

New MSDW Web Site

In July, MSDW launched its new company-level Website, www.msdw.com. It serves as MSDW's umbrella Website, providing links to all other Company Websites. The site provides a platform for shareholder and investor information. It also provides profiles of MSDW's institutional and individual securities, and credit services businesses. The various sites under the top page will be changed over time to reflect the Company's evolving marketing and branding strategies. www.msdw.com is another step toward employing the strengths of our integrated companies in one central place.



Annual Stockholders Meeting

The Company's 1999 Annual Meeting of Stockholders was held on April 9, 1999 at the offices of Morgan Stanley Dean Witter Trust FSB in Jersey City, New Jersey.

Chairman Philip J. Purcell presided over the meeting and President John J. Mack reviewed the Company's 1998 results. The stockholders elected Charles F. Knight, Miles L. Marsh and Laura D'Andrea Tyson as Directors, and approved an increase in the number of shares of common stock authorized for issuance under the Company's Employee Stock Purchase Plan.

The stockholders rejected three stockholder proposals which requested that the Company: 1) declassify the Board of Directors; 2) tie executive compensation to the amount of dividends paid; and 3) issue a report reviewing its underwriting, investing and lending criteria.

Shareholder Services Information

Registered Shareholders and Share Purchase and Dividend Reinvestment Plan Inquiries

Morgan Stanley Dean Witter Trust FSB is the transfer agent for the Company's common stock and the Record Keeper for the Share Purchase and Dividend Reinvestment Plan. For assistance with address changes, lost or stolen certificates, and other matters relating to registered stockholders or the Plan, please contact: *Morgan Stanley Dean Witter Trust FSB, Harborside Financial Center, Plaza Two, Jersey City, NJ 07311-3977* 800-622-2393

Shareholder Inquiries

General information about the Company and copies of the Company's Annual Report and other financial reports can be obtained at:

Online: <http://www.msdw.com>
Shareholder Helpline: 800-733-2307

Investor Relations

Security analysts, portfolio managers and representatives of financial institutions seeking information about the Company should contact:

Investor Relations: 212-762-8131

Report To SHAREHOLDERS

1999

F I R S T H A L F

MORGAN STANLEY DEAN WITTER

Dear Shareholders,

We are pleased to report that our Company has continued to perform exceptionally well. Morgan Stanley Dean Witter had record first-half earnings of \$2.2 billion—an increase of 42 percent over the first half of last year. Six-month diluted earnings per share were \$3.71—up 50 percent from a year ago. Our return on equity was 30.5 percent—well above our goal of an average of 18-20 percent over the course of the business cycle.

On May 31, we marked the second anniversary of our merger, which has continued to bring enormous benefits. In past reports, we have noted the market share gains in equity and debt underwriting, where we continue to have a leadership position. There are other notable milestones as well, reflected in our most recent results:

- Securities and asset management second quarter net income more than doubled to \$940 million since the second quarter of 1997.
- The number of Financial Advisors has increased by 2,184, or 23 percent over the past two years, and total client assets were up nearly 50 percent to \$510 billion.
- Assets under management have increased by \$100 billion since the merger—for a 33 percent increase.

Our three major businesses—Securities, Asset Management and Credit Services—have all done well, and we continued to benefit from the balance and diversity of our revenue streams.

It has been an extraordinary six months for our Securities business, with net income of \$1.6 billion—57 percent higher than a year ago. We achieved record or near-record results in almost every product line in our worldwide institutional sales and trading businesses. We had two consecutive record quarters in investment banking and we maintained our leadership position in global M&A and securities underwriting. Our Private Client Group (formerly Individual Securities) had record revenues in the first half, and total client assets rose to \$510 billion—a 20 percent increase from a year ago. Discover Brokerage Direct, our online brokerage service, achieved record account growth and record trading volume that was 77 percent higher than the first half of last year.

Our asset management business contributed \$258 million in net income during the first half compared to \$249 million a year earlier. In the past year, assets under management increased by \$28 billion, to stand at \$402 billion at May 31, 1999.

Credit Services achieved net income of \$335 million in the first half—a 22 percent increase from \$275 million in last year's first half. We were particularly pleased by the robust transaction volume on our Discover® cards and the significant improvement from last year's first half in the credit quality of our credit card portfolio. This past quarter we achieved the largest increase in active accounts since the fourth quarter of 1996 and the largest increase in new merchant locations in the history of the Discover Card.

It has become clear to us, even in the two short years since the merger, how quickly global markets can change and how rapidly the financial services industry is being changed by continuing globalization, consolidation, and the impact of new technology. We believe our results over the past two years demonstrate our ability to meet the challenges posed by rapid change, and we want our shareholders to know that their Company is very focused on the opportunities that lie ahead.

