

The Depository Trust & Clearing Corporation

Consolidated Financial Statements (Unaudited) as of September 30, 2024 and December 31, 2023 and for the three and nine months ended September 30, 2024 and 2023

THE DEPOSITORY TRUST & CLEARING CORPORATION

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THE DEPOSITORY TRUST & CLEARING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<u>(In thousands, except share data)</u>	<u>As of September 30,</u> <u>2024</u>	<u>As of December 31,</u> <u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,928,297	\$ 15,774,381
Participants' segregated cash	6,845	57
Short-term investments	960,000	250,000
Accounts receivable - net of allowance for credit losses	210,829	197,836
Participants' and Clearing Funds	94,337,051	83,216,701
Other Participants' assets	2,148,224	4,510,304
Other current assets	316,531	244,196
Total current assets	<u>112,907,777</u>	<u>104,193,475</u>
NON-CURRENT ASSETS:		
Premises and equipment - net of accumulated depreciation of \$287,458 and \$242,114 as of September 30, 2024 and December 31, 2023, respectively	246,155	245,288
Goodwill	81,811	68,746
Intangible assets - net of accumulated amortization of \$633,010 and \$546,236 as of September 30, 2024 and December 31, 2023, respectively	258,798	280,119
Operating lease right-of-use-asset	150,551	156,027
Other non-current assets	704,220	635,400
Total non-current assets	<u>1,441,535</u>	<u>1,385,580</u>
TOTAL ASSETS	<u><u>\$ 114,349,312</u></u>	<u><u>\$ 105,579,055</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Commercial paper - net of unamortized discount	\$ 7,540,893	\$ 9,076,862
Long-term debt, current portion	1,798,012	398,813
Pension and postretirement benefits	27,736	27,736
Operating lease liability	25,720	25,148
Accounts payable and accrued expenses	286,952	309,560
Participants' and Clearing Funds	94,337,051	83,216,701
Payable to Participants	2,155,069	4,510,361
Other current liabilities	263,809	292,375
Total current liabilities	<u>106,435,242</u>	<u>97,857,556</u>
NON-CURRENT LIABILITIES:		
Long-term debt	3,203,166	3,332,961
Pension and postretirement benefits	82,687	94,085
Operating lease liability	174,621	181,388
Other non-current liabilities	260,597	252,488
Total non-current liabilities	<u>3,721,071</u>	<u>3,860,922</u>
Total liabilities	<u>110,156,313</u>	<u>101,718,478</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY		
Preferred stock:		
Series A, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series B, \$0.50 par value - 10,000 shares authorized, issued (above par), and outstanding	300	300
Series D, \$0.50 par value - 2,000 shares authorized, issued (above par), and outstanding	490,900	490,900
Common stock, \$100 par value - 80,000 shares authorized, 50,908 shares issued and outstanding	5,091	5,091
Additional paid-in capital	411,065	411,065
Retained earnings	3,311,829	2,982,973
Accumulated other comprehensive loss, net of tax	(176,486)	(180,052)
Non-controlling interests	150,000	150,000
Total shareholders' equity	<u>4,192,999</u>	<u>3,860,577</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 114,349,312</u></u>	<u><u>\$ 105,579,055</u></u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
REVENUES				
Settlement and asset services	\$ 149,808	\$ 140,012	\$ 436,526	\$ 416,576
Clearing services	269,943	218,814	771,137	640,895
Matching services	76,482	74,149	223,660	220,675
Repository and derivatives services	86,245	81,592	253,499	244,774
Wealth management services	32,198	31,013	97,147	92,637
Data and other services	12,369	12,939	37,836	39,501
Investment income (loss), net	5,100	(2,317)	11,500	6,085
Total revenues	<u>632,145</u>	<u>556,202</u>	<u>1,831,305</u>	<u>1,661,143</u>
EXPENSES				
Employee compensation and related benefits	242,260	223,956	741,551	706,334
Information technology	76,050	66,077	209,919	193,041
Professional and other services	124,542	112,102	345,623	295,804
Occupancy	18,270	16,056	48,228	45,252
Depreciation and amortization	44,982	38,276	135,657	124,690
General and administrative	15,122	16,041	44,500	39,563
Impairment of intangible assets	—	13,515	—	13,515
Total expenses	<u>521,226</u>	<u>486,023</u>	<u>1,525,478</u>	<u>1,418,199</u>
Total operating income	<u>110,919</u>	<u>70,179</u>	<u>305,827</u>	<u>242,944</u>
NON-OPERATING INCOME (EXPENSE)				
Interest income	657,665	668,309	1,966,302	1,873,379
Refunds to Participants	(436,896)	(442,388)	(1,319,149)	(1,237,465)
Interest expense	(177,209)	(172,577)	(515,176)	(482,119)
Other non-operating income, net	4,387	11,702	27,740	35,917
Total non-operating income	<u>47,947</u>	<u>65,046</u>	<u>159,717</u>	<u>189,712</u>
Income before taxes	158,866	135,225	465,544	432,656
Provision for income taxes	42,768	37,420	121,950	113,930
Net income	<u>116,098</u>	<u>97,805</u>	<u>343,594</u>	<u>318,726</u>
Net income attributable to non-controlling interests	—	—	6,300	—
Net income attributable to DTCC	<u>\$ 116,098</u>	<u>\$ 97,805</u>	<u>\$ 337,294</u>	<u>\$ 318,726</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net income	\$ 116,098	\$ 97,805	\$ 343,594	\$ 318,726
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax:				
Defined benefit pension and other plans	—	—	—	8
Foreign currency translation	5,949	(2,471)	3,566	(682)
Other comprehensive income (loss)	5,949	(2,471)	3,566	(674)
Comprehensive income	122,047	95,334	347,160	318,052
Comprehensive income attributable to non-controlling interests	—	—	6,300	—
Comprehensive income attributable to DTCC	\$ 122,047	\$ 95,334	\$ 340,860	\$ 318,052

