Presentation To

Merrill Lynch & Co. Board of Directors

Leveraged Finance and Mortgage / CDO Review

October 21, 2007

1. Financial Performance

2. Leveraged Finance Review

3. Mortgage / CDO Review

- Mortgage and CDO Background
- ABS Warehouse / CDO Inventory Chronology
- Business Review
- Other Supplemental Information

Merrill Lynch & Co.

3Q07 Operating Results

($Billions)	*With Net Losses* 3Q07	*With Net Losses* *B/(W)* *3Q06*	*Without Net Losses*[1] 3Q07	*Without Net Losses*[1] *B/(W)* *3Q06*
FICC	(2.8)	*(233)%*	2.4	*17%*
Equity	1.6	*39%*	1.5	*25%*
IBK	1.0	*23%*	1.0	*23%*
Private Equity	(0.1)	*(118)%*	(0.1)	*(118)%*
Total GMI	(0.2)	*(104)%*	4.9	*10%*
GWM	3.5	*29%*	3.5	*29%*
Net Revenue	3.4	*(57)%*	8.4	*7%*
Net Earnings	(0.3)	*(115)%*	1.8	*(6)%*
EPS	$(0.43)	*(122)%*	$1.94	*(2)%*
ROE	(3.8)%	*(26.0) pts*	18.5%	*(3.7) pts*

(1): "Without Net Losses" normalized for 46.5% Comp Ratio and 29% Tax Rate. Includes aggregate net losses across U.S. Sub-prime, CDOs, Leveraged Finance, Structured Notes, and write-off of First Franklin intangible asset.

[redacted]

Business - Revenue Performance
3Q07 vs. 3Q06

FICC(1) | Equity(1) | IBK | GWM

REDACTED

Credit	
Credit ex. marks	
GSFI / Mortgages	
CRE	

REDACTED

Prop Trading	
Total FICC	
Total FICC ex. marks	

REDACTED

REDACTED

[redacted] *(1): Global Markets product detail Intern* [redacted]

Merrill Lynch & Co.
3Q07YTD Operating Results

($Billions)	*With Net Losses*		*Without Net Losses*[1]	
		B/(W)		***B/(W)***
	3Q07YTD	***3Q06YTD***	3Q07YTD	***3Q06YTD***
FICC	2.6	*(55)%*	8.4	*44%*
REDACTED				
Net Revenue	22.8	*(4)%*	28.4	*19%*
Net Earnings	4.0	*(23)%*	6.7	*30%*
EPS	$4.11	*(21)%*	$7.12	*37%*
ROE	13.7%	*(6.2) pts*	23.2%	*3.5 pts*

(1): "Without Net Losses" normalized for 46.5% Comp Ratio and 29% Tax Rate. Includes aggregate net losses across U.S. Sub-prime, CDOs, Leveraged Finance, Structured Notes, and write-off of First Franklin Intangible asset.

Business - Revenue Performance

3Q07YTD vs. 3Q06YTD

FICC(1) | **Equity**(1) | **IBK** | **GWM**

REDACTED

Credit	↓	(144)%
Credit ex. marks	↑	68%
GSFI / Mortgages	↓	(191)%
CRE	↑	34%

REDACTED

Prop Trading	↑	160%
Total FICC	↓	*(55)%*
Total FICC ex. marks	↑	*44%*

REDACTED

(1): Global Markets product detail internal basis.

Competitor Comparison

3Q07 vs. 3Q06

	MER Reported	MER Pro forma	
FICC	(233)%	(63)%	REDACTED
REDACTED			
Total Net Revenues	**(57)%**	**(5)%**	
Net Earnings	**(115)%**	**(11)% - [redacted]**	
EPS	**(122)%**	**(9)%**	
ROE	**(26.0) pts**	**(3.9) pts**	

Pro forma August quarter-end assumes normalized 46.5% Comp Ratio and 29% Tax Rate.
August MER Pro forma results do not reflect additional marks taken in September month.

Leveraged Finance Commitments Update

Executive Summary

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[redacted]

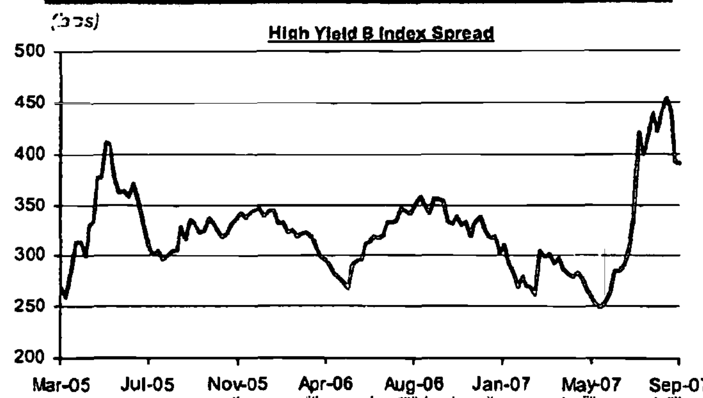
Leveraged Finance Commitments Update

Background: Recent Credit Market Conditions

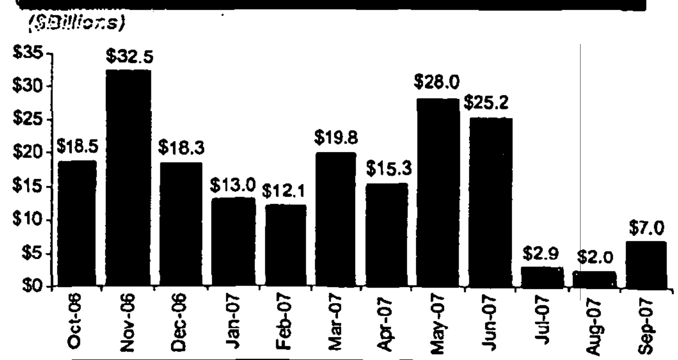
July / August Review

- Market conditions have been exceptionally strong over the last couple of years culminating with a very "frothy" marketplace in the late spring and early summer
  - ✓Conditions deteriorated very rapidly in late July, however
  - ✓Spreads widened significantly in the leveraged loan and bond markets
  - ✓To a large extent this was a technical correction with no documented change in economic/credit fundamentals
- As a result secondary prices plunged
  - ✓Hedge funds sold securities to meet margin calls
  - ✓CLOs and CDOs could no longer raise new funds
- New issue demand was non-existent
  - ✓Traditional cash buyers were unwilling to buy in a declining market
  - ✓Numerous aggressively structured transactions that had been launched failed to syndicate and others were held back from the market

Spreads Widened Significantly



Monthly High Yield New Issue Volume



Leveraged Finance Commitments Update

ML Performance During Market Deterioration

Overview

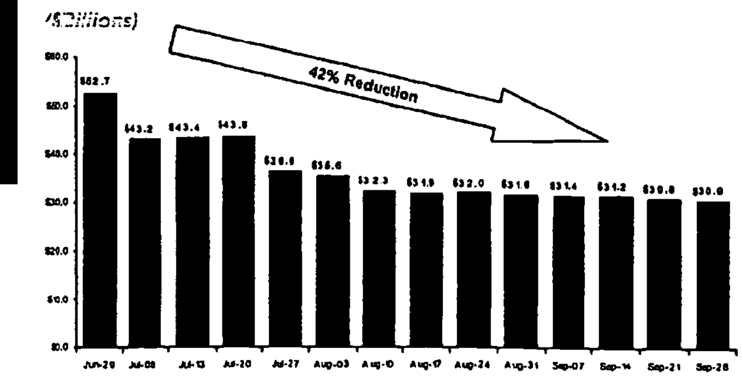
- Senior business management in conjunction with Global Credit and Commitments formed a clear, conservative posture towards the increasingly aggressive Leveraged Finance Market in the 12 months prior to the eventual 2007 summer fall-out
- The firm made some good risk-related decisions by declining to participate in several transactions, the terms of which we felt had become too aggressive
  - ✓ Those transactions did not fare well in the subsequent market downturn

REDACTED

- Market credit conditions have improved in September, which has generally resulted in more favorable marks on outstanding commitments
  - ✓ Did not force sales in early August at severely distressed levels

REDACTED

Commitment Reduction History



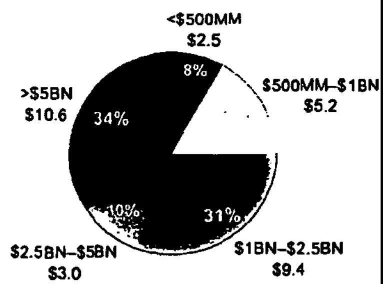
Leveraged Finance Commitments Update

Summary of Outstanding Financing Commitments

As of 9/28/07 – $30.6 Billion (33 Commitments)

($Billions Except as Noted)

By Size



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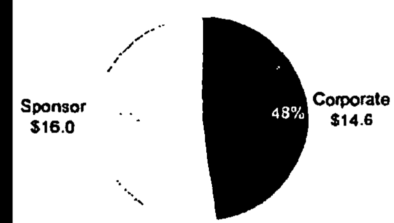
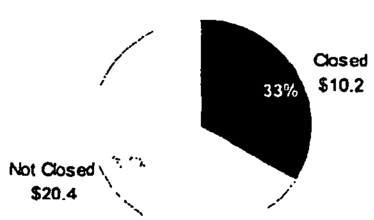
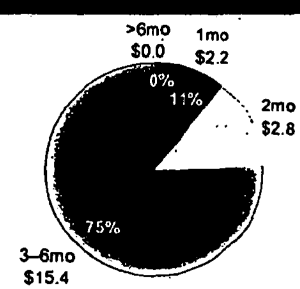
Sponsor/Corporate



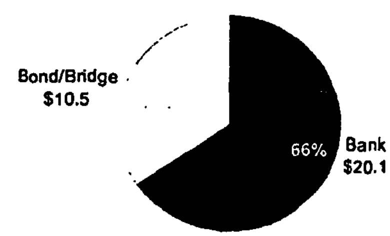
By Commitment Status[1]



By Timing of Expected Closing (Commitments Not Closed)



Bank vs. Bond/Bridge



(1) Closed commitments include financing commitments that have closed but not yet been successfully syndicated down to the target hold level. Not Closed commitments represent financing commitments that have not yet been documented and closed.

