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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 1995 Commission file number 1-7182

MERRILL LYNCH & CO., INC.
(Exact name of Registrant as specified in its charter)

Delaware 13-2740599
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

World Financial Center
North Tower
250 Vesey Street
New York, New York 10281
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 449-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.33 1/3	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
Depository Shares representing 1/400th share of 9% Cumulative Preferred Stock, Series A	New York Stock Exchange
Rights to Purchase Series A Junior Preferred Stock	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
S&P 500 Market Index Target-Term Securities ("MITTS") due August 29, 1997; S&P 500 MITTS due July 31, 1998; European Portfolio MITTS due June 30, 1999; Global Telecommunications Portfolio MITTS due October 15, 1998; Stock Market Annual Reset Term Notes ("SMART Notes") due December 31, 1997; SMART Notes due December 31, 1999 (Series A); Global Bond Linked Securities ("GloBLS") due December 31, 1998; Equity Participation Securities with Minimum Return Protection due June 30, 1999; Currency Protected Notes ("CPNs") due December 31, 1998; 6 1/2% Structured Yield Product Exchangeable for Stock ("STRYPES") due August 15, 1998	New York Stock Exchange
Japan Index Equity Participation Securities with Minimum Return Protection due January 31, 2000; AMEX Oil Index SMART Notes due December 29, 2000; Nikkei Stock Index 300 Call Warrants, expiring February 3, 1997; Greater of U.S. Dollar/Japanese Yen Put Currency Warrants, expiring May 15, 1997; Russell 2000 Index Call Warrants expiring November 17, 1998; AMEX Hong Kong 30 Index Equity Participation Notes due February 16, 1999	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of the Registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. [X]

As of March 15, 1996, the aggregate market value of the voting stock held
by non-affiliates of the Registrant was approximately \$9.95 billion.

As of March 15, 1996, there were 177,013,550 shares of Common Stock outstanding (this amount includes 4,012,519 shares held by Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes). All amounts of shares of Common Stock presented herein reflect the two-for-one Common Stock split, effected in the form of a 100% stock dividend, paid on November 24, 1993.

Documents Incorporated By Reference:

1. Merrill Lynch & Co., Inc. 1995 Annual Report to Stockholders -- Incorporated by reference in part in Form 10-K, Parts I, II and IV.
2. Merrill Lynch & Co., Inc. Proxy Statement for its 1996 Annual Meeting of Stockholders dated March 11, 1996 -- Incorporated by reference in part in this Form 10-K in Parts III and IV.

PART I

ITEM 1. BUSINESS

OVERVIEW

Merrill Lynch & Co., Inc.,* a Delaware corporation, is a holding company formed in 1973 that, through its subsidiaries and affiliates, provides investment, financing, insurance, and related services on a global basis. Such services include securities brokering, trading, and underwriting; investment banking and other corporate finance advisory activities, including loan syndication; asset management and other investment advisory services; trading of foreign exchange instruments, futures, commodities, and derivatives; securities clearance services; banking, trust, and lending services; and insurance sales and underwriting services. These services are provided to a large group of clients and customers, including individual investors, corporations, governments and governmental agencies, and financial institutions.

In the third quarter of 1995, ML & Co., through a wholly-owned subsidiary, acquired Smith New Court PLC, a global securities firm based in the United Kingdom ("Smith New Court"). This acquisition has made ML & Co. the largest equities organization in the world in terms of research, trading and sales capabilities and has strengthened its presence in nearly every major global financial market. Additional information respecting the Smith New Court acquisition is set forth in the Corporation's 1995 Annual Report to Stockholders under the caption "Management's Discussion and Analysis -- Results of Operations" and is incorporated herein by reference.

The Corporation conducts its business from its World Headquarters facility in New York City, New York, additional principal locations in New Jersey, London, Tokyo, Hong Kong, various regional facilities located in the United States and in other countries, and numerous retail sales and other offices throughout the world.

At December 29, 1995, ML & Co. employed approximately 46,000 people, approximately 1,200 of which joined ML & Co. as a result of the Smith New Court acquisition.

The financial services industry in which ML & Co. is a leading participant is highly competitive and highly regulated. It is directly affected by general economic conditions, trends in business and finance, government regulation, and investor sentiment, as well as by interest rate changes, currency volatility, and fluctuations in equity and commodity prices, both in the U.S. and throughout the world. The Corporation's revenues are particularly sensitive to industry and general economic conditions, the volume of securities transactions, and securities price levels. In addition, its business is subject to foreign exchange rate fluctuations, regulation by non-U.S. governments, and other factors inherent in international operations. Furthermore, its business activities are subject to varying degrees of risk and profitability depending upon the nature of the activity and the extent to which it has placed its capital at risk in the conduct of a variety of transactions, including dealer transactions, investment banking, derivative transactions, syndicated and bridge loan financing, and other related transactions.

The Corporation conducts its worldwide business through a number of highly integrated subsidiaries and affiliates which frequently participate in the facilitation and consummation of a single transaction. Financial information concerning the Corporation for each of the three

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* Unless the context otherwise requires, Merrill Lynch & Co., Inc. and its consolidated subsidiaries are referred to herein as "ML & Co." or the "Corporation."

fiscal years ended on the last Friday in December of 1995, 1994 and 1993, including the amount of total revenue contributed by classes of similar products or services that accounted for 10% or more of its consolidated revenues in any one of these fiscal periods and information with respect to the Corporation's operations by geographic area, is set forth in the Corporation's Consolidated Financial Statements and the Notes thereto in the 1995 Annual Report to

Stockholders, which is incorporated herein by reference.

The business activities of certain significant domestic and international ML & Co. subsidiaries are described below.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), which traces its origin to a brokerage business founded in 1820, is one of the largest securities firms in the world. It is a leading broker in securities, options contracts, and commodity and financial futures contracts; a leading dealer in options and in corporate and municipal securities; a leading investment banking firm that provides advice to, and raises capital for, corporations and other institutional clients, sovereigns, and municipalities; and an underwriter of selected insurance products. Merrill Lynch Canada Inc. ("Merrill Lynch Canada"), a subsidiary of MLPF&S, provides certain of these financial services in Canada.

BROKERAGE TRANSACTIONS. A significant portion of MLPF&S's revenues are generated by the commissions that it earns as a broker (i.e., agent) for investors in the purchase and sale of corporate securities, primarily common and preferred stocks and bonds traded on securities exchanges or in the over-the-counter markets. MLPF&S also acts as a broker for investors in the purchase and sale of mutual funds, money market instruments, government securities, corporate and high-yield bonds, municipal securities, futures, and options, including option contracts for the purchase and sale of various types of securities. MLPF&S provides such services to individual and institutional investors.

MLPF&S has established commission rates for all brokerage services that it performs. For accounts that are actively traded, however, MLPF&S's policy is to negotiate commissions based on economies of size and the complexity of the particular trading transaction and, additionally, for its institutional customers, based on the competitive environment and trading opportunities. MLPF&S customers participating in the Blueprint (service mark) program can purchase certain equity securities, mutual funds, and precious metals at a lower cost due to order processing efficiencies.

At December 29, 1995, there were approximately 7.6 million retail and institutional customer accounts worldwide at MLPF&S, compared to 7.1 million accounts at year-end 1994. In the United States and Canada, these accounts were served by approximately 12,600 retail financial consultants and institutional account executives, including trainees (as compared with approximately 12,300 at year-end 1994), in approximately 500 branch offices and 130 special market offices ("SMOs"). In the rest of the world, these accounts were served through Merrill Lynch International Incorporated and its subsidiaries and affiliates by approximately 1,150 retail financial consultants and institutional account executives at various international locations which are linked with the communications and trading network of MLPF&S.

MLPF&S, as a futures commission merchant, introduces customers to its affiliate Merrill Lynch Futures Inc. ("MLF") for the purchase and sale of futures contracts and options on such futures contracts in substantially all exchange-traded commodity and financial futures products. MLPF&S and certain of its affiliates may also take proprietary market positions in futures and

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futures options in certain instances. MLF holds memberships on 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.

All futures and futures options transactions are cleared through and carried by MLF and other ML & Co. subsidiaries engaged in futures clearing activities. As a result of their membership in the clearing associations of various futures exchanges, these ML & Co. entities have potentially significant financial exposure in the event that other members of futures clearing houses default materially in their obligations to such clearing houses. In addition, as with any margin transaction, the risk of loss to MLF and its customers from the trading of futures contracts is greater than the risk in cash securities transactions, primarily as a result of the low initial margin requirements (good faith deposits) relative to the value of the actual futures contracts. MLF may have financial exposure if a customer fails to meet a margin call. Net worth requirements, financial reviews, margin procedures, and other credit standards established for MLF customer futures accounts are intended to limit any exposure to MLF resulting from its trading in futures accounts. For information respecting ML & Co.'s credit management policies, see the information set forth in "Management's Discussion and Analysis -- Risk Management -- Credit Risk" in the 1995 Annual Report to Stockholders, which discussion is incorporated herein by reference.

DEALER TRANSACTIONS. MLPF&S regularly makes a market in the equity securities of approximately 900 U.S. corporations. In addition, it engages in market-making for approximately 2,000 non-U.S. securities traded in the over-the-counter markets. Its market-making activities are conducted with

customers and other dealers. In addition, as a block positioner, MLPF&S regularly acts as a market-maker in certain listed securities. MLPF&S is also a dealer in municipal, mortgage-backed, asset-backed, and corporate fixed-income securities. MLPF&S engages in certain commodity-related transactions, such as purchase and repurchase transactions and precious metals consignments as a principal.

As an adjunct to its trading activities, MLPF&S places its capital at risk by engaging in block positioning to facilitate transactions in large blocks of listed and over-the-counter securities and by engaging, from time to time, in arbitrage transactions for its own account. In its block positioning activities, MLPF&S purchases securities, or sells securities short for its own account, without having full commitments for their resale or covering purchase, thereby employing its capital to effect large transactions. Such positioning activities are undertaken after analyzing a given security's marketability and any position taken typically is liquidated as soon as practicable. In addition, MLPF&S facilitates various trading strategies involving the purchase and sale of financial futures contracts and options and, in connection with this activity, it may establish positions for its own account and risk.

Other ML & Co. subsidiaries act as dealers in certain specified securities, including governmental obligations, engage in interest rate and foreign currency swaps and other derivative product transactions with third parties on a principal or an intermediary basis, and act as foreign exchange dealers. For further information on ML & Co.'s dealer activities, see below "Merrill Lynch Government Securities Inc.", "Merrill Lynch Capital Services, Inc., Merrill Lynch Derivative Products, Inc., and Merrill Lynch Capital Markets PLC", and "Merrill Lynch's Banking, Trust, and Mortgage Lending Activities".

INVESTMENT BANKING. MLPF&S is a major investment banking firm that participates in every aspect of investment banking for corporate, institutional and governmental clients and acts in principal, agency, and advisory capacities. In addition to underwriting the sale of securities to

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the public, it arranges for the private placement of securities with investors. MLPF&S also provides a broad range of financial and corporate advisory services for its clients on strategic matters, including mergers and acquisitions, divestitures, restructurings, spin-offs, leveraged buyouts, defensive projects, project financing, mortgage and lease financing, capital structure, and specific financing opportunities.

MLPF&S, either directly or through affiliates, provides advice, valuation services, and financing assistance and engages in the underwriting and private placement of high-yield securities in connection with leveraged buyouts and other acquisition-related transactions. MLPF&S and its affiliates have, from time to time, taken principal positions in such transactions. It may extend credit to clients in the form of senior and subordinated debt, as well as bridge financing on a select and limited basis. In addition, it may syndicate loans in connection with corporate transactions, including leveraged transactions. Substantial funds may be provided to clients on a temporary basis until permanent financing is obtained. Additionally, MLPF&S and its affiliates occasionally retain equity interests in the subject companies in connection with their non-investment grade underwriting and merchant banking activities. Before MLPF&S and its affiliates engage in any of these financing activities, an analysis is performed to ascertain the underlying creditworthiness of the particular client and the liquidity of the market for securities that may be issued in connection with any such financings and to determine the likelihood of refinancing the transaction within a reasonable period.

The Corporation, through various subsidiaries and affiliates, including Merrill Lynch Capital Partners, Inc. ("MLCP") and Merrill Lynch Capital Corporation ("ML Capital Corp."), has made investments in equity and debt securities in acquisition transactions, including leveraged buyouts, for which MLPF&S has acted as financial advisor or underwriter. MLCP manages two leveraged buyout funds, Merrill Lynch Capital Appreciation Fund I, L.P. and Merrill Lynch Capital Appreciation Fund II, L.P. (the "Funds") which have been funded primarily by private investors. ML & Co., through MLPF&S and its other subsidiaries, may underwrite, trade, invest, and make markets in certain securities of issuers in which the Funds have invested. In addition, it may provide financial advisory services to these issuers. ML Capital Corp. has been a participant in middle-market leveraged acquisitions. Utilizing ML & Co.'s capital, ML Capital Corp., as principal, has provided senior and subordinated financing to, and acquired equity interests in, certain companies.

For additional information respecting these investment banking activities, see "Management's Discussion and Analysis -- Non-Investment Grade Holdings and Highly Leveraged Transactions" and Note 5 to the Consolidated Financial Statements in the 1995 Annual Report to Stockholders, which information is incorporated herein by reference.

MARGIN LENDING. MLPF&S also provides financing to clients, including margin lending and other extensions of credit. In a margin-based transaction, MLPF&S

extends credit for a portion of the market value of the securities in the customer's account up to the limit imposed by internal MLPF&S policies and applicable margin regulations. Since MLPF&S may have financial exposure if a customer fails to meet a margin call, any margin loan made by MLPF&S is collateralized by securities in the customer's margin account. Financial reviews, margin procedures, and other credit standards have been implemented in an effort to limit any exposures resulting from this margin lending activity. Interest on margin loans is an important source of revenue for MLPF&S. To finance margin loans, MLPF&S uses funds on which it pays interest (including borrowings from ML & Co.), funds on which it does not pay interest, including its own capital, funds derived from customers' free credit balances to the extent permitted by regulations, and funds derived from securities loaned. For additional information respecting ML & Co.'s risk management policies in this area, see "Management's Discussion

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and Analysis -- Risk Management -- Credit Risk" in the 1995 Annual Report to Stockholders, which information is incorporated herein by reference.

SECURITIES AND ECONOMIC RESEARCH. MLPF&S's Global Securities Research and Economics Group provides the Corporation's institutional and retail sales forces and customers with investment and related information on global securities markets and economic conditions. MLPF&S provides fundamental equity, fixed-income, technical market, and quantitative analyses; convertible securities analyses; investment and fixed-income strategy; high-yield debt securities research; credit research on municipal securities; and futures research information. MLPF&S provides research on more than 3,000 companies located in 50 countries. By means of a computer-based retrieval system available in each MLPF&S branch or affiliate office, current information and investment opinions on the common equity securities of approximately 1,900 corporations worldwide are readily available to all of the Corporation's retail and institutional customers through their financial consultants and account executives.

SECURITIES CLEARING SERVICES. MLPF&S provides securities clearing services through its subsidiaries Broadcort Capital Corp. ("BCC") and Wagner Stott Clearing Corp. ("WSCC"). BCC provides these services to approximately 89 unaffiliated broker-dealers. Those utilizing BCC's clearing services may also execute transactions through BCC's fixed-income desk and participate in underwritings of Defined Asset FundsSM sponsored by MLPF&S. While the broker-dealer firm retains all sales functions with their customers, BCC services the customers' accounts and handles all settlement and credit aspects of transactions. WSCC clears transactions for specialists and market-makers on various national and regional stock exchanges; clears commodities futures transactions for clients through a divisional clearing arrangement with MLF and other futures commissions merchants; and clears transactions of arbitrageurs, customers, and other professional trading entities.

SALES OF INVESTMENT ADVISORY PRODUCTS AND SERVICES AND OTHER ACTIVITIES. In 1995, MLPF&S sold more than \$24.5 billion of mutual funds, including income, balanced, and growth funds, of which approximately \$13.4 billion represented sales of mutual funds advised by its affiliate MLAM (as defined below).

MLPF&S also sponsors Defined Asset Funds (service mark), a series of funds that are unit investment trusts registered under the Investment Company Act of 1940. These funds have invested in municipal obligations, corporate fixed-income securities, U.S. Government obligations, U.S. equity securities, and non-U.S. equity and debt securities. At the end of 1995, approximately \$13 billion of client funds were invested in Defined Asset Funds.

In addition, MLPF&S offers the Merrill Lynch Consults (registered trademark) service for an annual fee to individual and institutional clients with at least \$100,000 to invest. Through the Merrill Lynch Consults service, MLPF&S assists these clients in identifying their investment objectives so that appropriate third party investment managers can be selected based on those stated objectives. In addition, periodic performance reports are provided on the managed account. More than 25 of the investment managers participating in the Merrill Lynch Consults service manage portfolios in seven risk categories using varying proportions of equity and fixed-income instruments. At the end of 1995, approximately \$17 billion was held in approximately 77,000 client accounts subscribing to the Merrill Lynch Consults service.

MLPF&S also provides Cash Management Account (registered trademark) financial services (the "CMA (registered trademark) account service") in all MLPF&S retail offices. Participating customers may access their assets through VISA (registered trademark) cards issued by Merrill Lynch National Financial and Merrill Lynch Bank & Trust Co. and through checking services provided by Bank One, Columbus, N.A. Customers may also obtain

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through a toll free information service and monthly account statements information concerning the securities and balances in their CMA accounts and, if a margin account, the loan value of margin securities in such account. The CMA account service money market funds are managed by MLAM (as defined below). At

the end of 1995, MLPF&S had more than 1.4 million CMA accounts for its United States customers, with aggregate assets of approximately \$325 billion (as compared with approximately \$265 billion at year-end 1994). In addition, there are approximately 40,500 CMA accounts held by the Corporation's clients outside the United States with aggregate assets of more than \$16 billion.

MLPF&S also offers the Capital Builder (service mark) Account service ("CBA (registered trademark) account"), which was developed to meet the needs of the new investor through all MLPF&S retail offices. At the end of 1995, MLPF&S had more than 330,000 CBA accounts with assets of approximately \$15 billion.

MLPF&S also provides a wide variety of retirement plan products, particularly investment, employee education, and recordkeeping services to 401(k) and other benefit plans. At December 29, 1995, it provided these services to approximately 7,000 plans, representing \$35.5 billion in plan assets.

MERRILL LYNCH INTERNATIONAL INCORPORATED

Merrill Lynch International Incorporated ("MLI"), through its subsidiaries and affiliates, provides comprehensive investment, financing, and related services on a global basis outside the United States and Canada to sovereign governments, corporations, and other institutional clients and individual investors. The Corporation's acquisition of Smith New Court and its subsidiaries has strengthened its presence in the global community.

MLI's worldwide trading operations, particularly in London and Tokyo, make it one of the largest dealers and secondary market-makers in Eurobonds and other internationally traded securities and futures and a significant participant in the over-the-counter equity derivatives business. MLI, through its subsidiary MLIB Limited (as defined below), also engages in foreign exchange transactions (including options on non-U.S. currencies) as a dealer and consequently assumes principal positions in numerous currencies and related options. MLI and its subsidiaries and affiliated companies are members of various non-U.S. stock and futures exchanges and engage in over-the-counter and exchange-listed trading of commodities, including precious metals and base metals. The investment, financing, and market-making operations of MLI and its affiliates are conducted through a network of offices, including representative and liaison offices, located in more than 40 countries outside the United States and Canada. This office network services major "money center" institutions as well as thousands of smaller regional institutions and individual investors.

Information on international banking and foreign exchange activities of MLI and certain of its subsidiaries is set forth below under the caption "Merrill Lynch's Banking, Trust, and Mortgage Lending Activities."

MERRILL LYNCH ASSET MANAGEMENT

The Corporation's asset management activities are conducted through, or managed by, Merrill Lynch Asset Management, LP, Fund Asset Management, LP, and their affiliates (together, "MLAM"). MLAM constitutes the investment management arm of ML & Co., and is one of the largest mutual fund managers in the world. In 1995, sales of equity and bond funds managed by MLAM approximated \$13.4 billion.

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MLAM's other major business activity is separate account management. Assets under management were \$26.2 billion at the end of 1995 (which amount includes approximately \$3.9 billion of general account assets managed on behalf of insurance companies that are affiliates of MLAM) as compared with approximately \$24.3 billion in 1994 (which amount includes approximately \$4.4 billion of general account assets managed on behalf of insurance companies that are affiliates of MLAM).

By the end of 1995, total assets under management approximated \$196 billion, as compared with \$164 billion at year-end 1994.

At the end of 1995, MLAM managed 217 portfolios representing a wide variety of investment objectives ranging from money market funds to long-term taxable and tax-exempt fixed income funds, along a broad spectrum of quality ratings and maturities. In addition, MLAM offers a wide variety of equity funds which in the aggregate invest in more than 48 markets globally. MLAM open-end funds, other than money-market funds, are generally offered pursuant to the Merrill Lynch Select Pricing (service mark) System which allows investors four purchase alternatives.

MERRILL LYNCH GOVERNMENT SECURITIES INC.

Merrill Lynch Government Securities Inc. ("MLGSI") is a primary dealer in obligations issued or guaranteed by the United States Government and by Federal agencies or other government-sponsored entities, including Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), and Federal Home Loan Mortgage Corporation ("FHLMC"). It is one of 37 primary government securities dealers that daily report positions and activities to the Federal Reserve Bank of New York. It is a dealer in GNMA, FNMA and FHLMC mortgage-backed-pass-through certificates and deals in related futures, options,

and forward contracts for its own account, to hedge its own risk, and to facilitate customers' transactions.

MLGSI's transactions in obligations of the United States Government, Federal agencies and government-sponsored entities involve large dollar amounts and small dealer spreads. As an integral part of its business, MLGSI enters into repurchase agreements whereby it obtains funds by pledging its own securities as collateral. The repurchase agreements provide financing for MLGSI's dealer inventory and serve as short-term investments for MLGSI's customers. MLGSI also enters into reverse repurchase agreements whereby it lends funds against the pledge of collateral by customers. Such agreements provide MLGSI with needed collateral and provide MLGSI's customers with temporary liquidity for their investments in United States Government and agency securities.

MERRILL LYNCH CAPITAL SERVICES, INC., MERRILL LYNCH DERIVATIVE PRODUCTS, INC., AND MERRILL LYNCH CAPITAL MARKETS PLC

Merrill Lynch Capital Services, Inc. ("MLCS") and Merrill Lynch Derivative Products, Inc. ("MLDP") are ML & Co.'s primary derivative product dealers and act as intermediaries and principals in a variety of interest-rate, currency, and other over-the-counter derivative transactions. In addition, Merrill Lynch Capital Markets PLC engages in the equity derivatives business in the over-the-counter markets. In 1995, Merrill Lynch Capital Markets Bank Limited was established in Dublin, Ireland to handle part of the Corporation's non-dollar swap activities.

MLCS primarily acts as a counterparty for certain derivative financial products, including interest rate, currency and commodity swaps, caps and floors, currency options, and credit derivatives. MLCS maintains positions in interest-bearing securities, financial futures, and

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forward contracts primarily to hedge assets and liabilities. 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 MLCS and highly-rated counterparties. Its activities address the continuing desire of swap customers to limit their trading to dealers with the highest credit quality. MLDP has been assigned an Aaa, AAA, and AAA counterparty rating by the rating agencies Moody's Investors Service, Inc., Standard & Poor's Ratings Group, and Fitch Investors Service, Inc., respectively. Customers meeting certain credit criteria enter into swaps with MLDP and, in turn, MLDP enters into offsetting mirror swaps with MLCS. However, MLCS is required to provide MLDP with collateral to meet certain exposures MLDP may have to MLCS.

For additional information regarding the Corporation's derivatives business, including its accounting, risk, and credit policies, see "Management's Discussion and Analysis -- Derivative Financial Instruments" in the 1995 Annual Report to Stockholders and Notes 4, 5, and 6 to the Consolidated Financial Statements in the 1995 Annual Report to Stockholders, which information is hereby incorporated herein by reference.

MERRILL LYNCH MONEY MARKETS INC.

ML & Co., through Merrill Lynch Money Markets Inc. ("MLMMI"), provides a full range of origination, trading, and marketing services with respect to money market instruments such as commercial paper, bankers' acceptances, and institutional certificates of deposit. MLMMI also originates medium-term notes issued by U.S. and non-U.S. corporations and short- and medium-term notes issued by financial institutions, and through MLPF&S, it trades and markets such notes. MLMMI is also a commercial paper dealer for U.S. and non-U.S. corporations and financial institutions. MLMMI also acts as a dealer for U.S. and non-U.S. financial institutions in the certificate of deposit and bankers' acceptance markets and in connection with the purchase of certificates of deposit from federally-insured depository institutions. Such instruments are resold to certain institutional customers such as thrift institutions, banks, insurance companies, pension plans, and state and local governments. MLMMI, in cooperation with MLPF&S, originates the placement of certificates of deposit issued by such depository institutions that are sold to a broad range of retail customers of MLPF&S.

MERRILL LYNCH MORTGAGE CAPITAL INC.

Merrill Lynch Mortgage Capital Inc. ("MLMCI") is a dealer in whole loan mortgages and mortgage servicing. MLMCI, through its CMO Passport (service mark) service, provides dealers and investors with general indicative information and analytic capability with respect to collateralized mortgage obligations ("CMOs") and asset-backed securities. 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 makes loans to

customers collateralized by loan mortgages providing customers with temporary liquidity for their investments in secured whole loans. MLMCI also has a mortgage conduit which purchases commercial and multi-family mortgage loans from lenders and securitizes these loans for sale to investors.

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MERRILL LYNCH INVESTMENT PARTNERS INC.

Merrill Lynch Investment Partners Inc. ("MLIP"), serves principally as the general partner and commodity pool operator of public and privately offered commodity pools for which MLF acts as commodity broker and MLPF&S acts as selling agent. MLIP also structures and sponsors managed futures investments to meet a variety of client objectives. MLIP is one of the largest managed futures sponsors in the world as measured by assets under its management and by its financial resources. MLIP is an integrated business, whose capabilities include research, trading, finance, systems, operations, sales, and marketing. MLIP's responsibilities include selecting and monitoring trading advisors, as well as allocating and reallocating capital among them. At December 29, 1995, approximately \$1.3 billion in equity was invested or was to be invested in 41 U.S. and non-U.S. commodity futures funds which MLIP has sponsored or been selected to manage (as compared with approximately \$1.2 billion in equity invested or to be invested in 48 commodity futures funds worldwide at the end of 1994).

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.

Merrill Lynch Business Financial Services Inc. ("MLBFS") provides financing services to small- and medium-sized businesses in conjunction with the Working Capital Management (service mark) account ("WCMA (registered trademark) Account"), which MLPF&S markets to business customers. The WCMA Account combines business checking, borrowing, investment, and electronic funds transfer services into one account for participating business customers. As of December 29, 1995, there were more than 120,000 WCMA Accounts which, in the aggregate, had investment assets of more than \$50 billion. In addition to providing qualifying customers with short-term working capital financing through the WCMA Commercial Line of Credit, MLBFS offers assistance to business customers with their term lending, equipment, and other asset-based financing needs. In 1995, MLBFS originated more than \$575 million in new commercial loans for business customers and, at December 29, 1995, total outstanding loans were \$760 million, of which approximately 97% were secured by tangible assets pledged by customers.

MERRILL LYNCH'S INSURANCE ACTIVITIES

ML & Co.'s operations in insurance services consist of the underwriting of life insurance and annuity products by Merrill Lynch Life Insurance Company ("MLLIC") and ML Life Insurance Company of New York ("ML Life") and the sale of life proprietary and non-proprietary insurance and annuity products through Merrill Lynch Life Agency Inc. and other insurance agencies affiliated or associated with MLPF&S.

MLLIC, an Arkansas stock life insurance company, is authorized to underwrite insurance and annuities products in 49 states, the District of Columbia, Guam, and the U.S. Virgin Islands which are then marketed to MLPF&S customers. Although authorized to do so, it does not presently underwrite accident and health insurance. At year-end 1995, MLLIC had approximately \$11.2 billion of life insurance in force as compared with \$10.8 billion at year-end 1994. At year-end 1995, MLLIC had annuity contracts in force of approximately \$6.4 billion in value as compared with \$6 billion at year-end 1994.

ML Life, a New York stock life insurance company, is authorized to underwrite life insurance, annuities, and accident and health insurance in nine states; however, it does not presently underwrite accident and health insurance. At year-end 1995, ML Life had approximately \$2.2 billion of life insurance in force, as compared with \$2.1 billion of life insurance in force at year-end 1994. Life insurance in force includes \$1.3 billion reinsured from yearly renewable term

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insurance of an unaffiliated insurer. At year-end 1995, ML Life had annuity contracts in force of approximately \$485 million in value, as compared with \$457 million at year-end 1994.

Through agency agreements, licensed affiliate insurance agencies and other insurance agencies associated with MLPF&S sell life and health insurance and annuities products. A significant portion of these sales consists of products underwritten by MLLIC and ML Life.

For additional information respecting the Corporation's insurance activities through its subsidiaries, see the 1995 Annual Report to Stockholders at Note 1 to the Consolidated Financial Statements under the caption "Insurance".

MERRILL LYNCH'S BANKING, TRUST, AND MORTGAGE LENDING ACTIVITIES

Merrill Lynch Bank & Trust Co. and Merrill Lynch National Financial, both Federal Deposit Insurance Corporation-insured institutions, issue certificates of deposit and money market deposit accounts (including the Insured Savings (service mark) Account for the CMA account service), make and purchase secured loans, and issue VISA (registered trademark) cards.

Merrill Lynch International Bank Limited ("MLIB Limited"), a United Kingdom bank with branch offices in Germany, Singapore, Bahrain, Luxembourg, and Italy provides foreign exchange trading and collateralized lending services and accepts deposits. Merrill Lynch International Bank, an Edge Act corporation ("MLIB"), provides foreign exchange trading services to corporations and institutions. Merrill Lynch Bank (Suisse) S.A., a Swiss bank, provides loans, deposits, portfolio management, and individual client services to international private banking clients. Merrill Lynch Bank A.G., a German bank with a branch office in Japan, engages in capital markets activities such as underwriting, foreign exchange, and swap and other derivative transactions.

The Corporation provides personal trust, employee benefit trust, and custodial services in certain states through six state-chartered trust institutions. Trust services outside of the United States are provided by Merrill Lynch Bank and Trust Company (Cayman) Limited.

Merrill Lynch Credit Corporation ("MLCC") provides real estate-based lending products enabling clients to purchase and refinance their homes as well as to manage their other personal credit needs. MLCC offers a variety of adjustable-rate and fixed-rate first mortgage loans throughout the United States, including the PrimeFirst (registered trademark) mortgage program. In addition, MLCC originates and services home equity credit lines and other mortgage loans as well as services mortgage loans for affiliated and unaffiliated financial institutions. MLCC uses a variety of financing techniques to fund its loan portfolio, including securitizing its mortgages for sale into the secondary marketplace. MLCC also provides securities-based lending through its Omega(service mark) account, a personal line of credit using eligible securities as collateral that is accessible by VISA (registered trademark) card and by check.

COMPETITION

All aspects of ML & Co.'s business are intensely competitive, particularly in the current securities industry environment of global overcapacity in underwriting, trading, and operations. Through its subsidiaries, it competes directly on a worldwide basis with other U.S. and non-U.S. trading, investment banking, and financial services firms, brokers and dealers in securities and commodities, and with commercial banks, particularly in its derivative and wholesale

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capital markets businesses. Many of the Corporation's international competitors may have competitive advantages in their home markets. Through its subsidiaries, the Corporation also competes indirectly for investment funds with mutual fund management companies, insurance companies, finance and investment advisory companies, and banks. Its competitive position depends to an extent on prevailing worldwide economic conditions and U.S. and non-U.S. governmental policies.

ML & Co. competes for customers on the basis of price, the range of products that it offers, the quality of its services, its financial resources, and product innovation. Financial services companies also compete to attract and retain successful financial consultants and other revenue-producing personnel.

There is increased competition from sources other than those traditionally engaged in the securities business, such as commercial banks and insurance companies. Certain U.S. judicial and regulatory actions in recent years concerning, among other things, the authority of bank affiliates to engage in securities underwriting and brokerage activities have resulted in increased competition in those aspects of the Corporation's business. In addition, domestic legislative proposals are made from time to time which, if enacted, would relieve certain restrictions on commercial banks and would result in increased competition from commercial banks and their affiliates.

The Corporation's insurance businesses operate in highly competitive environments. Many companies, both stock and mutual, are older and larger and have more substantial financial resources and larger agency relationships than do the Corporation's insurance subsidiaries.

REGULATION

Certain aspects of the Corporation's business, as that of its competitors and with the securities, commodities, and financial services industry in general, are subject to stringent regulation by U.S. federal and state regulatory agencies and non-U.S. governmental agencies or regulatory bodies which have been charged with the protection of the financial markets and the interests of those participating in those markets. These regulatory agencies include, among others, the Securities and Exchange Commission (the "SEC" or the "Commission"), the

Commodity Futures Trading Commission ("CFTC"), and the Federal Deposit Insurance Corporation (the "FDIC").

MLPF&S and certain other subsidiaries of ML & Co. are registered as broker-dealers with the SEC and as such are subject to regulation by the SEC and by self-regulatory organizations, such as the National Association of Securities Dealers, Inc. (the "NASD"). MLPF&S, those ML & Co. subsidiaries engaged in securities clearing services, and Merrill Lynch Specialists Inc., a ML & Co. subsidiary acting as a specialist on certain securities exchanges, are also subject to regulation by the NASD and by the securities exchanges of which each is a member. Certain ML & Co. subsidiaries, including MLPF&S, MLAM, and MLIP, are registered as investment advisers with the SEC. MLPF&S and MLAM are registered as investment advisers with certain states requiring such registration.

Certain ML & Co. subsidiaries, including MLPF&S, are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Those ML & Co. entities that are broker-dealers registered with the SEC and members of the United States national securities exchanges are subject to Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act") which is designed to measure the general financial condition and liquidity of a broker-dealer. Under this rule, they are required to maintain the minimum net capital

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deemed necessary to meet broker-dealers' continuing commitments to customers and others. Under certain circumstances, this rule limits the ability of ML & Co. to make withdrawals of capital from such broker-dealers. Additional information regarding net capital requirements, set forth in Note 14 to the Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" in the 1995 Annual Report to Stockholders, is incorporated herein by reference.

The Corporation is also subject to the temporary risk assessment rules adopted by the SEC under the Market Reform Act of 1990, which require, among other things, that certain broker-dealers maintain and preserve records and other information, describe risk management policies and procedures, and report on the financial condition of certain affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operating condition of the broker-dealer.

Broker-dealers are also subject to other regulations covering the operations of their business, including sales and trading practices, use of client funds and securities, and conduct of directors, officers, and employees. Broker-dealers are also subject to regulation by state securities administrators in those states where they do business. Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. With the enactment of the Insider Trading and Securities Fraud Enforcement Act of 1988, the SEC and the securities exchanges have intensified their regulation of broker-dealers, emphasizing in particular the need for supervision and control by broker-dealers of their employees.

Furthermore, the SEC, various banking regulators, the Financial Accounting Standards Board and Congressional committees, among others, have launched a number of initiatives which may have the effect of increasing regulation of, and requiring greater disclosure on, derivatives positions and activities. In March 1995, a committee known as the Derivatives Policy Group (the "DPG"), consisting of representatives of ML & Co. and five other major U.S. securities firms, agreed to implement a voluntary oversight framework to address issues related to capital, management controls, and counterparty relationships arising out of the OTC derivatives activities of unregulated affiliates of SEC-registered broker-dealers and CFTC-registered futures commission merchants. In connection with this initiative, the Corporation formed the Risk Control Committee to provide general oversight of risk management for all institutional trading activities and to monitor compliance with the Corporation's commitment under the DPG's Framework for Voluntary Oversight.

Additional legislation and regulations, changes in rules promulgated by the SEC or other U.S. federal and state governmental regulatory authorities and self-regulatory organizations, as well as non-U.S. governments and governmental regulatory agencies, or changes in the interpretation or enforcement of laws and rules, may directly affect the manner of operation and profitability of the Corporation.

The Corporation's registered government securities dealer is also subject to regulation by the NASD and the Chicago Board of Trade and is required to maintain minimum net capital pursuant to rules of the U.S. Department of the Treasury. The Corporation's futures commission merchants are regulated by the CFTC, the National Futures Association ("NFA") and the commodity exchanges of which each is a member. The CFTC and the NFA impose net capital requirements on these companies. MLIP is registered with the CFTC as a

commodity pool operator and commodity trading advisor and is a member of the NFA in such capacities.

Merrill Lynch Canada is an investment dealer in Canada and is regulated under the laws of the Canadian provinces by securities authorities and by the Investment Dealers Association of Canada. It is also a member of all major Canadian exchanges and is subject to their rules and regulations.

ML Life is subject to extensive regulation and supervision by the New York State Insurance Department. MLLIC is subject to extensive regulation and supervision by the Insurance Department of the State of Arkansas. Both MLLIC and ML Life are subject to similar regulation in the other states in which they are licensed.

Merrill Lynch Bank & Trust Co. is regulated primarily by the State of New Jersey and by the FDIC. Merrill Lynch Trust Company (New Jersey), MLBFS, and MLCC are regulated by the New Jersey Department of Banking. MLCC is also licensed to conduct its lending activities in over 35 other states and as such is subject to regulation and examination by the appropriate authorities in these states. Merrill Lynch National Financial is regulated primarily by the State of Utah and by the FDIC. MLIB is regulated by the Federal Reserve Bank of New York. MLIB Limited is regulated by the New York State Banking Department. The Corporation's trust institutions are subject to regulation by the governmental agencies in the states in which they are incorporated.

The Corporation's business is also subject to extensive regulation by various non-U.S. governments, securities exchanges, central banks, and regulatory bodies, particularly in those countries where it has established an office. The Corporation's subsidiaries engaged in banking activities outside the United States are regulated by various governmental entities in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activities.

ITEM 2. PROPERTIES

The executive offices and a significant portion of ML & Co.'s business activities are located in a building on 250 Vesey Street (the "North Tower") in the World Financial Center ("WFC") in New York City. Additional offices, operations, and functions are located at 225 Liberty Street (the "South Tower") in the WFC. An ML & Co. affiliate is a partner in the partnership that holds the ground lessee's interest (including the right to grant occupancy and possession to tenants) in the North Tower. The North Tower and the South Tower are each occupied under separate leases held by an ML & Co. affiliate. Both the North and South Tower leases commenced in 1988. The information regarding lease commitments of ML & Co. (including commitments for leases of premises) is set forth in Note 17 to the Consolidated Financial Statements under the caption "Leases" of the 1995 Annual Report to Stockholders and is hereby incorporated by reference.

ML & Co. affiliates also occupy additional principal locations in New Jersey at which certain of the Corporation's business activities are conducted. These include owned facilities in Plainsboro on 240 acres and on 35 acres (which is the replacement facility for leased locations in Somerset where two leases expired in 1994 and one expired in 1995); a leased facility in Piscataway (lease expiring in 2005); and a leased facility in Jersey City (lease expiring in 2007, exclusive of renewals) in which an ML & Co. affiliate holds an interest in partnerships that own the land and the building and in which another ML & Co. affiliate holds the lease for office space housing support functions. Other significant facilities are at three New York City locations held by

MLPF&S under leases expiring in 2000, 2007, and 2024, exclusive of extensions. Affiliates of ML & Co. also own significant facilities in Lakewood and Englewood, Colorado and Jacksonville, Florida.

Insurance activities are conducted by insurance subsidiaries of ML & Co. at locations in Plainsboro, New Jersey (fee-owned facility), Jacksonville, Florida (fee-owned facility), New York City (lease expiring in 2000), Springfield, Massachusetts (sublease expiring in 1997), and at additional locations at MLPF&S branch offices throughout the United States which service MLPF&S branch offices.

An ML & Co. affiliate leases a building with approximately 250,000 square feet at Ropemaker Place, London. The lease commenced in 1987 and continues for 25 years with a right to cancel in the year 2002. As a result of the Smith New Court acquisition, another ML affiliate leases a building with approximately 170,000 square feet at Farringdon Road in London. This lease commenced in 1990 and continues for 25 years. Another ML & Co. affiliate leases 97,000 square feet of office space in Tokyo. The lease, which expires in the year 2003, can be canceled at any time on six-months notice.

