BDO FRANCE LEGER ET ASSOCIES

ERNST & YOUNG Audit

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Banque Centrale de Compensation

LCH S.A.

Year ended December 31, 2017

Statutory auditors' report on the financial statements

BDO FRANCE LEGER ET ASSOCIES
Member of BDO International Limited network
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75116 Paris
S.A.R.L. au capital de € 60.000
480 307 131 R.C.S. Paris

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG Audit
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Banque Centrale de Compensation
LCH S.A.

Year ended December 31, 2017

Statutory auditors' report on the financial statements

To the Annual General Meeting of LCH S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of LCH S.A. for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Calculations of revenue sharing arrangements

Risk identified	Our response
As disclosed in Note 1 "Operating income", your company has revenue sharing arrangements with third-parties for listed derivatives segment revenues and for CDS activity. Revenue sharing arrangements amount to M€24.1 of fee retrocessions. Contracts relating to revenue sharing in respect of clearing arrangements, in some cases involve complex calculations to determine the appropriate level of revenue to be recognized by your company. For this reason, we identified revenue sharing arrangements as a key audit matter.	Our audit response consist in assessing processes set up by your company so as to perform calculation of revenue sharing arrangements according to contractual agreements in place. We examined contractual documentation and their update – if applicable - during the reporting period to determine whether the revenue are recognized and accounted for in accordance with related agreements and applicable accounting Standards. We performed walkthrough of processes and tested controls set up by your company for the calculation of revenue sharing arrangements and related invoicing. We recalculated, on a sample basis, revenue sharing arrangements. We reconciled amounts of revenue sharing accounted for with supporting invoices, including whenever possible to invoices received after closing date.

	We critically assessed estimate of revenue sharing not yet invoiced to determine whether it is accounted for in accordance with contractual arrangements. We performed analytical procedures to assess consistency of revenue sharing with activity volume, revenues generated and related costs. We inquired third-parties for confirmation of the amount of revenue sharing over the reporting period.

Impairment of Intangible assets

Risk identified	Our response
Non-amortizable intangibles assets and intangible work in progress are subject to an impairment test if circumstances show that impairment may be likely and at least once a year. Such tests consist in comparing the carrying value of the assets and which is generally determined based on value in use calculations using discounted cash flow projections. Cash flow projections are based on financial projections from management budget for 2018-2020 and extrapolated after 2020 based on a long term growth rate and a pre-tax discount rate of weighted average cost of capital. We assessed Impairment of intangible assets as a key audit matter since it involves management judgement and application of bespoke models and assumptions, notably regarding financial projections, long-term growth rate and pre-tax discount rate. As indicated in note 10 « Fixed Assets », non-amortizable intangible assets net value amounts to M€ 9.1 and intangible work in progress, related to several IT projects, net value amounts to M€ 24.3.	Our audit response consists in assessment of process set up by your company to identify circumstances which may lead to impairment of assets and estimate possible impairment of non-amortizable intangible assets or intangible work in progress. We obtained the impairment tests performed as of December 31, 2017. We assessed appropriateness of key modelling input and performed sensitivity analysis. Such inputs includes notably long-term growth rate and pre-tax discount rate. We examined financial projections prepared by the management : - we ensured board of directors approved management budget for 2018-2020; - we assessed reasonable of financial projections beyond 2020; - we compared the financial forecasts drawn up during the past years with the performances actually achieved in order to assess the quality of the management's projections.

We held discussions with management to understand the status of IT projects in progress and examined projects' reports and minutes.

We critically assessed the adequacy of disclosures relating to impairment tests results and sensitivity to some modelling inputs.

Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

- **Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to Shareholders with respect to the financial position and the financial statements.

- **Information relating to Corporate Governance**

We confirm the existence of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*), in a section of the management report of the Board of Directors dedicated to Corporate Governance.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Report on Other Legal and Regulatory Requirements

- **Appointment of the Statutory Auditors**

We were appointed as statutory auditors of LCH S.A. by the Annual General Meetings held on April 8, 2016 for BDO FRANCE LEGER ET ASSOCIES and on May 28, 1999 for ERNST & YOUNG Audit.

As at December 31, 2017, BDO FRANCE LEGER ET ASSOCIES and ERNST & YOUNG Audit were in the 2nd year and 19th year of total uninterrupted engagement respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit 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 internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee [with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris and Paris-La Défense, March 8, 2018

The Statutory Auditors
French original signed by

BDO FRANCE LEGER ET ASSOCIES	ERNST & YOUNG Audit
Arnaud Naudan	Luc Valverde

Company number: 692 032 485

LCH SA
(Formerly LCH.Clearnet SA)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Report on the corporate governance pursuant to articles L.225-37 and seq. of the French commercial code:

Pursuant to articles L.225-37 and seq of the French commercial code, LCH SA shall establish a report on the company's governance which mentions (i) the list of each director's directorships in other companies; (ii) the regulated agreements approved in accordance with article L.225-38 of the French commercial code and (iii) the delegations granted by the general meeting of shareholders to the Board of directors in respect of capital increase.

It shall be noted that the functions of Chief Executive Officer and President of the Board of directors are separate, in accordance with article L511-58 of the French Monetary and Financial code.

This information is set out in the following sections:

I. List of directors' directorships:

Type of Director	Name	Other Directorship at 31 December 2017
Chairman	Leonardus (Lex) Hoogduin	London Stock Exchange Group Plc LCH Group Holdings Limited LCH Limited LCH.Clearnet LLC Lex Hoogduin B.V. Supervisory Board of Centre for Integral Revalidation GloComNet BV Dutch Payment Association
Director	Christophe Hémon	LCH.Clearnet (Luxembourg) S.à.r.l.
Director	Daniel Maguire	LCH Group LCH Limited LCH.Clearnet LLC
Director	Neil Walker (resigned on 28/02/2017)	LCH Group Holdings Limited Financial Services Limited
Director	Dennis McLaughlin	LCH Limited LCH.Clearnet LLC SwapAgent Ltd
Director	Serge Harry	GlobeSettle SA MTS France CurveGlobal
Director	Eric Litvack	International Swaps and Derivatives Association Global Financial Markets Association
Director	Rémi Bourrette	Collège Français Bilingue de Londres Ealing Educational Charitable Trust Ecole Polytechnique Charitable Trust

Director	Anthony Attia	Euronext NV Euronext Paris Enternext Euronext Technologies Holding Liquidshare Sicovam Holding
Director	Suneel Bakhshi (resigned on 18/10/17)	LCH Group Holdings Limited LCH Limited LCH.Clearnet LLC
Director	Bernard Carayon	Dadou Conseil Investissements Amundi Pensions Fund Amundi Japan Ltd ABC-CA Fund Management Co Gecina Amundi Hong Kong Ltd Amundi Mutual Fund Brokerage Securities (Thailand) Company Ltd (ex Amundi Thailand)
Director	Jonathan Eliot (resigned on 31/05/17)	None
Director	Catherine Lubochinsky	Banque Wormser Frères
Director	Shona Milne	LCH Group Holdings Limited LCH Limited
Director	Marc Breillout	Sucden Financial Ltd

The LCH SA Board of Directors presides over three local committees which assist the Company: the Company's Audit Committee, the Company's Risk Committee and the Remuneration Committee. The terms of reference defining the functions, missions, powers and responsibilities of these Committees are approved by the Board of Directors.

