Company number: 692 032 485

LCH SA
(Formerly LCH.Clearnet SA)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

Board of Directors

Type of Director	Name	Other Directorship at 31 December 2016
Chairman	Leonard (Lex) Hoogduin	London Stock Exchange Group Plc LCH.Clearnet Group Limited LCH Limited LCH.Clearnet LLC Lex Hoogduin B.V. Supervisory Board of Centre for Integral Revalidation GloComNet BV
Director	Christophe Hémon	LCH.Clearnet (Luxembourg) S.à.r.l.
Director	Ian Abrams	LCH.Clearnet Group Limited LCH Limited LCH.Clearnet LLC Highplus Limited Orchard Wealth Management Limited (Jersey) Orchard Funds PLC (Dublin)
Director	Neil Walker	LCH.Clearnet Group Limited Financial Services Limited
Director	Dennis McLaughlin	LCH Limited LCH.Clearnet LLC
Director	Serge Harry	GlobeSettle SA MTS France
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 Paris SA EnterNext SA Euronext Technologies Holding SAS Euronext N.V.
Director	Suneel Bakhshi	LCH.Clearnet Group Limited LCH Limited LCH.Clearnet LLC
Director	Yves Perrier (resigned on 22/12/16)	LCH.Clearnet Group Limited Amundi SA Amundi Asset Management SA Conseil de Surveillance CA Titres Caceis SA Crédit Agricole SA Euro Securities Partners SAS Société Générale Gestion

Director	Jonathan Eliot	None
Director	Catherine Lubochinsky	Banque Wormser Frères
Director	Shona Milne	LCH.Clearnet Group Limited LCH Limited

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

Catherine Lubochinsky	€70,000
Jonathan Eliot	€60,000
Ian Abrams	€50,000
Neil Walker	€40,000
Yves Perrier	€30,000
Shona Milne	€50,000

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.

Auditors

Ernst & Young Audit, Tour First, 1 Place des Saisons, 92037 Paris La Défense
BDO France Léger et Associés, 113 rue de l'Université, 75007 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 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 2016, amounts payable to suppliers totalled €10.6 million (2015: €8.9 million) and were all due within one year. Of this, non-resident suppliers were €4.1 million (2015: €2.1 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 at 31 December 2016.

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.

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 SA, LCH.Clearnet 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.

In the framework of the implementation of the service agreement, the ‘Framework Recharge Agreement’ between LCH SA, LCH Limited and LCH.Clearnet Luxembourg S.à.r.l.. approved by the General Meeting of shareholders 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 SA and LCH Limited provide services to LCH.Clearnet Luxembourg S.à.r.l.

This Framework Recharge Agreement has become null and void in the framework of the wind down of the LCH.Clearnet Luxembourg S.à.r.l. company, and the execution of the Assignment and License Agreement and Share Transfer Agreement developed hereafter.

The Cash Advance Agreement entered into between LCH.Clearnet Luxembourg S.à.r.l. and LCH SA and approved by the Board of directors on 6 December 2010, has been duly terminated as of 11 May 2016.

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.

All existing related party agreements remaining in full force in 2016 were re-approved by the Board of Directors on 23 November 2016, in accordance with Article L225-40-1 of the French Commercial Code.

In the framework of the wind down of LCH.Clearnet Luxembourg S.à.r.l., the 'Assignment and License Agreement' between LCH.Clearnet Luxembourg S.à.r.l., LCH Limited and LCH SA, entered into on 30 November 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 the agreement is the transfer of assets of LCH.Clearnet Luxembourg S.à.r.l. between LCH SA and LCH Limited, pursuant to which:

- LCH.Clearnet Luxembourg S.à.r.l. granted to LCH SA a perpetual royalty free license to use the shared FICS software
- LCH.Clearnet Luxembourg S.à.r.l. assigned to LCH SA, for a total consideration of 3,265,001 euros, its rights in softwares

In the framework of the wind down of LCH.Clearnet Luxembourg S.à.r.l. ("LuxCo"), the Share Transfer Agreement between LCH.Clearnet Luxembourg S.à.r.l., LCH.Clearnet Group Limited, LCH Limited and LCH SA dated 16 December 2016 and approved by the Board of Director on 28 November 2016, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

Pursuant to the terms of this agreement, the shares held by LCH SA in LCH.Clearnet Luxembourg S.à.r.l. have been sold and transferred in their entirety to LCH.Clearnet Group Limited. LCH SA is therefore no longer a shareholder of LCH.Clearnet Luxembourg S.à.r.l..

