

Merrill Lynch Capital Markets AG  
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The real measure of  
**success**



From India to China to Brazil to Eastern Europe, the force of global capitalism is improving the lives of millions of people, and increasingly, capitalism has become the common thread that connects the world. Geographic borders are losing significance within the context of a global economy that moves at the speed of light.

At Merrill Lynch, we have been investing to build the capabilities necessary to help our clients capitalize on this fast-moving and unprecedented set of opportunities. In 2006, we had a remarkable year by any measure, but our real measure of success is the remarkable year we had helping our clients achieve their goals.

20<sup>03</sup>

We emerge from an intensive reengineering of our business. With a strategically sound platform in place, we build on our momentum, investing for growth and creating the capabilities that will take us into the future.

20<sup>04</sup>

Focusing like never before on the emerging needs of our clients, we quicken our pace of investments to meet those needs – filling gaps, hiring new talent and making bolt-on acquisitions.

20<sup>05</sup>

Our investments in people, technology and capabilities come together for the benefit of our clients. At the same time, new investments come online, sowing the seeds for continued growth.

20<sup>06</sup>

All the prior work dovetails with the explosion of activity in the global marketplace for which we've been preparing. We add more value for clients than ever before and, in the process, drive more value for our shareholders with record financial performance and continued progress on our strategic imperatives.

**Dear Fellow Shareholders and Clients:**

I am pleased to report that, by virtually any measure, Merrill Lynch completed the most successful year in its history – financially, operationally, and strategically. After several years of restructuring and investing in our business, all of the components came together to reflect a company capable of strong, disciplined performance with tremendous potential for future success.



Revenues, earnings, earnings per share and return on equity all grew strongly as a result of our continued emphasis on broadening the asset classes and capabilities we offer clients, expanding our geographic footprint, diversifying our revenues, managing and deploying our capital more effectively and investing in top talent from within and outside the company. Our financial results underscore that progress:

- Net earnings of \$7.5 billion, up 47% from 2005 and 69% from 2004;
- Earnings per diluted share were \$7.59;
- Net revenues increased 33% to \$34.7 billion;
- Pre-tax profit margin rose to 30.1%;
- Return on common equity (ROE) increased to 21.3%;
- Book value per common share increased to \$41.35;
- 2006 dividends on common stock increased 32% to \$1.00 per share.

Each of our geographic regions generated impressive growth and, following what we see as a long-term trend, we recorded the largest percentage of revenue from non-US business in firm history. The growth was also broad-based in terms of business mix with strong year-over-year results reported in Global Markets & Investment Banking and Global Wealth Management, which includes our Global Private Client and Global Investment Management businesses.

### Beyond Financial Performance

But to me, our success is about more than just financial performance. It is also about the company's strategic progress. We are better positioned than ever to meet the demands of the marketplace. We've accomplished this by continuing to work on two fronts: creating a set of capabilities that enable our clients to capture opportunities wherever and whenever they occur; and building a culture that allows us to fully capitalize on those capabilities.

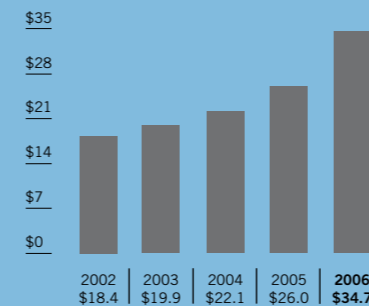
### Building Our Capabilities

Perhaps the most significant achievement for the company last year was our successful combination of Merrill Lynch Investment Managers (MLIM) with BlackRock, Inc. This merger created an asset management firm with global reach, \$1 trillion in assets under management, a healthy balance between equity and fixed income and an attractive balance of individual and institutional clients. Importantly, our shareholders maintain a significant investment in the new BlackRock, a company almost twice the size of MLIM with a powerful growth trajectory.

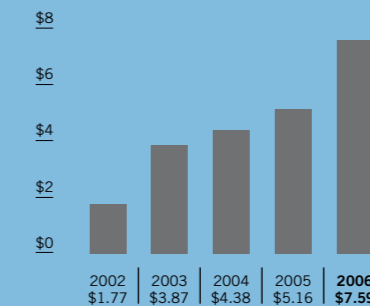
We also took a number of steps to further round out our capabilities. We acquired First Franklin, one of the nation's leading originators of residential mortgage loans, adding scale to our mortgage platform and providing a robust source of origination for our securitization and trading operations. We acquired Petrie Parkman & Co., a leading investment bank for the North American oil and gas industry and a perfect complement to our rapidly growing commodities platform. We reorganized our institutional fixed income division to better manage risks, improve efficient use of the firm's balance sheet and enhance growth prospects, and we continued to expand our private equity activities with several major investments in leading companies. On the wealth management side, we became fully operational with our joint venture in Japan, and we acquired a company called Equity Methods, adding increased financial reporting and forecasting capabilities to our retirement group.

These advancements and others build on all that we've done over the last few years – the expense discipline, the repositioning of the business, the investments in people and technology, and more than 30 acquisitions, joint ventures and other transactions. We are continually evolving our platform to stay ahead of the marketplace and our clients' needs.

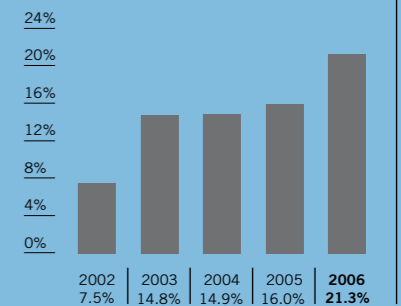
Net Revenues in billions



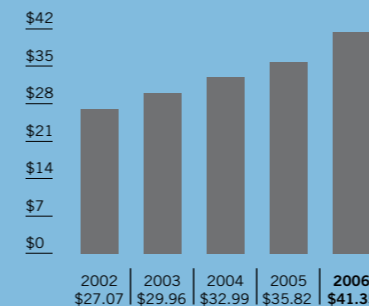
Diluted Earnings Per Common Share



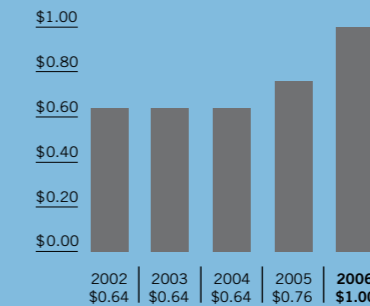
Return on Average Common Stockholders' Equity



Book Value Per Common Share



Dividends Paid Per Common Share



4

CONSECUTIVE YEARS OF RECORD NET EARNINGS

47%

INCREASE IN ANNUAL DILUTED EARNINGS PER SHARE



Our rapidly expanding franchise outside of the US generated revenue growth of 42% in 2006, increasing non-US operating revenues to 37% of total, the highest proportion in our history.

We significantly improved our return on equity to 21.3% in 2006, up 5.3 percentage points from 2005, driven by strong earnings growth and a record \$9 billion of stock repurchases.

Since 2004, we have announced more than 30 acquisitions, alliances and other strategic investments to accelerate our growth across a broad range of businesses and geographies.

#### MERRILL LYNCH & BLACKROCK: A GROWTH OPPORTUNITY

**On September 29, we completed the merger of Merrill Lynch Investment Managers (MLIM) with BlackRock. The new BlackRock has global reach, with more than \$1 trillion in assets under management, a healthy balance between equity and fixed income and alternative investments, and between individual and institutional clients. BlackRock is now in a position to serve existing clients across a range of products and services broader than either legacy organization could offer on its own, and has a compelling competitive advantage in attracting new clients and new assets.**

Perhaps most importantly, this transaction allows Merrill Lynch shareholders to maintain a significant investment in the asset management business with approximately 50 percent ownership of BlackRock, which is now almost twice the size of MLIM with a strong growth trajectory. As BlackRock shareholders, we're seeing positive results already. The integration has gone very smoothly with wide acceptance from clients on both sides of the merger. Financial performance also has been on track, as well as meaningful appreciation of BlackRock's stock price.

