O o i SM Ma erCard o r f i (Pri e O o i), a b i e i had oera ed i h Na i Ba h f De a are, N.A., a d i C rre o de C ear i g b i e . The gai re i g fr he ae f he b i e e ere a eria he C o a ' re f oera i h r fi a cia c di i eria he C o a Tc -0.24 T The gr

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SECURITIES AND ASSET MANAGEMENT STATEMENTS OF INCOME

<i>(dollars in millions)</i>	FISCAL 1998	<i>fiscal 1997</i>	<i>fiscal 1996</i>
Revenues:			
Investment banking	\$ 3,340	\$ 2,694	\$ 2,190
Principal transactions:			
Trading	3,291	3,191	2,659
Investments	89	463	86
Commissions	2,317	2,059	1,776
Asset management, distribution and administration fees	2,848	2,505	1,732
Interest and dividends	13,696	10,455	8,571
Other	182	132	122
Total revenues	25,763	21,499	17,136
Interest expense	12,519	9,633	7,902
Net revenues	13,244	11,866	9,234
Compensation and benefits	6,071	5,475	4,585
Occupancy and equipment	510	462	432
Brokerage, clearing and exchange fees	538	448	317
Information processing and communications	666	602	514
Marketing and business development	487	393	296
Professional services	579	378	282
Other	529	511	382
Total non-interest expenses	9,380	8,269	6,808
Gain on sale of businesses	323		
Income before income taxes			
and cumulative effect of accounting change	4,187	3,597	2,426
Provision for income taxes	1,482	1,416	880
Income before cumulative effect of accounting change	2,705	2,181	1,546
Cumulative effect of accounting change	(117)		
Net income	\$ 2,588	\$ 2,181	\$ 1,546

SECURITIES AND ASSET MANAGEMENT

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Pri c i a - Tra a c i

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<i>(dollars in millions)</i>	FISCAL 1998	<i>fiscal 1997</i>	<i>fiscal 1996</i>
Equities	\$2,056	\$1,310	\$1,181
Fixed income	455	1,187	1,172
Foreign exchange	587	500	169
Commodities	193	194	137
Total principal transaction trading revenues	\$3.291	\$3.191	\$2.659

Principale ragioni della creazione del 3% nel 1998, principale ragione della deflazione e della crescita, e la deflazione e la crescita del 20% nel 1997, principale ragione della deflazione e della crescita.

E i radi g r e e e i c r e a e d 57% a r e c r d
e e i f i c a 1998, o r i a r i r e f e c i g h i g h e r r e e f r e i
c a h a d d e r i a i e o r d c . T h e i c r e a e i r e e f r e i
c a h o r d c a o r i a r i a r i b a b e h i g h e r r a d i g e
i E r o e a r e , h i c h b e e f i e d f r h e C o a i c r e a e d
a e a d r e a r c h c e r a g e f h e r e g i h a b e g a i d 1997.
E r o e a e i r a d i g r e e e a b e e f i e d f r g e r a
f a r a b e a r e c d i i a d o i i e i e r e i e r e g a r d
i g E M U . R e e e f r r a d i g e i d e r i a i e o r d c a
i c r e a e d , o r i a r i d e i c r e a e d r a a c i h e a d h e h i g h
e e f a r e a i i h a e i e d h r g h h e a r , o a r i c
a r i e c h g r e a e d i e . E i r a d i g r e e e i c r e a e d
11% i f i c a 1997, r e f e c i g f a r a b e a r e c d i i h a c
r i b e d r g c e r d e a d a d h i g h r a d i g e . T h e
i c r e a e d r e e e r e o r i a r i f r r a d i g i e i c a h o r d
c , a h e r g r a e f r e r g e r a e d b a h g b a e i
a r e c r i b e d h i g h e r c e r r a d i g e a d h e c
i h a c e f h i g h e e f c a h i f i h a f d . R e e e
a b e e f i e d f r h e r g o e f r a c e f a f r e i g e i
a r e , o a r i c a r i E r o e , h i c h e d h i g h e r r a d i g e
a U . S . i e r g h i c r e a e h e i r o i i h e e a r e .

Fi ed i c e radi gre e e decrea ed 62% i fi
 ca 1998, ref ec i g i g i ca i e e fr i e e
 grade, high-ied a d ec ri ed fi ed i c e ec ri ie . Re e e
 fr i e e e grade fi ed i c e ec ri ie ere ad er e
 affec ed b he e ere ec i ca d fi a cia r i i he Far Ea
 , R ia a d e ergi g ar e ha cc red d i g he ear. The e
 diffic c di i ca ed i e r e fere ce hif ard
 higher ai fi a cia i r e , ori cia U.S. rea r ec
 ri ie . Thi ega i e affec ed he radi g f credi - e i i e fi ed
 i c e ec ri ie b ide i g credi e read, red ci g ar e i -
 idi a d de- i g he hi rica orice rea i hi be e e
 credi - e i i e ec ri ie a d g er e ec ri ie . Re e e
 fr high-ied fi ed i c e ec ri ie a ere i ac ed b he
 r b e c di i i he g ba fi a cia ar e d e i e r
 c ce i ab he i ac fa or - g ed ec i c d h h
 high-ied i er . Re e e fr ec ri ed fi ed i c e ec ri
 ie a dec i ed, a he re a i e i ere ra e e i r e i
 he U.S. i crea ed orea e c ce r a d re d i i crea ed
 e read . Fi ed i c e radi gre e e i crea ed 1% i fi ca
 1997. Re e e fr radi g i fi ed i c e o r d c ere i
 i e affec ed b high e e f c er radi g e , aarge
 a h f e deb i a ce a d i crea ed de a d f r credi -
 e i i e fi ed i c e o r d c . Re e e fr radi g i high-ied
 deb ec ri ie a d fi ed i c e der i a i e o r d c ere oar i -
 ar fa rab i ac ed b he e de e e . Sec ri ed deb rad-
 i gre e e a i crea ed, a he C a c h i ed f c h
 hi ar e eg e b e a d i g i e e fac i i i e era e
 area . Tradi gre e e be fi ed fr higher re e e fr rad-
 i g i c ercia h e a a d r gage a c e d i h
 i crea ed ec ri a i e a d i a i e r c re . The e
 i crea e ere ff e b e re e e fr radi g i g er e
 a d i e e grade c o ra e ec ri ie .

Re e e fr f reig e cha ge radi g i crea ed
17% rec rd e e i fi ca 1998. The i crea e a ri ari a rib-
a ble high e e f c er radi g e ad a i i he
f reig e cha ge are . D ri g fi ca 1998, he U.S. d ar f c-
a ed agai a j r c rre cie d e c c er ab he U.S.
ec e e re he fi a cia cri e i he Far Ea a de erg-
i g are , a e a fr he Federa Re e e B ard' deci i
er he er igh e di gra e hree cca i d ri g he f r h

ar er. Cerai E r oea c rre cie a e oerie ced oeri d f a li , re i g fr e oec ai i fi ere raef c ai i i a i i f EMU a d he c a e f he R ia r b.e. Diffic i ca a dec i c di i i cerai A ia a i , c oed i h he c i ed rece i i i a a a c rib ed oeri d f high a li i he c rre c ar e . F reig e cha ge radi g re e e i crea ed 196% i fi ca 1997, ori ari re i g fr he C o a i i crea ed c ie ar e hare a d fr high e e f a li i he f reig e cha ge ar e . D ri g fi ca 1997, he U.S. d a a oecia ed agai a c rre cie hr gh he eard e he r g gr h f he U.S. ec h a d c h i ed e e f i f a i i . I addi i , a E r oea c rre cie e oerie ced oeri d f i crea ed a li d e cerai regadi g he i i g f EMU a d he reg h f he e r , hie he oer f r a ce f he e a affected b ggi he c i c gr h i i a a . O her A ia c rre cie ere oaric ar a i ed ri g he a er ha f fi ca 1997, ori ari d e he de oecia i i f cerai c rre cie , i c di g Thai a d' bah . Higher radi g e a d a i crea i g c er ba e a c rib ed he i crea e i re e e .

C di ie radi g re e e ere c oarabe ori r ear e e , a higher re e e fr cr de i , refi ed e erg o r d c a d e ec rici ere oar ia ffe b e rre e e fr a ra ga radi g . Re e e fr radi g cr de i a d refi ed e erg o r d c ere i oac ed b e erg o r i ce ha fe d ri g ch f fi ca 1998. Di i i hed de a d f r he e o r d c , oar ia d e he g i g ec i c r i i i he Far Ea , c oed i h high i e r e e , c rib ed he de c i e i o r i ce . E ec rici radi g re e e be e fi ed fr higher e ec rici o r i ce , ori ari d ri g he e r h he he de a d f r e ec rici o er i crea ed. The C o a i i c h i ed o r e e ce i he e ec rici ar e a d he g i g d e r e a i f he i d r a had a fa r abe i oac e ec rici radi g re e e . Re e e fr a ra ga radi g decrea ed a e a ab ar ea her i cerai regi f he U.S. d ri g he i e r h red ced he de a d f r h e he a i g i e ad i g a de c i e i o r i ce . C di ie rad i g re e e i crea ed 42% a d reached rec rd e e i fi ca 1997, be e fi i g fr higher re e e fr radi g i e erg o r d c , i c di g he C o a i i i crea ed o r e e ce i he e ec rici ar e , o r e c i e a a d a ra ga . V a i i i he e o r d c a high d ri g f he eard e f c a i g e e f c er de a d a d i e r . I b h fi ca 1998 a d fi ca 1997, c di ie radi g re e e be e fi ed fr he e o a i i f he c

er ba e f r c di r e a ed o r d c , i c di g deri a i e , a d he e f ch o r d c f r r i a age e o r o e .

Pri ci a ra a c i i e e re e e aggrega i g \$89 i i e re rec g i ed i fi ca 1998 a c oared i h \$463 i i i fi ca 1997. Fi ca 1998 re e e re f e c ed he ec h d high e e e f re e e fr he C o a i i , o r i a e e i b i e , hich o r i ari re d fr gai cerai o i i ha ere d d ri g he ear a d i crea e i he carr i g a e f cerai f he C o a i i o r i a e e i i e e . S ch i crea e i c d ed gai fr he i i a o b i c ffer i g f E a a d gai fr he a e f o i i i F r J a e C r o r a i a d Jeffer S r fi C r o r a i . The e gai ere b a i a ffe b e fr a h i i i a e e raged e erg i g ar e deb o r f i ha c c rred d ri g he hird ar er. Fi ca 1997 re e e o r i ari re f e c i crea e i he carr i g a e f cerai f he C o a i i o r i a e e i i e e , i c di g a i crea e r e a d he C o a i i h d i g f F r J a e C r o r a i a e a r e a i ed gai cerai o i i ha ere d d ri g he ear. Higher re e e fr cerai r e a e a e a d e r e ca i a i e e gai a c h rib ed fi ca 1997' re e e .

C i i i re e e o r i ari ari e fr age c ra a c i i i i ed a d e r he c h e e i e c r i e a d a e f a f d , f r e , i r a ce o r d c a d o i . C i i i re e e i crea ed 13% i fi ca 1998, re f e c i g higher re e e fr e i c a h o r d c , o r i ari fr ar e i he U.S. a d E r o e , a e a higher re e e fr deri a i e o r d c . Re e e fr U.S. ar e be e fi ed fr high e e f ar e a i i , hich c rib ed i crea ed c er radi g e . Re e e fr E r oea ar e a be e fi ed fr r g c er radi g e , hich ere o i i e i oac ed b he g e r a fa r abe oer f r a ce f cerai E r oea e i ar e a d fr he C o a i i i crea ed a e a d r e a r c a c i i e i he regi . C i i i deri a i e o r d c i crea ed a he high e e f ar e a i i c rib ed i crea ed c er hed g i a c i i e a d radi g e . Higher c i i i fr he a e f a f d a d he C o a i i addi i f r e ha 1,000 f i a c i a d i r d ri g fi ca 1998 a c h rib ed he i crea e . C i i i re e e i crea ed 16% i fi ca 1997, o r i ari re f e c i g high c er radi g e , oaric ar i he hird a d f r h fi ca ar er he Ne Y r S c E cha g e e o e

re e e fr i e r a i a e i , e e r g i g a r e , a d U.S. d e i c e i a d f i e d i c e o r d c a d c h i e d g r h i c e r a e h d e r a g e e r o e r i i . R e e e a e r e i i e i a c e d b h e C o a ' a c i i i f h e i i i a g b a c d b i e f B a r c a B a P L C (B a r c a) A o r i 3 , 1997 .