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests	
BALANCE - January 1, 2024	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,982,973	\$ (166,642)	\$ (13,410)	\$ 150,000	\$ 3,860,577
Net income	—	—	—	—	—	101,921	—	—	6,300	108,221
Other comprehensive loss	—	—	—	—	—	—	—	(1,657)	—	(1,657)
Dividend to non-controlling interest	—	—	—	—	—	—	—	—	(6,300)	(6,300)
BALANCE - March 31, 2024	300	300	490,900	5,091	411,065	3,084,894	(166,642)	(15,067)	150,000	3,960,841
Net income	—	—	—	—	—	119,275	—	—	—	119,275
Other comprehensive loss	—	—	—	—	—	—	—	(726)	—	(726)
Dividends on preferred stock	—	—	—	—	—	(8,438)	—	—	—	(8,438)
BALANCE - June 30, 2024	300	300	490,900	5,091	411,065	3,195,731	(166,642)	(15,793)	150,000	4,070,952
Net income	—	—	—	—	—	116,098	—	—	—	116,098
Other comprehensive income	—	—	—	—	—	—	—	5,949	—	5,949
BALANCE - September 30, 2024	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 3,311,829	\$ (166,642)	\$ (9,844)	\$ 150,000	\$ 4,192,999

(In thousands)	Preferred Stock			Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax			Total Shareholders' Equity
	Series A	Series B	Series D				Defined Benefit Pension and Other Plans	Foreign Currency Translation	Non- controlling Interests	
BALANCE - January 1, 2023	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,546,925	\$ (170,698)	\$ (15,932)	\$ 150,000	\$ 3,417,951
Net income	—	—	—	—	—	107,629	—	—	—	107,629
Other comprehensive income	—	—	—	—	—	—	8	1,711	—	1,719
BALANCE - March 31, 2023	300	300	490,900	5,091	411,065	2,654,554	(170,690)	(14,221)	150,000	3,527,299
Net income	—	—	—	—	—	113,292	—	—	—	113,292
Other comprehensive income	—	—	—	—	—	—	—	78	—	78
Dividend on preferred stock	—	—	—	—	—	(8,438)	—	—	—	(8,438)
BALANCE - June 30, 2023	300	300	490,900	5,091	411,065	2,759,408	(170,690)	(14,143)	150,000	3,632,231
Net income	—	—	—	—	—	97,805	—	—	—	97,805
Other comprehensive loss	—	—	—	—	—	—	—	(2,471)	—	(2,471)
BALANCE - September 30, 2023	\$ 300	\$ 300	\$ 490,900	\$ 5,091	\$ 411,065	\$ 2,857,213	\$ (170,690)	\$ (16,614)	\$ 150,000	\$ 3,727,565

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

THE DEPOSITORY TRUST & CLEARING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	For the nine months ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 343,594	\$ 318,726
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	135,657	124,690
Impairment of intangible assets	—	13,515
Deferred income taxes	(13,027)	(22,022)
Accretion of discount on Commercial paper, net of associated interest paid	(34,741)	9,630
Realized net gain from equity investments	—	(596)
Other	25,642	26,055
Net change in:		
Accounts receivable	(12,866)	5,279
Other assets	(95,724)	(29,805)
Accounts payable and accrued expenses	(22,878)	55,998
Pension and postretirement benefits	(11,388)	(5,080)
Operating lease liability	(17,660)	(22,323)
Other liabilities	(20,880)	(46,350)
Participants' and Clearing Funds liabilities	(2,963,398)	1,377,366
Payable to Participants	(2,355,292)	418,836
Net cash (used in)/provided by operating activities	<u>(5,042,961)</u>	<u>2,223,919</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Short-term investments	(2,210,000)	(1,150,000)
Maturities of Short-term investments	1,500,000	1,150,000
Purchases of Premises and equipment	(50,106)	(37,800)
Capitalized software development costs	(78,508)	(65,649)
Proceeds from sale of equity investments	—	49,791
Proceeds from company owned life insurance policies	—	2,757
Net cash used in investing activities	<u>(838,614)</u>	<u>(50,901)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Commercial paper	30,621,447	41,876,152
Repayments of Commercial paper	(32,122,675)	(43,134,128)
Proceeds from issuance of Long-term debt, net of debt issuance costs	1,240,857	990,283
Repayments on Long-term debt	—	(1,000,000)
Preferred stock dividend payments	(8,438)	(8,438)
Payment to Non-controlling interests	(6,300)	—
Net cash used in by financing activities	<u>(275,109)</u>	<u>(1,276,131)</u>
Effect of foreign exchange rate changes on Cash and cash equivalents	<u>2,876</u>	<u>(1,860)</u>
Net (decrease)/increase in Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash	(6,153,808)	895,027
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - Beginning of period	<u>56,331,269</u>	<u>49,079,355</u>
Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets, Restricted cash - End of period	<u>\$ 50,177,461</u>	<u>\$ 49,974,382</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 458,506</u>	<u>\$ 390,600</u>
Income taxes paid - net of refunds	<u>\$ 136,098</u>	<u>\$ 96,024</u>

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

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

1. BUSINESS AND OWNERSHIP

The Depository Trust & Clearing Corporation (DTCC) is the parent company of various operating subsidiaries, including The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC ITP LLC (ITP), DTCC Deriv/SERV LLC (Deriv/SERV), DTCC Solutions LLC (Solutions (US)), DTCC Solutions (UK) Limited (Solutions (UK)), DTCC Digital (US) Inc. (DTCC Digital (US)); collectively, the “Company” or “Companies.”

Subsidiaries

DTC 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.

NSCC is organized as a business corporation under New York law, and is a clearing agency registered with the SEC. *NSCC* provides central counterparty (CCP) services, including clearing, settlement and risk management services to its members for trades involving equities, corporate and municipal debt, exchange-traded funds, and unit investment trusts.

FICC is a clearing agency registered with the SEC that provides CCP services for the U.S. government and mortgage-backed securities markets, consisting principally of automated real-time trade comparison, netting, settlement, trade confirmation, clearing, risk management and electronic pool notification. *FICC* has two divisions, the Government Securities Division (GSD) and the Mortgage-Backed Securities Division (MBSD).

DTC, *NSCC* and *FICC* are designated as Systemically Important Financial Market Utilities (SIFMUs) 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. This designation subjects the clearing agencies to enhanced standards for risk management, operation and governance, as established by the SEC's Standards for Covered Clearing Agencies (CCAS).

The members of DTCC's clearing agencies are collectively referred to as Participants.

ITP, through itself, its subsidiary and affiliates, provides post-trade matching, processing and other related services, primarily to members of the financial services community. *ITP*'s subsidiary and applicable affiliates are authorized to provide certain post-trade matching services pursuant to certain orders issued by regulatory authorities and may be subject to the supervision and examination by these authorities in the jurisdiction in which they operate including the SEC, the Financial Conduct Authority (FCA) in the United Kingdom, and the Autorité des Marchés Financiers (AMF) and the Ontario Securities Commission (OSC) in Canada.

