

Consolidated Statements of Earnings

(dollars in millions, except per share amounts)	Year Ended Last Friday in December		
	2005 (52 weeks)	2004 (53 weeks)	2003 (52 weeks)
Net Revenues			
Asset management and portfolio service fees	\$ 6,031	\$ 5,440	\$ 4,698
Commissions	5,371	4,874	4,299
Investment banking	3,594	3,268	2,643
Principal transactions	3,583	2,248	3,065
Revenues from consolidated investments	438	346	70
Other	2,195	1,454	1,492
	21,212	17,630	16,267
Interest and dividend revenues	26,571	14,989	11,657
Less interest expense	21,774	10,560	8,024
Net interest profit	4,797	4,429	3,633
Total Net Revenues	26,009	22,059	19,900
Non-Interest Expenses			
Compensation and benefits	12,441	10,663	9,886
Communications and technology	1,608	1,461	1,457
Occupancy and related depreciation	938	893	889
Brokerage, clearing, and exchange fees	842	773	676
Professional fees	727	715	598
Advertising and market development	599	533	429
Expenses of consolidated investments	258	231	68
Office supplies and postage	210	203	197
Other	1,155	751	627
Net recoveries related to September 11	—	—	(147)
Total Non-Interest Expenses	18,778	16,223	14,680
Earnings Before Income Taxes	7,231	5,836	5,220
Income Tax Expense	2,115	1,400	1,384
Net Earnings	\$ 5,116	\$ 4,436	\$ 3,836
Preferred Stock Dividends	70	41	39
Net Earnings Applicable to Common Stockholders	\$ 5,046	\$ 4,395	\$ 3,797
Earnings Per Common Share			
Basic	\$ 5.66	\$ 4.81	\$ 4.22
Diluted	\$ 5.16	\$ 4.38	\$ 3.87

See Notes to Consolidated Financial Statements.



Consolidated Balance Sheets

(dollars in millions, except per share amounts)

	Dec. 30, 2005	Dec. 31, 2004
Assets		
Cash and cash equivalents	\$ 14,586	\$ 20,790
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	11,949	17,784
Securities financing transactions		
Receivables under resale agreements	163,021	78,853
Receivables under securities borrowed transactions	92,484	94,498
	<u>255,505</u>	<u>173,351</u>
Trading assets, at fair value <i>(includes securities pledged as collateral that can be sold or repledged of \$44,261 in 2005 and \$47,067 in 2004)</i>		
Equities and convertible debentures	32,933	27,644
Mortgages, mortgage-backed, and asset-backed	29,233	26,877
Corporate debt and preferred stock	27,436	32,793
Contractual agreements	26,216	35,875
Non-U.S. governments and agencies	15,157	29,887
U.S. Government and agencies	8,936	13,861
Municipals and money markets	5,694	6,538
Commodities and related contracts	3,105	1,102
	<u>148,710</u>	<u>174,577</u>
Investment securities <i>(includes securities pledged as collateral that can be sold or repledged of \$0 in 2005 and \$3,806 in 2004)</i>	69,273	78,460
Securities received as collateral	16,808	11,903
Other receivables		
Customers <i>(net of allowance for doubtful accounts of \$46 in 2005 and \$51 in 2004)</i>	40,451	38,224
Brokers and dealers	12,127	12,109
Interest and other	15,619	13,954
	<u>68,197</u>	<u>64,287</u>
Loans, notes, and mortgages <i>(net of allowance for loan losses of \$406 in 2005 and \$283 in 2004)</i>	66,041	53,262
Separate accounts assets	16,185	18,641
Equipment and facilities <i>(net of accumulated depreciation and amortization of \$4,865 in 2005 and \$5,259 in 2004)</i>	2,313	2,508
Goodwill and other intangible assets	6,035	6,162
Other assets	5,413	6,373
	<u>5,413</u>	<u>6,373</u>
Total Assets	\$ 681,015	\$ 628,098

Consolidated Balance Sheets

(dollars in millions, except per share amounts)

Dec. 30, 2005

Dec. 31, 2004

Liabilities

Securities financing transactions		
Payables under repurchase agreements	\$ 198,152	\$ 153,843
Payables under securities loaned transactions	19,335	22,236
	217,487	176,079
Commercial paper and other short-term borrowings	3,902	3,979
Deposits	80,016	79,746
Trading liabilities, at fair value		
Contractual agreements	28,755	35,734
Non-U.S. governments and agencies	19,217	22,271
Equities and convertible debentures	19,119	15,131
U.S. Government and agencies	12,478	16,496
Corporate debt and preferred stock	6,203	8,058
Commodities and related contracts	2,029	767
Municipals, money markets and other	1,132	1,136
	88,933	99,593
Obligation to return securities received as collateral	16,808	11,903
Other payables		
Customers	35,619	34,381
Brokers and dealers	19,528	20,133
Interest and other	28,501	26,510
	83,648	81,024
Liabilities of insurance subsidiaries	2,935	3,158
Separate accounts liabilities	16,185	18,641
Long-term borrowings	132,409	119,513
Long-term debt issued to TOPrS SM partnerships	3,092	3,092
Total Liabilities	645,415	596,728

