

consolidated statements of financial condition

(dollars in millions, except share data)

NOVEMBER 30, 1999

NOVEMBER 30, 1998

ASSETS

	NOVEMBER 30, 1999	NOVEMBER 30, 1998
Cash and cash equivalents	\$ 12,325	\$ 16,878
Cash and securities deposited with clearing organizations or segregated under federal and other regulations (including securities at fair value of \$6,925 at November 30, 1999 and \$7,518 at November 30, 1998)	9,713	10,531
Financial instruments owned:		
U.S. government and agency securities	25,646	12,350
Other sovereign government obligations	17,522	15,050
Corporate and other debt	30,443	22,388
Corporate equities	14,843	14,289
Derivative contracts	22,769	21,442
Physical commodities	819	416
Securities purchased under agreements to resell	70,366	79,570
Receivable for securities provided as collateral	9,007	4,388
Securities borrowed	85,064	69,338
Receivables:		
Consumer loans (net of allowances of \$769 at November 30, 1999 and \$787 at November 30, 1998)	20,229	15,209
Customers, net	29,299	18,785
Brokers, dealers and clearing organizations	2,252	4,432
Fees, interest and other	5,371	3,359
Office facilities, at cost (less accumulated depreciation and amortization of \$1,667 at November 30, 1999 and \$1,375 at November 30, 1998)	2,204	1,834
Other assets	9,095	7,331
Total assets	\$366,967	\$317,590

(dollars in millions, except share data)

NOVEMBER 30, 1999

NOVEMBER 30, 1998

LIABILITIES AND SHAREHOLDERS' EQUITY

Commercial paper and other short-term borrowings	\$ 38,242	\$ 28,137
Deposits	10,397	8,197
Financial instruments sold, not yet purchased:		
U.S. government and agency securities	12,285	11,305
Other sovereign government obligations	7,812	13,899
Corporate and other debt	2,322	3,093
Corporate equities	15,402	11,501
Derivative contracts	23,228	21,198
Physical commodities	919	348
Securities sold under agreements to repurchase	104,450	92,327
Obligation to return securities received as collateral	14,729	6,636
Securities loaned	30,080	23,152
Payables:		
Customers	45,775	40,606
Brokers, dealers and clearing organizations	1,335	5,244
Interest and dividends	2,951	371
Other liabilities and accrued expenses	10,439	8,623
Long-term borrowings	28,604	27,435
	348,970	302,072
Capital Units	583	999
Preferred Securities Issued by Subsidiaries	400	400
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	670	674
Common stock ⁽¹⁾ (\$0.01 par value, 1,750,000,000 shares authorized, 1,211,685,904 and 1,211,685,904 shares issued, 1,104,630,098 and 1,131,341,616 shares outstanding at November 30, 1999 and November 30, 1998)	12	12
Paid-in capital ⁽¹⁾	3,836	3,740
Retained earnings	16,285	12,080
Employee stock trust	2,426	1,913
Cumulative translation adjustments	(27)	(12)
Subtotal	23,202	18,407
Note receivable related to sale of preferred stock to ESOP	(55)	(60)
Common stock held in treasury, at cost ⁽¹⁾ (\$0.01 par value, 107,055,806 and 80,344,288 shares at November 30, 1999 and November 30, 1998)	(4,355)	(2,702)
Common stock issued to employee trust	(1,778)	(1,526)
Total shareholders' equity	17,014	14,119
Total liabilities and shareholders' equity	\$366,967	\$317,590

(1) 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.

See Notes to Consolidated Financial Statements.