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:

- GMA Work Order (made under the ICT Framework Agreement) concluded with SSC Global Business Services Limited, and dated 1 October 2016, relating to the provision of connectivity services (as replacement of the BT Radianz contract)

- Clarity Work Order (made under the ICT Framework Agreement) concluded with London Stock Exchange Group Plc, and dated 1 January 2016, relating to the provision of a project management tool

- Amendment to the Service Agreement relating to the provision of office automation services, hosted applications and technical specified services, (made under the above mentioned FISA) with LCH Limited and dated 1 January 2016

- Order Form dated 1 April 2016 with LSEG Business Services Limited (made under the TSA) relating to the provision of IT Services (technical specified services, networks, end user computing)

- Amendment to the Service Agreement relating to the provision of office automation services, hosted applications and technical specified services, (made under the above mentioned FISA) with LCH Limited and dated 1 April 2016

- Update in September 2016 of Annex 1 to the Governance Arrangements Services Agreement with LCH Limited, LCH.Clearnet Group Limited and LCH.Clearnet LLC

- Work Order (made under the ICT Framework Services Agreement) with Millennium Information Technologies Limited dated August 2016 relating to the provision of IT services (preparatory study for the development of a clearing platform for listed derivatives)

- License and Maintenance agreement dated December 2016 with Millennium Information Technologies Limited relating to the provision of a clearing platform for cash equities and fixed income products

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 2016 is 0.014% (2015: 0.012%).

Proposed appropriation of net profit

LCH SA Board of Directors proposes to allocate the total of 2016 profit of €41.6 million to retained earnings.

Distributable reserves are as follows:

	€'m
Distributable reserves	
Profit for the period	41.6
Other reserves	32.6
Profit carried forward	117.5
	191.7

Allocation of 2016 earnings was agreed as follow:

	€'m
Allocation of 2016 earnings	
Allocation to Legal Reserves	-
Allocation of Other Reserves	-
Allocation to Retained Earnings	41.6
Dividends	-
	41.6

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: no dividend

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:

	2016	**2015**	**Variation**
CDSClear			
CDSClear members	12	11	9%
Notional cleared (€ billion)	449.2	172.8	160%
Fixed Income: notional cleared (€ trillion)	34.0	33.0	3%
Listed Derivatives: contracts cleared (million)	126.0	136.0	-7%
Cash Equities: trades cleared (million)	233.6	241.1	-3%
Average cash collateral (€ billion)	12.3	11.7	5%

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 (EMIR authorized in Europe, registered as a DCO 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.

In September 2016, the introduction of non-cleared margin rules saw clearing volumes of single name CDS increase significantly with notional cleared rising by 278% to €58.4 billion in 2016 (2015: €15.4 billion).

CDSClear membership increased to 12 members (2015: 11), index notional cleared increased by 148 per cent to €391 billion (2015: €172.8 billion). Total clearing fee revenue for the year was €24.8 million (2015: €24.8 million).

Fixed Income

LCH SA delivered a good performance in repo and cash bond markets; clearing €34.0 trillion in the last year (2015: €33.0 trillion), across 3 European government markets. Total clearing fee revenue for the year was €23.7 million (2015: €22.3 million).

Listed Derivatives and Cash Equities

The various Listed Derivatives venues cleared by LCH include Euronext Derivatives Markets. Contracts cleared in 2016 reduced by 7% to 126.0 million reflecting a decline in derivative trading across venues (2015: 136.0 million). Partnering with Euronext, LCH expanded index futures and options and additional listing of spotlight options.

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 2016 decreased by 3% to 233.6 million (2015: 241.1 million).

Clearing revenue in 2016 decreased by €3.9 million to €67.5 million (2015: €71.4 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, LCH may also benefit from short-term rates, typically 30 days, being higher than the overnight rate.

Average cash collateral held increased by 5% to €12.3 billion (2015: €11.7 billion). Total net treasury income for 2016 increased to €49.2 million (2015: €37.4 million) reflecting the higher cash collateral level.

Cost of sales

Cost of sales for 2016 has decreased to €8.0 million (2015: €9.0 million) reflecting the wind down of LCH.Clearnet Luxembourg SARL.

Operating expenses

Operating expenses have decreased by 5% to €93.0 million (2015: €97.5 million)

Development and performance

LCH won the Risk Magazine Clearing House of the Year for the fourth year in a row and the Markets Infrastructure Provider of the Year Award by the Central Banking Journal awarded LCH its Market Infrastructure Provider of the Year Award. It is also recognised by Asia Risk as the CCP of the year in 2016.

