

National Securities Clearing Corporation

Consolidated Balance Sheets

	2007	March 31, (in thousands, except share data)	2006
ASSETS			
Cash and cash equivalents	\$3,999,424		\$3,107,948
U.S. Treasury securities	139,587		134,073
Accounts receivable	11,490		9,224
Clearing fund	371,389		328,072
Fixed assets, less accumulated depreciation and amortization of \$66,286,000 and \$59,924,000 at March 31, 2007 and 2006, respectively	35,859		36,390
Other assets	24,389		15,521
Total assets	\$4,582,138		\$3,631,228
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities:			
Accounts payable and other liabilities	\$55,436		\$58,118
Payable to participants	558,715		269,946
Long-term debt	20,631		23,291
Clearing fund:			
Cash deposits	3,525,967		2,901,801
Other deposits	371,389		328,072
Total liabilities	4,532,138		3,581,228
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		49,400
Total shareholder's equity	50,000		50,000
Total liabilities and shareholder's equity	\$4,582,138		\$3,631,228

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,	
	2007	2006
	(in thousands)	
Revenues:		
Clearing services	\$56,371	\$49,598
Distribution and other services	\$23,859	\$22,712
Interest income	55,408	35,510
Total revenues	135,638	107,820
Discounts and other refunds to participants	(97,600)	(70,957)
Net revenues	38,038	36,863
Expenses:		
Employee compensation and related benefits	24,638	24,655
Information technology	4,488	4,460
Professional and other services	4,634	3,925
Occupancy	3,064	2,796
Other general and administrative	1,215	1,054
Reimbursement from affiliates	(1)	(27)
Total expenses	38,038	36,863
Income before income taxes	-	-
Provision for income taxes	-	-
Net income	-	-
Retained earnings, beginning of period	49,400	49,400
Retained earnings, end of period	\$49,400	\$49,400

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

National Securities Clearing Corporation

Consolidated Statements of Cash Flows

	For the Three Months Ended March 31,	
	2007	2006
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	2,597	2,549
Net discount accreted on securities owned	(349)	(390)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(6,132)	2,241
Decrease (increase) in other assets	56	(20)
Decrease in accounts payable and other liabilities	(29,395)	(35,851)
Increase in payable to participants	283,457	11,413
Increase in clearing fund cash deposits	1,021,176	613,034
Net cash provided by operating activities	1,271,410	592,976
Cash flows from investing activities:		
Maturity of investments in U.S. Treasury securities	40,000	20,000
Purchases of investments in U.S. Treasury securities	(59,720)	(39,448)
Purchases of fixed assets	(1,983)	(1,188)
Net cash used in investing activities	(21,703)	(20,636)
Cash flows from financing activities:		
Capital leases	-	708
Principal payments on debt and capital lease obligations	(1,056)	(1,277)
Net cash used in financing activities	(1,056)	(569)
Net increase in cash and cash equivalents	1,248,651	571,771
Cash and cash equivalents, beginning of period	2,750,773	2,536,177
Cash and cash equivalents, end of period	\$3,999,424	\$3,107,948
Supplemental disclosure:		
Income taxes paid, net of refunds	\$ -	\$230
Interest paid	\$256	\$313

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

National Securities Clearing Corporation

Notes to Consolidated Financial Statements (unaudited)

March 31, 2007

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, 2006. 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, 2007 totaled \$2,961,889,000. 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, 2007, including \$935,467,000 in excess of calculated requirements, follows:

Cash	\$3,525,967,000
Securities issued or guaranteed by the U.S. Government, at market	<u>371,389,000</u>
Total	<u><u>\$3,897,356,000</u></u>

Note 3 - Certain reclassifications of 2006 amounts have been made in the accompanying financial statements to conform to the 2007 presentation.