Substantially all other offices, including approximately 500 branch offices and more than 130 SMOs, of ML & Co.'s subsidiaries throughout the world, are located in leased premises. Facilities owned or occupied by the Corporation are believed

to be adequate for the purposes for which they are currently used and are well maintained.

ITEM 3. LEGAL PROCEEDINGS

ML & Co., certain of its subsidiaries, including MLPF&S, and other persons have been named as parties in numerous civil actions and arbitration proceedings, including the following. Each of the following actions is reported as of March 22, 1996.

Orange County Litigation. The following actions have been filed against or on behalf of the Corporation in connection with the Corporation's business activities with the Treasurer-Tax Collector of Orange County, California ("Orange County") or from the purchase of debt instruments issued by Orange County that were underwritten by MLPF&S. On December 6, 1994, bankruptcy petitions were filed on behalf of Orange County and the Orange County Investment Pools (the "Pools") in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). The Pools' bankruptcy petition subsequently was dismissed. The currently pending actions involving the Corporation and Orange County include, in the order summarized below, an action in the names of Orange County and the current Orange County Treasurer-Tax Collector; actions by investors and participants in the Pools; actions by investors in the Corporation or affiliated entities; and actions by holders of bonds or other debt instruments issued by or on behalf of Orange County and other public entities with funds controlled by the Orange County Treasurer-Tax Collector.

On January 12, 1995, an action was commenced in the Bankruptcy Court by Orange County and the Pools against the Corporation and certain of its subsidiaries (the "Orange County Action"). Orange County filed a first amended complaint on June 6, 1995, which was dismissed on October 17, 1995. Orange County filed a second amended complaint on October 25, 1995 adding John M.W. Moorlach, the current Orange County Treasurer-Tax Collector, as a plaintiff, and alleging, among other things, that the Corporation's liquidation of certain securities entitles the plaintiffs to relief under Sections 362, 502, 510, 549 and 922 of the Bankruptcy Code, that various securities transactions between Orange County and/or the Pools and the Corporation and its subsidiaries violated California law and are null and void,

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that the Corporation and its subsidiaries violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, Section 25401 of the California Corporations Code (the "California Code"), Section 17200 of the California Business and Professions Code, Sections 1709-10 of the California Civil Code, breached fiduciary duties, aided and abetted breaches of fiduciary duty and conspired to make unauthorized use of public funds. Damages in excess of \$2 billion, injunctive and declaratory relief are sought.

On March 1, 1995, the parties entered into an agreement pursuant to which the proceeds from the sale of securities purchased by the Corporation from Orange County pursuant to certain master repurchase agreements are to be used to purchase short-term United States Treasury Bills or United States Treasury Notes that will be identifiable and held separate and subject to any rights that the Corporation may have in the master repurchase agreements. This agreement may be terminated by the Corporation upon 30 days' written notice.

On December 13, 1994, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of individuals whose funds were deposited with the Orange County Treasurer-Tax Collector pursuant to proceedings in California Superior Court (the "DeLeon Action"). On December 27, 1994, plaintiffs filed a first amended class action complaint; on April 19, 1995, plaintiffs filed a second amended complaint which was dismissed on November 13, 1995 and on December 18, 1995 plaintiffs filed a third amended complaint. As amended, the DeLeon Action is brought on behalf of the same individuals on whose behalf the action was originally brought and on behalf of individuals who invested funds in the Pools representing deferred compensation and/or retirement funds. The defendants include the Corporation, a subsidiary of the Corporation, and an employee of the Corporation. Plaintiffs allege, among other things, that the defendants breached fiduciary duties, aided and abetted breaches of fiduciary duties, conspired to breach a fiduciary duty and committed professional negligence in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought. The parties have agreed to stay this action pending developments in the Orange County Action described above.

On January 10, 1995, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of persons whose funds were deposited in the Pools pursuant to proceedings in California Superior Court (the "Small Action"). The Corporation, a subsidiary of the Corporation, an employee of the Corporation, and Robert L. Citron, formerly the Treasurer-Tax Collector of Orange County, are named as defendants. Plaintiffs allege claims for breach of fiduciary duty and fraud in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector. Injunctive relief and damages in an unspecified amount are sought. The complaint was never

served.

On September 15, 1995, an action was commenced in the Superior Court for the State of California, San Francisco County, by twelve California public entities (the "Atascadero State Court Action"). Named as defendants are the Corporation, certain subsidiaries of the Corporation, and an employee of the Corporation. The complaint alleges, among other things, that the defendants committed fraud and deceit, negligence and negligent misrepresentation, breached fiduciary duties, aided and abetted breaches of fiduciary duty, and violated California Penal Code Section 496 and the California Unfair Business Practices Act, in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector. Injunctive relief, rescission, restitution, and damages in excess of \$50 million are sought. The case has been transferred to Contra Costa County, California.

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On November 27, 1995, an action was commenced in the United States District Court for the Central District of California by fourteen California public entities (the "Atascadero Federal Court Action"). Named as defendants are the Corporation, certain subsidiaries of the Corporation, and an employee of the Corporation. John Moorlach is named as a nominal defendant. The complaint alleges, among other things, that defendants violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, Sections 25400, 25401, 25500 and 25501 of the California Code, Section 496 of the California Penal Code, the California Unfair Business Practices Act, and the Racketeer Influenced and Corrupt Organizations Act ("RICO"), committed fraud and deceit, negligence and negligent misrepresentation, breached fiduciary duties, and aided and abetted breaches of fiduciary duty, in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector. Rescission, restitution, and damages in excess of \$50 million are sought. The complaint in this action has not been served.

Beginning on December 5, 1994, five derivative actions purportedly brought on behalf of the Corporation were filed in the Supreme Court of the State of New York, New York County (the "Wilson Actions"). On February 21, 1995, the court consolidated the actions and an amended consolidated complaint was filed on June 5, 1995 naming as defendants 22 present or past directors, officers or employees of the Corporation and/or certain of its subsidiaries. The complaint alleges, among other things, breach of fiduciary duty and oversight failures, waste of corporate assets and claims for indemnification in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector. The Corporation is named as a nominal defendant in these actions. Damages in an unspecified amount are sought on behalf of the Corporation against the individuals named as defendants.

On December 16, 1994, a purported class action was commenced in the United States District Court for the Southern District of New York (the "Balan Action"). An amended complaint was filed on May 15, 1995. As amended, the Balan Action is brought on behalf of purchasers of the Corporation's common stock between March 31, 1994 and December 6, 1994, and names as defendants the Corporation and two of its directors and officers. The plaintiff alleges, among other things, violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder in connection with the Corporation's disclosure with respect to its business activities with the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought.

Beginning on December 8, 1994, ten purported class actions were commenced in the United States District Court for the Central District of California on behalf of individuals who purchased bonds or other debt instruments issued by or on behalf of Orange County during various periods of time (the "Smith Federal Court Action"). Plaintiffs filed an amended consolidated complaint on January 27, 1995, and a first amended consolidated complaint on February 27, 1995. As amended, the Smith Federal Court Action purports to be brought on behalf of all persons who purchased bonds or other debt instruments between July 1, 1992 and December 6, 1994 that were issued by Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector. The defendants in the first amended consolidated complaint are the Corporation, an employee of the Corporation, Paine Webber, Inc., CS First Boston Corp., Smith Barney, Inc., Lehman Brothers, Inc., Donaldson, Lufkin & Jenrette, Inc., Kidder Peabody & Co., Inc., Stone & Youngberg, Rauscher Pierce Refsnes, Inc., Leifer Capital, Inc., Fieldman Rolapp & Associates, Inc., CGMS, Inc., and O'Brien Partners, Inc. Following a stipulation and order filed on July 17, 1995 dismissing certain state law claims without prejudice, the plaintiffs allege, among other things, that the defendants affiliated with the Corporation violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated

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thereunder with respect to the sale of bonds and other debt instruments issued by Orange County and other public entities. Damages in an unspecified amount are sought.

On September 28, 1995, a purported class action was commenced in the Superior Court for the State of California, Orange County, asserting the state law claims

previously dismissed in the Smith Federal Court Action (the "Smith State Court Action"). The Smith State Court Action is brought on behalf of the same purported class as the Smith Federal Court Action. Named as defendants are the Corporation, an employee of the Corporation, and the same defendants not affiliated with the Corporation as in the Smith Federal Court Action and, in addition, KPMG Peat Marwick. Violations of Sections 25400, 25401, 25500, 25501 and 25504.1 of the California Code and fraud and deceit are alleged in connection with disclosure made with respect to the sale of bonds and other debt instruments issued by Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought. Certain of the defendants in the Smith Federal Court Action and the Smith State Court Action other than the Corporation and the employee of the Corporation named as a defendant have entered into settlement agreements with the plaintiffs in these cases.

On March 9, 1995, an action (the "Kemper Action") was commenced in the Circuit Court of Cook County, Illinois, Chancery Division, by five money market mutual funds managed by Kemper Financial Services, Inc. (namely, the Cash Account Trust, Cash Equivalent Fund, Kemper Investors Fund, Kemper Money Market Fund, and Kemper Portfolios). Named as defendants are a subsidiary of the Corporation and an employee of the Corporation. The complaint alleges, among other things, that the defendants violated Sections 12A, 12F, 12G and 12I of the Illinois Securities Act and committed common law fraud with respect to disclosure made in connection with the issuance and sale of 1994-95 Taxable Notes that were issued by Orange County on July 8, 1994. Rescission and damages in an unspecified amount are sought. This action has been stayed until June 30, 1996.

The Corporation has also received formal and informal inquiries from various governmental entities and agencies examining the events underlying the above described litigation and is cooperating with these inquiries.

Pittleman Action. On November 3, 1995, a purported derivative action on behalf of the Corporation was filed in the Supreme Court of the State of New York, New York County, naming 12 present or past directors of the Corporation as defendants. Damages in an unspecified amount are sought on behalf of the Corporation. The complaint alleges, among other things, claims for breach of fiduciary duty, indemnification and corporate waste in connection with (i) certain of the Corporation's municipal finance activities, including certain contractual arrangements that led to a civil settlement of approximately \$12 million with the United States Attorney for the District of Massachusetts, the Massachusetts Attorney General and the SEC and to the issuance by the SEC of an order censuring MLPF&S and an order directing MLPF&S to cease and desist from committing or causing any violation or future violation of Rule G-17 of the Municipal Securities Rulemaking Board (as to which MLPF&S consented without admitting or denying any of the findings or allegations contained in the orders) and (ii) certain basket trading activities in Japan that led to administrative sanctions by Japanese securities regulators consisting of a 48-hour suspension of arbitrage trading by the Corporation for its own account in Japan.

NASDAQ Antitrust Litigation. On December 16, 1994, a consolidated amended complaint was filed in In Re NASDAQ Market-Makers Antitrust Litigation, MDL No. 1023, in the United States District Court for the Southern District of New York. As subsequently amended, the complaint alleges that 33 market-makers, including MLPF&S, engaged in a conspiracy with respect to the "spread" between bid and ask prices for certain securities traded on NASDAQ by refusing to quote bid and ask prices in so-called "odd-eighths". The complaint purports to be brought on behalf of all persons who purchased or sold these securities between May 1, 1989 and May 27, 1994. The complaint alleges violations of antitrust laws and seeks compensatory damages in an unspecified amount, treble damages, declaratory and injunctive relief, and attorney's fees and costs. Judgment against each of the defendants is sought on a joint and several basis. MLPF&S has filed an answer denying the allegations in the complaint. Discovery is proceeding.

In connection with their industry-wide investigations into the NASDAQ market, the Corporation, along with other named defendants, has received inquiries from the Antitrust Division of the Department of Justice and the SEC and is cooperating with these inquiries.

GSLIC Litigation. In each of the legal proceedings described below except for the stockholder derivative actions, the claims against the Merrill Lynch defendants (as defined below) have

now either been dismissed pursuant to settlements or under the terms of a settlement for which court approval is now being sought will be dismissed.

All the actions arise from certain securities trading transactions that occurred at year-end 1984, 1985, 1986, and 1988 between MLPF&S and MLGSI and a Florida insurance company, Guarantee Security Life Insurance Company ("GSLIC"), which was taken into liquidation. A principal focus of the allegations in the following civil proceedings is an assertion that GSLIC's purpose in engaging in the year-end transactions was to distort its apparent financial condition. It is

claimed that GSLIC's former officers and employees improperly took assets from the company and its investment portfolio declined substantially in value before its true financial condition became known to insurance regulators, GSLIC's policyholders, and the creditors of GSLIC and its parent company, Transmark USA, Inc. ("Transmark").

On December 20, 1991, an action (the "Receiver Action") was commenced by the Florida Department of Insurance as Receiver of GSLIC (the "Receiver") in the Fourth Judicial Circuit Court in Duval County, Florida naming as defendants former officers, directors, and shareholders of GSLIC and Transmark, GSLIC's former outside attorneys and accountants, MLPF&S, MLGSI, and a former managing director of MLPF&S (the Merrill Lynch parties in the Receiver Action being referred to collectively as the "Merrill Lynch defendants"). The complaint alleges state law claims against the above-mentioned Merrill Lynch defendants for fraud, breach of fiduciary duty, conspiracy, and aiding and abetting a breach of duty arising from their involvement in the year-end trades with GSLIC, alleges that GSLIC was damaged in excess of \$300 million, and seeks relief in an unspecified amount from the Merrill Lynch defendants. On July 14, 1995, an agreement was signed among the Receiver of GSLIC, the Merrill Lynch defendants, along with certain other named defendants, to settle this action. The court has entered an order severing for purposes of trial the claims against the settling defendants and otherwise staying all further proceedings in respect of such defendants. Pursuant to the terms of the final settlement agreement (executed on October 19, 1995) and subject to the finality of the court's Order of Final Approval of Settlement dated March 8, 1996, the Merrill Lynch defendants will pay \$45 million to the Receiver, and the Receiver's claims against them will be dismissed in their entirety.

Substantially the same defendants are named in two consolidated lawsuits brought in federal court in Jacksonville, Florida on October 15, 1991 and on February 28, 1992 on behalf of an uncertified alleged class of purchasers of GSLIC insurance policies and annuities between 1984 and 1991 (the "Haag/Levine Action"). The complaint alleges substantially the same claims as the Receiver Action as well as RICO claims and Section 10(b) of the Exchange Act and seeks unspecified money damages. The court has stayed the Haag/Levine Action pending the resolution of the Receiver Action. A condition of the settlement in the Receiver Action is dismissal of the claims in the Haag/Levine Action against the Merrill Lynch defendants, at no further cost to the Merrill Lynch defendants.

The Resolution Trust Corporation ("RTC"), as receiver for four failed savings institutions (CenTrust Association Savings Bank, Imperial Savings Association, FarWest Savings and Loan Association, and Columbia Savings and Loan Association) in January and April, 1993 filed civil actions in federal court in Jacksonville, Florida against ML & Co., MLPF&S, MLGSI, a former MLPF&S managing director, and former officers, directors, and employees of Transmark and GSLIC (the "RTC Action"). The action seeks to recover damages as a result of purchases by the four above-named institutions of securities issued by Transmark, GSLIC's parent corporation. The claims alleged are substantially similar to those in the Haag/Levine action mentioned above. In April, 1993, Trans-Resources Inc., a company that alleges it also purchased Transmark securities, filed a complaint in the federal

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court in Jacksonville, Florida substantially following the allegations of the RTC Action and names substantially the same defendants (the "Trans-Resources Action"). The RTC Action and Trans-Resources Action each seek compensatory and punitive damages in unspecified amounts, trebling of damages under the RICO claim, rescissory relief, and reimbursement of costs of suit. On August 10, 1995, an agreement was signed among the RTC and these Merrill Lynch defendants to settle the RTC Action, as well as all other pending litigation brought by the RTC against the Corporation or its affiliates. Pursuant to the agreement, \$4.5 million has been paid to the RTC in respect of the RTC Action, and the RTC's claims against these Merrill Lynch defendants have been dismissed in their entirety. On December 22, 1995, an agreement was signed among Trans-Resources and these Merrill Lynch defendants to settle the Trans-Resources Action. Pursuant to the Agreement, \$150,000 has been paid to Trans-Resources, and claims against the Merrill Lynch defendants in this action have been dismissed in their entirety.

In October 1991, Messrs. Miller and Steiner commenced derivative actions, now consolidated, purportedly brought on behalf of the Corporation in New York State Supreme Court, New York County, naming as defendants directors of ML & Co. who were directors at the time of the year-end securities transactions in question, among others. The plaintiffs assert claims of breach of fiduciary duties in connection with the year-end securities transactions with GSLIC and other claims against Transmark and one of Transmark's principals. The damages sought in this action are unspecified. The court has stayed the action for all purposes pending a resolution of the above-mentioned related litigation in Florida.

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The Corporation believes it has strong defenses to, and will vigorously contest, the actions described above. Although the ultimate outcome of the actions described above and other civil actions, arbitration proceedings and claims

pending against the Corporation or its subsidiaries as of March 22, 1996 cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of the management of the Corporation that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of the Corporation as set forth in the Consolidated Financial Statements contained in the 1995 Annual Report to Stockholders.

ITEM 4. Submission Of Matters To A Vote Of Security Holders None.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning executive officers of ML & Co. as of March 22, 1996.

NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1991*
Herbert M. Allison, Jr., 52	Executive Vice President, Corporate and Institutional Client Group since January 1995; Executive Vice President, Investment Banking Group from May 1993 to January 1995; Executive Vice President, Finance and Administration from October, 1990 to April 1993; Executive Vice President, Administration from July 1989 to October 1990.
Edward L. Goldberg, 55	Executive Vice President, Operations, Systems and Telecommunications since April 1991 (and responsible for Corporate Real Estate and Purchasing since March, 1993); Director and Executive Vice President of MLPF&S since May 1991; from January 1991 to April 1991, performed senior management responsibilities in the Operations, Systems and Telecommunications Division; Senior Vice President of Equity Markets, Professional Securities Services Group of MLPF&S, September, 1988 to December, 1990.
Stephen L. Hammerman, 57	Vice Chairman of the Board since April 1992; Executive Vice President from June 1985 to April 1992; General Counsel since October 1984; General Counsel of MLPF&S since March 1981.
Jerome P. Kenney, 54	Executive Vice President, Corporate Strategy and Research since October 1990; also Executive Vice President, Corporate Credit from May 1993 to May 1995; Executive Vice President and President of the Capital Markets Sector from September 1984 to October 1990.
David H. Komansky, 56	President and Chief Operating Officer since January 1995; President and Chief Executive Officer of MLPF&S since February 1995; Executive Vice President, Debt and Equity Markets Group from May 1993 to January 1995; Executive Vice President, Debt Markets Group from June 1992 to April 1993; Executive Vice President, Equity Markets Group from October 1990 to May 1992.

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* Unless otherwise indicated, the offices listed are of the parent company. Under ML & Co.'s By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify. All Executive Officers are elected by the Board of Directors.

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NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1991*
Winthrop H. Smith, Jr., 46	Executive Vice President, International since June 1992; National Sales Director of Eastern Division from November 1990 to May 1992; Regional Director of Mid-Atlantic Region from July 1985 to November 1990.

John L. Steffens, 54	Executive Vice President, Private Client Group since October 1990; Executive Vice President and President of the Consumer Markets Sector from July 1985 to October 1990.
Daniel P. Tully, 64	Chairman of the Board since June, 1993; Chief Executive Officer since May, 1992; President and Chief Operating Officer from July, 1985 to January, 1995; Chairman of the Board, President, and Chief Executive Officer of MLPF&S from July, 1985 to February, 1995.
Joseph T. Willett, 44	Chief Financial Officer since April 1993; Controller from April 1992 to September 1995; Senior Vice President since February 1991; Treasurer from February 1991 to April 1992; First Vice President of MLPF&S from January 1988 to February 1991.
Arthur Zeikel, 63	Executive Vice President, Asset Management Group since October 1990; Director, Corporate Strategy from July 1988 to October 1990; President and Chief Investment Officer of Merrill Lynch Asset Management since November 1976.

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* Unless otherwise indicated, the offices listed are of the parent company. Under ML & Co.'s By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify. All Executive Officers are elected by the Board of Directors.

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PART II

ITEM 5. Market For Registrant's Common Equity And Related Stockholder Matters

Information relating to the principal market in which the Registrant's Common Stock is traded, the high low sales prices per share for each full quarterly period within the two most recent fiscal years, the approximate number of holders of record of Common Stock and the frequency and amount of any cash dividends declared for the two most recent fiscal years is set forth under the captions "Dividends Per Common Share" and "Stockholder Information" on page 68 of the 1995 Annual Report to Stockholders and such information is hereby incorporated herein by reference.

The Common Stock of ML & Co. (trading symbol MER) is listed on the following stock exchanges: New York Stock Exchange, Chicago Stock Exchange, The Pacific Stock Exchange, The Paris Stock Exchange, London Stock Exchange, and The Tokyo Stock Exchange.

ITEM 6. Selected Financial Data

Selected financial data for the Registrant and its subsidiaries for each of the last five fiscal years is set forth in the financial table "Selected Financial Data" on page 26 of the 1995 Annual Report to Stockholders (excluding for this purpose the financial ratio, leverage, and employee information set forth under the headings "Financial Ratios" and "Other Statistics") and in the information set forth on page 66 of the 1995 Annual Report to Stockholders. Such information is hereby incorporated herein by reference and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 41 to 65 in the 1995 Annual Report to Stockholders.

ITEM 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is set forth on pages 28 to 40 of the 1995 Annual Report to Stockholders under the caption "Management's Discussion and Analysis" and is hereby incorporated herein by reference. In addition, in response to this Item 7, the financial information set forth in the financial table "Selected Financial Data" under the caption "Financial Ratios-Average Leverage" on page 26 of the 1995 Annual Report to Stockholders and the information in Note 14 to the Consolidated Financial Statements in the 1995 Annual Report to Stockholders is hereby incorporated herein by reference. All of such information should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 41 to 65 in the 1995 Annual Report to Stockholders.

ITEM 8. Financial Statements And Supplementary Data

The consolidated financial statements of the Registrant and its subsidiaries, together with the Notes thereto and the Report of Independent Auditors thereon,

are contained in the 1995 Annual Report to Stockholders on pages 41 to 65 and such information is hereby incorporated herein by reference. In addition, the information on page 68 of the 1995 Annual Report to Stockholders under the caption "Quarterly Information" is hereby incorporated by reference herein.

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ITEM 9. Changes In And Disagreements With Accountants On Accounting
And Financial Disclosure

None.

PART III

ITEM 10. Directors And Executive Officers Of The Registrant

The information set forth under the caption "Election of Directors" on pages 5 to 8 of ML & Co.'s Proxy Statement dated March 11, 1996 for its 1996 Annual Meeting of Stockholders (the "Proxy Statement") and the information set forth in Part I hereof under the caption "Executive Officers of the Registrant" is hereby incorporated herein by reference.

ITEM 11. Executive Compensation

Information relating to executive compensation is set forth under the caption "Executive Compensation" on pages 14 to 27 of the Proxy Statement and is hereby incorporated herein by reference.

ITEM 12. Security Ownership Of Certain Beneficial Owners And Management

Information respecting security ownership of management and certain beneficial owners is set forth on pages 1 and 2 of the Proxy Statement and under the caption "Election of Directors" on pages 5 to 8 of the Proxy Statement. Such information is hereby incorporated herein by reference.

ITEM 13. Certain Relationships And Related Transactions

Information regarding certain relationships and related transactions set forth under the caption "Certain Transactions" on pages 25 and 26 of the Proxy Statement is hereby incorporated herein by reference.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, And Reports On Form 8-K

(a) Documents filed as part of this Report:

1. Financial Statements

The financial statements are listed on page F-1 hereof by reference to the corresponding page number in the 1995 Annual Report to Stockholders.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed on page F-1 hereof and the schedules included herewith appear on pages F-3 through F-7 hereof.

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3. Exhibits

Certain of the following exhibits were previously filed as exhibits to other reports or registration statements filed by the Registrant and are incorporated herein by reference to such reports or registration statements as indicated parenthetically below by the appropriate report reference date or registration statement number. For convenience, Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, and Registration Statements on Form S-3 are designated herein as "10-Q", "10-K", "8-K", and "S-3", respectively.

(3) Articles of Incorporation and By-Laws.

(i) (a) Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).

(b) Certificate of Amendment dated April 29, 1993 of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to

10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).

- (c) Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).
- (d) Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994 10-Q).
- (e) Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).
- (f) Deposit Agreement dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).
- (g) Certificate of Designation dated March 30, 1988 for Remarketed Preferred Stock, Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
- (h) Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
- (i) Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 3(iv) to 1992 10-K).
- (ii) By-Laws of ML & Co., effective as of October 25, 1993 (Exhibit 3(i) to 10-Q for the quarter ended September 24, 1993 ("3rd Quarter 1993 10-Q")).

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- (4) Instruments defining the rights of security holders, including indentures.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission, upon request, copies of the instruments defining the rights of holders of long-term debt securities of the Registrant, none of which instruments authorize an amount of securities that exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. For convenience purposes, the Registrant hereby lists as Exhibits 4(iii) through 4(vi) each long-term security issued by the Registrant since the filing of its latest registration statement for debt securities and warrants.

- (i) Senior Indenture dated as of April 1, 1983, as amended and restated, between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) and the Supplemental Indenture thereto dated as of March 15, 1990 (Exhibit 3 to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).
- (ii) Senior Indenture dated as of October 1, 1993 between ML & Co. and The Chase Manhattan Bank, N.A. (Exhibit 4 to 8-K dated October 7, 1993).
- (iii) Form of ML & Co.'s 6% Notes due January 15, 2001 (Exhibit 4 to 8-K dated January 17, 1996).
- (iv) Form of ML & Co.'s AMEX Hong Kong 30 Index Equity Participation Notes due February 16, 1999 (Exhibit 4 to 8-K dated February 7, 1996).
- (v) Form of ML & Co.'s 6% Notes due March 1, 2001 (Exhibit 4 to 8-K dated February 29, 1996).
- (vi) Form of ML & Co.'s 7% Notes due March 19, 2006 (Exhibit 4 to 8-K dated March 18, 1996).

- (10) Material Contracts.

Management Contracts, Compensation Plans, and other Employee Arrangements:

- (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995 (Exhibit 10(i) to 1994 10-K).
- (ii) Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994 (Exhibit 10(ii) to 1994 10-K).

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- * (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended through December 4, 1995.
- (iv) ML & Co. Equity Capital Accumulation Plan, as amended through December 5, 1994 (Exhibit 10(iv) to 1994 10-K).
- (v) ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).
- (vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Page 24 of ML & Co.'s Proxy Statement for the 1996 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 11, 1996 ("1996 Proxy Statement")).
- (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).
- (viii) Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 10-Q for the quarter ended June 28, 1991 (the "2nd Quarter 1991 10-Q")).
- (ix) Amendment dated April 30, 1992 to Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 10-Q for the quarter ended June 26, 1992).
- * (x) Form of Severance Agreement between ML & Co. and certain of its directors and executive officers.
- (xi) Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co. (Exhibit 10(xi) to 1993 10-K).
- (xii) Written description of ML & Co.'s incentive compensation programs (Exhibit 10(xii) to 1993 10-K).
- (xiii) Written description of ML & Co.'s compensation policy for directors (Page 14 of ML & Co.'s 1996 Proxy Statement).
- (xiv) Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-81619)).
- (xv) Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).
- (xvi) Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).
- (xvii) Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).

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* Filed herewith.

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- (xviii) Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).
- (xix) Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).
- (xx) Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).
- (xxi) Form of ML & Co. 1994 Deferred Restricted Unit Agreement for Executive Officers (Exhibit 10(i) to 10-Q for the quarter ended April 1, 1994 (the "1st Quarter 1994 10-Q")).

- (xxii) Form of ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(xxii) to 1994 10-K).
- (xxiii) Form of ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through February 24, 1995 (Exhibit 10(xxiii) to 1994 10-K).
- (xxiv) Form of ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(i) to 10-Q for the quarter ended September 29, 1995).

-- 10(xxv) intentionally omitted --

Agreements Relating To The World Financial Center:

- (xxvi) The following documents relate to the Registrant's occupation of office space in buildings at the World Financial Center, New York, New York:
 - (a) Reimbursement Agreement between Olympia & York Tower D Company and Merrill Lynch/WFC/L, Inc. ("WFC/L") dated as of August 24, 1984 (Exhibit 10(i) to 8-K dated January 22, 1990).
 - (b) Reimbursement Agreement between Olympia & York Tower B Company ("B Company") and WFC/L dated as of August 24, 1984 (Exhibit 10(ii) to 8-K dated January 22, 1990).
 - + (c) Agreement of Lease (with respect to Parcel D) dated as of February 26, 1988 between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx) (c) to 1992 10-K).
 - + (d) Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx) (d) to 1992 10-K).
 - + (e) Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).

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+ Confidential treatment has been obtained for portions of this exhibit.

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- + (f) Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).
- + (g) Restated and Amended Partnership Agreement of D Company, executed on December 24, 1986 (Exhibit 10(xxx) (g) to 1992 10-K).
- + (h) Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(iii) to 1st Quarter 1993 10-Q).
- + (i) Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xxvi) (i) to 1993 10-K).
- + (j) Agreement of Sublease (with respect to a portion of Parcel B) dated December 17, 1993 between WFC/L and Deloitte & Touche (Exhibit 10(xxvi) (j) to 1993 10-K).
- (xxvii) The following are amendments to certain of the documents that are related to Registrant's occupation of office space in buildings at the World Financial Center, New York, New York:
 - (a) First Amendment to Building D Agreement to Lease, Leasehold Improvements Agreement and Reimbursement Agreement (with respect to Parcel D) dated as of July 12, 1985 between D Company and WFC/L (Exhibit 10(iii) to 8-K dated January 22, 1990).
 - (b) First Amendment to Building B Agreement to Lease, Reimbursement Agreement, Second Amendment to Leasehold Improvements Agreement (with respect to Parcel B) dated as of July 12, 1985 between B Company and WFC/L (Exhibit 10(iv) to 8-K dated January 22, 1990).
 - (c) Second Amendment to Reimbursement Agreement (with respect to Parcel D) dated as of February 26, 1988 between D

Company and WFC/L (Exhibit 10(iv) to 1st Quarter 1993 10-Q).

- + (d) Amended and Restated Second Amendment to Reimbursement Agreement (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(v) to 1st Quarter 1993 10-Q).
- (e) Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).
- (f) First Amendment to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(v) to 10-Q for the quarter ended March 24, 1989).

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+ Confidential treatment has been obtained for portions of this exhibit.

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- (g) Letter Amendment to the Restated and Amended Partnership Agreement of WFC Tower D Company dated as of February 26, 1988 between O&Y Tower D Holding Company I ("O&Y I") (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II ("O&Y II") and HQ North Company, Inc. (formerly known as O&Y Delta Corp.) ("HQ North") (Exhibit 10(vii) to 1st Quarter 1993 10-Q).
- (h) Third Amendment to Restated and Amended Partnership Agreement of WFC Tower D Company dated as of July 12, 1990 among O&Y I, O&Y II, and HQ North (Exhibit 10(xxix)(i) to 10-K for the fiscal year ended December 28, 1990 ("1990 10-K")).
- + (i) Second Amendment dated as of December 26, 1990 to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(xxix)(j) to 1990 10-K).
- + (j) Second Amendment dated as of January 5, 1994 to Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xxvii)(j) to 1993 10-K).

Certain Olympia & York entities have filed for bankruptcy protection. The ML & Co. affiliates party to certain of the above agreements are pursuing their claims. In addition to the foregoing agreements, various guarantees, security agreements, and related documents were granted by or to Olympia & York Developments Limited and by or to O & Y Equity Corp. to or by ML & Co. in connection with the World Financial Center transactions. Exhibits to the documents listed in items (xxvi) and (xxvii) above have been omitted, except where such exhibits are material to the transactions.

- * (11) Statement re computation of per share earnings.
- * (12) Statement re computation of ratios.
- * (13) 1995 Annual Report to Stockholders.
- * (21) Subsidiaries of the Registrant.
- * (23) Consent of Independent Auditors.
- * (27) Financial Data Schedule.

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+ Confidential treatment has been obtained for portions of this exhibit.

* Filed herewith.

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(b) Reports on Form 8-K:

The following Current Reports on Form 8-K were filed by the Registrant during the fourth quarter of 1995 with the Commission under the caption "Item 5. Other Events":

- (i) Current Report on Form 8-K dated October 17, 1995 for the purpose of

filing Preliminary Unaudited Earnings Summaries for the three- and nine-month periods ended September 29, 1995.

- (ii) Current Report on Form 8-K dated November 2, 1995 for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of September 29, 1995 and statements regarding computation of ratios.
- (ii) Current Report on Form 8-K dated November 27, 1995 for the purpose of filing the form of Registrant's Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Russell 2000 Index Call Warrants expiring November 17, 1998.

INDEMNIFICATION

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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DESCRIPTION OF COMMON STOCK

The authorized capital stock of ML & Co. consists of 500,000,000 shares of common stock, par value \$1.33 1/3 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value \$1.00 per share, issuable in series ("Preferred Stock"). As of March 15, 1996, 177,013,550 shares of Common Stock were outstanding (including 4,012,519 shares held by Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes). The shares of Common Stock have no preemptive or conversion rights, redemption provisions, or sinking fund provisions. The outstanding shares of Common Stock are duly and validly issued, fully paid, and nonassessable. Each share is eligible to participate under the Rights Agreement referenced below, to the extent specified therein, to purchase certain securities upon the occurrence of certain events specified in such Rights Agreement.

The Board of Directors of ML & Co., without further action by stockholders, has the authority to issue all of the 25,000,000 shares of Preferred Stock, which are currently authorized, from time to time in one or more series and, with respect to each such series, has authority to fix the powers (including voting power), designations, preferences as to dividends and liquidation, and relative, participating, optional, or other special rights and the qualifications, limitations or restrictions thereof. As of March 15, 1996, there were 17,000,000 Depositary Shares issued, each representing a one-four hundredth interest in a share of the 9% Preferred Stock. The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425,000,000. As of March 15, 1996, there were 42,500 shares of 9% Preferred Stock outstanding. As of March 15, 1996, there were 3,000 shares of ML & Co.'s Remarketed Preferred (service mark) Stock, Series C (the "RP (registered trademark) Stock ") issued, of which 1,938 were outstanding. From time to time, MLPF&S may occasionally acquire a temporary position in the Depositary Shares and shares of RP Stock. At March 15, 1996, the Depositary Shares and shares of RP Stock held by MLPF&S for the purpose of resale was not material. The 9% Preferred Stock and RP Stock have dividend and liquidation preference over the Common Stock and over the Series A Junior Preferred Stock issuable pursuant to a Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company).

MERRILL LYNCH & CO., INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
ITEMS 14 (A) (1) AND 14 (A) (2)

	Page Reference

	1995 Annual
	Report to
Form 10-K	Stockholders
-----	-----
Financial Statements	
- - - - -	
Statements of Consolidated Earnings, Year Ended Last Friday in December 1995, 1994, and 1993	41
Consolidated Balance Sheets, December 29, 1995 and December 30, 1994	42-43
Statements of Changes in Consolidated Stockholders' Equity, Year Ended Last Friday in December 1995, 1994, and 1993	44-45
Statements of Consolidated Cash Flows, Year Ended Last Friday in December 1995, 1994, and 1993	46
Notes to Consolidated Financial Statements	47-65
Independent Auditors' Report	65
Financial Statement Schedules	
- - - - -	
Independent Auditors' Report	F-2
Schedule I Condensed Financial Information of Registrant	F-3 to F-7
Specifically incorporated elsewhere herein by reference are certain portions of the following unaudited items:	
(i) Selected Financial Data	26
(ii) Management's Discussion and Analysis	28-40
(iii) Five-Year Financial Summary	66
(iv) Quarterly Information	68

Schedules not listed are omitted because of the absence of the conditions under which they are required or because the information is included in the Consolidated Financial Statements and Notes thereto which are incorporated herein by reference to the Registrant's 1995 Annual Report to Stockholders.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Merrill Lynch & Co., Inc.:

We have audited the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries (the "Company") as of December 29, 1995 and December 30, 1994 and for each of the three years in the period ended December 29, 1995 and have issued our report thereon dated February 26, 1996; such consolidated financial statements and report are included in your 1995 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included Schedule I listed in the Index to Financial Statements and Financial Statement Schedules. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

New York, New York
February 26, 1996

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 29, 1995, DECEMBER 30, 1994, AND DECEMBER 31, 1993

(Dollars in Millions)

	1995	1994	1993
	(52 weeks)	(52 weeks)	(53 weeks)
REVENUES			
Management service fees (from affiliates) ...	\$ 282	\$ 268	\$ 262
Interest (principally from affiliates)	2,002	1,423	921
Other	80	14	2
	-----	-----	-----
Total Revenues	2,364	1,705	1,185
Interest Expense	2,061	1,514	948
	-----	-----	-----
Net Revenues	303	191	237
	-----	-----	-----
NON-INTEREST EXPENSES			
Compensation and benefits	198	186	206
Other	206	232	355
	-----	-----	-----
Total Non-Interest Expenses	404	418	561
	-----	-----	-----
LOSS BEFORE INCOME TAX EXPENSE (BENEFIT), EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(101)	(227)	(324)
Income Tax Expense (Benefit)	112	(21)	(105)
	-----	-----	-----
LOSS BEFORE EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(213)	(206)	(219)
Equity in Earnings of Affiliates	1,327	1,223	1,613
	-----	-----	-----
EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	1,114	1,017	1,394
Cumulative Effect of Change in Accounting Principle (net of applicable income taxes of \$25)	--	--	(35)
	-----	-----	-----
NET EARNINGS	\$ 1,114	\$ 1,017	\$ 1,359
	=====	=====	=====
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 1,066	\$ 1,004	\$ 1,354
	=====	=====	=====

See Notes to Condensed Financial Statements

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CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS

DECEMBER 29, 1995 AND DECEMBER 30, 1994

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1995	1994

ASSETS		

Cash and cash equivalents	\$ 37	\$ 88
Loans to, receivables from and preference securities of affiliates.....	39,366	33,059
Investments in affiliates, at equity	6,017	5,722
Property, leasehold improvements and equipment (net of accumulated depreciation and amortization of \$223 in 1995 and \$266 in 1994).....	153	253
Other receivables and assets	1,113	1,023
	-----	-----
TOTAL ASSETS	\$ 46,686	\$ 40,145
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

LIABILITIES		
Commercial paper and other short-term borrowings	\$ 17,338	\$ 14,747
Loans from and payables to affiliates	2,657	2,137
Other liabilities and accrued interest	2,707	2,154
Long-term borrowings	17,843	15,289
	-----	-----
Total Liabilities	40,545	34,327
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity	619	619
	-----	-----
Common Stockholders' Equity:		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1995 and 1994 - 236,330,162 shares	315	315
Paid-in capital	1,237	1,196
Foreign currency translation adjustment	11	4
Net unrealized gains (losses) on investment securities available-for-sale (net of applicable income tax expense (benefit) of \$13 in 1995 and \$(31) in 1994)	25	(57)
Retained earnings	6,492	5,606
	-----	-----
Subtotal	8,080	7,064
Less: Treasury stock, at cost:		
1995 - 60,929,278 shares		
1994 - 48,423,944 shares	2,241	1,627
Unallocated ESOP reversion shares, at cost:		
1995 - 4,012,519 shares		
1994 - 6,427,091 shares	63	101
Employee stock transactions	254	137
	-----	-----
Total Common Stockholders' Equity	5,522	5,199
	-----	-----
Total Stockholders' Equity	6,141	5,818
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 46,686	\$ 40,145
	=====	=====

See Notes to Condensed Financial Statements

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(Parent Company Only)
CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 29, 1995, DECEMBER 30, 1994, AND DECEMBER 31, 1993

(Dollars in Millions)

	1995	1994	1993

Cash flows from operating activities:			
Net earnings	\$ 1,114	\$ 1,017	\$ 1,359
Noncash items included in earnings:			
Cumulative effect of change in accounting principle	-	-	35

Equity in earnings of affiliates	(1,327)	(1,223)	(1,613)
Depreciation and amortization	31	38	40
Other	(35)	57	104
(Increase) decrease in:			
Intercompany receivables, net of payables	(5,608)	(435)	(9,064)
Investments in affiliates	(363)	(90)	(176)
Other operating assets, net of liabilities ...	649	(12)	453
Proceeds from dividends from affiliates	1,455	947	914
	-----	-----	-----
Cash (used for) provided by operating activities	(4,084)	299	(7,948)
	-----	-----	-----
Cash flows from investing activities:			
Proceeds from (payments for):			
Investment securities	-	-	8
Property, leasehold improvements and equipment	(12)	(33)	(22)
	-----	-----	-----
Cash used for investing activities	(12)	(33)	(14)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from (payments for):			
Commercial paper and other short-term borrowings	2,592	(978)	6,010
Issuance and resale of long-term borrowings ..	9,458	8,450	7,282
Settlement and repurchases of long-term borrowings	(6,883)	(6,917)	(4,590)
Issuance of 9% Cumulative Preferred Stock	-	425	-
Common stock transactions	(894)	(1,048)	(511)
Dividends	(228)	(188)	(153)
	-----	-----	-----
Cash provided by (used for) financing activities	4,045	(256)	8,038
	-----	-----	-----
Increase (decrease) in cash and cash equivalents .	(51)	10	76
Cash and cash equivalents, beginning of year	88	78	2
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 37	\$ 88	\$ 78
	=====	=====	=====

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes totaled \$487 in 1995, \$1,057 in 1994, and \$1,004 in 1993.