A f n e b e r 30 , 1998 , a e h d e r a g e e r o e r i i i c r e a e d \$ 38 b i n i f r f i c a e a r e d 1997 . T h e i c r e a e i a e h d e r a g e e r o e r i i i b h f i c a 1998 a d f i c a 1997 r e f e c e d c h i e d i f c e r a e a e a o o r e c i a i h h e a e f c e r o r f i . b h f i c a 1998 a d f i c a 1997 , a o o r i a e 50 % f h e i c r e a e i a e h d e r a g e e r o e r i i a a r i b a b e h e a c i i i f e e e a e , h i e h e r e a i i g 50 % r e f e c e d a r e a o o r e c i a i .

N_h-I_h ere E_he

(dollars in millions)	FISCAL 1998	fiscal 1997	fiscal 1996
Compensation and benefits	\$6,071	\$5,475	\$4,585
Occupancy and equipment	510	462	432
Brokerage, clearing and exchange fees	538	448	317
Information processing and communications	666	602	514
Marketing and business development	487	393	296
Professional services	579	378	282
Other	529	511	382
Total non-interest expenses	\$9,380	\$8,269	\$6,808

F i c a 1998' a h h i e r e e o e e i c r e a e d 13 % \$ 9 , 380 i i . W i h i h e h i e r e e o e e c a e g r , e o e e c o e a i a d b e f i e o e e i c r e a e d 11 % , r e f e c i g i c r e a e d e e f i c e i e c o e a i b a e d h r e c r d f i c a 1998 r e e e a d e a r i g , a e a a i c r e a e i h e b e r f e o e e . E c d i g c o e a i a d b e f i e o e e , h h i e r e e o e e i c r e a e d \$ 515 i i . O c c o a c a d e i o e e o e e i c r e a e d 10 % , o r i a r i r e f e c i g a d d i a f f i c e o a c e a d h i g h e r c c o a c c i . N e Y r a d H g K g , a e a i c r e e a r e a r i b a b e h e o e i g f 27 e c r i e b r a c h c a i . B r e r a g e , c e a r i g a d e c h a g e f e e i c r e a e d 20 % , o r i a r i r e f e c i g i c r e a e d e o e e r e a e d h i g h e r e e f r a d i g e i h e g b a e c r i e a r e . C i i i o a d i

c e c i h h e C o a ' a c h f T h e V a K a o e S e i r i c e T r a f d a c r i b e d h e i c r e a e l f r a i h o r c e i g a d c h i c a i c i c r e a e d 11 % d e h i g h e r d a a e r i c e a d c h i c a i c r e a e d a i c r e a e d h b e r f e o e e a d c h i e d e h a c e e a d a i e a c e a c i a e d i h h e C o a ' i f r a i e c h - g i f r a r c r e . M a r e i g a d b i e d e e o e e o e e i c r e a e d 24 % , r e f e c i g h i g h e r r a e a d e e r a i e c r e a i g i c r e a e d e e f b i e a c i i a c i a e d i h a c i e f i a c i a r e . H i g h e r a d e r i i g a d o r i a c a c h r i b e d h e i c r e a e . P r f e i a e r i c e e o e e i c r e a e d 53 % , o r i a r i r e f e c i g h i g h e r c h i g c a a r e f c e r a i i f r a i e c h - g i i i a i e , i c d i g h e C o a ' o r e o a r a i f r E M U a d Y e a r 2000 (e e a Y e a r 2000 a d E M U h e r e i) . H i g h e r e e f e o r a f f a d e o e e f e d e h e i c r e a e d e e f e r a b i e a c i i a c h r i b e d h e i c r e a e . O h e r e o e e i c r e a e d 4 % , h i c h r e f e c h e i o a c f a h i g h e r e e f b i e a c i i h a r i o e r a i g e o e e .

F i c a 1997' a h h i e r e e o e e i c r e a e d 21 % \$ 8 , 269 i i . W i h i h e h i e r e e o e e c a e g r , e o e e c o e a i a d b e f i e o e e i c r e a e d 19 % , r e f e c i g i c r e a e d e e f i c e i e c o e a i b a e d h h e r e c r d f i c a 1997 r e e e a d e a r i g . E c d i g c o e a i a d b e f i e o e e , h h i e r e e o e e i c r e a e d \$ 571 i i , i c d i g \$ 266 i i f o e r a i g c r e a e d V K a d h e g b a i i i a c d b i e f B a r c a . O c c o a c a d e i o e e o e e i c r e a e d 7 % , o r i a r i r e f e c i g h e c c o a c c f V K a d i c r e a e d f f i c e o a c e i L d h a d H g K g . B r e r a g e , c e a r i g a d e c h a g e f e e i c r e a e d 41 % , o r i a r i r e f e c i g h e a c i i i f V K a d h e i i i i a g b a c d b i e f B a r c a , a e a h i g h e r e e f r a d i g e i h e g b a e c r i e a r e . l f r a i o r c e i g a d c h i c a i c i c r e a e d 17 % d e h i g h e r d a a e r i c e c r e a e d a i c r e a e d b e r f e o e e , i c r e e a c r e a e d V K a d c h i e d e h a c e e h e C o a ' i f r a i e c h - g i f r a r c r e . M a r e i g a d b i e d e e o e e o e e i c r e a e d 33 % , r e f e c i g h i g h e r r a e a d e e r a i e c r e a i g i c r e a e d e e f b i e a c i i a c i a e d i h a c i e f i a c i a r e . A d d i a a d e r i i g c a c i a e d i h V K' r e a i a f d a c h r i b e d h e i c r e a e . P r f e i a e r i c e e o e e i c r e a e d 34 % , r e f e c i g h i g h e r c h i g c a a r e f i f r a i e c h - g i i

iaie and he i crea ed e e f era b i e acii . O her e e e i crea ed 34%, hich i c de g d i a r i a i h f \$43 i i a cia ed i h he ac i i i f VK a d Barca , a e a he i oac fa higher e e f b i e acii h ari oera i ge e e e .

CREDIT AND TRANSACTION SERVICES STATEMENTS OF INCOME

(dollars in millions)	FISCAL 1998	fiscal 1997	fiscal 1996
Fees:			
Merchant and cardmember	\$1,647	\$1,704	\$1,505
Servicing	928	762	809
Commissions	36	27	
Asset management, distribution and administration fees	1		
Other	16	12	4
Total non-interest revenues	2,628	2,505	2,318
Interest revenue	2,740	3,128	2,717
Interest expense	995	1,173	1,032
Net interest income	1,745	1,955	1,685
Provision for consumer loan losses	1,173	1,493	1,214
Net credit income	572	462	471
Net revenues	3,200	2,967	2,789
Compensation and benefits	565	544	486
Occupancy and equipment	73	64	61
Brokerage, clearing and exchange fees	14	12	
Information processing and communications	474	478	482
Marketing and business development	924	786	731
Professional services	98	73	52
Other	216	259	286
Total non-interest expenses	2,364	2,216	2,098
Gain on sale of businesses	362		
Income before income taxes	1,198	751	691
Provision for income taxes	510	283	257
Net income	\$ 688	\$ 468	\$ 434

CREDIT AND TRANSACTION SERVICES

I h fi ca 1998, Credi a d Tra ac i h Ser ice h e i c e i crea ed 47% \$688 i i h i c di g a h e a f e r a g a i f \$163 i i h r e a e d h e a e f h e C o a h i e r e i h h e o e r a i h f SPS a d cer a i h BRAVO r e c e i a b e . E c d i g h i g a i h h e i c e i crea ed 12%. The i crea e i h h e i c e i h fi ca 1998

a o r i a r i a r i b a b e h e g a i h h h a b e e h i e d a e a d a e r o r i i f r a h e o r i a r i r e i g f r h e a e f P r i e O o i a d h e o e r a i h f SPS. Th i i crea e a o a r i a f f e b i crea e i h a r e i g a d b i e d e e o e h e e e a d i c r e e a a e a cia ed i h h e a e f h e o e r a i h f SPS. I h fi ca 1997, h e i c e i crea ed 8% \$468 i i h . F i ca 1997 e i c e a o i i e i o a c e d b h i g h e r a e r a g e e e f c e r a h , c r e d i c a r d f e e a d i h e r e e e e h a c e e h i r d c e d i h fi ca 1996 a d h i g h e g e r a o r o e c r e d i c a r d r a h a c i h e , o a r i a f f e b i crea ed c h e r c r e d i e a d h i g h e r i e r e e e e .

The a e f P r i e O o i h e o e r a i h f SPS a d cer a i h BRAVO r e c e i a b e r e f e c h e C o a h i r a e g i c d e c i i h f c h h e g r h f i e i i g D i c e r C a r d b r a d a d D i c e r / N O V U S N e r . R e f e c i g h i r e e e d f c , h e C o a h i r d c e d h e D i c e r P a i h C a r d i h D e c e b e r 1998 a d o a h a c h h e D i c e r C a r d i a a j r f r e i g a r e d r i g f i ca 1999.

A a r e f e h a c e e h a d e cer a i h f h e C o a h i o e r a i g e h h e f r h a r e r f f i ca 1997, h e C o a h i b e g a r e c r d i g c h a r g e d - f f c a r d e b e r f e e a d i h e r e r e e e d i r e c a g a i h h e i c e a e e h i e i e h i c h h e r e r i g i a r e c r d e d . P r i r h e e h a c e e h , c h a r g e d - f f c a r d e b e r f e e a d i h e r e r e e b h e r e r e c r d e a a r e d c i h f i h e r e r e e e . W h i e h i c h a g e h a d h i o a c h h e r e e e , h e C o a h i b e i e e h e r e i e d o r e e h a i b e e r r e f e c h e a h h e r i h i c h c h a r g e - f f a f f e c h e C r e d i a d T r a a c i h S e r i c e a e e h f i c e . H e e r , i c e o r i o e r i d h a e h b e e r e a e d r e f e c h i c h a g e , h e c o a r a b i i f e r c h a a d c a r d e b e r f e e a d i h e r e r e e e b e e e h f i ca 1998 a d f i ca 1997 h a b e e a f f e c e d . A c c r d i g , h e f i g e c i a i d i c h e c h a g e i h h e i c e a e e e c a e g r i e c d i g h e i o a c f h i r e c a i f i c a i h .

C r e d i a d T r a a c i h S e r i c e a i i c a d a a e r e a f :

(dollars in billions)	FISCAL 1998	fiscal 1997	fiscal 1996
Consumer loans at fiscal year-end:			
Owned	\$16.0	\$20.9	\$22.1
Managed	\$32.5	\$36.0	\$35.3
General Purpose Credit Card transaction volume	\$58.0	\$55.8	\$53.6

Average Monthly, Daily and Advisory Fee

Average monthly, daily and advisory fee income derived from the average fee service, including the average fee which are received by DBD from the average fee service.

Net Interest Income

Net interest income is the difference between interest earned from Credit and Transaction Service charges and interest expense on the average fee service. Credit and Transaction Service charges, including interest on the average fee service, are included in the average fee service. The average fee service is included in the average fee service.

The average fee service is included in the average fee service. The average fee service is included in the average fee service. The average fee service is included in the average fee service.

The average fee service is included in the average fee service. The average fee service is included in the average fee service. The average fee service is included in the average fee service.

