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For Immediate Release

**Morgan Stanley Reports Full-Year Net Income Of \$3.6 Billion And ROE Of 19%;
Fourth Quarter Net Income Is \$870 Million**

NEW YORK, December 19, 2001 -- Morgan Stanley (NYSE: MWD) today reported net income for the fiscal year of \$3,610 million, 34 percent below last year's record \$5,456 million. Diluted earnings per share were \$3.19, down 33 percent from \$4.73 a year ago. Net revenues (total revenues less interest expense and the provision for loan losses) declined 16 percent to \$21.9 billion and the return on average common equity for the full year was 19 percent.¹

Net income for the fourth quarter ended November 30, 2001 was \$870 million -- a 28 percent decline from last year's fourth quarter net income of \$1,208 million. Diluted earnings per share were \$0.78 -- down 26 percent from \$1.06 a year ago. Fourth quarter net revenues of \$4.6 billion were 17 percent below last year's fourth quarter. The annualized return on average common equity was 18 percent for the quarter.

Philip J. Purcell, Chairman, and Robert G. Scott, President, said in a joint statement, "This has been a difficult year, with the economic downturn and the extraordinary events of September 11. However, the commitment and dedication of our employees throughout the year allowed us to earn a return on equity of 19 percent. We have focused on reducing expenses throughout 2001 and we will continue this effort in 2002. While the economic environment remains uncertain, we continue to benefit from the diversity of our businesses. Exceeding the expectations of our clients remains our first priority."

¹ All amounts for the twelve-months ended November 30, 2001 exclude (1) an extraordinary loss, net of taxes, of \$30 million, or \$0.03 per share, resulting from the early extinguishment of debt, and (2) a net after-tax charge of \$59 million, or \$0.05 per share, resulting from the adoption of SFAS 133 on December 1, 2000. See Page F-1 of Financial Summary, Notes 1 & 2.

SECURITIES

FULL YEAR

The Company's securities business posted net income of \$2,363 million in fiscal 2001, down 42 percent from a year ago. Net revenues declined 20 percent to \$15.9 billion, reflecting substantially lower levels of activity in almost all institutional and individual investor businesses. Fixed income, which includes commodities, was an exception: it achieved record full-year net revenues.

In institutional securities, the Company's fixed income business benefited from monetary easing in the U.S. and Europe, increased volatility in both commodity prices and fixed income markets and robust underwriting volumes in investment grade issues. Investment banking and equities were hard hit by the industry-wide slowdown in M&A and equity issuance. For the first eleven months of calendar 2001, industry-wide announced and completed global M&A activity declined 54 percent and 41 percent, respectively, from year ago levels. Worldwide equity and equity-related issuance was 38 percent lower.² Additionally, equity sales and trading revenues were negatively impacted by declines in volatility and liquidity, and an increase in margin pressure.

The Company's market share positions are: 31 percent in completed global M&A; 28 percent in announced global M&A; 11 percent in worldwide equity and equity-related underwritings; and 17 percent in worldwide IPOs.³

The individual investor group's net revenues declined substantially from last year's record level as retail participation in equity markets was down throughout the year. A decline in net interest income, driven by sharply lower margin debit balances, also contributed to the lower revenues. IIG added 106,000 domestic client accounts to stand at a record 5.6 million, while total client assets declined \$67 billion, or 10 percent, to \$595 billion at fiscal year end.

Principal investment activities had negative revenues of \$311 million for the full year compared to a \$133 million gain a year ago.

² Source: Thomson Financial Securities Data.

³ Source: Thomson Financial Securities Data -- January 1 to November 30, 2001.

FOURTH QUARTER

Securities posted net income of \$530 million, a 41 percent decline versus fourth quarter 2000. The decrease was driven by lower net revenues across most of the Company's securities businesses. A reduction in non-compensation expenses, excluding costs associated with the company's aircraft leasing business, contributed positively to the quarter's results.

- Institutional sales and trading net revenues of \$1.4 billion were 3 percent below a year ago.
 - Higher fixed income revenues were driven primarily by strong gains in government debt and interest rate derivatives trading as both desks benefited from the higher levels of trading volume and market volatility in the fourth quarter.
 - Equities' revenues were down from fourth quarter 2000, primarily due to lower customer flows, a continuing decline in primary issuance, and a significant decrease in volatility.
- In investment banking:
 - Advisory revenues were \$319 million, down 44 percent from last year's fourth quarter. The decline resulted primarily from the sharp decrease in global M&A activity that began during the second half of last year. Global completed M&A volume fell 53 percent in the fourth quarter compared to a year ago.⁴
 - Total underwriting revenues declined 12 percent from last year's fourth quarter to \$479 million as lower equity revenues were partially offset by an increase in fixed income. The decline in equities reflects a 50 percent decrease in global equity new issuance volume.⁴
- In the individual investor group:
 - Net revenues declined 23 percent to \$986 million reflecting both the continued lower level of retail participation in equity markets compared to a year ago, and a decrease in revenues from asset management products and fee-based assets. In addition, net interest income decreased due to lower margin debit balances.
 - Globally, the number of financial advisors declined by 652 quarter-to-quarter and by 276 year-to-year to stand at 13,690 at fiscal year-end. Client assets in fee-based accounts were \$110 billion, unchanged from the third quarter, but down 9 percent from a year ago.