Interest totaled \$2,086 in 1995, \$1,490 in 1994, and \$897 in 1993.

See Notes to Condensed Financial Statements

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(Parent Company Only)
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Dollars in Millions, Except Per Share Amounts)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

The condensed financial statements of Merrill Lynch & Co., Inc. (the "Parent Company") should be read in conjunction with the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries (the "Corporation") and the notes thereto incorporated elsewhere herein by reference. Where appropriate, prior years' financial statements have been reclassified to conform to the 1995 presentation.

DIVIDENDS RECEIVED FROM AFFILIATES

Cash dividends totaling \$1,455, \$947, and \$914 were received from consolidated subsidiaries in 1995, 1994, and 1993, respectively.

LONG-TERM BORROWINGS AND GUARANTEES

Reference is made to page 58 of the Annual Report for additional information on Parent Company long-term borrowings. At December 29, 1995, Parent Company borrowings totaling \$619 were held for purposes of resale by affiliates which also purchased \$1,088 and resold \$894 of such borrowings during the year.

In certain instances, the Parent Company guarantees obligations of subsidiaries that may include obligations associated with foreign exchange forward contracts and swap transactions.

Substantially all of the Parent Company's fixed-rate long-term borrowings are swapped into variable interest rates. These swaps, generally made with an affiliated dealer in such instruments, are used to hedge interest rate, foreign currency, and equity-linked exposures associated with long-term borrowings. At December 29, 1995 and December 30, 1994, the notional amounts of these instruments were \$20,416 and \$15,915, respectively.

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CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(Parent Company Only)
NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

ACCOUNTING CHANGES

In 1993, the Parent Company adopted Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits" and SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 112 was effective as of the 1993 first quarter. The cumulative effect of this change in accounting principle, reported in the Condensed Statements of Earnings, resulted in a charge of \$35 (net of applicable income tax benefits), including \$32 (net of applicable income tax benefits) from equity in earnings of affiliates. SFAS No. 115 was effective as of the last day of the 1993 fiscal year. The effect of this change, reported in the Condensed Balance Sheet under Stockholders' Equity, was an increase of \$21 (net of applicable income taxes), all from equity in affiliates.

Reference is made to page 49 of the Annual Report for additional information on Accounting Changes.

NON-INTEREST EXPENSES - OTHER

The Parent Company recorded a non-recurring pretax charge totaling \$103 (\$60 after income taxes) in 1993 related to the Corporation's decision not to occupy certain office space at its World Financial Center Headquarters facility and to sublease the unused space to third parties.

STOCKHOLDERS' EQUITY

In 1994, the Corporation issued 17,000,000 Depositary Shares, each representing a one-four-hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425.

Reference is made to pages 56 and 57 of the Annual Report for additional information on Stockholders' Equity.

COMMITMENTS AND CONTINGENCIES

Reference is made to pages 63 and 64 of the Annual Report for information on litigation, leases, and other commitments and contingencies.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 22nd day of March, 1996.

MERRILL LYNCH & CO., INC.

By: /s/ Daniel P. Tully

Daniel P. Tully
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 22nd day of March, 1996.

Signature	Title
/s/ Daniel P. Tully ----- (Daniel P. Tully)	Chairman of the Board, Chief Executive Officer and Director
/s/ David H. Komansky ----- (David H. Komansky)	President, Chief Operating Officer and Director
/s/ Joseph T. Willett ----- (Joseph T. Willett)	Senior Vice President and Chief Financial Officer
/s/ Michael J. Castellano ----- Michael J. Castellano	Senior Vice President and Controller
/s/ William O. Bourke ----- (William O. Bourke)	Director
/s/ W. H. Clark ----- (W.H. Clark)	Director
/s/ Jill K. Conway ----- (Jill K. Conway)	Director
/s/ Stephen L. Hammerman ----- (Stephen L. Hammerman)	Director
/s/ Earle H. Harbison, Jr. ----- (Earle H. Harbison, Jr.)	Director
/s/ George B. Harvey ----- (George B. Harvey)	Director
/s/ William R. Hoover ----- (William R. Hoover)	Director
/s/ Robert P. Luciano ----- (Robert P. Luciano)	Director
/s/ Aulana L. Peters ----- (Aulana L. Peters)	Director
/s/ John J. Phelan, Jr. ----- (John J. Phelan, Jr.)	Director
/s/ William L. Weiss	Director

(William L. Weiss)

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MERRILL LYNCH & CO., INC.

EXHIBITS TO

FORM 10-K
ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended
December 29, 1995

Commission file number 1-7182

EXHIBITS TO FORM 10-K

INDEX

EXHIBIT NO. - - - - -	DESCRIPTION - - - - -	PAGE ----
3(i) (a)	Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).	
3(i) (b)	Certificate of Amendment, dated April 29, 1993, of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to 10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).	
3(i) (c)	Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).	
3(i) (d)	Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994	

10-Q).

- 3(i)(e) Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).
- 3(i)(f) Deposit Agreement dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).
- 3(i)(g) Certificate of Designation dated March 30, 1988 for Remarketed Preferred Stock, Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
- 3(i)(h) Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
- 3(i)(i) Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 3(iv) to 1992 10-K).
- 3(ii) By-Laws of ML & Co., effective as of October 25, 1993 (Exhibit 3(i) to 10-Q for the quarter ended September 24, 1993 ("3rd Quarter 1993 10-Q")).

- -----

Certain of the exhibits in this index were previously filed as exhibits to other reports or registration statements filed by the Registrant and are incorporated herein by reference to such reports or registration statements as indicated parenthetically by the appropriate report reference date or registration statement number. For convenience, Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, and Registration Statements on Form S-3 are designated herein as "10-Q", "10-K", "8-K", and "S-3", respectively.

EXHIBIT NO. - -----	DESCRIPTION -----	PAGE ----
4(i)	Senior Indenture dated as of April 1, 1983, as amended and restated, between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) and the Supplemental Indenture thereto dated as of March 15, 1990 (Exhibit 3 to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).	
4(ii)	Senior Indenture dated as of October 1, 1993 between ML & Co. and The Chase Manhattan Bank, N.A. (Exhibit 4 to 8-K dated October 7, 1993).	
4(iii)	Form of ML & Co.'s 6% Notes due January 15, 2001 (Exhibit 4 to 8-K dated January 17, 1996).	
4(iv)	Form of ML & Co.'s AMEX Hong Kong 30 Index Equity Participation Notes due February 16, 1999 (Exhibit 4 to 8-K dated February 7, 1996).	
4(v)	Form of ML & Co.'s 6% Notes due March 1, 2001 (Exhibit 4 to 8-K dated February 29, 1996).	
4(vi)	Form of ML & Co.'s 7% Notes due March 19, 2006 (Exhibit 4 to 8-K dated March 18, 1996).	
10(i)	ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995 (Exhibit 10(i) to 1994 10-K).	
10(ii)	Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994 (Exhibit 10(ii) to 1994 10-K).	
*10(iii)	ML & Co. Long-Term Incentive Compensation Plan, as amended through December 4, 1995.	
10(iv)	ML & Co. Equity Capital Accumulation Plan, as amended through December 5, 1994 (Exhibit 10(iv) to 1994 10-K).	
10(v)	ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).	

10(vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Page 24 of ML & Co.'s Proxy Statement for the 1996 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 11, 1996 ("1996 Proxy Statement")).

- -----
* Filed herewith.

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EXHIBIT NO. - -----	DESCRIPTION -----	PAGE ----
10(vii)	ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 3rd Quarter 1992 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).	
10(viii)	Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 10-Q for the quarter ended June 28, 1991 (the "2nd Quarter 1991 10-Q")).	
10(ix)	Amendment dated April 30, 1992 to Executive Annuity Agreement dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 2nd Quarter 1992 10-Q for the quarter ended June 26, 1992).	
*10(x)	Form of Severance Agreement between ML & Co. and certain of its directors and executive officers.	
10(xi)	Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co. (Exhibit 10(xi) to 1993 10-K).	
10(xii)	Written description of ML & Co.'s incentive compensation programs (Exhibit 10(xii) to 1993 10-K).	
10(xiii)	Written description of ML & Co.'s compensation policy for directors (Page 14 of ML & Co.'s 1996 Proxy Statement).	
10(xiv)	Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-81619)).	
10(xv)	Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).	

- -----
* Filed herewith.

E-3

EXHIBIT NO. - -----	DESCRIPTION -----	PAGE ----
10(xvi)	Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).	
10(xvii)	Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).	
10(xviii)	Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).	
10(xix)	Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).	
10(xx)	Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).	
10(xxi)	Form of ML & Co. 1994 Deferred Restricted Unit Agreement for Executive Officers (Exhibit 10(i) to 10-Q for the quarter ended April 1, 1994 (the "1st Quarter 1994 10-Q")).	
10(xxii)	Form of ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(xxii) to 1994 10-K).	
10(xxiii)	Form of ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through February 24, 1995 (Exhibit	

10(xxiii) to 1994 10-K).

10(xxiv) Form of ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(i) to 10-Q for the quarter ended September 29, 1995).

10(xxv) Intentionally omitted.

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EXHIBIT NO. - - - - -	DESCRIPTION - - - - -	PAGE - - - - -
10(xxvi) (a)	Reimbursement Agreement between Olympia & York Tower D Company and Merrill Lynch/WFC/L, Inc. ("WFC/L") dated as of August 24, 1984 (Exhibit 10(i) to 8-K dated January 22, 1990).	
10(xxvi) (b)	Reimbursement Agreement between Olympia & York Tower B Company ("B Company") and WFC/L dated as of August 24, 1984 (Exhibit 10(ii) to 8-K dated January 22, 1990).	
+10(xxvi) (c)	Agreement of Lease (with respect to Parcel D) dated as of February 26, 1988 between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx) (c) to 1992 10-K).	
+10(xxvi) (d)	Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx) (d) to 1992 10-K).	
+10(xxvi) (e)	Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).	
+10(xxvi) (f)	Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).	
+10(xxvi) (g)	Restated and Amended Partnership Agreement of D Company, executed on December 24, 1986 (Exhibit 10(xxx) (g) to 1992 10-K).	
+10(xxvi) (h)	Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(iii) to 1st Quarter 1993 10-Q).	
+10(xxvi) (i)	Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xxvi) (i) to 1993 10-K).	
+10(xxvi) (j)	Agreement of Sublease (with respect to a portion of Parcel B), dated December 17, 1993 between WFC/L and Deloitte & Touche (Exhibit 10(xxvi) (j) to 1993 10-K).	
10(xxvii) (a)	First Amendment to Building D Agreement to Lease, Leasehold Improvements Agreement and Reimbursement Agreement (with respect to Parcel D) dated as of July 12, 1985 between D Company and WFC/L (Exhibit 10(iii) to 8-K dated January 22, 1990).	
10(xxvii) (b)	First Amendment to Building B Agreement to Lease, Reimbursement Agreement, Second Amendment to Leasehold Improvements Agreement (with respect to Parcel B) dated as of July 12, 1985 between B Company and WFC/L (Exhibit 10(iv) to 8-K dated January 22, 1990).	
10(xxvii) (c)	Second Amendment to Reimbursement Agreement (with respect to Parcel D), dated as of February 26, 1988 between D Company and WFC/L (Exhibit 10(iv) to 1st Quarter 1993 10-Q).	
+10(xxvii) (d)	Amended and Restated Second Amendment to Reimbursement Agreement (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(v) to 1st Quarter 1993 10-Q).	
- - - - -		
+ Confidential treatment has been obtained for portions of this exhibit.		

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EXHIBIT NO. - - - - -	DESCRIPTION - - - - -	PAGE ----
10(xxvii) (e)	Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).	
10(xxvii) (f)	First Amendment to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(v) to 10-Q for the quarter ended March 24, 1989).	
10(xxvii) (g)	Letter Amendment to the Restated and Amended Partnership Agreement of WFC Tower D Company dated as of February 26, 1988 between O&Y Tower D Holding Company I ("O&Y I") (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II ("O&Y II") and HQ North Company, Inc. (formerly known as O&Y Delta Corp.) ("HQ North") (Exhibit 10(vii) to 1st Quarter 1993 10-Q).	
10(xxvii) (h)	Third Amendment to Restated and Amended Partnership Agreement of WFC Tower D Company dated as of July 12, 1990 among O&Y I, O&Y II, and HQ North (Exhibit 10(xxix) (i) to 10-K, for the fiscal year ended December 28, 1990 ("1990 10-K")).	
+10(xxvii) (i)	Second Amendment, dated as of December 26, 1990 to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(xxix) (j) to 1990 10-K).	
+10(xxvii) (j)	Second Amendment dated as of January 5, 1994 to Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xxvii) (j) to 1993 10-K).	
* 11	Statement re computation of per share earnings.	
* 12	Statement re computation of ratios.	
* 13	1995 Annual Report to Stockholders.	
* 21	Subsidiaries of the Registrant.	
* 23	Consent of Independent Auditors.	
* 27	Financial Data Schedule.	
- - - - -		
+	Confidential treatment has been obtained for portions of this exhibit.	
*	Filed herewith.	

As amended through December 4, 1995

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

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LONG-TERM INCENTIVE COMPENSATION PLAN

ARTICLE I - GENERAL

Section 1.1 Purpose.

The purposes of the Long-Term Incentive Compensation Plan (the "Plan") are: (a) to enhance the growth and profitability of Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."), and its subsidiaries by providing the incentive of long-term rewards to key employees who are capable of having a significant impact on the performance of ML & Co. and its subsidiaries; (b) to attract and retain employees of outstanding competence and ability; (c) to encourage long-term stock ownership by employees; and (d) to further the identity of interests of such employees with those of stockholders of ML & Co.

Section 1.2 Definitions.

For the purpose of the Plan, the following terms shall have the meanings indicated:

(a) "Board of Directors" or "Board" shall mean the Board of Directors of ML & Co.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto.

(c) "Company" shall mean ML & Co. and any corporation, partnership, or other organization of which ML & Co. owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests. For purposes of this Plan, the terms "ML & Co." and "Company" shall include any successor thereto.

(d) "Committee" shall mean the Management Development and Compensation Committee of the Board of Directors, or its functional successor, unless some other Board committee has been designated by the Board of Directors to administer the Plan. The Committee shall be constituted so that at all relevant times it meets the then applicable requirements of Rule 16b-3 (or its successor) promulgated under the Securities Exchange Act of 1934, as amended.

(e) "Common Stock" shall mean the Common Stock, par value \$1.33 1/3 per share, of ML & Co. and a "share of Common Stock" shall mean one share of Common Stock together with, for so long as Rights are outstanding, one Right (whether trading with the Common Stock or separately).

(f) "Disability," unless otherwise provided herein, shall mean any physical or mental condition that, in the opinion of the Director of Human Resources of Merrill Lynch & Co., Inc. (or his functional successor), renders an employee incapable of engaging in any employment or occupation for which he is suited by reason of education or training, provided that, in the case of any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, such determination shall be made by the Committee following recommendation by the Director of Human Resources.

(g) "Fair Market Value" of shares of Common Stock on any given date(s) shall be: (a) the mean of the high and low sales prices on the New York Stock Exchange--Composite Tape of such shares on the date(s) in question, or, if the shares of Common Stock shall not have been traded on any such date(s), the mean of the high and low sales prices on the New York Stock Exchange--Composite Tape on the first day prior thereto on which the shares of Common Stock were so traded; or (b) if the shares of Common Stock are not traded on the New York Stock Exchange, such other amount as may be determined by the Committee by any fair and reasonable means.

"Fair Market Value" of any Other ML & Co. Security on any given date(s) shall be: (a) the mean of the high and low sales prices of such Other ML & Co. Security on the principal securities exchange on which such Security is traded on the date(s) in question or, if such Other ML & Co. Security shall not have been traded on any such exchange on such date(s), the mean of the high and low sales prices on such exchange on the first day prior thereto on which such Other ML & Co. Security was so traded; or (b) if the Other ML & Co. Security is not publicly traded on a securities exchange, such other amount as may be determined by the Committee by any fair and reasonable means.

(h) "Junior Preferred Stock" shall mean ML & Co.'s Series A Junior Preferred Stock, par value \$1.00 per share.

(i) "Other ML & Co. Security" shall mean a financial instrument issued pursuant to Article VI.

(j) "Participant" shall mean any employee who has met the eligibility requirements set forth in Section 1.5 hereof and to whom a grant has been made and is outstanding under the Plan.

(k) "Performance Period" shall mean, in relation to Performance Shares or Performance Units, any period, for which performance objectives have been established, of not less than one nor more than ten consecutive ML & Co. fiscal

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years, commencing with the first day of the fiscal year in which such Performance Shares or Performance Units were granted.

(l) "Performance Share" shall mean a right, granted to a Participant pursuant to Article II, that will be paid out as a share of Common Stock.

(m) "Performance Unit" shall mean a right, granted to a Participant pursuant to Article II, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(n) "Restricted Period" shall mean, (i) in relation to shares of Common Stock receivable in payment for Performance Shares, the period beginning at the end of the applicable Performance Period during which restrictions on the transferability of such shares of Common Stock are in effect; and (ii) in relation to Restricted Shares, the period, beginning with the first day of the month in which Restricted Shares are granted, during which restrictions on the transferability of such Restricted Shares are in effect and which shall not be of shorter duration than the Vesting Period applicable to the same Restricted Shares.

(o) "Restricted Share" shall mean a share of Common Stock, granted to a Participant pursuant to Article III, subject to the restrictions set forth in Section 3.3 hereof.

(p) "Restricted Unit" shall mean the right, granted to a Participant pursuant to Article III, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(q) "Retirement" shall mean the cessation of employment by the Company after reaching age 55 and having completed at least 5 years of service, including approved leaves of absence of one year or less.

(r) "Rights" means the Rights to Purchase Units of Junior Preferred Stock issued pursuant to the Rights Agreement.

(s) "Rights Agreement" means the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended from time to time.

(t) "Stock Appreciation Right" shall mean a right, granted to a Participant pursuant to Article V, to receive, in cash or shares of Common Stock, an amount equal to the increase in Fair Market Value, over a specified period of time, of a specified number of shares of Common Stock.

(u) "Stock Option" shall mean a right, granted to a Participant pursuant to Article IV, to purchase, before a specified date and at a specified price, a specified number of shares of Common Stock. Stock Options may be "Incentive

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Stock Options," which meet the definition of such in Section 422A of the Code, or "Nonqualified Stock Options," which do not meet such definition.

(v) "Vesting Period" shall mean, in relation to Restricted Shares or Restricted Units, any period of not less than 12 months beginning with the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective, during which such Restricted Shares or Restricted Units may be forfeited if the Participant terminates employment.

Section 1.3 Administration.

(a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to: (i) subject to Section 1.5 hereof, select Participants after receiving the recommendations of the management of the Company; (ii) determine the number of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Appreciation Rights, or Other ML & Co. Securities subject to each grant; (iii) determine the number of shares of Common Stock subject to each Stock Option grant; (iv) determine the time or times when grants are to be made or are to be effective; (v) determine the terms and conditions subject to which grants may be made; (vi) extend the term of any Stock Option; (vii) provide at the time

of grant that all or any portion of any Stock Option shall be canceled upon the Participant's exercise of any Stock Appreciation Rights; (viii) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (ix) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (x) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and (xi) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

(b) The Committee shall act in accordance with the procedures established for a Committee under ML & Co.'s Certificate of Incorporation and By-Laws or under any resolution of the Board.

Section 1.4 Shares and Units Subject to the Plan.

The total number of shares of Common Stock that may be distributed under the Plan shall be 80,000,000* (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation Rights (to the extent they may be paid out in Common Stock), or Other ML & Co. Securities), subject to adjustment as provided in Article VII hereof. Shares of Common Stock distributed under the Plan may be treasury shares or authorized but unissued shares. The total number of units payable in cash

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*The net number of shares that remain available for distribution and reserved for issuance under the Plan as of October 22, 1993 was 59,001,220, adjusted (as of such date) for ML & Co.'s 2 for 1 stock split, effected in the form of a stock dividend.

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under the Plan, including Performance Units, Restricted Units, and Stock Appreciation Rights (to the extent they are paid out in cash) shall be 80,000,000.* To the extent that awards of Other ML & Co. Securities are convertible into Common Stock or are otherwise equity securities (or convertible into equity securities) of ML & Co., they shall be subject to the limitation expressed above on the number of shares of Common Stock that can be awarded under the Plan; otherwise, they shall be treated as if they were awards of units payable in cash under the Plan and subject to the foregoing limitation thereon. Any shares of Common Stock that have been granted as Restricted Shares or that have been reserved for distribution in payment for Performance Shares but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of grants under the Plan. If any Stock Option, Stock Appreciation Right, or Other ML & Co. Security granted under the Plan expires or terminates, or any Stock Appreciation Right is paid out in cash, the underlying shares of Common Stock may again be made the subject of grants under the Plan. Units payable in cash that are later forfeited or for any reason are not payable under the Plan may again be the subject of grants under the Plan.

Section 1.5 Eligibility and Participation.

Participation in the Plan shall be limited to officers (who may also be members of the Board of Directors) and other salaried, key employees of the Company.

ARTICLE II - PROVISIONS APPLICABLE TO PERFORMANCE SHARES AND PERFORMANCE UNITS.

Section 2.1 Performance Periods and Restricted Periods.

The Committee shall establish Performance Periods applicable to Performance Shares and Performance Units and may establish Restricted Periods applicable to Performance Shares, at its discretion. Each such Performance Period shall commence with the beginning of a fiscal year in which the Performance Shares and Performance Units are granted and have a duration of not less than one nor more than ten consecutive fiscal years. Each such Restricted Period shall commence with the end of the Performance Period established for such Performance Shares and shall end on such date as may be determined by the Committee at the time of grant. There shall be no limitation on the number of Performance Periods or Restricted Periods established by the Committee, and more than one Performance Period may encompass the same fiscal year.

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*The net number of units that remain available for distribution under the Plan, as of October 22, 1993, was 70,157,928, adjusted (as of such date) for ML&Co.'s 2 for 1 stock split, effected in form of a stock dividend.

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Section 2.2 Performance Objectives.

At any time before or during a Performance Period, the Committee shall

establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares or Performance Units with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided, however, that any such measure shall include all accruals for grants made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

Section 2.3 Grants of Performance Shares and Performance Units.

The Committee may select employees to become Participants subject to the provisions of Section 1.5 hereof and grant Performance Shares or Performance Units to such Participants at any time prior to or during the first fiscal year of a Performance Period. Grants shall be deemed to have been made as of the beginning of the first fiscal year of the Performance Period. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of Section 2.7 hereof, a grant of Performance Shares or Performance Units shall be effective for the entire applicable Performance Period and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Performance Shares or Performance Units granted, the Performance Period, the performance objective or objectives, the proportion of payments for performance between the minimum and full performance levels, if any, the Restricted Periods and restrictions applicable to shares of Common Stock receivable in payment for Performance Shares, and any other terms, conditions, and rights with respect to such grant. At the time of any grant of Performance Shares, there shall be reserved out of the number of shares of

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Common Stock authorized for distribution under the Plan a number of shares equal to the number of Performance Shares so granted.

Section 2.4 Rights and Benefits During Performance Period.

The Committee may provide that, during a Performance Period, a Participant shall be paid cash amounts, with respect to each Performance Share or Performance Unit held by such Participant, in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

Section 2.5 Adjustment with respect to Performance Shares and Performance Units.

Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time adjust performance objectives (up or down) and minimum or full performance levels (and any intermediate levels and proportion of payments related thereto), adjust the way performance objectives are measured, or shorten any Performance Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 2.6 Payment of Performance Shares and Performance Units.

Within 90 days after the end of any Performance Period, the Company shall determine the extent to which performance objectives established by the Committee pursuant to Section 2.2 hereof for such Performance Period have been met during such Performance Period and the resultant extent to which Performance Shares or Performance Units granted for such Performance Period are payable. Payment for Performance Shares and Performance Units shall be as follows:

(a) Performance Shares:

(i) If a Restricted Period has been established in relation to the Performance Shares:

(A) At the end of the applicable Performance Period, one or more certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable shall be registered in the name of the Participant but shall be held by the Company for the account of the employee. Such shares will be nonforfeitable but restricted as to transferability during the applicable Restricted Period. During the Restricted Period, the Participant shall have all rights of a holder as to such shares of Common Stock, including

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the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (1) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; and (2) none of such shares of Common Stock or Rights may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such shares; provided, however, that the Company shall not be required to register any fractional shares of Common Stock payable to any Participant, but will pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

(B) At the end of the applicable Restricted Period, all restrictions applicable to the shares of Common Stock, and other securities or property received with respect to such shares, held by the Company for the accounts of recipients of Performance Shares granted in relation to such Restricted Period shall lapse, and one or more stock certificates for such shares of Common Stock and securities, free of the restrictions, shall be delivered to the Participant, or such shares and securities shall be credited to a brokerage account if the Participant so directs.

(ii) If a Restricted Period has not been established in relation to the Performance Shares, at the end of the applicable Performance Period, one or more stock certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable, free of restrictions, shall be registered in the name of the Participant and delivered to the Participant, or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Performance Units: At the end of the applicable Performance Period, a Participant shall be paid a cash amount equal to the number of Performance Units payable, times the mean of the Fair Market Value of Common Stock during the second calendar month following the end of the Performance Period, unless some other date or period is established by the Committee at the time of grant.

Section 2.7 Termination of Employment.

(a) Prior to the end of a Performance Period:

(i) Death: If a Participant ceases to be an employee of the Company prior to the end of a Performance Period by reason of death, any outstanding Performance Shares or Performance Units with respect to such Participant shall become payable and be paid to such Participant's beneficiary or estate, as the case may be, as soon as practicable in the manner set forth in Sections 2.6(a)(ii) and 2.6(b) hereof, respectively. In determining the extent to which

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performance objectives established for such Performance Period have been met and the resultant extent to which Performance Shares or Performance Units are payable, the Performance Period shall be deemed to end as of the end of the fiscal year in which the Participant's death occurred.

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article II, and such Participant shall not forfeit any Performance Shares or Performance Units held by him, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company during the remainder of the applicable Performance Period. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee prior to the end of a Performance Period for any reason other than death, the Participant shall immediately forfeit all Performance Shares and Performance Units previously granted under the Plan and all right to receive any payment for such Performance Shares and Performance Units. The Committee may, however, direct payment in accordance with the provisions of Section 2.6 hereof for a

number of Performance Shares or Performance Units, as it may determine, granted under the Plan to a Participant whose employment has so terminated (but not exceeding the number of Performance Shares or Performance Units that could have been payable had the Participant remained an employee) if it finds that the circumstances in the particular case so warrant. For purposes of the preceding sentence, the Performance Period over which performance objectives shall be measured shall be deemed to end as of the end of the fiscal year in which termination occurred.

(b) After the end of a Performance Period but prior to the end of a Restricted Period:

(i) Death, Disability, or Retirement: If a Participant ceases to be an employee of the Company by reason of death or in the case of the Disability or Retirement of a Participant, the Restricted Period shall be deemed to have ended and shares held by the Company shall be paid as soon as practicable in the manner set forth in Section 2.6(a)(i)(B).

(ii) Other Terminations: Terminations of employment for any reason other than death after the end of a Performance Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless the Committee, in its sole discretion, finds that the circumstances so warrant and

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determines that the Restricted Period shall end on an earlier date as determined by the Committee and that shares held by the Company shall be paid as soon as practicable following such earlier date in the manner set forth in Section 2.6(a)(i)(B).

(c) Except as otherwise provided in this Section 2.7, termination of employment after the end of a Performance Period but before the payment of Performance Shares or Performance Units relating to such Performance Period shall not affect the amount, if any, to be paid pursuant to Section 2.6 hereof. Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 2.7. Leaves of absence of more than one year will be deemed to be terminations of employment under this Section 2.7, unless the Committee determines otherwise.

Section 2.8 Deferral of Payment.

The Committee may, in its sole discretion, offer a Participant the right, by execution of a written agreement, to defer the receipt of all or any portion of the payment, if any, for Performance Shares or Performance Units. If such an election to defer is made, the Common Stock receivable in payment for Performance Shares shall be deferred as stock units equal in number to and exchangeable, at the end of the deferral period, for the number of shares of Common Stock that would have been paid to the Participant. Such stock units shall represent only a contractual right and shall not give the Participant any interest, right, or title to any Common Stock during the deferral period. The cash receivable in payment for Performance Units or fractional shares receivable for Performance Shares shall be deferred as cash units. Deferred stock units and cash units may be credited annually with the appreciation factor contained in the deferred compensation agreement, which may include dividend equivalents. All other terms and conditions of deferred payments shall be as contained in the written agreement.

ARTICLE III - PROVISIONS APPLICABLE TO RESTRICTED SHARES AND RESTRICTED UNITS.

Section 3.1 Vesting Periods and Restricted Periods.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares, at its discretion. Each such Vesting Period shall have a duration of not less than 12 months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective. Each such Restricted Period shall have a duration of 12 or more consecutive months, measured from the first day of the month in which the grant of the applicable Restricted Shares is effective, but in no event shall any Restricted Period applicable to a Restricted Share be of shorter duration than the Vesting Period applicable to such Restricted Share.

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Section 3.2 Grants of Restricted Shares and Restricted Units.

The Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant Restricted Shares or Restricted Units to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past

performance, and performance potential.

Subject to the provisions of Section 3.7 hereof, a grant of Restricted Shares or Restricted Units shall be effective for the entire applicable Vesting and Restricted Periods and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Vesting Period, the Restricted Period, the restrictions applicable to such Restricted Shares, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant. Each grant to a Participant of Restricted Units shall be evidenced by a written instrument stating the number of Restricted Units granted, the Vesting Period, and all other terms, conditions and rights with respect to such grant.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

At the time of grant of Restricted Shares, subject to the receipt by the Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his name or for his benefit either individually or collectively with others, but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (c) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company for the entire Vesting Period in relation to which such Restricted Shares were granted, except as otherwise allowed by Section 3.7 hereof. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such Restricted Shares.

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Section 3.4 Rights Governing Restricted Units.

During the Vesting Period for Restricted Units, a Participant shall be paid, with respect to each Restricted Unit to which such Vesting Period is applicable, cash amounts in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

Section 3.5 Adjustment with respect to Restricted Shares and Restricted Units.

Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time shorten any Vesting Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 3.6 Payment of Restricted Shares and Restricted Units.

(a) Restricted Shares: At the end of the Restricted Period, all restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to Restricted Shares granted in relation to such Restricted Period, and one or more stock certificates for the appropriate number of shares of Common Stock, free of restrictions, shall be delivered to the Participant or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Restricted Units: At the end of the Vesting Period applicable to Restricted Units granted to a Participant, a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the Vesting Period, or during such period as is established by the Committee at the time of grant, shall be paid, with respect to each such Restricted Unit, to the Participant, or his beneficiary or estate, as the case may be.

Section 3.7 Termination of Employment.

(a) Prior to the end of a Vesting Period:

(i) Death: If a Participant ceases to be an employee of the Company prior to the end of a Vesting Period by reason of death, all Restricted Shares

and Restricted Units granted to such Participant are immediately payable as set forth in Section 3.6.

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(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article III and such Participant shall not forfeit any Restricted Shares or Restricted Units held by him, provided that, during the remainder of the applicable Vesting Period, such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted with respect to such Vesting Period in accordance with the provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so terminated to retain any or all of the Restricted Shares or Restricted Units granted to such Participant.

(b) After the end of a Vesting Period but prior to the end of a Restricted Period:

(i) Death, Disability, or Retirement: If a Participant ceases to be an employee of the Company by reason of death, or in the case of the Disability or Retirement of a Participant, prior to the end of a Restricted Period, all Restricted Shares granted to such Participant are immediately payable in the manner set forth in Section 3.6.

(ii) Other Terminations: Terminations of employment for any reason other than death after the end of a Vesting Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and that shares held by the Company shall be paid as soon as practicable following such earlier date in the manner set forth in Section 3.6.

(c) Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 3.7. Leaves of absence of more than one year will be deemed to be terminations of employment under this Section 3.7, unless the Committee determines otherwise.

Section 3.8 Extension of Vesting; Deferral of Payment.

The Committee may, in its sole discretion, offer any Participant the right, by execution of a written agreement with ML & Co. containing such terms

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and conditions as the Committee shall in its sole discretion provide for, to extend the Vesting Period applicable to all or any portion of such Participant's Restricted Shares or Restricted Units, to convert all or any portion of such Participant's Restricted Shares into Restricted Units or to defer the receipt of all or any portion of the payment, if any, for such Participant's Restricted Units (including any Restricted Shares converted into Restricted Units). In the event that any Vesting Period with respect to Restricted Shares is extended pursuant to this Section 3.8, the Restricted Period with respect to such Restricted Shares shall be extended to the same date. The provisions of any written agreement with a Participant pursuant to this Section 3.8 may provide for the payment or crediting of interest, an appreciation factor or index or dividend equivalents, as appropriate.

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

Section 4.1 Grants of Stock Options.

The Committee may select employees to become Participants (subject to Section 1.5 hereof) and grant Stock Options to such Participants at any time; provided, however, that Incentive Stock Options shall be granted within 10 years of the earlier of the date the Plan is adopted by the Board or approved by the stockholders. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of the Plan, the Committee shall also determine the number of shares of Common Stock to be covered by each Stock Option. The Committee shall have the authority, in its discretion, to grant "Incentive Stock Options" or "Nonqualified Stock Options," or to grant

both types of Stock Options. Furthermore, the Committee may grant a Stock Appreciation Right in connection with a Stock Option, as provided in Article V.

Section 4.2 Option Documentation.

Each Stock Option granted under the Plan shall be evidenced by written documentation containing such terms and conditions as the Committee may deem appropriate and are not inconsistent with the provisions of the Plan.

Section 4.3 Exercise Price.

The Committee shall establish the exercise price at the time any Stock Option is granted at such amount as the Committee shall determine, except that such exercise price shall not be less than 50% of the Fair Market Value of the underlying shares of Common Stock on the day a Stock Option is granted and that, with respect to an Incentive Stock Option, such exercise price shall not be less than 100% of the Fair Market Value of the underlying shares of Common Stock on

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the day such Incentive Stock Option is granted. The exercise price will be subject to adjustment in accordance with the provisions of Article VII of the Plan.

Section 4.4 Exercise of Stock Options.

(a) **Exercisability:** Stock Options shall become exercisable at such times and in such installments as the Committee may provide at the time of grant. The Committee may, however, in its sole discretion accelerate the time at which a Stock Option or installment may be exercised. A Stock Option may be exercised at any time from the time first set by the Committee until the close of business on the expiration date of the Stock Option. Notwithstanding the foregoing, in no event may a Participant, or a Participant's transferee pursuant to Section 4.4(d), exercise a Stock Option during the 12-month period following a hardship withdrawal by the Participant of Elective 401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

(b) **Option Period:** For each Stock Option granted, the Committee shall specify the period during which the Stock Option may be exercised, provided that no Stock Option shall be exercisable after the expiration of 10 years from the date of grant of such Stock Option.

(c) Exercise in the Event of Termination of Employment:

(i) **Death:** If a Participant ceases to be an employee of the Company by reason of death prior to the exercise or expiration of Stock Options granted to him and outstanding on the date of death, such Stock Options may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his estate or beneficiaries, as the case may be, if such Stock Options are outstanding in his name, or by his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Options are outstanding in the name of such transferee, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) **Disability or Retirement:** The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e) (3).

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(iii) **Other Terminations:** If a Participant ceases to be an employee prior to the exercise or expiration of a Stock Option for any reason other than death, all outstanding Stock Options granted to such Participant, whether outstanding in his name or in the name of another person as a result of a transfer in accordance with Section 4.4(d), shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and determines that the Participant, his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, may exercise any such outstanding Stock Option (to the extent that any such outstanding Stock Option could have been exercised at the date of such termination of employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a

Stock Option, his estate or beneficiaries, as the case may be, if such Stock Option is outstanding in his name, or his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Option is outstanding in the name of such transferee, may exercise such Stock Option (to the extent such Stock Option could have been exercised at the date of termination of employment) at any time and from time to time, but in no event after the end of the Extended Period.

(d) Limitations on Transferability: Stock Options are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him; provided, however, that the Committee shall have the authority, in its discretion, to grant (or to sanction by way of amendment of an existing grant) Stock Options which may be transferred by the Participant during his lifetime to any member of his immediate family or to a trust established for the exclusive benefit of one or more members of his immediate family, in which case the written documentation containing the terms and conditions of such Stock Options shall so state. A transfer of a Stock Option pursuant to this subparagraph may only be effected by the Corporation at the written request of a Participant and shall become effective only when recorded in the Corporation's record of outstanding Stock Options. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant grant, and the transferee shall be entitled to the same rights as the Participant under Articles VII, VIII and X hereof, as if no transfer had taken place. As used in this subparagraph, "immediate family" shall mean, with respect to any person, any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

Section 4.5 Payment of Purchase Price and Tax Liability Upon Exercise; Delivery of Shares.

(a) Payment of Purchase Price: The purchase price of the shares as to which a Stock Option is exercised shall be paid to the Company at the time of

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exercise (i) in cash, (ii) by delivering freely transferable shares of Common Stock already owned by the person exercising the Stock Option having a total Fair Market Value on the day prior to the date of exercise equal to the purchase price, (iii) a combination of cash and shares of Common Stock equal in value to the exercise price, or (iv) by such other means as the Committee, in its sole discretion, may determine.

(b) Payment of Taxes: Upon exercise, a Participant may elect to satisfy any federal, state or local taxes required by law to be withheld that arise as a result of the exercise of a Stock Option by directing the Company to withhold from the shares of Common Stock otherwise deliverable upon the exercise of such Stock Option, such number of shares as shall have a total Fair Market Value, on the day prior to the date of exercise, at least equal to the amount of tax to be withheld; provided that, with respect to any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, the Committee shall have the right to disapprove such election.

(c) Delivery of Shares: Upon receipt by the Company of the purchase price, stock certificate(s) for the shares of Common Stock as to which a Stock Option is exercised (net of any shares withheld pursuant to Section 4.5(b) above) shall be delivered to the person in whose name the Stock Option is outstanding or such person's estate or beneficiaries, as the case may be, or such shares shall be credited to a brokerage account or otherwise delivered, in such manner as such person or such person's estate or beneficiaries, as the case may be, may direct.

Section 4.6 Limitation on Fair Market Value of Shares of Common Stock Received upon Exercise of Incentive Stock Options.

The aggregate Fair Market Value (determined at the time an Incentive Stock Option is granted) of the shares of Common Stock with respect to which an Incentive Stock Option is exercisable for the first time by a Participant during any calendar year (under all plans of the Company) shall not exceed \$100,000 or such other limit as may be established from time to time under the Code.

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

Section 5.1 Grants of Stock Appreciation Rights.

The Committee may select employees to become Participants (subject to the provisions of Sections 1.5 hereof) and grant Stock Appreciation Rights to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. The Committee shall have the authority to grant Stock

Appreciation Rights in connection with a Stock Option or independently. The Committee may grant Stock Appreciation Rights in connection with a Stock Option, either at the time of grant or by amendment, in which case each such right shall

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be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right granted in connection with a Stock Option shall entitle the holder to surrender to the Company the related Stock Option unexercised, or any portion thereof, and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of one share of the Common Stock on the day preceding the surrender of such Stock Option over the Stock Option exercise price times the number of shares underlying the Stock Option, or portion thereof, that is surrendered. A Stock Appreciation Right granted independently of a Stock Option shall entitle the holder to receive upon exercise an amount equal to the excess of the Fair Market Value of one share of Common Stock on the day preceding the exercise of the Stock Appreciation Right over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant, which shall in no event be less than 50% of the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted. Stock Appreciation Rights are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him.

