Company number: 692 032 485

# LCH.CLEARNET SA

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

**Board of Directors**

| Type of Director | Name | Other Directorship at 31 December 2014 |
|---|---|---|
| Chairman | Alain Demarolle | GlobeSettle SA |
| Director | Christophe Hémon | LCH Clearnet (Luxembourg) S.à.r.l. |
| Director | Jacques Aigrain | LCH.Clearnet Group Ltd<br>LCH.Clearnet Ltd<br>LCH.Clearnet LLC<br>Lufthansa AG,<br>Swiss International Airlines<br>LyondellBassell NV<br>Qatar Financial Center Authorities<br>London Stock Exchange Group plc<br>WPP plc |
| Director | Ian Abrams | LCH.Clearnet Group Ltd<br>LCH.Clearnet Ltd<br>LCH.Clearnet LLC<br>Highplus Ltd<br>Orchard Wealth Management Ltd (Jersey)<br>Orchard Funds PLC (Dublin) |
| Director | Neil Walker | LCH.Clearnet Group Ltd<br>Financial Services Limited |
| Director | Dennis McLaughlin | LCH.Clearnet Ltd |
| Director | Serge Harry | GlobeSettle SA<br>MTS France<br>LSEG Luxco 1<br>LSEG Luxco 2<br>SH Consulting |
| Director | Eric Litvack | International Swaps and Derivatives Association<br>SG Securities (Paris) SAS |
| Director | Rémi Bourrette | Smartpool Ltd<br>Collège Français Bilingue de Londres |
| Director | Leonard (Lex) Hoogduin | LCH.Clearnet Group Ltd<br>LCH.Clearnet Ltd<br>LCH.Clearnet LLC<br>Lex Hoogduin B.V.<br>Supervisory Board of Statistics Netherlands<br>Supervisory Board of Pallas<br>Supervisory Board of Welten<br>Supervisory Board of Centre for Integral Revalidation<br>GloComNet BV |
| Director | Anthony Attia | Euronext Paris SA<br>Euronext France (Holding) SAS<br>EnterNext SA<br>Euronext Technologies Holding SAS<br>Euronext N.V. |
| Director | Suneel Bakhshi | LCH.Clearnet Group Ltd<br>LCH.Clearnet Ltd |

| | | |
|---|---|---|
| Director | Yves Perrier | LCH.Clearnet Group Ltd<br>Amundi SA<br>Amundi Group<br>Conseil de Surveillance CA Titres<br>CACEIS<br>Crédit Agricole SA<br>Euro Securities Partners SAS<br>Société Générale Gestion |
| Director | Patrick Combes<br>Resigned on 16 July 2014 | |

Fees allocated by LCH.Clearnet SA to above Directors having Group functions are as follows:

| | |
|---|---|
| Ian Abrams | €50,000 |
| Neil Walker | €40,000 |
| Leonard (Lex) Hoogduin | €65,000 |
| Yves Perrier | €30,000 |

The LCH.Clearnet SA Board of Directors presides over two specialised committees which assist the Company: the Company's Audit Committee and the Company's Risk Committee. The terms of reference defining the functions, missions, powers and responsibilities of these Committees are approved by the Board of Directors. The Remuneration Committee is a LCH.Clearnet Group level committee and makes recommendations to the Board in relation to the Company.

**Auditors**

Ernst & Young, Tour First, 1 Place des Saisons, 92037 Paris La Défense
KPMG, 1 Cours Valmy 92923 Paris La Défense

**Registered office**

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

As of 31 December 2014, LCH.Clearnet SA is fully consolidated in the accounts of LCH.Clearnet Group 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.

**Accounts payable**

As of 31 December 2014, amounts payable to suppliers totalled €8.5 million (2013: €8.3 million) and were all due within one year. Out of this amount, non-resident suppliers were €1.5 million in 2014 (2013: €3.7 million).

**Goodwill**

Annual impairment testing is carried out on goodwill 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. Following this test, it was concluded that no impairment was needed.

**Regulatory ratios**

LCH.Clearnet 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 is regulated by the CFTC as a DCO in the USA.

As a banking institution, LCH.Clearnet 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.

On 1 January 2014, the Capital Requirement Directive IV came into effect, the impact of this new regulation was an increase in the regulatory requirement due to the treatment of treasury activity as a trading book classification.

**Agreement 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.Clearnet SA, LCH.Clearnet Group Limited and LCH.Clearnet 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.

In the framework of the implementation of the service agreement, the ‘Framework Recharge Agreement’ between LCH.Clearnet SA, LCH.Clearnet Limited and LCH.Clearnet (Luxembourg) S.à.r.l. approved by the general meeting in May 2007 is considered to be a regulated agreement in the scope of article L-225-38 of the French Code of Commerce.

The purpose of the agreement is to set out the conditions under which both LCH.Clearnet SA and LCH.Clearnet Limited provide services to LCH.Clearnet (Luxembourg) S.à.r.l.

A cash advance of €12.8 million at a standard market interest rate was granted to LCH.Clearnet Luxembourg S.à.r.l. in 2010. Out of this amount, €2.0 million has been refunded in 2011 and €1.5 million in 2013 (no refund in 2012), the remainder has been refunded in the course of 2014.

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

In the framework of the implementation of the service agreement, the ‘Intra-Group Services Framework Agreement’ between LCH.Clearnet SA and London Stock Exchanges Group Plc, signed on 6 November 2014, is considered to be a current agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

**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 2014 is 0.009% (-0.0002% at 31 December 2013).

**Proposed appropriation of net profit**

LCH.Clearnet SA Board of Directors proposes to allocate the total of 2014 profit to a dividend payment of €11.0 million and to retained earnings for €11.1m..