⁴ Source: Thomson Financial Securities Data.

INVESTMENT MANAGEMENT

FULL YEAR

Investment management reported net income of \$545 million, a 19 percent decline from last year's \$677 million. The decline reflects a decrease in the Company's average assets under management, due largely to a decline in the market value of equity assets -- partially offset by a 6 percent decline in non-compensation expenses. Assets under management were \$459 billion, down 8 percent for the fiscal year. The Company launched 9 new funds during the year, generating combined sales of nearly \$2 billion. The percent of the Company's fund assets performing in the top half of the Lipper rankings for one year was 59 percent compared to 58 percent a year ago.⁵ The number of funds rated four or five stars by Morningstar was 56 compared to 65 a year ago.

FOURTH QUARTER

Investment management's quarterly net income was \$147 million, down 10 percent from \$164 million in the fourth quarter of 2000. The decrease was driven by lower average assets under management partially offset by a decline in non-compensation expenses.

- Retail assets fell \$12 billion during the quarter and \$35 billion from a year ago -- to stand at \$280 billion. Institutional assets were unchanged during the quarter but declined \$6 billion over the past twelve months to stand at \$179 billion.

CREDIT SERVICES

FULL YEAR

Credit services net income was \$702 million, down 3 percent from a year ago. Moderate growth in Discover Card's consumer loan portfolio and a widening in the interest rate spread on that portfolio were offset by a deterioration in credit quality. Managed consumer loans were \$49.3 billion at fiscal year end, 5 percent greater than a year ago, while the interest spread increased 62 basis points over the same time period. The consumer loan

charge-off rate increased 96 basis points to 5.36 percent and the over-90-day delinquency rate rose 60 basis points to 3.02 percent. The decline in credit quality reflects the weakness

⁵ October 2001 vs. October 2000.

in the U.S. economy, a high level of national bankruptcy filings and the adverse impact of the seasoning of cardmember accounts. For the year, total transaction volume rose to a record \$93.3 billion, a record 721,000 merchant locations were opened, and 4.8 million new cardmember accounts were added. Discover now has 45.7 million cardmember accounts.

FOURTH QUARTER

Credit services net income rose 31 percent from a year ago to \$193 million. The increase was driven by higher net interest income and lower marketing and business development expenses, partially offset by an increase in net charge-offs. In addition, merchant and cardmember fees were up from fourth quarter 2000 levels.

- Managed consumer loans were \$49.3 billion at quarter end, an increase of \$2.2 billion, or 5 percent, from a year ago. The spread on these loans increased 143 basis points over the same period, driven by a decline in the cost of funds that began early in the year.
- Merchant and cardmember fees increased 12 percent from a year ago to \$539 million. Higher cardmember fees were primarily responsible for the increase. Transaction volume declined 3 percent to \$22.1 billion, largely as a result of lower balance transfers.
- The consumer loan net charge-off rate was 5.85 percent, essentially flat with the third quarter but up 128 basis points from a year ago. The over-90-day delinquency rate was 3.02 percent compared to 2.42 percent in fourth quarter 2000.
- Discover opened 995,000 cardmember accounts and 161,000 new merchant locations during the quarter.

Total capital at November 30, 2001 was \$61.6 billion, including \$21.9 billion of common and preferred stockholders' equity and preferred securities issued by subsidiaries. Book value per common share was \$18.64, based on quarter-end shares outstanding of 1.1 billion.

The Company announced that its Board of Directors declared a \$0.23 quarterly dividend per common share. The dividend is payable on January 25, 2002 to common shareholders of record on January 11, 2002.

The Company repurchased approximately 25 million shares of its common stock during the 2001 fiscal year.

Morgan Stanley is a global financial services firm and a market leader in securities, investment management and credit services. With more than 700 offices in 28 countries, Morgan Stanley connects people, ideas and capital to help clients achieve their financial aspirations.

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(See Attached Schedules)

This release may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect the Company's future results, please see "Certain Factors Affecting Results of Operations" and "Competition and Regulation" under each of "Securities," "Investment Management" and "Credit Services" in Part 1, Item 1, in the Company's 2000 Annual Report to Shareholders on Form 10-K and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Quarterly Reports on Form 10-Q for fiscal 2001.

