

# CONSOLIDATED STATEMENTS OF EARNINGS

(dollars in millions, except per share amounts)

	Year Ended Last Friday in December		
	2004 (53 weeks)	2003 (52 weeks)	2002 (52 weeks)
<b>Net Revenues</b>			
Asset management and portfolio service fees	\$ 5,440	\$ 4,698	\$ 4,911
Commissions	4,877	4,299	4,529
Principal transactions	2,300	3,233	2,331
Investment banking	3,261	2,628	2,413
Revenues from consolidated investments	346	70	(26)
Other	1,270	1,111	818
	<u>17,494</u>	<u>16,039</u>	<u>14,976</u>
Interest and dividend revenues	14,973	11,669	13,210
Less interest expense	10,444	7,840	9,871
Net interest profit	<u>4,529</u>	<u>3,829</u>	<u>3,339</u>
Total Net Revenues	<u>22,023</u>	<u>19,868</u>	<u>18,315</u>
<b>Non-Interest Expenses</b>			
Compensation and benefits	10,596	9,810	10,677
Communications and technology	1,461	1,457	1,741
Occupancy and related depreciation	893	889	909
Brokerage, clearing, and exchange fees	773	676	688
Professional fees	705	580	551
Advertising and market development	533	429	540
Expenses of consolidated investments	231	68	(8)
Office supplies and postage	203	197	258
Other	792	689	568
Net recoveries related to September 11	–	(147)	(212)
Research and other settlement-related expenses	–	–	291
Total Non-Interest Expenses	<u>16,187</u>	<u>14,648</u>	<u>16,003</u>
<b>Earnings Before Income Taxes</b>	<u>5,836</u>	<u>5,220</u>	<u>2,312</u>
Income Tax Expense	1,400	1,384	604
<b>Net Earnings</b>	<u>\$ 4,436</u>	<u>\$ 3,836</u>	<u>\$ 1,708</u>
Preferred Stock Dividends	41	39	38
<b>Net Earnings Applicable to Common Stockholders</b>	<u>\$ 4,395</u>	<u>\$ 3,797</u>	<u>\$ 1,670</u>
<b>Earnings Per Common Share</b>			
Basic	<u>\$ 4.81</u>	<u>\$ 4.22</u>	<u>\$ 1.94</u>
Diluted	<u>\$ 4.38</u>	<u>\$ 3.87</u>	<u>\$ 1.77</u>

See Notes to Consolidated Financial Statements.



## CONSOLIDATED BALANCE SHEETS

(dollars in millions, except per share amounts)

	Dec. 31, 2004	Dec. 26, 2003
<b>Assets</b>		
Cash and cash equivalents	\$ 21,220	\$ 10,150
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	23,082	15,171
Securities financing transactions		
Receivables under resale agreements	78,853	61,006
Receivables under securities borrowed transactions	94,498	56,072
	<u>173,351</u>	<u>117,078</u>
Trading assets, at fair value <i>(includes securities pledged as collateral that can be sold or repledged of \$44,487 in 2004 and \$26,220 in 2003)</i>		
Contractual agreements	41,979	37,189
Corporate debt and preferred stock	32,793	22,394
Non-U.S. governments and agencies	29,887	15,991
Mortgages, mortgage-backed, and asset-backed securities	28,010	20,508
Equities and convertible debentures	27,644	23,170
U.S. Government and agencies	13,861	10,408
Municipals and money markets	6,538	4,577
Commodities and related contracts	1,238	7
	<u>181,950</u>	<u>134,244</u>
Investment securities <i>(includes securities pledged as collateral of \$3,806 in 2004 and \$8,724 in 2003)</i>	77,850	74,795
Securities received as collateral	11,903	9,156
Other receivables		
Customers <i>(net of allowance for doubtful accounts of \$51 in 2004 and \$60 in 2003)</i>	45,663	36,955
Brokers and dealers	12,109	7,346
Interest and other	13,954	11,187
	<u>71,726</u>	<u>55,488</u>
Loans, notes, and mortgages <i>(net of allowance for loan losses of \$283 in 2004 and \$318 in 2003)</i>	53,262	50,993
Separate accounts assets	18,641	17,034
Equipment and facilities <i>(net of accumulated depreciation and amortization of \$5,259 in 2004 and \$5,054 in 2003)</i>	2,508	2,612
Goodwill and other intangible assets	6,162	4,814
Other assets	6,404	4,608
<b>Total Assets</b>	<u>\$ 648,059</u>	<u>\$ 496,143</u>