Distributable reserves are as follows:

| | €'m |
|---|---|
| Profit for the period | 22.1 |
| Other reserves | 32.6 |
| Profit carried forward | 88.1 |
| | 142.8 |

Allocation of 2014 earnings is as follows:

| | |
|---|---|
| Allocation to Legal Reserves | - |
| Allocation to Other Reserves | - |
| Allocation to Retained Earnings | 11.1 |
| Proposed dividend | 11.0 |
| | 22.1 |

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

- for 2011: €0.30 per share
- for 2012: no dividend
- for 2013: no dividend

Banque Centrale de Compensation SA (trading as LCH.Clearnet SA) acts as the clearing house for regulated markets in France, the Netherlands, Belgium and Portugal and 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.Clearnet SA is part of the LCH.Clearnet Group, a leading multi-national clearing house. The Group provides services through which counterparty risk is mitigated across multiple asset classes for sell side clearing members, buy side clients and for exchange markets globally.

As a CCP, LCH.Clearnet 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.Clearnet 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. This process is called clearing.

The tenor of a trade can be anything from two days to 50 years, depending on the product type and terms of the deal. During the life of a trade, markets can move significantly and the capability of a CCP's risk and liquidity management becomes vital. Fundamental to LCH.Clearnet SA's risk process is its ability to collect quality collateral from clearing members and clients as credit support for their cleared positions. This collateral is often referred to as margin. Margin is calculated on a daily basis, or multiple times a day for certain asset classes, which is important during turbulent markets and is based on clearing members' positions and market risk. If a clearing member fails, this collateral is used by the CCP to fulfil the failed organisation's obligations. This ensures that the party on the other side of the trade is not negatively impacted by the default.

## Key performance indicators

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

| | 2014 | 2013 | Variance |
|---|---|---|---|
| **OTC derivatives** | | | |
| *CDSClear* | | | |
| CDSClear members | 11 | 11 | 0 |
| Notional cleared (€bn) | 61.5 | 167.9 | (106.4) |
| Notional outstanding (€bn) | 36.0 | 23.0 | 13 |
| **Non-OTC** | | | |
| Fixed income: notional cleared (€trn) | 35.9 | 34.6 | 1.3 |
| Listed derivatives: contracts cleared (m) | 144.2 | 147.3 | (3.1) |
| Cash equities: trades cleared (m) | 195.7 | 179.0 | 16.7 |
| Average cash collateral (€bn) | 9.6 | 10.2 | (0.6) |

## Highlights of the year

*CDSClear*

CDSClear offers industry leading default management provisions and clears a broad set of European credit indices and single names. CDSClear is now dual registered meaning it can act for clients both in the US and Europe. Currently CDSClear clears more than 200 European single name CDS.

CDSClear cleared €61.5 billion notional value last year (2013: €167.9 billion), with open interest standing at €36 billion (2013: €23 billion).

During April 2014, the operating agreement in respect of the CDSClear business line was renegotiated to ensure compliance with the EMIR regulatory regime as well as secure funding for the next three years of business development. The renegotiated terms were backdated to 1 January 2014. The amended terms of the operating agreement includes changes to the governance arrangements with its members in compliance with EMIR requirements.

*Fixed Income*

LCH.Clearnet is the leading clearer of European repurchase agreement and cash bond markets; comprising 15 European government repurchase agreement and cash bond markets.

In 2014, LCH.Clearnet SA launched a triparty collateral service denominated €GCPlus in partnership with Euroclear (servicing the collateral management system) and Banque de France, offering clearing on two baskets based upon ECB eligible assets.

In 2014, LCH.Clearnet launched a study around end user clearing for its fixed income services to address the key market expectation from buy side and sell side firms.

*Listed Derivatives*

LCH.Clearnet SA provides clearing services for equity derivatives and commodities. The Euronext continental derivatives agreement was renewed to clear listed derivatives until December 2018.

In 2014, LCH.Clearnet SA accompanied Euronext Derivatives in its extensive campaign for over 300 new listing such as Single Stock Futures on Euronext or non Euronext underlyings, Rapeseed Complex, new Southern banks index, ...

*Cash Equities*

Cash Equities provides clearing services for a wide coverage of European regulated exchanges and multilateral trading facilities. LCH.Clearnet is uniquely positioned to provide risk management and clearing services from Asian market hours through European Trading to the close of the US markets.

In 2014, LCH.Clearnet SA accompanied Euronext Equities in its campaign for new listing including International ETFs

*Net investment income*

Net investment income is the result of revenue earned on cash assets posted to the clearing house, less interest paid to the members on their initial margin and default fund contributions. The primary role of the investment function is the protection of client assets. Prudent investment and robust liquidity risk management remain at the core of the Company's investment strategy with risk parameters set by independent risk committees and regulatory requirements. 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.

**Development and performance**

The Company was authorised as a central counterparty under the European Market Infrastructure Regulation (EMIR) on 22 May 2014 by L'Autorité de Contrôle Prudentiel et de Résolution (ACPR). It confirms that the Company's risk management framework, technology, governance, operating model and capital meet the standards required by EMIR.

**Strategic objectives**

The overall Company's principal objectives are still the same:

- to reduce risk and safeguard the financial infrastructure in the markets that the Group serves
- to deliver market leading and cost-effective clearing services
- to be the leading multi-asset clearing house, independently serving diverse markets around the world

The strategy for achieving these objectives is:

- to maintain a sound risk management approach and resilient systems; LCH.Clearnet is committed to setting and maintaining the highest standards across all asset classes cleared
- to work closely with regulators to ensure LCH.Clearnet remains compliant with all necessary regimes

**Perspectives for 2015**

LCH.Clearnet has been granted from ESMA and its College of Regulators with the EMIR license and is embedding all the new processes related to it.

After the renewal of the contract with Euronext, LCH.Clearnet will focus on strengthening its partnership with the Exchange and deliver new products and new services to the latter, especially on the Derivatives ground (including commodities).

With respect to the Fixed Income / Repos business, the focus will be twofold:

- enlarging the business to end users, namely buy-side participants
- enriching and developing our offer on Triparty Collateral Management (basket) called euroGC+

Concerning CDS, developments will be concentrated on enlarging our offer to USD products and Financial Single Names and to attract more business by reviewing some of risk management aspects for becoming more attractive, without lowering our risk appetite.

