

# 2007 Factbook

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Merrill Lynch & Co., Inc.

## About the Factbook

The Merrill Lynch 2007 Factbook was created to serve as a reference for the investment community and other interested parties. It is designed to provide an introduction to Merrill Lynch, and to be a convenient compendium of information to assist readers in their analysis of the company. The Factbook complements Merrill Lynch's Annual Report on Form 10-K for the fiscal year ended December 28, 2007.

### To obtain additional copies of the Factbook

The Factbook may be downloaded from the Merrill Lynch Investor Relations website at [www.ir.ml.com](http://www.ir.ml.com).

Alternatively, hard copies may be ordered on the Investor Relations website by clicking "Order Reports."

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### For Additional Information

We have incorporated into the bottom margin of most pages of the Factbook the URL addresses for Merrill Lynch web pages where you can access or download additional information. Simply type the URL into your web browser's address box, or click on it in the online version of the Factbook, to access this information.

Additional information available on the websites includes:

- Financial and SEC reports
- Press releases
- Executive speeches and presentations
- Capital and funding policies
- Credit ratings

Most of the information in this Factbook is excerpted from, and qualified in its entirety by reference to the Merrill Lynch & Co., Inc. Annual Report on Form 10-K for the fiscal year ended December 28, 2007 (the "2007 Annual Report on Form 10-K") as filed with the U.S. Securities and Exchange Commission.

Unless the context otherwise requires, the terms "Merrill Lynch", the "company", "we", "our", or "us" mean Merrill Lynch & Co., Inc. together with its subsidiaries. The term "ML & Co." is used herein where appropriate to refer solely to Merrill Lynch & Co., Inc., the parent holding company.

Certain statements in this Factbook may be considered forward-looking, including those about management expectations, strategic objectives, growth opportunities, business prospects, anticipated financial results, the impact of off-balance sheet exposures, significant contractual obligations, anticipated results of litigation and regulatory investigations and proceedings, risk management policies and other similar matters. These forward-looking statements represent only Merrill Lynch's beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond Merrill Lynch's control, which affect its operations, performance, business strategy and results and could cause its actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by both current and potential competitors and counterparties, general economic conditions, market conditions, the effects of current, pending and future legislation, regulation and regulatory actions, the actions of rating agencies and other risks and uncertainties detailed in Merrill Lynch's 2007 Annual Report on Form 10-K. See "Risk Factors that Could Affect Our Business". Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Merrill Lynch does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures Merrill Lynch may make in future filings of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

From time to time, Merrill Lynch may also disclose financial information on a non-GAAP basis where management uses this information and believes this information will be valuable to investors in gauging the quality of its financial performance, identifying trends in its results and providing more meaningful period-to-period comparisons. For a reconciliation of non-GAAP measures presented throughout this Factbook see Exhibit 99.1 filed with the 2007 Annual Report on Form 10-K. A reconciliation of non-GAAP measures can also be found at [www.ir.ml.com/nongaafinancials.cfm](http://www.ir.ml.com/nongaafinancials.cfm).

Note: Throughout this Factbook "N/M" = not meaningful.

#### Discontinued Operations

On August 13, 2007, Merrill Lynch announced that it will form a strategic business relationship with AEGON, N.V. ("AEGON") in the areas of insurance and investment products. As part of this relationship, Merrill Lynch agreed to sell Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York (together "Merrill Lynch Insurance Group" or "MLIG") to AEGON for \$1.3 billion. Merrill Lynch will continue to serve the insurance needs of its clients through its core distribution and advisory capabilities. The sale of MLIG was completed in the fourth quarter of 2007 and resulted in an after-tax gain of \$316 million. The gain along with the financial results of MLIG have been reported within discontinued operations for all periods presented and the assets and liabilities were not considered material for separate presentation. Merrill Lynch previously reported the results of MLIG in the Global Wealth Management (GWM) business segment.

On December 24, 2007 Merrill Lynch announced that it had reached an agreement with GE Capital to sell Merrill Lynch Capital, a wholly-owned middle-market commercial finance business. The sale included substantially all of Merrill Lynch Capital's operations, including its commercial real estate division. This transaction closed on February 4, 2008. Merrill Lynch has included the results of Merrill Lynch Capital within discontinued operations for all periods presented and the assets and liabilities were not considered material for separate presentation. Merrill Lynch previously reported results of Merrill Lynch Capital in the Global Markets and Investment Banking (GMI) business segment.

For additional information on discontinued operations, refer to Note 17 to the Consolidated Financial Statements in the 2007 Annual Report on Form 10-K.

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## Chairman's Letter

**To our shareholders:** When Charlie Merrill pioneered the investment business that defined his life's work, he set forth principles that guided this firm and established the standards for investing throughout America and the world. For nearly a century, the dedication of Merrill Lynch to the principles of client service, integrity, excellence and teamwork built a company whose culture and leadership stood strongly and resolutely through years of prosperity and adversity. I am honored to be the CEO of this great global franchise. I am excited by the challenge to serve our clients and lead our company forward through these turbulent times.

In my first letter to you, our shareholders, I would like to address three topics, starting with our results in 2007 and my priorities during my early months. Then I will review the performance of each of our businesses. I will close by looking ahead at goals and opportunities for our clients and our company. While U.S. economic prospects are uncertain, we anticipate growth in our businesses in 2008, at home and across the world.



### 2007 RESULTS

Let me begin with 2007. While many of our businesses produced excellent, some even record-breaking results, we suffered the worst performance in the history of Merrill Lynch. We reported a net loss from continuing operations for the full year of \$8.6 billion, or \$10.73 per fully diluted share, following write-downs resulting from our exposures to the U.S. mortgage market in U.S. ABS CDOs and sub-prime residential mortgages and securities.

### FOUR IMMEDIATE PRIORITIES

That must never happen again. Since my arrival, we have moved to restructure risk management and to reposition the firm for growth by meeting four priorities.

First, anticipating the possibility of a liquidity squeeze at year end, we reduced the size of our balance sheet and freed up additional liquidity and more than \$2 billion of capital through the sale of non-core assets. We ended the year with the holding company's excess liquidity of nearly \$80 billion.

Our second priority was to bolster our capital base. We raised \$12.8 billion, which exceeded what we lost, and we could have raised substantially more. I am happy to report that the rating agencies affirmed our credit ratings, and we are well capitalized. We can now set our sights on growing our businesses and leveraging global opportunities. Let me also note that our new shareholders represent a diverse group of long-term, passive, strategic investors who can help us in key markets.

Our third priority is to strengthen our management and organizational structure. We want the best people leading Merrill Lynch and we want to create a flatter, more horizontal structure to strengthen accountability, performance and teamwork. Toward that end, I have increased the number of my direct reports and ensured that experienced veterans are filling key leadership roles. I have also bolstered our risk management process to include a committee of senior executives, combining credit and risk management functions, which now reports directly to me every week. Risk-taking is intrinsic to the mission and success of Merrill Lynch, and we will strive to assure that it is appropriately sized to each business. Prudence in trading goes hand-in-hand with management of our balance sheet, including reducing illiquid assets.

Finally, we want to break down any silos and to build up teamwork, cross-selling and a one-firm mindset across the company. As a first step, we are changing our compensation philosophy. Just as we put our clients' interests first in our businesses, we want to put the firm's collective financial results first when it comes to determining compensation. Teamwork is a core value of Merrill Lynch and will be an essential element as we serve our clients in today's volatile markets. We want to leverage to the fullest the talent, innovation and resources across our franchise.

## OUR BUSINESS RESULTS

Turning to our businesses, their performance highlights the earnings power and potential of Merrill Lynch.

**Global Wealth Management** is the face of our franchise in communities across America and the world. We consider our relationships with our clients our most valued resource. During 2007, GWM reported revenue growth of 18%, pretax earnings growth of 59%, and record assets of \$1.75 trillion. GWM also generated \$30 billion in net new money in the fourth quarter of 2007, the biggest increase since 2000, an inspiring performance in very challenging markets.

**Global Markets & Investment Banking** results suffered as a result of our exposure to U.S. ABS CDOs and sub-prime mortgages and securities; however we did see revenue growth in certain key businesses including a record year from both Equity Markets and Investment Banking (IBK). IBK growth was balanced, coming from both Advisory and Equity Origination. We placed in the top five league table rankings globally and are well-positioned with a balanced and growing presence in Europe, the Pacific Rim and emerging markets. Our goal is to rise into the top three in league table rankings globally in 2008.

**Our Equity Markets** business also had a record year, with revenue growth of 23%. Equity Markets is a strong business with a balanced mix between our cash and derivative businesses. We are driving robust growth in equities globally, in the U.S., EMEA and the Pacific Rim.

Finally, in **Fixed Income, Currencies and Commodities (FICC)**, strong revenues in global rates and global currencies were more than offset by negative revenues from U.S. ABS CDOs and sub-prime mortgages and securities. Within FICC, a number of individual businesses generated record revenues, including our interest rate and currencies businesses, which we expect to remain robust in 2008. Our presence in the U.S. and internationally is strong in interest rates, currencies and commodities.

Our **Global Research** group continues to create profitable investment ideas for clients, and, among other awards, was named by *The Wall Street Journal* as "Best on the Street" for stock picking. The group is well positioned to identify global growth opportunities, while maintaining a leading U.S. presence.

## LOOKING TO THE FUTURE

Merrill Lynch has strong businesses that are growing rapidly, expanding their global footprints, and offering superior products, services and solutions. I believe that Merrill Lynch has the best wealth management business in the world. In the U.S., where the economic outlook is uncertain, we can help our clients turn volatility into opportunity to reach their personal goals. Outside the U.S., where economic growth is stronger, we will compete to manage financial assets of millions of upwardly mobile individuals. As for our Global Markets and Investment Banking businesses that already generate more than half of their revenues outside the U.S., we will continue to invest in growth opportunities. In January, I traveled to Moscow to open our new Russian office, symbolizing our commitment to expanding our presence in international markets and to the enduring promise that the success of global capitalism has instilled in people around the world. Finally, while we will always be a client-driven business, we will grow our principal investing businesses through third-party funds, in which we will be a significant participant.

In closing, I want to express my gratitude to our shareholders and clients for your trust. I am confident that your loyalty will be rewarded. We have faced adversity, tackled tough decisions and moved the company to a position of renewed strength. My pledge to our clients is to do our utmost, every day, to provide you the best of Merrill Lynch. My goal for our shareholders is to transform Merrill Lynch into the premier financial services franchise in the world. My message to our people is, let's get started.

Thank you,



**John A. Thain**

Chairman and Chief Executive Officer  
February 22, 2008



# Overview

Merrill Lynch & Co., Inc., is a Delaware corporation that, through its subsidiaries, offers capital markets services, investment banking and advisory services, wealth management, investment management, insurance, banking and related products and services on a global basis, including:

- Securities origination, brokerage, dealer and related activities in:
 

Equities	Futures
Fixed income	Forwards
Mutual funds	Commodities
Swaps	Currencies
Options	Other derivatives
- Investment banking
  - Securities origination
  - Strategic advisory services, including:
    - Mergers and acquisitions
    - Strategic valuation
    - Other corporate finance and advisory activities
- Private equity and other principal investing activities
- Securities clearance, settlement, financing and services, including prime brokerage
- Wealth management products and services, including financial, retirement and generational planning
- Banking, trust, lending and related services, including:
 

Mortgage loans	Trust services
Commercial loans	Deposit-taking
Securities-based loans	Cash management
- Insurance and annuity products
- Investment management and investment advisory services
- Global investment research encompassing:
 

Equities	Economics and foreign exchange
Fixed income	Equity strategy
Equity-linked securities	Wealth management strategy

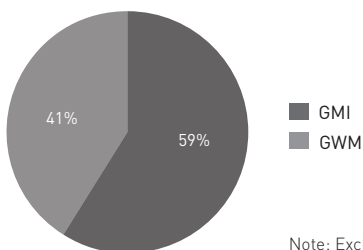
Merrill Lynch offers these products and services to a wide array of clients, including:

- Individual and institutional investors
- Businesses of all sizes and types
- Governments and governmental agencies

Merrill Lynch organizes its activities into two interrelated business segments:

- Global Markets and Investment Banking (GMI)
- Global Wealth Management (GWM)

**2007 Net Revenues by Segment (excluding net write-downs and credit valuation adjustments)<sup>(1)</sup>**



(1) Adjusted to exclude full year net write-downs of approximately \$23.2 billion related to U.S. collateralized debt obligations ("CDOs") comprised of asset-backed securities ("ABS CDOs"), U.S. sub-prime residential mortgages and securities, and credit valuation adjustments related to hedges with financial guarantors on U.S. ABS CDOs. Includes gains of approximately \$1.9 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of its long-term debt liabilities.

(2) Risk-taking is integral to the core businesses in which Merrill Lynch operates. In the course of conducting its business operations, the company is exposed to a variety of risks including market, credit, liquidity, operational and other risks that are material and require comprehensive controls and ongoing oversight. For a discussion of these risks, as well as Merrill Lynch's risk management philosophy, process and governance structure, refer to the Risk Management section of the 2007 Annual Report on Form 10-K.