Annual fees allocated by LCH SA to above Directors are as follows:

Catherine Lubochinsky	€70,000
Jonathan Eliot	€60,000
Ian Abrams	€50,000
Shona Milne	€50,000
Neil Walker	€40,000

II. Agreements regulated by Article L.225-38 of the French Code of Commerce:

In the framework of the implementation of the transfer pricing policy, the ‘Framework Intragroup – Services Agreement’ between LCH SA, LCH Group Limited and LCH Limited, approved by the Board of directors on 28 November 2006, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The agreement stipulates the legal and financial principles applicable to the provision of IT and other services by a company to either one of the Group’s entities.

The Amendment of the CEO's employment agreement between LCH SA and its Chief Executive Officer, approved by the Board of directors on 8 October 2015 and by the General Meeting of shareholders on 9 March 2016, is considered to be a regulated agreement in the scope of article L-225-38 of the French Code of Commerce.

Pursuant to the terms of this amendment, the termination notice has been extended and a six months non compete and non solicitation clause has been added. The amendment was deemed in the best interest of the Company.

The 'Assignment and License Agreement' entered into on 30 November 2016 between LCH.Clearnet Luxembourg S.à.r.l., LCH Limited and LCH SA, approved by the Board of directors on 8 October 2015 and by the General Meeting of shareholders on 9 March 2016, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The purpose of this agreement was the transfer of assets of LCH.Clearnet Luxembourg S.à.r.l. between LCH SA and LCH Limited.

In addition, LCH SA was granted with a perpetual royalty free license to use the shared FICS software.

All existing related party agreements remaining in full force in 2017 were re-approved by the Board of Directors on 22 November 2017, in accordance with Article L225-40-1 of the French Commercial Code.

In the framework of renewal of the Euronext Derivative Clearing Agreement, the Euronext Derivative Clearing Agreement and Share Exchange Term Sheet, entered into on 7 August 2017 between LCH Group Ltd, LCH SA, LSEG Plc and Euronext Paris SA, Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Lisbon - Sociedade Gestorade de Mercados Regulamentados S.A, approved by the Board of directors on 7 August 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The purpose of the Term Sheet agreement is to set out legal and financial principles governing the renewal of the Clearing Services Agreement for derivatives transactions between LCH SA and Euronext, and to amend the Clearing Services Agreement for cash equities !transactions between LCH SA and Euronext.

The Derivatives Clearing Agreement entered into on 31 October 2017 between Euronext, LCH Group and LCH SA, and approved by the Board of directors on 30 October 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

This agreement sets out the new legal, financial and governance framework governing the Clearing Services Agreement for derivatives transactions between LCH SA and Euronext.

The Shareholders' Agreement entered into on 29 December 2017 between Euronext N.V., LSEG, LCH Group and LCH SA, and approved by the Board of directors on 29 December 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

This agreement governs the relations between shareholders of LCH SA and provides details over the rights granted to Euronext as minority shareholder of LCH SA.

Current agreement - Article L.225-39 of the French Code of Commerce

The following agreements are considered to be current agreements falling within the scope of Article L.225-39 of the French Code of Commerce:

I. Euronext Collateral Inventory Management Services Agreement dated 21 March 2017 with Euronext Paris SA (relating to dematerialisation of storage certificates in the framework of futures contracts on commodities);

II. Agency Agreement with LCH Ltd dated 7 July 2017 (relating to the representation of LCH SA by LCH Ltd in London for the service of process);

III. IT Infrastructure Order Form for 2017 entered into pursuant to the Technology Services Agreement ("TSA") between LCH SA and LSEG Business Services Limited ("BSL") on 6 June 2017, with a commencement date on 1 January 2017, and superseding Order Forms Day 1 (1 January 2016) and Day 2 (1 April 2016) ;

IV. Project Order Form entered into pursuant to the TSA between LCH SA and BSL on 19 October 2017, with a commencement date on 13 July 2017, relating to the Triumph Project.

III. Delegations granted by the general meeting of shareholders to the Board of directors in respect of capital increase:

There has not been any such delegation granted by the General meeting of shareholders to the Board of directors within LCH SA for the year-end 2017.

Accounts payable and Accounts receivable

As of 31 December 2017, amounts payable to suppliers totalled €11.0 million (2016: €10.6 million) and were all due within one year. Of this, non-resident suppliers were €2.3 million (2016: €4.1 million).

As of 31 December 2017, amounts receivable from customers totalled €10.4 million (2016: €10.1 million) and were all due within one month. Of this, non-resident customers were €7.3 million (2016: €7.1 million).

Other intangible assets

Annual impairment testing is carried out on other intangible assets in relation to the acquisition of branches in Amsterdam, Brussels and Porto and the related cash generating units. The recoverable amount associated with these branches is determined based on value in use calculation.

Regulatory ratios

LCH SA is regulated as a credit institution by the ACPR and as a CCP and an investment service provider by the AMF and is subject to standard capital adequacy rules under Basel III. Since December 2013, it has been regulated by the CFTC as a DCO in the USA. The US Securities and Exchange Commission (SEC) has approved an application by LCH's CDSClear unit for registration as a clearing agency. The authorisation, granted on December 29, 2016, allows LCH to begin clearing single-name credit default swap (CDS) contracts for US clients.

As a banking institution, LCH SA is subject to and meets regulatory ratio requirements for credit institutions under French banking law. These ratios affect market and solvency risks within an overall capital adequacy framework, as well as liquidity ratios and major risk ratios.

Return on assets - Article R511-16-1 du Code monétaire et financier

Pursuant to article 90 of CRD IV transposed by article R511-16-1 of Code monétaire et financier, return on assets of the Company as of 31 December 2017 is 0.013% (2016: 0.014%).

Proposed appropriation of net profit

LCH SA Board of Directors proposes to allocate the total of 2017 profit of €44.6 million as following:

	€'m
Allocation of 2017 earnings	
Allocation to Legal Reserves	-
Allocation of Other Reserves	-
Allocation to Retained Earnings	0.6
Dividends	44.0
	44.6

Dividend payments for the past three financial years were as follows:

- for 2014: €1.48 per share
- for 2015: €2.43 per share
- for 2016: €5.39 per share

Distributable reserves are as follows:

Distributable reserves	€'m
Profit for the period	44.6
Other reserves	32.6
Profit carried forward	119.1
	196.3

Banque Centrale de Compensation SA (trading as LCH SA) acts as the clearing house for regulated markets in France, the Netherlands, Belgium and Portugal, for fixed income products and credit default swaps (CDS) traded either on regulated markets or trading platforms located in France, UK, Belgium, US and Italy.

LCH SA is part of the LCH Group, a leading multi-national clearing house. The Group provides services to mitigate counterparty risk across multiple asset classes for clearing members and their clients, operating through an open access model that clears for major exchanges and platforms as well as ranged over-the-counter (OTC) markets.

As a CCP, LCH SA sits in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, LCH SA owns the defaulter's risk and becomes accountable for its liabilities. During the life of a trade, or that of a portfolio of trades, the CCP processes all cash flows and marks the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.

LCH earns its revenue in the OTC derivatives markets by charging members either an annual fee for all clearing or a lower annual fee with variable fee based on volume, additional fees are levied for new services such as compression. Clients pay a fee based on OTC volume cleared. In non-OTC markets all users pay a fee based on volumes cleared. Net treasury income is earnt on cash and securities held for margin and default funds.

