

The Depository Trust Company

Condensed Financial Statements
as of June 30, 2018 and December 31, 2017 and for the
three and six months ended June 30, 2018 and 2017

THE DEPOSITORY TRUST COMPANY

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THE DEPOSITORY TRUST COMPANY

CONDENSED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<u>(In thousands, except share data)</u>	<u>As of June 30, 2018</u>	<u>As of December 31, 2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 489,250	\$ 444,265
Accounts receivable	38,803	40,429
Participants' Fund cash deposits	1,748,640	1,771,078
Other Participants' assets	661,306	864,536
Other current assets	5,391	5,727
Total current assets	<u>2,943,390</u>	<u>3,126,035</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$132,955 and \$131,746 as of June 30, 2018 and December 31, 2017, respectively	17,813	18,173
Intangible assets - net of accumulated amortization of \$127,692 and \$120,679 as of June 30, 2018 and December 31, 2017, respectively	25,479	25,105
Other non-current assets	52,146	53,680
Total non-current assets	<u>95,438</u>	<u>96,958</u>
TOTAL ASSETS	<u>\$ 3,038,828</u>	<u>\$ 3,222,993</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 13,444	\$ 11,049
Participants' Fund cash deposits	1,748,640	1,771,078
Payable to Participants	661,306	864,536
Total current liabilities	<u>2,423,390</u>	<u>2,646,663</u>
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	18,645	17,673
Total liabilities	<u>2,442,035</u>	<u>2,664,336</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
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	383,397	345,261
Total shareholders' equity	<u>596,793</u>	<u>558,657</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 3,038,828</u>	<u>\$ 3,222,993</u>

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 June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
REVENUES				
Settlement and asset services	\$ 108,164	\$ 104,317	\$ 213,992	\$ 204,560
Other services	4,496	1,599	8,567	3,146
Total revenues	<u>112,660</u>	<u>105,916</u>	<u>222,559</u>	<u>207,706</u>
EXPENSES				
Employee compensation and related benefits	45,196	39,285	86,482	78,008
Information technology	8,949	7,685	17,743	15,843
Professional and other services	23,018	27,951	50,593	55,674
Occupancy	3,145	2,465	6,259	4,896
Depreciation and amortization	3,144	3,493	6,391	7,211
General and administrative	2,594	2,234	5,124	4,549
Total expenses	<u>86,046</u>	<u>83,113</u>	<u>172,592</u>	<u>166,181</u>
Total operating income	<u>26,614</u>	<u>22,803</u>	<u>49,967</u>	<u>41,525</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	11,647	6,379	20,954	10,740
Refunds to Participants	(8,662)	(4,935)	(15,888)	(8,588)
Interest expense	(2,655)	(3,248)	(4,988)	(6,173)
Other non-operating income	2,195	1,959	4,125	3,932
Total non-operating income (expense)	<u>2,525</u>	<u>155</u>	<u>4,203</u>	<u>(89)</u>
Income before taxes	29,139	22,958	54,170	41,436
Provision for income taxes	8,601	9,934	16,034	17,532
Net income	<u>\$ 20,538</u>	<u>\$ 13,024</u>	<u>\$ 38,136</u>	<u>\$ 23,904</u>

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

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, 2017	\$ 150,000	\$ 1,850	\$ 61,546	\$ 305,881	\$ 519,277
Net income	—	—	—	40,460	40,460
Dividend on preferred stock	—	—	—	(1,080)	(1,080)
BALANCE - December 31, 2017	150,000	1,850	61,546	345,261	558,657
Net income	—	—	—	38,136	38,136
BALANCE - June 30, 2018	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 383,397</u>	<u>\$ 596,793</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 six months ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 38,136	\$ 23,904
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	6,391	7,211
Deferred income taxes	2,106	2,248
Net change in:		
Accounts receivable	1,626	305
Other assets	(236)	(432)
Accounts payable and accrued expenses	3,475	8,069
Other liabilities	972	7,039
Participants' Fund liabilities, net	(22,438)	20,932
Payable to Participants	(204,333)	(232,401)
Net cash provided by/(used in) operating activities	<u>(174,301)</u>	<u>(163,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Intangible assets	(6,405)	(6,454)
Net cash provided by/(used in) investing activities	<u>(6,405)</u>	<u>(6,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend on preferred stock	(1,080)	(480)
Net cash provided by/(used in) financing activities	<u>(1,080)</u>	<u>(480)</u>
Net increase/(decrease) in Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets	(181,786)	(170,059)
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>3,075,695</u>	<u>3,086,913</u>
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 2,893,909</u>	<u>\$ 2,916,854</u>
SUPPLEMENTAL DISCLOSURE:		
Cash income taxes paid to DTCC - net of refunds	<u>\$ 10,352</u>	<u>\$ 6,163</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 JUNE 30 2018 AND DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

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).

