Euroclear SA/NV

Consolidated financial statements
at 31 December 2014

Contents

Directors' report

The directors of Euroclear SA/NV are pleased to present their report, together with the audited consolidated financial statements of the Company and its subsidiaries (the 'group') for the year ended 31 December 2014.

Group overview and principal activities

The Euroclear group is the world's leading provider of domestic and cross-border settlement and related services for bond, equity, fund and derivative transactions. The Euroclear group includes the International Central Securities Depositary (ICSD) Euroclear Bank, based in Brussels, as well as the national Central Securities Depositaries (CSDs) Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland. Euroclear Bank is the only credit institution in the Euroclear group. Euroclear SA/NV provides system development and support services to the other companies of the group. Euroclear plc is the holding company which owns, directly or indirectly, the entire issued ordinary share capital of these companies.

Euroclear SA/NV operates three branches in Amsterdam, London and Paris; Euroclear Bank operates two branches in Hong Kong and Krakow.

The Nederlands Interprofessioneel Effectencentrum BV (NIEC) was dissolved on 29 December 2014 because the company had no longer activities after the launch of the Euroclear Settlement of Euronext-zone Securities (ESES) platform which limited NIEC's services to the National Numbering Agency function.

On 26 September 2014, Euroclear SA/NV and The Depository Trust & Clearing Corporation (DTCC) became owners of DTCC-Euroclear Global Collateral Ltd, a new joint venture shared equally between both shareholders, specialised in Collateral services (i.e. : Margin Transit services and Collateral Management services).

Euroclear Bank's branch in Krakow, Euroclear Bank SA/NV (Spółka Akcyjna) - Oddział w Polsce, officially opened in January 2013. It has grown successfully to 239 employees serving our global clients by the end of 2014. This centre will continue to grow over the next four years to provide a dual-office arrangement with Euroclear Bank's existing operations set-up in Belgium and will ultimately have several hundred Euroclear employees servicing our global business. It gives us access to a large recruitment pool, ensuring continued high levels of service for our clients, whilst positively contributing to our competitiveness.

Euroclear Bank SA/NV (Hong Kong Branch) has celebrated its sixth year of existence. It has become a key driver of the very high client satisfaction we enjoy in Asia. Given the time zone difference with Europe, our Hong Kong office also enables us to continuously improve the efficiency of our global service offering.

Business review

Drivers and challenges

New regulation, market change and the health of the European economy remain key factors creating uncertainty in an evolving marketplace.

The imminent launch of the European Central Bank's (ECB) TARGET2-Securities platform, a common settlement platform for euro-denominated CSDs, will significantly alter the European post-trade landscape. Having begun T2S user testing in late 2014, the ECB's target for the first wave of T2S migration remains June 2015. Euroclear is in the T2S migration second wave, planned for March 2016.

In addition, The Central Securities Depositories Regulation (CSDR) came into force in September 2014. Compliance with its provisions will be a major focus for CSDs over the next two years. The standards that underpin this regulation should be finalised later in 2015. CSDR necessitates the development of a new and wide ranging Settlement Discipline Regime, concurrent to the migration of CSDs to T2S, which may result in some change to the latter. In the meantime, on 6 October 2014, 30 European markets successfully transitioned to a T+2 settlement cycle, reducing counterparty risk, without any material effect on settlement efficiency. The longer-term effects of the many new regulations that have been implemented since 2008 continue to drive the operating environment. Banks are continuing to deleverage their balance sheets as a result of new capital adequacy and liquidity reforms, and the need to maintain complex recovery and resolution plans.

The cost of regulatory compliance and the deleveraging of balance sheets have spurred on the quest for further operating efficiencies and cost savings. This in turn is driving market participants to consolidate and rationalise market access and embrace innovative services that help realise latent efficiencies.

Furthermore, across the globe, growth markets are establishing international market infrastructure links to attract foreign investors to help fund long-term development needs. At the same time, international investors are seeking opportunities to diversify and increase the profitability of their investments around the world.

Our ambition and progress

- *Operating in the T2S environment*

Euroclear is committed to making the transition to the new post-trade and regulatory environment as straightforward as possible for our clients, giving them flexibility of access to all T2S markets via Euroclear Bank or the national CSDs.

In late 2014, we began T2S user testing, along with other CSDs and Central Banks, with Euroclear playing an active role in ascertaining the application's utility. We actively supported participants' successful transition to T+2 settlement in 2014; their smooth migration followed our work with the industry to mitigate risks associated with the transition to this shorter, harmonised settlement cycle.

In the T2S environment, we will provide the same level of asset servicing across asset classes, regardless of the service access option and the asset location. We will offer a range of harmonised services across all T2S markets despite the continuing co-existence of varying market practices.

We are on track in our multi-year investment to deliver on these linkages and harmonised services that will culminate in full readiness for T2S's 2015 implementation start date.

- *Collateral Management Momentum*

Euroclear's Collateral Highway, the world's first open architecture global infrastructure for collateral management, continued to grow in 2014. Driven by market participants' need for a neutral, inter-operable, venue-agnostic utility to source and mobilise collateral across geographical borders and time zones, average daily collateralised outstandings reached €883 billion, representing 12% year-on-year growth, in 2014. Over the past year, we continued to expand both the range and involvement of market participants connected to the Collateral Highway, including BNP Paribas Securities and Standard Chartered. Additionally, through Euroclear, UniCredit was the first European credit institution to participate in the Eurosystem cross-border triparty framework.

Following our 2013 agreement with the Depository Trust & Clearing Corporation (DTCC), the joint venture company DTCC-Euroclear Global Collateral Ltd was launched in September 2014. Building on our leadership position in collateral management, the joint venture seeks to deliver unprecedented operating efficiencies to market participants and improve the stability and soundness of financial markets. Global Collateral Ltd will enable the automatic transfer and segregation of collateral based on agreed margin calls relating to over-the-counter derivatives and other collateralised contracts. This joint venture will contribute to the Collateral Highway interoperability objective by connecting two of the largest pools of collateral. It will also contribute significantly to reducing settlement risk, increasing transparency around collateral processing on a global basis and providing maximum asset protection for all participants.

Euroclear continued to deliver key components of the Collateral Highway in 2014, including:

- Open Inventory Sourcing (OIS) technology was expanded to include equities, broadening the domestic market asset classes that clients can use for international financing via Euroclear Bank.
- Our triparty service for Eurosystem cross-border financing was launched, which followed the ECB's further relaxation of its repatriation principle. This enables clients to use our full range of triparty services to mobilise assets held in Euroclear Bank or the ESES CSDs to post collateral to the National Bank of Belgium or Banque de France, when accessing liquidity at the central bank of their home country.
- €GCPlus was launched, in collaboration with LCH.Clearnet and Banque de France, providing risk managers with a secure and streamlined inter-bank liquidity management tool that blends the efficiency of triparty repo with the safety of central bank money and a substantial reduction in use of balance sheet with a central counterparties (CCP)-cleared product. Using baskets of ECB-eligible securities, €GCPlus was launched to meet the demand for access to more high quality liquid assets largely driven by new capital requirement regulation.
- The Collateral Highway extended its operating hours so that they now cover the full working day in Asia. This enables them to offer a more global collateral management service.

In 2015, we will continue to on-board agents, CSDs, CCPs and central banks around the world, while continuing to upgrade infrastructure and services to better serve the needs of participants, in line with the implementation of regulatory reforms that affect our clients' business models.

- *Growing the EasyWay™ service*

Reflecting Euroclear's ongoing commitment to innovative client service, 2014 saw the addition of collateral margin management and settlement instruction management to EasyWay™; the web-based tool that allows clients to operate their activity through dashboards, alerts and intuitive navigation. With EasyWay™, our clients benefit from real-time overview of their risks, simple and highly secure input and authorisation of instructions, minimal installation and maintenance and increased efficiency and productivity.

Launched in 2012, EasyWay™ services initially offered voluntary corporate actions, bringing new digital functionality to web technologies including wireless devices such as tablets. Over the coming year, we plan to enhance the collateral management and corporate actions services offered through EasyWay™ and broaden the market coverage to all entities of the group, enriching our digital client experience.

- *Serving the funds industry*

Euroclear is one of the largest providers of fund processing services in Europe with over 11.3 million orders routed through our platforms in 2014. We offer a single entry point for the effective distribution of cross-border, offshore and domestic funds, providing significant opportunities for cost and risk reduction.

In March 2014, Euroclear Sweden launched a link to FundSettle™, Euroclear Bank's automated processing platform for cross-border and domestic funds. In so doing, we offered Swedish investment firms access to over 80,000 foreign funds from over 25 markets, while Swedish fund distributors, cross-border fund management companies and transfer agents benefitted from automated fund-transaction order routing on a straight-through-processing basis. Euroclear Bank also entered into a cooperation agreement with SIX Securities Services, the Swiss international post-trade services provider, to provide more cost- and risk-efficient fund services to Swiss investors through FundSettle™. Mutual clients benefitted from market proximity, with SIX covering primarily Swiss market securities and clients, combined with our extensive global network of over 500 transfer agents.

We made further progress with our international exchange-traded fund (ETF) structure, launched in 2013 with inaugural issuer BlackRock, the world's largest ETF provider. In 2014, Pimco and State Street adopted our international ETF structure, with listings on Euronext and the London Stock Exchange, benefitting from a single European settlement location to improve trading liquidity, improve cross-border processing efficiencies and help lower investors' overall transaction costs.

- *Euroclearability – creating access to developing markets*

Open access to the international capital markets is an important enabler for macroeconomic growth. Domestic issuers in growth markets around the world seek wider funding opportunities than may currently exist, in order to support local development. Likewise, global investors are looking for ways to get closer and more substantively participate in growth markets so as to benefit from higher and more diversified returns. To this end, Euroclear made further progress in strengthening its franchise around the world, with continued success in bringing 'Euroclearability' to domestic capital markets that might otherwise have limited access to global participants.

Over 2014, we made a variety of domestic securities classes available for settlement via our links to their respective domestic CSDs, including Panamanian government bonds; Mexican corporate bonds; Russian municipal and corporate securities, as well as equities; and Taiwanese-issued Renminbi-denominated bonds.

- *Investment in Euronext*

Building on the historic relationship between Euroclear and the Euronext markets, the group acquired a stake in Euronext as part of a group of Reference Shareholders in June 2014. Through our shareholding, we have one seat on Euronext's Supervisory Board. The investment provides us closer proximity to our user community, strengthening our Euroclear Settlement of Euronext-zone Securities franchise, and our future in delivering Issuer and Investor CSD services.

Key business parameters

Net fee and commission income stems mainly from the provision of settlement, asset servicing and other services.

- Settlement related fee and commission income is a function of the number of international and domestic transactions settled in the Euroclear group and is thus impacted by trading activities and investor confidence in the financial markets.
- Asset servicing related fee and commission income is mainly a function of the value of securities held for Euroclear clients in our (I)CSDs. The value of bonds is based on nominal value, whilst for equities, their market value is taken into consideration.
- Other services include global Collateral Highway services. The global Collateral Highway services generate income in relation to the daily value of collateral provision outstanding, which is impacted by the activity in the repo market as well as by other factors such as the ECB's liquidity programmes, including long-term refinancing operations.

Interest income stems principally from Euroclear Bank's clients' cash balances invested partially in overnight deposits and in money market short term securities and from the investment of Euroclear Bank's capital, together with retained earnings and proceeds from subordinated debt. Interest income is dependent on the evolution of short-term interest rates.

Administrative expenses include staff costs, depreciation and amortisation as well as other operating expenses. Administrative expenses are impacted to a certain level by business volume levels as well as by inflation.

Operating highlights

The Euroclear group delivered sound business performance in 2014, a year that is characterised by increased activity levels and flat core operating expenses, leading to a robust overall performance.

The **value of securities held** for Euroclear clients at the end of 2014 reached an all-time high of €26.0 trillion, a 7% increase compared to €24.2 trillion in 2013.

Turnover, or the value of securities transactions settled, rose by 11% to €633.6 trillion in 2014 compared with the €572.8 trillion reported in 2013.

The **number of netted transactions** settled in the Euroclear group achieved 181.6 million in 2014, a 7% increase compared to 170.4 million in 2013.

Euroclear's global **Collateral Highway** was a record of average daily outstandings at the end of 2014 of €883.1 billion, up by 12 % compared to €787.3 billion in 2013. The sustained growth in the Euroclear's global collateral management infrastructure throughout 2014 reflects strong needs from market participants to reduce settlement risk and maximise their asset protection, in line with regulatory requirements.

Average **overnight cash deposits** increased by 11% to €20.5 billion compared to €18.5 billion in 2013, underscoring further client's confidence in Euroclear's strong and stable ratings.

Financial performance highlights

The consolidated results for the year are set out on page 11 of the financial statements.

Net fee and commission income reached €923.5 million in 2014, an increase of 5 % compared with last year, driven by higher business volumes.

Net interest income reached €90.4 million, compared to €85.6 million last year, due to high level of overdrafts and client's balances invested partially in short term securities.

Operating income is composed of net fee and commission income, net interest income and other income and reached €1,040.3 million, an increase of 2 % compared with 2013. Last year, other income consisted mainly of a capital gain on the sale of Xtrakter (€26 million).

Administrative expenses increased by 3% to €702.8 million in 2014 resulting from higher activity and investments in growth initiatives while maintaining a constant focus on cost management.

Operating profit before impairment and taxation was €337.0 million, a slight increase of 1 % compared with €333.6 million in 2013, reflecting higher operating income which exceeds the slight increase of administrative expenses reported end 2014, and fee growth compensating for the 2013 net gain generated from the sale of Xtrakter.

Impairment charges were recognised in 2014 for €0.7 million related to the liquidation of NIEC.

Taxation: The effective tax rate amounted to 22%, compared to 25% in 2013. The lower tax rate in 2014 is explained by the partial reversal (€15 million) of the deferred tax asset write off recognised in 2010 for €117 million.

Profit for the year: The profit after tax for the year ended 31 December 2014 reached €261.7 million, compared with a profit of €250.3 million for the year ended 31 December 2013.

Balance sheet: Total assets amounted to €25,883 million on 31 December 2014, up €5,656 million on the previous year. Loans and deposits increased by 19% and 36% to €20,644 million and €21,970 million, respectively. Total shareholders' equity reached €3,160 million in 2014 compared to €3,133 million in 2013.

Share capital: The total number of issued shares of Euroclear SA/NV remained flat, amounting to 12,014,560 at the end of 2014.

Employee evolution

The average number of persons employed by Euroclear SA/NV during the year was 3,679 compared to 3,561 in 2013.

Post balance sheet events

There are no important post-balance events to report for the company and its subsidiaries.

Information on circumstances that might materially influence the development of the consolidated perimeter

In March 2015, the Board of Euroclear Bank will propose to exercise on 15 June 2015 the optional redemption rights of the Bank on all of its Upper Tier 2 note with Euroclear Finance 2 at base redemption price, pending the approval of the National Bank of Belgium and the related notification to bondholders.

Following such decision, the Board of Euroclear Finance 2 will be in a position to approve the redemption on the same date, of the outstanding Hybrid Tier 1 instrument issued by Euroclear Finance 2 on the Luxembourg stock market, as well as the possible liquidation of the company.

Research and development

The Euroclear group has continued investing in research and development. These investments are linked to the performance and resilience of our systems as well as business developments, which are described in more detail in the 'Business review' section of this report. The group also continued investing in market research in line with its mission to provide increasingly commoditised market infrastructure services.

Euroclear is a founding member of TransConstellation, a non-profit organisation promoting Belgium as a centre of excellence in financial transaction processing. During 2014, a number of Euroclear group employees attended the training modules offered by TransConstellation Academy, a training centre run in collaboration with the Solvay Brussels School of Economics & Management.

Risk management in Euroclear

Detailed information on the risks faced by Euroclear, as well as our risk management strategies, policies and processes can be found in Euroclear's yearly Pillar 3 report on www.euroclear.com and in Note 3 to the Consolidated financial statements.

Risk management framework and governance

Euroclear embraces a strong risk culture. We base our Enterprise Risk Management framework (ERM) on relevant market and regulatory standards. The ERM framework captures the key risks in the group.

To manage these risks, the Board and management set limits on the amount of risk that Euroclear entities can absorb (risk tolerance) and/or are prepared to accept (risk appetite).

Approved Board policies define the overall framework. The full roll-out of the framework, along a three lines of defence model, gives all stakeholders comfort that risks in delivering settlement and custody services, as well as settlement-related banking activities, are well managed.

A clear governance structure defines accountability for identifying, monitoring and controlling the risks related to the business. An extensive policy framework exists for Risk Management and Compliance; Internal Audit and Compliance have a board approved Charter. The Risk Management, Compliance and Internal Audit Divisions are independent from the business lines they monitor through a direct administrative reporting line to the CEO. The independence of Risk Management, Compliance and Internal Audit is ensured by a functional reporting line to the Chairman of the Audit Committee and Risk Committee. These functions operate independently from each other but where relevant, do coordinate initiatives to ensure proper coverage whilst minimising overlap. The first line of defence is the main provider of assurance on the adequacy and effectiveness of the control environment to Senior Management and the Board. To enable first line management to be the main assurance provider, we have developed 'Positive Assurance Reports' (PAR), which link business objectives to control objectives, control activities and forms of evidence. First line management performs a self-assessment of its control environment based on the PAR at least twice a year. The results of this self-assessment are reported in an 'Assurance Map' (AM). This AM is a juxtaposition of assurance provision by the three lines of defence. Next to the first line, the second and third lines of defence report their own independent assessments, confirming and informing first line management's views. The AM is thus a reporting tool for the Management Committee and the Board, allowing a more frequent, effective and comprehensive monitoring of the control environment.

Risks affecting the group

All of our entities face *operational* risk (the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events). Effective monitoring, appropriate reporting and the maintenance of a database of operational risks containing more than a decade of data enable us to manage operational risk well. Euroclear is designated as critical national infrastructure in seven countries, hence we have developed and tested comprehensive processes in all entities to ensure continuous availability of business-critical services, including effective management response to crises. We have three data centres to sustain operations in the event of a local and regional-scale disaster. Crisis response capability is maintained through regular switching of activity between the three data centres and adequate training of staff.