## Strengthening Our Culture

At the same time, we're working to evolve our culture to ensure that we maximize our value to clients and shareholders. We have a strong foundation of decency, integrity, dedication, discipline and client focus. Now, we're combining that with an overarching commitment to collaborating across the firm. We need to leverage all the resources we have – spanning business, functional and organizational lines – to be more effective at consistently creating value. Investment banking relationships may have a private equity component or benefit from a structured finance solution. Advisory assignments may offer financing and hedging opportunities. Our institutional capabilities can create and deliver investment products for our private clients. The list goes on and on. It is long and it defines our next set of great opportunities. We've made tremendous progress already, and I'm convinced that we can unleash so much more value from what we've built.

A lot of this comes down to leadership. Our senior management team is among the most professionally and culturally diverse in the industry, and we are working together better than ever before. We complement each other's strengths and expertise and are benefiting tremendously from continuity, which is critical, because all of our achievements are following a steady progression.

In our business, opportunities are defined by market conditions at any given point in time. We add enormous value, have a great brand, market presence, terrific people and an incredible roster of clients, but we cannot control market conditions. What we can control – and what we're focused on – is extracting the maximum value possible for the benefit of our clients, shareholders and employees. We have done a good job – but we can do better. That's good news. There is tremendous upside, because the environment for the intermediate and long term should continue to be very constructive.

## An Extraordinary Time of Global Capitalism

This is an extraordinary time in the financial services industry. We are participating in the confluence of a number of long-term trends. More and more countries around the world are embracing capitalism to some degree and participating in the global economy. This is combining with technological innovation and significant investments in connectivity and software to create a truly global capital marketplace. Now, different economies, companies and individuals are all competing for, and contributing to, the world's resources with more liquidity moving more quickly around the globe than ever before in history. Not surprisingly, in this environment, Merrill Lynch is doing exceptionally well. To some extent, we anticipated these developments and have been investing to capture the opportunities.

We find ourselves in a remarkable position at the center of global capitalism – the most powerful force for improving lives and creating wealth that the world has ever known. All of us are proud of what we do and excited by a future that is literally brimming with opportunity. In 2006, we demonstrated our true potential for performing at the top of our industry. In 2007, we can achieve even more. Together, we can and will continue to grow our business, lead this incredible force of global capitalism and validate the tremendous confidence that you, our shareholders, have placed in this organization and each of us.

Sincerely,



**Stan O'Neal**  
Chairman and Chief Executive Officer  
February 22, 2007

Growth, security, opportunity, freedom – every client measures success in a different way. But however they measure success, Merrill Lynch has the intelligence, insight and expertise to help them achieve it.

In an increasingly complex and competitive global economy, our success remains the success of our clients, measured through the enduring power of strong, long-term relationships built on trust.



**Global Access** The Global Markets and Investment Banking group capitalizes on Merrill Lynch's global presence and resources in 35 countries around the world, providing local market intelligence, product innovation, and leading scale positions in the capital markets to deliver value-added, complete solutions to our clients.

- Merrill Lynch Operations in 35 Countries
- Member of approximately 70 Exchanges Around the World
- Global Research with Leading Rankings in All Regions
- 56,200 Employees
- Total Assets in Client Accounts of \$1.6 Trillion

### Smart Solutions

At Merrill Lynch, we offer integrated solutions that draw on intellectual capital from across the entire firm. We find innovative answers from our bankers, traders, portfolio managers, financial advisors, research and more. The resources and capabilities of our other businesses provide us with a full range of information for all our institutional clients. By offering the resources of the entire firm we can provide seamless execution. It's our local knowledge paired with our global presence that enables us to provide not just solutions, but customised "smart" solutions.

### One Stop Shop

Tap into the resources of GMI (Global Markets and Investment Banking) and you're tapping into the total resources of Merrill Lynch. We believe in offering integrated solutions – drawing on intellectual capital from across the firm, finding innovative answers from our bankers, traders, portfolio managers and financial advisors. With the resources and capabilities of each of our businesses we are able to cover the full range of client needs. We can provide seamless execution by offering the resources of the entire firm to our clients. Every day, we connect issuers and investors in equity markets, debt markets and investment banking across five continents.