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), DTCC ITP LLC (formerly known as Omgeo LLC), DTCC Deriv/SERV LLC, Business Entity Data, B.V. and DTCC Solutions LLC.

DTC is designated as a Systemically Important Financial Market Utility (SIFMU) by the U.S. Financial Stability Oversight Council pursuant to Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which subjects the Company to the SEC's standards for covered clearing agencies.

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. 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 Financial Statements for the years ended December 31, 2017 and 2016, which are located on the Company's website at <http://www.dtcc.com/legal/financial-statements>. See Note 2 in DTC's Audited Financial Statements for the years ended December 31, 2017 and 2016, for additional information on the Company's Summary of Significant Accounting Policies.

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.

The Company reclassified prior period amounts related to Refunds to Participants and certain components of net periodic pension cost allocated to conform to the current year presentation. See below Revenue recognition and Note 3 for additional information.

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 are based on judgment and available information; therefore, actual results could differ materially from those estimates.

Revenue recognition. On January 1, 2018, the Company adopted the new revenue recognition standard under the full retrospective method of adoption. See Note 3 for additional information.

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, the Company applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation.

The Company enters into contracts that can include various services, in which each service, an explicit promise, is generally distinct and accounted for as separate performance obligations. Certain promised services are substantially the same and have the same pattern of transfer to the customer and therefore are considered as a series of services.

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NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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The Company recognizes revenue from contracts with customers as performance obligations are satisfied when promised services are transferred to the customer. The majority of the promised services and related performance obligations are recognized at the point in time when the control of the promised service is transferred to the customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to for transferring the promised services to the customer. For certain contracts with customers, the consideration in which the Company expects to be entitled to in exchange for transferring promised service to a customer consists of variable consideration. The variable consideration primarily relates to volume based discounts or rebates for certain services, however, the volume targets or thresholds typically reset on a monthly basis therefore, the variable consideration does not have an impact on the Company's Condensed Financial Statements.

The Company derives its revenue from transaction fees, subscription and other services. Revenue from transaction fees is recognized at a point in time on the transaction date, as the customer obtains the control and benefit of the service at that point. Subscription revenues are recognized ratably over the performance period of the relevant contract using a time elapsed measure of progress as the customer receives the benefits of the services throughout the term of the contract. Other services, which represents fees generated from offering referential based data and business processing solutions to financial institutions globally, is recognized when services are provided based on contractual terms. The Company typically bills its customers 30 days in arrears.

Revenue streams

Details for each revenue stream presented in the Company's Condensed Statements of Income follow:

Settlement and asset services. The Company provides settlement services for equity, corporate and municipal debt trades and money market instruments in the U.S. The payment and transfer of securities ownership occurs at the Company, which provides custody and asset servicing for securities. Asset services include underwriting, corporate actions processing, securities processing, global tax services and issuer services.

Other services. DTCC Data Services offers referential and activity-based data, delivered in fixed or configurable formats, sourced from the Company's transaction, reference, position and asset servicing data covering major asset classes. Other services include data on announcements.

Accounts receivable and deferred revenue

The period in which the Company recognizes revenue may differ from the timing of payments received from customers. The Company records a receivable when revenue is recognized prior to payment and there is an unconditional right to payment. See Accounts receivable on the Condensed Statements of Financial Condition for the Company's receivables related to revenues from contracts with customers. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. Deferred revenue represents the Company's contract liabilities related to billings or payments received in advance for subscription and other services, where the performance obligation has not yet been satisfied.

Impacts to previously reported results

Details of the revenue recognition impact to the Company's previously reported results for the three and six months ended June 30, 2017 follow (in thousands):

	For the three months ended June 30, 2017			For the six months ended June 30, 2017		
	As Previously Reported	New Revenue Standard Adjustment	As Restated	As Previously Reported	New Revenue Standard Adjustment	As Restated
Interest income	\$ 1,717	\$ 4,662	\$ 6,379	\$ 2,567	\$ 8,173	\$ 10,740
Refunds to Participants	(273)	(4,662)	(4,935)	(415)	(8,173)	(8,588)

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NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30 2018 AND DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

Retirement benefits. On January 1, 2018, the Company adopted the new retirement benefits standard under the retrospective method of adoption. See Note 3 for additional information.

