

National Securities Clearing Corporation

Consolidated Balance Sheets

(unaudited)

	2006	March 31, 2005
	(in thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$3,107,948	\$2,693,016
U.S. Treasury securities	134,073	129,492
Accounts receivable	9,224	19,503
Clearing fund	328,072	505,731
Fixed assets, less accumulated depreciation and amortization of \$59,924,000 and \$49,006,000 at March 31, 2006 and 2005, respectively	36,390	39,304
Other assets	15,521	14,782
Total assets	\$3,631,228	\$3,401,828
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Accounts payable and other liabilities	\$58,118	\$73,389
Payable to participants	269,946	240,564
Long-term debt	23,291	25,247
Clearing fund:		
Cash deposits	2,901,801	2,514,490
Other deposits	328,072	505,731
Total liabilities	3,581,228	3,359,421
Contingent liabilities		
Shareholder's equity:		
Common stock, \$.50 par value: 30,000 shares authorized, 20,000 shares issued and outstanding	10	10
Paid in capital	590	590
Retained earnings	49,400	41,807
Total shareholder's equity	50,000	42,407
Total liabilities and shareholder's equity	\$3,631,228	\$3,401,828

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

National Securities Clearing Corporation
Consolidated Statements of Income and Retained Earnings
(unaudited)

	For the Three Months Ended March 31,	
	2006	2005
	(in thousands)	
Revenues:		
Clearing services	\$49,598	\$61,423
Distribution and other services	22,712	25,012
Interest income	35,510	16,374
Total revenues	107,820	102,809
Discounts and other refunds to participants	(70,957)	(53,175)
Net revenues	36,863	49,634
Expenses:		
Employee compensation and related benefits	24,655	25,125
Information technology	4,460	9,978
Professional and other services	3,925	3,760
Occupancy	2,796	3,244
Other general and administrative	1,054	1,181
(Reimbursement) service from affiliates	(27)	1,744
Total expenses	36,863	45,032
Income before income taxes	-	4,602
Provision for income taxes	-	2,070
Net income	-	2,532
Retained earnings, beginning of period	49,400	39,275
Retained earnings, end of period	\$49,400	\$41,807

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

National Securities Clearing Corporation

Consolidated Statements of Cash Flows

(unaudited)

	For the Three Months Ended	
	2006	2005
	March 31,	
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ -	\$2,532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	2,549	2,495
Net discount accreted on securities owned	(390)	(100)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	2,241	3,232
Increase in other assets	(20)	(313)
Decrease in accounts payable and other liabilities	(35,851)	(23,337)
Increase (decrease) in payable to participants	11,413	(11,096)
Increase in clearing fund cash deposits	613,034	312,560
Net cash provided by operating activities	592,976	285,973
Cash flows from investing activities:		
Maturities of investments in U.S. Treasury securities	20,000	45,000
Purchases of investments in U.S. Treasury securities	(39,448)	(39,526)
Purchases of fixed assets	(1,188)	(599)
Net cash (used in) provided by investing activities	(20,636)	4,875
Cash flows from financing activities:		
Capitalized leases	708	-
Principal payments on debt and capital lease obligations	(1,277)	(1,089)
Net cash used in financing activities	(569)	(1,089)
Net increase in cash and cash equivalents	571,771	289,759
Cash and cash equivalents, beginning of period	2,536,177	2,403,257
Cash and cash equivalents, end of period	\$3,107,948	\$2,693,016
Supplemental disclosure:		
Income taxes paid	\$230	\$11
Interest paid	\$313	\$352

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

National Securities Clearing Corporation

Notes to Consolidated Financial Statements (unaudited)

March 31, 2006

Note 1 - National Securities Clearing Corporation (NSCC) is a clearing agency registered with the U.S. Securities and Exchange Commission that provides various services to members of the financial community, consisting principally of securities trade comparison, clearance and settlement. The quarterly financial statements of NSCC, 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. NSCC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation.

Note 2 - NSCC's rules require certain participants to maintain clearing fund deposits based on calculated requirements, which at March 31, 2006 totaled \$2,371,605,000. The clearing fund is available to secure participants' obligations and certain liabilities of NSCC, should they occur. All clearing fund cash and securities deposits are recorded on the balance sheet. A summary of the total deposits held at March 31, 2006, including \$1,007,072,000 in excess of calculated requirements follows:

Cash	\$2,901,801,000
Securities issued or guaranteed by the U.S. Government, at market	328,072,000
Letters of credit issued by authorized banks	148,804,000
Total	<u>\$3,378,677,000</u>

Note 3 - Certain reclassifications of 2005 amounts have been made in the accompanying financial statements to conform to the 2006 presentation.