Strategic objectives

The LCH group's principal objectives are:

- to reduce risk and safeguard the financial infrastructure in the markets that the Group serves
- to deliver market leading and efficient clearing services
- working in partnership to serve multiple asset classes around the world

The strategy for achieving these objectives is:

- to maintain a sound risk management approach and resilient systems
- to set and maintain the highest standards across all asset classes cleared, in line with evolving regulatory requirements
- to work closely with market participants to develop and deliver new services and products that increase clearing efficiencies globally

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 2016 of €1.1 million has been recognised as the amount due under this initiative from 2016. The amount receivable of €0.3 million for 2016 is included within other receivables (2015: €0.5 million) and will be recognised in 2016.

Significant events which occurred since the date of the financial statements

Merger with Deutsche Börse and potential sale of LCH SA

On 23 February 2016, London Stock Exchange Group plc ("LSEG"), the Company's ultimate parent undertaking, confirmed that detailed discussions about a potential merger of equals were under way with Deutsche Börse.

The potential merger would be structured as an all-share merger of equals under a new holding company. Under the terms of the potential merger, shareholders of LSEG would be entitled to receive 0.4421 new shares in exchange for each LSEG share and Deutsche Börse shareholders would be entitled to receive one new share in exchange for each Deutsche Börse share. Based on this exchange ratio, the parties anticipate that Deutsche Börse shareholders would hold 54.4%, and LSEG shareholders would hold 45.6% of the enlarged issued and to be issued share capital of the combined group. The combined group would have a unitary board composed of equal numbers of LSEG and Deutsche Börse directors.

LSEG shareholders approved the transaction on 4 July 2016 and 89.04% of shareholders of Deutsche Börse had accepted the offer by the end of the final expiration period on 12 August 2016, exceeding the required 60% threshold. Work is continuing to achieve the outstanding regulatory consents.

On 3 January 2017, the Group announced it had agreed the sale of the LCH SA business to Euronext N.V for an irrevocable all cash offer of €510 million subject to adjustments for surplus regulatory capital movement between 30 June 2016 and completion. The proposed sale is subject to the review and approval by the European Commission in connection with the recommended merger of London Stock Exchange Group and Deutsche Börse ('Merger'), which was announced on 16 March 2016, and the receipt of various regulatory and other consents and approvals, including completion of the Works Council consultation process. It is also conditional on the successful closing of the Merger and conditional upon Euronext shareholder approval at an Extraordinary General Meeting to be held in the first quarter of 2017.

The sale is expected to complete in the next financial year.

Five year financial summary

Five year financial summary	2012	2013	2014	2015	2016
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	127.7	119.3	116.2	122.5	118.4
Profit before tax, profit sharing, amortisation, provisions and impairment	93.8	26.4	33.3	63.1	71.9
Income tax	16.9	10.4	(0.1)	13.3	14.7
Profit sharing for the year	1.6	1.3	-	1.5	1.6
Impairment	-	8.4	-	-	-
Net income after tax, profit sharing, amortisation and provisions	63.9	(0.5)	22.1	36.2	41.6
Distributed earnings	-	-	11.0	18.0	-
Earnings per share (in €)					
Profit after tax, profit sharing, but before amortisation and provisions	10.15	1.97	4.49	8.51	9.69
Net income after tax, profit sharing, amortisation and provisions	8.62	(0.06)	2.99	4.88	5.61
Net dividend distributed per share	-	-	1.48	2.43	-
Employee information					
Average headcount*	192	198	175	174	171
Total payroll for the year (in €'m)	19.1	22.1	27.2	19.0	17.8

*Average headcount for SA Paris only.

Income statement

	note	**2016 €'m**	2015 €'m
Revenue			
Market revenue		**116.0**	118.5
Sales of other products and services		**19.7**	22.2
Revenue sharing arrangements		**(24.3)**	(27.0)
Other income		**7.0**	8.8
Operating income	1	**118.4**	122.5
General operating expenses	2	**(91.2)**	(96.1)
Taxes	3	**(1.8)**	(1.4)
Operating expenses		**(93.0)**	(97.5)
Operating profit before depreciation amortisation and provisions		**25.4**	25.0
Depreciation, amortisation and provisions	4	**(14.0)**	(12.1)
Operating profit		**11.4**	12.9
Net finance income	5	**49.2**	37.4
Operating profit after interest income		**60.6**	50.3
Exceptional items	6	**(2.7)**	0.7
Movement in profit sharing liabilities	7	**(1.6)**	(1.5)
Corporate income tax	8	**(14.7)**	(13.3)
Profit for the year		**41.6**	36.2