Section 5.2 Stock Appreciation Rights Granted in Connection with Incentive Stock Options.

(a) Stock Appreciation Rights granted in connection with Incentive Stock Options must expire no later than the last date the underlying Incentive Stock Option can be exercised.

(b) Such Stock Appreciation Rights may be granted for no more than 100% of the difference between the exercise price of the underlying Incentive Stock Option and the Fair Market Value of the Common Stock subject to the underlying Incentive Stock Option at the time the Stock Appreciation Right is exercised.

(c) Such Stock Appreciation Rights are transferable only to the extent and at the same time and under the same conditions as the underlying Incentive Stock Options.

(d) Such Stock Appreciation Rights may be exercised only when the underlying Incentive Stock Options may be exercised.

(e) Such Stock Appreciation Rights may be exercised only when the Fair Market Value of the shares of Common Stock subject to the Incentive Stock Options exceeds the exercise price of the Incentive Stock Options.

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Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.

The Company's obligation to any Participant exercising a Stock Appreciation Right may be paid in cash or shares of Common Stock, or partly in cash and partly in shares, at the sole discretion of the Committee.

Section 5.4 Termination of Employment.

(a) Death: If a Participant ceases to be an employee of the Company prior to the exercise or expiration of a Stock Appreciation Right outstanding in his name on the date of death, such Stock Appreciation Right may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant, by his estate or beneficiaries, as the case may be, at any time and from time to time within 12 months after the date of death but in no event after the expiration date of such Stock Appreciation Right.

(b) Disability: The Disability of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following the Disability such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(c) Retirement: The Retirement of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company, and such Participant may exercise any Stock

Appreciation Right outstanding in his name at any time and from time to time within 5 years after the date his Retirement commenced but in no event after the expiration date of such Stock Appreciation Right. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(d) Other Terminations: If a Participant ceases to be an employee prior to the exercise or expiration of a Stock Appreciation Right for any reason other than death, all outstanding Stock Appreciation Rights granted to such Participant shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, determines that he may exercise any such outstanding Stock Appreciation Right (to the extent that he was entitled to do so at the date of such termination of such employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Appreciation Right.

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ARTICLE VI - PROVISIONS APPLICABLE TO OTHER ML & CO. SECURITIES.

Section 6.1 Grants of Other ML & Co. Securities.

Subject to the provisions of the Plan and any necessary action by the Board of Directors, the Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant to Participants Other ML & Co. Securities or the right or option to purchase Other ML & Co. Securities on such terms and conditions as the Committee shall determine, including, without limitation, the period such rights or options may be exercised, the nature and terms of payment of consideration for such Other ML & Co. Securities, whether such Other ML & Co. Securities shall be subject to any or all of the provisions of Article III of the Plan applicable to Restricted Shares and/or Restricted Units, the consequences of termination of employment, and the terms and conditions, if any, upon which such Other ML & Co. Securities may or must be repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Each such Other ML & Co. Security shall be issued at a price that will not exceed the Fair Market Value thereof on the date the corresponding right or option is granted. Other ML & Co. Securities may bear interest or pay dividends from such date and at a rate or rates or pursuant to a formula or formulas fixed by the Committee or any necessary action of the Board. Any applicable conversion or exchange rate with respect to Other ML & Co. Securities shall be fixed by, or pursuant to a formula determined by, the Committee or any necessary action of the Board at each date of grant and may be predicated upon the attainment of financial or other performance goals.

Section 6.2 Terms and Conditions of Conversion or Exchange.

Each Other ML & Co. Security may be convertible or exchangeable on such date and within such period of time as the Committee, or the Board if necessary, determines at the time of grant. Other ML & Co. Securities may be convertible into or exchangeable for (i) shares of Preferred Stock of ML & Co. or (ii) other securities of ML & Co. or any present or future subsidiary of ML & Co., whether or not convertible into shares of Common Stock, as the Committee, or the Board if necessary, determines at the time of grant (or at any time prior to the conversion or exchange date).

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends)

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including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for distribution under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance Share, Restricted Share, and Stock Option grants; (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full

performance levels and portion of payments related thereto; and (d) any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants, taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan. In the event of any other change affecting the shares of Common Stock, Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

ARTICLE VIII - PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A
CHANGE IN CONTROL.

Section 8.1 Value of Payments Upon Termination After a Change
in Control.

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of his Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, and Other ML & Co. Securities in a lump sum in cash, promptly after termination of his employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

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(a) Performance Shares and Performance Units.

Any payment for Performance Shares and Performance Units pursuant to this Section 8.1(a) shall be calculated by applying performance objectives for any outstanding Performance Shares and Performance Units as if the applicable Performance Period and any applicable Restricted Period had ended on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(a) shall be reduced by the amount of any payment previously made to the Participant with respect to the Performance Shares and Performance Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Performance Shares and Performance Units payable pursuant to this Section 8.1(a) shall be the amount equal to the number of Performance Shares and Performance Units payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

(b) Restricted Shares and Restricted Units.

Any payment under this Section 8.1(b) shall be calculated as if all the relevant Vesting and Restricted Periods had been fully completed immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(b) shall be reduced by the amount of any payment previously made to the Participant with respect to the Restricted Shares and Restricted Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Restricted Shares and Restricted Units payable pursuant to this Section 8.1(b) shall be the amount equal to the number of the Restricted Shares and Restricted Units outstanding in a Participant's name multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the Pre-CIC Value.

(c) Stock Options and Stock Appreciation Rights.

Any payment for Stock Options and Stock Appreciation Rights pursuant to this Section 8.1(c) shall be calculated as if all such Stock Options and Stock Appreciation Rights, regardless of whether or not then fully exercisable under the terms of the grant, became exercisable immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(c) shall be reduced by the amount of any payment previously made to a Participant with respect to the Stock Options and Stock Appreciation Rights, exclusive of any ordinary dividend payments,

resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Stock Options and Stock Appreciation Rights payable pursuant to this Section 8.1(c) shall be

(i) in the case of a Stock Option, for each underlying share of Common Stock, the excess of the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the per share exercise price for such Stock Option;

(ii) in the case of a Stock Appreciation Right granted in tandem with a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the Stock Option exercise price; and

(iii) in the case of a Stock Appreciation Right granted independently of a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant.

(d) Other ML & Co. Securities.

Any payment for Other ML & Co. Securities under this Section 8.1(d) shall be calculated as if any relevant Vesting or Restricted Periods or other applicable conditions dependent on the passage of time and relating to the exercisability of any right or option to purchase Other ML & Co. Securities, or relating to the full and unconditional ownership of such Other ML & Co. Securities themselves, had been met on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(d) shall be reduced by the amount of any payment previously made to the Participant with respect to the Other ML & Co. Securities, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Other ML & Co. Securities payable pursuant to this Section 8.1(d) shall be

(i) in the case of an option or right to purchase such Other ML & Co. Security, for each underlying Other ML & Co. Security, the excess of the Fair Market Value of such Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the exercise price of such option or right; and

(ii) in the case of the Other ML & Co. Security itself (where there is no outstanding option or right relating to such Other ML & Co.

Security), the Fair Market Value of the Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value.

Section 8.2 A Change in Control.

A "Change in Control" shall mean a change in control of ML & Co. of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control shall be deemed to have occurred if:

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, other than the Company's employee stock ownership plan, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or more of the combined voting power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

(b) during any period of two consecutive years (not including any period prior to the Effective Date of this Plan) individuals who at the beginning of such period constituted the Board of Directors and any new directors, whose election by the Board of Directors or nomination for election by the stockholders of ML & Co. was approved by a vote of at least three quarters of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so

approved, cease for any reason to constitute at least a majority thereof; or

(c) all or substantially all of the assets of ML & Co. are liquidated or distributed.

Section 8.3 Effect of Agreement Resulting in Change in Control.

If ML & Co. executes an agreement, the consummation of which would result in the occurrence of a Change in Control as described in Section 8.2, then, with respect to a termination of employment without Cause or for Good Reason occurring after the execution of such agreement (and, if such agreement expires or is terminated prior to consummation, prior to such expiration or termination of such agreement), a Change in Control shall be deemed to have occurred as of the date of the execution of such agreement.

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Section 8.4 Termination for Cause.

Termination of the Participant's employment by the Company for "Cause" shall mean termination upon:

(a) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or from the Participant's Retirement or any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

(b) the willful engaging by the Participant in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise.

No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (a) or (b) of the first sentence of this Section 8.4 and specifying the particulars thereof in detail.

Section 8.5 Good Reason.

"Good Reason" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

(a) Inconsistent Duties. A meaningful and detrimental alteration in the Participant's position or in the nature or status of his responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(b) Reduced Salary or Bonus Opportunity. A reduction by the Company in the Participant's annual base salary as in effect immediately prior to the Change in Control; a failure by the Company to increase the Participant's salary at a rate

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commensurate with that of other key executives of the Company; or a reduction in the Participant's annual cash bonus below the greater of (i) the annual cash bonus that he received, or to which he was entitled, immediately prior to the Change in Control, or (ii) the average annual cash bonus paid to the Participant by the Company for the three years preceding the year in which the Change in Control occurs;

(c) Relocation. The relocation of the office of the Company where the Participant is employed at the time of the Change in Control (the "CIC Location") to a location that in his good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location that is more than twenty-five (25) miles away from the CIC Location or the Company's requiring the Participant to be based more than twenty-five (25) miles away from the CIC Location (except for required travel on the Company's business

to an extent substantially consistent with his customary business travel obligations in the ordinary course of business prior to the Change in Control);

(d) Compensation Plans. The failure by the Company to continue in effect any compensation plan in which the Participant participates, including but not limited to this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978 Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Participant's participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of his participation relative to other Participants, as existed immediately prior to the Change in Control;

(e) Benefits and Perquisites. The failure of the Company to continue to provide the Participant with benefits at least as favorable as those enjoyed by the Participant under any of the Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which the Participant was participating immediately prior to the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him immediately prior to the Change in Control, including, without limitation, the use of a car, secretary, office space, telephones, expense reimbursement, and club dues; or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

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(f) No Assumption by Successor. The failure of ML & Co. to obtain a satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide the Participant with the same or a comparable position, duties, compensation, and benefits as provided to him by the Company immediately prior to the Change in Control.

Section 8.6 Effect on Plan Provisions.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares or that are restricted and held by the Company pursuant to Section 2.6(a)(i), for which payment has been made, shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares or Performance Units pursuant to Section 2.8 hereof or Restricted Shares or Restricted Units pursuant to Section 3.8 hereof shall be null and void.

ARTICLE IX - MISCELLANEOUS.

Section 9.1 Designation of Beneficiary.

A Participant, or the transferee of a Stock Option pursuant to Section 4.4(d), may designate, in a writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant or Stock Option transferee, may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant or Stock Option transferee. A Participant or Stock Option transferee may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant or Stock Option

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transferee at any time by filing a written statement of such change or revocation with the Company. If a Participant or Stock Option transferee fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

Section 9.2 Employment Rights.

Neither the Plan nor any action taken hereunder shall be construed as giving any employee of the Company the right to become a Participant, and a grant under the Plan shall not be construed as giving any Participant any right to be retained in the employ of the Company.

Section 9.3 Nontransferability.

Except as provided in Section 4.4(d), a Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his designated beneficiary or, in the absence of such a designation, by will or the laws of descent and distribution.

Section 9.4 Withholding.

The Company shall have the right, before any payment is made or a certificate for any shares is delivered or any shares are credited to any brokerage account, to deduct or withhold from any payment under the Plan any Federal, state, local or other taxes, including transfer taxes, required by law to be withheld or to require the Participant or his beneficiary or estate, as the case may be, to pay any amount, or the balance of any amount, required to be withheld.

Section 9.5 Relationship to Other Benefits.

No payment under the Plan shall be taken into account in determining any benefits under any retirement, group insurance, or other employee benefit plan of the Company. The Plan shall not preclude the stockholders of ML & Co., the Board of Directors or any committee thereof, or the Company from authorizing or approving other employee benefit plans or forms of incentive compensation, nor shall it limit or prevent the continued operation of other incentive compensation plans or other employee benefit plans of the Company or the participation in any such plans by Participants in the Plan.

Section 9.6 No Trust or Fund Created.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that

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any person acquires a right to receive payments from the Company pursuant to a grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Section 9.7 Expenses.

The expenses of administering the Plan shall be borne by the Company.

Section 9.8 Indemnification.

Service on the Committee shall constitute service as a member of the Board of Directors so that members of the Committee shall be entitled to indemnification and reimbursement as directors of ML & Co. pursuant to its Certificate of Incorporation, By-Laws, or resolutions of its Board of Directors or stockholders.

Section 9.9 Tax Litigation.

The Company shall have the right to contest, at its expense, any tax ruling or decision, administrative or judicial, on any issue that is related to the Plan and that the Company believes to be important to Participants in the Plan and to conduct any such contest or any litigation arising therefrom to a final decision.

ARTICLE X - AMENDMENT AND TERMINATION.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may modify, amend or terminate the Plan at any time, except that, to the extent then required by applicable law, rule or regulation, approval of the holders of a majority of shares of Common Stock represented in person or by proxy at a meeting of the stockholders will be required to increase the maximum number of shares of Common Stock available for distribution under the Plan (other than increases due to an adjustment in accordance with the Plan). No modification, amendment or termination of the Plan shall adversely affect the rights of a Participant under a grant previously made to him without

the consent of such Participant.

ARTICLE XI - INTERPRETATION.

Section 11.1 Governmental and Other Regulations.

The Plan and any grant hereunder shall be subject to all applicable Federal and state laws, rules, and regulations and to such approvals by any regulatory or governmental agency that may, in the opinion of the counsel for the Company, be required.

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Section 11.2 Governing Law.

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the State of New York applicable to contracts entered into and performed entirely in such State.

ARTICLE XII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL.

The Plan shall not be effective unless or until approved by a majority of the votes cast at a duly held stockholders' meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy present and voting on the Plan.

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FORM OF SEVERANCE AGREEMENT BETWEEN MERRILL LYNCH & CO., INC.
AND CERTAIN OF ITS DIRECTORS AND EXECUTIVE OFFICERS

Merrill Lynch & Co., Inc. ("ML & Co.") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. Further, the Board of Directors of ML & Co. (the "Board") recognizes that the possibility of a change in control exists, and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of ML & Co. and its stockholders.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the management of ML & Co. and its subsidiaries (the "Company"), including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible change in control of ML & Co.

In order to induce you to remain in the employ of the Company, ML & Co. agrees that you shall receive the severance benefits set forth in this letter agreement (this "Agreement") in the event your employment with the Company is terminated subsequent to a Change in Control (as defined in Section 2 hereof) under the circumstances described below.

1. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue in effect through March 1, 1999; provided, however, that commencing on January 1, 1997 and each January 1 hereafter, the original Term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, ML & Co. shall have given notice that it does not wish to extend the Term. Notwithstanding any such notice by ML & Co. not to extend the Term, if a Change in Control shall have occurred during the original or extended Term, the Term shall continue in effect for a period of twenty-four (24) months beyond the Term in effect immediately before such Change in Control.

2. Change in Control. No benefits shall be payable hereunder unless there shall have been a Change in Control, as set forth below. For purposes of this Agreement, a "Change in Control" shall mean a change in control of ML & Co. of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not ML & Co. is then subject to such reporting requirement; provided that, without limitation, a Change in Control shall be deemed to have occurred if:

(A) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or more of the combined voting power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

(B) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by ML & Co.'s stockholders was

approved by a vote of at least three quarters (3/4) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(C) all or substantially all of the assets of ML & Co. are liquidated or distributed.

If ML & Co. executes an agreement, the consummation of which would result in the occurrence of a Change in Control as described above, then, with respect to a termination of employment, unless such termination is because of your death or Retirement, by the Company for Cause or Disability, or by you other than for Good Reason, occurring after the execution of such agreement (and, if such agreement expires or is terminated prior to consummation, prior to such expiration or termination of such agreement), a Change in Control shall be deemed to have occurred as of the date of the execution of such agreement.

3. Termination Following Change in Control. If any of the events described in Section 2 hereof constituting a Change in Control shall have occurred, you shall be entitled to the benefits provided in Subsection 4(D) hereof upon the subsequent termination of your employment during the Term unless such termination is due to your death, Disability, or Retirement, by the Company for Cause, or by you other than for Good Reason.

(A) Disability. You shall be deemed to have incurred a "Disability" upon a determination by the insurance carrier then responsible for long-term disability payments that you are eligible for such payments (which determination shall require that you have been absent from the full-time performance of your duties with the Company for six (6) consecutive months). Any question as to the existence of your Disability upon which you and the carrier cannot agree shall be determined by a qualified independent physician selected by you (or, if you are unable to make such selection, by any adult member of your immediate family) and approved by the carrier. The determination of such physician made in writing to the carrier and to you shall be final and conclusive for all purposes of this Agreement.

(B) Retirement. Termination of your employment based on "Retirement" shall mean your voluntary termination of employment on or after your fifty-fifth (55th) birthday and your completion of ten (10) or more years of service.

(C) Cause. Termination by the Company of your employment for "Cause" shall mean termination upon (i) the willful and continued failure by you substantially to perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or from your Retirement or any such actual or anticipated failure resulting from termination by you for Good Reason) after a written demand for substantial

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performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (ii) the willful engaging by you in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of this Subsection, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clause (i) or (ii) of the first sentence of this subsection and specifying the particulars thereof in detail.

(D) Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, any of the following:

(i) Inconsistent Duties. A meaningful and detrimental alteration in your position or in the nature or status of your responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(ii) Reduced Salary or Bonus Opportunity. A reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time; a failure by the Company to increase your salary at a rate commensurate with that of other key executives of the Company; or a reduction in your annual bonus below the greater of (a) the annual bonus which you received, or to which you were entitled, immediately prior to the Change in Control, or (b) the average annual bonus paid to you by the Company

for the three years preceding the year in which the Change in Control occurs.

(iii) Relocation. The relocation of the office of the Company where you are employed at the time of the Change in Control (the "CIC Location") to a location which in your good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location which is more than fifty (50) miles away from the CIC Location or the Company's requiring you to be based more than fifty (50) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control);

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(iv) Compensation Plans. The failure by the Company to continue in effect any compensation plan in which you participate, including but not limited to the Company's retirement program, Employee Stock Purchase Plan, 1978 Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, Long-Term Incentive Compensation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted and in effect prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue your participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change in Control;

(v) Benefits and Perquisites. The failure by the Company to continue to provide you with benefits at least as favorable as those enjoyed by you under any of the Company's retirement, life insurance, medical, health and accident, disability or savings plans in which you were participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material perquisite enjoyed by you at the time of the Change in Control including without limitation, the use of a car, secretary, office space, telephones, expense reimbursement and club dues; or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change in Control;

(vi) No Assumption by Successor. The failure of ML & Co. to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 hereof or, if the business of the Company for which your services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide you with the same or a comparable position, duties, compensation and benefits (as described in subsections (iv) and (v) above) as provided to you by the Company immediately prior to the Change in Control; or

(vii) No Notice. Any purported termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (E) below (and, if applicable, the requirements of Subsection (C) above); for purposes of this Agreement, no such purported termination shall be effective.

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(E) Notice of Termination. Any purported termination of your employment by the Company or by you (other than for reasons of death, Disability, or Retirement) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(F) Date of Termination, Etc. "Date of Termination" shall mean (i) if your employment is terminated for Disability, thirty (30) days after a Notice of Termination is given (provided that you shall not have returned to the

full-time performance of your duties during such thirty (30) day period), and (ii) if your employment is terminated pursuant to Subsection (C) or (D) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (C) above shall not be less than thirty (30) days, and in the case of a termination pursuant to Subsection (D) above shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); provided that if within thirty (30) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or the time for appeal therefrom having expired and no appeal having been perfected); provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given and continue you as a participant in all compensation, benefit, and insurance plans and perquisites in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. Compensation Upon Termination or During Disability. Following a Change in Control upon termination of your employment or during Disability during the Term, ML & Co. shall cause there to be provided to you the following benefits:

(A) Disability. Upon your Disability, your benefits shall be determined in accordance with the Company's standard benefit and retirement programs and compensation plans then in effect including those listed in Subsection 3(D)(iv) hereof.

(B) Termination for Other than Good Reason or for Cause. If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, death or Retirement, ML & Co. shall pay you your full base salary

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through the Date of Termination at the rate in effect at the time Notice of Termination is given and any amounts to be paid to you pursuant to the Company's standard benefit and retirement programs and compensation plans then in effect, including those listed in Subsection 3(D)(iv), and ML & Co. shall have no further obligations to you under this Agreement.

(C) Retirement; Death. If your employment shall be terminated for Retirement, or by reason of your death, your benefits shall be determined in accordance with the Company's standard benefit and retirement programs and compensation plans then in effect including those listed in Subsection 3(D)(iv).

(D) Termination for Other Reasons. If your employment by the Company shall be terminated, unless such termination is because of your death, Disability, or Retirement, by the Company for Cause, or by you other than for Good Reason, then you shall be entitled to the benefits provided below:

(i) Base Salary. ML & Co. shall pay you your full base salary through the Date of Termination at the rate in effect at the time the Notice of Termination is given;

(ii) Severance Payment. In lieu of any further salary payments to you for periods subsequent to the Date of Termination, ML & Co. shall pay as severance to you, not later than the fifth (5th) day following the Date of Termination, a lump sum severance payment (the "Severance Payment") equal to the lesser of (I) 2.99 times the average of the annual compensation ("Average Annual Compensation") which was payable to you by the Company (or any corporation ("Affiliate") affiliated with the Company within the meaning of section 1504 of the Internal Revenue Code of 1986, as amended (the "Code")), determined without regard to section 1504(b) of the Code) and includible in your gross income for Federal income tax purposes for the five (5) taxable years (the "Base Period") preceding your taxable year in which a Change in Control of ML & Co. occurred or (II) 2.99 times the average of the annual salary which was payable to you by the Company (or an Affiliate) during the Base Period and the annual bonus (the "Bonus") which was payable to you by the Company (or an Affiliate) with respect to performance during the Base Period. For purposes of clause (I) of the first sentence of this Section 4(D)(ii), the amount of your Average Annual Compensation shall be determined in accordance with temporary or final regulations promulgated under section 280G(d) of the Code.

Unless a different method of calculating your Average Annual Compensation is prescribed by such regulations, if you were not employed by the Company (or an Affiliate) during the entire Base Period, your Average Annual Compensation shall be the lesser of (a) the average of your annual compensation for the complete taxable years during the Base Period during which you were employed by the Company or (b) the average of your annual compensation for both complete and partial taxable years during the Base Period during which you were so employed, determined by annualizing any compensation (other than nonrecurring items) includible in your

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gross income for any partial taxable year or (c) the annual average of your total compensation for the Base Period during which you were so employed, determined by dividing such total compensation by the number of whole and fractional taxable years included in the Base Period. In computing your Average Annual Compensation, compensation payable to you by the Company (or an Affiliate) shall include every type and form of compensation includible in your gross income in respect of your employment by the Company (or an Affiliate), including compensation income recognized as a result of your exercise of stock options or sale of the stock so acquired, except to the extent otherwise provided in temporary or final regulations promulgated under section 280G(d) of the Code. For purposes of clause (II) of the first sentence of this Section 4(D)(ii), Bonus shall include (a) any annual cash bonus awarded under the Company's Variable Incentive Compensation Program or any similar or successor program thereto (including any amounts of cash bonus awarded with respect to performance during the Base Period but deferred for payment in subsequent years) and (b) the grant value (calculated for a particular grant as specified in the record of such grant filed with the minutes of the meetings of the Management Development and Compensation Committee, or any successor committee thereto, of the Merrill Lynch & Co., Inc. Board of Directors) of any annual award of restricted stock, restricted units, stock options or any other non-cash bonus compensation awarded with respect to performance during the Base Period under the Equity Capital Appreciation Plan, the Long-Term Incentive Compensation Plan or any similar or successor plans thereto.

(iii) Legal Fees and Expenses. ML & Co. shall also pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement).

(iv) Supplemental Retirement Benefits. In addition to the benefits to which you are entitled under any pension plan or any annuity payable pursuant to the termination of any pension plan or any payment due under any 401(k) savings, pension or retirement program, ML & Co. shall pay you, not later than the fifth (5th) day following the Date of Termination, a cash amount equal to the retirement contribution that you would have been eligible to receive from the Company under the terms of the ML & Co. retirement program, consisting of the Retirement Accumulation Plan, the Employee Stock Ownership Plan and any applicable company contributions to the 401(k) Savings & Investment Plan (without regard to any amendment to such retirement program made subsequent to the Change in Control and on or prior to the Date of Termination, which amendment adversely affects in any manner the computation of retirement benefits thereunder), or any successor program or plan that may be in effect at the time of the Change in Control, determined as if you were

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fully vested thereunder and has continued (after the Date of Termination) to be employed for an additional twenty-four (24) months at your highest annual rate of compensation during the twelve (12) months immediately preceding the Date of Termination for purposes of determining your basic contributions and any applicable supplemental contributions. In addition to the payment made by ML & Co. pursuant to the foregoing sentence, ML & Co. shall pay you an amount sufficient to cover the income taxes, if any, that accrue solely by virtue of your receipt of such payment.

(v) Other Benefits. ML & Co. will pay you, not later than the fifth (5th) day following the Date of Termination, a lump sum in lieu of continued benefits, as follows:

Medical

24 times the monthly cost to you of coverage for medical insurance pursuant to the provisions of the Consolidated

Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). You may elect COBRA coverage, if then available, for a period of 18 months following the Date of Termination and, if then available, elect to convert to an individual policy, if these elections are made within the appropriate time frames.

Life Insurance

Two times the annual cost to convert your basic non-contributory Merrill Lynch Group Insurance to a one year term policy. No payment shall be made to replace supplemental contributory coverage.

Disability Insurance

Six times the dollar amount accrued annually by ML & Co. for your basic long-term disability insurance plus four times your current annual premium for coverage under ML & Co.'s supplemental long-term disability program.

Business Travel Accident, and Accidental Death and Dismemberment

Two times your current annual premium for coverage under ML & Co.'s Business Travel Accident and Accidental Death and Dismemberment insurance.

Any calculations required to be made under this Section 4(D) (v) shall be made by the Company in a fair and equitable manner that the Company, in its sole discretion, may select. In addition to the payments made by ML & Co. pursuant to this Section 4(D) (v), ML & Co. shall pay you an amount sufficient to cover the income taxes, if any, that accrue solely by virtue of your receipt of such payments (except for any payment with respect to life insurance benefits that

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would have been taxable under Section 79 of the Internal Revenue Code of 1986, as amended, if you had remained an employee of ML & Co.).

(vi) Employee Benefit Plans. You shall be entitled to receive all benefits payable to you under the Company's standard benefit and retirement programs and compensation plans not otherwise specifically provided for in Subsection 4(D), including those listed in Subsection 3(D) (iv).

(E) No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment of benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer or by any retirement benefits received after the Date of Termination.

(F) Reduction of Payments In Certain Cases. Notwithstanding anything herein to the contrary, if any amounts due to you under this Agreement and any other plan or program of ML & Co. constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), and the amount of the parachute payment, reduced by all federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount you would receive if you were paid three times your "base amount" (as defined in Section 280G(b)(3) of the Code), less \$1.00, reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times your base amount less \$1.00. The determinations to be made with respect to this subsection 4(F) shall be made by an accounting firm (the "Auditor") jointly selected by ML & Co. and you and paid by ML & Co. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted, in any way, on behalf of ML & Co. or any of its subsidiaries. If you and ML & Co. cannot agree on the firm to serve as the Auditor, then you and ML & Co. shall each select one accounting firm and these two firms shall jointly select the accounting firm to serve as the Auditor. If a determination is made by the Auditor that a reduction in the aggregate of all payments due to you upon a Change in Control is required by this subsection 4(F), you shall have the right to specify the portion of such reduction, if any, that will be made under this Agreement and each plan or program of ML & Co. If you do not so specify within sixty (60) days following the date of a determination by the Auditor pursuant to the preceding sentence, ML & Co. shall determine, in its sole discretion, the portion of such reduction, if any, to be made under this Agreement and each plan or program of ML & Co.

5. Successors; Binding Agreement. (A) Assumption By Successor. ML & Co. will require any successor (whether direct or indirect, by purchaser, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of ML & Co. to expressly assume and agree to perform this Agreement in the same manner and to the same extent that ML & Co. would be required to perform it if no such succession had taken place. Failure of ML &

Co. to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to

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compensation from ML & Co. in the same amount and on the same terms as you would be entitled hereunder if you had terminated your employment for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "ML & Co." shall mean ML & Co. as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(B) Enforceability By Beneficiaries. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

6. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the Director of Human Resources, Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281, with a copy to the Assistant General Counsel - Corporate Law of ML & Co., or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York applicable to contracts entered into and performed in such State.

8. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

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9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New York in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. No Contract of Employment. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company.

12. Headings. The headings contained in this Agreement are intended solely for convenience and shall not affect the rights of the parties to this Agreement.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to ML & Co. the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

MERRILL LYNCH & CO., INC.

By _____
Senior Vice President

Agreed to this ____ day of _____, 1996

<TABLE>

EXHIBIT 11

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(In Millions, Except Per Share Amounts)

<CAPTION>

		Year Ended Last Friday in December			
		1995	1994	1993	1992
1991					
--	-----	-----	-----	-----	-----
Weeks)	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52
<S>		<C>	<C>	<C>	<C>
<C>					
Earnings					
Earnings before cumulative effect of					
changes in accounting principles		\$ 1,114	\$ 1,017	\$ 1,394	\$ 952
\$ 696					
Cumulative effect of changes in					
accounting principles		--	--	(35)	
(58)	--				
--	-----	-----	-----	-----	-----
Net earnings		1,114	1,017	1,359	894
696					
Preferred stock dividends		(48)	(13)	(5)	
(7)	(18)				
--	-----	-----	-----	-----	-----
Net earnings applicable to					
common stockholders		\$ 1,066	\$ 1,004	\$ 1,354	\$ 887
\$ 678					
=====	=====	=====	=====	=====	
Primary Weighted Average Shares					
Common stock		176.6	195.7	209.3	207.7
204.8					
Assuming issuance of shares relating					
to employee incentive plans		19.4	15.5	17.0	18.7
20.6					
--	-----	-----	-----	-----	-----
Total shares		196.0	211.2	226.3	226.4
225.4					
=====	=====	=====	=====	=====	
Primary Earnings Per Share					
Earnings before cumulative effect of					
changes in accounting principles		\$ 5.44	\$ 4.75	\$ 6.14	\$ 4.18
\$ 3.01					
Cumulative effect of changes in					
accounting principles		--	--	(.16)	
(.26)	--				
--	-----	-----	-----	-----	-----
Net earnings		\$ 5.44	\$ 4.75	\$ 5.98	\$ 3.92
\$ 3.01					
=====	=====	=====	=====	=====	
Fully Diluted Weighted Average Shares					
Common stock		176.6	195.7	209.3	207.7
204.8					
Assuming issuance of shares relating					
to employee incentive plans		20.1	16.0	18.2	19.2
25.1					
--	-----	-----	-----	-----	-----
Total shares		196.7	211.7	227.5	226.9
229.9					
=====	=====	=====	=====	=====	
Fully Diluted Earnings Per Share					
Earnings before cumulative effect of					

changes in accounting principles	\$ 5.42	\$ 4.74	\$ 6.11	\$ 4.17
\$ 2.95				
Cumulative effect of changes in				
accounting principles	--	--	(.16)	
(.26) --				
--	-----	-----	-----	-----
Net earnings	\$ 5.42	\$ 4.74	\$ 5.95	\$ 3.91
\$ 2.95				
=====	=====	=====	=====	

<FN>

Notes:

All share and per share amounts have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, declared by the Board of Directors on October 11, 1993 and paid on November 24, 1993.

In accordance with Accounting Principles Board Opinion No. 15, the modified treasury stock method was used to calculate

Per Common Share Earnings in 1995, 1994, 1993, and 1992.

</TABLE>

<TABLE><CAPTION>

EXHIBIT 12

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in Millions)

	Year Ended Last Friday in December				
	1995	1994	1993	1992	1991
	(52 Weeks)	(52 Weeks)	(53 weeks)	(52 weeks)	(52 weeks)
<S>	<C>	<C>	<C>	<C>	<C>
Pretax earnings from continuing operations	\$ 1,811	\$ 1,730	\$2,425	\$1,621	\$1,017
Deduct equity in undistributed net earnings of unconsolidated subsidiaries	-	(19)	(13)	(13)	(10)
Total pretax earnings from continuing operations	1,811	1,711	2,412	1,608	1,007
Add:					
Fixed charges					
Interest	11,238	8,586	6,009	4,823	5,074
Other (A)	144	138	152	152	146
Total fixed charges	11,382	8,724	6,161	4,975	5,220
Preferred stock dividend requirements	77	22	9	11	26
Total combined fixed charges and preferred stock dividends	11,459	8,746	6,170	4,986	5,246
Pretax earnings before fixed charges	\$13,193	\$10,435	\$8,573	\$6,583	\$6,227
Pretax earnings before combined fixed charges and preferred stock dividends	\$13,270	\$10,457	\$8,582	\$6,594	\$6,253
Ratio of earnings to fixed charges	1.16	1.20	1.39	1.32	1.19
Ratio of earnings to combined fixed charges and preferred stock dividends	1.16	1.20	1.39	1.32	1.19

</TABLE>

(A) Other fixed charges consist of the interest factor in rentals, amortization of debt expense, and preferred stock dividend requirements of majority-owned subsidiaries.

 FINANCIAL HIGHLIGHTS

 Graph titled "NET EARNINGS"

Presented is a bar graph (in millions) showing Merrill Lynch & Co., Inc.'s net earnings for the past five years of \$696, \$894, \$1,359, \$1,017, and \$1,114 for the years ended 1991, 1992, 1993, 1994 and 1995, respectively.

Graph titled "STOCKHOLDERS' EQUITY"

Presented is a bar graph (in millions) showing Merrill Lynch & Co., Inc.'s stockholders' equity for the past five years of \$3,818, \$4,569, \$5,486, \$5,818 and \$6,141 at year-end 1991, 1992, 1993, 1994 and 1995, respectively.

Graph titled "RETURN ON AVERAGE COMMON STOCKHOLDERS' EQUITY"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s return on average common stockholders' equity for the past five years of 20.8%, 22.0%, 27.3%, 18.6% and 20.1% for the years ended 1991, 1992, 1993, 1994 and 1995, respectively.

Graph titled "PRIMARY EARNINGS PER SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s primary earnings per share for the past five years of \$3.01, \$3.92, \$5.98, \$4.75 and \$5.44 for the years ended 1991, 1992, 1993, 1994 and 1995, respectively.

Graph titled "DIVIDENDS PAID PER COMMON SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s dividends paid per common share for the past five years of \$.50, \$.575, \$.70, \$.89 and \$1.01 for the years ended 1991, 1992, 1993, 1994 and 1995, respectively.

Graph titled "BOOK VALUE PER COMMON SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s book value per common share for the past five years of \$17.88, \$21.37, \$26.17, \$28.87 and \$32.41 for the years ended 1991, 1992, 1993, 1994 and 1995, respectively.

<TABLE><CAPTION>

(Dollars in Millions, Except Per Share Amounts)	Year Ended Last Friday in December				
	1991	1992	1993	1994	1995
	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)
<S>	<C>	<C>	<C>	<C>	<C>
Operating Results					
Total Revenues	\$12,353	\$ 13,413	\$ 16,588	\$ 18,234	\$ 21,513
Net Revenues	\$ 7,246	\$ 8,577	\$ 10,558	\$ 9,625	\$ 10,265
Net Earnings	\$ 696	\$ 894	\$ 1,359	\$ 1,017	\$ 1,114
Pretax Margin (a)	14.0%	18.9%	23.0%	18.0%	17.6%
Profit Margin (b)	9.6%	11.1%	13.2%	10.6%	10.8%
Return on Average Common Stockholders' Equity	20.8%	22.0%	27.3%	18.6%	20.1%

Financial Position					
Total Assets	\$86,259	\$107,024	\$152,910	\$163,749	\$176,857
Total Stockholders' Equity	\$ 3,818	\$ 4,569	\$ 5,486	\$ 5,818	\$ 6,141

Per Common Share					
Primary Earnings	\$ 3.01	\$ 3.92	\$ 5.98	\$ 4.75	\$ 5.44
Fully Diluted Earnings	\$ 2.95	\$ 3.91	\$ 5.95	\$ 4.74	\$ 5.42
Dividends Paid	\$.50	\$.575	\$.70	\$.89	\$ 1.01
Book Value	\$ 17.88	\$ 21.37	\$ 26.17	\$ 28.87	\$ 32.41

Private Client Assets (in Billions)					
Assets in Worldwide Private Client Accounts	\$ 440	\$ 487	\$ 557	\$ 568	\$ 703
Assets Under Management	\$ 124	\$ 139	\$ 161	\$ 164	\$ 196

Global Debt and Equity					
Underwriting (c)					
Volume (in Billions)	\$ 109.9	\$ 149.9	\$ 191.9	\$ 137.2	\$ 147.7
Market Share	12.7%	13.0%	12.8%	12.6%	13.8%

Full-Time Employees	38,300	40,100	41,900	43,800	46,000

Common Shares					
Outstanding (d) (in Millions)	205.4	207.2	204.0	181.5	171.4

</TABLE>

- (a) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (b) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (c) Full credit to book manager. All market share data are derived from Securities Data Co.
- (d) Does not include unallocated reversion shares held in the Employee Stock Ownership Plan, which are not considered outstanding for accounting purposes.

SELECTED FINANCIAL DATA

<TABLE><CAPTION>

	Year Ended Last Friday in December				
	1995	1994	1993	1992	1991

(Dollars in Millions, Except Per Share Amounts)					
1991					

	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)
Weeks)					
<S>	<C>	<C>	<C>	<C>	<C>
Operating Results					
Revenues	\$ 21,513	\$ 18,234	\$ 16,588	\$ 13,413	\$ 12,353
Interest Expense	11,248	8,609	6,030	4,836	5,107
	-----	-----	-----	-----	-----
Net Revenues	10,265	9,625	10,558	8,577	7,246
	-----	-----	-----	-----	-----
Non-Interest Expenses	8,454	7,895	8,133	6,956	6,229
	-----	-----	-----	-----	-----
Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	1,811	1,730	2,425	1,621	1,017
Income Tax Expense	697	713	1,031	669	321
	-----	-----	-----	-----	-----
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 1,114	\$ 1,017	\$ 1,394	\$ 952	\$ 696
	=====	=====	=====	=====	=====
Net Earnings	\$ 1,114	\$ 1,017	\$ 1,359	\$ 894	\$ 696
	=====	=====	=====	=====	=====
Net Earnings Applicable to Common Stockholders	\$ 1,066	\$ 1,004	\$ 1,354	\$ 887	\$ 678

=====	=====	=====	=====	=====	

Financial Position					
Total Assets	\$176,857	\$163,749	\$152,910	\$107,024	\$
86,259					
Short-Term Borrowings (a)	\$ 86,363	\$ 78,304	\$ 79,632	\$ 51,180	\$
38,698					
Long-Term Borrowings	\$ 17,340	\$ 14,863	\$ 13,469	\$ 10,871	\$
7,964					
Total Stockholders' Equity	\$ 6,141	\$ 5,818	\$ 5,486	\$ 4,569	\$
3,818					

Tax Information					
Other Taxes, Principally Payroll and Property	\$ 291	\$ 255	\$ 223	\$ 222	\$
191					
Total Taxes (b)	\$ 988	\$ 968	\$ 1,254	\$ 891	\$
513					

Common Share Data					
(In Thousands, Except Per Share Amounts)					
Primary:					
Earnings Before Cumulative Effect of Changes in					
Accounting Principles	\$ 5.44	\$ 4.75	\$ 6.14	\$ 4.18	\$
3.01					
Net Earnings	\$ 5.44	\$ 4.75	\$ 5.98	\$ 3.92	\$
3.01					
Fully Diluted:					
Earnings Before Cumulative Effect of Changes in					
Accounting Principles	\$ 5.42	\$ 4.74	\$ 6.11	\$ 4.17	\$
2.95					
Net Earnings	\$ 5.42	\$ 4.74	\$ 5.95	\$ 3.91	\$
2.95					
Weighted-Average Shares Outstanding:					
Primary	195,997	211,241	226,331	226,402	
225,350					
Fully Diluted	196,660	211,695	227,480	226,854	
229,916					
Shares Outstanding at Year-End (c)	171,388	181,479	203,990	207,203	
205,444					
Shares Repurchased	20,012	29,989	16,346	10,654	
5,920					
Average Share Repurchase Price	\$ 46.95	\$ 37.96	\$ 42.55	\$ 24.36	\$
19.70					
Book Value	\$ 32.41	\$ 28.87	\$ 26.17	\$ 21.37	\$
17.88					
Total Taxes (b)	\$ 5.04	\$ 4.58	\$ 5.54	\$ 3.94	\$
2.27					
Dividends Paid	\$ 1.01	\$.89	\$.70	\$.575	\$
.50					

Financial Ratios					
Pretax Margin (d)	17.6%	18.0%	23.0%	18.9%	
14.0%					
Profit Margin (e)	10.8%	10.6%	13.2%	11.1%	
9.6%					
Common Dividend Payout	16.9%	17.5%	10.9%	13.5%	
15.2%					
Return on Average Assets	0.6%	0.6%	1.0%	0.8%	
0.8%					
Return on Average Common Stockholders' Equity	20.1%	18.6%	27.3%	22.0%	
20.8%					
Average Leverage	32.7x	32.0x	27.4x	25.1x	
24.1x					
Average Adjusted Leverage (f)	19.5x	18.9x	16.6x	15.9x	
16.3x					

Other Statistics					
Number of Full-Time Employees	46,000	43,800	41,900	40,100	
38,300					
Number of Financial Consultants and Account					
Executives	13,800	13,400	13,100	12,700	
12,100					

(a) Short-Term Borrowings include repurchase agreements, and commercial paper and other short-term borrowings.