Impacts to previously reported results

Details of the retirement benefits impact to the Company's previously reported results for the three and six months ended June 30, 2017 follow (in thousands):

	For the three months ended June 30, 2017			For the six months ended June 30, 2017		
	As Previously Reported	New Retirement Benefits Standard Adjustment	As Restated	As Previously Reported	New Retirement Benefits Standard Adjustment	As Restated
Employee compensation and related benefits	\$ 39,556	\$ (271)	\$ 39,285	\$ 78,552	\$ (544)	\$ 78,008
Interest expense	(1,018)	(2,230)	(3,248)	(1,697)	(4,476)	(6,173)
Other non-operating income	—	1,959	1,959	—	3,932	3,932

Restricted cash. As a result of the adoption of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, (see Note 3), the Company has reported the cash and cash equivalents related to Participants' Fund cash deposits and Other Participants' assets within the beginning and ending balances of Cash and cash equivalents, Participants' Fund cash deposits, Other Participants' assets.

Details of a reconciliation of Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets, reported within the Condensed Statements of Financial Condition that sum to the total of the same such amounts shown on the Condensed Statements of Cash Flows as of June 30, 2018 and December 31, 2017 follow (in thousands):

	2018	2017
Cash and cash equivalents	\$ 489,250	\$ 444,265
Participants' Fund cash deposits	1,748,640	1,771,078
Cash in Other Participants' assets	656,019	860,352
Total Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets shown on the Condensed Statement of Cash Flows	\$ 2,893,909	\$ 3,075,695

As a result of this accounting change, net cash used in operating activities of approximately \$174 million is primarily driven by the change in Participants' Fund liabilities and Payable to Participants.

Impacts to previously reported results

Details of the cash flows impact, included in operating activities, to the Company's previously reported results as of June 30, 2017 follow (in thousands):

	As Previously Reported	New Restricted Cash Standard	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Participants' Fund liabilities, net	\$ —	\$ 20,932	\$ 20,932
Payable to Participants	—	(232,401)	(232,401)
Net cash provided by/(used in) operating activities	48,344	(211,469)	(163,125)

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NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30 2018 AND DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

3. ACCOUNTING AND REPORTING DEVELOPMENTS

See Note 3 in DTC's Audited Financial Statements for the years ended December 31, 2017 and 2016, for additional information on the Company's Accounting and Reporting Developments.

Standard	Description	Impact on the financial statements or other significant matters
<i>Recently Adopted Accounting Standards</i>		
Revenue Recognition - Revenue from Contracts with Customers <i>Issued May 2014</i>	<ul style="list-style-type: none">Requires revenue from contracts with customers to be recognized upon transfer of control of a good or service in the amount of consideration expected to be received.Changes the accounting for certain contract costs, including whether they may be offset against revenue in the accompanying Condensed Statements of Income, and requires additional disclosures about revenue and contract costs.May be adopted using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the day of initial application, and to new contracts transacted after that date.	<ul style="list-style-type: none">Adopted January 1, 2018.The Company adopted the revenue recognition standard under the full retrospective transition method of adoption.The Company's implementation efforts included the identification of revenue within the scope of the standard and the evaluation of revenue contracts using the practical expedient portfolio approach.The adoption of the standard did not have a material impact to the recognition and timing of its revenues, but required the Company to change the presentation of Interest Income and Refunds to Participants from a net basis to a gross basis in the accompanying Condensed Statements of Income. See Note 2 for additional information.
Compensation - Retirement Benefits <i>Issued March 2017</i>	<ul style="list-style-type: none">Requires the service cost component of net periodic pension and postretirement benefit cost to be reported separately in the Company's Condensed Statements of IncomeRequires retrospective application and presentation in the Condensed Statements of Income.Requires the service cost component in the same line item as other employee compensation costs and presentation of the other components in a different line item from the service cost component.	<ul style="list-style-type: none">Adopted January 1, 2018.The adoption of the standard and required reclassifications did not have a material impact on the Company's Condensed Statements of Income. The adoption required the Company to reclassify certain components of net periodic pension cost allocated to the Company (Note 7) from Total operating income to Total non-operating income (expense). The service cost component is presented in Employee compensation and related benefits, the interest cost component is presented in Interest expense, and all other components of net periodic pension cost allocated are presented in Other non-operating income (expense) in the accompanying Condensed Statements of Income. See Note 2 for additional information.

