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Consolidated Statements of Earnings

(MERRILL LYNCH)

	Year Ended Last Friday in December		
	2006 (52 weeks)	2005 (52 weeks)	2004 (53 weeks)
(dollars in millions, except per share amounts)			
Net Revenues			
Principal transactions	\$ 7,034	\$ 3,545	\$ 2,197
Managed accounts and other fee-based revenues	6,539	6,031	5,440
Commissions	5,952	5,219	4,720
Investment banking	4,680	3,797	3,473
Revenues from consolidated investments	570	438	346
Other	3,259	2,195	1,454
	28,034	21,225	17,630
Interest and dividend revenues	40,588	26,571	14,989
Less interest expense	35,932	21,774	10,560
Net interest profit	4,656	4,797	4,429
Gain on merger	1,969		
Total Net Revenues	34,659	26,022	22,059
Non-Interest Expenses			
Compensation and benefits	17,003	12,441	10,663
Communications and technology	1,844	1,608	1,461
Brokerage, clearing, and exchange fees	1,097	856	773
Occupancy and related depreciation	998	938	893
Professional fees	884	727	715
Advertising and market development	692	599	533
Expenses of consolidated investments	380	258	231
Office supplies and postage	226	210	203
Other	1,109	1,154	751
Total Non-Interest Expenses	24,233	18,791	16,223
Earnings Before Income Taxes	10,426	7,231	5,836
Income Tax Expense	2,927	2,115	1,400
Net Earnings	\$ 7,499	\$ 5,116	\$ 4,436
Preferred Stock Dividends	188	70	41
Net Earnings Applicable to Common Stockholders	\$ 7,311	\$ 5,046	\$ 4,395
Earnings Per Common Share			
Basic	\$ 8.42	\$ 5.66	\$ 4.81
Diluted	\$ 7.59	\$ 5.16	\$ 4.38
Dividends Paid Per Common Share	\$ 1.00	\$ 0.76	\$ 0.64
Average Shares Used in Computing Earnings Per Common Share			
Basic	868.1	890.7	912.9
Diluted	963.0	977.7	1,003.8

See Notes to Consolidated Financial Statements.

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Consolidated Balance Sheets

(dollars in millions, except per share amounts)	Dec. 29, 2006	Dec. 30, 2005
Assets		
Cash and cash equivalents	\$ 32,109	\$ 14,586
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	13,449	11,949
Securities financing transactions		
Receivables under resale agreements	178,368	163,021
Receivables under securities borrowed transactions	118,610	92,484
	296,978	255,505
Trading assets, at fair value <i>(includes securities pledged as collateral that can be sold or repledged of \$58,966 in 2006 and \$31,471 in 2005)</i>		
Equities and convertible debentures	48,527	32,933
Mortgages, mortgage-backed, and asset-backed	44,588	29,233
Corporate debt and preferred stock	32,854	27,436
Contractual agreements	31,913	26,216
Non-U.S. governments and agencies	21,075	15,157
U.S. Government and agencies	13,086	8,936
Municipals and money markets	7,243	5,694
Commodities and related contracts	4,562	3,105
	203,848	148,710
Investment securities	83,410	69,273
Securities received as collateral	24,929	16,808
Other receivables		
Customers <i>(net of allowance for doubtful accounts of \$41 in 2006 and \$46 in 2005)</i>	49,427	40,451
Brokers and dealers	18,900	12,127
Interest and other	21,054	15,619
	89,381	68,197
Loans, notes, and mortgages <i>(net of allowance for loan losses of \$478 in 2006 and \$406 in 2005)</i>	73,029	66,041
Separate accounts assets	12,314	16,185
Equipment and facilities <i>(net of accumulated depreciation and amortization of \$5,213 in 2006 and \$4,865 in 2005)</i>	2,924	2,313
Goodwill and other intangible assets	2,457	6,035
Other assets	6,471	5,413
Total Assets	\$ 841,299	\$ 681,015