Deriv/SERV provides strategic oversight to DTCC's trade repositories', Trade Information Warehouse and DTCC Report Hub[®] offerings. *Deriv/SERV* develops and owns the technology used by DTCC's trade repositories. These DTCC trade repositories provide trade reporting services for derivatives and securities financing transactions and are subject to supervision and examination by local regulator(s) in the jurisdictions they operate. *Deriv/SERV* also performs the asset servicing function of the Trade Information Warehouse, an offering which provides automated operational capabilities for cleared and bilateral credit derivative trade activity.

Solutions (US) is a New York limited liability company, which provides data related solutions. Used primarily by financial firms, these solutions include referential and activity-based data, analytics and benchmarks across a variety of asset classes.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

1. BUSINESS AND OWNERSHIP (CONTINUED)

Solutions (UK) offers software application, analytics solutions and consulting services. Its software and analytics solution, DTCC Report Hub[®], centers on pre and post trade reporting to help firms manage the complexities of meeting multiple regulatory mandates across jurisdictions. The consulting services business offers specialized advisory services to firms primarily in the financial services industry.

DTCC Digital (US) is a Delaware corporation, which develops and deploys institutional-grade, compliance-aware tokenization, account management and finance technology based on blockchain and distributed ledger innovations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying unaudited consolidated financial statements (interim 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 exclude some of the disclosures required in audited financial statements and should be read in conjunction with DTCC's audited consolidated 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 DTCC's Audited Consolidated 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. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

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 consolidated 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, pension benefit obligation 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 Consolidated 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 Company expects to be entitled, upon satisfaction, in exchange for those services.

The Company derives its revenue from transaction fees, subscription revenue, support services, and usage fees. Revenue from transaction fees is billed monthly and calculated based on the value and volume 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 and support 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 & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Settlement and asset services. Revenue derived from this revenue stream are 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.

Clearing services. Revenue derived from this revenue stream are in the form of transaction fees that are based on either the volume or value of trading activity. Services include the clearing and settlement of equity, corporate and municipal bond and unit investment trust transactions, and the netting and settlement of mortgage-backed securities clearing and government securities clearing.

Matching services. Revenue derived from this revenue stream may be in the form of transaction fees, subscription revenue and support services. Services include trade enrichment, trade agreement, legal entity identifiers (LEI) and data analytics.

Repository and derivatives services. Revenue derived from this revenue stream may be in the form of transaction fees, subscription revenue and support services. Services support derivatives trade data submissions covering real-time price reporting, transaction details, valuation data to meet members' reporting obligations in various jurisdictions globally, as well as an asset servicing infrastructure for credit default swaps, matching service for equity derivatives payments and tools to member firms to address the quality of their derivatives trade submissions.

Wealth management services. Revenue derived from this revenue stream is in the form of transaction fees. Services include centralized, automated processing and information services for mutual fund, alternative investment, and insurance and retirement products.

Data and other services. Revenue derived from this revenue stream may be in the form of subscription revenue, support services, consulting projects and usage fees. Services 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. The Company provides a broad range of other services which include consulting services and bank fees charged back to Participants.

Investment income (loss), net. Revenue derived from this revenue stream is related to changes in the fair values of investment assets related to the Company's deferred compensation plan (structured as a Rabbi Trust). The investment income (loss) is recognized in the period the realized/unrealized gain or loss on investment assets held occurs. A corresponding offset to the investment income (loss) related to the deferred compensation liability is recorded in the same period and is included in the Employee compensation and related benefits in the accompanying Consolidated Statements of Income.

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 September 30, 2024 and December 31, 2023 was \$8,751,000 and \$6,541,000, respectively, and is included in Other current liabilities and Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, as disclosed in Note 10. Of the \$6,541,000 as of December 31, 2023, \$737,000 and \$5,059,000 was recognized as revenue during the three and nine months ended September 30, 2024, respectively.

THE DEPOSITORY TRUST & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reconciliation of Cash and cash equivalents and other limited use cash. When reconciling the beginning and ending total amounts shown in the Consolidated Statements of Cash Flows, the Company includes all cash on the Consolidated Statements of Financial Condition, regardless of which line it is included in. The Consolidated Statements 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' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets and Restricted cash.

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Cash and cash equivalents	\$ 14,928,297	\$ 15,774,381	\$ 15,009,504
Participants' segregated cash	6,845	57	143
Participants' and Clearing Funds cash deposits	32,814,211	35,777,609	33,348,112
Cash in Other Participants' assets	2,148,224	4,510,304	1,351,781
Restricted cash included in Other non-current assets	<u>279,884</u>	<u>268,918</u>	<u>264,842</u>
Total Cash and cash equivalents, Participants' segregated cash, Participants' and Clearing Funds cash deposits, Cash in Other Participants' assets and Restricted cash shown on the Consolidated Statements of Cash Flows	<u>\$ 50,177,461</u>	<u>\$ 56,331,269</u>	<u>\$ 49,974,382</u>

Global events and crises. Global pandemics, sanctions, war, global cyber outage 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 & CLEARING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 consolidated financial statements and related disclosures.
<i>Recently Adopted Accounting Standards</i>		
ASU 2023-08 - Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets <i>Issued December 2023</i>	<ul style="list-style-type: none"> Requires an entity to measure crypto assets at fair value in the statement of financial position each reporting period and recognize changes from remeasurement in net income. Requires an entity to present crypto assets measured at fair value separately from other intangible assets in the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. Additionally, specific presentation is required for cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately into cash. Specific annual disclosures are required upon adoption. 	<ul style="list-style-type: none"> Adopted January 1, 2024. The adoption of the standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

4. PARTICIPANTS' SEGREGATED CASH, OTHER PARTICIPANTS' ASSETS AND PAYABLE TO PARTICIPANTS

Details for Participants' segregated cash, Other Participants' assets and Payable to Participants as of September 30, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
Assets:		
Participants' segregated cash	\$ 6,845	\$ 57
Other Participants' assets - cash	2,148,224	4,510,304
Total	<u>\$ 2,155,069</u>	<u>\$ 4,510,361</u>
Liabilities:		
Payable to Participants	<u>\$ 2,155,069</u>	<u>\$ 4,510,361</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.

