

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 16, 2008

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Merrill Lynch & Co., Inc.

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(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	1-7182 (Commission File Number)	13-2740599 (I.R.S. Employer Identification No.)
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4 World Financial Center, New York, New York (Address of Principal Executive Offices)	10080 (Zip Code)
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Registrant's telephone number, including area code: (212) 449-1000

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(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 16, 2008, Merrill Lynch & Co., Inc. (Merrill Lynch) announced its results of operations for the three- and nine-month periods ended September 26, 2008. A copy of the related press release is filed as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference. A Preliminary Unaudited Earnings Summary, Reconciliation of "Non-GAAP" Measures and Segment Data for the three- and nine-month periods ended September 26, 2008 and supplemental quarterly data for Merrill Lynch are filed as Exhibit 99.2 to this Form 8-K and are incorporated herein by reference.

This information furnished under this Item 2.02, including Exhibits 99.1 and 99.2, shall be considered "filed" for purposes of the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1 Press release, dated October 16, 2008 issued by Merrill Lynch & Co., Inc.
- 99.2 Preliminary Unaudited Earnings Summary, Reconciliation of "Non-GAAP" Measures and Segment Data for the three- and nine-month periods ended September 26, 2008 and supplemental quarterly data.

\* \* \*

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERRILL LYNCH & CO., INC.

(Registrant)

By: /s/ Nelson Chai

Nelson Chai  
Executive Vice President and  
Chief Financial Officer

By: /s/ Gary Carlin

Gary Carlin  
Vice President and  
Controller

Date: October 16, 2008

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release, dated October 16, 2008, issued by Merrill Lynch & Co., Inc.
99.2	Preliminary Unaudited Earnings Summary, Reconciliation of “Non-GAAP” Measures and Segment Data for the three- and nine-month periods ended September 26, 2008 and supplemental quarterly data.

## Merrill Lynch Reports Third Quarter 2008 Net Loss from Continuing Operations of \$5.1 Billion

NEW YORK--(BUSINESS WIRE)--October 16, 2008--Merrill Lynch (NYSE: MER) today reported a net loss from continuing operations for the third quarter of 2008 of \$5.1 billion, or \$5.56 per diluted share, compared with a net loss from continuing operations of \$2.4 billion, or \$2.99 per diluted share, for the third quarter of 2007. Merrill Lynch's net loss for the third quarter of 2008 was \$5.2 billion, or \$5.58 per diluted share, compared with a net loss of \$2.2 billion, or \$2.82 per diluted share, for the year-ago quarter.

Third quarter 2008 net revenues were \$16 million, driven by a number of significant items, including:

- Net write-downs of \$5.7 billion resulting from the previously announced sale of U.S. super senior ABS CDOs<sup>1</sup> and the termination and potential settlement of related hedges with monoline guarantor counterparties
  - Net pre-tax gain of \$4.3 billion from the previously announced sale of the 20% ownership stake in Bloomberg, L.P.
  - Net write-downs of \$3.8 billion principally from severe market dislocations in September, including real estate-related asset write-downs and losses related to certain government sponsored entities and major U.S. broker-dealers, as well as the default of a U.S. broker-dealer
  - Net gains of \$2.8 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities, which was similarly impacted by the severe market movements in September
  - Net losses of \$2.6 billion resulting primarily from completed and planned asset sales across residential and commercial mortgage exposures
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Excluding the items listed above, adjusted net revenues were \$5.7 billion<sup>2</sup> in the third quarter of 2008, down 31% on a comparable basis from the prior-year period, reflective of the challenging operating environment.

Third quarter 2008 net revenues decreased from \$380 million in the prior-year period, which included \$8.5 billion in net write-downs, primarily related to U.S. ABS CDO and residential mortgage-related exposures, and a \$609 million net gain related to the changes in carrying value of certain of our long-term debt liabilities.

The net loss for the third quarter of 2008 was also impacted by certain non-compensation expense items<sup>3</sup> including:

- A \$2.5 billion non-tax deductible payment to Temasek Holdings related to the July common stock offering
- A \$425 million expense, including a \$125 million fine, arising from Merrill Lynch's previously announced offer to repurchase auction rate securities (ARS) from its private clients and the associated settlement with regulators

Merrill Lynch's net loss applicable to common shareholders for the third quarter and first nine months of 2008 included \$2.1 billion of additional preferred dividends associated with the previously announced exchange of the mandatory convertible preferred stock. See Capital and Liquidity Management for further information.

The net loss from continuing operations for the first nine months of 2008 was \$11.7 billion, or \$13.16 per diluted share, compared with net earnings from continuing operations of \$1.7 billion, or \$1.60 per diluted share, in the prior-year period. The first nine months of 2008 net loss and loss per diluted share were \$11.8 billion and \$13.20, respectively, compared with net earnings of \$2.1 billion, or \$2.03 per diluted share, for the prior-year period. The first nine months of 2008 net revenues were \$834 million compared with \$19.4 billion in the prior-year period. The first nine months of 2008 adjusted net revenues were \$20.6 billion<sup>2</sup>, down 25% from the prior-year period on a comparable basis.

Including the impact of this quarter's net loss, at the end of the third quarter of 2008, Merrill Lynch's total common equity increased to \$29.8 billion, an increase of 41% or \$8.7 billion from the second quarter of 2008. Total stockholders' equity was \$38.4 billion at the end of the third quarter of 2008, an increase of 10% or \$3.6 billion from the second quarter of 2008. See Capital and Liquidity Management for a more detailed description of this quarter's activities.

### Third Quarter and First Nine Months of 2008 Highlights

- Bank of America Corporation agreed to acquire Merrill Lynch & Co. in an all-stock transaction
- Record year-to-date and third highest quarterly revenues in Rates and Currencies, up 27% from prior year-to-date
- Global Equity Linked Products (Derivatives) net revenue growth of 23% sequentially and 14% year-on-year
- Advisory revenues outperformed the market, increasing 12% sequentially; Merrill Lynch also ranked #2 in global announced M&A for the quarter<sup>4</sup>
- Solid performance in Global Wealth Management despite challenging market environment; FA headcount increased by 240 from a year ago; Net new annuitized assets are up \$21 billion year-to-date
- Significant progress in balance sheet and risk reduction; RWA declined by approximately 15% over the quarter
- Substantial sale of \$30.6 billion of gross notional amount of U.S. super senior ABS CDOs
- Reductions of 98% of U.S. Alt-A residential mortgage net exposures. Including planned sales, reductions of 56% in non-U.S. residential mortgages and 25% in commercial real estate, excluding First Republic Bank and the U.S. Banks Investment Securities Portfolio
- Enhanced capital base through a \$9.8 billion common stock offering and the \$4.425 billion sale of the Bloomberg stake
- Subsequent to the third quarter, and as part of Bank of America's \$25 billion participation in the TARP Capital Purchase Program, Merrill Lynch agreed and expects to issue \$10 billion of non-voting preferred stock and related warrants to the U.S. Treasury pursuant to the program.

"We continue to reduce exposures and de-leverage the balance sheet prior to the closing of the Bank of America deal," said John A. Thain, chairman and CEO of Merrill Lynch. "As the landscape for financial services firms continues to change and our transition teams make good progress, we believe even more that the transaction will create an unparalleled global company with pre-eminent scale, earnings power and breadth."