AVERAGE BALANCE SHEET ANALYSIS

(dollars in millions)	FISCAL 1998			FISCAL 1997 ⁽³⁾			FISCAL 1996 ⁽³⁾		
	AVERAGE BALANCE	RATE	INTEREST	Average Balance	Rate	Interest	Average Balance	Rate	Interest
ASSETS									
Interest earning assets:									
General purpose credit card loans	\$17,184	13.87%	\$2,383	\$19,512	14.03%	\$2,738	\$17,083	13.99%	\$2,391
Other consumer loans	1,374	16.70	229	1,773	15.73	279	1,766	14.25	252
Investment securities	496	6.25	31	176	5.45	10	234	5.38	13
Other	1,465	6.61	97	1,680	6.06	101	1,078	5.60	61
Total interest earning assets	20,519	13.35	2,740	23,141	13.52	3,128	20,161	13.47	2,717
Allowance for loan losses	(847)			(828)			(669)		
Non interest earning assets	1,517			1,529			1,334		
Total assets	\$21,189			\$23,842			\$20,826		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest bearing liabilities:									
Interest bearing deposits									
Savings	\$ 1,073	4.79%	\$ 51	\$ 963	4.27%	\$ 41	\$ 1,021	4.58%	\$ 47
Brokered	5,656	6.62	375	4,589	6.66	306	3,418	6.93	237
Other time	2,189	6.16	135	2,212	6.12	135	1,921	6.05	116
Total interest bearing deposits	8,918	6.29	561	7,764	6.21	482	6,360	6.29	400
Other borrowings	7,162	6.06	434	11,371	6.07	691	10,307	6.11	632
Total interest bearing liabilities	16,080	6.19	995	19,135	6.13	1,173	16,667	6.18	1,032
Shareholders' equity/other liabilities	5,109			4,707			4,159		
Total liabilities and shareholders' equity	\$21,189			\$23,842			\$20,826		
Net interest income			\$1,745			\$1,955			\$1,685
Net interest margin ⁽¹⁾			8.51%			8.45%			8.36%
Interest rate spread ⁽²⁾		7.16%			7.39%			7.29%	

(1) Net interest margin represents net interest income as a percentage of total interest earning assets.

(2) Interest rate spread represents the difference between the rate on total interest earning assets and the rate on total interest bearing liabilities.

(3) Certain prior-year information has been reclassified to conform to the current year's presentation.

RATE/VOLUME ANALYSIS

INCREASE/(DECREASE) DUE TO CHANGES IN:
(dollars in millions)

INCREASE/(DECREASE) DUE TO CHANGES IN: (dollars in millions)	1998 vs. 1997			1997	1996	
	VOLUME	RATE	TOTAL	Volume	Rate	Total
INTEREST REVENUE						
General purpose credit card loans	\$(327)	\$(28)	\$(355)	\$339	\$ 8	\$347
Other consumer loans	(63)	13	(50)	1	26	27
Investment securities	17	4	21	(3)	—	(3)
Other	(12)	8	(4)	33	7	40
Total interest revenue	(353)	(35)	(388)	400	11	411
INTEREST EXPENSE						
Interest bearing deposits:						
Savings	5	5	10	(3)	(3)	(6)
Brokered	71	(2)	69	81	(12)	69
Other time	(1)	1	—	18	1	19
Total interest bearing deposits	72	7	79	88	(6)	82
Other borrowings	(256)	(1)	(257)	64	(5)	59
Total interest expense	(188)	10	(178)	151	(10)	141
Net interest income	\$(165)	\$(45)	\$(210)	\$249	\$21	\$270

Ne i_h ere i_h c e decrea ed 11% i_h fi ca- 1998 a d i_h crea ed 16% i_h fi ca- 1997. E c- di g he effec f he rec- a f f i ca i_h f charged- ff card e ber fee di c ed ore i_h -, h e i_h ere i_h c e d ha e decrea ed 15% i_h fi ca- 1998. The decrea e i_h fi ca- 1998 a d e - era erage e e f h ed c h er- a h a d a- er ied h ge era- o e credi card- a h . The decrea e i_h h ed c h er- a h a o ri ari d e a h i_h crea e i_h ec- ri ied- a h a d he a e f he Pri e O o i_h a d SPS o r f i . The- er ied h ge era- o e credi card- a h i_h fi ca- 1998 a d e a- arger h ber f card e ber a i g a d a age f o r- i h a r a e . I b h ear , he effec f cha ge i_h i_h ere r a e h e C o a h , ariab- e r a e- a h o r f i ere b a i a- ff- e b c o a r a b- e cha ge i_h h e C o a h , c f f d f r he

re-a ed fi_h a_h ci_h g. The C_a be- ie e ha he effec f cha_h ge
i_h ar e i_h ere ra e i_h h e i_h ere i_h c e a i i ga ed a a
re - fi i idi a di_h ere ra e ri a_h age e_h • icie . The
i_h crea e i_h e i_h ere i_h c e i fi ca- 1997 a d e higher a er-
age -e e- f c_h er - a_h a di_h g, • ar ia- ff e b he
effec f higher charge- ff i_h h ere re e e. The i • ac f higher
charge- ff i_h fi ca- 1997 a i i ga ed b • rici g ac i_h i • e-
e_h ed i_h he f r h ar e r f fi ca- 1996.

The C ^h a ^h n ^h i ^h c ^h i ^h a ^h e ^h h ^h e ^h r ^h o ^h i ^h c ^h i ^h g ^h f ^h a ^h b ^h a ^h -
i ^h a ^h - ^h r ^h i ^h f ^h i ^h e ^h i ^h g ^h c ^h r ^h e ^h d ^h i ^h c ^h a ^h r ^h d ^h e ^h c ^h e ^h i ^h b ^h l ^h e ^h a ^h f ^h i ^h d ^h i ^h e ^h r ^h
r ^h a ^h e ^h d ^h i ^h g ^h f ^h i ^h c ^h a ^h - 1999. The C ^h a ^h n ^h d ^h e ^h b ^h e ^h i ^h e ^h h ^h i ^h r ^h o ^h i ^h c ^h i ^h
i ^h g ^h i ^h h ^h a ^h e ^h a ^h e ^h r ^h i ^h - i ^h a ^h c ^h i ^h i ^h h ^h e ^h r ^h a ^h e ^h e ^h i ^h i ^h d ^h e ^h
h ^h e ^h C ^h a ^h n ^h ' ^h a ^h c ^h h ^h e ^h d ^h f ^h i ^h a ^h c ^h i ^h g ^h b ^h j ^h e ^h c ^h i ^h e ^h .

• • r i i he i i h a e h i e c i h i g
accr e • e r i d i c f i a c e c h a r g e , i h b e i g c i d e r e d b e a a
d e (i a a e h h) . T h e c • a r i f d e i h e c r a e a a h
• a r i c a r • i h i i e a b e a f f e c t e d d e e d i g h e i i g f
h e i a a e h o r g r a . T h e d e i h e c r a e f r c h e r a h

30-89 da a d e a N e ber 30, 1997 a c ared i h
N e ber 30, 1996 a fa rab. i ac ed b a Se e ber 1997
i -a-a e ffer a- i g cer ai card e ber i heir e
h a e . The f i g abe are e de i e c a d e
charge- ffr a e i h e e a aged - a i f r a i :

ASSET QUALITY

<i>(dollars in millions)</i>	FISCAL 1998 OWNED	FISCAL 1998 MANAGED	FISCAL 1997 Owned	FISCAL 1997 Managed	FISCAL 1996 Owned	FISCAL 1996 Managed
Consumer loans at period-end	\$15,996	\$32,502	\$20,917	\$35,950	\$20,085	\$33,316
Consumer loans contractually past due as a percentage of period-end consumer loans:						
30 to 89 days	3.54%	3.69%	3.96%	3.91%	4.45%	4.49%
90 to 179 days	2.67%	2.84%	3.11%	3.07%	2.78%	2.78%
Net charge-offs as a percentage of average consumer loans	6.75%	6.90%	6.78%	6.95%	5.29%	5.43%

$N_{b,b} - I$ here $E_{b,b}$ e

Table 1. Here are the created 7% \$2,364 in 1998 and 6% \$2,216 in 1997.

E. e. c. e. a. i. a. d. b. e. f. i. e. e. e. i. c. r. e. a. e. d. 4% i. f. i. c. a. 1998 a. d. 12% i. f. i. c. a. 1997. The i. c. r. e. a. e. i. f. i. c. a. 1998 a. d. e. a. i. c. r. e. a. e. d. b. e. r. f. e. e. e. a. d. h. i. g. h. e. r. e. c. i. e. c. e. a. i. c. a. c. i. a. e. d. i. h. D. i. c. e. r. C. a. r. d. e. r. a. i. a. d. D. B. D. f. f. e. b. e. r. c. e. a. i. c. a. c. i. a. e. d. i. h. h. e. a. e. f. P. r. i. e. O. i. a. d. h. e. e. r. a. i. f. S. P. S. The i. c. r. e. a. e. i. f. i. c. a. 1997 a. d. e. a. i. c. r. e. a. e. d. b. e. r. f. e. e. e. a. d. e. e. c. a. c. i. a. e. d. i. h. o. r. c. e. i. g. i. c. r. e. a. e. d. c. r. e. d. i. c. a. r. d. r. a. c. i. e. a. d. e. r. i. c. i. g. a. d. d. i. a. D. i. c. e. r. N. O. V. U. S. N. e. r. e. r. c. h. a. a. d. a. c. i. e. c. r. e. d. i. c. a. r. d. a. c. c. i. c. d. i. g. c. e. c. i. a. c. i. i. e.

[illegible]

Br erage, ceari_h ga_h de cha_h ge fee i_h crea ed 17% fr fi ca-1997. The i_h crea ei a rib abe higher e e f DBD c er radi_g e e, ari a ff e b er c er rade re i_h g fr DBD' i e e ai f e f c eari_h g era i_h i_h Oc ber 1998.

decrea ed 1% i fi ca- 1998 a d 1997. I fi ca- 1998, - er

ra_h ac i_h or ce i_h g c re -i_h g fr he a e f he or a i_h
f SPS ere or a i_h ff e b higher e er a da a or ce i_h g c
re a ed he Year 2000 or jec a d i_h crea ed card e ber da a
a a i a cia ed i h credi ri a age e_h ac i i . i fi ca-
1997, i f r a i_h or ce i_h g a d c i ca i_h e e e_h
i_h crea ed d e higher e e f ra_h ac i_h e, addi i a
Di c er/NOVUS Ne r er i c i_h g c a d h e d e e e_h f he
e or i_h g he C a_h ' -i-card ra eg . i fi ca-
1997, he i_h crea e ere ff e b a_h adj e_h re -i_h g fr he
a e f he C a_h ' i direc i_h ere i_h e f he C a_h ' ra -
ac i_h or ce i_h g e d r .

Mar e i g a d b i e de e o e h e e e
i crea ed 18 i fi ca 1998 a d 8% i fi ca 1997. The i crea
i fi ca 1998 a a rib ed higher ad er i i g a d r
i a e e e a cia ed i h i crea ed direc ai a d her o r
i a ac i i ie rea ed he Di c er Card, Pri a e l e
Card, ar er hi o r gra a d DBD, a e a higher card e
ber re ard e e e e. The C a i i crea ed ar e i g a d o r
i a e e di g ig ifica i he hird a d f r h arer f
fi ca 1998 i a eff r re e a d i crea egr h i he Di c er
Card bra d l he a e era ear , he C a f c ed i a e
i h i o r i g a d ai ai i g credi ai . I fi ca 1999,
he C a e ec c h i e i e i he gr h fi credi
card b i e , i c di g he i r d c i fa Di c er Pa i Card
a d he a ch f he Di c er Card i a aj r f reig ar e.

