

The Depository Trust Company

Financial Statements (Unaudited) as of June 30, 2024 and
December 31, 2023 and for the three and six months ended
June 30, 2024 and 2023

THE DEPOSITORY TRUST COMPANY

TABLE OF CONTENTS

	Page
FINANCIAL STATEMENTS (UNAUDITED) AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023:	
Statements of Financial Condition	1
Statements of Income	2
Statements of Changes in Shareholders' Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 11

THE DEPOSITORY TRUST COMPANY

STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

(In thousands, except share data)	As of June 30, 2024	As of December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 650,108	\$ 731,373
Short-term investments	125,000	—
Accounts receivable - net of allowance for credit losses	50,736	53,190
Participants' Fund cash deposits	2,015,897	1,984,734
Other Participants' assets	2,751,647	4,484,240
Other current assets	6,603	3,521
Total current assets	<u>5,599,991</u>	<u>7,257,058</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$10,281 and \$11,945 as of June 30, 2024 and December 31, 2023, respectively	12,718	13,931
Intangible assets - net of accumulated amortization of \$64,814 and \$56,969 as of June 30, 2024 and December 31, 2023, respectively	43,233	41,494
Other non-current assets	41,112	40,907
Total non-current assets	<u>97,063</u>	<u>96,332</u>
TOTAL ASSETS	<u><u>\$ 5,697,054</u></u>	<u><u>\$ 7,353,390</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 73,426	\$ 64,452
Participants' Fund cash deposits	2,015,897	1,984,734
Payable to Participants	2,751,647	4,484,240
Other current liabilities	20,773	17,941
Total current liabilities	<u>4,861,743</u>	<u>6,551,367</u>
OTHER NON-CURRENT LIABILITIES:		
Other non-current liabilities	5,312	4,669
Total liabilities	<u>4,867,055</u>	<u>6,556,036</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
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
Additional paid-in capital	61,546	61,546
Retained earnings	616,603	583,958
Total shareholders' equity	<u>829,999</u>	<u>797,354</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 5,697,054</u></u>	<u><u>\$ 7,353,390</u></u>

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

THE DEPOSITORY TRUST COMPANY

STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
REVENUES				
Settlement and asset services	\$ 136,769	\$ 131,112	\$ 271,026	\$ 261,487
Other services	7,506	7,487	14,748	14,602
Total revenues	<u>144,275</u>	<u>138,599</u>	<u>285,774</u>	<u>276,089</u>
EXPENSES				
Employee compensation and related benefits	65,410	66,911	134,404	130,014
Information technology	15,230	12,218	29,745	25,930
Professional and other services	31,544	25,637	60,533	50,684
Occupancy	3,383	3,876	7,368	7,679
Depreciation and amortization	4,278	4,340	8,182	8,569
General and administrative	8,790	5,772	18,099	11,416
Total expenses	<u>128,635</u>	<u>118,754</u>	<u>258,331</u>	<u>234,292</u>
Total operating income	<u>15,640</u>	<u>19,845</u>	<u>27,443</u>	<u>41,797</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	45,579	40,603	90,411	76,013
Refunds to Participants	(31,927)	(29,389)	(63,691)	(55,368)
Interest expense	(2,720)	(2,930)	(5,439)	(5,866)
Other non-operating income, net	3,099	3,154	6,197	6,307
Total non-operating income	<u>14,031</u>	<u>11,438</u>	<u>27,478</u>	<u>21,086</u>
Income before taxes	29,671	31,283	54,921	62,883
Provision for income taxes	8,239	8,885	15,976	18,866
Net income	<u>\$ 21,432</u>	<u>\$ 22,398</u>	<u>\$ 38,945</u>	<u>\$ 44,017</u>

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

THE DEPOSITORY TRUST COMPANY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

<u>(In thousands)</u>	<u>Preferred Stock Series A</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
BALANCE - January 1, 2024	\$ 150,000	\$ 1,850	\$ 61,546	\$ 583,958	\$ 797,354
Net income	—	—	—	17,513	17,513
Preferred stock dividend	—	—	—	(6,300)	(6,300)
BALANCE - March 31, 2024	150,000	1,850	61,546	595,171	808,567
Net income	—	—	—	21,432	21,432
BALANCE - June 30, 2024	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 616,603</u>	<u>\$ 829,999</u>