From an infrastructure perspective, one of the main projects will be Target2Securities for the Italian repo business.

**Significant events which occurred since the end of the financial statements**

None.

## Five year financial summary

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **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 | 108.9 | 116.9 | 127.7 | 119.3 | 116.2 |
| Profit before tax, profit sharing, amortisation, provisions and impairment | 60.3 | 47.0 | 93.8 | 26.4 | 33.3 |
| Income tax | 15.9 | 23.7 | 16.9 | 10.4 | (0.1) |
| Profit sharing for the year | 1.3 | 3.0 | 1.6 | 1.3 | - |
| Impairment | 15.9 | 12.9 | - | 8.4 | - |
| Net income after tax, profit sharing, amortisation and provisions | 20.9 | 2.2 | 63.9 | (0.5) | 22.1 |
| Distributed earnings | 20.9 | 2.2 | - | - | - |
| **Earnings per share (in €)** | | | | | |
| Profit after tax, profit sharing, but before amortisation and provisions | 5.81 | 2.75 | 10.15 | 1.97 | 4.49 |
| Net income after tax, profit sharing, amortisation and provisions | 2.82 | 0.30 | 8.62 | (0.06) | 2.99 |
| Net dividend distributed per share | 2.82 | 0.30 | - | - | - |
| **Employee information** | | | | | |
| Average headcount | 191 | 187 | 192 | 198 | 175 |
| Total payroll for the year (in €'m) | 15.6 | 18.5 | 19.1 | 22.1 | 27.2 |

**Income statement**

| | Note | **2014 €'m** | 2013 €'m |
|---|---|---|---|
| **Revenue** | | | |
| Market revenues | 1 | **109.3** | 73.8 |
| Sales of other products and services | | **21.9** | 29.1 |
| Revenue sharing arrangements | | **(23.0)** | - |
| Other income | | **8.0** | 16.4 |
| **Operating income** | | **116.2** | 119.3 |
| General operating expenses | 2 | **(100.6)** | (109.6) |
| Taxes | 3 | **(1.8)** | (1.7) |
| **Operating expenses** | | **(102.4)** | (111.3) |
| **Operating profit before depreciation, amortisation and provisions** | | **13.8** | 8.0 |
| Depreciation, amortisation and provisions | 4 | **(11.1)** | (15.1) |
| **Operating profit/(loss)** | | **2.7** | (7.1) |
| **Net interest income** | 5 | **24.9** | 35.5 |
| **Operating profit after interest income** | | **27.6** | 28.4 |
| Exceptional items | 6 | **(5.6)** | (17.1) |
| Movement in profit sharing liabilities | 7 | **-** | (1.3) |
| Corporate income tax | 8 | **0.1** | (10.5) |
| **Profit for the year** | | **22.1** | (0.5) |

| | Note | **2014 €'m** | 2013 €'m |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets (net of accumulated depreciation and amortisation) | 10 | **45.4** | 43.9 |
| Investments in subsidiaries and affiliates (net of impairment) | 11 | **19.9** | 19.9 |
| Other long term investments | | **2.3** | 2.3 |
| Held for sale securities | 12 | **3,087.2** | 3,059.5 |
| Trade receivable (net of depreciation) | 13 | **11.2** | 8.1 |
| Other receivables (excluding clearing house, treasury and portfolio accounts) | 14 | **14.8** | 21.6 |
| Clearing house accounts | 15 | **248,025.9** | 229,146.9 |
| Treasury and portfolio accounts | 16 | **5,515.9** | 6,445.8 |
| Accruals | 17 | **1.4** | 10.4 |
| **Total assets** | | **256,724.0** | 238,758.4 |
| **Liabilities** | | | |
| Shareholder's equity (including general banking risk provision) | 18 | **268.2** | **246.1** |
| Provisions | 19 | **7.4** | 24.3 |
| Trade notes and accounts payable (suppliers) | 20 | **8.5** | 8.3 |
| Personnel, tax and social payables | 21 | **20.4** | 24.1 |
| Other payables (excluding clearing house, treasury and portfolio accounts) | 22 | **25.7** | 40.1 |
| Clearing house accounts | 23 | **256,393.1** | 238,413.5 |
| Treasury accounts | 24 | **0.2** | - |
| Accruals | 25 | **0.5** | 2.0 |
| **Total liabilities** | | **256,724.0** | 238,758.4 |
| **Off balance sheet** | | | |
| Clearing house commitments received | 26 | **291,700** | 293,132.4 |
| Commitments given | 26 | **282,454** | 288,290.2 |
| Treasury commitments received | 26 | **-** | 1,343.1 |
| Treasury commitments given | 26 | **-** | 1,343.1 |

**Presentation of the financial statements**

As a financial institution, Banque Centrale de Compensation (BCC), which trades under the business name LCH.Clearnet SA, is required to prepare and publish annual financial statements (balance sheet, off-balance sheet and income statement) in accordance with the amended Regulation 91-01 of the French Banking and Financial Regulations Committee (CRBF) and Regulation 2000-03 of the French Accounting Regulations Committee (CRC). 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.Clearnet 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.Clearnet SA.

Since the merger of the Amsterdam and Brussels clearing houses within LCH.Clearnet 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.Clearnet SA. In addition, LCH.Clearnet 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.Clearnet 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 theoretical 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 economic financial statements carries the following notes, which are presented in accordance with the above-mentioned amended Regulation 91-01, 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 |

IT development costs are recognised on the balance sheet in accordance with principles stated in the CRC 2004-06.

### Impairment of goodwill, intangible assets and property plants and equipment

Goodwill and 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, goodwill and other 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 goodwill or other 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 goodwill, 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 goodwill 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.

Provision 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 2014 are cash management instruments, recognised and valued in accordance with the amended regulation CRBF 90.01. These items consist exclusively of held-for-sale securities.

**Financial derivative instruments**

The group uses interest rate swaps exclusively to hedge the interest rate exposure arising from its investment activities. 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 regulation CRB 90-15.