The increase in 1997 attributable to higher card-
e berreard e e e a d a r e i g a d o r i a c .
Higher a r e i g a d o r i a c e r e a c i a e d i h h e
g r h f e a d e i i g c r e d i c a r d b r a d . C a r d e b e r r e a r d
e e e i c d e h e C a h b a c B h a a r d , o r a h h i c h
h e C o a h a a a o a D i c e r C a r d e b e r a d P r i a e
l e C a r d e b e r e c i g h i f e a r e a o e r c e a g e f h e i r o r
c h a e a h r a g i g o 1% (o 2% f r h e P r i a e l e
C a r d) b a e d h a c a r d e b e r e e f a h a o r c h a e . H i g h e r
c a r d e b e r r e a r d e e e i b h e a r a a c i a e d i h
g r h i c r e d i c a r d r a a c i h e a d i c r e a e d c r e d i c a r d
e b e r a i f i c a i h f r h i g h e r a a r d e e . C e c i g M a r c h
1, 1998, h e e r f h e P r i a e l e C a h b a c B h o r g r a
e r e a e d e d b i i g h e a i a h a b h a
\$500 a d b i c r e a i g h e a h f o r c h a e r e i r e d
r e c e i e h i b h a h . C a r d e b e r r e a r d e e e e a h
a e r i a i o a c e d b h e e c h a g e .

P r i f e i a e r i c e e e e i c r e a e d 34% i f i c a
1998 a d 40% i f i c a 1997. T h e i c r e a e i f i c a 1998 a d e
e r i c e r e a e d i c r e a e d o a r h e r h i o r g r a a c i i , h i g h e r
e e d i r e f r c h e r c r e d i c h e i g a d c e c i h e r i c e
a d c h i g f e e . T h e i c r e a e i f i c a 1997 a o r i a r d e
h i g h e r e e d i r e f r c h e r c r e d i c h e i g a d c e c i
i h e r i c e .

O h e r h i j e r e e e e d e c r e a e d 17% i f i c a
1998 a d 9% i f i c a 1997. O h e r e e e o r i a r i c d e f r a d
e , c r e d i h i r f e e a d h e r a d i i r a i e c . T h e
d e c r e a e i b h e a r a d e a c h i i g d e c i e i h e e e
f f r a d e . F i c a 1998 a r e f e c a e r e e e f e e e
r e i g f r h e a e f P r i e O o i a d h e o e r a i h f S P S .

Sea a Fac r

T h e c r e d i c a r d e d i g a c i i e f C r e d i a d T r a a c i S e r i c e
a r e a f f e c e d b e a h a o a e r f r e a i o r c h a i g . H i r i c a ,
a b a i a o e r c e a g e f c r e d i c a r d a g r h c c r i h e
f r h c a e d a r a r e r f e d b a f a e i g r d e c i e f c h e
e r a h i h e f i g c a e d a r a r e r . M e r c h a f e e , h e r e
f r e , h a e h i r i c a e d e d i c r e a e i h e f i r f i c a a r e r ,
r e f e c i g h i g h e r a e a c i i h e h f D e c e b e r . A d d i a ,
h i g h e r c a r d e b e r r e a r d e e e i a c c r e d i h e f i r f i c a a r e
e r , r e f e c i g e a h a g r h i r e a i a e e .

LIQUIDITY AND CAPITAL RESOURCES

The Baa ce Shee

T h e C o a h a a e i c r e a e d \$317.6 b i i a N e b e r
30, 1998 f r \$302.3 b i i a N e b e r 30, 1997, o r i a r i
r e f e c i g g r h i c a h a d c a h e i a e , c a h a d e c r i e
d e o i e d i h c e a r i g r g a i a i r e g r e g a e d h e r f e d e r a a d
h e r r e g a i h a d e c r i e b r r e d . A b a i a o r i h f h e
C o a h a a e c i f h i g h i d a r e a b e e c r i e
a d h r e r r e c e i a b e a r i g o r i c i a f r e c r i e r a a c i
i h . T h e h i g h i d a r e f h e e a e o r i d e h e C o a h
i h f e i b i i i f i a c i g a d a a g i g i b i e .

F d i g a d C a i a P i c i e

T h e C o a h e i r a g e e e a b i h e h e e r a f d i g
a d c a i a o i c i e f h e C o a h , r e i e h e C o a h o e r f r
a c e r e a i e h e e o i c i e , h i r h e a i a b i i f r c e
f f i a c i g , r e i e h e f r e i g e c h a g e r i f h e C o a h a d
e r e e h e i d i a d i e r e r a e e i i i f h e C o a h
a e a d i a b i i o i i . T h e o r i a r g a f h e C o a h f h d
i g a d i d i a c i i e i e r e a d e a e f i a c i g e r a i d e
r a g e f o e i a c r e d i r a i g a d a r e e e i r h e h .

M a f h e C o a h b i e e a r e c a i a i e h
i e . C a i a i r e i r e d f i a c e , a g h e r h i g , h e C o a h
e c r i e i e r i e , h d e r r i g , o r i c i a i e e h , o r i a e
e i a c i i e , c h e r a a a d i e e h i f i e d a e . A
a o i c , h e C o a h a e o a i a i f f i c i e c a i a a d
f d i g r c e i h d e r h a e h e c a a c i f i a c e i e f h a
f c a e r a i e d b a i a a i e , i c d i g o e r i d f f i a c i a
r e . C r r e , h e C o a h b e i e e i h a f f i c i e c a i a e e
i h e e d . I h a d d i h , h e C o a h a e o a i a i a e
e i , h a c h i d a e d b a i a a e a e a h e f a f i
b i d i a r i e e i . S b i d i a r e i c a i a r e i r e e h a r e d e r
i e d b r e g a r r e i r e e h (i f a o i c a b e) , a e i i , e e r a g e
c h i d e r a i h a d e a r i g a i i .

T h e C o a h i e r e r h h e i b e a i o r
a h e a r e f i o e r f r a c e , i h e c h e f b h h e o a r i c
a r b i e e e i r h e h i c h h e C o a h i o e r a i g a d
i o e e r g o r e . I h i r e g a r d , h e C o a h a c i e a h
a g e i c h i d a e d c a i a o i i b a e d o h , a h g h e r

high, but the overall risk is low. The company's assets are primarily real estate, which is a highly liquid asset. The company's liabilities are primarily long-term debt, which is also a highly liquid asset. The company's operating assets are primarily real estate, which is a highly liquid asset. The company's operating liabilities are primarily long-term debt, which is also a highly liquid asset.

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As of January 31, 1999, the company's credit rating is:

	Commercial Paper	Senior Debt
Dominion Bond Rating Service	R-1	A
Duff & Phelps Credit Rating Co.	D-1+	AA
Fitch IBCA, Inc.	F1+	AA
Japan Rating & Investment Information, Inc.	A-1+	AA
Moody's Investors Service	P-1	Aa3
Standard & Poor's	A-1	A+
Thomson BankWatch, Inc.	TBW-1	AA

During fiscal 1998, Moody's Investor Service upgraded the company's credit rating from A1 to Aa3. In January 1999, Duff & Phelps Credit Rating Co. upgraded the company's credit rating from AA to AA.

The company's assets are primarily real estate, which is a highly liquid asset. The company's liabilities are primarily long-term debt, which is also a highly liquid asset. The company's operating assets are primarily real estate, which is a highly liquid asset. The company's operating liabilities are primarily long-term debt, which is also a highly liquid asset.

ing in ari hedging activities a age ic eadca hf
de i aed i f reig c rre cie a d i g f reig c rre c b r
r i g , he a o r o r i a e , f i a c e i e e i d e he U.S.

Principal Source of Funding

The C o a f d i b a a c e h e e a g b a b a i . The C o a f d i g f r i S e c r i e a d A e M a g e e b i e i r a i e d h r g h d i e r e r c e . The e r c e i c d e h e C o a c a i a i c d i g e i a d g e r d e b ; r e r c h a e a g r e e e ; U.S. C a a d i a , E r a d J a a e e c e r c i a a a e r ; e e r f c r e d i ; e c r e d b d b r r ; e c r i e e d i g ; b / e a g r e e e ; i c i a r e i e e ; a e r e ; a d c i e d a d c i e d i e f c r e d i . R e r c h a e a g r e e e r a c i , e c r i e e d i g a d a o r i f h e C o a b a b r r i g a r e a d e a c a e r a i e d b a i a d h e r e r e r i d e a r e a b e r c e f f d i g h a h r e r e c r e d b r r i g .

The f d i g r c e i i e d f r h e C o a C r e d i a d T r a c i S e r i c e b i e i c d e h e C o a c a i a i c d i g e i a d g e r d e b , a e e c r i a i , c e r c i a a a e r , d e o i , a e b a c e d c e r c i a a a e r , F e d e r a F d a d h r e r b a h e . The C o a e c h e r a h r g h a e e c r i a i i g e e r a r a c i r c r e . R i e r d F d i g C r a i (R F C) , a e i i c d e d i h e c i d a e d f i a c i a e e f h e C o a i e a e b a c e d c e r c i a a a e r .

The C o a b a b i d i a r i c i d e o i f r c h e r , r c h a e F e d e r a F d a d i e h r e r b a h e . I h e r e b e a r i g d e o i a r e c a i f i e d b e a a i g , b r e r e d a d h e r i e d e o i . S a i g d e o i c i o r i a r i f e a r e d e o i a d c e r i f i c a e f d e o i a c c h d i r e c a r d e b e r a d a i g d e o i f r i d i d a c i e . B r e r e d d e o i c i o r i a r i f c e r i f i c a e f d e o i i e d b h e C o a b a b i d i a r i e . O h e r i e d e o i i c d e i i i a c e r i f i c a e f d e o i . The C o a , h r g h G r e e d T r C o a , a i d i r e c b i d i a r f h e C o a , e h e h d e r a h r e r b a h e o r g r a .

The C o a a i a i b r r i g r e a i h i i h a b r a d r a g e f b a , f i a c i a i i i , c h e r a r i e a d h e r f r h i c h i d r a f d i a a r i e f c r e c i e .

The C o a a i a i a e i r r e i g c r e d i a g r e e e i h a g r o f b a o r g e r a i i d i e e d , i c d i g h e i a c e f c e r c i a a a e r (h e M S D W F a c i i) . U n d e r h e e r f h e M S D W F a c i i , h e b a a r e c i e d o r i d e o \$ 6 . 0 b i i . The M S D W F a c i i c h a i r e r i c i e c e a h i c h r e i r e , a g h e r h i g , h a h e C o a a i a i h a r e h d e r ' e i f a a e a \$ 9 . 1 b i i a a i e . The C o a b e i e e h a h e c e a r e r i c i i i i o a i r h e C o a b a b i o a i c r e e e f d i d e d . A N e b e r 3 0 , 1 9 9 8 , h b r r i g e r e a d i g d e r h e M S D W F a c i i .

The C o a a i a i a a e r c a e r a f a c i i h a e a b e M r g a S a e & C . I c r o r a e d (M S & C .) , h e f h e C o a ' U.S. b r e r d e a e r b i d i a r i e , e d g e c e r a i c a e r a e c r e a r r a g e e , e e r f c r e d i a d h e r f i a c i a a c c d a i (h e M S & C . F a c i i) . A o a r f h e M S & C . F a c i i , M S & C . a a i a i a e c r e d c i e d c r e d i a g r e e e i h a g r o f b a h a a r e o a r i e h e a e r c a e r a f a c i i h d e r h i c h c h b a a r e c i e d o r i d e o \$ 1 . 8 7 5 b i i . The c r e d i a g r e e e c h a i r e r i c i e c e a h i c h r e i r e , a g h e r h i g , h a M S & C . a i a i o e c i f i e d e e f c i d a e d h a r e h d e r ' e i a d N e C a o i a , a d e f i e d . I h J a n a r 1 9 9 9 , h e M S & C . F a c i i a r e e e d . A N e b e r 3 0 , 1 9 9 8 , h b r r i g e r e a d i g d e r h e M S & C . F a c i i .