MORGAN STANLEY DEAN WITTER & CO.
Financial Summary
(unaudited, dollars in millions)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|---|-----------------|-----------------|-----------------|-------------------------|--------------|---------------------|------------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Net revenues | | | | | | | | |
| Securities | \$ 3,120 | \$ 3,973 | \$ 3,640 | (21%) | (14%) | \$ 15,914 | \$ 19,807 | (20%) |
| Investment Management | 559 | 696 | 603 | (20%) | (7%) | 2,423 | 2,712 | (11%) |
| Credit Services | 904 | 876 | 893 | 3% | 1% | 3,559 | 3,480 | 2% |
| Consolidated net revenues | <u>\$ 4,583</u> | <u>\$ 5,545</u> | <u>\$ 5,136</u> | (17%) | (11%) | <u>\$ 21,896</u> | <u>\$ 25,999</u> | (16%) |
| Net income | | | | | | | | |
| Securities | \$ 530 | \$ 897 | \$ 414 | (41%) | 28% | \$ 2,363 | \$ 4,054 | (42%) |
| Investment Management | 147 | 164 | 125 | (10%) | 18% | 545 | 677 | (19%) |
| Credit Services | 193 | 147 | 196 | 31% | (2%) | 702 | 725 | (3%) |
| Income before extraordinary item and cumulative effect of accounting change | 870 | 1,208 | 735 | (28%) | 18% | 3,610 | 5,456 | (34%) |
| Extraordinary item (1) | 0 | 0 | (30) | -- | * | (30) | 0 | * |
| Cumulative effect of accounting change (2) | 0 | 0 | 0 | -- | -- | (59) | 0 | * |
| Consolidated net income | <u>\$ 870</u> | <u>\$ 1,208</u> | <u>\$ 705</u> | (28%) | 23% | <u>\$ 3,521</u> | <u>\$ 5,456</u> | (35%) |
| Preferred stock dividend requirements | <u>\$ 5</u> | <u>\$ 9</u> | <u>\$ 9</u> | (44%) | (44%) | <u>\$ 32</u> | <u>\$ 36</u> | (11%) |
| Earnings applicable to common shares | <u>\$ 865</u> | <u>\$ 1,199</u> | <u>\$ 696</u> | (28%) | 24% | <u>\$ 3,489</u> | <u>\$ 5,420</u> | (36%) |
| Basic earnings per common share | | | | | | | | |
| Income before extraordinary item and cumulative effect of accounting change | \$ 0.80 | \$ 1.10 | \$ 0.67 | (27%) | 19% | \$ 3.29 | \$ 4.95 | (34%) |
| Extraordinary item | \$ 0.00 | \$ 0.00 | \$ (0.03) | -- | * | \$ (0.03) | \$ 0.00 | * |
| Cumulative effect of accounting change | \$ 0.00 | \$ 0.00 | \$ 0.00 | -- | -- | \$ (0.05) | \$ 0.00 | * |
| Net Income | \$ 0.80 | \$ 1.10 | \$ 0.64 | (27%) | 25% | \$ 3.21 | \$ 4.95 | (35%) |
| Diluted earnings per common share | | | | | | | | |
| Income before extraordinary item and cumulative effect of accounting change | \$ 0.78 | \$ 1.06 | \$ 0.65 | (26%) | 20% | \$ 3.19 | \$ 4.73 | (33%) |
| Extraordinary item | \$ 0.00 | \$ 0.00 | \$ (0.03) | -- | * | \$ (0.03) | \$ 0.00 | * |
| Cumulative effect of accounting change | \$ 0.00 | \$ 0.00 | \$ 0.00 | -- | -- | \$ (0.05) | \$ 0.00 | * |
| Net Income | \$ 0.78 | \$ 1.06 | \$ 0.62 | (26%) | 26% | \$ 3.11 | \$ 4.73 | (34%) |
| Average common shares outstanding | | | | | | | | |
| Basic | 1,078,517,918 | 1,089,728,519 | 1,085,447,127 | | | 1,086,121,508 | 1,095,858,438 | |
| Diluted | 1,108,980,235 | 1,135,358,763 | 1,119,301,107 | | | 1,121,764,086 | 1,145,011,515 | |
| Period end common shares outstanding | | | | | | | | |
| | 1,093,006,744 | 1,107,270,331 | 1,106,317,423 | | | 1,093,006,744 | 1,107,270,331 | |
| Return on common equity (3) | 17.6% | 26.5% | 14.9% | | | 18.5% | 30.9% | |

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

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

(3) Excludes the cumulative effect of accounting change and extraordinary item.