**Reserve for general banking risks**

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

**Provisions**

In accordance with CRC 2000-06, LCH.Clearnet 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.Clearnet 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 concern commitments for retirement and jubilee award.

In the normal course of business, LCH.Clearnet 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.Clearnet 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.

**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 (CRC 2000-03 §III).

**1. Operating income**

| | **2014** | 2013 |
|---|---|---|
| | **€'m** | €'m |
| Cash | **23.6** | 21.1 |
| Futures | **26.2** | 23.9 |
| Options | **14.4** | 15.5 |
| Derivatives | **40.6** | 39.4 |
| Fixed income | **20.3** | 13.3 |
| CDS | **24.8** | 0.0 |
| **Market revenues** | **109.3** | 73.8 |

| | **2014** | 2013 |
|---|---|---|
| | **€'m** | €'m |
| Membership commission | **5.4** | 14.0 |
| Other fees charged to Members | **16.5** | 15.1 |
| Sales of other products and services | **21.9** | 29.1 |
| | | |
| Other income | **8.0** | 14.0 |
| Revenue sharing arrangements | **(23.0)** | 2.4 |
| | | |
| **Operating income** | **116.2** | 119.3 |

On **cash markets** (equities and bonds), the posted clearing revenue was 12% above 2013 due an increase in volume of 9% and a 2% increase in the average fee per posting, the latter being the consequence of a lower blue chips contribution in the global volume.

Euronext contributed 96% to the total clearing fees.

On **futures markets** (indices and commodities), revenue (including delivery fees) increased by 9.7% from 2013 mainly driven by a 22% increase in volume of commodities contracts.

On **options markets** (indices and commodities), revenue (including exercises and assignments) decreased by 6.8 % due to a 8% decrease in equity options.

On **fixed income markets** (government bonds and bond repurchase agreements (repos)) revenue increased by 52% compared to 2013 mainly due to change in tariff applied on January 2014, and to a 4% increase in the cleared nominal value. The average duration of a repos decreased from 2.97 days in 2013 to 2.71 days in 2014, explaining why the increase in volume is not reflected in the revenue increase. The French debt segment represented 32% of the volume, the Italian debt 60% and the Spanish debt 8%.

On the **CDS market**, since January 2014, a fixed annual fee of €2.25 million per clearing member is charged (an increase of €1.25 million from 2013) and recognised under membership commission. There were 11 paying clearing members at the end of 2014 vs. 10 at the end of 2013.

Membership commissions, excluding the €8.3 million CDS revenue recognised in 2013, decreased by 4.6% to 5.4 million and are split as follows:

- €0.5 million in membership fees related to the French Derivatives market, stable compared to 2013
- €3.5 million in membership fees derived from the Cash Equities markets, compared to €3.8 million in 2013
- €1.4 million in periodic fees (members' codes management), stable compared to 2013

Other fees charged to clearing members increased by €1.4 million to €16.5 million consisting mainly of:

- Settlement costs recharged to clearing members: €9.6 million vs. €9.0 million in 2013
- Workstations: €1.1 million stable compared to 2013
- Member network: €1.9 million vs. €2.0 million in 2013
- Penalties for:
    - delivery failure: €1.7 million vs. €1.6 million in 2013
    - late netting on commodities market: €0.9 million vs. €0.5 million in 2013

Other miscellaneous fees: €1.3 million vs. €0.8 million in 2013

Other income decreased by €6.0 million to €8.0 million consisting of:

- Costs charged to other entities within the Group: €4.2 million (2013: 10.1 million) mainly made of :
    - No cost charged to LCH.Clearnet Luxembourg for the development of the Fixed Income clearing system (2013: 1.9 million)
    - No cost charged to LCH.Clearnet Luxembourg for the development of the collateral management system (2013: 0.6 million)
    - €2.6 million (2013: €3.3 million) related to the third data centre used by LCH.CLearnet Limited
    - €0.5 million (2013: 1.5 million) charged to LCH.Clearnet Group and €0.9million (2013: €1.9 million) charged to LCH.Clearnet Limited and €0.2 million (2013: €0.2 million) to LCH Clearnet Luxembourg
- Costs charged to CDS clearing members for the development of the CDS clearing system: €3.8 million (2013: 3.9 million)

A new CDS agreement has been signed in April 2014 with no recovery of operating losses balanced by higher clearing fees. This new agreement is applicable from 1 January 2014 and does not affect prior year arrangements. The related profit sharing recognised in 2014 is €7.3 million.

A revenue share started on the listed derivatives segment from April 2014 based on agreement signed with Euronext in October 2013. This agreement generated a net retrocession fee to Euronext of €15.7 million.

**2. General operating expenses**

General operating expenses decreased by 8% in 2014.

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| IT expenses | **30.6** | 33.1 |
| Personnel expenses | **35.1** | 37.3 |
| Other general operating expenses | **30.5** | 34.8 |
| Building expenses | **4.4** | 5.4 |
| **General operating expenses** | **100.6** | 109.6 |

### 2.1. IT expenses

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Running costs | **28.8** | 30.1 |
| Development costs | **1.8** | 2.0 |
| **IT expenses** | **30.6** | 32.1 |

IT running costs have decreased by €1.3 million. This is mostly due to the revised agreement signed with Atos and applicable since January 2014.

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

### 2.2. Personnel expenses

Staff cost decreased by €2.2 million in 2014 at €35.1 million mainly resulting from:

- a €5.0 million decrease in compensation cost following restructuring plan
- a €3.3 million increase in staff cost recharged from other Group entities
- a €0.6 million decrease in redundancy cost
- a €0.1 million of additional share-based payment charges

### 2.3. Premises costs

Premises costs have decreased at €4.4 million compared to €5.4 million in 2013 as an effect of the early termination of the rent agreement of the France premises.