**Business Segment Review:**

In addition to the restructuring charge of \$445 million recorded in the second quarter, an additional \$39 million was recorded in the third quarter related to headcount reduction initiatives, primarily in technology. The third quarter and year-to-date amounts recorded in the business segments were as follows: \$18 million and \$329 million in Global Markets and Investment Banking and \$21 million and \$155 million in Global Wealth Management. The following discussion of business segment results excludes the impact of these restructuring expenses. A reconciliation of these segment results appears on Attachment III to this release.

**Global Markets and Investment Banking (GMI)**

GMI recorded net revenues of negative \$3.2 billion and a pre-tax loss of \$6.0 billion for the third quarter of 2008 compared with net revenues of negative \$3.2 billion and a pre-tax loss of \$4.6 billion in the prior-year period. The challenging market environment, particularly in September, resulted in net losses in FICC and lower net revenues in Investment Banking, offset by significantly higher net revenues in Equity Markets resulting from the Bloomberg gain. GMI's third quarter net revenues included a net benefit of \$2.8 billion (approximately \$2.0 billion in FICC and \$0.8 billion in Equity Markets) due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain long-term debt liabilities.

- Net revenues from GMI's three major business lines were as follows:

**FICC** net revenues were negative \$9.9 billion for the quarter, as strong revenues from Rates and Currencies were more than offset by net losses related to the CDO sale and termination and potential settlement of related monoline hedges, real estate-related assets, and net losses from credit spreads widening across most asset classes to significantly higher levels at the end of the quarter. FICC recorded significant losses as a result of severe market dislocations in September, including credit spread volatility and a default of a major U.S. broker-dealer. In addition, net revenues for other FICC businesses declined from the third quarter of 2007, as the environment for those businesses was materially worse than the year-ago quarter.



U.S. ABS CDOs:

At the end of the third quarter, net exposures to U.S. super senior ABS CDOs were \$1.1 billion, down from \$4.3 billion at the end of the second quarter. The remaining net exposure is predominantly comprised of U.S. super senior ABS CDOs based on mezzanine underlying collateral.

The aggregate U.S. super senior ABS CDO long exposures were \$6.4 billion, substantially reduced from \$19.9 billion at the end of the second quarter. The reduction predominantly resulted from the CDO sale, which decreased long exposures by \$11.1 billion. The long exposure was further reduced during the quarter by \$2.4 billion resulting from mark-to-market adjustments, amortization and liquidations.

At quarter-end, the super senior ABS CDO long exposure was hedged with an aggregate of \$5.3 billion of short exposure, which was down \$10.3 billion from the end of the second quarter. Of this reduction, \$8.4 billion was due to the termination and potential settlement of related monoline hedges and \$1.9 billion was primarily due to mark-to-market gains, amortization and liquidations. The remaining short position predominantly reflects contracts with highly-rated, non-monoline counterparties with strong collateral servicing agreements.

Please see Attachment VI to this release for details related to these exposures.

Financial Guarantors:

At the end of the third quarter of 2008, the carrying value of hedges with financial guarantors related to U.S. super senior ABS CDOs was \$1.4 billion, reduced from \$2.9 billion at the end of the second quarter. The decrease was due to the termination and potential settlement of monoline hedges partially offset by modest gains in the market value of the remaining hedges. Please see Attachment VI to this release for details related to these hedges.

The carrying value of hedges with financial guarantors related to other asset classes outside of U.S. super senior ABS CDOs increased from \$3.6 billion at the end of the second quarter to \$4.5 billion at the end of the third quarter 2008, resulting from gains in the market value of these hedges.

During the third quarter of 2008, credit valuation adjustments related to the firm's remaining hedges with financial guarantors, including those related to U.S. super senior ABS CDOs, were not significant.

Residential Mortgages (excluding U.S. Banks Investment Securities Portfolio):

Net exposures related to U.S. prime residential mortgages increased 3% to \$34.6 billion during the quarter, as GWM's First Republic Bank continued to originate mortgages for its high net worth client base, partially offset by the approximately \$0.4 billion sale of the firm's entire prime securities trading portfolio.

Other residential mortgage-related exposures of approximately \$10 billion at the beginning of the third quarter declined by 50% during the period to \$5.0 billion, or by 64% to \$3.6 billion inclusive of planned sales. These reductions included a net loss of \$2.2 billion during the quarter, which includes write-downs associated with these planned sales. The components of these reductions along with net losses are summarized below:

- U.S. sub-prime mortgage-related exposures declined 71% to \$295 million due to increased short positions and net losses of \$392 million
- Net exposures related to U.S. Alt-A residential mortgages declined 98% to \$25 million due to sales of approximately \$1.0 billion and net losses of \$492 million
- Net exposures related to non-U.S. residential mortgages declined by 38% during the period to \$4.6 billion, or by 56% to \$3.3 billion inclusive of planned sales. These reductions included a net loss of \$1.3 billion during the quarter, which includes write-downs associated with these planned sales.

Please see Attachment VII to this release for details related to these exposures.

U.S. Banks Investment Securities Portfolio:

Within the investment securities portfolio of Merrill Lynch's U.S. banks, net pre-tax losses of \$852 million were recognized through the statement of earnings during the third quarter of 2008. These net losses reflected the other-than-temporary impairment in the value of certain securities, primarily U.S. Alt-A residential mortgage-backed securities. At the end of the quarter, the cumulative pre-tax OCI balance related to this portfolio increased by \$882 million to negative \$5.5 billion, and was recorded in stockholders' equity on an after-tax basis. Please see Attachment VII to this release for details related to these exposures.

Leveraged Finance:

During the third quarter of 2008, the firm recorded write-downs of approximately \$550 million related to leveraged finance commitments. Legacy leveraged finance commitments declined 18% to \$6.1 billion, down from \$7.5 billion at the end of the second quarter. The \$1.4 billion reduction of legacy commitments was primarily due to loan sales and syndications. New commitments of approximately \$670 million were also made during the quarter resulting in total leveraged finance commitments of \$6.8 billion at quarter-end.

Commercial Real Estate:

Third quarter 2008 net exposures related to commercial real estate, excluding First Republic Bank, totaled approximately \$12.8 billion, down 14% from the second quarter, due primarily to markdowns, foreign exchange revaluations, sales and paydowns in U.S. and European whole loans/conduits. Inclusive of the \$1.6 billion of planned sales, net exposure would be \$11.2 billion, down 25% from the second quarter. The reductions included a net loss of \$854 million during the quarter, which includes write-downs associated with these planned sales. Net exposures related to First Republic Bank were \$2.9 billion at the end of the third quarter, up 10% from the second quarter. Please see Attachment VII to this release for details related to these exposures.

**Equity Markets** net revenues for the third quarter of 2008, which included the Bloomberg gain and a net gain related to changes in the carrying value of certain long-term debt liabilities, were \$6.0 billion compared with \$1.6 billion in the prior-year period. Global Equity-Linked Products revenues increased approximately 14% from the prior-year period, driven by increased trading activity and heightened market volatility. These increases were more than offset by declines from our Cash business, which experienced adverse market conditions, as well as Global Markets Financing and Services, which experienced declines in average balances, particularly in September. Private equity net losses were \$289 million for the third quarter of 2008 compared with net losses of \$61 million for the prior year quarter. Excluding private equity net losses, the Bloomberg gain and the net gain related to changes in the carrying value of certain long-term debt liabilities, Equity Markets revenues were down 19% from the prior-year period.