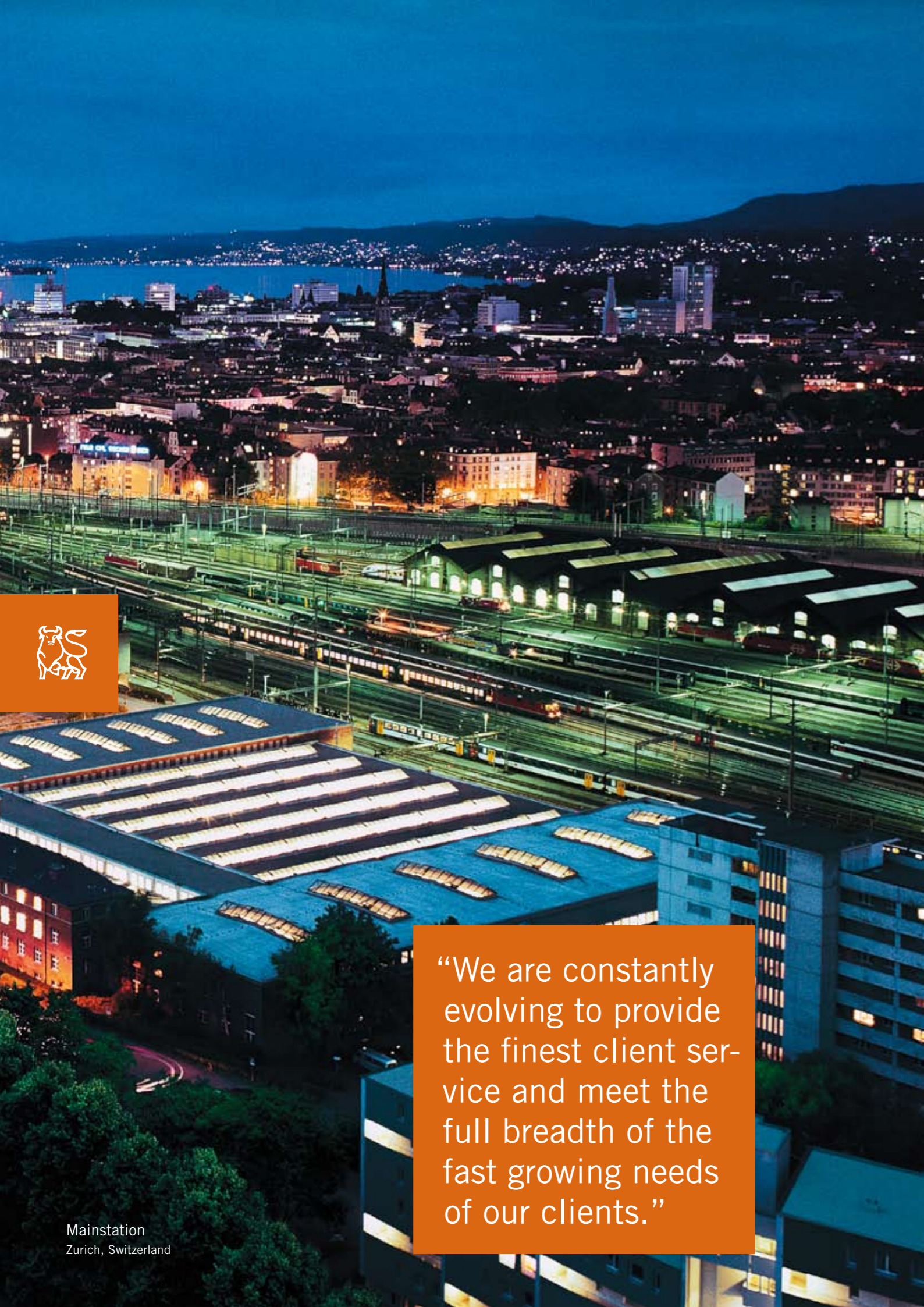
## Local Knowledge

Merrill Lynch's presence in Switzerland goes back to 1951 when it opens a sales office in Geneva. In 1987 Merrill Lynch Capital Markets AG begins trading in Zurich and in 1993 acquires bank status, leaving its name unchanged. In Switzerland we have the following Merrill Lynch divisions:

- > **Merrill Lynch Bank (Suisse) SA**  
Private Banking
- > **Merrill Lynch Capital Markets AG**  
Institutional Business
- > **Merrill Lynch Derivative Products AG**  
Institutional Business through a AAA+ rated vehicle

### Merrill Lynch Capital Markets AG

Merrill Lynch is one of the world's premier Investment Banks. In Switzerland, this area of activity is covered by Merrill Lynch Capital Markets AG, through which clients gain access to specialized conception and structuring of bond and equity issues as well as related derivative products, either in Swiss francs or other currencies. Our local sales force offers unparalleled know-how and service to our clients.



“We are constantly evolving to provide the finest client service and meet the full breadth of the fast growing needs of our clients.”

Mainstation  
Zurich, Switzerland



## Merrill Lynch Capital Markets AG Chairman and CEO Business Report 2006

The performance and results of Merrill Lynch Capital Markets AG (“MLCM AG”) were a reflection of our global progress and also validated its position as a leading foreign bank in the Swiss market place. Swiss institutions continue to value our high quality financial services, innovative products and client driven advisory offerings. Through the year Swiss clients participated in the strong growth shown in global equity markets, whilst also maintaining asset diversity in fixed income, commodity and foreign exchange products. This was demonstrated in the outstanding results provided by our Equity Markets team, and the sixth consecutive year of revenue growth delivered by our Fixed Income team.

MLCM AG’s profit before extraordinary items and taxes of CHF 36.5 million and net income of CHF 33.4 million reflects the effort of the Zurich team. Switzerland is a key franchise in our continued global build out strategy. Merrill Lynch Group will continue broadening the asset classes and capabilities we offer clients, expand its geographic footprint, and invest in top talent from within and outside the company. This reinforces our local philosophy that our global know-how and local team spirit will continue to ensure that our Swiss client base receives innovative high quality service from our “One Stop Shop” in Zurich.

Our greatest assets are our talented employees, who as a team continue to produce the best results for our clients. We thank them for their effort and teamwork, and would like to express our confidence in their ability to provide the best in class service to our Swiss clients.

Alfred Berger  
Chairman

Dominik Schärer  
CEO



“Relationships are the core of our business. By understanding the needs of our clients, we are leveraging the full resources of Merrill Lynch to help achieve their goals. In the process, we become an essential partner, creating opportunities, adding value and helping turn visions into reality.”

Tower Bridge  
London, England



## FICC – Fixed Income, Currencies and Commodities

Merrill Lynch Capital Markets Zurich continues to be responsible for all distribution of Euro-Bonds, Structured Notes and OTC Derivatives to Swiss institutional clients. The fixed income group has added more staff during the year and will continue to expand. Industry surveys are showing good results for Merrill Lynch on coverage, pricing and new issues from the Swiss account base. Staff continue to be highly motivated and are pushing hard.

Interest rates enjoyed a see-saw year in 2006. After a gradual rise in the first half from 4.40 to around 5.20, US rates declined back to 4.40 again. The US economy is showing mixed results and geopolitical issues are supporting the rate product as a whole. European rates were somewhat less volatile and the spread to US rates continues to narrow.

The credit product continues to be very popular with investors and spreads remain on very tight levels historically. Merrill Lynch has provided international expertise across sectors with financials and emerging markets as focus areas. Our franchise in credit is well supported through our electronic platform. Most institutional investors are now executing this way. This has resulted in an increase of deals closed as well as volume transacted.

Our investment in structured product is paying off. Clients are viewing us as a provider of choice. The local team has created a number of innovative deals helping our clients to achieve the ever more ambitious target of return. The cross-selling with our colleagues from other departments as well as other geographical locations has improved dramatically and should yield results going forward.

The fixed income team had another excellent year and is well positioned to maintain production at current pace.

Ernst Rohner                      Christian Thormann  
FICC Switzerland Co-Heads



“Through innovative capital markets solutions, high-quality execution and superior market-making capabilities, we’re impacting the markets for our clients’ advantage.”