(b) Excludes \$25 and \$73 of income taxes in 1993 and 1992, respectively, related to the cumulative effect of changes in accounting principles.

- (c) Does not include 4,013, 6,427, 8,932, 11,202, and 13,637 unallocated reversion shares held in the Employee Stock Ownership Plan at year-end 1995, 1994, 1993, 1992, and 1991, respectively, which are not considered outstanding for accounting purposes.
- (d) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (e) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (f) Average total assets less average resale agreements and securities borrowed to average total stockholders' equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

----- BUSINESS ENVIRONMENT

Merrill Lynch & Co., Inc. and its subsidiaries (collectively referred to as the "Corporation") conduct their businesses in global financial markets that are influenced by a number of factors, including economic and market conditions, political events, and investor sentiment. The reaction of issuers and investors to a particular condition or event is unpredictable and can increase volatility in the marketplace. While higher volatility increases risk, it may also increase order flow, which drives many of the Corporation's businesses. Other global market and economic conditions, including the liquidity of secondary markets, the level and volatility of interest rates, currency exchange rates, and security valuations, competitive conditions, and the size, number, and timing of transactions may also affect earnings. As a result, revenues and net earnings can vary significantly from year to year, and from quarter to quarter.

Global financial markets, which steadily weakened during most of 1994, generally improved during 1995, led by a more stable U.S. economy, declining interest rates, and heightened investor activity. Inflationary fears eased throughout 1995 as key U.S. economic statistics indicated slow to moderate growth. The Federal Reserve decreased short-term interest rates in July and December 1995 following seven rate increases between February 1994 and February 1995. Investors reacted favorably to these events and were more active in stock and bond markets during 1995, contributing to higher earnings for most U.S. securities firms.

U.S. equity markets posted significant gains in 1995, reflecting increases in most industry sectors. The Dow Jones Industrial Average ("DJIA") daily closing index reached a record high close of 5,216 during the 1995 fourth quarter. The Nasdaq Composite Index also showed significant gains, particularly in the technology sector, advancing 35% from year-end 1994, to close at 1,052. In addition, the New York Stock Exchange ("NYSE") and Nasdaq average daily trading volumes reached record levels in 1995.

The U.S. Treasury yield curve, the relationship between interest rates and maturities, flattened during 1995 as long-term interest rates declined more than short-term rates. The decline in long-term interest rates contributed to a rally in the U.S. bond market and the third best year for fixed-income investors as 30-year U.S. Treasury bonds returned 34%, including reinvested interest. Nevertheless, certain short duration fixed-income products were negatively impacted throughout most of the year due to the flattening yield curve.

In many European countries, interest rates declined while stocks rose an average of 12% in 1995, as measured by the Financial Times-Stock Exchange Eurotrack 100 Index. In Asia, market performance was mixed. Hong Kong's Hang Seng Index rose 23% during 1995, as short-term interest rates declined. Conversely, Japan's Nikkei 225 Index was virtually unchanged for the year, although the Japanese market rebounded in the second half of 1995 after hitting a low for the year in July. Financial markets in the Americas (excluding the U.S.) also experienced varied results. Toronto's Stock Exchange Index rose 12%, as positive effects of declining interest rates were somewhat offset by political uncertainty due to the independence referendum in Canada's Quebec province. In Mexico, the Bolsa Index rose 17% in 1995. Nevertheless, economic reforms, recession, and an exodus by foreign investors led to a substantial devaluation of the peso in 1995, causing the Bolsa to drop 23% in U.S. dollar terms.

The stronger U.S. and international financial markets in 1995 led to increased retail investor activity, higher fee-based revenues, and improved trading profits industrywide.

U.S. underwriting volume, which weakened industrywide throughout the last three quarters of 1994 and the first quarter of 1995, improved steadily throughout the remainder of 1995, leading to a slight increase over 1994. Issuer activity increased, primarily in the last three quarters of 1995, due to rising

stock prices, lower interest rates, and heightened investor demand.

Strategic services revenues improved in 1995 due to record merger and acquisition volume. Companies seeking strategic alliances were helped by a stronger economy, higher cash flows related to improved operating results and balance sheet restructurings, and continued globalization trends.

Fiscal 1995 was characterized by strong financial markets and improved economic conditions. Nevertheless, the financial services industry is cyclical. As a result, the Corporation's businesses are evaluated across market cycles for profitability and alignment with long-term strategic objectives. The Corporation seeks to mitigate the effect of market downturns by expanding its global presence, monitoring costs and risks, and continuing to diversify revenue sources.

RESULTS OF OPERATIONS

Net earnings for 1995 were \$1.1 billion or \$5.44 per common share primary (\$5.42 fully diluted), up 10% from 1994 earnings of \$1.0 billion or \$4.75 per common share primary (\$4.74 fully diluted). In 1993, net earnings reached a record \$1.4 billion or \$5.98 per common share primary (\$5.95 fully diluted). The Corporation's return on average common stockholders' equity was 20.1% in 1995, compared with 18.6% in 1994 and 27.3% in 1993.

Results for 1993 included a non-recurring pretax lease charge totaling \$103 million (\$60 million after income taxes), related to the Corporation's decision to vacate certain space at the World Financial Center Headquarters facility. The 1993 results also included an after-tax charge of \$35 million (\$.16 per common share primary and fully diluted) for the adoption of Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits".

In 1995, the Corporation acquired Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for approximately \$800 million. The Corporation recorded approximately \$530 million of goodwill related to the acquisition. The Corporation's 1995 results included Smith New Court operations since mid-August 1995 and related goodwill amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Total revenues for 1995 were a record \$21.5 billion, up 18% from 1994 and up 30% from 1993. In 1995, net revenues (revenues after interest expense) totaled \$10.3 billion, up 7% from \$9.6 billion in 1994 and down 3% from \$10.6 billion in 1993. Non-interest expenses were \$8.5 billion in 1995, up 7% from 1994 and up 4% from 1993.

The following discussion provides details of major categories of revenues and expenses and other pertinent information regarding the Corporation's business activities, financial condition, liquidity, and risks. Certain limited reclassification and format changes have been made to prior years' amounts to conform to the current year presentation.

COMMISSIONS

Commission revenues advanced 9% in 1995 to a record \$3.1 billion due primarily to higher levels of listed and over-the-counter securities transactions and mutual fund commissions, partially offset by lower revenues from commodities.

Commissions from listed and over-the-counter securities advanced 17% from 1994 to \$1.7 billion, due primarily to higher trading volumes on most major U.S. and international exchanges and the Corporation's expanded global market presence.

Mutual fund commissions increased 3% in 1995 to \$906 million due primarily to higher distribution and redemption fees. Distribution fees from deferred-charge funds increased due to strong fund sales in prior periods and higher asset levels. Redemption fees increased as clients repositioned invested assets. Revenues from front-end mutual fund sales were virtually unchanged. Increased sales of domestic stock and bond funds were substantially offset by decreased sales of offshore funds as investors shifted assets to the strong U.S. financial markets.

Other commission revenues decreased 2% to \$542 million in 1995 due to declines in commodity and money market instrument commission revenues, partially offset by improved sales of over-the-counter options and third party annuity contracts.

Commission revenues of \$2.9 billion in 1994 remained virtually unchanged from 1993. Higher revenues from mutual fund and commodity transactions were offset by lower revenues from money market instruments and listed securities

transactions.

INTEREST AND DIVIDENDS

Significant components of interest and dividend revenues and interest expense for 1995, 1994, and 1993 follow:

(in millions)	1995	1994	1993

INTEREST AND DIVIDEND REVENUES			
Trading assets	\$ 3,832	\$3,431	\$2,493
Securities borrowed	2,940	2,285	1,521
Resale agreements	2,810	1,807	1,161
Margin lending	1,394	1,018	779
Other	1,245	1,037	1,145

Subtotal	12,221	9,578	7,099

INTEREST EXPENSE			
Borrowings	4,330	3,381	2,515
Repurchase agreements	3,680	2,414	1,383
Trading liabilities	2,205	1,997	1,252
Other	1,033	817	880

Subtotal	11,248	8,609	6,030

Net interest and dividend profit	\$ 973	\$ 969	\$1,069
	=====	=====	=====

The Corporation hedges its long-term payment obligations with interest rate and currency swaps. The effect of these hedges, which is included in the "Borrowings" caption above, reduced interest expense for 1995, 1994, and 1993 by \$45 million, \$153 million, and \$326 million, respectively. See "Financing and Other Non-Trading Derivatives" in Note 4 to the Consolidated Financial Statements for further information.

Interest and dividend revenues and expenses are a function of the level and mix of interest-earning assets and interest-bearing liabilities and the prevailing level, term structure, and volatility of interest rates. Net interest and dividend profit was \$973 million, virtually unchanged from \$969 million in 1994, with increases in net interest-earning assets offset by declining interest spreads due to the flattening of the U.S. Treasury yield curve.

In 1994, net interest and dividend profit declined 9% from 1993 to \$969 million. A significant increase in short-term relative to long-term interest rates, year over year, led to a substantial flattening of the yield curve, causing interest spreads to decline, and financing and hedging costs to increase in 1994.

PRINCIPAL TRANSACTIONS

Principal transactions revenues rose 8% from 1994 to \$2.5 billion in 1995. Increases in equities and equity derivatives and taxable fixed-income trading revenues were partially offset by decreases in trading revenues from municipal securities, foreign exchange and commodities, and interest rate and currency swaps.

Trading, hedging, and financing activities affect the recognition of both principal transactions revenues and net interest and dividend profit. In assessing the profitability of its trading activities, the Corporation views net interest and principal transactions revenues in the aggregate. For financial reporting purposes, however, realized and unrealized gains and losses on trading positions, including hedges, are recorded in principal transactions revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The net interest carry (i.e., the spread representing interest earned versus financing costs) for trading positions, including hedges, is recorded either as principal transactions revenues or net interest profit, depending on the nature of the specific instruments. Changes in the composition of trading inventories and hedge positions can cause the recognition of revenues within these categories to fluctuate.

The following table provides information on aggregate trading profits, including related net interest. Interest revenue and expense components are based on financial reporting categories and management's assessment of the cost to finance trading positions, after consideration of the underlying liquidity of these positions.

(in millions)	PRINCIPAL TRANSACTIONS REVENUE	INTEREST REVENUE (EXPENSE)	NET TRADING REVENUE

1995			
Equities and equity derivatives	\$ 912	\$ (89)	\$ 823
Taxable fixed-income	516	255	771
Interest rate and currency swaps	732	(63)	669
Municipals	273	-	273
Foreign exchange and commodities	86	(6)	80
	-----	-----	-----
Total	\$2,519	\$ 97	\$2,616
	=====	=====	=====
1994			
Equities and equity derivatives	\$ 625	\$ (106)	\$ 519
Taxable fixed-income	471	352	823
Interest rate and currency swaps	750	(8)	742
Municipals	380	7	387
Foreign exchange and commodities	109	(8)	101
	-----	-----	-----
Total	\$2,335	\$ 237	\$2,572
	=====	=====	=====
1993			
Equities and equity derivatives	\$ 872	\$ (44)	\$ 828
Taxable fixed-income	972	411	1,383
Interest rate and currency swaps	604	30	634
Municipals	315	1	316
Foreign exchange and commodities	158	(9)	149
	-----	-----	-----
Total	\$2,921	\$ 389	\$3,310
	=====	=====	=====

Equities and equity derivatives trading revenues, in the aggregate, were \$912 million, up 46% from 1994, as trading revenues from most equity products increased. Convertible and over-the-counter securities trading revenues advanced significantly as a result of higher stock prices, lower interest rates, and increased demand. International equities trading revenues benefited from improved United Kingdom market conditions and the contribution of Smith New Court in the latter part of 1995. Equity derivatives declined in 1995 due to reduced demand for structured derivative transactions.

Taxable fixed-income trading revenues increased 10% in 1995 to \$516 million as lower interest rates and tighter credit spreads led to increased demand and higher inventory values. Corporate bond and preferred stock trading revenues benefited from lower interest rates and higher trading volume in U.S. and international markets, as well as increased investor demand for fixed-rate preferred stock issuances. Trading revenues from high-yield bonds increased as a result of declining interest rates and improved credit ratings of certain issuers. Non-U.S. governments and agencies trading revenues also advanced from 1994 levels due to increased trading activity in European, Australian, and certain South American emerging market government instruments. These increases were partially offset by lower revenues from Canadian government instruments, which were affected by ongoing political uncertainty. Taxable fixed-income trading revenues were negatively affected by a loss in mortgage-backed securities due to reduced market liquidity for non-generic products. Nevertheless, trading results from mortgage-backed products, which include net interest revenues, were positive. U.S. Government and agencies securities trading revenues were down, due to tighter spreads between U.S. Treasury securities and related futures hedges, as well as reduced retail investor demand attributable to lower interest rates.

Municipal securities revenues decreased 28% to \$273 million. This decrease resulted from reduced demand as investors remained wary of continuing discussions on possible U.S. tax law revisions that would eliminate tax advantages of municipal securities, and sought higher returns from equity and taxable fixed-income securities.

Foreign exchange and commodities revenues, in the aggregate, declined 22% to \$86 million. Commodities trading revenues decreased due to lower volumes. Increases in foreign exchange trading revenues resulted from higher customer volume caused by the strengthening of the U.S. dollar versus other major currencies during 1995.

Trading revenues from interest rate and currency swaps were down 2% to \$732 million. A decrease in revenues from U.S. dollar-denominated transactions, resulting from lower margins and reduced volume in structured products, was substantially offset by an increase in revenues from non-U.S. dollar-denominated transactions, particularly in Japanese and European markets.

In 1994, principal transactions revenues were down 20% from 1993 record levels to \$2.3 billion. Rising interest rates, a declining U.S. dollar, and volatile world financial markets led to lower trading revenues in many products, including taxable fixed-income securities (down 52%), equities and equity derivatives (down 28%), and foreign exchange and commodities (down 31%). Offsetting these declines were increases in trading revenues from interest rate and currency swaps (up 24%) and municipal securities (up 21%) due to increased demand.

INVESTMENT BANKING			

(in millions)	1995	1994	1993
	----	----	----
Underwriting revenues	\$ 964	\$ 989	\$1,647
Strategic services revenues	344	251	184
	-----	-----	-----
Total	\$1,308	\$1,240	\$1,831
	=====	=====	=====

Overall, investment banking revenues increased 5% from 1994. Underwriting revenues declined 3%, due to lower revenues from equities, private placements, high-yield debt,

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

and mortgage-backed securities underwriting, partially offset by increased revenues from corporate bonds and preferred stock and defined asset funds. Rising interest rates and falling share prices in an uncertain economic environment caused a steady decline in industrywide underwriting activity after the first six weeks of 1994 that continued through the first quarter of 1995. Thereafter, declining interest rates and rising equity values increased issuer and investor demand, leading to an increase in underwriting revenues each quarter, both sequentially and year over year, during the last three quarters of 1995.

The Corporation retained its position as top underwriter of total debt and equity issuances for the eighth consecutive year in the U.S., and for the seventh consecutive year globally. The Corporation's domestic and global market shares of debt and equity underwriting volume increased in 1995 to 17.9% and 13.8%, respectively, versus 16.5% and 12.6% in 1994 according to Securities Data Co.

Strategic services revenues, which include fees for merger and acquisition activity, debt restructuring, and other advisory services, increased 37% to a record \$344 million in 1995 as companies worldwide sought strategic partners to promote growth while cutting costs and increasing efficiencies.

Investment banking revenues decreased 32% in 1994 as market conditions deteriorated from more favorable 1993 conditions. Higher interest rates and lower share prices in 1994 led to a decline industrywide in underwriting of domestic debt and equity securities to its lowest level since 1991.

ASSET MANAGEMENT AND PORTFOLIO SERVICE FEES			

(in millions)	1995	1994	1993
	-----	-----	-----
Asset management fees	\$ 856	\$ 794	\$ 706
Portfolio service fees	477	437	369
Other fees	557	508	483
	-----	-----	-----
Total	\$1,890	\$1,739	\$1,558
	=====	=====	=====

Revenues from asset management and portfolio service fees rose 9% in 1995 to a record \$1.9 billion.

Asset management fees, which include fees earned on mutual funds sponsored by the Corporation and third parties, increased 8% from 1994 due primarily to growth in client assets. Total client assets in worldwide private client accounts were \$703 billion at year-end 1995, compared with \$568 billion at year-end 1994. New money investments accounted for approximately 40% of the increase. Assets under management by Merrill Lynch Asset Management increased \$32 billion to a record \$196 billion in 1995, with growth in money market, equity, and bond funds. New money investments accounted for approximately 75% of the increase. In 1995, approximately 91% of asset management fees were attributable to Merrill Lynch-sponsored funds, as compared with 90% in 1994.

Portfolio service fees increased 9% in 1995. Fee revenues from Asset Power(Registered Trademark), an asset-based fee product, and Mutual Fund

Advisor(Service Mark), a personalized portfolio management service, advanced due to increases in the number of accounts and asset values. Fees from Merrill Lynch Consults(Registered Trademark) ("ML Consults"), a portfolio management service, decreased in 1995 due to lower average asset levels during the year as well as a reduction in the number of accounts. Other portfolio service fees, principally insurance and trust fees, increased from 1994.

Other fee-based revenues were up 10%, due primarily to increased revenues from mutual fund transfer agency, custody, and mortgage servicing activities.

In 1994, asset management and portfolio service fees increased 12% from 1993 due principally to growth in money market and stock funds, higher revenues from ML Consults, and increased revenues from mutual fund transfer agency, CMA(Registered Trademark), IRA, and Keogh fees.

OTHER REVENUES

Other revenues decreased 5% in 1995 to \$449 million. Other revenues include investment gains and losses, partnership distributions, transaction processing fees, and proxy activities.

In 1995, net investment gains related to merchant banking activities were \$23 million, compared with \$81 million a year ago. Merchant banking positions are carried at the lower of cost or estimated net realizable value. Loss provisions related to these investments are established, as appropriate, to reduce the carrying value to estimated net realizable value. In certain instances, sales of merchant banking positions are subject to restrictions, limiting the Corporation's ability to dispose of these instruments until required holding periods expire (see "Non-Investment Grade Holdings and Highly Leveraged Transactions"). Distributions from partnerships held as investments increased 45% to \$64 million in 1995. Revenues generated from transaction processing and other activities increased 5% to \$362 million.

In 1994, other revenues were up 65% to \$471 million. Net investment gains related to merchant banking activities were \$81 million, compared with losses of \$133 million in 1993, as restrictions on certain investments lapsed and market conditions changed, enabling the Corporation to dispose of certain merchant banking investments.

NON-INTEREST EXPENSES

Non-interest expenses totaled \$8.5 billion in 1995, up 7% over the prior year. The largest expense category, compensation and benefits, increased 6% from 1994 to \$5.3 billion due to increased production-related compensation, a rise in incentive compensation, and a 5% increase in the number of full-time employees.

Production-related compensation was up due to heightened business activity and strong volumes in many businesses, while incentive compensation increased due to the Corporation's improved profitability and return on average common stockholders' equity.

Overall, full-time personnel totaled 46,000, compared with 43,800 at year-end 1994, mainly due to the addition of employees through business acquisitions, including Smith New Court. Selective hiring in 1995 consisted primarily of

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

revenue producers and sales assistants in private client and international business areas. Compensation and benefits as a percentage of net revenues was 51.3% in 1995, slightly lower than 51.5% in 1994. The Corporation's ratio of support employees and sales assistants to producers decreased to 1.43 to 1 in 1995, from 1.46 to 1 in 1994.

Graph titled "NET REVENUE CATEGORIES AND COMPENSATION AND BENEFITS"

Presented are side by side bar graphs comparing Merrill Lynch & Co., Inc.'s net revenue categories with compensation and benefits expense levels for the past five years. Graph is presented in billions, with net revenues comprised of commissions, principal transactions, investment banking, asset management and portfolio services fees, net interest and other. The graph shows total net revenues of \$7.2, \$8.6, \$10.6, \$9.6, and \$10.3 and compensation and benefits of \$3.9, \$4.4, \$5.3, \$5.0, and \$5.3 for the years ended 1991, 1992, 1993, 1994, and 1995, respectively.

Communications and equipment rental expense was up 13% due to increased levels of business activity and expanded use of market data services. Occupancy costs rose 3% in 1995 due to international growth and the addition of Smith New Court facilities. Depreciation and amortization expense increased 13% due primarily to purchases of technology-related assets during the past year.

Professional fees advanced 16% from a year ago, due primarily to higher legal fees and to increased systems development costs related to upgrading technology and processing capabilities in customer, trading, and transaction processing systems.

Advertising and market development expenses rose 6% as a result of increased advertising, international travel, and sales promotion, primarily related to international growth and the integration of Smith New Court.

Brokerage, clearing, and exchange fees increased 7% as a result of higher securities volume, particularly in international markets. Other expenses were up 4%, due primarily to a \$26 million first quarter charge for the write-off of assets related to a technology contract and \$14 million of goodwill amortization related to Smith New Court.

In 1994, non-interest expenses declined 3% to \$7.9 billion. Excluding the 1993 first quarter non-recurring lease charge of \$103 million, non-interest expenses declined 2%. Lower incentive and production-related compensation, partially offset by increases in base wages, severance, and Financial Consultant up-front hiring bonuses, led to a 6% decline in compensation and benefits expense. Communications and equipment rental expense increased 12% due to expanded use of market data, news, and statistical services. Occupancy costs declined 7% (excluding the 1993 non-recurring lease charge) as a result of continued relocation of support staff to lower-cost facilities. Depreciation and amortization expense rose 5% due primarily to the acquisition of technology-related equipment. Professional fees increased 26% due to the use of systems and management consultants, as well as higher legal fees. Brokerage, clearing, and exchange fees were up 20% as a result of increased international equity volume and expanded risk management activities related to volatile global market conditions.

INCOME TAXES

The Corporation's 1995 income tax provision of \$697 million represented a 38.5% effective tax rate. In 1994 and 1993, income tax provisions were \$713 million and \$1.0 billion, respectively, representing effective tax rates of 41.2% in 1994 and 42.5% in 1993. The effective tax rate in 1995 decreased primarily as a result of lower state income taxes, expanded international business activities in jurisdictions with lower tax rates, and increases in deductions for dividends received.

The Corporation records deferred tax assets for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. The Corporation assessed its ability to realize deferred tax assets based primarily on a strong earnings history and the absence of negative evidence as discussed in SFAS No. 109, "Accounting for Income Taxes". During the last 10 years, average pretax earnings were \$1.0 billion per year. Accordingly, the Corporation believes it is more likely than not that its deferred tax assets will be realized.

STOCKHOLDERS' EQUITY

Stockholders' equity at December 29, 1995 increased 6% to \$6.1 billion from \$5.8 billion reported at year-end 1994. The increase in 1995 resulted from net earnings and a fair value adjustment related to SFAS No. 115, "Accounting for Investments in Certain Debt and Equity Securities", offset by common share repurchases and common and preferred dividends declared by the Corporation.

In 1995, the Corporation repurchased approximately 20 million common shares at an average price of \$46.95 per share for employee benefit plans and general corporate purposes.

At December 29, 1995, total common shares outstanding, excluding the unallocated Employee Stock Ownership Plan ("ESOP") reversion shares, amounted to 171.4 million, 6% lower than the 181.5 million shares outstanding at December 30, 1994. The decrease was principally attributable to common stock repurchases, partially offset by employee stock grants and option exercises.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

LIQUIDITY AND LIABILITY MANAGEMENT

The primary objective of the Corporation's funding policies is to assure liquidity at all times. There are three key elements to the Corporation's liquidity strategy. The first element is to maintain alternative funding sources such that all debt obligations maturing within one year, including commercial paper, uncommitted bank loans, and the current portion of long-term debt, can be funded when due without issuing new unsecured debt or liquidating any business assets. The most significant alternative funding sources are the proceeds from executing repurchase agreements and obtaining secured bank loans, both

principally employing unencumbered investment grade marketable securities. Other alternative funding sources include liquidating cash equivalents; securitizing additional home equity and other mortgage loan assets; and drawing on committed, unsecured, revolving credit facilities ("Credit Facilities"), which at December 29, 1995 totaled \$5.6 billion and have not been drawn upon.

As an additional measure, the Corporation regularly reviews the level and mix of its assets and liabilities to ascertain its ability to conduct core businesses beyond one year without reliance on issuing new unsecured debt or drawing upon Credit Facilities. The composition of the Corporation's asset mix provides a great degree of flexibility in managing liquidity. The Corporation's liquidity position is enhanced since a significant portion of the Corporation's assets turn over frequently and are typically match-funded with liabilities whose cash flow characteristics closely match those of the assets. At December 29, 1995, approximately 97% of the Corporation's assets were considered readily marketable by management.

As part of the Corporation's overall liquidity program, its insurance subsidiaries regularly review the funding requirements of their contractual obligations for in-force, fixed-rate life insurance and annuity contracts and expected future acquisition and maintenance expenses for all contracts. The Corporation's insurance subsidiaries primarily market variable life insurance and variable annuity products. These products are not subject to the interest rate, asset/liability matching, and credit risks attributable to fixed-rate products, thereby reducing the risk profile and liquidity demands on the insurance subsidiaries. At December 29, 1995, approximately 84% of invested assets of insurance subsidiaries were considered liquid by management.

The second element of the Corporation's liquidity strategy is to concentrate general purpose borrowings at the Merrill Lynch & Co., Inc. level, except where tax regulations, time zone differences, or other business considerations make this impractical. The benefits of this strategy are lower financing costs; simplicity, control, and wider name recognition by creditors; and flexibility to meet varying funding requirements within subsidiaries.

The third element is to expand and diversify the Corporation's funding instruments and its investor and creditor base. The Corporation's funding programs benefit from the ability to market its debt instruments through its own sales force to a large, diversified customer base. The Corporation maintains strict concentration standards for short-term lenders, which include limits for any single investor. Commercial paper remains the Corporation's major source of short-term general purpose funding. Commercial paper outstanding totaled \$17.0 billion at December 29, 1995 and \$14.8 billion at December 30, 1994, which represented 10% and 9% of total assets at year-end 1995 and 1994, respectively.

Total term debt issuance in 1995 exceeded 1994 levels as the Corporation continued to be active in both domestic and Euro debt markets, primarily through public issues. Outstanding term debt at December 29, 1995 grew to \$17.3 billion from \$14.9 billion at December 30, 1994.

At December 29, 1995, the Corporation's senior long-term debt was rated by seven recognized credit rating agencies, as follows:

RATING AGENCY	RATING
- - - - -	
Duff & Phelps Credit Rating Co.	AA-
Fitch Investors Service, Inc.	AA
IBCA Ltd.	AA-
The Japan Bond Research Institute	AA
Moody's Investors Service, Inc.	A1
Standard & Poor's Ratings Group	A+
Thomson BankWatch, Inc.	AA
- - - - -	

The Corporation issued \$9.6 billion of long-term debt during 1995. During the same period, maturities and repurchases were \$6.9 billion. In addition, approximately \$894 million of the Corporation's securities held by subsidiaries were sold and \$1.1 billion were purchased. At December 29, 1995, \$11.7 billion of term debt had maturity dates beyond one year. The average maturity on all outstanding term debt was 3.5 years at both year-end 1995 and 1994 when measured to maturity, and 3.1 and 3.0 years at year-end 1995 and 1994, respectively, when measured to the earlier of call or put date.

Approximately \$35.9 billion of the Corporation's indebtedness at December 29, 1995 is considered senior indebtedness as defined under various indentures.

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CAPITAL RESOURCES AND CAPITAL ADEQUACY

The Corporation remains one of the most highly capitalized institutions whose business is primarily in the U.S. securities industry. The Corporation has an equity base of \$6.1 billion at December 29, 1995, including \$5.5 billion in common equity, supplemented by \$619 million in preferred stock. Average leverage ratios, computed as the ratio of average month-end assets to average month-end stockholders' equity, were 32.7x and 32.0x for 1995 and 1994, respectively.

Leverage ratios at the end of 1995 and 1994 were 28.8x and 28.1x, respectively.

To compute the Corporation's adjusted leverage ratios, resale agreements and securities borrowed balances are subtracted from total assets. The average adjusted leverage ratios were 19.5x and 18.9x for 1995 and 1994, respectively. The Corporation's adjusted leverage ratios at the end of 1995 and 1994 were 18.2x and 16.9x, respectively.

The Corporation operates in many regulated businesses that require various minimum levels of capital to conduct

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

business (see Note 14 to the Consolidated Financial Statements). The Corporation's broker-dealer, banking, insurance, and Futures Commission Merchant activities are subject to regulatory requirements that may restrict the free flow of funds to affiliates. Regulatory approval is required for payment of dividends in excess of certain established levels, making affiliated investments, and entering into management and service agreements with affiliated companies.

The Corporation's overall capital needs are continually reviewed to ensure that its capital base can support the estimated risks of its businesses as well as the regulatory and legal capital requirements of subsidiaries. Based upon these analyses, management believes that the Corporation's equity base is adequate.

ASSETS AND LIABILITIES

The Corporation manages its balance sheet and risk limits according to market conditions and business needs, subject to profitability and control of risk. Asset and liability levels are primarily determined by order flow and fluctuate daily, sometimes significantly, depending upon volume and demand. The liquidity and maturity characteristics of assets and liabilities are monitored continually. The Corporation monitors and manages the change of its balance sheet using point-in-time average daily balances. Average daily balances are derived from the Corporation's management information system, which summarizes balances on a settlement date basis. Financial statement balances, as required under generally accepted accounting principles, are recorded on a trade date basis. The discussion that follows compares the changes in settlement date average daily balances, not year-end financial statement balances.

In 1995, average daily assets were \$191 billion, up 5% from \$182 billion in 1994. Average daily liabilities in 1995 rose 5% to \$186 billion from \$177 billion in 1994.

The major components in the growth of average daily assets and liabilities are summarized as follows:

(in millions)	INCREASE IN AVERAGE	PERCENT
	ASSETS	INCREASE
Resale agreements	\$3,438	8%
Securities borrowed	2,364	7
Customer receivables	2,177	12
Trading assets	1,515	2

	INCREASE IN AVERAGE	PERCENT
	LIABILITIES	INCREASE
Repurchase agreements	\$4,303	6%
Trading liabilities	3,339	10
Customer payables	1,716	36

In managing its balance sheet, the Corporation strives to match-fund its interest-earning assets with interest-bearing liabilities having similar maturities and cash flow characteristics, such as repurchase and resale agreements. Repurchase and resale agreements rose during 1995 as a result of an increase in match-funded transactions involving U.S. Government and agencies securities.

In 1995, trading assets and liabilities were up due to increases in trading activity. On-balance-sheet hedges, included in trading liabilities, which are used to reduce trading risks, also advanced due to increased market activity during 1995. Securities borrowed increased primarily to facilitate security deliveries to customers. Customer receivables and payables also advanced as trading volume, on average, was higher.

NON-INVESTMENT GRADE HOLDINGS
AND HIGHLY LEVERAGED TRANSACTIONS

In the normal course of business, the Corporation underwrites, trades, and holds non-investment grade securities in connection with its investment banking, market making, and derivative structuring activities. During the past three years, the Corporation has increased its non-investment grade trading inventories to satisfy client demand for higher-yielding investments, including emerging market and other international securities.

Non-investment grade securities have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, certain sovereign debt in emerging markets, amounts due under various derivative contracts from non-investment grade counterparties, and other instruments that, in the opinion of management, are non-investment grade. At December 29, 1995, long and short non-investment grade inventories accounted for 6.3% of aggregate consolidated trading inventories, compared with 4.3% at year-end 1994. Non-investment grade trading inventories are carried at fair value.

The Corporation provides financing and advisory services to, and invests in, companies entering into leveraged transactions, which may include leveraged buyouts, recapitalizations, and mergers and acquisitions. The Corporation provides extensions of credit to leveraged companies in the form of senior and subordinated debt, as well as bridge financing on a select and limited basis. In addition, the Corporation syndicates loans for non-investment grade counterparties or in connection with highly leveraged transactions. In connection with these syndications, the Corporation may retain a residual portion of these loans. At year-end 1995 and 1994, no bridge loans were outstanding.

The Corporation holds direct equity investments in leveraged companies and interests in partnerships that invest in leveraged transactions. The Corporation has also committed to participate in limited partnerships that invest in leveraged transactions. Future commitments to participate in limited partnerships and other direct equity investments will be determined on a select and limited basis.

Investment in non-investment grade securities and involvement in highly leveraged transactions subject the Corporation to additional risks related to the creditworthiness of the issuers and the liquidity of the market for such securities. The Corporation recognizes such risks and, whenever possible, employs strategies to mitigate exposures.

The specific components and overall level of non-investment grade and highly leveraged positions may vary significantly from period to period as a result of inventory turnover, investment sales, and asset redeployment. The Corporation continually monitors credit risk by individual issuer and industry concentration.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

In certain instances, the Corporation engages in hedging strategies to reduce its exposure associated with owning a non-investment grade position by selling short the related equity security or by entering into an offsetting derivative contract. The Corporation also uses certain non-investment grade trading inventories, principally non-U.S. governments and agencies securities, to hedge the exposure arising from structured derivative transactions. Collateral, consisting principally of U.S. Government securities, may be obtained to reduce credit risk related to these transactions.

The Corporation's insurance subsidiaries hold non-investment grade securities. As a percentage of total insurance investments, non-investment grade securities were 4.2%, compared with 5.5% at year-end 1994. Non-investment grade securities of insurance subsidiaries are classified as available-for-sale and are carried at fair value.

A summary of the Corporation's highly leveraged transactions and non-investment grade holdings follows:

(in millions)	1995	1994
Trading assets	\$5,489	\$3,309
Trading liabilities	353	456
Insurance subsidiaries' investments	234	314
Loans (net of allowance for loan losses) (1)	489	257
Equity investments(2)	211	289
Partnership interests	91	93
Additional commitments to invest in partnerships	\$ 79	\$ 80
Unutilized revolving lines of credit and other lending commitments	127	62

- (1) Represented outstanding loans to 30 and 35 medium-sized companies at year-end 1995 and 1994, respectively.
- (2) Invested in 62 and 80 enterprises at year-end 1995 and 1994, respectively.

At December 29, 1995, the largest non-investment grade concentration consisted of various issues of a South American sovereign totaling \$674 million, which primarily represented on-balance-sheet hedges for off-balance-sheet instruments. No one industry sector accounted for more than 35% of total non-investment grade positions. Included in the preceding table are debt and equity securities of issuers in various stages of bankruptcy proceedings or in default. At December 29, 1995, the carrying value of these securities totaled \$164 million, of which 75% resulted from the Corporation's market making activities in such securities.

LITIGATION

Certain actions have been filed against the Corporation by Orange County, California and others in connection with the Corporation's business activities with the Orange County Treasurer-Tax Collector or from the purchase of debt instruments issued by Orange County that were underwritten by the Corporation's subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated. The information set forth under the caption "Litigation" in Note 17 to the Consolidated Financial Statements is incorporated by reference herein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of the Corporation as set forth in the Consolidated Financial Statements contained herein.

CASH FLOWS

The Corporation's net cash flows are principally associated with operating and financing activities, which support the Corporation's trading, customer, and investment banking activities.

The Corporation's cash and cash equivalents totaled \$3.1 billion at December 29, 1995, an increase of \$779 million and \$1.3 billion, respectively, from the end of 1994 and 1993.

Cash flows of \$7.9 billion in 1995 were used for operating activities, primarily to fund increases in net trading assets consistent with an increase in the level of business activity. The Corporation's investing activities used cash of \$873 million in 1995, primarily for the purchase of Smith New Court.

Financing activities provided the Corporation with \$9.5 billion of cash in 1995, reflecting proceeds from net increases in repurchase/resale agreements and net issuances of commercial paper and long-term borrowings, partially offset by repurchases of common stock.

In 1994, cash and cash equivalents increased \$529 million to \$2.3 billion. Cash provided by operating and investing activities totaled \$7.4 billion and \$322 million, respectively, while cash used for financing activities totaled \$7.2 billion.

Cash and cash equivalents increased \$531 million to \$1.8 billion in 1993. Cash used for operating activities totaled \$17.1 billion, while investing and financing activities provided cash of \$386 million and \$17.3 billion, respectively.

RECENT DEVELOPMENTS

New Accounting Pronouncements

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is effective for fiscal years beginning after December 15, 1995. The Corporation did not adopt SFAS No. 123 in 1995, and has not decided whether to adopt the cost recognition provisions of SFAS No. 123 for 1996. The effect of adopting the cost recognition provisions has not been computed.

GLOBAL OPERATIONS

The Corporation's international activities outside the U.S. are organized into the following geographic regions: Europe, Africa, and the Middle East; Asia, which includes Japan and Australia; and the Americas, excluding the U.S. In 1995, the Corporation continued to strategically expand its international activities to further benefit from the ongoing

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

ing globalization of financial markets, the increase in cross-border transactions, and the demand for global investments.

In 1995, the Corporation's international businesses were influenced by many of the same market conditions that positively affected U.S. operating results, including declining interest rates, improved stock and bond markets, and increased investor demand. These improved market conditions, combined with the Corporation's expanded global presence, led to increases in both total and net revenues in each geographic region from 1994 levels (see Note 18 to the Consolidated Financial Statements).

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EUROPE, AFRICA, AND THE MIDDLE EAST

The Corporation operates in Europe, Africa, and the Middle East as a dealer in most products. The Corporation also provides investment banking, private banking, and research services.

The Corporation continued its commitment to expand its businesses in Europe, Africa, and the Middle East through the acquisition of Smith New Court, its investment in Smith Borkum Hare in South Africa, and the establishment of a new international banking operation in Dublin, Ireland. The acquisition of Smith New Court, a major equity market maker and agency trader in the European market, has enabled the Corporation to significantly expand its global equity trading and research capabilities. The successful integration of Smith New Court has enhanced the Corporation's ability to develop and capitalize on future business opportunities within the region and beyond.

In 1995, total revenues for Europe, Africa, and the Middle East were \$4.0 billion, up 15% from 1994. Net revenues totaled \$1.3 billion, up 16% from 1994. The region's earnings before income taxes decreased 12% to \$155 million.

Trading results for the region improved from 1994. Higher trading revenues in equities resulted from both the strong performance of European equity markets in 1995, and the added capacity achieved through the acquisition of Smith New Court. Money market trading revenues and investment banking revenues also increased from 1994. These improvements were offset by reductions in equity-linked warrants and fixed-income trading revenues resulting from reduced market volatility.

The decrease in earnings before income taxes is attributable to increased trading-related costs, compensation and benefits expenses, start-up costs resulting from ongoing expansion, and the amortization of goodwill. The number of full-time employees in the region increased from 2,857 at year-end 1994 to 3,953 at the end of 1995, due primarily to personnel added through business acquisitions.

In 1994, total revenues for Europe, Africa, and the Middle East were \$3.5 billion, up 11% from 1993. Net revenues totaled \$1.1 billion, down 16% from 1993. The region's earnings before income taxes were down 63% to \$176 million.