Key performance indicators

Financial and non-financial key performance indicators utilised by the directors to measure LCH SA's progress are as follows:

	2017	**2016**	**Variation**
CDSClear			
CDSClear members	13	12	8%
Notional cleared (€ billion)	553.0	449.2	23%
Fixed Income: notional cleared (€ trillion)	48.2	34.0	42%
Listed Derivatives: contracts cleared (million)	151.8	126.0	20%
Cash Equities: trades cleared (million)	243.9	233.6	4%
Average cash collateral (€ billion)	18.0	12.3	46%

Highlights of the year

CDSClear

CDSClear clears the broadest set of credit default swaps (CDS) across both European and US underlyings with all the inherent netting benefits from being under the same risk framework. Close to 100 credit indices and 500 single names including CDS referencing Banks are eligible for clearing, many of which are uniquely available at CDSClear.

CDSClear is dual registered in Europe (EMIR authorized) and in the US (registered as a Derivative Clearing Organization with the CFTC and as a Clearing Agency with the SEC), which allows it to act for members and clients both in the US and Europe.

CDSClear membership counts 13 members (2016: 12) following the introduction of the new Select Membership tier. Index notional cleared increased by 21 per cent to € 472.1 billion (2016: €391 billion). Total clearing fee revenue for the year was €19.9 million (2016: €24.8 million). This drop reflects the move of a General Member to the Introductory tariff from the Unlimited tariff as well as the impact of a rebate granted to clearing brokers.

In March 2017, CDSClear onboarded its first clearing broker and -soon after- started to onboard clients. In December 2017, CDSClear became the first CCP to start clearing Credit Index Options following regulatory approvals.

Fixed Income

LCH SA delivered a good performance in repo and cash bond markets; clearing €48.2 trillion in the last year (2016: €34.0 trillion), across 5 European government markets. Records hit several times in 2017 on the main three debts: French, Italian and Spanish. Total clearing fee revenue for the year was €29.3 million (2016: €23.7 million) and the total of margins was higher and over the budget reflecting strong activity. The number of member extensions to new debts was high at 61.

As part of the expansion of SA RepoClear in order to become the leading CCP in € Repo, two new segments were successfully launched in 2017: German and Belgium debts. In order to enhance member netting opportunities, these 2 new segments will complement the clearing of French, Spanish and Italian markets.

The volumes in SA RepoClear, which are the largest ever, are especially relevant as we connect more EUR debt markets to LCH.SA, creating an ever increasing pool of potential netting opportunities.

Listed Derivatives and Cash Equities

The various Listed Derivatives venues cleared by LCH include Euronext Derivatives Markets. Contracts cleared in 2017 increased by 20% to 151.8 million (2016: 126.0 million). Partnering with Euronext, LCH expanded index futures and options and new commodities products (wood pellets, fertilizers, …).

In Equities, LCH provides clearing services for cash equity products and for a set of trade venues including Euronext, Equiduct and Bourse du Luxembourg. Trades cleared in 2017 increased by 4% to 243.9 million (2016: 233.6 million).

Clearing revenue in 2017 increased by €0.2 million to €67.7 million (2016: €67.7 million).

Net treasury income

Net treasury income is the result of interest earned on cash assets lodged with the clearing house, on margin and default funds. Users of LCH post cash and receive an overnight interest rate less an agreed spread. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates in the Euro money market, Average cash collateral held increased by 46% to €18.0 billion (2016: €12.3 billion). Total net treasury income for 2017 increased to €52.1 million (2016: €49.2 million) reflecting the higher cash collateral level.

Cost of sales

Cost of sales for 2017 has decreased to €2.3 million (2016: €8.0 million) reflecting the wind down of LCH.Clearnet Luxembourg SARL.

Operating expenses

Operating expenses have decreased by 1% to €91.7 million (2016: €93.0 million)

Development and performance

LCH won 11 awards in 2017, such as Risk Magazine's Clearing House of the Year for the fifth consecutive year and Futures and Option World's (FOW) International Awards Clearing House of the Year for Europe and Asia.

Strategic objectives

The Company's strategic objectives are:

- to provide robust risk management services to members and clients
- to deliver world class clearing services
- to partner with the markets we serve

The strategy for achieving these objectives is to maintain a sound risk management approach across all asset classes cleared and to work closely with market participants to develop and deliver new services.

Research and Development activities

The Company qualifies for Government assistance in the form of crédit d'impôt recherche (CIR) (a research and development tax credit).

The grant is received as a reduction of the tax expense in the year following that in which the expenditure was incurred. A reduction to the tax charge for the year ended 31 December 2017 of €1.0 million has been recognised as the amount due under this initiative from 2016. The amount receivable of €0.3 million for 2017 is included within other receivables (2016: €0.3 million) and will be recognised in 2017.

The grant is subject to potential tax audit to ensure the eligibility of the expenses claimed. No provision has been made for any potential refund of the amounts receivable as this is deemed highly unlikely.

Significant events which occurred since the date of the financial statements

None.

Euronext agreement renewal

On 1 November 2017, and following the announcement of 8 August 2017, Euronext and LCH SA finalized the renewal of their agreement for the provision of clearing services of financial and commodities derivatives, for a period of 10 years. The previous agreement were to expire at the end of 2018. Such renewal agreement provides continuity of clearing services for members, saving the cost and disruption associated with a migration at a time where client bandwidth is stretched due to MiFID II implementation and Brexit planning.

The Key financial terms of the agreement applicable as from 1st January 2019 are as follows:

- LCH SA will benefit from an increased share of clearing revenues (29%) in derivatives and commodities (currently LCH SA receives 23% of the clearing revenues in these asset classes);
- Euronext may apply an aggregate clearing fee discount of up to 15% subject to LCH SA's final approval (in line with LCH SA's regulatory obligations); and
- Euronext will reduce its cost contribution to LCH SA from €16m to between €12m and €13m depending on the percentage clearing fee discount applied by Euronext during the term of the DCA, as follows:
    - if the clearing fee discount is equal to or less than 5%, €12 million;
    - if the clearing fee discount is greater than 5% and equal to or less than 10%, €12.5 million; and
    - if the clearing fee discount is greater than 10% and equal to or less than 15%, €13 million.

Perspectives

Base case business plan presented to the Board in November 2017 is a step change in ambition and growth with an increase in AOP and margin over next 3 years.

This growing performance is driven by both solid top line growth and ambitious cost reduction. Strong AOP performance with margin increasing 31% to 48% (2016 – 2019), EBITDA margin hits 5% by 2018 achieving June Investor commitments one year ahead of schedule.

Five year financial summary

Five year financial summary	2013	2014	2015	2016	2017
Share capital at year end					
Share capital (in €'m)	113.1	113.1	113.1	113.1	113.1
Number of ordinary shares	7,416,700	7,416,700	7,416,700	7,416,700	7,416,700
Result of operations (in €'m)					
Operating income	119.3	116.2	122.5	118.4	121.3
Profit before tax, profit sharing, amortisation, provisions and impairment	26.4	33.3	63.1	71.9	81.9
Income tax	10.4	(0.1)	13.3	14.7	19.9
Profit sharing for the year	1.3	-	1.5	1.6	2.2
Impairment	8.4	-	-	-	-
Net income after tax, profit sharing, amortisation and provisions	(0.5)	22.1	36.2	41.6	44.6
Distributed earnings	-	11.0	18.0	40.0	
Earnings per share (in €)					
Profit after tax, profit sharing, but before amortisation and provisions	1.97	4.49	8.51	9.69	11.04
Net income after tax, profit sharing, amortisation and provisions	(0.06)	2.99	4.88	5.61	6.01
Net dividend distributed per share	-	1.48	2.43	5.39	
Employee information					
Average headcount*	198	175	174	171	177
Total payroll for the year (in €'m)	22.1	27.2	19.0	17.8	19.4

*Average headcount for SA Paris only.