**Investment Banking** net revenues were \$750 million for the third quarter of 2008, down 25% from \$1.0 billion in the 2007 third quarter. Equity origination, debt origination and advisory revenues all declined, reflecting significantly lower industry-wide underwriting and deal volumes compared with the year-ago period.

For the first nine months of 2008, GMI recorded a pre-tax loss of \$18.3 billion, on net revenues of negative \$9.2 billion, due primarily to net losses in FICC that were partially offset by revenues in Equity Markets and Investment Banking. In addition, GMI recorded a net gain of approximately \$5.0 billion (approximately \$3.4 billion in FICC and \$1.5 billion in Equity Markets) due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain long-term debt liabilities.

#### **Global Wealth Management (GWM)**

GWM generated solid net revenues for the third quarter of 2008 despite significant market declines, reflecting the stability of the client franchise and the significant proportion of recurring net revenues in GWM.

- GWM's third quarter 2008 net revenues were \$3.2 billion, down 9% from the strong third quarter of 2007. The decrease in net revenues was primarily due to declines in transactional and origination revenues resulting from reduced client and issuer activity amidst increasingly challenging market conditions. The revenue decline was partially offset by a reduction in compensation and non-compensation expenses, resulting in pre-tax earnings of \$774 million. GWM's pre-tax profit margin was 23.9%, compared with 26.9% in the prior-year period.
- Net revenues from GWM's major business lines were as follows:
- Global Private Client (GPC) net revenues for the third quarter of 2008 were \$3.0 billion, down 8% from the prior-year period driven by lower transaction and origination revenues resulting from reduced client and origination activity in a challenging environment. Fee-based revenues also declined due to lower market levels.
- Global Investment Management (GIM) third quarter 2008 net revenues were \$241 million, an 11% decline from the third quarter of 2007, due to lower revenues from investments in asset management and alternative investment management companies.
- Financial Advisor (FA) headcount was 16,850 at quarter-end, a net increase of 160 FAs during the quarter and 240 from the third quarter of 2007, as GWM continued to be successful in retaining and recruiting high-quality experienced FAs. FA retention, particularly among first and second quintile FAs, continues to outperform the industry average. Outside the Americas, Merrill Lynch's continued focus and investment in the GWM franchise increased international FA headcount 8% year over year.
- Net inflows of client assets into annuitized-revenue products were \$2 billion for the third quarter. Total net new money was negative \$3 billion, impacted largely by client reaction to persistent volatility and negative market movements during the quarter.
- Total client assets in GWM accounts were \$1.5 trillion at the end of the 2008 third quarter.

GWM recorded pre-tax earnings of \$2.2 billion for the first nine months of 2008, down 18% from the year-ago period. Net revenues were \$10.2 billion, a decline of 2%. The decrease in pre-tax earnings was driven by lower net revenues from GPC and GIM and slightly higher expenses reflecting GWM's commitment to continuing investment in its key growth initiatives.

**Other Items:**

**Compensation Expenses**

Compensation and benefits expenses were \$3.5 billion for the third quarter of 2008, up 76% from \$2.0 billion in the third quarter of 2007, primarily due to the reversal of compensation expense accruals in the prior-year quarter. Compensation and benefits expenses were \$11.2 billion for the first nine months of 2008, down 3% from \$11.6 billion in the first nine months of 2007 primarily due to a decline in compensation expense accruals reflecting lower net revenues and reductions in headcount.

**Non-compensation Expenses**

Total non-compensation expenses were \$4.8 billion for the third quarter of 2008, including the \$2.5 billion Temasek payment and the \$425 million ARS-related expense; excluding the aforementioned items, total non-compensation expenses were \$1.9 billion, down 9% from the year-ago quarter. Details of the other significant changes in non-compensation expenses from the third quarter of 2007 are as follows:

- Communication and technology costs were \$546 million, up 9% due primarily to costs related to ongoing technology investments and system development initiatives, including continued investment in GWM platforms and workstations.
- Advertising and market development costs were \$159 million, down 12% due primarily to lower travel and other related expenses.
- Other expenses were \$588 million, including the \$425 million charge related to auction-rate securities as previously discussed. Excluding this item, other expenses were \$163 million, down 59% due primarily to the write-off of approximately \$100 million of identifiable intangible assets related to First Franklin in the prior-year quarter and lower minority interest expenses associated with private equity investments.

### **Restructuring Charges**

In the third quarter of 2008 Merrill Lynch recorded a pre-tax restructuring charge of \$39 million, primarily related to severance costs and the accelerated amortization of previously granted stock awards associated with headcount reduction initiatives, primarily in technology. The restructuring charge for the nine month period was \$484 million.

### **Income Taxes**

Income taxes from continuing operations for the third quarter were a net credit of \$3.1 billion, reflecting tax benefits associated with the firm's pre-tax losses. The third quarter effective tax rate was 37.9%, compared with 34.6% for the third quarter of 2007. The increase in the effective tax rate reflected changes in the firm's geographic mix of earnings.

### **Capital and Liquidity Management**

The firm's excess liquidity pool ended the quarter at approximately \$77 billion, well in excess of total debt maturing over the next twelve months.

Merrill Lynch's active management of equity capital during the 2008 third quarter included a number of transactions, including the previously announced \$9.8 billion common stock offering and sale of a 20% stake in Bloomberg L.P. resulting in a pre-tax gain of \$4.3 billion.

As previously disclosed, concurrent with the \$9.8 billion common stock offering, holders of \$4.9 billion of the \$6.6 billion of the mandatory convertible preferred stock agreed to exchange their preferred stock for approximately 177 million shares of common stock, plus \$65 million in cash. Holders of the remaining \$1.7 billion of mandatory convertible preferred stock agreed to exchange their preferred stock for new mandatory convertible preferred stock. The price reset feature for all securities exchanged was eliminated. In connection with the elimination of the price reset feature of the \$6.6 billion of preferred stock, Merrill Lynch recorded additional preferred dividends of \$2.1 billion in the third quarter of 2008.

In light of the pending transaction with Bank of America, Merrill Lynch is no longer pursuing the proposed sale of Financial Data Services, Inc. (FDS). As a result, all of Merrill Lynch's equity capital and related figures do not include any impact of the firm's previously contemplated sale of a controlling interest in FDS.

At the end of the third quarter of 2008, estimated book value per share was \$18.59, down from \$21.43 at the end of the second quarter. Adjusting for the company's \$1.7 billion mandatory convertible preferred offering on an "if-converted" basis, Merrill Lynch's adjusted book value per share was \$18.90 at the end of the third quarter of 2008.

Subsequent to the third quarter, and as part of Bank of America's \$25 billion participation in the TARP Capital Purchase Program, Merrill Lynch agreed and expects to issue \$10 billion of non-voting preferred stock and related warrants to the U.S. Treasury pursuant to the program.

**Staffing**

Merrill Lynch's full-time employees totaled 60,900 at the end of the third quarter of 2008, reduced by approximately 3,300 employees since the prior-year period, largely due to headcount reduction initiatives in the U.S., within GMI and support areas.

