

The Depository Trust Company

Condensed Financial Statements
as of March 31, 2017 and December 31, 2016 and for the
three months ended March 31, 2017 and 2016

THE DEPOSITORY TRUST COMPANY

TABLE OF CONTENTS

	Page
CONDENSED FINANCIAL STATEMENTS AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016:	
Statements of Financial Condition	1
Statements of Income	2
Statements of Changes in Shareholders' Equity	3
Statements of Cash Flows	4
Notes to Condensed Financial Statements	5-8

THE DEPOSITORY TRUST COMPANY

CONDENSED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(In thousands, except share data)	As of March 31, 2017	As of December 31, 2016
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 409,068	\$ 379,400
Accounts receivable	40,416	40,688
Participants' Fund cash deposits	1,763,041	1,752,431
Other Participants' assets	662,227	958,048
Other current assets	591	4,139
Total current assets	2,875,343	3,134,706
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$177,309 and \$176,999 as of March 31, 2017 and December 31, 2016, respectively	18,725	19,036
Intangible assets - net of accumulated amortization of \$137,688 and \$220,379 as of March 31, 2017 and December 31, 2016, respectively	25,318	26,171
Other non-current assets	82,675	83,699
Total non-current assets	126,718	128,906
TOTAL ASSETS	\$ 3,002,061	\$ 3,263,612
LIABILITIES AND SHAREHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,304	\$ 13,798
Payable to Participants	662,227	958,048
Participants' Fund cash deposits	1,763,041	1,752,431
Other current liabilities	3,920	—
Total current liabilities	2,451,492	2,724,277
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	20,412	20,058
Total liabilities	2,471,904	2,744,335
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY:		
Preferred stock, Series A, \$100 par value - 3,250,000 shares authorized; 1,500,000, issued and outstanding	150,000	150,000
Common stock, \$100 par value - 18,500 shares authorized; issued and outstanding	1,850	1,850
Paid-in capital	61,546	61,546
Retained earnings	316,761	305,881
Total shareholders' equity	530,157	519,277
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,002,061	\$ 3,263,612

The Notes to Condensed Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2017	2016
REVENUES:		
Settlement and asset services	\$ 100,243	\$ 99,848
Other revenue	1,547	1,606
Total revenues	<u>101,790</u>	<u>101,454</u>
EXPENSES:		
Employee compensation and related benefits	38,996	41,524
Information technology	8,158	6,783
Professional and other services	27,723	24,027
Occupancy	2,431	3,866
Depreciation and amortization	3,718	4,792
General and administrative	2,315	3,897
Total expenses	<u>83,341</u>	<u>84,889</u>
Total operating income	<u>18,449</u>	<u>16,565</u>
NON-OPERATING INCOME (EXPENSE):		
Interest income	850	813
Refunds to Participants	(142)	(58)
Interest expense	(679)	(1,729)
Total non-operating income (expense)	<u>29</u>	<u>(974)</u>
Income before taxes	18,478	15,591
Provision for income taxes	7,598	6,677
Net income	<u>\$ 10,880</u>	<u>\$ 8,914</u>

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THE DEPOSITORY TRUST COMPANY

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Preferred Stock Series A	Common Stock	Paid-In Capital	Retained Earnings	Total Shareholders' Equity
BALANCE - January 1, 2016	\$ 150,000	\$ 1,850	\$ 61,546	\$ 265,198	\$ 478,594
Net income	—	—	—	41,163	41,163
Dividend on preferred stock	—	—	—	(480)	(480)
BALANCE - December 31, 2016	150,000	1,850	61,546	305,881	519,277
Net income	—	—	—	10,880	10,880
BALANCE - March 31, 2017	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 316,761</u>	<u>\$ 530,157</u>

The Notes to Condensed Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the three months ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,880	\$ 8,914
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	3,718	4,792
Loss on disposal of Premises and equipment	—	62
Deferred income taxes	1,121	409
Net change in:		
Accounts receivable	272	(41,287)
Other assets	3,451	5,447
Accounts payable	8,506	604
Other liabilities	4,274	(1,377)
Net cash provided by/(used in) operating activities	<u>32,222</u>	<u>(22,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Intangible assets	(2,554)	(2,266)
Net cash provided by/(used in) investing activities	<u>(2,554)</u>	<u>(2,266)</u>
Net increase/(decrease) in Cash and cash equivalents	29,668	(24,702)
Cash and cash equivalents - Beginning of period	<u>379,400</u>	<u>378,564</u>
Cash and cash equivalents - End of period	<u>\$ 409,068</u>	<u>\$ 353,862</u>
SUPPLEMENTAL DISCLOSURE:		
Cash interest paid	<u>\$ —</u>	<u>\$ 144</u>

The Notes to Condensed Financial Statements are an integral part of these statements.