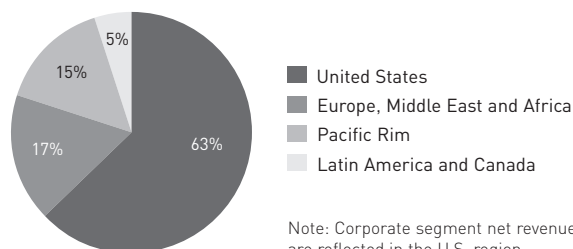
**Countries and Territories of Operation (as of February 2008)**



Merrill Lynch provides financial services worldwide:

- Operations are organized into five geographic regions:
  - United States
  - Europe, Middle East and Africa
  - Pacific Rim
  - Latin America
  - Canada
- Presence in 40 countries and territories
- Headquartered at 4 World Financial Center in New York City

**2007 Net Revenues by Geographic Region (excluding net write-downs and credit valuation adjustments)<sup>(1)</sup>**



## Strategic Positioning

Merrill Lynch has positioned itself to be the preeminent global investment bank, wealth management and advisory company, an essential partner to its clients. Key facets of this positioning include:

- Delivering value-added advice, products and services to clients with exceptional levels of quality and integrity
- Investing in opportunities for growth and diversification that take advantage of the firm's strengths and global client franchise
- Operating with discipline and focus throughout the firm to ensure that the appropriate resources are committed to each business opportunity
- Managing risk and capital to ensure efficient deployment of, and appropriate returns on, stockholders' equity<sup>(2)</sup>
- Developing employee talent and leadership to its full potential to achieve superior results

Additional information is available at [www.ml.com/about\\_us](http://www.ml.com/about_us) and [www.ml.com/our\\_businesses](http://www.ml.com/our_businesses)

## Quick Facts

For further discussion of Merrill Lynch's businesses, results of operation and financial position, including a discussion of significant risks involved in its businesses, refer to the 2007 Annual Report on Form 10-K and future filings of its Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

### Selected Financial Data

FOR ADDITIONAL EARNINGS AND BALANCE SHEET DATA, PLEASE SEE PAGES 16-21	2003 <sup>(1)</sup> (52 WEEKS)	2004 <sup>(1)</sup> (53 WEEKS)	2005 <sup>(1)</sup> (52 WEEKS)	2006 <sup>(1)</sup> (52 WEEKS)	2007 (52 WEEKS)
<b>Results of Operation (DOLLARS IN MILLIONS)</b>					
Net revenues	\$19,548	\$21,500	\$25,277	\$33,781	\$11,250 <sup>(2)</sup>
Net earnings/(loss) from continuing operations	3,733	4,264	4,815	7,097	(8,637)
Net earnings from discontinued operations	103	172	301	402	860
Net earnings/(loss) applicable to common stockholders	3,797	4,395	5,046	7,311	(8,047)
<b>Common Share Data (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)</b>					
Earnings/(loss) from continuing operations per common share:					
Basic	\$4.10	\$4.62	\$5.32	\$7.96	\$(10.73)
Diluted	3.77	4.21	4.85	7.17	(10.73)
Dividends paid per share	0.64	0.64	0.76	1.00	1.40
Book value per share	29.96	32.99	35.82	41.35	29.34 <sup>(3)</sup>
Weighted-average shares outstanding:					
Basic	900.7	912.9	890.7	868.1	830.4
Diluted	980.9	1,003.8	977.7	963.0	830.4
Shares outstanding at year-end	949.9	931.8	919.2	868.0	939.1
<b>Financial Ratios</b>					
Compensation and benefits expenses to net revenues	50.2%	49.3%	48.7%	49.9%	N/M%
Pre-tax profit margin from continuing operations	26.0	25.6	26.7	29.0	N/M
Effective tax rate	26.4	22.6	28.8	27.7	32.7
Return on average common stockholders' equity from continuing operations	14.4	13.8	15.0	20.1	N/M
Return on average assets	0.8	0.8	0.7	0.9	N/M
Common dividend payout ratio	15.2	13.3	13.4	11.9	N/M

- (1) Reported results include the impact of restructuring and other charges and benefits, research and other settlement-related expenses, September 11-related recoveries, one-time compensation expenses related to the adoption of SFAS 123R and the impact of closing the merger of MLIM with BlackRock. Management also examines results excluding those items, which are Merrill Lynch's operating basis results. Operating basis results should not be considered an alternative to results as determined in accordance with generally accepted accounting principles ("GAAP") in the United States, but rather as non-GAAP measures considered relevant by management in comparing current year results with prior year results. Management believes these measures are valuable tools for investors to judge the quality of Merrill Lynch's financial performance as they allow investors to more readily assess net revenues and earnings and identify trends. Items that would be excluded from operating results in the periods above include the following after-tax amounts: in 2003, \$91 million of September 11-related net insurance recoveries (\$147 million pre-tax) and \$3 million of net restructuring and other charges (\$20 million pre-tax); in 2004, \$11 million of net benefits from restructuring and other charges (\$13 million pre-tax benefit); in 2005, research and other settlement-related expense of \$102 million (\$170 million pre-tax); and in 2006, \$1,177 million of one-time compensation expenses related to the adoption of SFAS 123R (\$1,759 million pre-tax) and \$1,105 million net benefit from the closing of the BlackRock merger (\$1,969 million of net revenues, \$202 million of expenses and \$1,767 million pre-tax).
- (2) 2007 net revenues were approximately \$34.5 billion if adjusted to exclude full year net write-downs of approximately \$23.2 billion related to U.S. ABS CDOs, U.S. sub-prime residential mortgages and securities, and credit valuation adjustments related to hedges with financial guarantors on U.S. ABS CDOs. Both reported net revenues of approximately \$11.3 billion and adjusted net revenues of approximately \$34.5 billion include gains of approximately \$1.9 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of its long-term debt liabilities.
- (3) Pro forma book value per share was \$32.77 including issuance in the first quarter of 2008 of (i) 49.2 million shares of common stock for \$2.4 billion in connection with equity investments from Temasek Capital (Private) Limited and assignees, and (ii) up to 126 million shares of common stock, which represents the maximum number of shares on an "if converted" basis at \$52.40 per share related to the issuance of \$6.6 billion of mandatory convertible preferred stock to long-term investors including the Korea Investment Corporation, Kuwait Investment Authority and Mizuho Corporate Bank.

### Composition of Net Revenues<sup>(1)</sup>

By Business Segment (DOLLARS IN MILLIONS)	2005	2006	2007
Global Markets & Investment Banking	\$13,412	\$18,305	\$(2,668) <sup>(2)</sup>
Global Wealth Management	10,489	11,841	14,021
Merrill Lynch Investment Managers	1,807	1,900 <sup>(4)</sup>	-
Corporate	(431)	1,735 <sup>(5)</sup>	(103)
<b>Total</b>	<b>\$25,277</b>	<b>\$33,781</b>	<b>\$11,250</b>

By Geographic Region (DOLLARS IN MILLIONS)	2005 <sup>(7)</sup>	2006 <sup>(7)</sup>	2007
Europe, Middle East and Africa	\$4,755	\$6,896	\$5,973
Pacific Rim	2,692	3,703	5,065
Latin America	841	1,009	1,401
Canada	228	386	430
Total Non-U.S.	8,516	11,994	12,869
United States <sup>(8)</sup>	16,761	21,787 <sup>(5)</sup>	(1,619) <sup>(2)</sup>
<b>Total</b>	<b>\$25,277</b>	<b>\$33,781</b>	<b>\$11,250</b>

(1) From continuing operations.

(2) 2007 net revenues for the GMI business segment were approximately \$20.6 billion and for the U.S. geographic region were approximately \$21.6 billion if adjusted to exclude full year net write-downs of approximately \$23.2 billion related to U.S. ABS CDOs, U.S. sub-prime residential mortgages and securities, and credit valuation adjustments related to hedges with financial guarantors on U.S. ABS CDOs.

(3) 2006 pre-tax earnings include the impact of the \$1.8 billion of one-time compensation expenses related to the adoption of SFAS 123R. These costs have been allocated to each of the segments and regions where they were incurred. For additional information refer to Note 1 to the Consolidated Financial Statements in the 2007 Annual Report on Form 10-K.

(4) Reflects only the first nine months of 2006, prior to MLIM's merger with BlackRock.

(5) Includes net revenues (gain on merger) of \$1,969 million related to the closing of MLIM's merger with BlackRock.

(6) Includes a net benefit of \$1,767 million related to the closing of MLIM's merger with BlackRock.

(7) 2005 and 2006 results include non-U.S. net revenues earned by Merrill Lynch Investment Managers (MLIM) of approximately \$0.8 billion and \$1.0 billion, respectively.

(8) Corporate segment net revenues and adjustments are reflected in the U.S. region.

### Composition of Pre-Tax Earnings/(Loss)<sup>(1)</sup>

By Business Segment (DOLLARS IN MILLIONS)	2005	2006 <sup>(3)</sup>	2007
Global Markets & Investment Banking	\$4,668	\$5,292	\$(16,345)
Global Wealth Management	2,067	2,290	3,630
Merrill Lynch Investment Managers	586	637 <sup>(4)</sup>	-
Corporate	(560)	1,591 <sup>(6)</sup>	(116)
<b>Total</b>	<b>\$6,761</b>	<b>\$9,810</b>	<b>\$(12,831)</b>

By Geographic Region (DOLLARS IN MILLIONS)	2005 <sup>(7)</sup>	2006 <sup>(3)(7)</sup>	2007
Europe, Middle East and Africa	\$1,307	\$2,091	\$1,211
Pacific Rim	960	1,204	2,403
Latin America	340	357	632
Canada	47	181	235
Total Non-U.S.	2,654	3,833	4,481
United States <sup>(8)</sup>	4,107	5,977 <sup>(6)</sup>	(17,312)
<b>Total</b>	<b>\$6,761</b>	<b>\$9,810</b>	<b>\$(12,831)</b>



# Global Markets and Investment Banking (GMI)

GMI is one of the world's leading providers of institutional sales and trading, investment banking advisory and capital raising services. Building on enduring relationships, GMI leverages its global resources, market intelligence, product innovation, and leading scale positions in the capital markets to deliver value-added, often multi-faceted solutions that benefit investor and issuer clients, and the firm.

## Global Markets

Offers worldwide sales and trading services to meet investor client demand for new issue and secondary market instruments, and also undertakes selective proprietary trading activities, including:

### Fixed Income, Currencies and Commodities (FICC)

- Sales and trading activities for interest rate, credit and currency products and derivatives
- Principal investing, structured finance and real estate-related activities
- Sales and trading in commodities, including natural gas, electricity, crude oil and refined products, metals, and other commodity-related products and derivatives

### Equity Markets

- Cash equity trading, including portfolio and algorithmic trading
- Equity-linked product trading and structuring
- Securities financing and services, including prime brokerage
- Private equity investments in select companies globally
- Strategic risk trading

## Global Investment Banking

Offers a wide range of financing and strategic advisory services to issuer clients, including:

- Securities origination and underwriting, including private placements
- Strategic merger and acquisition advisory services
- Corporate finance advisory services
- Leveraged finance activities
- Syndicated loans and other financing

## Business Update

Despite record full year net revenues in Equity Markets and Investment Banking, and record first half net revenues from FICC, GMI was adversely impacted during 2007 by a challenging market environment, particularly in the second half of the year as the combination of the deterioration in the credit markets, a decline in liquidity, reduced price transparency, increased volatility, and a weak U.S. housing market had a materially negative impact on the global credit and global structured finance and investments businesses within FICC.

Weakness in the U.S. and European credit markets subsequent to year-end, may continue to negatively impact the valuation of Merrill Lynch's net exposures to U.S. super senior ABS CDOs and related hedges with financial guarantors, sub-prime related assets and other residential and commercial real estate related loans and securities, which would result in additional write-downs.

Strategically, GMI continued to execute on a variety of key initiatives to grow and diversify its sources of revenue, including:

- Within **FICC**, continuing to strengthen the global rates and global currencies businesses with incremental headcount and infrastructure; and continuing to broaden the scope of the global commodities business in terms of products, geography, and linkage to the broader client franchise, including trading in oil and metals and geographically in the Pacific Rim
- Within **Equity Markets**, continuing to enhance Merrill Lynch's leading cash equity trading platform by adding to its portfolio and electronic trading capabilities through additional investments in personnel and

technology; enhancing global equity-linked trading capabilities by expanding product groups in Europe and the Pacific Rim; continuing to expand the product offerings of the global markets financing and services business (which includes prime brokerage) to include additional synthetic offerings; continuing to invest in personnel and infrastructure in the strategic risk group (Merrill Lynch's distinct proprietary trading business); and continuing to make significant new investments in the global private equity business, expanding globally and leveraging the company's global investment banking coverage

- Within **Investment Banking**, continuing to expand the company's origination and advisory capabilities, including adding to global headcount in a targeted manner to improve the breadth and depth of Merrill Lynch's client franchise
- Continuing to expand **outside of the U.S.**, with particular focus on key emerging markets, such as Brazil, China, India, Russia, and the Middle East
- Increasingly providing clients with **integrated, multi-faceted solutions** that span geographies, assets classes and products such as private equity, derivatives, and commodities
- Continuing to strengthen linkages with **Global Wealth Management**

## GMI's Results of Operations

(DOLLARS IN MILLIONS)	2005	2006	2007
<b>Global Markets</b>			
FICC	\$5,798	\$7,552	\$(15,873)
Equity Markets	4,356	6,730	8,286
Total Global Markets net revenues	10,154	14,282	(7,587)
<b>Investment Banking</b>			
Origination:			
Debt	1,424	1,704	1,550
Equity	952	1,220	1,629
Strategic Advisory Services	882	1,099	1,740
Total Investment Banking net revenues	3,258	4,023	4,919
<b>Total GMI net revenues</b>	<b>13,412</b>	<b>18,305</b>	<b>(2,668)</b>
Non-interest expenses	8,744	13,013	13,677
<b>Pre-tax earnings/(loss) from continuing operations</b>	<b>4,668</b>	<b>5,292</b>	<b>(16,345)</b>
Impact of one-time compensation expenses <sup>(1)</sup>	-	1,369	-
<b>Pre-tax earnings/(loss) from continuing operations excluding one-time compensation expenses<sup>(1)</sup></b>	<b>\$4,668</b>	<b>\$6,661</b>	<b>\$(16,345)</b>
Pre-tax profit margin	34.8%	28.9%	N/M
Pre-tax profit margin excluding one-time compensation expenses <sup>(1)</sup>	34.8%	36.4%	N/M
Total full-time employees	7,700	9,500	12,300

FICC net revenues include principal transactions and net interest profit, commissions, revenues from principal investments, and other revenues. Equity Markets net revenues include commissions, principal transactions and net interest profit, revenues from equity method investments, changes in fair value on private equity investments, and other revenues. Principal transactions revenues include both realized and unrealized gains and losses on trading assets and trading liabilities and investment securities classified as trading investments. Net interest profit is a function of (i) the level and mix of total assets and liabilities, including trading assets owned, deposits, financing and lending transactions, and trading strategies associated with Merrill Lynch's businesses, and (ii) the prevailing level, term structure and volatility of interest rates. Net interest profit is an integral component of trading activity. In assessing the profitability of Merrill Lynch's client facilitation and trading activities, principal transactions and net interest profit are viewed in the aggregate as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause the mix of principal transactions and net interest profit to fluctuate. Commission revenues primarily arise from agency transactions in listed and over-the-counter equity securities and commodities, insurance products and options. Earnings from equity method investments include Merrill Lynch's pro rata share of income and losses associated with investments accounted for under the equity method. Other revenues include gains/(losses) on investment securities, including unrealized losses on certain available-for-sale securities, gains/(losses) on private equity investments that are held for capital appreciation and/or current income, and gains/(losses) on loans and other miscellaneous items. Origination revenues represent fees earned from the underwriting of debt, equity and equity-linked securities as well as loan syndication fees. Strategic advisory services revenues include merger and acquisition and other advisory fees.

(1) The one-time compensation expenses related to the adoption of SFAS 123R in 2006. For additional information, refer to Note 1 to the Consolidated Financial Statements in the 2007 Annual Report on Form 10-K.

Additional information on GMI is available at [www.ml.com/our\\_businesses\\_GMI](http://www.ml.com/our_businesses_GMI)

# Residential Mortgage-Related, U.S. ABS CDO and Financial Guarantor Exposures

GMI's substantially reduced performance during 2007 was primarily driven by significant declines in FICC net revenues for the second half of the year, which more than offset record full year net revenues in Equity Markets and Investment Banking, and record first half net revenues from FICC. During the second half of 2007, FICC net revenues were materially impacted by a weaker business environment which resulted in full year net write-downs that included approximately \$23.2 billion related to U.S. ABS CDOs, U.S. sub-prime residential mortgages and securities, and credit valuation adjustments related to hedges with financial guarantors on U.S. ABS CDOs.

The challenging market conditions that existed during the second half of 2007, particularly those relating to ABS CDOs and sub-prime residential mortgages, remained at year end. Despite the significant reduction of its net exposures to these markets during the third and fourth quarters, at year end Merrill Lynch maintained exposures to these markets through securities, derivatives, loans and loan commitments.