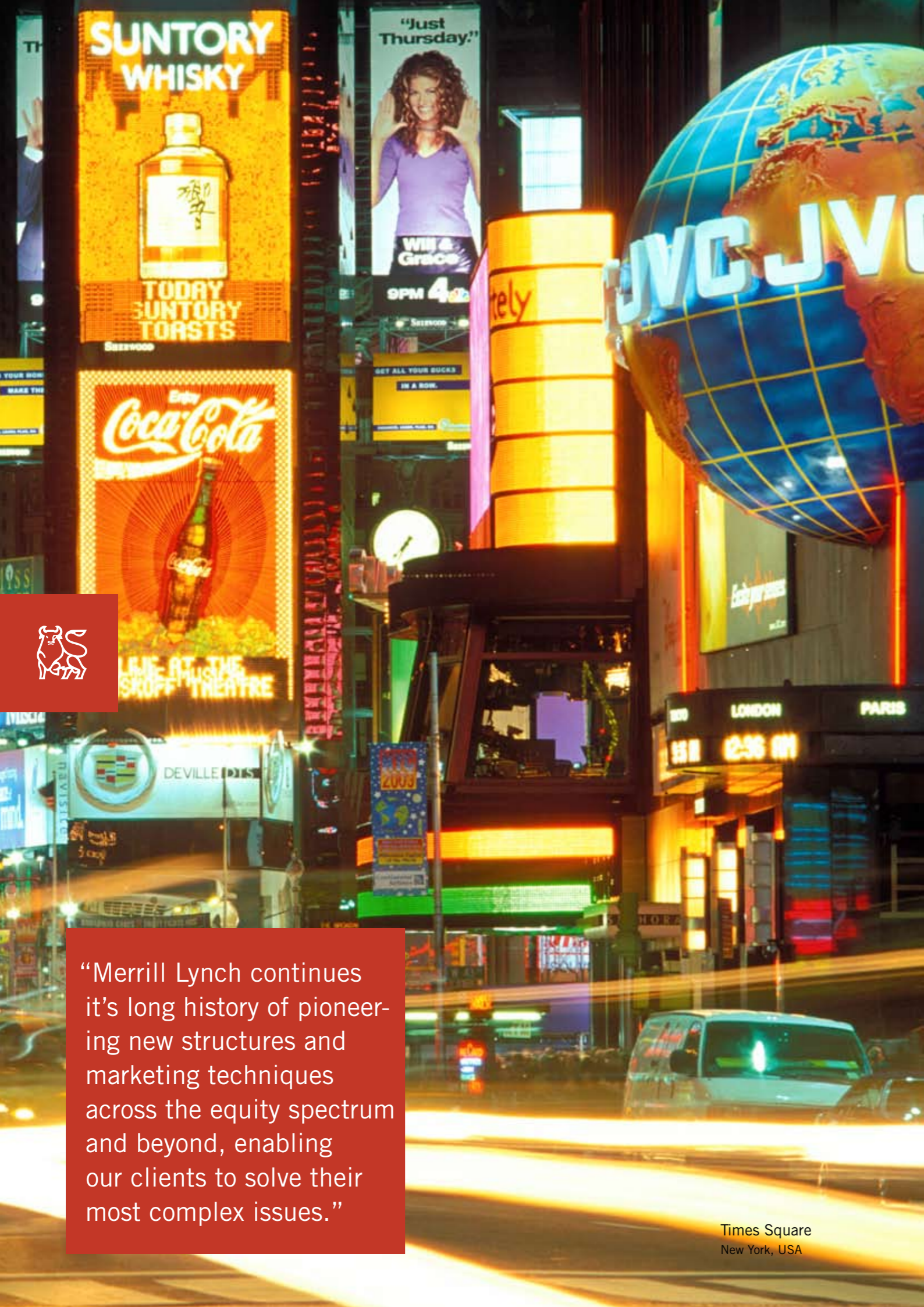
Big Ben  
London, England

## Equity Markets Group

Equities have had an excellent year, with an annual performance for the Swiss market of impressive +12%. Nevertheless, investors remained cautious during the whole year, especially with regards to US equities which continued to underperform. After a drop in Q2, some markets were able to pick up and reach new all time highs in Q4. Investors worried about the economy and the market potential, which led them to hold back with new engagements and stay defensively positioned. In Q4 however they started to reposition themselves, reacting to the new all time highs and increasing their risk appetite again. The Equity Markets team successfully responded to the new demand adopting its capabilities and products to meet the client’s individual needs. Macro economic worries came mainly from the US economy, where real estate market showed signs of weakness. However, the interest rate environment remained stable and corporate earnings increased massively, reaching record levels in relation to sales. In Asia, the situation was particularly good. The ideal economic conditions allowed the global economy to go for its growth potential without any impact on inflation, setting the ground for the euphoric equity markets. On the other hand oil prices were very volatile over the course of the year selling around \$80 in Q3 only to fall again in the \$60 range later on.

Overall, 2006 was an excellent year for Merrill Lynch Capital Markets in Switzerland, allowing the Equity team to increase its year on year revenue performance significantly. Furthermore, the cash team received higher rankings from all of their top 20 clients, confirming their extraordinary performance and setting the ground for improved market penetration. To sum up, thanks to the investments made in recent years and despite this year’s low volumes, Merrill Lynch Capital Markets was able to increase its results significantly. These are advantageous prerequisites to continue on the excellent path of growth for the Swiss team.

Dominik Schaerer  
Head of Equity Switzerland & CEO



“Merrill Lynch continues its long history of pioneering new structures and marketing techniques across the equity spectrum and beyond, enabling our clients to solve their most complex issues.”

Times Square  
New York, USA

## Equity Derivatives Group

This year, the Equity Derivatives team had a tremendous run compared to 2005. The team's ambitious growth plan has certainly started to pay dividends, as the various investments made in building and diversifying the business came together. Flow structured products benefited from this environment as well as from Merrill Lynch Capital Markets' increasing market share. As margins for OTCs dropped close to zero, Merrill Lynch Capital Markets decided to push its structured products. The huge efforts put into this area have paid off. The company was able to respond quickly to client requests, whilst improving pricing and market penetration. The newly started retail strategy bared fruits soon after its launch. The first issues of products such as China Water, Uranium, Boersenindikator and Europe 1 received an encouraging feedback and had a very positive performance. Finally, in structured business Merrill Lynch Capital Markets created the ML Factor index, a product that tracks the uninvestable broad based HFR index. This product demonstrated ML's innovation capability and impressed its clients.

The current team is now fully assembled, and is clearly one of the best in the market, with a diverse set of clients, skills and products, as well as a strong team spirit. So overall, the position for 2007 is excellent and our team and resources will allow Merrill Lynch Capital Markets to gain further market shares in the derivative business in the coming years.

Dominik Schaerer  
Head of Equity Switzerland & CEO



Dharmendra Amin  
CAO – Member of the Executive Management Committee

# Financial Management

Merrill Lynch Capital Markets AG 2006 Annual Report



## Balance Sheets

at Dec 29, 2006 and Dec 30, 2005

(Swiss franc thousands)	12/29/2006	12/30/2005
<b>ASSETS</b>		
Cash	2	1
Due from banks	649,832	553,393
Due from customers	95,199	13,147
Securities trading portfolios	394,390	3,551,216
Fixed assets	2,562	3,197
Accrued income and prepaid expenses	1,382	6,032
Other assets	1,702,432	1,059,861
<b>TOTAL ASSETS</b>	<b>2,845,799</b>	<b>5,186,847</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Due to banks	187,716	3,250,192
Due to customers, other	36,575	5,005
Accrued expenses and deferred income	20,426	14,399
Other liabilities	1,990,141	1,328,120
Valuation adjustments and provisions	–	11,569
Share capital	112,000	112,000
General legal reserve	45,440	45,440
Retained earnings brought forward	420,122	368,196
Net income	33,379	51,926
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>2,845,799</b>	<b>5,186,847</b>
Total subordinated liabilities	–	–
<b>OFF-BALANCE SHEET TRANSACTIONS</b>		
(Swiss franc thousands)	12/29/2006	12/30/2005
Contingent liabilities	34	12
<b>DERIVATIVE INSTRUMENTS</b>		
Positive replacement values	1,689,790	1,047,974
Negative replacement values	1,980,869	1,314,054
Contract volume (notional)	25,043,190	27,297,774

The value of derivative instruments have been adjusted to reflect only the value of contracts open with third parties. The unsold derivative inventory in the books of ML International, London and MLCM AG have been netted down to reflect this.

## Income Statements

for the years ended Dec 29, 2006 and Dec 30, 2005

(Swiss franc thousands)	12/29/2006	12/30/2005
<b>REVENUES AND EXPENSES FROM ORDINARY BANKING ACTIVITIES</b>		
Results from interest activities:		
– Interest and discount income	17,970	24,825
– Interest expense	(17,970)	(24,825)
Net interest income	–	–
Results from commission and service fee activities:		
– Commission income on securities and investment transactions	64,380	47,687
– Commission income on other services	310	643
– Commission expenses	(1,850)	(1,610)
Results from commission and service fee activities	62,840	46,720
Results from trading operations	6,924	29,824
Other ordinary income	–	23
<b>Total operating income</b>	<b>69,764</b>	<b>76,567</b>
Operating expenses:		
– Personnel expenses	(23,137)	(15,218)
– Other operating expenses	(9,146)	(6,920)
<b>Total operating expenses</b>	<b>(32,283)</b>	<b>(22,138)</b>
<b>GROSS PROFIT</b>	<b>37,481</b>	<b>54,429</b>
<b>NET INCOME</b>		
Gross profit	37,481	54,429
Depreciation and write-offs of noncurrent assets	(947)	(591)
Valuation adjustments, provisions and losses	–	–
Result before extraordinary items and taxes	36,534	53,838
Extraordinary income	24,000	–
Extraordinary expenses	(24,000)	–
Taxes	(3,155)	(1,912)
<b>NET INCOME</b>	<b>33,379</b>	<b>51,926</b>
<b>ALLOCATION OF RETAINED EARNINGS</b>		
Net income	33,379	51,926
Retained earnings brought forward	420,122	565,636
Retained earnings	453,501	617,562
– Dividends paid out	–	(180,000)
– Allocation to general legal reserve	–	(17,440)
<b>RETAINED EARNINGS</b>	<b>453,501</b>	<b>420,122</b>