Statement of financial position

	note	**2016 €'m**	2015 €'m
Assets			
Fixed assets (net of accumulated depreciation and amortisation)	10	56.0	48.3
Investments in subsidiaries and affiliates (net of impairment)	11	0.3	19.8
Other long term investments		2.7	2.5
Held for sale securities	12	906.1	3,576.6
Trade receivable (net of depreciation)	13	11.2	11.2
Other receivables (excluding clearing house, treasury and portfolio accounts)	14	2.9	3.1
Clearing house accounts	15	289,337.1	281,637.8
Treasury and portfolio accounts	16	14,978.2	10,549.1
Prepayments	17	2.2	0.8
Total assets		**305,296.7**	**295,849.2**
Liabilities			
Shareholder’s equity (including general banking risk provision)	18	317.1	293.4
Provisions	19	6.1	5.2
Trade notes and accounts payable (suppliers)	20	10.6	8.9
Personnel, tax and social payables	21	25.0	30.1
Other payables (excluding clearing house, treasury and portfolio accounts)	22	13.3	23.8
Clearing house accounts	23	304,917.3	295,482.9
Treasury accounts	24	3.0	2.6
Accruals	25	4.3	2.3
Total liabilities		**305,296.7**	**295,849.2**
Off balance sheet			
Clearing house commitments and guarantees received	26	350,368	274,793
Commitments and guarantees given	26	338,656	265,821

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 goodwill, intangible assets and property, plant 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.

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 2016 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

	2016 €'m	2015 €'m
Cash	**27.8**	29.4
Futures	***28.4***	*28.6*
Options	***11.3***	*13.4*
Derivatives	**39.7**	42.0
Fixed Income	**23.7**	22.3
CDS	**24.8**	24.8
Market revenues	**116.0**	118.5
Membership commission	***5.5***	*5.4*
Other fees charged to Members	***14.2***	*16.8*
Sales of other products and services	**19.7**	22.2
Revenue sharing arrangement	**(24.3)**	(27.0)
Other income	**7.0**	8.8
Operating income	**118.4**	122.5

On **cash markets** (equities and bonds), the posted clearing revenue was 6% below 2015 due to a decrease in volume of 3% and a 3% decrease in the average fee per posting, the latter being the consequence of a higher blue chips contribution in the global volume.

Euronext contributed 97% to the total clearing fees.

On **futures markets** (indices and commodities), revenue (including delivery fees) decreased by 1% from 2015 due to less delivery fees (-17%).

On **options markets** (indices and commodities), revenue (including exercises and assignments) decreased by 16% due to a 9% decrease in volumes. This decrease is observed in all products but is mainly sensitive on commodities with a 31% decrease.

On **fixed income markets** (government bonds and bond repurchase agreements (repos)) revenue increased by 7% compared to 2015 driven by to a 3% increase in the cleared nominal value the end of the fees holiday period for EuroGC on 31 December 2015. The French debt segment represented 29% of the volume, the Italian debt 54%, the Spanish debt 16% and EuroGC 1%.

On the **CDS market**, since January 2014, a fixed annual fee of €2.25 million per clearing member is charged and recognised under membership commission. There have been 11 paying clearing members at the end of 2016, same as in 2015.

Membership commissions increase by 2% at €5.5 million and are split as follows:
- €0.5 million in membership fees related to the French Derivatives market, stable compared to 2015
- €3.3 million in membership fees derived from the Cash Equities markets, compared to €3.4 million in 2015
- €1.7 million in periodic fees (members' codes management), compared to €1.5 million in 2015

Other fees charged to clearing members decreased by 13% to €14.2 million consisting mainly of:
- Settlement costs recharged to clearing members: €7.9 million vs. €9.5 million in 2015
- Workstations: €1.1 million, stable compared to in 2015
- Member network: €1.8 million compared to €1.9 million in 2015

- Penalties for:
    - delivery failure: €2.2 million vs. €1.9 million in 2015
    - late netting on commodities market: €0.7 million vs. €1.5 million in 2015
- Other miscellaneous fees: €1.0 million vs. €0.9 million in 2015

Other income decreased by €1.8 million to €7.0 million consisting of:

- Costs charged to other entities within the Group: €3.0 million (2015: €5.3 million) mainly made of :
    - €1.0 million (2015: €2.4 million) related to the third data centre used by LCH Limited
    - €0.8 million (2015: €0.5 million) charged to London Stock Exchange Group Plc
    - €1.1 million (2015: €2.3 million) charged to LCH.Clearnet Group Limited and to LCH Limited
    - €0.2 million (2015: €0.2 million) to LCH.Clearnet Luxembourg SARL
- Costs charged to CDCClear and to Euronext for the development of project related to CDS business and to Euronext Derivatives business: €4.0 million (2015: €3.5 million)

A CDS agreement was signed in April 2014, effective from 1 January 2014. The related profit sharing recognised in 2016 is €2.4 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 €21.9 million compared to €23.9 million in 2015. This decrease is mainly due to the fact that the clearing revenue decreased compared to 2015.