Trading results for the region declined from 1993 due to decreases in fixed-income securities trading revenues, as a result of rising interest rates in 1994, and losses in structured money market products and equity-linked warrants. Earnings before income taxes decreased due to higher financing and other trading-related costs and an increase in compensation and benefits expense.

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ASIA

In Asia, the Corporation has a variety of operating centers serving a broad retail and institutional client base. In Japan and China, the focus is principally on institutional business opportunities, while in other locations, such as Australia, Hong Kong, Korea, Singapore, and Taiwan, both retail and institutional businesses are conducted. The Corporation has securities and futures exchange memberships in the major financial centers and has increased its trading and product capacity in Australia, Hong Kong, Japan, and Singapore. In 1995, the Corporation also entered into strategic investments and joint ventures in India, Indonesia, Malaysia, and Thailand.

Total revenues for Asia in 1995 were \$1.2 billion, up 28% from 1994. Net revenues and earnings before income taxes were \$701 million and \$81 million, up 27% and 8%, respectively.

Results in Asia benefited from an improved bond market, which led to increased trading revenues for Japanese Government Bonds ("JGB") and other fixed-income securities. After a slow start in 1995, equity trading increased significantly with improved earnings and more favorable market conditions. The acquisition of Smith New Court added significantly to the Corporation's equity trading capabilities in the region.

In 1995, the number of full-time employees increased 22% to 1,805, almost

entirely due to the addition of personnel from the Smith New Court operations in Hong Kong, Japan, and Singapore.

Total revenues in Asia in 1994 were \$963 million, up 10% from 1993. Net revenues and earnings before income taxes were \$554 million and \$75 million, down 19% and 61% from 1993, respectively. Higher trading revenues from non-dollar swaps, equity derivatives, and Australian debt were offset by reduced JGB trading revenues and lower net interest profits.

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AMERICAS

In Latin America, the Corporation provides varied brokerage and investment services. Included in the Latin American region are certain offices located in the U.S. which primarily service Latin American clients. In 1995, the Corporation expanded its equity trading operations in Brazil and, in the fourth quarter, became the first U.S.-based firm to engage in broker-dealer activities on the Mexican Bolsa. In Canada, the Corporation provides investment banking and fixed-income sales and trading services.

Total revenues for the Americas increased to \$704 million in 1995, up 14% from 1994, and net revenues increased 4% to \$347 million in 1995. Earnings before income taxes were \$127 million, down 7% from 1994.

The region benefited from increased high-yield financing and advisory activity, mergers and acquisitions, global bond issuance, and growth of cross-border activity, particularly in Canada. Latin American results also benefited from equity and fixed-income sales to private banking

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

clients. Investment banking activities in the Americas were down from 1994 levels due to market and political uncertainties. The devaluation of the Mexican peso, which began in the fourth quarter of 1994 and continued into 1995, also negatively affected securities valuations and investor demand.

The reduction in earnings before taxes resulted from increased compensation and benefits expenses and initial start-up costs, both associated with the growth in this region. Staffing increased from 914 at year-end 1994 to 978 at December 29, 1995, primarily to meet the needs of the expanded equity trading operations in Brazil and Mexico.

Total revenues in the Americas increased to \$617 million in 1994, up 17% from 1993, while net revenues decreased 12% to \$333 million in 1994. Earnings before income taxes were \$137 million, down 2% from 1993. Investment banking activities in Latin America were lower than in 1993, while the region benefited from the continued growth of matched-book activity and fixed-income trading in Canada, and equity sales to private banking clients in Latin America.

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DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation, as a dealer, trades derivative financial instruments and provides clients with customized derivative products. These transactions allow clients to manage their exposure to interest rate, currency, security and commodity price, and credit risks. The Corporation also uses derivative financial instruments to manage and hedge its own risks related to its proprietary trading strategies, client transactions, and non-trading activities.

Accounting standards define a derivative financial instrument as a future, forward, swap, or option contract, or other financial instrument with similar characteristics. Derivatives can be traded on an exchange or negotiated directly between buyers and sellers in the over-the-counter markets. Derivative financial instruments, unlike non-derivative (or cash) financial instruments, have both on-and off- balance-sheet implications, depending upon the nature of the contract. Forward contracts, for example, are treated as off-balance-sheet in terms of notional amounts, with only unrealized gains and losses included in trading assets or liabilities.

The Corporation conducts derivative activities through a number of wholly-owned subsidiaries as part of its client-driven and proprietary business transactions. Merrill Lynch Capital Services, Inc. ("MLCS") is the Corporation's principal swaps dealer. Merrill Lynch Capital Markets PLC ("MLCM") is the primary equity derivatives dealer of the Corporation. Merrill Lynch Derivatives Products, Inc., a "AAA" rated entity, is the Corporation's swap subsidiary that provides credit intermediation for interest rate and currency swaps, options, and similar transactions between highly rated counterparties and MLCS. In connection with these derivative activities, certain of these subsidiaries purchase and sell cash instruments (debt and equity securities) for hedging purposes.

The Corporation, directly or through its subsidiaries, enters into derivative transactions to hedge certain proprietary positions, including other

derivatives. As an end-user, the Corporation also hedges its fixed-rate and foreign currency-denominated debt issuances by entering into variable interest rate swaps and foreign currency agreements with MLCS. MLCS then enters into offsetting contracts with third parties as part of the Corporation's trading and risk management strategies. The Corporation also hedges equity-related exposures embedded in certain of its debt issuances with equity derivatives transacted primarily through MLCM.

Derivatives facilitate risk transfer and enhance liquidity in the marketplace. For issuers, derivatives may provide cost-effective funding alternatives, while for investors, derivatives may provide alternative investment options and the ability to hedge risk. Market participants include dealers, such as banks and other financial institutions, and end-users such as corporations, governments, pension funds, mutual funds, and other institutions.

Increased market participation and competition have helped increase liquidity in conventional derivatives, such as interest rate swaps. Widespread acceptance has also contributed to the development of more complex products structured for specific clients. Rapid growth, complexity, and highly publicized losses, particularly in 1994, have contributed to a perception that these products possess additional risk to users and to financial markets. Although different in form, both derivative and non-derivative financial instruments are subject to market, credit, operational, and other similar risks. Credit considerations, for example, exist for a corporate bond and an interest rate swap. In addition, both of these instruments are sensitive to market risk due to movements in interest rates that affect their respective pricing. The risks inherent in both types of instruments need to be managed in a manner consistent with a company's overall risk management policies (see "Risk Management").

ACCOUNTING AND VALUATION

Notional amounts of derivative instruments provide a common basis for compiling and reporting outstanding transactions. Notional amounts do not represent a measure of the Corporation's risk and are not recorded on the balance sheet. Derivatives used in a dealer capacity and to hedge other trading positions are marked-to-market. The unrealized gain or loss is recorded in trading assets or liabilities on the Consolidated Balance Sheets with the related income or loss reported in principal transactions revenues. Derivatives used to hedge the Corporation's borrowings are generally recorded on an accrual basis. Interest is accrued into income or expense over the life of the contract, which generally matches the maturity of the related debt issue. Unrealized gains and losses on derivatives used to hedge currency risk on borrowings are recognized currently.

The fair value of a derivative contract represents the amount the Corporation would have to pay a third party to assume its obligations under the contract or the amount a third party would pay to receive the Corporation's benefits under the contract. The Corporation's derivative transactions are generally marked-to-market by pricing models

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

based on the present value of future cash flows using mid-market valuations with adjustments, as required, for credit, liquidity, and ongoing costs. These adjustments are integral components of the mark-to-market process.

Certain products may require additional market valuation adjustments. New, complex products, where no established two-way market exists, may create a need for liquidity adjustments. Modeling a complex product involves multiple variables and assumptions, the precision of which will evolve over time. The Corporation does not recognize the market value of these contracts determined solely by the pricing model during the early stages of a product's life. Due to limited markets for certain new, complex products, the pricing model may not have the precision associated with a model for an existing product. As these products develop, pricing models will be refined and hedging strategies modified, based on experience, to more closely correlate the market movement of these instruments.

Further valuation adjustments are recorded for significant derivative product positions. These adjustments acknowledge the difficulty in disposing of any large trading position in a short time period.

Most of the Corporation's derivative products are relatively short-term in nature. At year-end 1995, the weighted-average maturity of the Corporation's derivative contracts was 2.24 years, compared with 2.29 years at year-end 1994. Administrative costs are incurred to service periodic cash streams and maintain hedges over the life of the contract. A portion of income related to longer-term contracts is recognized as the costs related to these contracts are incurred.

Sources of derivative revenues and their related components are regularly reviewed by product, with profitability measured net of related hedging activities.

CREDIT

The notional or contractual values of derivative transactions do not directly represent credit risk exposure. Credit risk represents the amount of accounting loss that the Corporation would incur if a counterparty failed to perform its obligations under contractual terms and the collateral held, if any, were deemed worthless. The Corporation, however, requires collateral from its counterparties to mitigate credit risk, when appropriate. From an economic standpoint, credit risk is evaluated net of related collateral. Credit exposures are analyzed to assess current and potential credit risk. Current credit exposure represents the replacement cost of those contracts in a gain position, while potential credit exposures are based on estimates of future replacement costs over the remaining life of the contract. Credit exposure considerations are embedded in the mark-to-market process.

The Corporation attempts to enter into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with each of its counterparties; however, in some cases the Corporation encounters practical difficulties in obtaining executed agreements. Master netting agreements provide protection in bankruptcy in certain circumstances and in some cases enable receivables and payables with the same counterparty to be presented net on the Consolidated Balance Sheets, providing for a more meaningful balance sheet presentation of credit exposure.

Derivative credit exposures are aggregated with credit exposures related to non-derivative transactions to assess the total exposure to each counterparty and compliance with country, industry, and product limits. Specific reserves may be required for exposures to less creditworthy counterparties, as appropriate, and are reviewed as part of the Corporation's Reserve Committee process (see "Risk Management").

RISK MANAGEMENT

The Corporation operates in dynamic businesses that are subject to many risks that are continually monitored and evaluated. The Corporation's management has developed corporate governance policies and procedures which require specific areas and units to assist in the identification, assessment, and control of these risks. The Corporation's Global Risk Management Group ("Risk Management") is primarily responsible for monitoring market exposure, trading limits, and concentration levels (see "Market Risk"). Risk Management is headed by a Senior Vice President who is a member of the Executive Management Committee and reports directly to the President and Chief Operating Officer. Credit risk is monitored primarily by the Credit Division ("Corporate Credit") in conjunction with business unit personnel (see "Credit Risk"). Other units, including Finance, Corporate Audit, Operations, and Law and Compliance ("Units"), perform oversight reviews or other functions critical to managing risk.

In addition to independent risk management responsibilities, senior management from these Units take an active role in the oversight of the risk management process through the Risk Control Committee and the Reserve Committee.

The Risk Control Committee, which was established in 1995 to provide general oversight of risk management for all institutional trading activities, is chaired by the head of Risk Management and includes senior representatives from each of the other Units. The Risk Control Committee is chartered by and reports periodically to the Audit and Finance Committee of the Board of Directors, and is independent of the Corporation's business units. Its activities are designed to ensure compliance with the Corporation's commitment under the Derivatives Policy Group's Framework for Voluntary Oversight.

The Reserve Committee monitors valuation and certain other risks associated with assets and liabilities. The Corporation establishes reserves in the Consolidated Balance Sheets for existing conditions, events, or circumstances that may reduce the carrying value of an asset or incur a liability. The Reserve Committee, chaired by the Chief Financial Officer, reviews and approves firmwide reserve levels, as well as changes in reserve methodologies. The Reserve Committee meets monthly to review current market conditions and act on specific issues brought to its attention by Finance, Corporate Credit, Risk Management, and business unit personnel.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The Corporation's reserves take into account management's judgment and are generally recorded based on (i) identification of risks and exposures, (ii) formulas, (iii) aging, concentration, and liquidity analyses, or (iv) combinations of these three methods.

MARKET RISK

The Corporation incurs market risk primarily in connection with its trading

activities. Disclosure of methods for assessing and managing risk provides useful information on market risk exposures. Disclosure of derivatives alone, however, does not provide users of financial statements with a complete analysis of market risk. Derivative and cash financial instruments are subject to similar market and credit risks and are used together as part of trading and risk management strategies.

Market risk affects trading inventory values through changes in interest rates, credit spreads, prices, currency exchange rates, liquidity, and market volatility. The Corporation's trading activities are primarily client order flow-driven rather than proprietary, with hedging transactions executed when appropriate. This strategy helps reduce market risk and volatility in principal transactions revenues.

Risk Management monitors the Corporation's exposure to potential losses in the value of its trading inventories due to adverse market movements. Risk Management sets and monitors all trading limits, actively monitors trading and inventory exposures, approves new products in conjunction with the Corporation's new product review process, and has the authority to require reductions in specific trading desk exposures or to veto proposed transactions.

Risk Management is organized along product lines with independent professionals responsible for maintaining daily contact with specific trading areas. Trading systems and complementary risk monitoring systems allow these professionals to track established limit levels and exposures. Certain classes of transactions, including new financial products, certain proposed equity, emerging market, and high-yield underwritings, and bridge loans are subject to prior approval from Risk Management.

Trading systems are designed to assist traders in mitigating market and other risks prevalent in trading. Risk Management also has access to trading systems to allow for monitoring of positions and for performing computerized analytics on various market situations and conditions.

Risk Management uses an analytical technique known as stress simulations to measure and monitor exposure to market risk across all trading areas. Stress simulations estimate gains or losses that each trading area could experience under both moderate and severe market movements.

Each simulation considers a specific change in interest rates, credit spreads, equity prices, currency exchange rates, commodity prices, or volatilities, holding all other variables constant. Each trading area provides Risk Management with daily information on the expected gain or loss from different stress scenarios. Based on these simulations, market risks can be monitored firmwide and portfolios rebalanced, as necessary.

Stress simulations provide hypothetical results under different market scenarios. The Corporation, however, views actual results as the best indicator of risk management performance. Analyzing actual net revenues over time best illustrates the Corporation's tolerance for risk and the effectiveness of its risk management strategies. The nature of the Corporation's trading-related activities, which are principally client order flow-driven, combined with its risk management strategies, help reduce volatility in net revenues. A distribution of weekly net revenues (which includes principal transactions revenues, net interest, and selling concessions) by product for the last three years is presented in the graph below:

- -----
Graph titled "DISTRIBUTION OF WEEKLY NET REVENUES BY PRODUCT"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s distribution of weekly net revenues by product for the past three years. The graph illustrated the percentage of weeks that net revenues fell within the specified dollar ranges for each product presented below.

<TABLE><CAPTION>

	\$ (10) - 0	\$0 - 20	\$20 - 40	\$40 - 60	over \$60
<S>	<C>	<C>	<C>	<C>	<C>
Taxable Fixed-Income	.64%	15.92%	56.05%	21.02%	6.37%
Municipals	1.91%	98.09%	-	-	-
Interest Rate & Currency Swaps	1.91%	87.26%	10.83%	-	-
Foreign Exchange & Commodities	14.01%	85.99%	-	-	-
Equities & Equity Derivatives	-	4.46%	50.96%	37.58%	7.01%

</TABLE>

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- -----
CREDIT RISK

Credit risk is monitored primarily by Corporate Credit in conjunction with business unit personnel. Corporate Credit is headed by a Senior Vice President who reports directly to the Chief Financial Officer.

Corporate Credit is organized geographically and along industry lines. Credit officers perform credit analysis, set credit limits by country and by counterparty, approve specific transactions, recommend credit reserves, manage credit exposures, and participate in the new product review process. Credit analysis, in many cases, is enhanced by due diligence meetings with counterparties. Many types of transactions, including most derivatives, are reviewed and are subject to prior approval from Corporate Credit. Corporate Credit also works with the business units to develop and refine credit risk measurement models and to analyze potential credit exposures for complex derivative transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Within Corporate Credit, prescribed levels of authority have been established for approval of standard transactions. Required authority levels are governed by the counterparty's credit quality, as well as the maturity and potential risk of the transaction. Transactions that exceed prescribed levels must be approved by the Credit Committee, which is composed of several Directors of Credit and the Chief Credit Officer.

The credit system tracks information from automated and manual sources. This system aggregates credit exposure with each counterparty for various legal entities, maintains overall counterparty and specific product limits, and identifies limit review dates by counterparty. Detailed information on firmwide inventory positions and executed transactions, including current and potential credit exposure, is updated frequently and compared with limits. Collateral, which reduces the Corporation's credit exposure, is obtained as needed and tracked on the credit system. The system enables Corporate Credit, in conjunction with the business units, to monitor counterparty, product, industry, country, and credit quality concentrations.

Corporate Credit also monitors credit exposures related to the Corporation's loan products, including mortgages and home equity lines of credit, customer margin accounts, extensions of credit to high-net-worth individuals, and working capital facilities to small businesses, as well as merchant banking-related activities. Reserves are estimated based on specific identification of exposures, formulas, and aging analyses.

CONCENTRATION RISK

Concentration risk, the risk that the Corporation's businesses will be dependent upon a single source of revenue, product, or market, is periodically reviewed as part of the Corporation's ongoing strategic and business planning process. In recent years, the Corporation has diversified its global revenue sources to ensure that it is less dependent on any single financial product, customer base, or market to generate revenues.

OPERATIONAL RISK

Operational risk focuses on the Corporation's ability to accumulate, process, and communicate information necessary to conduct business in a global market environment. These risks are monitored on both a local and centralized basis. Central to managing its operational risk, the Corporation maintains backup facilities worldwide. Information systems provide operational risk assessments on transactions in major markets. This technology allows the Corporation to promptly respond to changing market conditions worldwide. As necessary, systems and equipment are updated for changes in technology. This enables the Corporation to compete effectively in the dynamic financial services industry. Exception reports are also used to manage operational risk, highlight reconciliation issues, and enable the Corporation to identify instances where additional collateral is required. These reports also help identify potential business risk exposures and promote compliance with both internal management policies and regulatory requirements. Operations personnel provide support and control for trading, clearance, and settlement activities, and perform custodial functions for customer and proprietary assets. Operations personnel who are responsible for entering trades report to operations or business managers, not to traders.

STATEMENTS OF CONSOLIDATED EARNINGS

<TABLE><CAPTION>

(Dollars in Millions, Except Per Share Amounts)	Year Ended Last Friday in December		
	1995	1994	1993

	(52 Weeks)	(52 Weeks)	(53 Weeks)

Revenues

<S>	<C>	<C>	<C>
Commissions	\$ 3,126	\$ 2,871	\$ 2,894
Interest and dividends	12,221	9,578	7,099
Principal transactions	2,519	2,335	2,921
Investment banking	1,308	1,240	1,831
Asset management and portfolio service fees	1,890	1,739	1,558
Other	449	471	285
	-----	-----	-----
Total Revenues	21,513	18,234	16,588
Interest Expense	11,248	8,609	6,030
	-----	-----	-----
Net Revenues	10,265	9,625	10,558
	-----	-----	-----
Non-Interest Expenses			
Compensation and benefits	5,270	4,952	5,255
Communications and equipment rental	487	432	386
Occupancy	449	436	573
Depreciation and amortization	367	325	308
Professional fees	425	367	290
Advertising and market development	398	375	377
Brokerage, clearing, and exchange fees	361	338	281
Other	697	670	663
	-----	-----	-----
Total Non-Interest Expenses	8,454	7,895	8,133
	-----	-----	-----
Earnings Before Income Taxes and Cumulative Effect of Change in Accounting Principle	1,811	1,730	2,425
Income Tax Expense	697	713	1,031
	-----	-----	-----
Earnings Before Cumulative Effect of Change in Accounting Principle	1,114	1,017	1,394
Cumulative Effect of Change in Accounting Principle (net of applicable income taxes of \$25)	-	-	(35)
	-----	-----	-----
Net Earnings	\$ 1,114	\$ 1,017	\$ 1,359
	=====	=====	=====
Net Earnings Applicable to Common Stockholders	\$ 1,066	\$ 1,004	\$ 1,354
	=====	=====	=====
- - - - -			
Primary Earnings Per Common Share			
Earnings Before Cumulative Effect of Change in Accounting Principle	\$ 5.44	\$ 4.75	\$ 6.14
Cumulative Effect of Change in Accounting Principle	-	-	(.16)
	-----	-----	-----
Net Earnings	\$ 5.44	\$ 4.75	\$ 5.98
	=====	=====	=====
Fully Diluted Earnings Per Common Share			
Earnings Before Cumulative Effect of Change in Accounting Principle	\$ 5.42	\$ 4.74	\$ 6.11
Cumulative Effect of Change in Accounting Principle	-	-	(.16)
	-----	-----	-----
Net Earnings	\$ 5.42	\$ 4.74	\$ 5.95
	=====	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

<TABLE><CAPTION>

	December 29, December 30,	

-		
(Dollars in Millions, Except Per Share Amounts)	1995	1994
	-----	-----
Assets		
<S>	<C>	<C>
Cash and cash equivalents	\$ 3,091	\$ 2,312
	-----	-----
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	5,412	4,953
	-----	-----
Marketable investment securities	2,365	2,325
	-----	-----
Trading assets, at fair value		
Corporate debt and preferred stock	17,581	14,818
Contractual agreements	11,833	9,519
Equities and convertible debentures	10,843	6,263
Non-U.S. governments and agencies	6,744	6,468
U.S. Government and agencies	6,672	8,197
Mortgages, mortgage-backed, and asset-backed	3,749	5,224
Money markets	1,680	958
Municipals	1,001	1,292

Total	60,103	52,739
Resale agreements	44,257	44,459
Securities borrowed	20,645	20,993
Receivables		
Customers (net of allowance for doubtful accounts of \$37 in 1995 and \$42 in 1994)	14,783	14,030
Brokers and dealers	9,267	6,487
Interest and other	4,741	4,361
Total	28,791	24,878
Investments of insurance subsidiaries	5,619	5,719
Loans, notes, and mortgages (net of allowance for loan losses of \$131 in 1995 and \$181 in 1994)	2,172	1,587
Other investments	961	888
Property, leasehold improvements, and equipment (net of accumulated depreciation and amortization of \$2,239 in 1995 and \$1,867 in 1994)	1,605	1,588
Other assets	1,836	1,308
Total Assets	\$176,857	\$163,749

</TABLE>

<TABLE><CAPTION>

	December 29,	December
30,	1995	1994

Liabilities and Stockholders' Equity		
Liabilities		
<S>	<C>	<C>
Repurchase agreements	\$56,817	\$ 51,864
Commercial paper and other short-term borrowings	29,546	26,440
Trading liabilities, at fair value		
Contractual agreements	10,907	8,382
U.S. Government and agencies	9,089	15,990
Equities and convertible debentures	6,642	3,990
Non-U.S. governments and agencies	4,418	4,010
Corporate debt and preferred stock	2,199	2,564
Municipals	95	166
Total	33,350	35,102
Customers	11,391	11,609
Insurance	5,391	5,689
Brokers and dealers	6,366	4,638
Other liabilities and accrued interest	10,515	7,726
Long-term borrowings	17,340	14,863
Total Liabilities	170,716	157,931
Stockholders' Equity		
Preferred Stockholders' Equity	619	619
Common Stockholders' Equity		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1995 and 1994 - 236,330,162 shares	315	315
Paid-in capital	1,237	1,196
Foreign currency translation adjustment	11	4
Net unrealized gains (losses) on investment securities available-for-sale (net of applicable income tax expense (benefit) of \$13 in 1995 and \$(31) in 1994)	25	(57)
Retained earnings	6,492	5,606
Subtotal	8,080	7,064
Less:		
Treasury stock, at cost:		
1995 - 60,929,278 shares		
1994 - 48,423,944 shares	2,241	1,627
Unallocated ESOP reversion shares, at cost:		
1995 - 4,012,519 shares		
1994 - 6,427,091 shares	63	101
Employee stock transactions	254	137
Total Common Stockholders' Equity	5,522	5,199
Total Stockholders' Equity	6,141	5,818
Total Liabilities and Stockholders' Equity	\$176,857	\$163,749

</TABLE>

See Notes to Consolidated Financial Statements

STATEMENTS OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

(Dollars in Millions, Except Per Share Amounts)	Year Ended Last Friday in December		
	1995	1994	1993
<hr/>			
<S>	<C>	<C>	<C>
Preferred Stockholders' Equity			
9% Cumulative Preferred Stock, Series A			
\$10,000 liquidation preference per share			
Balance, beginning of year	\$ 425	\$ -	\$ -
Issued (42,500 shares in 1994)	-	425	-
	<hr/>	<hr/>	<hr/>
Balance, end of year (42,500 shares in 1995 and 1994)	425	425	-
	<hr/>	<hr/>	<hr/>
Remarketed Preferred Stock, Series C			
\$100,000 liquidation preference per share			
Balance, beginning and end of year (3,000 shares in 1995, 1994, and 1993)	300	300	300
Remarketed Preferred Treasury Stock, at cost			
Balance, beginning and end of year (1,062 shares in 1995, 1994, and 1993)	(106)	(106)	(106)
	<hr/>	<hr/>	<hr/>
Balance, end of year	194	194	194
	<hr/>	<hr/>	<hr/>
Total Preferred Stockholders' Equity	\$ 619	\$ 619	\$ 194
	<hr/>	<hr/>	<hr/>
Common Stockholders' Equity			
Common Stock, par value \$1.33 1/3			
Balance, beginning of year (236,330,162 shares in 1995 and 1994; 234,692,848 shares in 1993)	\$ 315	\$ 315	\$ 313
Issued for employee benefit plans (1,637,314 shares in 1993)	-	-	2
	<hr/>	<hr/>	<hr/>
Balance, end of year (236,330,162 shares in 1995, 1994, and 1993)	\$ 315	\$ 315	\$ 315
	<hr/>	<hr/>	<hr/>
Paid-In Capital			
Balance, beginning of year	\$ 1,196	\$ 1,156	\$ 1,081
Issuance of stock:			
To employees	(2)	(9)	(3)
For other activity, including employee stock grants	(13)	13	14
To ESOP, including share allocations	56	36	64
	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 1,237	\$ 1,196	\$ 1,156
	<hr/>	<hr/>	<hr/>
Foreign Currency Translation Adjustment			
Balance, beginning of year	\$ 4	\$ (18)	\$ (6)
Translation adjustment (a)	7	22	(12)
	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 11	\$ 4	\$ (18)
	<hr/>	<hr/>	<hr/>

</TABLE>

<TABLE><CAPTION>

	Year Ended Last Friday in December		
	1995	1994	1993
<hr/>			
<S>	<C>	<C>	<C>
Net Unrealized Gains (Losses) on Investment Securities			
Available-for-Sale (net of applicable income taxes)			
Balance, beginning of year	\$ (57)	\$ 21	\$ --
Net unrealized gains (losses) on investment securities available-for-sale	335	(410)	254
Other adjustments (b)	(253)	332	(233)
	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 25	\$ (57)	\$ 21

Retained Earnings	=====	=====	=====
Balance, beginning of year	\$ 5,606	\$4,777	\$3,571
Net earnings	1,114	1,017	1,359
Cash dividends declared:			
9% Cumulative Preferred stock	(38)	(6)	--
Remarketed Preferred stock	(10)	(7)	(5)
Common stock (\$1.01 per share in 1995; \$.89 in 1994; \$.70 in 1993)	(180)	(175)	(148)
	-----	-----	-----
Balance, end of year	\$ 6,492	\$5,606	\$4,777
	=====	=====	=====
Common Treasury Stock, at cost			
Balance, beginning of year (48,423,944 shares in 1995; 23,408,139 in 1994; 16,288,488 in 1993)	\$ (1,627)	\$ (696)	\$ (287)
Treasury stock purchased (20,011,821 shares in 1995; 29,988,523 in 1994; 16,345,568 in 1993)	(939)	(1,138)	(695)
Issued out of treasury (net of reacquisitions):			
Employees (822,818 shares in 1995; 1,026,321 in 1994; 955,391 in 1993)	37	42	33
Employee stock grants (6,683,669 shares in 1995; 3,946,397 in 1994; 8,270,526 in 1993)	288	165	253
	-----	-----	-----
Balance, end of year (60,929,278 shares in 1995; 48,423,944 in 1994; 23,408,139 in 1993)	\$ (2,241)	\$ (1,627)	\$ (696)
	=====	=====	=====
Unallocated ESOP Reversion Shares, at cost			
Balance, beginning of year (6,427,091 shares in 1995; 8,932,332 in 1994; 11,201,672 in 1993)	\$ (101)	\$ (140)	\$ (176)
Allocation of shares to participants (2,414,572 shares in 1995; 2,505,241 in 1994; 2,269,340 in 1993)	38	39	36
	-----	-----	-----
Balance, end of year (4,012,519 shares in 1995; 6,427,091 in 1994; 8,932,332 in 1993)	\$ (63)	\$ (101)	\$ (140)
	=====	=====	=====
Employee Stock Transactions			
Balance, beginning of year	\$ (137)	\$ (123)	\$ (121)
Net issuance of employee stock grants	(192)	(121)	(115)
Amortization of employee stock grants	68	100	107
Repayment of employee loans	7	7	6
	-----	-----	-----
Balance, end of year	\$ (254)	\$ (137)	\$ (123)
	=====	=====	=====
Total Common Stockholders' Equity	\$ 5,522	\$ 5,199	\$5,292
	=====	=====	=====
Total Stockholders' Equity	\$ 6,141	\$ 5,818	\$5,486
	=====	=====	=====

</TABLE>

- (a) Net of income tax benefit (expense) of \$19 in 1995, \$(8) in 1994, and \$(2) in 1993.
- (b) Other adjustments consist of policyholder liabilities, deferred policy acquisition costs, and deferred income taxes.

See Notes to Consolidated Financial Statements

STATEMENTS OF CONSOLIDATED CASH FLOWS

<TABLE><CAPTION>

	Year Ended Last Friday in December		
	-----	-----	-----
(Dollars in Millions)	1995	1994	1993
-----	-----	-----	-----
Cash Flows from Operating Activities:			
<S>	<C>	<C>	<C>
Net Earnings	\$ 1,114	\$ 1,017	\$ 1,359
Noncash items included in earnings:			
Cumulative effect of change in accounting principle	-	-	35
Depreciation and amortization	367	325	308
Policyholder reserves	297	354	517
Other	672	658	683
(Increase) decrease in operating assets:			
Trading assets	(6,375)	6,610	
(19,830)			
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(459)	(884)	
(645)			
Securities borrowed	348	(1,992)	(5,435)
Customers	(771)	(826)	
(3,481)			
Maturities and sales of trading investment securities	-	197	-
Purchases of trading investment securities	-	(213)	-

Other	250	(273)	
(3,708)			
Increase (decrease) in operating liabilities:			
Trading liabilities	(2,608)	5,642	7,088
Customers	(1,377)	(1,962)	3,674
Insurance	(732)	(1,855)	
(2,028)			
Other	1,405	607	4,355
-	-----	-----	-----
Cash (Used for) Provided by Operating Activities	(7,869)	7,405	(17,108)
-	-----	-----	-----
Cash Flows from Investing Activities:			
Proceeds from (payments for):			
Maturities of available-for-sale securities	1,453	2,610	-
Sales of available-for-sale securities	1,029	1,377	-
Purchases of available-for-sale securities	(2,387)	(2,296)	-
Maturities of held-to-maturity securities	1,217	1,965	-
Purchases of held-to-maturity securities	(1,094)	(2,537)	-
Maturities and sales of investments by insurance subsidiaries	-	-	3,983
Purchases of investments by insurance subsidiaries	-	-	(2,439)
Marketable investment securities	-	-	
(575)			
Purchase of Smith New Court, net of cash acquired	(601)	-	-
Other investments and other assets	(138)	(391)	(176)
Property, leasehold improvements, and equipment	(352)	(406)	(407)
-	-----	-----	-----
Cash (Used for) Provided by Investing Activities	(873)	322	386
-	-----	-----	-----
Cash Flows from Financing Activities:			
Proceeds from (payments for):			
Repurchase agreements, net of resale agreements	5,155	(10,875)	10,873
Commercial paper and other short-term borrowings	3,106	3,225	4,445
Issuance and resale of long-term borrowings	10,353	10,353	7,862
Settlement and repurchases of long-term borrowings	(7,971)	(9,090)	(5,263)
Issuance of 9% Cumulative Preferred Stock	-	425	-
Common stock transactions	(894)	(1,048)	(511)
Dividends	(228)	(188)	
(153)			
-	-----	-----	-----
Cash Provided by (Used for) Financing Activities	9,521	(7,198)	17,253
-	-----	-----	-----
Increase in Cash and Cash Equivalents	779	529	531
Cash and Cash Equivalents, beginning of year	2,312	1,783	1,252
-	-----	-----	-----
Cash and Cash Equivalents, end of year	\$ 3,091	\$ 2,312	\$ 1,783
	=====	=====	=====

</TABLE>

Supplemental Disclosure of Cash Flow Information

Cash paid for:

Income taxes totaled \$557 in 1995, \$1,190 in 1994, and \$1,032 in 1993.

Interest totaled \$11,229 in 1995, \$8,452 in 1994, and \$5,788 in 1993.

Supplemental Disclosure of Noncash Investing and Financing Activity

As part of the consideration for Smith New Court, the Corporation issued approximately \$115 of unsecured floating-rate notes due December 31, 2000 (the "Notes"). The Notes are redeemable at the option of the holders on any quarterly interest payment date on or after December 31, 1996.

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions, Except Per Share Amounts)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Merrill Lynch & Co., Inc. and subsidiaries (collectively, the "Corporation"). All material intercompany balances have been eliminated. Certain limited reclassification and format changes have been made to prior years' amounts to conform to the current year presentation.

The Corporation provides investment, financing, insurance, and related services to individuals and institutions on a global basis through its principal broker-dealer subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), and its broker, dealer, insurance, banking, and other financial services subsidiaries. Such services include securities brokerage, trading, underwriting, and clearance; investment banking and other corporate finance advisory activities; investment advisory and other asset management services; trading of foreign exchange instruments, futures, commodities, and other derivatives; banking, trust, and lending services; and insurance sales and underwriting services.

The consolidated financial statements are presented in accordance with generally accepted accounting principles and prevailing industry practices, both of which require management to make estimates regarding certain trading inventory valuations, the outcome of litigation, goodwill, deferred tax asset realization, insurance deferred acquisition costs, and other matters that affect the reported amounts and disclosure of contingencies in the financial statements. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from those estimates.

TRADING INSTRUMENTS

Trading assets and trading liabilities, which include securities sold but not yet purchased and derivative instruments held for trading or to hedge trading inventory positions, are recorded on a trade date basis at fair value. Fair value is based on quoted market prices, pricing models (utilizing indicators of general market conditions or other economic measurements), or management's estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time.

Derivative instruments include futures, forwards, options, and swaps including swap options, caps, collars, and floors. Fair values for certain exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter ("OTC") derivative financial instruments, principally forwards, options, and swaps, are based on mid-market valuations adjusted, as required, to reflect amounts which would be received from or paid to a third party in settlement of the instruments. These adjustments are integral components of the mark-to-market process and relate to credit spreads, market liquidity, concentrations, close-out costs associated with unmatched positions, and funding and administrative costs incurred over the life of the instrument.

Unrealized gains and losses from derivatives are reported separately as assets and liabilities unless a legal right of setoff exists under a master netting agreement enforceable at law. Balances related to swap and forward transactions and foreign currency options are included in "Contractual agreements" on the Consolidated Balance Sheets. All other derivative instrument balances are recorded with the related trading asset or liability. The fair value of equity security options purchased, for example, is recorded in the "Equities and convertible debentures" trading asset caption.

The Corporation enters into when-issued and delayed delivery transactions. Unrealized gains and losses from these transactions are recorded in the related trading asset or liability account, respectively.

Principal transactions revenues are recognized on a trade date basis and include net unrealized gains or losses from marking-to-market all trading instruments. Realized gains and losses on trading instruments and any related interest amounts are included in principal transactions revenues and interest revenues and expenses, respectively.

FINANCING AND RELATED ACTIVITIES

The Corporation's objective is to match-fund the interest sensitivity of its assets and liabilities. Funding is principally obtained from commercial paper, repurchase agreements, and long-term borrowings. The Corporation utilizes derivatives to reduce risk by managing interest rate, foreign currency, and other exposures. Derivatives which modify the interest rate characteristics of specified assets and liabilities are accounted for on an accrual basis, with amounts to be paid or received recognized as adjustments to the specified assets and liabilities and the related interest income or expense. Unrealized gains and losses on all other financing derivatives are recognized currently. Realized gains and losses on early terminations of interest rate contracts are deferred over the remaining lives of the hedged assets or liabilities. At December 29, 1995, there were no deferred amounts related to terminated contracts.

Repurchase and resale agreements are accounted for as collateralized financing transactions and are recorded at their contractual amounts, plus accrued interest. The Corporation's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Corporation may require counterparties to deposit additional collateral or return collateral pledged,

when appropriate, to ensure that the market value of the underlying collateral remains sufficient. Substantially all repurchase and resale agreement activities are transacted under master netting agreements that give the Corporation the right, in the event of default, to liquidate collateral held and to set off receivables and payables with the same counterparty. The Corporation offsets certain repurchase and resale agreement balances with the same counterparty on the Consolidated Balance Sheets.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Corporation to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. The Corporation receives collateral in the form of cash or other securities for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

securities loaned transactions. For these transactions, the fee received or paid by the Corporation is recorded as interest revenue or expense. The Corporation monitors the market value of securities borrowed or loaned against the collateral value daily. Although substantially all securities borrowing and lending activities are transacted under master netting agreements, the Corporation does not offset the related receivables and payables with the same counterparty on the Consolidated Balance Sheets.

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INVESTMENT SECURITIES

The Corporation holds debt and equity investments principally in non-broker-dealer subsidiaries. These investments are classified as held-to-maturity, trading, or available-for-sale.

Held-to-maturity investments are debt securities that the Corporation has the positive intent and ability to hold to maturity. These investments are recorded at amortized cost unless a decline in value is deemed other-than-temporary, in which case the carrying value is adjusted. The amortization of premium or accretion of discount and any unrealized loss deemed other-than-temporary are included in current period earnings.

Debt and equity securities purchased principally for the purpose of resale in the near term are recorded as trading investments and are reported at fair value. Unrealized gains or losses on these investments are included in current period earnings.

Other debt and equity securities that are not categorized as held-to-maturity or trading are classified as available-for-sale and reported at fair value. Unrealized gains or losses on these securities are reported as a separate component of stockholders' equity, net of applicable income taxes and other related items.

Restricted equity investment securities or equity investment securities without available market quotations are reported at the lower of cost or estimated net realizable value. Adjustments in carrying values are included in current period earnings.

Realized gains and losses on investments are included in current period earnings. The cost basis of each investment sold is specifically identified for purposes of computing realized gains and losses.

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COMMISSIONS AND RELATED EXPENSES

Commissions charged for executing customer transactions are accrued on a trade date basis and included in current period earnings. Production-related compensation and benefits expense is accrued to match revenue recognition.

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INVESTMENT BANKING

Underwriting revenues and fees for mergers and acquisitions and advisory assignments are recorded when services for the transaction are substantially completed. Deal-related expenses are deferred and later expensed to match revenue recognition.

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INCOME TAXES

Merrill Lynch & Co., Inc. and certain of its wholly-owned subsidiaries file a consolidated Federal income tax return. The Corporation uses the asset and liability method in providing income taxes on all transactions that have been recognized in the consolidated financial statements. The asset and liability method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in

the period such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The Corporation does not provide for deferred income taxes on the undistributed earnings of foreign subsidiaries, which are considered to be permanently reinvested.

PROPERTY, LEASEHOLD IMPROVEMENTS, AND EQUIPMENT

Property (excluding land), leasehold improvements, and equipment are reported at historical cost, net of accumulated depreciation and amortization. Land is reported at historical cost.

Depreciation and amortization are computed using the straight-line method. Property and equipment are depreciated over the estimated useful lives of the assets, while leasehold improvements are amortized over the lesser of the estimated economic useful life of the asset or the term of the lease. Most of the Corporation's fixed assets are technology-based and have shorter lives, generally three to five years. Maintenance and repair costs are expensed as incurred.

Facilities-related depreciation and amortization expense was \$142, \$135, and \$140 in 1995, 1994, and 1993, respectively. Non-facilities-related depreciation and amortization expense for 1995, 1994, and 1993 was \$225, \$190, and \$168, respectively.

GOODWILL

Goodwill, which represents the cost of acquired businesses in excess of fair value of the related net assets at acquisition, is amortized on a straight-line basis over periods not exceeding fifteen years and is evaluated periodically for impairment.

