

News

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**MERRILL LYNCH REPORTS
INCREASED EARNINGS AND PROFITABILITY FOR 2002**

**FULL YEAR NET EARNINGS
OF \$2.6 BILLION, \$2.69 PER DILUTED SHARE**

**FOURTH QUARTER EARNINGS OF \$603 MILLION,
\$0.63 PER DILUTED SHARE**

NEW YORK, January 22 – Merrill Lynch (NYSE: MER) today reported net earnings of \$2.6 billion for 2002, or \$2.69 per diluted share, compared with \$573 million for 2001, or \$0.57 per diluted share. Results in 2001 included a fourth-quarter after-tax restructuring charge of \$1.7 billion and September 11-related expenses of \$83 million. Full year 2002 results include the following after-tax items: \$143 million of research settlement-related expenses, offset by \$126 million of September 11-related net insurance recoveries and \$42 million of net restructuring benefits. In aggregate, these items increased full year 2002 after-tax earnings by \$25 million. Return on equity for 2002 was 12.0%.

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Full year 2002 net operating earnings, which exclude these items, were \$2.6 billion, or \$2.67 per diluted share, up 7% from the \$2.4 billion in net operating earnings, or \$2.50 per diluted share, reported for the full year 2001. Despite a 15% decline in full year net revenues, to \$18.6 billion, the full year 2002 pre-tax operating margin rose nearly four percentage points from 2001, to 20.7%. With the exception of the 21.4% pre-tax margin reported in 2000, this is the highest pre-tax margin Merrill Lynch has achieved since 1993. Non-interest expenses on an operating basis were reduced by \$3.4 billion, or 19%, from 2001.

Commenting on these results and the business environment, Stan O'Neal, Merrill Lynch's chief executive officer, said, "Despite an extremely challenging market environment, our improved financial performance in 2002 is a direct result of actions taken to enhance revenues in certain areas and reduce costs. I am proud of the discipline, dedication and talent of Merrill Lynch employees in responding swiftly to changing market conditions while serving clients and effectively managing risk.

While it will be difficult to maintain 2002 revenue levels in the current year -- absent meaningful improvement in the market environment -- we are confident that we have the market position, scale and financial strength to sustain our longer-term growth strategy. Indeed, we continue to invest in areas of growth potential, while relentlessly maintaining operating discipline."

Fourth quarter 2002 net earnings were \$603 million. They include after-tax research settlement-related costs of \$65 million, primarily offset by net insurance recoveries and net restructuring credits, for a net after-tax expense of \$12 million. Net operating earnings for the fourth quarter were \$615 million, or \$0.64 per diluted share, compared with \$491 million, or \$0.51 per diluted share, in the fourth quarter of 2001. Although net revenues were 12% lower, at \$4.2 billion, the fourth quarter pre-tax operating margin rose to 21.7%, more than six percentage points higher than the 15.2% reported for the year-ago quarter.

Business Segment Review:

The research settlement-related expenses were included in the Corporate segment. All figures and comparisons in the following business segment discussions exclude the impact of the September 11-related and restructuring-related items.

Global Markets and Investment Banking (GMI)

By leveraging diverse sources of revenue, focusing on expenses and effectively allocating resources throughout 2002, GMI continued to improve its pre-tax operating profit margins despite the deteriorating market environment. GMI's results also demonstrate the strength of Merrill Lynch's debt markets business, which had a record year in 2002 for net revenues and profits, and the firm's scale advantage in its equity markets business. Taken together, these factors have been integral in further enhancing Merrill Lynch's competitive positioning and profitability across the market cycle.

- GMI's full-year 2002 net revenues were \$8.4 billion, 18% lower than 2001, but the full-year pre-tax operating margin increased by nearly one percentage point to 28.2%. Strong expense management enabled GMI to reduce non-interest costs by 19%, or \$1.4 billion, from 2001 levels and achieve \$2.4 billion in 2002 pre-tax operating earnings.
- GMI's fourth quarter pre-tax operating earnings were \$558 million, 29% higher than the 2001 fourth quarter, on net revenues that were 10% lower than the year-ago quarter, at \$1.8 billion. GMI's fourth quarter pre-tax operating margin was 31.4%, an improvement of nearly ten percentage points over the 2001 fourth quarter, as the 21% year-over-year reduction in non-interest expenses outpaced the decline in net revenues.
- The decline in GMI's net revenues compared to the 2001 fourth quarter was driven primarily by reduced equity and investment banking revenues, partially offset by a strong revenue increase in debt markets. Compared to the 2002 third quarter, equity markets revenues were essentially unchanged and investment banking revenues increased.

GMI continues to invest in profitable growth opportunities that leverage its scale and complement its business mix and client reach while maintaining strong operating discipline.

Global Private Client (GPC)

The challenging market environment throughout 2002 underscored the strength of Merrill Lynch's individual client relationships, as well as the value of the investment advice and high quality service delivered by the firm's Financial Advisors. The environment also highlighted the advantages of the breadth of Merrill Lynch's product offering, which provides clients with the most comprehensive approach in the industry to addressing their individual financial needs. These factors are important growth drivers, and combined with operating discipline and a continued increase in fee-based and recurring revenue sources, have been integral to the significant improvement in GPC's financial performance during 2002.