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

MORGAN STANLEY DEAN WITTER & CO.
Consolidated Income Statement Information
(unaudited, dollars in millions)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|--|---------------|--------------|--------------|-------------------------|--------------|---------------------|--------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Investment banking | \$ 805 | \$ 1,131 | \$ 789 | (29%) | 2% | \$ 3,415 | \$ 5,008 | (32%) |
| Principal transactions: | | | | | | | | |
| Trading | 649 | 979 | 1,097 | (34%) | (41%) | 5,501 | 7,361 | (25%) |
| Investments | (104) | (70) | (59) | (49%) | (76%) | (316) | 193 | * |
| Commissions | 750 | 858 | 718 | (13%) | 4% | 3,153 | 3,645 | (13%) |
| Fees: | | | | | | | | |
| Asset management, distribution and administration | 944 | 1,101 | 1,020 | (14%) | (7%) | 4,078 | 4,286 | (5%) |
| Merchant and cardmember | 345 | 326 | 362 | 6% | (5%) | 1,345 | 1,323 | 2% |
| Servicing | 567 | 390 | 434 | 45% | 31% | 1,904 | 1,450 | 31% |
| Interest and dividends | 4,116 | 5,465 | 5,825 | (25%) | (29%) | 24,127 | 21,234 | 14% |
| Other | 146 | 155 | 110 | (6%) | 33% | 520 | 485 | 7% |
| Total revenues | 8,218 | 10,335 | 10,296 | (20%) | (20%) | 43,727 | 44,985 | (3%) |
| Interest expense | 3,304 | 4,582 | 4,883 | (28%) | (32%) | 20,779 | 18,176 | 14% |
| Provision for consumer loan losses | 331 | 208 | 277 | 59% | 19% | 1,052 | 810 | 30% |
| Net revenues | 4,583 | 5,545 | 5,136 | (17%) | (11%) | 21,896 | 25,999 | (16%) |
| Compensation and benefits | 1,424 | 1,775 | 2,380 | (20%) | (40%) | 9,397 | 10,936 | (14%) |
| Occupancy and equipment | 216 | 221 | 227 | (2%) | (5%) | 895 | 772 | 16% |
| Brokerage, clearing and exchange fees | 169 | 151 | 165 | 12% | 2% | 664 | 586 | 13% |
| Information processing and communications | 411 | 417 | 402 | (1%) | 2% | 1,622 | 1,486 | 9% |
| Marketing and business development | 287 | 452 | 274 | (37%) | 5% | 1,258 | 1,560 | (19%) |
| Professional services | 311 | 384 | 249 | (19%) | 25% | 1,148 | 1,110 | 3% |
| Other | 397 | 256 | 281 | 55% | 41% | 1,228 | 1,058 | 16% |
| Total non-interest expenses | 3,215 | 3,656 | 3,978 | (12%) | (19%) | 16,212 | 17,508 | (7%) |
| Gain on sale of business | 0 | 0 | 0 | -- | -- | 0 | 35 | * |
| Income before taxes, extraordinary item and cumulative effect of accounting change | 1,368 | 1,889 | 1,158 | (28%) | 18% | 5,684 | 8,526 | (33%) |
| Income tax expense | 498 | 681 | 423 | (27%) | 18% | 2,074 | 3,070 | (32%) |
| Income before extraordinary item and cumulative effect of accounting change | 870 | 1,208 | 735 | (28%) | 18% | 3,610 | 5,456 | (34%) |
| Extraordinary item (1) | 0 | 0 | (30) | -- | * | (30) | 0 | * |
| Cumulative effect of accounting change (2) | 0 | 0 | 0 | -- | -- | (59) | 0 | * |
| Net income | \$ 870 | \$ 1,208 | \$ 705 | (28%) | 23% | \$ 3,521 | \$ 5,456 | (35%) |
| Preferred stock dividend requirements | \$ 5 | \$ 9 | \$ 9 | (44%) | (44%) | \$ 32 | \$ 36 | (11%) |
| Earnings applicable to common shares | \$ 865 | \$ 1,199 | \$ 696 | (28%) | 24% | \$ 3,489 | \$ 5,420 | (36%) |
| Compensation and benefits as a % of net revenues | 31% | 32% | 46% | | | 43% | 42% | |