INSURANCE

Insurance liabilities are future benefits payable under annuity and interest-sensitive life contracts and include deposits received plus interest credited during the contract accumulation period, the present value of future payments for contracts which have annuitized, and a mortality provision for certain products. Certain policyholder liabilities are also adjusted for those investments classified as available-for-sale (discussion follows). Interest-crediting rates range from 3.1% to 10.0%. Liabilities for unpaid claims consist of the mortality benefit for reported claims and an estimate of unreported claims based on prior experience. Policy deposits are recorded as insurance liabilities when received. Policy withdrawal, maintenance, and other fees are recognized as revenue when earned.

Substantially all investments of insurance subsidiaries, principally debt securities, are classified as available-for-sale and recorded at fair value. These investments support the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Dollars in Millions, Except Per Share Amounts)

Corporation's in-force, universal life-type contracts. The Corporation records adjustments to deferred acquisition costs and policyholder account balances which, when combined, are equal to the adjustments that would have been recorded if those available-for-sale investments had been sold at their estimated fair values and the proceeds reinvested at current yields. The corresponding credits or charges for these adjustments are recorded as unrealized gains or losses in stockholders' equity, net of applicable income taxes.

Certain variable costs related to the sale or acquisition of new and renewal insurance contracts have been deferred to the extent such costs are deemed recoverable from future income. Deferred costs are amortized over the lives of the contracts in proportion to the estimated gross profit expected to be realized for each group of contracts, utilizing an interest methodology.

The Corporation maintains separate accounts representing segregated funds held for purposes of funding variable life and annuity contracts. Subsidiaries of the Corporation receive various administrative and advisory fees for managing such funds. Separate account assets are accounted for as customer assets since the contract holders bear the risk of ownership, consistent with the Corporation's other investment products. Accordingly, separate account assets and the related liabilities are not consolidated with the assets and liabilities of the Corporation.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries are translated at year-end currency exchange rates, while revenues and expenses are translated at average

currency exchange rates during the year. Adjustments that result from translating foreign currency financial statements, net of hedging gains or losses and related tax effects, are reported as a separate component of stockholders' equity. Gains or losses resulting from the effect of exchange rate changes on foreign currency transactions are included in earnings of the current period.

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CASH FLOWS

For purposes of the Statements of Consolidated Cash Flows, the Corporation defines cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of 90 days or less, other than those held for trading purposes.

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INTEREST EXPENSE

Interest expense includes payments in lieu of dividends of \$10, \$23, and \$21 in 1995, 1994, and 1993, respectively.

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NOTE 2. OTHER SIGNIFICANT EVENTS

ACCOUNTING CHANGES

In 1995, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan", SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures", and SFAS No. 122, "Accounting for Mortgage Servicing Rights". The impact of adopting these pronouncements on 1995 results of operations was not material.

In 1993, the Corporation adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits". The cumulative effect of this change in accounting principle reported in the 1993 Statement of Consolidated Earnings resulted in a charge of \$35 (net of applicable income taxes of \$25).

At December 31, 1993, the Corporation adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The increase to stockholders' equity at that date totaled \$21 (net of \$12 in applicable income taxes). The impact of the year-end adoption of SFAS No. 115 on the 1993 results of operations was not material.

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ACQUISITION

In 1995, the Corporation acquired Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for approximately \$800, and recorded approximately \$530 of goodwill related to the acquisition. The Corporation's results of operations include those of Smith New Court since mid-August 1995.

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OCCUPANCY CHARGE

The Corporation recorded a non-recurring pretax charge totaling \$103 (\$60 after income taxes) in 1993 related to the Corporation's decision not to occupy certain office space at its World Financial Center Headquarters ("WFC") facility and to sublease the unused space to third parties.

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NOTE 3. TRADING ACTIVITIES

The Corporation trades both derivative and cash financial instruments. While trading activities are primarily generated by client order flow, the Corporation also takes proprietary positions in interest rate, foreign exchange, debt, equity, and commodity instruments based on expectations of future market movements and conditions. The Corporation's trading strategies rely on the joint management of its client-driven and proprietary transactions, along with the hedging and financing of these positions.

Detailed information on principal transactions revenues by product category follows(1):

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	1995	1994	1993
	-----	-----	-----
Equities and equity derivatives	\$ 912	\$ 625	\$ 872
Interest rate and currency swaps	732	750	604
Taxable fixed-income	516	471	972
Municipals	273	380	315
Foreign exchange and commodities	86	109	158
	-----	-----	-----
Total	\$2,519	\$2,335	\$2,921

(1) The revenue amounts presented include gains and losses from cash instruments and related derivatives including swaps, forwards, futures, and options as applicable.

Interest revenue and expense from derivative and cash financial instruments are integral components of trading activities. In assessing the profitability of trading activities, the Corporation views net interest and principal transactions revenues in the aggregate. See "Principal Transactions" in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

Management's Discussion and Analysis (unaudited) for further information on the Corporation's net trading results.

NOTE 4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Certain of the Corporation's financial instruments have off-balance-sheet risk of accounting loss, which may consist of market and/or credit risk, in excess of amounts recorded on the Consolidated Balance Sheets. Financial instruments with off-balance-sheet market risk include derivatives, securities sold but not yet purchased, and certain commitments and guarantees. These instruments may also have off-balance-sheet credit risk. The credit risk of off-balance-sheet instruments is discussed in Note 5, except to the extent that the following off-balance-sheet market risk discussion includes the credit risk of a derivative's underlying instrument.

DERIVATIVES

SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments", defines a derivative as a future, forward, swap, or option contract, or other financial instrument with similar characteristics. The SFAS No. 119 definition excludes all on-balance-sheet receivables and payables, including those that "derive" their values or contractually required cash flows from the price of some other security or index, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments. It also excludes option features embedded in on-balance-sheet receivables or payables. Conversion features and call provisions embedded in convertible bonds, for example, do not qualify as derivatives under the SFAS No. 119 definition.

Derivative contracts often involve future commitments to exchange interest payment streams or currencies (such as in interest rate and currency swaps or foreign exchange forwards) or to purchase or sell other financial instruments at specified terms on a specified date. For instance, options can be purchased or written on a wide range of financial instruments such as securities, currencies, futures, and market indices. Options can require the writer to purchase or sell a specified financial instrument or commodity, or to make a cash payment based on changes in a reference index or interest rate. Different forward commitment and option terms can also be combined to meet specialized needs. Interest rate caps and floors provide the purchaser with protection against rising and falling interest rates, respectively. Interest rate collars combine a cap and a floor, providing the purchaser with a predetermined interest rate range. Swap options provide the purchaser with an option to extend or cancel an existing swap contract or enter into a new swap contract in the future.

The Corporation enters into various derivative financial instruments to meet clients' needs and to manage its own market risks. See "Derivative Financial Instruments" in Management's Discussion and Analysis (unaudited) for further information.

MARKET RISK

Market risk is the potential change in value caused by fluctuations in interest rates, foreign exchange rates, or market prices of an underlying financial instrument or index. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

The Corporation seeks to control market risk by developing and refining hedging strategies that correlate price and currency movements of trading inventories, non-trading assets and liabilities, and related hedges. In many cases, derivative financial instruments are used to hedge other on- and off-balance-sheet transactions.

The following discussion describes the types of market risk faced by the Corporation and the relationship of derivatives, particularly those used for

trading purposes, to such risks.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Interest rate swap agreements are a common interest rate risk management tool. Eurodollar and U.S. Treasury securities futures are also typically effective for managing interest rate risk. The decision to manage interest rate risk using futures or swap contracts, as opposed to buying or selling short U.S. Treasury securities, depends on current market conditions and funding considerations.

Interest rate swap agreements used by the Corporation include caps, collars, floors, swap options, basis swaps, and leveraged swaps. Basis swaps are a type of interest rate swap agreement where rates received and paid are variable based on different index rates. Leveraged swaps are another type of interest rate swap where changes in the variable rate are multiplied by a contractual leverage factor, such as four times three-month LIBOR (London Interbank Offered Rate). The Corporation's exposure to interest rate risk resulting from these leverage factors is hedged with other financial instruments.

In addition to the credit risk of the counterparty, some swap agreements and other derivatives subject to interest rate risk also expose the holder to the credit risk of the underlying financial instrument. Total return swaps, for instance, are typically designed to transfer all the risks and rewards of ownership of an underlying debt instrument, including the risk of default, from one party in the swap agreement to the other party, in exchange for a specified interest rate.

CURRENCY RISK

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Foreign exchange forwards and options are commonly used to manage currency risk. Currency swaps are also used primarily in situations where a long-dated forward market is not available or where the end-user needs a customized instrument to hedge a foreign currency cash flow stream. Parties to a currency swap initially exchange

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

principal amounts in two currencies, agreeing to exchange interest payments and to re-exchange the currencies at a future date and agreed-upon rate. The Corporation's foreign exchange contracts relate primarily to major currencies such as the Japanese yen, German mark, and British pound.

EQUITY PRICE RISK

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of contracts that derive their value from a stock index, a particular stock, or a defined basket of stocks.

COMMODITY PRICE RISK

The Corporation views its commodity contracts as financial instruments since they are generally settled in cash and not by delivery of the underlying commodity. Market risk results from the possibility that the price of the underlying commodity may rise or fall. Cash flows from commodity swaps are based on the difference between an agreed-upon fixed price and a price that varies with changes in a specified commodity index. Commodity contracts held by the Corporation principally relate to natural resources and base metals.

TRADING DERIVATIVES

Many of the derivatives entered into by the Corporation are held for trading purposes, which includes hedging other trading positions.

The contractual or notional amounts of derivatives provide only a measure of involvement in these types of transactions and represent neither the amounts subject to the various types of market risk, nor the future cash requirements under these instruments. The contractual or notional amounts of derivatives used for trading purposes by type of risk follow:

	Interest		Equity	Commodity
	Rate	Currency	Price	Price
(in billions)	Risk(1)	Risk(3)	Risk	Risk
	(2)			

December 29, 1995

Swap agreements	\$851	\$106	\$ 7	\$ 3
Futures contracts	215	1	2	2
Options purchased	45	24	38	5
Options written	64	24	41	6
Forward contracts	33	118	-	25

December 30, 1994

Swap agreements	\$653	\$ 73	\$ 2	\$ 2
Futures contracts	172	-	2	2
Options purchased	75	22	22	12
Options written	74	22	21	7
Forward contracts	29	103	-	7

- (1) Certain derivatives subject to interest rate risk are also exposed to credit risk of the underlying financial instrument, such as total return swaps and similar instruments.
- (2) Forward contracts subject to interest rate risk principally represent "To Be Announced" mortgage pools which bear interest rate as well as principal prepayment risk.
- (3) Included in the currency risk category are certain contracts which are also subject to interest rate risk.

Most of the Corporation's off-balance-sheet trading derivative transactions are short-term in duration with a weighted-average maturity of approximately 2.24 years as of December 29, 1995 and 2.29 years as of December 30, 1994. The remaining maturities for notional or contractual amounts outstanding at December 29, 1995 for trading derivatives follow:

Graph titled "REMAINING MATURITIES OF TRADING DERIVATIVES"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s remaining maturities for notional or contractual amounts outstanding at December 29, 1995 of trading derivatives. The graph is presented in billions with trading derivatives comprised of swap agreements, futures contracts, forward contracts, options written, and options purchased. Remaining maturities for these products in the aggregate total \$1,610, \$893, \$632, \$457, \$342, \$239, \$197 and \$152 at year-ends December 1995 through December 2001 and after 2001, respectively.

FINANCING AND OTHER NON-TRADING DERIVATIVES

The Corporation's financing activities may create exposure to market risk, most notably interest rate and currency risk. The Corporation issues dollar- and foreign currency-denominated debt with both variable- and fixed-rate interest payment terms. The Corporation generally enters into swap agreements to convert fixed-rate interest payments on its debt obligations into variable-rate payments. Interest obligations on variable-rate long-term debt and commercial paper may also be modified through basis swaps, which change the underlying interest rate basis or reset frequency.

The Corporation also issues debt that is linked to the performance of an equity or other index (e.g., S&P 500) or an industry basket of stocks. These debt features are often referred to as embedded options. The contingent components of these indexed debt issuances and the related hedges are recorded at amounts which approximate fair value.

For other non-trading activities, the Corporation uses interest rate swaps to modify the interest rate characteristics of specified repurchase, resale, and certain customer transactions. The Corporation also uses currency swaps to hedge investments in and loans to foreign subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in Millions, Except Per Share Amounts)

The contractual or notional amounts of these instruments used for financing and other non-trading purposes follow:

(in billions)	December 29, 1995	December 30, 1994
Interest rate swap contracts(1)	\$31	\$22
Foreign exchange contracts(1)	3	3
Equity options purchased	1	1

- (1) Includes options embedded in swap contracts which hedge callable debt totaling \$1 billion notional.

Most of the above transactions are entered into with the Corporation's swap and foreign exchange dealer subsidiaries, which intermediate the interest

rate and currency risk with third parties in the normal course of their trading activities.

OTHER FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET MARKET RISK

In addition to derivatives, the Corporation has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. These transactions are recorded as trading liabilities on the Consolidated Balance Sheets. The Corporation will incur a loss if the market values of these securities subsequently increase.

NOTE 5. FINANCIAL INSTRUMENTS WITH CREDIT RISK

Credit risk is quantified by the amount of accounting loss that the Corporation would incur if a counterparty failed to perform its obligations under contractual terms and the collateral held, if any, were deemed worthless. Both on- and off-balance-sheet instruments may expose the Corporation to credit risk. The Corporation attempts to control credit risk by monitoring credit exposures, obtaining collateral, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

CREDIT RISK OF OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

For derivative contracts, credit risk is limited to the current cost of replacing those contracts in a gain position (i.e., the accounting loss). The notional or contractual values of futures, forward, and swap contracts do not represent exposure to credit risk. For futures contracts, the Corporation usually does not intend to take or make physical delivery of the underlying security, asset, or index. Since futures contracts are exchange-traded and require daily cash settlement, the related risk of accounting loss is generally limited to a one-day net positive change in market value. Option contracts can be exchange-traded or OTC contracts. Purchased options have credit risk to the extent of their replacement cost. Written options represent a potential obligation of the Corporation and, accordingly, do not subject the Corporation to credit risk.

To reduce credit risk, the Corporation requires collateral, principally U.S. Government and agencies securities, on certain derivative transactions.

Presented below is a summary of counterparty credit ratings for the replacement cost (net of \$2,186 collateral) of trading derivatives in a gain position by maturity at December 29, 1995.

	Years to Maturity				Cross-maturity netting(1)	Total
	0-3	3-5	5-7	Over 7		
Credit Rating(2)						
AAA	\$ 446	\$ 130	\$ 137	\$ 461	\$ (95)	\$ 1 079
AA+/AA	1,250	158	102	302	(316)	1,496
AA-	1,434	590	373	604	(550)	2,451
A+/A	1,807	759	316	260	(481)	2,661
A-	1,254	546	265	132	(332)	1,865
BBB	700	194	85	70	(125)	924
BB+	360	247	64	25	(58)	638
Other	416	63	21	21	(23)	498
	-----	-----	-----	-----	-----	-----
Total	\$7,667	\$2,687	\$1,363	\$1,875	\$ (1,980)	\$11,612
	-----	-----	-----	-----	-----	-----

- (1) Represents netting of payable balances with receivable balances for the same counterparty across maturity categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.
- (2) Represents rating agency equivalent.

The Corporation is also exposed to off-balance-sheet credit and market risk from various commitments and guarantees. In the normal course of business, the Corporation enters into commitments to extend credit, predominantly at variable interest rates, in connection with certain merchant banking and loan syndication transactions. Customers may also be extended lines of credit collateralized by first and second mortgages on real estate, certain liquid assets of small businesses, or securities. The Corporation also issues various guarantees to counterparties in connection with certain leasing, agency securities lending, securitization, and other transactions. These commitments and guarantees usually have a fixed expiration date and are contingent on certain contractual conditions that may require payment of a fee by the counterparty. Once commitments are drawn upon or guarantees are issued, the Corporation may require the counterparty to post collateral depending upon credit-worthiness and market conditions.

The contractual amounts of these commitments and guarantees represent the amounts at risk should the contract be fully drawn upon, the client default, and the value of the existing collateral become worthless. The total amount of outstanding commitments and guarantees may not represent future cash requirements as guarantees and commitments may expire without being drawn upon.

At December 29, 1995 and December 30, 1994, the Corporation had the following commitments and guarantees:

	1995	1994
	-----	-----
Commitments to extend credit	\$3,555	\$2,072
Third party guarantees	887	520

The fair value of the outstanding guarantees was \$31 and \$22 at December 29, 1995 and December 30, 1994, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

CREDIT RISK FROM CUSTOMER AND OTHER ACTIVITIES

In the normal course of business, the Corporation incurs credit risk when executing, settling, and financing various customer securities and commodity transactions. Execution of these transactions includes the purchase and sale (including "short sales") of securities. These activities may expose the Corporation to credit risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, the Corporation may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to its customers or counterparties. The Corporation seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, the Corporation may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

The Corporation borrows and lends securities to finance securities transactions and to facilitate the settlement process, utilizing both securities owned by the Corporation and securities owned by customers collateralizing margin debt. In addition, securities transactions are financed through resale and repurchase agreements, generally collateralized by U.S. Government and agencies securities, medium-term notes, asset-backed securities, or certain non-U.S. governments and agencies securities.

The market value of securities owned by the Corporation that have been loaned or were collateralizing either repurchase agreements or obligations associated with various settlement processes at December 29, 1995 and December 30, 1994, were \$37,074 and \$34,921, respectively.

CONCENTRATIONS OF CREDIT RISK

The Corporation's exposure to credit risk associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in geographic, industry, or economic factors. To alleviate the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

At December 29, 1995, the Corporation's most significant concentration of credit risk was with the U.S. Government and its agencies. This concentration, which arises from taking trading asset and investment security positions and holding collateral on resale agreements, totaled \$35,769 at December 29, 1995 and \$40,018 at December 30, 1994.

At December 29, 1995, the Corporation had concentrations of credit risk with other counterparties, including an Asian and a European sovereign rated AA+ or above by a recognized credit rating agency. The total exposure to these counterparties, excluding collateral held, was \$3,642 or 2.1% of total assets. At December 30, 1994, the Corporation had concentrations of credit risk with an Asian and two European sovereigns totaling \$2,615 or 1.6% of total assets, excluding collateral held.

The Corporation's most significant industry credit concentration is

with domestic and foreign financial institutions. Financial institutions include other brokers and dealers, commercial banks, automobile financing companies, insurance companies, and mutual funds. This concentration arises in the normal course of the Corporation's brokerage, trading, financing, and underwriting activities. The Corporation also monitors credit exposures worldwide by region. Within these regions, sovereign governments represent the most significant concentration, followed by financial institutions and non-financial institutions.

In connection with its mortgage trading activities, the Corporation held whole loans with market values of \$2,127 and \$2,111 at December 29, 1995 and December 30, 1994, respectively, as collateral for resale agreements with financial institutions totaling \$1,840 and \$1,888, respectively.

In conjunction with its investment and merchant banking activities, the Corporation provides extensions of credit and makes equity investments to facilitate leveraged transactions. In the normal course of business, the Corporation also purchases, sells, and makes markets in non-investment grade securities. These activities expose the Corporation to a higher degree of credit risk than is associated with investing, extending credit, underwriting, and trading in investment grade instruments. At December 29, 1995, the Corporation's aggregate exposure to credit risk (both on- and off-balance-sheet) associated with non-investment grade securities and highly leveraged transactions amounted to \$7,073. See "Non-Investment Grade Holdings and Highly Leveraged Transactions" in Management's Discussion and Analysis (unaudited) for further information.

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 29, 1995 and December 30, 1994, respectively, approximately 98% and 99% of financial instrument assets are carried at fair value or amounts which approximate fair value.

TRADING FINANCIAL INSTRUMENTS

Trading assets and liabilities, including derivative financial instruments used for trading purposes, are carried at fair value as described in Note 1.

The table below presents the average fair values of the Corporation's trading derivatives for 1995 and 1994, calculated on a monthly basis:

	Average Fair Value			
	1995		1994	
	Assets	Liabilities	Assets	Liabilities
Swap agreements	\$10,264	\$9,072	\$8,349	\$7,023
Forward contracts	1,543	1,915	1,358	1,365
Options	2,957	1,939	1,714	1,643

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

FINANCING AND OTHER NON-TRADING FINANCIAL INSTRUMENTS

Derivatives used to hedge borrowings and other non-trading activities are generally recorded on an accrual basis. The fair value of these instruments and related hedges is estimated using current market prices and pricing models. The carrying and fair values of these instruments are summarized as follows:

	December 29, 1995		December 30, 1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term borrowings	\$ 17,340	\$ 17,901	\$ 14,863	\$ 14,368
Related derivative:				
Assets	(260)	(781)	(133)	(168)
Liabilities	176	154	66	547
Total	\$17,256	\$ 17,274	\$ 14,796	\$ 14,747
Commercial paper	\$16,969	\$ 16,972	\$ 14,759	\$ 14,755
Related derivative:				
Assets	(16)	(17)	-	-

Liabilities	-	1	-	6
	-----	-----	-----	-----
Total	\$16,953	\$ 16,956	\$ 14,759	\$ 14,761
	=====	=====	=====	=====
Other non-trading liabilities	\$ 1,554	\$ 1,572	\$ 1,635	\$ 1,606
Related derivative:				
Assets	(3)	(4)	-	(4)
Liabilities	-	2	(3)	23
	-----	-----	-----	-----
Total	\$ 1,551	\$ 1,570	\$ 1,632	\$ 1,625
	=====	=====	=====	=====

Short-term financial instruments are carried at amounts which approximate fair value. Such instruments include cash and cash equivalents, cash and securities segregated for regulatory purposes or deposited with clearing organizations, repurchase and resale agreements, securities borrowed, receivables, commercial paper and other short-term borrowings, payables to customers and brokers and dealers, and insurance and other liabilities.

Marketable investment securities and certain investments of insurance subsidiaries and other investments are carried as held-to-maturity, trading, or available-for-sale securities as described in Note 1. These securities are predominantly carried at fair value or amounts that approximate fair value as disclosed in Note 7.

Other financial instruments with carrying values different than fair values are presented below:

	December 29, 1995		December 30, 1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Merchant banking equity and debt portfolio	\$ 394	\$ 595	\$ 556	\$ 764
Loans, notes, and mortgages(1)	2,082	2,149	1,417	1,428
Capitalized mortgage servicing rights	136	184	107	154

(1) Excludes loans related to merchant banking.

In connection with its merchant banking activities, the Corporation holds certain equity instruments, including partnership interests (both included in Other Investments in the Consolidated Balance Sheets), and loans consisting primarily of senior and subordinated debt. Fair value for equity instruments is estimated using a number of methods, including earnings multiples, cash flow analyses, and review of underlying financial conditions and other market factors. These instruments may be subject to restrictions (e.g., minority ownership, consent of other investors) that may limit the Corporation's ability to realize currently the estimated fair value. Accordingly, the Corporation's current estimate of fair value and its ultimate realization on these instruments may differ. Loans made in connection with merchant banking activities are carried at unpaid principal balances less a reserve for estimated losses. Fair value is estimated using discounted cash flows.

The Corporation's estimate of fair value for its loans, notes, and mortgages (excluding loans made in connection with merchant banking activities) is determined based on loan characteristics. For certain homogeneous categories of loans, including residential mortgages and home equity loans, fair value is estimated using market price quotations or previously executed transactions for securities backed by similar loans, adjusted for credit risk and other individual loan characteristics. For the Corporation's variable-rate loan receivables, carrying value approximates fair value.

Capitalized mortgage servicing rights, which represent the present value of estimated future net servicing revenues for mortgages securitized by the Corporation, are included in Other Assets on the Consolidated Balance Sheets. Fair value is computed based on the present value of estimated future servicing revenues (net of servicing expenses), using current market assumptions for discount rates, prepayment speeds, default estimates, and interest rates.

The Corporation holds a passive minority interest in a privately held limited partnership that provides information services. Due to the lack of a ready market for this investment and contractual restrictions on the disposition of the Corporation's interest, the fair value of this investment is not readily determinable as of December 29, 1995. It is the opinion of management, however, that the fair value of this investment significantly exceeds the carrying value of \$39.

NOTE 7. INVESTMENTS

The Corporation has several broad categories of investments on its Consolidated Balance Sheets, including investments of insurance subsidiaries, marketable investment securities, and other investments.

Investments of insurance subsidiaries, primarily debt securities, are used to fund policyholder liabilities. Marketable investment securities consist of equity and debt securities held for rating agency purposes or to manage cash flows related to certain liabilities of the Corporation's banking subsidiaries. Other investments consist principally of equity and debt securities which were acquired primarily in connection with merchant banking activities. Certain merchant banking investments are subject to restrictions which may limit the Corporation's ability to realize its investment until such restrictions expire.

A reconciliation of the Corporation's investment securities to those reported in the Consolidated Balance Sheets is presented below:

	December 29, 1995	December 30, 1994
Investments of insurance subsidiaries		
Available-for-sale	\$4,145	\$4,189
Non-qualifying	1,474	1,530
Total	\$5,619	\$5,719
Marketable investment securities		
Available-for-sale	\$1,064	\$ 486
Held-to-maturity	1,268	1,807
Trading	33	32
Total	\$2,365	\$2,325
Other investments		
Available-for-sale	\$ 165	\$ 106
Held-to-maturity	43	27
Non-qualifying	753	755
Total	\$ 961	\$ 888

Information regarding investment securities subject to SFAS No. 115 follows:

<TABLE><CAPTION>

	December 29, 1995				December 30, 1994			
	Cost/ Amortized	Gross Unrealized	Gross Unrealized	Estimated Fair	Cost/ Amortized	Gross Unrealized		
Gross Estimated Fair	Cost	Gains	Losses	Value	Cost	Gains		
Unrealized Available-for-Sale(1) Fair								
Losses Value								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Corporate debt	\$2,999	\$145	\$ (7)	\$3,137	\$3,009	\$21		
\$ (143)								
U.S. Government and agencies	631	8	-	639	365	1		
(6)								
Municipals	168	1	-	169	225	8		
(11)								
Mortgage-backed securities	1,290	35	(2)	1,323	1,240	12		
(41)								
Other debt securities	57	1	-	58	53	1		
-								
54								
Total debt securities	5,145	190	(9)	5,326	4,892	43		
(201)								
Equity securities	50	5	(7)	48	45	6		
(4)								
47								

[illegible]

(1) In accordance with Financial Accounting Standards Board implementation guidance on SFAS No. 115, the Corporation reassessed the classification of all such securities and transferred held-to-maturity securities with an amortized cost of \$385 to the available-for-sale category on December 29, 1995. Net unrealized gains for these securities on the date of transfer were \$4.

The carrying value and estimated fair value of debt securities at December 29, 1995, by contractual maturity, for available-for-sale and held-to-maturity investments follow:

(1) Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

stockholders' equity and assume that the unrealized gain or loss on available-for-sale securities was realized. The table below provides the activity for the net unrealized gains (losses) recorded in stockholders' equity for available-for-sale investments.

	Dec. 29, 1995	Dec. 30, 1994	Dec. 31, 1993
Net unrealized gains (losses)			
on investment securities			
available-for-sale	\$ 335	\$ (410)	\$ 254
Adjustments for policyholder			
liabilities	(137)	215	(206)
Adjustments for deferred			
policy acquisition costs	(72)	74	(15)
Deferred income taxes	(44)	43	(12)
	-----	-----	-----
Net activity	82	(78)	21
Net unrealized (losses) gains			
on investment securities			
classified as available-for-sale,			
beginning of year	(57)	21	-
	-----	-----	-----
Net unrealized gains (losses)			
on investment securities			
classified as available-for-sale,			
end of year	\$ 25	\$ (57)	\$ 21
	=====	=====	=====

The proceeds and gross realized gains (losses) from the sale of available-for-sale investments are as follows:

	1995	1994	1993
Proceeds	\$1,029	\$1,377	\$3,828
Gross realized gains	26	31	76
Gross realized losses	(28)	(34)	(5)

Net unrealized gains (losses) from trading investment securities included in the 1995 and 1994 Consolidated Statements of Earnings were \$1 and \$(7), respectively.

NOTE 8. STOCKHOLDERS' EQUITY PREFERRED EQUITY

The Corporation is authorized to issue 25,000,000 shares of undesignated preferred stock, \$1.00 par value per share. In 1994, the Corporation's Board of Directors (the "Board") delegated to the Executive Committee of the Board the authority to authorize the issuance, from time to time, of up to 100,000 shares of previously undesignated preferred stock having an aggregate liquidation preference not to exceed \$600. All shares of currently outstanding preferred stock constitute one and the same class and have equal rank and priority over common stockholders as to dividends and in the event of liquidation.

9% CUMULATIVE PREFERRED STOCK, SERIES A

In 1994, the Corporation issued 17,000,000 Depositary Shares, each representing a one-four-hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425.

Dividends on the 9% Preferred Stock are cumulative from the date of original issue and are payable quarterly when declared by the authority of the Board. The 9% Preferred Stock is redeemable on or after December 30, 2004 at the option of the Corporation, in whole or in part, at a redemption price equal to \$10,000 per share, plus accrued and unpaid dividends (whether or not declared) to the date fixed for redemption.

REMARKETED PREFERRED (Service Mark) STOCK, SERIES C

The Corporation has issued 3,000 shares of Remarketed Preferred Stock, Series C ("RP (Registered Trademark) Stock") of which 1,938 shares were outstanding as of December 29, 1995. The Corporation may redeem the RP Stock, in whole or in part, on any dividend payment date at a redemption price of \$100,000 per share, plus accumulated dividends.

Dividends on the RP Stock are cumulative and payable when declared by the authority of the Board. At the end of each dividend period, the RP Stock is

subject to a remarketing process, during which both the dividend period and the dividend rate may be adjusted for periods of generally seven or 49 days with a maximum dividend rate payable dependent on the credit rating assigned to the RP Stock. Dividend rates in effect during 1995 on the RP Stock ranged from 4.15% to 5.20% per annum.

MLPF&S acts as one of the remarketing agents for the RP Stock. As a market maker, MLPF&S may occasionally acquire a temporary position in the RP Stock. At December 29, 1995, the RP Stock held by MLPF&S for the purpose of resale was not material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

STOCKHOLDER RIGHTS PLAN

The Corporation's Stockholder Rights Plan provides for the distribution of preferred purchase rights ("Rights") to common stockholders which separate from the common stock ten days following: (a) an announcement of an acquisition by a person or group ("acquiring party") of 20% or more of the outstanding common shares of the Corporation; or (b) the commencement of a tender or exchange offer for 30% or more of the common shares outstanding. One-half of a Right is attached to each outstanding share of common stock and will attach to all subsequently issued shares. The Rights entitle the holder to purchase fractions of a share ("Units") of Series A Junior Preferred Stock, par value \$1.00 per share, at an exercise price of \$100 per Unit. The Units are nonredeemable and have voting privileges and certain preferential dividend rights. The exercise price and the number of Units issuable are subject to adjustment to prevent dilution.

If, after the Rights have been distributed, either the acquiring party holds 25% or more of the Corporation's outstanding shares or the Corporation is a party to a business combination or other specifically defined transaction, each Right (other than those held by the acquiring party) will entitle the holder to receive, upon exercise, Units of preferred stock or shares of common stock of the surviving company with a value equal to two times the exercise price of the Right. The Rights expire December 16, 1997 and are redeemable at the option of a majority of the independent directors of the Corporation at \$.01 per Right at any time until the tenth day following an announcement of the acquisition of 20% or more of the Corporation's common stock.

COMMON EQUITY

In 1993, the Board declared a two-for-one common stock split, effected in the form of a 100% stock dividend. All share and per share data presented in this Annual Report to Stockholders reflect the effect of the split. In addition, the Corporation issued 1,637,314 shares of common stock in connection with certain employee benefit plans in 1993.

NOTE 9. PER COMMON SHARE COMPUTATION

The Corporation computed earnings per common share using the modified treasury stock method ("modified method") in accordance with Accounting Principles Board Opinion No. 15. The modified method is used when the number of shares obtainable upon exercise of outstanding options, warrants, and their equivalents exceeds 20% of the Corporation's outstanding common stock.

Under this method, all options, warrants, and their equivalents are assumed exercised (whether dilutive or antidilutive), with the aggregate proceeds used to repurchase up to 20% of the Corporation's outstanding common stock, subject to certain limitations. If the combined effect of the assumed exercise is dilutive, all options, warrants, and their equivalents are included in the computation.

Primary earnings per common share is computed by dividing net earnings, after deducting preferred stock dividend requirements of \$48, \$13, and \$5 for 1995, 1994, and 1993, respectively, by the weighted-average number of common shares and common stock equivalents outstanding during each year. Shares of common stock issuable under various employee stock plans are considered common stock equivalents ("incremental shares").

The weighted-average common and incremental shares included in the primary and fully diluted per common share computations follow:

(in thousands)	1995	1994	1993
	----	----	----
Primary			
Weighted-average			
common shares	176,563	195,661	209,276

Incremental shares	19,434	15,580	17,055
	-----	-----	-----
Total	195,997	211,241	226,331
	=====	=====	=====
Fully Diluted			
Weighted-average			
common shares	176,563	195,661	209,276
Incremental shares	20,097	16,034	18,204
	-----	-----	-----
Total	196,660	211,695	227,480
	=====	=====	=====

NOTE 10. COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS

Commercial paper and other short-term borrowings at December 29, 1995 and December 30, 1994 are presented below:

	1995	1994
	-----	-----
Commercial paper	\$16,969	\$14,759
Demand and time deposits	8,182	7,578
Securities loaned	2,857	2,180
Bank loans and other	1,538	1,923
	-----	-----
Total	\$29,546	\$26,440
	=====	=====

The Corporation's weighted-average interest rates on its short-term financing instruments, which include repurchase agreements, commercial paper, and other short-term borrowings, were 6.20% in 1995 and 4.74% in 1994.

The weighted-average interest rates on these instruments modified through swap agreements were 6.18% and 4.76% in 1995 and 1994, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

NOTE 11. LONG-TERM BORROWINGS

Long-term borrowings at December 29, 1995 and December 30, 1994 consisted of the following (rates and maturities presented are as of December 29, 1995):

	1995	1994
	-----	-----
U.S. dollar-denominated fixed-rate obligations due 1996 to 2019 at interest rates ranging from 4.75% to 10.375%	\$ 4,670	\$ 4,983
Foreign currency-denominated fixed-rate obligations due 1996 to 2002 at interest rates ranging from 2.55% to 15.0%	1,157	725
U.S. dollar-denominated variable-rate obligations (1) (2)	630	890
Foreign currency-denominated variable-rate obligations (2)	222	110
U.S. dollar-denominated medium-term notes (3)	7,650	6,934
Foreign currency-denominated medium-term notes (3)	3,011	1,221
	-----	-----
Total	\$17,340	\$14,863
	=====	=====

- (1) Included in U.S. dollar-denominated variable-rate obligations are various equity-linked indexed instruments issued by the Corporation. Payments on these instruments may be linked to a specific index (e.g., S&P 500) or industry basket of stocks.
- (2) Variable interest rates are generally based on rates such as LIBOR, the U.S. Treasury Bill Rate, or the Federal Funds Rate.
- (3) Maturities of medium-term notes may range from nine months to 30 years from the date of issue.

Maturities of long-term borrowings at December 29, 1995 consisted of the following:

Maturities

1996	\$ 5,617
1997	1,896
1998	1,856
1999	2,320
2000	2,228
2001 and thereafter	3,423

Total	\$17,340
	=====

Substantially all of the Corporation's fixed-rate obligations are swapped into variable interest rates. In addition, the Corporation enters into swaps or other derivatives to modify or hedge its exposures on variable-rate and equity-linked obligations. See "Financing and Other Non-Trading Derivatives" in Note 4 for further detail.

Effective weighted-average interest rates for long-term borrowings, which include the impact of hedges, at December 29, 1995 and December 30, 1994 were:

	1995	1994
	-----	-----
Fixed-rate obligations	6.47%	4.54%
Variable-rate obligations	6.38	4.54
Medium-term notes	5.87	4.40

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity. Management believes, however, that a significant portion of such borrowings may remain outstanding beyond their earliest redemption date.

Subsequent to year-end 1995 and through February 20, 1996, long-term borrowings, net of repayments and repurchases, increased approximately \$1,684.

NOTE 12. INCOME TAXES

Income tax provisions (benefits) on earnings before cumulative effect of a change in accounting principle consisted of:

	1995	1994	1993
	----	----	----
Federal			
Current	\$ 788	\$ 680	\$ 878
Deferred	(164)	(150)	(275)
State and Local			
Current	81	158	376
Deferred	(30)	2	(58)
Foreign			
Current	(39)	5	165
Deferred	61	18	(55)
	-----	-----	-----
Total	\$ 697	\$ 713	\$1,031
	=====	=====	=====

The corporate statutory tax rate was 35.0% for the three years presented. A reconciliation of the statutory Federal income tax to the Corporation's income tax provisions for earnings before cumulative effect of an accounting change follows:

	1995	1994	1993
	----	----	----
Federal income tax			
at statutory rate	\$634	\$605	\$ 848
State and local income			
taxes, net	33	104	207
Pension plan transaction	13	14	14
Foreign operations	(4)	23	2
Tax-exempt interest	(14)	(18)	(16)
Dividends received deduction	(19)	(17)	(8)
Other, net	54	2	(16)
	-----	-----	-----
Total	\$697	\$713	\$1,031
	=====	=====	=====

For financial reporting purposes, the Corporation had no unrecognized net operating loss or alternative minimum tax benefit carryforwards at December 29, 1995.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. These temporary differences result in taxable or deductible amounts in future years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

Details of the Corporation's deferred tax assets and liabilities follow:

	1995	1994	1993
	----	----	----
Deferred tax assets			
Valuation of inventory, investments, and receivables	\$ 700	\$ 638	\$ 659
Total deferred compensation	228	192	91
Other	364	338	247
	-----	-----	-----
Subtotal	1,292	1,168	997
Valuation allowance	-	-	(3)
	-----	-----	-----
Total deferred tax assets net of valuation allowance	1,292	1,168	994
	-----	-----	-----
Deferred tax liabilities			
Lease transactions	100	113	74
Accelerated tax depreciation	70	92	114
Unrealized gains on trading inventory	18	29	36
Other	88	73	87
	-----	-----	-----
Total deferred tax liabilities	276	307	311
	-----	-----	-----
Net deferred tax asset	\$1,016	\$ 861	\$683
	=====	=====	=====

Income tax benefits of \$34, \$5, and \$75 were allocated to stockholders' equity related to employee compensation transactions for 1995, 1994, and 1993, respectively.

Earnings before income taxes included approximately \$128, \$48, and \$395 of earnings attributable to foreign entities for 1995, 1994, and 1993, respectively. Cumulative undistributed earnings of foreign subsidiaries were approximately \$848 at December 29, 1995. No deferred Federal income taxes have been provided for the undistributed earnings, as these earnings have been and will continue to be reinvested in the Corporation's foreign operations. Assuming utilization of foreign tax credits, the Corporation estimates that approximately \$133 of Federal income taxes and \$37 of foreign withholding taxes would be incurred on the repatriation of the foreign subsidiaries' earnings.

NOTE 13. REVOLVING CREDIT AGREEMENTS

The Corporation has obtained committed, unsecured revolving credit facilities aggregating \$5,565 under agreements with 76 banks. The agreements contain covenants that require, among other things, that the Corporation maintain specified levels of net worth, as defined in the agreements, on the date of an advance. To date, there have never been any borrowings under current or prior revolving credit facilities.

The credit quality, amounts, and terms of the credit facilities are continually monitored and modified as warranted by business conditions. Under the existing agreements, the credit facilities mature as follows: \$980 in March 1996; \$1,565 in May 1996; \$1,260 in June 1996; and \$1,760 in October 1996. At maturity, the Corporation may convert amounts then borrowed, if any, into term loans that would mature in two years.

NOTE 14. REGULATORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

MLPF&S, a registered broker-dealer, is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 ("SEA"). Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At December 29, 1995, MLPF&S's regulatory net capital of \$1,248 was 9% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$975.

In addition to amounts presented in the Consolidated Balance Sheets as cash and securities segregated for regulatory purposes or deposited with clearing organizations, securities with a market value of \$100, primarily collateralizing resale agreements, have been segregated in a special reserve bank account for the exclusive benefit of customers pursuant to the reserve formula requirements of SEA Rule 15c3-3.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities and a subsidiary of the Corporation, is subject to the capital adequacy requirements of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1 capital-to-risk standard). At December 29, 1995, MLGSI's liquid capital of \$658 was 209% of its total market and credit risk, and liquid capital in excess of the minimum required was \$280.

