The Depository Trust Company

Consolidated Financial Statements as of and for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report

THE DEPOSITORY TRUST COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
The Depository Trust Company

We have audited the accompanying consolidated financial statements of The Depository Trust Company and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

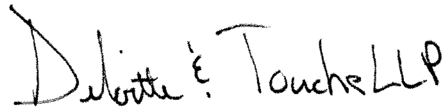
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Depository Trust Company and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, the Company was significantly affected by Superstorm Sandy. Our opinion is not modified with respect to this matter.



February 28, 2013

THE DEPOSITORY TRUST COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2012 AND 2011
(In thousands, except share data)

	2012	2011
ASSETS		
Cash and cash equivalents	$3,305,334	$3,067,127
Accounts receivable	42,724	48,642
Fixed assets — less accumulated depreciation and amortization of $451,406 and $424,977 at December 31, 2012 and 2011, respectively	101,805	116,306
Deferred income taxes — net	77,259	68,079
Other assets	46,668	251,049
TOTAL ASSETS	$3,573,790	$3,551,203
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and other liabilities	$ 167,692	$ 181,176
Payable to participants	1,142,391	920,402
Long-term debt and other borrowings	127,600	336,447
Participants' fund cash deposits	1,771,389	1,757,412
Total liabilities	3,209,072	3,195,437
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)		
SHAREHOLDERS' EQUITY:		
Preferred stock, Series A, $100 par value — 3,250,000 shares authorized; 1,500,000, issued and outstanding	150,000	150,000
Common stock, $100 par value — 18,500 shares authorized, issued and outstanding	1,850	1,850
Paid in capital	61,546	61,546
Retained earnings	151,322	142,370
Total shareholders' equity	364,718	355,766
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,573,790	$3,551,203

See notes to consolidated financial statements.

THE DEPOSITORY TRUST COMPANY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands)

	2012	2011
REVENUES:		
Trading services	$ 139,271	$ 142,540
Custody services	215,798	218,208
Network services	9,623	10,659
Other services	22,229	25,640
Interest income	16,727	16,685
Total revenues	403,648	413,732
Refunds to participants	(107)	(277)
Net revenues	403,541	413,455
EXPENSES:		
Employee compensation and related benefits	192,291	179,585
Information technology	30,675	26,067
Professional and other services	97,379	82,843
Occupancy	21,779	20,134
Interest expense	23,944	24,297
Other general and administrative	6,820	8,268
Total expenses	372,888	341,194
INCOME BEFORE INCOME TAXES	30,653	72,261
PROVISION FOR INCOME TAXES	21,461	35,281
NET INCOME	$ 9,192	$ 36,980

See notes to consolidated financial statements.

THE DEPOSITORY TRUST COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Dollars in thousands)

	Preferred Stock	Common Stock	Paid In Capital	Retained Earnings	Total Shareholders' Equity
BALANCE — December 31, 2010	$ 150,000	$ 1,850	$ 11,182	$ 105,630	$ 268,662
Capital contribution from DTCC (see Note 5)	-	-	50,364	-	50,364
Net income	-	-	-	36,980	36,980
Dividends on preferred stock	-	-	-	(240)	(240)
BALANCE — December 31, 2011	150,000	1,850	61,546	142,370	355,766
Net income	-	-	-	9,192	9,192
Dividends on preferred stock	-	-	-	(240)	(240)
BALANCE — December 31, 2012	$ 150,000	$ 1,850	$ 61,546	$ 151,322	$ 364,718

See notes to consolidated financial statements.

THE DEPOSITORY TRUST COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,192	$ 36,980
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of fixed assets	39,030	41,807
Loss on fixed asset disposal	6,161	649
Deferred income taxes — net	(9,180)	39,471
Changes in operating assets and liabilities:		
Decrease in accounts receivable	5,918	18,124
Decrease (increase) in other assets	204,381	(2,232)
(Decrease) increase in accounts payable and other liabilities	(13,484)	16,539
Increase (decrease) in payable to participants	221,989	(258,741)
Increase in participants' fund cash deposits	13,977	29,254
Net cash provided by (used in) operating activities	477,984	(78,149)
CASH FLOWS FROM INVESTING ACTIVITIES — Purchases of fixed assets	(14,879)	(46,489)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt and capital lease payments	(224,658)	(19,845)
Dividends on preferred stock	(240)	(240)
Net cash used in financing activities	(224,898)	(20,085)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	238,207	(144,723)
CASH AND CASH EQUIVALENTS — Beginning of year	3,067,127	3,211,850
CASH AND CASH EQUIVALENTS — End of year	$3,305,334	$3,067,127
SUPPLEMENTAL DISCLOSURE:		
Non-cash financing activity:		
Capital contribution — forgiveness of payable to DTCC	$ -	$ 50,364
Capitalized lease	$ 15,811	$ 2,700
Income taxes paid to DTCC — net of refunds	$ 10,956	$ 16,542
Interest paid	$ 22,496	$ 21,522

See notes to consolidated financial statements.

1. BUSINESS AND OWNERSHIP

The Depository Trust Company and subsidiaries (DTC or the Company) is a limited purpose trust company providing central securities depository, settlement and related services to members of the securities, banking and other financial industries (participants). The principal subsidiary of DTC is DTC Limited Funding Corporation.