<u>(In thousands)</u>	<u>Preferred Stock Series A</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
BALANCE - January 1, 2023	\$ 150,000	\$ 1,850	\$ 61,546	\$ 500,616	\$ 714,012
Net income	—	—	—	21,619	21,619
BALANCE - March 31, 2023	150,000	1,850	61,546	522,235	735,631
Net income	—	—	—	22,398	22,398
BALANCE - June 30, 2023	<u>\$ 150,000</u>	<u>\$ 1,850</u>	<u>\$ 61,546</u>	<u>\$ 544,633</u>	<u>\$ 758,029</u>

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

THE DEPOSITORY TRUST COMPANY

STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the six months ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 38,945	\$ 44,017
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	8,182	8,569
Deferred income taxes	(205)	(1,945)
Other	887	29
Net change in:		
Accounts receivable	2,443	(3,769)
Other assets	(3,082)	(2,107)
Accounts payable and accrued expenses	8,974	(3,074)
Other liabilities	3,475	18,987
Participants' Fund liabilities	31,163	43,627
Payable to Participants	(1,732,593)	(96,488)
Net cash (used in)/provided by operating activities	<u>(1,641,811)</u>	<u>7,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(125,000)	—
Capitalized software development costs	(9,584)	(8,985)
Cash used in investing activities	<u>(134,584)</u>	<u>(8,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend on preferred stock	(6,300)	—
Cash used in financing activities	<u>(6,300)</u>	<u>—</u>
Net decrease in Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets	(1,782,695)	(1,139)
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - Beginning of period	<u>7,200,347</u>	<u>3,499,973</u>
Cash and cash equivalents, Participants' Fund cash deposits, Cash in Other Participants' assets - End of period	<u>\$ 5,417,652</u>	<u>\$ 3,498,834</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 5,487</u>	<u>\$ 5,497</u>
Income taxes paid - net of refunds	<u>\$ 12,700</u>	<u>\$ 1,810</u>

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

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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 (referred to herein as its 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, DTCC Deriv/SERV LLC, DTCC Solutions LLC and DTCC Digital (US) Inc.

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 enhanced standards for risk management, operation and governance, as established by the SEC's Standards for Covered Clearing Agencies (CCAS).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying unaudited, interim financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The interim financial statements exclude some of the disclosures required in audited financial statements and should be read in conjunction with DTC's Audited Financial Statements for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, for additional information on the Company's Summary of Significant Accounting Policies.

The interim 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 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, impairment of intangible assets, fair value measurements, expense allocations 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.

Commitments and contingencies. 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 Statements of Financial Condition, Income or Cash Flows.

Revenue recognition. The Company recognizes revenue to depict the transfer of promised services and related performance obligations to customers in an amount that reflects the consideration to which the entity expects to be entitled, upon satisfaction, in exchange for those services.

The Company derives its revenue from transaction fees, subscription revenue, and usage fees. Revenue from transaction fees is billed monthly and calculated based on the number of executed transactions and the established fee schedules, less any applicable volume discounts. The volume targets or thresholds for the discounts primarily reset monthly. 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. Usage fees are recognized when services are provided based on contractual terms.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Settlement and asset services. Revenue derived from this revenue stream is in the form of transaction fees and subscription revenue. The Company provides settlement services for equity, corporate and municipal debt trades and money market instruments in the United States of America. Asset Servicing includes a broad range of services for underwriting, custody, corporate actions, dividend, proxy and reorganization services, as well as the electronic registration and transfer of securities processing.

Other services. Revenue derived from this revenue stream may be in the form of subscription revenue and usage fees, which include referential and activity-based announcement, security reference, and liquidity data through the DTCC Data Services product. These offerings are delivered in fixed or configurable formats, sourced from the Company's transaction, reference, position and asset servicing data.

Deferred revenue. Deferred revenue represents the Company's liability to perform services in the future related to payments received in advance of those services. Deferred revenue as of June 30, 2024 and December 31, 2023 was \$3,672,000 and \$3,680,000, respectively, and is included in Other current liabilities and Other non-current liabilities on the accompanying Statements of Financial Condition. Of the \$3,680,000 as of December 31, 2023, \$968,000 and \$2,363,000 were recognized as revenue during the three and six months ended June 30, 2024, respectively.