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5. ACCOUNTS RECEIVABLE

Details for Accounts receivable as of September 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Due from Participants and customers for services	\$ 198,057	\$ 178,557
Allowance for credit losses	(321)	(184)
Due from Participants and customers for services, net	197,736	178,373
Other receivables	13,093	19,463
Total	<u>\$ 210,829</u>	<u>\$ 197,836</u>

Details for allowance for credit losses for the three and nine months ended September 30, 2024 and 2023 follow (in thousands):

	<u>For the three months ended Sept 30,</u>		<u>For the nine months ended Sept 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Beginning balance of allowance for credit losses	\$ 287	\$ 311	\$ 184	\$ 2,220
Increase/(decrease) in allowance	128	38	501	(1,735)
Less: Write-offs	(94)	(76)	(364)	(212)
Ending balance of allowance for credit losses	<u>\$ 321</u>	<u>\$ 273</u>	<u>\$ 321</u>	<u>\$ 273</u>

6. PARTICIPANTS' AND CLEARING FUNDS

Details for the Participants' and Clearing Funds as of September 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 2,026,603	\$ 10,823,261	\$ 81,487,187	\$ 94,337,051
Less: Required deposits	1,152,000	9,567,079	65,100,534	75,819,613
Excess deposits	<u>\$ 874,603</u>	<u>\$ 1,256,182</u>	<u>\$ 16,386,653</u>	<u>\$ 18,517,438</u>

	<u>2023</u>			
	<u>DTC</u>	<u>NSCC</u>	<u>FICC</u>	<u>Total</u>
Total deposits	\$ 1,984,734	\$ 12,386,378	\$ 68,845,589	\$ 83,216,701
Less: Required deposits	1,128,000	8,349,399	56,600,011	66,077,410
Excess deposits	<u>\$ 856,734</u>	<u>\$ 4,036,979</u>	<u>\$ 12,245,578</u>	<u>\$ 17,139,291</u>

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6. PARTICIPANTS' AND CLEARING FUNDS (CONTINUED)

Cash and Securities. Details for cash and securities of the Participants' and Clearing Funds, which may be applied to satisfy obligations of the depositing Participant, other Participants, or the Company pursuant to the rules of the relevant subsidiaries of the Company, as of September 30, 2024 and December 31, 2023 follow (in thousands):

	2024			
	DTC	NSCC	FICC	Total
Cash and cash equivalents ⁽¹⁾	\$ 2,026,603	\$ 10,008,719	\$ 20,778,889	\$ 32,814,211
U.S. Treasury Securities	—	814,542	50,816,822	51,631,364
U.S. Agency Residential Mortgage-Backed Securities	—	—	9,626,840	9,626,840
U.S. Agency Issued Debt Securities	—	—	264,636	264,636
Total	<u>\$ 2,026,603</u>	<u>\$ 10,823,261</u>	<u>\$ 81,487,187</u>	<u>\$ 94,337,051</u>

	2023			
	DTC	NSCC	FICC	Total
Cash and cash equivalents ⁽¹⁾	\$ 1,984,734	\$ 11,778,982	\$ 22,013,893	\$ 35,777,609
U.S. Treasury Securities	—	607,396	38,477,750	39,085,146
U.S. Agency Residential Mortgage-Backed Securities	—	—	7,501,633	7,501,633
U.S. Agency Issued Debt Securities	—	—	852,313	852,313
Total	<u>\$ 1,984,734</u>	<u>\$ 12,386,378</u>	<u>\$ 68,845,589</u>	<u>\$ 83,216,701</u>

(1) The Company's cash and cash equivalents of the Participants' and Clearing Funds are all bank deposits as of September 30, 2024 and December 31, 2023.

7. GOODWILL AND INTANGIBLE ASSETS

The Company recognized impairment charges of \$0 and \$13,515,000 related to capitalized software for the three and nine months ended September 30, 2024 and 2023, respectively. The impairment charges are included in Impairment of intangible assets in the accompanying Consolidated Statements of Income.

During the three and nine months ended September 30, 2023 the Company recognized the following impairments of internally developed software and purchased software related to these projects:

The Securities Financing Transactions project experienced delays in revenues and a significant reduction in revenue projections compared to the original forecast triggering an evaluation for impairment. The evaluation concluded that the \$11,914,000 carrying value of its internally developed software was not recoverable and exceeded its fair value.

The Client Management Reporting System project experienced a reduction in revenue projections triggering an evaluation for impairment. The evaluation concluded that the \$1,369,000 carrying value of its internally developed software was not recoverable and exceeded its fair value.

The closure of GMEI utility resulted in BED ceasing LOU operations triggering an evaluation for impairment. The evaluation concluded that the \$232,000 carrying value of its total internally developed software was not recoverable and exceeded its fair value.

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8. BUSINESS COMBINATIONS

On December 7, 2023, the Company acquired the equity of Securrency Inc. ("Securrency") via a merger of Securrency with a wholly-owned subsidiary of the Company in accordance with the merger agreement. Upon the completion of the merger, Securrency operates under the name DTCC Digital (US) Inc. Securrency is a digital asset technology company that developed a platform that comprises of three key components: a capital markets platform, ledger scan, and digital asset composer. The acquisition will enable DTCC to establish a digital infrastructure that allows DTCC to extend its core services to the digital asset ecosystem and deliver no-touch processing.

The Company acquired the equity of Securrency for a purchase price of approximately \$51.1 million. The acquisition of Securrency was accounted for as a business combination using the acquisition method of accounting. The excess of purchase price over fair value of assets obtained and liabilities assumed was allocated to goodwill. In connection with the acquisition, the Company provisionally recorded approximately \$11.0 million of goodwill and \$40.0 million capitalized software. The capitalized software will be amortized to expense over 10 years. At the time of the acquisition and previously issued financial statements, the accounting for the merger with Securrency was not completed because the valuation of the technology asset acquired (capitalized software) had not been finalized. The assets acquired, liabilities assumed, and consideration paid in the acquisition were recorded at their estimated fair values based on management's best estimates using information available at the date of the acquisition. Expenses associated with the acquisition were approximately \$6.5 million for the year ended December 31, 2023, which primarily consisted of legal and consulting costs and were expensed as incurred.

The final valuation report was received in September 2024 from a third-party valuation firm. After considering the results of that valuation report, the fair value of the technology asset acquired as part of the merger with Securrency was estimated to be \$27.5 million. As a result, the fair value of the technology intangible asset was decreased by \$12.5 million on September 30, 2024, due to this new information, with a corresponding increase to goodwill. In addition, the change to the provisional amount resulted in a decrease in amortization expense and accumulated amortization of \$1,042,000, of which \$729,000 relates to previous reported period, based on the revised measurement of the technology intangible asset.