DTC is a consolidated subsidiary of The Depository Trust & Clearing Corporation (DTCC). Other subsidiaries of DTCC include National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC), DTCC Deriv/SERV LLC, DTCC Solutions LLC, European Central Counterparty Limited (EuroCCP), DTCC Solutions Worldwide Limited and Avox Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The consolidated financial statements include the accounts of DTC and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents — The Company classifies investments as cash equivalents if the original maturity of an investment is three months or less. Cash equivalents consist primarily of reverse repurchase agreements, money market funds and interest-bearing deposits with financial institutions.

Reverse repurchase agreements provide for DTC's delivery of cash in exchange for securities having a fair value, which is at least 102% of the amount of the agreements. Custodians designated by DTC, that are participants, take possession of the securities. Overnight reverse repurchase agreements are recorded at the contract amounts and totaled $0 and $185,284,000 at December 31, 2012 and 2011, respectively. At December 31, 2011, the counterparty to these agreements was one financial institution, that is also a participant.

Interest-bearing deposits held at various financial institutions including the Federal Reserve totaled $1,979,375,000 and $1,946,921,000 at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the money market balance was with three participants.

Overnight investments in money market funds totaled $1,325,959,000 and $934,922,000 at December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, the money market balance was with one participant.

Participant cash deposits to the Participant Fund, which may be applied to satisfy obligations of the depositing Participant, other Participants or DTC as provided in the DTC rules, are included in cash and cash equivalents. See Note 4. "Clearing Fund"

Accounts Receivable — Accounts receivable are related to transaction fees due from Participants. Accounts receivable also represent cash dividends, interest, taxes receivable, and other. Accounts receivable are stated at cost, net of an allowance.

The Company establishes an allowance for doubtful accounts for accounts receivable to ensure the Company has not overstated receivable balances due to uncollectibility. The Company determines the need for an allowance based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, historical experience and the financial condition of customers, and other debtors. The Company may record a specific reserve for individual accounts receivable when the Company becomes aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer's operating results of financial position. There is an allowance of $575,000 for doubtful accounts as of December 31, 2012 and 2011.

Accounts receivable consist of the following at December 31, 2012 and 2011 (dollars in thousands):

	2012	2011
Due from the Participants for services	$33,750	$33,750
Cash dividends, interest and related receivables	5,390	4,704
Other receivables	3,584	10,188
Total	$42,724	$48,642

Other Assets — DTC had a payable to the New York City Industrial Development Agency (IDA) and a matching investment in IDA bonds included in other assets on the consolidated statements of financial condition that matured on December 31, 2012. The Company's investment in IDA bonds, was $205,302,000 at December 31, 2011. These securities are carried at cost and classified as held-to-maturity.

Securities on Deposit — Securities held in custody by DTC for participants and related stock dividends receivable are not reported in the consolidated financial statements. Cash dividends and interest received by DTC or due on such securities and in the process of distribution or awaiting claim are included in payable to participants. Short positions occasionally exist in securities balances and are credited to the account of the Participants. Such short positions are valued and collateralized daily by 130% of the short position. DTC's obligation to return such cash collateral to a Participant is also reflected in payable to Participants.

Refunds to Participants — Participants receive a monthly refund of interest earned from the overnight investment of unallocated cash dividends, interest and reorganization funds payable to participants. Such monthly refunds totaled $107,000 in 2012 and $277,000 in 2011.

Income Taxes — Deferred tax assets and liabilities are reported in deferred income taxes, net, in the consolidated statements of financial condition and represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recognized if, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by the tax authorities.

Fixed Assets — Fixed assets consist of the following at December 31, 2012 and 2011 (dollars in thousands):

	2012			2011		
	Cost	Depreciation and Amortization	Net Book Value	Cost	Depreciation and Amortization	Net Book Value
Software	$197,987	$162,288	$ 35,699	$185,605	$144,055	$ 41,550
Furniture and equipment	152,819	140,142	12,677	161,100	136,072	25,028
Leasehold improvements	146,823	119,155	27,668	144,455	110,172	34,283
Leased property under capital leases	40,090	25,822	14,268	34,631	30,975	3,656
Building and improvements	12,986	3,999	8,987	12,986	3,703	9,283
Land	2,506	-	2,506	2,506	-	2,506
Total	$553,211	$451,406	$101,805	$541,283	$424,977	$116,306

Leasehold improvements are amortized using the straight-line method over their useful lives or the remaining term of the related lease, whichever is shorter. Furniture and equipment are depreciated over estimated useful lives ranging from five to seven years, using accelerated double declining methods. Building and improvements are primarily amortized over 39 years using the straight-line method. Depreciation expense for leasehold improvements, furniture and equipment, and buildings and improvements is included in occupancy on the consolidated statements of income.

Internal and external costs incurred in developing or obtaining computer software for internal use are capitalized in accordance with generally accepted accounting principles and are amortized on a straight-line basis over the estimated useful life of the software, generally three years. General and administrative costs related to developing or obtaining such software are expensed as incurred.

Capitalized costs related to software that was either developed for internal use, or purchased, totaling $12,382,000 and $24,015,000 in 2012 and 2011, respectively, are included in software in the table above. The amortization of capitalized and purchased software was $18,234,000 in 2012 and $17,877,000 in 2011. The depreciation of other fixed assets was $20,796,000 in 2012 and $23,930,000 in 2011. During 2012 and 2011, fixed asset disposals resulted in a charge of $6,161,000 and $649,000, respectively, and the removal of $18,762,000 and $4,231,000 and $12,601,000 and $3,582,000, respectively, from the related cost and accumulated amortization accounts, respectively.