Auditors

Ernst & Young Audit, Tour First, 1 Place des Saisons, 92037 Paris La Défense
BDO France Léger & Associés, 43-47 avenue de la Grande Armée, 75116 Paris

Registered office

18, rue du Quatre Septembre 75002 Paris
Telephone: +33 (0) 1 70 37 65 00
Registered in France number 692 032 485

LCH SA is fully consolidated in the accounts of LCH Group Holdings Limited (formerly LCH Group Holdings Limited), the head office of which is located at Aldgate House, 33 Aldgate High Street, London. The Company's ultimate parent since 1 May 2013 is the London Stock Exchange Group plc.

Income statement

	note	**2017 €'m**	2016 €'m
Revenue			
Market revenue		**117.0**	116.0
Sales of other products and services		**21.8**	19.7
Revenue sharing arrangements		**(24.1)**	(24.3)
Other income		**6.7**	7.0
Operating income	1	**121.3**	118.4
General operating expenses	2	**(89.5)**	(91.2)
Taxes	3	**(2.2)**	(1.8)
Operating expenses		**(91.7)**	(93.0)
Operating profit before depreciation amortisation and provisions		**29.6**	25.4
Depreciation, amortisation and provisions	4	**(15.2)**	(14.0)
Operating profit		**14.5**	11.4
Net finance income	5	**52.1**	49.2
Operating profit after interest income		**66.6**	60.6
Exceptional items	6	**0.1**	(2.7)
Movement in profit sharing liabilities	7	**(2.2)**	(1.6)
Corporate income tax	8	**(19.9)**	(14.7)
Profit for the year		**44.6**	41.6

Statement of financial position

	note	**2017 €'m**	2016 €'m
Assets			
Fixed assets (net of accumulated depreciation and amortisation)	10	65,0	56,0
Investments in subsidiaries and affiliates (net of impairment)	11	0,3	0,3
Other long term investments		2,6	2,7
Held for sale securities	12	50,1	906,1
Trade receivable (net of depreciation)	13	11,5	11,2
Other receivables (excluding clearing house, treasury and portfolio accounts)	14	2,8	2,9
Clearing house accounts	15	316 822,1	289 337,1
Treasury and portfolio accounts	16	19 265,6	14 978,2
Prepayments	17	0,5	2,2
Total assets		**336 220,4**	**305 296,7**
Liabilities			
Shareholder's equity (including general banking risk provision)	18	321,7	317,1
Provisions	19	6,4	6,1
Trade notes and accounts payable (suppliers)	20	11,0	10,6
Personnel, tax and social payables	21	31,2	25,0
Other payables (excluding clearing house, treasury and portfolio accounts)	22	7,6	13,3
Clearing house accounts	23	335 835,1	304 917,3
Treasury accounts	24	2,4	3,0
Accruals	25	5,1	4,3
Total liabilities		**336 220,4**	**305 296,7**
Off balance sheet			
Clearing house commitments and guarantees received	26	455 166	350 368
Commitments and guarantees given	26	446 015	338 656

Presentation of the financial statements

As a financial institution, Banque Centrale de Compensation (BCC), which trades under the business name LCH SA, is required to prepare and publish annual financial statements (balance sheet, off-balance sheet and income statement) in accordance with the articles ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5 from The French Accounting Standards Setter ("Autorité des Normes Comptables"). These financial statements are, however, only published in memorandum form, without commentary, as they do not represent a full account of the activities of LCH SA.

The income statement, balance sheet and off-balance sheet commented upon in these notes are therefore presented in a manner very similar to that used by service providers subject to the provisions of the French statutory chart of accounts (*Plan Comptable Général*). This management accounting presentation, as opposed to a 'regulatory' presentation, is better matched to the specific clearing activity of LCH SA.

Since the merger of the Amsterdam and Brussels clearing houses within LCH SA on 1 February 2001 and the corresponding creation of two new branches in Amsterdam and Brussels, (*Banque Centrale de Compensation Amsterdam* and *Banque Centrale de Compensation Bruxelles*), the accounts of these two branches have been integrated into those of LCH SA. In addition, LCH SA's accounting perimeter includes the activity of an establishment based in Porto after the acquisition from NYSE Euronext of the Portuguese clearing house on 15 July 2003.

The management accounting presentation of the balance sheet and income statement includes the following specific features:

Balance sheet

In view of their size, the assets and liabilities related to Banque Centrale de Compensation's clearing house activity and its treasury management operations are shown separately, with a detailed analysis of each item provided in the notes to the financial statements.

Repo transactions on the OTC market have been presented on a non-offset basis. The amount on the asset side represents the loans for which securities were received; the amount on the liabilities side represents the loans for which securities were delivered under repos. Commitments made by the clearing house to clearing members using repos are recorded as off-balance sheet. LCH SA retains a commitment to full and secure completion in respect of both lender and borrower.

Commitments relating to clearing operations are transferred to the balance sheet on effective date of settlement. If fail to deliver occurs at that date, clearing operations appear and remain in adjustment accounts on the balance sheet until the effective settlement date.

Off-balance sheet commitments

Commitments relating to clearing operations have been separated from commercial commitments and cash management commitments.

The information given in the financial statements carries the following notes, which are presented in accordance with the above-mentioned ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5, include all material information required to give a true and fair view of Banque Centrale de Compensation's assets, liabilities, financial position, exposure and profit and loss.

Accounting principles and valuation methods

The financial statements have been prepared in accordance with generally accepted accounting and valuation principles in France as stipulated in the commercial code and the decree of 29 November 1983, and, where applicable, in accordance with the special rules applicable to establishments subject to French banking regulations. They are also presented in accordance with the relevant accounting principles applicable to institutions governed by French banking law.

The main valuation policies applied are detailed below.

Fixed assets, amortisation and depreciation

Fixed assets are recorded at historical cost, i.e. acquisition cost excluding deductible value-added tax (VAT).

Customised financial market software is valued in accordance with principles applicable to self-developed software.

Fixed assets are depreciated on a straight line basis, based on their anticipated useful lives, which are as follows:

Self-developed software	3 to 5 years
Computer equipment	3 years
Furniture	10 years
Leaseholds improvements	10 years
Office equipment	3 to 5 years
Other intangible assets	3 to 5 years

IT development costs are recognised on the balance sheet in accordance with principles stated in the ANC 2014-03.

Impairment of intangible assets and property, plant and equipment

The intangible assets in the course of development are subject to an annual impairment review or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset may not be fully recoverable.

For the purpose of impairment testing, intangible assets are allocated to cash generating units monitored by management, usually at statutory company level. The impairment review involves a comparison of the carrying amount of the intangible asset allocated to the related cash generating units, with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of less the costs associated with the sale.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

The carrying amount of intangible assets allocated to a cash generating unit is taken into account when determining the gain or loss on disposal of the unit.

Investment in subsidiaries and affiliates

Long-term assets are recorded at their nominal value and impairments are recognised if their value in use decreases below their book value.

Accounts receivable and payable

Accounts receivable and payable are stated at nominal value and have initial maturities of less than one year, excluding the portfolio of held-for-sale securities and short term deposits with banks.

Provisions for doubtful debts are determined on an individual basis and are recorded as direct reductions in the value of the related receivables.

Held-for-sale securities

Investment securities held as at 31 December 2017 are cash management instruments, recognised and valued in accordance with ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5. These items consist exclusively of held-for-sale securities.

Financial derivative instruments

In accordance with its investment policy, the company neither holds nor issues derivatives for speculative purposes. So-called hedging swaps are initially recognised off balance sheet at cost for their nominal value according to ANC 2014-07 §2521-1 to 2529-1.