- GPC's 2002 full-year pre-tax operating earnings were \$1.2 billion, up 31% from 2001. Full-year net revenues declined 11% to \$8.8 billion. The pre-tax operating margin was 13.7%, up more than four percentage points from 2001, reflecting substantially improved performance both inside and outside the United States.
- GPC's fourth quarter pre-tax operating earnings were \$298 million, 4% lower than the 2001 fourth quarter, and included costs associated with the integration of the U.S. and non-U.S. businesses. Despite an 11% decline in net revenues, to \$2.1 billion, GPC's fourth quarter pre-tax operating margin increased to 14.0%, up from 13.1% in the year-ago period.
- GPC's business in the United States generated a 2002 full-year pre-tax operating margin of 15.9%, up nearly four percentage points from 2001, due to reduced expenses as well as a high percentage of fee-based and recurring revenues, which stabilized overall revenues as transaction volumes fell. The U.S. business generated a fourth quarter pre-tax operating margin of 17.0%, up nearly one percentage point from the 2001 fourth quarter.
- GPC's business in the United States continued to focus on diversifying revenues, with high mortgage origination volumes and increased sales of annuity products during 2002. Demand for small business services, including lending, was also strong. Merrill Lynch recently launched a new cash management service called *Beyond Banking[®]*, as part of its comprehensive financial management platform, *Total MerrillSM*. This platform provides clients with a full array of products and services through their Financial Advisor with which to meet their financial needs.
- The performance of GPC's business outside the United States improved in 2002 as the refocusing of the private client business in Japan was completed. The recently-announced integration of GPC businesses inside and outside the United States is a further step towards growth and increased profitability in this business.

- Net new money into GPC accounts totaled \$10 billion during the 2002 fourth quarter. Total assets in GPC accounts increased 3% during the quarter, to \$1.1 trillion. Assets in asset-priced accounts totaled \$182 billion, or 16.0% of total Private Client assets at the end of the fourth quarter. Flows of assets into annuitized products in the U.S. totaled nearly \$30 billion in 2002, reflecting the continued high demand by new and existing clients for Merrill Lynch's professionally managed account services.

GPC's growth initiatives center on building its private wealth, retirement and small business services. GPC will also continue to expand the *Total MerrillSM* product array, enhance service levels, and focus on providing clients with access to Financial Advisors who define a new standard for professionalism in the marketplace.

Merrill Lynch Investment Managers (MLIM)

MLIM continued to deliver outstanding investment performance, leverage its products across distribution channels and rigorously control costs, which resulted in improved profitability even with the extremely challenging market environment in 2002.

- MLIM's full-year 2002 pre-tax operating earnings were \$344 million, a 14% increase from 2001. Net revenues were \$1.6 billion, 20% lower than 2001. MLIM's pre-tax operating margin was 22.2%, more than six percentage points higher than in 2001, as the integration of MLIM's global investment platform and re-alignment of resources reduced expenses and improved productivity.
- MLIM continued to generate strong investment performance in the fourth quarter, with approximately 70% of global assets under management above benchmark or median for 1-, 3-, and 5-year periods ending December 2002.
- For the fourth quarter, MLIM posted increased pre-tax operating earnings and margins on net revenues of \$339 million, 26% lower than the year-ago period. Pre-tax operating earnings were \$73 million, 22% higher than the 2001 fourth quarter, which was negatively impacted by increased litigation expense. MLIM's pre-tax operating margin improved to 21.5%, more than eight percentage points over the fourth quarter of 2001.
- Assets under management were \$462 billion, up slightly compared with the third quarter of 2002, due primarily to \$5 billion of net inflows, and market-driven appreciation.

MLIM will continue to make investment performance its first priority in 2003 as it further refines its product array, broadens distribution, and targets selected growth opportunities. Enhancing penetration of the GPC channel for all MLIM products remains a top priority. Expanding third-party distribution in Europe and the United States, and building on the success of MLIM's alternative investment products also remain priorities for the upcoming year.

Fourth Quarter Income Statement Review:

Revenues

Net revenues were \$4.2 billion, 12% lower than the 2001 fourth quarter.

Commission revenues were \$1.1 billion, 10% below the 2001 fourth quarter, due primarily to a global decline in client transaction volumes, particularly in listed equities and mutual funds.

Principal transactions revenues decreased 39% from the fourth quarter of 2001, to \$358 million, due to lower revenues from equities and equity derivatives, reduced client transaction flows, and the conversion of the Nasdaq business to a commission-based structure over the past year, partially offset by higher debt trading revenues. The prior year included higher unrealized gains on equity investments held by Merrill Lynch's broker-dealers. Principal transactions revenues decreased only 5% from the third quarter of 2002. Principal transaction and net interest revenues in GMI are closely related and need to be analyzed in aggregate to understand the changes in net trading revenue.

Net interest profit was \$939 million, up \$77 million, or 9%, from the 2001 fourth quarter, due primarily to a favorable yield curve environment.