John Thain, chairman and chief executive officer, and Nelson Chai, executive vice president and chief financial officer, will host a conference call today at 8:00 a.m. ET to discuss the company's 2008 third quarter and first nine months results. The conference call can be accessed via a live audio webcast available through the Investor Relations website at [www.ir.ml.com](http://www.ir.ml.com) or by dialing (888) 810-0245 (U.S. callers) or (706) 634-0180 (non-U.S. callers). On-demand replay of the webcast will be available at the same web address.

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies with offices in 40 countries and territories and total client assets of approximately \$1.5 trillion. As an investment bank, it is a leading global trader and underwriter of securities and derivatives across a broad range of asset classes and serves as a strategic advisor to corporations, governments, institutions and individuals worldwide. Merrill Lynch owns approximately half of BlackRock, one of the world's largest publicly traded investment management companies with more than \$1 trillion in assets under management. For more information on Merrill Lynch, please visit [www.ml.com](http://www.ml.com).

Merrill Lynch may make forward-looking statements, including, for example, statements about management expectations and intentions, announced but not completed transactions, strategic objectives, growth opportunities, business prospects, investment banking pipelines, anticipated financial results, the impact of off balance sheet arrangements, significant contractual obligations, anticipated results of litigation and regulatory investigations and proceedings, and other similar matters. These forward-looking statements are not statements of historical facts and 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 the 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, financial market volatility; actions and initiatives taken by current and potential competitors; general economic conditions; the effect of current, pending and future legislation, regulation, and regulatory actions; and the other additional factors described in the Risk Factors section of Merrill Lynch's Annual Report on Form 10-K for the fiscal year ended December 28, 2007 and also disclosed from time to time in its subsequent reports on Form 10-Q and 8-K, which are available on the Merrill Lynch Investor Relations website at [www.ir.ml.com](http://www.ir.ml.com) and at the SEC's website, [www.sec.gov](http://www.sec.gov).

Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date 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 date the forward-looking statements are made. The reader should, however, consult any further disclosures Merrill Lynch may make in its future filings of its reports on Form 10-K, Form 10-Q and Form 8-K.

Merrill Lynch may also, from time to time, disclose financial information on a non-GAAP basis where management believes this information will be valuable to investors in gauging the quality of Merrill Lynch's financial performance and identifying trends.

<sup>1</sup> ABS CDOs are defined as collateralized debt obligations comprised of asset-backed securities.

<sup>2</sup> See Attachment VIII for a reconciliation of non-GAAP measures.

<sup>3</sup> These items were recorded in the Corporate segment.

<sup>4</sup> Source: Dealogic.



## Preliminary Unaudited Earnings Summary

	For the Three Months Ended			Percent Inc / (Dec)	
	Sep. 26, 2008	Jun. 27, 2008	Sep. 28 2007	3Q08 vs. 2Q08	3Q08 vs. 3Q07
(in millions, except per share amounts)					
<b>Revenues</b>					
Principal transactions	\$ (6,573)	\$ (4,083)	\$ (5,761)	N/M	N/M %
Commissions	1,745	1,811	1,860	(4)	(6)
Managed accounts and other fee-based revenues	1,395	1,399	1,392	(0)	0
Investment banking	845	1,158	1,277	(27)	(34)
Earnings from equity method investments	4,401	111	412	N/M	N/M
Other (1)	(2,986)	(1,875)	(1,114)	N/M	N/M
Subtotal	(1,173)	(1,479)	(1,934)	N/M	N/M
Interest and dividend revenues	9,019	7,535	15,636	20	(42)
Less interest expense	7,830	8,172	13,322	(4)	(41)
Net interest (loss)/profit	1,189	(637)	2,314	N/M	(49)
<b>Revenues, net of interest expense</b>	<b>16</b>	<b>(2,116)</b>	<b>380</b>	N/M	(96)
<b>Non-interest expenses</b>					
Compensation and benefits	3,483	3,491	1,979	(0)	76
Communications and technology	546	566	499	(4)	9
Brokerage, clearing, and exchange fees	348	370	364	(6)	(4)
Occupancy and related depreciation	314	328	295	(4)	6
Professional fees	242	263	245	(8)	(1)
Advertising and market development	159	166	181	(4)	(12)
Office supplies and postage	48	55	54	(13)	(11)
Other	588	311	401	89	47
Payment related to price reset on common stock offering	2,500	-	-	N/M	N/M
Restructuring charge	39	445	-	(91)	N/M
<b>Total non-interest expenses</b>	<b>8,267</b>	<b>5,995</b>	<b>4,018</b>	38	106
<b>Pre-tax loss from continuing operations</b>	<b>(8,251)</b>	<b>(8,111)</b>	<b>(3,638)</b>	N/M	N/M
Income tax benefit	(3,131)	(3,477)	(1,258)	N/M	N/M
<b>Net loss from continuing operations</b>	<b>(5,120)</b>	<b>(4,634)</b>	<b>(2,380)</b>	N/M	N/M
<b>Discontinued operations:</b>					
Pre-tax (loss)/earnings from discontinued operations	(53)	(32)	211	N/M	N/M
Income tax (benefit)/expense	(21)	(12)	72	N/M	N/M
Net (loss)/earnings from discontinued operations	(32)	(20)	139	N/M	N/M
<b>Net loss</b>	<b>\$ (5,152)</b>	<b>\$ (4,654)</b>	<b>\$ (2,241)</b>	N/M	N/M
<b>Preferred stock dividends</b>	<b>\$ 2,319</b>	<b>\$ 237</b>	<b>\$ 73</b>	N/M	N/M
<b>Net loss applicable to common stockholders</b>	<b>\$ (7,471)</b>	<b>\$ (4,891)</b>	<b>\$ (2,314)</b>	N/M	N/M
Basic loss per common share from continuing operations	(5.56)	(4.95)	(2.99)	N/M	N/M
Basic (loss)/earnings per common share from discontinued operations	(0.02)	(0.02)	0.17	N/M	N/M
Basic loss per common share	\$ (5.58)	\$ (4.97)	\$ (2.82)	N/M	N/M
Diluted loss per common share from continuing operations	(5.56)	(4.95)	(2.99)	N/M	N/M
Diluted (loss)/earnings per common share from discontinued operations	(0.02)	(0.02)	0.17	N/M	N/M
Diluted loss per common share	\$ (5.58)	\$ (4.97)	\$ (2.82)	N/M	N/M
<b>Average shares used in computing earnings per common share</b>					
Basic	1,339.0	984.1	821.6	36	63
Diluted	1,339.0	984.1	821.6	36	63

N/M = Not Meaningful

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

(1) Includes gains and losses on investment securities, private equity investments, loans and other miscellaneous items.