Expense allocations. Substantially all expenses are recorded at DTCC and are allocated to its subsidiaries, including DTC, based upon their estimated use of such goods or services as determined by various allocation factors including level of support provided and utilization of technology resources. Accordingly, the expenses in the accompanying Statements of Income represent allocated costs including Employee compensation and related benefits, Information technology, Professional and other services, Occupancy and General and administrative.

Reconciliation of Cash and cash equivalents and other limited use cash. When reconciling the beginning and ending total amounts shown in the Statements of Cash Flows, the Company includes all cash on the Statements of Financial Condition, regardless of which line it is included. The Statement of Cash Flows includes Cash and cash equivalents and cash balances that are not available for general corporate purposes due to certain limitations, including - Participants' Fund cash deposits and Cash in Other Participants' assets.

A reconciliation of Cash and cash equivalents, Participants' Fund cash deposits, and Cash in Other Participants' assets, reported within the Statements of Financial Condition that sum to the total of the same such amounts shown on the accompanying Statements of Cash Flows follows (in thousands):

	June 30, 2024	December 31, 2023	June 30, 2023
Cash and cash equivalents	\$ 650,108	\$ 731,373	\$ 699,907
Participants' Fund cash deposits (see Note 4)	2,015,897	1,984,734	2,045,520
Cash in Other Participants' assets (see Note 5)	2,751,647	4,484,240	753,407
Total Cash and cash equivalents, Participants' Fund cash deposits and Cash in Other Participants' assets shown on the Statements of Cash Flows	<u>\$ 5,417,652</u>	<u>\$ 7,200,347</u>	<u>\$ 3,498,834</u>

Global Events and Crises. Global pandemics, sanctions, war, or natural disasters may have an adverse impact on market, economic and geopolitical conditions and trigger a period of global economic slowdown. Such a slowdown may have a material impact on the Company's financial results including changes in revenue, interest rates, liquidity/credit, and government and regulatory policy. At this time, the Company has not experienced any material adverse financial impacts from these events and crises.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

3. ACCOUNTING AND REPORTING DEVELOPMENTS

Standard	Description	Impact on the financial statements or other significant matters
<i>Financial Accounting Standards Board Standard Issued, but not yet Adopted</i>		
ASU 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures <i>Issued December 2023</i>	<ul style="list-style-type: none">Enhances disclosures related to the rate reconciliation and income taxes paid. The amendment requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction.The amendment requires disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with the SEC Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and eliminates disclosures that no longer are considered cost beneficial or relevant.	<ul style="list-style-type: none">Effective January 1, 2025.The adoption of the standard will not have a material impact on the Company's financial statements and related disclosures.

4. PARTICIPANTS' FUND CASH DEPOSITS

Details for the Participants' Fund cash deposits as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
Total deposits	\$ 2,015,897	\$ 1,984,734
Less: Required deposits	1,170,000	1,128,000
Excess deposits	<u>\$ 845,897</u>	<u>\$ 856,734</u>

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

5. OTHER PARTICIPANTS' ASSETS

Details for the Other Participants' assets as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
Assets:		
Cash	<u>\$ 2,751,647</u>	<u>\$ 4,484,240</u>

The balance of the Other Participants' assets is subject to fluctuation due to the timing of when the Company receives the cash and stock dividends, interest, reorganization and redemption proceeds, and the subsequent distribution to Participants.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

6. LINE OF CREDIT AND CREDIT RATINGS

Line of credit. The Company maintains a committed line of credit, pursuant to DTC's rules, to support settlement of its payment obligations in the event any of its Participants default. Details for the terms of the outstanding line of credit as of June 30, 2024 and December 31, 2023 follow:

Committed	2024	2023
Amount	\$1.9 billion	\$1.9 billion
Denomination	USD	USD
Number of Participants/Lenders	29/34	29/35
Borrowing Rate	The greatest of the FRBNY rate, Adjusted Daily Secure Overnight Financing Rate (SOFR), or zero on the day of borrowing plus 1.40%	The greatest of the FRBNY rate, Adjusted Daily Secure Overnight Financing Rate (SOFR), or zero on the day of borrowing plus 1.40%
Maturity Date	April 2025	April 2024
Annual Facility Fee	0.10% ⁽¹⁾	0.10% ⁽¹⁾

(1) The annual facility fee associated with maintaining the line of credit is included in Professional and other services in the accompanying Statements of Income.