Sincerely,



Philip J. Purcell
Chairman & CEO



John J. Mack
President & COO

Philip J. Purcell

John J. Mack

July 16, 1999

MSDW Ranks High in Fortune 500

Fortune magazine ranked MSDW 29th overall, up from 35th last year, in its 1999 Fortune 500 rankings. Within the financial services industry, we ranked 1st in return on equity and 6th in profits.

The Fortune 500 company rankings are based on key measures of performance that include revenues, profits, earnings per share, market value and total return to investors.

Leadership in Institutional Securities

A key measure of the success of every MSDW business is to rank in the top three in terms of market share. It is, therefore, gratifying that in the most recent league tables*, MSDW is the only bank or investment bank ranked in the top three in four major product categories: announced worldwide M&A, worldwide equity and equity-related products, U.S. investment grade debt and U.S. high yield debt.

One of the key elements in the success of MSDW's institutional business is its strong, global presence. A substantial amount of institutional securities' revenues comes from outside the U.S. In Europe, revenues have almost doubled since 1996. In Asia, MSDW has a leadership position in many product categories, including a number one ranking in M&A.

* Source: Securities Data Corp. – January 1 to June 30, 1999.

Private Client Group

We have renamed our Individual Securities business the Private Client Group (PCG). We believe the new name better describes our focus on serving our individual investor clients by building long-term relationships and helping them develop financial strategies to meet their investment goals.

Serving individual investors is a core business at MSDW. We are currently focusing on the best way to provide these clients with the full advantages of online trading capabilities.

Mutual Funds "Best from One of the Best"

Our new proprietary mutual fund strategy "The Best from One of the Best" is an excellent example of how our Company is fulfilling its longstanding commitment to provide investors with the most comprehensive array of high quality asset management tools available.

Our new MSDW International Fund is being offered to MSDW's retail clients and gives them a level of investment management expertise previously available mainly to our largest institutional investors. The International Fund is managed by our Institutional Asset Management Businesses' founder and chairman, Barton Biggs, and Managing Director, Ann Thivierge.

Discover Brokerage Direct: Growth Continues

Discover Brokerage Direct has continued to be an innovator in the rapidly growing Internet-based online brokerage sector.

In June, Discover Brokerage Direct introduced a new mutual fund center that offers Discover Brokerage customers information on more than 5,000 mutual funds, utilizing state-of-the-art research and information tools in a user-friendly format.

Discover Brokerage Direct has also begun offering its customers access to MSDW lead-managed IPOs. The IPO product will be attractive to both retail customers and the Company's institutional and investment banking client base.

Discover® Platinum's Record-Breaking Launch

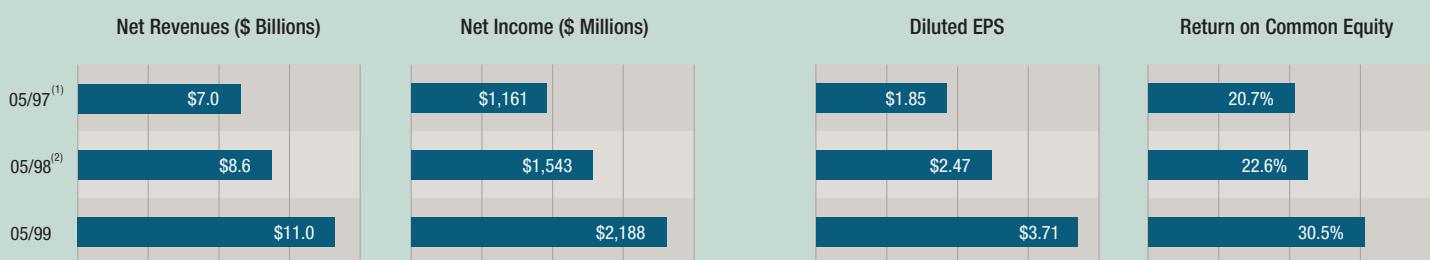
Discover® Platinum, the new premium card launched in December, has been an unprecedented success for the Company, with a record first half total of 2.2 million new accounts. Discover Platinum offers double Cashback Bonus® award opportunities, low interest rates, including low rates on balance transfers, no annual fee, expanded credit lines and enhanced services.



International Expansion

Securities/Asset Management

One of MSDW's top priorities is the international expansion of its retail securities and asset management business. We took an important step earlier this year with the acquisition of AB Asesores, Spain's largest independent financial services firm. AB Asesores has strategic positions in personal investment, institutional research and brokerage, and investment banking. Its 548 employees include 250 financial advisors who serve individual investors through sales of proprietary mutual funds and other financial products. At the end of



(1) Excludes the effects of expenses associated with the merger of Dean Witter Discover & Co. and Morgan Stanley Group Inc.

(2) Excludes the cumulative effect of an accounting change adopted in the fourth quarter of fiscal 1998 (effective December 1, 1997) with respect to the accounting for the offering costs paid by investment advisors of certain closed end funds.

