

V 1ST CHOICE → ACHIEVING CLIENT ASPIRATIONS

LETTER TO SHAREHOLDERS

MSDW → 1ST CHOICE

INTELLECTUAL CAPITAL

INNOVATIVE IDEAS

CLIENT FOCUS

COMMUNITY ENRICHMENT



www.msdlw.com/ar2000

SecURItIeS

MSDW serves institutional and individual investors and investment banking clients, including corporations, governments and other entities around the globe. The firm provides clients with investment banking advice on mergers and acquisitions, financial restructuring and privatizations. MSDW manages private partnerships that invest in venture capital, real estate and other private equity opportunities. The firm also is a major underwriter of stocks and bonds and provides research and sales and trading services in virtually every type of financial instrument, including stocks, bonds, derivatives, foreign exchange and commodities. The firm also provides clearance and custody, financing, client technology and securities lending to hedge funds. The Individual Investor Group has nearly 14,000 financial advisors and 5.4 million client accounts, with assets of more than \$600 billion.

aSSet ManagEMent

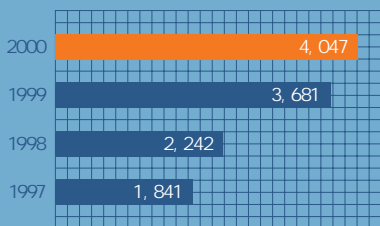
MSDW is one of the largest asset managers in the world, with globally recognized brand names:

- MSDW Advisors, the exclusive sponsor of the Morgan Stanley Dean Witter Family of Funds, offers a diverse range of funds managed by top investment professionals from our various money management units, including many highly rated U.S. and international bond, equity and multi-asset class funds.
- Van Kampen offers a broad array of equity and fixed income mutual fund products that primarily are distributed via third parties.
- MSDW Investment Management and Miller Anderson & Sherrerd offer a complete selection of investment products to institutional investors, including pension funds, corporations, non-profit organizations and governmental agencies around the world.

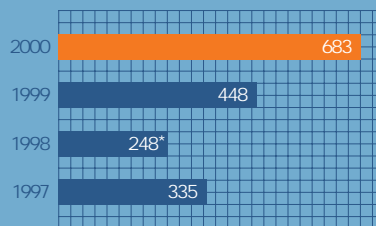
cReDI t SeRVIceS

MSDW's flagship Discover[®] Card was launched in 1985 and is marketed in the United States with no annual fee and a Cashback Bonus[®] award. The Discover Card is accepted exclusively on the Discover Business Services Network, the largest independent credit card network in the United States, with approximately 4 million merchant and cash access locations.

Today, Discover Card offers various products and financial services, including dozens of affinity card programs, CD and Savers' Accounts, home loans, credit insurance coverage and auto insurance products. Discover Card also has become a leading card company on the Internet, with more than 4.5 million Cardmembers at the Discover Card Account Center, accessible via www.discovercard.com.

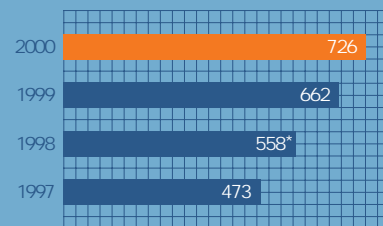


SECURITIES INCOME AFTER TAXES
(dollars in millions)



ASSET MANAGEMENT INCOME AFTER TAXES
(dollars in millions)

*excluding gain on sale of business



CREDIT SERVICES INCOME AFTER TAXES
(dollars in millions)

*excluding gain on sale of business

1st choice → achieving client aspirations

Our goal is to be the first choice of clients, shareholders and people choosing careers in financial services.

To be first choice, we work every day around the world to forge closer relationships with our clients ... to develop innovative products, services and platforms ... to shape new markets ... to foster teamwork ... to reward initiative and ideas ... and to build new business models in a rapidly changing global economy.

It is no exaggeration to say we are creating a new company — unlike any other — built for the new millennium.