Leveraged Finance Commitments Update

[redacted]

REDACTED

Leveraged Finance Commitments Update

Competitor Reporting Analysis

Credit Exposure and Mark-to-Market Disclosures (1)

($Millions)

	Merrill Lynch September 28, 2007
Total Leveraged Finance Exposure:	
Closed	$10,172
Commited Not Closed	20,447
Total	$30,619
Leveraged Finance Mark-to-Market Disclosure:	
Amount of Exposure Marked	$30,619
Gross Mark-to-Market	$967
Financing Fees	(504)
Net Mark-to-Market	[illegible]
Gross Mark as a % of Total Exposure Marked	3.2%
Net Mark as a % of Total Exposure Marked	1.5%
FQ2 to FQ3 Exposure Reduction:	
FQ2 Commitments	$52,795
Less: Reductions	(29,120)
Plus: Additions	6,944
FQ3 Commitments	$30,619
Net Commitment Reduction	42.0%

[redacted]

REDACTED

(1)
(2)
(3)
(4)
(5)

[redacted]

3

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- ABS Warehouse / CDO Inventory Chronology
- Business Review

- Other Supplemental Information

Mortgage and CDO Background

Overview

Asset Backed Securities ("ABS")

- Bonds secured by financial receivables such as consumer or commercial loans
- Mortgage Backed Securities ("MBS") is a subset of ("ABS")

CDOs

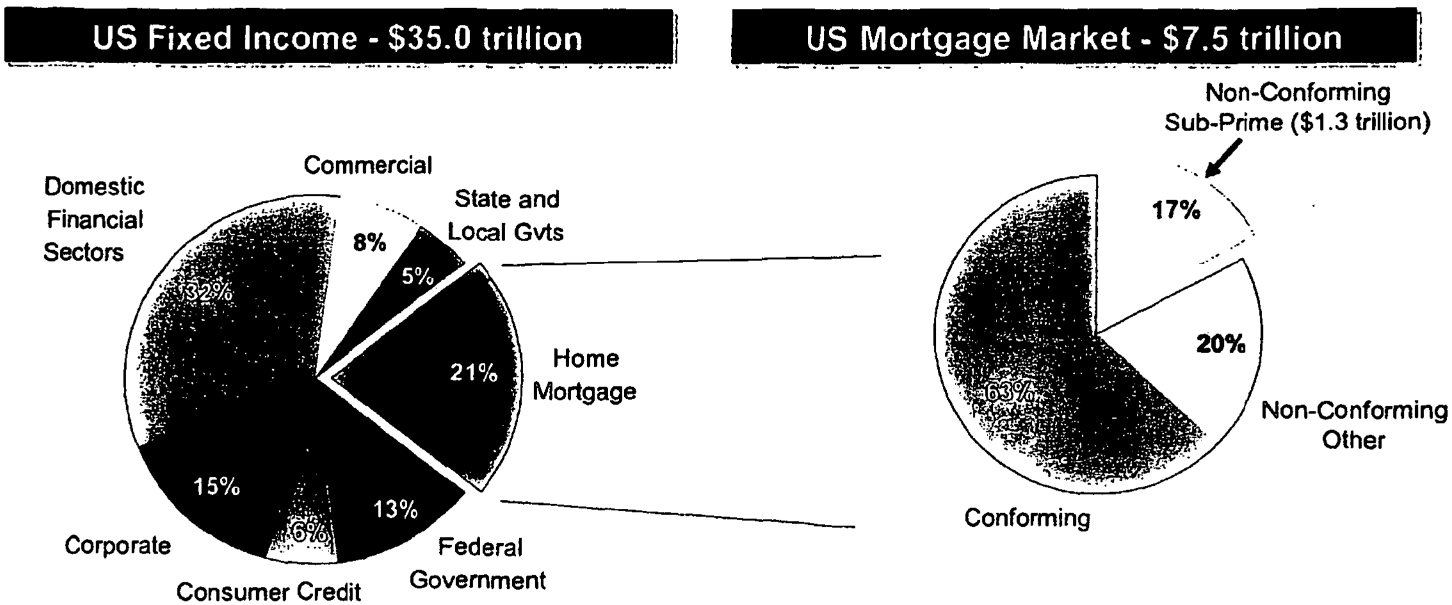
- An asset-backed security collateralized by a pool of different bonds
- The assets could include bonds from several different assets classes including ABS, MBS, corporate bonds, leveraged loans, or other CDOs
- These assets are aggregated, then structured into different tranches of seniority, and sold to investors
- The tranches of a CDO have meaningful difference in performance across the various tranches and structures

Structured trades, such as CDOs, allow investors the ability to hedge, take on or transfer credit risk on their books, leveraging an investment across a diversified basket of credits

Both the ABS and CDO markets have grown significantly over last several years

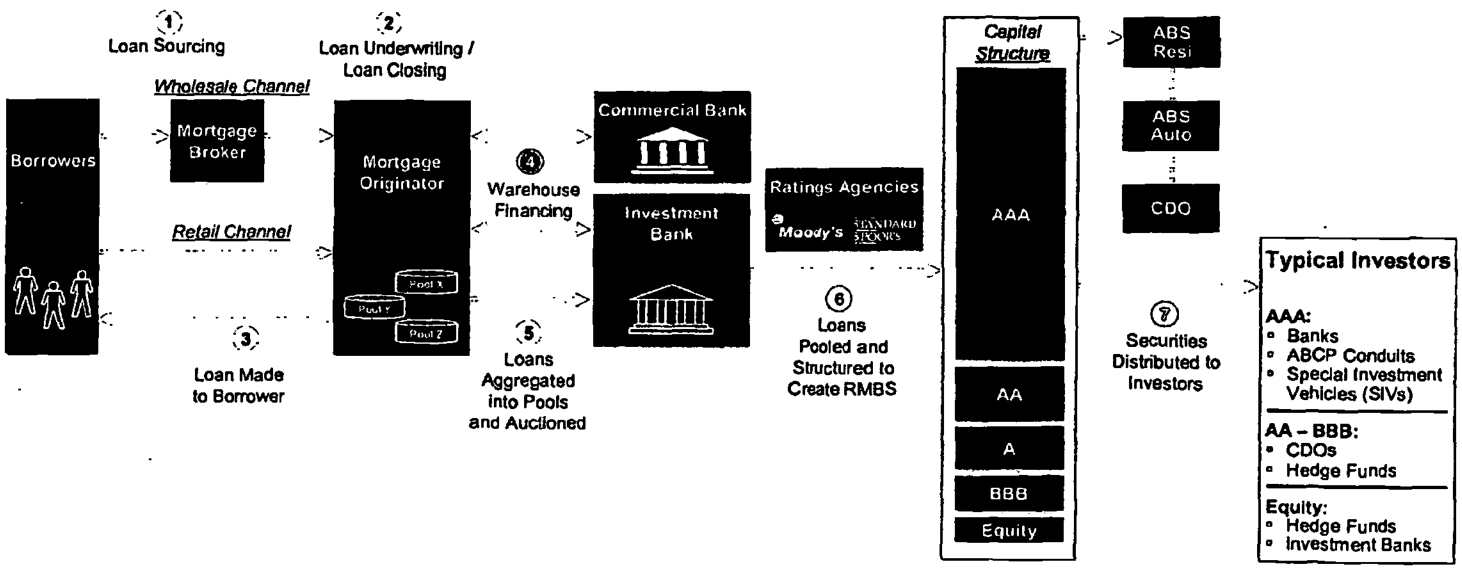
Residential Mortgage-Backed Security (RMBS)

US Mortgages Comprise a Significant Share of Total Fixed Income Market[1]

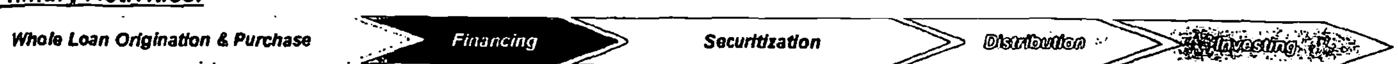


(1) Federal Reserve's Flow of Funds (Z1) Report: Debt Outstanding by Sector, 2005.