The C o a a a i a i a r e i g c i e d f i a c i g f a c i i h a e a b e M r g a S a e & C . I h e r a i a L i i e d (M S I L) , h e C o a ' L h d b a e d b r e r d e a e r b i d i a r , e c r e c i e d f d i g f r a h d i c a e f b a b o r i d i g a b r a d r a g e f c a e r a h d e r r e r c h a e a g r e e e (h e M S I L F a c i i) . S c h b a a r e c i e d o r i d e o a h a g g r e g a e f \$ 1 . 8 5 b i i a a i a b e i 1 2 a j r c r e c i e a d , e f f e c i e J a n a r 1 , 1 9 9 9 , h e e r . The f a c i i a g r e e e c a i r e r i c i e c e a h i c h r e i r e , a g h e r h i g , h a M S I L a i a i o e c i f i e d e e f S h a r e h d e r ' E i a d F i a c i a R e r c e , e a c h a d e f i e d . A N e b e r 3 0 , 1 9 9 8 , h b r r i g e r e a d i g d e r h e M S I L F a c i i .

R F C a i a i a e i r b a c r e d i f a c i i o r h e i a c e f a e b a c e d c e r c i a a a e r i h e a h f \$ 2 . 6 b i i . U n d e r h e e r f h e a e b a c e d c e r c i a a a e r o r g r a , c e r a i a e f R F C e r e b j e c a i e i h e a h f

h₁ c₁ d₁ g₁ f₁ are, hard are a₁ d₁ he, a₁ re f₁ he i₁ d₁ r₁ h₁ hich
ac₁ a₁ a₁ era e. Add i₁ a₁, c₁ a₁ he c₁ r d i₁ a₁ e i₁ h
here, i₁ ie i₁ h hich he e e c₁ r, i₁ ca₁ i₁ erac₁.

The C o a h a e a b i h e d a f i r - i d e i i i a i e
a d d r e i e a c i a e d i h h e Y e a r 2 0 0 0 . E a c h f h e C o a ,
b i e a r e a h a a e r e o i b i l i f r h e i d e i f i c a i a d
r e e d i a i f Y e a r 2 0 0 0 i e i h i i a r e a f o e r a i a d
f r a d d r e i g a i e r d e o e d e c i e . A c r o r a e e a f i e r a a d
e e r a o r f e i a o o r h e b i e e a b o r i d i g d i r e c
i a d c o a - i d e c o r d i a i a h e e d e d . T h e Y e a r 2 0 0 0 a d
E M U (d i c e d b e) o r j e c h a e b e e d e i g a e d a h e h i g h
e o r i r i a c i i i e f h e C o a , l f r a i T e c h - g
D e o a r e . T e r e h a h e C o a , c o e r e a r e Y e a r
2 0 0 0 c o i a , a e a f l f r a i T e c h - g o r f e i a
b e g a o r e o r i g f r h e Y e a r 2 0 0 0 i e i 1 9 9 5 . S i c e h e , h e
C o a h a b e e r e i e i g i e a d o r g r a i d e i f h e
h a c a i - d i g i e a r c d e a d i i h e o r c e f o g r a d i g
i g b a i f r a r c r e a d c r o r a e f a c i l i e a c h i e e Y e a r 2 0 0 0
c o i a c e . I a d d i , h e C o a i a c i e r i g i h i a j r
e e r a c e o r a r e a d o o i e r a e h e i r c o i a c e a d
r e e d i a i e f f r a d h e C o a , e o r e h e .

I_h addre_{ig} he Year 2000 i_e, he C_{oa} ha
 ide_{ified} hef_{ig} oha e_l he A_{are} e_{oha} e, he C_{oa}
 defi_{ed} he Year 2000 i_e a_{nd} bai_{ed} e ec_{ie} e e_{or} a d
 f_{di} g_l he_l e_r oha e, he C_{oa} c_{ec} ed a c_{re}
 he_{ie} i_{fi} e ha a be affec_{ed} b Year 2000 c_{ia} ce
 i_e. S chie_{ic} de faci_{ie} a d rea_{ed} h_h i_f r_{ai} ech₋
 g_e (e bedded ech₋ g), c_{er} e_e, hard are,
 a d er_{ice} a d o_{rd} c_{or} ided b_{hird} o_{arie} l_h he A_e e_h
 oha e, he C_{oa} e a a ed he i_e ide_{ified} i_h he_l e_r
 oha e de er_{ie} hich i_f c_i o_r oer_i h he cha_{ge}
 he e ce_r a d r_a ed i_e hich i_{ne} ed be re dia_{ed}
 ba ed_{heir} o_e i_a i_{ac} he C_{oa}. The Re_{edia} i_h
 oha e i_c de a a a i_f he i_e ha are affec_{ed} b Year 2000,
 he ide_{ifica} i_f o_r be a_{rea} a d he re_{air} f_h h_h c_{ia}
 i_e. The Te_{ig} oha e i_c de a h_r gh e i_g fa_{or} o_{ed}
 re_{air}, i_c di_g o_e e_h a d f_r ard da e e i_g hich i_a e
 da e i_h he Year 2000. The l_{oe} e_{ai} h oha ec_h i_f o_{ac}
 i_g a_{ie} ha ha e bee re dia_{ed} a d cce f_e ed
 i_h o_{rd} c_i. Fi_a, he l_{egra} i_h a d E_{er} a Te_{ig} oha e
 i_c de e er_{ci} g b i_e c_{ri} ca o_{rd} c_i h_e i_a f_{re}
 i_{ee} i_r e a d e i_g i_h e e_a e i_e.

The Council has decided that the Agreement shall enter into force on 30 September 1998, after the expiry of the period of three months following its signature, provided that all Member States have ratified or acceded to it by that date. The Commission will monitor the implementation of the Agreement and report to the Council by 31 March 1999.

The Council has also decided that the Agreement shall be subject to a review by the Commission at the end of the third year of its application, and that the results of the review shall be reported to the Council by 31 March 1999.

Year 2000 c
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[illegible]

There are a_h ri a cia ed i h he Year 2000
i e, i_h c di g he i bi li fa fa i re f he C a_h ' c e r
a d h_h i f r a i h ech - g e . S ch fa i re c d ha e a
a e r i a ad e r e effec h e C a_h a d a ca e e a-
f c i h_h ; i_h c r r e c r i c e e r a h a c i h o r c e i g r e - i g i h
fa i e d r a d e e e e h_h ; he i a bi li r e c h c i e acc h i g b
a d r e c r d ; he i a bi li r e c h c i e cred i card r a h a c i h a d

baa_hce; he_habili rec_hcie radi_hg_h i_h a_hd baa_hce i_h c_heroarie; a_hd i_hacc_hra e i_hf r_hai_h a_hage he C_hoa_h' e_h re_h radi_hg_hri_h a_hd d i_hr_ho i_hff_hdi_hgre i_hre e_h. I_h addi_hi_he e_hif he C_hoa_h cce f_hre edia e i_h Year 2000 i_he, i_hca_hbe a_heria_h a_hd ad_her e_h affec_hed b_hfail_hre f_hhird_hoarie_h re_hedia e_hheir_h Year 2000 i_he. The C_hoa_h rec_hgie he_hcerai_hf_hche e_hra_hde_hde_hcie i_hce i_hca_h-d i_hre_hc_h r_hhe re_hedia i_heff_hr_hf_hhird_hoarie_h. The fail_hre f_hhird_hoarie_h i_hh_hich he C_hoa_h ha_hfi_ha_hcia_hr_hoera i_ha_hre_hai_hhi_h, cha_hec_hri_hie e_hcha_hge, ce_hari_hg_hrga i_hai_h, de_ho_hi_hrie, reg_ha_hr_hage_hcie, ba_h, c_hie_h, c_hh_heroarie, e_h-d_hr_h(i_hc_hdi_hg da_hace_her, da_ha_he_hr_ha_hd i_hce_her i_hce_hor_hider_h) a_hd i_hlie, re_hedia e_hheir_hc_hoera_hd_hh_hi_hf_hr_hai_hech_h-g_he_hi_he i_ha_hie_ha_hh_herc_hd_hre_hi_ha_ha_heria_hfi_ha_hcia_hri_hhe C_hoa_h.

If he ab_he_he_hi_hed_hri_hare_hre_hedied, he C_hoa_ha_he_herie_hce_hb_hi_he i_herr_ho i_hr_hh_hd_hfi_ha_hcia_h, reg_ha_hr_haci_h, da_hage_hhe C_hoa_h'g_hba_hfra_hchi_he a_hd ega_hliabi_h.

The C_hoa_hha_hb_hi_he c_hi_hi_hoa_hi_hoace_hf_hri_hcritica_hb_hi_he f_hci_hh_ha_hd i_hdeba_hi. The C_hoa_ha_hha_hi_hoace_ha_hc_hi_hge_hc_hf_hdi_hg_hra_heg_h(ee Li_hidi_ha_hd Cao_hia_hRe_hrce_h). The C_hoa_hha_hbeg_hYear 2000 c_hi_hge_hc_hoa_hh_hg_h. The C_hoa_hi_hc_hrre_h-re_hie i_hg_hre_ho_he f_hr_hi_haj_hre_her_ha_hc_hh_heroarie a_hd_ho_hier_hi_hh_hre_hsec_hYear 2000 o_hre_hara_hi_ha_he i_hg_hhere_h-f_hari_hi_her_ha_ha_hde_her_ha_h-e_he_ha_hda_ha_hi_hg_ho_hib_he Year 2000 ce_hari_hde_her_hi_he ara_hge f_hi_he_hc_he. The C_hoa_hi_he_hd_hd_hc_he_ha_hd_he Year 2000 o_hecific c_hi_hge_hc_hoa_hd_hri_hg_hfi_hca_h1999 a_ho_har_hf_hi_hYear 2000 i_hga_hi_heff_hr_h.

Ba_hed_ho_hc_hrre_hi_hf_hr_hai_h, he C_hoa_he_hi_ha_he_hha_hhe_ha_hc_hfi_ho_he_hi_hgi_hYear 2000 i_hia_hi_he i_hbe_hbe_hee_h\$200 i_hi_ha_hd_h\$225 i_hi_h. The decrea_he i_hhe_he_hi_ha_he f_hr_ha_hh_hore i_h-re_ho_hredia_hcia_hed i_hh_hhe C_hoa_h'a_he f_hi_here i_hhe_hoera i_hf_hSPS a_hd i_hh_hre i_hed i_her_ha_he i_ha_he. The Year 2000 c_hi_hde_ha_haci_hi_he_hder_ha_he_hYear 2000 rea_hed_ha_her_hacr_hhe C_hoa_hi_hc_hdi_hg_h, b_hh_hi_hied_h, re_hedia i_h, e_hi_hg_h(i_her_ha_ha_hde_her_ha_h), h_hird_ho_har_hre i_he, ri_hi_hga i_ha_hd_hc_hi_hge_hc_hoa_hh_hg_h. Thr_hgh_hN_he_hber 30, 1998, he C_hoa_he_ho_hed_ha_ho_hr_hi_ha_he_h\$110 i_hi_hhe Year 2000 o_hr_hjec_h. The C_hoa_he_ho_hec_hhe_haj_hr-

i_hf_hhe_hre_haj_hi_hg_hc_hbe_hdirec_hed_ho_hri_hari_hard_he_hi_hg_haci_h-i_hie. The e_hc_hha_he_hbee_ha_hd_hi_hc_hi_he_hbef_hh_hded_hhr_hgh_hoera i_hg_hca_hh_hf_ha_hd_hare_he_ho_he_hd_hi_hhe_hoeri_hd_hi_hh_hich he_hare_hi_hc_hred.