2. General operating expenses

General operating expenses decreased by 5% in 2016.

	2016	2015
	€'m	€'m
IT expenses	**30.2**	31.8
Personnel expenses	**33.0**	33.3
Other general operating expenses	**23.7**	27.0
Building expenses	**4.3**	4.0
General operating expenses	**91.2**	96.1

2.1. IT expenses

	2016 €'m	2015 €'m
Running costs	**29.0**	29.7
Development costs	**1.2**	2.1
IT expenses	**30.2**	31.8

IT running costs have decreased by €0.7 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 €0.9 million mainly due to decrease in IT projects.

2.2. Personnel expenses

Staff cost decreased by €0.3 million in 2016 at €33.0 million (2015: €33.3 million) mainly resulting from:

- a €1.8 million increase in compensation (salary, bonus, social charges)
- a €1.3 million decrease in staff cost recharged from other Group entities
- a €0.7 million decrease in redundancy cost

2.3. Premises costs

Premises costs have increased at €4.3 million at year-end 2016 compared to €4.0 million in 2015, as the consequence of the new lease contract for the Paris headquarter.

2.4. Other general operating expenses

	2016 €'m	2015 €'m
Other expenses	**21.9**	24.7
Management fees	**1.8**	2.3
Other general operating expenses	**23.7**	27.0

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 €2.8 million decrease from 2015 is mainly related to:

- a decrease by €2.3 million in bank charges
- a decrease by €0.3 million in costs paid to regulators
- a decrease by €0.2 million in consultant fees

Year on year, management fees have decreased by €0.5 million.

The auditors' fees for the year 2016 amount to:

- €0.11 million to Ernst & Young for the statutory accounts
- €0.11 million to BDO France Léger et Associés for the statutory accounts
- €0.33 million to Ernst & Young for the PCAOB audit (2015 and 2016)
- €0.33 million to BDO France Léger et Associés for the PCAOB audit (2015 and 2016)

3. Miscellaneous taxes

Taxes (other than corporate tax) have increased by €0.4 million at €1.8 million (2015: €1.4 million).

4. Depreciation, amortisation and provisions

	2016 **€'m**	2015 €'m
Intangible assets depreciation	**12.4**	10.7
Tangible assets depreciation	**0.3**	1.4
Impairment	**-**	-
Depreciation and amortisation	**12.7**	12.1
Net (decrease) / increase of other provisions	**-**	-
Net (decrease) / increase of provisions for employees	**1.3**	-
Net (decrease) / increase in provisions	**1.3**	-
Depreciation, amortisation and provisions (net)	**14.0**	12.1

Intangible assets amortisation has increased in 2016 to €12.4 million (2015: €10.7 million) due to increase in CDS assets and T2S related assets, partly offset by the full amortisation of UCS Cash.

Tangible assets amortisation has decreased in 2016 to €0.3 million (2015: €1.4 million).

5. Net finance income

	2016 **€'m**	2015 €'m
Realised	***38.5***	*34.3*
Unrealised	***(0.2)***	*(0.1)*
Revenues from collateral	**38.3**	34.2
Revenues from own cash	**(0.8)**	(0.2)
Dividends received	**11.7**	3.4
Net finance income	**49.2**	37.4

In 2016, the revenue of the cash collateral increased significantly from €34.2 million in 2015 to €38.3 million mainly on cash revenues.

The cash revenues increased by €4.1 million mainly due to the increase of €0.7 billion of cash portfolio and the 2015 change collateral remuneration. In 2016 the whole initial margin remuneration was at EONIA - 20.5 basis point in January 2015 and EONIA - 30.0 basis point since May 2015.

The revenue from the Company’s own cash position has decreased at €(0.8) million (2015: €(0.2) 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 €2.7 million in 2016 (2015: credit of €0.7 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 2016, the total amount recognised as profit-sharing expenses under payroll costs amount to €1.6 million (2015: €1.5 million).

At the end of December 2016, the company headcount (permanent employees) was 181 (2015: 178).

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.