Residential Mortgage-Backed Security (RMBS)
Structure Overview



ML Primary Activities:



Market Overview and Environment

Market Dislocation

3Q07 Key Events

July

- GE shuts down WMC Mtg
- IKB's Rhinebridge $4.8 bn bailout by German gov't
- BNP announces w/drawl from 3 funds citing inability to "fairly" value
- S&P & Moody's reevaluated ratings criteria
- Wells Fargo exits sub-prime business

August

- Fed cuts Discount Rate 50bps
- LEH shuts down BNC Mortgages (1,000 job cuts)
- GMAC infuses $775 mm into mortgage unit
- ECB injects liquidity into market
- Fed injects $38bn of reserves, largest amt. since 9/11/01
- ABCP market dropped 16% to <$1 trillion
- Countrywide exits sub-prime (12,000 job cuts)

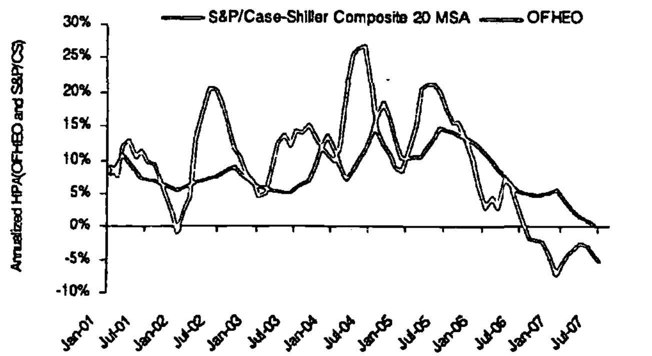
September

- Northern Rock given emergency support by BOE
- ABCP market drops additional 9% to <$900mm
- Fed cuts Target & Discount Rate again by 50bps

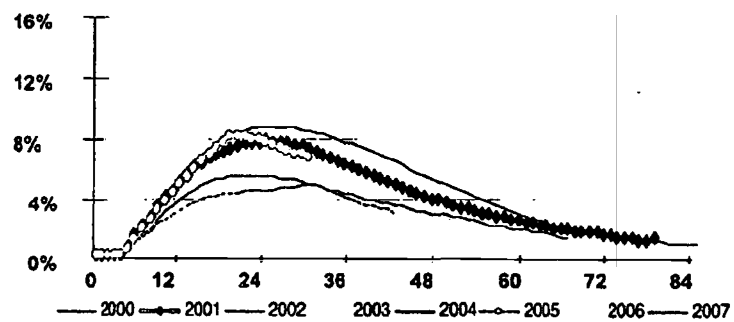
Market Dislocation

Trends and Metrics

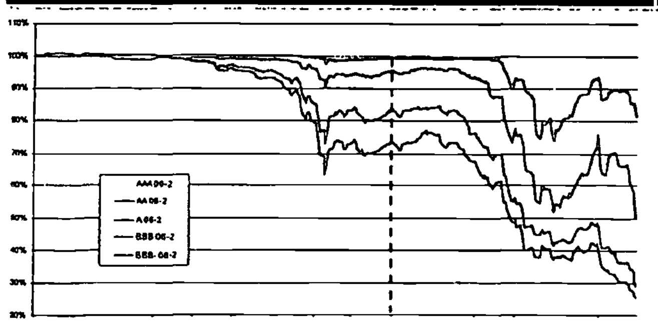
Slowing Home Price Appreciation



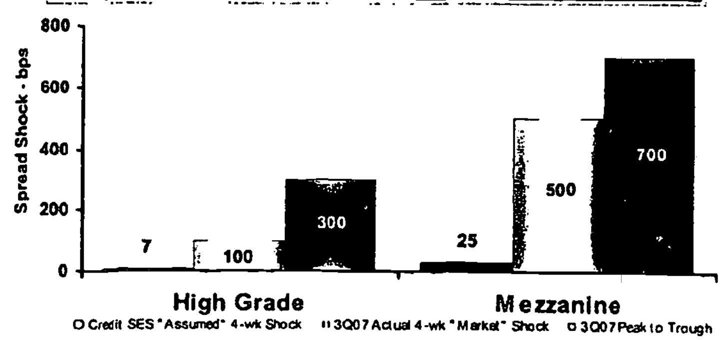
60+ Day Delinquency



ABX Index



CDO (AAA) Spread Moves



ABS Warehouse / CDO Inventory Chronology

ABS Warehouse / CDO Inventory Chronology

Backdrop to Summer 06

- ML #1 in CDO's.
- Aggregate positions as of end of August 06: CDO's: 7.2 Billion (5.6 B Senior, 1.6 B Mezzanine); ABS Warehouse: 8.0 Billion (4.5 B Senior; 3.5 Mezzanine)
- C. Riccardi just exited; strong desire to retain #1 position.
- Discussion ongoing regarding purchase of sub-prime mortgage originator; FICC Management bullish on growth: bullish on asset-class.
- Citigroup had recently taken a more aggressive view on senior tranche pricing; AIG retreats as significant purchaser of senior tranches, both developments make pricing unattractive; changing certain dynamics of CDO business.

Late Summer – Year End 06

- Late July, O. Semerci becomes head of FICC.
- In August, D. Lattanzio becomes head of FICC Americas; relocates from UK.
- CDO Inventory continues to ramp up through Year-end (7.2 Billion to 17.3 Billion (12.8 B Senior; 4.5 B Mezzanine))
- ABS Warehouse continues to ramp up through Year-end (8.0 Billion to 11.9 Billion (5.3 B Senior; 6.6 B Mezzanine))
- In order to execute deals, ML continues to take down senior tranches into inventory.
- During this period:
  - ABS Deals are being priced and sold;
  - New warehouses are opened;
  - Limited first position protection is purchased (to provide limited protection and verify pricing) and some warehouse sharing agreements are executed to assist in mitigating exposure.

January – February 07

- Subprime deterioration becomes increasingly evident.
- Business is focused on deteriorating subprime market.
- Consensus view: Deterioration is confined to the subprime market/no leakage to CDO market/ subprime market and CDO Market are different.
- Positions as of end of February 07: CDO's 20.3 Billion (15.2 B Senior; 5.1 B Mezzanine and below: from 17.3B YE); ABS Warehouse 12.8 Billion (6.2 B Senior; 6.6 B Mezzanine and below; from 11.9 YE)

ABS Warehouse / CDO Inventory Chronology

March – May 07

- Active risk-mitigation strategy is undertaken.
- Attempt to actively reduce the warehouse by printing deals.
- ML required to take senior tranches into inventory to execute deals.
  - ✓ Over time, ML required to take certain mezzanine tranches to execute the deals.
  - ✓ Over time, certain mezzanine pieces need to be enhanced (contractually) in order to be made more attractive for sale; to the detriment of senior tranches.
  - ✓ Over 10 Billion in deals executed over this period with ML taking significant senior and mezzanine tranches into inventory.
- Certain hedges effected to hedge various mezzanine exposure.
- Positions as of May 07: CDO 30.7 Billion (23.2 B Senior; 7.5 B Mezzanine and below); ABS Warehouse: 3.5 Billion (3.0 Billion Senior; .5 B Mezzanine and below)
- Market: During this period:
  - ✓ It appears that there was still a market to sell senior positions (albeit at a loss).
  - ✓ It appears that during the early part of this period there was still a market to sell the mezzanine positions (albeit at a loss).
  - ✓ It appears that there was still a market to hedge exposure.
- Expectation was that spreads had blown out temporarily; that they would come back in; 1998 experience reinforced that view; liquidity was still present.
- May 16th, Dow Kim announces desire to leave ML to establish a hedge fund.

June – July 07

- Bear Stearns Asset Management (BSAM) insolvencies.
- Liquidity dissipates; market is impaired.

Market Risk Chronology

[redacted]

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[redacted]

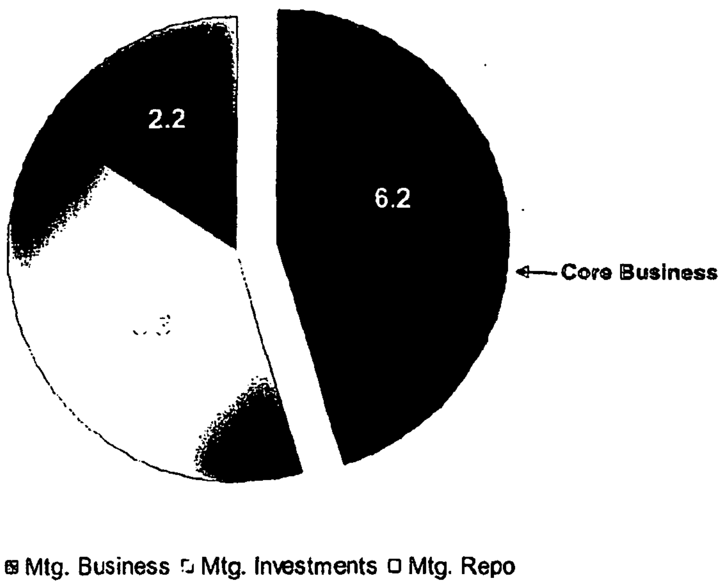
U.S. Sub-prime Residential Mortgages

U.S. Sub-prime Residential Mortgage

Exposures & Marks – 3Q07

($ Billions)

Exposure



Total Exposure: $13.7 bn

Impact of Marks

	Net Losses	OCI
Business	(1.0)	(0.1)
Investments	(0.1)	(0.2)
Repo	0	0
Total	**(1.1)**	**(0.3)**

U.S. Sub-prime Residential Mortgages

Whole Loans: First Franklin

- Significant product changes / pricing increases
- Product mix adjusted to market and regulatory environment
- Employing multiple risk distribution strategies
- Cost reductions

