

The Depository Trust Company

Consolidated Balance Sheets

(unaudited)

	September 30,	
	2006	2005
	(in thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$2,149,620	\$1,657,638
Accounts receivable	118,142	110,637
Fixed assets, less accumulated depreciation and amortization of \$271,039,000 and \$239,893,000 at September 30, 2006 and 2005, respectively	137,678	135,168
Deferred income taxes, net	85,430	82,075
Other assets	234,941	233,073
Total assets	\$2,725,811	\$2,218,591
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other liabilities	\$196,154	\$182,369
Payable to participants	1,218,964	746,649
Long-term debt and other borrowings	304,310	313,933
Participants' fund cash deposits	881,383	850,640
Total liabilities	2,600,811	2,093,591
Contingent liabilities		
Shareholders' equity:		
Preferred stock, Series A, \$100 par value - 750,000 shares authorized, issued and outstanding	75,000	75,000
Common stock, \$100 par value - 18,500 shares authorized, issued and outstanding	1,850	1,850
Paid in capital	950	950
Retained earnings	47,200	47,200
Total shareholders' equity	125,000	125,000
Total liabilities and shareholders' equity	\$2,725,811	\$2,218,591

The accompanying notes are an integral part of these consolidated financial statements.

The Depository Trust Company
Consolidated Statements of Income and Retained Earnings

(unaudited)

	For the Nine Months Ended September 30,	
	2006	2005
	(in thousands)	
Revenues:		
Trading services	\$149,880	\$144,679
Custody services	156,466	137,984
Network services	30,773	63,129
Other services	13,585	27,932
Interest income	77,287	45,396
Total revenues	427,991	419,120
Discounts and other refunds to participants	(174,059)	(125,679)
Net revenues	253,932	293,441
Expenses:		
Employee compensation and related benefits	147,183	170,191
Information technology	23,307	42,394
Professional and other services	36,339	23,242
Occupancy	21,630	34,493
Interest expense	15,853	16,401
Other general and administrative	6,411	4,922
Reimbursement from affiliate	(186)	(247)
Total expenses	250,537	291,396
Income before income taxes	3,395	2,045
Provision for income taxes	1,528	920
Net income	1,867	1,125
Retained earnings, beginning of period	47,200	47,200
Dividends on preferred stock	(1,867)	(1,125)
Retained earnings, end of period	\$47,200	\$47,200

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The Depository Trust Company

Consolidated Statements of Income and Retained Earnings

(unaudited)

	For the Three Months Ended September 30,	
	2006	2005
	(in thousands)	
Revenues:		
Trading services	\$48,177	\$49,017
Custody services	53,144	46,874
Network services	9,749	21,018
Other services	4,315	9,321
Interest income	29,022	18,412
Total revenues	144,407	144,642
Discounts and other refunds to participants	(59,575)	(54,641)
Net revenues	84,832	90,001
Expenses:		
Employee compensation and related benefits	47,470	54,649
Information technology	7,435	13,631
Professional and other services	12,502	7,384
Occupancy	8,661	7,560
Interest expense	5,279	5,447
Other general and administrative	2,306	606
Reimbursement from affiliate	(62)	(80)
Total expenses	83,591	89,197
Income before income taxes	1,241	804
Provision for income taxes	559	362
Net income	682	442
Retained earnings, beginning of period	47,200	47,200
Dividends on preferred stock	(682)	(442)
Retained earnings, end of period	\$47,200	\$47,200

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The Depository Trust Company

Consolidated Statements of Cash Flows

(unaudited)

	For the Nine Months Ended September 30,	
	2006	2005
	(in thousands)	
Cash flows from operating activities:		
Net income	\$1,867	\$1,125
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	22,670	23,331
Loss on fixed asset disposals	197	9,642
Changes in operating assets and liabilities:		
Decrease in accounts receivable	18,100	35,304
Decrease in other assets	22	1
Decrease in accounts payable and other liabilities	(23,390)	(29,054)
Decrease in payable to participants	(793,924)	(46,446)
Increase (decrease) in participants' fund cash deposits	8,803	(12,949)
Net cash used in operating activities	(765,655)	(19,046)
Cash flows from investing activities - purchases of fixed assets	(23,852)	(18,983)
Cash flows from financing activities:		
Capitalized leases	4,455	330
Principal payments on debt and capital lease obligations	(7,862)	(7,378)
Dividends declared on preferred stock	(1,867)	(1,125)
Net cash used in financing activities	(5,274)	(8,173)
Net decrease in cash and cash equivalents	(794,781)	(46,202)
Cash and cash equivalents, beginning of period	2,944,401	1,703,840
Cash and cash equivalents, end of period	\$2,149,620	\$1,657,638
Supplemental disclosure:		
Income taxes paid	\$2,317	\$3,673
Interest paid	\$17,775	\$9,714

The accompanying notes are an integral part of these consolidated financial statements.

The Depository Trust Company

Notes to Consolidated Financial Statements (unaudited)

September 30, 2006

Note 1 -

The Depository Trust Company (DTC) is a limited purpose trust company that provides central securities depository and related services to members of the securities, banking and other financial industries. The quarterly financial statements of DTC, which have been prepared in accordance with accounting principles generally accepted in the United States of America, should be read in conjunction with the annual financial statements as of December 31, 2005. DTC is a consolidated subsidiary of The Depository Trust & Clearing Corporation (DTCC).

Note 2 -

DTC's participants are required to maintain deposits related to their activities in the depository. The deposits are available to secure participants' obligations and certain liabilities of DTC, should they occur. The deposits, which are all in cash, totaled \$881,383,000 at September 30, 2006, including excess deposits of \$283,371,000.

Note 3 -

All eligible employees of DTC participate in DTCC's trustee, noncontributory defined benefit pension plan. In addition, DTC participates in DTCC's nonqualified benefit plans which provide for certain benefits to eligible executives of DTC upon retirement. Further, DTC participates in DTCC's life insurance program which provides payment of death benefits to beneficiaries of eligible retired employees and DTCC's health insurance program which provides benefits to eligible retired employees.

In September, the Financial Accounting Standards Board issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which requires companies to recognize a net asset or liability to report the funded status of their defined benefit pension and other postretirement benefit plans. DTCC plans to adopt this standard as of December 31, 2006.

Based on September 30 estimates, the impact on DTC will be a charge of approximately \$69 million, assuming a discount rate of 5.73% and a return of 8% on the pension plan assets. The actual impact of this new standard will not be determined until December 31, when the year-end discount rate and the fair market value of the pension plan assets are finalized.

Note 4 -

In connection with the relocation of staff to other business locations, the company entered into an agreement to surrender leased office space at one of its facilities prior to the expiration of the remaining lease term. Accordingly, a provision of \$1,789,000 was recorded to reflect the net cost of surrendering the space, including the impairment in the carrying value of leasehold improvements.