Financial risks are borne mainly by the ICSD, Euroclear Bank, in its role as single-purpose settlement bank. The CSDs of the group have a very low risk appetite. They offer only securities settlement services in central bank money and do not provide credit to clients. They do not engage in operations with counterparties, except for the investment of their own funds.

As a settlement bank, Euroclear Bank mainly faces collateralised intra-day *credit* exposures on its clients. In addition, it runs credit risk resulting from the intra-day use of a high-quality correspondent network and from short-term placements, mainly by using reverse repos, of clients' end-of-day cash positions in the market with high-quality counterparties.

Because *liquidity* is key for the efficient functioning of Euroclear Bank, it has built a strong framework to ensure smooth day-to-day operations and a high level of preparedness to cope with unexpected and important liquidity shocks.

A very low level of *market risk* (interest rate and foreign exchange rate risks only) arises as a by-product of the investment of Euroclear Bank's capital (interest rate risk) and future earnings (interest rate and foreign exchange rate risks). There is no trading book. A hedging strategy was put in place to mitigate interest rate risk and foreign exchange risk.

Compliance

The group concluded a three-year review cycle that reinforced the group-wide ethical and compliance risk management framework that allows us to adequately identify, monitor and manage the full spectrum of legal and compliance risks. These include, amongst others, fraud, market abuse and money laundering. In addition, a specific focus has been devoted to the re-assess our controls linked to economic sanctions taken by authorities. This framework is supported by a major communication effort (e-Learning, case-based compliance tests, etc.) that undoubtedly increases the awareness of staff on compliance matters.

Supervision and regulation

The National Bank of Belgium and the Financial Services and Markets Authority (FSMA) are the supervisors of Euroclear Bank. The National Bank of Belgium is the lead regulator of Euroclear SA/NV. In addition, individual CSDs are supervised by their respective local regulator and central bank, which set and monitor, among others, their capital adequacy, liquidity requirements, governance and internal control systems.

Recovery plans

In line with regulatory rules and guidelines, we prepared recovery plans for each of the group entities, as well as a plan for the group. These plans were approved in 2014 by the relevant Boards of Directors, upon recommendation of their Risk or Audit and Risk Committees. These recovery plans are designed to allow Euroclear entities to recover their financial health in the face of extreme stress scenarios and thereby avoid going into resolution. To that aim, they identify and analyse a number of recovery options that the entity could take in order to restore its capital base, liquidity position or profitability, over a short-to-medium timeframe.

Non-statutory audit services

The amount of fees charged to Euroclear SA/NV and its subsidiaries for non-statutory audit services amounted to €793,000, the largest part of it relating to the ISAE 3402 report. Further details of fees for audit and non-audit services are provided in Note X of the financial statements.

Publicity of external mandates

Details of the reportable directorship mandates and managerial functions exercised in companies outside the Euroclear group by the members of the Board and the management of Euroclear SA/NV are posted on Euroclear's website.

Individual and collective Committee member skills

All members of the Audit Committee, the Risk Committee, the Nominations and Governance Committee and the Remuneration Committee are non-executive directors of the Company and at least one member of the Audit Committee and the Nominations and Governance committee is independent within the meaning of Article 526ter of the Belgian Companies Code. The committees have the correct knowledge base and skills among their members and each member has the adequate personal attributes in order for the committee to fulfil its role efficiently.

Audit Committee

In 2014, the Audit Committee (AC) was comprised of seven non-executive directors of the Company. All members of the AC collectively have in-depth knowledge of the financial markets and services and also collectively have an understanding of the company's business, accounting and audit matters. At least one member is competent in accounting and/or audit matters.

Risk Committee

In 2014, the Risk Committee (RC) was comprised of six non-executive directors of the Company, supported by two advisors. The RC is composed in such a way so as to assist and advise the Board of Directors in its oversight of the group's risk management governance structure, risk tolerance, appetite and strategy and key risks as well as the processes for monitoring and mitigating such risks. The members have the skills and experience to understand and oversee such risk strategy, risk appetite and risk tolerance of the Company and the group.

Nominations and Governance Committee

In 2014, the Nominations and Governance Committee (NGC) was comprised of eight non-executive directors of the Company. The NGC is composed in such a way to be able to properly and independently assist and advise the Board of Directors on all matters in relation to the composition and functioning of the Board and Board Committees of the Company. In particular, on the fit and proper character of their members, on the management succession planning as well as on corporate governance matters.

Remuneration Committee

In 2014, the Remuneration Committee (RemCom) was comprised of eight non-executive directors of the Company. The RemCom is composed in such a way so as to properly and independently assist and advise the Board of Directors on remuneration policies and practices as a whole taking into account the risks and liquidity needs of the Company.

By order of the Board

Marc Antoine Autheman
Chairman of the Board
24 February 2015

Euroclear SA/NV Board and Committees - composition

as at 31 December 2014

	NAME	Euroclear SA Board	Audit Committee	Risk Committee	Remuneration Committee	Nominations & Governance Committee	Management Committee
1	**Marc Antoine Autheman (Chairman)**	•			• (chair)	•	
2	**Eddy Wymeersch (Deputy Chairman)**	•			•	•	
3	**Joseph C. Antonellis**	•		•			
4	**Michel Berthezène**	•			•	•	
5	**Inge Boets**	•	• (chair)				
6	**Cian Burke**	•					
7	**Patrick Colle**	•	•				
8	**Stephen Davies**	•	•				
9	**John Devine**	•	•				
10	**Mark S. Garvin**	•			•	• (chair)	
11	**Isabelle Hennebelle**	•		•			
12	**William Higgins**	•	•				
13	**Toru Horie**	•	•				
14	**Tom Isaac**	•					
15	**Masashi Kurabe**	•			•	•	
16	**Francis La Salla**	•			•	•	
17	**Xiaochi Liu**	•			•	•	
18	**Francois Marion**	•	•				
19	**Neil Martin**	•		•			
20	**Nils-Fredrik Nyblaeus**	•		• (chair)			
21	**Franco Passacantando**	•		•			
22	**Bruno Prigent**	•		•			
23	**Satvinder Singh**	•		•			
24	**Clare Woodman**	•			•	•	
25	**Tim Howell** Executive Director CEO Euroclear SA	•					• (chair)
26	**Frédéric Hannequart** Executive Director	•					•
27	**Lieve Mostrey** Executive Director	•					•
	André Rolland						•
	ADVISORS						
	John P. Davidson			•			
	M. Andrew Threadgold			•			

Euroclear SA/NV Market Advisory Committees - composition

as at 31 December 2014

NAME	First Name	Representing	BE	NL	FR	ESES	FI	IR	SW	UK	XMAC
Addenbrooke	Chris	Capita Financial Group								•	
Ahola	Maarit	Svenska Handelsbanken AB Finland					•				
Attia	Anthony	Euronext			•						
Barber	Richard	Citibank International plc		•		•				•	
Barrett	Richard	International Financial Data Services (UK) Ltd								•	
Berthon	Pierre-Yves	AFG			•						
Black	Charlotte	Brewin Dolphin Securities									•
Bongers	Pieter	Rabobank Nederland		•		•					
Börjesson	Björn	Independent member of the Euroclear Finland/Sweden Board							Obs.		
Brink	Henk	KAS Bank N.V.		•		•					
Berndsen	Ron	De Nederlandsche Bank NV		•		•					
Bruggeman	Henk	DACSI		Obs.							
Castelanelli	Philippe	HSBC			•	•				•	
Cattelin	Marc	Natixis			•						
Chatterton	Simon	Barclays								•	
Cotelle	Nelly	ICMA/AMTE			Obs.						
Cronin	Daragh	Central Bank of Ireland						•			
Davies	Toby	Bank of England								•	
de Fournoux	Emmanuel	AMAFI			•						
de Leusse	Guy	Entreprises d'Investissement			•						
de Nexon	Eric	Société Générale			•	•					
De Nul	Kris	KBC NV	•			•					
De Wit	Dominique	Groupe Crédit Agricole SA			•	•					
Decker	Adrien	Crédit Mutuel/CIC			•						
Dijmarescu	Diana	JPMorgan Chase & Co									•
Doyle	Eamonn	Davy Stockbrokers						•			
Dwyer	Stephen	Goodbody						•			
Edwards	Paul	Bank of New York Mellon								•	
Ericsson	Torbjörn	Swedbank AB							•		
Eyssautier	Jean-Marc	CACEIS			•	•					•
Fageräng	Magnus	Handelsbanken Capital Markets							•		
Farrell	Albert	Bastow Charlton						•			
Farrell	Mary	Central Bank and Financial Services Authority of Ireland						•			
Fleming	Peter	Skandia								•	
Fors	Göran	Skandinaviska Enskilda Banken AB							• (C)		•
Grima	Jean-Philippe	Crédit Mutuel/CIC Titres				•					
Gulikers	Michel	BNP Paribas Fortis	•			•					
Halligan	Donald	Capita Registrars (Ireland) Limited						•			
Healy	Brian	Irish Stock Exchange						• (C)			•
Hemon	Christophe	LCH.Clearnet SA			•						
Hermansson	Kerstin	Swedish Securities Dealers Association							•		
Hervo	Frédéric	Banque de France			•	•					
Hill	Simon	TD Waterhouse								•	
Humphery	Marye	Upper Woolwich								• (C)	•
Jousimies	Panu	Evli Bank plc					•				
Mairesse	Anne	LCH Clearnet SA	•								
Majuri	Tuomas	Finnish Federation of Financial Services					•				
McPolin	Michael	JP Morgan								•	
Mjörud	Ola	Citibank International plc							•		
Molony	Joe	Computershare						•			
Morecroft	Mike	Henderson Global								•	
Morleghem	Yves	Belfius Bank	•								
Murray	Darren	Investec						•			
Ozinga	Richard	Deutsche Bank		•		•					
Philips	Jason	UK Debt Management Office								•	
Pochet	Alain	BNP Paribas			• (C)	• (RC)					• (C)
Price	Judy	Investec Wealth								•	
Quinn	Liam	National Treasury Management Agency						•			
Råstedt	Mats	Nordea Pankki Oy					• (C)				•
Roegiers	Damien	NYSE Euronext	•								
Roncin	Marcel	AFTI			•						
Rousseau	Jean-Paul	Febelfin - Representative MEC	• (C)			• (RC)					•
Sairio	Jopi	Skandinaviska Enskilda Banken AB					•				
Sakki	Kirsi	Pohjola Bank plc					•				•
Schricke	Christian	ANSA			•						
Schüllerqvist	Jan	Sveriges Riksbank							•		
Shuttlewood	Graham	The Royal Bank of Scotland						•			
Timmermans	Yvan	National Bank of Belgium	•			•					
Tricou	Jean	Fédération Bancaire Française			•						
Trost	David	Northern Trust Limited						•			
Van der Star	Ed	ABN AMRO Bank NV		•		•					
van Knorring	Anna	State Treasury					•				
Verhoyen	Els	ING Belgium	•								
Viou	Jean-François	AFSF			•						
Vonk	Antoine	Representative ING securities services		• (C)		• (RC)					•
Waesterberg	Fredrik	Nordea AB							•		
Wernhall	Karin	Swedish National Debt Office							•		
Winder	Justin	Morgan Stanley								•	
Whelan	John	Merrill Lynch								•	

(C) : Chairman (RC) : Rotating Chairman

Consolidated income statement

For the year ended 31 December 2014

(€'000)	Notes	2014	2013
Interest income	VI	112,253	108,268
Interest expense	VI	(21,856)	(22,644)
Net interest income		**90,397**	**85,624**
Fee and commission income	VII	1,280,205	1,232,153
Fee and commission expense	VII	(356,740)	(351,932)
Net fee and commission income		**923,465**	**880,221**
Net interest and fee income		**1,013,862**	**965,845**
Dividend income		218	239
Realised gains/(losses) on investment securities	VIII	606	-
Net gains/(losses) on financial assets and liabilities held for trading	IX	12,988	5,379
Net gains/(losses) on foreign exchange		1,210	7,977
Other operating income		11,453	37,244
Operating income		**1,040,337**	**1,016,684**
Administrative expenses	X	(702,813)	(683,104)
Share of the profit/(loss) of investments accounted for using equity method	I	(521)	-
Operating profit/(loss) before impairment and taxation		**337,003**	**333,580**
Impairment	XI	(686)	(1,448)
Operating profit/(loss) before taxation		**336,317**	**332,132**
Taxation	XII, XIII	(74,656)	(81,788)
Profit/(loss) for the year		**261,661**	**250,344**

For the list of companies in the group, see Note I.

The accompanying Notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

(€'000)	Notes	2014 Gross	2014 Tax	2014 Net	2013 Gross	2013 Tax	2013 Net
Changes in other comprehensive income							
Available-for-sale financial assets	XIV, XXIII	42,771	229	43,000	255	(6)	249
Cash flow hedges	XVI, XXIII	(823)	280	(543)	(2,500)	850	(1,650)
Hedge of net investments in foreign operations	XVI, XXIII	-	-	-	224	-	224
Foreign currency translation reserve	XXIII	(6,281)	-	(6,281)	(8,888)	-	(8,888)
Disposal groups held for sale	XXIII	-	-	-	(508)	-	(508)
Investments accounted for using the equity method	I	-	-	-	-	-	-
Recyclable subsequently to profit/(loss)		35,667	509	36,176	(11,417)	844	(10,573)
Defined benefit plans	XX	(28,545)	8,960	(19,585)	23,124	(6,634)	16,490
Not recyclable to profit/(loss)		(28,545)	8,960	(19,585)	23,124	(6,634)	16,490
Other comprehensive income for the year		**7,122**	**9,469**	**16,591**	**11,707**	**(5,790)**	**5,917**
Profit/(loss) for the year		**336,317**	**(74,656)**	**261,661**	**332,132**	**(81,788)**	**250,344**
Total comprehensive income for the year		**343,439**	**(65,187)**	**278,252**	**343,839**	**(87,578)**	**256,261**

The accompanying Notes form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2014

(€'000)	Notes	Capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2014		839,601	1,623,628	101,987	567,890	3,133,106
Changes in other comprehensive income for 2014						
- Available-for-sale financial assets	XXIII	-	-	43,000	-	43,000
- Cash flow hedges	XXIII	-	-	(543)	-	(543)
- Foreign currency translation reserve	XXIII	-	-	(6,281)	-	(6,281)
- Defined benefit plans		-	-	-	(19,585)	(19,585)
- Investments accounted for using the equity method	I	-	-	-	-	-
Transfer to legal reserve	XXIII	-	-	14,058	(14,058)	-
Profit/(loss) for the year		-	-	-	261,661	261,661
Dividends paid	XXIV	-	-	-	(251,106)	(251,106)
At 31 December 2014		**839,601**	**1,623,628**	**152,221**	**544,802**	**3,160,252**

		Capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2013		839,601	1,623,628	111,913	533,827	3,108,969
Changes in Other comprehensive income for 2013						
- Available-for-sale financial assets	XXIII	-	-	249	-	249
- Cash flow hedges	XXIII	-	-	(1,650)	-	(1,650)
- Hedge of net investments in foreign operations	XXIII	-	-	224	-	224
- Foreign currency translation reserve	XXIII	-	-	(8,888)	-	(8,888)
- Defined benefit plans		-	-	-	16,490	16,490
- Disposals		-	-	(508)	-	(508)
Transfer to legal reserve	XXIII	-	-	647	(647)	-
Profit/(loss) for the year		-	-	-	250,344	250,344
Dividends paid	XXIV	-	-	-	(232,124)	(232,124)
At 31 December 2013		**839,601**	**1,623,628**	**101,987**	**567,890**	**3,133,106**

The accompanying Notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2014

(€'000)	Notes	2014	2013
Assets			
Cash and balances with central banks	III	2,413,810	3,868,298
Loans and advances	III	18,230,004	13,457,379
Available-for-sale financial assets	XIV	3,750,926	1,495,523
Financial assets held for trading	XV	6,834	12,687
Derivatives used for hedging	XVI	-	705
Current income tax assets		16,952	13,417
Other assets		151,232	127,657
Pre-payments and accrued income		126,737	113,082
Pension asset	XX	433	-
Deferred income tax assets	XIII	136,506	106,710
Property, plant and equipment	XVII	101,065	104,946
Goodwill and intangible assets	XVIII	934,433	925,936
Investments accounted for using the equity method	I	13,892	-
Total assets		**25,882,824**	**20,226,340**
Liabilities			
Deposits from central banks	III	2,242,662	1,590,025
Deposits from banks and customers	III	19,727,871	14,585,021
Financial liabilities held for trading	XV	6,723	12,369
Derivatives used for hedging	XVI	425	307
Other liabilities		251,585	466,072
Accruals and deferred income		215,208	214,754
Current income tax liabilities		62,720	49,282
Deferred income tax liabilities	XIII	1,830	2,398
Provisions for liabilities and charges	XIX	16,288	17,959
Subordinated liabilities	XXI	100,282	100,207
Pension deficit	XX	96,978	54,840
Total liabilities		**22,722,572**	**17,093,234**
Shareholders' equity			
Called up share capital	XXII	839,601	839,601
Share premium account		1,623,628	1,623,628
Other reserves	XXIII	152,221	101,987
Retained earnings		544,802	567,890
Total shareholders' equity		**3,160,252**	**3,133,106**
Total liabilities and shareholders' equity		**25,882,824**	**20,226,340**

The accompanying Notes form an integral part of these financial statements.

These financial statements were authorised for issue by the Board of directors on 24 February 2015 and signed on its behalf by

Marc Antoine Autheman, Chairman of the Board.