Revenue Recognition — Revenue is generally recognized as services are rendered. Activities are captured daily and billed on a monthly basis. Interest income is recorded on an accrual basis. DTC invests available cash deposits to the Participant Fund in overnight reverse repurchase agreements, money market funds and interest-bearing deposits with various financial institutions. Prior to 2012, the earnings on these investments were included in interest income and the amounts passed through to participants were included in refunds to participants on the consolidated statements of income. Such amount totaled $4,421,000 in 2011. In 2012, the earnings on these investments passed through to participants were offset against interest income. We have restated 2011 to conform with 2012 presentation. There was no impact on net income on the consolidated statements of income.

Expense Allocations — Substantially all expenses are recorded at DTCC and are allocated to its subsidiaries, including DTC, based upon their use of such goods or services as determined by applicable allocation factors, including headcount, square footage and utilization of technology resources. Accordingly, the expense classifications on the statements of income represents the allocated charges,

including, depreciation and amortization, employee compensation and related benefits, information technology, occupancy, and other general and administrative expenses.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management makes estimates regarding the collectability of receivables, the outcome of litigation, the realization of deferred taxes, the recognition of uncertain tax positions, and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements — *Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures* — In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011 04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in generally accepted accounting principles and International Financial Reporting Standards. The amendments to ASC Topic 820 include guidance on the application of the highest and best use and valuation premise concepts (including an exception to the valuation premise for certain risks managed on a portfolio basis), the valuation of equity instruments, and the use of premiums and discounts representing adjustments for the size of an entity's holding of an asset or liability (specifically, blockage factors are not permitted). The amendments also include expanded disclosures, including disclosures around fair value measurements categorized within Level 3 of the fair value hierarchy, and disclosures when the entity's use of a nonfinancial asset differs from the highest and best use of that asset. The amendments in ASU No. 2011-04 are to be applied prospectively. The adoption of this guidance did not have an impact on DTC's financial condition, results of operations or cash flows. See Note 3 "Fair Value Measurements" for the disclosures.

ASC Topic 860, Transfers and Servicing — In April 2011, the FASB issued amended guidance under ASC Topic 860 in ASU No. 2011-03, *Reconsideration of Effective Control for Repurchase Agreements.* The amendments in ASU No. 2011-03 remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and the collateral maintenance implementation guidance related to that criterion. The new rules are effective prospectively for new transfers and exiting transactions for the period beginning on or after December 15, 2011. The adoption of this guidance did not have an impact on DTC's financial condition, results of operations or cash flows.

ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses — In July 2010, the FASB amended the accounting guidance for receivables as it relates to disclosures about the credit quality of financing receivables and the allowance for credit losses. This amendment requires additional disclosures that provide a greater level of disaggregated information about the credit quality of financing receivables and the allowance for credit losses. It also requires disclosure of credit quality indicators, past due information, and modifications of financing receivables. For nonpublic entities, these disclosures are effective for annual reporting periods ending on or after December 15, 2011. The adoption of this guidance did not have an impact on DTC's financial condition, results of operations or cash flows.

3. FAIR VALUE MEASUREMENTS

The guidance related to "Fair Value Measurements" included in ASC 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. It

establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

We have established processes for determining fair values. Fair Value is based upon quoted market prices in active markets, where available. Where quotes from recent exchange transactions are not available, we determine fair value based on discounted cash flow analyses, comparison to similar instruments, and the use of financial models. Discounted cash flow analyses are dependent upon estimated future cash flows and level of interest rates. Model based pricing uses inputs of observable prices, where available, interest rates, foreign exchange rates, option volatilities and other factors.

Valuation Hierarchy — ASC 820 established a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The asset or liability's fair value measurement level within the fair vale hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets as of the valuation date.

Level 2 — Inputs to the valuation methodology are other than quoted prices for similar assets and liabilities in active markets, which are either directly or indirectly observable as of the valuation date or can be derived principally from or corroborated by observable market data.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis — There were no assets or liabilities measured at fair value on a non-recurring basis during the year ended December 31, 2012.

Financial Instruments Not Measured at Fair Value — The table below presents the carrying value, fair value and fair value hierarchy level of certain financial instruments not measured at fair value in the consolidated statements of financial condition.

The carrying amounts of our financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods. The following disclosure discusses these instruments on a uniform fair value basis. However, active markets do not exist for a significant portion of these instruments. For financial instruments where quoted prices from identical assets and liabilities in active markets do not exist, we determine fair value based on discounted cash flow analyses and comparable pricing of similar instruments.

A summary of the practices used for determining fair value and the respective level in the valuation hierarchy for financial assets and liabilities not recorded at fair value is as follows.

Non-Interest-Bearing and Interest-Bearing-Deposits — Interest-bearing deposits are comprised of time deposits, commercial paper and money market funds. Except for time deposits, book value is considered to approximate fair value for these deposits due to their short duration to maturity or payable on demand feature. The fair value of interest-bearing time deposits is determined using discounted cash flow analysis. Inputs primarily consist of current LIBOR market rates and time to maturity. For all non-interest-bearing deposits, book value is considered to approximate fair value as a result of the short duration of the deposit. Interest-bearing and noninterest-bearing deposits are classified as Level 2 within the valuation hierarchy.