Underwriting revenues were \$420 million, 22% lower than the 2001 fourth quarter. Strategic advisory revenues also declined 22% from the 2001 fourth quarter, to \$163 million. These decreases reflect reduced investment banking activity. Underwriting revenues were up 27% from the 2002 third quarter.

Asset management and portfolio service fees were \$1.1 billion, down 14% from the fourth quarter of 2001. This decrease is primarily the result of a market-driven decline in equity assets under management and a reduction in portfolio servicing fees, which are calculated on beginning-of-period asset values.

Other revenues, which include realized gains related to sales of mortgages in Merrill Lynch's U.S. banks, were \$148 million.

Expenses

Compensation and benefits expenses were \$2.0 billion, a decrease of \$308 million, or 13%, from the 2001 fourth quarter. The decrease is due primarily to lower incentive compensation accruals and reduced staffing levels. Compensation and benefits expenses were 47.2% of net revenues for the fourth quarter of 2002, compared to 48.2% in the year-ago quarter. The full-year ratio declined to 50.7% in 2002 from 51.5% in 2001 on substantially lower revenues.

Excluding September 11-related items, restructuring and other charges and research settlement-related provisions, non-compensation expenses decreased \$427 million, or 25%, from the 2001 fourth quarter, to \$1.3 billion. On the same basis, full-year non-compensation expenses were down \$1.6 billion, or 23%, from 2001 levels.

The decrease in non-compensation expenses includes the absence of amortization expense on goodwill related to the adoption of SFAS No. 142. Goodwill amortization totaled \$207 million in 2001, including \$51 million in the fourth quarter.

Details of the significant changes in non-compensation expenses from the fourth quarter of 2001 follow:

- communications and technology costs were \$434 million, down 19% due to lower technology equipment depreciation and reduced communications costs;
- occupancy and related depreciation was \$225 million, a decline of 12% due primarily to lower rental expenses resulting from the fourth quarter 2001 restructuring initiatives;
- brokerage, clearing, and exchange fees were \$175 million, down 12%;
- advertising and market development expenses were \$114 million, down 11% due primarily to reduced spending on advertising;
- professional fees increased 13%, to \$155 million, due principally to increased legal expenses;
- office supplies and postage decreased 25% to \$62 million due to lower levels of business activity and efficiency initiatives;

- other expenses were \$145 million, down \$201 million due to a reduction in provisions for various business matters;

Research settlement-related expenses amounted to \$100 million in the fourth quarter of 2002 and were \$211 million for the full year. Recoveries/expenses related to September 11 included a \$21 million net recovery in the fourth quarter of 2002 and a \$43 million expense in the 2001 fourth quarter.

For the 2002 full year, net restructuring and other charges resulted in a \$42 million increase in after-tax earnings which primarily reflects a tax benefit related to the GPC restructuring in Japan.

Merrill Lynch's effective tax rate was 27.9% in 2002. Excluding the research settlement-related expenses, September 11-related items, and restructuring and other charges, Merrill Lynch's operating effective tax rate was 28.6% in 2002.

Staffing

Merrill Lynch's full-time employees totaled 50,900 at the end of the year, a decline of 2,300 during the quarter as the company continued to achieve efficiencies and adjust the sizing and alignment of resources to reflect changes in the business outlook. Compared with the peak of 72,600 full-time employees in the 2000 third quarter, staffing has been reduced by 21,700, or 30%.

* * * *

Thomas H. Patrick, executive vice chairman, Finance and Administration, and Ahmass L. Fakahany, chief financial officer, will host a conference call today at 10:00 a.m. EST to discuss the company's fourth quarter and full year 2002 results. The conference call can be accessed through a live audio webcast available through the Investor Relations website at www.ir.ml.com or by dialing (888) 810-0245 (U.S. callers) or (706) 634-0180 (international callers). On-demand replay of the webcast will be available from approximately 1:00 p.m. EST today at the same web address.

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Merrill Lynch is one of the world's leading financial management and advisory companies with offices in 36 countries and total client assets of approximately \$1.3 trillion. As an investment bank, it is a leading global underwriter of debt and equity securities and strategic advisor to corporations, governments, institutions, and individuals worldwide. Through Merrill Lynch Investment Managers, the company is one of the world's largest managers of financial assets. For more information on Merrill Lynch, please visit www.ml.com.

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Merrill Lynch may make or publish forward-looking statements about management expectations, strategic objectives, business prospects, anticipated expense savings and financial results, anticipated results of litigation and regulatory proceedings, and other similar matters. A variety of factors, many of which are beyond Merrill Lynch's control, could cause actual results and experience to differ materially from the expectations expressed in these statements. These factors include, but are not limited to, financial market volatility, actions and initiatives by current and potential competitors, the effect of current and future legislation or regulation, and certain other additional factors described in Merrill Lynch's Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K, which are available at the SEC's website, www.sec.gov.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Merrill Lynch does not undertake to update such statements to reflect the impact of circumstances or events that arise after the date these statements were made.