Commitments and Contingencies

Stockholders' Equity

Preferred Stockholders' Equity (<i>liquidation preference of \$30,000 per share; issued: 2005 — 93,000 shares; 2004 — 21,000 shares</i>)	2,773	630
Less: Treasury stock, at cost (<i>2005 — 3,315 shares; 2004 — 0 shares</i>)	100	—
Total Preferred Stockholders' Equity	2,673	630
Common Stockholders' Equity		
Shares exchangeable into common stock	41	41
Common stock (<i>par value \$1.33⅓ per share; authorized: 3,000,000,000 shares; issued: 2005 — 1,148,714,008 shares and 2004 — 1,098,991,806 shares</i>)	1,531	1,465
Paid-in capital	15,012	12,332
Accumulated other comprehensive loss (net of tax)	(844)	(481)
Retained earnings	26,824	22,485
	42,564	35,842
Less: Treasury stock, at cost (<i>2005 — 233,112,271 shares; 2004 — 170,955,057 shares</i>)	7,945	4,230
Unamortized employee stock grants	1,692	872
Total Common Stockholders' Equity	32,927	30,740
Total Stockholders' Equity	35,600	31,370
Total Liabilities and Stockholders' Equity	\$ 681,015	\$ 628,098

See Notes to Consolidated Financial Statements.



Consolidated Statements of Changes in Stockholders' Equity

(dollars in millions)	Year Ended Last Friday in December					
	Amounts			Shares		
	2005	2004	2003	2005	2004	2003
Preferred Stock, net						
Balance, beginning of year	\$ 630	\$ 425	\$ 425	21,000	42,500	42,500
Issuances	2,143	630	–	72,000	21,000	–
Redemptions	–	(425)	–	–	(42,500)	–
Shares repurchased	(100)	–	–	(3,315)	–	–
Balance, end of year	2,673	630	425	89,685	21,000	42,500
Common Stockholders' Equity						
Shares Exchangeable into Common Stock						
Balance, beginning of year	41	43	58	2,782,712	2,899,923	3,911,041
Exchanges	–	(2)	(15)	(74,915)	(117,211)	(1,011,118)
Balance, end of year	41	41	43	2,707,797	2,782,712	2,899,923
Common Stock						
Balance, beginning of year	1,465	1,417	1,311	1,098,991,806	1,063,205,274	983,502,078
Shares issued to employees	66	48	106	49,722,202	35,786,532	79,703,196
Balance, end of year	1,531	1,465	1,417	1,148,714,008	1,098,991,806	1,063,205,274
Paid-in Capital						
Balance, beginning of year	12,332	10,676	9,102			
Employee stock plan activity	2,680	1,656	1,574			
Balance, end of year	15,012	12,332	10,676			
Accumulated Other Comprehensive Loss						
Foreign Currency Translation Adjustment (net of tax)						
Balance, beginning of year	(289)	(301)	(320)			
Translation adjustment	(218)	12	19			
Balance, end of year	(507)	(289)	(301)			
Net Unrealized Gains (Losses) on Available-for-Sale Securities (net of tax)						
Balance, beginning of year	(91)	(111)	(145)			
Net unrealized gains (losses) on available-for-sale	(156)	30	27			
Other adjustments ⁽¹⁾	66	(10)	7			
Balance, end of year	(181)	(91)	(111)			
Deferred Gains (losses) on Cash Flow Hedges (net of tax)						
Balance, beginning of year	21	11	20			
Net deferred gains on cash flow hedges	(1)	–	43			
Reclassification adjustment to earnings	(23)	10	(52)			
Balance, end of year	(3)	21	11			
Minimum Pension Liability (net of tax)						
Balance, beginning of year	(122)	(150)	(125)			
Net minimum pension liability adjustment	(31)	28	(25)			
Balance, end of year	(153)	(122)	(150)			
Balance, end of year	(844)	(481)	(551)			
Retained Earnings						
Balance, beginning of year	22,485	18,692	15,491			
Net earnings	5,116	4,436	3,836			
Preferred stock dividends declared	(70)	(41)	(39)			
Common stock dividends declared	(707)	(602)	(596)			
Balance, end of year	26,824	22,485	18,692			
Treasury Stock, at cost						
Balance, beginning of year	(4,230)	(1,195)	(961)	(170,955,057)	(117,294,392)	(116,211,158)
Shares repurchased	(3,700)	(2,968)	–	(63,068,200)	(54,029,600)	–
Shares issued to (reacquired from) employees ⁽²⁾	(18)	(74)	(273)	836,071	251,724	(2,094,352)
Share exchanges	3	7	39	74,915	117,211	1,011,118
Balance, end of year	(7,945)	(4,230)	(1,195)	(233,112,271)	(170,955,057)	(117,294,392)
Unamortized Employee Stock Grants						
Balance, beginning of year	(872)	(623)	(775)			
Net issuance of employee stock grants	(1,507)	(765)	(440)			
Amortization of employee stock grants	687	516	592			
Balance, end of year	(1,692)	(872)	(623)			
Total Common Stockholders' Equity	32,927	30,740	28,459			
Total Stockholders' Equity	\$ 35,600	\$ 31,370	\$ 28,884			