Specifically, Merrill Lynch ended 2007 with sizeable long and short exposures to U.S. ABS CDOs as well as exposure to various residential real estate assets including U.S. sub-prime, U.S. Alt-A, U.S. prime and non-U.S. residential loans and securities.<sup>(1)</sup>

## Residential Mortgage-Related

The following table provides a summary of Merrill Lynch's residential mortgage-related net exposures and losses, excluding net exposures to residential mortgage-backed securities held in its U.S. banks for investment purposes.<sup>(2)</sup>

(DOLLARS IN MILLIONS)	NET EXPOSURES AS OF DEC. 28, 2007	NET LOSSES FOR THE YEAR ENDED DEC. 28, 2007 <sup>(3)</sup>
<b>Residential Mortgage-Related Net Exposures and Losses (excluding U.S. Banks Investment Securities Portfolio):</b>		
U.S. Sub-prime:		
Warehouse lending	\$137	\$(31)
Whole loans	994	(1,243)
Residuals	855	(1,582)
Residential mortgage-backed securities	723	(332)
<b>Total U.S. sub-prime</b>	<b>\$2,709</b>	<b>\$(3,188)</b>
U.S. Alt-A	2,687	(542)
U.S. Prime	28,189	N/A
Non-U.S.	9,582	(465)
Mortgage servicing rights	389	N/A
<b>Total</b>	<b>\$43,556</b>	<b>\$(4,195)</b>

\*N/A = Not applicable as these areas did not generate net losses for the year ended December 28, 2007.

## U.S. ABS CDO

The following table provides a summary of Merrill Lynch's U.S. super senior ABS CDO net exposures and its secondary trading exposures related to its ABS CDO business as of December 28, 2007. Derivative exposures are represented by their notional amounts as opposed to fair value.

(DOLLARS IN MILLIONS)	NET EXPOSURES AS OF DEC. 28, 2007 <sup>(4)</sup>	NET LOSSES FOR THE YEAR ENDED DEC. 28, 2007 <sup>(5)</sup>
<b>U.S. ABS CDO Net Exposures and Losses:</b>		
U.S. super senior ABS CDO:		
High-grade	\$4,380	\$(7,362)
Mezzanine	2,184	(6,066)
CDO-squared	271	(1,163)
<b>Total super senior ABS CDO</b>	<b>6,835</b>	<b>(14,591)</b>
Secondary trading	(1,997)	(2,104)
<b>Total U.S. ABS CDO-related</b>	<b>\$4,838</b>	<b>\$(16,695)</b>

## Financial Guarantors

To economically hedge certain of its ABS CDO and U.S. sub-prime mortgage exposures, Merrill Lynch entered into credit default swaps ("CDS") with various counterparties, including financial guarantors. It also has credit derivatives with financial guarantors across other referenced assets. Further credit deterioration of the underlying assets hedged with the financial guarantors and/or the financial guarantors themselves could have an adverse impact on Merrill Lynch's future financial performance. The following table provides a summary of Merrill Lynch's total financial guarantor exposures for U.S. super senior ABS CDOs as of December 28, 2007.

(DOLLARS IN MILLIONS)	NOTIONAL OF CDS <sup>(6)</sup>	MARK-TO-MARKET NET OF GAINS PRIOR TO CREDIT VALUATION ADJ.	MARK-TO-MARKET GAINS PRIOR TO CREDIT VALUATION ADJS.	CREDIT VALUATION ADJS.	MARK-TO-MARKET VALUE OF CDS
<b>Credit Default Swaps with Financial Guarantors<sup>(7)</sup>:</b>					
By counterparty credit quality <sup>(8)</sup> :					
AAA	\$(13,237)	\$(9,104)	\$4,133	\$(679)	\$3,454
AA	-	-	-	-	-
A	-	-	-	-	-
BBB	-	-	-	-	-
Non-investment grade or unrated	(6,664)	(4,735)	1,929	(1,929)	-
<b>Total</b>	<b>\$(19,901)</b>	<b>\$(13,839)</b>	<b>\$6,062</b>	<b>\$(2,608)</b>	<b>\$3,454</b>

\*"ADJ." / "ADJS." = Adjustment(s).

(1) For additional information on these exposures refer to the Consolidated Results of Operations section of the 2007 Annual Report on Form 10-K, in particular the U.S. ABS CDO and Other Mortgage-Related Activities section beginning on page 34.

(2) At December 28, 2007, our net exposures to sub-prime mortgage related securities and ABS CDOs whose underlying collateral includes sub-prime residential mortgage-backed securities in the U.S. banks investment portfolio was \$4.2 billion. The amount of losses related to these securities recognized in our 2007 Consolidated Statement of (Loss)/Earnings was approximately \$700 million. For additional information on net exposures to residential mortgage-backed securities held in Merrill Lynch's U.S. banks for investment purposes refer to the Consolidated Results of Operations section of the 2007 Annual Report on Form 10-K, in particular the U.S. Banks Investment Securities Portfolio section on page 38.

(3) Primarily represents unrealized losses on net exposures.

(4) Represents long and short exposure of hedges. These hedges are affected by a variety of factors that impact the degree of their effectiveness, including differences in attachment point, timing of cash flows, control rights, litigation, the creditworthiness of the counterparty, limited recourse to counterparties and other basis risks.

(5) Primarily represents unrealized losses on net exposures. Amounts exclude credit valuation adjustments of negative \$2.6 billion related to financial guarantor exposures on U.S. super senior ABS CDOs. See table regarding financial guarantor exposures.

(6) Represents gross notional amount of credit default swaps purchased as protection for U.S. super senior ABS CDOs. Amounts do not include counterparty exposure with financial guarantors for other asset classes.

(7) Excludes the benefit of \$2.0 billion (notional) of credit default swaps purchased from unrelated third parties as protection for exposure to financial guarantors, as well as the related positive mark-to-market adjustments.

(8) Represents rating agency credit ratings as of December 28, 2007.



# Global Wealth Management (GWM)

Global Wealth Management encompasses Merrill Lynch's wealth management activities including:

- Global Private Client (GPC)
- Global Investment Management (GIM)

## Global Private Client (GPC)

GPC provides advice-based wealth management services and products through a global distribution network including 16,740 Financial Advisors (FAs) in approximately 735 offices globally as of year-end 2007. About three-quarters of GPC's client assets arise from relationships with clients who have investable assets of \$1 million or more with Merrill Lynch. Critical to Merrill Lynch's success is a segmentation strategy that delivers targeted services to individuals, small- and middle-market businesses, and institutions based on their level of investable assets, as follows:

- Private Wealth Advisors are primarily focused on servicing ultra-high-net-worth investors with \$10 million or more. Such investors represent approximately one-third of total private client assets
- Financial Advisors are primarily focused on servicing high-net-worth and affluent investors with \$100,000 to \$10 million
- The Financial Advisory Center is primarily focused on servicing individual investors with less than \$100,000

Through its "open architecture" Total Merrill<sup>SM</sup> platform, GPC offers a broad range of integrated products and services from both proprietary and third-party sources to reflect each client's specific choices and needs. Products and services offered by GPC include:

- Traditional commission-based and online securities brokerage services
- Wealth management services
- Investment advisory services such as Merrill Lynch Consults<sup>®</sup>, a fee-based separately managed account product that offers clients access to a variety of professional asset management firms
- A broad array of mutual funds, closed-end funds and ETFs covering a cross-section of industries, regions and styles
- Deposit and cash management products, including CMA<sup>®</sup> and Beyond Banking<sup>®</sup> accounts and Visa<sup>®</sup> cards
- Retirement products, including IRAs and 401(k)s
- Trust and generational planning services
- Consumer and small business lending, including mortgages
- Insurance and annuity products
- Alternative investment products
- Financial planning, including comprehensive, customized financial planning services

## Global Investment Management (GIM)

GIM includes Merrill Lynch's interests in businesses that create and manage wealth management products for individual investors and small businesses, including:

- A business that creates and manages hedge fund and other alternative investment products for GPC's clients
- Merrill Lynch's ownership positions in investment management companies, including BlackRock (NYSE: BLK)

BlackRock is one of the world's largest publicly traded investment management firms with approximately \$1.4 trillion in assets under management at the end of 2007. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of equity, fixed income, cash management, and alternative investment products. Merrill Lynch owns a 45% voting interest and approximately half of the economic interest of BlackRock.

## Business Update

GWM generated strong financial performance in 2007, driven primarily by revenue growth in GPC:

- Fee-based revenues and net interest profit (including related hedges) together represented 67% of GPC's total net revenues
- GPC generated \$38 billion in net new money into annuitized-revenue products, and \$80 billion in total net new money

To further drive growth, GPC has emphasized the following initiatives:

- Increasing its FA force by retaining current FAs and by hiring high quality, experienced FAs and new trainees
- Investing in technology and training to improve FA productivity
- Accelerating the growth of GPC's businesses outside of the U.S.
- Expanding retirement-related products and services
- Enhancing its banking and lending products and services, including the acquisition in September 2007 of First Republic Bank, which provides personalized, relationship-based banking services, including private banking, private business banking, real estate lending, trust, brokerage and investment management, and which now operates as a division of Merrill Lynch Bank & Trust Co., FSB

## GWM's Results of Operations

(DOLLARS IN MILLIONS)	2005	2006	2007
<b>GPC</b>			
Fee-based revenues	\$4,743	\$5,499	\$6,278
Transactional and origination revenues	3,264	3,397	3,887
Net interest profit and related hedges <sup>(1)</sup>	1,763	2,103	2,318
Other revenues	310	301	416
Total GPC net revenues	10,080	11,300	12,899
<b>GIM</b>			
Total GIM net revenues	409	541	1,122
<b>Total GWM net revenues</b>	<b>10,489</b>	<b>11,841</b>	<b>14,021</b>
Non-interest expenses	8,422	9,551	10,391
<b>Pre-tax earnings from continuing operations</b>	<b>2,067</b>	<b>2,290</b>	<b>3,630</b>
Impact of one-time compensation expenses <sup>(2)</sup>	-	281	-
<b>Pre-tax earnings from continuing operations excluding one-time compensation expenses<sup>(2)</sup></b>	<b>\$2,067</b>	<b>\$2,571</b>	<b>\$3,630</b>
Pre-tax profit margin	19.7%	19.3%	25.9%
Pre-tax profit margin excluding one-time compensation expenses <sup>(2)</sup>	19.7%	21.7%	25.9%
Total full-time employees	26,900	28,400	31,000
Total Financial Advisors	15,160	15,880	16,740

**Fee-based revenues** primarily consist of portfolio service fees that are derived from accounts that charge an annual fee based on net asset value (generally billed quarterly in advance based on prior quarter asset values), such as Merrill Lynch Consults<sup>®</sup> (a separately managed account product) and prior to 2007 year-end, Unlimited Advantage<sup>®</sup> (a fee-based brokerage account). Fee-based revenues also include commissions related to distribution fees on mutual funds, asset-based commissions from insurance products and taxable and tax-exempt money market funds, and fixed annual account fees and other account-related fees. **Transactional and origination revenues** include certain commission revenues, such as those that arise from agency transactions in listed and over-the-counter equity securities, mutual funds, and insurance products. These revenues also include principal transactions which primarily represent bid-offer revenues on government bonds and municipal securities, as well as new issue revenues which include selling concessions on newly issued debt and equity securities, including shares of closed-end funds. **Net interest profit (interest revenues less interest expense) and related hedges** include GPC's allocation of the interest spread earned in Merrill Lynch's banking subsidiaries for deposits, as well as interest earned, net of provisions for loan losses, on securities-based loans, mortgages, small- and middle-market business and other loans, corporate funding allocations, and the interest component of non-qualifying derivatives.

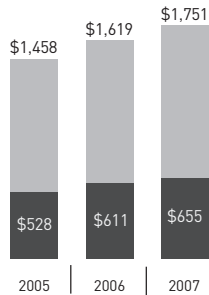
(1) Includes interest component of non-qualifying derivatives which are included in other revenues on the Consolidated Statements of (Loss)/Earnings in the 2007 Annual Report on Form 10-K.

(2) The one-time compensation expenses were related to the adoption of SFAS 123R in 2006. For additional information, refer to Note 1 to the Consolidated Financial Statements in the 2007 Annual Report on Form 10-K.

Additional information on GWM is available at [www.askmerrill.ml.com](http://www.askmerrill.ml.com) and [www.ml.com/our\\_businesses\\_GWM](http://www.ml.com/our_businesses_GWM)  
Additional information on BlackRock is available at [www.blackrock.com](http://www.blackrock.com)

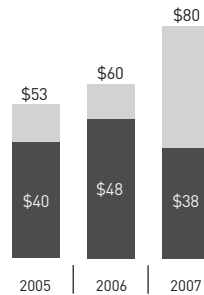
# Client Assets and Employees

**Client Assets<sup>(1)</sup>**  
(DOLLARS IN BILLIONS)



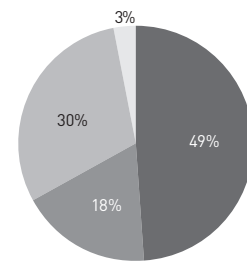
■ Assets in annuitized-revenue products

**Net New Money<sup>(2)</sup>**  
(DOLLARS IN BILLIONS)



■ Net new money into annuitized-revenue products<sup>(3)</sup>

**Global Private Client  
2007 Net Revenues by Type**



■ Fee-based revenues  
■ Net interest profit and related hedges  
■ Transactional and origination revenues  
■ Other revenues

## Selected Client Asset Information

(DOLLARS IN BILLIONS)

	2003	2004	2005	2006	2007
<b>Client Assets<sup>(1)</sup>:</b>					
U.S.	\$1,164	\$1,244	\$1,341	\$1,483	\$1,586
Non-U.S.	103	115	117	136	165
<b>Total Client Assets</b>	<b>1,267</b>	<b>1,359</b>	<b>1,458</b>	<b>1,619</b>	<b>1,751</b>
<b>Assets in Annuitized-Revenue Products</b>	<b>N/A</b>	<b>N/A</b>	<b>528</b>	<b>611</b>	<b>655</b>
<b>Net New Money<sup>(2)</sup>:</b>					
All Client Accounts	4	24	53	60	80
Annuitized-Revenue Products <sup>(3)</sup>	N/A	35	40	48	38 <sup>(4)</sup>
<b>Bank Deposits:</b>					
U.S.	\$65	\$66	\$62	\$62	\$77
Non-U.S.	14	14	18	22	27
<b>Total Bank Deposits</b>	<b>79</b>	<b>80</b>	<b>80</b>	<b>84</b>	<b>104</b>

## Employee Statistics

	2003	2004	2005	2006	2007
<b>Full-Time Employees:</b>					
U.S.	38,200	40,200	43,200	43,700	48,700
Non-U.S.	9,900	10,400	11,400	12,500	15,500
<b>Total Full-Time Employees<sup>(5)</sup></b>	<b>48,100</b>	<b>50,600</b>	<b>54,600</b>	<b>56,200</b>	<b>64,200</b>
<b>Non-U.S. Based Employees as a % of Total</b>	<b>20.6%</b>	<b>20.6%</b>	<b>20.9%</b>	<b>22.2%</b>	<b>24.1%</b>
<b>Global Private Client Financial Advisors</b>	<b>13,530</b>	<b>14,140</b>	<b>15,160</b>	<b>15,880</b>	<b>16,740</b>
<b>Total GPC Offices</b>	<b>640</b>	<b>630</b>	<b>720</b>	<b>680</b>	<b>735</b>

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

- (1) Client assets refer to assets held in client-owned accounts, including commissioned brokerage accounts, managed accounts, and retirement accounts. Generally, Merrill Lynch acts as agent with respect to client assets, and therefore does not include them in assets reported on its balance sheet.
- (2) Net new money excludes flows associated with the Institutional Advisory Division which serves certain small- and middle-markets companies, as well as net inflows at BlackRock. Net New Money prior to 2004 includes flows associated with the Institutional Advisory Division.
- (3) Includes both net new client assets into annuitized-revenue products, as well as existing client assets transferred into annuitized-revenue products.
- (4) Includes approximately \$20 billion of net outflows resulting from the transition of client assets out of certain fee-based brokerage accounts in response to regulatory changes. For additional information refer to the GWM Results of Operations section of the 2007 Annual Report on Form 10-K.
- (5) Excludes 200, 100, 200, 100, and 700 full-time employees on salary continuation severance at year-end 2003, 2004, 2005, 2006 and 2007, respectively. Amount for 2006 also excludes approximately 2,400 MLIM employees that were transferred to BlackRock at the closing of the merger of MLIM and BlackRock in the third quarter of 2006.