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Preliminary Unaudited Earnings Summary

U.S. GAAP Basis

(in millions, except per share amounts)

	For the Three Months Ended			Percent Inc / (Dec)	
	December 27, 2002	September 27, 2002	December 28, 2001	4Q02 vs. 3Q02	4Q02 vs. 4Q01
Net Revenues					
Commissions	\$ 1,071	\$ 1,122	\$ 1,195	(4.5) %	(10.4) %
Principal transactions	358	377	586	(5.0)	(38.9)
Investment banking					
Underwriting	420	332	538	26.5	(21.9)
Strategic advisory	163	163	210	-	(22.4)
Asset management and portfolio service fees	1,106	1,217	1,279	(9.1)	(13.5)
Other	148	165	82	(10.3)	80.5
Subtotal	3,266	3,376	3,890	(3.3)	(16.0)
Interest and dividend revenues	3,212	3,484	3,684	(7.8)	(12.8)
Less interest expense	2,273	2,498	2,822	(9.0)	(19.5)
Net interest profit	939	986	862	(4.8)	8.9
Total Net Revenues	4,205	4,362	4,752	(3.6)	(11.5)
Non-Interest Expenses					
Compensation and benefits	1,983	2,228	2,291	(11.0)	(13.4)
Communications and technology	434	421	537	3.1	(19.2)
Occupancy and related depreciation	225	218	257	3.2	(12.5)
Brokerage, clearing, and exchange fees	175	182	198	(3.8)	(11.6)
Advertising and market development	114	125	128	(8.8)	(10.9)
Professional fees	155	135	137	14.8	13.1
Office supplies and postage	62	62	83	-	(25.3)
Goodwill amortization	-	-	51	-	(100.0)
Other	145	130	346	11.5	(58.1)
Research related expenses	100	-	-	N/M	N/M
(Recoveries)/expenses related to September 11	(21)	(191)	43	(89.0)	N/M
Restructuring and other charges	10	(2)	2,193	N/M	(99.5)
Total Non-Interest Expenses	3,382	3,308	6,264	2.2	(46.0)
Earnings (Loss) Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	823	1,054	(1,512)	(21.9)	N/M
Income tax expense (benefit)	173	313	(297)	(44.7)	N/M
Dividends on preferred securities issued by subsidiaries	47	48	49	(2.1)	(4.1)
Net Earnings (Loss)	\$ 603	\$ 693	\$ (1,264)	(13.0)	N/M
Preferred Stock Dividends	\$ 9	\$ 10	\$ 9	-	-
Earnings (Loss) Per Common Share					
Basic	\$ 0.68	\$ 0.79	\$ (1.51)	(13.9)	N/M
Diluted	\$ 0.63	\$ 0.73	\$ (1.51)	(13.7)	N/M
Average Shares Used in Computing Earnings Per Common Share					
Basic	868.2	864.6	845.7	0.4	2.7
Diluted	942.9	934.5	845.7	0.9	11.5
Annualized Return on Average Common Equity	10.7%	12.7%	N/M		

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

Preliminary Unaudited Earnings Summary

Operating Basis

	For the Three Months Ended			Percent Inc / (Dec)	
	December 27, 2002	September 27, 2002	December 28, 2001	4Q02 vs. 3Q02	4Q02 vs. 4Q01
(in millions, except per share amounts)					
Net Revenues					
Commissions	\$ 1,071	\$ 1,122	\$ 1,195	(4.5) %	(10.4) %
Principal transactions	358	377	586	(5.0)	(38.9)
Investment banking					
Underwriting	420	332	538	26.5	(21.9)
Strategic advisory	163	163	210	-	(22.4)
Asset management and portfolio service fees	1,106	1,217	1,279	(9.1)	(13.5)
Other	148	165	82	(10.3)	80.5
Subtotal	<u>3,266</u>	<u>3,376</u>	<u>3,890</u>	(3.3)	(16.0)
Interest and dividend revenues	3,212	3,484	3,684	(7.8)	(12.8)
Less interest expense	<u>2,273</u>	<u>2,498</u>	<u>2,822</u>	(9.0)	(19.5)
Net interest profit	<u>939</u>	<u>986</u>	<u>862</u>	(4.8)	8.9
Total Net Revenues	<u>4,205</u>	<u>4,362</u>	<u>4,752</u>	(3.6)	(11.5)
Non-Interest Expenses					
Compensation and benefits	1,983	2,228	2,291	(11.0)	(13.4)
Communications and technology	434	421	537	3.1	(19.2)
Occupancy and related depreciation	225	218	257	3.2	(12.5)
Brokerage, clearing, and exchange fees	175	182	198	(3.8)	(11.6)
Advertising and market development	114	125	128	(8.8)	(10.9)
Professional fees	155	135	137	14.8	13.1
Office supplies and postage	62	62	83	-	(25.3)
Goodwill amortization	-	-	51	-	(100.0)
Other	145	130	346	11.5	(58.1)
Total Non-Interest Expenses	<u>3,293</u>	<u>3,501</u>	<u>4,028</u>	(5.9)	(18.2)
Operating Earnings Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	912	861	724	5.9	26.0
Income tax expense	250	235	184	6.4	35.9
Dividends on preferred securities issued by subsidiaries	<u>47</u>	<u>48</u>	<u>49</u>	(2.1)	(4.1)
Operating Earnings	<u>\$ 615</u>	<u>\$ 578</u>	<u>\$ 491</u>	6.4	25.3
Research related expenses, net of income tax (benefit) of \$(35)	(65)	-	-	N/M	N/M
Recoveries/(expenses) related to September 11, net of income tax expense (benefit) of \$9, \$77 and \$(13), respectively	12	114	(30)	(89.5)	N/M
Restructuring and other charges, net of income tax expense (benefit) of \$(51), \$1 and \$(468), respectively	<u>41</u>	<u>1</u>	<u>(1,725)</u>	N/M	N/M
Net Earnings (Loss)	<u>\$ 603</u>	<u>\$ 693</u>	<u>\$ (1,264)</u>	(13.0)	N/M
Preferred Stock Dividends	<u>\$ 9</u>	<u>\$ 10</u>	<u>\$ 9</u>	-	-
Operating Earnings Per Common Share					
Basic	\$ 0.70	\$ 0.66	\$ 0.57	6.1	22.8
Diluted	\$ 0.64	\$ 0.61	\$ 0.51	4.9	25.5
Earnings Per Common Share					
Basic	\$ 0.68	\$ 0.79	\$ (1.51)	(13.9)	N/M
Diluted	\$ 0.63	\$ 0.73	\$ (1.51) ^(A)	(13.7)	N/M
Average Shares Used in Computing Earnings Per Common Share					
Basic	868.2	864.6	845.7	0.4	2.7
Diluted	942.9	934.5	938.0	0.9	0.5