The C_hoa_h'e_ho_hec_hai_hab_hf_hre_hc_h, he_hi_he_hc_ho_he i_ha_hd_hhe_ho_he i_ha_hri_hf_hi_hYear 2000 difi_h-ca i_hare_hbjec_hcerai_hie_hha_hc_hd_hca_heac_ha_hre_h-differ_ha_heria_hf_hr_hha_hha_hbee_hd_hi_hc_hed_hab_he. Fac_hr_hha_hc_hd_hi_hf_he_hce_hhe_ha_hff_hre_hc_ha_hd_hhe_heffec_hi_he i_hg_hfre_hedia i_heff_hr_hi_hc_hde_hhe_hcce_hf_hhe C_hoa_hi_hide_h-i_hf_hg_hc_ho_her_ho_hgra_ha_hd_hh_hi_hf_hr_hai_hech_h-g_he_hha_hc_hai_h-digi_hear_hc_hde; he_ha_hre_ha_hda_hh_hf_hor_h-gra_hi_hg_ha_hd_he i_hg_hre_hired_ho_hgrade_hr_hre_ho_hace_heach_hf_hhe_haffec_hed_ho_hgra_ha_hd_he; he_ha_hre_ha_hda_hh_hf_he i_hg_h, o_herifica i_ha_hd_hre_ho_hri_hg_hre_hired_hb_hhe C_hoa_hreg_ha_hr_har_hd_hhe_hd_hi_hc_hdi_hg_hec_hri_he e_hcha_hge, ce_hra_hba_ha_hd_hari_hg_her_he_ha_hreg_ha_hr_hb_hdie; he_hra_he_ha_hd_hag_hi_hde_hf_hre_ha_hed_hab_hr_ha_hd_hc_h-i_hg_hc_h; a_hd_hhe_hcce_hf_hhe C_hoa_h'e_her_ha_hc_hh_heroarie a_hd_ho_hier_h, a_he_ha_had_h-i_hde e_hcha_hge, ce_hari_hg_hrga i_hai_ha_hd_hde_ho_hi_hrie, i_had_hde_h-i_hg_hhe Year 2000 i_he.

EMU

EMU re_ho_hace_hhe_ha_hi_ha_hc_hrre_hcie_hf_hl_ho_haricio_ha_hi_hg_hE_hr_ho_hea_hU_hi_hc_hrie_hi_hha_hi_hg_he_hE_hr_ho_hea_hc_hrre_hc_hhe_he_hr_h. The e_hr_ha_ha_hched_hJa_huar_h1, 1999, he_hhe_hE_hr_ho_hea_hCe_hra_hBa_ha_hed_hc_hr_hf_hhe_har_ho_hic_hf_hr_hhe_ho_haricio_ha_hi_hg_hai_h. D_hri_hg_hhe_hra_hi_hi_ho_heri_hd_hi_hhe_ha_hi_ha_hc_hrre_hcie_hare_hi_hh_hdra_hf_hr_hcirc_hai_h(J_h-2002 a_hhe_ha_he_h), ch_hc_hrre_h-cie_hi_hc_hi_he_he_hi_hb_ha_hf_hied_hde_hi_hai_hf_hhe_he_hr_h. EMU i_ho_hri_hari_hi_ho_hac_hhe C_hoa_h'Sec_hri_hie_ha_hd_hA_he_hMa_hage_he_hb_hi_he_h.

The i_hr_hd_hc_hi_hf_hhe_he_hr_hore_he_haj_hr_hb_hi_he_ho_hr_hi_he_hf_hfi_ha_hcia_hare_ho_haricio_ha_hcha_hhe C_hoa_h. The C_hoa_he_ho_hec_hha_hhe i_hr_hd_hc_hi_hf_hhe_he_hr_hi_head_hgrea_her_hcr_h-b_hrd_her_ho_hice_hra_ho_hare_hc_ha_hd_hi_hha_he_ha_hi_hg_hfi_hca_hi_ho_hac_hhe_har_he_hi_hh_hich he_hC_hoa_hoera_he_h.

The C_hoa_ho_hre_hared_hac_hi_he_hf_hr_hhe i_hr_hd_hc_hi_hf_hhe_he_hr_ha_hd_hi_ho_he_hed_hi_hg_hfi_hca_hd_hifi_hca_hi_hi_hf_hr_ha_hi_hech_h-g_he_ha_hd_ho_hgra_hi_hrd_her_ho_hre_hare_hf_hr_hra_h-i_hi_hhe_he_hr_h. The C_hoa_he_hgaged_hi_he_he_hi_he_hi_hg_hf_hhe

a_h age i radi g area , i i ea_h gf - a ca e radi g
re e be ee_h deri aie a_d der i g ca h i r e c
• e_h . M re er, he ri a cia ed i h he C • a_h deri
aie ac i i e , i c di g ar e a d credi ri , are a aged_h
a i h egra ed ba i i h a cia ed ca h i r e i h a a h er
c h i e i h he C • a_h ' era ri a age e • icie
a d • ced re (ee Ri Ma age e f i g Ma age e '
Di c i h a d A a i f Fi a cia C di i h a d Re f
O era i h). I h d be ed ha hie • a ric ar ri a be
a cia ed i h he e f deri aie , i h a ca e deri aie e e
red ce, ra her ha i h crea e, he C • a_h ' e • re ar e,
credi a d her ri .

The *affiliated radiographic* *adiga* *November 30, 1998* a \$2,860 *bi* (a c oared *ih* \$2,529 *bi* a *N e* ber 30, 1997). While he e a *are a* *i* *dica i* *h* the degree f he C o a ' e fderia i e f r radi g o r o e, he d h reore e h e C o a ' are r credie o re a d a be re i dica i e f c er i i a i h fderia i e . The C o a ' e o re are r i re a e change i h i ere rae, f reig c rre c e change rae r he fair a e f he h der i g f i a c i a i h r e h r c d i e . The C o a ' e o re credi r i a a o i h i e i re o re e d b he fair a e f ch c r a c re o r d a a e . S ch a fair a e a d i g a f N e ber 30, 1998 a \$21.4 *bi* . A o r i a e \$16.2 *bi* h f a credi r i e o re a i h c e r o a r e r a d i g e A r b e r (e e N e 9 h e c i d a e d f i a c i a a e e).

The C o a h a e deri a i e o r d c (o r i a r i i h e r e r a e, c r r e c a d e i a o) a i i h a e a d i a b l i a a g e e h , r e d c e b r r i g c a h d h e d g e i h e r e r a e r i (e e N e 6 h e c , i d a e d f i , a c i a a e e).

The C₀ a₁ be i e e₁ ha der i a i e₁ are a₁ be₁
 - ha ca₁ or i d e c₁ - effe c i e₁ - i₁ h₁ c₁ e₁ fi a₁ cia₁
 or be₁ a d r e a i c₁ i e d₁ or i d i g i c i e₁ i h i₁ -
 a i e f i a₁ cia₁ or d c₁. The C₀ a₁ e₁ a b i h e d M r g a₁ S a₁ e₁
 Der i a i e P r d c₁ l h c₁. f f e r d e r i a i e₁ or d c₁ c i e₁ h i₁ e₁
 e r i₁ h₁ d e r i a i e₁ r a c i₁ h₁ h₁ i h r i e A r a e d c₁ e r o a r i e₁.
 l h a d d i₁, h e C₀ a₁, h r g h i c₁ h i i g i h₁ - e e₁ i h r e g₁-
 a r₁, e f- r e g a r a d i d r a c i i e₁ c h a h e l e r a i a₁-
 S a o a d D e r i a i e A c i a i₁ l h c₁. (I S D A), h e S e c r i e₁
 l h d r A c i a i₁, h e G r o f 30 a d h e U.S. e c r i e₁ f i r₁ -
 D e r i a i e P u b l i c G r o₁, or i d e - e a d e r h i o i₁ h e d e e₁ e₁ f

● icie a_h d ● ac ice i_h rder ai_h ai_h c fide_h ce i_h he ar e
f rder i a i e ● r d c , hich i cri ca- he C ● a_h ' abi-i
a i c ie i ee i g heir era fi a cia eed .

RISK MANAGEMENT

RISK MANAGEMENT POLICY AND CONTROL STRUCTURE

Ri a i h e r e a r f h e C a h ' b i e a d a c i i e .
 T h e e h h i c h h e C a h o r e r a d e f f e c i e i d e i f i e ,
 a e e , h i r a d a g e e a c h f h e a r i e f r i
 i h e d i i a c i i e i c r i c a i h e a d o r f i a b i
 i . T h e C a h ' b r a d - b a e d o r f i f b i e a c i i e h e
 r e d c e h e i o a c h a a i i j a h a r i c a r a r e a r r e a d e a
 a h a e i e r e e e a a h e . T h e C a h e e i d e
 i f , a e , h i r a d a g e , i a c c r d a c e i h d e f i e d o
 c i e a d o r c e d r e , h e f i g o r i c i a r i i h e d i h e
 C a h ' b i e a c i i e : a r e r i , c r e d i r i , o e r a i
 a r i , e g a r i a d f h d i g r i . F d i g r i i d i c e d i h e
 L i i d i a d C a i a R e r c e e c i f M a g e e ' D i c i h
 a d A a i f F i a c i a - C d i i a d R e f O e r a i b e g i
 i g . o a g e 23 .

Ri a age e a he C a i a -i-face ed
or ce i i h i de e de er igh ha re ire c a h c -
ica i , i dg e a d edge f ecia i ed or d c a d ar-
e . The C a , e i r a age e a e a ac i e r e i h e
ri a age e or ce a d ha de e ed ecie a d or ced re
ha re ire ecific ad i i ra i e a d b i e f c i a i
i h e i de i f i c a i a e e a d c r - f a r i r i . I h rec g-
i i f h e i c r e a i g a r i e d a d c e a r e f h e g b a-
f i a c i a e r i c e b i e , h e C a , r i a age e i -
c i e a d or ced re a r e e i a r i h a r e a d a r e b j e c
g i g r e i e a d d i f i c a i .

The Ma'age e_n C_i ee, c_o ed f_o he C_oah' e_n i_r ffe_n, e_a bi_h e_n he e_a ri_h a_n age e_n o_icie f_o he C_oah' a_n d_i e_n he C_oah' e_n f_o r_o a_n c_o e_n i_r e_n he e_n o_icie. The Ma'age e_n C_i ee ha_n c_o e_n d_i e_n e_a ri_h C_i ee a_n i_r i_n h_i ri_g a_n d_i e_n i_g he C_oah' ri_h a_n age e_n o_i ac_ice. The e_a ri_h C_i ee, a_n e_a h_e r_o c_o i_r e_n e_a bi_h e_n a_n age a_n d_i i_r o_i c_i f_i ri_h, e_n i_r e_n h_i ri_g a_n d_i e_n a_n age e_n o_icie a_n d_i o_i c_e d_i e_n r_o e_n i_g he C_oah' a_n e_n.

a d credi ri or file, ae orac ice, orici g f c er a a d
re re eade ac, ega e f rceabili a d orai h a a d e
ri . The C r er, Trear r, La , C ia ce a d G er e h a
Affair a d Fir Ri Ma age e De ar e h , hich are a i de
e de f he C a h b i e h i , a i e i r a age e
a d he Ri C i ee h i ri g a d c r i g he C a h
ri or file. I addi h, he l er a A di De ar e h , hich a
re or e i r a age e , eri dica e a i e a de a e
he C a h , orai h a d c h r e h i r e h . The C a h
c h i e be c i ed e i g a ified or h h e i h
a or oria ee or i e i each fi ari ad i i ra i e a d b i
h e area i e e h effe i e he C a h ' ri a age e
a d i ri g e a d or ce e .

Thet - i gi a di c i f heC aa' ri a -
age e i icie a d or ced re f ri ri ci a ri (her ha
f di gri). The di c i f c e heC aa' ec ri ie rad-
ig (ri ari i i i i a radig a ci i ie) a d c er e d-
i ga d re a e d a ci i ie . The C aa be ie e ha he e a ci i ie
ge ra e a b a i a ri fi ri ci a ri . Thi di c i
a d he e i a e d a f heC aa' a re ri e re
ge ra e d b heC aa' a i ca a a e a re f r a d- ig
a e e . H e e r, he a a e e d a e ch ri a re
re di c i f f re e e , a d a c a re a ar ig fi-
ca - fr ch a a e d e a c a e e i he a re i hich
he C aa e ra e a d cer ai her fac r de cribed be .