The assets acquired and liabilities assumed as of the acquisition date and the measurement period adjustments follow (in thousands):

	Amounts at Acquisition Date	Measurement-period Adjustments	Amounts after Adjustments
Purchase price allocation:			
Purchase price	\$ 50,503	\$ 565	\$ 51,068
Assets acquired:			
Cash and cash equivalents	1,856	—	1,856
Accounts receivable	645	—	645
Other current assets	431	—	431
Premises and equipment	211	—	211
Intangible assets	40,034	(12,500)	27,534
Operating lease right-of-use-asset	495	—	495
Other non-current assets	472	—	472
Total assets acquired	44,144	(12,500)	31,644
Liabilities assumed:			
Operating lease liability	523	—	523
Accounts payable and accrued expenses	2,497	—	2,497
Other current liabilities	1,394	—	1,394
Other non-current liabilities	274	—	274
Total liabilities assumed	4,688	—	4,688
Net assets acquired	39,456	(12,500)	26,956
Goodwill	\$ 11,047	\$ 13,065	\$ 24,112

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9. OTHER ASSETS

Details for Other assets as of September 30, 2024 and December 31, 2023 follow (in thousands):

	2024	2023
Prepaid expenses	\$ 169,157	\$ 151,157
Interest receivable	91,680	39,472
Prepaid taxes	37,427	29,457
Business employment incentive program	17,216	23,023
Other current assets	1,051	1,087
Total other current assets	<u>316,531</u>	<u>244,196</u>
Restricted cash	279,884	268,918
Long-term incentive plan assets	112,667	126,298
Deferred tax assets	69,876	56,910
Cash surrender value on insurance policies	68,811	65,722
Prepays	61,591	61,112
Pension and postretirement	46,681	40,531
Interest rate swaps ⁽¹⁾	21,415	—
Equity investments	7,278	7,278
Investment in Federal reserve stock	6,402	6,402
Other non-current assets	29,615	2,229
Total other non-current assets	<u>704,220</u>	<u>635,400</u>
Total	<u>\$ 1,020,751</u>	<u>\$ 879,596</u>

(1) The interest rate swaps may change from an asset to liability position.

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10. OTHER LIABILITIES

Details for Other liabilities as of September 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Compensation payable	\$ 139,584	\$ 179,441
Long-term incentive plan liabilities	41,261	32,500
Accrued payroll and payroll withholdings	38,953	47,436
Payroll taxes payable	19,299	21,158
Deferred revenue	8,279	5,944
Deferred sublease income	3,069	4,066
Other current liabilities	13,364	1,830
Total other current liabilities	<u>263,809</u>	<u>292,375</u>
Long-term incentive plan liabilities	195,849	210,210
Unrecognized tax benefits	43,960	38,566
Asset retirement obligations ⁽²⁾	2,690	2,676
Deferred revenue	472	597
Interest rate swaps ⁽¹⁾	—	311
Deferred tax liabilities	—	128
Other non-current liabilities	17,626	—
Total other non-current liabilities	<u>260,597</u>	<u>252,488</u>
Total	<u>\$ 524,406</u>	<u>\$ 544,863</u>

(1) The interest rate swaps may change from an asset to liability position.

(2) The Company is legally required under certain lease agreements to restore its leased sites to the original condition at the end of the agreement. The amount of asset retirement obligations are accreted to the estimated undiscounted obligations that will be paid to restore the leased sites to the original condition and such accretion is recognized as expense.

11. COMMERCIAL PAPER

Details for Commercial paper as of September 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Commercial paper - net of unamortized discount of \$48,841 and \$92,370 as of September 30, 2024 and December 31, 2023, respectively	\$ 7,540,893	\$ 9,076,862
Weighted-average interest rate	5.19 %	5.46 %

Interest expense on Commercial paper, included in Interest expense in the accompanying Consolidated Statements of Income, was \$110,044,000 and \$121,867,000 for the three months ended September 30, 2024 and 2023, respectively, and \$349,540,000 and \$353,762,000 for the nine months ended September 30, 2024 and 2023, respectively.

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12. LONG-TERM DEBT

Details for Long-term debt as of September 30, 2024 and December 31, 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Senior notes ⁽¹⁾	\$ 5,001,178	\$ 3,731,774
Less: Current portion of long-term debt	<u>(1,798,012)</u>	<u>(398,813)</u>
Non-current portion of long-term debt	<u>\$ 3,203,166</u>	<u>\$ 3,332,961</u>

(1) The balances include (i) unamortized discount, (ii) unamortized debt issuance costs and (iii) the impact of the fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps.

Details for principal payments due on Long-term debt for each of the next five years and thereafter follow (in thousands):

2024	\$ 400,000
2025	2,150,000
2026	625,000
2027	600,000
2028	600,000
Thereafter	<u>625,000</u>
Total	<u>\$ 5,000,000</u>

Senior notes. The proceeds from the issuances constitute liquid resources that, together with other liquid resources of the Company, are available to enable NSCC to affect the settlement of its payment obligations in the event of the default of any of its Participants pursuant to NSCC's rules.

Details of the senior notes as of September 30, 2024 follow (in thousands):

<u>Issue Date</u>	<u>Maturity</u>	<u>Payable</u>	<u>Rate</u>	<u>Principal Balance</u>	<u>Carrying Value</u>
April 23, 2020	April 23, 2025	Semi-annually	1.50%	\$ 1,000,000	\$ 999,052
December 7, 2020	December 7, 2025	Semi-annually	0.75%	750,000	748,304
November 21, 2022	November 21, 2024	Semi-annually	5.05%	400,000	399,812
November 21, 2022	November 21, 2027	Semi-annually	5.10%	600,000	600,289
May 30, 2023	May 30, 2025	Semi-annually	5.15%	400,000	399,148
May 30, 2023	May 30, 2028	Semi-annually	5.00%	600,000	595,841
June 26, 2024	June 26, 2026	Semi-annually	5.15%	625,000	621,906
June 26, 2024	June 26, 2029	Semi-annually	4.90%	625,000	636,826
				<u>\$ 5,000,000</u>	<u>\$ 5,001,178</u>

Interest expense and amortization of discount and issuance costs, included in Interest expense in the accompanying Consolidated Statements of Income, were \$48,955,000 and \$34,062,000 for the three months ended September 30, 2024 and 2023, respectively, and \$114,916,000 and \$84,539,000 for the nine months ended September 30, 2024 and 2023, respectively. The weighted-average interest rate was 3.70% and 2.65% as of September 30, 2024 and 2023, respectively. The aggregate unamortized debt issuance costs and discount associated with the senior notes were \$20,237,000 and \$17,915,000, as of September 30, 2024 and December 31, 2023, respectively.

