

Consolidated Statements of (Loss)/Earnings

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	YEAR ENDED LAST FRIDAY IN DECEMBER		
	2007 (52 WEEKS)	2006 (52 WEEKS)	2005 (52 WEEKS)
Revenues			
Principal transactions	\$ (12,067)	\$ 7,248	\$ 3,647
Commissions	7,284	5,985	5,277
Investment banking	5,582	4,648	3,777
Managed accounts and other fee-based revenues	5,465	6,273	5,701
Earnings from equity method investments	1,627	556	567
Other	(2,190)	2,883	1,848
	5,701	27,593	20,817
Interest and dividend revenues	56,974	39,790	26,031
Less interest expense	51,425	35,571	21,571
Net interest profit	5,549	4,219	4,460
Gain on merger	-	1,969	-
Revenues, Net of Interest Expense	11,250	33,781	25,277
Non-Interest Expenses			
Compensation and benefits	15,903	16,867	12,314
Communications and technology	2,057	1,838	1,599
Brokerage, clearing, and exchange fees	1,415	1,096	855
Occupancy and related depreciation	1,139	991	931
Professional fees	1,027	885	729
Advertising and market development	785	686	593
Office supplies and postage	233	225	209
Other	1,522	1,383	1,286
Total Non-Interest Expenses	24,081	23,971	18,516
Pre-Tax (Loss)/Earnings from Continuing Operations	(12,831)	9,810	6,761
Income tax (benefit)/expense	(4,194)	2,713	1,946
Net (Loss)/Earnings from Continuing Operations	\$ (8,637)	\$ 7,097	\$ 4,815
Discontinued Operations:			
Pre-tax earnings from discontinued operations	1,397	616	470
Income tax expense	537	214	169
Net Earnings from Discontinued Operations	860	402	301
Net (Loss)/Earnings	\$ (7,777)	\$ 7,499	\$ 5,116
Preferred stock dividends	270	188	70
Net (Loss)/Earnings Applicable to Common Stockholders	\$ (8,047)	\$ 7,311	\$ 5,046
Basic (loss)/earnings per common share from continuing operations	\$ (10.73)	\$ 7.96	\$ 5.32
Basic earnings per common share from discontinued operations	1.04	0.46	0.34
Basic (Loss)/Earnings Per Common Share	\$ (9.69)	\$ 8.42	\$ 5.66
Diluted (loss)/earnings per common share from continuing operations	\$ (10.73)	\$ 7.17	\$ 4.85
Diluted earnings per common share from discontinued operations	1.04	0.42	0.31
Diluted (Loss)/Earnings Per Common Share	\$ (9.69)	\$ 7.59	\$ 5.16
Dividend Paid Per Common Share	\$ 1.40	\$ 1.00	\$ 0.76
Average Shares Used in Computing Earnings Per Common Share			
Basic	830.4	868.1	890.7
Diluted	830.4	963.0	977.7

See Notes to Consolidated Financial Statements.



Consolidated Balance Sheets

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

DEC. 28, 2007

DEC. 29, 2006

	DEC. 28, 2007	DEC. 29, 2006
Assets		
Cash and cash equivalents	\$ 41,346	\$ 32,109
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	22,999	13,449
Securities financing transactions		
Receivables under resale agreements (includes \$100,214 measured at fair value in 2007 in accordance with SFAS No. 159)	221,617	178,368
Receivables under securities borrowed transactions	133,140	118,610
	354,757	296,978
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Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of \$78,787 in 2007 and \$58,966 in 2006)		
Derivative contracts	72,689	36,262
Equities and convertible debentures	60,681	48,527
Corporate debt and preferred stock	37,849	32,854
Mortgages, mortgage-backed, and asset-backed	28,013	44,401
Non-U.S. governments and agencies	15,082	21,075
U.S. Government and agencies	11,219	13,086
Municipals, money markets and physical commodities	9,136	7,643
	234,669	203,848
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Investment securities (includes \$4,685 measured at fair value in 2007 in accordance with SFAS No. 159) (includes securities pledged as collateral that can be sold or repledged of \$16,124 in 2007 and \$4 in 2006)	82,532	83,410
Securities received as collateral, at fair value	45,245	24,929
Other receivables		
Customers (net of allowance for doubtful accounts of \$24 in 2007 and \$41 in 2006)	70,719	49,427
Brokers and dealers	22,643	18,900
Interest and other	33,487	21,054
	126,849	89,381
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Loans, notes, and mortgages (net of allowances for loan losses of \$533 in 2007 and \$478 in 2006) (includes \$1,149 measured at fair value in 2007 in accordance with SFAS No. 159)	94,992	73,029
Separate accounts assets	-	12,314
Equipment and facilities (net of accumulated depreciation and amortization of \$5,518 in 2007 and \$5,213 in 2006)	3,127	2,924
Goodwill and intangible assets	5,091	2,457
Other assets	8,443	6,471
Total Assets	\$ 1,020,050	\$ 841,299