## Preliminary Unaudited Earnings Summary

(in millions, except per share amounts)

	For the Nine Months Ended		Percent Inc / (Dec)
	Sep. 26, 2008	Sep. 28, 2007	
<b>Revenues</b>			
Principal transactions	\$ (13,074)	\$ 529	N/M %
Commissions	5,445	5,360	2
Managed accounts and other fee-based revenues	4,249	4,025	6
Investment banking	2,920	4,315	(32)
Earnings from equity method investments	4,943	1,096	N/M
Other (1)	(6,310)	114	N/M
Subtotal	(1,827)	15,439	N/M
Interest and dividend revenues	28,415	42,804	(34)
Less interest expense	25,754	38,801	(34)
Net interest profit	2,661	4,003	(34)
<b>Revenues, net of interest expense</b>	<b>834</b>	<b>19,442</b>	(96)
<b>Non-interest expenses</b>			
Compensation and benefits	11,170	11,564	(3)
Communications and technology	1,667	1,460	14
Brokerage, clearing, and exchange fees	1,105	1,020	8
Occupancy and related depreciation	951	833	14
Professional fees	747	716	4
Advertising and market development	501	536	(7)
Office supplies and postage	160	169	(5)
Other	1,212	1,055	15
Payment related to price reset on common stock offering	2,500	-	N/M
Restructuring charge	484	-	N/M
<b>Total non-interest expenses</b>	<b>20,497</b>	<b>17,353</b>	18
<b>Pre-tax (loss)/earnings from continuing operations</b>	<b>(19,663)</b>	<b>2,089</b>	N/M
Income tax (benefit)/expense	(7,940)	429	N/M
<b>Net (loss)/earnings from continuing operations</b>	<b>(11,723)</b>	<b>1,660</b>	N/M
<b>Discontinued operations:</b>			
Pre-tax (loss)/earnings from discontinued operations	(110)	602	N/M
Income tax (benefit)/expense	(65)	206	N/M
Net (loss)/earnings from discontinued operations	(45)	396	N/M
<b>Net (loss)/earnings</b>	<b>\$ (11,768)</b>	<b>\$ 2,056</b>	N/M
<b>Preferred stock dividends</b>	<b>\$ 2,730</b>	<b>\$ 197</b>	N/M
<b>Net (loss)/earnings applicable to common stockholders</b>	<b>\$ (14,498)</b>	<b>\$ 1,859</b>	N/M
Basic (loss)/earnings per common share from continuing operations	(13.16)	1.75	N/M
Basic (loss)/earnings per common share from discontinued operations	(0.04)	0.48	N/M
Basic (loss)/earnings per common share	\$ (13.20)	\$ 2.23	N/M
Diluted (loss)/earnings per common share from continuing operations	(13.16)	1.60	N/M
Diluted (loss)/earnings per common share from discontinued operations	(0.04)	0.43	N/M
Diluted (loss)/earnings per common share	\$ (13.20)	\$ 2.03	N/M
<b>Average shares used in computing earnings per common share</b>			
Basic	1,098.6	832.2	32
Diluted	1,098.6	916.3	20

N/M = Not Meaningful

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

(1) Includes gains and losses on investment securities, private equity investments, loans and other miscellaneous items.

## Preliminary Segment Data (unaudited)

	For the Three Months Ended			Percent Inc / (Dec)		For the Nine Months Ended		
	Sep. 26, 2008	Jun. 27, 2008	Sep. 28, 2007	3Q08 vs. 2Q08	3Q08 vs. 3Q07	Sep. 26, 2008	Sep. 28, 2007	Percent Inc / (Dec)
(dollars in millions)								
<b>Global Markets &amp; Investment Banking</b>								
<b>Global Markets</b>								
FICC	\$ (9,943)	\$ (8,068)	\$ (5,764)	N/M	% N/M	\$ (21,389)	\$ (718)	N/M
Equity Markets	6,030	1,727	1,581	249	281	9,640	6,115	58
Total Global Markets net revenues	(3,913)	(6,341)	(4,183)	N/M	N/M	(11,749)	5,397	N/M
<b>Investment Banking <sup>(1)</sup></b>								
Origination:								
Debt	182	367	276	(50)	(34)	780	1,333	(41)
Equity	214	338	344	(37)	(38)	751	1,254	(40)
Strategic Advisory Services	354	317	385	12	(8)	1,046	1,181	(11)
Total Investment Banking net revenues	750	1,022	1,005	(27)	(25)	2,577	3,768	(32)
Total net revenues	(3,163)	(5,319)	(3,178)	N/M	N/M	(9,172)	9,165	N/M
Non-interest expenses before restructuring charge	2,833	2,929	1,434	(3)	98	9,119	9,633	(5)
Restructuring charge	18	311	-	N/M	N/M	329	-	N/M
Pre-tax (loss) / earnings from continuing operations	(6,014)	(8,559)	(4,612)	N/M	N/M	(18,620)	(468)	N/M
Pre-tax (loss) / earnings from continuing operations, before restructuring charge	(5,996)	(8,248)	(4,612)	N/M	N/M	(18,291)	(468)	N/M
Pre-tax profit margin	N/M	N/M	N/M			N/M	-5.1%	
Pre-tax profit margin, before restructuring charge	N/M	N/M	N/M			N/M	-5.1%	
<b>Global Wealth Management</b>								
<b>Global Private Client</b>								
Fee-based revenues	\$ 1,568	\$ 1,591	\$ 1,605	(1)	(2)	\$ 4,784	\$ 4,622	4
Transactional and origination revenues	729	897	989	(19)	(26)	2,552	2,915	(12)
Net interest profit and related hedges <sup>(2)</sup>	587	604	584	(3)	1	1,829	1,753	4
Other revenues	110	74	90	49	22	295	300	(2)
Total Global Private Client net revenues	2,994	3,166	3,268	(5)	(8)	9,460	9,590	(1)
<b>Global Investment Management net revenues</b>	241	193	270	25	(11)	733	836	(12)
Total net revenues	3,235	3,359	3,538	(4)	(9)	10,193	10,426	(2)
Non-interest expenses before restructuring charge	2,461	2,621	2,585	(6)	(5)	7,961	7,710	3
Restructuring charge	21	134	-	N/M	N/M	155	-	N/M
Pre-tax (loss) / earnings from continuing operations	753	604	953	25	(21)	2,077	2,716	(24)
Pre-tax (loss) / earnings from continuing operations, before restructuring charge	774	738	953	5	(19)	2,232	2,716	(18)
Pre-tax profit margin	23.3%	18.0%	26.9%			20.4%	26.1%	
Pre-tax profit margin, before restructuring charge	23.9%	22.0%	26.9%			21.9%	26.1%	
<b>Corporate</b>								
Total net revenues	\$ (56)	\$ (156)	\$ 20	N/M	N/M	\$ (187)	\$ (149)	(26)
Non-interest expenses before restructuring charge <sup>(3)</sup>	2,934	-	(1)	N/M	N/M	2,933	10	N/M
Restructuring charge	-	-	-	N/M	N/M	-	-	N/M
Pre-tax (loss) / earnings from continuing operations	(2,990)	(156)	21	N/M	N/M	(3,120)	(159)	N/M
<b>Total</b>								
Total net revenues	\$ 16	\$ (2,116)	\$ 380	N/M	(96)	\$ 834	\$ 19,442	(96)
Non-interest expenses before restructuring charge	8,228	5,550	4,018	48	105	20,013	17,353	15
Restructuring charge	39	445	-	N/M	N/M	484	-	N/M
Pre-tax (loss) / earnings from continuing operations	(8,251)	(8,111)	(3,638)	N/M	N/M	(19,663)	2,089	N/M
Pre-tax profit margin	N/M	N/M	N/M			N/M	10.7%	

N/M = Not Meaningful

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

(1) A portion of Origination revenue is recorded in Global Wealth Management.