consolidated statements of income

fiscal year (dollars in millions, except share and per share data)	1999	1998	1997
Revenues:			
Investment banking	\$ 4,523	\$ 3,340	\$ 2,694
Principal transactions:			
Trading	5,983	3,283	3,191
Investments	725	89	463
Commissions	2,921	2,321	2,066
Fees:			
Asset management, distribution and administration	3,170	2,889	2,525
Merchant and cardmember	1,492	1,647	1,704
Servicing	1,194	928	762
Interest and dividends	13,755	16,436	13,583
Other	165	198	144
Total revenues	33,928	31,131	27,132
Interest expense	11,390	13,514	10,806
Provision for consumer loan losses	529	1,173	1,493
Net revenues	22,009	16,444	14,833
Non-interest expenses:			
Compensation and benefits	8,398	6,636	6,019
Occupancy and equipment	643	583	526
Brokerage, clearing and exchange fees	485	552	460
Information processing and communications	1,325	1,140	1,080
Marketing and business development	1,679	1,411	1,179
Professional services	836	677	451
Other	915	745	770
Merger-related expenses	—	—	74
Total non-interest expenses	14,281	11,744	10,559
Gain on sale of businesses	—	685	—
Income before income taxes and cumulative effect of accounting change	7,728	5,385	4,274
Provision for income taxes	2,937	1,992	1,688
Income before cumulative effect of accounting change	4,791	3,393	2,586
Cumulative effect of accounting change	—	(117)	—
Net income	\$ 4,791	\$ 3,276	\$ 2,586
Preferred stock dividend requirements	\$ 44	\$ 55	\$ 66
Earnings applicable to common shares⁽¹⁾	\$ 4,747	\$ 3,221	\$ 2,520
Earnings per common share⁽²⁾:			
Basic before cumulative effect of accounting change	\$ 4.33	\$ 2.90	\$ 2.19
Cumulative effect of accounting change	—	(0.10)	—
Basic	\$ 4.33	\$ 2.80	\$ 2.19
Diluted before cumulative effect of accounting change	\$ 4.10	\$ 2.76	\$ 2.08
Cumulative effect of accounting change	—	(0.09)	—
Diluted	\$ 4.10	\$ 2.67	\$ 2.08
Average common shares outstanding⁽²⁾:			
Basic	1,096,789,720	1,151,645,450	1,149,636,466
Diluted	1,159,500,670	1,212,588,130	1,212,612,950

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

(2) 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.

See Notes to Consolidated Financial Statements.

consolidated statements of comprehensive income

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<i>fiscal year (dollars in millions)</i>	1999	1998	1997
Net income	\$4,791	\$3,276	\$2,586
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	(15)	(3)	2
Comprehensive income	\$4,776	\$3,273	\$2,588

See Notes to Consolidated Financial Statements.

consolidated statements of cash flows

fiscal year (dollars in millions)	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 4,791	\$ 3,276	\$ 2,586
Adjustments to reconcile net income to net cash (used for) provided by operating activities:			
Non-cash charges included in net income:			
Cumulative effect of accounting change	—	117	—
Gain on sale of businesses	—	(685)	—
Deferred income taxes	(160)	(55)	(77)
Compensation payable in common or preferred stock	675	334	374
Depreciation and amortization	541	575	338
Provision for consumer loan losses	529	1,173	1,493
Changes in assets and liabilities:			
Cash and securities deposited with clearing organizations or segregated under federal and other regulations	839	(3,641)	(1,691)
Financial instruments owned, net of financial instruments sold, not yet purchased	(22,081)	11,127	1,730
Securities borrowed, net of securities loaned	(8,798)	(5,061)	(10,561)
Receivables and other assets	(11,276)	2,114	(13,808)
Payables and other liabilities	5,669	6,095	19,058
Net cash (used for) provided by operating activities	(29,271)	15,369	(558)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (payments for) proceeds from:			
Office facilities	(656)	(358)	(301)
Sale of businesses, net of disposal costs	—	1,399	—
Purchase of AB Asesores, net of cash acquired	(223)	—	—
Net principal disbursed on consumer loans	(8,769)	(2,314)	(4,994)
Purchases of consumer loans	—	—	(11)
Sales of consumer loans	2,997	4,466	2,783
Other investing activities	—	—	(5)
Net cash (used for) provided by investing activities	(6,651)	3,193	(2,528)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments for) short-term borrowings	9,994	5,620	(1,336)
Securities sold under agreements to repurchase, net of securities purchased under agreements to resell	21,327	(14,407)	3,080
Net proceeds from (payments for):			
Deposits	2,200	(796)	2,113
Issuance of common stock	270	186	194
Issuance of put options	9	—	—
Issuance of long-term borrowings	7,552	9,771	6,619
Issuance of Preferred Securities Issued by Subsidiaries	—	400	—
Issuance of Capital Units	—	—	134
Payments for:			
Repayments of long-term borrowings	(6,618)	(7,069)	(3,964)
Redemption of cumulative preferred stock	—	(200)	(345)
Redemption of Capital Units	(416)	—	—
Repurchases of common stock	(2,374)	(2,925)	(124)
Cash dividends	(575)	(519)	(416)
Net cash provided by (used for) financing activities	31,369	(9,939)	5,955
Dean Witter, Discover & Co.'s net cash activity for the month of December 1996	—	—	(1,158)
Net (decrease) increase in cash and cash equivalents	(4,553)	8,623	1,711
Cash and cash equivalents, at beginning of period	16,878	8,255	6,544
Cash and cash equivalents, at end of period	\$ 12,325	\$ 16,878	\$ 8,255

See Notes to Consolidated Financial Statements.