Reverse Repurchase Agreements — The estimated fair value of reverse repurchase agreements is based on inputs such as interest rates and tenors. These agreements are classified as Level 1 within the valuation hierarchy due to their overnight nature.

Other Financial Assets and liabilities — Other financial assets include deferred tax assets. Deferred tax assets are generally short-term. As a result, carrying value is considered to equal fair value. Deferred tax assets are included as Level 2 within the valuation hierarchy. Other liabilities include intercompany payables, accrued taxes, and deferred rents. The carrying value of other liabilities is considered approximate to fair value excluding the deferred rents. Other liabilities are included as Level 2 within the valuation hierarchy.

Payables to Participants — The estimated fair value of payables to participants is equal to the book value due to its short-term feature and is classified as Level 2 within the valuation hierarchy.

Long-Term Debt and Other Borrowings — Borrowings primarily consist of Industrial Development Agency Bonds, Notes Payable, and capital lease obligations. The estimated fair value of long-term debt is based on current rates for instruments of the same remaining maturity or quoted market prices for the same or similar issues. Long-term debt is classified as Level 2 within the valuation hierarchy.

Participants Fund - Cash Deposits — Participants Fund cash deposits represent cash received from participants based on calculated requirements as determined by the Company and is classified as Level 1 within the valuation hierarchy.

	As of December 31, 2012					As of December 31, 2011	
(Dollars in Thousands)	**Carrying Amount**	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**	**Carrying Amount**
Assets:							
Non-interest bearing and interest deposits	$3,305,334	$3,305,334	$3,305,334	$ -	$ -	$2,881,843	$2,881,843
Reverse repurchase agreements	-	-	-	-	-	185,284	185,284
Other financial assets	77,259	77,259	-	77,259	-	286,137	273,381
Total	$3,382,593	$3,382,593	$3,305,334	$ 77,259	$ -	$3,353,264	$3,340,508
Liabilities:							
Other liabilities	$ 167,130	$ 166,492	$ -	$ 166,492	$ -	$ 181,170	$ 181,170
Payable to participants	1,142,391	1,142,391	-	1,142,391	-	920,402	920,402
Long term debt and other borrowings	127,600	115,200	-	115,200	-	312,605	336,447
Participants' fund-cash deposits	1,771,389	1,771,389	1,771,389	-	-	1,757,412	1,757,412
Total	$3,208,510	$3,195,472	$1,771,389	$1,424,083	$ -	$3,171,589	$3,195,431

4. PARTICIPANTS FUND

DTC Participants are required to maintain deposits to the Participant Fund related to their DTC activities, as determined by the Company. The deposits which may be applied to satisfy obligations of the depositing Participant, other Participants or DTC, as provided in the DTC rules, are included in cash and cash equivalents. This amounts totaled $1,771,389,000 and $1,757,412,000 at December 31, 2012 and 2011, respectively, which included deposits of $579,359,000 and $579,995,000, respectively, in excess of the requirements determined by the Company.

5. TRANSACTIONS WITH RELATED PARTIES

DTC has an agreement with DTCC whereby DTCC pays for substantially all of the expenses for the operations of DTC. The related expenses are allocated to DTC based upon DTC's use of such goods or services as determined by applicable allocation factors. Further, the agreement provides that DTCC performs credit and quantitative risk services, and certain other services for DTC including administrative, internal audit, finance and legal services. In 2012 and 2011, the billing for these services was determined as 104% of total allocated expenses, excluding pass through charges and the impact of capitalized software. The fee, representing the amount over actual cost, as included in professional and other services expense on the consolidated statements of income, was $12,967,000 in 2012 and $12,050,000 in 2011. At December 31, 2012 and 2011, the net payable to DTCC included in accounts payable and other liabilities on the consolidated statements of financial condition totaled approximately $13,352,000 and $53,420,000, respectively.

DTC has an agreement with DTCC Solutions LLC whereby validation services performed by DTCC Solutions LLC on behalf of DTC in connection with DTC's corporate action data information are billed at cost. Charges under this agreement totaled $30,611,000 in 2012 and $28,744,000 in 2011 and are included in professional and other services on the consolidated statements of income. The amounts payable to DTCC Solutions LLC at December 31, 2012 and 2011, included in accounts payable and other liabilities on the consolidated statements of financial condition were $2,852,000 and $2,012,000, respectively.

6. PAYABLE TO PARTICIPANTS

DTC receives cash and stock dividends, interest and reorganization and redemption proceeds on securities registered in the name of its nominee, Cede and Co., and interest and redemption proceeds on bearer securities, which it distributes to Participants. Amounts received on registered securities withdrawn before the record date but not transferred from the name of Cede and Co. cannot be distributed unless claimed by the owners of the securities through a participant or other financial institution. Cash dividends, interest, reorganization and redemption payables of $1,142,391,000 at December 31, 2012, and $920,307,000 at December 31, 2011, are included in payable to participants on the consolidated statements of financial position. At December 31, 2012 and 2011, payable to participants also includes rebates of $28,000 and $95,000, respectively, and $33,046,000 and $32,531,000, respectively, of cash collateral received from participants representing 130% of short positions. Unclaimed balances are remitted to the appropriate authority when required by abandoned property laws. Stock dividends payable are not reported in the consolidated financial statements.