THE DEPOSITORY TRUST COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

1. BUSINESS AND OWNERSHIP

The Depository Trust Company (DTC or the Company) is: a limited purpose trust company formed under the Banking Law of New York State and supervised by the New York State Department of Financial Services (NYSDFS); a State member bank of the Federal Reserve System (FRS), subject to examination by the Federal Reserve Bank of New York (FRBNY) under delegated authority from the Board of Governors (the FRB) of the FRS; and a clearing agency registered with, and under the supervision of, the U.S. Securities and Exchange Commission (SEC). DTC provides central securities depository, settlement and related services to members of the securities, banking and other financial industries (collectively referred to as Participants).

On January 11, 2017, DTC's wholly-owned subsidiary, Brooklyn Facilities Company LLC was dissolved. As a result of the dissolution, DTC will no longer be a consolidated company under U.S. GAAP.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). Other subsidiaries of DTCC include National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), Omgeo LLC, DTCC Deriv/SERV LLC, DTCC Solutions LLC and Business Entity Data, B.V. .

DTC is designated as a Systematically Important Financial Market Utility (SIFMU) by the U.S. Financial Stability Oversight Council under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

2. BASIS OF PRESENTATION AND USE OF ESTIMATES

Basis of presentation. The accompanying Condensed Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying interim financial statements have not been audited. As such, these interim financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements and should be read in conjunction with DTC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Notes 2 and 3 in DTC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015, for additional information on the Company's Summary of Significant Accounting Policies and Accounting and Reporting Developments, respectively.

The Condensed Financial Statements reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Use of estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Financial Statements. Management makes estimates regarding, among other things, the collectability of receivables, the outcome of litigation, the realization of deferred taxes, unrecognized tax benefits, fair value measurements and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information as of March 31, 2017; therefore, actual results could differ materially from those estimates.

THE DEPOSITORY TRUST COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

3. PARTICIPANTS' FUND CASH DEPOSITS

Details for the Participants' Fund deposits as of March 31, 2017 and December 31, 2016 follow (in thousands):

	<u>2017</u>	<u>2016</u>
Required cash deposits	\$ 1,160,000	\$ 1,150,000
Excess cash deposits	603,041	602,431
Total	<u>\$ 1,763,041</u>	<u>\$ 1,752,431</u>

Participants' Fund cash deposits. Participants' cash deposits to the Participants' Fund may be applied to satisfy obligations of the depositing Participants, as provided in DTC's rules.

Refunds to Participants. Interest income earned from the investment of Participants' cash deposits and refunded to Participants totaled \$3,653,000 and \$2,276,000 for the three months ended March 31, 2017 and 2016, respectively, in the accompanying Condensed Statements of Income.

4. OTHER PARTICIPANTS' ASSETS AND PAYABLE TO PARTICIPANTS

The Company receives cash and stock dividends, interest, reorganization and redemption proceeds on securities registered in the name of its nominee, Cede and Co., and interest and redemption proceeds on bearer securities, which it distributes to Participants. Balances representing cash dividends, interest, reorganization and redemptions of \$662,227,000 and \$958,048,000 as of March 31, 2017 and December 31, 2016, respectively, are included in Other Participants' assets, with a corresponding liability recorded in Payable to Participants, on the accompanying Condensed Statements of Financial Condition.

As of March 31, 2017 and December 31, 2016, Payable to Participants also includes \$323,000 and \$153,000, respectively, of cash collateral received from Participants representing 130% of short positions. Unclaimed balances are remitted to the appropriate authority when required, pursuant to abandoned property laws.

5. DEBT

During 2016, the Company repaid all outstanding debt, which included both external long-term debt, as well as a loan from its parent, DTCC. Interest on the external debt was \$0 and \$714,000 and, on the loan was \$0 and \$228,000 for the three months ended March 31, 2017 and 2016, respectively, and were included in Interest expense in the accompanying Condensed Statements of Income.

