

Reconciliation of Non-GAAP Measures

Merrill Lynch adopted Statement of Financial Accounting Standards No. 123 (as revised in 2004) for stock-based employee compensation during the first quarter of 2006. Additionally, as a result of a comprehensive review of the retirement provisions in its stock-based compensation plans, Merrill Lynch also modified the retirement eligibility requirements of existing stock awards in order to facilitate transition to more stringent retirement eligibility requirements for future stock awards. These modifications and the adoption of the new accounting standard required Merrill Lynch to accelerate the recognition of compensation expenses for affected stock awards, resulting in the "one-time compensation expenses." These changes represent timing differences and are not economic in substance.

During the third quarter of 2006, Merrill Lynch completed the merger of its Merrill Lynch Investment Managers business with BlackRock, Inc. Merrill Lynch recognized a gain associated with this merger along with other non-recurring expenses, collectively "Impact of BlackRock Merger".

Management believes that while the results excluding these one-time compensation expenses and the impact of the BlackRock merger are considered non-GAAP measures, they depict the operating performance of the company more clearly and enable more appropriate period-to-period comparisons.

Unaudited Earnings SummaryFor the Year Ended December 29, 2006⁽¹⁾

(in millions, except per share amounts)	Excluding One-time Compensation Expenses & Impact of BlackRock Merger	Impact of One-time Compensation Expenses	Impact of BlackRock Merger	GAAP Basis
	\$	\$	\$	\$
Revenues, net of interest expense	31,812	-	1,969	33,781
Non-interest expenses				
Compensation and benefits	14,964	1,759	144	16,867
Non-compensation expenses	7,046	-	58	7,104
Total non-interest expenses	22,010	1,759	202	23,971
Pre-tax earnings from continuing operations	9,802	(1,759)	1,767	9,810
Income tax expense	2,633	(582)	662	2,713
Net earnings from continuing operations	\$ 7,169	\$ (1,177)	\$ 1,105	\$ 7,097
Pre-tax earnings from discontinued operations	616	-	-	616
Income tax expense	214	-	-	214
Net earnings from discontinued operations	402	-	-	402
Net earnings	\$ 7,571	\$ (1,177)	\$ 1,105	\$ 7,499
Preferred stock dividends	\$ 188	\$ -	\$ -	\$ 188
Net earnings applicable to common stockholders	\$ 7,383	\$ (1,177)	\$ 1,105	\$ 7,311
Basic earnings per common share from continuing operations	8.06	(1.37)	1.27	7.96
Basic earnings per common share from discontinued operations	0.46	-	-	0.46
Basic earnings per common share	8.52	(1.37)	1.27	8.42
Diluted earnings per common share from continuing operations	7.26	(1.23)	1.14	7.17
Diluted earnings per common share from discontinued operations	0.42	-	-	0.42
Diluted earnings per common share	7.68	(1.23)	1.14	7.59
Average shares used in computing earnings per common share				
Basic	866.7	1.4	-	868.1
Diluted	961.5	1.5	-	963.0

Financial RatiosFor the Year Ended⁽¹⁾

December 29, 2006

	Excluding One-time Compensation Expenses & Impact of BlackRock Merger	GAAP Basis
Ratio of compensation and benefits to net revenues	47.0%	49.9%
Ratio of non-compensation and benefits to net revenues	22.1%	21.0%
Effective tax rate	26.9%	27.7%
Pre-tax profit margin	30.8%	29.0%
Average common equity	\$ 34,354	\$ 34,354
Impact of one-time compensation expenses and the BlackRock merger	(130)	-
Average common equity	34,224	34,354
Annualized return on average common equity from continuing operations	20.4%	20.1%
Annualized return on average common equity	21.6%	21.3%

(1) For purposes of comparison with previously published results, data excluding the impact of the one-time compensation expenses and the BlackRock merger assumes the impact is limited to the first and third quarter of 2006, respectively.