(2) Includes interest component of non-qualifying derivatives which are included in Other Revenues in Attachment I and II.

(3) Includes expenses of \$2.5 billion related to the Temasek reset payment and \$425 million associated with the auction rate securities repurchase program.



## Consolidated Quarterly Earnings (unaudited)

(in millions, except per share amounts)

	3Q07	4Q07	1Q08	2Q08	3Q08
<b>Revenues</b>					
Principal transactions	\$ (5,761)	\$ (12,596)	\$ (2,418)	\$ (4,083)	\$ (6,573)
Commissions					
Listed and over-the-counter securities	1,279	1,294	1,319	1,221	1,220
Mutual funds	522	570	532	539	459
Other	59	60	38	51	66
Total	1,860	1,924	1,889	1,811	1,745
Managed accounts and other fee-based revenues					
Portfolio service fees	904	902	892	852	857
Asset management fees	150	179	206	198	196
Account fees	117	120	117	116	115
Other fees	221	239	240	233	227
Total	1,392	1,440	1,455	1,399	1,395
Investment banking					
Underwriting	895	717	543	841	490
Strategic advisory	382	550	374	317	355
Total	1,277	1,267	917	1,158	845
Earnings from equity method investments	412	531	431	111	4,401
Other (1)	(1,114)	(2,304)	(1,449)	(1,875)	(2,986)
Subtotal	(1,934)	(9,738)	825	(1,479)	(1,173)
Interest and dividend revenues	15,636	14,170	11,861	7,535	9,019
Less interest expense	13,322	12,624	9,752	8,172	7,830
Net interest profit	2,314	1,546	2,109	(637)	1,189
	<b>380</b>	<b>(8,192)</b>	<b>2,934</b>	<b>(2,116)</b>	<b>16</b>
<b>Non-Interest Expenses</b>					
Compensation and benefits	1,979	4,339	4,196	3,491	3,483
Communications and technology	499	597	555	566	546
Brokerage, clearing, and exchange fees	364	395	387	370	348
Occupancy and related depreciation	295	306	309	328	314
Professional fees	245	311	242	263	242
Advertising and market development	181	249	176	166	159
Office supplies and postage	54	64	57	55	48
Other	401	467	313	311	588
Payment related to common stock offering	-	-	-	-	2,500
Restructuring charge	-	-	-	445	39
<b>Total Non-Interest Expenses</b>	<b>4,018</b>	<b>6,728</b>	<b>6,235</b>	<b>5,995</b>	<b>8,267</b>
<b>Pre-tax loss from continuing operations</b>	<b>(3,638)</b>	<b>(14,920)</b>	<b>(3,301)</b>	<b>(8,111)</b>	<b>(8,251)</b>
Income tax benefit	(1,258)	(4,623)	(1,332)	(3,477)	(3,131)
<b>Net loss from continuing operations</b>	<b>(2,380)</b>	<b>(10,297)</b>	<b>(1,969)</b>	<b>(4,634)</b>	<b>(5,120)</b>
<b>Discontinued operations:</b>					
Pre-tax earnings/(loss) from discontinued operations	211	795	(25)	(32)	(53)
Income tax expense/(benefit)	72	331	(32)	(12)	(21)
Net earnings/(loss) from discontinued operations	139	464	7	(20)	(32)
<b>Net loss</b>	<b>\$ (2,241)</b>	<b>\$ (9,833)</b>	<b>\$ (1,962)</b>	<b>\$ (4,654)</b>	<b>\$ (5,152)</b>

## Per Common Share Data

	3Q07	4Q07	1Q08	2Q08	3Q08
Loss from continuing operations - Basic	\$ (2.99)	\$ (12.57)	\$ (2.20)	\$ (4.95)	\$ (5.56)
Loss from continuing operations - Diluted	(2.99)	(12.57)	(2.20)	(4.95)	(5.56)
Dividends paid	0.35	0.35	0.35	0.35	0.35
Book value	39.60	29.34	25.93	21.43	18.59 est.
Adjusted book value (2)	N/M	N/M	28.93	24.94	18.90 est.

N/M = Not Meaningful

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

(1) Includes gains and losses on investment securities, private equity investments, loans and other miscellaneous items.

(2) Adjusted book value per common share is calculated by dividing: common stockholders' equity after giving effect for conversion of convertible preferred on an "if-converted" basis by common shares outstanding adjusted for such conversion.

## Supplemental Data (unaudited)

(dollars in billions)

	3Q07	4Q07	1Q08	2Q08	3Q08
<b>Client Assets</b>					
U.S.	\$ 1,601	\$ 1,586	\$ 1,479	\$ 1,447	\$ 1,333
Non - U.S.	161	165	158	158	142
Total Client Assets	1,762	1,751	1,637	1,605	1,475
Assets in Annuitized-Revenue Products	691	655	607	630	580
<b>Net New Money (1) (2)</b>					
All Client Accounts	\$ 26	\$ 30	\$ 6	\$ (5)	\$ (3)
Annuitized-Revenue Products (3)	10	-	11	8	2
<b>Balance Sheet Information: (4)</b>					
Short-term Borrowings	\$ 27.1	\$ 24.9	\$ 21.6	\$ 19.1	\$ 25.7
Deposits	95.0	104.0	104.8	100.5	90.0
Long-term Borrowings	264.9	261.0	259.5	270.4	227.3
Junior Subordinated Notes (related to trust preferred securities)	5.2	5.2	5.2	5.2	5.2
<b>Stockholders' Equity: (4)</b>					
Preferred Stockholders' Equity	4.8	4.4	11.0	13.7	8.6
Common Stockholders' Equity	33.8	27.5	25.5	21.1	29.8
Total Stockholders' Equity	38.6	31.9	36.5	34.8	38.4
<b>Full-Time Employees (5)</b>	64,200	64,200	63,100	60,000	60,900
<b>Financial Advisors</b>	16,610	16,740	16,660	16,690	16,850
<b>Common shares outstanding (in millions):</b>					
Weighted-average - basic	821.6	825.0	974.1	984.1	1,339.0
Weighted-average - diluted	821.6	825.0	974.1	984.1	1,339.0
Period-end	855.4	939.1	985.1	985.4	1,600.1

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

(1) Net new money excludes flows associated with the Institutional Advisory Division which serves certain small- and middle-market companies, as well as net inflows at BlackRock from distribution channels other than Merrill Lynch.

(2) Net new money has been restated to include net inflows of assets which are not held in custody but generate fee revenue.

(3) Includes both net new client assets into annuitized-revenue products, as well as existing client assets transferred into annuitized-revenue products.

(4) Balance Sheet Information and Stockholders' Equity are estimated for 3Q08.

(5) Excludes 400 full-time employees on salary continuation severance at the end of 3Q07, 700 at the end of 4Q07, 900 at the end of 1Q08, 2,800 at the end of 2Q08 and 300 at the end of 3Q08.