# Global Research

Merrill Lynch's research expertise is at the core of the value proposition offered to clients and is an integral component of the product offerings in GMI and GWM. Merrill Lynch achieves research excellence through the quality of its staff, the breadth and depth of its global resources, and its product commitment. Merrill Lynch's analysts provide insightful, objective and decisive research that is designed to enable clients to make informed investment decisions.

Merrill Lynch is one of the most respected research organizations in the world with more than 800 analysts focusing on four main disciplines:

- **Global Equity Research** analysts provide fundamental analysis on more than 3,600 companies domiciled in 50 countries. Merrill Lynch equity research also provides institutional and individual clients with industry-specific research and in-depth global research and analysis on more than 20 global industries
- The **Global Economics and Foreign Exchange** group offers in-depth analysis of critical global issues, providing clients with investment ideas, market forecasts, macro overviews, and foreign exchange investment strategies
- **Global Fixed Income and Equity-Linked Research** analysts conduct research and analysis on various products including derivatives across all asset classes, structured products, convertible securities, corporate credit, municipals, commodities and index research. The group not only publishes dedicated product research and investment ideas, but also provides comprehensive capital structure assessments of select industries and their component companies
- The **Global Investment Strategy** group offers sector and specific investment recommendations across asset classes, regions and disciplines

## Research Distribution

Merrill Lynch utilizes a variety of channels to ensure timely and effective dissemination of its research to clients.

In addition to traditional research reports, regular digital media programming is available to individual Merrill Lynch clients on the firm's web-based delivery channels, including:

- Merrill Lynch OnLine®
- Merrill Lynch OnLine International<sup>SM</sup>
- Merrill Lynch Direct®

Merrill Lynch's institutional clients can also receive digital media programming through:

- The MLX® portal
- Links from co-mingled, third-party platforms such as TheMarkets.com and Bond.Hub

## iQanalytics® Capabilities

Merrill Lynch Research now offers its institutional clients a resource for research data called *iQanalytics*. Merrill Lynch's *iQanalytics* capabilities include a defined valuation methodology that draws on over 3,000 company models prepared by its Fundamental Equity analysts globally, and a series of proprietary software tools. *iQanalytics* allows Merrill Lynch analysts and clients to select and compare financial metrics of companies under coverage across sectors and regions, including recent historical performance and forecast and valuation information.

## Research Rankings

Merrill Lynch is consistently recognized for its global research capabilities, both in the U.S. and around the world. Recent rankings include:

- Voted #1 in *The Wall Street Journal* 2007 Best on the Street Stock Picking Survey
- Ranked #1 in the U.S., #1 in Europe and #2 in Asia Pacific ex-Japan in the 2007 *Financial Times / StarMine* broker rankings for earnings forecasts
- Ranked #3 in the 2008 *Institutional Investor* All-Europe Research Team Survey; second consecutive year
- Ranked #3 in the 2007 *Institutional Investor* All-Latin America Research Survey
- Ranked #3 in the 2007 *Institutional Investor* All-Brazil Research Team Survey
- Ranked #3 in 2007 by *Institutional Investor* for Emerging EMEA Equity coverage; second consecutive year
- Ranked in the top five in the *Institutional Investor* All-America Equity Research Team Survey; fifth consecutive year

## Third-Party Research

In compliance with the 2003 Global Research Analysts' Settlement, Merrill Lynch began providing independent third-party research, in addition to its proprietary research, to U.S. clients in July 2004. To assist in identifying sources of third-party research, Merrill Lynch retained an independent consultant who chose the following third-party research providers:

- **Morningstar**, known for its rating of mutual funds, provides fundamental equity analysis for more than 95% of the approximately 1,550 stocks currently covered by Merrill Lynch research that are subject to the settlement. Morningstar provides a "buy," "hold" or "sell" recommendation while retaining the familiar Morningstar five-star rating system
- **BNY Jaywalk**, a company that aggregates research from over 100 different sources, provides reports on virtually all of the stocks Merrill Lynch covers. Merrill Lynch's independent consultant selects from within the Jaywalk platform approximately 25 providers that use various research methodologies. While providing recommendations based on various rating systems, these providers also offer a "buy," "hold" or "sell" recommendation

By providing independent third-party research, Merrill Lynch now offers its private clients multiple ratings for a stock, exceeding the settlement's requirement to provide only one "second opinion."

Merrill Lynch has always been committed to informing, educating and advising investors. Its proprietary research has a long history of adding value, and now Merrill Lynch clients benefit from having access to additional research opinions.

# Chronology

## Key events throughout Merrill Lynch's history:

**2008 Merrill Lynch Capital:** GE Capital purchased substantially all of the operations of Merrill Lynch's Chicago-based wholly-owned middle-market commercial finance business, including its commercial real estate division (FICC)

**Merrill Lynch issued \$6.6 billion of mandatory convertible preferred stock** in private placements to long-term investors, primarily to Korea Investment Corporation, Kuwait Investment Authority and Mizuho Corporate Bank

**2007 Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York:** Formed a strategic business relationship in the areas of insurance and investment products with AEGON, including the divestiture of two life insurance companies for \$1.3 billion in cash (GPC)

**Merrill Lynch entered into agreements to issue \$6.2 billion of common stock** in private placements with Temasek Capital (Private) Limited and assignees, and Davis Selected Advisors

**First Republic Bank:** Acquired a U.S. private banking and wealth management firm focused on high-net-worth individuals and their businesses for \$1.8 billion (GPC)

**Sterling Stamos Capital Management:** Non-controlling investment in a private investment firm that manages assets on behalf of high-net-worth individuals and institutional investors globally (GIM)

**GSO Capital Partners:** Minority stake in a New York-based registered investment management firm (GIM)

**2006 First Franklin:** Acquired a sub-prime mortgage origination franchise and related servicing platform from National City Corporation for \$1.3 billion (FICC)

**Irish Life & Permanent Plc:** Established a joint venture for the origination of specialist residential mortgage loans in the Republic of Ireland (FICC)

**Petrie Parkman & Co.:** Acquired a leading boutique investment banking franchise covering the North American oil and gas industry (Investment Banking)

**Tat Yatirim Bankasi:** Acquired Tat Yatirim Bankasi, providing an investment banking platform for expansion in Turkey (GMI)

**Electronic Equity Trading Initiatives:** Announced a strategic alliance with Portware, launched Block Alert (a block trading joint venture with ITG) and completed a series of strategic investments (including Level, BIDS, BSX, and NSX) to enhance the electronic execution capabilities of the cash equity business (Equity Markets)

**DiMaio Ahmad Capital:** Passive, minority stake in an alternative investment management firm specializing in credit products (GIM)

**BlackRock-MLIM:** Merger of MLIM with BlackRock, Inc. in exchange for an economic interest in the combined investment management firm of approximately half (GIM)

**Peninsula Capital:** Majority investment in a start-up mortgage origination business in South Korea (FICC)

**Freedom Funding Ltd:** Acquired a specialist prime-niche non-conforming mortgage lender in the United Kingdom (FICC)

**Equity Methods:** Acquired a retirement-related business that provides equity award reporting, forecasting and valuation services (GPC)

**Mitsubishi UFJ Merrill Lynch PB Securities:** Launched a private banking and wealth management joint venture in Japan with a leading Japanese banking company (GPC)

**DSP Merrill Lynch:** Increased ownership stake from 40% to 90% in its investment banking and wealth management joint venture in India for approximately \$500 million (GMI/GWM)

**Wave Securities:** Acquired a direct market access trading firm from Archipelago (Equity Markets)

**2005 The Advest Group:** Acquired a retail brokerage firm from AXA Financial (GPC)

**AMVESCAP Plc unit:** Acquired a U.S. 401(k) retirement business (GPC)

**Pax Clearing Corp.:** Acquired a Chicago-based options, stock and futures clearing firm (Equity Markets)

**2004 Entergy-Koch LP:** Acquired a commodities trading business that trades natural gas, power and weather derivatives with offices in Houston and London (FICC)

**Mortgages plc:** Acquired a U.K.-based residential mortgage origination and servicing business (FICC)

**Wilshire Credit Corporation:** Acquired a sub-prime mortgage servicer (FICC)

**ABN Amro unit:** Acquired a U.S. equity and options execution and clearing business (Equity Markets)

**Bear Stearns unit:** Acquired the listed options electronic market-making assets (Equity Markets)

**2001 Following a broad strategic review of all businesses, Merrill Lynch announced a \$2.2 billion pre-tax charge** (\$1.7 billion after-tax) to position the company for improved profitability and growth

**2000 Herzog, Heine, Geduld, Inc.:** Merged with leading Nasdaq market-maker in a pooling-of-interests transaction (Equity Markets)

**1997 Mercury Asset Management PLC:** Acquired a U.K.-based international asset management group for \$5.3 billion (MLIM)

**1995 Smith New Court plc:** Acquired a U.K.-based global securities firm for \$803 million (GMI)

**1984 Becker Paribas:** Acquired an investment banking firm to strengthen Merrill Lynch's international investment banking franchise

**1983 Broadcort:** Acquired the clearing services firm

**1978 White, Weld & Co.:** Acquired international investment banking firm, accelerating development of Merrill Lynch's debt franchise

**1973 Merrill Lynch & Co., Inc.:** Holding company created; MLPF&S continues as principal operating subsidiary

**1971** Company went public on June 23, offering four million shares at a split-adjusted \$1.75 per share

**1959** MLPF&S incorporated on January 12, and joined the NYSE

**1958** Company re-named **Merrill Lynch, Pierce, Fenner & Smith (MLPF&S)**

**1941** Merrill Lynch, E.A. Pierce & Cassatt merged with Fenner & Beane, becoming Merrill Lynch, Pierce, Fenner & Beane

**1940** Merrill, Lynch & Co. merged with E.A. Pierce & Cassatt, becoming Merrill Lynch, E.A. Pierce & Cassatt

**1914** Charles E. Merrill & Co. opened its doors; changed its name to Merrill, Lynch & Co. in 1915



# Selected Legal Entities (as of February 2008)

## Merrill Lynch & Co., Inc.

### Merrill Lynch, Pierce, Fenner & Smith Incorporated<sup>(1)(2)</sup>

Merrill Lynch Life Agency Inc.<sup>(3)</sup>  
Merrill Lynch Professional Clearing Corp.<sup>(4)</sup>  
ML Petrie Parkman Co., Inc.

### Merrill Lynch Government Securities Inc.<sup>(1)</sup>

Merrill Lynch Money Markets Inc.

### Merrill Lynch Capital Services, Inc.<sup>(1)</sup>

MLCI Holdings, Inc.  
Merrill Lynch Commodities, Inc.  
ML Energy Fund Management, LLC  
ML Energy Partners, LLC

### Merrill Lynch International Incorporated<sup>(1)</sup>

000 Merrill Lynch Securities<sup>(5)</sup>  
Merrill Lynch Futures Asia Limited  
Merrill Lynch Reinsurance Solutions LTD  
Merrill Lynch (Australasia) Pty. Ltd.  
Merrill Lynch Finance (Australia) Pty Limited  
Merrill Lynch Markets (Australia) Pty Limited  
Equity Margins Ltd.  
Merrill Lynch (Australia) Pty Ltd  
Merrill Lynch Equities (Australia) Limited  
Merrill Lynch Private (Australia) Limited  
Berndale Securities Limited  
Merrill Lynch (Australia) Nominees Pty. Limited  
Merrill Lynch International (Australia) Limited  
Merrill Lynch (Australia) Futures Limited

### Merrill Lynch Japan Securities Co., Ltd.

Merrill Lynch Japan Finance Co., Ltd.

### Merrill Lynch International Holdings Inc.

Nihonbashi Loan Service Corporation  
Nihonbashi Residential Mortgage Corporation  
Merrill Lynch Singapore Commodities Pte. Ltd.  
Merrill Lynch France SAS  
Merrill Lynch Capital Markets (France) SAS  
Merrill Lynch, Pierce, Fenner & Smith SAS  
Merrill Lynch Mexico, S.A. de C.V., Casa de Bolsa  
PT Merrill Lynch Indonesia<sup>(6)</sup>  
Merrill Lynch HK Services Limited  
Merrill Lynch (Asia Pacific) Limited  
Merrill Lynch Far East Limited  
Merrill Lynch Futures (Hong Kong) Limited

### ML Cayman Holdings Inc.

Merrill Lynch International & Co. C.V.<sup>(7)</sup>  
Merrill Lynch Bank and Trust Company (Cayman) Limited  
Institucion Financiera Externa Merrill Lynch Bank Uruguay S.A.  
Merrill Lynch Espanola Agencia de Valores S.A.

### Merrill Lynch Capital Markets AG<sup>(8)</sup>

Merrill Lynch Europe PLC  
Merrill Lynch, Pierce, Fenner & Smith Limited  
Merrill Lynch Global Asset Management Limited

### ML UK Capital Holdings<sup>(9)</sup>

Merrill Lynch International<sup>(7)</sup>  
Merrill Lynch Europe Intermediate Holdings  
Merrill Lynch Capital Markets Espana S.A., S.V.  
Merrill Lynch Holdings Limited  
Merrill Lynch Commodities (Europe) Holdings Limited  
Merrill Lynch Commodities (Europe) Limited  
Merrill Lynch Commodities (Europe) Trading Limited  
Merrill Lynch Commodities GmbH

Merrill Lynch (Singapore) Pte. Ltd.<sup>(10)</sup>

Merrill Lynch South Africa (Proprietary) Limited<sup>(10)</sup>

### Merrill Lynch Argentina S.A.<sup>(11)</sup>

Merrill Lynch, Pierce, Fenner & Smith de Argentina Sociedad Anonima, Financiera, Mobiliaria y de Mandatos<sup>(11)</sup>

### Banco Merrill Lynch de Inversiones S.A.<sup>(11)</sup>

Merrill Lynch S.A. Corretora de Titulos e Valores Mobiliarios

### Merrill Lynch S.A.<sup>(7)</sup>

Merrill Lynch Europe Ltd.