Reserve for general banking risks

As required under regulation CRBF 90.02 of the French Committee for Banking and Financial Regulations, LCH SA has allocated amounts to a 'Reserve for General Banking Risks' to cover general risks inherent to its activity.

Provisions

In accordance with ANC 2014-03, LCH SA recognises a provision as a liability on its balance sheet when it considers that an event creates an obligation in respect of a third party that might lead to the outflow of economic resources to that third party in order to settle the obligation without any corresponding inflow of proportional value.

LCH SA therefore allocates provisions to cover its commercial risks, measures its pension commitments under defined benefit pension plans using the "preferential" method (projected credit unit method), recognising the provisions for the resulting employee benefit commitments as liabilities on its balance sheet.

Provisions for employee benefit commitments have been calculated by an independent actuary based on changes in headcount (turnover, seniority) and are calculated in accordance with the projected credit unit methodology. They comprise commitments for retirement and jubilee award.

In the normal course of business, LCH SA receives legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from LCH SA (and is measurable), a provision is made representing the expected cost of settling such claims.

Share-based compensation

The Company operates share-based compensation plans for employees, settled in shares of the ultimate parent company, London Stock Exchange Group plc. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of the grant as an indirect measure of the value of employee services received by the Company and recognised over the relevant vesting period.

The share-based compensation plans are accounted for as equity settled. The Company does record a cost for these transactions, representative of the fact that the Company has received a capital contribution from London Stock Exchange Group Plc which has been spent on share-based compensation, with the corresponding credit recorded in equity. A debit will then also be recorded in equity and an intercompany payable recorded reflecting the Group’s investment.

Non-operating result

The non-operating result includes non-recurring income and expenses before tax which are generated or booked on an exceptional basis and are not derived from the company’s ordinary activities (ANC 2014-07).

1. Operating income

	2017 €'m	2016 €'m
Cash	**29.5**	27.8
Futures	***26.2***	*28.4*
Options	***12.1***	*11.3*
Derivatives	**38.3**	39.7
Fixed Income	**29.3**	23.7
CDS	**19.9**	24.8
Market revenues	**117.0**	116.0
Membership commission	***5.8***	*5.5*
Other fees charged to Members	***16.0***	*14.2*
Sales of other products and services	**21.8**	19.7
Revenue sharing arrangement	**(24.1)**	(24.3)
Other income	**6.7**	7.0
Operating income	**121.3**	118.4

On **cash markets** (equities and bonds), the posted clearing revenue was 6% above 2016 due to an increase in volume of 4% and a 2% increase in the average fee per posting despite the tariff reduction implemented in Octobre

Euronext contributed 97% to the total clearing fees.

On **futures markets** (indices and commodities), revenue (including delivery fees) decreased by 8% from 2016 mainly due to less volume on index contracts

On **options markets** (indices and commodities), revenue (including exercises and assignments) increased by 7% mainly due to more volume on Equity options.

On **fixed income markets** (government bonds and bond repurchase agreements (repos)) revenue increased by 23% compared to 2016 mainly attributable to the French debt (+25%) and the Italian debt (+22%). The French debt segment represented 37% of the volume, the Italian debt 47%, the Spanish debt 15% and EuroGC 1%. Revenues from the German debt and from the Belgian debt in 2017 were not material.

On the **CDS market**, tariff has changed compared to 2016. Clearing revenue is made up of 10 members paying each an annual membership fee fixed at €2.0 million per member, 2 select members paying an annual membership fee of €0.25 million and 1 general introductory member paying an annual membership fee of €0.2 million. A €0.9 million incentive rebate for Client clearing has been granted in 2017.

Membership commissions increase by 4% at €5.7 million and are split as follows:
- €0.5 million in membership fees related to the French Derivatives market, stable compared to 2016
- €3.4 million in membership fees derived from the Cash Equities markets, stable compared to 2016
- €1.9 million in periodic fees (members' codes management), compared to €1.7 million in 2016

Other fees charged to clearing members increased by €1.8 million to €16.0 million consisting mainly of:
- Settlement costs recharged to clearing members: €7.9 million (2016: €7.9 million)
- Workstations: €1.2 million (2016: €1.1 million)
- Member network: €1.9 million (2016: €1.8 million)

- Penalties for:
  - delivery failure: €2.1 million (2016: €2.2 million)
  - late netting on commodities market: €1.0 million (2016: €0.7 million)
- Other miscellaneous fees: €1.9 million (2016: €1.0 million)

Other income decreased by €0.4 million to €6.6 million consisting of:
- Costs charged to other entities within the Group: €3.3 million (2016: €3.0million)
- Costs charged to CDCClear and to Euronext for the development of project related to CDS business and to Euronext Derivatives business: €3.3 million (2016: €4.0 million)

Revenue sharing arrangements

Amounts deducted from revenue relate to surplus or revenue share arrangements whereby, as part of an operating agreement, amounts are due back to either the other party to the operating agreement or the actual clearing customers.

A CDS agreement was signed in April 2014, effective from 1 January 2014. The related profit sharing recognised in 2017 is €0.2 million.

A revenue share on the listed derivatives segment effective from April 2014 is based on an agreement signed with Euronext in October 2013. This agreement generated a net retrocession fee to Euronext of €23.9 million (2016: €21.9 million).

2. General operating expenses

General operating expenses decreased by 5% in 2017.

	2017	2016
	€'m	€'m
IT expenses	**23.1**	30.2
Personnel expenses	**36.0**	33.0
Other general operating expenses	**26.0**	23.7
Building expenses	**4.4**	4.3
General operating expenses	**89.5**	91.2

2.1. IT expenses

	2017	2016
	€'m	€'m
Running costs	**22.0**	29.0
Development costs	**1.0**	1.2
IT expenses	**23.1**	30.2

IT running costs have decreased by €7 million. This is mostly due to the royalties paid to the Luxembourg entity for the usage of core business software owned by the Luxembourg entity. The royalties costs stopped from 1 December 2016 due to the wind down of the Luxembourg entity.

Development costs have decreased by €0.2 million mainly due to decrease in IT projects.

2.2. Personnel expenses

Staff cost increased by €3.0 million in 2017 at €36.0 million (2016: €33.0 million) mainly resulting from:

- a €0.3 million increase in compensation (salary, bonus, social charges)
- a €0.5 million increase in staff cost recharged from other Group entities
- a €1.9 million increase in redundancy cost

2.3. Premises costs

Premises costs remained flat compared to 2016 at €4.4 million.

2.4. Other general operating expenses

	2017 €'m	2016 €'m
Other expenses	**23.2**	21.9
Management fees	**2.8**	1.8
Other general operating expenses	**26.0**	23.7

Other expenses are made up of a number of various items such as legal fees, bank fees, travelling expenses, contractors and consultants, marketing fees, financial data flows, telecommunication costs, fees paid to the regulators and auditors' fees. The €2.3 million increase in other general operating expenses from 2016 is mainly related to:

- an increase by €1.0 million in recharged from Group companies
- an increase by €0.8 million in professional fees

Year on year, management fees have increased by €1.0 million.

The auditors' fees for the year 2017 amount to:

- €0.25 million for the statutory accounts shared 50/50 between BDO France Léger & Associés and Ernst & Young
- €0.19 million for the PCAOB audit shared 50/50 between BDO France Léger & Associés and Ernst & Young

3. Miscellaneous taxes

Taxes (other than corporate tax) have increased by €0.4 million at €2.2 million (2016: €1.8 million).