Notes: Operating earnings, which exclude research related expenses, recoveries/expenses related to September 11 and restructuring and other charges, should not be considered an alternative to net earnings (as determined in accordance with accounting principles generally accepted in the United States), but rather as a measure considered relevant by management in comparing current year results with prior year results. For U.S. GAAP quarterly Preliminary Unaudited Earnings Summary, see Attachment I.

^(A) Based on 845.7 diluted shares.

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

Preliminary Unaudited Earnings Summary**U.S. GAAP Basis**

(in millions, except per share amounts)

	For the Year Ended		Percent Inc / (Dec)
	December 27, 2002	December 28, 2001	
Net Revenues			
Commissions	\$ 4,626	\$ 5,266	(12.2) %
Principal transactions	2,340	3,930	(40.5)
Investment banking			
Underwriting	1,741	2,438	(28.6)
Strategic advisory	703	1,101	(36.1)
Asset management and portfolio service fees	4,914	5,351	(8.2)
Other	751	528	42.2
Subtotal	<u>15,075</u>	<u>18,614</u>	(19.0)
Interest and dividend revenues	13,178	20,143	(34.6)
Less interest expense	<u>9,645</u>	<u>16,877</u>	(42.9)
Net interest profit	<u>3,533</u>	<u>3,266</u>	8.2
Total Net Revenues	<u>18,608</u>	<u>21,880</u>	(15.0)
Non-Interest Expenses			
Compensation and benefits	9,426	11,269	(16.4)
Communications and technology	1,741	2,232	(22.0)
Occupancy and related depreciation	909	1,077	(15.6)
Brokerage, clearing, and exchange fees	727	895	(18.8)
Advertising and market development	540	703	(23.2)
Professional fees	552	545	1.3
Office supplies and postage	258	349	(26.1)
Goodwill amortization	-	207	(100.0)
Other	611	902	(32.3)
Research related expenses	211	-	N/M
(Recoveries)/expenses related to September 11	(212)	131	N/M
Restructuring and other charges	<u>8</u>	<u>2,193</u>	(99.6)
Total Non-Interest Expenses	<u>14,771</u>	<u>20,503</u>	(28.0)
Earnings Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	3,837	1,377	178.6
Income tax expense	1,069	609	75.5
Dividends on preferred securities issued by subsidiaries	<u>191</u>	<u>195</u>	(2.1)
Net Earnings	<u>\$ 2,577</u>	<u>\$ 573</u>	349.7
Preferred Stock Dividends	<u>\$ 38</u>	<u>\$ 38</u>	-
Earnings Per Common Share			
Basic	\$ 2.94	\$ 0.64	359.4
Diluted	\$ 2.69	\$ 0.57	371.9
Average Shares Used in Computing Earnings Per Common Share			
Basic	862.3	838.7	2.8
Diluted	942.2	938.6	0.4
Annualized Return on Average Common Equity	12.0%	2.7%	

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

Preliminary Unaudited Earnings Summary
Operating Basis

(in millions, except per share amounts)