	2016 €'m	2015 €'m
French income tax	**13.0**	11.5
Belgian income tax	**0.3**	0.3
Dutch income tax	**1.4**	1.5
Corporate income tax	**14.7**	13.3

9. Income statement - regulatory presentation

	2016	2015
	€'m	€'m
Interest and related income	**92.3**	53.4
Interest and related expenses	**(65.6)**	(29.3)
Variable income from securities	**11.7**	3.4
Commissions received	**10.7**	10.0
Commissions paid	**(7.9)**	(0.0)
Gains, losses on trading securities operations	**-**	-
Gains, losses on held for sale securities operations	**0.1**	(0.1)
Other income on banking transactions	**118.6**	113.2
Other loss on banking transactions	**(7.6)**	(9.5)
Net banking revenue	**152.3**	141.1
Other operating income	**7.2**	9.7
General operating expenses	**(86.3)**	(89.9)
Depreciation, amortisation and provisions	**(14.2)**	(12.1)
Provision write-backs	**-**	-
Gross operating income	**59.0**	48.8
Cost of risk	**-**	-
Operating income	**59.0**	48.8
Gains or losses fixed assets	**0.2**	-
Net operating profit before tax	**59.2**	48.8
Non operating result	**(2.9)**	0.7
Corporate income tax	**(14.7)**	(13.3)
Provisions and write-backs on general banking risk	**-**	-
Net income for the year	**41.6**	36.2

10. Fixed assets

Cost	2015 €'m	Acquisitions	Project delivery	Disposal	**2016 €'m**
Goodwill	**52.7**	-	-	-	**52.7**
Software	**98.0**	-	20.1	(4.7)	**113.3**
Intangible work in progress	**10.2**	17.3	(16.9)	(0.0)	**10.7**
Intangible fixed assets	**160.9**	**17.3**	**3.2**	**(4.7)**	**176.7**
Other tangible fixed assets	**9.8**		-	(0.7)	**9.1**
Tangible fixed assets in progress	**-**	-	-	-	**-**
Tangible fixed assets	**9.8**	**-**	**-**	**(0.7)**	**9.1**
Gross book value	**170.7**	**17.3**	**-**	**(5.4)**	**185.8**

Accumulated amortisation	2015 €'m	Allowances	Reversals	Impairment	**2016 €'m**
Goodwill	43.7	-	-	-	43.7
Software	70.3	7.7	-	-	78.0
Other intangible fixed assets	-	-	-	-	-
Intangible fixed assets	**114.0**	**7.7**	**-**	**-**	**121.7**
Tangible fixed assets	8.4	(0.3)	-	-	8.1
Tangible fixed assets	**8.4**	**(0.3)**	**-**	**-**	**8.1**
Amortisation	**122.4**	**7.4**	**-**	**-**	**129.8**
Net book value	**48.3**				**56.0**

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.

Intangible assets have increased mainly due to the development of CDS programs and Target 2 securities.

Impairment testing of intangible assets

The Company carries out annual impairment testing on goodwill and intangible assets in December of each year, or more often if circumstances show that impairment may be likely.

Goodwill is 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 2% (2015: 2%) represent management's internal forecasts based on external estimates of GDP and inflation
iii) The pre-tax discount rate of 11.6% (2015: 10.5%) 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, goodwill and self developed software were not found to be impaired.

Sensitivity analysis

Reasonably possible changes in key assumptions and rates at 31 December 2016 are detailed below and the impact on the impairment recognised noted:

Goodwill

	Base case	Adjusted	Increase in impairment
			€'m
Reduction in clearing revenues	various	-10.0%	-
Cash flow growth beyond the five year period	2.0%	0%	-
Pre-tax discount rate	11.6%	14.6%	-

Self-developed software

	Base case	Adjusted	Increase in impairment
			€'m
Reduction in clearing revenues	various	-10.0%	-
Pre-tax discount rate	11.6%	14.6%	-

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.Clearnet Group Limited for consideration of €0.2 million.

At 31 December 2015, LCH.Clearnet SA owned a €300,470 equity interest in the company SWIFT (2015: €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 2016 consisted exclusively of treasury bills.

	2016 €'m		2015 €'m	
Investment securities and related receivables	**-**	**0%**	-	0%
Securities available for sale and related receivables	**906.1**	**100%**	3,576.6	100%
Securities placed on repos	**-**	**0%**	-	0%
Investment securities, held for sale securities	**906.1**		3,576.6	

	2016 €'m		2015 €'m	
Less than 1 month	**105.0**	**12%**	135.0	4%
Greater than 1 month and less than 3 months	**475.4**	**52%**	510.7	14%
Greater than 3 months and less than 6 months	**325.7**	**36%**	1,690.9	47%
Greater than 6 months	**-**	**0%**	1,240.0	35%
Investment securities, held for sale securities	**906.1**		3,576.6	

The fair value of securities held for sale as of 31 December 2016 is €906.1 million (2015: €3,576.6 million).

For information, the mark to market valuation amounts to €0.5 million.