1998, it had \$4.35 billion in mutual fund assets under management.

Credit Cards

In April, we also took an important step in the international expansion of our credit card business. At a press conference attended by the Prime Minister of the U.K., Tony Blair, and hosted by Scotland's Secretary of State, the Rt Hon Donald Dewar MP, we announced plans to open a financial services call center in Scotland, which will support our future credit card efforts in Europe.

Global Recognition in Securities

As we noted in the Annual Report, the *International Financing Review* has recognized the Company's performance in the securities business by naming it Bank, Bond and Equity House of the Year. This is an unprecedented "hat trick"; no other company has won these three top awards in a single year.

MSDW also achieved its highest ratings ever in both the 1999 Nikkei Survey – Research Analyst Poll of research houses in Japan and the 1999 Japanese Institutional Investor Research Survey. In both polls we ranked second overall, up from third last year and fifth in 1997.

Finally, MSDW was named Voter's Choice for the best research capability in Institutional Investor's 1998 Global Research Team, the magazine's second annual ranking of global research.

Washington Update

Bills that would modernize the U.S. financial services laws have already been approved by both the Senate and the House of Representatives and prospects are favorable for the enactment of this landmark legislation later this year. Morgan Stanley Dean Witter has been an active proponent of financial reform legislation.

Financial services modernization legislation would remove Depression-era barriers to affiliations among banks, securities firms and insurance companies. This would enhance the ability of all segments of the financial services industry to provide customers with a full range of financial services and to compete more effectively in both domestic and international markets. The U.S. Treasury Department estimates that savings to U.S. consumers alone could be \$15 billion annually.

Consolidated Income Statement Information (unaudited)

(dollars in millions, except per share data)

	Six Months Ended May 31,	1998	Percentage Change
	1999	1998	
Net Revenues			
Securities	\$8,103	\$5,917	37%
Asset Management	1,281	1,251	2%
Credit Services	1,624	1,466	11%
Consolidated net revenues	<u>\$11,008</u>	<u>\$8,634</u>	27%
Net Income			
Securities	\$1,595	\$1,019	57%
Asset Management	258	249	4%
Credit Services	335	275	22%
Income before cumulative effect of a change in accounting	\$2,188	\$1,543	42%
Cumulative effect of a change in accounting ⁽¹⁾	0	(117)	*
Consolidated net income	<u>\$2,188</u>	<u>\$1,426</u>	53%
Preferred stock dividend requirements	21	29	(28%)
Earnings applicable to common shares	<u>\$2,167</u>	<u>\$1,397</u>	55%

(1) Represents the effects of an accounting change adopted in the fourth quarter of fiscal 1998 (effective December 1, 1997) with respect to the accounting for offering costs paid by investment advisors of certain closed end funds.

Basic earnings per common share:

Income before cumulative effect of a change in accounting	\$3.91	\$2.59	51%
Net income	\$3.91	\$2.39	64%

Diluted earnings per common share:

Income before cumulative effect of a change in accounting	\$3.71	\$2.47	50%
Net income	\$3.71	\$2.28	63%

Average common shares outstanding:

Basic	553,778,197	583,502,306
Diluted	585,508,185	614,179,415
Period-end common shares outstanding	566,786,999	587,672,561
Return on common equity	30.5%	21.0%
Return on common equity ⁽²⁾	N/A	22.6%

(2) Excludes the cumulative effect of a change in accounting in the quarter ended February 28, 1998.

Consolidated Balance Sheet Information

(dollars in millions)

	May 31, 1999	November 30, 1998
Total assets	<u>\$342,345</u>	<u>\$317,590</u>
Total liabilities	<u>\$325,949</u>	<u>\$302,072</u>
Capital units	\$647	\$999
Preferred securities issued by subsidiaries	\$400	\$400
Total shareholders' equity	<u>\$15,349</u>	<u>\$14,119</u>
Total liabilities and shareholders' equity	<u>\$342,345</u>	<u>\$317,590</u>
Total capital ⁽³⁾	<u>\$40,007</u>	<u>\$37,922</u>

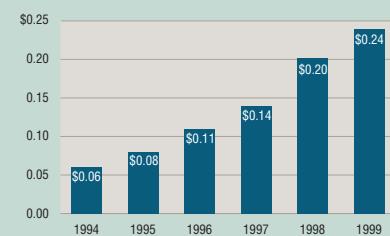
(3) Includes preferred and common equity, preferred securities issued by subsidiaries, capital units and non-current portion of long term debt.

Cumulative Total Return on MWD Stock Since the Merger

June 2, 1997 – July 16, 1999



Quarterly Dividend Per Share



Dividend Growth

In January, the Company's Board of Directors declared a \$0.24 quarterly dividend per common share, a 20% increase from the previous quarter's \$0.20.