4. Depreciation, amortisation and provisions

	2017	2016
	€'m	€'m
Intangible assets depreciation	**14.6**	12.4
Tangible assets depreciation	**0.2**	0.3
Impairment	**-**	-
Depreciation and amortisation	**14.8**	12.7
Net (decrease) / increase of other provisions	**0.2**	-
Net (decrease) / increase of provisions for employees	**0.1**	1.3
Net (decrease) / increase in provisions	**0.3**	1.3
Depreciation, amortisation and provisions (net)	**15.2**	14.0

Intangible assets amortisation has increased in 2017 to €14.6 million (2016: €12.4 million).

Tangible assets amortisation has decreased in 2017 to €0.2 million (2016: €0.3 million).

5. Net finance income

	2017	2016
	€'m	€'m
Realised	***53.4***	*38.5*
Unrealised	**-**	*(0.2)*
Revenues from collateral	**53.4**	38.3
Revenues from own cash	**(1.3)**	(0.8)
Dividends received	**-**	11.7
Net finance income	**52.1**	49.2

In 2017, the revenue of the cash collateral increased significantly to €53.4 million (2016: €38.5 million) mainly on cash revenues.

The negative revenue from the Company’s own cash position has decreased at €(1.3) million (2016: €(0.8) million).

LCH.Clearnet Luxembourg SARL distributed a final dividend to the Company of €11.7 million in 2016.

6. Exceptional items

Total exceptional items amount to €0.1 million in 2017 (2016: charge of €2.7 million) and relate to the cost saving initiative. During 2016, the Board approved a three year restructuring programme to improve the efficiency of the Company.

7. Profit sharing, headcount

In 2017, the total amount recognised as profit-sharing expenses under payroll costs amount to €2.2 million (2016: €1.6 million).

At the end of December 2017, the company headcount (permanent employees) was 177 (2016: 181).

8. Corporate income tax

A multi-lateral transfer pricing agreement signed by representatives of the French, Belgian, and Dutch tax authorities has been in effect since 1 January 2004 and has been renewed on April 2014 until 31 December 2015.

The renewal of this agreement for the next five years has been sent to the tax authorities by 3 July 2015.

This agreement allows the distribution of the earnings that are jointly generated by Banque Centrale de Compensation, which has its registered office in Paris, and by its Dutch and Belgian branches.

LCH SA's Portuguese branch is not considered as a permanent establishment for Portuguese corporate tax purposes, and its assets and operations are therefore assimilated with those of its parent company, a French tax resident. LCH SA therefore records no corporate tax charge payable to the Portuguese tax authorities.

The standard corporate tax rate is 33.33% in France, 25% in the Netherlands and 33% in Belgium.

	2017 **€'m**	2016 €'m
French income tax	**17.0**	13.0
Belgian income tax	**0.5**	0.3
Dutch income tax	**2.4**	1.4
Corporate income tax	**19.9**	14.7

9. Income statement - regulatory presentation

	2017	2016
	€'m	€'m
Interest and related income	**128.9**	92.3
Interest and related expenses	**(87.4)**	(65.6)
Variable income from securities	**-**	11.7
Commissions received	**10.7**	10.7
Commissions paid	**(24.1)**	(7.9)
Gains, losses on trading securities operations	**-**	-
Gains, losses on held for sale securities operations	-	0.1
Other income on banking transactions	**145.3**	118.6
Other loss on banking transactions	**(7.1)**	(7.6)
Net banking revenue	**166.3**	152.3
Other operating income	-	7.2
General operating expenses	**(87.1)**	(86.3)
Depreciation, amortisation and provisions	**(14.8)**	(14.2)
Provision write-backs	**-**	-
Gross operating income	**64.4**	59.0
Cost of risk	**-**	-
Operating income	**64.4**	59.0
Gains or losses fixed assets	**-**	0.2
Net operating profit before tax	**64.4**	59.2
Non operating result	**0.1**	(2.9)
Corporate income tax	**(19.9)**	(14.7)
Provisions and write-backs on general banking risk	**-**	-
Net income for the year	**44.6**	41.6

10. Fixed assets

Cost	2016 €'m	Acquisitions	Project delivery	Disposal	**2017 €'m**
Other intangible assets	**52.7**	-	-	-	**52.7**
Software	**113.3**	-	11.6	(12.7)	**112.2**
Intangible work in progress	**10.7**	25.2	(11.6)	-	**24.3**
Intangible fixed assets	**176.7**	**25.2**	**0.0**	**(12.7)**	**189.2**
Other tangible fixed assets	**9.1**	0.0	-	(0.3)	**8.8**
Tangible fixed assets in progress	**-**	-	-	-	**-**
Tangible fixed assets	**9.1**	**0.0**	**-**	**(0.3)**	**8.8**
Gross book value	**185.8**	**25.2**	**-**	**(13.0)**	**198.1**

Accumulated amortisation	2016 €'m	Allowances	Reversals	Impairment	**2017 €'m**
Other intangible assets	43.7	-	-	-	43.7
Software	78.0	3.2	-	-	81.1
Intangible fixed assets	**121.7**	**3.2**	**-**	**-**	**124.9**
Tangible fixed assets	8.1	0.1	-	-	8.1
Tangible fixed assets	**8.1**	**0.1**	**-**	**-**	**8.1**
Amortisation	**129.8**	**3.3**	**-**	**-**	**133.0**
Net book value	**56.0**				**65.0**

Fixed asset items include both depreciable assets and fixed assets in progress. The latter items include software under development and various tangible assets that have not yet entered service. Once these assets come into use, they start to be depreciated or amortised in accordance with the principles described in section II – accounting principles and valuation methods / fixed assets, amortisation and depreciation.

Impairment testing of intangible assets

In accordance with ANC 2015-06, the Company has performed an analysis on the nature of other intangible assets and confirms that they are only composed of intangible assets; as a consequence, the Company carries out annual impairment testing on intangible assets in December of each year, or more often if circumstances show that impairment may be likely.

Other intangible assets are carried in relation to the acquisition of branches in Amsterdam, Brussels and Porto. The recoverable amount associated with these branches is determined based on value in use calculations.

For intangible assets, impairment is assessed by reviewing the carrying value of the asset against its recoverable amount, which is determined by value in use calculations for the relevant cash generating unit using discounted cash flow projections.

The key assumptions used in the valuations relate to discounted cash flow projections prepared by management covering a five year period. The cash flow projections are based on the Group's budget for 2017 and the approved plan for the two financial years following the last financial year in the budget. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates.

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates, as follows:

i) The values assigned to short and medium term revenue and cost growth are based on the 2017 budget and the Group approved plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions
ii) Long term growth rates of 3.7% (2016: 2%) represent management's internal forecasts based on external estimates of GDP and inflation
iii) The pre-tax discount rate of 11.1% (2016: 11.6%) is based on a number of factors including the risk-free rate, the Group's estimated market risk premium and a premium to reflect inherent risks

Impairment results

Having completed the tests as described above, self developed software and other intangible assets were not found to be impaired.

Sensitivity analysis

Reasonably possible changes in key assumptions and rates at 31 December 2017 are detailed below and the impact on the impairment recognised noted:

Self-developed software

	Base case	Adjusted	Increase in impairment
			€'m
Reduction in clearing revenues	various	-10.0%	-
Pre-tax discount rate	11.1%	14.1%	-

Other intangible assets

	Base case	Adjusted	Increase in impairment
			€'m
Reduction in clearing revenues	various	-10.0%	-
Cash flow growth beyond the five year period	3.7%	0%	-
Pre-tax discount rate	11.1%	14.1%	-

11. Investments in subsidiaries and affiliates (net of impairment)

In November 2016, the Company's major subsidiary company, LCH.Clearnet (Luxembourg) S.à.r.l., sold its intellectual property rights to the Company and a fellow subsidiary company. Subsequently, LCH.Clearnet (Luxembourg) S.à.r.l. underwent a capital reduction and repaid the Company capital of €19.5 million.