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

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

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

MORGAN STANLEY DEAN WITTER & CO.
Securities Income Statement Information
(unaudited, dollars in millions)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|-------------------------|--------------|---------------------|-----------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Investment banking | \$ 798 | \$ 1,108 | \$ 777 | (28%) | 3% | \$ 3,362 | \$ 4,881 | (31%) |
| Principal transactions: | | | | | | | | |
| Trading | 649 | 979 | 1,097 | (34%) | (41%) | 5,501 | 7,361 | (25%) |
| Investments | (100) | (103) | (58) | 3% | (72%) | (311) | 133 | * |
| Commissions | 740 | 849 | 709 | (13%) | 4% | 3,116 | 3,605 | (14%) |
| Asset management, distribution and administration fees | 416 | 497 | 458 | (16%) | (9%) | 1,830 | 1,898 | (4%) |
| Interest and dividends | 3,511 | 4,734 | 5,135 | (26%) | (32%) | 21,464 | 18,256 | 18% |
| Other | 134 | 149 | 100 | (10%) | 34% | 483 | 457 | 6% |
| Total revenues | <u>6,148</u> | <u>8,213</u> | <u>8,218</u> | (25%) | (25%) | <u>35,445</u> | <u>36,591</u> | (3%) |
| Interest expense | <u>3,028</u> | <u>4,240</u> | <u>4,578</u> | (29%) | (34%) | <u>19,531</u> | <u>16,784</u> | 16% |
| Net revenues | <u>3,120</u> | <u>3,973</u> | <u>3,640</u> | (21%) | (14%) | <u>15,914</u> | <u>19,807</u> | (20%) |
| | | | | | | | | |
| Compensation and benefits | 1,136 | 1,398 | 1,993 | (19%) | (43%) | 7,927 | 9,464 | (16%) |
| Occupancy and equipment | 171 | 178 | 182 | (4%) | (6%) | 716 | 609 | 18% |
| Brokerage, clearing and exchange fees | 129 | 104 | 123 | 24% | 5% | 496 | 425 | 17% |
| Information processing and communications | 250 | 275 | 255 | (9%) | (2%) | 1,026 | 958 | 7% |
| Marketing and business development | 119 | 180 | 113 | (34%) | 5% | 507 | 678 | (25%) |
| Professional services | 224 | 293 | 182 | (24%) | 23% | 837 | 815 | 3% |
| Other | 278 | 147 | 163 | 89% | 71% | 775 | 611 | 27% |
| Total non-interest expenses | <u>2,307</u> | <u>2,575</u> | <u>3,011</u> | (10%) | (23%) | <u>12,284</u> | <u>13,560</u> | (9%) |
| Income before taxes, extraordinary item and cumulative effect of accounting change | 813 | 1,398 | 629 | (42%) | 29% | 3,630 | 6,247 | (42%) |
| Income tax expense | <u>283</u> | <u>501</u> | <u>215</u> | (44%) | 32% | <u>1,267</u> | <u>2,193</u> | (42%) |
| Income before extraordinary item and cumulative effect of accounting change | 530 | 897 | 414 | (41%) | 28% | 2,363 | 4,054 | (42%) |
| Extraordinary item - loss on the early extinguishment of debt | 0 | 0 | (30) | -- | * | (30) | 0 | * |
| Cumulative effect of accounting change (1) | 0 | 0 | 0 | -- | -- | (46) | 0 | * |
| Net income | <u>\$ 530</u> | <u>\$ 897</u> | <u>\$ 384</u> | (41%) | 38% | <u>\$ 2,287</u> | <u>\$ 4,054</u> | (44%) |
| | | | | | | | | |
| Compensation and benefits as a % of net revenues | 36% | 35% | 55% | | | 50% | 48% | |
| Non-compensation expenses as a % of net revenues | 38% | 30% | 28% | | | 27% | 21% | |
| Profit margin (2) | 17% | 23% | 11% | | | 15% | 20% | |

(1) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133

(2) Net income excluding cumulative effect of accounting change and extraordinary item as a % of net revenues

Investment Management Income Statement Information
(unaudited, dollars in millions)

| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|--|---------------|--------------|--------------|-------------------------|--------------|---------------------|--------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Investment banking | \$ 7 | \$ 23 | \$ 12 | (70%) | (42%) | \$ 53 | \$ 127 | (58%) |
| Principal transactions: | | | | | | | | |
| Investments | (4) | 33 | (1) | (112%) | * | (5) | 60 | (108%) |
| Commissions | 10 | 9 | 9 | 11% | 11% | 37 | 40 | (8%) |
| Asset management, distribution and administration fees | 528 | 604 | 562 | (13%) | (6%) | 2,248 | 2,388 | (6%) |
| Interest and dividends | 12 | 29 | 16 | (59%) | (25%) | 70 | 83 | (16%) |
| Other | 10 | 6 | 7 | 67% | 43% | 32 | 28 | 14% |
| Total revenues | 563 | 704 | 605 | (20%) | (7%) | 2,435 | 2,726 | (11%) |
| Interest expense | 4 | 8 | 2 | (50%) | 100% | 12 | 14 | (14%) |
| Net revenues | 559 | 696 | 603 | (20%) | (7%) | 2,423 | 2,712 | (11%) |
| Compensation and benefits | 119 | 195 | 205 | (39%) | (42%) | 743 | 814 | (9%) |
| Occupancy and equipment | 25 | 25 | 26 | -- | (4%) | 103 | 97 | 6% |
| Brokerage, clearing and exchange fees | 40 | 47 | 42 | (15%) | (5%) | 168 | 161 | 4% |
| Information processing and communications | 27 | 24 | 29 | 13% | (7%) | 106 | 90 | 18% |
| Marketing and business development | 26 | 54 | 35 | (52%) | (26%) | 138 | 178 | (22%) |
| Professional services | 30 | 38 | 22 | (21%) | 36% | 112 | 113 | (1%) |
| Other | 36 | 39 | 33 | (8%) | 9% | 126 | 159 | (21%) |
| Total non-interest expenses | 303 | 422 | 392 | (28%) | (23%) | 1,496 | 1,612 | (7%) |
| Gain on sale of business | 0 | 0 | 0 | -- | -- | 0 | 35 | * |
| Income before income taxes | 256 | 274 | 211 | (7%) | 21% | 927 | 1,135 | (18%) |
| Income tax expense | 109 | 110 | 86 | (1%) | 27% | 382 | 458 | (17%) |
| Net income | \$ 147 | \$ 164 | \$ 125 | (10%) | 18% | \$ 545 | \$ 677 | (19%) |
| Compensation and benefits as a % of net revenues | 21% | 28% | 34% | | | 31% | 30% | |
| Non-compensation expenses as a % of net revenues | 33% | 33% | 31% | | | 31% | 29% | |
| Profit margin (1) | 26% | 24% | 21% | | | 22% | 25% | |

(1) Net income as a % of net revenues.

