

Depository Trust Company

Financial Statements

September 30, 2008

Consolidated Balance Sheets

(Unaudited)

(IN THOUSANDS, EXCEPT SHARE DATA)

September 30,

2008

2007

| Assets | | |
|--|--------------------|-------------|
| Cash and cash equivalents | \$3,893,635 | \$3,369,730 |
| Accounts receivable | 138,092 | 238,384 |
| Fixed assets, less accumulated depreciation and amortization of \$287,123 and \$254,098 at September 30, 2008 and 2007, respectively | 152,233 | 149,253 |
| Deferred income taxes, net | 96,934 | 110,677 |
| Other assets | 242,674 | 241,319 |
| Total assets | \$4,523,568 | \$4,109,363 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Accounts payable and other liabilities | \$449,270 | \$252,507 |
| Payable to participants | 2,722,544 | 2,475,103 |
| Long-term debt and other borrowings | 253,614 | 294,261 |
| Participants' fund cash deposits | 923,140 | 912,492 |
| Total liabilities | 4,348,568 | 3,934,363 |
| Commitments and contingent liabilities | | |
| Shareholders' equity: | | |
| Preferred stock, Series A, \$100 par value - 1,250,000 shares authorized, issued and outstanding | 125,000 | 125,000 |
| 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 | 175,000 | 175,000 |
| Total liabilities and shareholders' equity | \$4,523,568 | \$4,109,363 |

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

Consolidated Statements of Income and Retained Earnings

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|----------------|
| For the Nine Months Ended September 30, | 2008 | 2007 |
| Revenues: | | |
| Trading services | \$121,643 | \$138,539 |
| Custody services | 176,316 | 171,943 |
| Network services | 8,297 | 33,165 |
| Other services | 16,165 | 15,548 |
| Interest income | 50,392 | 100,891 |
| Total revenues | 372,813 | 460,086 |
| Discounts and other refunds to participants | (110,724) | (216,012) |
| Net revenues | 262,089 | 244,074 |
| Expenses: | | |
| Employee compensation and related benefits | 144,144 | 139,655 |
| Information technology | 15,783 | 17,805 |
| Professional and other services | 62,370 | 40,626 |
| Occupancy | 15,879 | 17,970 |
| Interest expense | 15,118 | 15,949 |
| Other general and administrative | 6,291 | 6,085 |
| Total expenses | 259,585 | 238,090 |
| Income before income taxes | 2,504 | 5,984 |
| Income taxes | 1,127 | 2,693 |
| Net income | 1,377 | 3,291 |
| Retained earnings, beginning of period | 47,200 | 47,200 |
| Dividends on preferred stock | (1,377) | (3,291) |
| Retained earnings, end of period | \$47,200 | \$47,200 |

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

Consolidated Statements of Income and Retained Earnings

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|----------|
| For the Three Months Ended September 30, | 2008 | 2007 |
| Revenues: | | |
| Trading services | \$38,377 | \$46,419 |
| Custody services | 58,994 | 58,567 |
| Network services | 2,359 | 11,184 |
| Other services | 5,133 | 4,828 |
| Interest income | 13,908 | 35,980 |
| Total revenues | 118,771 | 156,978 |
| Discounts and other refunds to participants | (31,340) | (77,498) |
| Net revenues | 87,431 | 79,480 |
| Expenses: | | |
| Employee compensation and related benefits | 47,022 | 45,128 |
| Information technology | 5,101 | 5,771 |
| Professional and other services | 21,652 | 13,912 |
| Occupancy | 5,301 | 5,543 |
| Interest expense | 4,796 | 5,302 |
| Other general and administrative | 2,852 | 1,891 |
| Total expenses | 86,724 | 77,547 |
| Income before income taxes | 707 | 1,933 |
| Income taxes | 319 | 870 |
| Net income | 388 | 1,063 |
| Retained earnings, beginning of period | 47,200 | 47,200 |
| Dividends on preferred stock | (388) | (1,063) |
| Retained earnings, end of period | \$47,200 | \$47,200 |

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

Consolidated Statements of Cash Flows

| (Unaudited) | <i>(IN THOUSANDS)</i> | |
|---|-----------------------|-------------|
| For the Nine Months Ended September 30, | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$1,377 | \$3,291 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization of fixed assets | 27,485 | 21,983 |
| Loss on fixed asset disposals | 736 | 6 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 115,883 | (38,532) |
| Decrease (increase) in other assets | 378 | (3,928) |
| Increase (decrease) in accounts payable and other liabilities | 193,150 | (56,019) |
| Increase in payable to participants | 765,407 | 173,999 |
| Increase in participants' fund cash deposits | 16,118 | 80,661 |
| Net cash provided by operating activities | 1,120,534 | 181,461 |
| Cash flows from investing activities - purchases of fixed assets | (26,969) | (22,848) |
| Cash flows from financing activities: | | |
| Capitalized Leases | - | 8,222 |
| Principal payments on debt and capital lease obligations | (29,159) | (9,342) |
| Dividends paid on preferred stock | (1,377) | (3,291) |
| Net cash used in financing activities | (30,536) | (4,411) |
| Net Increase in cash and cash equivalents | 1,063,029 | 154,202 |
| Cash and cash equivalents, beginning of period | 2,830,606 | 3,215,528 |
| Cash and cash equivalents, end of period | \$3,893,635 | \$3,369,730 |
| Supplemental disclosure: | | |
| Income tax (refunds) payments , net | (\$16,127) | \$780 |
| Interest paid | \$14,354 | \$17,843 |

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

NOTE 1

The Depository Trust Company (DTC) is a limited purpose trust company providing central securities depository and related services to members of the securities, banking and other financial industries (participants). 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, 2007. DTC is a consolidated subsidiary of The Depository Trust & Clearing Corporation.

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 \$923,140,000 at September 30, 2008, including excess deposits of \$277,922,000.

NOTE 3

On September 19, 2008, a Trustee was appointed, under the Securities Investor Protection Act ("SIPA"), to administer and liquidate the business of Lehman Brothers Inc. ("LBI"). As part of the liquidation of LBI, certain of its assets were sold to Barclays Capital Inc. ("Barclays"), which assets did not, however, include the accounts that LBI maintained at National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC") and The Depository Trust Company ("DTC").

As a result, the Trustee, Barclays and DTCC, on behalf and for the benefit of NSCC, FICC and DTC (collectively, the "Clearing Agency Subsidiaries") entered into an agreement that provided for the Clearing Agency Subsidiaries to wind down their respective LBI accounts, including the close out of pending transactions and the use of the proceeds in accordance with their respective rules and procedures, in the same manner in which they close out positions of participants for whom they cease to act. On September 24, 2008, the Clearing Agency Subsidiaries formally ceased to act for LBI.

In addition, Barclays agreed to guaranty, indemnify and hold harmless DTCC, each of NSCC, FICC and DTC, and their officers, directors, employees, owners, agents and representatives against any and all losses, claims, damages, expenses (including legal fees) or liabilities that any of them may incur as a result of winding down and closing out the respective accounts, which guaranty is limited to a \$250 million cash deposit (the "Cash Deposit") it provided for that purpose.

Any losses will first be satisfied from the Cash Deposit. If there are losses in excess of the Cash Deposit, they will be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of LBI's Clearing or Participant Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remain after the closeout of the LBI Accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee.

The Cash Deposit has temporarily been deposited at DTC to facilitate its investment pending application against losses or its turnover to the Trustee.

At present, management is not expecting to need to assess losses against retained earnings or to the participants of the Clearing Agency Subsidiaries as a result of the liquidation of the LBI accounts.