Consolidated Balance Sheets

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNT)

DEC. 28, 2007

DEC. 29, 2006

Liabilities		
Securities financing transactions		
Payables under repurchase agreements (includes \$89,733 measured at fair value in 2007 in accordance with SFAS No. 159)	\$ 235,725	\$ 222,624
Payables under securities loaned transactions	55,906	43,492
	291,631	266,116
Short-term borrowings	24,914	18,110
Deposits	103,987	84,124
Trading liabilities, at fair value		
Derivative contracts	73,294	42,040
Equities and convertible debentures	29,652	23,268
Non-U.S. governments and agencies	9,407	13,385
U.S. Government and agencies	6,135	12,510
Corporate debt and preferred stock	4,549	6,323
Municipals, money markets and other	551	1,336
	123,588	98,862
Obligation to return securities received as collateral, at fair value	45,245	24,929
Other payables		
Customers	63,582	49,414
Brokers and dealers	24,499	24,282
Interest and other	44,545	38,897
	132,626	112,593
Separate accounts liabilities	-	12,314
Long-term borrowings (includes \$76,334 measured at fair value in 2007 in accordance with SFAS No. 159)	260,973	181,400
Junior subordinated notes (related to trust preferred securities)	5,154	3,813
Total Liabilities	988,118	802,261
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stockholders' Equity (liquidation preference of \$30,000 per share; issued: 2007 — 155,000 shares; 2006 — 105,000 shares; liquidation preference of \$1,000 per share; issued: — 2007 — 115,000 shares)	4,383	3,145
Common Stockholders' Equity		
Shares exchangeable into common stock	39	39
Common stock (par value \$1.33⅓ per share; authorized: 3,000,000,000 shares; issued: 2007 — 1,354,309,819 shares; 2006 — 1,215,381,006 shares)	1,805	1,620
Paid-in capital	27,163	18,919
Accumulated other comprehensive loss (net of tax)	(1,791)	(784)
Retained earnings	23,737	33,217
	50,953	53,011
Less: Treasury stock, at cost (2007 — 418,270,289 shares; 2006 — 350,697,271 shares)	23,404	17,118
Total Common Stockholders' Equity	27,549	35,893
Total Stockholders' Equity	31,932	39,038
Total Liabilities and Stockholders' Equity	\$ 1,020,050	\$ 841,299

See Notes to Consolidated Financial Statements.