MORGAN STANLEY DEAN WITTER & CO.
Credit Services Income Statement Information
(unaudited, dollars in millions)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|---|---------------|---------------|---------------|-------------------------|--------------|---------------------|---------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Fees: | | | | | | | | |
| Merchant and cardmember (1) | \$ 345 | \$ 326 | \$ 362 | 6% | (5%) | \$ 1,345 | \$ 1,323 | 2% |
| Servicing | 567 | 390 | 434 | 45% | 31% | 1,904 | 1,450 | 31% |
| Other | 2 | 0 | 3 | * | (33%) | 5 | 0 | * |
| Total non-interest revenues | <u>914</u> | <u>716</u> | <u>799</u> | 28% | 14% | <u>3,254</u> | <u>2,773</u> | 17% |
| Interest revenue | 593 | 702 | 674 | (16%) | (12%) | 2,593 | 2,895 | (10%) |
| Interest expense | <u>272</u> | <u>334</u> | <u>303</u> | (19%) | (10%) | <u>1,236</u> | <u>1,378</u> | (10%) |
| Net interest income | 321 | 368 | 371 | (13%) | (13%) | 1,357 | 1,517 | (11%) |
| Provision for consumer loan losses | 331 | 208 | 277 | 59% | 19% | 1,052 | 810 | 30% |
| Net credit income | <u>(10)</u> | <u>160</u> | <u>94</u> | (106%) | (111%) | <u>305</u> | <u>707</u> | (57%) |
| Net revenues | <u>904</u> | <u>876</u> | <u>893</u> | 3% | 1% | <u>3,559</u> | <u>3,480</u> | 2% |
| Compensation and benefits | 169 | 182 | 182 | (7%) | (7%) | 727 | 658 | 10% |
| Occupancy and equipment | 20 | 18 | 19 | 11% | 5% | 76 | 66 | 15% |
| Information processing and communications | 134 | 118 | 118 | 14% | 14% | 490 | 438 | 12% |
| Marketing and business development (1) | 142 | 218 | 126 | (35%) | 13% | 613 | 704 | (13%) |
| Professional services | 57 | 53 | 45 | 8% | 27% | 199 | 182 | 9% |
| Other | 83 | 70 | 85 | 19% | (2%) | 327 | 288 | 14% |
| Total non-interest expenses | <u>605</u> | <u>659</u> | <u>575</u> | (8%) | 5% | <u>2,432</u> | <u>2,336</u> | 4% |
| Income before income taxes and cumulative effect of accounting change | 299 | 217 | 318 | 38% | (6%) | 1,127 | 1,144 | (1%) |
| Income tax expense | <u>106</u> | <u>70</u> | <u>122</u> | 51% | (13%) | <u>425</u> | <u>419</u> | 1% |
| Income before cumulative effect of accounting change | 193 | 147 | 196 | 31% | (2%) | 702 | 725 | (3%) |
| Cumulative effect of accounting change (2) | 0 | 0 | 0 | -- | -- | <u>(13)</u> | 0 | * |
| Net income | <u>\$ 193</u> | <u>\$ 147</u> | <u>\$ 196</u> | 31% | (2%) | <u>\$ 689</u> | <u>\$ 725</u> | (5%) |
| Compensation and benefits as a % of net revenues | 19% | 21% | 20% | | | 20% | 19% | |
| Non-compensation expenses as a % of net revenues | 48% | 54% | 44% | | | 48% | 48% | |
| Profit margin (3) | 21% | 17% | 22% | | | 20% | 21% | |

(1) Information restated to reflect the reclassification of cardmember reward expense, previously reflected in marketing and business development, as a contra revenue item in merchant and cardmember fees.