See Note 9 in DTC's Audited Consolidated Financial Statements for the years ended December 31, 2016 and 2015 for additional information.

THE DEPOSITORY TRUST COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Lines of credit. The Company maintain lines of credit to support settlement. Details for the terms of the outstanding lines of credit as of March 31, 2017 and December 31, 2016 follow:

Committed	2017	2016
Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
No. of Participants/Lenders	31/37	31/37
Borrowing rate	The greater of the federal funds offered rate, adjusted LIBOR, or lenders' cost of funds, on the day of borrowing, plus 1.40%	
Uncommitted	2017	2016
Amount	\$150 million ⁽¹⁾	\$150 million ⁽¹⁾
Denomination	CAD	CAD
No. of Participants/Lenders	1/1	1/1

(1) Used to support Canadian settlement.

There were no borrowings under any of these lines of credit as of March 31, 2017 and December 31, 2016.

Details for debt covenants related to the lines of credit as of March 31, 2017 and December 31, 2016 follow:

	2017	2016
Minimum Net Worth	\$150 million	\$150 million
Minimum Participants Fund deposits	750 million	750 million

As of March 31, 2017 and December 31, 2016, the Company was in compliance with its debt covenants.

Credit Ratings. The Company is rated by Moody's Investors Service, Inc. (Moody's) and S&P Global Inc. (S&P). Details for senior debt ratings and ratings outlooks for the Company as of March 31, 2017 follow:

Moody's ⁽¹⁾			S&P		
Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Aaa	P-1	Stable	AA+	A-1+	Stable

(1) Moody's categorizes the long-term issuer ratings of the Company as a clearing counterparty rating (CCR) under their new Clearing Houses Rating Methodology introduced in January 2016.

6. PENSION AND POSTRETIRMENT BENEFITS

Eligible DTCC employees participate in DTCC's trustee non-contributory defined benefit pension plan, supplemental executive retirement plan and benefit restoration plan, which provide for certain benefits upon retirement. Eligible DTCC employees also participate in DTCC's life insurance program, which provides for the payment of death benefits to beneficiaries of eligible retired employees and DTCC's healthcare program, which provides benefits to eligible retired employees.

Cost allocation. DTCC allocates the cost of these plans to its subsidiaries based primarily upon the proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The benefit plan costs allocated to DTC were \$824,000 and \$1,283,000 for the three months ended March 31, 2017 and 2016, respectively. These costs are included in Employee compensation and related benefits in the accompanying Condensed Statements of Income.

THE DEPOSITORY TRUST COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

7. SHAREHOLDERS' EQUITY

DTC Series A Non-Cumulative Perpetual Preferred Stock. Under a plan adopted by the Board of Directors, each Participant of DTC is required to own shares of its Series A preferred stock. Details for the Preferred stock as of March 31, 2017 follow (in thousands, except dividends paid per share):

Series	Description	Total shares issued and outstanding	Carrying value	Per annum dividend rate	Dividends paid per share
Series A	Noncumulative Perpetual	1,500	\$ 150,000	\$ 480	\$ 0.32

Capital Adequacy. Details for DTC's Capital Adequacy capital ratios as of March 31, 2017 follow:

	DTC	Minimum Capital Ratio ⁽¹⁾	Well Capitalized Ratio ⁽¹⁾
Tier 1 capital ratio	79.81%	6.00%	8.00%
Total capital ratio	79.81%	8.00%	10.00%

(1) As defined by the regulations issued by the Federal Reserve, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

8. COMMITMENTS AND CONTINGENCIES

Litigation. The Company is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation is not expected to have a material effect on the accompanying Condensed Statements of Financial Condition, Income or Cash Flows.

Lease commitment. The Company received a rent allocation from DTCC of \$2,431,000 and \$3,278,000 for the three months ended March 31, 2017 and 2016, respectively. These amounts are included in Occupancy in the accompanying Condensed Statements of Income.

During 2016, a lease that the Company previously executed to rent office space was assigned to DTCC. As a result, there were no future minimum rental payments under non-cancelable leases as of March 31, 2017.

9. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after March 31, 2017 through April 28, 2017, for potential recognition or disclosure in these accompanying Condensed Financial Statements. No events or transactions occurred during such period that would require recognition or disclosure in these accompanying Condensed Financial Statements.