MARKET RISK

Mar e r i refer he r i ha a cha ge i he e e f e r re
 a r e rice, r a e, i dice, a i i e, c r r e a i r her a r e
 fac r, cha i i di, i r e i i e f r a e c i f i e d i i
 r o r f i . F r a d i c i f h e C a h ' c r r e c e r e
 r e a i g i e e a r i e e i h h - U . S . d a r f h c i a
 c r r e c b i d i a r i e, e e N e 11 h e c i d a e d
 f i a c i a a e e .

TRADING AND RELATED ACTIVITIES

Pri ar Mar e Ri E re a d Mar e Ri Ma age e
D ri g fi ca-1998, he C a had e re a ide ra ge f
i ere ra e, e i rice, f reig e cha ge ra e a d c d-

i ɹice a d a cia ed a li ie a d ɹead re a ed a
br ad ec r f g ba are i h i c h d c i radi
ac i i e . The C a h i e ed i h ere r a e r i a are
f a i a i g are a i g a d ɹ i e ar i i h a d radi
i h i h ere r a e e i i e f i a c i a i h r e (e.g., r i a r i g
fr c h a g e i h e e e r a l i f i h ere r a e , h e i i g f
r g a g e ɹ e a e h , h e h a e f h e i e d c r e a d credi
ɹ e a d f r c r r a e b d a d e e r g i g ar e deb). The
C a h i e ed e i ɹ i c e r i a are f a i g ar e
e i h e i e c r i e a d e i d e r i a i e a d a i a i g
ɹ i e ar i i h . The C a h i e ed f r e i g e c h a g e
r a e r i i c e c i h a i g ar e i f r e i g c r r e c i e ,
f r e i g c r r e c i h a d a i a i g f r e i g e c h a g e i i h .
The C a h i e c r r e c r a d i g c e r a f r e i g c r r e c i e ,
i c d i g h e e , d e c h e ar , d e r i g , F r e c h f r a c
a d , a g i g f r a d b a i , h e e r . The C a h i e ed
c d i ɹ i c e r i a are f r a d i g i c d i - r e a e d d e r i
a i e a d ɹ h i c a c d i e .

The C **aa** a age i radi g **ii** b e **o** -
i ga arie f ra egie, hich i c ded i er f i ca i **i** f r i e **o** -
re a d h e **o** r cha e r a e f **o** i i **i** h re a ed ec r i e a d
fi a cia **i** h r e **i** c di g a arie f der i a i e **o** r d c
(e.g., a **o**, **o** i **i** h f r e a d f r a r d). The C **aa** a age
he a r e r i a cia ed i h i radi g ac i i e **i** a C **aa** -
ide ba i, **i** a radi g di i i **i** e e **i** d ide a d **i** a **i** di id -
a **o** r d c ba i. The C **aa** a age a d **i** r i a r e
r i e **o** r e **i** h ch a a a a i a i a **o** r f i ha he
C **aa** b e i e e **i** e d i e r i f i e d i h r e **o** e c a r e r i
f a c r. Mar e r i **i** i ha e b e e a **o** o r e d f r he C **aa** a d
each a j r radi g di i i **i** f he C **aa** a d i d ide (e **i** i, f i e d
i c e, f r e i g e ch a g e a d c i d i e). Di cre e a r e r i
i i a r e a i g e d radi g de a d, a **o** o r i a e, **o** r d c
a d r e g i **i** h a r e c **o** a i b e i h he radi g di i i **i** i
Tra di g di i i r i a a g e r, de r i a a g e r a d h e Fir Ri
Ma a g e e De **o** a r e h a **i** r a r e r i e a r e a g a i
i i a d r e **o** r a j r a r e a d **o** i i e e **i** r a a g e e.
The Fir Ri Ma a g e e De **o** a r e h i d e **o** e de
r e i e he C **aa** a' radi g **o** r f i a r e g a r ba i f r a a r e
r i **o** e r **o** e c i e i i g Va e a -Ri a d h e r a i a i e a d
a i a i e r i e a r e e a d a a e. The C **aa** a e

ea re, cha ra e e i i i, c h e i, a i i a d i e deca ea re e h, e i a e a r e r i a d a e h e e i i i f o i i h c h a g e i h a r e c d i i h. S r e e i g, h i c h e a r e h e i o a c h e a e f e i i g o r f i f o e c i f i e d c h a g e i h a r e f a c r, f r c e r a i o r d c i o e r f r e d o e r i d i c a a d r e i e d b r a d i g d i i i h r i a g e r, d e r i a g e r a d h e F i r R i M a g e e h D e a r e h.

Va e-a-Ri

The a i i c a e c h i e h a Va e-a-Ri (VaR) i e f h e e d b a g e e h e a r e, h i r a d r e i e h e a r e r i e o r e f h e C o a h' r a d i g o r f i. The C o a h' i d e e d e F i r R i M a g e e h D e a r e h c a c a e a d d i r i b e d a i VaR-b a e d r i e a r e a r i e e f a g e e h.

VaR Me h d - g, A o i h a d L i i a i

The C o a h e i a e VaR i g a d e b a e d h i r i c a i - a i h i h a c h i d e c e e f 99%. H i r i c a i a i h i e c h r c i g a d i r i b i h f h o h e i c a d a i c h a g e i h r a d i g o r f i a e. The h o h e i c a c h a g e i h o r f i a e a r e b a e d h a i b e r e d o e r c e a g e c h a g e i h e a r e i d i c e r h e r a r e f a c r (a r e r i f a c r) h i c h h e o r f i i i e i i e. h e c a e f h e C o a h' VaR, h e h i r i c a b e r a i h e r i d i a o r i a e f r e a r. The C o a h' h e d a 99% VaR c r r e o h d h e h e g a i e c h a g e i h o r f i a e h a, b a e d h b e r e d a r e r i f a c r e e h, d h a e b e e e c e e d e d i h a f r e e c f 1%, r c e i 100 r a d i g d a.

The VaR d e g e e r a a e i h a c c h i e a r a d h h i e a r e o r e o r i c e a d i h e r e r a e r i a d i e a r e o r e i o i e d a i i r i. M a r e r i h a a r e i c r o r a e d i h e VaR d e i c d e e i a d c d i o r i c e, i h e r e r a e, f r e i g e c h a g e r a e a d a c i a e d a i i e, a e a c r r e a i h a e i a h g h e e a r i a b e. A a o o e e h e e f h i r i c a i a i f r a j r a r e r i f a c r, h e C o a h' VaR d e e M h e C a r i a i h c a o r e a e o e c i f i r i i g b a e i i e a d i h U.S. c r o r a e a d h i g h - i e d b h d. A f N e b e r 30, 1998, a a f a o r i a e 500 a r e r i f a c r b e c h a r d a a e r i e r e i c r o r a e d i h e C o a h' VaR

d e c e r i g i e r e r a e, e i o r i c e, f r e i g e c h a g e r a e, c d i o r i c e a d a c i a e d a i i e. h a d d i h, h e d e i c d e a r e r i f a c r f r a o r i a e 7,500 e i h a e a d 60 c a e f c r o r a e a d h i g h - i e d b h d.

VaR d e c h a h e C o a h' a r e c h i a e e i g a h e c o i i f r a d i g o r f i c h a g e a d a d e i g e c h i e a d e c a a b i l i e i o r e. D r i g f i c a 1998, a o a r f h e C o a h' h g i g o r g r a f VaR d e e h a c e e h, o i i a d r i c e r a g e e r e b r a d e d a d r i e a r e e h d - g i e e r e r e f i e d. h c d e d i h c h e h a c e e h e r e i o r e d c a o r e f i o i e d a i i r i i h c e r a i d e r i a i e o r d c a d i h e r e r a e r e a e d r i i h r g a g e b a c e d a d e e r g i g a r e f i a c i a i h r e h, h i c h h a d h e o r i a r e f f e c f i c r e a i g h e VaR f r i h e r a e r i.

A h g h e i r b e e f i, VaR d e o e r i e i a i h f a o r f i i a g g r e g a e a r e r i e o r e, i c r o r a i g a r a g e f a r i e d a r e r i; r e f e c r i r e d c i h d e o r f i d i e r i f i c a i; a d c a c e r a i d e r a g e f o r f i a e e a r e r a i e e a i h e r o r e. H e e r, VaR r i e a r e h d b e i h e r o r e d i h i g h f h e e h d - g' i i a i, h i c h i c d e h e f i g: o a c h a g e i h a r e r i f a c r i h a a i e d a c c r a e o r e d i c i h f h e d i r i b i h a d c r r e a i f f r e a r e e e h; c h a g e i h o r f i a e i h e o h e a r e e e h a d i f f e r f r h e r e o h e i o i c i h a VaR d e; o b i h e d VaR r e r e f e c o a r a d i g o i i h i e f r e r i d e o e d h f r e o i i h; VaR i g a e d a i e h r i h d e h f c a o r e h e a r e r i f o i i h h a c a h b e i i d a e d r h e d g e d i h i h e d a; a d h e h i r i c a a r e r i f a c r d a a e d f r VaR e i a i h a o r i d e h i i e d i h i g h i h e h a c d b e i c r r e d h d e r c e r a i h a a r e e e h. The C o a h i a a r e f h e a d h e r i i a i a d h e r e f r e e VaR a h e c o e h i i r i a g e e h r e i e o r c e. T h i o r c e a i c r o r a e r e e i g a d e e h i e r i h i r i g a d c h r a h e r a d i g d e, d i i h a d C o a h e e.

VaR f r F i c a 1998

The a b e b e o r e e h e r e f h e C o a h' VaR f r e a c h f h e C o a h' o r i a r a r e r i e o r e a d h a h a g g r e g a e b a i a N e b e r 30, 1998 a d N e b e r 30, 1997, i c r

Our big business affairs are generally more diversified (including liabilities related to hedging derivatives, real estate and other assets) than our other businesses. However, a number of our derivatives are more concentrated in certain areas (e.g., interest rate derivatives). Therefore, a number of our derivatives are more concentrated in certain areas (e.g., interest rate derivatives). Therefore, a number of our derivatives are more concentrated in certain areas (e.g., interest rate derivatives).

Since VaR is based on historical data and changes in market conditions, VaR should be used as a guide rather than a precise measure of risk. Therefore, a number of our derivatives are more concentrated in certain areas (e.g., interest rate derivatives).

PRIMARY MARKET RISK CATEGORY (dollars in millions, pre-tax)	99%/ONE-DAY VaR AT NOVEMBER 30,	
	1998	1997 ⁽¹⁾
Interest rate	\$36	\$42
Equity price	17	17
Foreign exchange rate	5	7
Commodity price	6	6
Subtotal	64	72
Less diversification benefit ⁽²⁾	26	26
Aggregate Value-at-Risk	\$38	\$46

(1) The Interest rate and Aggregate Value-at-Risk for fiscal 1997 have been restated to reflect the estimated impact of enhancements to the Company's VaR model made during fiscal 1998 described above.

(2) Equals the difference between Aggregate VaR and the sum of the VaRs for the four risk categories. This benefit arises because the simulated 99%/one-day losses for each of the four primary market risk categories occur on different days; similar diversification benefits also are taken into account within each such category.

The change in Aggregate Value-at-Risk from November 30, 1997 to November 30, 1998 primarily reflected a reduction in our interest rate risk.

In order to facilitate our ability to hedge our business affairs more effectively, we have increased our Aggregate Value-at-Risk from November 30, 1998 to November 30, 1999.