### Merrill Lynch Group, Inc.<sup>(1)</sup>

Merrill Lynch Holdings (Mauritius)<sup>(11)</sup>  
Apex Securities Company Limited  
Investor Protection Insurance Company  
Merrill Lynch Credit Reinsurance Limited  
FAM Distributors, Inc.  
Merrill Lynch Investment Holdings (Mauritius) Limited<sup>(12)</sup>  
Merrill Lynch (Mauritius) Investments Limited  
DSP Merrill Lynch Limited<sup>(7)</sup>  
DSP Merrill Lynch Capital Limited  
DSP Merrill Lynch Securities Trading Limited  
DSP Merrill Lynch Trust Services Limited

### ML Invest, Inc.

Merrill Lynch Investment Managers Group Services Limited  
Merrill Lynch Investment Managers (Finance) Limited  
Merrill Lynch Investment Managers Holdings B.V.

Merrill Lynch Portfolio Managers Limited

### Merrill Lynch Bank USA

Financial Data Services, Inc.  
Merrill Lynch Business Financial Services Inc.<sup>(13)</sup>  
Merrill Lynch Commercial Finance Corp.  
Merrill Lynch Utah Investment Corporation  
MLBUSA Community Development Corp.  
MLBUSA Funding Corporation  
Merrill Lynch NJ Investment Corporation

### Merrill Lynch Insurance Group, Inc.

Merrill Lynch Insurance Group Services, Inc.  
Roszel Advisors, LLC

### Merrill Lynch European Asset Holdings Inc.

Merrill Lynch Yatirim Bank A.S.  
Merrill Lynch Group Holdings Limited  
Merrill Lynch International Bank Limited<sup>(9)</sup>  
Majestic Acquisitions Limited  
Mortgage Holdings Limited

Mortgages plc

Mortgages 1 Limited

Merrill Lynch Bank (Suisse) S.A.

### Merrill Lynch Diversified Investments, LLC

Merrill Lynch Credit Products, LLC  
Merrill Lynch Mortgage Capital Inc.  
Merrill Lynch Mortgage Lending, Inc.  
Wiltshire Credit Corporation

### MLDP Holdings, Inc.

Merrill Lynch Derivative Products AG

### ML IBK Positions, Inc.

Merrill Lynch PCG, Inc.  
Merrill Lynch Capital Corporation

### ML Leasing Equipment Corp.<sup>(14)</sup>

Merrill Lynch Canada Holdings Company  
Merrill Lynch Canada Finance Company<sup>(9)</sup>  
Merrill Lynch & Co., Canada Ltd.  
Midland Walwyn Inc.<sup>(15)</sup>  
Merrill Lynch Financial Assets Inc.  
Merrill Lynch Canada Inc.<sup>(9)</sup>

### Merrill Lynch Bank & Trust Co., FSB<sup>(1)</sup>

### ML Private Finance LLC

### Merrill Lynch Mortgage and Investment Corporation<sup>(16)</sup>

Merrill Lynch Community Development Company, LLC  
Merrill Lynch Credit Corporation  
ML Mortgage Holdings Inc.

### FF Mortgage Corporation

First Franklin Financial Corporation  
Home Loan Services, Inc.

### First Republic Investment Management, Inc.

First Republic Preferred Capital Corporation  
First Republic Preferred Capital Corporation II  
First Republic Securities Company, LLC  
First Republic Wealth Advisors, LLC

### Herzog, Heine, Geduld, LLC<sup>(1)</sup>

### Merrill Lynch Financial Markets, Inc.<sup>(1)</sup>

### The Princeton Retirement Group, Inc.<sup>(1)</sup>

(1) Legal entity is a direct subsidiary of Merrill Lynch & Co., Inc.

(2) Also conducts business under the name "Merrill Lynch & Co."

(3) Similarly named subsidiaries that engage in the sale of insurance and annuity products are incorporated in various other jurisdictions.

(4) The preferred stock of the corporation is owned by an unaffiliated group of investors.

(5) Partially held by another indirect subsidiary of Merrill Lynch International Incorporated.

(6) Merrill Lynch International Holdings Inc. has an 80% stake in this entity through a joint venture.

(7) Partially held by another indirect subsidiary of ML&Co.

(8) Also conducts business under the names "Merrill Lynch Capital Markets S.A." and "Merrill Lynch Capital Markets Ltd."

(9) Held through several intermediate holding companies.

(10) Held through intermediate subsidiaries.

(11) Partially held by another direct subsidiary of ML&Co.

(12) Merrill Lynch Group, Inc. and Merrill Lynch International Incorporated each hold fifty percent of this entity.

(13) Also conducts business under the name "Merrill Lynch Capital."

(14) This corporation has 20 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of limited partnerships.

(15) Partially held by Merrill Lynch Canada Holdings Company.

(16) 14.617% of this entity is held by Merrill Lynch Bank USA.

## Selected Legal Entities Detail (as of February 2008)

The following are among the legal entities through which Merrill Lynch delivers products and services to its clients globally:

**Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S)** in the United States, acts as a broker (i.e., agent) for corporate, institutional, government, and other clients and as a dealer (i.e., principal) in the purchase and sale of corporate securities. MLPF&S also acts as a broker and/or a dealer in the purchase and sale of mutual funds, money market instruments, government securities, high yield bonds, municipal securities, financial futures contracts and options. The futures business and foreign exchange activities are conducted through MLPF&S and other subsidiaries. MLPF&S holds memberships and/or has third-party clearing relationships with all major commodity and financial futures exchanges and clearing associations in the United States and it also carries positions reflecting trades executed on exchanges outside of the United States through affiliates and/or third-party clearing brokers. As a leading investment banking entity, MLPF&S provides corporate, institutional, and government clients with a wide variety of financial services including underwriting the sale of securities to the public, structured and derivative financing, private placements, mortgage and lease financing and financial advisory services, including advice on mergers and acquisitions. MLPF&S also provides securities clearing services for its own account and for unaffiliated broker-dealers through its *Broadcort Division* and through its subsidiary **Merrill Lynch Professional Clearing Corp. (ML Pro)**. ML Pro is involved in Merrill Lynch's prime brokerage business and also makes a market in listed option contracts on various options exchanges. MLPF&S also provides discretionary and non-discretionary investment advisory services; offers fee-based financial planning services; and provides financing to clients, including margin lending and other extensions of credit. Through its retirement group, MLPF&S provides a wide variety of investment and custodial services to individuals through Individual Retirement Accounts and small business retirement programs. MLPF&S also provides investment, administration, communications, and consulting services to corporations and their employees for their retirement programs, including 401(k), pension, profit-sharing and nonqualified deferred compensation plans.

**Merrill Lynch Government Securities, Inc. (MLGSI)** is a primary dealer in obligations issued or guaranteed by the U.S. Government and regularly makes a market in securities issued by Federal agencies and other government-sponsored entities, such as, among others, Government National Mortgage Association, Fannie Mae and Freddie Mac. MLGSI deals in mortgage-backed pass-through instruments issued by certain of these entities and also in related futures, options, and forward contracts for its own account, to hedge its own risk, and to facilitate customers' transactions. As a primary dealer, MLGSI acts as a counterparty to the Federal Reserve Bank of New York (FRBNY) in the conduct of open market operations and regularly reports positions and activities to the FRBNY. An integral part of MLGSI's business involves entering into repurchase agreements and securities lending transactions.

**Merrill Lynch Capital Services, Inc. (MLCS) and Merrill Lynch Derivative Products AG (MLDP)** are interest rate and currency derivative product dealers. MLCS primarily acts as a counterparty for certain derivative financial products, including interest rate and currency swaps, caps and floors and options. MLCS maintains positions in interest-bearing securities, financial futures and forward contracts to hedge its interest rate and currency risk related to derivative exposures. In the normal course of its business, MLCS enters into repurchase and resale agreements with certain affiliated companies. MLDP acts as an intermediary for certain derivative products, including interest rate and currency swaps, between Merrill Lynch dealers and counterparties that are highly rated or otherwise acceptable to MLDP. Its activities address certain swap customers' preference to limit their trading to those dealers having the highest credit quality. In addition, MLCS's subsidiaries, **Merrill Lynch Commodities, Inc.**, and other Merrill Lynch subsidiaries trade as principal in physically and financially settled contracts in energy, weather and a broad range of other commodities. These subsidiaries also provide asset optimization and other energy management and risk management services for third parties.

**Merrill Lynch Japan Securities Co., Ltd. (MLJS)** is a Japan-based broker-dealer that provides clients with a variety of financial services, including the purchase and sale of equity and fixed income securities, futures and options. MLJS also acts as an underwriter and seller of securities in both publicly registered transactions and private placements.

**Merrill Lynch International (MLI)** is a United Kingdom-based dealer in equity and fixed income securities of a significant number of global issuers, sovereign government obligations and asset-backed securities, and in loans and related financial instruments. Outside the United States, MLI is a registered market maker and regularly makes a market in the equity securities of the more actively traded non-U.S. corporations. MLI is also Merrill Lynch's primary non-U.S. credit and equity derivatives and futures product dealer.

**Merrill Lynch Bank USA (MLBUSA) and Merrill Lynch Bank & Trust Co., FSB (MLBT-FSB)** provide the U.S. management platform for Merrill Lynch's banking products and services. Merrill Lynch, primarily through MLBUSA, provides syndicated and bridge financing, asset-based lending, commercial real estate lending, equipment financing, and standby or "backstop" credit in various forms for large institutional clients generally in connection with their commercial paper programs. MLBUSA also offers securities-based loans primarily to individual clients. MLBUSA is a state-chartered depository institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), and is a wholesale bank for Community Reinvestment Act (CRA) purposes. MLBT-FSB is a FDIC-insured federal savings bank and is a retail bank for CRA purposes. MLBUSA and MLBT-FSB offer certificates of deposit, transaction accounts and money market deposit accounts and issue Visa® debit cards. MLBT-FSB, through its First Republic division, its **Merrill Lynch Credit Corporation** and First Franklin subsidiaries offers residential mortgage financing throughout the United States enabling clients to purchase and refinance their homes as well as to manage their other personal credit needs. In addition, through its First Republic division and **Merrill Lynch Business Financial Services Inc. (MLBFS)**, a subsidiary of MLBUSA, offers commercial financing for qualifying small- and middle-market businesses, including lines of credit, revolving loans, term loans and equipment leases and loans. MLBFS has been moved to Merrill Lynch Commercial Finance Corp., a subsidiary of MLBUSA, as of December 29, 2007. MLBFS also provides qualifying business clients with acquisition, working capital and equipment financing, commercial real estate financing, and other specialized asset financing through its ML Capital business. The sale of the ML Capital business to GE Capital closed on February 4, 2008. **Financial Data Services Inc.**, a wholly-owned subsidiary of MLBUSA, is a registered transfer agent and provides support and services for mutual fund products.

**Merrill Lynch International Bank Limited (MLIB)**, formerly known as Merrill Lynch Capital Markets Bank Limited, is the primary non-U.S. banking entity for Merrill Lynch. Headquartered in Ireland, with branch offices in Amsterdam, Bahrain, Brussels, Frankfurt, London, Madrid, Milan, Paris and Singapore, MLIB acts as a principal for debt derivative transactions and engages in advisory, lending, loan trading, and institutional sales activities. MLIB also provides collateralized (including mortgage) lending, letters of credit, guarantees and foreign exchange services to, and accepts deposits from, its clients. MLIB, through its subsidiaries, **Mortgages plc** and **Wave Lending Limited**, provides mortgage lending, administration and servicing in the U.K. nonconforming residential mortgage market. **Merrill Lynch Bank (Suisse) S.A.**, a subsidiary of MLIB, is a Swiss licensed bank that provides a full array of banking, asset management and brokerage products and services to international clients, including securities trading and custody, secured loans and overdrafts, fiduciary deposits, foreign exchange trading and portfolio management services.

**Merrill Lynch Mortgage Capital Inc. (MLMCI)** is a dealer in syndicated commercial loans. As an integral part of its business, MLMCI enters into repurchase agreements whereby it obtains funds by pledging its own whole loans as collateral. The repurchase agreements provide financing for MLMCI's inventory and serve as short-term investments for MLMCI's customers. MLMCI also enters into reverse repurchase agreements through which it provides funds to customers collateralized by whole loan mortgages, thereby providing the customers with temporary liquidity. MLMCI, through its subsidiary **Merrill Lynch Mortgage Lending, Inc. (MLML)**, is a dealer in whole loan mortgages, mortgage loan participations and mortgage loan servicing. MLML also originates and purchases from lenders, both commercial and multi-family mortgage loans and then securitizes these loans for sale to investors. MLML purchases prime, subprime, nonperforming and subperforming residential mortgage loans from originators of these loans and aggregates these loans for sale in the securitization market. **Wilshire Credit Corporation**, a subsidiary of MLMCI, services subprime, nonperforming and reperforming residential mortgages.

**ML IBK Positions, Inc.** is a U.S.-based entity involved in private equity and principal investing that makes proprietary investments in all levels of the capital structure of U.S. and non-U.S. companies, and in special purpose companies owning real estate, mortgage loans, consumer receivables and other assets, and may make direct equity investments in real estate assets, mortgage loans and other assets. In addition, through its subsidiary, **Merrill Lynch Capital Corporation**, it provides senior and subordinated financing to certain companies.



# Executive Officers, Executive Client Coverage Group and International Advisory Council

## Executive Officers

The following list sets forth the name, age, present title, principal occupation and certain biographical information for Merrill Lynch's executive officers, all of whom have been elected by the Merrill Lynch Board of Directors. Unless otherwise indicated, the officers listed are of Merrill Lynch. Under Merrill Lynch's By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify or until their earlier resignation or removal.

**John A. Thain** (52) Chairman of the Board and Chief Executive Officer since December 2007; Chief Executive Officer of NYSE Euronext, Inc. and its predecessor companies, NYSE Group, Inc. and New York Stock Exchange Inc., from January 2004 until November 2007; President and Chief Operating Officer of The Goldman Sachs Group, Inc. from July 2003 to January 2004; President and Co-Chief Operating Officer of The Goldman Sachs Group, Inc. from May 1999 to June 2003.

**Rosemary T. Berkery** (54) Vice Chairman since July 2007; Executive Vice President since October 2001; General Counsel since September 2001; Senior Vice President and Head of U.S. Private Client (now a part of Global Private Client) Marketing and Investments from June 2000 to September 2001; Co-Director of Global Securities Research & Economics Group from April 1997 to June 2000.

**Nelson Chai** (42) Executive Vice President and Chief Financial Officer since December 2007; Executive Vice President and Chief Financial Officer of NYSE Euronext and its predecessor company NYSE Group, Inc., from January 2006 to December 2007; Chief Financial Officer of Archipelago Holdings from June 2000 to December 2005.