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Consolidated Balance Sheets

(MERRILL LYNCH)

(dollars in millions, except per share amounts)	Dec. 29, 2006	Dec. 30, 2005
Liabilities		
Securities financing transactions		
Payables under repurchase agreements	\$ 222,624	\$ 193,067
Payables under securities loaned transactions	43,492	19,335
	266,116	212,402
Short-term borrowings	18,110	8,987
Deposits	84,124	80,016
Trading liabilities, at fair value		
Contractual agreements	38,311	28,755
Equities and convertible debentures	23,268	19,119
Non-U.S. governments and agencies	13,385	19,217
U.S. Government and agencies	12,510	12,478
Corporate debt and preferred stock	6,323	6,203
Commodities and related contracts	3,606	2,029
Municipals, money markets and other	1,459	1,132
	98,862	88,933
Obligation to return securities received as collateral	24,929	16,808
Other payables		
Customers	49,414	35,619
Brokers and dealers	24,282	19,528
Interest and other	36,096	28,501
	109,792	83,648
Liabilities of insurance subsidiaries	2,801	2,935
Separate accounts liabilities	12,314	16,185
Long-term borrowings	181,400	132,409
Junior subordinated notes (related to trust preferred securities)	3,813	3,092
Total Liabilities	802,261	645,415
Commitments and Contingencies		
Stockholders Equity		
Preferred Stockholders Equity (<i>liquidation preference of \$30,000 per share; issued: 2006 105,000 shares; 2005 93,000 shares</i>)	3,145	2,673
Common Stockholders Equity		
Shares exchangeable into common stock	39	41
Common stock (<i>par value \$1.33 1/3 per share; authorized: 3,000,000,000 shares; issued: 2006 1,215,381,006 shares and 2005 1,148,714,008 shares</i>)	1,620	1,531
Paid-in capital	18,919	13,320
Accumulated other comprehensive loss (net of tax)	(784)	(844)
Retained earnings	33,217	26,824
	53,011	40,872
Less: Treasury stock, at cost (<i>2006 350,697,271 shares; 2005 233,112,271 shares</i>)	17,118	7,945
Total Common Stockholders Equity	35,893	32,927
Total Stockholders Equity	39,038	35,600
Total Liabilities and Stockholders Equity	\$ 841,299	\$ 681,015

See Notes to Consolidated Financial Statements.

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Consolidated Statements of Changes in Stockholders Equity

(dollars in millions)	Year Ended Last Friday in December			Shares		
	Amounts					
	2006	2005	2004	2006	2005	2004
Preferred Stock, net						
Balance, beginning of year				89,685	21,000	42,500
Issuances	\$ 2,673	\$ 630	\$ 425	12,000	72,000	21,000
Redemptions	374	2,143	630			(42,500)
Shares (repurchased) re-issuances	98	(100)	(425)	3,243	(3,315)	
Balance, end of year	3,145	2,673	630	104,928	89,685	21,000
Common Stockholders Equity						
Shares Exchangeable into Common Stock						
Balance, beginning of year	41	41	43	2,707,797	2,782,712	2,899,923
Exchanges	(2)		(2)	(47,871)	(74,915)	(117,211)
Balance, end of year	39	41	41	2,659,926	2,707,797	2,782,712
Common Stock						
Balance, beginning of year	1,531	1,465	1,417	1,148,714,008	1,098,991,806	1,063,205,274
Shares issued to employees	89	66	48	66,666,998	49,722,202	35,786,532
Balance, end of year	1,620	1,531	1,465	1,215,381,006	1,148,714,008	1,098,991,806
Paid-in Capital						
Balance, beginning of year	13,320	11,460	10,053			
Employee stock plan activity	2,351	1,173	891			
Amortization of employee stock grants	3,248	687	516			
Balance, end of year	18,919	13,320	11,460			
Accumulated Other Comprehensive Loss						
Foreign Currency Translation Adjustment (net of tax)						
Balance, beginning of year	(507)	(289)	(301)			
Translation adjustment	77	(218)	12			
Balance, end of year	(430)	(507)	(289)			
Net Unrealized Gains (Losses) on Investment Securities						