7. INCOME TAXES

DTC is included in DTCC's consolidated federal and unitary Massachusetts and Illinois tax returns. DTC also files other state tax returns on a separate company basis. The components of the Company's income tax provision (benefit) calculated on a separate company basis for the years ended December 31, 2012 and 2011, are as follows (dollars in thousands):

	2012	2011
Current income tax:		
Federal	$ 21,977	$ 22,899
State and local	8,664	12,184
Deferred income tax (benefit):		
Federal	(15,693)	1,439
State and local	6,513	(1,241)
Provision for income taxes	$ 21,461	$ 35,281

Pursuant to a tax sharing agreement between DTCC and DTC, the Company is liable for its allocable share of federal, state and local tax liabilities that are paid by DTCC. As of December 31, 2012 and 2011, the Company paid income taxes to DTCC, net of refunds, of $10,956,000 and $16,542,000, respectively.

The 2012 and 2011 effective tax rates differ from the 35% federal statutory rate primarily due to state and local taxes, permanent differences between financial statement income and taxable income, and adjustments to deferred tax balances. Deferred tax balances include adjustments made to reflect estimated recoverable amounts in future years.

The components of deferred tax assets and (liabilities) at December 31, 2012 and 2011, are as follows (dollars in thousands):

	2012	2011
Employee benefit related	$ 73,311	$ 72,603
Rent	2,569	3,494
Depreciation and amortization	8,585	4,454
Capitalization of software developed for internal use	(12,757)	(15,636)
Other	5,551	3,164
Net deferred income tax asset	$ 77,259	$ 68,079

The net deferred tax asset is expected to be fully realized and, accordingly, no valuation allowance was established.

DTCC applies the provisions of FASB issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* (codified primarily in FASB ASC Topic 740, *Income Taxes*) to record unrecognized tax benefits (UTBs). As of December 31, 2012 and 2011, UTBs totaled $15,396,000 and $12,708,000, respectively.

The Company classifies interest related to UTBs, and penalties, if incurred, in tax expense in its consolidated statements of income. As of December 31, 2012 and 2011, the amount of accrued interest recorded in the Company's consolidated statements of financial condition related to UTBs was $2,349,000 and $1,612,000, respectively.

The Company is subject to U.S. federal income tax as well as income tax in various state and local jurisdictions. DTCC's federal income tax returns for 2007 through 2009 are currently under examination and the federal income tax returns for 2010 through 2011 remain subject to examination by the IRS. New York State income tax returns for 2005 through 2010 are currently under examination and 2011 remain open to examination. New York City income tax returns for 2009 through 2011 remain subject to examination.

For the current ongoing audit related to open tax years, the Company estimates it is possible the balance of UTBs could decrease in the next twelve months as a result of the effective settlement of this audit, which might involve the payment of additional taxes, the adjustment of certain deferred taxes and/or the recognition of tax benefits. It is also possible that new issues might be raised by tax authorities, which might necessitate increases to the balance of UTBs. As the Company is unable to predict the timing of conclusion of this audit, the Company is unable to estimate the amount of changes to the balance of UTBs at this time. However, the Company believes it has adequately provided for its financial exposure for all open tax years by tax jurisdiction.

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

DTCC allocates the cost of these plans to participating subsidiaries based primarily upon the proportion of each subsidiary's allocated salary cost to the aggregate salary cost of DTCC and its subsidiaries. The benefit plan cost allocated to DTC is $16,345,000 in 2012 and $21,810,000 in 2011. These costs are included in employee compensation and related benefits in the consolidated statements of income.

Prior to 2011, DTCC allocated the cost of benefit plans based on the net periodic pension costs and funding obligation. In 2011, DTCC changed its methodology for allocating costs of the benefit plans for 2011 and prospectively. In connection with this change, DTCC forgave the participating subsidiaries' payables to DTCC relating to the funded status of the plans, net of the deferred tax component. These amounts were reflected as a capital contribution of $50,364,000 on the consolidated statements of changes in shareholders' equity and a reduction of $89,949,000 in accounts payable and other liabilities, along with a credit of $39,585,000 to deferred taxes, net on the consolidated statements of financial condition.

On February 15, 2012, the DTCC Board of Directors approved changes to amend the DTCC benefit plans, in which the Company participates, to freeze the benefit effective December 31, 2013. After the plan freeze, certain plan participants will no longer accrue any benefits under the plans.

9. LONG-TERM DEBT AND OTHER BORROWINGS

Long-term debt at December 31, 2012 and 2011, consists of the following (dollars in thousands):

	2012	2011
Industrial Development Agency payable	$ -	$ 205,302
Notes payable	112,048	128,445
Capital lease obligations	15,552	2,700
Total	$ 127,600	$ 336,447

DTC had a payable to the New York City Industrial Development Agency (IDA) and a matching investment in IDA bonds included in other assets on the consolidated statements of financial condition that matured on December 31, 2012. Interest expense related to the IDA payable was $15,398,000 and $15,398,000 in 2012 and 2011, respectively. These bonds matured in 2012.