Consolidated statement of cash flows

For the year ended 31 December 2014

(€'000)	Notes	2014	2013
Profit/(loss) before taxation		**336,317**	**332,132**
Adjustments for:			
- Depreciation and amortisation	XVII, XVIII	24,730	24,547
- Impairment	XI	686	1,448
- Interest on cash and balances with central banks and loans and advances	VI	(110,621)	(107,122)
- Interest on deposits from central banks and banks and customers	VI	15,914	16,477
- Interest on subordinated loan added back	VI	4,155	4,250
- Dividends received		(218)	(239)
- (Gains)/losses on disposal of group undertakings		-	(25,945)
- Provisions for liabilities and charges	X	1,577	(173)
- Share of the (profit)/loss of investments accounted for using equity method	I	521	-
Other non-cash movements		13,620	(34,056)
- Interest received on cash and balances with central banks and loans and advances		108,868	107,834
- Interest paid on deposits from central banks and banks and customers		(15,859)	(16,429)
Cash flows from operating profit/loss before changes in operating assets/liabilities		**379,690**	**302,724**
Net increase/(decrease) in deposits from banks and customers		4,856,426	255,958
Net (increase)/decrease in monetary reserve	III	(262)	75
Net (increase)/decrease in loans and advances	III	(953,041)	(412,387)
Net (increase)/decrease in other assets		(23,586)	62,031
Net increase/(decrease) in other liabilities		(214,487)	151,807
Net cash inflow/(outflow) from operating activities		**4,044,740**	**360,208**
Tax paid		(83,574)	(77,927)
Net cash from operating activities		**3,961,166**	**282,281**
Cash flows from investing activities			
Ownership in joint venture	I	(14,099)	-
Purchase of available-for-sale financial assets	XIV	(3,689,340)	(1,681,792)
Proceeds from redemption and disposals of available-for-sale financial assets	XIV	1,470,000	1,175,000
Purchase of property, plant and equipment	XVII	(18,515)	(32,664)
Purchase of intangible assets	XVIII	(20,656)	(11,815)
Proceeds from disposal of non-current assets classified as held for sale	XIX	-	1,626
Proceeds from disposal of group undertakings		-	35,670
Dividends received		218	239
Net cash used in investing activities		**(2,272,392)**	**(513,736)**
Cash flows from financing activities			
Interest paid on subordinated liabilities		(4,155)	(4,155)
Equity dividends paid	XXIV	(251,106)	(232,124)
Net cash used in financing activities		**(255,261)**	**(236,279)**
Net increase/(decrease) in cash and cash equivalents		**1,433,513**	**(467,734)**
Cash and cash equivalents at beginning of year		15,932,271	17,019,071
Effects of exchange rate changes on cash and cash equivalents		856,448	(619,066)
Cash and cash equivalents at end of year		**18,222,232**	**15,932,271**
Cash and cash equivalents at end of year comprise:			
Cash and balances with central banks	III	2,413,810	3,868,298
Excluding monetary reserve		(333)	(71)
Loans and advances	III	18,230,004	13,457,379
Excluding loans and advances with intitial maturity above three months		(2,421,249)	(1,393,335)
Cash and cash equivalents at end of year		**18,222,232**	**15,932,271**

Notes to the consolidated financial statements

I. Interests in other entities

I.1. General information

Euroclear SA/NV (the Company) and its subsidiaries (together, the group) arrange for the provision of settlement and related services, including banking services in the case of Euroclear Bank, for domestic and international securities transactions, covering bonds, equities, investment funds and derivatives. Euroclear SA/NV also provides software development and a variety of administrative and non-operational support services to the (I)CSDs in the Euroclear group.

Euroclear SA/NV is a limited liability company and is incorporated and domiciled in Belgium. The address of its registered office is:

Euroclear SA/NV
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

I.2. Subsidiaries

Euroclear SA/NV does not have any non-controlling interests in its subsidiaries since they are all wholly owned. Judgements and estimates are thus not taken in assessing the subsidiaries' ownership interest. The company does not face any significant restriction on its ability to access or use assets, and settle liabilities, of the group.

At December 31, 2014, the Company's subsidiaries are as follows:

	Country of incorporation	Nature of business	Proportions of voting rights and ordinary shares held
Consolidated subsidiaries			
Caisse interprofessionelle de dépôts et de virements de titres SA[1]	Belgium	Central Securities Depository for Belgium	100%
Calar Belgium SA/NV[2]	Belgium	Property Investment	100%
EMX Company Limited[1]	United Kingdom	Dormant	100%
Euroclear Bank SA/NV[1]	Belgium	Banking, securities settlement and custody services	100%
Euroclear International Services Limited[4]	United Kingdom	Dormant	100%
Euroclear Finance 2 SA[2]	Luxembourg	Financing vehicle	100%
Euroclear Finland Oy[1]	Finland	Central Securities Depository for Finland	100%
Euroclear France SA[1]	France	Central Securities Depository for France	100%
Euroclear Sw eden AB[1]	Sw eden	Central Securities Depository for Sw eden	100%
Euroclear UK & Ireland Limited[1]	United Kingdom	Central Securities Depository for the United Kingdom and Ireland, and Investment-fund order routing	100%
Nederlands Centraal Instituut voor Giraal Effectenverkeer BV (Necigef)[1]	The Netherlands	Central Securities Depository for the Netherlands	100%
Number of w holly ow ned subsidiary			11
Number of non-w holly ow ned subsidiaries			0
Total subsidiaries			11

[1] Held through Euroclear SA/NV
[2] Held through Euroclear Bank SA/NV
[3] Held through Euroclear Sweden AB
[4] Held through Euroclear SA/NV

Nederlands Interprofessioneel Effectencentrum NIEC BV (NIEC) located in the Netherlands was liquidated in December 2014.
VKI AB in Sweden, a dormant subsidiary of Euroclear Sweden AB, has been merged with Euroclear Sweden AB in December 2014.
Xtrakter Limited (TRAX trade matching and reporting) located in the United Kingdom was sold in February 2013, with a net gain of €25,545,000.
EMX Company Limited's investment-fund order routing business was transferred to Euroclear UK & Ireland Limited in September 2010. The company became dormant in the course of 2014.

	Country of incorporation	Nature of business	Proportions of voting rights and ordinary shares held
Non-consolidated subsidiaries			
CIN(Belgium) Limited[1]	United Kingdom	Nominee company	100%
CREST Client Tax Nominee(No.1) Limited[1]	United Kingdom	Nominee company	100%
CREST Depository Limited[2]	United Kingdom	Nominee company	100%
CREST International Nominees Limited[1]	United Kingdom	Nominee company	100%
CREST Stamp Nominee(No.1) Limited[2]	United Kingdom	Nominee company	100%
CREST Stamp Nominee(No.2) Limited[2]	United Kingdom	Nominee company	100%
CRESTCo Limited	United Kingdom	Nominee company	100%
EC Nominees Limited[3]	United Kingdom	Nominee company	100%
EOC Equity Limited[3]	United Kingdom	Nominee company	100%
Euroclear Nominees Limited[3]	United Kingdom	Nominee company	100%
Euroclear Treasury Nominee Limited[3]	United Kingdom	Nominee company	100%
Fundsettle EOC Nominees Limited[3]	United Kingdom	Nominee company	100%
Trinity Nominees Limited[2]	United Kingdom	Nominee company	100%

1 Held through CREST Depository Limited, sold on 28 February 2013
2 Held through Euroclear UK & Ireland Limited
3 Held through Euroclear Bank SA/NV

These companies have not been consolidated since they are not material. No transactions have occurred between these companies and the other companies in the group.

I.3. Joint venture

The Depository Trust & Clearing Corporation (DTCC) and Euroclear created a joint venture in September 2014 focusing on collateral processing. The newly-created company, DTCC-Euroclear Global Collateral Ltd, is domiciled in the United Kingdom.

The joint venture will initially focus on launching a Margin Transit Utility (MTU) that will provide straight through processing to the settlement of margin obligations, and on piloting a Collateral Management Utility (CMU) to address the pressing problem of sub-optimal collateral mobility and allocation at a global level. The MTU will leverage development work being undertaken by DTCC and the CMU pilot will leverage current Euroclear technology. When fully operational, the utilities will be integrated to provide a seamless front-to-back collateral processing platform.

The joint arrangement between DTCC and Euroclear SA/NV qualifies as joint venture. Ownership and governance of the company is shared equally between DTCC and Euroclear with its Board and senior executives drawn from the two firms' management. Under the contractual agreements, unanimous consent is required from the two parties for all relevant activities. The shareholders will be jointly responsible for the new company. The joint arrangement is conducted through a separate legal entity, which has been equally funded by the two shareholders. Each party has a 50% interest in the company (covering both MTU and CMU services all together) with equal rights attached to shares, dividends and net assets.

There are neither commitments nor contingent liabilities relating to the group's interest in the joint venture.

DTCC-Euroclear Global Collateral Ltd is not a listed company and there is no quoted market price available for its shares.

	Country of incorporation	Proportions of voting rights and ordinary shares held	Dividends received
DTCC-Euroclear Global Collateral Ltd	United Kingdom	50%	-

(€'000)	2014
Summarised balance sheet	
Assets	
Cash and cash equivalent	28,811
Other current assets(excluding cash)	534
Total assets	**29,345**
Liabilities	
Other current liabilities(including trade payables)	1,560
Total liabilities	**1,560**

(€'000)	2014
Summarised statement of comprehensive income	
Operating profit/(loss) before taxation	**(1,303)**
Taxation	261
Profit/(loss) for the year	**(1,042)**
Other comprehensive income	**-**
Total comprehensive income	**(1,042)**

50% of the above comprehensive income are recognised in the group's consolidated statement of comprehensive income.

(€'000)	2014
Reconciliation of summarised financial information	
Opening net assets 1 January	-
Capital injection	28,198
Profit/(loss) for the year	(1,042)
Other comprehensive income	-
Effect of exchange rate changes	628
Closing net assets	**27,784**
Interest in joint venture at 50%	
Carrying value	**13,892**

II. Accounting policies

II.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and IFRIC Interpretations applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

The EU has not endorsed IAS 39 Financial Instruments: Recognition and Measurement as issued by the IASB, deciding instead to amend some of the hedge accounting requirements. The group has not applied these hedge accounting requirements and has therefore effectively also complied with IAS 39 in full as issued by the IASB.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note IV.

II.1.a. Adoption of amendments to standards
The following standards amendments to standards and interpretation became effective on 1 January 2014:
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
- amendments to IFRS10, IFRS 12 and IAS 27 Investment Entities

The application of these standards and amended standards had no significant impact on the group's financial statements.

II.1.b. Standards, amended standards and interpretations endorsed by the EU, but effective on 1 January 2015
The following amendments to standards and IFRIC became effective on 1 January 2015:
- IFRIC 21 Levies
- annual improvements to IFRS 2011-2013 cycle

IFRIC 21 Levies has been early adopted by the group. The application of this interpretation had no significant impact on the group's financial statements.

II.2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

II.3. Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date that control is transferred to the group. They are de-consolidated from the date that control ceases.

A group entity controls an investee if and only if the investor has all the following:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor’s returns.

In accordance with IFRS 3, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets is recognised as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where permitted under local legislation, the accounting policies of subsidiaries have been changed to ensure consistency with the policies of the group.

Business combinations involving entities under common control were specifically excluded from the scope of IFRS 3 Business combinations. The group has therefore applied the guidance provided by IAS 8 Accounting policies, changes in accounting estimates and errors, which requires management to consider the requirements and guidance in other international standards and interpretations dealing with similar issues. Management have therefore applied the UK GAAP requirements of Financial Reporting Standard (FRS) 6 Mergers and acquisitions for such business combinations involving entities under common control. This standard allows the assets and liabilities of the parties to the combination to be retained at their book value.

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:
- The parties are bound by a contractual arrangement;
- The contractual arrangement gives two or more of those parties joint control of the arrangement.
A joint arrangement is either a joint operation or a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is subsequently increased or decreased to recognise the group’s share of the net result of the joint venture after the acquisition. The group’s share of the joint venture’s profit or loss is recognised in its income statement. The group’s interest in a joint venture or associate is carried in the statement of financial position at its share in the net assets of the joint venture, less any impairment loss. The accounting policies of the joint venture are changed where necessary to ensure consistency with the policies adopted by the group.

II.4. Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Euroclear SA/NV Management Committee.

II.5. Foreign currency translation

II.5.a. Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the company's functional and presentation currency.

II.5.b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items measured at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on other non-monetary items are included in the foreign currency translation reserve.

II.5.c. Group companies

The results and financial position of all the group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates for the year; and
- the resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income, in the foreign currency translation reserve and the hedge of net investments in foreign operations reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

None of the group companies has used the currency of a hyperinflationary economy as its functional currency.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

II.6. Revenue recognition

II.6.a. Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant accounting years.

The effective interest rate is the rate that exactly discounts the estimated cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future expected cash flows are estimated after considering all the contractual terms of the instrument, but not future credit losses.

Group loans to, and deposits from, banks and customers are principally related to Euroclear Bank clients' cash accounts operated in connection with their securities settlement activity, with balances generally changing on a daily basis. Time deposits and the re-deposits of surplus funds rarely have maturities of more than three months and accordingly the effective interest rate method is not used.

Interest income and expense on derivative instruments are recorded in profit and loss on an accrual basis.

II.6.b. Fee and commission income and expense

Fee and commission income and expense which respectively represent a return and cost for services rendered (such as safekeeping, settlement and custody) are recognised in the income statement when the related service is performed. Safekeeping fees are based on the monthly average depot value of securities held in custody, while settlement fees are based on the number of settled transactions. Rebates granted are deducted from fee and commission income when declared.

Fee and commission income and expense, which represent a return for credit risk borne or which are in the nature of interest (securities borrowing), are recognised in the income statement over the period of the loan, or on a systematic basis over the expected life of the transaction to which they relate, net of rebates granted.

II.6.c. Dividends

Dividends on available-for-sale equity instruments are recognised in the income statement when the group's right to receive payment is established.

II.6.d. Gains and losses on disposals

Gains and losses on disposals of property, plant and equipment, determined by comparing proceeds with the carrying amount, are included in the income statement in other operating income and administrative expenses respectively.

II.7. Financial instruments

Financial assets are classified into held-to-maturity investments, available-for-sale financial assets, held for trading, or loans and receivables. The group has not designated any financial instrument as at fair value through profit or loss.

II.7.a. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. In accordance with IAS 39, the disposal of any more than an insignificant amount of held-to-maturity assets will result in the entire category being tainted and reclassified as available-for-sale for a period of two years (provided no further tainting occurs). Held-to-maturity assets are recognised in the balance sheet on settlement date at fair value plus any directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

II.7.b. Available-for-sale investments

Available-for-sale investments are those financial assets including debt securities and equity shares which are intended to be held for an indefinite period of time, but which may be sold in response to changes in the group's financial environment.

Available-for-sale investments are recognised in the balance sheet on settlement date at fair value. Gains or losses arising from changes in the fair value of such assets are recognised directly in equity, until the asset is either sold, matures or becomes impaired, at which time the cumulative gain or loss previously recognised in equity is released to the income statement. Interest revenues are recognised using the effective yield method.

The fair value of listed debt securities and equity shares reflects the published price at the balance sheet date. In the case of investments with no listed market price, a valuation technique (e.g. recent transactions between willing and knowledgeable parties, discounted cash flows and market multiples) is applied. Where the fair value of unlisted equity investments cannot be reliably measured, they continue to be valued at cost.

II.7.c. Held for trading

A financial asset is classified as held for trading if it is either:
- acquired for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- a derivative that is not a designated and effective hedging instrument.

II.7.d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised in the balance sheet on settlement date at fair value plus directly related transaction costs, if any, when cash is advanced to the borrowers. They are subsequently measured at amortised cost using the effective interest method.

Long-term loans or receivables that carry no interest are initially recognised at the net present value of all future cash receipts discounted using applicable market interest rates at origination. The difference between nominal value and net present value is recognised in the income statement over the life of the investment using the effective interest rate.

II.8. Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Preference shares, which carry a mandatory coupon, or which are redeemable on a fixed or determinable future date, are classified as financial liabilities and are presented in other borrowed funds. The coupon on these preference shares is recognised in the income statement as interest expense.

II.9. Derivative financial instruments and hedge accounting

All derivative financial instruments are recognised, and subsequently re-measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit and loss, unless the derivative is part of a qualifying hedge.

Hedge relationships are formally documented at inception. The documentation includes identification of the hedged item and the hedging instrument, and explains the risk that is being hedged and the way in which effectiveness of the hedge relationship will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. In such circumstances, the ineffective portion retained in equity is immediately recycled to profit and loss.

The group may enter into three types of hedges: hedges of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedges), hedges of the variability in cash flows from a recognised asset or liability or a forecast transaction (cash flow hedges), and hedges of the net investment in a foreign entity (net investment hedges).

II.9.a. Fair value hedges
Changes in the fair value of derivatives that are designated and which qualify as fair value hedges are recorded in the profit and loss account, together with the gain and loss on the hedged item attributable to the hedged risk.

II.9.b. Cash flow hedges
In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge should be recognised directly in equity and released to profit and loss when the forecasted transaction affects profit and loss. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the profit and loss account.

II.9.c. Net investment hedges
A hedge of a net investment in a foreign operation is accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and released to profit and loss on disposal of the foreign operation. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the profit and loss account.

II.10. Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss recognised where there is objective evidence that an event occurring after initial recognition of the asset has adversely affected the amount or timing of future cash flows and this effect can be reliably estimated.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the original market rate of return for a similar financial asset.

Cash flows relating to short-term receivables (less than three months) generally are not discounted. Impairment losses are recognised immediately in profit and loss. If, in a subsequent year, the amount of the impairment or bad debt loss decreases and the decrease can be related objectively to an event occurring after the recognition of the original loss, this loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

For financial assets carried at fair value, if there is objective evidence of impairment of an available-for-sale financial asset, the cumulative net loss (difference between amortised acquisition cost and current fair value less any impairment loss previously recognised in profit or loss) that has previously been recognised in equity is removed and recognised in the income statement. If, in a subsequent year, the fair value of an available-for-sale debt instrument increases and the increase can be objectively related to an event occurring after the loss was recognised, the loss may be reversed through profit and loss. Impairments on investments in equity securities cannot be reversed.

II.11. Purchase and resale agreements

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

II.12. Goodwill and intangible assets

II.12.a. Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net tangible and intangible assets of an acquired entity at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses and tested for impairment annually or more frequently where events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to cash-generating units, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If impairment is identified, the carrying value of goodwill is written down to its net recoverable amount. Impairment losses are immediately recognised in profit and loss and are not subsequently reversed.