# CONSOLIDATED BALANCE SHEETS

(dollars in millions, except per share amounts)

	Dec. 31, 2004	Dec. 26, 2003
<b>Liabilities</b>		
Securities financing transactions		
Payables under repurchase agreements	\$ 154,796	\$ 96,006
Payables under securities loaned transactions	22,236	11,081
	<u>177,032</u>	<u>107,087</u>
Commercial paper and other short-term borrowings	3,979	5,000
Deposits	79,746	79,457
Trading liabilities, at fair value		
Contractual agreements	51,158	43,349
Non-U.S. governments and agencies	22,271	12,066
U.S. Government and agencies	16,496	15,305
Equities and convertible debentures	15,131	10,793
Corporate debt, municipals and preferred stock	9,194	7,798
Commodities and related contracts	979	4
	<u>115,229</u>	<u>89,315</u>
Obligation to return securities received as collateral	11,903	9,156
Other payables		
Customers	40,617	28,859
Brokers and dealers	20,133	19,109
Interest and other	26,675	22,387
	<u>87,425</u>	<u>70,355</u>
Liabilities of insurance subsidiaries	3,158	3,353
Separate accounts liabilities	18,641	17,034
Long-term borrowings	116,484	83,299
Long-term debt issued to TOPrS <sup>SM</sup> partnerships	3,092	3,203
	<u>616,689</u>	<u>467,259</u>
<b>Total Liabilities</b>		
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred Stockholders' Equity (2004 — 21,000 shares issued and outstanding with liquidation preference of \$30,000 per share; 2003 — 42,500 shares issued and outstanding with liquidation preference of \$10,000 per share)	630	425
Common Stockholders' Equity		
Shares exchangeable into common stock	41	43
Common stock (par value \$1.3313 per share; authorized: 3,000,000,000 shares; issued: 2004 — 1,098,991,806 shares and 2003 — 1,063,205,274 shares)	1,465	1,417
Paid-in capital	12,332	10,676
Accumulated other comprehensive loss (net of tax)	(481)	(551)
Retained earnings	22,485	18,692
	<u>35,842</u>	<u>30,277</u>
Less: Treasury stock, at cost (2004 — 170,955,057 shares; 2003 — 117,294,392 shares)	4,230	1,195
Unamortized employee stock grants	872	623
	<u>30,740</u>	<u>28,459</u>
<b>Total Common Stockholders' Equity</b>		
	<u>31,370</u>	<u>28,884</u>
<b>Total Stockholders' Equity</b>		
	<u>\$ 648,059</u>	<u>\$ 496,143</u>

See Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in millions)