### 2.4. Other general operating expenses

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Other expenses | **25.8** | 30.2 |
| Management fees | **4.7** | 4.6 |
| **Other general operating expenses** | **30.5** | 34.8 |

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, telephone costs, fees paid to the regulators, auditors' fees etc. The variance is mainly related to:

- a decrease of €1.5 million costs related to the implementation of EMIR regulation which occurred in 2013
- an increase of €1.0 million costs related to first recharge of services from the London Stock Exchange Group since its acquisition of LCH.Clearnet Group
- a decrease of €1.0 million of leased lines related to the third datacenter. The associated cost were recognised in LCH.Clearnet SA in 2013 and charged back to LCH.Clearnet Ltd. In 2014, they have been billed directly to LCH.Clearnet Ltd
- a decrease of €0.4 million in settlement cost
- a decrease of €2.0 million of fees mainly related to CDS project

Year on year, management fees have increased by €0.1 million.

### 3. Miscellaneous taxes

Taxes (other than corporate tax) have increased by €0.1 million at €1.8 million.

### 4. Depreciation, amortisation and provisions

| | **2014** **€'m** | **2013** €'m |
|---|---|---|
| Intangible assets depreciation | **9.1** | 5.4 |
| Tangible assets amortisation | **2.0** | 1.9 |
| Impairment | **-** | 8.4 |
| **Depreciation and amortisation** | **11.1** | **15.7** |
| Net (decrease) / increase of other provisions | - | - |
| Net (decrease) / increase of provisions for employees | - | (0.6) |
| **Net (decrease) / increase in provisions** | **-** | **(0.6)** |
| **Depreciation, amortisation and provisions (net)** | **11.1** | **15.1** |

Intangible assets amortisation has increased in 2014 due to increase in CDS assets.

Tangible assets amortisation is in line with previous year at €2.0 million (2013: €1.9 million).

### 5. Net interest income

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Realised | **24.5** | 35.2 |
| Unrealised | **0.2** | 0.3 |
| Revenues from cash collateral | **24.7** | 35.5 |
| Revenues from own cash | **0.2** | 0.0 |
| **Net interest income** | **24.9** | 35.5 |

In 2014, the revenue of the cash collateral decreased significantly from €35.5 million in 2013 to €24.9 million mainly on cash revenues.

The unrealised revenues decreased slightly by €0.1 million. The cash revenues decreased of €10.8 million is mainly due to the decrease of €1.3 billion of cash portfolio related to initial margin and to the change in Fixed Income activity collateral remuneration from EONIA -30 basis point in 2013 to EONIA – 17 basis point in 2014.

The revenue from the company's own cash position has remained stable at €0.2 million (2013: less than €0.1 million).

### 6. Exceptional items

Exceptional items relate to net synergy plan costs including the social plan (credit of €2.9 million) and net settlement costs in relation to a past default exercise (€8.5 million).

### 7. Profit sharing, headcount

In 2014, the total amount recognised as profit-sharing expenses under payroll costs is nil compared with €1.3 million in 2013.

At the end of December 2014, the company headcount (permanent employees) was 166 (195 at 31 December 2013). The decrease is mainly related to the effect of the restructuring plan.

### 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

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.Clearnet 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.Clearnet SA therefore records no corporate tax charge payable to the Portuguese tax authorities.

The corporate income tax charge for 2014 includes taxes payable on 2013 income. The table below shows the net corporate income tax charge recognised for 2014.

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

| | **2014**<br>**€'m** | 2013<br>€'m |
|---|---|---|
| French income tax | **(0.9)** | 9.0 |
| Belgian income tax | **-** | 0.3 |
| Dutch income tax | **0.8** | 1.2 |
| **Corporate income tax** | **(0.1)** | 10.5 |

### 9. Income statement - regulatory presentation

| | 2014 €'m | 2013 €'m |
|---|---|---|
| Interest and related income | 41.0 | 96.1 |
| Interest and related expenses | 23.6 | 67.2 |
| Commissions received | 7.5 | 6.6 |
| Commissions paid | - | 0.0 |
| Gains, losses on trading securities operations | 0.1 | - |
| Gains, losses on held for sale securities operations | - | - |
| Other income on banking transactions | 102.9 | 102.5 |
| Other loss on banking transactions | 9.2 | 9.9 |
| **Net banking revenue** | **118.6** | **128.1** |
| Other operating income | 17.9 | 16.8 |
| General operating expenses | 98.1 | 109.8 |
| Depreciation, amortisation and provisions | 11.1 | 15.7 |
| Provision write-backs | 5.0 | 7.7 |
| **Gross operating income** | **32.3** | **27.1** |
| Cost of risk | - | - |
| **Operating income** | **32.3** | **27.1** |
| Gains or losses fixed assets | - | - |
| **Net operating profit before tax** | **32.3** | **27.1** |
| Non operating result | (10.3) | (17.1) |
| Corporate income tax | (0.1) | 10.5 |
| Provisions and write-backs on general banking risk | - | - |
| **Net income for the year** | **22.1** | **(0.5)** |

## 10. Fixed assets

| **Cost** | 2013 €'m | Acquisitions | Implementation | Disposal | **2014 €'m** |
|---|---|---|---|---|---|
| Goodwill | 52.7 | - | - | - | **52.7** |
| Software | 72.4 | - | 18.5 | 0.8 | **90.1** |
| Intangible work in progress | 9.6 | 12.1 | (18.5) | - | **3.2** |
| **Intangible fixed assets** | 134.7 | **12.1** | **-** | **0.8** | **146.0** |
| Other tangible fixed assets | 10.0 | 0.6 | - | 0.5 | **10.1** |
| Tangible fixed assets in progress | - | - | | - | - |
| **Tangible fixed assets** | 10.0 | **0.6** | - | 0.5 | **10.1** |
| **Gross book value** | 144.7 | **12.7** | - | **1.3** | **156.1** |

| **Accumulated amortisation** | 2013 €'m | Allowances | Reversals | Impairment | **2014 €'m** |
|---|---|---|---|---|---|
| Goodwill | 43.7 | - | - | - | **43.7** |
| Software | 51.3 | 9.1 | 0.7 | - | **59.7** |
| Other intangible fixed assets | - | - | - | - | **-** |
| **Intangible fixed assets** | 95.0 | **9.1** | **0.7** | | **103.4** |
| Tangible fixed assets | 5.8 | 2.0 | 0.5 | - | **7.3** |
| **Tangible fixed assets** | 5.8 | **2.0** | 0.5 | - | **7.3** |
| **Amortisation** | 100.8 | **11.1** | **1.2** | **-** | **110.7** |
| **Net book value** | **43.9** | | | | **45.4** |

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.