**Gregory J. Fleming** (45) President and Chief Operating Officer since May 2007; Executive Vice President from October 2003 to May 2007; President of GMI from August 2003 to May 2007; Chief Operating Officer of the Global Investment Banking Group of GMI from January 2003 to August 2003; Co-Head of the Global Financial Institutions Group of GMI from April 2001 to August 2003; Head of the United States Financial Institutions Group of GMI from June 1999 to April 2001; Managing Director of the Global Investment Banking Group of GMI from February 1999 to October 2003.

**Robert J. McCann** (49) Executive Vice President since August 2003; Vice Chairman and President of Global Private Client (now Global Wealth Management) since June 2005; Vice Chairman, Wealth Management Group from August 2003 to June 2005; Vice Chairman and Director of Distribution and Marketing for AXA Financial Inc. from March 2003 to August 2003; Head of the Global Securities Research & Economics Group of Merrill Lynch from October 2001 to March 2003; Chief Operating Officer of GMI from September 2000 to October 2001; Head of the Global Institutional Client Division of GMI from August 1998 to September 2000.

## Executive Client Coverage Group

### **Samuel R. Chapin**

Vice Chairman

### **Kevin B. Dunleavy**

Vice Chairman

### **Jeffrey N. Edwards**

Vice Chairman

### **Harold E. Ford, Jr.**

Vice Chairman

### **Brian P. Hull**

Vice Chairman

### **Richard (Dick) McCormack**

Vice Chairman

### **William J. McDonough**

Vice Chairman and  
Special Advisor to the Chairman

### **Harry McMahon**

Vice Chairman

### **Thomas A. Petrie**

Vice Chairman

### **James B. Quigley**

Vice Chairman

### **Gregg Seibert**

Vice Chairman

### **Hugh Sullivan**

Vice Chairman

## International Advisory Council

### **John Curtis**

Chairman, Allianz Australia Limited

### **Paul Desmarais, Jr.**

Chairman & Co-Chief Executive Officer,  
Power Corporation of Canada

### **Young-Key Hwang**

Senior Advisor, Shin & Kim

### **Lee Hsien Yang**

Chairman, Fraser and Neave, Limited

### **Christopher Mackenzie**

Chairman & Chief Executive Officer,  
Equilibrium Group

### **Deepak Parekh**

Executive Chairman, HDFC Ltd.

### **Sir Martin Sorrell**

Chief Executive, WPP

## Board of Directors

**John A. Thain** Chairman and chief executive officer; former chief executive officer of NYSE Euronext, Inc. and its predecessor companies, NYSE Group, Inc. and New York Stock Exchange Inc., from 2004 until 2007; president from 1999 to 2004, chief operating officer from 2003 to 2004 and co-chief operating officer from 1999 to 2003 of The Goldman Sachs Group, Inc.; 52 years old; director of Merrill Lynch since 2007.

**Carol T. Christ** President of Smith College; former executive vice chancellor and provost, University of California, Berkeley; 63 years old; director of Merrill Lynch since 2007.

**Armando M. Codina** President and chief executive officer of Flagler Development Group, a real estate investment, development, construction, brokerage and property management firm; 61 years old; director of Merrill Lynch since 2005.

**Virgis W. Colbert** Retired executive vice president of Worldwide Operations for Miller Brewing Company; 68 years old; director of Merrill Lynch since 2006.

**Alberto Cribiore** Managing partner and founder of Brera Capital Partners, a global private equity investment firm; former co-president of Clayton, Dubilier & Rice, Inc.; 62 years old; director of Merrill Lynch since 2003; lead independent director since 2007.

**John D. Finnegan** Chairman of the board, president and chief executive officer of The Chubb Corporation, a property and casualty insurance company; former executive vice president of General Motors Corporation, and chairman and president of General Motors Acceptance Corporation, a subsidiary of General Motors Corporation; 59 years old; director of Merrill Lynch since 2004.

**Judith Mayhew Jonas** Former member of the U.K. government's Equalities Review Panel; former provost of Kings College, Cambridge; former special advisor to the chairman of Clifford Chance, Solicitors; former vice chair of the London Development Agency; 59 years old; director of Merrill Lynch since 2006.

**Aulana L. Peters** Retired partner in the law firm of Gibson, Dunn & Crutcher L.L.P.; member of the International Public Interest Oversight Board; member of the U.S. Comptroller General's Accountability Advisory Panel; former member of the Public Oversight Board of AICPA; former commissioner of the U.S. Securities and Exchange Commission; 66 years old; director of Merrill Lynch since 1994.

**Joseph W. Prueher** Consulting professor and senior advisor to the Stanford University Center for International Security and Cooperation; U.S. Ambassador to the People's Republic of China from 1999 to 2001; U.S. Navy Admiral (Ret.), commander-in-chief of U.S. Pacific Command from 1996 to 1999; 65 years old; director of Merrill Lynch since 2001.

**Ann N. Reese** Co-founder and co-executive director of the Center for Adoption Policy, a not-for-profit corporation; former principal, Clayton, Dubilier & Rice, a private equity investment firm; former executive vice president and chief financial officer of ITT Corporation, a hotel and leisure company; 55 years old; director of Merrill Lynch since 2004.

**Charles O. Rossotti** Senior advisor to The Carlyle Group, a private global investment firm; former commissioner of Internal Revenue at the Internal Revenue Service; former chairman of the board, president and chief executive officer of American Management Systems, an international business and information technology consulting firm; 67 years old; director of Merrill Lynch since 2004.

Pictured left to right:

Virgis W. Colbert  
Armando M. Codina  
Judith Mayhew Jonas  
Alberto Cribiore  
John A. Thain  
John D. Finnegan  
Carol T. Christ  
Joseph W. Prueher  
Ann N. Reese  
Aulana L. Peters  
Charles O. Rossotti



# Annual Earnings/(Loss) Statements

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2003 <sup>(1)</sup> (52 WEEKS)	2004 <sup>(1)</sup> (53 WEEKS)	2005 <sup>(1)</sup> (52 WEEKS)	2006 <sup>(1)</sup> (52 WEEKS)	2007 (52 WEEKS)
<b>Revenues</b>					
Principal transactions	\$2,984	\$2,281	\$3,647	\$7,248	\$(12,067)
<b>Commissions</b>					
Equities	2,703	2,917	3,139	3,667	4,603
Mutual funds	1,105	1,311	1,501	1,871	2,154
Other	404	541	637	447	527
Total	4,212	4,769	5,277	5,985	7,284
<b>Investment banking</b>					
Origination	2,305	2,790	2,893	3,557	3,855
Strategic advisory services	551	683	884	1,091	1,727
Total	2,856	3,473	3,777	4,648	5,582
<b>Managed accounts and other fee-based revenues</b>					
Asset management fees	1,582	1,821	2,005	2,033	617
Portfolio service fees	1,863	2,263	2,543	3,026	3,498
Account fees	525	509	483	445	461
Other fees	504	595	670	769	889
Total	4,474	5,188	5,701	6,273	5,465
<b>Earnings from equity method investments</b>	471	518	567	556	1,627
<b>Other</b>	1,014	1,043	1,848	2,883	(2,190)
Subtotal	16,011	17,272	20,817	27,593	5,701
Interest and dividend revenues	11,381	14,644	26,031	39,790	56,974
Less interest expense	7,844	10,416	21,571	35,571	51,425
<b>Net interest profit</b>	3,537	4,228	4,460	4,219	5,549
<b>Gain on merger</b>	-	-	-	1,969	-
<b>Total net revenues</b>	<b>\$19,548</b>	<b>\$21,500</b>	<b>\$25,277</b>	<b>\$33,781</b>	<b>\$11,250</b>
<b>Non-Interest Expenses</b>					
Compensation and benefits excluding one-time compensation expenses	9,814	10,599	12,314	15,108	15,903
One-time compensation expenses	-	-	-	1,759	-
Communications and technology	1,448	1,451	1,599	1,838	2,057
Brokerage, clearing, and exchange fees	676	773	855	1,096	1,415
Occupancy and related depreciation	884	887	931	991	1,139
Professional fees	595	711	729	885	1,027
Advertising and market development	426	529	593	686	785
Office supplies and postage	197	202	209	225	233
Other	561	853	1,116	1,383	1,522
Net recoveries related to September 11	(147)	-	-	-	-
Net restructuring and other charges/(benefits)	20	(13)	-	-	-
Research and other settlement-related expenses	-	-	170	-	-
<b>Total non-interest expenses</b>	<b>14,474</b>	<b>15,992</b>	<b>18,516</b>	<b>23,971</b>	<b>24,081</b>
<b>Earnings/(loss) before income taxes</b>	<b>5,074</b>	<b>5,508</b>	<b>6,761</b>	<b>9,810</b>	<b>(12,831)</b>
Income tax expense/(benefit)	1,341	1,244	1,946	2,713	(4,194)
<b>Net earnings/(loss) from continuing operations</b>	<b>3,733</b>	<b>4,264</b>	<b>4,815</b>	<b>7,097</b>	<b>(8,637)</b>
<b>Net earnings from discontinued operations</b>	<b>103</b>	<b>172</b>	<b>301</b>	<b>402</b>	<b>860</b>
<b>Net earnings/(loss)</b>	<b>\$3,836</b>	<b>\$4,436</b>	<b>\$5,116</b>	<b>\$7,499</b>	<b>\$(7,777)</b>
<b>Earnings/(loss) per common share from continuing operations</b>					
Basic	\$4.10	\$4.62	\$5.32	\$7.96	\$(10.73)
Diluted	3.77	4.21	4.85	7.17	(10.73)

All periods ended on the last Friday of the period. For further information, including Notes to Consolidated Financial Statements, please see the 2005 Annual Report and the 2006 and 2007 Annual Reports on Form 10-K.

(1) Reported results for certain periods include the impact of restructuring and other charges and benefits, research and other settlement-related expenses, September 11-related recoveries, one-time compensation expenses related to the adoption of SFAS 123R and the impact of closing the merger of MLIM with BlackRock. Management also examines results excluding those items, which are Merrill Lynch's operating basis results. Operating basis results should not be considered an alternative to results as determined in accordance with generally accepted accounting principles ("GAAP") in the United States, but rather as non-GAAP measures considered relevant by management in comparing current year results with prior year results. Management believes these measures are valuable tools for investors to judge the quality of Merrill Lynch's financial performance as they allow investors to more readily assess earnings and identify trends. Items which would be excluded from operating results in the periods above include the following after-tax amounts: in 2003, \$91 million of September 11-related net insurance recoveries (\$147 million pre-tax) and \$3 million of net restructuring and other charges (\$20 million pre-tax); in 2004, \$11 million of net benefits from restructuring and other charges (\$13 million pre-tax benefit); in 2005, research and other settlement-related expenses of \$102 million (\$170 million pre-tax); and in 2006, \$1,177 million of one-time compensation expenses related to the adoption of SFAS 123R (\$1,759 million pre-tax) and \$1,105 million net benefit from the closing of the MLIM-BlackRock merger (\$1,969 of net revenues, \$202 million of expenses and \$1,767 million pre-tax).

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# Annual Earnings/(Loss) Statements

(PERCENTAGE OF NET REVENUES)	2003 <sup>(1)</sup> (52 WEEKS)	2004 <sup>(1)</sup> (53 WEEKS)	2005 <sup>(1)</sup> (52 WEEKS)	2006 <sup>(1)</sup> (52 WEEKS)	2007 (52 WEEKS)
<b>Revenues</b>					
Principal transactions	15.3%	10.6%	14.4%	21.5%	N/M%
<b>Commissions</b>					
Equities	13.8	13.6	12.4	10.9	N/M
Mutual funds	5.7	6.1	5.9	5.5	N/M
Other	2.1	2.5	2.5	1.3	N/M
Total	21.5	22.2	20.9	17.7	N/M
<b>Investment banking</b>					
Origination	11.8	13.0	11.4	10.5	N/M
Strategic advisory services	2.8	3.2	3.5	3.2	N/M
Total	14.6	16.2	14.9	13.8	N/M
<b>Managed accounts and other fee-based revenues</b>					
Asset management fees	8.1	8.5	7.9	6.0	N/M
Portfolio service fees	9.5	10.5	10.1	9.0	N/M
Account fees	2.7	2.4	1.9	1.3	N/M
Other fees	2.6	2.8	2.7	2.3	N/M
Total	22.9	24.1	22.6	18.6	N/M
<b>Earnings from equity method investments</b>	2.4	2.4	2.2	1.6	N/M
<b>Other</b>	5.2	4.9	7.3	8.5	N/M
Subtotal	81.9	80.3	82.4	81.7	N/M
Interest and dividend revenues	58.2	68.1	103.0	117.8	N/M
Less interest expense	40.1	48.4	85.3	105.3	N/M
<b>Net interest profit</b>	18.1	19.7	17.6	12.5	N/M
<b>Gain on merger</b>	-	-	-	5.8	N/M
<b>Total net revenues</b>	100.0%	100.0%	100.0%	100.0%	N/M%
<b>Non-Interest Expenses</b>					
Compensation and benefits excluding one-time compensation expenses	50.2	49.3	48.7	44.7	N/M
One-time compensation expenses	-	-	-	5.2	N/M
Communications and technology	7.4	6.7	6.3	5.4	N/M
Brokerage, clearing, and exchange fees	3.5	3.6	3.4	3.2	N/M
Occupancy and related depreciation	4.5	4.1	3.7	2.9	N/M
Professional fees	3.0	3.3	2.9	2.6	N/M
Advertising and market development	2.2	2.5	2.3	2.0	N/M
Office supplies and postage	1.0	0.9	0.8	0.7	N/M
Other	2.9	4.0	4.4	4.1	N/M
Net recoveries related to September 11	(0.8)	-	-	-	N/M
Net restructuring and other charges/(benefits)	0.1	(0.1)	-	-	N/M
Research and other settlement-related expenses	-	-	0.7	-	N/M
<b>Total non-interest expenses</b>	74.0	74.4	73.3	71.0	N/M
<b>Earnings/(loss) before income taxes</b>	26.0	25.6	26.7	29.0	N/M
Income tax expense/(benefit)	6.9	5.8	7.7	8.0	N/M
<b>Net earnings/(loss) from continuing operations</b>	19.1	19.8	19.0	21.0	N/M
<b>Net earnings from discontinued operations</b>	0.5	0.8	1.2	1.2	N/M
<b>Net earnings/(loss)</b>	19.6%	20.6%	20.2%	22.2%	N/M%

All periods ended on the last Friday of the period. For further information, including Notes to Consolidated Financial Statements, please see the 2005 Annual Report and the 2006 and 2007 Annual Reports on Form 10-K.

(1) Reported results for certain periods include the impact of restructuring and other charges and benefits, research and other settlement-related expenses, September 11-related recoveries, one-time compensation expenses related to the adoption of SFAS 123R and the impact of closing the merger of MLIM with BlackRock. Management also examines results excluding those items, which are Merrill Lynch's operating basis results. Operating basis results should not be considered an alternative to results as determined in accordance with generally accepted accounting principles ("GAAP") in the United States, but rather as non-GAAP measures considered relevant by management in comparing current year results with prior year results. Management believes these measures are valuable tools for investors to judge the quality of Merrill Lynch's financial performance as they allow investors to more readily assess earnings and identify trends. Items which would be excluded from operating results in the periods above include the following after-tax amounts: in 2003, \$91 million of September 11-related net insurance recoveries (\$147 million pre-tax) and \$3 million of net restructuring and other charges (\$20 million pre-tax); in 2004, \$11 million of net benefits from restructuring and other charges (\$13 million pre-tax benefit); in 2005, research and other settlement-related expenses of \$102 million (\$170 million pre-tax); and in 2006, \$1,177 million of one-time compensation expenses related to the adoption of SFAS 123R (\$1,759 million pre-tax) and \$1,105 million net benefit from the closing of the MLIM-BlackRock merger (\$1,969 of net revenues, \$202 million of expenses and \$1,767 million pre-tax).