	Year Ended Last Friday in December					
	Amounts			Shares		
	2004	2003	2002	2004	2003	2002
<b>Preferred Stock</b>						
Balance, beginning of year	\$ 425	\$ 425	\$ 425	42,500	42,500	42,500
Issuances	630	—	—	21,000	—	—
Redemptions	(425)	—	—	(42,500)	—	—
Balance, end of year	630	425	425	21,000	42,500	42,500
<b>Common Stockholders' Equity</b>						
<b>Shares Exchangeable into Common Stock</b>						
Balance, beginning of year	43	58	62	2,899,923	3,911,041	4,195,407
Exchanges	(2)	(15)	(4)	(117,211)	(1,011,118)	(284,366)
Balance, end of year	41	43	58	2,782,712	2,899,923	3,911,041
<b>Common Stock</b>						
Balance, beginning of year	1,417	1,311	1,283	1,063,205,274	983,502,078	962,533,498
Shares issued to employees	48	106	28	35,786,532	79,703,196	20,968,580
Balance, end of year	1,465	1,417	1,311	1,098,991,806	1,063,205,274	983,502,078
<b>Paid-in Capital</b>						
Balance, beginning of year	10,676	9,102	6,764			
Employee stock plan activity	1,656	1,574	2,338			
Balance, end of year	12,332	10,676	9,102			
<b>Accumulated Other Comprehensive Loss</b>						
<b>Foreign Currency Translation Adjustment (net of tax)</b>						
Balance, beginning of year	(301)	(320)	(302)			
Translation adjustment	12	19	(18)			
Balance, end of year	(289)	(301)	(320)			
<b>Net Unrealized Gains (Losses) on Available-for-Sale Securities (net of tax)</b>						
Balance, beginning of year	(111)	(145)	(92)			
Net unrealized gains (losses) on available-for-sale	30	27	(58)			
Other adjustments <sup>1</sup>	(10)	7	5			
Balance, end of year	(91)	(111)	(145)			
<b>Deferred Gains on Cash Flow Hedges (net of tax)</b>						
Balance, beginning of year	11	20	36			
Net deferred gains on cash flow hedges	—	43	104			
Reclassification adjustment to earnings	10	(52)	(120)			
Balance, end of year	21	11	20			
<b>Minimum Pension Liability (net of tax)</b>						
Balance, beginning of year	(150)	(125)	(10)			
Net minimum pension liability adjustment	28	(25)	(115)			
Balance, end of year	(122)	(150)	(125)			
Balance, end of year	(481)	(551)	(570)			
<b>Retained Earnings</b>						
Balance, beginning of year	18,692	15,491	14,374			
Net earnings	4,436	3,836	1,708			
Preferred stock dividends declared	(41)	(39)	(38)			
Common stock dividends declared	(602)	(596)	(553)			
Balance, end of year	22,485	18,692	15,491			
<b>Treasury Stock, at cost</b>						
Balance, beginning of year	(1,195)	(961)	(977)	(117,294,392)	(116,211,158)	(119,059,651)
Shares repurchased	(2,968)	—	—	(54,029,600)	—	—
Shares issued to (reacquired from) employees <sup>2</sup>	(74)	(273)	(12)	251,724	(2,094,352)	2,564,127
Share exchanges	7	39	28	117,211	1,011,118	284,366
Balance, end of year	(4,230)	(1,195)	(961)	(170,955,057)	(117,294,392)	(116,211,158)
<b>Unamortized Employee Stock Grants</b>						
Balance, beginning of year	(623)	(775)	(776)			
Net issuance of employee stock grants	(765)	(440)	(697)			
Amortization of employee stock grants	516	592	697			
Other	—	—	1			
Balance, end of year	(872)	(623)	(775)			
<b>Total Common Stockholders' Equity</b>	<b>30,740</b>	<b>28,459</b>	<b>23,656</b>			
<b>Total Stockholders' Equity</b>	<b>\$ 31,370</b>	<b>\$ 28,884</b>	<b>\$ 24,081</b>			

1 Other adjustments relate to policyholder liabilities, deferred policy acquisition costs, and income taxes.

2 Share amounts are net of reacquisitions from employees of 4,982,481 shares, 8,355,168 shares and 2,664,083 shares in 2004, 2003 and 2002, respectively.

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in millions)

	Year Ended Last Friday in December		
	2004	2003	2002
<b>Net Earnings</b>	<b>\$ 4,436</b>	<b>\$ 3,836</b>	<b>\$ 1,708</b>
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment:			
Foreign currency translation losses	(359)	(392)	(263)
Income tax benefit	371	411	245
Total	12	19	(18)
Net unrealized gains (losses) on investment securities available-for-sale:			
Net unrealized holding gains arising during the period	365	598	213
Reclassification adjustment for realized gains included in net earnings	(335)	(571)	(271)
Net unrealized gains (losses) on investment securities available-for-sale	30	27	(58)
Adjustments for:			
Policyholder liabilities	19	8	(16)
Deferred policy acquisition costs	–	(1)	1
Income tax (expense) benefit	(29)	–	20
Total	20	34	(53)
Deferred gains (losses) on cash flow hedges			
Deferred gains (losses) on cash flow hedges	(7)	37	94
Income tax benefit	7	6	10
Reclassification adjustment to earnings	10	(52)	(120)
Total	10	(9)	(16)
Minimum pension liability			
Minimum pension liability adjustment	38	(38)	(168)
Income tax (expense) benefit	(10)	13	53
Total	28	(25)	(115)
Total Other Comprehensive Income (Loss)	70	19	(202)
<b>Comprehensive Income</b>	<b>\$ 4,506</b>	<b>\$ 3,855</b>	<b>\$ 1,506</b>