There were no borrowings under the line of credit during 2024 and 2023.

Details for debt covenants related to the committed line of credit as of June 30, 2024 and December 31, 2023 follow:

	2024	2023
Minimum Net Worth	\$200 million	\$200 million
Minimum Participants Fund deposits	\$750 million	\$750 million

As of June 30, 2024 and December 31, 2023, 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 issuer credit ratings and ratings outlooks for the Company as of June 30, 2024 follow:

Moody's ⁽¹⁾			S&P		
Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Aaa	P-1	Negative	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. FAIR VALUE MEASUREMENTS

See Note 9 in DTC's Audited Financial Statements for the years ended December 31, 2023 and 2022, for the Company's valuation basis, including valuation techniques and inputs, as well as the fair value hierarchy used in measuring the Company's financial assets and liabilities that are both accounted for at fair value and at other than fair value.

Financial assets and liabilities measured at fair value on a recurring basis.

There were no assets or liabilities measured at fair value on a recurring basis during the periods ended June 30, 2024 and December 31, 2023.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

7. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets and liabilities measured at other than fair value. The carrying values, fair values and fair value hierarchy levels of all financial instruments measured at other than fair value on the accompanying Statements of Financial Condition as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 650,108	\$ 650,108	\$ 650,108	\$ —	\$ —
Short term investment	125,000	125,000	—	125,000	—
Participants' Fund cash deposits	2,015,897	2,015,897	2,015,897	—	—
Other Participants' assets	2,751,647	2,751,647	2,751,647	—	—
Total	<u>\$ 5,542,652</u>	<u>\$ 5,542,652</u>	<u>\$ 5,417,652</u>	<u>\$ 125,000</u>	<u>\$ —</u>
Liabilities:					
Participants' Fund liabilities	\$ 2,015,897	\$ 2,015,897	\$ 2,015,897	\$ —	\$ —
Payable to Participants	2,751,647	2,751,647	2,751,647	—	—
Total	<u>\$ 4,767,544</u>	<u>\$ 4,767,544</u>	<u>\$ 4,767,544</u>	<u>\$ —</u>	<u>\$ —</u>
2023					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 731,373	\$ 731,373	\$ 731,373	\$ —	\$ —
Participants' Fund cash deposits	1,984,734	1,984,734	1,984,734	—	—
Other Participants' assets	4,484,240	4,484,240	4,484,240	—	—
Total	<u>\$ 7,200,347</u>	<u>\$ 7,200,347</u>	<u>\$ 7,200,347</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:					
Participants' Fund liabilities	\$ 1,984,734	\$ 1,984,734	\$ 1,984,734	\$ —	\$ —
Payable to Participants	4,484,240	4,484,240	4,484,240	—	—
Total	<u>\$ 6,468,974</u>	<u>\$ 6,468,974</u>	<u>\$ 6,468,974</u>	<u>\$ —</u>	<u>\$ —</u>

Assets and liabilities measured at fair value on a non-recurring basis. There were no financial assets or liabilities measured at fair value on a non-recurring basis during the periods ended June 30, 2024 and December 31, 2023.

8. RETIREMENT PLANS

Defined contribution retirement plans. Eligible U.S. DTCC employees participate in one of two defined contribution plans, The Depository Trust & Clearing Corporation Employee Savings Plan (Employee Savings Plan) and The Depository Trust & Clearing Corporation Operations Level Employee Savings Plan (Operations Level Savings Plan). The Employee Savings Plan is a single employer plan covering non-bargaining unit employees. The Operations Level Savings Plan is a single employer plan covering bargaining unit employees.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

8. RETIREMENT PLANS (CONTINUED)

Defined benefit pension and other postretirement benefit plans. Eligible DTCC employees participate in DTCC's non-contributory defined benefit pension and other postretirement plans, which provide for certain benefits upon retirement. DTCC's sponsored non-contributory plans include a defined benefit pension plan, supplemental executive retirement plan and benefit restoration plan. The other postretirement plans include retiree medical and life insurance plans for eligible retired employees and their beneficiaries.