For a more complete discussion of our 2000 results, please refer to our Annual Report on Form 10-K and visit us online at www.msdlw.com/ar2000.

selected Financial Data⁽¹⁾

FISCAL YEAR⁽²⁾ (DOLLARS IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA) 2000 1999 1998 1997 1996

Income Statement Data:

Revenues:					
Investment banking	\$ 5,008	\$ 4,523	\$ 3,340	\$ 2,694	\$ 2,190
Principal transactions:					
Trading	7,393	5,830	3,159	3,191	2,659
Investments	193	725	89	463	86
Commissions	3,645	2,774	2,208	2,066	1,776
Fees:					
Asset management, distribution and administration	4,219	3,324	3,003	2,525	1,732
Merchant and cardmember	1,780	1,492	1,647	1,704	1,505
Servicing	1,450	1,194	928	762	809
Interest and dividends	21,234	14,880	16,386	13,583	11,288
Other	491	248	282	144	126
Total revenues	45,413	34,990	31,042	27,132	22,171
Interest expense	18,176	12,515	13,464	10,806	8,934
Provision for consumer loan losses	810	529	1,173	1,493	1,214
Net revenues	26,427	21,946	16,405	14,833	12,023
Non-interest expenses:					
Compensation and benefits	10,936	8,398	6,636	6,019	5,071
Other	7,000	5,820	5,069	4,466	3,835
Merger-related expenses	—	—	—	74	—
Total non-interest expenses	17,936	14,218	11,705	10,559	8,906
Gain on sale of businesses	35	—	685	—	—
Income before income taxes and cumulative effect of accounting change	8,526	7,728	5,385	4,274	3,117
Provision for income taxes	3,070	2,937	1,992	1,688	1,137
Income before cumulative effect of accounting change	5,456	4,791	3,393	2,586	1,980
Cumulative effect of accounting change	—	—	(117)	—	—
Net income	\$ 5,456	\$ 4,791	\$ 3,276	\$ 2,586	\$ 1,980
Earnings applicable to common shares ⁽³⁾	\$ 5,420	\$ 4,747	\$ 3,221	\$ 2,520	\$ 1,914

per share Data⁽⁴⁾:

Earnings per common share:					
Basic before cumulative effect of accounting change	\$ 4.95	\$ 4.33	\$ 2.90	\$ 2.19	\$ 1.67
Cumulative effect of accounting change	—	—	(0.10)	—	—
Basic	\$ 4.95	\$ 4.33	\$ 2.80	\$ 2.19	\$ 1.67
Diluted before cumulative effect of accounting change	\$ 4.73	\$ 4.10	\$ 2.76	\$ 2.08	\$ 1.58
Cumulative effect of accounting change	—	—	(0.09)	—	—
Diluted	\$ 4.73	\$ 4.10	\$ 2.67	\$ 2.08	\$ 1.58
Book value per common share	\$ 16.91	\$ 14.85	\$ 11.94	\$ 11.06	\$ 9.22
Dividends per common share	\$ 0.80	\$ 0.48	\$ 0.40	\$ 0.28	\$ 0.22

Balance sheet and other operating Data:

Total assets	\$ 426,794	\$ 366,967	\$ 317,590	\$ 302,287	\$ 238,860
Consumer loans, net	21,090	20,229	15,209	20,033	21,262
Total capital ⁽⁵⁾	49,637	39,699	37,922	33,577	31,152
Long-term borrowings ⁽⁵⁾	30,366	22,685	23,803	19,621	19,450
Shareholders' equity	19,271	17,014	14,119	13,956	11,702
Return on average common shareholders' equity	30.9%	32.6%	24.5%	22.0%	20.0%
Average common and equivalent shares ⁽³⁾⁽⁴⁾	1,095,858,438	1,096,789,720	1,151,645,450	1,149,636,466	1,146,713,860

(1) This information should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto contained in the Company's Annual Report on Form 10-K for the year ended November 30, 2000, copies of which are available at www.msdl.com/ar2000 or upon request.

(2) Fiscal 1996 represents the combination of Morgan Stanley Group Inc.'s financial statements for the fiscal year ended November 30 with Dean Witter, Discover & Co.'s financial statements for the year ended December 31.

(3) Amounts shown are used to calculate basic earnings per common share.

(4) Amounts have been retroactively adjusted to give effect for a two-for-one common stock split, effected in the form of a 100% stock dividend, which became effective on January 26, 2000.

(5) These amounts exclude the current portion of long-term borrowings and include Capital Units and Preferred Securities Issued by Subsidiaries.