	For the Year Ended		Percent Inc / (Dec)
	December 27, 2002	December 28, 2001	
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Principal transactions	2,340	3,930	(40.5)
Investment banking			
Underwriting	1,741	2,438	(28.6)
Strategic advisory	703	1,101	(36.1)
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Professional fees	552	545	1.3
Office supplies and postage	258	349	(26.1)
Goodwill amortization	-	207	(100.0)
Other	611	902	(32.3)
Total Non-Interest Expenses	<u>14,764</u>	<u>18,179</u>	(18.8)
Operating Earnings Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	3,844	3,701	3.9
Income tax expense	1,101	1,125	(2.1)
Dividends on preferred securities issued by subsidiaries	<u>191</u>	<u>195</u>	(2.1)
Operating Earnings	<u>\$ 2,552</u>	<u>\$ 2,381</u>	7.2
Research related expenses, net of income tax (benefit) of \$(68)	(143)	-	N/M
Recoveries/(expenses) related to September 11, net of income tax expense (benefit) of \$86 and \$(48), respectively	126	(83)	N/M
Restructuring and other charges, net of income tax expense (benefit) of \$(50) and \$(468), respectively	<u>42</u>	<u>(1,725)</u>	N/M
Net Earnings	<u>\$ 2,577</u>	<u>\$ 573</u>	349.7
Preferred Stock Dividends	<u>\$ 38</u>	<u>\$ 38</u>	-
Operating Earnings Per Common Share			
Basic	\$ 2.92	\$ 2.79	4.7
Diluted	\$ 2.67	\$ 2.50	6.8
Earnings Per Common Share			
Basic	\$ 2.94	\$ 0.64	359.4
Diluted	\$ 2.69	\$ 0.57	371.9
Average Shares Used in Computing Earnings Per Common Share			
Basic	862.3	838.7	2.8
Diluted	942.2	938.6	0.4

Notes: Operating earnings, which exclude research related expenses, recoveries/expenses related to September 11 and restructuring and other charges, should not be considered an alternative to net earnings (as determined in accordance with accounting principles generally accepted in the United States), but rather as a measure considered relevant by management in comparing current year results with prior year results.

For U.S. GAAP full year Preliminary Unaudited Earnings Summary, see Attachment III.

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

Preliminary Segment Data (unaudited)

(dollars in millions)	For the Three Months Ended			For the Year Ended	
	December 27,	September 27,	December 28,	December 27,	December 28,
	2002	2002	2001	2002	2001
Global Markets & Investment Banking					
Non-interest revenues	\$ 1,146	\$ 1,269	\$ 1,484	\$ 6,171	\$ 8,466
Net interest profit	631	679	487	2,259	1,809
Total net revenues	1,777	1,948	1,971	8,430	10,275
Pre-tax earnings before September 11 recoveries/expenses, and restructuring and other charges	558	519	434	2,376	2,810
Pre-tax earnings (loss)	547	569	(399)	2,415	1,977
Pre-tax profit margin before September 11 recoveries/expenses and restructuring and other charges	31.4%	26.6%	22.0%	28.2%	27.3%
Pre-tax profit margin	30.8%	29.2%	N/M	28.6%	19.2%
Global Private Client					
Non-interest revenues	\$ 1,806	\$ 1,763	\$ 1,993	\$ 7,445	\$ 8,399
Net interest profit	318	325	386	1,336	1,518
Total net revenues	2,124	2,088	2,379	8,781	9,917
Pre-tax earnings before September 11 recoveries/expenses, and restructuring and other charges	298	293	311	1,205	918
Pre-tax earnings (loss)	362	320	(766)	1,296	(159)
Pre-tax profit margin before September 11 recoveries/expenses and restructuring and other charges	14.0%	14.0%	13.1%	13.7%	9.3%
Pre-tax profit margin	17.0%	15.3%	N/M	14.8%	N/M
Merrill Lynch Investment Managers					
Non-interest revenues	\$ 328	\$ 356	\$ 449	\$ 1,529	\$ 1,912
Net interest profit	11	5	9	24	20
Total net revenues	339	361	458	1,553	1,932
Pre-tax earnings before restructuring and other charges	73	69	60	344	302
Pre-tax earnings (loss)	50	69	(223)	321	19
Pre-tax profit margin before restructuring and other charges	21.5%	19.1%	13.1%	22.2%	15.6%
Pre-tax profit margin	14.7%	19.1%	N/M	20.7%	1.0%
Corporate					
Non-interest revenues	\$ (14)	\$ (12)	\$ (36)	\$ (70)	\$ (163)
Net interest profit	(21)	(23)	(20)	(86)	(81)
Total net revenues	(35)	(35)	(56)	(156)	(244)
Pre-tax earnings (loss) before September 11 recoveries/expenses and research related expenses	(17)	(20)	(81)	(81)	(329)
Pre-tax earnings (loss)	(136)	96	(124)	(195)	(460)
Total					
Non-interest revenues	\$ 3,266	\$ 3,376	\$ 3,890	\$ 15,075	\$ 18,614
Net interest profit	939	986	862	3,533	3,266
Total net revenues	4,205	4,362	4,752	18,608	21,880
Pre-tax earnings before September 11 recoveries/expenses, restructuring and other charges and research related expenses	912	861	724	3,844	3,701
Pre-tax earnings (loss)	823	1,054	(1,512)	3,837	1,377
Pre-tax profit margin before September 11 recoveries/expenses, restructuring and other charges and research related expenses	21.7%	19.7%	15.2%	20.7%	16.9%
Pre-tax profit margin	19.6%	24.2%	N/M	20.6%	6.3%

Notes: Pre-tax earnings for Corporate include September 11 expenses and research related expenses. Pre-tax earnings for the business segments include September 11 business interruption recoveries and restructuring and other charges.

Certain prior period amounts have been restated to conform to the current period presentation.