II.12.b. Computer software
Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

These costs are amortised on a straight-line basis.

Costs associated with the development phase of computer software being developed by, and for use of, the group are capitalised only when the following can be demonstrated:
- technical feasibility;
- intention to complete;
- ability to use or sell the asset;
- generation of probable future economic benefits;
- availability of technical, financial and other resources; and
- reliable measurement of attributable expenditure.

Borrowing costs that are directly attributable to the acquisition or development of software are considered as part of the cost of the software.

The cost of internally developed software is amortised using the straight-line method over its estimated useful life. The estimated useful life of purchased and internally developed software is three to five years.

Impairment tests are performed annually or more frequently if events or circumstances indicate that the asset might be impaired.

Costs associated with maintaining or upgrading computer software programmes are recognised as an expense as incurred.

II.12.c. Other intangible assets

At the time of a business combination, part of the cost might be attributed to one or more intangible assets when these are separable or arise from contractual or other legal rights (such as contractual customer relationships), provided a fair value can be measured reliably.

For each asset, the expected useful life is also assessed. Where this is a finite period, the cost of the asset will be amortised using the straight-line method over that period. The estimated useful life is assessed to be indefinite when, following an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. In such circumstances, the cost will not be amortised.

The amortisation period and amortisation method for assets with a finite life are reviewed at least at each financial year-end, and changed when necessary.

For assets with an indefinite life, impairment tests are performed annually or more frequently if events or circumstances indicate that the asset might be impaired.

II.13. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Where an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for separately.

Borrowing costs that are directly attributable to the acquisition of an asset are considered as part of the cost of the asset.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost can be measured reliably. All other costs are charged to the income statement during the financial year in which they are incurred.

Depreciation on property, plant and equipment is determined using the straight-line method to allocate the depreciable amount (difference between the cost and the residual value) over its estimated useful life.

The estimated useful life of property, plant and equipment is as follows:
- freehold and long leasehold buildings: 25 to 40 years;
- building enhancements: 20 years;
- leasehold improvements: shorter of economic life and period of lease;
- data processing and communications equipment: between two and five years; and
- furniture and fixtures: seven years.

Land is not depreciated.

II.14. Leases

Contracts to lease assets are classified as finance leases where they transfer substantially all the risks and rewards of ownership of the asset to the customer. Contracts not deemed to be finance leases are treated as operating leases.

Assets provided under finance leases are included within fixed assets at cost and depreciated over their economic useful lives taking into account anticipated residual values.

Operating lease income and charges are adjusted where relevant by lease incentives and are recognised on a straight-line basis over the life of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor, or received from the lessee by way of penalty, is recognised as an expense or income in the period in which termination takes place.

II.15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an original maturity of not more than three months, including cash and non-restricted balances with central banks, and loans and advances to banks and other customers.

II.16. Provisions

Provisions are recognised where:
- there is a present obligation arising from a past event;
- there is a probable outflow of resources; and
- the outflow can be estimated reliably.

Provisions are recognised in respect of onerous contracts where the unavoidable costs of the future obligations under the contract exceed the economic benefits expected to be received.

Contingent liabilities are possible obligations whose existence depends on the outcome of one or more uncertain future events not wholly under the control of the group. For those present obligations where the outflows of resources are uncertain, or in the rare cases where these outflows cannot be measured reliably, this will give rise to a contingent liability. Contingent liabilities are not recognised in the financial statements but are disclosed, unless they are remote.

II.17. Employee benefits

II.17.a. Pension obligations

The group operates a number of post-retirement benefit schemes for its employees, including both defined contribution and defined benefit pension plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity in the period in which they occur.

Past service costs are recognised immediately in the profit and loss account.

The costs of defined contribution plans are charged to the income statement in the year in which they fall due.

II.17.b. Other post-retirement benefits

Some group companies provide post-retirement healthcare benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity. These obligations are valued annually by independent qualified actuaries.

II.18. Current and deferred income taxes

Current tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the year in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted in each relevant country by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from:
- depreciation of tangible fixed assets and amortisation of intangible assets;
- revaluation of certain financial assets and liabilities, including derivative contracts;
- provisions for pensions and other post-retirement benefits;
- tax losses carried forward; and
- in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base.

Temporary differences on the initial recognition of assets and liabilities other than those acquired in a business combination are not recognised unless the transaction affects accounting or taxable profit.

Deferred tax assets, including those related to income tax losses available for carry forward, are recognised when it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where:
- the timing of the reversal of the temporary difference is controlled by the group; and
- it is probable that the difference will not reverse in the foreseeable future.

Current tax assets and liabilities are offset when they arise in the same entity and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax related to a transaction or event which is charged or credited directly to equity (e.g. fair value re-measurement of available-for-sale investments and cash flow hedges) is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are not discounted.

II.19. Dividends

Dividends on ordinary shares are recognised in equity and as a liability in the year in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the balance sheet date are not recognised as a liability and are instead disclosed as subsequent events.

III. Risk management and the financial risk management environment

III.1. Managing business in a risk-controlled environment

III.1.a. Enterprise Risk Management: A coherent framework

The Risk Management function has developed a comprehensive risk framework, based on an Enterprise Risk Management (ERM) approach, an internal view on the capital needed by each entity, as well as appropriate policies and procedures. These cover both day-to-day operational and risk/control processes to identify, monitor and mitigate risks and incident response processes. Euroclear uses the ERM framework to help risk owners take decisions in line with the Company's risk appetite and apply effective controls in line with Euroclear's intention to maintain a low-risk profile.

Euroclear's ERM framework is based on relevant market and regulatory standards, including the work of the Committee of Sponsoring Organizations of the Treadway Commission (COSO); ISO 31000:2009 principles and generic guidelines on risk management and ISO 27001:2005 for Information Security; the Recommendations for Securities Settlement Systems (RSSS) published by the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR); and other relevant requirements, standards and guidelines issued by international, European and local regulatory bodies, including the Basel Committee on Banking Supervision (BCBS) and the Committee on Payment and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO).

Core to the framework is the risk register, which captures the risks that Euroclear faces in pursuing its corporate objectives. It distinguishes six principal risk categories. Credit, liquidity and operational risks arise from the provision of day-to-day services, while market, business and strategic risks relate to the environment in which Euroclear operates. The Board and management set explicit or implicit limits on the amount of risk that Euroclear entities can absorb (risk tolerance) and/or are prepared to accept (risk appetite).

In line with best market practice, Euroclear has adopted a three lines of defence model:
- as the first line of defence, line management identify, define and operate the control environment to help them achieve their business objectives and control the risks that prevent them from achieving these;
- as the second line of defence, Risk Management define the control environment framework in line with regulations and internal policies. They monitor the Risk and Internal Control environment in a changing internal and external environment and report, challenge or escalate to management risks or control defects. Compliance monitor, test and report to management on controls relating to laws and regulations and advice on remedial actions;
- as the third line of defence, Internal Audit independently review and test the control framework and report to management about the adequacy and effectiveness of the control environment and controls.

The risk register is supported by High Level Control Objectives (HLCOs), established by the Management Committee to mitigate the risks. These HLCOs encompass all high-level processes that individual business areas need to realise to achieve their business objectives. Each of the HLCOs has a senior business management owner who is accountable for ensuring that risks are appropriately mitigated.

The HLCOs are supported by level two control objectives explaining in more detail how each business area achieves their control objectives. The level two control objectives are supported by detailed controls and control processes, designed by line management and describe how to mitigate the risks impacting their business activities.

These control objectives are the foundation of Euroclear's Internal Controls System (ICS) and form the basis of the annual Risk & Control Self-Assessments (RCSAs). During the self-assessments both the HLCOs and level two control objectives are re-validated with each of the owners. Risk Management then consolidates and summarises the results of the self-assessments, discusses them with the Management Committee of Euroclear SA/NV and its subsidiaries and reports its conclusions to the Board of Euroclear SA/NV.

Several Euroclear entities, including Euroclear Bank, also make audited ISAE 3402 control statements to inform clients and other stakeholders about their control environments. In addition, our CSDs and Euroclear Bank update annually the Disclosure Framework for Securities Settlement Systems, which is one of the requirements for compliance with the RSSS.

III.1.b. Operational risk management

All our entities face operational risks. We use Key Risk and Performance Indicators and regular self-assessments to effectively monitor operational risks. Incidents are appropriately reported. Our operational risk loss database contains more than a decade of data and we receive external loss data from the international Operational Riskdata eXchange Association (ORX).This helps us to understand and manage operational risks well.

Our Information Security (IS) ICS is part of the ERM framework and is aligned with international control frameworks.

As critical financial market infrastructure in Belgium, Finland, France, The Netherlands, Sweden and the United Kingdom we regularly receive threat assessments from the national security agencies from which we derive a standardised threat profile, supplemented annually by a more strategic IS threat assessment. This forms the annual IS risk assessment from which risk treatment plans are derived. We identify and rank IS risks and mitigate them within our defined risk appetite.

Our IS ICS includes processes to ensure continuous availability of business-critical services and effective management response to crises. All entities perform annual business impact analyses to identify their critical business services and recovery time objectives. We have three data centres sufficiently far apart to sustain operations in the event of a regional-scale disaster. Production activity switches between sites every two months and an annual regional disaster recovery exercise provides assurance of business resilience. Crisis response capability is maintained and tested through a comprehensive crisis management training programme.

III.2. Euroclear group financial risk management

Credit risk is defined as the risk of loss arising from the failure of a counterparty to meet its obligations to Euroclear. Liquidity risk is the risk of loss arising from Euroclear being unable to settle an obligation for full value when due. Liquidity risks does not imply that Euroclear is insolvent since it may be able to settle the required debit obligations at some unspecified time thereafter. Market risk is the uncertainty on future earnings and on the value of assets and liabilities (on or off balance sheet) due to changes in interest rates and foreign exchange rates.

The framework put in place at Euroclear ensures that financial risks are tightly controlled. At the level of Euroclear Bank, the core of this framework is formed by separate Board policies for market, credit and liquidity risks. These Board policies define the risk appetite of Euroclear

Bank and formulate a risk and control statement, as well as the principles by which Euroclear Bank seeks to ensure effective assessment and management of these risks. The Euroclear Bank Board, through the Audit Committee, oversees the implementation of these policies and reviews them at least every two years. Board policies are complemented by management resolutions and implementation procedures. The risk control framework of the Euroclear CSDs reflects the limited purpose statutory goal of these entities, as well as their risk-averse nature and the stringent regulatory regime in which they operate.

III.3. Credit risk

Euroclear Bank
Euroclear Bank has not experienced significant credit losses in its history, not even during periods of market turmoil. This is largely due to the very short duration of credit exposures which, in general, are intra-day. In addition, Euroclear Bank applies very strict collateralisation rules. More than 99% of its credit exposures are collateralised, mostly with very high-quality collateral.

In addition, Euroclear Bank also has treasury exposures resulting from clients' end-of-day cash positions. These balances are usually placed in the market with high-quality counterparties, preferably by using reverse repurchase agreements (reverse repos). The risks are limited by their short duration (mainly overnight), as well as policy limits.

Euroclear CSDs
As their transactions settle in central bank money, Euroclear CSDs have no direct cash relationship with their clients. Consequently, they cannot extend loans or credit facilities to their customers. The CSDs can potentially face a certain level of credit risk arising from the non-payment of fees by their clients, albeit for limited amounts considering both the frequency of the billing and their relatively broad customer base. Therefore, each CSD of the group is required by its home regulator to hold enough liquidity to cover such risks.

Finally, the CSDs are also exposed to the credit risk related to the reinvestment of their cash surplus with their bank counterparties. To limit the credit risk taken on such counterparties, the banks that are considered for these investments should at least have ratings in the A range or above. The type of instruments used is limited to term or overnight deposits with maturities not exceeding three years.

In order to mitigate their concentration risk, Euroclear SA/NV and Euroclear Belgium invest their cash surplus with a minimum of two external counterparties. For best practice reasons, the same is applied for other group CSDs, even if the latter are not stricto sensu subject to the same capital adequacy rules.

III.3.a. Maximum credit exposure
The table below summarises the maximum exposure to credit risk (net of any impairment losses recognised in accordance with IAS 39), which for the purpose of this annex is defined as the net carrying amount as reported in the financial statements (therefore measured on an end-of-day basis), without taking into account any collateral held or other credit enhancement attached.

(€'000)	Notes	2014	2013
At 31 December			
Financial assets			
- Cash and balances with central banks		2,413,810	3,868,298
- Loans and advances		18,230,004	13,457,379
- Available-for-sale financial assets	XIV	3,750,926	1,495,523
- Financial assets held for trading	XV	6,834	12,687
- Derivatives used for hedging	XVI	-	705
Total financial assets		**24,401,574**	**18,834,592**
Securities lending indemnifications	XXV	**11,133,237**	**7,994,359**
Total		**35,534,811**	**26,828,951**

At 31 December, the secured exposure amounted to €28,225,173,000 in 2014 (2013: €20,344,301,000), while the unsecured exposure amounted to €7,283,597,000 in 2014 (2013: €6,469,647,000) Accrued interest income on financial assets amounted to € 26,040,000 (2013: €15,003,000). Secured exposure includes €15,735,547,000 of reverse repo transactions (2013: €11,574,198,000).

The credit quality of balances with central banks and the portfolio of loans and advances can be assessed by reference to the internal rating system adopted by the group.

Rating (in %)	2014	2013
At 31 December		
Eaaa	13%	22%
Eaa	29%	29%
Ea	53%	41%
Ebbb+ and Ebbb	4%	7%
Ebbb- and below	1%	1%
Total	**100%**	**100%**

The internal rating 'Eaa' shown above sums up the ratings 'Eaa-', 'Eaa' and 'Eaa+' of Euroclear Bank's internal ratings scale. Accordingly, the internal rating 'Ea' sums up the ratings 'Ea-', 'Ea' and 'Ea+' of the internal ratings scale.

The table below presents an analysis of the available-for-sale financial assets (excluding equity shares) by rating agency designation at 31 December 2014 and 31 December 2013, based on Standard & Poor's ratings or their equivalent.

Rating (in %)	2014	2013
At 31 December		
AAA	7%	0%
A1	71%	25%
AA+	13%	12%
AA	9%	63%
AA-	0%	0%
Total	**100%**	**100%**

III.3.b. Credit risk mitigation

Euroclear Bank aims at mitigating most of the credit exposure on its clients, preferably by relying on securities or cash collateral held and pledged within the clients' accounts in Euroclear Bank. Frequent monitoring shows that more than 95% of the collateral pledged in the Euroclear System has investment grade quality. As clients' credit facilities are multi-purpose and multi-currency, clients can use the collateral pledged to Euroclear Bank to guarantee all the obligations they have with Euroclear Bank, irrespective of the nature of the exposure and the original currency.

In order to accurately determine the value of the collateral it takes, Euroclear Bank has developed a dynamic internal collateral valuation model taking into account market, credit, country and liquidity risks. Haircuts are computed at least once a day for each security, reflecting the latest market risk factors and conditions. The collateral valuation model is back-tested and stress tested each year. The collateral valuation model has provided continually adequate valuations, even during periods of high volatility for the markets.

Euroclear Bank's secured exposure relates to overdrafts or fixed-term advances granted to clients, guarantees issued to securities lenders in the context of the securities lending and borrowing and GC access programmes, and reverse repos.

III.3.c. Concentration risk

Concentration limits are set to ensure that the group does not take too large an exposure on too few clients or counterparties. Under EU and Belgian banking regulations, large individual exposures have to remain below 25% of their own funds (Tier 1 + Tier 2 less deductions). This applies to Euroclear Bank, as well as to Euroclear SA/NV and Euroclear Belgium, as these entities, all located in Belgium, are subject to the same capital adequacy rules. This stems from their regulatory status, under regulations applicable in Belgium, of 'settlement institution' for Euroclear Belgium, and 'company assimilated to a 'settlement institution' for Euroclear SA/NV.

In order to mitigate their concentration risk, Euroclear SA/NV and Euroclear Belgium invest their cash surplus with a minimum of two external counterparties. For best practice reasons, the same is applied for other group CSDs, even if the latter are not stricto sensu subject to the same capital adequacy rules.

Geographical concentration of financial assets and liabilities

(€'000)	Europe	Americas	Rest of the world	Total
At 31 December 2014				
Total financial assets	**22,183,843**	**148,765**	**2,068,966**	**24,401,574**
Total financial liabilities	**8,658,029**	**5,012,450**	**8,407,484**	**22,077,963**
At 31 December 2013				
Total financial assets	**16,836,659**	**240,823**	**1,757,110**	**18,834,592**
Total financial liabilities	**7,010,209**	**2,094,497**	**7,183,223**	**16,287,929**

III.4. Liquidity risk

III.4.a. Liquidity risk at Euroclear Bank

Liquidity allows Euroclear Bank to offer efficient settlement and custody services. It ensures timely cross-border settlement with domestic markets, supports new issues and custody activities, and enables clients to transfer sales and income proceeds in a timely manner. Euroclear Bank's liquidity risk is largely intra-day and transactional, and results from the secured intra-day credit it extends to facilitate delivery-versus-payment settlement. Euroclear Bank's overnight settlement process, enabling clients to settle transactions in a wide range of currencies within a single timeframe, efficiently recycles and minimises liquidity needs, as clients only have to fund the resulting net debit position.

Although the daily incoming and outgoing cash payments are typically matched, Euroclear Bank may still end up with residual cash positions at the end of the day. On a daily basis, Euroclear Bank is typically long cash, which it invests mostly on a very short term basis (within two days), to match the volatility of clients' settlement and money transfer activities.

III.4.b. Liquidity risk appetite

Euroclear Bank's liquidity risk appetite is very low, given the criticality of intra-day liquidity for the efficient delivery of its settlement and custody services. Euroclear Bank has, therefore, adopted a strong risk management framework to anticipate, monitor and manage the intra-day liquidity flows to ensure the quality of its services. Liquidity risk is further mitigated by Euroclear Bank's strict client admission policy and the continuous monitoring of its clients, and by the fact that credit is secured and very short-term (usually intra-day).