Available-for-Sale Securities (net of tax)						
Balance, beginning of year	(181)	(91)	(111)			
Net unrealized gains (losses) on available-for-sale	(15)	(156)	30			
Other adjustments(1)	4	66	(10)			
Balance, end of year	(192)	(181)	(91)			
Deferred Gains (losses) on Cash Flow Hedges (net of tax)						
Balance, beginning of year	(3)	21	11			
Net deferred gains on cash flow hedges	5	(24)	10			
Balance, end of year	2	(3)	21			
Defined benefit pension and postretirement plans (net of tax)						
Balance, beginning of year	(153)	(122)	(150)			
Minimum pension liability adjustment	(76)	(31)	28			
Adjustment to initially apply SFAS 158(2)	65					
Balance, end of year	(164)	(153)	(122)			
Balance, end of year	(784)	(844)	(481)			
Retained Earnings						
Balance, beginning of year	26,824	22,485	18,692			
Net earnings	7,499	5,116	4,436			
Preferred stock dividends declared	(188)	(70)	(41)			
Common stock dividends declared	(918)	(707)	(602)			
Balance, end of year	33,217	26,824	22,485			
Treasury Stock, at cost						
Balance, beginning of year	(7,945)	(4,230)	(1,195)	(233,112,271)	(170,955,057)	(117,294,392)
Shares repurchased	(9,088)	(3,700)	(2,968)	(116,610,876)	(63,068,200)	(54,029,600)
Shares issued to (reacquired from) employees(3)	(89)	(18)	(74)	(1,021,995)	836,071	251,724
Share exchanges	4	3	7	47,871	74,915	117,211
Balance, end of year	(17,118)	(7,945)	(4,230)	(350,697,271)	(233,112,271)	(170,955,057)
Total Common Stockholders Equity	35,893	32,927	30,740			

Total Stockholders

Equity	\$ 39,038	\$35,600	\$31,370
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(1) Other adjustments relate to policyholder liabilities, deferred policy acquisition costs, and income taxes.

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

(3) Share amounts are net of reacquisitions from employees of 6,622,887 shares, 4,360,607 shares and 4,982,481 shares in 2006, 2005 and 2004, respectively.

See Notes to Consolidated Financial Statements

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Income**(MERRILL LYNCH)**

(dollars in millions)	Year Ended Last Friday in December		
	2006	2005	2004
Net Earnings	\$ 7,499	\$ 5,116	\$ 4,436
Other Comprehensive Income (Loss)			
Foreign currency translation adjustment:			
Foreign currency translation gains (losses)	(366)	129	(359)
Income tax (expense) benefit	443	(347)	371
Total	77	(218)	12
Net unrealized gains (losses) on investment securities available-for-sale:			
Net unrealized holding gains (losses) arising during the period	(16)	184	365
Reclassification adjustment for realized (gains) losses included in net earnings	1	(340)	(335)
Net unrealized gains (losses) on investment securities available-for-sale	(15)	(156)	30
Adjustments for:			
Policyholder liabilities	1	12	19
Deferred policy acquisition costs		(2)	
Income tax (expense) benefit	3	56	(29)
Total	(11)	(90)	20
Deferred gains (losses) on cash flow hedges:			
Deferred gains (losses) on cash flow hedges	9	(2)	(7)
Reclassification adjustment for realized losses (gains) included in net earnings	(2)	(23)	10
Income tax (expense) benefit	(2)	1	7
Total	5	(24)	10
Defined benefit pension and postretirement plans:			
Minimum pension liability adjustment	(110)	(46)	38
Income tax (expense) benefit	34	15	(10)
Total	(76)	(31)	28
Total Other Comprehensive Income (Loss)	(5)	(363)	70
Comprehensive Income	\$ 7,494	\$ 4,753	\$ 4,506