Intangible assets have increased mainly due to the development of CDS programs.

*Impairment testing of intangible assets*

Goodwill in relation to the acquisition of branches in Amsterdam, Brussels and Porto is carried as follows:

The recoverable amount associated with these branches is determined based on value in use calculations.

The key assumptions used in the valuations relate to cash flow projections derived from financial forecasts prepared by management covering a five year period based on an analysis of the likely development of each business line.

The following rates are then applied to these cash flow projections:

- cash flows beyond the five year period (applicable to goodwill only) are extrapolated using an estimated long term growth rate of 2.0% (2013: 2.0%)
- cash flows are discounted using the Group's pre-tax weighted average costs of capital discount rate of 10.1% (2013: 12.0%)

All treasury and other revenues have been allocated to the branches in the same proportion as the clearing fees.

Impairment on other intangible assets has been assessed by reviewing the carrying value of the asset against its recoverable amount, which has been determined by value-in-use calculations for the relevant cash generating unit using cash flow projections.

The 2.0% growth rate is consistent to that used in last year's calculation and reasonable when compared to the OECD economic outlook as at 31 December 2014.

Further cash flows have been discounted to present value.

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

LCH.Clearnet SA has ownership in LCH.Clearnet (Luxembourg) S.à.r.l, representing 49% of its equity. This company's main activity consists in the holding and management of an intellectual property assets portfolio jointly available for use by LCH.Clearnet SA and LCH.Clearnet Limited.

| Name - Address | Share capital | Capital owned | Gross value of shares owned | Net value of shares owned | Loans and cash advance granted to the company and not yet refunded | 2014 income | 2014 result |
|---|---|---|---|---|---|---|---|
| LCH.Clearnet Luxembourg<br>52 rue Charles Martel<br>L-2134 Luxembourg | 39.8 | **49%** | **19.5** | **19.5** | **-** | **33.2** | **10.1** |

At 31 December 2014, LCH.Clearnet SA owned a €422,780 equity interest in the company SWIFT.

This interest arose from the systematic attribution of SWIFT shares to LCH.Clearnet SA based on the volume of messages transmitted by LCH.Clearnet to its clearing members via the SWIFT system.

At 31 December 2014, LCH.Clearnet SA owned a stake in the company OSEO (less than 1% of its equity) valued in the company's books at €3,000.

### 12. Held for sale securities

The securities held for the purpose of cash management at 31 December 2014 consisted mainly of treasury bills (97%) and government backed debt securities (3%).

| | **2014 €'m** | 2013 €'m | |
|---|---|---|---|
| Investment securities and related receivables | | - | |
| Securities available for sale and related receivables | **3,087.2** | 3,059.5 | 100% |
| Securities placed on repos | | - | |
| **Investment securities, held for sale securities** | **3,087.2** | 3,059.5 | |

| | **2014 €'m** | | 2013 €'m | % |
|---|---|---|---|---|
| Less than 1 month | **310.0** | **10%** | 528.4 | 19% |
| Greater than 1 month and less than 3 months | **1,046.1** | **34%** | 1,031.7 | 28% |
| Greater than 3 months and less than 6 months | **945.0** | **31%** | 1,254.1 | 28% |
| Greater than 6 months | **786.1** | **25%** | 245.3 | 25% |
| **Investment securities, held for sale securities** | **3,087.2** | **100%** | 3,059.5 | 100% |

As of December 2014, premium/discount of the securities portfolio amounts to €2.0 million (€14.2 million as of December 2013).

The fair value of securities held for sale as of 31 December 2014 is €3,086.8 million (€3,066.4 million as of 31 December 2013).

**13. Trade receivables**

| | **Gross €'m** | **Depreciation €'m** | **Net 2014 €'m** | Net 2013 €'m |
|---|---|---|---|---|
| Clients | **11.2** | **-** | 11.2 | 8.1 |
| Doubtful accounts | **-** | **-** | | - |
| **Trade receivables** | **11.2** | **-** | **11.2** | 8.1 |

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

As of 31 December 2014, there were no doubtful accounts.

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

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Income tax | **14.0** | 9.3 |
| Personnel | **0.6** | 0.2 |
| Miscellaneous | **0.2** | 11.2 |
| Interest receivable on swaps | **-** | 0.9 |
| | - | |
| **Other receivables** | **14.8** | 21.6 |

The miscellaneous item in 2013 mainly relates to receivables with LCH.Clearnet Luxembourg (€10.3 million).

The interest receivables on swaps is nil since 2013 as interest rate swaps total outstanding trades have all matured in 2014.

### 15. Clearing house accounts (assets)

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Funds receivable from clearing house members | **141.5** | 186.0 |
| Executed trades not yet settled and other (assets) | **27.0** | 51.6 |
| Margins and premiums receivable from clearing house members | **46.0** | 36.7 |
| Repo receivables | **246,066.9** | 225,021.0 |
| Guarantee deposit paid to CC&G | **1,744.5** | 3,851.6 |
| **Clearing house accounts (assets)** | **248,025.9** | 229,146.9 |

In order to guarantee the integrity of the operations it processes, LCH.Clearnet 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.Clearnet SA.

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

Cash deposits appear as liabilities on the balance sheet, while initial margin is recognised off-balance sheet in the form of bank guarantees and securities. 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.Clearnet 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.Clearnet SA receives collateral deposits from CC&G to cover positions taken by CC&G clearing members trading with LCH.Clearnet SA clearing members.

The change in this item reflects the increase in the number of these transactions at year end. The notional volume has increased by 4% over the year.