On the 16 December 2016, the Company sold its 49% holding in LCH.Clearnet (Luxembourg) S.à.r.l. to its parent company, LCH Group Holdings Limited for consideration of €0.2 million.

At 31 December 2017, LCH SA owned a €300,470 equity interest in the company SWIFT (2016: €300,470). This interest arose from the systematic attribution of SWIFT shares to LCH SA based on the volume of messages transmitted by LCH to its clearing members via the SWIFT system.

12. Held for sale securities

The securities held for the purpose of cash management at 31 December 2017 consisted exclusively of treasury bills.

	2017 **€'m**		2016 €'m	
Investment securities and related receivables	**-**	**0%**	-	0%
Securities available for sale and related receivables	**50.1**	**100%**	906.1	100%
Securities placed on repos	**-**	**0%**	-	0%
Investment securities, held for sale securities	**50.1**		906.1	

	2017 **€'m**		2016 €'m	
Less than 1 month	**-**	**0%**	105.0	12%
Greater than 1 month and less than 3 months	**-**	**0%**	475.4	52%
Greater than 3 months and less than 6 months	**50.1**	**100%**	325.7	36%
Greater than 6 months	**-**	**0%**	-	0%
Investment securities, held for sale securities	**50.1**		906.1	

The fair value of securities held for sale as of 31 December 2017 is €50.1 million (2016: €906.1 million).

13. Trade receivables

	Gross	**Depreciation**	**Net 2017**	Net 2016
	€'m	€'m	€'m	€'m
Clients	**11.5**	**-**	**11.5**	11.2
Doubtful accounts	**-**	**-**	**-**	-
Trade receivables	**11.5**	**-**	**11.5**	**11.2**

The company's client receivables mostly consist of clearing fees debited from clearing members' accounts on the 10th working day of the month following the transaction.

As of 31 December 2017, there were no doubtful accounts.

14. Other receivables (excluding clearing house, treasury and portfolio accounts)

	2017	2016
	€'m	€'m
Income tax	**2,2**	1,6
Personnel	**0,1**	0,1
Miscellaneous	**0,5**	1,2
Other receivables	**2,7**	2,9

15. Clearing house accounts (assets)

	2017	2016
	€'m	€'m
Funds receivable from clearing house members	**407.2**	443.8
Executed trades not yet settled and other (assets)	**359.4**	9.0
Margins and premiums receivable from clearing house members	**70.4**	36.4
Reverse repo	**313,398.6**	284,333.7
Guarantee deposit paid to CC&G	**2,586.5**	4,514.2
Clearing house accounts (assets)	**316,822.1**	289,337.1

In order to guarantee the integrity of the operations it processes, LCH SA requires clearing members to make deposits of collateral known as margin calls. The nature of the eligible margin calls, as well as the conditions governing the calls and deposit of these calls are determined by LCH SA.

Initial margin may consist of cash, securities or bank guarantees, it being expressly stipulated by LCH SA that these are the only eligible instruments.

Cash collateral appear as liabilities on the balance sheet, while bank guarantees and securities are recognised in the off-balance sheet. Collateral deposits are adjusted daily, giving rise either to a call for additional margin, recorded as an asset under funds receivable from clearing house members, or to a refund, recorded as a liability under funds payable to clearing house members.

Margins to be received or paid are calculated and called daily based on each clearing member's position. The margin receivable from or payable to each clearing member corresponds to the difference between the daily settlement value of the clearing member's position compared with that of the previous day.

Positive variation margins that may be recovered by clearing members are recognised as a liability. Negative variation margins represent amounts receivable by the clearing house and are therefore recorded as an asset under margins receivable from clearing house members.

In addition to margin deposits, clearing house members may be called upon to pay or receive premiums on a daily basis. Premiums correspond to the traded price paid by option buyers to option writers. At the end of each trading day, premiums payable and receivable consist in the net difference between each clearing member's long and short trades.

Payable premiums are recorded as liabilities and receivable premiums are recorded as assets.

Repo transactions on the OTC market are presented on a non-offset basis. The amount on the asset side represents the loans for which securities were received; the amount on the liabilities side represents the loans for which securities were delivered under repos. Commitments made by the clearing house to clearing members using repos are recorded off-balance sheet, as well as commitments received.

LCH SA pays a daily collateral deposit to *Cassa di Compensazione & Garanzia* (CC&G), the Italian clearing house and fellow subsidiary of London Stock Exchange Group plc, to cover positions taken by its clearing members whose counterparties clear through CC&G. Similarly, LCH SA receives collateral deposits from CC&G to cover positions taken by CC&G clearing members trading with LCH SA clearing members.

16. Treasury and portfolio accounts

	2017 €'m	2016 €'m
Banque de France	**19,264.7**	14,971.6
Cash on hand and current accounts	**1.0**	6.6
Secured and unsecured loans	**-**	-
Overnight loans and repos	**-**	-
Treasury and portfolio accounts	**19,265.6**	14,978.2

LCH SA operates directly on the money market, investing the cash arising from its operating cash flow and from the cash collateral received from its clearing members. As of 31 December 2017, the cash was no more invested in term repos.

The maturities are detailed below (the remainder of the company's cash being invested in securities as detailed in note 12 to the accounts):

	Less than 1 month	Greater than 1 month and less than 3 months	Greater than 3 moths and less than 6 months	6 months until 12 months	Total
	€'m	€'m	€'m	€'m	€'m
Banque de France	19,264.7	-	-	-	**19,264.7**
Cash on hand and current accounts	1.0	-	-	-	**1.0**
Secured and unsecured loans	-	-	-	-	**-**
Overnight loans and repos	-	-	-	-	**-**
Treasury and portfolio accounts	**19,265.6**	**-**	**-**	**-**	**19,265.6**

Out of the total treasury accounts of €19,265.6 million (2016: €14,978.2 million), €290.2 million is own cash (2016: €288.4 million). €42.3 million of this amount (2016: €45.4 million) is restricted as the Company's own resources to be used in the default waterfall.

17. Prepayments

This account is related to prepaid expenses for €0.5 million (2016: €2.2 million).

18. Shareholder's equity

At the end of 2017, shareholder's equity consisted of the following elements:

	2017	2016
	€'m	€'m
Share capital	**113.1**	113.1
Capital premium	**0.7**	0.7
Legal reserve	**11.3**	11.3
Other reserves	**32.6**	32.6
Retained earnings	**119.1**	117.5
Reserve for general banking risk	**0.3**	0.3
	277.1	275.5
Net profit	**44.6**	41.6
Revenues to be allocated	**-**	-
Interim dividend	**-**	-
Shareholder's equity*	**321.7**	317.1

*including general banking risk reserve

The change in the shareholder's equity during 2017 may be summarised as follows:

	€'m
Shareholder's equity at 31 December 2016	**317.1**
Dividends	(40.0)
Net profit of the year	44.6
Revenues to be allocated	-
Shareholder's equity at 31 December 2017	**321.7**

19. Provisions

	2017 €'m	2016 €'m	Change €'m	Addition €'m	Reversals €'m
Employee benefit provisions					
Compensation for retirement	4.7	4.6	0.0	0.0	-
Jubilee award	1.5	1.4	0.1	0.1	-
	6.2	6.0	0.1	0.1	-
Other operating provisions					
Provision for operating risks	0.2	-	0.2	0.2	-
Non operating provisions					
Provision for restructuring	-	0.1	(0.1)	-	(0.1)
Provisions	**6.4**	6.1	0.2	0.3	(0.1)

Employee benefit provisions are €6.2 million (2016: €6.0 million); this is calculated on the basis of the following assumptions: an inflation rate of 2%, an interest rate at 1.5% and a 2.5% increase in salaries.