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Consolidated Statements of Cash Flows

(dollars in millions)	Year Ended Last Friday in December		
	2006	2005	2004
Cash flows from operating activities			
Net earnings	\$ 7,499	\$ 5,116	\$ 4,436
Non-cash items included in earnings:			
Gain on merger	(1,969)		
Depreciation and amortization	523	473	506
Share-based compensation expense	3,156	1,003	876
Deferred taxes	(360)	232	2
Policyholder reserves	123	129	144
Undistributed earnings from equity investments	(421)	(417)	(400)
Other	922	888	23
Changes in operating assets and liabilities:			
Trading assets	(55,392)	25,902	(46,918)
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(1,019)	3,259	(5,466)
Receivables under resale agreements	(15,346)	(84,166)	(17,835)
Receivables under securities borrowed transactions	(26,126)	2,014	(38,426)
Customer receivables	(9,562)	(2,217)	(7,041)
Brokers and dealers receivables	(6,825)	(19)	(4,768)
Proceeds from loans, notes, and mortgages held for sale	41,317	31,255	29,399
Other changes in loans, notes, and mortgages held for sale	(47,670)	(34,554)	(30,731)
Trading liabilities	(6,097)	(17,007)	14,447
Payables under repurchase agreements	29,557	44,386	58,846
Payables under securities loaned transactions	24,157	(2,901)	11,155
Customer payables	13,795	1,238	12,141
Brokers and dealers payables	4,791	(605)	1,024
Other, net	5,533	(2,889)	2,962
Cash used for operating activities	(39,414)	(28,880)	(15,624)
Cash flows from investing activities			
Proceeds from (payments for):			
Maturities of available-for-sale securities	13,222	25,452	26,602
Sales of available-for-sale securities	16,176	36,574	27,983
Purchases of available-for-sale securities	(31,357)	(51,283)	(54,498)
Sales and maturities of held-to-maturity securities	18	16	37
Purchases of held-to-maturity securities	(15)		(4)
Loans, notes, and mortgages held for investment	(681)	(9,678)	(902)
Transfer of cash balances related to merger	(651)		
Other investments and other assets	(6,546)	(1,442)	(1,854)
Equipment and facilities, net	(1,174)	(278)	(402)
Cash used for investing activities	(11,008)	(639)	(3,038)
Cash flows from financing activities			
Proceeds from (payments for):			
Short-term borrowings	9,123	(154)	(1,670)
Deposits	4,108	270	289
Issuance and resale of long-term borrowings	87,814	49,703	50,535
Settlement and repurchase of long-term borrowings	(42,545)	(31,195)	(23,231)
Derivative financing transactions	16,259	6,347	6,642
Issuance of common stock	1,838	858	589
Issuance of preferred stock, net	472	2,043	205
Common stock repurchases	(9,088)	(3,700)	(2,968)
Other common stock transactions	539	(80)	41
Excess tax benefits related to stock-based compensation	531		
Dividends	(1,106)	(777)	(643)
Cash provided by financing activities	67,945	23,315	29,789
Increase (decrease) in cash and cash equivalents	17,523	(6,204)	11,127

Cash and cash equivalents, beginning of year	14,586	20,790	9,663
Cash and cash equivalents, end of year	\$ 32,109	\$ 14,586	\$ 20,790

Supplemental disclosure of cash flow information:

Cash paid for:

Income taxes	\$ 2,638	\$ 1,443	\$ 661
Interest	35,685	21,519	10,345

Non-cash investing and financing activities:

The investment recorded in connection with the merger of the MLIM business with BlackRock (See Note 2) totaled \$7.7 billion. The book value of net asset transfers, derecognition of goodwill and other adjustments totaled \$4.9 billion.

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