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AS OF JUNE 30 2018 AND DECEMBER 31, 2017 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

Standard	Description	Impact on the financial statements or other significant matters
<i>Recently Adopted Accounting Standards (continued)</i>		
Statement of Cash Flows - Restricted Cash <i>Issued November 2016</i>	<ul style="list-style-type: none"> Requires inclusion of restricted cash in the cash and cash equivalents balances in the Condensed Statements of Cash Flows. Requires additional disclosures to supplement the Condensed Statements of Cash Flows. Requires retrospective application to all periods presented. 	<ul style="list-style-type: none"> Adopted April 1, 2018. The Company adopted the new restricted cash standard under the retrospective method of adoption. The adoption did not change the Company's Condensed Statements of Financial Condition or Statements of Income; however, it resulted in a presentation change related to the Condensed Statements of Cash Flows by broadening the definition of cash and cash equivalents to include items that are not on the balance sheet's cash line, e.g., Participants' Fund cash deposits and Cash in Other Participants' assets. See Note 2 for additional information.

4. PARTICIPANTS' FUND CASH DEPOSITS

Details for the Participants' Fund deposits as of June 30, 2018 and December 31, 2017 follow (in thousands):

	<u>2018</u>	<u>2017</u>
Required cash deposits	\$ 1,153,000	\$ 1,150,000
Excess cash deposits	595,640	621,078
Total	<u>\$ 1,748,640</u>	<u>\$ 1,771,078</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.

5. 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, redemptions, and cash collateral received of \$661,306,000 and \$864,536,000 as of June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, Payable to Participants also includes \$284,000 and \$435,000, 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.

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6. LINES OF CREDIT AND CREDIT RATINGS

Lines of credit. The Company maintains lines of credit to support settlement. Details for the terms of the outstanding lines of credit as of June 30, 2018 and December 31, 2017 follow:

Committed	2018	2017
Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
No. of Participants/Lenders	33/41	32/41

Uncommitted	2018	2017
Amount	C\$150 million ⁽¹⁾	C\$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 June 30, 2018 and December 31, 2017.

Details for debt covenants related to the committed line of credit as of June 30, 2018 and December 31, 2017 follow:

	2018	2017
Minimum Net Worth	\$150 million	\$150 million
Minimum Participants' Fund deposits	\$750 million	\$750 million

As of June 30, 2018 and December 31, 2017, 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 June 30, 2018 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 the agency's Clearing Houses Rating Methodology.

7. PENSION AND POSTRETIREMENT 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 health care program, which provides benefits to eligible retired employees.

Cost allocation. DTCC allocates the cost of these plans to its subsidiaries based primarily upon the estimated proportion of each subsidiary's salary cost relative to DTCC's total salary cost. The benefit plan costs allocated to DTC were \$943,000 and \$812,000 for the three months ended June 30, 2018 and 2017, respectively, and \$1,816,000 and \$1,636,000 for the six months ended June 30, 2018 and 2017, respectively. These costs are included in Employee compensation and related benefits, Interest expense, and Other non-operating income in the accompanying Condensed Statements of Income.

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8. 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 DTC Series A preferred stock. There was \$150,000,000 of DTC Series A preferred stock (1,500,000 shares at par value of \$100 per share) outstanding as of June 30, 2018 and December 31, 2017. Dividends are accrued based on the weighted average rate of interest paid by the Corporation on required Participants Fund deposit during the dividend period as disclosed in the DTC's rules. The 2017 annual dividend amount of \$1,080,000 was approved and declared by the Board of Directors in February 2018, and paid in April 2018, to the holders of DTC Series A Preferred stock during 2017.

Capital Adequacy. Details for DTC's Capital Adequacy capital ratios as of June 30, 2018 follow:

	DTC	Minimum Capital Ratio⁽¹⁾	Well Capitalized Ratio⁽¹⁾
Tier 1 capital ratio	87.36%	6.00%	8.00%
Total capital ratio	87.36%	8.00%	10.00%
Tier 1 leverage ratio	18.05%	4.00%	4.00%

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

9. 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.

10. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after June 30, 2018 through July 27, 2018, 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.