III.4.c. Funding

Euroclear Bank’s settlement system allows for an efficient recycling of liquidity. Although Euroclear Bank settles transactions amounting to over €1,524 billion each day (2014 average), it only extends between €71 and €81 billion in secured intra-day credit to its clients (thanks to netted back-to-back transactions and to an efficient securities lending and borrowing programme). Since Euroclear Bank’s daily payment receipts typically match its payment obligations, additional liquidity is only needed to smoothen or accelerate the payment process and to ensure the timely execution of time critical payments throughout the day.

To support its daily payment activity, Euroclear Bank relies on a large network of highly rated cash correspondents and has a direct access to TARGET2 system for euro payments. In order to raise liquidity, Euroclear Bank can also use its investment book, funded by the long-term debt, equity and retained earnings. The investment book must be invested with the objective of capital and liquidity preservation, meaning in euro-denominated sovereign, supranational or agency debt instruments rated AA- or above and ESCB-eligible. Furthermore, Euroclear Bank has a broad access to the inter-bank market and has contingency liquidity sources in place for the major currencies.

The adequacy of Euroclear Bank’s liquidity capacity is assessed and approved quarterly by the Credit and Assets and Liabilities Committee (CALCO). It also monitors, on a monthly basis, the trend of liquidity risks that Euroclear Bank faces through liquidity key risk indicators, allowing for instance to identify changes in Clients’ cash management behaviour that may affect Euroclear Bank’s liquidity.

III.4.d. Management of intra-day and end-of-day liquidity

At all times, Euroclear Bank ensures that it has access to sufficient liquidity to support its core services. To achieve this, Euroclear Bank forecasts, monitors and measures the net intra-day funding requirements, which are derived from the cross-border settlement activity, Clearstream Bridge activity, new issues and income payments, in a timely manner and at various critical moments throughout the day.

Euroclear Bank also anticipates and monitors its end-of-day cash position at each of the cash correspondent banks. End-of-day long balances may be invested short term provided that the investment complies with liquidity gap limits, defined by currency and maturity buckets. Euroclear Bank maintains a network of treasury counterparties to ensure sufficient borrowing capacity to fund occasionally short end-of-day balances.

III.4.e. Liquidity stress testing

Euroclear Bank regularly performs idiosyncratic and market wide liquidity stress tests to assess potential liquidity strains and to ensure adequate access to enough liquidity sources to fund any shortfalls. For the group CSDs and Euroclear SA/NV, liquidity stress testing is also performed to ensure, where applicable, compliance with local regulatory liquidity obligations as well as adequate funding.

Currently, three types of stress tests are conducted regularly:

- quarterly stress tests based on historical data enable Euroclear Bank to assess whether it complies with principle 7 of CPSS-IOSCO, which states that securities settlement systems should be able to withstand a payment failure from a Client with the largest aggregate payment obligation. In addition, Euroclear Bank carries out a stress test simulating the simultaneous default of the top two clients (at family level);
- In order to assess the adequacy of the liquidity sources and of the business continuity plan under extreme circumstances, a number of plausible operational and financial scenarios are defined and analysed on a regular basis. These scenarios include idiosyncratic and market-wide stress events such as an operational failure of a key cash correspondent, a financial problem with a large Client, a sudden drop of participant balances, etc; and
- a few ad hoc scenarios – often also including other risk types - may be retained and run as role-plays, as part of Euroclear Bank’s business continuity exercises, involving various layers in the organisation.

In addition, Euroclear Bank has to comply with Regulatory stress tests. The National Bank of Belgium (NBB) has introduced a liquidity ‘stress test ratio’, which became a regulatory requirement in January 2011. It is designed to reflect the liquidity position of the institution under exceptional circumstances (combining an idiosyncratic shock with a general liquidity crisis), by comparing the potential liquidity needed and the potential liquidity available. Basically, this ratio ensures that Euroclear Bank has enough liquid financial assets to cover the net outflows resulting from the run off of all our Cients cash balances. In this exercise, the NBB assumes that unsecured financing or credit lines from counterparties are unavailable, and 100% of the on-demand deposits from wholesale clients are lost. Credit lines at the central bank, financing through repos, sale of assets and re-use of collateral are considered accessible.

It is defined as the difference between liquidity inflows and outflows, divided by the liquid assets.

The resulting stress ratio should be less than 100%. The ratio is calculated for maturities of one week and one month.

This Belgian ratio will be replaced by the Liquidity Coverage Ratio (LCR) from Basel III as of 1 October 2015.

III.4.f. Liquidity contingency plan

In accordance with principle 7 of CPSS-IOSCO, Euroclear Bank maintains an appropriate liquidity contingency plan to ensure the business continuity of its core settlement and custody services. The plan documents the relevant operational procedures and ensures access to (contingency) liquidity in the event of an operational or financial crisis. On top of its own capital and access to regular market funding, Euroclear Bank has negotiated committed liquidity lines and can call upon a €930 million syndicated back-stop facility and a €170 million bilateral stand by facility. The contingency plan and the availability of contingency liquidity are regularly tested and subject to stress testing. Finally, to cover its short-term liquidity needs resulting from the default of a client, Euroclear Bank has agreements in place with its largest credit users allowing Euroclear Bank to appropriate the client pledged collateral (immediate transfer of ownership). In order to generate liquidity, this appropriated collateral is then re-used with liquidity providers or pledged with the National Bank of Belgium, pending full liquidation.

III.4.g. Liquidity risks in Euroclear SA/NV and the CSDs

Investments of cash belonging to Euroclear SA/NV and the CSDs aim at minimising liquidity risk for these entities:
- stable cash positions linked to regulatory liquidity requirements, for entities where such requirements apply, should be invested on a rollover basis; and
- surplus cash investments, which includes the working cash needs of these entities, should always be cash flow driven, which means that the amount and period of the investments should take into account the evolution of working cash needs and capital expenditure.

The type of instrument to be used is limited to overnight or term deposits, the duration of which should not exceed three years.

The table below shows the consolidated financial liabilities analysed by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rate and the book value of the derivatives.

(€'000)	Notes	Repayable on demand or within one week	Other amounts maturing within 3 months	Maturity between 3 and 6 months	Maturity between 6 months and 1 year	Maturity within 1 to 5 years	Maturity after 5 years	Undiscounted contractual cash flows - Total	Book value
At 31 December 2014									
Financial liabilities									
- Deposits from central banks		2,242,676	-	-	-	-	-	**2,242,676**	**2,242,662**
- Deposits from banks and customers		19,539,146	184,464	3,931	412	-	-	**19,727,953**	**19,727,871**
- Financial liabilities held for trading	XV	6,723	-	-	-	-	-	**6,723**	**6,723**
- Derivatives used for hedging	XVI	-	102	105	218	-	-	**425**	**425**
- Subordinated liabilities	XXI	-	-	102,255	-	-	-	**102,255**	**100,282**
Total financial liabilities		**21,788,545**	**184,566**	**106,291**	**630**	**-**	**-**	**22,080,032**	**22,077,963**

(€'000)	Notes	Repayable on demand or within one week	Other amounts maturing within 3 months	Maturity between 3 and 6 months	Maturity between 6 months and 1 year	Maturity between 1 and 5 years	Maturity after 5 years	Undiscounted contractual cash flows - Total	Book value
At 31 December 2013									
Financial liabilities									
- Deposits from central banks		1,590,025	-	-	-	-	-	**1,590,025**	**1,590,025**
- Deposits from banks and customers		14,402,744	175,970	3,152	312	3,064	-	**14,585,242**	**14,585,021**
- Financial liabilities held for trading	XV	12,352	17	-	-	-	-	**12,369**	**12,369**
- Derivatives used for hedging	XVI	-	50	62	195	-	-	**307**	**307**
- Subordinated liabilities	XXI	-	-	4,155	-	102,255	-	**106,410**	**100,207**
Total financial liabilities		**16,005,121**	**176,037**	**7,369**	**507**	**105,319**	**-**	**16,294,353**	**16,287,929**

In the table above, the deposits from banks and customers include an amount of 2,900,940,000 €-equivalent of deposits blocked following applicable international sanctions measures.

III.4.h. Fair value of financial instruments

Financial instruments traded in active markets

A market is regarded as active if quoted prices are readily and regularly available (exchange, dealer, broker, pricing service or regulatory agency) and if these prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of such instruments is based on quoted market prices at the balance sheet date.

Financial instruments not traded in active markets

The fair value of these instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs that are required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- quoted market prices or dealer quotes for similar instruments;
- the present value of the estimated future cash flows based on observable yield curves, for the fair value of interest rate swaps;
- the forward exchange rates at the balance sheet date, with the resulting value discounted back to present value, for the fair value of forward foreign exchange contracts;
- other techniques, such as discounted cash flow analysis, used to determine the fair value of remaining financial instruments.

The table below shows the three-level hierarchy of the financial instruments measured at fair value:

Level 1. Quoted prices in active markets for the same instruments;
Level 2. Quoted prices in active markets for similar assets or liabilities, or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3. Valuation techniques for which significant input is not based on observable market data.

(€'000)	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2014					
Financial assets					
Available-for-sale financial assets	XIV				
- Equity shares		152,141	-	9,782	**161,923**
- Debt instruments issued by central governments and central banks		3,589,003	-	-	**3,589,003**
Financial assets held for trading	XV				
- Forward foreign exchange		-	6,834	-	**6,834**
Total financial assets		**3,741,144**	**6,834**	**9,782**	**3,757,760**
Financial liabilities					
Financial liabilities held for trading	XV				
- Forward foreign exchange		-	6,723	-	**6,723**
Derivatives used for hedging	XVI				
- Forward foreign exchange		-	425	-	**425**
Total financial liabilities		**-**	**7,148**	**-**	**7,148**

(€'000)	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2013					
Financial assets					
Available-for-sale financial assets	XIV				
- Equity shares		-	-	11,673	**11,673**
- Debt instruments issued by central governments and central banks		1,483,850	-	-	**1,483,850**
Financial assets held for trading	XV				
- Forward foreign exchange		-	12,687	-	**12,687**
Derivatives used for hedging	XVI				
- Forward foreign exchange		-	705	-	**705**
Total financial assets		**1,483,850**	**13,392**	**11,673**	**1,508,915**
Financial liabilities					
Financial liabilities held for trading	XV				
- Forward foreign exchange		-	12,369	-	**12,369**
Derivatives used for hedging	XVI				
- Forward foreign exchange		-	307	-	**307**
Total financial liabilities		**-**	**12,676**	**-**	**12,676**

Financial instruments classified in level 3 relate solely to minority long-term participating interests of Euroclear Bank:
- SWIFT equity shares are re-measured each time there is a re-balancing exercise according to SWIFT's Articles of Association (i.e. every three years), at that time an indication about equity share value is provided.
- Monte Titoli equity shares have no quotation nor price indication. The valuation is based on market multiples. More specifically, the multiple used is the median P/E of a peer group (companies in the same industry enjoying strong ratings) for a three-year period, to smoothen somewhat market volatility in our assessment.
- At the end of 2013, NYSE-Euronext equity shares were classified in level 3 as their quotation was suspended. Since their conversion into ICE equity shares, for which a quotation is readily available, they have been reclassified into level 1.

The table below shows the reconciliation of the level 3 fair value measurements:

(€'000)	Notes	At 31 December 2013	Transfer in/(out) of level 3	Fair value adjustment released in profit or loss	Fair value adjustment recognised in equity	(Disposals)/ acquisitions	At 31 December 2014
Financial assets							
Available-for-sale financial assets	XIV						
- Equity shares		11,673	(1,558)	(606)	270	3	**9,782**
Total financial assets		**11,673**	**(1,558)**	**(606)**	**270**	**3**	**9,782**

(€'000)	Notes	At 31 December 2012	Transfer in/(out) of level 3	Fair value adjustment released in profit or loss	Fair value adjustment recognised in equity	(Disposals)/ acquisitions	At 31 December 2013
Financial assets							
Available-for-sale financial assets	XIV						
- Equity shares		9,510	1,588	-	575	-	**11,673**
Total financial assets		**9,510**	**1,588**	**-**	**575**	**-**	**11,673**

III.5. Market risk

III.5.a. Market risk in Euroclear

Euroclear Bank

The majority of market risk in the group is concentrated at Euroclear Bank. As part of the Market Risk Board Policy, an adequate risk framework has been put in place to measure, monitor and control the interest rate and foreign exchange risk supported by Euroclear Bank. Value-at-Risk (VaR) methodologies are used to measure interest rate and currency risk. The Management Committee of Euroclear Bank sets VaR limits for all currencies combined, which are monitored daily.

By policy, Euroclear Bank's core equity (shareholders' equity plus retained earnings) and subordinated debts are invested in debt instruments rated AA- or higher. The duration of these assets is limited to five years and is currently around four months.

Euroclear SA/NV and the Euroclear CSDs

Interest rate risk exists only to a limited extent in the CSDs and in Euroclear SA/NV. Indeed, the CSDs do not operate commercial cash accounts but invest their cash positions in accordance with regulatory liquidity requirements. The duration of the investments cannot exceed three years, and the types of instruments to be used are limited to straight overnight or term deposits.

Foreign exchange risk is also very limited in the CSDs and in Euroclear SA/NV. To avoid the potential foreign exchange risk that could arise from the investment of their surplus cash, these investments can only be made in their local currency, meaning in EUR for entities whose functional currency is EUR, in GBP for the entities located in the United Kingdom, and in SEK for the Swedish entities. The most significant source of foreign exchange risk stems from the potential change in net asset values of Euroclear SA/NV's non-euro shareholdings (for example Euroclear UK & Ireland and Euroclear Sweden).

III.5.a.1. Interest rate risk

Euroclear typically has net long cash positions and its earnings therefore are sensitive to future changes in interest rates.

The table below shows the interest rate sensitivity of Euroclear's Banking Book positions. The figures relate to Euroclear SA/NV consolidated, as communicated to the National Bank of Belgium in the framework of standardised reporting under Pillar 2 of Basel II. The figures for Euroclear plc are not expected to diverge materially from the content of this table. Assets and liabilities held in the Banking Book are predominantly denominated in euro, and they are expressed at market value for the purpose of this disclosure. The economic value of the Banking Book is computed by discounting the future cash flows for assets and liabilities present in this book.

The sensitivity of the economic value of the Banking Book to interest rate shocks is presented in the first column of the table below. The change in value mainly arises from the assets held in the Investment and Hedging Books of Euroclear Bank. Indeed, assets and liabilities of the Treasury Book are almost fully matched and have no material impact on this sensitivity measure.

The remainder of the table illustrates to which extent the net interest income of Euroclear Bank is sensitive to interest rate movements, compared to the amount earned in 2014. For the purpose of this disclosure, the latter is limited to pounds sterling, US dollars, euros, Australian dollars and Russian rubles, as is the analysis of future earnings sensitivity.

(€'000)	Economic value of banking book	Interest result Effective 2014	Income sensitivity Interest result Expected 2015
increase/(decrease) of interest rate, in basis points			
300	1,798,619		437,250
200	1,815,734		324,274
100	1,832,991		209,875
-	1,850,394	62,719	95,901
(100)	1,867,946		52,174
(200)	1,885,651		47,710
(300)	1,903,514		45,308

(€'000)	Economic value of banking book	Interest result Effective 2013	Income sensitivity Interest result Expected 2014
increase/(decrease) of interest rate, in basis points			
300	2,244,199		333,310
200	2,239,727		243,067
100	2,235,586		151,569
-	2,231,762	34,462	58,785
(100)	2,228,244		24,693
(200)	2,225,021		24,552
(300)	2,222,081		24,552

The table below reflects the interest rate risk profile of assets and liabilities at 31 December, based on the earlier of maturity date and interest rate resetting date.

(€'000)	Repayable on demand or within one week	Other amounts maturing within 3 months	Maturity between 3 and 6 months	Maturity between 6 months and 1 year	Maturity between 1 and 5 years	Maturity after 5 years	Non-interest bearing	Total
At 31 December 2014								
Assets								
- Cash and balances w ith central banks	2,413,810	-	-	-	-	-	-	2,413,810
- Loans and advances	11,854,868	4,105,131	2,037,808	16,419	199,097	12,000	4,681	18,230,004
- Available-for-sale financial assets	677,017	2,220,458	195,443	476,901	-	-	181,107	3,750,926
- Financial assets held for trading	6,834	-	-	-	-	-	-	6,834
- Other assets	-	-	-	-	-	-	1,481,250	1,481,250
Total assets	**14,952,529**	**6,325,589**	**2,233,251**	**493,320**	**199,097**	**12,000**	**1,667,038**	**25,882,824**
Liabilities								
- Deposits from central banks	2,242,662	-	-	-	-	-	-	2,242,662
- Deposits from banks and customers	19,539,119	185,270	2,958	-	-	-	524	19,727,871
- Financial liabilities held for trading	6,723	-	-	-	-	-	-	6,723
- Derivatives used for hedging	-	101	105	219	-	-	-	425
- Other liabilities	-	-	-	-	-	-	644,609	644,609
- Subordinated liabilities	-	-	98,005	-	-	-	2,277	100,282
Shareholders' equity	-	-	-	-	-	-	3,160,252	3,160,252
Total liabilities and shareholders' equity	**21,788,504**	**185,371**	**101,068**	**219**	**-**	**-**	**3,807,662**	**25,882,824**
Total interest sensitivity gap	(6,835,975)	6,140,218	2,132,183	493,101	199,097	12,000	(2,140,624)	-
Cumulative gap	**(6,835,975)**	**(695,757)**	**1,436,426**	**1,929,527**	**2,128,624**	**2,140,624**	**-**	**-**

(€'000)	Repayable on demand or within one week	Other amounts maturing within 3 months	Maturity between 3 and 6 months	Maturity between 6 months and 1 year	Maturity between 1 and 5 years	Maturity after 5 years	Non-interest bearing	Total
At 31 December 2013								
Assets								
- Cash and balances with central banks	3,868,116	-	-	-	-	-	182	3,868,298
- Loans and advances	8,307,459	4,092,831	809,543	1,000	227,997	12,000	6,549	13,457,379
- Available-for-sale financial assets	-	800,856	269,789	403,771	-	-	21,107	1,495,523
- Financial assets held for trading	12,295	-	-	-	-	-	392	12,687
- Derivatives used for hedging	-	197	183	325	-	-	-	705
- Other assets	-	-	-	-	-	-	1,391,748	1,391,748
Total assets	**12,187,870**	**4,893,884**	**1,079,515**	**405,096**	**227,997**	**12,000**	**1,419,978**	**20,226,340**
Liabilities								
- Deposits from central banks	1,590,025	-	-	-	-	-	-	1,590,025
- Deposits from banks and customers	14,402,394	175,941	2,946	312	2,958	-	470	14,585,021
- Financial liabilities held for trading	12,257	-	-	-	-	-	112	12,369
- Derivatives used for hedging	-	49	62	196	-	-	-	307
- Other liabilities	-	-	-	-	-	-	805,305	805,305
- Subordinated liabilities	-	-	-	-	97,931	-	2,276	100,207
Shareholders' equity	-	-	-	-	-	-	3,133,106	3,133,106
Total liabilities and shareholders' equity	**16,004,676**	**175,990**	**3,008**	**508**	**100,889**	**-**	**3,941,269**	**20,226,340**
Total interest sensitivity gap	(3,816,806)	4,717,894	1,076,507	404,588	127,108	12,000	(2,521,291)	-
Cumulative gap	**(3,816,806)**	**901,088**	**1,977,595**	**2,382,183**	**2,509,291**	**2,521,291**	**-**	**-**

Interest sensitivity gap
A negative interest rate sensitivity gap exists when more liabilities than assets re-price or mature during a given period. A negative gap position tends to benefit net interest income in a declining interest rate environment and vice versa.