13. Trade receivables

	Gross	Depreciation	Net 2016	Net 2015
	€'m	€'m	€'m	€'m
Clients	**11.2**	-	**11.2**	11.2
Doubtful accounts	-	-	-	-
Trade receivables	**11.2**	-	**11.2**	**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 2016, there were no doubtful accounts.

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

	2016	2015
	€'m	€'m
Income tax	**1.6**	1.6
Personnel	**0.1**	0.2
Miscellaneous	**1.2**	1.3
Other receivables	**2.9**	3.1

15. Clearing house accounts (assets)

	2016	2015
	€'m	€'m
Funds receivable from clearing house members	**443.8**	701.6
Executed trades not yet settled and other (assets)	**9.0**	167.2
Margins and premiums receivable from clearing house members	**36.4**	54.6
Reverse repo	**284,333.7**	277,036.2
Guarantee deposit paid to CC&G	**4,514.2**	3,678.2
Clearing house accounts (assets)	**289,337.1**	281,637.8

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

	2016 **€'m**	2015 €'m
Banque de France	**14,971.6**	9,964.6
Cash on hand and current accounts	**6.6**	5.7
Secured and unsecured loans	**-**	578.8
Overnight loans and repos	**-**	-
Treasury and portfolio accounts	**14,978.2**	10,549.1

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 2016, 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	14,971.6	-	-	-	**14,971.6**
Cash on hand and current accounts	6.6	-	-	-	**6.6**
Secured and unsecured loans	-	-	-	-	**-**
Overnight loans and repos	-	-	-	-	**-**
Treasury and portfolio accounts	**14,978.2**	**-**	**-**	**-**	**14,978.2**

Out of the total treasury accounts of €14,978.2 million (2015: €10,549.1 million), €288.4 million is own cash (2015: €267.2 million). €45.4 million of this amount (2015: €50.5 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 €2.2 million (2015: €0.8 million).

18. Shareholder's equity

At the end of 2016, shareholder's equity consisted of the following elements:

	2016	2015
	€'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	**117.5**	99.2
Reserve for general banking risk	**0.3**	0.3
	275.5	257.2
Net profit	**41.6**	36.2
Revenues to be allocated	**-**	-
Interim dividend	**-**	-
Shareholder's equity*	**317.1**	293.4

*including general banking risk reserve

The change in the shareholder's equity during 2016 may be summarised as follows:

	€'m
Shareholder's equity at 31 December 2015	**293.4**
Dividends	(18.0)
Net profit of the year	41.6
Revenues to be allocated	-
Shareholder's equity at 31 December 2016	**317.1**

19. Provisions

	2016 €'m	2015 €'m	Change €'m	Addition €'m	Reversals €'m
Employee benefit provisions					
Compensation for retirement	4.6	3.7	0.9	0.9	-
Jubilee award	1.4	1.1	0.3	0.3	-
	6.0	4.8	1.2	1.2	-
Other operating provisions					
Provision for operating risks	-	-	-	-	-
Non operating provisions					
Provision for restructuring	0.1	0.4	(0.3)	-	(0.3)
Provisions	**6.1**	5.2	1.0	1.2	(0.3)

Employee benefit provisions are €6.0 million (2015: €4.8 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.

The provision for restructuring of €0.1 million is 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)

	2016 €'m	2015 €'m
Trade payables	**0.3**	3.0
Supplier accruals	**10.3**	5.9
Trade notes and account payable (suppliers)	**10.6**	8.9

At the end of 2016, payables to suppliers amount to €10.6 million (2015: €8.9 million). The main amounts include CreditDerivClear Limited with €2.4 million (2015: nil in trade payables section), Euronext with €2.0 million (2015: €1.9 million), and Sopra with €0.7 million (2015: €0.5 million); and are respectively related to business fees and information technology services. All trade payables as of 31 December 2015 and 2016 had a maturity of less than one month.

21. Personnel, tax and social security payables

	2016	2015
	€'m	€'m
Personnel payables and related costs	**22.4**	20.4
Taxes payable	**2.6**	9.7
Personnel, tax and social security payables	**25.0**	30.1

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

- Paid holidays: €11.2 million (2015: €10.5 million)
- Employees' profit sharing schemes: €1.8 million (2015: €1.7 million)
- Bonuses: €4.7 million (2015: €5.5 million)
- National Insurance payables: €2.1 million (2015: €1.5 million)
- Other personnel provisions : €2.6 million (2015 : €1.2 million)

The accrued taxes payable is made of:

- Corporate tax payable: €1.4 million (2015: €8.5 million)
- VAT: €0.6 million (2015: €0.7 million)
- "Organic" tax: €0.3 million (2015: €0.3 million)
- Other taxes: €0.3 million (2015: €0.2 million)