### 16. Treasury accounts

| | **2014** | 2013 |
|---|---|---|
| | **€'m** | **€'m** |
| Banque de France | 1,169.0 | 1,803.6 |
| Cash on hand and current accounts | 4.3 | 23.0 |
| Secured and unsecured loans | 3,498.1 | 1,370.2 |
| Overnight loans and repos | 844.5 | 3,249.0 |
| **Treasury and portfolio accounts** | **5,515.9** | **6,445.8** |

LCH.Clearnet 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 2014, a portion of this cash was invested in overnight repos (€844.5 million) and term repos (€3,497.9 million) with very short maturities detailed below (the remainder of the company's cash being invested in securities as detailed in note 12 to the accounts):

| **€'m** | **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** |
|---|---|---|---|---|---|
| Banque de France | **1,169.0** | **-** | **-** | **-** | **1,169.0** |
| Cash on hand and current accounts | **4.3** | **-** | **-** | **-** | **4.3** |
| Secured and unsecured loans | **3,498.1** | **-** | **-** | **-** | **3,498.1** |
| Overnight loans and repos | **844.5** | **-** | **-** | **-** | **844,5** |
| **Treasury and portfolio accounts** | **5 ,515.9** | **-** | - | - | **5,515.9** |

Out of the total treasury accounts of €5,515.9 million (2013: €6,445.8 million) , €233.0 million is own cash (2013: €220.0 million). €43.1 million of this amount (2013:€44.6 million) is restricted as the Company's own resources to be used in the default waterfall.

### 17. Accruals (assets)

This account is related to prepaid expenses for €1.4 million (2013: €0.6 million). Margin on interest rate swap is nil in 2014 (2013: €9.7 million) as there is no remaining outstanding swap.

### 18. Shareholder's equity

At the end of 2014, shareholder's equity consisted of the following elements:

| | **2014 €'m** | 2013 €'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 | **88.1** | 88.6 |
| Reserve for general banking risk | **0.3** | 0.3 |
| | **246.1** | 246.6 |
| Net profit | **22.1** | (0.5) |
| Revenues to be allocated | **-** | - |
| Interim dividend | **-** | - |
| **Shareholder's equity*** | **268.2** | 246.1 |

*including general banking risk provision

The change in the shareholder's equity during 2014 may be summarised as follows:

| | **€'m** |
|---|---|
| Shareholder's equity at 31 December 2013 | 246.1 |
| Dividends | - |
| Net profit of the year | 22.1 |
| Revenues to be allocated | - |
| **Shareholder's equity at 31 December 2014** | **268.2** |

### 19. Provisions

| | **2014 €'m** | 2013 €'m | Change €'m | Addition €'m | Reversals €'m |
|---|---|---|---|---|---|
| **Employee benefit provisions** | | | | | |
| Compensation for retirement | **4.1** | 4.0 | 0.1 | 0.1 | - |
| Jubilee award | **1.3** | 1.4 | (0.1) | - | (0.1) |
| | **5.4** | 5.4 | - | 0.1 | (0.1) |
| **Other operating provisions** | | | | | |
| Provision for operating risks | **-** | - | - | - | - |
| | **-** | - | - | - | - |
| **Non operating provisions** | | | | | |
| Provision for restructuring | **1.9** | 18.9 | (17.0) | - | |
| | **1.9** | 18.9 | (17.0) | - | - |
| Provisions | **7.3** | 24.3 | (17.0) | 0.1 | (0.1) |

Employee benefit provisions are €5.4 million (€5.4 million as of December 2013); this is calculated on the basis of the following assumptions: an inflation rate of 2%, an interest rate at 1.66% and a 3% increase in salaries. The increase of the provision due to decrease in discount rate has been fully offset by the reduction in staff headcount following the restructuring plan.

The provision for restructuring of €1.9 million is related to the remaining expected cost of the restructuring plan initiated in 2013 following revised clearing agreement signed with NYSE Euronext in December 2013.

### 20. Trade notes and accounts payables (suppliers)

| | **2014 €'m** | 2013 €'m |
|---|---|---|
| Trade payables | **2.9** | 1.8 |
| Supplier accruals | **5.6** | 6.5 |
| **Trade notes and account payables (suppliers)** | **8.5** | 8.3 |

At the end of 2014, payables to suppliers amount to €8.5 million (2013: €8.3 million). The main amounts concern Euronext with €2.6m (nil in 2013), Clifford Chance with €1.0 (2013: €0.2 million) and Atos with €0.9m (2013: €0.5 million) and are respectively related to business fees, legal fees and information technology services. All trade payables as of 31 December 2013 and 2014 had a maturity of less than one month.

### 21. Personnel, tax and social security payables

| | **2014 €'m** | 2013 €'m |
|---|---|---|
| Personnel payables and related costs | **19.3** | 22.9 |
| Taxes payable | **1.1** | 1.2 |
| **Personnel, tax and social payables** | **20.4** | 24.1 |

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

- Paid holidays: €9.8 million (vs. €11.3 million at 31 December 2013)
- Employees' profit sharing schemes: nil (vs. €1.5 million at 31 December 2013)
- Bonuses: €5.2 million (vs. €5.0 million at 31 December 2013)
- National Insurance payables €4.3 million (vs. €5.0 million at 31 December 2013)

The accrued taxes payable is made of:

- "Organic" tax: €0.5 million (€0.6 million at 31 December 2013)
- VAT: €0.6 million (€0.4 million at 31 December 2013)
- Other taxes: nil (€0.2 million at 31 December 2013).

Training time allowance allocated to employees amounted to 13 837 hours as of December 2014 (2013:14,724 hours) with 2014 allowance of 887 hours and 2765.50 utilised hours

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

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Other liabilities | **25.7** | 24.4 |
| Interest payable on Swaps | **-** | 15.7 |
| **Total** | **25.7** | 40.1 |

### 23. Clearing house accounts (liabilities)

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

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Funds payable to clearing house members | **434.6** | 645.3 |
| Clearing house members guarantee deposits | **9,727.7** | 12,320.6 |
| Trades executed but not yet settled and other | **117.9** | 389.9 |
| Margins payable to clearing house members | **46.0** | 36.7 |
| Repos payable | **246,066.9** | 225,021.0 |
| **Clearing house accounts (liabilities)** | **256,393.1** | 238,413.5 |

### 24. Treasury accounts

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Bank overdraft | **0.2** | - |
| Secured borrowings | **-** | - |
| Accrued interest on secured borrowings | **-** | - |
| **Short term debts with financial institutions** | **0.2** | - |

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)

This item included balances in 2014 which have all turned out to nil in 2014: €1.7 million received from NYSE Euronext as part of the new agreement signed in 2013, €0.5 million prepaid interest on securities held for sale and various prepaid revenues amounting to €47,000.