Consolidated Statements of Changes in Stockholders' Equity

(DOLLARS IN MILLIONS)	YEAR ENDED LAST FRIDAY IN DECEMBER					
	AMOUNTS			SHARES		
	2007	2006	2005	2007	2006	2005
Preferred Stock, net						
Balance, beginning of year	\$ 3,145	\$ 2,673	\$ 630	104,928	89,685	21,000
Issuances	1,615	374	2,143	165,000	12,000	72,000
Shares (repurchased) re-issuances	(377)	98	(100)	(12,794)	3,243	(3,315)
Balance, end of year	4,383	3,145	2,673	257,134	104,928	89,685
Common Stockholders' Equity						
Shares Exchangeable into Common Stock						
Balance, beginning of year	39	41	41	2,659,926	2,707,797	2,782,712
Exchanges	-	(2)	-	(106,944)	(47,871)	(74,915)
Balance, end of year	39	39	41	2,552,982	2,659,926	2,707,797
Common Stock						
Balance, beginning of year	1,620	1,531	1,465	1,215,381,006	1,148,714,008	1,098,991,806
Capital issuance and acquisition ⁽¹⁾	122	-	-	91,576,096	-	-
Shares issued to employees	63	89	66	47,352,717	66,666,998	49,722,202
Balance, end of year	1,805	1,620	1,531	1,354,309,819	1,215,381,006	1,148,714,008
Paid-in Capital						
Balance, beginning of year	18,919	13,320	11,460			
Capital issuance and acquisition ⁽¹⁾	4,643	-	-			
Employee stock plan activity	1,962	2,351	1,173			
Amortization of employee stock grants	1,639	3,248	687			
Balance, end of year	27,163	18,919	13,320			
Accumulated Other Comprehensive Loss						
Foreign Currency Translation Adjustment (net of tax)						
Balance, beginning of year	(430)	(507)	(289)			
Translation adjustment	(11)	77	(218)			
Balance, end of year	(441)	(430)	(507)			
Net Unrealized Gains (Losses) on Investment Securities						
Available-for-Sale Securities (net of tax)						
Balance, beginning of year	(192)	(181)	(91)			
Net unrealized losses on available-for-sale	(2,460)	(15)	(156)			
Adjustment to initially apply SFAS No. 159 ⁽²⁾	172	-	-			
Other adjustments ⁽³⁾	971	4	66			
Balance, end of year	(1,509)	(192)	(181)			
Deferred Gains (Losses) on Cash Flow Hedges (net of tax)						
Balance, beginning of year	2	(3)	21			
Net deferred Gains (losses) on cash flow hedges	81	5	(24)			
Balance, end of year	83	2	(3)			
Defined Benefit Pension and Postretirement Plans (net of tax)						
Balance, beginning of year	(164)	(153)	(122)			
Net gains	240	-	-			
Minimum pension liability adjustment	-	(76)	(31)			
Adjustment to initially apply SFAS No. 158 ⁽²⁾	-	65	-			
Balance, end of year	76	(164)	(153)			
Balance, end of year	(1,791)	(784)	(844)			
Retained Earnings						
Balance, beginning of year	33,217	26,824	22,485			
Net (loss)/earnings	(7,777)	7,499	5,116			
Preferred stock dividends declared	(270)	(188)	(70)			
Common stock dividends declared	(1,235)	(918)	(707)			
Adjustment to initially apply SFAS No. 157	53	-	-			
Adjustment to initially apply SFAS No. 159	(185)	-	-			
Adjustment to initially apply FIN 48	(66)	-	-			
Balance, end of year	23,737	33,217	26,824			
Treasury Stock, at cost						
Balance, beginning of year	(17,118)	(7,945)	(4,230)	(350,697,271)	(233,112,271)	(170,955,057)
Shares repurchased	(5,272)	(9,088)	(3,700)	(62,112,876)	(116,610,876)	(63,068,200)
Shares issued to (reacquired from) employees and other ⁽⁴⁾	(1,014)	(89)	(18)	(5,567,086)	(1,021,995)	836,071
Share exchanges	-	4	3	106,944	47,871	74,915
Balance, end of year	(23,404)	(17,118)	(7,945)	(418,270,289)	(350,697,271)	(233,112,271)
Total Common Stockholders' Equity	27,549	35,893	32,927			
Total Stockholders' Equity	\$ 31,932	\$ 39,038	\$ 35,600			

See Notes to Consolidated Financial Statements.

(1) Related to the acquisition of First Republic Bank ("First Republic") and to additional shares issued to Davis Selected Advisors and Temasek Holdings.

(2) For the initial year of application, the adjustment is not reflected on the Statement of Comprehensive (Loss)/Income.

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

(4) Share amounts are net of reacquisitions from employees of 12,490,283 shares, 6,622,887 shares, and 4,360,607 shares in 2007, 2006 and 2005, respectively.

Consolidated Statements of Comprehensive (Loss)/Income

(DOLLARS IN MILLIONS)	YEAR ENDED LAST FRIDAY IN DECEMBER		
	2007	2006	2005
Net (Loss) Earnings	\$ (7,777)	\$ 7,499	\$ 5,116
Other Comprehensive (Loss) Income			
Foreign currency translation adjustment:			
Foreign currency translation (losses) gains	(282)	(366)	129
Income tax (expense) benefit	271	443	(347)
Total	(11)	77	(218)
Net unrealized (losses) gains on investment securities available-for-sale:			
Net unrealized holding (losses) gains arising during the period	(2,291)	(16)	184
Reclassification adjustment for realized (gains) losses included in net (loss)/earnings	(169)	1	(340)
Net unrealized losses on investment securities available-for-sale	(2,460)	(15)	(156)
Adjustments for:			
Policyholder liabilities	4	1	12
Deferred policy acquisition costs	-	-	(2)
Income tax benefit	967	3	56
Total	(1,489)	(11)	(90)
Deferred gains (losses) on cash flow hedges:			
Deferred gains (losses) on cash flow hedges	162	9	(2)
Reclassification adjustment for realized (gains) included in net (loss)/earnings	(30)	(2)	(23)
Income tax (expense) benefit	(51)	(2)	1
Total	81	5	(24)
Defined benefit pension and postretirement plans:			
Minimum pension liability adjustment	-	(110)	(46)
Net actuarial gains	353	-	-
Prior service costs	6	-	-
Reclassification adjustment for realized losses included in net (loss)/earnings	23	-	-
Income tax (expense) benefit	(142)	34	15
Total	240	(76)	(31)
Total Other Comprehensive Loss	(1,179)	(5)	(363)
Comprehensive (Loss)/Income	\$ (8,956)	\$ 7,494	\$ 4,753

See Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows

(DOLLARS IN MILLIONS)	YEAR ENDED LAST FRIDAY IN DECEMBER		
	2007	2006 AS RESTATED SEE NOTE 20	2005 AS RESTATED SEE NOTE 20
Cash flows from operating activities:			
Net (loss)/earnings	\$ (7,777)	\$ 7,499	\$ 5,116
Adjustments to reconcile net (loss)/earnings to cash used for operating activities:			
Gain on merger	-	(1,969)	-
Gain on sale of MLIG	(316)	-	-
Depreciation and amortization	901	523	473
Share-based compensation expense	1,795	3,156	1,003
Deferred taxes	(4,924)	(360)	232
Earnings from equity method investments	(1,409)	(421)	(417)
Other	160	1,045	1,017
Changes in operating assets and liabilities:			
Trading assets	(29,650)	(55,392)	25,902
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(8,886)	(1,019)	3,259
Receivables under resale agreements	(43,247)	(15,346)	(84,166)
Receivables under securities borrowed transactions	(14,530)	(26,126)	2,014
Customer receivables	(21,280)	(9,562)	(2,217)
Brokers and dealers receivables	(3,744)	(6,825)	(19)
Proceeds from loans, notes, and mortgages held for sale	72,054	41,317	31,255
Other changes in loans, notes, and mortgages held for sale	(86,894)	(47,670)	(34,554)
Trading liabilities	23,878	9,554	(12,402)
Payables under repurchase agreements	13,101	29,557	44,386
Payables under securities loaned transactions	12,414	24,157	(2,901)
Customer payables	14,135	13,795	1,238
Brokers and dealers payables	113	4,791	(605)
Trading investment securities	9,333	(867)	2,048
Other, net	2,411	6,400	(4,937)
Cash used for operating activities	(72,362)	(23,763)	(24,275)
Cash flows from investing activities:			
Proceeds from (payments for):			
Maturities of available-for-sale securities	13,362	13,222	25,452
Sales of available-for-sale securities	39,327	16,176	36,574
Purchases of available-for-sale securities	(58,325)	(31,357)	(51,283)
Maturities of held-to-maturity securities	2	18	16
Purchases of held-to-maturity securities	(3)	(15)	-
Loans, notes, and mortgages held for investment, net	5,113	(681)	(9,678)
Proceeds from the sale of discontinued operations	1,250	-	-
Acquisitions, net of cash	(2,045)	-	-
Other investments	(5,048)	(6,546)	(1,442)
Transfer of cash balances related to merger	-	(651)	-
Equipment and facilities, net	(719)	(1,174)	(278)
Cash used for investing activities	(7,086)	(11,008)	(639)
Cash flows from financing activities:			
Proceeds from (payments for):			
Commercial paper and short-term borrowings	6,316	9,123	(154)
Issuance and resale of long-term borrowings	165,107	87,814	49,703
Settlement and repurchases of long-term borrowings	(93,258)	(42,545)	(31,195)
Deposits	9,884	4,108	270
Derivative financing transactions	848	608	1,742
Issuance of common stock	4,787	1,838	858
Issuance of preferred stock, net	1,123	472	2,043
Common stock repurchases	(5,272)	(9,088)	(3,700)
Other common stock transactions	(60)	539	(80)
Excess tax benefits related to share-based compensation	715	531	-
Dividends	(1,505)	(1,106)	(777)
Cash provided by financing activities	88,685	52,294	18,710
Increase (decrease) in cash and cash equivalents	9,237	17,523	(6,204)
Cash and cash equivalents, beginning of period	32,109	14,586	20,790
Cash and cash equivalents, end of period	\$ 41,346	\$ 32,109	\$ 14,586
Supplemental disclosure of cash flow information:			
Cash paid for:			
Income taxes	\$ 1,846	\$ 2,638	\$ 1,443
Interest	\$ 49,881	\$ 35,685	\$ 21,519

Non-cash investing and financing activities:

The investment recorded in connection with the merger of the MLIM business with BlackRock in September 2006 totaled \$7.7 billion. The book value of net asset transfers, derecognition of goodwill and other adjustments totaled \$4.9 billion.

Issuances of Common Stock and Preferred Stock of \$926 million and \$115 million, respectively, related to the First Republic acquisition.

See Notes to Consolidated Financial Statements.