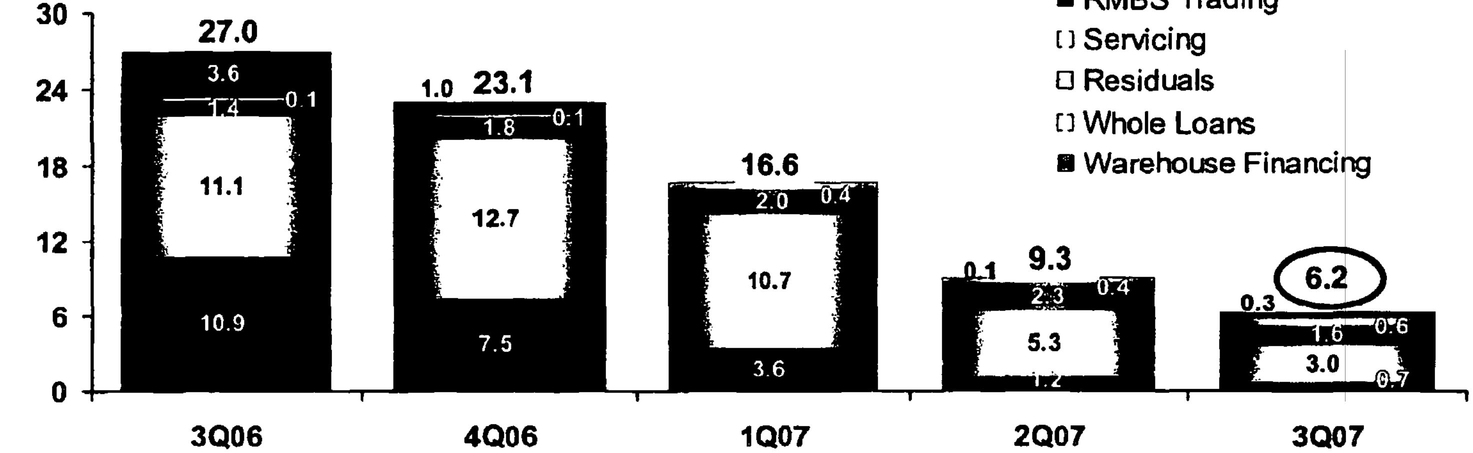
Whole Loans: 3rd Party

- Discontinued 3rd party purchases
- Whole loan sales, forward sales and hedging
- Current subprime balances primarily represent Scratch & Dent loans

Warehouse Financing

- $20bn facilities terminated since early 2006
- Covenant & collateral monitoring
- Margin calls

U.S. Sub-prime Residential Mortgage Business



Exposure Reduction

	vs. 3Q06	vs. 1Q07
Warehouse Financing	(93)%	(80)%
Whole Loans	(73)%	(72)%
RMBS Trading	(91)%	NM
Residuals	14%	(20)%

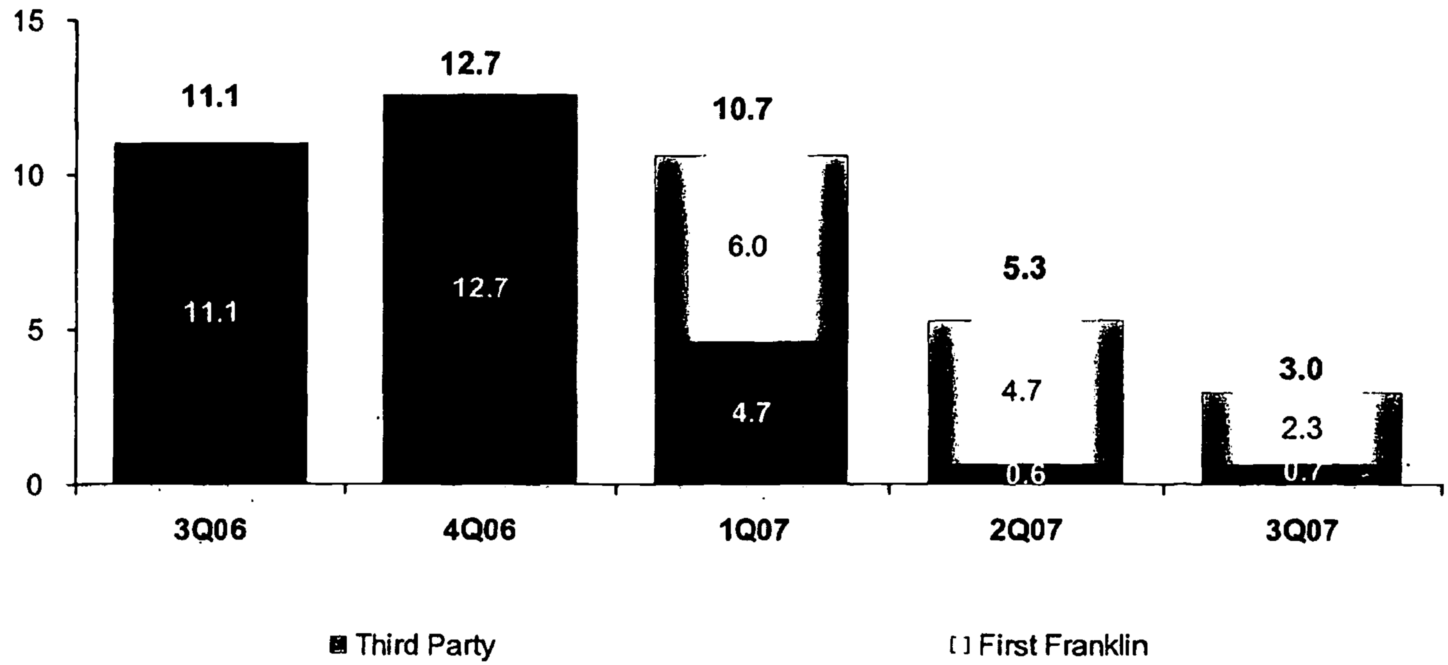
3Q07 Net Revenue Losses

Residuals	$(0.5)
Whole Loans	(0.4)
All Other	(0.1)
Total	(1.0)

Balances include funded and unfunded commitments.

U.S. Sub-prime Residential Mortgages

Breakdown of Whole Loan Exposure



Balances include funded and unfunded commitments.

U.S. Sub-prime Residential Mortgages

[redacted]

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First Franklin Residential Mortgages

	Acquisition / 2Q 07	Current	Planned
Monthly Originations	▫ ~ $2.0 bn	▫ $110 mm	▪ 4Q 07-1Q08: < $100 mm ▪ 2Q-4Q08: $100-$300 mm (Alta & Prime)
Product	▫ Product guidelines changed 6x ▫ Coupons increased 11x	▫ GSE-focus ▫ Eliminated all 2nd lien, high loan-to-value, stated doc ▫ Increased coupon 8x	REDACTED
Business Model	▫ Subprime focus ▫ Originate → Securitization ▫ Risk distribution: ✓8 securitizations ✓4 3rd party whole loan sales ✓Fannie Mae forward sale	▫ Higher credit quality migration ▫ Proactive volume reduction ▫ Risk distribution: ✓4 Fannie Mae sales ✓3 securitizations ✓3rd party whole loan sale	▫ Higher credit quality and prime migration ▫ Originate → Securitization / 3rd party sale / GSE ▫ Leverage NationPoint online retail platform ▫ Optimize execution of capital markets exits ▫ Adapt to changing regulatory and rating agency environment
Infrastructure	▫ Phase I: ✓222 FTEs reduced ✓5 branches closed ✓$23 mm cost savings	▫ Phases II – IV: ✓937 FTEs reduced ✓15 branches closed ✓$59 mm cost savings	▫ Phases V – VII (by Feb 08): ✓837 FTEs to be reduced ✓7 branches to be closed ✓$150 mm cost savings

IMPAIRMENT

- Intangible assets - $100mm write-off in 3Q07
- Goodwill - At the ML&Co. level First Franklin has been integrated into overall GMI
  - ✓Goodwill testing therefore done at GMI level
  - ✓Since GMI fair value > book value (≈ $13bn) no impairment charge at GMI or ML& Co. level (only at legal entity level)

U.K. Residential Mortgages

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[redacted]

Collateralized Debt Obligations (CDOs)

CDO Business Strategy
Aggressive Build-out

ML Global League Table Ranking

Year	Rank	VOL ($MM)	MKT SHARE
1H07	1	34,177	13.1
2006	1	55,280	11.6
2005	1	28,028	12.3
2004	1	16,508	13.1
2003	1	9,259	10.7
2002	11	2,989	3.6
2001	10	2,960	3.7
2000	13	1,665	2.4

U.S. ABS CDO League Table – 1H07

Rank	Bookrunner	Volume (US $ Mil)	Mkt. Share
1	Merrill Lynch	25,648	22.4%
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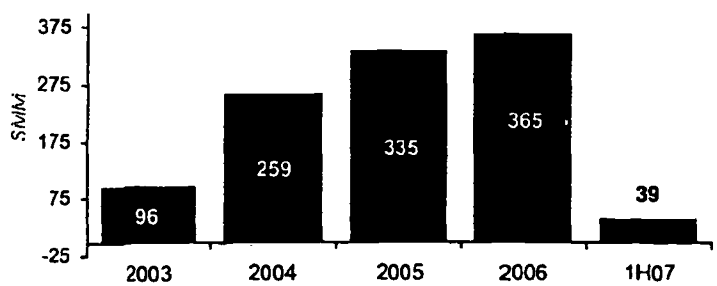
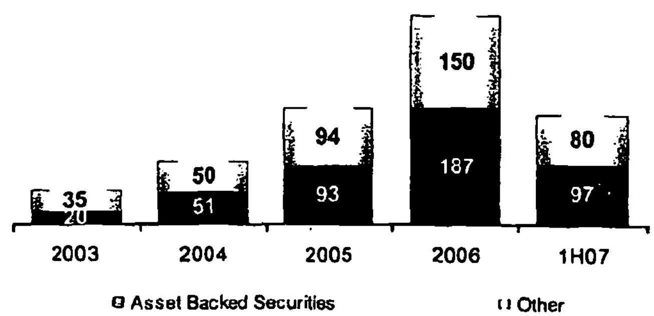
	Industry Total	114,582	100.0%