Key components
The following table analyses the nature of cash and balances with central banks:

(€'000)	2014	2013
At 31 December		
Cash in hand	14	14
Loans and advances	2,413,463	3,868,213
Monetary reserve	333	71
Total cash and balances with central banks	**2,413,810**	**3,868,298**

Euroclear Bank and other group entities had deposited €2,413,155,000 (2013: €3,867,574,000) of surplus funds with central banks. Euroclear Bank, like other banks, is required to comply with average monetary reserve requirements determined by the European Central Bank (ECB). Throughout each period set by the ECB, Euroclear Bank deposits varying amounts in its monetary reserve account at the National Bank of Belgium in order to meet the average requirement for that period.

The following table analyses the nature of loans and advances:

(€'000)	2014	2013
Surplus funds	16,868,933	12,678,140
Loans and advances	1,361,071	779,239
Total	**18,230,004**	**13,457,379**

The fair value of the loans and advances with an initial maturity greater than one year at 31 December 2014 was €218,482,000 (2013: €245,370,000)

The following table analyses the nature of deposits from banks and clients:

(€'000)	2014	2013
Deposits	16,881,086	14,480,276
Borrowings	2,846,785	104,745
Total	**19,727,871**	**14,585,021**

There is no deposit with a maturity greater than one year at 31 December 2014. The fair value of deposits with a maturity greater than one year at 31 December 2013 was €3,040,000.

The following table analyses the nature of deposits from central banks:

(€'000)	2014	2013
Deposits	1,402,006	1,590,025
Borrowings	840,656	-
Total	**2,242,662**	**1,590,025**

III.5.a.2. Foreign exchange risk

The group's entities have the euro as their functional currency with the exception of subsidiaries and joint venture located in the United Kingdom or Sweden.

The group's structural currency exposures as at 31 December 2014 and 2013 were as follows:

(€'000)	Net Investment in non-euro operations	Currency hedges other than borrowings	Remaining structural currency exposures
Functional currency of the operation involved			
At 31 December 2014			
- US dollar	13,892	-	13,892
- Pound Sterling	120,789	-	120,789
- Swedish krona	54,509	-	54,509
At 31 December 2013			
- Pound Sterling	111,108	-	111,108
- Swedish krona	57,554	-	57,554

The table below summarises the group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the group's assets and liabilities at carrying amounts, categorised by currency.

Concentration of assets and liabilities per currency

(€'000)	Euro	US dollar	Japanese yen	Pound sterling	Other	Total
At 31 December 2014						
Total assets	**11,907,702**	**10,016,350**	**672,245**	**1,367,499**	**1,919,028**	**25,882,824**
Total liabilities and shareholders' equity	**11,032,140**	**10,737,546**	**740,996**	**1,291,421**	**2,080,721**	**25,882,824**
Net balance sheet position	**875,562**	**(721,196)**	**(68,751)**	**76,078**	**(161,693)**	**-**

The net non-euro balance sheet positions mainly reflect a combination of outstanding currency swaps and the net assets of subsidiaries and branches located in the United Kingdom and Sweden.

Concentration of assets and liabilities per currency (€'000)	Euro	US dollar	Japanese yen	Pound sterling	Other	Total
At 31 December 2013						
Total assets	10,504,492	5,966,116	627,279	994,135	2,134,318	20,226,340
Total liabilities and shareholders' equity	9,900,109	6,172,078	1,035,179	919,479	2,199,495	20,226,340
Net balance sheet position	604,383	(205,962)	(407,900)	74,656	(65,177)	-

III.5.b. Market risk appetite for Euroclear Bank

Market transactions are carried out at the discretion of Euroclear Bank, which accepts market risk only within its risk appetite. That risk appetite is limited by the available capital allocated annually for market risk by the Board of Euroclear Bank. In addition, Euroclear Bank complies with internal market limits, such as Value-at-Risk (VaR), proposed by the CALCO and approved by Euroclear Bank's Management Committee.

Euroclear Bank adheres to the following principles relating to the management of market risk. Euroclear Bank does not engage in any activity that is not considered as part of its normal business or a consequence of its clients' activity, and as such will not engage in trading (even if, under IFRS, certain transactions in derivatives do not qualify as hedges and are therefore recognised under trading activities). The activities and instruments in which Euroclear Bank can engage must be in line with its low-risk profile. Euroclear Bank is not significantly exposed to equity risk or commodity risk. A prudent investment strategy is applied in order to preserve the core equity of Euroclear Bank. In particular, the assets of the investment book can only be invested in highly rated and liquid debt instruments (with the exception of intra-company loans) and an appropriate hedging strategy may be applied so as to protect future earnings against adverse market conditions.

III.5.c. Market risk mitigation (hedging)

Euroclear Bank has engaged in a series of market derivatives in order to hedge the forex risk exposure resulting from future income streams, with the aim of ensuring that the financial results are not adversely affected by market evolutions ('predictability of future revenues'). Such transactions are classified as cash flow hedges.

It is compliant with market expectations that Euroclear Bank conducts its business prudently, as a single purpose bank.

III.5.d. Market risk measurement

The market risk relative to the management of the investment book portfolio is measured using a VaR methodology. The VaR for a portfolio is the maximum loss over a determined time horizon at a given confidence level (99%). The VaR model assumes a holding period, until positions can be closed, of one day. The market parameters are derived from the volatility and correlation observed from historical daily changes. Euroclear Bank has to comply with a global VaR limit, as well as VaR limits by book. The market risk exposure that Euroclear Bank takes is segregated in the following books: Investment Book (all securities purchased by Euroclear Bank with the proceeds of its subordinated issues and its own equity); Treasury Book (assets, liabilities and commitments resulting from the activity of Euroclear Bank clients); and Hedging Book (market transactions that are conducted to manage the risk exposure resulting from future income streams).

Given its low market risk appetite and the fact that Euroclear Bank does not engage in trading activities, the VaR figures are low.

(€'000)	2014 Average	2014 min	2014 max	2013 Average	2013 min	2013 max
Investment book IR risk	241	48	470	181	72	1,163
Treasury book IR risk	185	87	484	113	39	289
Treasury book FX risk	15	2	110	20	3	119
Hedging book	397	80	1,012	636	48	1,713
Aggregate VaR (Hedging & Investment Book)	459	197	1,014	689	89	2,000

III.5.e. Back and stress tests

Stress tests provide an indication of the potential size of losses that could arise under extreme conditions. Stress movements are applied to the different risk factors, including interest and foreign exchange rates. The stress tests follow the 'Principles for the management and supervision of interest rate risk' (July 2004) issued by the Basel Committee on Banking Supervision.

III.6. Capital management

III.6.a. Capital measurement and allocation

The internal view on Euroclear Bank's capital needs is based on an economic capital model that is continuously kept up-to-date and regularly validated by an independent party. Euroclear Bank is therefore fully confident that the resulting capital requirements are adequate to support the risks that it faces. The model covers operational and credit risks. In addition, Euroclear bank maintains models that estimate the uncertainty on the loss absorption capacity over a one year horizon due to movements in market risk and business risk factors. This conservative approach to capital, combined with Euroclear's strong risk management and effective controls, has helped Euroclear Bank retain high credit ratings in times of market stress.

The National Bank of Belgium (NBB) is the main supervisor of Euroclear Bank, the lead regulator for Euroclear SA/NV and, for consolidated capital adequacy purposes only, Euroclear plc. In addition, individual Euroclear CSDs are regulated by their own local supervisors, which set and monitor compliance with their capital adequacy and liquidity requirements.

In accordance with the Basel framework, each bank or banking group is required to maintain a ratio of total capital to risk-weighted assets that cannot fall under a threshold of 8%, and a ratio of Tier 1 capital to risk-weighted assets that must exceed a threshold of 6%. Furthermore, as a company closely associated with a settlement institution, Euroclear SA/NV is subject to certain specific requirements regarding its solvency and liquidity position.

Risk-weighted assets take into consideration balance sheet assets and off-balance-sheet exposures that may give rise to credit risk, as calculated for both Euroclear Bank and the group on a consolidated basis. Collateral and other eligible guarantees are taken into account appropriately.

Euroclear Bank is assigned a AA+ credit rating by Fitch Ratings and a AA credit rating by Standard & Poor's (S&P).

In accordance with the Basel framework, Euroclear determines regulatory capital requirements for both credit and operational risk.

For credit risk, Euroclear uses the Foundation Internal Ratings Based Approach (FIRBA). For operational risk, Euroclear is permitted by the NBB to use the Advanced Measurement Approach (AMA) for the calculation of Pillar 1 capital requirements. Euroclear uses a hybrid approach at all consolidated levels above Euroclear Bank, by combining the AMA for Euroclear Bank with a Standardised or Basic Indicator Approach for the group's other entities.

The table below sets out the group's Tier 1 and total capital, which both comfortably exceed the regulatory requirements.

III.6.b. Regulatory capital position

(€'000)	**2014**	**2013**
Risk-weighted assets (1)	**5,801,355**	**4,762,172**
Capital requirement	**464,108**	**380,974**
- Credit risk	150,260	74,255
- Market risk	25,788	25,563
- Operational risk	288,060	281,156
Capital base (2)	**2,214,960**	**2,197,541**
- Tier 1	2,214,960	2,193,730
- Tier 2	-	3,811
Solvency ratio		
- Tier 1	38.2%	46.1%
- Total	38.2%	46.1%

[1] Risk-weighted assets (unaudited) represent the total capital requirement multiplied by a factor of 12.5. This means that the risk-weighted assets do not only relate to credit and market risk, but also comprise the gross-up of the capital requirements related to operational risks. For Euroclear, the latter are the main source of capital consumption.
[2] Capital base is highly comparable to the shareholders' equity presented in the Statement of financial positions. Differences are due to deductions required by CRD IV regulation, mainly goodwill and intangible assets, current year proposed dividend, cash-flow hedging reserve and provision shortfall for expected losses.

The solvency ratios observed as of 31 December 2014 have decreased vis-à-vis those of the preceding year, primarily as a result of increased capital requirements for credit risk. The latter is explained as follows:
- additional exposures taken on equities in 2014 (see Note XIV. Available for sale financial assets);
- a significant increase of the balance sheet exposures, principally explained by loans and advances; and
- the impacts of the Basel III implementation, mainly in terms of Asset Value Correlation for large financial sector entities (increased correlation factor impacting the computation of Risk Weighted Assets).

IV. Critical accounting estimates and judgements

The Euroclear group makes estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates are considered to be important to understand the group's financial condition, since they require management to make complex and subjective judgements, some of which may relate to matters that are inherently uncertain. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

IV.1. Impairment of goodwill and contractual customers' relationships with an indefinite useful life

The group tests goodwill and contractual customers' relationships for impairment annually (during the fourth quarter), irrespective of whether there is an indication of impairment. Furthermore, the group remains alert for indicators of impairment throughout the year and conducts a high-level impairment review at each quarter end.

Such impairment reviews are deemed to detect:
- overpayment;
- under-performance compared with expectations; and
- significant changes with an adverse effect on the acquired business. Such changes can stem from, for example, new business parameters (e.g. volatility of stock markets, changes in the volume of securities safekept on behalf of customers, ...) or from changes in market data used to determine the cost of capital of the acquired businesses.

An impairment loss is recognised whenever the recoverable amount of the goodwill is less than its carrying amount (book value). The recoverable amount of an asset is the higher of its net selling price and its value in use, both based on present value calculations.

- Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties, less the cost of disposal.
- Value in use is the amount obtainable from the use of an asset until the end of its useful life and from its subsequent disposal. Value in use is calculated as the present value of estimated future cash flows. The value in use calculation may take into account not only the post-acquisition performance of the acquired entity itself, but also the changes in cash flows in other entities in the group that are positively or negatively affected by the acquisition.

No impairment charge was deemed necessary at the end of 2013 and 2014. See Note XVIII.

Contractual customers' relationships with an indefinite useful life relate to the acquisition of Euroclear Belgium.

V.2. Provisions

A provision is a liability of uncertain timing or amount. At each reporting year, the necessity to record or adjust provisions is considered based on the latest information available.

Onerous lease provisions are recognised when a decision has been taken to vacate premises leased by the Company and when the space is expected to remain empty or to be sub-let at terms and conditions below those in the Euroclear lease. The provision represents the lower of the cost to breach the contract and the cost of fulfilling it, taking into account the expected benefits that might be received under a sub-lease, providing the entity is actively seeking to sub-let the property.

Provisions for onerous contracts are recognised when the Company has a contract that is onerous. The provision represents the best estimate of the unavoidable costs of the obligations under the contract over the economic benefits expected to be received under it.

Provisions for redundancy are recognised when a decision has been made, a formal plan exists and the main features are known by those affected. The provision represents the best estimate of the full cost to be incurred to implement the plan.

Provisions for dilapidation, or end-of-lease obligations, are recorded when Euroclear is contractually bound to incur such costs and a reliable estimate can be made.

Provisions for litigation are recorded when there are strong indications that costs will be incurred to settle the legal cases concerned and a reliable estimate can be made.

IV.3. Defined benefit plans

The present value of the defined benefit plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the obligations.

The assumptions used in determining the net cost/(income) for the plans include the discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the plan obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related plan liability.

Other key assumptions for plan obligations are based in part on current market conditions.

The major assumptions used are shown in Note XX.

In 2013, Euroclear Sweden has replaced the government bonds with the corporate and mortgage backed bonds as reference for the discount rate, in line with market practice. The impact of this change in accounting estimate on the discount rate used for the Swedish defined benefit plans was a gain in other comprehensive income of €4,400,000.

IV.4. Deferred tax assets

Deferred tax assets are recognised to reflect the future tax benefit from unused tax losses or tax credits and other temporary differences. If there is a concern about the relevant entities' capacity to utilise the tax assets within a reasonable (10-year) period, the assets are impaired, even when there remains a possibility to benefit longer term if sufficient taxable profits arise. The 10-year period is considered reasonable in view of the activities of the Euroclear group entities and the sector in which they operate.

IV.5 Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The group determines that available-for-sale equity investments are impaired when there is a constant decrease of fair value of more than 50% compared with the fair value at inception for a period greater than one year.

Where appropriate, the group has recourse to adequate valuation techniques (e.g. discounted cash flows, market multiples) to estimate the value of non-quoted available-for-sale equity investments, as explained in section III.

As far as such investments are concerned, no indicator of impairment has been detected. The group, therefore, estimates that their respective values in the accounts of the relevant acquiring company are still justified.

V. Segment analysis

The Euroclear SA/NV Management Committee receives internal reports for Euroclear Bank, Euroclear SA/NV, Euroclear UK & Ireland, the ESES CSDs, NCSD.

The reportable business segments are as follows:
- Euroclear Bank (including its Hong Kong branch and its Polish branch) is an International Central Securities Depository (ICSD);
- Euroclear SA/NV (including its branches in Amsterdam, London and Paris) is the provider of software development and non-operational support services to the (I)CSDs;
- Euroclear UK & Ireland is the Central Securities Depository (CSD) subsidiary located in the United Kingdom. This entity also runs an investment fund order routing business;
- the ESES segment includes the group's CSD subsidiaries located in Belgium, France and the Netherlands; and
- the NCSD segment includes two companies (three in 2013): Euroclear Sweden (CSD in Sweden) and Euroclear Finland (CSD in Finland). VKI AB merged with Euroclear Sweden in December 2014.

Information reported within 'Other' relates to Xtrakter (sold in February 2013), to a Special Purpose Vehicle (SPV) established in connection with the issuance of subordinated debt qualifying as capital for Euroclear Bank, and to a property development company whose property is leased almost entirely to Euroclear SA/NV. None of these qualified as a reportable segment in 2014 or 2013.

The risks and returns associated with Euroclear Bank's ICSD services do not vary geographically and, accordingly, is considered as one geographical segment. The activities of all other segments are within Europe.

No single customer generated 10% or more of the group's revenues.

Transactions between the companies are on normal commercial terms and conditions. Recharges of software development costs and support services are based on formal agreements between the entities concerned.

Segment assets and liabilities comprise all third-party assets and liabilities.