Philip J. Purcell
Chairman &
Chief Executive Officer

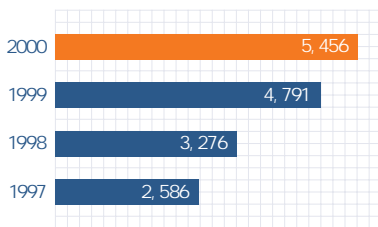
John J. Mack
President &
Chief Operating Officer

2000 was a very good year for Morgan Stanley Dean Witter. We once again had outstanding financial results, even though financial markets became more difficult in the second half of the year. It also was a year in which we changed several of our business approaches to focus even more intently on clients and to leverage our competitive strengths in a changing business environment. It is no exaggeration to say that we are creating a new company for the new millennium. As part of this process, we have articulated a vision for the future, with the goal of becoming the world's first choice for clients—a company without peer in our industry.

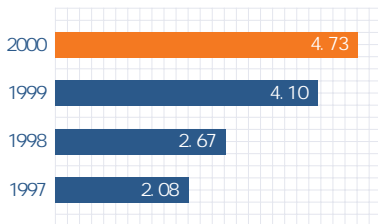
Our vision of the future is based solidly on a record of proven success. So let's begin with our most recent financial results:

- Morgan Stanley Dean Witter earned a record \$5.5 billion in 2000, an increase of more than \$600 million, or 14 percent, over 1999. It was our fourth straight year of record earnings. Diluted earnings per share were \$4.73, 15 percent higher than 1999.
- Return on equity was 31 percent, which was the highest of our peers and well above our goal of 18 percent to 20 percent over the course of the business cycle.
- In December, the Board of Directors increased our quarterly cash dividend per common share by 15 percent to \$0.23.

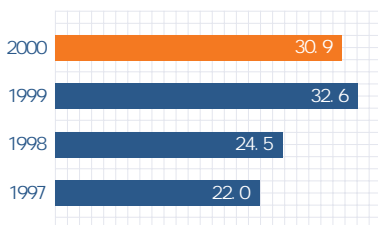
Our results reflect the individual strength and combined diversity of our businesses. Securities, asset management and credit services all achieved record net income for the year. We have said before that the diversity of our revenue streams tends to moderate the earnings volatility that often characterizes many financial services firms. The advantages of that diversity were apparent in the second half of 2000. Difficult financial markets as well as compensation pressures contributed to a decline in operating margins in our securities business, yet both our asset management and credit services businesses finished the year strong.



NET INCOME
(dollars in millions)



EARNINGS PER SHARE
(diluted)



RETURN ON COMMON EQUITY
(in percent)

This past year was one of solid growth in our securities business despite a slowdown in the second half. Net revenues increased by 22 percent, with both our institutional and individual securities businesses reaching record levels. We increased the number of financial advisors in our individual investor group to almost 14,000—the second highest in the industry. We continued to expand our global presence, increasing employees outside the United States by more than 30 percent. Our transaction volume in announced global M&A deals passed the \$1 trillion mark for the second year in a row, with a market share of 35 percent. We maintained market leadership in other key categories such as equity and equity-related underwriting. In equity research, Morgan Stanley Dean Witter ranked first in *Institutional Investor's* Year 2000 Global Research Poll for the fourth straight year.

It also was an excellent year for our asset management business, with net income up 52 percent from last year. Two years ago, we began to reorganize our diverse asset management capabilities, which serve a broad range of both individual and institutional investors. In 2000, asset management reported record net income of \$683 million, and we continued to attract new money from investors despite steep declines in the broad market indices. Our assets under management at year-end stood at \$502 billion — \$30 billion more than a year earlier. One key to growth in this business is the performance of our mutual funds. This past year, the number of our funds rated four- or five-star by Morningstar rose from 51 to 65, and we have the second highest number of U.S. domestic funds receiving Morningstar's two highest ratings.

Credit services' record net income of \$726 million reflected the continued growth of the Discover® Card. Transaction volume climbed by 28 percent this past year to \$90 billion, on the heels of a 22 percent gain in 1999. Our brand is gaining significant market share of total transaction volume, increasing from 6.6 percent in June 1999 to 7.1 percent in June 2000. In the past year, our growth in receivables also outpaced most of our competitors, with an increase of 24 percent to a record \$47 billion. We continued to broaden the base of merchants accepting Discover Card by enrolling 670,000 new locations during the year, bringing the total merchant locations now accepting our card to approximately 4 million.

MORGAN STANLEY DEAN WITTER

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