

Consolidated Balance Sheets

(Unaudited)

(IN THOUSANDS, EXCEPT SHARE DATA)

September 30,

2009

2008

Assets	2009	2008
Cash and cash equivalents	\$3,845,746	\$13,555,486
U.S. Treasury securities	55,430	238,136
Accounts receivable	15,679	14,782
Clearing fund	237,860	416,402
Fixed assets, less accumulated depreciation and amortization of \$94,188 and \$80,419 at September 30, 2009 and 2008, respectively	40,236	38,395
Other assets	38,512	20,668
Total assets	\$4,233,463	\$14,283,869
Liabilities and Shareholder's Equity		
Liabilities:		
Accounts payable and other liabilities	\$87,037	\$37,463
Payable to participants	98,281	294,641
Long-term debt	11,275	14,214
Clearing fund:		
Cash deposits	3,749,010	13,471,149
Other deposits	237,860	416,402
Total liabilities	4,183,463	14,233,869
Commitments and 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	6,649	590
Retained earnings	43,341	49,400
Total shareholder's equity	50,000	50,000
Total liabilities and shareholder's equity	\$4,233,463	\$14,283,869

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

Consolidated Statements of Income and Retained Earnings

(Unaudited)

(IN THOUSANDS)

For the Nine Months Ended September 30,

2009

2008

Revenues:		
Clearing services	\$83,888	\$130,832
Distribution and other services	51,785	59,089
Interest income	9,774	125,862
Total revenues	145,447	315,783
Discounts and other refunds to participants	(25,428)	(201,410)
Net revenues	120,019	114,373
Expenses:		
Employee compensation and related benefits	71,687	70,371
Information technology	13,986	13,287
Professional and other services	23,789	19,624
Occupancy	7,823	7,428
Other general and administrative	2,734	3,663
Total expenses	120,019	114,373
Income before income taxes	-	-
Income Taxes	-	-
Net income	-	-
Retained earnings, beginning of period	43,341	49,400
Retained earnings, end of period	\$43,341	\$49,400

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

Consolidated Statements of Income and Retained Earnings

(Unaudited)

(IN THOUSANDS)

For the Three Months Ended September 30,

2009

2008

Revenues:		
Clearing services	\$26,453	\$39,094
Distribution and other services	17,999	19,749
Interest income	1,794	38,404
Total revenues	46,246	97,247
Discounts and other refunds to participants	(6,749)	(57,443)
Net revenues	39,497	39,804
Expenses:		
Employee compensation and related benefits	22,567	23,551
Information technology	4,571	4,820
Professional and other services	8,656	7,710
Occupancy	2,653	2,651
Other general and administrative	1,050	1,072
Total expenses	39,497	39,804
Income before income taxes	-	-
Income taxes		
Net income	-	-
Retained earnings, beginning of period	43,341	49,400
Retained earnings, end of period	\$43,341	\$49,400

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

Consolidated Statements of Cash Flows

(Unaudited)

(IN THOUSANDS)

For the Nine Months Ended September 30,

2009

2008

Cash flows from operating activities:		
Net income	\$ -	\$ -
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of fixed assets	7,672	7,868
Net premium amortized on securities owned	2,070	2,641
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	2,390	(1,711)
Decrease in other assets	117	164
Decrease in accounts payable and other liabilities	(20,232)	(22,596)
Increase (decrease) in payable to participants	46,236	(153,672)
(Decrease) increase in clearing fund cash deposits	(2,467,652)	8,911,524
Net cash (used in) provided by operating activities	(2,429,399)	8,744,218
Cash flows from investing activities:		
Maturities of investments in U.S. Treasury securities	195,000	160,000
Purchases of investments in U.S. Treasury securities	(55,800)	(220,437)
Purchases of fixed assets	(9,482)	(6,569)
Net cash provided by (used in) investing activities	129,718	(67,006)
Cash flows from financing activities:		
Capital contribution	6,059	-
Principal payments on debt and capital lease obligations	(2,293)	(3,813)
Net cash provided by (used in) financing activities	3,766	(3,813)
Net (decrease) increase in cash and cash equivalents	(2,295,915)	8,673,399
Cash and cash equivalents, beginning of period	6,141,661	4,882,087
Cash and cash equivalents, end of period	\$3,845,746	\$13,555,486
Supplemental disclosure:		
Income taxes payments (refunds), net	\$10,139	(\$6,630)
Interest paid	\$467	\$633

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

NOTE 1

National Securities Clearing Corporation (NSCC), a clearing agency registered with the U.S. Securities and Exchange Commission (SEC), provides various services to members of the financial community (participants), consisting principally of securities trade comparison, netting, risk management, 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, 2008. NSCC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC).

NOTE 2

NSCC's rules require certain participants to maintain clearing fund deposits based on calculated requirements, which at September 30, 2009 totaled \$2,884,165,000. The clearing fund is available to secure participants' obligations and certain liabilities of NSCC should they occur. All clearing fund cash and securities are recorded on the balance sheet. A summary of the total deposits held at September 30, 2009, including \$1,102,705,000 in excess of calculated requirements, follows:

(Dollars in thousands)	
Cash	\$3,749,010
Securities issued or guaranteed by the U.S. Government, at market value	237,860
Total	\$3,986,870

NOTE 3

At September 30, 2009, DTCC and its subsidiaries held aggregate funds of \$616,423,000 and securities of \$157,439,000 including the Barclays Cash Deposit, Clearing and Participant Fund balances and proceeds from winding down and closing out the respective Lehman Brothers Inc. (LBI) accounts. As of September 30, 2009 payments totaling \$3,501,761,000 had already been remitted to the Trustee.

Management is not expecting to need to assess losses against retained earnings or to the participants as a result of the liquidation of the LBI accounts.

NOTE 4

During the nine month period ended September 30, 2009, NSCC received a capital contribution of \$6,059,000 from DTCC to fund its 2008 net loss and to restore shareholder's equity to \$50 million.