At December 31, 2012, notes payable consisted of unsecured and secured borrowings in the amount of $104,152,000 and $7,896,000, respectively. At December 31, 2011, notes payable consisted of unsecured and secured borrowings in the amount of $105,337,000 and $23,108,000, respectively. Interest expense related to outstanding borrowings totaled $6,796,000 in 2012 and $7,588,000 in 2011. The unsecured borrowings were from two institutions. The first unsecured loan is from an insurance company to finance the acquisition of real estate and was completed in November 2004 at a fixed rate of 5.03%. Principal payments are due annually on December 15 of each year through 2023. Interest payments are due semiannually on June 15 and December 15 of each year, through the same period. A second unsecured loan, structured as a private placement, was completed in April 2010 with two investment institutions, at fixed rates of 5.59% and 5.63%. Interest payments are due semiannually on April 15 and October 15 each year, with principal due at maturity on April 15, 2016. The secured loan was taken from an international bank in June 2010 for operational and expansion purposes, at a fixed rate of 4.94%. At the loan's inception, certain equipment included in fixed assets on the consolidated statements of financial condition was pledged to collateralize the loan. Interest and principal payments are due semiannually on June 30 and December 31 each year until maturity on June 28, 2013.

Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. At December 31, 2012, capital lease agreements with remaining future minimum payments including interest, which are due through February 2017, totaling $15,552,000. At December 31, 2011, remaining future minimum payments including interest totaled $2,971,000.

Long term debt is carried at the remaining principal balance of the obligations. If the Company was to seek similar financing for the remaining terms of the long term debt obligations as of December 31, 2012, the fair value of the notes payable and capital lease obligations would be $100,002,000 and $15,198,000, respectively.

10. SHAREHOLDERS' EQUITY

In October 2000, DTC issued 750,000 shares of series A preferred stock at the par value of $100 per share, increasing capital by $75 million under a plan adopted by its Board of Directors. DTC issued additional 500,000 and 250,000 shares of series A preferred stock at the par value of $100 per share in December 2006 and March 2009, respectively, thereby increasing the amount of preferred stock to $150 million. Each participant is required to purchase shares. Dividends are accrued monthly based on

the earnings of these funds. In December 2010, DTC's authorized series A preferred stock was increased by 1,750,000 shares bringing the total to 3,250,000 authorized shares, or $325 million. None of these newly authorized shares have been issued.

DTC is a limited-purpose trust company regulated by the New York State Banking Department, NJ Department of Banking and Insurance, the U.S. Securities and Exchange Commission (SEC), and the Federal Reserve Bank of New York. The Company is required to maintain a Tier 1 capital ratio of 4%. As of December 31, 2012 and 2011, DTC's Tier 1 Capital ratio was approximately 11.2% and 11.1%, respectively.

11. COMMITMENTS AND CONTINGENT LIABILITIES

DTC leases office space and data processing and other equipment. Rent expense under these leases, which includes allocation of rent from DTCC, was $16,761,000 in 2012 and $14,354,000 in 2011. The leases for office space provide for rent escalations subsequent to 2011.

At December 31, 2012, future minimum rental payments under all non-cancelable leases are as follows (dollars in thousands):

	2012	2011
2013	$ 4,551	$ 4,234
2014	4,602	4,285
2015	4,652	4,335
2016	4,703	4,386
2017	390	338
Total minimum rental payments	$ 18,898	$ 17,578

At December 31, 2012 and 2011, DTC maintained a committed secured line of credit of $1,900,000,000 with 33 banks during 2012 and 31 banks during 2011 that are primarily DTC Participants to support settlement in the event that the largest family of Participants fails to settle. The borrowing rate under this facility will be the greater of the federal funds offered rate or the adjusted LIBOR rate, or the lender's cost of funds, on the day of a borrowing, plus 1.40%. DTC also maintained uncommitted credit lines totaling CAD 150,000,000 with a Participant to support Canadian settlement during 2012 and 2011. Further, a $50,000,000 uncommitted credit line available to DTC or DTCC is maintained with a Participant to support potential short-term operating cash requirements. There were no borrowings under any of these credit facilities for the years ended December 31, 2012 and 2011.

DTC was 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 DTC's consolidated financial position, operations or cash flows.

12. OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a Participant. The Company's exposure to credit risk comes primarily from settlement service operations. Credit risk also comes from financial assets, which consist principally of cash and cash equivalents, investments, accounts receivable, and the Participant Fund.

Concentrations of credit risk may arise through having large connected individual exposures and significant exposures to groups of Participants whose likelihood of default is driven by common underlying factors, including economic conditions affecting the securities industry and debt issuing countries.

Cash and Cash Equivalents — The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located in different geographical regions, and the Company's policy is designed to limit exposure with any one institution. As part of its cash and risk management processes, the Company performs periodic evaluations of the relative credit standing of the financial institutions. The Company only makes deposits with banks and financial institutions with a credit rating of at least A- or better from Standard & Poor's and Fitch, or A3 or better from Moody's. The Company also monitors the financial condition of the financial institutions on an ongoing basis to identify any significant change in a financial institution's financial condition. If such a change takes place, the amounts deposited in such financial institutions are adjusted.

When Participants provide cash deposits to the Participant Fund, the Company may invest the cash in overnight reverse repurchase agreements (reverse repos). The Company bears credit risk related to overnight reverse repurchase agreements only to the extent that cash advanced to the counterparty exceeds the value of collateral received. Securities purchased under overnight reverse repos are generally U.S. Treasury and Agency securities and, therefore, have minimal credit risk due to low probability of U.S. government default and the highly liquid nature of these securities. Reverse repo investments are secured; collateral must have a market value greater than or equal to 102% of the cash invested. Additionally, overnight reverse repo investments are only placed with financial institutions with a credit rating of A- or better from Standard & Poor's and Fitch, or A3 or better from Moody's. To avoid concentration of credit risk exposures, the Company sets credit limits for each counterparty.