Consolidated Quarterly Earnings (unaudited)

(in millions)

	4Q01	1Q02	2Q02	3Q02	4Q02
Net Revenues					
Commissions					
Listed and over-the-counter securities	\$ 672	\$ 732	\$ 718	\$ 653	\$ 623
Mutual funds	356	341	327	277	274
Other	167	156	159	192	174
Total	1,195	1,229	1,204	1,122	1,071
Principal transactions	586	877	728	377	358
Investment banking					
Underwriting	538	478	511	332	420
Strategic advisory	210	183	194	163	163
Total	748	661	705	495	583
Asset management and portfolio service fees					
Asset management fees	498	469	430	402	386
Portfolio service fees	525	557	571	526	480
Account fees	120	133	135	138	122
Other fees	136	134	162	151	118
Total	1,279	1,293	1,298	1,217	1,106
Other	82	219	219	165	148
Subtotal	3,890	4,279	4,154	3,376	3,266
Interest and dividend revenues	3,684	3,284	3,198	3,484	3,212
Less interest expense	2,822	2,473	2,401	2,498	2,273
Net interest profit	862	811	797	986	939
Total Net Revenues	4,752	5,090	4,951	4,362	4,205
Non-Interest Expenses					
Compensation and benefits	2,291	2,646	2,569	2,228	1,983
Communications and technology	537	474	412	421	434
Occupancy and related depreciation	257	238	228	218	225
Brokerage, clearing, and exchange fees	198	198	172	182	175
Advertising and market development	128	150	151	125	114
Professional fees	137	130	132	135	155
Office supplies and postage	83	69	65	62	62
Goodwill amortization	51	-	-	-	-
Other	346	173	163	130	145
Research related expenses	-	-	111	-	100
(Recoveries)/expenses related to September 11	43 ⁽²⁾	-	-	(191)	(21)
Restructuring and other charges	2,193 ⁽²⁾	-	-	(2)	10
Total Non-Interest Expenses	6,264	4,078	4,003	3,308	3,382
Earnings (Loss) Before Income Taxes, and Dividends on Preferred Securities Issued by Subsidiaries	(1,512)	1,012	948	1,054	823
Income tax expense (benefit)	(297)	316	267	313	173
Dividends on preferred securities issued by subsidiaries	49	49	47	48	47
Net Earnings (Loss)	\$ (1,264)	\$ 647	\$ 634	\$ 693	\$ 603
Per Common Share Data					
	4Q01	1Q02	2Q02	3Q02	4Q02
Earnings - Basic ⁽¹⁾	\$ 0.57 ⁽²⁾	\$ 0.75	\$ 0.82	\$ 0.66	\$ 0.70
Earnings - Diluted ⁽¹⁾	0.51 ⁽²⁾	0.67	0.75	0.61	0.64
Dividends paid	0.16	0.16	0.16	0.16	0.16
Book value	23.03	23.73	24.46	25.17	25.72 est.

Notes:

⁽¹⁾ Before September 11 items, Restructuring and other charges and Research related expenses.

⁽²⁾ September 11 related expenses were \$30 million after-tax and Restructuring and other charges were \$1,725 million after-tax in the fourth quarter of 2001. Including these items, the basic and diluted loss per share was \$(1.51).

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

Percentage of Quarterly Net Revenues (unaudited)

	4Q01	1Q02	2Q02	3Q02	4Q02
Net Revenues					
Commissions					
Listed and over-the-counter securities	14.1%	14.4%	14.5%	15.0%	14.8%
Mutual funds	7.5%	6.7%	6.6%	6.4%	6.5%
Other	3.5%	3.0%	3.2%	4.3%	4.2%
Total	25.1%	24.1%	24.3%	25.7%	25.5%
Principal transactions	12.3%	17.2%	14.7%	8.6%	8.5%
Investment banking					
Underwriting	11.3%	9.4%	10.3%	7.6%	10.0%
Strategic advisory	4.4%	3.6%	3.9%	3.7%	3.9%
Total	15.7%	13.0%	14.2%	11.3%	13.9%
Asset management and portfolio service fees					
Asset management fees	10.5%	9.2%	8.7%	9.2%	9.2%
Portfolio service fees	11.0%	10.9%	11.5%	12.1%	11.4%
Account fees	2.5%	2.6%	2.7%	3.2%	2.9%
Other fees	2.9%	2.7%	3.3%	3.4%	2.8%
Total	26.9%	25.4%	26.2%	27.9%	26.3%
Other	1.9%	4.4%	4.5%	3.9%	3.5%
Subtotal	81.9%	84.1%	83.9%	77.4%	77.7%
Interest and dividend revenues	77.5%	64.5%	64.6%	79.9%	76.4%
Less interest expense	59.4%	48.6%	48.5%	57.3%	54.1%
Net interest profit	18.1%	15.9%	16.1%	22.6%	22.3%
Total Net Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Non-Interest Expenses					
Compensation and benefits	48.2%	52.0%	51.9%	51.1%	47.2%
Communications and technology	11.3%	9.3%	8.3%	9.7%	10.3%
Occupancy and related depreciation	5.4%	4.7%	4.6%	5.0%	5.4%
Brokerage, clearing, and exchange fees	4.2%	3.9%	3.5%	4.2%	4.2%
Advertising and market development	2.7%	2.9%	3.0%	2.9%	2.7%
Professional fees	2.9%	2.6%	2.7%	3.1%	3.7%
Office supplies and postage	1.7%	1.4%	1.3%	1.4%	1.5%
Goodwill amortization	1.1%	-	-	-	-
Other	7.3%	3.3%	3.3%	2.9%	3.3%
Research related expenses	-	-	2.3%	-	2.4%
(Recoveries)/expenses related to September 11	0.9%	-	-	-4.4%	-0.5%
Restructuring and other charges	46.1%	-	-	-0.1%	0.2%
Total Non-Interest Expenses	131.8%	80.1%	80.9%	75.8%	80.4%
Earnings (Loss) Before Income Taxes, and Dividends on Preferred Securities Issued by Subsidiaries	-31.8%	19.9%	19.1%	24.2%	19.6%
Income tax expense (benefit)	-6.2%	6.2%	5.4%	7.2%	4.1%
Dividends on preferred securities issued by subsidiaries	1.0%	1.0%	0.9%	1.1%	1.1%
Net Earnings (Loss)	-26.6%	12.7%	12.8%	15.9%	14.4%
Common shares outstanding (in millions)					
	4Q01	1Q02	2Q02	3Q02	4Q02
Weighted-average - basic	845.7	854.8	861.7	864.6	868.2
Weighted-average - diluted	845.7	949.2	942.6	934.5	942.9
Period-end	850.2	862.9	865.4	869.0	873.8