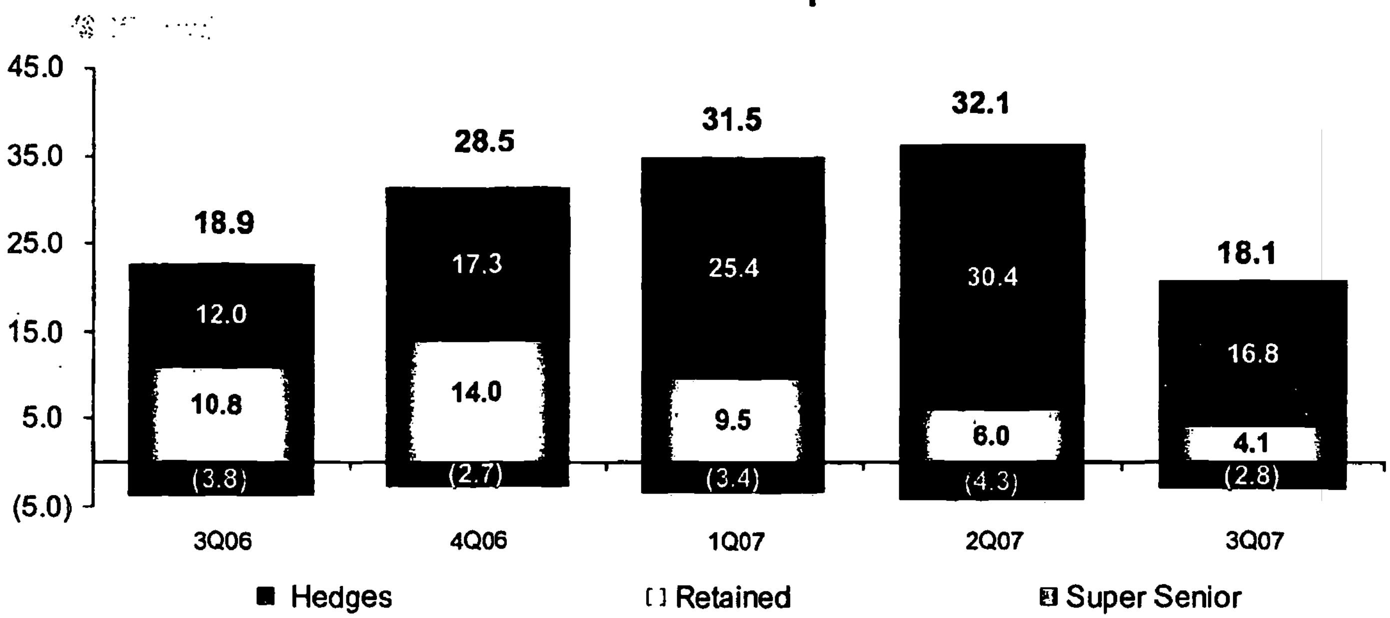
ML CDO Revenues



U.S. CDO Securitization Volume Growth ($bn)



U.S. ABS CDO Exposure and P&L



Exposure Reduction vs. 2Q07	
Super Senior	(45)%
Retained / Hedges	(24)%

3Q07 Net Revenue Losses	
Super Senior	$(3.2)
Retained / Hedges	(0.9)
Total	(4.1)

Super Senior reflected as net notional exposure (Funded & Unfunded) and net of Marks. Retained / Hedges are reflected as bond equivalent values.

Valuation & Price Verification Processes
Synopsis of the Marking Process-3Q ABS CDOs

Overview

- ML & Co. valuation policies require the trading desk to mark to Fair Value under FAS 157 using market inputs from various sources:
  - ✓Exchanges, external quotes, vendor pricing services & contemporary trades and quantitative models
- Independent control groups within CFO are responsible for validating trading desk valuation inputs and results
- In observable markets where prices and model inputs are readily obtainable and reliable:
  - ✓BU Finance validate the portfolios via independent market quotations
- In more complex, less liquid or opaque markets where the desk uses a higher degree of estimation:
  - ✓CFO is involved through development of quantitative methods to assess and validate portfolio valuations
- The above validation steps are shared through regular dialogue with external auditors and regulators:
  - ✓D&T, SEC and U.K. FSA

3Q07 Valuation Methodologies and Review Procedures

- Dislocation in the U.S. Residential Mortgage market led to massive illiquidity in the RMBS asset class
- As a result, valuation of the Firm's ABS CDO positions became increasingly challenging
- The firm utilized a combination of:
  - ✓Cash flow, loss curve and other valuation modelling techniques
  - ✓Relevant index movement guidance
  - ✓Observable market price and trade indication levels

U.S. ABS Super Senior CDO Mark and Pricing Detail

As of September 2007

Type / Attachment	Current Net Notional Value ($bn)	3Q Marks ($bn)	Bond Equivalent Value ($bn)	3Q % Markdown	
				Weighted Avg Price	**% Change**
HG					
40-100	6.09	(0.28)	5.81	99.29	-0.7%
25-40	2.60	(0.10)	2.50		
15-25	1.12	(0.86)	0.25	57.58	-42.3%
10-15	0.36	(0.25)	0.13		
Total HG	10.18	(1.50)	8.69	88.12	-11.7%
MEZZ					
60-100	5.59	(0.20)	5.39	90.96	-8.8%
50-60	1.13	(0.05)	1.08	65.22	-34.3%
30-50	1.74	(0.84)	0.83		
Total MEZZ	8.47	(1.09)	7.30	84.45	-14.6%
CDO^2					
70-100	0.88	(0.25)	0.63	63.81	-35.8%
30-70	0.62	(0.39)	0.17	26.84	-70.7%
Total CDO^2	1.50	(0.64)	0.81	53.83	-44.0%
Total	**20.15**	**(3.23)**	**16.80**		

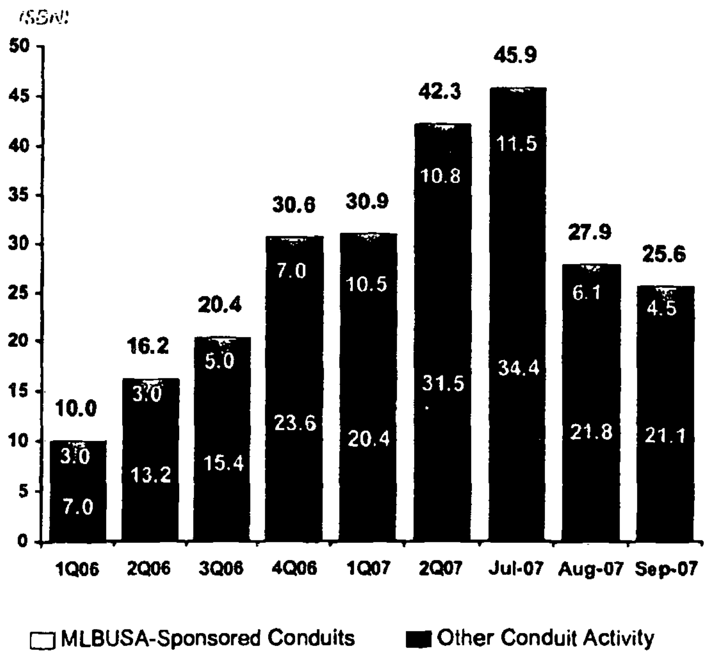
ABS CDO Super Senior
4Q07 Focus and Strategy

- Restructuring Ideas / Sales Efforts
- Risk Mitigation
- Model / Valuation Infrastructure
- Business Model Going Forward

Other Supplemental Information

ABCP Conduit Funding

Conduit Funding ($bn)

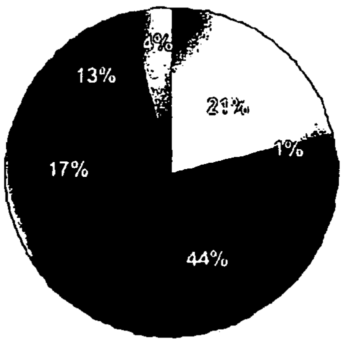


Reductions and Current Status

- Total assets in conduits have declined by $20bn from a peak of $46bn in July 2007
  - ✓ Approximately $6bn in CDO assets transferred from black box conduits to commercial bank term funding vehicles
  - ✓ Assets in MLBUSA-sponsored conduits declined by approximately $7bn as the bank purchased assets back on to the balance sheet
  - ✓ Additional $7bn in conduit assets were either repo financed, funded on balance sheet or sold
- ABCP market conditions have improved from most severe dislocation in early September
  - ✓ Businesses continue to seek opportunities to replace conduit funding
- Remaining liquidity exposure to conduits is approximately $26bn, of which $20bn would require ML&Co financing and the remainder would be supported by MLBUSA and MLIB
  - ✓ Both the parent company and the banks are well positioned to handle conduit financing needs
  - ✓ Liquidity modeling assumes ML&Co. to fund $17bn (net of 3rd party liquidity) in conduit assets through year end - $9bn if credit conditions continue to deteriorate and additional $8bn under severe stress
  - ✓ Approximately $6bn in conduit financing would need to be replaced if ML's short-term rating is downgraded by S&P to A-1+ from A-1

Aggregate Residential Mortgage & CDO
Exposure and P&L (3Q07)

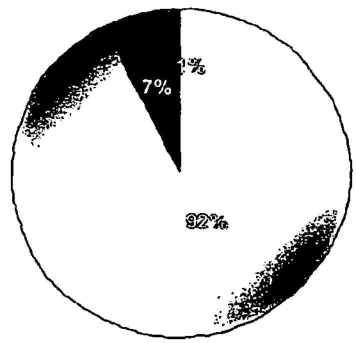
Global Residential Mortgage Exposure – On / Off Balance Sheet



- U.S. Sub-prime - on B/S
- U.S. Sub-prime - off B/S
- U.S. Other - On B/S*
- U.S. Other - Off B/S*
- Non U.S. - On B/S
- Non U.S. - Off B/S

Total: $62.8bn

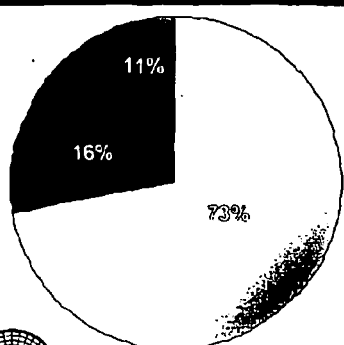
Global ABS CDO Exposure



- U.S. ABS CDO
- CDOs - Retained
- Non U.S.