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

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

MORGAN STANLEY DEAN WITTER & CO.
Credit Services Income Statement Information
(unaudited, dollars in millions)
(Managed loan basis)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|---|---------------|--------------|--------------|-------------------------|--------------|---------------------|--------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Fees: | | | | | | | | |
| Merchant and cardmember (1) | \$ 539 | \$ 480 | \$ 539 | 12% | -- | \$ 2,086 | \$ 1,950 | 7% |
| Servicing | 0 | 0 | 0 | -- | -- | 0 | 0 | -- |
| Other | 2 | 0 | 3 | * | (33%) | 5 | 0 | * |
| Total non-interest revenues | 541 | 480 | 542 | 13% | -- | 2,091 | 1,950 | 7% |
| Interest revenue | 1,696 | 1,675 | 1,741 | 1% | (3%) | 6,929 | 6,327 | 10% |
| Interest expense | 562 | 754 | 657 | (25%) | (14%) | 2,747 | 2,840 | (3%) |
| Net interest income | 1,134 | 921 | 1,084 | 23% | 5% | 4,182 | 3,487 | 20% |
| Provision for consumer loan losses | 771 | 525 | 733 | 47% | 5% | 2,714 | 1,957 | 39% |
| Net credit income | 363 | 396 | 351 | (8%) | 3% | 1,468 | 1,530 | (4%) |
| Net revenues | 904 | 876 | 893 | 3% | 1% | 3,559 | 3,480 | 2% |
| Compensation and benefits | 169 | 182 | 182 | (7%) | (7%) | 727 | 658 | 10% |
| Occupancy and equipment | 20 | 18 | 19 | 11% | 5% | 76 | 66 | 15% |
| Information processing and communications | 134 | 118 | 118 | 14% | 14% | 490 | 438 | 12% |
| Marketing and business development (1) | 142 | 218 | 126 | (35%) | 13% | 613 | 704 | (13%) |
| Professional services | 57 | 53 | 45 | 8% | 27% | 199 | 182 | 9% |
| Other | 83 | 70 | 85 | 19% | (2%) | 327 | 288 | 14% |
| Total non-interest expenses | 605 | 659 | 575 | (8%) | 5% | 2,432 | 2,336 | 4% |
| Income before income taxes and cumulative effect of accounting change | 299 | 217 | 318 | 38% | (6%) | 1,127 | 1,144 | (1%) |
| Income tax expense | 106 | 70 | 122 | 51% | (13%) | 425 | 419 | 1% |
| Income before cumulative effect of accounting change | 193 | 147 | 196 | 31% | (2%) | 702 | 725 | (3%) |
| Cumulative effect of accounting change (2) | 0 | 0 | 0 | -- | -- | (13) | 0 | * |
| Net income | \$ 193 | \$ 147 | \$ 196 | 31% | (2%) | \$ 689 | \$ 725 | (5%) |
| Compensation and benefits as a % of net revenues | 19% | 21% | 20% | | | 20% | 19% | |
| Non-compensation expenses as a % of net revenues | 48% | 54% | 44% | | | 48% | 48% | |
| Profit margin (3) | 21% | 17% | 22% | | | 20% | 21% | |

(1) Information restated to reflect the reclassification of cardmember reward expense, previously reflected in marketing and business development, as a contra revenue item in merchant and cardmember fee

(2) Represents the effects of an accounting change adopted in the first quarter of fiscal 2001 with respect to the accounting for derivative instruments and hedging activities associated with SFAS 133.

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

MORGAN STANLEY DEAN WITTER & CO.
Financial Information and Statistical Data
(unaudited)

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| | #REF! | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|--|-----------|---------------|---------------|---------------|-------------------------|--------------|---------------------|--------------|-------------------|
| | | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| Morgan Stanley | | | | | | | | | |
| Total assets (millions) | \$ | 484,000 | \$ 427,000 | \$ 507,000 | 13% | (5%) | | | |
| Period end common shares outstanding (millions) | | 1,093.0 | 1,107.3 | 1,106.3 | (1%) | (1%) | | | |
| Book value per common share | \$ | 18.64 | \$ 16.91 | \$ 17.76 | 10% | 5% | | | |
| Shareholders' equity (millions) (1) | \$ | 21,926 | \$ 19,671 | \$ 21,199 | 11% | 3% | | | |
| Total capital (millions) (2) | \$ | 61,633 | \$ 49,637 | \$ 60,652 | 24% | 2% | | | |
| Worldwide employees | | 61,319 | 62,679 | 62,392 | (2%) | (2%) | | | |
| SECURITIES | | | | | | | | | |
| Advisory revenue (millions) | \$ | 319 | \$ 566 | \$ 360 | (44%) | (11%) | \$ 1,420 | \$ 2,141 | (34%) |
| Underwriting revenue (millions) | \$ | 479 | \$ 542 | \$ 417 | (12%) | 15% | \$ 1,942 | \$ 2,740 | (29%) |
| Institutional Securities | | | | | | | | | |
| Sales and trading net revenue (millions) (3) | \$ | 1,392 | \$ 1,436 | \$ 1,778 | (3%) | (22%) | \$ 8,208 | \$ 8,862 | (7%) |
| Mergers and acquisitions announced transactions (4) | | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ | 395.0 | \$ 1,069.5 | \$ 279.4 | | | | | |
| Rank | | 3 | 2 | 4 | | | | | |
| Worldwide equity and related issues (4) | | | | | | | | | |
| Morgan Stanley global market volume (billions) | \$ | 40.2 | \$ 59.3 | \$ 32.9 | | | | | |
| Rank | | 4 | 3 | 4 | | | | | |
| Individual Investor Group | | | | | | | | | |
| Net revenue (millions) | \$ | 986 | \$ 1,276 | \$ 1,056 | (23%) | (7%) | \$ 4,379 | \$ 5,548 | (21%) |
| Global financial advisors | | 13,690 | 13,966 | 14,342 | (2%) | (5%) | | | |
| Total client assets (billions) | \$ | 595 | \$ 662 | \$ 597 | (10%) | -- | | | |
| Fee-based client account assets (billions) (5) | \$ | 110 | \$ 121 | \$ 109 | (9%) | 1% | | | |
| INVESTMENT MANAGEMENT (\$ billions) | | | | | | | | | |
| Assets under management or supervision | | | | | | | | | |
| Products offered primarily to individuals | | | | | | | | | |
| Mutual funds | | | | | | | | | |
| Equity | \$ | 83 | \$ 103 | \$ 85 | (19%) | (2%) | | | |
| Fixed income | | 36 | 46 | 41 | (22%) | (12%) | | | |
| Money markets | | 66 | 57 | 65 | 16% | 2% | | | |
| Total mutual funds | | 185 | 206 | 191 | (10%) | (3%) | | | |
| ICS Assets | | 30 | 31 | 31 | (3%) | (3%) | | | |
| Separate accounts, unit trust and other arrangements | | 65 | 78 | 70 | (17%) | (7%) | | | |
| Sub-total Individual | | 280 | 315 | 292 | (11%) | (4%) | | | |
| Products offered primarily to institutional clients | | | | | | | | | |
| Mutual funds | | 38 | 35 | 38 | 9% | -- | | | |
| Separate accounts, pooled vehicle and other arrangements | | 141 | 150 | 141 | (6%) | -- | | | |
| Sub-total Institutional | | 179 | 185 | 179 | (3%) | -- | | | |
| Total assets under management or supervision | \$ | 459 | \$ 500 | \$ 471 | (8%) | (3%) | | | |