Merrill Lynch International Limited ("MLIL"), a United Kingdom registered broker-dealer and a subsidiary of the Corporation, is subject to the capital requirements of the Securities and Futures Authority ("SFA") of the United Kingdom. Financial resources, as defined, must exceed the total financial resources requirement of the SFA. At December 29, 1995, MLIL's financial resources were \$1,655, and exceeded the minimum requirement by \$386.

The Corporation's insurance subsidiaries are subject to various regulatory restrictions that limit the amount available for distribution as dividends. As of December 29, 1995, \$537, representing 84% of the insurance subsidiaries' net assets, was unavailable for distribution to the Corporation.

In addition, over 55 other subsidiaries are subject to regulatory requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These regulatory restrictions may limit the amounts that these subsidiaries can pay in dividends or advance to the Corporation. At December 29, 1995, restricted net assets of all subsidiaries were \$5,183. In addition, to satisfy rating agency standards, a credit intermediary subsidiary of the Corporation must also meet certain minimum capital requirements. At December 29, 1995, this minimum capital requirement was \$350.

There are no restrictions on the Corporation's present ability to pay dividends on common stock, other than (a) the Corporation's obligation first to make dividend payments on its preferred stock; and (b) the governing provisions of the Delaware General Corporation Law.

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NOTE 15. EMPLOYEE BENEFIT PLANS

The Corporation provides retirement and other postemployment benefits to its employees worldwide through defined contribution and defined benefit pension plans and other postretirement and postemployment benefit plans. The Corporation reserves the right to amend or terminate these plans at any time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

DEFINED CONTRIBUTION PENSION PLANS

The domestic defined contribution plans consist of the Retirement Accumulation Plan ("RAP"), the Employee Stock Ownership Plan ("ESOP"), and the 401(k) Savings & Investment Plan ("SIP"). The RAP, ESOP, and SIP cover substantially all U.S. employees who have met age and service requirements.

The Corporation established the RAP and the ESOP (collectively, the "Retirement Program") for the benefit of employees over the age of 21 with one year of service. A separate retirement account is maintained for each participant.

In 1989, the ESOP trust purchased 24,341,470 of common shares from the Corporation with residual funds from a terminated defined benefit pension plan ("Reversion Shares") and loan proceeds from a subsidiary of the Corporation ("Leveraged Shares").

The Corporation credits a participant's account and records pension expense under the Retirement Program based on years of service, age, and eligible compensation. This expense is funded by quarterly allocations of Leveraged and Reversion Shares and, if necessary, cash, to participants' accounts based on a specified formula. Leveraged and Reversion Shares are released in accordance with the terms of the ESOP. If the fair market value of the shares released does not fund the formula allocation to the participants' accounts, cash contributions are made to the RAP. Reversion Shares are allocated to participants' accounts over a period of not more than eight years, ending in 1997. Leveraged Shares are allocated to participants' accounts, as principal on the loan to the ESOP is repaid. Principal and interest on the loan are payable

quarterly upon receipt of dividends on certain shares of common stock or other cash contributions.

ESOP shares are considered allocated (specifically assigned to participants' accounts), committed (scheduled for release at a specified future date but not yet legally released), or unallocated (not released, committed, or allocated). Share information at December 29, 1995 follows:

	Reversion Shares	Leveraged Shares
Allocated	15,498,825	2,296,150
Committed	385,682	95,350
Unallocated	4,012,519	2,052,944
Cost of unallocated shares(1)	\$63	\$33(2)

(1) The cost of the unallocated Reversion and Leveraged Shares are recorded as reductions of Stockholders' Equity.

(2) Represents the ESOP loan balance.

Additional information on ESOP activity follows:

	1995	1994	1993
Dividends used for debt service(1)	\$ 9	\$ 11	\$ 10
Compensation costs funded with ESOP shares	143	109	110

(1) Dividends on all Leveraged and unallocated and committed Reversion Shares are used for debt service. Dividends on allocated Reversion Shares are credited to participants' accounts.

Employees can participate in the SIP by contributing, on a tax-deferred basis, up to 15% of their eligible compensation but not more than the maximum annual amount allowed by law. The Corporation's contributions are equal to one-half of the first 4% of each participant's eligible compensation contributed to the SIP, up to a maximum of fifteen hundred dollars annually. No corporate contributions are made for participants who are also Employee Stock Purchase Plan participants.

Internationally, the Corporation sponsors various defined contribution plans. The costs of benefits under the RAP, SIP, and international plans are expensed during the related service period.

DEFINED BENEFIT PENSION PLANS

The Corporation has purchased a group annuity contract which guarantees the payment of benefits vested under a U.S. defined benefit plan that was terminated in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). At December 29, 1995 and December 30, 1994, a substantial portion of the assets supporting the annuity contract were invested in U.S. Government and agencies securities. The Corporation, under a supplemental agreement, may be responsible for, or benefit from, actuarial experience and investment performance of these annuity assets. The Corporation also maintains supplemental defined benefit plans for certain U.S. employees.

Employees of certain non-U.S. subsidiaries participate in various local plans. These pension plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation during the final years of employment. The Corporation's funding policy has been to contribute annually the amount necessary to satisfy local funding standards.

Net periodic pension cost includes the following components:

	1995	1994	1993
Defined contribution plan cost	\$ 169	\$ 165	\$ 146
Defined benefit plans(1):			
Service cost for benefits earned during the year	19	16	12
Interest cost on projected benefit obligation	105	92	89
Actual return on plan assets	(480)	146	(281)
Deferral and amortization of unrecognized items	373	(243)	189
Total defined benefit plan cost	17	11	9
Total pension cost	\$ 186	\$ 176	\$ 155

(1) The following actuarial assumptions were used in calculating the defined benefit cost and benefit obligations. Weighted-average rates as of the beginning of the year are:

	1996	1995	1994
Weighted-average discount rate	6.5%	8.1%	6.7%
Rate of compensation increase (not applicable to terminated plan)	5.5	6.0	5.9
Expected long-term rate of return on plan assets	6.7	8.2	6.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

The funded status of the defined benefit plans (including the terminated plan) follows:
<TABLE><CAPTION>

	1995		1994	
	Pension plans in which:		Pension plans in which:	
	Assets Exceeded Accumulated Benefits	Accumulated Exceeded Assets (1)	Asset Exceeded Accumulated Benefits	Accumulated Exceeded Assets (1)
<S>	<C>	<C>	<C>	<C>
Accumulated benefit obligation				
Vested	\$ (1,429)	\$ (110)	\$ (1,189)	\$ (41)
Non-vested	(3)	(7)	(2)	(4)
Total	(1,432)	(117)	(1,191)	(45)
Effect of assumed increase in compensation levels	(23)	(29)	(13)	(18)
Projected benefit obligation	(1,455)	(146)	(1,204)	(63)
Plan assets at fair value	1,735	72	1,284	15
Plan assets in excess of (less than) projected benefit obligation	280	(74)	80	(48)
Unrecognized net liability at transition	3	2	4	3
Unrecognized net (gain) loss	(106)	27	74	8
Unrecognized prior service (benefit) cost	(7)	(1)	4	(2)
Prepaid (accrued) benefit cost	\$ 170	\$ (46)	\$ 162	\$ (39)

</TABLE>

(1) Consists primarily of domestic supplemental plans not subject to ERISA and non-U.S. plans where funding strategies vary due to legal requirements and local practice.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Corporation provides health and life insurance benefits to retired employees under a plan that covers substantially all U.S. employees who have met age and service requirements. The health care component is contributory, with retiree contributions adjusted periodically. The life insurance component of the plan is noncontributory. The accounting for costs of health care benefits anticipates future changes in cost-sharing provisions. The Corporation pays claims as incurred. Full-time employees of the Corporation become eligible for these benefits upon attainment of age 55 and completion of ten years of service. The Corporation also sponsors similar plans that provide health care benefits to eligible employees of certain international subsidiaries. As of December 29, 1995, these plans had not been funded.

Net periodic postretirement benefit expense included the following components:

	1995	1994	1993
Service cost	\$ 4	\$ 4	\$ 5
Interest cost on accumulated postretirement benefit obligation	10	9	11

Amortization of unrecognized gain	(1)	-	-
	---	---	---
Total	\$13	\$13	\$16
	===	===	===

The amounts recognized for the Corporation's postretirement benefit plans follow:

	1995	1994
	----	----
Accumulated postretirement benefit obligation		
Retirees	\$ (80)	\$ (52)
Fully eligible active plan participants	(34)	(35)
Other active plan participants	(57)	(41)
	-----	-----
Total	(171)	(128)
Unrecognized net loss (gain)	3	(32)
	-----	-----
Postretirement benefits accrued liability	\$ (168)	\$ (160)
	=====	=====

The following actuarial assumptions were used in calculating the postretirement benefit cost and obligations. Weighted-average rates as of the beginning of the year are:

	1996	1995	1994
	----	----	----
Weighted-average discount rate	6.5%	8.2%	6.8%
Health care cost trend rates(1)			
Initial	9.0	11.0	12.0
2011 and thereafter	5.5	6.0	4.5

(1) Assumed to decrease gradually until 2011 and remain constant thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported above. Increasing the assumed trend rate by one percentage point per year would increase the accumulated postretirement benefit obligation as of December 29, 1995 and December 30, 1994 by \$29 and \$17, respectively, and increase the aggregate of service and interest costs for 1995 and 1994 by \$3 and \$2, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in Millions, Except Per Share Amounts)

POSTEMPLOYMENT BENEFITS

The Corporation provides certain postemployment benefits for employees on extended leave due to injury or illness and for terminated employees. Employees that are disabled due to non-work-related illness or injury are entitled to salary continuation, medical coverage, and life insurance. The Corporation also provides severance benefits to terminated employees. In addition, the Corporation is mandated by state and Federal regulations to provide certain other postemployment benefits. The Corporation funds these benefits through a combination of self-insured and insured plans.

The Corporation recognized \$76, \$76, and \$79 in 1995, 1994, and 1993, respectively (excluding the 1993 cumulative effect adjustment), of postemployment benefits expense, which included severance costs for terminated employees of \$54, \$66, and \$60 in 1995, 1994, and 1993, respectively. Although all full-time employees are eligible for severance benefits, no additional amounts were accrued as of December 29, 1995 since future severance costs are not estimable.

NOTE 16. EMPLOYEE INCENTIVE PLANS

The Corporation sponsors several employee compensation plans that provide eligible employees with stock or deferred cash compensation or with options to purchase shares.

LONG-TERM INCENTIVE COMPENSATION PLAN ("LTICP") AND EQUITY CAPITAL ACCUMULATION PLAN ("ECAP")

LTICP and ECAP provide for grants of equity and equity-related instruments to certain key employees. LTICP provides for the issuance of Restricted Shares, Restricted Units, and Nonqualified Stock Options (discussions follow), as well as Incentive Stock Options, Performance Shares, Performance Units, Stock

Appreciation Rights, and other securities of the Corporation. ECAP provides for the issuance of Restricted Shares and Nonqualified Stock Options (discussions follow), as well as Performance Shares. As of December 29, 1995, no instruments other than Restricted Shares, Restricted Units, and Nonqualified Stock Options had been granted.

RESTRICTED SHARES AND UNITS

Restricted Shares are shares of the Corporation's common stock which carry voting and dividend rights. A Restricted Unit is deemed equivalent in fair market value to one share of the Corporation's common stock, is payable in cash, and receives cash payments equivalent to dividends thereon. Under both plans, such shares and units are restricted from sale, transfer, or assignment until the end of the restricted period and are subject to forfeiture during the vesting period for LTICP grants or the restricted period for ECAP grants.

The activity with respect to Restricted Shares and Units under these plans for the years ended December 29, 1995 and December 30, 1994 follows:

	LTICP		ECAP
	Restricted Shares	Restricted Units	Restricted Shares
Authorized for issuance	80,000,000	80,000,000	26,200,000
Available for issuance at December 29, 1995(1)	18,266,797	67,179,006	2,821,181
Outstanding, beginning of 1994	1,732,154	1,898,268	2,091,790
Granted - 1994	1,355,638	1,495,948	6,360
Paid, forfeited, or released from contingencies	(136,991)	(180,822)	(157,654)
Outstanding, end of 1994	2,950,801	3,213,394	1,940,496
Granted - 1995	2,158,209	2,084,721	541,960
Paid, forfeited, or released from contingencies	(1,837,250)	(1,974,341)	(1,876,465)
Outstanding, end of 1995(2)	3,271,760	3,323,774	605,991

- (1) Net of shares reserved for issuance upon the exercise of stock options.
(2) Subsequent to year-end through February 1, 1996, 1,332,563 and 1,398,852 LTICP Restricted Shares and Units, respectively, and 1,438,859 ECAP Restricted Shares were granted to eligible employees.

NONQUALIFIED STOCK OPTIONS

Nonqualified Stock Options granted under LTICP in 1989 through 1995 generally become exercisable over four years in equal installments commencing one year after the date of grant. Options granted in 1996 and thereafter (including those related to 1995 performance) generally will become exercisable over five years. The exercise price of these options is equal to 100% of the Fair Market Value (as defined in LTICP) of a share of common stock on the date of grant. Nonqualified Stock Options expire ten years after their grant date.

At December 29, 1995, approximately 17,059,375 options were exercisable at prices ranging from \$10.6875 to \$62.0625. During 1995, the fair market value of shares acquired by the exercise of Nonqualified Stock Options ranged from \$35.125 to \$64.00.

The activity for Nonqualified Stock Options under LTICP for 1995 and 1994 follows:

	Shares Subject to Option	
	1995	1994
Balance, beginning of year	28,407,933	27,004,771
Granted	6,456,462	4,527,100
Exercised	(3,959,949)	(2,649,411)
Forfeited or surrendered	(831,129)	(474,527)
Balance, end of year(1)	30,073,317	28,407,933

- (1) In January 1996, eligible participants were granted Nonqualified Stock Options for 6,816,190 shares.

FINANCIAL CONSULTANT CAPITAL ACCUMULATION AWARD PLAN ("FCCAAP")

Under FCCAAP, eligible employees in the Corporation's private client group are granted awards generally based upon their prior year's performance. Payment for an award

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

is contingent upon continued employment for a period of time and is subject to forfeiture during that period. The award is payable ten years from the date of grant in a fixed number of shares of the Corporation's common stock unless the fair market value of such shares is less than a specified minimum value plus interest, in which case the minimum value is paid in cash.

A total of 20,222,830 shares of the Corporation's common stock are authorized for issuance under FCCAAP. Only shares of common stock held as treasury stock may be issued under FCCAAP. At December 29, 1995, shares subject to awards made to eligible employees totaled 16,175,603 with 3,388,298 shares available for issuance.

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

ESPP allows eligible employees to invest from 1% to 10% of their eligible compensation to purchase the Corporation's common stock at a price equal to 85% of its fair market value. These purchases are made on four quarterly investment dates through payroll deductions. Up to 25,000,000 shares of the Corporation's common stock have been authorized for issuance under ESPP. The activity in ESPP for the two most recent fiscal years follows:

	ESPP Shares	
	1995	1994
Available, beginning of year	5,857,449	6,930,356
Purchased through plan	(861,186)	(1,072,907)
Available, end of year	4,996,263	5,857,449
	=====	=====

INCENTIVE EQUITY PURCHASE PLAN ("IEPP")

IEPP allowed selected employees to purchase shares of the Corporation's common stock ("Book Value Shares") at a price equal to book value per share as of a valuation date preceding the purchase date. Once held for six months, Book Value Shares, which otherwise may not be resold, may be sold back to the Corporation at book value (adjusted for certain non-recurring events) as of a valuation date preceding the sale, or exchanged at any time for a specified number of freely transferable common shares. Book Value Shares outstanding under IEPP were 1,221,500 at December 29, 1995 and 1,372,700 at December 30, 1994. In 1995, IEPP was amended to reduce the authorized shares to zero and prohibit the reuse of any surrendered shares. No further offerings will be made under this plan.

FINANCIAL CONSULTANTS INVESTMENT CERTIFICATE PROGRAM ("FCICP")

Under FCICP, eligible employees in the Corporation's private client group are issued investment certificates based on their performance. The certificates mature ten years from the date issued and are payable in cash if certain performance criteria are achieved and the employee is continuously employed for the ten-year period, with certain exceptions. The certificates bear interest commencing with the date the performance requirements are achieved. As of December 29, 1995 and December 30, 1994, the Corporation had \$188 and \$147 accrued under this plan, respectively.

OTHER DEFERRED COMPENSATION PLANS

The Corporation sponsors other deferred compensation plans in which eligible employees may participate. Generally, contributions to the plans are made on a tax-deferred basis to participants. Participants may contribute portions of certain variable compensation, or the Corporation may contribute cash awards. Contributions are generally invested at the direction of the participant, often from a selection of mutual funds sponsored by the Corporation. The plans' investments and the amounts accrued by the Corporation under the plans are included in Other Investments and Other Liabilities, respectively, and totaled \$135 and \$147, respectively, at December 29, 1995.

NOTE 17. COMMITMENTS AND CONTINGENCIES

LITIGATION

There are numerous civil actions, arbitration proceedings, and claims pending against the Corporation as of December 29, 1995, some of which involve claims for substantial amounts.

In addition, on January 12, 1995, an action was commenced in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") by Orange County, California (the "County") and the Orange County Investment Pools (the "Pools"), both of which filed bankruptcy petitions in the Bankruptcy Court on December 6, 1994 against the Corporation and certain of its subsidiaries in connection with the corporation's business activities with the Orange County Treasurer-Tax Collector. The Pools' bankruptcy petition subsequently was dismissed.

The County and its current Treasurer-Tax Collector seek relief totaling in excess of \$2 billion in connection with various securities transactions between the Orange County Treasurer-Tax Collector and the Corporation and its subsidiaries. The complaint alleges, among other things, that these transactions violated California law and should be adjudged null and void; that the Corporation and its subsidiaries violated various provisions of the Bankruptcy Code and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder; and that the Corporation and its subsidiaries breached a fiduciary duty owed to the County and conspired to make unauthorized use of public funds.

In addition, other actions have been brought against the Corporation and/or certain of its officers, directors, and employees and certain of its subsidiaries in the United States District Court for the Central District of California, the United States District Court for the Southern District of New York, and in the state courts in California, Illinois, and New York. These include class actions and stockholder derivative actions brought by persons alleging harm to themselves or to the Corporation arising out of the Corporation's dealings with the Orange County Treasurer-Tax Collector, or from the purchase of debt instruments issued by the County that were underwritten by the Corporation's subsidiary, MLPF&S.

Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Millions, Except Per Share Amounts)

management that the resolution of these matters will not have a material adverse effect on the consolidated financial statements of the Corporation contained herein.

LEASES

The Corporation has entered into various noncancelable long-term lease agreements for premises and equipment that expire through 2024, including the WFC. The Corporation has also entered into various noncancelable short-term lease agreements which are primarily monthly commitments of less than one year under equipment leases.

Future minimum rental commitments under noncancelable leases with initial or remaining terms exceeding one year are presented below:

	WFC	Other	Total
	-----	-----	-----
Minimum Rental Commitments			
1996	\$ 125	\$ 194	\$ 319
1997	126	186	312
1998	130	168	298
1999	142	152	294
2000	146	139	285
Thereafter	2,157	728	2,885
	-----	-----	-----
Total	\$2,826	\$1,567	\$4,393
	=====	=====	=====

Total minimum rental commitments have not been reduced by \$1,246 of minimum sublease rentals to be received in the future under noncancelable subleases. Certain leases contain renewal or purchase options, or escalation clauses providing for increased rental payments based upon maintenance, utility, and tax

Rent expense, net of sublease revenue, for each of the last three years is presented below:

OTHER COMMITMENTS

The Corporation obtains letters of credit from issuing banks to satisfy various counterparty collateral requirements in lieu of the Corporation depositing collateral of securities or cash. Letters of credit aggregated \$2,352 and \$1,161 at December 29, 1995 and December 30, 1994, respectively.

NOTE 18. INDUSTRY AND GLOBAL OPERATIONS

The Corporation operates in both international and domestic markets. The Corporation's international business activities are conducted through offices in three regions: Europe, Africa, and the Middle East; Asia, including Japan and Australia; and the Americas, excluding the U.S.

The principal methodology used in preparing the international data that follows includes: (i) commission revenues are recorded based on the location of the sales force; (ii) trading revenues are principally recorded based on the location of the trader; (iii) investment banking revenues are recorded based on the location of the client; and (iv) asset management and portfolio service fees are recorded based on the location of the fund manager. Earnings before income taxes include the allocation of certain shared expenses among regions. In addition, intercompany transfers are based primarily on service agreements.

<TABLE><CAPTION>

		1995	1994	1993		1995	1994	1993	
		Total Revenues				Net Revenues			

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Europe, Africa, and Middle East	\$ 3,981	\$ 3,464	\$ 3,111	\$ 1,319	\$ 1,134	\$ 1,358
Asia	1,232	963	879	701	554	683
Americas	704	617	526	347	333	377
Subtotal	5,917	5,044	4,516	2,367	2,021	2,418
United States	16,107	13,754	13,475	8,092	7,703	9,309
Eliminations	(511)	(564)	(1,403)	(194)	(99)	(1,169)
Total	\$ 21,513	\$ 18,234	\$ 16,588	\$ 10,265	\$ 9,625	\$ 10,558

<CAPTION>

	Earnings Before Income Taxes			Total Assets		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Europe, Africa, and Middle East	\$ 155	\$ 176	\$ 481	\$ 56,948	\$ 44,297	\$ 37,107
Asia	81	75	191	16,914	11,389	8,546
Americas	127	137	139	4,997	4,216	5,658
Subtotal	363	388	811	78,859	59,902	51,311
United States	1,448	1,342	1,614	105,702	108,147	106,132
Eliminations	-	-	-	(7,704)	(4,300)	(4,533)
Total	\$ 1,811	\$ 1,730	\$ 2,425	\$ 176,857	\$ 163,749	\$ 152,910

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Merrill Lynch & Co., Inc.:

We have audited the accompanying consolidated balance sheets of Merrill Lynch & Co., Inc. and subsidiaries as of December 29, 1995 and December 30, 1994 and the related statements of consolidated earnings, changes in consolidated stockholders' equity and consolidated cash flows for each of the three years in the period ended December 29, 1995. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation and its subsidiaries at December 29, 1995 and December 30, 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1995 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 1993 the Corporation and its subsidiaries changed their method of accounting for postemployment benefits and their method of accounting for certain investments in debt and equity securities to conform with Statements of Financial Accounting Standards No. 112 and No. 115, respectively.

/s/ Deloitte & Touche LLP

New York, New York
February 26, 1996

FIVE-YEAR FINANCIAL SUMMARY

<TABLE><CAPTION>

	Year Ended Last Friday in
December	

(Dollars in Millions) 1995	1991	1992	1993	1994	

Revenues (52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)
<S> <C>	<C>	<C>	<C>	<C>	<C>

Commissions					
Listed securities	\$ 1,065	8.6%	\$ 1,147	8.6%	\$ 1,404
7.2%					8.5%
Mutual funds	519	4.2	668	5.0	879
4.2%					4.8
Commodities	147	1.2	142	1.1	217
0.8%					1.2
Money market instruments	176	1.4	191	1.4	109
0.4%					0.6
Other	259	2.1	274	2.0	305
1.9%					1.7
	-----	----	-----	----	-----

Total	2,166	17.5	2,422	18.1	2,894
14.5%					17.5
					2,871
					15.8
					3,126
Interest and Dividends	5,761	46.7	5,807	43.3	7,099
56.8%					42.8
Principal Transactions					
Equities and equity derivatives	534	4.3	614	4.6	872
4.2%					5.2
Interest rate and currency swaps	240	2.0	390	2.9	750
3.4%					4.1
Taxable fixed-income	825	6.6	742	5.5	972
2.4%					5.9
Municipals	240	2.0	262	1.9	315
1.3%					1.9
Foreign exchange and commodities	67	0.5	158	1.2	158
0.4%					1.0
	-----	----	-----	----	-----

Total	1,906	15.4	2,166	16.1	2,921
11.7%					17.6
Investment Banking					
Underwriting	1,020	8.2	1,309	9.8	1,647
4.5%					9.9
Strategic services	156	1.3	175	1.3	184
1.6%					1.1
	-----	----	-----	----	-----

Total	1,176	9.5	1,484	11.1	1,831
6.1%					11.0
Asset Management and					
Portfolio Service Fees	1,004	8.1	1,253	9.3	1,558
8.8%					9.4
Other	340	2.8	281	2.1	285
2.1%					1.7
	-----	----	-----	----	-----

Total Revenues	12,353	100.0	13,413	100.0	16,588
100.0%					100.0
Interest Expense	5,107	41.3	4,836	36.0	6,030
52.3%					36.4
	-----	----	-----	----	-----

Net Revenues	7,246	58.7	8,577	64.0	10,558
47.7%					63.6
	-----	----	-----	----	-----

Non-Interest					
Expenses					
Compensation and benefits	3,868	53.4	4,365	50.9	5,255
51.3%					49.8
Communications and equipment rental	357	4.9	366	4.3	386
4.8%					3.6
Occupancy	473	6.5	478	5.6	573
4.4%					5.4
Depreciation and amortization	276	3.8	281	3.3	308
3.6%					2.9

Professional fees	235	3.3	257	3.0	290	2.7	367	3.8	425
4.1 Advertising and market development	250	3.5	301	3.5	377	3.6	375	3.9	398
3.9 Brokerage, clearing, and exchange fees	240	3.3	277	3.2	281	2.7	338	3.5	361
3.5 Other	530	7.3	631	7.3	663	6.3	670	6.9	697
6.8	-----	----	-----	----	-----	----	-----	----	-----

Total Non-Interest Expenses	6,229	86.0	6,956	81.1	8,133	77.0	7,895	82.0	8,454
82.4	-----	----	-----	----	-----	----	-----	----	-----

Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	1,017	14.0	1,621	18.9	2,425	23.0	1,730	18.0	1,811
17.6									
Income Tax Expense	321	4.4	669	7.8	1,031	9.8	713	7.4	697
6.8	-----	----	-----	----	-----	----	-----	----	-----

Earnings Before Cumulative Effect of Changes in Accounting Principles	696	9.6	952	11.1	1,394	13.2	1,017	10.6	1,114
10.8									
Cumulative Effect of Changes in Accounting Principles, Net of Income Taxes	-	-	(58)	(.7)	(35)	(.3)	-	-	-
-	-----	----	-----	----	-----	----	-----	----	-----

Net Earnings	\$ 696	9.6%	\$ 894	10.4%	\$ 1,359	12.9%	\$ 1,017	10.6%	\$ 1,114
10.8%	=====	=====	=====	=====	=====	=====	=====	=====	=====
=====									

</TABLE>

*Revenues and Interest Expense are presented as a percentage of Total Revenues. Non-Interest Expenses, Cumulative Effect of Changes in Accounting Principles, and Earnings are presented as a percentage of Net Revenues.

STATISTICAL DATA

<TABLE><CAPTION>

Selected statistical data for the last five fiscal years are presented for informational purposes below.

Friday in December	Year Ended Last			
	1991	1992	1993	1994
1995				
(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)
<S>	<C>	<C>	<C>	<C>
<C>				
Private Client Assets (in billions):				
Assets in Worldwide Private Client Accounts	\$440	\$487	\$557	\$568
\$703				
Assets in U.S. Private Client Accounts	\$422	\$463	\$527	\$537
\$665				
Assets under Professional Management:				
Money Markets	\$ 67	\$ 67	\$ 66	\$ 67
\$ 82				
Equities	12	16	30	37
47				
Fixed Income	27	35	42	36
41				
Private Portfolio	11	13	17	20
22				

Insurance	7	8	6	4
4	----	----	----	----

Subtotal	124	139	161	164
196				
ML Consults	5	12	17	14
17				
Mutual Fund Advisor and Asset Power	-	-	1	3
6	----	----	----	----

Total	\$129	\$151	\$179	\$181
\$219	=====	=====	=====	=====
=====				

Underwriting (dollars in billions) (a):

Global Debt and Equity:				
Volume	\$109.9	\$149.9	\$191.9	\$137.2
\$147.7				
Market Share	12.7%	13.0%	12.8%	12.6%
13.8%				
U.S. Debt and Equity:				
Volume	\$ 99.6	\$139.6	\$172.5	\$116.1
\$127.3				
Market Share	17.0%	16.4%	16.4%	16.5%
17.9%				

Full-Time Employees:

U.S.	34,700	36,100	37,500	38,750
39,250				
International	3,600	4,000	4,400	5,050
6,750	-----	-----	-----	-----

Total	38,300	40,100	41,900	43,800
46,000	=====	=====	=====	=====

Financial Consultants and Account Executives Worldwide	12,100	12,700	13,100	13,400
13,800				

Productivity Measures (dollars in thousands):

Support Personnel to Producer Ratio (b)	1.47	1.44	1.43	1.46
1.43				
Net Revenues per Employee	\$189	\$214	\$252	\$220
\$223				
Pretax Earnings per Employee	\$ 27	\$ 40	\$ 58	\$ 39
\$ 39				
Compensation and Benefits Expense to Net Revenues	53.4%	50.9%	49.8%	51.5%
51.3%				
Compensation and Benefits Expense to Total Non-Interest Expenses	62.1%	62.7%	64.6%	62.7%
62.3%				

Expense Coverage (in millions):

Fee-based Revenues (c)	\$1,697	\$2,024	\$2,429	\$2,869
\$3,101				
Fixed and Semi-fixed Expenses	\$3,338	\$3,656	\$4,103	\$4,306
\$4,707				
Fee-based Revenues to Fixed and Semi-fixed Expenses	50.8%	55.4%	59.2%	66.6%
65.9%				

</TABLE>

(a) Full credit to book manager. All market share data are derived from Securities Data Co.

(b) Support personnel includes sales assistants.

(c) Fee-based revenues include principally asset management and portfolio service fees and net margin interest.

QUARTERLY INFORMATION

Presented below are the unaudited quarterly results of operations of the Corporation by quarter for 1995 and 1994. The quarterly information is prepared

in conformity with generally accepted accounting principles and reflects all adjustments, consisting only of normal recurring accruals, that are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. The nature of the Corporation's business is such that the results of any interim period are not necessarily indicative of results for a full year.

<TABLE><CAPTION>

							For
the Quarter Ended							
(Dollars in Millions, April 1, Except Per Share Amounts) 1994	Dec. 29, 1995	Sept. 29, 1995	June 30, 1995	Mar. 31, 1995	Dec. 30, 1994	Sept. 30, 1994	July 1, 1994
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Revenues \$4,739	\$5,293	\$5,431	\$5,585	\$5,204	\$4,484	\$4,530	\$4,481
Interest Expense 1,907	2,680	2,749	3,036	2,783	2,391	2,228	2,083
Net Revenues 2,832	2,613	2,682	2,549	2,421	2,093	2,302	2,398
Non-Interest Expenses 2,180	2,131	2,197	2,085	2,041	1,838	1,912	1,965
Earnings Before Income Taxes 652	482	485	464	380	255	390	433
Income Tax Expense 280	179	185	181	152	93	159	181
Net Earnings \$ 372	\$ 303	\$ 300	\$ 283	\$ 228	\$ 162	\$ 231	\$ 252
Earnings Per Common Share: Primary \$ 1.68	\$ 1.49	\$ 1.47	\$ 1.40	\$ 1.08	\$.76	\$1.10	\$ 1.18
Fully Diluted \$ 1.68	\$ 1.49	\$ 1.46	\$ 1.39	\$ 1.08	\$.75	\$1.10	\$ 1.18

</TABLE>

DIVIDENDS PER COMMON SHARE (Declared and paid)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1995	\$.23	\$.26	\$.26	\$.26
1994	\$.20	\$.23	\$.23	\$.23

There are no restrictions on the Corporation's present ability to pay dividends on common stock, other than (a) the Corporation's obligation first to make dividend payments on its preferred stock and (b) the governing provisions of the Delaware General Corporation Law. Certain subsidiaries' ability to declare dividends may also be limited (see Note 14 to the Consolidated Financial Statements).

STOCKHOLDER INFORMATION

Consolidated Transaction Reporting System prices for the specified calendar quarters are noted below.

<TABLE><CAPTION>

	1st High	Qtr. Low	2nd High	Qtr. Low	3rd High	Qtr. Low	4th High	Qtr. Low
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1995	\$45	\$34 5/8	\$53 1/4	\$42 5/8	\$63 3/4	\$51 7/8	\$64 3/4	\$50 1/8
1994	\$45 5/8	\$36 1/2	\$40 1/2	\$34 1/4	\$40 7/8	\$34 1/4	\$41 1/8	\$32 1/4

The approximate number of record holders of common stock as of February 2, 1996 was 12,800.

SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of ML & Co. as of March 22, 1996 and the states or jurisdictions in which they are organized. Indentation indicates the principal parent of each subsidiary. Except as otherwise specified, in each case ML & Co. owns, directly or indirectly, at least 99% of the voting securities of each subsidiary. The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a "significant subsidiary" as that term is defined in Rule 1.02(v) of Regulation S-X, under the Securities Exchange Act of 1934.

Name	State or Jurisdiction of Entity
- ----	-----
Merrill Lynch & Co., Inc.	Delaware
Merrill Lynch, Pierce, Fenner & Smith Incorporated ¹	Delaware
Broadcast Capital Corp.	Delaware
Merrill Lynch & Co., Canada Ltd.	Ontario
Merrill Lynch Canada Incorporated/Incorporee	Nova Scotia
Merrill Lynch Life Agency Inc. ²	Washington
Wagner Stott Clearing Corp. ³	Delaware
Merrill Lynch Bank & Trust Co.	New Jersey
Merrill Lynch Capital Services, Inc.	Delaware
Merrill Lynch Government Securities Inc.	Delaware
Merrill Lynch Money Markets Inc.	Delaware
Merrill Lynch Group, Inc.	Delaware
Merrill Lynch Capital Partners, Inc.	Delaware
Merrill Lynch Derivative Products, Inc. ⁴	Delaware
Merrill Lynch Futures Inc.	Delaware
Merrill Lynch Group Holdings Limited	Ireland
Merrill Lynch Capital Markets Bank Limited	Ireland

- -----
- 1 MLPF&S also conducts business as "Merrill Lynch & Co."
 - 2 Similarly named affiliates and subsidiaries that engage in the sale of life insurance and annuity products are incorporated in various other jurisdictions.
 - 3 The preferred stock of the corporation is owned by an unaffiliated group of investors.
 - 4 ML & Co. owns 100% of this corporation's outstanding common voting stock. 100% of the outstanding preferred voting stock is held by outside parties. The board of directors consist of 11 members, 9 of which are ML & Co. employees and 2 of which represents outside parties.

Name	State or Jurisdiction of Entity
- ----	-----
Merrill Lynch & Co., Inc.	
Merrill Lynch Group, Inc. (cont'd)	
Merrill Lynch Insurance Group, Inc.	Delaware
Merrill Lynch Life Insurance Company	Arkansas
ML Life Insurance Company of New York	New York
Merrill Lynch International Finance Corporation	New York
Merrill Lynch International Bank Limited	England
Merrill Lynch Bank (Suisse) S.A.	Switzerland
Merrill Lynch Mortgage Capital Inc.	Delaware
Merrill Lynch National Financial	Utah
Merrill Lynch Trust Bank of Michigan.....	Michigan
Merrill Lynch Trust Company.....	New Jersey
Merrill Lynch Business Financial Services Inc.	Delaware
Merrill Lynch Credit Corporation.....	Delaware
Merrill Lynch Home Equity Acceptance, Inc.	Delaware
Merrill Lynch Trust Company.....	Florida
Merrill Lynch Financial Data Services, Inc.	Florida
Merrill Lynch Trust Company of America.....	Illinois
Merrill Lynch Trust Company of California	California
Merrill Lynch Trust Company of Texas	Texas
Merrill Lynch Investment Partners Inc.	Delaware
ML IBK Positions Inc.	Delaware
Merrill Lynch Capital Corporation ⁵	Delaware
ML Leasing Equipment Corp. ⁶	Delaware
Princeton Services, Inc. ⁷	Delaware
Merrill Lynch International Incorporated.....	Delaware

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- 5 This company has 7 subsidiaries holding or having a direct or indirect interest in specific investments on its behalf.
- 6 This corporation has more than 45 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of limited partnerships.
- 7 This corporation is the general partner of Merrill Lynch Asset Management, LP and Fund Asset Management, LP (whose limited partner in both cases is ML & Co.).

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Name - ----	State or Juris- diction of Entity -----
Merrill Lynch & Co., Inc.	
Merrill Lynch International Incorporated (cont'd)	
Merrill Lynch International (Australia) Limited.....	New South Wales
Merrill Lynch International Bank.....	United States
Merrill Lynch International Holdings Inc.	Delaware
Merrill Lynch Bank (Austria) Aktiengesellschaft A.G.	Austria
Merrill Lynch Bank and Trust Company (Cayman) Limited	Cayman Islands, British West Indies
Merrill Lynch International & Co.8	Netherlands Antilles
Merrill Lynch Capital Markets A.G.	Switzerland
Merrill Lynch Europe PLC	England
Merrill Lynch International Limited.....	England
Merrill Lynch Capital Markets PLC.....	England
Merrill Lynch, Pierce, Fenner & Smith (Brokers & Dealers) Limited	England
Merrill Trust Company (Jersey) Limited	Jersey, Channel Islands
Merrill Lynch Europe Ltd.	Cayman Islands, British West Indies
Merrill Lynch Holding GmbH9	Germany
Merrill Lynch Bank A.G.	Germany
Merrill Lynch GmbH.....	Germany
Merrill Lynch Holding S.A.F.	France
Merrill Lynch Capital Markets (France) S.A.	France
Merrill Lynch Far East Limited	Hong Kong
Merrill Lynch Japan Incorporated	Delaware

- -----
- 8 A partnership among subsidiaries of ML & Co.
- 9 ML & Co. holds a 50% interest in this corporation, with the remaining 50% interest held by an outside party.

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INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following Registration Statements of Merrill Lynch & Co., Inc. of our reports dated February 26, 1996 included in and incorporated by reference in this Annual Report on Form 10-K of Merrill Lynch & Co., Inc. for the year ended December 29, 1995.

Filed on Form S-8:

Registration Statement No. 33-41942 (1986 Employee Stock Purchase Plan)

Registration Statement No. 33-17908 (Incentive Equity Purchase Plan)

Registration Statement No. 33-33336 (Long Term Incentive Compensation Plan)

Registration Statement No. 33-51831 (Long Term Incentive Compensation Plan)

Registration Statement No. 33-51829 (401(k) Savings and Investment Plan)

Registration Statement No. 33-54154 (Non-Employee Directors' Equity Plan)

Registration Statement No. 33-54572 (401(k) Savings and Investment Plan (Puerto Rico))

Registration Statement No. 33-56427 (1994 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 33-55155 (1995 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 33-60989 (1995 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 33-00863 (401(k) Savings & Incentive Plan)

Filed on Form S-3:

Debt Securities

Registration Statement No. 33-54218

Registration Statement No. 2-78338

Registration Statement No. 2-89519

Registration Statement No. 2-83477

Registration Statement No. 33-03602

Registration Statement No. 33-17965

Registration Statement No. 33-27512

Registration Statement No. 33-35456

Registration Statement No. 33-42041

Registration Statement No. 33-45327

Registration Statement No. 33-49947

Registration Statement No. 33-51489

Registration Statement No. 33-52647

Registration Statement No. 33-60413

Registration Statement No. 33-61559

Registration Statement No. 33-65135

Medium Term Notes

Registration Statement No. 2-96315

Registration Statement No. 33-03079

Registration Statement No. 33-05125

Registration Statement No. 33-09910

Registration Statement No. 33-16165

Registration Statement No. 33-19820

Registration Statement No. 33-23605

Registration Statement No. 33-27549

Registration Statement No. 33-38879

Other Securities

Registration Statement No. 33-19975 (Remarketed Preferred Stock, Series C)

Registration Statement No. 33-33335 (Common Stock)

Registration Statement No. 33-45777 (Common Stock)

Registration Statement No. 33-55363 (Preferred Stock)

/s/ Deloitte & Touche LLP

New York, New York
March 22, 1996

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<F1>Financial Instruments Owned includes commodity contracts but excludes physical commodities and real estate owned totaling \$140.

</FN>

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