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12. LONG-TERM DEBT (CONTINUED)

Fair value hedge. The Company uses interest rate swaps to hedge the fair value of related fixed-rate senior notes. The Company designated the interest rate swaps as a fair value hedge of the related long-term debt and applied the short-cut method for hedge accounting purposes. The fair value of interest rate swaps are included in other assets or other liabilities in the accompanying Consolidated Statements of Financial Condition.

Details of the outstanding fair value hedges as of September 30, 2024 and December 31, 2023 follow (in thousands):

Date Entered	Notional of Swap	Debt Amount Hedged	Fixed Rate Receivable	Floating Rate Payable	Fair Value in Other Assets / (Other Liabilities)	
					2024	2023
November 21, 2022	\$ 600,000	\$ 600,000	5.10 %	USD-Federal Funds-OIS Compound plus 1.365%	\$ 3,215	\$ 1,184
May 30, 2023	\$ 600,000	\$ 600,000	5.00 %	USD-Federal Fund-OIS Compound plus 1.4621%	1,081	(1,495)
June 26, 2024	\$ 625,000	\$ 625,000	4.90 %	USD-Federal Fund-OIS Compound plus 0.9138%	17,119	—
					<u>\$ 21,415</u>	<u>\$ (311)</u>

Interest rate swaps may expose the Company to credit-related losses in the event of nonperformance by its counterparty. Credit risk is monitored on an ongoing basis. See Note 21, Off Balance Sheet and Concentrations of Credit Risks, in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022, for the Company's credit risk related to interest rate swaps.

Lines of credit. DTCC maintains a committed line of credit for general funding purpose, while its subsidiaries DTC and NSCC maintain committed lines of credit, pursuant to its respective rules, to support settlement of its payment obligations in the event any of its Participants default, and FICC to provide liquidity for daily clearance and settlement activities.

Details for the terms of the outstanding lines of credit as of September 30, 2024 and December 31, 2023 follow:

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12. LONG-TERM DEBT (CONTINUED)

	2024	2023
<i>DTCC</i>		
Committed Amount	\$500 million	\$500 million
Denomination	USD	USD
Number of Participants/Lenders	13/13	13/13
Borrowing Rate	Base Rate plus 0.125%, or Adjusted Term Secure Overnight Financing Rate (SOFR) or Adjusted Daily SOFR plus 1.125%	Base Rate plus 0.125%, or Adjusted Term Secure Overnight Financing Rate (SOFR) or Adjusted Daily SOFR plus 1.125%
Maturity Date	January 2025	January 2025
Annual Facility Fee	0.15% ⁽¹⁾	0.15% ⁽¹⁾
<i>DTC</i>		
Committed 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 SOFR, or zero on the day of borrowing, plus 1.40%	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing, plus 1.40%
Maturity Date	July 2025	April 2024
Annual Facility Fee	0.10% ⁽¹⁾	0.10% ⁽¹⁾
<i>NSCC</i>		
Committed Amount	\$9.6 billion	\$9.5 billion
Denomination	USD	USD
Number of Participants/Lenders	29/34	29/35
Borrowing Rate	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing plus 1.40%	The greatest of the FRBNY rate, Adjusted Daily SOFR, or zero on the day of borrowing plus 1.40%
Maturity Date	July 2025	April 2024
Annual Facility Fee	0.10% ⁽¹⁾	0.10% ⁽¹⁾
<i>FICC</i>		
Committed Amount	\$200 million	\$—
Denomination	USD	—
Number of Participants/Lenders	1/1	—
Borrowing Rate	Federal Funds Rate plus 1.40%	—
Maturity Date	May 2025	—
Annual Facility Fee	0.25% ⁽¹⁾	—%

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

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

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12. LONG-TERM DEBT (CONTINUED)

Details for debt covenants related to the lines of credit as of September 30, 2024 and December 31, 2023 follow:

	2024	2023
<u>DTCC</u>		
Minimum Net Worth	\$1.65 billion	\$1.65 billion
Maximum Priority Debt	\$200 million	\$200 million
<u>DTC</u>		
Minimum Net Worth	\$200 million	\$200 million
Minimum Participants Fund deposits	\$750 million	\$750 million
<u>NSCC</u>		
Minimum Net Worth	\$200 million	\$200 million
Minimum Clearing Fund deposits	\$1.5 billion	\$1.5 billion
<u>FICC</u>		
Minimum Capital Requirements⁽²⁾	\$283 million	\$—

(2) See Note 17

As of September 30, 2024 and December 31, 2023, the Company was in compliance with its debt covenants.

Credit Ratings. DTCC, DTC, FICC and NSCC are 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 DTCC and its three clearing agency subsidiaries as of September 30, 2024 follow:

	Moody's ⁽¹⁾			S&P		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
DTCC	Aa3	N/A	Negative	AA-	A-1+	Stable
DTC	Aaa	P-1	Negative	AA+	A-1+	Stable
FICC	Aaa	P-1	Negative	AA	A-1+	Stable
NSCC	Aaa	P-1	Negative	AA+	A-1+	Stable

(1) Moody's categorizes the long-term issuer ratings of DTC, FICC and NSCC as clearing counterparty ratings (CCR) under the agency's Clearing Houses Rating Methodology.

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13. FAIR VALUE MEASUREMENTS

See Note 15 in DTCC's Audited Consolidated 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.