See Notes to Consolidated Financial Statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

	Year Ended Last Friday in December		
	2004	2003	2002
<b>Cash Flows from Operating Activities</b>			
Net Earnings	\$ 4,436	\$ 3,836	\$ 1,708
Noncash items included in earnings:			
Depreciation and amortization	506	570	652
Stock compensation expense	876	998	2,042
Deferred taxes	2	361	(351)
Policyholder reserves	144	156	168
Undistributed (earnings) loss from equity investments	(400)	(179)	31
Other	(48)	(30)	112
Changes in operating assets and liabilities <sup>1</sup> :			
Trading assets	(47,672)	(22,890)	(7,280)
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(7,615)	(1,217)	(2,908)
Receivables under resale agreements	(17,835)	(406)	(5,100)
Receivables under securities borrowed transactions	(38,426)	71	9,387
Customer receivables	(8,697)	(1,619)	4,533
Brokers and dealers receivables	(4,768)	1,139	(1,617)
Trading liabilities	19,272	9,553	3,279
Payables under repurchase agreements	58,790	10,760	10,474
Payables under securities loaned transactions	11,155	3,441	(4,651)
Customer payables	11,758	290	(135)
Brokers and dealers payables	1,024	2,568	4,609
Other, net	4,228	2,082	4,994
Cash Provided by (used for) Operating Activities	<u>(13,270)</u>	<u>9,484</u>	<u>19,947</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from (payments for):			
Maturities of available-for-sale securities	26,602	31,345	37,891
Sales of available-for-sale securities	27,983	56,448	36,697
Purchases of available-for-sale securities	(54,498)	(81,639)	(71,183)
Maturities of held-to-maturity securities	278	1,541	206
Purchases of held-to-maturity securities	(763)	(1,479)	(303)
Loans, notes, and mortgages	(2,234)	(12,625)	(15,716)
Other investments and other assets	(1,914)	(3,623)	(1,684)
Equipment and facilities	(402)	(102)	(860)
Cash Used for Investing Activities	<u>(4,948)</u>	<u>(10,134)</u>	<u>(14,952)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from (payments for):			
Commercial paper and other short-term borrowings	(1,021)	(353)	212
Deposits	289	(2,385)	(3,977)
Issuance and resale of long-term borrowings	48,950	29,139	25,493
Settlement and repurchase of long-term borrowings	(22,796)	(26,454)	(27,232)
Derivative financing transactions	6,642	584	-
Issuance of common stock	589	624	295
Issuance of preferred stock (net of redemptions)	205	-	-
Treasury stock repurchases	(2,968)	-	-
Other common stock transactions	41	69	(54)
Dividends	(643)	(635)	(591)
Cash Provided by (used for) Financing Activities	<u>29,288</u>	<u>589</u>	<u>(5,854)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>11,070</u>	<u>(61)</u>	<u>(859)</u>
<b>Cash and Cash Equivalents, beginning of year</b>	<u>10,150</u>	<u>10,211</u>	<u>11,070</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 21,220</u>	<u>\$ 10,150</u>	<u>\$ 10,211</u>

<sup>1</sup> Net of effects of acquisitions and divestitures.

### Supplemental Disclosures

Cash paid for:

Income taxes	\$ 661	\$ 205	\$ 861
Interest	<u>10,229</u>	<u>7,691</u>	<u>10,116</u>

See Notes to Consolidated Financial Statements.