### 26. Clearing house commitments

| | **2014 €'m** | 2013 €'m |
|---|---|---|
| Securities received as collateral | **10,413.9** | 8,628.7 |
| First-demand guarantees received from banks | **41.5** | 41.5 |
| Guarantees received from DNB | **908.1** | 669.3 |
| Guarantees received from BNB | **495.7** | 328.1 |
| **Guarantees received** | **11,859.2** | 9,667.6 |
| Guarantees given to Banque de France | **2,613.1** | 4,825.1 |
| **Guarantees given** | **2,613.1** | 4,825.1 |
| Securities receivable | **168,515.9** | 175,159.6 |
| CDSClear receivable | **111,324.6** | 108,305.2 |
| **Commitments received** | **279,840.5** | 283,464.8 |
| Securities deliverable | **168,516.3** | 175,159.9 |
| CDSClear deliverable | **111,324.6** | 108,305.2 |
| **Commitments given** | **279,840.5** | 283,465.1 |

### 27. Comparison of total cover required and collateral actually deposited

At 31 December 2014, the margin cover requirement broke down as follows:

| | **2014 €'m** | 2013 €'m |
|---|---|---|
| Margining requirements | **16 370,7** | 17,602.3 |
| Clearing funds | **2 717,3** | 2,421.5 |
| **Total** | **19 088,0** | 20,023.8 |

| | **2014 €'m** | 2013 €'m |
|---|---|---|
| Cash deposits | **10 121,1** | 12,963.1 |
| Other | **11 092,0** | 8,705.9 |
| **Total** | **21 213,1** | 21,669.0 |

## 28. Commitments on financial derivative instruments

Breakdown of treasury commitments by type and by maturity:

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Interest rate swaps lending | **-** | 1,343.1 |
| Interest rate swaps borrowing | **-** | 1,343.1 |

| | **2014** **€'m** | 2013 €'m |
|---|---|---|
| Interest rate swaps contracts : | | |
| - Less than 1 month | **-** | 224.9 |
| - Greater than 1 month and less than 3 months | **-** | 316.3 |
| - Greater than 3 months and less than 6 months | **-** | 551.9 |
| - Greater than 6 months | **-** | 250.0 |
| **Treasury Commitments** | **-** | 1,343.1 |

The fair value of financial derivatives as of 31 December 2014 is nil (€1,322 million as of December 2013).

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## 29. Balance sheet and off-balance sheet – regulatory presentation

| | 2014 €'m | 2013 €'m |
|---|---|---|
| **Assets** | | |
| Petty cash, central banks, bank accounts | **1,169.0** | 1,824.1 |
| Receivables from financial institutions | **4,342.4** | 4,622.5 |
| Bonds and other fixed income securities | **3,084.0** | 3,015.5 |
| Participations | **19,9** | 19.9 |
| Fixed assets | **45.4** | |
| Intangible assets | **42.7** | 37.5 |
| Tangible assets | **2.6** | 6.4 |
| | | 43.9 |
| Other assets | **248,057.7** | 229,196.7 |
| Prepayments and other accrued income | **5.5** | 37.6 |
| **Total assets** | **256,723.9** | 238,760.5 |
| **Liabilities** | | |
| Debts with financial institutions | **96.9** | 373.7 |
| Payables to customers | **11.1** | 16.4 |
| Other liabilities | **256,324.7** | 238,076.1 |
| Accrued liabilities | **15.6** | 24.1 |
| Provisions | **7.3** | 24.3 |
| Reserve for general banking risk | **0.3** | 0.3 |
| Shareholder's equity | **267.9** | |
| Share capital | **113.1** | 113.1 |
| Reserves | **44.6** | 44.6 |
| Retained earnings | **88.1** | 88.5 |
| Net profit | **22.1** | (0.5) |
| | | 245.8 |
| **Total liabilities** | **256,723.9** | 238,760.5 |
| **Off balance sheet** | | |
| **Commitments given** | | |
| Guarantee commitments | **123,183.8** | 113,130.3 |
| Commitments on securities | **168,516.3** | 175,159.9 |
| **Commitments received** | | |
| Guarantee commitments | **116,937.7** | 117,972.8 |
| Commitments on securities | **168,515.9** | 175,159.6 |

## 31. Consolidating company

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

| | **2014** | 2013 |
|---|---|---|
| | **€m** | €m |
| **Transactions with parent companies** | | |
| *Income statement* | | |
| Services recharged to parent companies | **(0,5)** | (1,5) |
| Services recharged from parent companies | **6,0** | 2,8 |
| | **5,5** | 1,3 |
| *Statement of financial position* | | |
| Amount due (to)/from parent companies at 31 December | **(1,0)** | (0,9) |
| **Transactions with fellow subsidiaries** | | |
| *Income statement* | | |
| Services recharged to fellow subsidiaries | | |
| Project recharge income with other fellow companies | **(2,9)** | (3,7) |
| Project recharge cost from other fellow companies | **4,2** | 11,3 |
| Services recharged to other fellow companies | **(0,9)** | (2,6) |
| Services recharged from fellow subsidiaries | **15,2** | 14,0 |
| | **15,7** | 19,1 |
| *Statement of financial position* | | |
| Amount due (to)/from fellow subsidiaries at 31 December | **(6,2)** | 5,1 |

## 32. Directors' fees

Directors' fees paid by the company in 2014 amounted to €168 219. This amount excludes the CEO's compensation.

## 33. Management report

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