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 defined contribution retirement plans costs allocated to DTC were expense of \$3,870,000 and \$3,606,000 for the three months ended June 30, 2024 and 2023, respectively, and expense of \$7,432,000 and \$6,795,000 for the six months ended June 30, 2024 and 2023, respectively, and are included in Employee compensation and related benefits in the accompanying Statements of Income. The defined benefit pension and other postretirement benefit plans costs allocated to DTC were income of \$274,000 and expense of \$107,000 for the three months ended June 30, 2024 and 2023, respectively, and income of \$450,000 and expense of \$289,000 for the six months ended June 30, 2024 and 2023, respectively, and are included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net, in the accompanying Statements of Income.

9. INCOME TAXES

Rollforward of unrecognized tax benefits for the six months ended June 30, 2024 and 2023 follow (in thousands):

	2024	2023
Beginning balance	\$ 3,315	\$ 2,147
Increases:		
Current period tax positions	446	17
Unrecognized tax benefit	3,761	2,164
Accrued interest	1,037	697
Ending balance	<u>\$ 4,798</u>	<u>\$ 2,861</u>

See Note 11 in DTC's Audited Financial Statements for the years ended December 31, 2023 and 2022 for additional information pertaining to the Company's income taxes.

10. 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. The ownership of DTC preferred stock is reported as non-controlling interests in the consolidated financial statements. 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, 2024 and December 31, 2023. Dividends are subject to regulatory limitations and restrictions per the New York Banking Law and Federal Reserve Act and must be approved and declared by the Board of Directors. When declared, dividend amounts are based on the weighted-average rate of interest paid by the Company on required Participants' Fund deposits during the dividend period as disclosed in the DTC's rules.

Details of dividends paid to holders of the Series A Preferred Stock during the six months ended June 30, 2024 follow:

Approved and Declared Date	Record Date	Payment Date	Declared Dividend	Dividend Paid
March 19, 2024	March 19, 2024	April 9, 2024	\$ 6,300,000	\$ 6,300,000

There were no dividends paid to holders of the Series A Preferred Stock during the six months ended June 30, 2023.

THE DEPOSITORY TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

AS OF JUNE 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

11. CAPITAL REQUIREMENTS

As required by Rule 17Ad-22(e)(15) of the CCAS and pursuant to the Clearing Agency Policy on Capital Requirements, the Company must meet its total capital requirement by holding liquid net assets funded by equity. The total capital requirement for DTC is equal to the sum of the general business risk capital requirement and corporate contribution, as described below.

General Business Risk Capital Requirement. This capital requirement is held to cover potential general business losses so that the Company can continue operations and provide services as a going concern if those losses materialize. It is determined based on the Company's general business risk profile and estimated time to execute a recovery or orderly wind-down of critical operations and, at a minimum, is equal to six months of operating expenses.

Corporate Contribution. The corporate contribution is applied to losses of the Company as provided in DTC's rules. The amount of the corporate contribution is generally equal to 50% of the Company's general business risk capital requirement.

Details for the general business risk capital requirement, corporate contribution and liquid net assets funded by equity for the Company as of June 30, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
General business risk capital requirement	\$ 246,853	\$ 234,639
Corporate contribution	123,426	117,320
Total requirement	370,279	351,959
Liquid net assets funded by equity	775,108	731,373
Excess	\$ 404,829	\$ 379,414

Capital Adequacy. The capital and leverage ratios required by the FRBNY and the NYSDFS as of June 30, 2024 follow:

	Ratio	Minimum Capital Ratio ^(a)	Well Capitalized Ratio ^(a)
Tier 1 capital ratio ⁽¹⁾	66.53 %	6.00 %	8.00 %
Total capital ratio ⁽¹⁾	66.53 %	8.00 %	10.00 %
Tier 1 leverage ratio ⁽²⁾	16.55 %	4.00 %	4.00 %

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

(1) Total capital and Tier 1 capital include common stock, retained earnings and preferred stock. DTC's tier 1 capital and total capital ratios are based on tier 1 capital and total risk-weighted assets.

(2) Tier 1 leverage ratio is based on tier 1 capital and quarterly average total assets.

12. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after June 30, 2024 through July 26, 2024, the date these financial statements were available to be issued, for potential recognition or disclosure. No events or transactions occurred during such period that would require recognition or disclosure in these financial statements.