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

	2016	2015
	€'m	€'m
Other liabilities	**13.3**	23.8
Other payables	**13.3**	23.8

23. Clearing house accounts (liabilities)

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

	2016	2015
	€'m	€'m
Funds payable to clearing house members	**797.0**	2,129.2
Clearing house members guarantee deposits	**19,675.2**	16,099.5
Trades executed but not yet settled and other	**75.0**	163.5
Margins payable to clearing house members	**36.4**	54.6
Repos payable	**284,333.7**	277,036.1
Clearing house accounts (liabilities)	**304,917.3**	295,482.9

24. Treasury accounts

	2016 €'m	2015 €'m
Bank overdraft	**3.0**	2.6
Secured borrowings	**-**	-
Accrued interest on secured borrowings	**-**	-
Short term debts with financial institutions	**3.0**	2.6

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 €4.3 million are related to €1.7 million rent free period and €2.6 million on CDS project recovery.

26. Clearing house commitments

	2016 €'m	2015 €'m
Securities received as collateral	**12,219.4**	9,766.8
First-demand guarantees received from banks	**6.0**	44.0
Guarantees received from DNB	**650.9**	844.1
Guarantees received from BNB	**648.0**	500.1
Guarantees received	**13,524.3**	11,155.0
Guarantees given to Banque de France	**1,821.4**	2,239.2
Guarantees given	**1,821.4**	2,239.2
Securities receivable	**212,202.5**	188,817.1
CDSClear receivable	**124,641.2**	74,821.2
Commitments received	**336,843.7**	263,638.3
Securities deliverable	**212,193.5**	188,760.8
CDSClear deliverable	**124,641.2**	74,821.2
Commitments given	**336,834.7**	263,582.0

27. Comparison of total cover required and collateral actually deposited

At 31 December 2016, the margin cover requirement broke down as follows:

	2016 €'m	2015 €'m
Margining requirements	**26,900.4**	21,824.5
Clearing funds	**3,255.6**	2,312.3
Total	**30,156.0**	24,136.8
Cash deposits	**18,925.7**	14,922.4
Other	**12,484.2**	9,906.9
Total	**31,409.9**	24,829.3

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

	2016 €'m	2015 €'m
Assets		
Petty cash, central banks, bank accounts	**14,971.5**	9,964.6
Receivables from financial institutions	**6.4**	584.4
Bonds and other fixed income securities	**905.1**	3,565.9
Participations	**0.3**	19.8
Fixed assets	**56.0**	48.3
Intangible assets	***55.0***	*46.7*
Tangible assets	***1.0***	*1.6*
Other assets	**289,338.3**	281,642.5
Prepayment and other accrued income	**19.1**	24.3
Total assets	**305,296.7**	295,849.8
Liabilities		
Debts with financial institutions	**64.7**	63.0
Payables to customer	**12.6**	11.1
Other liabilities	**304,882.4**	295,470.5
Accrued liabilities	**13.8**	6.6
Provisions	**6.1**	5.2
Reserve for general banking risk	**0.3**	0.3
Shareholders' equity	**316.8**	293.1
Share capital	***113.1***	*113.1*
Reserves	***44.6***	*44.6*
Retained earnings	***117.5***	*99.2*
Net profit	***41.6***	*36.2*
Total liabilities	**305,296.7**	295,849.8
Off balance sheet		
Commitment given		
Guarantee commitments	***126,462.6***	*77,060.4*
Commitments on securities	***212,193.5***	*188,760.8*
Commitments received		
Guarantee commitments	***138,165.5***	*85,976.2*
Commitments on securities	***212,202.5***	*188,817.1*

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.Clearnet Group Limited which is the head of the smallest group that prepares consolidated accounts.

€'m	**2016**	2015
Transactions with parent companies		
Income statement		
Services recharges to parent companies	-	(0.6)
Services recharges from parent companies	2.6	3.4
Total	2.6	2.8
Statement of financial position		
Amount due to parent companies as of 31 December	(1.3)	(0.7)
Transactions with fellow companies		
Income statement		
Project recharge income with other fellow companies	(1.9)	(3.7)
Project recharge cost from other fellow companies	6.4	14.5
Services recharged to other fellow companies	(1.1)	(1.3)
Services recharged from fellow subsidiaries	17.2	9.7
Total	20.6	19.2
Statement of financial position		
Amount due to fellow companies as of 31 December	(4.2)	(10.1)

30. Directors' fees

Directors' fees paid by the company in 2016 amounted to €86,860. 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.