Fair value measurements for those items measured on a recurring basis as of September 30, 2024 and December 31, 2023 follow (in thousands):

	2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 51,631,364	\$ 51,631,364	\$ —	\$ —
U.S. Agency Issued Debt Securities	264,636	22,536	242,100	—
U.S. Agency Residential Mortgage-Backed Securities	9,626,840	—	9,626,840	—
Other non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	112,667	100,865	11,802	—
Interest rate swaps	21,415	—	21,415	—
Total assets	<u>\$ 61,656,922</u>	<u>\$ 51,754,765</u>	<u>\$ 9,902,157</u>	<u>\$ —</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 61,522,840	\$ 51,653,900	\$ 9,868,940	\$ —
Total liabilities	<u>\$ 61,522,840</u>	<u>\$ 51,653,900</u>	<u>\$ 9,868,940</u>	<u>\$ —</u>
2023				
	Total	Level 1	Level 2	Level 3
Assets:				
Clearing Funds				
U.S. Treasury Securities	\$ 39,085,146	\$ 39,085,146	\$ —	\$ —
U.S. Agency Issued Debt Securities	852,313	615,495	236,818	—
U.S. Agency Residential Mortgage-Backed Securities	7,501,633	—	7,501,633	—
Other non-current assets				
Long-term incentive plan assets - Mutual fund and Stable value fund investments	126,298	111,928	14,370	—
Total assets	<u>\$ 47,565,390</u>	<u>\$ 39,812,569</u>	<u>\$ 7,752,821</u>	<u>\$ —</u>
Liabilities:				
Clearing Funds				
Securities liabilities	\$ 47,439,092	\$ 39,700,641	\$ 7,738,451	\$ —
Other non-current liabilities				
Interest rate swaps	311	—	311	—
Total liabilities	<u>\$ 47,439,403</u>	<u>\$ 39,700,641</u>	<u>\$ 7,738,762</u>	<u>\$ —</u>

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13. FAIR VALUE MEASUREMENTS (CONTINUED)

Financial Assets and Liabilities measured at other than fair value. The carrying values of certain financial assets and liabilities approximate their fair values because they are short-term in duration, have no defined maturity or have market-based interest rates.

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

	Carrying Amount	Total Fair Value	2024		
			Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 14,928,297	\$ 14,928,297	\$ 14,928,297	\$ —	\$ —
Participants' segregated cash	6,845	6,845	6,845	—	—
Short-term investments	960,000	960,000	—	960,000	—
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	32,814,211	32,814,211	32,814,211	—	—
Other Participants' assets	2,148,224	2,148,224	2,148,224	—	—
Total	\$ 50,857,577	\$ 50,857,577	\$ 49,897,577	\$ 960,000	\$ —

Liabilities:					
Commercial paper	\$ 7,540,893	\$ 7,540,893	\$ —	\$ 7,540,893	\$ —
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	32,814,211	32,814,211	32,814,211	—	—
Payable to Participants	2,155,069	2,155,069	2,155,069	—	—
Long-term debt	4,979,763	5,008,022	—	5,008,022	—
Total	\$ 47,489,936	\$ 47,518,195	\$ 34,969,280	\$ 12,548,915	\$ —

	Carrying Amount	Total Fair Value	2023		
			Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 15,774,381	\$ 15,774,381	\$ 15,774,381	\$ —	\$ —
Participants' segregated cash	57	57	57	—	—
Short-term investments	250,000	250,000	—	250,000	—
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	35,777,609	35,777,609	35,777,609	—	—
Other Participants' assets	4,510,304	4,510,304	4,510,304	—	—
Total	\$ 56,312,351	\$ 56,312,351	\$ 56,062,351	\$ 250,000	\$ —

Liabilities:					
Commercial paper	\$ 9,076,862	\$ 9,076,862	\$ —	\$ 9,076,862	\$ —
Participants' and Clearing Funds:					
Cash deposits - Bank deposits	35,777,609	35,777,609	35,777,609	—	—
Payable to Participants	4,510,361	4,510,361	4,510,361	—	—
Long-term debt	3,731,774	3,682,992	—	3,682,992	—
Total	\$ 53,096,606	\$ 53,047,824	\$ 40,287,970	\$ 12,759,854	\$ —

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13. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a non-recurring basis. Certain financial assets are subject to measurement at fair value on a non-recurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if they are determined to be impaired or when an observable event occurs.

Financial assets measured at fair value on a non-recurring basis include equity investments, which are classified as Level 3 instruments. The carrying amount of the investments were \$7,278,000 as of September 30, 2024 and December 31, 2023.

14. RETIREMENT PLANS

See Note 16 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 for additional information on the Company's retirement plans.

Defined benefit pension and other postretirement benefit plans. Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans, included in Employee compensation and related benefits, Interest expense, and Other non-operating income, net, in the accompanying Consolidated Statements of Income, for the three months ended September 30, 2024 and 2023 follow (in thousands):

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (11,148)	\$ (11,611)	\$ —	\$ —
Interest cost	9,855	10,271	498	590
Service cost	226	762	53	69
Amortizations:				
Prior service cost	21	21	—	—
Actuarial loss (gain)	132	3	(560)	(289)
Settlement loss	1,358	549	—	—
Net periodic benefit expense (income)	<u>\$ 444</u>	<u>\$ (5)</u>	<u>\$ (9)</u>	<u>\$ 370</u>

Details of the components of net periodic benefit expense (income) and amortization for the Company's pension and postretirement benefit plans nine months ended September 30, 2024 and 2023 follow (in thousands):

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Components of net periodic benefit expense (income):				
Expected return on plan assets	\$ (33,718)	\$ (34,835)	\$ —	\$ —
Interest cost	29,326	31,141	1,496	1,772
Service cost	806	2,912	159	205
Amortizations:				
Prior service cost	65	65	—	—
Actuarial loss (gain)	233	9	(1,682)	(869)
Settlement loss	1,584	567	—	—
Net periodic benefit expense (income)	<u>\$ (1,704)</u>	<u>\$ (141)</u>	<u>\$ (27)</u>	<u>\$ 1,108</u>

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14. RETIREMENT PLANS (CONTINUED)

The Company did not make any contributions to the Pension Plan for the three and nine months ended September 30, 2024 and does not anticipate making any contributions for the remainder of the fiscal year.

Defined contribution retirement plans. Total expense for the defined contribution retirement plans included in Employee compensation and related benefits in the accompanying Consolidated Statements of Income was \$13,411,000 and \$13,257,000 for the three months ended September 30, 2024 and 2023, respectively, and \$39,834,000 and \$37,741,000 for the nine months ended September 30, 2024 and 2023, respectively.

15. INCOME TAXES

Details for unrecognized tax benefits, included in Other non-current liabilities on the accompanying Consolidated Statements of Financial Condition, for the nine months ended September 30, 2024 and 2023 follow (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 38,566	\$ 23,645
Increases:		
Prior period tax positions	65	342
Current period tax positions	1,852	4,130
Decreases:		
Prior period tax positions	—	(376)
Settlements with tax authorities	(337)	—
Unrecognized tax benefit	40,146	27,741
Accrued interest	3,814	3,273
Ending balance	<u>\$ 43,960</u>	<u>\$ 31,014</u>

See Note 17 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 for additional information pertaining to the Company's income taxes.