Total: $18.1bn

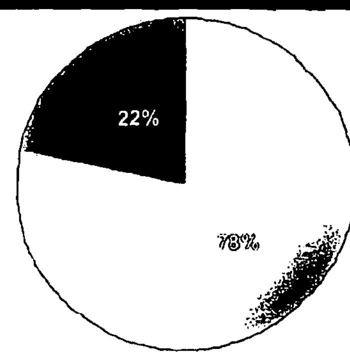
Global Residential Mortgage - P&L



- U.S. Sub-Prime
- U.S. Other*
- Non U.S.

Total: $(1.5)bn

Global ABS CDO P&L



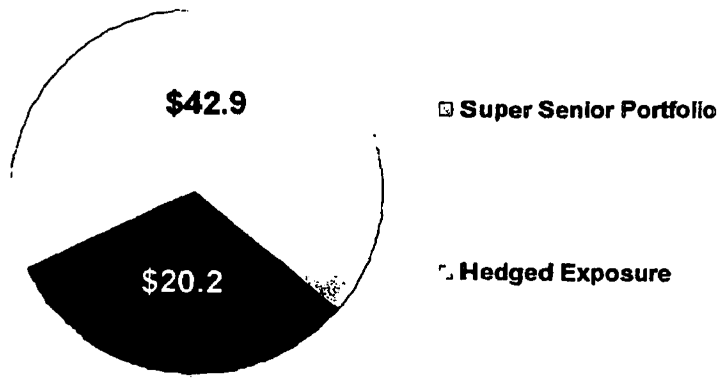
- ABS CDO
- CDOs - Retained

Total: $(4.1)bn

**Alt-A / Prime only*

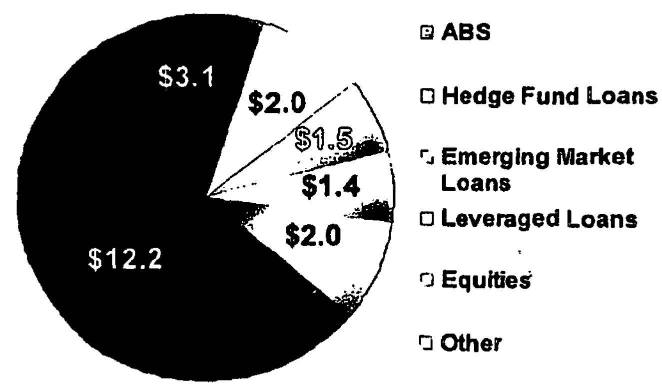
CDOs and Off-Balance Sheet Funding
($85.3bn as of 10/07)

Gross Notional CDO Composition



Total: $63.1bn

Other Assets in Conduits



Total: $22.2bn

Business Model and Strategy Overview

ML Acquisition to Build a Vertically Integrated Mortgage Platform Strategy

ML FICC Platform Expansion

Origination	*Capital Markets*	*Capital Markets*	*Capital Markets*	*Investing*		
First Franklin / NationPoint	Warehouse Financing	Whole Loan Purchase	Structuring / Distribution	Resi Principal Investing	Asset Management	FICC Secondary Trading

HLS Servicing

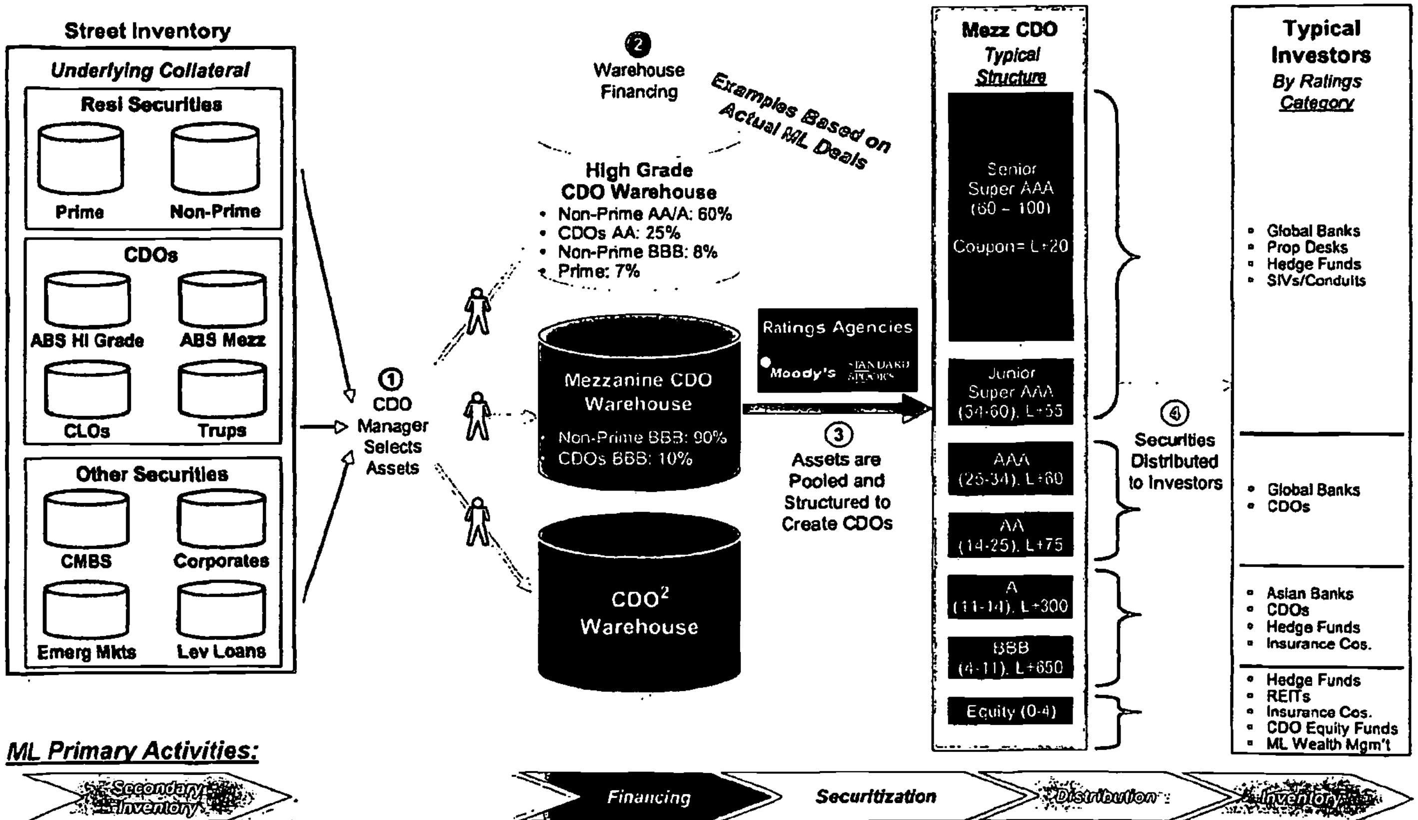
Wilshire Servicing

2006 Acquisition
2004 Acquisition
'05-'06 New Business
'04-'06 Organic Expansion

Movement towards a vertically integrated platform strategy

- Historically a third party-focused model
  - ✓Reliant on third party mortgage originators, their underwriting guidelines and origination practices
  - ✓Competitive bidding for mortgage pools limited the margin opportunity
  - ✓Increase in whole loan purchases and retention of mortgage residuals drove rationale to own servicing platform
- Benefits of vertical integration
  - ✓Direct "access to assets"
  - ✓Ability to tailor origination profile and pricing to specific risk appetite and capital markets strategy
  - ✓Mortgage originators integrated downstream into capital markets; Wall Street firms and commercial banks integrated upstream into owning origination platforms

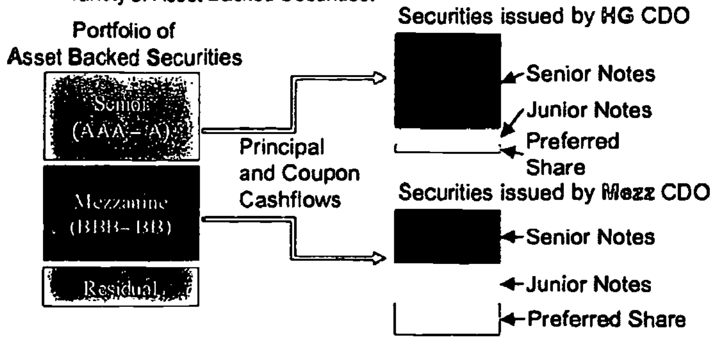
CDO
Creation of a Typical CDO Structure



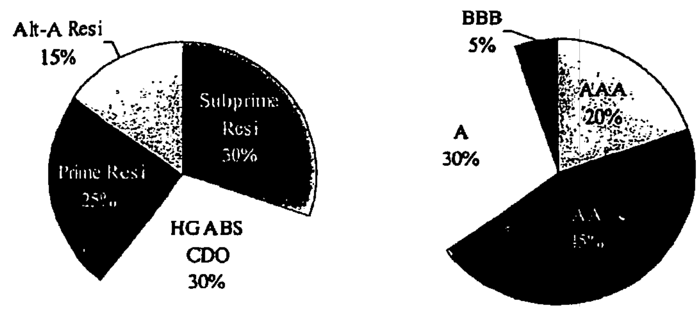
ABS CDO Risk Summary

What is an ABS CDO?