The participants cash may also be invested in money market mutual funds under Rule 2a-7 of the Investment Company Act of 1940 with a credit rating of AAA from Standard & Poor's, Fitch, or Moody's, respectively. Since the Company only invests in highly rated money market mutual funds and cash is returned each morning, the Company has minimal credit risk related to overnight money market mutual funds.

Accounts Receivable — Credit risk related to accounts receivable involves the risk of nonpayment by the counterparty. Credit risk is diversified due to the large number of participants comprising the Company's customer base. The Company also performs ongoing credit evaluations of the financial conditions of its customers and evaluates the delinquency status of the receivables.

Participants Fund — The Company is exposed to credit risk on a daily basis. This risk arises at DTC should a participant fail to fulfill its settlement obligation.

The Company provides risk management/mitigation by identifying, measuring and responding to these risks in order to protect the safety and soundness of the DTC settlement system. Various tools are utilized to mitigate these risks including, but not limited to, setting capital adequacy standards, assessing new applicants, performing continuous monitoring of Participants financial condition, reviewing Participants daily trading activity and determining appropriate collateral requirements, maintaining the Participants Fund, trade and continuous trade netting, marking unsettled trades to market, and utilizing a variety of advanced quantitative analytical methodologies, such as back and stress testing.

In order to become a participating member, an applicant must meet minimum eligibility criteria (which are specified in the Company's rules). All applicants to be a DTC Participant must provide the Company with certain financial and operational information. This information is reviewed to ensure that the

applicant has sufficient financial ability to make anticipated contributions to the Participants Fund and to meet obligations to the Company. The credit quality of the Participant is evaluated at the time of application and monitored on an ongoing basis to determine if the participant continues to be financially stable and continue to meet the financial requirements of membership. As part of its review, the Company utilizes an internal credit risk-rating matrix to risk rate its Participants. The resulting rating determines the level of financial review that will be performed on each Participant and may impact their Participants Fund requirements.

Collateralization controls and net debit caps are employed by DTC to protect Participants against the risk that one or more Participants may fail to pay for their settlement obligations. DTC's collateralization controls prevent the completion of transactions that would cause a Participant's net debit balance to exceed the value of collateral in its account. This is designed so that if a Participant fails to pay for its settlement obligation DTC will have sufficient collateral to secure liquidity funding for settlement and liquidation of the collateral to repay any loans. DTC's net debit cap controls limit the net settlement debit that each Participant can incur to an amount, based upon activity level, which would be covered by DTC's sources of liquidity. The net debit cap is structured so that DTC will have sufficient liquidity to complete settlement should any single Participant or Participant family fail to settle.

DTC maintains a committed, secured line of credit to support potential liquidity needs in the event of a participant default. See Note 11.

The Company also limits its exposure to potential losses from default by Participants through its multilateral netting contract and limited cross-guaranty agreements with NSCC, FICC and The OCC. This arrangement is designed to provide a mechanism for the sharing of excess net resources of a common defaulting participant held at one clearing agency to cover losses incurred at another clearing agency. DTC and The OCC also have an agreement providing for payments to each other relating to the settlement of certain option exercises and assignments in the event of a mutual participant's failure. Further, DTC and NSCC have a netting contract and limited cross-guaranty agreement with DTC which includes certain arrangements so that securities delivered by DTC to NSCC to cover CNS allocations are fully collateralized.

If a DTC Participant defaults, such Participant's deposits to the Participant Fund would be liquidated to satisfy an outstanding obligation and/or loss. If those funds are insufficient to cover the liquidation of the defaulting Participant's outstanding obligations, DTC would then have an option to use other Participants deposits to the Participant Fund or apply its retained earnings to cover the loss.

13. IMPACT FROM SUPERSTORM SANDY

During the last quarter of 2012, the company's operations were significantly impacted by Superstorm Sandy ("Sandy"). The floodwaters that engulfed the lobby and underground floors of its corporate headquarters at 55 Water Street in Lower Manhattan forced a lengthy closure of that building, displacing some 2,300 employees along with the company's operations from the site. Accordingly, the Company's consolidated financial position, results of operations and cash flows were affected, as summarized below.

As of December 31, 2012, the Company recognized approximately $15,300,000 of Sandy-related expenses, offset by a $3,200,000 rent credit received from landlord due to loss of access to the building. The $15,300,000 expenses consisted of approximately $5,700,000 for the clean-up and restoration process of the security certificates maintained in the vault, $1,280,000 for property damage and necessary clean-up and restoration activities at the 55 Water Street location, $2,080,000 legal fees, $2,880,000 for the replacement of technical equipment, and $3,360,000 other corporate expenses.

In addition, as a result of Sandy, DTC is at risk for a range of additional potential exposures. The most significant of these stem from the flooding of the vault and resultant damage to certificates. As a result, the Company has potential contingent liabilities from (i) the issuance of indemnifications to Transfer Agents for damaged certificates to enable the processing of transactions until such time that the certificates become physically available, (ii) replacement of the certificates and (iii) issuance of surety bonds for the replaced certificates.