## Quarterly Earnings/(Loss) Statements (Unaudited)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1Q05	2Q05	3Q05	4Q05 <sup>(1)</sup>	FULL YEAR 2005 <sup>(1)</sup>	1Q06 <sup>(1)</sup>	2Q06	3Q06 <sup>(1)</sup>	4Q06	FULL YEAR 2006 <sup>(1)</sup>
<b>Revenues</b>										
Principal transactions	\$957	\$1,012	\$931	\$747	\$3,647	\$2,011	\$1,265	\$1,766	\$2,206	\$7,248
Commissions	1,315	1,222	1,320	1,420	5,277	1,567	1,550	1,345	1,523	5,985
Investment banking	867	972	932	1,006	3,777	1,019	1,214	909	1,506	4,648
Origination	706	758	772	657	2,893	775	916	648	1,218	3,557
Strategic advisory services	161	214	160	349	884	244	298	261	288	1,091
Managed accounts and other fee-based revenues	1,369	1,365	1,447	1,520	5,701	1,617	1,708	1,710	1,238	6,273
Earnings from equity method investments	88	132	184	163	567	120	150	100	186	556
Other	359	566	439	484	1,848	472	1,019	741	651	2,883
Subtotal	4,955	5,269	5,253	5,340	20,817	6,806	6,906	6,571	7,310	27,593
Interest and dividend revenues	5,420	5,845	6,891	7,875	26,031	8,496	9,507	10,469	11,318	39,790
Less interest expense	4,286	4,958	5,662	6,665	21,571	7,527	8,450	9,351	10,243	35,571
Net interest profit	1,134	887	1,229	1,210	4,460	969	1,057	1,118	1,075	4,219
Gain on merger	-	-	-	-	-	-	-	1,969	-	1,969
<b>Total net revenues</b>	<b>\$6,089</b>	<b>\$6,156</b>	<b>\$6,482</b>	<b>\$6,550</b>	<b>\$25,277</b>	<b>\$7,775</b>	<b>\$7,963</b>	<b>\$9,658</b>	<b>\$8,385</b>	<b>\$33,781</b>
<b>Non-Interest Expenses</b>										
Compensation and benefits excluding one-time compensation expenses	3,075	3,121	3,244	2,874	12,314	3,946	3,949	3,915	3,298	15,108
One-time compensation expenses	-	-	-	-	-	1,759	-	-	-	1,759
Communications and technology	394	392	403	410	1,599	451	428	483	476	1,838
Brokerage, clearing, and exchange fees	220	219	194	222	855	259	266	278	293	1,096
Occupancy and related depreciation	231	226	233	241	931	240	247	257	247	991
Professional fees	178	186	171	194	729	201	198	223	263	885
Advertising and market development	125	158	137	173	593	142	189	163	192	686
Office supplies and postage	52	50	48	59	209	56	57	53	59	225
Other	238	310	256	312	1,116	245	426	336	376	1,383
Research and other settlement-related expenses	-	-	-	170	170	-	-	-	-	-
<b>Total non-interest expenses</b>	<b>4,513</b>	<b>4,662</b>	<b>4,686</b>	<b>4,655</b>	<b>18,516</b>	<b>7,299</b>	<b>5,760</b>	<b>5,708</b>	<b>5,204</b>	<b>23,971</b>
<b>Earnings before income taxes</b>	<b>1,576</b>	<b>1,494</b>	<b>1,796</b>	<b>1,895</b>	<b>6,761</b>	<b>476</b>	<b>2,203</b>	<b>3,950</b>	<b>3,181</b>	<b>9,810</b>
Income tax expense	423	431	511	581	1,946	79	659	1,022	953	2,713
<b>Net earnings from continuing operations</b>	<b>1,153</b>	<b>1,063</b>	<b>1,285</b>	<b>1,314</b>	<b>4,815</b>	<b>397</b>	<b>1,544</b>	<b>2,928</b>	<b>2,228</b>	<b>7,097</b>
<b>Net earnings from discontinued operations</b>	<b>59</b>	<b>72</b>	<b>91</b>	<b>79</b>	<b>301</b>	<b>78</b>	<b>89</b>	<b>117</b>	<b>118</b>	<b>402</b>
<b>Preferred stock dividends</b>	<b>7</b>	<b>17</b>	<b>18</b>	<b>28</b>	<b>70</b>	<b>43</b>	<b>45</b>	<b>50</b>	<b>50</b>	<b>188</b>
<b>Net earnings applicable to common stockholders</b>	<b>\$1,205</b>	<b>\$1,118</b>	<b>\$1,358</b>	<b>\$1,365</b>	<b>\$5,046</b>	<b>\$432</b>	<b>\$1,588</b>	<b>\$2,995</b>	<b>\$2,296</b>	<b>\$7,311</b>
<b>Earnings per diluted share from continuing operations<sup>(1)</sup></b>	<b>\$1.15</b>	<b>\$1.07</b>	<b>\$1.31</b>	<b>\$1.33</b>	<b>\$4.85</b>	<b>\$0.36</b>	<b>\$1.54</b>	<b>\$3.05</b>	<b>\$2.29</b>	<b>\$7.17</b>
<b>Book value per share</b>	<b>\$32.91</b>	<b>\$33.63</b>	<b>\$34.66</b>	<b>\$35.82</b>	<b>\$35.82</b>	<b>\$37.19</b>	<b>\$37.18</b>	<b>\$40.22</b>	<b>\$41.35</b>	<b>\$41.35</b>
<b>Selected Financial Ratios</b>										
Compensation and benefits to net revenues	50.5%	50.7%	50.0%	43.9%	48.7%	73.4%	49.6%	40.5%	39.3%	49.9%
Compensation and benefits excluding one-time compensation expenses to net revenues	50.5	50.7	50.0	43.9	48.7	50.8	49.6	40.5	39.3	44.7
All other non-interest expense to net revenues	23.6	25.0	22.2	27.2	24.5	20.5	22.7	18.6	22.7	21.0
Pre-tax profit margin	25.9	24.3	27.7	28.9	26.7	6.1	27.7	40.9	37.9	29.0
Effective tax rate	26.8	28.8	28.5	30.7	28.8	16.6	29.9	25.9	30.0	27.7
Net earnings to net revenues	18.9	17.3	19.8	20.1	19.0	5.1	19.4	30.3	26.6	21.0
Return on average common stockholders' equity from continuing operations (annualized)	14.7	13.4	16.0	15.9	15.0	4.2	17.5	34.0	24.3	20.1

All periods ended on the last Friday of the period. For further information, including Notes to Consolidated Financial Statements, please see the 2005 and 2006 Annual Reports on Form 10-K.

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## Quarterly Earnings/(Loss) Statements (Unaudited)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1Q07	2Q07	3Q07	4Q07	FULL YEAR 2007
<b>Revenues</b>					
Principal transactions	\$2,734	\$3,556	\$(5,761)	\$(12,596)	\$(12,067)
Commissions	1,713	1,787	1,860	1,924	7,284
Investment banking	1,510	1,528	1,277	1,267	5,582
Origination	1,113	1,130	895	717	3,855
Strategic advisory services	397	398	382	550	1,727
Managed accounts and other fee-based revenues	1,284	1,349	1,392	1,440	5,465
Earnings from equity method investments	309	375	412	531	1,627
Other	841	387	(1,114)	(2,304)	(2,190)
Subtotal	8,391	8,982	(1,934)	(9,738)	5,701
Interest and dividend revenues	12,721	14,447	15,636	14,170	56,974
Less interest expense	11,509	13,970	13,322	12,624	51,425
Net interest profit	1,212	477	2,314	1,546	5,549
Gain on merger	-	-	-	-	-
<b>Total net revenues</b>	<b>\$9,603</b>	<b>\$9,459</b>	<b>\$380</b>	<b>\$(8,192)</b>	<b>\$11,250</b>
<b>Non-Interest Expenses</b>					
Compensation and benefits excluding one-time compensation expenses	4,854	4,731	1,979	4,339	15,903
One-time compensation expenses	-	-	-	-	-
Communications and technology	479	482	499	597	2,057
Brokerage, clearing, and exchange fees	310	346	364	395	1,415
Occupancy and related depreciation	265	273	295	306	1,139
Professional fees	226	245	245	311	1,027
Advertising and market development	155	200	181	249	785
Office supplies and postage	59	56	54	64	233
Other	354	300	401	467	1,522
Research and other settlement-related expenses	-	-	-	-	-
<b>Total non-interest expenses</b>	<b>6,702</b>	<b>6,633</b>	<b>4,018</b>	<b>6,728</b>	<b>24,081</b>
<b>Earnings/(loss) before income taxes</b>	<b>2,901</b>	<b>2,826</b>	<b>(3,638)</b>	<b>(14,920)</b>	<b>(12,831)</b>
Income tax expense/(benefit)	871	816	(1,258)	(4,623)	(4,194)
<b>Net earnings/(loss) from continuing operations</b>	<b>2,030</b>	<b>2,010</b>	<b>(2,380)</b>	<b>(10,297)</b>	<b>(8,637)</b>
<b>Net earnings from discontinued operations</b>	<b>128</b>	<b>129</b>	<b>139</b>	<b>464</b>	<b>860</b>
<b>Preferred stock dividends</b>	<b>52</b>	<b>72</b>	<b>73</b>	<b>73</b>	<b>270</b>
<b>Net earnings/(loss) applicable to common stockholders</b>	<b>\$2,106</b>	<b>\$2,067</b>	<b>\$(2,314)</b>	<b>\$(9,906)</b>	<b>\$(8,047)</b>
<b>Earnings per diluted share from continuing operations<sup>(1)</sup></b>	<b>\$2.12</b>	<b>\$2.10</b>	<b>\$(2.99)</b>	<b>\$(12.57)</b>	<b>\$(10.73)</b>
<b>Book value per share</b>	<b>\$42.25</b>	<b>\$43.55</b>	<b>\$39.60</b>	<b>\$29.34<sup>(1)</sup></b>	<b>\$29.34<sup>(1)</sup></b>
<b>Selected Financial Ratios</b>					
Compensation and benefits to net revenues	50.5%	50.0%	N/M%	N/M%	N/M%
Compensation and benefits excluding one-time compensation expenses to net revenues	50.5	50.0	N/M	N/M	N/M
All other non-interest expense to net revenues	19.2	20.1	N/M	N/M	N/M
Pre-tax profit margin	30.2	29.9	N/M	N/M	N/M
Effective tax rate	30.0	28.9	34.6	31.0	32.7
Net earnings to net revenues	21.1	21.2	N/M	N/M	N/M
Return on average common stockholders' equity from continuing operations (annualized)	21.8	21.0	N/M	N/M	N/M

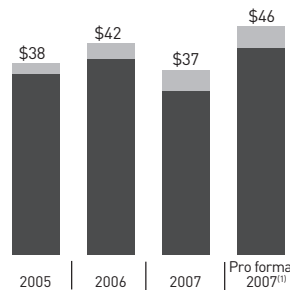
All periods ended on the last Friday of the period. For further information, including Notes to Consolidated Financial Statements, please see the 2007 Annual Report on Form 10-K.

(1) Pro forma book value per share was \$32.77 including issuance in the first quarter of 2008 of (i) 49.2 million shares of common stock for \$2.4 billion in connection with equity investments from Temasek Capital (Private) Limited and assignees, and (ii) up to 126 million shares of common stock, which represents the maximum number of shares on an "if converted" basis at \$52.40 per share related to the \$6.6 billion of mandatory convertible preferred stock issued to long-term investors, including the Korea Investment Corporation, Kuwait Investment Authority and Mizuho Corporate Bank.



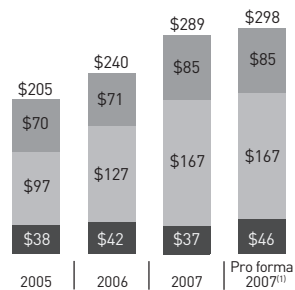
# Leverage Ratios and Ratings Summary

**Equity Capital**  
(DOLLARS IN BILLIONS)



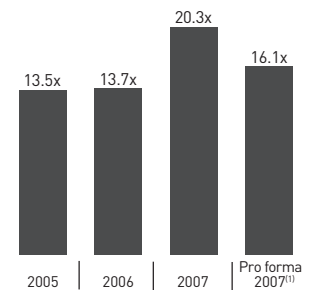
Trusted preferred securities<sup>(2)</sup>  
Stockholders' equity

**Total Long-Term Capital Sources<sup>(3)</sup>**  
(DOLLARS IN BILLIONS)



Deposits considered long-term  
Long-term debt obligations<sup>(4)</sup>  
Equity capital

**Tangible Adjusted Leverage Ratio<sup>(8)</sup>**



## Leverage Ratios

(DOLLARS IN MILLIONS, EXCEPT RATIO AMOUNTS)

	DEC. 26, 2003	DEC. 31, 2004	DEC. 30, 2005	DEC. 29, 2006	DEC. 28, 2007
Total assets	\$480,233	\$628,098	\$681,015	\$841,299	\$1,020,050
Less: Receivables under resale agreements	61,006	78,853	163,021	178,368	221,617
Receivables under securities borrowed transactions	56,072	94,498	92,484	118,610	133,140
Securities received as collateral	9,156	11,903	16,808	24,929	45,245
Add: Trading liabilities, at fair value, excluding derivative contracts	45,962	63,092	58,149	56,822	50,294
Sub-total	399,961	505,936	466,851	576,214	670,342
Less: Segregated cash and securities balances	12,022	17,784	11,949	13,449	22,999
Separate account assets	17,034	18,641	16,185	12,314	-
Adjusted assets	370,905	469,511	438,717	550,451	647,343
Less: Goodwill and other intangible assets	4,814	6,162	6,035	2,457	5,091
Tangible adjusted assets	366,091	463,349	432,682	547,994	642,252
Stockholders' equity	28,884	31,370	35,600	39,038	31,932
Add: Trust preferred securities <sup>(2)</sup>	2,639	2,544	2,544	3,323	4,725
Equity capital	31,523	33,914	38,144	42,361	36,657
Tangible equity capital <sup>(5)</sup>	\$26,709	\$27,752	\$32,109	\$39,904	\$31,566
Leverage ratio <sup>(6)</sup>	15.2x	18.5x	17.9x	19.9x	27.8x <sup>(9)</sup>
Adjusted leverage ratio <sup>(7)</sup>	11.8	13.8	11.5	13.0	17.7 <sup>(9)</sup>
Tangible adjusted leverage ratio <sup>(8)</sup>	13.7	16.7	13.5	13.7	20.3 <sup>(9)</sup>