✓ ABS Collateralized Debt Obligations are Special Purpose Vehicles ("SPVs") that offer investors non-recourse, leveraged exposure to a variety of Asset Backed Securities.

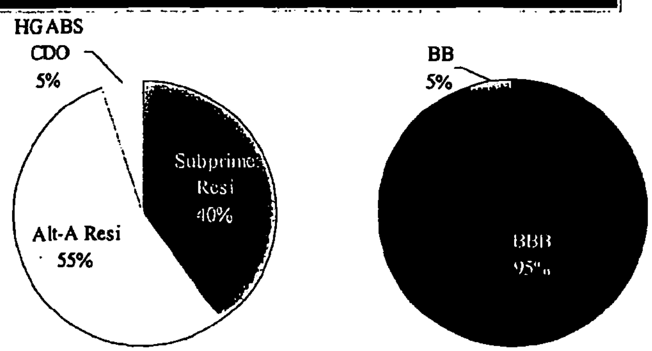


Representative Portfolio for HG CDO



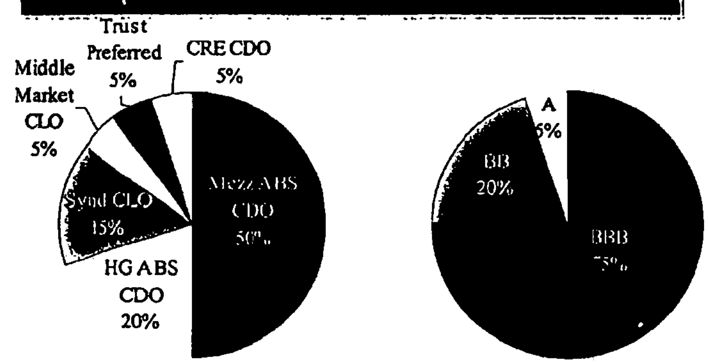
By Collateral Type **By Rating**

Representative Portfolio for Mezz CDO



By Collateral Type **By Rating**

Representative Portfolio for CDO^2 CDO

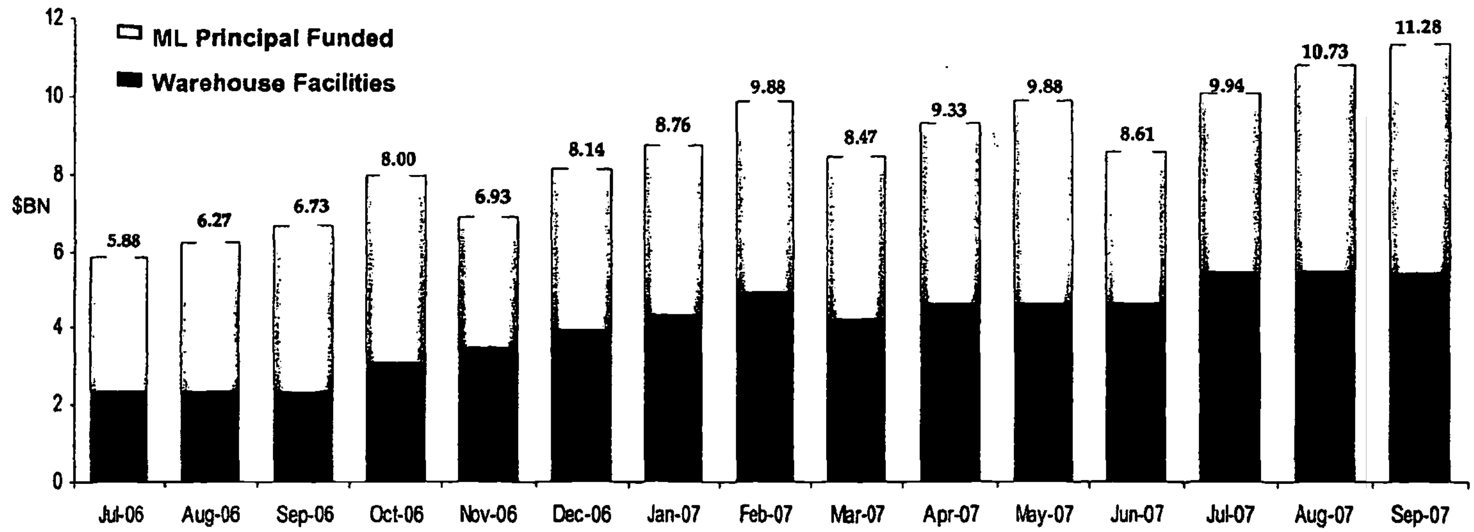


By Collateral Type **By Rating**

[redacted]

Non-U.S. Mortgage-Related Lending

Exposure Trends

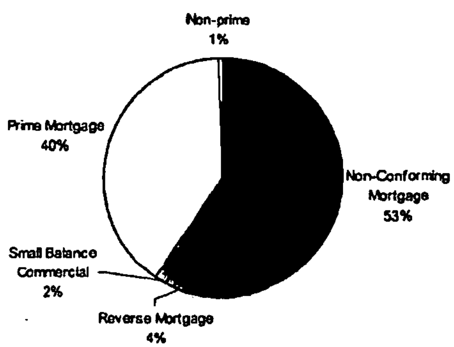


- EMEA portfolio has grown steadily over the past year with the principal portfolio turning over regularly via Newgate and Ludgate RMBS transactions; more recently, whole loan sales have been preferred takeout
- US mortgage commitments (ex. First Franklin) meanwhile have declined from $23 billion to under $2.5 billion over the same period; remaining committed facilities are closer to $1 billion

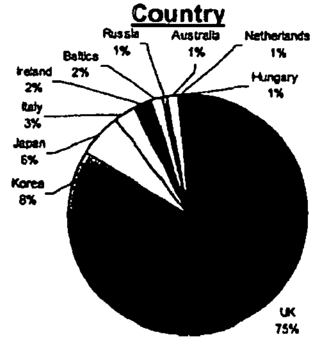
Non-U.S. Mortgage Exposure Detail

Counterparty Name	Primary Product	Country	Currency	Obligor Rating	Facility Rating	Senior CUR ('000)	Mezz CUR ('000)	Flow CUR ('000)	Equity USD ('000)	Total CUR Limit ('000)	Total USD Limit ('000)	Total USD Funded ('000)
3rd Party Warehouse Facility												
REDACTED	Non-Conforming Mortgage	UK	GBP	mlB-	mlBBB-	680,000	-	-	30,088	680,000	1,389,432	551,898
	Non-Conforming Mortgage	UK	GBP	mlBB	mlAA	600,000	-	-	-	600,000	1,222,440	888,510
	Prime/Second Lien	UK	GBP	mlD	mlB+	450,000	26,600	-	-	476,600	971,025	927,919
	Prime Mortgage/Commercial	Japan	JPY	mlBBB-	mlA	68,100,000	-	-	-	68,100,000	584,366	453,935
	Reverse Mortgage	Italy	EUR	mlCCC	mlBBB-	250,000	-	-	11,331	250,000	355,650	8,876
	Non-Conforming Mortgage	Ireland	EUR	mlBB+	mlAA	191,318	1,933	-	12,092	193,250	274,917	69,098
	Small Balance Commercial	UK	GBP	mlB-	mlBBB+	100,000	-	-	-	100,000	203,740	86,833
	Prime Mortgage	Baltics	EUR	mlBB+	mlA	125,000	-	-	-	125,000	177,825	47,744
	Reverse Mortgage	Hungary	EUR	mlCCC	mlBBB-	75,000	-	-	9,203	75,000	106,695	47,521
	Prime Mortgage	Russia	USD	mlBBB-	mlBBB+	103,718	-	-	-	103,718	103,718	103,718
	Subtotal:								$62,715		$5,385,809	$3,186,051
ML Principal Platform/ Flow Agreements												
REDACTED	Non-Conforming Mortgage	UK	GBP	-	-	1,656,523	-	-	121,000	1,656,523	3,375,000	2,964,773
	Prime Mortgage	UK	GBP	-	-	552,174	-	-	42,000	552,174	1,125,000	1,104,074
	Prime Mortgage	Korea	USD	-	-	965,000	-	-	18,000	965,000	965,000	953,000
	Prime/Second Lien	UK	GBP	-	-	-	-	325,753	-	325,753	663,689	663,691
	Prime Mortgage	Australia	AUS	-	-	160,500	-	-	-	160,500	143,102	88,195
	Non-Conforming Mortgage	Japan	JPY	-	-	13,618,320	-	-	-	13,618,320	116,859	116,859
	Non-prime	Netherlands	EUR	-	-	46,000	-	-	-	46,000	65,440	61,422
	Subtotal:								$181,000		$6,454,089	$5,952,014
	Total as of Sept 28, 2007:								$243,715		$11,839,898	$9,138,065