(1) Includes preferred and common equity and preferred securities issued by subsidiaries.

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

(3) Includes principal trading, commissions and net interest revenue.

(4) Source: Thomson Financial Securities Data - January 1 to November 30, 2001.

(5) Represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.

MORGAN STANLEY DEAN WITTER & CO.
Financial Information and Statistical Data
(unaudited, dollars in millions)

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| | Quarter Ended | | | Percentage Change From: | | Twelve Months Ended | | Percentage Change |
|--|---------------|--------------|--------------|-------------------------|--------------|---------------------|--------------|-------------------|
| | Nov 30, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2000 | Aug 31, 2001 | Nov 30, 2001 | Nov 30, 2000 | |
| CREDIT SERVICES | | | | | | | | |
| Owned credit card loans | | | | | | | | |
| Period end | \$ 20,085 | \$ 21,866 | \$ 20,194 | (8%) | (1%) | \$ 20,085 | \$ 21,866 | (8%) |
| Average | \$ 19,546 | \$ 20,897 | \$ 20,407 | (6%) | (4%) | \$ 20,701 | \$ 21,906 | (6%) |
| Managed credit card loans (1) | | | | | | | | |
| Period end | \$ 49,332 | \$ 47,123 | \$ 49,704 | 5% | (1%) | \$ 49,332 | \$ 47,123 | 5% |
| Average | \$ 48,964 | \$ 45,825 | \$ 49,825 | 7% | (2%) | \$ 49,432 | \$ 43,536 | 14% |
| Interest yield | 13.48% | 14.13% | 13.34% | (65 bp) | 14 bp | 13.45% | 13.82% | (37 bp) |
| Interest spread | 8.81% | 7.38% | 8.13% | 143 bp | 68 bp | 7.88% | 7.26% | 62 bp |
| Net charge-off rate | 5.85% | 4.57% | 5.79% | 128 bp | 6 bp | 5.36% | 4.40% | 96 bp |
| Delinquency rate (over 30 days) | 6.85% | 5.92% | 6.31% | 93 bp | 54 bp | 6.85% | 5.92% | 93 bp |
| Delinquency rate (over 90 days) | 3.02% | 2.42% | 2.61% | 60 bp | 41 bp | 3.02% | 2.42% | 60 bp |
| Transaction volume (billions) | \$ 22.1 | \$ 22.8 | \$ 23.3 | (3%) | (5%) | \$ 93.3 | \$ 90.1 | 4% |
| Accounts (millions) | 45.7 | 42.6 | 45.4 | 7% | 1% | 45.7 | 42.6 | 7% |
| Active accounts (millions) | 24.0 | 23.8 | 24.0 | 1% | -- | 24.0 | 23.8 | 1% |
| Average receivables per average active account (actual \$) | \$ 2,055 | \$ 1,960 | \$ 2,069 | 5% | (1%) | \$ 2,057 | \$ 1,893 | 9% |
| Securitization gain | \$ (7) | \$ 1 | \$ 3 | * | * | \$ 70 | \$ 80 | (13%) |

(1) Includes owned and securitized credit card loans.