In view of the inherent difficulty of predicting the outcome of such matters the Company cannot predict what the eventual loss, if any, or range of loss related to the cost of recovery or re-issuance of the damaged certificates or other such matters will be. The Company continues to assess these matters and believes, based on information available to it, the resolution of these matters will not have a material adverse effect on the financial condition of the Company as set forth in the consolidated financial statements, but may be material to the Company's operating results or cash flows for any particular period. Accordingly, no such amounts have been recognized by the Company in the accompanying consolidated financial statements. The Company continues to assess the probability and the estimation of the exposure to determine the extent of further disclosure and/or recognition that may be necessary going forward.

DTCC maintains a property insurance policy that has sub-limits that apply to various types of damage, such as business interruption (lost profits), extra expenses (expenses incurred to keep normal business operations running), debris removal, etc., and also to specific types of damage incurred from catastrophic natural disasters such as hurricanes, earthquakes and floods. DTCC also maintains insurance coverage for losses relating to its business as a custodian of property, including losses arising from damage or destruction of securities.

The Company is unable to currently estimate the amount of any recovery or the period in which a claim related to property, business interruption and losses arising from damage or destruction of securities will be resolved. Accordingly, no such amounts have been recognized by the company in the accompanying consolidated financial statements.

14. OTHER MATTERS.

Lehman Brothers Inc. and MF Global Inc. — On September 19, 2008, a Trustee was appointed, under the Securities Investor Protection Act (SIPA), to administer and liquidate the business of Lehman Brothers Inc. (LBI). As part of the liquidation of LBI, certain of its assets were sold to Barclays Capital Inc. ("Barclays"), which assets did not, however, include the accounts that LBI maintained at National Securities Clearing Corporation (NSCC), Fixed Income Clearing Corporation (FICC) and The Depository Trust Company (DTC).

As a result, the Trustee, Barclays and DTCC, on behalf and for the benefit of NSCC, FICC and DTC (collectively, the "Clearing Agency Subsidiaries") entered into an agreement that provided for the Clearing Agency Subsidiaries to wind down their respective LBI accounts, including the close out of pending transactions and the use of the proceeds in accordance with their respective rules and procedures, in the same manner in which they close out positions of participants for whom they cease to act. On September 24, 2008, the Clearing Agency Subsidiaries formally ceased to act for LBI.

In addition, Barclays agreed to guaranty, indemnify and hold harmless DTCC, each of NSCC, FICC and DTC, and their officers, directors, employees, owners, agents and representatives against any and all losses, claims, damages, expenses (including legal fees) or liabilities that any of them may incur as a result of winding down and closing out the respective accounts, which guaranty is limited to a $250,000,000 cash deposit (the "Cash Deposit") it provided for that purpose.

Any losses will first be satisfied from the Cash Deposit. If there are losses in excess of the Cash Deposit, they will be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of LBI's Clearing or Participant Fund deposits and any Clearing Agency cross-guaranty agreements). If any portion of such funds remain after the close out of the LBI Accounts and satisfaction of all obligations of NSCC, FICC, and DTC, they will be remitted to the Trustee.

The Cash Deposit is held at DTCC to facilitate its investment pending application against losses or its turnover to the Trustee.

With respect to Lehman Brothers Inc., at December 31, 2012, DTCC and its subsidiaries held funds in the aggregate amount of $63,333,000, including the balances of the Barclays' Cash Deposit, Clearing and Participant Funds and matured money market instrument (MMI) accounts. As of December 31, 2011, DTCC and its subsidiaries held aggregate funds of $93,360,000, including the balances of the Barclays' Cash Deposit, Clearing and Participant Fund balances and matured money market instrument (MMI) accounts. As of December 31, 2012, DTCC had delivered to the Trustee of the LBI estate $5,125,811,000 in cash and Clearing Fund securities valued at $159,479,000, attributable to the LBI estate. As of December 31, 2011, DTCC had delivered to the Trustee of the LBI estate $5,095,811,000 in cash and Clearing Fund securities valued at $159,479,000, attributable to the LBI estate.

On October 31, 2011, a Trustee was appointed, under the SIPA, to administer and liquidate the business of MF Global Inc. (MFG). As part of the liquidation of MFG, any losses will first be satisfied in accordance with the rules and procedures of NSCC, FICC and DTC, respectively (including through application of MFG's Clearing or Participant Fund deposits and any Clearing Agency cross guaranty agreements). If any portion of such funds remains after the close out of the MFG Accounts and satisfaction of all obligations of NSCC, FICC and DTC they will be remitted to the Trustee.

With respect to MF Global Inc., at December 31, 2012, DTCC and its subsidiaries held funds in the aggregate amount of $27,869,000 in cash. At December 31, 2011, DTCC and its subsidiaries held funds in the aggregate amount of $255,454,000, including Clearing and Participant Funds and matured MMI accounts. As of December 31, 2012, As of December 31, 2012 and 2011, DTCC had delivered cash to the Trustee of the MFG estate $227,287,000 and $10,700,000, respectively, attributable to the MFG estate.

Management does not expect that there will be any losses attributable to the liquidation of the LBI or MFG accounts to be assessed against retained earnings or participants.

Severance — At December 31, 2012, DTC incurred severance expenses totaling $10,444,247 that are included in employee compensation and related benefits. In 2011, there was a similar expense of $2,875,000

15. SUBSEQUENT EVENTS

The Company evaluated events and transactions occurring after December 31, 2012 through February 28, 2013, for potential recognition or disclosure in these consolidated financial statements. No events or transactions occurred during such period that would require recognition or disclosure in these consolidated financial statements.

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