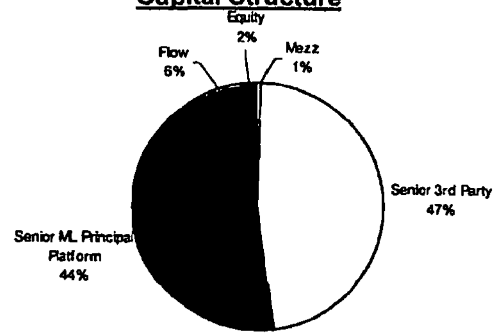
Product Type



Country



Capital Structure



Glossary

Term	Definition
ABCP Conduit	A special purpose entity that purchase assets such as mortgage-backed securities, commercial loans, collateralized bond obligations, and collateralized loan obligations. The conduit funds these purchases by issuing commercial paper (CP), with the ongoing cash flow from the assets used to service the commercial paper.
ABS (Asset-Backed Securities)	Bonds secured by financial receivables, such as consumer or commercial loans originated by banks, finance companies or mortgage originators.
ABX Index	A specific market index of home equity asset-backed securities for a particular credit grade and origination vintage; there are 20 referenced securities underlying the index which are equally weighted
Alt-A	The Alt-A mortgage market is generally characterized by lending to borrowers of a higher credit quality than so-called "B" and "C" borrowers but with characteristics that would disqualify the borrower from a traditional "A", or "prime" loan are considered "Alt-A" mortgage loans. Alt-A lending characteristics may include less than full documentation (e.g. "low doc" or "no doc"), LTVs in excess of 80% but lacking primary mortgage insurance, borrowers who are resident aliens, loans secured by non-owner occupied properties or non-warrantable condominiums, debt-to-income ratios above normal limits, or a combination of the these factors.
Attachment / Detachment Points	The risk of loss on the reference portfolio is divided into tranches of increasing seniority where the losses will first affect the equity (first loss) tranche, then the mezzanine tranches, and finally the senior and super senior tranches. The lower tranche boundary is called the attachment point, while the upper tranche boundary is called the detachment point.
Bond Equivalent Value	A calculation that converts the value of a synthetic (e.g. CDS contract on a underlying security) instrument, into the equivalent cash bond value of the underlying in order to facilitate direct comparison of risk.
CDO (Collateralized Debt Obligation)	An asset backed security collateralized by a pool of different bonds. These assets could include bonds from several different asset classes including: ABS; MBS; corporate bonds; leveraged loans; and other CDOs.
CDO Tranche	Division or slicing of the credit risk of the reference portfolio into different classes, known as tranches, within the capital structure. In accordance with its seniority, each tranche enjoys rights and priorities concerning payments generated by its collateral.
CDO Warehouse	A loan provided by the financial institution arranging the CDO transaction to assist the CDO manager in purchasing assets. The warehouse bridges the funding requirements of the CDO until enough assets have been accumulated to generate sufficient cash flow to warrant the issuance of the CDO's notes.
CLO (Collateralized Loan Obligation)	A structure that is similar to a CDO, however, it is backed primarily by leveraged loans.
CMBS (Commercial Mortgage-Backed Security)	A mortgage-backed security backed by mortgages on commercial property, rather than residential real estate.
Conforming Loan	"Conforming" is most often used when speaking specifically about a mortgage amount. The terms of "conforming" and "conventional" are often used interchangeably referring to a mortgage that is equal to or less than the dollar amount established by the conforming loan limit set by Fannie Mae and Freddie Mac's eligible loan criteria.

Glossary

Term	Definition
DV01	A measure of how much a bond's price will change in response to a one basis point movement in spread.
FHLMC (Federal Home Loan Mortgage Corp)	A government-sponsored enterprise (GSE) authorized to make loans and loan guarantees. FHLMC buys mortgages on the secondary market, pools them, and sells them as mortgage-backed securities to investors on the open market.
FICO Score (Fair Isaac Corporation)	The industry standard credit scoring model used to rank order the risk of consumers, based on a statistical model, with the higher FICO indicating better expected credit performance. FICO scores take into account past payment history and the number of negative events in a borrower's credit file.
First Loss CDO Tranche	The final tranche within the CDO structure, in terms of seniority of sequential payment claims, is the equity portion. As this is the junior most position in the capital structure, the equity is also described as the 'first-loss' piece.
FNMA (Federal National Mortgage Assoc)	A government-sponsored enterprise (GSE) authorized to make loans and loan guarantees. FNMA buys mortgages on the secondary market, pools them, and sells them as mortgage-backed securities to investors on the open market.
High Grade CDO	CDO whose collateral has an average credit rating of Aa3/A1 by Moodys
Junior / Senior CDO Tranche	The bottom 33% of the total Super senior tranche of a high grade CDO is termed as the junior super senior and the top 67% remaining is termed as the senior super senior tranche. For a mezzanine CDO deal the bottom 40% of the super senior tranche is termed the junior super senior tranche and the remaining top 60% of the super senior tranche is termed the senior super senior tranche
Leveraged Loans	Loans extended to companies or individuals that already have substantial amounts of debt. These loans carry higher interest rates since the risk of default is greater.
MBS (Mortgage Backed Securities)	Asset backed securities specifically secured by mortgages, including either commercial or residential. MBS is a subset of the more general ABS market.
Mezzanine CDO	CDO whose collateral has an average credit rating of Baa2/Baa3 by Moodys
Non-Conforming Loan	Loans outside of the agency eligible criteria which include tiers of mortgage products down to and including sub-prime.
OCI	Other comprehensive income is the difference between net income and comprehensive income and represents the unrealized gains and losses of the enterprise. In practice, it comprises four general items: - Gains and losses on available for sale securities - Gains and losses on derivatives held as cash flow hedges - Gains and losses resulting from converting foreign currency subsidiaries to the parent currency, and minimum pension liability adjustments. - Unrealized gains and losses from a foreign currency hedge of a net investment in a foreign operation
Prime	Mortgage loans to borrowers of excellent credit quality are considered "A", or prime loans. Prime borrowers generally have FICO scores above 680, fully documented income and assets, debt to income ratios below 35%, two months of mortgage payments in reserves after closing and loan-to-value (LTV) ratios below 80%.

Glossary

Term	Definition
REIT (Real Estate Investment Trust)	A tax designation for a corporation investing in real estate that reduces or eliminates corporate income taxes. As a requirement, REITs must distribute 90% of their income, which may be taxable in the hands of the investors. The REIT structure was designed to provide a similar structure for investment in real estate as mutual funds provide for investment in stocks.
Residential Mortgage-Backed Security (RMBS)	RMBS is a subset of the more general Asset Backed Securities which is specifically secured by residential mortgages.
Residuals	Residual Tranches are subordinated classes and first-loss pieces from RMBS.
Retained-CDOs	CDO assets securitized, unsold and retained on balance sheet; and ramp-up inventory in warehouses with intention of securitizing for which warehouse agreement has now expired.
Scratch & Dent Loan	Scratch & Dent mortgage loans are those that fall out of compliance with the customary prime, Alt-A and sub-prime originator guidelines and performance expectations. Scratch & Dent loans often contain non-compliance issues such as mis-assigned credit ratings, poor appraisal quality or missing loan documentation. Loans are usually performing and as a result may be securitized with added credit support. Scratch & Dent loans may also be classified as re-performing, non-performing, or sub-performing.
Servicing	The act of collecting mortgage principal and interest payments from borrowers and remitting proceeds to the holder of the mortgage typically held in a securitization trust on behalf of investors. Servicers are authorized by investors to take action to mitigate losses with delinquent borrowers, including loan workouts, modifications and foreclosures.
SES (Spread Event Scenario)	An estimate of the change in economic value of the current static position based on a severe but not unrealistic credit spread steepening and widening event, of a magnitude which would be expected once in a ten year period. The amount of widening and steepening is calibrated to asset type and to credit ratings. It is not an estimate of income statement impact. (Many affected positions do not have MTM accounting.)
SIV (Structured Investment Vehicle)	A credit arbitrage fund that may invest in a range of asset-backed securities, as well as corporate bonds. A SIV seeks to make profits from the difference between short term borrowing rate and long term returns on the assets held in the vehicle.
Sub-prime	The sub-prime mortgage market is generally characterized by lending to borrowers with less-than-perfect credit histories. Borrowers with FICO scores below 620 (out of a possible 900) are generally considered by lenders to be considered "sub-prime", although score below 660 are considered sub-prime by bank regulatory agencies. Typical sub-prime lending guidelines consist of credit quality ranges from "B" to "D" and which are determined by lenders based on credit scores, credit history allowances (credit lates, bankruptcy, foreclosure, etc.) and debt service ratios.
Super Senior CDO Tranche	Senior most tranche in a CDO capital structure. In bankruptcy the proceeds from liquidated cash CDO assets will first be used to meet the claims of the most senior, triple-A rated debt tranche. Once the most senior tranche is satisfied, cash proceeds will be applied to the next lowest tranche.
TruPS (Trust Preferred Securities)	A "hybrid" security possessing characteristics of both equity and debt. TruPS may offer tax deductibility for the issuer while being considered capital under certain circumstances.
Warehouse Financing	The process of providing a collateralized revolving loan facility to an originator of assets. The warehouse financing allows the originator to finance their funding requirements until enough assets have been accumulated to securitize or sell in a bulk package.
Whole Loan	A term used to describe an original mortgage loan in its unsecuritized form. Whole loans are usually larger in size than the maximum amount allowed by GNMA, FNMA and, FHLMC. Credit enhancements ensure investors receive timely interest payments.
Wholesale Origination	The process of originating mortgage loans through intermediaries, such as mortgage brokers.