Supplemental Data (unaudited)

(dollars in billions)

	4Q01	1Q02	2Q02	3Q02	4Q02
Client Assets					
Private Client					
U.S.	\$ 1,185	\$ 1,179	\$ 1,101	\$ 1,019	\$ 1,053
Non - U.S.	101	96	94	87	89
Total Private Client Assets	1,286	1,275	1,195	1,106	1,142
MLIM direct sales ⁽¹⁾	172	167	158	145	146
Total Client Assets	\$ 1,458	\$ 1,442	\$ 1,353	\$ 1,251	\$ 1,288
Assets Under Management					
Retail	220	215	203	182	189
Institutional	266	262	257	234	235
Private Investors	43	41	39	36	38
U.S.	327	323	319	305	313
Non-U.S.	202	195	180	147	149
Equity	263	257	234	190	191
Fixed Income	119	119	121	119	122
Money Market	147	142	144	143	149
Assets in Asset-Priced Accounts	\$ 199	\$ 206	\$ 192	\$ 176	\$ 182
Net New Money					
Private Client Accounts ⁽⁶⁾					
U.S.	\$ 14	\$ -	\$ 4	\$ 3	\$ 10
Non-U.S.	2	1	-	(1)	-
Total	16	1	4	2	10
Assets Under Management ⁽³⁾⁽⁶⁾	\$ 4	\$ (7)	\$ (5)	\$ (12)	\$ 5
Balance Sheet Information (estimated)					
Commercial Paper and Other Short-term Borrowings	\$ 5.1	\$ 4.6	\$ 6.0	\$ 6.6	\$ 7.4
Deposits	85.8	85.9	81.1	80.8	81.8
Long-term Borrowings	76.6	77.3	75.5	73.9	76.4
Preferred Securities Issued by Subsidiaries	2.7	2.7	2.7	2.7	2.7
Total Stockholders' Equity	20.0	20.9	21.6	22.3	22.9
Global Equity and Equity-Linked Underwriting ⁽²⁾⁽⁴⁾					
Volume	\$ 15	\$ 15	\$ 10	\$ 3	\$ 6
Market Share	12.2%	14.9%	9.3%	6.6%	10.9%
Ranking	2	2	4	5	2
Global Debt Underwriting ⁽²⁾⁽⁴⁾					
Volume	\$ 68	\$ 91	\$ 83	\$ 58	\$ 51
Market Share	7.2%	8.6%	8.7%	7.4%	6.5%
Ranking	5	2	3	5	7
Global Completed Mergers and Acquisitions ⁽²⁾⁽⁴⁾					
Volume	\$ 79	\$ 62	\$ 64	\$ 79	\$ 116
Market Share	18.5%	22.1%	20.0%	23.8%	30.8%
Ranking	4	3	4	3	5
Full-Time Employees ⁽⁵⁾					
Full-Time Employees	57,100	56,100	54,400	53,200	50,900
Private Client Financial Advisors					
Private Client Financial Advisors	16,400	15,900	15,100	14,600	14,000

⁽¹⁾ Reflects funds managed by MLIM not sold through Private Client channels.⁽²⁾ Certain prior period amounts have been restated to conform to the current period presentation.⁽³⁾ Adjusted to exclude the impact of transferring funds to U.S. bank deposits.⁽⁴⁾ Full credit to book manager. Market shares derived from Thomson Financial Securities Data statistics.⁽⁵⁾ Excludes 1,500, 700, 1,000, 600, and 3,500 full-time employees on salary continuation severance at the end of 4Q02, 3Q02, 2Q02, 1Q02 and 4Q01, respectively.⁽⁶⁾ Excluding the impact related to the restructuring of the Non-U.S. businesses.

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