Other operating provisions are €0.2 million (2016: nil) for litigation with a contractor.

The provision for restructuring is now nil. This was related to the remaining expected cost of the restructuring plan initiated in 2013, following the revised clearing agreement signed with Euronext in December 2013.

20. Trade notes and accounts payable (suppliers)

	2017 €'m	2016 €'m
Trade payables	**0.1**	0.3
Supplier accruals	**10.9**	10.3
Trade notes and account payable (suppliers)	**11.0**	10.6

At the end of 2017, payables to suppliers amount to €11.0 million (2016: €10.6 million). The main amounts include Sopra with €1.0 million (2016: €0.7 million), Atos with €1.2 million (2016: €0.5 million), and Euronext with €1.6 million (2016: €2.0 million); and are respectively related to information technology services and business fees. All trade payables as of 31 December 2016 and 2017 had a maturity of less than 3 months.

21. Personnel, tax and social security payables

	2017	2016
	€'m	€'m
Personnel payables and related costs	**24,0**	22,4
Taxes payable	**7,1**	2,6
Personnel, tax and social security payables	**31,2**	25,0

Accrued taxes and personnel costs mainly consist of the following provisions:

- Paid holidays: €11.4 million (2016: €11.2 million)
- Employees' profit sharing schemes: €2.6 million (2016: €1.8 million)
- Bonuses: €6.1 million (2016: €4.7 million)
- National Insurance payables: €1.7 million (2016: €2.1 million)
- Other personnel provisions : €1.9 million (2016 : €2.6 million)

The accrued taxes payable is mainly made of:

- Corporate tax payable: €5.7 million (2016: €1.4 million)
- VAT: €0.6 million (2016: €0.6 million)
- "Organic" tax: €0.4 million (2016: €0.3 million)
- Other taxes: €0.5 million (2016: €0.3 million)

22. Other payables (excluding clearing house, treasury and portfolio accounts)

	2017	2016
	€'m	€'m
Other liabilities	**7.6**	13.3
Other payables	**7.6**	13.3

23. Clearing house accounts (liabilities)

These accounts described in note 15, are broken down as follows:

	2017	2016
	€'m	€'m
Funds payable to clearing house members	**747.8**	797.0
Clearing house members guarantee deposits	**21,134.7**	19,675.2
Trades executed but not yet settled and other	**483.6**	75.0
Margins payable to clearing house members	**70.4**	36.4
Repos payable	**313,398.6**	284,333.7
Clearing house accounts (liabilities)	**335,835.1**	304,917.3

24. Treasury accounts (liabilities)

	2017	2016
	€'m	€'m
Bank overdraft	**2.4**	3.0
Secured borrowings	**-**	-
Accrued interest on secured borrowings	-	-
Short term debts with financial institutions	**2.4**	3.0

Overnight loan facilities may be contracted to avoid overdrafts in Central Bank accounts when operations remain unsettled in the end-of-day cycles of settlement/delivery.

25. Accruals (liabilities)

Accruals in liabilities amount to €5.1 million are related to €1.5 million rent free period and €3.6 million on CDS project recovery.

26. Clearing house commitments

	2017	2016
	€'m	€'m
Securities received as collateral	**9,235.6**	12,219.4
First-demand guarantees received from banks	**7.5**	6.0
Guarantees received from DNB	**502.2**	650.9
Guarantees received from BNB	**1,497.6**	648.0
Guarantees received	**11,243.0**	13,524.3
Guarantees given to Banque de France	**2,082.6**	1,821.4
Guarantees given	**2,082.6**	1,821.4
Securities receivable	**241,103.7**	212,202.5
CDSClear receivable	**202,819.7**	124,641.2
Commitments received	**443,923.4**	336,843.7
Securities deliverable	**241,106.4**	212,193.5
CDSClear deliverable	**202,826.3**	124,641.2
Commitments given	**443,932.7**	336,834.7

27. Comparison of total cover required and collateral actually deposited

At 31 December 2017, the margin cover requirement broke down as follows:

	2017	2016
	€'m	€'m
Margining requirements	**20,063.2**	26,900.4
Clearing funds	**4,757.5**	3,255.6
Total	**24,820.7**	30,156.0

Cash deposits	**16,166.1**	18,925.7
Other	**10,538.9**	12,484.2
Total	**26,705.0**	31,409.9

28. Balance sheet and off-balance sheet – regulatory presentation

	2017 **€'m**	2016 €'m
Assets		
Petty cash, central banks, bank accounts	19,264.6	14,971.5
Receivables from financial institutions	1.0	6.4
Bonds and other fixed income securities	50.0	905.1
Participations	0.3	0.3
Fixed assets	65.0	56.0
Intangible assets	*61.1*	*55.0*
Tangible assets	*3.9*	*1.0*
Other assets	316,824.9	289,338.3
Prepayment and other accrued income	14.7	19.1
Total assets	**336,220.4**	**305,296.7**
Liabilities		
Debts with financial institutions	119.4	64.7
Payables to customer	5.3	12.6
Other liabilities	335,753.1	304,882.4
Accrued liabilities	14.7	13.8
Provisions	6.4	6.1
Reserve for general banking risk	0.3	0.3
Shareholders' equity	321.4	316.8
Share capital	*113.1*	*113.1*
Reserves	*44.6*	*44.6*
Retained earnings	*119.1*	*117.5*
Net profit	*44.6*	*41.6*
Total liabilities	**336,220.4**	**305,296.7**
Off balance sheet		
Commitment given		
Guarantee commitments	*204,908.9*	*126,462.6*
Commitments on securities	*241,106.4*	*212,193.5*
Commitments received		
Guarantee commitments	*214,062.7*	*138,165.5*
Commitments on securities	*241,103.7*	*212,202.5*

29. Consolidating company

London Stock Exchange Group plc (LSEG) is the ultimate parent company of the LCH Group, with a total shareholding of 57.78% and is the largest Group that prepares consolidated accounts. The immediate parent company is LCH Group Holdings Limited (formerly LCH Group Holdings Limited) which is the head of the smallest group that prepares consolidated accounts.

	2017	2016
	€'m	€'m
Transactions with parent companies		
Income statement		
Services recharges to parent companies	-	-
Services recharges from parent companies	3.7	2.6
Total	3.7	2.6
Statement of financial position		
Amount due to parent companies as of 31 December	(1.7)	(1.3)
Transactions with fellow companies		
Income statement		
Project recharge income with other fellow companies	(3.2)	(1.9)
Project recharge cost from other fellow companies	12.5	6.4
Services recharged to other fellow companies	(0.7)	(1.1)
Services recharged from fellow subsidiaries	9.9	17.2
Total	18.5	20.6
Statement of financial position		
Amount due to fellow companies as of 31 December	(6.1)	(4.2)

30. Directors' fees

Directors' fees paid by the company in 2017 amounted to €76,669. This amount excludes the CEO's compensation.

31. Management report

The management report is available to the public at LCH SA headquarters, 18 rue du Quatre Septembre 75002 Paris, France.

32. Subsequent event

Subsequent events have been evaluated by LCH SA through March 08, 2018, the date these financial statements are available to be issued.