Statements of Cash Flows  
for the years ended Dec 29, 2006 and Dec 30, 2005

(Swiss franc thousands)	2006		2005	
	Source of funds	Application of funds	Source of funds	Application of funds
<b>CASH FLOW FROM OPERATING RESULTS (INTERNAL SOURCES)</b>				
Net income	33,379	–	51,926	–
Depreciation and write-offs on noncurrent assets	947	–	591	–
Valuation adjustments and provisions	–	11,569	1,614	–
Accrued income and prepaid expenses	4,650	–	2,848	–
Accrued expenses and deferred income	6,027	–	3,170	–
Dividends paid out	–	–	–	180,000
Balance	45,003	11,569	60,149	180,000
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Fixed assets	20	332	–	598
<b>CASH FLOW FROM BANKING OPERATIONS</b>				
Short-term operations:				
– Due from banks	–	96,439	230,598	–
– Due from customers	–	82,052	–	4,205
– Securities and trading portfolios	3,156,826	–	–	3,463,925
– Other assets	–	642,571	–	162,613
– Due to banks	–	3,062,475	3,090,666	–
– Due to customers	31,570	–	1,014	–
– Other liabilities	662,021	–	428,915	–
Liquidity:				
– Cash	–	1	–	1
Balance	3,850,417	3,883,538	3,751,193	3,630,744
<b>TOTAL</b>	<b>3,895,440</b>	<b>3,895,440</b>	<b>3,811,342</b>	<b>3,811,342</b>

Merrill Lynch is a firm with strong, forward momentum – in our financial performance, our prospects for growth, our client relationships and the communities where we live and work. With the interests of our employees, clients and shareholders aligned, we face the future with a clear sense of purpose and enthusiasm for the opportunities that lie ahead.





## Notes to the Financial Statements for the years ended Dec 29, 2006 and Dec 30, 2005

### 1. Comment on business activities and number of employees

Merrill Lynch Capital Markets AG; ("the Bank") is located in Zurich and is engaged in securities trading and derivatives trading activities. The Bank is a member of the Swiss Stock Exchange as well as Virt-X and limits its business activities primarily to the issuing, underwriting and trading of listed and non-listed securities and derivatives for its own account and for customers. Money market and foreign exchange transactions are only undertaken as required for the funding and hedging of securities positions. The Bank does not accept deposits from customers and, with the exception of granting syndicated loans to banks, does not operate in the credit sector.

#### Employees

At year-end, the number of employees amounted to 43 based on conversion to full-time positions (prior year: 38).

#### Outsourcing of business sectors

The bank has out-sourced various administrative functions to other ML companies as well as to third parties. The most important delegated functions to other ML companies comprise market and credit risk management, support and update of data, processing of corporate action events, systems maintenance and support, reconciliation activities and internal audit. The most important functions outsourced to third parties are the settlement of securities transactions and the custody of securities into SIS. These functions are performed by BNP Paribas Security Services, which is the custodian of Merrill Lynch. All outsourcing functions were implemented in accordance with the provisions of the Swiss Federal Banking Commission. Furthermore, each function is regulated by a Service Level Agreement (SLA) with the corresponding service provider. In case that, on basis of the SLA client data is submitted to the service provider, the employees of the service provider are also subject to the banking secrecy principle.

### 2. Accounting policies and valuation principles

#### 2.1 Accounting policies and valuation principles

##### General principles

Accounting policies and valuation principles follow the provisions of the Swiss code of obligations, the banking law and the ordinance to the banking law, and guidelines of the Federal Banking Commission.

##### Foreign currency translation

Balances and transactions in foreign currencies are translated into Swiss Francs as follows:

29/12/2006		30/12/2005	
USD	1.221050	USD	1.314650
EUR	1.607757	EUR	1.555297
JPY	0.010266	JPY	0.011204

Assets and liabilities: year-end rate  
Expenses and income: rate prevailing at transaction date

Foreign currency translation differences are included in the income statement.

#### Cash Assets, due from and due to banks

Cash Assets, due from and due to banks items are reported in the balance sheet at par value.

#### Due from and due to customers

Due from and due to customer items are reported in the balance sheet at par value.

#### Repurchase transactions

Repurchase transactions are treated as secured financing agreements and are carried as liabilities at the amount of cash received. Securities delivered within the scope of repurchase agreements are removed from the balance sheet only if control of the contractual rights associated with these securities are relinquished. Interest expense from repurchase agreements are accrued in the corresponding periods over the life of the underlying transactions.

#### Financial instruments

All positions in securities, derivatives and loans are held for trading purposes. Securities are valued at market prices prevailing at year-end. Market prices for derivative financial instruments and loans are calculated using valuation models commonly used in the industry. For loans and fixed income securities, a provision is made as the position holding increases.

#### Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation, computed using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	7 years
Information technology and telecommunication equipment	max. 5 years
Other fixed assets	max. 5 years

In the period under review, management reassessed the estimated useful life period for leasehold improvements and other fixed assets. Based on this reassessment the estimated useful life periods have been decreased for leasehold improvements from max. 10 to max. 7 years and for other fixed assets from max. 10 to max. 5 years. The impact of the reassessment is not material. Please refer also to note 3.3.

#### Valuation adjustments and provisions

For identified risks, valuation adjustments and provisions are set up based on the principle of prudence. Income taxes due and income taxes required on the current profit are provided for.

#### Results from trading operations

Income from the securities issuing business is included in this caption.

#### Employee Benefit Plans

The Bank operates a defined contribution pension plan for all employees over the age of 21, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by contributions from the Bank and the employee based on salary and length of service. The Bank's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate.



## 2.2 Changes in accounting policies and valuation principles

For the year under review, with exception of a change in the estimated utilization of leasehold improvements and other assets, no accounting and valuation principles were changed.

## 2.3 Treatment of refinancing of trading positions

Refinancing expenses are incorporated within results from trading operations. Accordingly, interest and dividend income from securities trading positions and loans included in trading positions are included in this category.

## 2.4 Comments on risk management

In the course of conducting its business operations, the Bank is exposed to a variety of risks. These risks include market, credit and other risks that are material and require comprehensive controls and management. Risk limits have been approved for all significant market and credit risks and are actively monitored.

Credit and market risk is reported into the Global Credit and Corporate Risk Management (“CRM”) systems of the Merrill Lynch Group on a daily basis. Corporate Risk Management of the Merrill Lynch Group, along with other control units, ensures that these risks are properly identified, monitored, and managed throughout the Bank. The risk management process works to ensure that the Bank’s risk tolerance is well-defined and understood by the firm’s risk-takers as well as by its executive management.

Locally, the Board of Directors and management are informed on a regular basis of the risk positions of the Bank. Monitoring of the positions of the Bank is the responsibility of the Risk Committee and the Risk Officer, who works closely with Global Credit and CRM. Daily stress simulations on the trading portfolio are performed to evaluate the impact of possible extreme market fluctuations on the Bank’s financial positions. New products are approved prior to initial trading. In order to limit liquidity risks, the Risk Committee prior to execution approves certain types of transactions. Legal Risks are limited by using standard agreements for over-the-counter products.