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

(2) Share amounts are net of reacquisitions from employees of 4,360,607 shares, 4,982,481 shares and 8,355,168 shares in 2005, 2004 and 2003, respectively. See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(dollars in millions)	Year Ended Last Friday in December		
	2005	2004	2003
Net Earnings	\$ 5,116	\$ 4,436	\$ 3,836
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment:			
Foreign currency translation gains (losses)	129	(359)	(392)
Income tax (expense) benefit	(347)	371	411
Total	(218)	12	19
Net unrealized gains (losses) on investment securities available-for-sale:			
Net unrealized holding gains arising during the period	184	365	598
Reclassification adjustment for realized gains included in net earnings	(340)	(335)	(571)
Net unrealized gains (losses) on investment securities available-for-sale	(156)	30	27
Adjustments for:			
Policyholder liabilities	12	19	8
Deferred policy acquisition costs	(2)	–	(1)
Income tax (expense) benefit	56	(29)	–
Total	(90)	20	34
Deferred gains (losses) on cash flow hedges			
Deferred gains (losses) on cash flow hedges	(2)	(7)	37
Income tax benefit	1	7	6
Reclassification adjustment to earnings	(23)	10	(52)
Total	(24)	10	(9)
Minimum pension liability			
Minimum pension liability adjustment	(46)	38	(38)
Income tax (expense) benefit	15	(10)	13
Total	(31)	28	(25)
Total Other Comprehensive Income (Loss)	(363)	70	19
Comprehensive Income	\$ 4,753	\$ 4,506	\$ 3,855

See Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows

(dollars in millions)	Year Ended Last Friday in December		
	2005	2004	2003
Cash Flows from Operating Activities			
Net Earnings	\$ 5,116	\$ 4,436	\$ 3,836
Noncash items included in earnings:			
Depreciation and amortization	473	506	570
Stock compensation expense	1,003	876	998
Deferred taxes	232	2	361
Policyholder reserves	129	144	156
Undistributed earnings from equity investments	(417)	(400)	(179)
Other	888	23	(30)
Changes in operating assets and liabilities:			
Trading assets	25,902	(46,918)	(21,141)
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	3,259	(5,466)	466
Receivables under resale agreements	(84,166)	(17,835)	(406)
Receivables under securities borrowed transactions	2,014	(38,426)	71
Customer receivables	(2,217)	(7,041)	(667)
Brokers and dealers receivables	(19)	(4,768)	1,139
Trading liabilities	(17,007)	14,447	6,304
Payables under repurchase agreements	44,309	58,197	10,400
Payables under securities loaned transactions	(2,901)	11,155	3,441
Customer payables	1,238	12,141	(1,459)
Brokers and dealers payables	(605)	1,024	2,568
Other, net	(2,889)	2,962	2,228
Cash Provided by (used for) Operating Activities	(25,658)	(14,941)	8,656
Cash Flows from Investing Activities			
Proceeds from (payments for):			
Maturities of available-for-sale securities	25,452	26,602	31,345
Sales of available-for-sale securities	36,574	27,983	56,448
Purchases of available-for-sale securities	(51,283)	(54,498)	(81,639)
Maturities of held-to-maturity securities	16	37	1,337
Purchases of held-to-maturity securities	—	(4)	(1,062)
Loans, notes, and mortgages, net	(12,977)	(2,234)	(12,625)
Other investments and other assets	(1,442)	(1,854)	(4,110)
Equipment and facilities, net	(278)	(402)	(102)
Cash Used for Investing Activities	(3,938)	(4,370)	(10,408)
Cash Flows from Financing Activities			
Proceeds from (payments for):			
Commercial paper and other short-term borrowings	(77)	(1,021)	(353)
Deposits	270	289	(2,385)
Issuance and resale of long-term borrowings	49,703	50,535	29,754
Settlement and repurchase of long-term borrowings	(31,195)	(23,231)	(26,454)
Derivative financing transactions	6,347	6,642	584
Issuance of common stock	858	589	624
Issuance of preferred stock, net	2,043	205	—
Common stock repurchases	(3,700)	(2,968)	—
Other common stock transactions	(80)	41	69
Dividends	(777)	(643)	(635)
Cash Provided by Financing Activities	23,392	30,438	1,204
Increase (Decrease) in Cash and Cash Equivalents	(6,204)	11,127	(548)
Cash and Cash Equivalents, beginning of year	20,790	9,663	10,211
Cash and Cash Equivalents, end of year	\$ 14,586	\$ 20,790	\$ 9,663

Supplemental Disclosures

Cash paid for:

Income taxes	\$ 1,443	\$ 661	\$ 205
Interest	21,519	10,345	7,898

See Notes to Consolidated Financial Statements.