consolidated statements of changes in shareholders' equity

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(dollars in millions)	PREFERRED STOCK	COMMON STOCK ⁽¹⁾	PAID-IN CAPITAL ⁽¹⁾	RETAINED EARNINGS	EMPLOYEE STOCK TRUST	CUMULATIVE TRANSLATION ADJUSTMENTS	NOTE RECEIVABLE RELATED TO SALE OF PREFERRED STOCK TO ESOP	COMMON STOCK HELD IN TREASURY, AT COST	COMMON STOCK ISSUED TO EMPLOYEE TRUST	TOTAL
BALANCE AT FISCAL YEAR-END 1996										
Net income	—	\$12	\$3,583	\$7,477	\$1,495	\$(11)	\$(78)	\$(1,005)	\$ (994)	\$11,702
Dividends	—	—	—	2,586	—	—	—	—	—	2,586
Redemption of 8.88% Cumulative Preferred Stock	(195)	—	—	(387)	—	—	—	—	—	(195)
Redemption of 8-3/4% Cumulative Preferred Stock	(150)	—	—	—	—	—	—	—	—	(150)
Conversion of ESOP Preferred Stock	(2)	—	(1)	—	—	—	—	3	—	—
Issuance of common stock	—	—	(22)	—	—	—	—	246	—	224
Repurchases of common stock	—	—	—	—	—	—	—	(124)	—	(124)
Compensation payable in common stock	—	—	243	—	186	—	—	278	(343)	364
ESOP shares allocated, at cost	—	—	—	—	—	—	10	—	—	10
Retirement of treasury stock	—	—	(6)	(265)	—	—	—	271	—	—
Translation adjustments	—	—	—	—	—	2	—	—	—	2
Issuance of common stock in connection with Discover Brokerage Direct acquisition	—	—	14	—	—	—	—	49	—	63
Adjustment for change in Dean Witter Discover's year-end	—	—	(90)	(81)	—	—	—	32	—	(139)
BALANCE AT NOVEMBER 30, 1997										
Net income	\$ 876	\$12	\$3,721	\$9,330	\$1,681	\$ (9)	\$(68)	\$ (250)	\$(1,337)	\$13,956
Dividends	—	—	—	3,276	—	—	—	—	—	3,276
Redemption of 7-3/8% Cumulative Preferred Stock	(200)	—	—	(526)	—	—	—	—	—	(200)
Conversion of ESOP Preferred Stock	(2)	—	(12)	—	—	—	—	14	—	—
Issuance of common stock	—	—	(210)	—	—	—	—	417	—	207
Repurchases of common stock	—	—	—	—	—	—	—	(2,925)	—	(2,925)
Compensation payable in common stock	—	—	241	—	232	—	—	42	(189)	326
ESOP shares allocated, at cost	—	—	—	—	—	—	8	—	—	8
Translation adjustments	—	—	—	—	—	(3)	—	—	—	(3)

(dollars in millions)	PREFERRED STOCK	COMMON STOCK ⁽¹⁾	PAID-IN CAPITAL ⁽¹⁾	RETAINED EARNINGS	EMPLOYEE STOCK TRUST	CUMULATIVE TRANSLATION ADJUSTMENTS	NOTE RECEIVABLE RELATED TO SALE OF PREFERRED STOCK TO ESOP	COMMON STOCK HELD IN TREASURY, AT COST	COMMON STOCK ISSUED TO EMPLOYEE TRUST	TOTAL
BALANCE AT NOVEMBER 30, 1998	\$674	\$12	\$3,740	\$12,080	\$1,913	\$(12)	\$(60)	\$(2,702)	\$(1,526)	\$14,119
Net income	—	—	—	4,791	—	—	—	—	—	4,791
Dividends	—	—	—	(586)	—	—	—	—	—	(586)
Conversion of ESOP										
Preferred Stock	(4)	—	(18)	—	—	—	—	22	—	—
Issuance of common stock	—	—	(134)	—	—	—	—	465	—	331
Repurchases of common stock	—	—	—	—	—	—	—	(2,374)	—	(2,374)
Compensation payable in common stock	—	—	223	—	513	—	—	186	(252)	670
ESOP shares allocated, at cost	—	—	—	—	—	—	5	—	—	5
Issuance of common stock in connection with AB Asesores acquisition	—	—	16	—	—	—	—	48	—	64
Issuance of put options	—	—	9	—	—	—	—	—	—	9
Translation adjustments	—	—	—	—	—	(15)	—	—	—	(15)
BALANCE AT NOVEMBER 30, 1999	\$670	\$12	\$3,836	\$16,285	\$2,426	\$(27)	\$(55)	\$(4,355)	\$(1,778)	\$17,014

(1) 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.

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