(Unaudited)

(dollars in billions)

U.S. Super Senior ABS CDO Exposure	Long	Short	Net
<b>June 27, 2008</b> (As Reported In Earnings Release Dated 7/17/08)	\$ 19.9	\$ (15.6)	\$ 4.3
Sale of CDOs:			
Sale Price of CDOs (1)	(6.7)	--	(6.7)
Loss on CDOs	(4.4)	--	(4.4)
Total Reduction in Exposure from Sale	(11.1)	--	(11.1)
Tear-up of XL Hedges (2)	--	1.2	1.2
Settlement of Monoline Hedges on Long Position Sold (3)	--	7.2	7.2
Total Increase in Exposure from Tear-ups	--	8.4	8.4
<b>Total Exposure (As Reported in Press Release Dated 7/28/08)</b>	<b>\$ 8.8</b>	<b>\$ (7.2)</b>	<b>\$ 1.6</b>
3Q Exposure Changes:			
Gains / (Losses)	\$ (1.9)	\$ 1.6	\$ (0.3)
Liquidations / Amortization	(0.5)	0.3	(0.2)
<b>September 26, 2008</b>	<b>\$ 6.4</b>	<b>\$ (5.3)</b>	<b>\$ 1.1</b>

As reported in Merrill Lynch's earnings release dated July 17, 2008, secondary trading exposure was \$227 million for 2Q08.

As of 3Q08, exposure is \$(273) million. Exposure change was driven by liquidations, unwinds, and gains / (losses) recognized.

(1) Merrill Lynch provided financing to the purchaser for approximately 75% of the purchase price. The recourse on this loan is limited to the assets of the purchaser, which will consist solely of the CDOs.

(2) Merrill Lynch terminated all of its CDO-related hedges with XL, which had a June 27, 2008 carrying value of \$1,029 million in exchange for an upfront payment of \$500 million. This termination resulted in a net loss of approximately \$529 million.

(3) This includes both settled and potentially settled monoline hedges.

Credit Default Swaps with Financial Guarantors on U.S. Super Senior ABS CDOs	Notional of CDS	Net Exposure	Mark-to-Market Prior to Credit Valuation Adjustments	Life-to-Date Credit Valuation Adjustments	Carrying Value
<b>June 27, 2008</b> (As Reported In Earnings Release Dated 7/17/08)	\$ (18.7)	\$ (9.6)	\$ 9.1	\$ (6.2)	\$ 2.9
Tear-up of XL Hedges (1)	3.7	1.2	(2.5)	1.5	(1.0)
Settlement of Monoline Hedges on Long Position Sold (2)	12.1	7.2	(4.9)	4.1	(0.8)
<b>Total (As Reported in Press Release Dated 7/28/08)</b>	<b>\$ (2.9)</b>	<b>\$ (1.2)</b>	<b>\$ 1.7</b>	<b>\$ (0.6)</b>	<b>\$ 1.1</b>
3Q Activity	0.0	0.3	0.3	(0.0)	0.3
<b>September 26, 2008</b>	<b>\$ (2.9)</b>	<b>\$ (0.9)</b>	<b>\$ 2.0</b>	<b>\$ (0.6)</b>	<b>\$ 1.4</b>

(1) Merrill Lynch terminated all of its CDO-related hedges with XL, which had a June 27, 2008 carrying value of \$1,029 million in exchange for an upfront payment of \$500 million. This termination resulted in a net loss of approximately \$529 million.

(2) This includes both settled and potentially settled monoline hedges.

(Unaudited) (dollars in millions)

	Net exposures as of Jun. 27, 2008	Net gains/(losses) reported in income	Other net changes in net exposures <sup>(1)</sup>	Net exposures as of Sep. 26, 2008	Net exposures inclusive of planned sales	3Q08 vs. 2Q08 Percent Inc/(Dec)	3Q08 vs. 2Q08 Percent Inc/(Dec) inclusive of planned sales
<b>Residential Mortgage-Related (excluding U.S. Banks investment securities portfolio):</b>							
U.S. Prime <sup>(2)</sup>	\$ 33,718	\$ (123)	\$ 1,042	\$ 34,637	\$ 34,637	3%	3%
<b>Other Residential:</b>							
U.S. Sub-prime	1,012	(392)	(325)	295	295	(71)%	(71)%
U.S. Alt-A	1,542	(492)	(1,025)	25	25	(98)%	(98)%
Non-U.S.	7,448	(1,282)	(1,522)	4,644	3,250	(38)%	(56)%
<b>Total Other Residential <sup>(3)</sup></b>	<b>\$ 10,002</b>	<b>\$ (2,166)</b>	<b>\$ (2,872)</b>	<b>\$ 4,964</b>	<b>\$ 3,570</b>	<b>(50)%</b>	<b>(64)%</b>

(1) Represents U.S. Prime originations, sales, foreign exchange revaluations, hedges, paydowns, changes in loan commitments and related funding.

(2) As of September 26, 2008, net exposures include approximately \$31 billion of prime loans originated with GWM clients (of which \$14.5 billion were originated by First Republic Bank).

(3) Includes warehouse lending, whole loans and residential mortgage-backed securities.

	Net exposures as of Jun. 27, 2008	Net gains/(losses) reported in income <sup>(2)</sup>	Unrealized gains/(losses) included in OCI (pre-tax) <sup>(3)</sup>	Other net changes in net exposures <sup>(4)</sup>	Net exposures as of Sep. 26, 2008	Percent Inc/(Dec)
<b>U.S. Banks Investment Securities Portfolio:</b>						
Sub-prime residential mortgage-backed securities	\$ 2,901	\$ (116)	\$ 24	\$ (107)	\$ 2,702	(7)%
Alt-A residential mortgage-backed securities	4,338	(622)	(135)	(83)	3,498	(19)%
Commercial mortgage-backed securities	5,376	6	(370)	28	5,040	(6)%
Prime residential mortgage-backed securities	3,114	(82)	(152)	(371)	2,509	(19)%
Non-residential asset-backed securities	831	(8)	(40)	(60)	723	(13)%
Non-residential CDOs	745	(30)	(181)	(48)	486	(35)%
Agency residential asset-backed securities	505	-	-	(13)	492	(3)%
Other	226	-	(28)	9	207	(8)%
<b>Total <sup>(1)</sup></b>	<b>\$ 18,036</b>	<b>\$ (852)</b>	<b>\$ (882)</b>	<b>\$ (645)</b>	<b>\$ 15,657</b>	<b>(13)%</b>

(1) The September 26, 2008 net exposures include investment securities of approximately \$140 million recorded in a non-U.S. Banks legal entity.

(2) Primarily represents losses on certain securities deemed to be other-than-temporarily impaired.

(3) The cumulative, pre-tax balance in OCI related to this portfolio was approximately negative \$5.5 billion as of September 26, 2008.

(4) Primarily represents principal paydowns and sales.

	Net exposures as of Jun. 27, 2008	Net gains/(losses) reported in income	Other net changes in net exposures <sup>(1)</sup>	Net exposures as of Sep. 26, 2008	Net exposures inclusive of planned sales	3Q08 vs. 2Q08 Percent Inc/(Dec)	3Q08 vs. 2Q08 Percent Inc/(Dec) inclusive of planned sales
<b>Commercial Real Estate:</b>							
Whole Loans/Conduits	\$ 7,872	\$ (838)	\$ (906)	\$ 6,128	\$ 4,525	(22)%	(43)%
Securities and Derivatives	575	(10)	(10)	555	555	(3)%	(3)%
Real Estate Investments <sup>(2)</sup>	6,454	(6)	(312)	6,136	6,136	(5)%	(5)%
<b>Total Commercial Real Estate, excluding First Republic Bank</b>	<b>\$ 14,901</b>	<b>\$ (854)</b>	<b>\$ (1,228)</b>	<b>\$ 12,819</b>	<b>\$ 11,216</b>	<b>(14)%</b>	<b>(25)%</b>
<b>First Republic Bank</b>	<b>\$ 2,670</b>	<b>\$ 22</b>	<b>\$ 241</b>	<b>\$ 2,933</b>	<b>\$ 2,933</b>	<b>10%</b>	<b>10%</b>

(1) Primarily represents sales, paydowns and foreign exchange revaluations.