### Market Risks

Market risk is the potential change in an instrument’s value caused by fluctuations in interest and currency exchange rates, equity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. The Bank seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate and price of trading inventories and related financing and hedging activities. The Bank uses a combination of cash instruments and derivatives to hedge its market exposures. The following discussion describes the types of market risks faced by the Bank.

### Equity Price Risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. Instruments typically used by the Bank to manage equity price risk include equity options, warrants, and baskets of equity securities. Equity options, for example, can require the writer to purchase or sell a specified stock or to make a cash payment based on changes in the market price of that stock, basket of stocks, or stock index.

### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Bank utilizes interest rate swap agreements to mitigate exposure to interest rate risk.

### Currency Risk

Currency risk to the Bank arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Bank’s largest exposure is to Swiss Francs, however exposure does extend to other G7 currencies, Mexican Pesos and Taiwanese Dollars. The Bank manages currency exposure by transacting regular hedging transactions with the Merrill Lynch Group Treasury.

### Credit Risk

The Bank is exposed to risk of loss if an issuer or a counterparty fails to perform its obligations under contractual terms (“default risk”). Both cash instruments and derivatives expose the Bank to default risk.

The Bank has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Bank executes and settles various customer securities and derivative transactions. Execution of these transactions includes the purchase and sale of securities by the Bank. These activities may expose the Bank to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. The Bank seeks to control the credit risks associated with its trading activities by requiring customers to maintain collateral in compliance with internal guidelines.

Liabilities to Banks and customers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were purchased, and are paid upon receipt of the securities from the Bank or customer.

## 2.5 Business policy concerning the use of derivative financial instruments

The Bank enters into derivatives in a dealing capacity, providing them to clients and entering into them for proprietary trading and to manage its risk exposures arising from trading assets and liabilities. These transactions allow clients to manage their exposures to interest rate and equity security price risks. The Bank also enters into derivative financial instruments to manage and hedge its own risks related to proprietary trading strategies, client transactions and non trading activities. As a result of these hedging techniques, a significant portion of trading assets and liabilities represents hedges of other trading positions.

The positive and negative replacement values of all derivatives are reported in the positions Other Assets and Other Liabilities.

Derivative activity is subject to the Bank’s overall risk management policies and procedures outlined in Section 2.4.

## 2.6 Recording of business transactions

All concluded transactions are recorded on the transaction date and valued according to the principles stated above. The results from those transactions are recorded in the income statement. Balance sheet transactions with a fixed maturity, as well as forward transactions, are included in the balance sheet on the value date. Securities transactions are included in the balance sheet on the transaction date.



### 3. Information on the Balance Sheet

#### 3.1 Schedule of collateral for loans and off-balance sheet transactions

(Swiss franc thousands)	Type of collateral			Total
	Mortgage collateral	Other collateral	Without collateral	
<b>LOANS</b>				
Due from customers	–	–	95,199	95,199
<b>TOTAL LOANS 12/29/2006</b>	–	–	<b>95,199</b>	<b>95,199</b>
<b>TOTAL LOANS 12/30/2005</b>	–	–	<b>13,147</b>	<b>13,147</b>

	Non-performing loans gross	Estimated proceeds of liquidating collateral	Impaired loans net	Allowance for credit losses related to non-performing loans
<b>IMPAIRED LOANS 12/29/2006</b>	–	–	–	–
<b>IMPAIRED LOANS 12/30/2005</b>	<b>11,569</b>	–	<b>11,569</b>	<b>11,569</b>

In the course of settling a legal proceeding, TCHF 11,569 of a non-performing loan have been written off against its specific credit risk provision.

#### 3.2 Securities trading portfolios, financial investments and participations

##### SECURITIES TRADING PORTFOLIOS

(Swiss franc thousands)	12/29/2006	12/30/2005
Debt securities:		
– exchange listed	734	757
– unlisted	–	–
– of which own bonds and cash bonds	–	–
Equity securities:	393,656	3,550,459
– of which own shares, similar securities and rights	–	–
<b>TOTAL SECURITIES TRADING PORTFOLIOS</b>	<b>394,390</b>	<b>3,551,216</b>
– thereof eligible for repo transactions according to liquidity requirements	734	757

#### 3.3 Schedule of noncurrent assets

(Swiss franc thousands)	2006							
	Historical cost	Write-offs/accumulated depreciation	Book value 12/30/05	Reclassifications	Additions	Disposals	Write-offs/depreciation	Book value 12/29/06
Fixed assets	5,399	(2,202)	3,197	–	332	(20)	(947)	2,562
Fire insurance value of fixed assets (includes fixed assets of other group entities)								9,050
Commitments: future leasing installments under operating leases								310

In the period under review, the estimated useful life of leasehold improvements and other fixed assets have been decreased from max. 10 to max. 7 years for leasehold improvements and from max. 10 to max. 5 years for other fixed assets. If the depreciation periods in the period under review would have been unchanged, depreciation charge would have been TCHF 261 lower for leasehold improvements and TCHF 143 lower for other fixed asset.

#### 3.4 Total amount of assets pledged or ceded to secure own liabilities, and assets subject to ownership reservation

(Swiss franc thousands)	12/29/2006		12/30/2005	
	Receivable book value	thereof utilized	Receivable book value	thereof utilized
Collateral for securities borrowing	–	–	–	–
Collateral at SNB for Lombard Credit	–	–	–	–
Pledged shares for stillholders	–	–	–	–
SWX membership guarantee	734	–	757	–
<b>TOTAL</b>	<b>734</b>	<b>–</b>	<b>757</b>	<b>–</b>

#### 3.5 Securities lending and borrowing transactions/repurchase and reverse repurchase transactions

(Swiss franc thousands)	12/29/2006	12/30/2005
Obligations to return cash collateral received in securities lending and repurchase agreements	–	2,993,858
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	–	3,313,626
of which the right to pledge or sell the securities has been granted without any restriction	–	3,313,626



### 3.6 Other assets and other liabilities

(Swiss franc thousands)	12/29/2006		12/30/2005	
	Other assets	Other liabilities	Other assets	Other liabilities
Trading positions	1,689,790	1,980,869	1,047,974	1,314,054
Other assets and liabilities	12,642	9,271	11,887	14,066
<b>TOTAL</b>	<b>1,702,432</b>	<b>1,990,140</b>	<b>1,059,861</b>	<b>1,328,120</b>

The value of derivative instruments have been adjusted to reflect only the value of contracts open with third parties. The unsold derivative inventory in the books of ML International, London and MLCM AG have been netted down to reflect this.

### 3.7 Liabilities to own pension funds

The company operates a defined contribution pension scheme for all employees over the age of 21. Retirement age from the scheme is 65 for men and 63 for women. Employees can retire at 57 with reduced pension benefits. Every year the scheme is valued using two bases: static positions and net present value of expected future liabilities.

At the year end, the Bank, has a liability in favour of the pension institution amounting to TCHF 83 (2005 – TCHF 0). The plan applies to employees of the Bank as well as all other Swiss entities of the Merrill Lynch Group. The employers contribution reserves and other economical benefit are not recognised as financial assets in the balance sheet.