16. SHAREHOLDERS' EQUITY

DTCC Series A Preferred stock. All 10,000 shares of DTCC Series A Preferred stock are issued and outstanding and held of record by Stock Clearing Corporation, a wholly owned subsidiary of the New York Stock Exchange LLC, the successor-in-interest to the New York Stock Exchange Inc. In the event of DTCC's voluntary or involuntary liquidation, dissolution or winding-up, the holders of Series A Non-Cumulative Perpetual Preferred stock are entitled to a liquidation preference of \$30.00 per share.

DTCC Series B Preferred stock. All 10,000 shares of DTCC Series B Preferred stock are issued and outstanding and held of record by National Clearing Corporation, a wholly owned subsidiary of the Financial Industry Regulatory Authority Inc. ("FINRA"). In the event of DTCC's voluntary or involuntary liquidation, dissolution or winding-up, the holders of Series B Preferred stock are entitled to a liquidation preference of \$30.00 per share.

DTCC Series D Fixed Rate Reset Non-Cumulative Perpetual Preferred stock. DTCC issued 2,000 shares of Fixed Rate Reset Non-Cumulative Perpetual Preferred stock, Series D, \$0.50 par value per share, with a liquidation preference of \$250,000 per share. When declared by DTCC's Board of Directors, dividends on the Series D Preferred stock are payable in arrears on June 20 and December 20 of each year, beginning December 20, 2021 through June 20, 2026, at a fixed rate of 3.375% per annum. From June 20, 2026 onward, dividends will accrue at a rate equal to the five-year U.S. Treasury rate plus 2.606% per annum.

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16. SHAREHOLDERS' EQUITY (CONTINUED)

Details of dividends paid to holders of the Series D Preferred Stock during the nine months ended September 30, 2024 follow:

<u>Approved and Declared Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Declared Dividend</u>	<u>Shares Outstanding</u>	<u>Dividend Paid</u>
April 24, 2024	May 31, 2024	June 20, 2024	\$ 4,218.75	2,000	\$ 8,437,500

Details of dividends paid to holders of the Series D Preferred Stock during the nine months ended September 30, 2023 follow:

<u>Approved and Declared Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Declared Dividend</u>	<u>Shares Outstanding</u>	<u>Dividend Paid</u>
April 17, 2023	May 31, 2023	June 20, 2023	\$ 4,218.75	2,000	\$ 8,437,500

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 September 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 declared to holders of the DTC Series A Preferred Stock during the nine months ended September 30, 2024 follow:

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

17. 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 each of the clearing agencies 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 clearing agencies can continue operations and provide services as a going concern if those losses materialize. It is determined based on the general business risk profile and estimated time to execute a recovery or orderly wind-down of critical operations for each of the clearing agencies and, at a minimum, is equal to nine months of operating expenses.

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

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17. CAPITAL REQUIREMENTS (CONTINUED)

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

	2024		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 252,272	\$ 266,431	\$ 188,419
Corporate contribution	126,136	133,216	94,210
Total requirement	378,408	399,647	282,629
Liquid net assets funded by equity	791,371	748,097	446,634
Excess	\$ 412,963	\$ 348,450	\$ 164,005

	2023		
	DTC	NSCC	FICC
General business risk capital requirement	\$ 234,639	\$ 270,191	\$ 163,369
Corporate contribution	117,320	135,096	81,684
Total requirement	351,959	405,287	245,053
Liquid net assets funded by equity	731,373	637,350	393,085
Excess	\$ 379,414	\$ 232,063	\$ 148,032

Regulatory capital. DTCC's regulated subsidiaries maintain and report regulatory capital in accordance with all relevant laws, rules and guidelines. As a multinational enterprise, various DTCC subsidiaries are subject to regulatory capital regimes, as applicable. Certain DTCC subsidiaries submit regulatory capital reports to various regulators, including, but not limited to, FRBNY, the NYSDFS and the CFTC in the United States; ESMA in Europe; FCA in the UK; OSC in Canada; and the MAS in Singapore.

Capital adequacy. DTC is subject to capital guidelines issued by United States federal and state banking regulators.

DTC capital and leverage ratios required by the FRBNY and the NYSDFS as of September 30, 2024 follow:

	Ratio	Minimum Capital Ratio ^(a)	Well Capitalized Ratio ^(a)
Tier 1 capital ratio ⁽¹⁾	76.28 %	6.00 %	8.00 %
Total capital ratio ⁽¹⁾	76.28 %	8.00 %	10.00 %
Tier 1 leverage ratio ⁽²⁾	19.75 %	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.

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18. GUARANTEES

FICC and NSCC provide CCP services, including clearing, settlement and risk management services. Acting as a CCP, FICC (through GSD and MBSD) and NSCC guarantee the settlement of trades in the event one or more of their Participants' defaults. A Participant default is defined in the respective rules of NSCC, GSD and MBSD. In their guarantor role, each clearing subsidiary has equal claims to and from Participants, as applicable, on opposite sides of netted transactions. To cover their default risk, FICC (through GSD and MBSD) and NSCC use risk-based margining to determine Participants' required cash and eligible securities deposits to their Clearing Funds. NSCC's trade guaranty generally attaches at the point of validation for locked-in submissions, or at the point of comparison and validation for bilateral submissions.

DTC, NSCC, FICC and The Options Clearing Corporation (OCC) have also entered into a multilateral netting contract and limited cross-guaranty agreement. In accordance with the cross-guaranty agreement, these clearing agencies have agreed to make payments to each other for any remaining unsatisfied obligations of a common defaulting Participant to the extent that these clearing agencies have excess resources belonging to the defaulting Participant. Under this agreement, no party ever needs to pay out of pocket and no party can receive more than its loss.

Details for open CCP positions for which a trade guaranty applied as of September 30, 2024 and December 31, 2023 follow (in billions):

	<u>2024</u>	<u>2023</u>
FICC		
GSD	\$ 2,657	\$ 2,231
MBSD	509	360
NSCC	154	197

There were no defaults by Participants to these obligations in 2024 and 2023.

See Note 20 in DTCC's Audited Consolidated Financial Statements for the years ended December 31, 2023 and 2022 for additional information on the Company's guarantes.

19. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after September 30, 2024 through November 8, 2024, the date these consolidated financial statements were available to be issued, for potential recognition or disclosure. No additional events or transactions, other than as disclosed below, occurred during such period that would require recognition or disclosure in these consolidated financial statements.