

Consolidated Balance Sheets

(Unaudited)

(IN THOUSANDS, EXCEPT SHARE DATA)

September 30,

2010

2009

Assets

Cash and cash equivalents	\$3,706,441	\$3,845,746
Investments in marketable securities	60,302	55,430
Accounts receivable	16,604	15,679
Clearing fund	251,984	237,860
Fixed assets, less accumulated depreciation and amortization of \$104,387 and \$94,188 at September, 2010 and 2009, respectively	44,708	40,236
Deferred income taxes	36,213	36,454
Other assets	1,867	2,058
Total assets	\$4,118,119	\$4,233,463

Liabilities and Shareholder's Equity

Liabilities:

Accounts payable and other liabilities	\$51,739	\$87,037
Payable to participants	104,478	98,281
Long-term debt	8,926	11,275
Clearing fund:		
Cash deposits	3,595,708	3,749,010
Other deposits	251,984	237,860
Total liabilities	4,012,835	4,183,463

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	6,649
Retained earnings	98,625	43,341
Total shareholder's equity	105,284	50,000
Total liabilities and shareholder's equity	\$4,118,119	\$4,233,463

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

Consolidated Statements of Income and Retained Earnings

(Unaudited)

(IN THOUSANDS)

For the Nine Months Ended September 30,

2010

2009

	2010	2009
Revenues:		
Clearing services	\$98,973	\$83,888
Distribution and other services	63,223	51,785
Interest income	5,862	9,774
Total revenues	168,058	145,447
Discounts and other refunds to participants	(5,572)	(25,428)
Net revenues	162,486	120,019
Expenses:		
Employee compensation and related benefits	67,232	71,687
Information technology	14,254	13,986
Professional and other services	26,836	23,789
Occupancy	7,700	7,823
Other general and administrative	3,148	2,734
Total expenses	119,170	120,019
Income before income taxes	43,316	-
Income Taxes	17,326	-
Net income	25,990	-
Retained earnings, beginning of period	72,635	43,341
Retained earnings, end of period	\$98,625	\$43,341

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,

2010

2009

	2010	2009
Revenues:		
Clearing services	\$31,035	\$26,453
Distribution and other services	20,358	17,999
Interest income	2,444	1,794
Total revenues	53,837	46,246
Discounts and other refunds to participants	(2,352)	(6,749)
Net revenues	51,485	39,497
Expenses:		
Employee compensation and related benefits	22,214	22,567
Information technology	4,833	4,571
Professional and other services	9,887	8,656
Occupancy	2,638	2,653
Other general and administrative	1,268	1,050
Total expenses	40,840	39,497
Income before income taxes	10,645	-
Income Taxes	4,240	-
Net income	6,405	-
Retained earnings, beginning of period	92,220	43,341
Retained earnings, end of period	\$98,625	\$43,341

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

Consolidated Statements of Cash Flows

(Unaudited)	<i>(IN THOUSANDS)</i>	
For the Nine Months Ended September 30,	2010	2009
Cash flows from operating activities:		
Net income	\$25,990	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of fixed assets	7,515	7,672
Net premium amortized on investments in marketable securities	686	2,070
Deferred income taxes		-
Changes in operating assets and liabilities:		
Decrease in accounts receivable	1,109	2,390
(Increase) decrease in other assets	(153)	117
Decrease in accounts payable and other liabilities	(20,941)	(20,232)
Increase in payable to participants	64,205	46,236
Increase (decrease) in clearing fund cash deposits	851,581	(2,467,652)
Net cash provided by (used in) operating activities	929,992	(2,429,399)
Cash flows from investing activities:		
Maturities of investments in marketable securities	55,000	195,000
Purchases of investments in marketable securities	(40,577)	(55,800)
Purchases of fixed assets	(11,165)	(9,482)
Net cash provided by investing activities	3,258	129,718
Cash flows from financing activities:		
Capital contribution	-	6,059
Principal payments on debt and capital lease obligations	(1,830)	(2,293)
Net cash (used in) provided by financing activities	(1,830)	3,766
Net increase (decrease) in cash and cash equivalents	931,420	(2,295,915)
Cash and cash equivalents, beginning of period	2,775,021	6,141,661
Cash and cash equivalents, end of period	\$3,706,441	\$3,845,746
Supplemental disclosure:		
Income taxes paid, net of refunds	\$13,544	\$10,139
Interest paid	\$216	\$467

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, 2009. 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, 2010 totaled \$2,753,092,000. 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, 2010, including \$842,616,000 in excess of calculated requirements, follows:

(Dollars in thousands)	
Cash	\$3,595,708
Securities issued or guaranteed by the U.S. Government, at market value	251,984
Total	\$3,847,692

NOTE 3

At September 30, 2010, DTCC and its subsidiaries held aggregate funds of \$626,843,000 and securities of \$157,701,000 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, 2010 payments totaling \$4,354,761,000 have 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.