#### (Swiss franc thousands)

<b>Employers contribution reserves:</b>	
Value of employers contribution reserve*	2,191
Amounts of renounced use	–
<b>Economical benefit (obligation) and pension benefit expenses:</b>	
Surplus/(deficit)* – (dotation capital)	10
Economical benefits (obligations)	–
Change of economical benefits and economical obligations, respectively, as difference between the two disclosed balance sheet dates	–
Contributions concerning the business period (including result from employer contribution reserves)	628
of which:	
Extraordinary contributions in the case of exercised, temporary measures to remove deficits	–
Pension benefit expenses with their most important parameters – as part of the personnel expenses	628

\* The pension institution 2006 audited accounts are not available; therefore December 31, 2005 figures are reported.

### 3.8 Valuation adjustments and provisions

#### (Swiss franc thousands)

	Balance 12/30/05	Specific usage	Change in definition of purpose (reclassifications)	Recoveries, doubtful interest, differences	New creation charged to income statement	Reversals credited to income statement	Balance 12/29/06
<b>Valuation adjustments and provisions for:</b>							
credit risks (credit and country risks)	11,569	(11,569)	–	–	–	–	–
<b>Provisions:</b>							
for deferred taxes	–	–	–	–	–	–	–
other provisions	–	–	–	–	–	–	–
<b>TOTAL VALUATION ADJUSTMENTS AND PROVISIONS</b>	<b>11,569</b>	<b>(11,569)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL VALUATION ADJUSTMENTS AND PROVISIONS AS PER BALANCE SHEET</b>	<b>11,569</b>						<b>TOTAL NET VALUATION ADJUSTMENTS AND PROVISIONS</b>
							–

In the course of settling a legal proceeding, TCHF 11,569 of a non-performing loan have been written off against its specific credit risk provision.

### 3.9 Share capital and shareholders

#### (Swiss franc thousands)

	12/29/2006			12/30/2005		
	Total nominal value	Number of units	Dividend bearing capital	Total nominal value	Number of units	Dividend bearing capital
<b>Share capital:</b>						
Share capital	112,000	112,000	112,000	112,000	112,000	112,000
Total capital	112,000	112,000	112,000	112,000	112,000	112,000
<b>Significant shareholders:</b>						
	Nominal	Participation in %	Nominal	Participation in %		
Merrill Lynch International Holdings Inc., USA*	112,000	100%	112,000	100%		

\* The parent company of this Company is Merrill Lynch International Holdings Inc. (Delaware) which is 100% owned by Merrill Lynch & Co., Inc.



### 3.10 Statement of changes in shareholders' equity

#### (Swiss franc thousands)

##### Shareholders' equity at December 30, 2005:

Share capital paid in	112,000
General legal reserve	45,440
Retained earnings	420,122
<b>TOTAL SHAREHOLDERS' EQUITY AT DECEMBER 30, 2005</b> (before profit distribution)	<b>577,562</b>

##### Changes 2006:

Net income	33,379
<b>TOTAL SHAREHOLDERS' EQUITY AT DECEMBER 29, 2006</b> (before profit distribution)	<b>610,941</b>

##### Thereof:

Share capital paid in	112,000
General legal reserve	45,440
Retained earnings	453,501

### 3.11 Maturity structure of current assets and borrowed funds

#### (Swiss franc thousands)

	At sight	Redeem-able by notice	Maturities					Total
			Within 3 months	After 3 months up to 12 months	After 12 months up to 5 years	After 5 years	Without maturity	
<b>Current assets:</b>								
Cash	2	-	-	-	-	-	-	2
Due from banks	610,010	35,356	4,466	-	-	-	-	649,832
Due from customers	-	95,199	-	-	-	-	-	95,199
Securities trading portfolio	394,390	-	-	-	-	-	-	394,390
<b>TOTAL CURRENT ASSETS</b>								
<b>12/29/2006</b>	<b>1,004,402</b>	<b>130,555</b>	<b>4,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,139,423</b>
Total current assets								
12/30/2005	4,093,505	15,657	8,595	-	-	-	-	4,117,757

#### (Swiss franc thousands)

	At sight	Redeem-able by notice	Within 3 months	Maturities				Total
				After 3 months up to 12 months	After 12 months up to 5 years	After 5 years	Without maturity	
<b>Borrowed funds:</b>								
Due to banks	174,231	13,481	4	-	-	-	-	187,716
Due to customers, other	35,169	92	1,314	-	-	-	-	36,575
<b>TOTAL BORROWED FUNDS</b>								
<b>12/29/2006</b>	<b>209,400</b>	<b>13,573</b>	<b>1,318</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224,291</b>
Total borrowed funds								
12/30/2005	228,722	28,644	1,096	2,996,735	-	-	-	3,255,197

### 3.12 Amounts due from and to affiliated entities

#### (Swiss franc thousands)

	12/29/2006	12/30/2005
Amounts due from affiliated companies	662,725	504,345
Amounts due to affiliated companies	222,872	3,255,197

#### Related Party Transactions

The Bank provides funding to Merrill Lynch International, London, UK a member of the Merrill Lynch Group. Funding is provided at market interest rates.

The Bank also sells all issued warrants and certificates to Merrill Lynch International, London, UK and receives an "Over the Counter" option in return. Both transactions are conducted at prevailing market price.



## 3.13 Assets and liabilities by domestic and foreign origin

(Swiss franc thousands)	12/29/2006		12/30/2005	
	Domestic	Foreign	Domestic	Foreign
<b>ASSETS</b>				
Cash	2	–	1	–
Due from banks	13,956	635,876	62,527	490,866
Due from customers	69,304	25,895	762	12,385
Securities trading portfolios	294,291	100,099	3,314,383	236,833
Fixed assets	2,562	–	3,197	–
Accrued income and prepaid expenses	1,019	363	6,032	–
Other assets	104,694	1,597,738	141,230	918,631
<b>TOTAL ASSETS</b>	<b>485,828</b>	<b>2,359,971</b>	<b>3,528,132</b>	<b>1,658,715</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Due to banks	2,929	184,787	28	3,250,164
Due to customers, other	–	36,575	–	5,005
Accrued expenses and deferred income	20,426	–	14,399	–
Other liabilities	1,307,499	682,642	1,070,954	257,166
Valuation adjustments and provisions	–	–	11,569	–
Share capital	112,000	–	112,000	–
General legal reserve	45,440	–	45,440	–
Retained earnings	420,122	–	368,196	–
Net income	33,379	–	51,926	–
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,941,795</b>	<b>904,004</b>	<b>1,674,512</b>	<b>3,512,335</b>

## 3.14 Assets by country and country groups

(Swiss franc thousands)	12/29/2006		12/30/2005	
	Domestic	in %	Domestic	in %
Switzerland	485,828	17%	3,528,132	68%
Europe, excluding Switzerland	2,106,753	74%	1,332,712	26%
Elsewhere	253,218	9%	326,003	6%
<b>TOTAL ASSETS</b>	<b>2,845,799</b>	<b>100%</b>	<b>5,186,847</b>	<b>100%</b>

## 3.15 Assets and liabilities by currencies

(Swiss franc thousands)	Currencies – 12/29/2006			
	CHF	USD	EUR	Other
<b>ASSETS</b>				
Cash	2	–	–	–
Due from banks	614,770	17,004	7,082	10,976
Due from customers	93,613	1,586	–	–
Securities trading portfolios	294,291	96,169	–	3,930
Fixed assets	2,562	–	–	–
Accrued income and prepaid expenses	1,344	28	10	–
Other assets	658,885	803,306	224,855	15,386
<b>TOTAL ASSETS REPORTED ON THE BALANCE SHEET</b>	<b>1,665,467</b>	<b>918,093</b>	<b>231,947</b>	<b>30,292</b>