		2014							
(€'000)	Notes	Euroclear Bank	Euroclear SA/NV	Euroclear UK & Ireland	ESES CSDs	NCSD	Other	Eliminations	Group
Net interest income	VI	87,816	1,565	610	210	434	(238)	-	90,397
Net fee and commission income	VII	537,317	(10)	123,003	179,228	83,975	(5)	(43)	923,465
Intra-group recharges		329	448,224	141	2,055	551	-	(449,483)	1,817
Other income		21,415	259,154	147	4,124	(105)	6,825	(266,902)	24,658
Operating income		646,877	708,933	123,901	185,617	84,855	6,582	(716,428)	1,040,337
Staff costs	X	(117,380)	(235,668)	(7,380)	(17,893)	(13,685)	-	-	(392,006)
Other direct costs	X	(33,332)	(199,586)	(4,539)	(6,695)	(24,481)	(3,511)	10,544	(261,600)
Depreciation and amortisation	XVII, XVIII	(1,358)	(18,873)	(53)	(877)	(2,078)	(1,491)	-	(24,730)
Royalty fees		(23,602)	-	(421)	(545)	(282)	-	1,248	(23,602)
Group non-operational and Administrative support services		(279,059)	(2,979)	(57,989)	(102,393)	(7,919)	(19)	449,483	(875)
Share of result in joint venture		-	(521)	-	-	-	-	-	(521)
Operating profit/(loss) before impairment and taxation		192,146	251,306	53,519	57,214	36,410	1,561	(255,153)	337,003
Impairment	XI	202	(533)	(9)	(111)	(235)	-	-	(686)
Operating profit/(loss) before taxation		192,348	250,773	53,510	57,103	36,175	1,561	(255,153)	336,317
Taxation	XII	(52,995)	17,202	(11,432)	(19,343)	(7,681)	(407)	-	(74,656)
Profit/(loss) for the year		**139,353**	**267,975**	**42,078**	**37,760**	**28,494**	**1,154**	**(255,153)**	**261,661**
External revenues		1,035,864	9,178	128,932	162,197	82,544	218	-	1,418,933
Revenues from other segments		9,732	700,687	973	27,316	3,808	11,001	(753,517)	-
Total revenues		**1,045,596**	**709,865**	**129,905**	**189,513**	**86,352**	**11,219**	**(753,517)**	**1,418,933**
Segment assets		23,941,085	1,261,173	132,760	197,340	320,104	30,362	-	25,882,824
Segment liabilities		22,343,786	184,772	14,740	44,701	30,311	104,262	-	22,722,572

		2013							
(€'000)	Notes	Euroclear Bank	Euroclear SA/NV	Euroclear UK & Ireland	ESES CSDs	NCSD	Other	Eliminations	Group
Net interest income	VI	84,402	629	277	4	629	(317)	-	85,624
Net fee and commission income	VII	511,207	1	107,511	175,804	82,779	2,956	(37)	880,221
Intra-group recharges		570	459,052	-	20,742	336	(14)	(479,648)	1,038
Other income		20,424	272,272	239	4,237	(8)	6,545	(253,908)	49,801
Operating income		616,603	731,954	108,027	200,787	83,736	9,170	(733,593)	1,016,684
Staff costs	X	(111,679)	(227,385)	(6,785)	(18,992)	(13,492)	(1,234)	-	(379,567)
Other direct costs	X	(28,960)	(193,463)	(6,116)	(7,787)	(25,747)	(3,916)	10,018	(255,971)
Depreciation and amortisation	XVII, XVIII	(1,275)	(18,573)	(57)	(828)	(2,265)	(1,549)	-	(24,547)
Royalty fees		(22,362)	-	(302)	(544)	(261)	-	1,107	(22,362)
Group non-operational and administrative support services		(280,322)	(21,418)	(55,230)	(118,260)	(5,022)	(52)	479,647	(657)
Operating profit/(loss) before impairment and taxation		172,005	271,115	39,537	54,376	36,949	2,419	(242,821)	333,580
Impairment	XI	(711)	(379)	(35)	(119)	(204)	-	-	(1,448)
Operating profit/(loss) before taxation		171,294	270,736	39,502	54,257	36,745	2,419	(242,821)	332,132
Taxation	XII	(47,088)	2,397	(9,163)	(18,732)	(8,582)	(620)	-	(81,788)
Profit/(loss) for the year		**124,206**	**273,133**	**30,339**	**35,525**	**28,163**	**1,799**	**(242,821)**	**250,344**
External revenues		1,003,112	31,877	112,507	158,962	81,643	3,159	-	1,391,260
Revenues from other segments		7,881	700,967	740	45,755	3,407	10,767	(769,517)	-
Total revenues		**1,010,993**	**732,844**	**113,247**	**204,717**	**85,050**	**13,926**	**(769,517)**	**1,391,260**
Segment assets		18,414,611	1,142,851	114,099	187,285	333,280	34,214	-	20,226,340
Segment liabilities		16,744,780	161,366	12,512	41,598	25,166	107,812	-	17,093,234

The €255,153,000 remaining in the Eliminations column relates to dividends received from companies within the group (2013: €242,821,000).

VI. Net interest income

(€'000)	Notes	2014	2013
Interest income on financial instruments			
- Cash and balances with central banks		3,865	4,659
- Loans and advances		106,756	102,463
- Available-for-sale financial assets		1,583	1,146
Interest income on defined benefit plans	XX	49	-
Total interest income		**112,253**	**108,268**
Interest expense on financial instruments			
- Deposits from central banks		(61)	(50)
- Deposits from banks and customers		(15,853)	(16,427)
- Subordinated liabilities		(4,155)	(4,250)
Interest expense on defined benefit plans	XX	(1,787)	(1,917)
Total interest expense		**(21,856)**	**(22,644)**
Net interest income		**90,397**	**85,624**

VII. Net fee and commission income

(€'000)	2014	2013
Fee and commission income		
Clearing and settlement	384,851	362,539
Custody	575,801	550,513
Other	319,553	319,101
Total fee and commission income	**1,280,205**	**1,232,153**
Fee and commission expense		
Clearing and settlement	(72,889)	(72,913)
Custody	(160,818)	(154,490)
Other	(123,033)	(124,529)
Total fee and commission expense	**(356,740)**	**(351,932)**
Net fee and commission income	**923,465**	**880,221**

Other fee and commission income mainly relates to communication fees and the recovery of out-of-pocket expenses incurred on behalf of clients, issuer services fees earned by Euroclear Finland and Euroclear Sweden, and revenue earned by Euroclear UK & Ireland for collecting Stamp Duty Reserve Tax on behalf of HM Revenue & Customs in the United Kingdom and Stamp Duty on behalf of the Irish Revenue Commissioners.

Other fee and commission expense mainly relates to fees incurred on behalf of clients as well as other fees for collateral leasing and back-stop facilities.

VIII. Realised gains/(losses) on investment securities

(€'000)	Notes	2014	2013
Available-for-sale financial assets			
- fair value adjustment recognised in equity and released in profit or loss during the period - quoted debt instruments	XIV	(692)	(345)
- realised result recognised in profit or loss during the period - quoted debt instruments		692	345
- fair value adjustment recognised in equity and released in profit or loss during the period - equity shares		606	-
Total		**606**	**-**

IX. Net gains/(losses) on financial assets and liabilities held for trading

(€'000)	2014	2013
Interest rate instruments and related derivatives	-	4
Foreign exchange trading	12,988	5,375
Total	**12,988**	**5,379**

The net gains/(losses) on interest rate instruments and related derivatives relate to contracts initiated by Euroclear Bank in order to reduce the volatility of its net interest earnings from the reinvestment of its euro, US dollar and pound sterling balances. Under IFRS, such contracts do not qualify as hedges and the results are recognised under financial assets and liabilities held for trading. These gains are offset within the amount of interest income on loans and advances (Note VI).

The net gains on foreign exchange trading relate to treasury swaps initiated by Euroclear Bank in order to convert balances in non-core currencies into euro or US dollars for re-investment purposes. Under IFRS, these results may not be included within net interest income.

X. Administrative expenses

(€'000)	Notes	2014	2013
Staff costs			
- Wages and salaries		282,910	272,158
- Social security costs		70,356	71,877
- Defined benefit plans	XX	14,766	14,921
- Defined contribution plans		5,845	6,675
- Other staff costs		18,129	13,936
Royalty fees	XXVII	23,602	22,362
Auditor's remuneration		2,023	2,492
Consultants' fees		117,975	110,255
Occupancy		41,709	41,059
Maintenance and repairs		32,779	35,619
Communications		7,841	7,025
Other taxes		5,711	7,154
Depreciation and amortisation	XVII, XVIII	24,730	24,547
Other administrative expenses		52,860	53,197
Provisions for liabilities and charges	XIX	1,577	(173)
Total		**702,813**	**683,104**

The average number of persons employed by the group during the year was 3,679 (2013: 3,561).

The auditor’s remuneration for Euroclear SA/NV and its subsidiary undertakings was as follows:

(€'000)	2014	2013
Fees payable to the Company's auditor for the audit of the Company's annual accounts	458	648
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries, pursuant to legislation	772	994
- Other attest and assurance services	681	842
- Other services	112	8
Total	**2,023**	**2,492**

Euroclear ensures that the independence of the external auditor is preserved through a specific policy adopted by the Board and agreed by PwC. This policy adheres to the highest standards of independence. The engagement of the external auditor for non-core services is subject to specific controls, monitored by the Board’s Audit Committee.

XI. Impairment

(€'000)	Notes	2014	2013
Impairment charges			
Goodwill and intangible assets	XVIII	635	-
Other assets		51	1,448
Total		**686**	**1,448**

(€'000)	2014	2013
Impairment of other assets		
At 1 January	2,289	1,455
Charge to the income statement	51	1,448
Amounts used	(732)	(539)
Exchange differences	(40)	(75)
At 31 December	**1,568**	**2,289**

For other assets, impairment mainly relates to fees receivable from clients in several of the group's (I)CSD subsidiaries, and to miscellaneous other receivables, the recovery of which is at least partially in doubt.

XII. Taxation

(€'000)	2014	2013
Current income tax expense	96,042	85,831
Adjustments to tax charge in respect of previous periods	(683)	(329)
	95,359	**85,502**
Deferred tax charge/(income) relating to the origination and reversal of temporary differences	(20,712)	(3,672)
Deferred tax charge/(income) resulting from change in tax rate	9	(42)
Tax expense for the year	**74,656**	**81,788**

Further information on deferred tax is presented in Note XIII.

The tax on the group's profit before tax differs from the theoretical amount that would arise from using the standard rate as follows:

(€'000)	2014	2013
Operating profit/(loss) before tax	**336,317**	**332,132**
At standard rate of tax (1)	89,662	81,804
Effects of:		
- Notional interest on capital	(12,664)	(13,430)
- Expenses not deductible for tax purposes	11,354	15,146
- Elimination of intercompany dividends	(2,058)	(3,817)
- Income not subject to tax	(223)	(9,659)
- Disposal of subsidiaries	132	535
- Share of net tax (profit)/loss of investments accounted for using equity method	177	-
- Different rates in the companies of the group	10,421	21,829
- Change of tax rate on deferred taxation	9	(42)
- Utilisation/reversals of past derecognised deferred tax assets	(21,471)	(10,249)
- Adjustments to tax charge in respect of previous periods	(683)	(329)
Tax expense for the year	**74,656**	**81,788**

(1) A rate of 26.66% (2013: 24.63%), representing the effective tax rate (before reversal of impairment), for the group, has been used as the standard rate.

Since 1 January 2006, the group entities in Belgium benefit from a tax reduction linked to a notional interest on capital.

The current income tax asset of €16,952,000 at 31 December 2014 (2013: €13,417,000) represents the total of amounts recoverable from the tax authorities relating to over-payments of income tax pre-payments, prior year adjustments and R&D tax credit.

The net tax effect linked to the intercompany dividends eliminated for consolidation purposes have been considered separately in order to adequately reflect the impact of this item of reconciliation on the tax expense. The expenses not deductible for tax purposes include the other tax effects of consolidation adjustments not subject to deferred tax.

The year-to-year variation of the effect of the different rates applicable to the companies within the group is explained by a combination of factors: increase of the above group’s effective tax rate, decrease of some local standard corporate income tax rates (e.g. Finland and United Kingdom) and changes in the taxable basis of certain sizeable entities.

XIII. Deferred taxation

The details of deferred taxation are as follows:

(€'000)	Total	Maturity on or before 31 December 2015	Maturity after 31 December 2015
At 31 December 2014			
Assets			
Defined benefit plans	28,919	-	28,919
Available-for-sale financial assets	209	209	-
Cash flow hedging reserve	144	144	-
Financial assets/(liabilities) held for trading	222	-	222
Software development	181	31	150
Property, plant and equipment	857	79	778
Tax losses carried forward	98,387	(5,663)	104,050
Other temporary differences	7,587	5,423	2,164
Total	**136,506**	**223**	**136,283**
Liabilities			
Defined benefit plans	(3,339)	-	(3,339)
Other temporary differences	5,169	607	4,562
Total	**1,830**	**607**	**1,223**

(€'000)	Total	Maturity on or before 31 December 2014	Maturity after 31 December 2014
At 31 December 2013			
Assets			
Defined benefit plans	16,260	-	16,260
Available-for-sale financial assets	(21)	(21)	-
Cash flow hedging reserve	(135)	(135)	-
Financial assets/(liabilities) held for trading	222	-	222
Software development	355	186	169
Property, plant and equipment	1,135	93	1,042
Tax losses carried forward	75,722	(9,042)	84,764
Other temporary differences	13,172	11,993	1,179
Total	**106,710**	**3,074**	**103,636**
Liabilities			
Defined benefit plans	(2,859)	-	(2,859)
Other temporary differences	5,257	944	4,313
Total	**2,398**	**944**	**1,454**

Deferred taxes are classified as assets or liabilities depending on the total net deferred tax asset or liability across all types of deferred tax at year-end for each entity. At 31 December 2014 and 31 December 2013, Euroclear Sweden had a net deferred tax liability.

Deferred taxation for tax losses carried forward mainly relates to Euroclear SA/NV.

During 2010, the Board of Euroclear SA/NV decided to discontinue certain strategic projects and the related capitalised software development costs were impaired. One consequence was the reversal of the deferred tax asset related to software development and a related charge in the consolidated income statement. In light of improved profitability forecasts for Euroclear SA/NV, management has decided to reverse €15,000,000 of past derecognised deferred tax assets at the end of 2014. This represents the principal component of the reversal of impaired tax losses carried forward set out in the table below. The outstanding unrecognised deferred assets amount to €10,882,000 at 31 December 2014.

Analysis of the movements of the net deferred tax asset and liability balances is as follows:

(€'000)	Notes	2014	2013
At 1 January		104,312	106,381
Disposal of subsidiaries		-	(6)
Income statement	XII	20,703	3,714
Deferred tax relating to items (charged) or credited to equity			
- Defined benefit plans	XX	8,960	(6,634)
- Revaluation reserve on available-for-sale financial assets	XXIII	229	(6)
- Cash flow hedging reserve	XXIII	280	850
Exchange differences		192	13
At 31 December		**134,676**	**104,312**

The deferred tax income/(charge) in the income statement comprises the following temporary differences:

(€'000)	Notes	2014	2013
Disposal of subsidiaries		-	6
Defined benefit plans	XX	4,315	4,082
Financial assets/(liabilities) held for trading		-	2
Software development		(188)	(245)
Property, plant and equipment		(307)	(115)
Tax losses carried forward		1,194	2,822
Reversal of impaired tax losses carried forward		21,471	10,249
Other temporary differences		(5,782)	(26,327)
Other temporary differences impaired		-	13,240
Total		**20,703**	**3,714**

XIV. Available-for-sale financial assets

(€'000)	2014	2013
At 31 December		
Equity shares		
- Listed	152,141	2,164
- Unlisted but fair value determinable	9,782	9,509
Listed debt instruments issued by		
- central governments and central banks	3,589,003	1,483,850
Total	**3,750,926**	**1,495,523**

All debt securities have fixed coupons.

For unlisted securities, the valuation is based on the prices at which the securities could probably be sold to willing and knowledgeable parties. These prices are determined using generally accepted valuation techniques, including discounted cash flow models and relevant market multiples.

The realised results on the available-for-sale financial assets can be found in Note VIII.

The maturity profile of the available-for-sale financial assets can be found in Note III.

The movement in available-for-sale financial assets can be summarised as follows:

(€'000)	Equity shares	Debt securities	Total
At 1 January 2014	11,673	1,483,850	1,495,523
Additions	107,531	3,581,809	3,689,340
Redemptions and disposals	-	(1,470,000)	(1,470,000)
Gains/losses from changes in fair value			
- (Gains)/losses on redeemed or sold securities	(606)	692	86
- Gains/(losses) on held securities	43,325	(640)	42,685
Amortisation of discounts and (premiums)	-	(16,457)	(16,457)
Net change in accrued interest	-	9,749	9,749
At 31 December 2014	**161,923**	**3,589,003**	**3,750,926**

(€'000)	Equity shares	Debt securities	Total
At 1 January 2013	11,098	986,181	997,279
Additions	-	1,681,792	1,681,792
Redemptions and disposals	-	(1,175,000)	(1,175,000)
Gains/losses from changes in fair value			
- (Gains)/losses on redeemed or sold securities	-	345	345
- Gains/(losses) on held securities	575	(666)	(91)
Amortisation of discounts and (premiums)	-	(11,663)	(11,663)
Net change in accrued interest	-	2,861	2,861
At 31 December 2013	**11,673**	**1,483,850**	**1,495,523**

XV. Financial instruments held for trading

In order to reduce the volatility of its net interest earnings, Euroclear Bank had used certain interest rate derivatives. In particular, it had entered into transactions in interest rate futures and options.

Furthermore, in certain circumstances, currency forward exchange contracts are used by certain companies of the Euroclear group to hedge the fair value of some specific liabilities expressed in foreign currencies. These transactions do, however, not qualify for hedge accounting.

XV.1. Fair value and notional amounts

At 31 December 2014 and 31 December 2013, the fair value and notional amounts of the group's trading derivatives were as follows:

	Fair value		Notional amount	
(€'000)	Assets	Liabilities	Assets	Liabilities
At 31 December 2014				
Foreign exchange derivatives				
- Forward foreign exchange	6,834	6,723	1,694,199	532,695
Total	**6,834**	**6,723**	**1,694,199**	**532,695**
At 31 December 2013				
Foreign exchange derivatives				
- Forward foreign exchange	12,687	12,369	800,134	1,710,241
Total	**12,687**	**12,369**	**800,134**	**1,710,241**

The notional amount related to forward foreign exchange contracts at 31 December 2014 and 31 December 2013 principally reflect to outstanding currency swaps.