## Credit Ratings

AS OF FEBRUARY 2008

### Rating Agency

	SENIOR DEBT RATINGS	SUBORDINATED DEBT RATINGS	PREFERRED STOCK RATINGS	COMMERCIAL PAPER RATINGS	RATING OUTLOOK
Dominion Bond Rating Service Ltd.	AA (low)	A (high)	A	R-1 (middle)	Stable
Fitch Ratings	A+	A	A	F1	Negative
Moody's Investors Service, Inc.	A1	A2	A3	P-1	Negative
Rating & Investment Information, Inc. (Japan)	AA-	A+	Not Rated	a-1+	Negative
Standard & Poor's Ratings Services	A+	A	A-	A-1	Negative

- (1) Includes the issuance of 49.2 million shares of common stock for \$2.4 billion during the first quarter of 2008 in connection with equity investments from Temasek Capital (Private) Limited and assignees, and adjusted on an "if-converted" basis at \$52.40 per share for the issuance of \$6.6 billion of mandatory convertible preferred stock (convertible into a maximum of 126 million shares of common stock) during the first quarter of 2008 to long-term investors including the Korea Investment Corporation, Kuwait Investment Authority and Mizuho Corporate Bank.
- (2) Represents junior subordinated notes (related to trust preferred securities), net of related investments. The related investments are reported as investment securities and were \$564 million, \$548 million, \$548 million, \$490 million and \$429 million at year-end 2003, 2004, 2005, 2006 and 2007, respectively. Merrill Lynch views trust preferred securities as equity capital because they are either perpetual or have maturities of at least 60 years at issuance.
- (3) At December 28, 2007, Merrill Lynch's long-term capital sources of \$288.9 billion exceeded its estimated long-term capital requirements. In addition, on a pro forma basis for equity issuances completed subsequent to year-end Merrill Lynch's pro forma long-term capital was \$297.9 billion.
- (4) Represents long-term borrowings, including subordinated debt obligations, less (i) current portion of long-term borrowings (ii) junior subordinated notes (related to trust preferred securities), and (iii) long-term portion of other subsidiary financing that is non-recourse to or not guaranteed by ML & Co. For additional information refer to the Capital Funding section of the 2007 Annual Report on Form 10-K.
- (5) Equity capital less goodwill and other intangibles.
- (6) Total assets divided by equity capital.
- (7) Adjusted assets divided by equity capital.
- (8) Tangible adjusted assets divided by tangible equity capital.
- (9) Pro forma for equity issuances completed subsequent to year-end, Merrill Lynch's pro forma leverage ratio, adjusted leverage ratio and tangible adjusted leverage ratio would have been 22.6x, 14.4x, and 16.1x, respectively.

Additional financial data are available at [www.ir.ml.com/quick.cfm](http://www.ir.ml.com/quick.cfm),  
[www.ir.ml.com/financialhistory.cfm](http://www.ir.ml.com/financialhistory.cfm), and [www.ir.ml.com/creditratings.cfm](http://www.ir.ml.com/creditratings.cfm)

# Year-End Balance Sheets and Regulatory Capital

(DOLLARS IN MILLIONS)

DEC. 26, 2003    DEC. 31 2004    DEC. 30, 2005    DEC. 29, 2006    DEC. 28, 2007

<b>Assets</b>					
Cash and cash equivalents	\$9,663	\$20,790	\$14,586	\$32,109	\$41,346
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	12,022	17,784	11,949	13,449	22,999
Receivables under resale agreements and securities borrowed transactions	117,078	173,351	255,505	296,978	354,757
Trading assets, at fair value	127,625	174,577	148,710	203,848	234,669
Investment securities	74,922	78,460	69,273	83,410	82,532
Securities received as collateral, at fair value	9,156	11,903	16,808	24,929	45,245
Other receivables (net)	49,704	64,287	68,197	89,381	126,849
Loans, notes, and mortgages (net)	50,993	53,262	66,041	73,029	94,992
Separate accounts assets	17,034	18,641	16,185	12,314	-
Equipment and facilities (net)	2,612	2,508	2,313	2,924	3,127
Goodwill and intangible assets (net)	4,814	6,162	6,035	2,457	5,091
Other assets	4,610	6,373	5,413	6,471	8,443
<b>Total Assets</b>	<b>\$480,233</b>	<b>\$628,098</b>	<b>\$681,015</b>	<b>\$841,299</b>	<b>\$1,020,050</b>

<b>Liabilities</b>					
Payables under repurchase agreements and securities loaned transactions	\$100,916	\$170,917	\$212,402	\$266,116	\$ 291,631
Short-term borrowings	10,811	9,141	8,987	18,110	24,914
Deposits	79,457	79,746	80,016	84,124	103,987
Trading liabilities, at fair value	78,504	99,593	88,933	98,862	123,588
Obligation to return securities received as collateral, at fair value	9,156	11,903	16,808	24,929	45,245
Other payables	67,090	84,182	86,583	112,593	132,626
Separate accounts liabilities	17,034	18,641	16,185	12,314	-
Long-term borrowings	85,178	119,513	132,409	181,400	260,973
Junior subordinated notes (related to trust preferred securities)	3,203	3,092	3,092	3,813	5,154
<b>Total Liabilities</b>	<b>451,349</b>	<b>596,728</b>	<b>645,415</b>	<b>802,261</b>	<b>988,118</b>

<b>Stockholders' Equity</b>					
Preferred stockholders' equity	425	630	2,673	3,145	4,383
Common stockholders' equity	28,459	30,740	32,927	35,893	27,549
<b>Total Stockholders' Equity</b>	<b>28,884</b>	<b>31,370</b>	<b>35,600</b>	<b>39,038</b>	<b>31,932</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$480,233</b>	<b>\$628,098</b>	<b>\$681,015</b>	<b>\$841,299</b>	<b>\$1,020,050</b>

## Regulatory Capital

(DOLLARS IN MILLIONS)

DEC. 26, 2003    DEC. 31 2004    DEC. 30, 2005    DEC. 29, 2006    DEC. 28, 2007

Regulatory capital in MLPF&S <sup>(1)</sup> in excess of the minimum required	\$2,419	\$2,683	\$3,301	\$2,213	\$3,266 <sup>(8)</sup>	
Regulatory capital in MLGSI <sup>(2)</sup> in excess of the minimum required	1,046	662	1,219	652	1,016	
Regulatory capital in MLI <sup>(3)</sup> in excess of the minimum required	920	1,242	1,572	1,759	5,457	
Regulatory capital in MLIB <sup>(4)</sup> in excess of the minimum required	674	882	593	1,840	1,014	
Regulatory capital in MLJS <sup>(5)</sup> in excess of the minimum required	504	653	536	714	823	
Bank Capital Ratios: Tier 1 leverage (to average assets)	MLBUSA <sup>(6)</sup>	6.47%	7.58%	9.46%	8.92%	8.50%
	MLBT-FSB <sup>(7)</sup>	6.00%	6.17%	7.47%	7.18%	5.51%
Tier 1 capital (to risk-weighted assets)	MLBUSA <sup>(6)</sup>	10.73%	10.28%	9.95%	9.24%	10.78%
	MLBT-FSB <sup>(7)</sup>	19.18%	17.35%	18.21%	8.35%	9.22%
Total capital (to risk-weighted assets)	MLBUSA <sup>(6)</sup>	11.28%	10.81%	11.07%	10.75%	12.20%
	MLBT-FSB <sup>(7)</sup>	19.20%	17.39%	18.32%	11.74%	12.11%

For notes to Consolidated Financial Statements, please refer to the 2005, 2006 and 2007 Annual Reports on Form 10-K.

(1) MLPF&S - Merrill Lynch, Pierce, Fenner & Smith Incorporated

(2) MLGSI - Merrill Lynch Government Securities, Inc.

(3) MLI - Merrill Lynch International

(4) MLIB - Merrill Lynch International Bank Limited

(5) MLJS - Merrill Lynch Japan Securities Co., Ltd.

(6) MLBUSA - Merrill Lynch Bank USA

(7) MLBT-FSB - Merrill Lynch Bank & Trust Co., FSB. On August 5, 2006, Merrill Lynch Bank & Trust Co., an existing Federal Deposit Insurance Corporation-insured depository institution, was merged into Merrill Lynch Trust Company, FSB (MLTC-FSB), and MLTC-FSB was renamed Merrill Lynch Bank & Trust Co., FSB.

(8) At December 28, 2007, MLPF&S's regulatory net capital in excess of the SEC minimum required was \$3,266 million. As a futures commission merchant, MLPF&S is also subject to the capital requirements of the Commodity Futures Trading Commission ("CFTC"). MLPF&S's regulatory net capital exceeded the CFTC minimum requirement by \$3,230 million.



# Common Share Data

## Annual Data

	EARNINGS/(LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS		DIVIDENDS PAID	BOOK VALUE	SHARES OUTSTANDING (IN MILLIONS)			COMMON STOCK PRICE <sup>(1)</sup>		
					WEIGHTED AVERAGE		END OF PERIOD	CLOSE	HIGH	LOW
	BASIC	DILUTED			BASIC	DILUTED				
2003 <sup>(2)</sup>	\$4.10	\$3.77	\$0.64	\$29.96	900.7	980.9	949.9	\$58.65	\$60.47	\$30.75
2004 <sup>(2)</sup>	4.62	4.21	0.64	32.99	912.9	1,003.8	931.8	59.77	64.89	47.35
2005 <sup>(2)</sup>	5.32	4.85	0.76	35.82	890.7	977.7	919.2	67.73	69.34	52.00
2006 <sup>(2)</sup>	7.96	7.17	1.00	41.35	868.1	963.0	868.0	93.10	93.56	65.41
2007	(10.73)	(10.73)	1.40	29.34 <sup>(3)</sup>	830.4	830.4	939.1	53.68	97.53	51.23

## Quarterly Data

	EARNINGS/(LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS		DIVIDENDS PAID	BOOK VALUE	SHARES OUTSTANDING (IN MILLIONS)			COMMON STOCK PRICE <sup>(1)</sup>		
					WEIGHTED AVERAGE		END OF PERIOD	CLOSE	HIGH	LOW
	BASIC	DILUTED			BASIC	DILUTED				
1Q05	\$1.26	\$1.15	\$0.16	\$32.91	907.8	993.3	948.7	\$56.60	\$61.99	\$56.01
2Q05	1.17	1.07	0.20	33.63	897.5	978.5	930.9	55.01	57.50	52.00
3Q05	1.44	1.31	0.20	34.66	881.4	968.5	921.7	61.35	61.67	54.36
4Q05 <sup>(2)</sup>	1.47	1.33	0.20	35.82	876.2	970.7	919.2	67.73	69.34	58.64
1Q06 <sup>(2)</sup>	0.40	0.36	0.25	37.19	883.7	981.1	933.4	78.76	78.82	67.95
2Q06	1.69	1.54	0.25	37.18	885.4	973.3	898.1	69.56	80.33	65.41
3Q06 <sup>(2)</sup>	3.36	3.05	0.25	40.22	855.8	945.3	883.3	78.22	79.09	67.49
4Q06	2.57	2.29	0.25	41.35	847.4	952.2	868.0	93.10	93.56	78.44
1Q07	2.35	2.12	0.35	42.25	841.3	930.2	876.9	81.67	97.53	79.22
2Q07	2.32	2.10	0.35	43.55	833.8	923.3	862.6	83.58	94.17	82.78
3Q07	(2.99)	(2.99)	0.35	39.60	821.6	821.6	855.4	71.28	87.39	68.94
Q407	(12.57)	(12.57)	0.35	29.34 <sup>(3)</sup>	825.0	825.0	939.1	53.68	76.67	51.23

## Share Repurchases

	SHARES PURCHASED (IN MILLIONS)	AVERAGE PURCHASE PRICE PER SHARE	AMOUNT PURCHASED (IN MILLIONS)
1Q05	17.3	\$59.52	\$1,032
2Q05	20.2	54.48	1,099
3Q05	14.7	58.26	855
4Q05	10.9	65.62	714
2005 Total	63.1	\$58.67	\$3,700
1Q06	25.8	\$76.55	\$1,975
2Q06	41.4	73.26	3,033
3Q06	18.3	71.56	1,313
4Q06	31.1	89.09	2,767
2006 Total	116.6	\$77.94	\$9,088
1Q07	22.4	\$89.31	\$2,000
2Q07	19.8	90.90	1,800
3Q07	19.9	73.91	1,472
4Q07	-	-	-
2007 Total	62.1	\$84.88	\$5,272

## Stock Splits

SPLIT	DECLARED DATE	RECORD DATE	PAID DATE
2 for 1	4/24/83	6/1/83	6/27/83
2 for 1	10/11/93	10/22/93	11/24/93
2 for 1	4/15/97	5/2/97	5/30/97
2 for 1	7/18/00	8/4/00	8/31/00

## Stock Listing Information

The common stock of Merrill Lynch & Co., Inc. (trading symbol MER) is listed on the New York Stock Exchange, the Chicago Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange. The following securities are also listed on the New York Stock Exchange: Depository Shares representing 1/1,200 of a share of Floating Rate Non-Cumulative Preferred Stock, Series 1; Depository Shares representing 1/1,200 of a share of Floating Rate Non-Cumulative Preferred Stock, Series 2; Depository Shares representing 1/1,200 of a share of 6.375% Non-Cumulative Preferred Stock, Series 3; Depository Shares representing 1/1,200 of a share of Floating Rate Non-Cumulative Preferred Stock, Series 4; Depository Shares representing 1/1,200 of a share of Floating Rate Non-Cumulative Preferred Stock, Series 5; Depository Shares representing 1/40 of a share of 6.75% Non-Cumulative Perpetual Preferred Stock, Series 6; and Depository Shares representing 1/40 of a share of 6.25% Non-Cumulative Perpetual Preferred Stock, Series 7. Information on how to contact the firm's transfer agent is available in Merrill Lynch's 2007 Annual Report on Form 10-K.

(1) Based on calendar period end.

(2) Reported results for certain periods include the impact of restructuring and other charges and benefits, research and other settlement-related expenses, September 11-related recoveries, one-time compensation expenses related to the adoption of SFAS 123R and the impact of closing the merger of MLIM with BlackRock. Management also examines results excluding those items, which are Merrill Lynch's operating basis results. Operating basis results should not be considered an alternative to results as determined in accordance with generally accepted accounting principles ("GAAP") in the United States, but rather as non-GAAP measures considered relevant by management in comparing current year results with prior year results. Management believes these measures are valuable tools for investors to judge the quality of Merrill Lynch's financial performance as they allow investors to more readily assess net revenues and earnings and identify trends. See footnotes to the Annual and Quarterly Earnings Statements on pages 16-19 for additional information.

(3) Pro forma book value per share was \$32.77 including issuance in the first quarter of 2008 of (i) 49.2 million shares of common stock for \$2.4 billion in connection with equity investments from Temasek Capital (Private) Limited and assignees, and (ii) up to 126 million shares of common stock, which represents the maximum number of shares on an "if converted" basis at \$52.40 per share related to the \$6.6 billion of mandatory convertible preferred stock issued to long-term investors, including the Korea Investment Corporation, Kuwait Investment Authority and Mizuho Corporate Bank.



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