Delivery claims arising from spot and forward exchange operations and currency options		3,190,889		2,813,938
<b>TOTAL ASSETS</b>	<b>1,665,467</b>	<b>4,108,982</b>	<b>231,947</b>	<b>2,844,230</b>

(Swiss franc thousands)	Currencies – 12/29/2006			
	CHF	USD	EUR	Other
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Due to banks	13,083	165,597	5,484	3,552
Due to customers, other	24,513	7,062	61	4,939
Accrued expenses and deferred income	7,354	11,241	35	1,796
Other liabilities	1,125,753	620,084	224,855	19,449
Valuation adjustments and provisions	–	–	–	–
Share capital	112,000	–	–	–
General legal reserve	45,440	–	–	–
Retained earnings	420,122	–	–	–
Net income	33,379	–	–	–
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY REPORTED ON THE BALANCE SHEET</b>	<b>1,781,644</b>	<b>803,984</b>	<b>230,435</b>	<b>29,736</b>

Delivery obligations arising from spot and forward exchange operations and currency options		3,186,256		2,818,574
<b>TOTAL LIABILITIES</b>	<b>1,781,644</b>	<b>3,990,240</b>	<b>230,435</b>	<b>2,848,310</b>

<b>TOTAL NET ASSETS</b>	<b>(116,177)</b>	<b>118,742</b>	<b>1,512</b>	<b>(4,080)</b>
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#### 4. Information on off-balance sheet transactions

##### 4.1 Outstanding derivative financial instruments

(Swiss franc thousands)

	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
<b>Interest rate instruments:</b>						
– Options – OTC	1,993	1,194	418,118	1,194	1,993	418,118
– Futures	–	–	–	–	–	–
– Swaps	122,270	40,893	3,847,018	40,893	122,270	3,847,018
<b>Cross currency instruments:</b>						
– Options – OTC	7,847	34,172	488,420	34,172	7,847	488,420
– Futures	–	–	–	–	–	–
– Swaps	81,351	62,004	2,512,954	62,004	81,351	2,512,954
– Fxoptions&forwards	–	–	–	–	–	–
<b>Shares/Indices:</b>						
– Futures	–	–	–	–	–	–
– Options – OTC	–	1,741	40,374	6,951,832	302,427	25,977,152
– Options – Exchange traded	–	6,938,838	14,083,044	–	–	–
<b>TOTAL BEFORE NETTING AGREEMENTS</b>						
<b>12/29/2006</b>	<b>213,461</b>	<b>7,078,842</b>	<b>21,389,928</b>	<b>7,090,095</b>	<b>515,888</b>	<b>33,243,662</b>
Total 12/30/2005	261,958	7,699,212	34,337,457	7,678,760	542,349	76,062,040
<b>TOTAL AFTER NETTING AGREEMENTS</b>						
<b>12/29/2006</b>	<b>118,677</b>	<b>1,603,244</b>	<b>10,366,572</b>	<b>1,571,113</b>	<b>377,625</b>	<b>14,676,618</b>
Total 12/30/2005	106,239	1,220,471	7,525,605	941,735	93,583	19,772,169

##### 4.2 Client assets

The Bank does not have third party client assets under management.

#### 5. Information on the income statement

##### 5.1 Refinancing income in the position interest and discount income

(Swiss franc thousands)	12/29/2006	12/30/2005
Refinancing income (expense) on intercompany loans	(11,372)	(21,587)

##### 5.2 Results from trading operations

(Swiss franc thousands)	12/29/2006	12/30/2005
Equity division	(3,444)	5,578
Debt division	10,368	24,246
<b>TOTAL RESULTS FROM TRADING OPERATIONS</b>	<b>6,924</b>	<b>29,824</b>

##### 5.3 Personnel expense

(Swiss franc thousands)	12/29/2006	12/30/2005
Salaries	20,852	12,862
Social benefits	1,589	775
Other personnel expenses	696	1,581
<b>TOTAL PERSONNEL EXPENSES</b>	<b>23,137</b>	<b>15,218</b>

##### 5.4 Other operating expenses

(Swiss franc thousands)	12/29/2006	12/30/2005
Occupancy	20	832
Cost of EDP, machines, fixtures and fittings, vehicles and other equipment	1,593	1,280
Other expenses	7,533	4,808
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>9,146</b>	<b>6,920</b>

##### 5.5 Extraordinary income

(Swiss franc thousands)	12/29/2006	12/30/2005
Reimbursement costs of settlement in relation to legal proceedings	24,000	–

##### 5.6 Extraordinary expenses

(Swiss franc thousands)	12/29/2006	12/30/2005
Settlement costs of settlement in relation to legal proceedings	24,000	–

As a result of reaching an amicable resolution in relation to legal proceedings, a settlement payment of CHF 24 million was made by the bank which has been recorded as an extraordinary expense. Since the business relationship was entered into on account of another group company of Merrill Lynch, the settlement costs were reimbursed by Merrill Lynch International, London, UK and have been recorded as extraordinary income.



## Merrill Lynch Capital Markets AG

### Proposed appropriation of available earnings

The Directors of Merrill Lynch Capital Markets AG propose to carry forward the available earnings at December 29, 2006 of CHF 453,501 thousands:

**(Swiss franc thousands)**

Balance to be carried forward	453,501
<b>TOTAL</b>	<b>453,501</b>

## Auditors' Report

### To the General Meeting of the Shareholders of Merrill Lynch Capital Markets AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of cash flows and notes) of Merrill Lynch Capital Markets AG for the year ended December 29, 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.


Our audit was conducted in accordance with Swiss Auditing Standards as well as with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

DELOITTE AG

  
**Stephan Schmidli**

  
**Thomas Reisser**  
Auditor in charge

Zurich, April 27, 2007

Enclosures:

- Financial statements (balance sheet, income statement, statement of cash flows and notes)
- Proposed appropriation of available earnings

## Board of Directors

**Alfred Berger** Chairman  
**David Jervis** Vice Chairman  
**Serge Robin** Director  
**Dr. Robert Furter** Director  
**Dr. Rudolf Heiz** Director

### Support & Administration

**Dharmendra Amin**  
 CAO – Member of the Executive Management Committee

**Bruno Copelli**  
 Settlements & Control

**Michael Voellm**  
 CFO – Finance

**Alexandra Monnard**  
 Corporate Services

**Simone Schenk**  
 Law & Compliance

**Willy Ruppen**  
 Technology

### Equity Sales

**Dominik Schaerer**  
 CEO – Chairman of the Executive Management Committee

**Christian De Prati**  
 Pan European

**Cameron Dewey**  
 Pan European

**Kristina Horvath**  
 Pan European

**Rene Lüthi**  
 Pan European

**Fedor Plambeck**  
 Pan European

**Juerg Wolfensberger**  
 US

**Alexandre Marcuard**  
 US

**Anthony Fogler**  
 US

**Yvonne Lienhard**  
 US

**Patrick Hasler**  
 US

### Equity Sales Trading

**Serge Hermann**  
 Global

**Marco Mautone**  
 Global

### Global Equity Derivatives

**Eric Blattmann**  
 Retail

**Melanie Delpeuch**  
 Retail

**Oliver Disler**  
 Retail

**Björn Grob**  
 Institutional

**Martin Kummer**  
 Retail

**Roberto Lazzarotto**  
 Convertible Bonds

**Romuald Limousin**  
 Institutional

**Marco Stauffacher**  
 Institutional

**Patrick Villiger**

### FICC – Fixed Income, Currencies and Commodities

**Christian Thormann**  
 Member of the Executive Management Committee

**Ernst Rohner**

**Michael Mikyska**

**Oliver Valk**