(2) The Company makes equity and debt investments in entities whose underlying assets are real estate. The Company consolidates those entities in which we are the primary beneficiary in accordance with FIN No. 46-R, Consolidation of Variable Interest Entities (revised December 2003)—an interpretation of ARB No. 51.

The Company does not consider itself to have economic exposure to the total underlying assets in those entities. The amounts presented are the Company's net investment and therefore exclude the amounts that have been consolidated but for which the Company does not consider itself to have economic exposure.



**Revenue Reconciliation (Non-GAAP Measures)**

(dollars in millions)

The following table provides the calculation of Merrill Lynch's net revenues excluding certain adjustments. While these amounts are considered non-GAAP measures, management believes that it is relevant in assessing the quality of our financial performance, identifying trends in our results and providing more meaningful period-to-period comparisons.

	For the Three Months Ended			Percent Inc / (Dec)		For the Nine Months Ended		Percent Inc/(Dec)
	Sep. 26, 2008	Jun. 27, 2008	Sep. 28, 2007	3Q08 vs. 2Q08	3Q08 vs. 3Q07	Sep. 26, 2008	Sep. 28, 2007	
<b>GMI:</b>								
<b><u>FICC</u></b>								
GAAP revenues, net of interest expense	\$ (9,943)	\$ (8,068)	\$ (5,764)			\$ (21,389)	\$ (718)	
Net losses / (gains) as follows:								
U.S. ABS CDOs	4,836	3,492	6,855			9,800	6,956	
Leveraged finance commitments write-downs	546	348	463			1,821	463	
Residential mortgage-related exposures	2,289	1,255	1,027			4,326	1,646	
U.S. Banks investment securities portfolio	852	1,673	143			2,946	101	
Commercial real estate	832	15	-			794	(695)	
Other (1)	2,051	-	-			2,051	-	
Total net losses	11,406	6,783	8,488			21,738	8,471	
Credit valuation adjustments ("CVA") related to hedges with financial guarantors (2)	1,302	2,888	-			7,221	-	
Net effect due to change in Merrill Lynch credit spreads on certain long-term debt liabilities	(1,969)	(98)	(420)			(3,446)	(405)	
<b>Adjusted revenues, net of interest expense</b>	<b>796</b>	<b>1,505</b>	<b>2,304</b>	<b>(47)%</b>	<b>(65)%</b>	<b>4,124</b>	<b>7,348</b>	<b>(44)%</b>
<b><u>Equity Markets</u></b>								
GAAP revenues, net of interest expense	6,030	1,727	1,581			9,640	6,115	
Net losses / (gains) as follows:								
Bloomberg sale	(4,296)	-	-			(4,296)	-	
Other	47	-	-			47	-	
Total net losses / (gains)	(4,249)	-	-			(4,249)	-	
CVA related to hedges with financial guarantors	-	-	-			-	-	
Net effect of Merrill Lynch credit spreads	(830)	-	(174)			(1,525)	(208)	
<b>Adjusted revenues, net of interest expense</b>	<b>951</b>	<b>1,727</b>	<b>1,407</b>	<b>(45)%</b>	<b>(32)%</b>	<b>3,866</b>	<b>5,907</b>	<b>(35)%</b>
<b><u>Investment Banking</u></b>								
GAAP revenues, net of interest expense	750	1,022	1,005			2,577	3,768	
Net losses / (gains)	-	-	-			-	-	
CVA related to hedges with financial guarantors	-	-	-			-	-	
Net effect of Merrill Lynch credit spreads	-	-	-			-	-	
<b>Adjusted revenues, net of interest expense</b>	<b>750</b>	<b>1,022</b>	<b>1,005</b>	<b>(27)%</b>	<b>(25)%</b>	<b>2,577</b>	<b>3,768</b>	<b>(32)%</b>
<b><u>Total GMI</u></b>								
GAAP revenues, net of interest expense	(3,163)	(5,319)	(3,178)			(9,172)	9,165	
Net losses / (gains)	7,157	6,783	8,488			17,489	8,471	
CVA related to hedges with financial guarantors (2)	1,302	2,888	-			7,221	-	
Net effect of Merrill Lynch credit spreads	(2,799)	(98)	(594)			(4,971)	(613)	
<b>Adjusted revenues, net of interest expense</b>	<b>2,497</b>	<b>4,254</b>	<b>4,716</b>	<b>(41)%</b>	<b>(47)%</b>	<b>10,567</b>	<b>17,023</b>	<b>(38)%</b>
<b><u>GWM</u></b>								
GAAP revenues, net of interest expense	3,235	3,359	3,538			10,193	10,426	
Net losses / (gains)	-	-	-			-	-	
CVA related to hedges with financial guarantors	-	-	-			-	-	
Net effect of Merrill Lynch credit spreads	(44)	7	(15)			(66)	(15)	
<b>Adjusted revenues, net of interest expense</b>	<b>3,191</b>	<b>3,366</b>	<b>3,523</b>	<b>(5)%</b>	<b>(9)%</b>	<b>10,127</b>	<b>10,411</b>	<b>(3)%</b>
<b><u>Corporate</u></b>								
GAAP revenues, net of interest expense	(56)	(156)	20			(187)	(149)	
Other net losses / (gains)	66	-	-			66	-	
CVA related to hedges with financial guarantors	-	-	-			-	-	
Net effect of Merrill Lynch credit spreads	-	-	-			-	-	
<b>Adjusted revenues, net of interest expense</b>	<b>10</b>	<b>(156)</b>	<b>20</b>	<b>N/M</b>	<b>N/M</b>	<b>(121)</b>	<b>(149)</b>	<b>N/M</b>
<b><u>Total</u></b>								
GAAP revenues, net of interest expense	16	(2,116)	380			834	19,442	
Net losses / (gains)	7,223	6,783	8,488			17,555	8,471	
CVA related to hedges with financial guarantors (2)	1,302	2,888	-			7,221	-	
Net effect of Merrill Lynch credit spreads	(2,843)	(91)	(609)			(5,037)	(628)	
<b>Adjusted revenues, net of interest expense</b>	<b>\$ 5,698</b>	<b>\$ 7,464</b>	<b>\$ 8,259</b>	<b>(24)%</b>	<b>(31)%</b>	<b>\$ 20,573</b>	<b>\$ 27,285</b>	<b>(25)%</b>

N/M = Not Meaningful

(1) Primarily related to the default and spread movements of certain government sponsored entities and major U.S. broker-dealers.

(2) The CVA related to hedges with financial guarantors for the third quarter of 2008 is primarily related to the termination and potential settlement of monoline hedges.

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