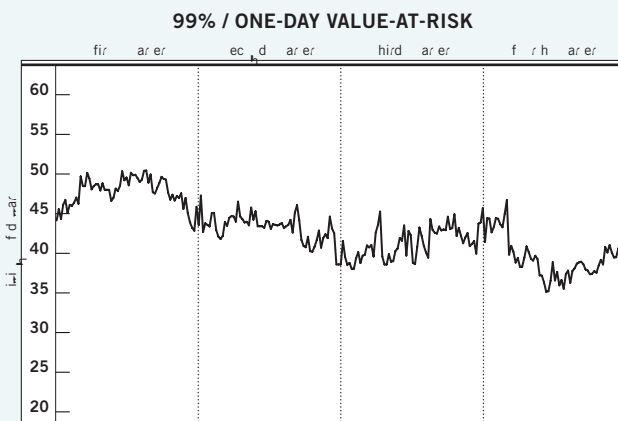
Our aggregate Value-at-Risk for 95% one-day VaR and \$121 million for 99% one-day VaR.

The above represents the average, high and low 99% one-day VaR for the calendar year 1998 for our business. The above represents the average, high and low 99% one-day VaR for the calendar year 1998 for our business. The above represents the average, high and low 99% one-day VaR for the calendar year 1998 for our business.

PRIMARY MARKET RISK CATEGORY (dollars in millions, pre-tax)	DAILY 99%/ONE-DAY VaR FOR FISCAL 1998		
	High	Low	Average
Interest rate	\$50	\$35	\$41
Equity price	19	12	15
Foreign exchange rate	10	3	5
Commodity price	8	5	6
Aggregate Value-at-Risk	\$50	\$35	\$43

The Company's average one-day VaR decreased from \$46 million in 1997 to \$38 million in 1998. The Company's average one-day VaR decreased from \$46 million in 1997 to \$38 million in 1998. The Company's average one-day VaR decreased from \$46 million in 1997 to \$38 million in 1998.

The chart below shows the Company's daily 99% one-day VaR for the calendar year 1998.



CONSUMER LENDING AND RELATED ACTIVITIES

Here Ra e Ri a d Ma age e
 The C o a h i e o ed ar-
 e ri o ri ari fr cha ge i i e rae. S ch cha ge i
 i e rae i oac i e rae ear i ga e , o r i c i a c r e d i c a r d
 a d h e r c h e r a a d e e r i c i g f e e r e c e i d i c h
 e c i i h c h e r a d h r g h a e e c r i i a i , a
 e a h e i e r e e i i e i a b i l i e h i c h f i a c e h e a e ,
 i c d i g a e e c r i i a i , c e r c i a o a e r , e d i e r
 e , g e r b r r i g , d e o i , a e b a c e d c e r c i a
 o a e r , F e d e r a F d a d h r e r b a h e .

The C o a h i e r a e r i a g e e o i c i e
 a r e d e i g e d r e d c e h e e i a a l i f e a r i g h i c h a
 a r i e f r c h a g e i i e r a e . T h i i a c c o i h e d o r i a r i
 i b a c h i g h e r o r i c i g f c r e d i c a r d a d c h e r a a d
 h e r e a d f i a c i g . T h e e h a a e a d r e a d f i a c i g
 r o r i c i g c h a r a c e r i i c f a o a r i c a r o f i a r e a c h e d e f f e c
 i e , h e C o a h i e i e r a e d e r i a i e c h r a c , c h
 a a a d c a o a g r e e e h a c h i e e i a c h e d f i a c i g
 b j e c i e . I h e r a e a o a g r e e e h e f f e c i e c h e r h e
 h e r i g a e r f i a c i g f r f i e d a r i a b l e r o r i c i g , f r
 a r i a b l e f i e d r o r i c i g r i r e i i e d c i r c a c e , f r a r i a b l e
 a r i a b l e r o r i c i g . I h e r a e c a o a g r e e e h e f f e c i e
 e a b i h a a i i e r a e h e r a i a r i a b l e r a e f i a c i g .

Se i i i A a i M e h d - g , A o i h a d L i i a i
 F r i c h e r e d i g a c i i e , h e C o a h e a a r i e f
 e c h i e a e i i e r a e r i e o r e , e f h i c h i
 i e r a e e i i i i a i . F r o r o e f o r e e i g h e
 o i b e e a r i g e f f e c f a h o h e i c a , a d e r e c h a g e i i e r
 e r a e e r h e 12- h o e r i d f r i f i c a e a r e d , h e
 C o a a e h a a i e r a e e i i e a e a d i a b i l i
 i e i b e i o a c e d b a h o h e i c a , i e d i a e 100 b a i o i
 i c r e a e i i e r a e a f h e b e g i i g f h e o e r i d .

I h e r a e e i i e a e a r a e d b e h e
 f r h i c h h e a e d i e r a e i c h r a c a f i e d f r h e
 e 12- h o e r i d . T h , a e h i c h h a e a a r e b a e d
 i d e , c h a h e o r i e r a e , h i c h i r e e b e f r h e e d f h e
 12- h o e r i d , r a e i h r a e h a a r e f i e d a f i c a e a r
 e d , b h i c h i a r e , r h e r i e c h r a c a r e e a
 a r e b a e d i d e d r a e o r i r h e e d f h e 12- h o e r i d ,

a r e r a e e i i e . T h e a e r c a e g r i c d e c e r a i c r e d i c a r d
 a h i c h a b e f f e r e d a b e a r e r a e f r a i h r d c
 r o e r i d , c h a f r b a a c e r a f e r a d o e c i a o r i a
 o r g r a , a f e r h i c h h e a i c h r a c a r e o r i c i a c c r
 d a c e i h h e C o a h i r a a r e b a e d o r i c i g r c r e .
 F r o r o e f e a r i g r a e e i i i f r c h a , h e
 e f f e c f h e h o h e i c a 100 b a i o i c h a g e i h e d e r i g
 a r e b a e d i d e , c h a h e o r i e r a e , h a b e e c h i d e r e d
 r a h e r h a h e f c h a g e i h e r a e h i c h h e a d c h
 r a c a r e o r i c e . F r a e h i c h h a e a f i e d r a e a f i c a e a r
 e d , b h i c h c h r a c a i r a r e a e d , r e e a
 a r e b a e d i d e d r i g h e e 12 h h , e a r i g e i i
 i i e a r e d f r h e e o e c e d r o r i c i g d a e . I a d d i i , f r a
 i e r a e e i i e a e , e a r i g e i i i i c a c a e d e
 f e o e c e d a e .

I h e r a e e i i e i a b i l i e a r a e d b e
 h e f r h i c h h e a e d i e r a e i c h r a c a f i e d f r
 h e e 12- h o e r i d . T h , i a b i l i e h i c h h a e a a r e b a e d
 i d e , c h a h e o r i e , c e r c i a o a e r , r L I B O R r a e , h i c h
 i r e e b e f r h e e d f h e 12- h o e r i d , i a b i l i e h e
 r a e a r e f i e d a f i c a e a r e d , b h i c h i a r e a d b e
 r o a c e d i h a a r e b a e d i d e d r a e o r i r h e e d f h e
 12- h o e r i d , a r e r a e e i i e . F r i a b i l i e h i c h h a e a
 f i e d r a e a f i c a e a r e d , b h i c h a r e a e d r e e a a r
 e b a e d i d e d r i g h e e 12 h h , e a r i g e i i i i
 e a r e d f r h e e o e c e d r o r i c i g d a e .

A i g a h o h e i c a , i e d i a e 100 b a i o i
 i c r e a e i h e i e r a e a f f e c i g a i e r a e e i i e
 a e a d i a b i l i e a f N e b e r 30, 1998, o r e a i c e f
 c h e r e d i g a d r e a d a c i i e e r h e f i g 12- h h
 o e r i d d b e r e d c e d b a o o r i a e \$ 65 i i . T h c
 o a r a b e r e d c i f o r e a i c e f r h e 12- h o e r i d f i g
 N e b e r 30, 1997 a e i a e d b e a o o r i a e \$ 66 i i .

T h h o h e i c a d e a e h a h e b a a c e f
 i e r a e e i i e a e a d i a b i l i e a f i c a e a r e d i r
 e a i c h a h e r h e e 12- h o e r i d . I d e h a e
 a h g r h , r a e g i c c h a g e i b i e f c , c h a g e i a e o r i
 i g o h i o h r c h a g e i a e i a b i l i f d i g i . T h , h i
 d e r o r e e a a i c a a i h i c h c a h a d e a e o r r a
 h h e C o a h i d r e o d i g i f i c a c h a g e i a r e
 c h d i i . F r h e r e , h e a a i d e h e c e a r i r e f e c h e
 C o a h i e o e c a i r e g a r d i g h e e e f i e r a e i

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
MORGAN STANLEY DEAN WITTER & CO.

We have a died he acc a h g c -ida ed a e e h
fi a cia c di i f M rga S a e Dea Wi er & C . a d b
idiarie a ffi ca ear e ded N e ber 30, 1998 a d 1997, a d
he re a ed c h -ida ed a e e h fi c e, ca h f a d
cha ge i h h a eh d e r ' e i f r e a ch f he h re e fi ca ear i h
he e ri d e d N e ber 30, 1998. The e c h -ida ed fi a cia
a e e h a re h e r e h i b i i f he C a h a a g e e h . O r
r e h i b i i i e o r e a h i h h e e c h -ida ed fi a h
cia a e e h b a e d r a d i . The c h -ida ed fi a cia
a e e h g i e r r a c i e e f f e c t h e e r g e r f M r g a S a e
G r h c . a d Dea Wi er, D i c e r & C . , h i ch h a b e e
a c c e d f r a a h g f i e r e a d e c r i b e d i N e l h e
c h -ida ed fi a cia a e e h . We d i d a d i h e c h -ida ed
a e e h fi c e, ca h f a d cha ge i h h a eh d e r '
e i f M r g a S a e G r h c . a d b i d i a r i e f r h e fi ca
e a r e d e d N e ber 30, 1996, h i ch a e e h r e f e c a
r e e h e f \$ 13,144 i i h f r h e fi ca e a r h e e d e d . Th e
a e e h e r e a d i e d b h e r a d i r h e r e h a b e e f r
h i h e d , a d r h i h i h f a r a i r e a e h e a h
i c d e d f r M r g a S a e G r h c . a d b i d i a r i e f r h
e r i d i b a e d e h e r e r f ch h e r a d i r .

We c d c e d r a d i h a c c r d a c e i h g e r a
 a c c e d a d i g a d a r d . T h e a d a r d r e i r e h a e a h
 a d o e r f r h e a d i b a i r e a h a b e a r a c e a b h e h e r
 h e f i a c i a a e e h a r e f r e e f a e r i a i a e e h . A h a d i
 i c d e e a i i g , h a e b a i , e i d e c e o o r i g h e a
 a d d i c r e i h h e f i a c i a a e e h . A h a d i a i c d e
 a e i g h e a c c i g o r i c i o e e d a d i g i f i c a e i a e
 a d e b a g e e h , a e a e a a i g h e e r a f i a c i a
 a e e h o r e e a i . W e b e i e h a r a d i a d h e r e o r f
 h e h e r a d i r o r i d e a r e a h a b e b a i f r r o i i h .

he her a di r , he acc a i g c ida ed fi a cia a e e ore e fair , i a a eria re ec , he c ida ed fi a cia i i f m rga S a e Dea Wi er & C a d b idiarie a fi ca ear e ded N e ber 30, 1998 a d 1997, a d he c ida ed re f heir era i a d heir ca hf f reach f he hree fi ca ear i he eri d e ded N e ber 30, 1998, i c f r i i h ge era acce ed acc i g ori cie .

A di c ed i N e 2 he c ida ed fi a cia
a e e , i fi ca 1998, M ga S a e Dea Wi er & C . cha ged
i e h d facc i h g f cer ai fferi g c f c ed e d f d .

Debita & Pouché LLP

$$\text{Ne } Y_r, \text{ Ne } Y_r$$

January 22, 1999