XVI. Derivatives used for hedging

Some of Euroclear Bank's fee income is sensitive to changes in foreign exchange rates. To protect this revenue stream from adverse movements in such rates, Euroclear Bank enters into currency forward foreign exchange contracts whereby it sells the relevant currencies on a future date at a predetermined price.

Such transactions are classified as cash flow hedges.

The positions taken on the hedging book are managed according to the following key principles:
- an exposure once hedged will not be re-opened; and
- unwinding of positions will be done only in exceptional circumstances, for instance in case of an over-hedged position.

XVI.1. Cash flow hedges

At 31 December 2014 and 31 December 2013, the fair value and notional amounts of the group's derivatives used for cash flow hedges were as follows:

	Fair value		Notional amount	
(€'000)	Assets	Liabilities	Assets	Liabilities
At 31 December 2014				
Foreign exchange derivatives				
- Forward foreign exchange	-	425	-	54,186
Total	**-**	**425**	**-**	**54,186**
At 31 December 2013				
Foreign exchange derivatives				
- Forward foreign exchange	705	307	89,042	52,565
Total	**705**	**307**	**89,042**	**52,565**

The group applies hedge accounting for expected revenue streams influenced by changes in foreign exchange rates for certain currencies.

The amounts recognised in the cash flow hedging reserve at year-end will be gradually released to the income statement (net gains/losses) on foreign exchange) in the following year, when the related cash flows materialise.

There was no ineffectiveness arising from cash flow hedging to be recognised in profit or loss as at 31 December 2014 and 31 December 2013.

There were no transactions for which cash flow hedge accounting had to be ceased in 2014 or 2013 as a result of the highly probable cash flows no longer expected to occur.

The movements in the cash flow hedging reserve can be detailed as follows:

(€'000)	Gross amount	Deferred tax	Net amount
At 1 January 2014	398	(135)	263
Amount released from other comprehensive income to profit or loss during the period	(2,483)	844	(1,639)
Change of fair value directly recognised in other comprehensive income during the year	1,660	(564)	1,096
Change to cash flow hedging reserve during the year	(823)	280	(543)
At 31 December 2014	**(425)**	**145**	**(280)**
At 1 January 2013	2,898	(985)	1,913
Amount released from other comprehensive income to profit or loss during the period	4,919	(1,672)	3,247
Change of fair value directly recognised in other comprehensive income during the year	(7,419)	2,522	(4,897)
Change to cash flow hedging reserve during the year	(2,500)	850	(1,650)
At 31 December 2013	**398**	**(135)**	**263**

XVI.2. Hedges of net investments in foreign operations

The group has hedged, until July 2011, part of the currency translation risk of net investments in foreign operations (EMXCo, Xtrakter, Euroclear UK & Ireland, the UK branch of Euroclear SA/NV and Euroclear Sweden).

The movements in the hedge of net investments in foreign operations reserve as at 31 December 2014 and 31 December 2013 can be detailed as follows:

(€'000)	Notes	2014	2013
At 1 January		18,238	18,014
Amount released from other comprehensive income to profit or loss during the period		-	-
Change of fair value directly recognised in other comprehensive income during the year		-	224
Total change to hedge of net investments in foreign operations reserve during the year	XXIII	-	224
At 31 December		**18,238**	**18,238**

XVII. Property, plant and equipment

(€'000)	Notes	Land and buildings	Furniture and fixtures	IT equipment	Other equipment	Total
Cost						
At 1 January 2014		87,800	11,172	123,980	48,890	271,842
Additions		1,138	1,304	11,400	4,673	18,515
Transfer and disposals		(755)	618	(6,404)	(43)	(6,584)
Exchange differences		-	3	124	428	555
At 31 December 2014		**88,183**	**13,097**	**129,100**	**53,948**	**284,328**
Accumulated depreciation						
At 1 January 2014		(53,509)	(6,567)	(79,801)	(27,019)	(166,896)
Depreciation charge		(2,366)	(1,086)	(13,578)	(4,167)	(21,197)
Transfer and disposals		432	119	5,024	(478)	5,097
Exchange differences		-	19	(134)	(152)	(267)
At 31 December 2014		**(55,443)**	**(7,515)**	**(88,489)**	**(31,816)**	**(183,263)**
Net book value at 31 December 2014		**32,740**	**5,582**	**40,611**	**22,132**	**101,065**

(€'000)		Land and buildings	Furniture and fixtures	IT equipment	Other equipment	Total
Cost						
At 1 January 2013		87,676	15,119	230,378	53,189	386,362
Additions		124	3,032	22,381	8,052	33,589
Capitalisation of dilapidation provision	XIX	-	-	-	379	379
Transfer and disposals		-	(6,910)	(128,613)	(12,586)	(148,109)
Exchange differences		-	(69)	(166)	(144)	(379)
At 31 December 2013		**87,800**	**11,172**	**123,980**	**48,890**	**271,842**
Accumulated depreciation						
At 1 January 2013		(51,166)	(12,618)	(194,372)	(35,321)	(293,477)
Depreciation charge		(2,343)	(807)	(14,140)	(4,043)	(21,333)
Transfer and disposals		-	6,815	128,597	12,323	147,735
Exchange differences		-	43	114	22	179
At 31 December 2013		**(53,509)**	**(6,567)**	**(79,801)**	**(27,019)**	**(166,896)**
Net book value at 31 December 2013		**34,291**	**4,605**	**44,179**	**21,871**	**104,946**

The figures above include cost of property, plant and equipment under construction for an amount of €2,743,000 (2013: €3,279,000).

XVIII. Goodwill and intangible assets

(€'000)	Internally developed software	Purchased software	Know-how	Goodwill	Contractual customer relationship	Unpatented technology	Total
Cost							
At 1 January 2014	30,346	54,894	46,049	1,426,747	21,964	60,638	1,640,638
Additions	4,432	16,224	-	-	-	-	20,656
Transfer and disposals (1)	-	1,401	-	(635)	-	-	766
Exchange differences	-	330	(75)	(10,262)	-	(913)	(10,920)
At 31 December 2014	**34,778**	**72,849**	**45,974**	**1,415,850**	**21,964**	**59,725**	**1,651,140**
Provision for amortisation and impairment							
At 1 January 2014	(28,097)	(43,145)	(46,049)	(536,773)	-	(60,638)	(714,702)
Amortisation charges	(446)	(3,087)	-	-	-	-	(3,533)
Transfer and disposals	-	(67)	-	-	-	-	(67)
Exchange differences	-	(346)	75	953	-	913	1,595
At 31 December 2014	**(28,543)**	**(46,645)**	**(45,974)**	**(535,820)**	**-**	**(59,725)**	**(716,707)**
Net book value at 31 December 2014	**6,235**	**26,204**	**-**	**880,030**	**21,964**	**-**	**934,433**

(€'000)	Internally developed software	Purchased software	Know-how	Goodwill	Contractual customer relationship	Unpatented technology	Total
Cost							
At 1 January 2013	28,097	49,211	46,092	1,433,607	21,964	61,519	1,640,490
Additions	2,249	9,566	-	-	-	-	11,815
Transfer and disposals	-	(3,740)	-	-	-	-	(3,740)
Exchange differences	-	(143)	(43)	(6,860)	-	(881)	(7,927)
At 31 December 2013	**30,346**	**54,894**	**46,049**	**1,426,747**	**21,964**	**60,638**	**1,640,638**
Provision for amortisation and impairment							
At 1 January 2013	(28,097)	(43,207)	(45,863)	(537,315)	-	(61,519)	(716,001)
Amortisation charges	-	(2,988)	(226)	-	-	-	(3,214)
Transfer and disposals	-	2,922	-	-	-	-	2,922
Exchange differences	-	128	40	542	-	881	1,591
At 31 December 2013	**(28,097)**	**(43,145)**	**(46,049)**	**(536,773)**	**-**	**(60,638)**	**(714,702)**
Net book value at 31 December 2013	**2,249**	**11,749**	**-**	**889,974**	**21,964**	**-**	**925,936**

[1] Goodwill transfer and disposal relates to the liquidation of Nederlands Interprofessionnel Effectencentrum NIEC BV (NIEC) see Note I.

Goodwill and the contractual customer relationship relate to the acquisition of EMXCo, Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear NIEC (liquidated in December 2014), Euroclear Sweden and Euroclear UK & Ireland and Xtrakter Limited (sold in February 2013).

The unpatented technology related to the infrastructure of Euroclear Finland and Euroclear Sweden, which was fully amortised by mid-2012.

XVIII.1. Determination of the cash-generating units

Goodwill impairment reviews are based on the cash-generating units (CGUs) for the group's three relevant operating segments: ESES (Euroclear Belgium, Euroclear France, Euroclear Nederland), Euroclear UK & Ireland (Euroclear UK & Ireland and EMX Company Ltd, which was integrated into Euroclear UK & Ireland in 2010), NCSD (Euroclear Finland and Euroclear Sweden).

Except for Euroclear Sweden, goodwill and contractual customer relationship are expressed and tested for impairment purposes in euro. At the time of the acquisition of Euroclear UK & Ireland, the related goodwill was considered as a non-monetary asset of the acquirer and therefore expressed in euro. At the time of migration to IFRS, which considers goodwill to be a monetary asset of the acquired entity, Euroclear decided not to restate prior years' business combinations. The goodwill relating to EMX Company Ltd, now appraised together with that of Euroclear UK & Ireland, is expressed in sterling but is translated into euro at the spot rate on closing date for the purpose of impairment testing.

XVIII.2. Basis on which recoverable amounts have been determined

The recoverable amounts is based on the 'value in use' using the discounted cash flow methodology for each segment. The 2014 valuation of all the entities concerned is based on a five-year free cash flow forecast with projections for periods beyond this assuming a perpetual annuity ranging between 1.7% and 2% depending on the concerned entity.

The net book values of the goodwill, and Euroclear Belgium's contractual customer relationships, are set out in the table below.

(€'000)	2014	2013
Euroclear UK & Ireland	205,664	204,486
ESES	484,626	485,261
NCSD	211,704	222,191
	901,994	911,938

These are the only intangible assets considered to have indefinite useful lives.

XVIII.3. Key assumptions related to discount factors

The appropriate discount rates are determined by applying the Capital Asset Pricing Model (CAPM). The discount rates and perpetual growth rates used for each CGU in the 2014 and 2013 impairment reviews were as follows:

	2014		2013	
	Discount rate	Perpetual growth rate	Discount rate	Perpetual growth rate
Euroclear UK & Ireland	8.40%	1.70%	8.06%	2.00%
ESES	7.00%	1.70%	7.49%	2.00%
NCSD	8.90%	1.70%-2.00%	9.15%	2.00%

XVIII.4. The 2014 impairment review

The key assumptions for the valuation exercise are based on both external sources of information and on internal expectations (assets held in custody, transaction volumes, interest rates, etc.). Forecasts are taken from Board approved plans which translate into resilient profitability trends throughout 2015 and the years beyond. For all operating segments, their valuation indicated that the current values of goodwill and related intangibles are fair and justified.

The Board concluded that in 2014, there is no goodwill impairment risk arising from the review.

As far as sensitivity analysis is concerned, neither an increase of the discount rate by 1% nor a decrease of the business drivers by 5% would have resulted in an impairment in one of the CGUs (all other factors being equal).

The changes in the parameters used for the sensitivity analysis set out above are based on management's estimates of what level of change is reasonably possible. For example, the choice of a 5% decrease for business volumes is justified by the volatility observed between forecasts and actuals over the past two years while the increase of the discount rate is justified by the highest yearly variance over the past five years.

XIX. Provisions for liabilities and charges

(€'000)	Onerous contracts	Dilapidation	Litigation	Other provisions	Total
At 1 January 2014	10,418	3,601	351	3,589	17,959
Additions	-	-	-	4,314	4,314
Unused amounts reversed during the period	(1,470)	(216)	(190)	(861)	(2,737)
Amounts used	(2,665)	(199)	-	(508)	(3,372)
Exchange differences	26	139	-	(41)	124
At 31 December 2014	**6,309**	**3,325**	**161**	**6,493**	**16,288**

At year-end 2014, the outstanding provision for onerous contracts mainly relates to two onerous contracts recognised in previous years and to a provision for vacant premises leased by one Euroclear entity located in the UK. These provisions will be progressively used over the remaining period of the contracts concerned.

Provisions for dilapidation costs are recorded to reflect end-of-lease obligations in several countries.

The additions in 'other provisions' relate to provisions recorded during the course of 2014 to reflect the uncertainty as to the recovery of some taxes. At the end of 2012, Euroclear Belgium recorded a provision of €4,000,000 related to the dematerialisation of Belgian securities, which involved a series of discontinuation costs, amongst others the redeployment of staff, early retirement and severance costs. This provision is also reflected in the 'other provisions' set out above. Part of the provision has been used or reversed during the course of 2013 and 2014.

The current portion of the above provisions is estimated at €8,351,000.

XX. Defined benefit plans

The group operates various post-employment schemes, including defined benefit and defined contribution pension plans, and post-employment medical plans.

The group has several defined benefit pension plans covering employees in Belgium, France, Japan, The Netherlands and Sweden under broadly similar regulatory frameworks. The plans exclusively provide retirement and death benefits to the eligible participants. All of the defined benefit pension plans are final or average salary pension plans, which provide benefits to members in the form of a lump sum payment or a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The plans face broadly similar risks, as described below. The majority of benefit payments are from the administered funds; however, there are also a limited number of unfunded plans where the company meets the benefit payment obligation as it falls due (Japan). Plan assets are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the pension funds Board of Directors. Responsibility for governance of the plans – including investment decisions and contribution schedules – lies jointly with the sponsoring companies and the Board of Directors. The Board of Directors must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

The group also operates a number of post-employment medical benefit schemes, in Belgium and France. These plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes with the addition of actuarial assumptions relating to the long-term increase in healthcare costs.

Finally, the group operates certain defined contribution schemes in Belgium which present particular features usually associated with defined benefit plans. These plans indeed foresee a legally guaranteed rate of return. As a result of the persisting low interest rates environment, this legally guaranteed return may not be matched by the return provided by the insurance companies. This means that the financial market risk related to these plans is partially borne by the employer, who therefore might face a net liability. Based on current estimates, the latter should however not materially impact the group's net defined benefit liability.

A full actuarial valuation of the plans, under IFRS, was made by independent qualified professional actuaries as of 31 December 2014 and showed a deficit of €96,978,000 (2013: €54,840,000) offset by a pension surplus of €433,000 (2013:€0). The valuation covered all the plans.

The pension cost in 2014 of €16,504,000 (2013: €16,838,000) has been fully recognised in the current year. The contribution, reflecting employer's contributions for funded plans and benefit disbursements for unfunded plans, amounted to €4,094,000 (2013: €4,523,000).

The major assumptions used by the actuaries in their valuations were:

	2014	2013
Discount rate	2.15%	3.45%
Expected inflation rate	1.73%	1.94%
Future salary increases	3.21%	3.40%
Expected medical cost trend rate	5.20%	5.36%

The above percentages are weighted averages of the assumptions used for the individual plans.
Assumptions regarding future mortality experience are set based on advice and published statistics in each territory (MR/FR table with an age set back of three years in Belgium, TGHF 05 table in France, AG Prognosetafel 2014 with 2010 experienced mortality in The Netherlands, EPF 2009 rates in Japan and PRI 2011 in Sweden).

The amounts recognised in the balance sheet are as follows:

(€'000)	2014	2013
Present value of funded obligations	(278,780)	(218,383)
Fair value of plan assets	228,656	198,472
	(50,124)	(19,911)
Present value of unfunded obligations	(46,421)	(32,547)
Irrecoverable surplus	-	(2,382)
Net pension deficit	**(96,545)**	**(54,840)**

The 2013 irrecoverable surplus relates to plans for which the surplus of plan assets over plan obligations was not available for offset with other group pension fund liabilities.

The value of assets in all plans was:

	2014			2013		
(€'000)	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments						
- European equities	35,705	-	35,705	32,575	-	32,575
- Global equities	63,000	-	63,000	52,936	-	52,936
- Emerging markets equities	270	-	270	24	-	24
- European real estate equities	8,662	-	8,662	7,531	-	7,531
- US equities	110	-	110	97	-	97
- Japan equities	39	-	39	30	-	30
Debt instruments						
- EMU government bonds	56,092	-	56,092	58,363	-	58,363
- EMU corporate bonds	38,318	-	38,318	22,864	-	22,864
- Euro inflation-linked bonds	17,377	-	17,377	15,108	-	15,108
Property	1,215	-	1,215	1,433	-	1,433
Cash and cash equivalents	6,861	-	6,861	4,818	-	4,818
Qualifying insurance policies	-	995	995	-	2,190	2,190
Investment funds	12	-	12	-	-	-
Other	-	-	-	503	-	503
Total market value of assets	**227,661**	**995**	**228,656**	**196,282**	**2,190**	**198,472**

The assets of the funded plans are held separately from those of the group. The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. A large proportion of assets consists of equities and bonds, although the group also invests in property, cash and holds some insurance assets. The group believes that equities offer the best returns over the long term with an acceptable level of risk.

The changes in the net deficit are as follows:

		Medical plans	Pension plans				
(€'000)	Notes	Present value of obligations	Present value of obligations	Fair value of plan assets	Total	Asset ceiling	Total
At 1 January 2014		**31,529**	**219,401**	**(198,472)**	**20,929**	**2,382**	**54,840**
Current service cost	X	1,354	13,412	-	13,412	-	14,766
Net interest expense/(income)	VI	1,067	7,426	(6,792)	634	37	1,738
Income statement		**2,421**	**20,838**	**(6,792)**	**14,046**	**37**	**16,504**
Remeasurements							
Experience (gains)/losses		1,393	4,518	(29,139)	(24,621)	-	(23,228)
(Gains)/losses due to change in demographic assumptions		-	455	-	455	-	455
(Gains)/losses due to change in financial assumptions		10,524	43,213	-	43,213	-	53,737
Changes in asset ceiling		-	-	-	-	(2,419)	(2,419)
Statement of other comprehensive income		**11,917**	**48,186**	**(29,139)**	**19,047**	**(2,419)**	**28,545**
Employer's contributions		(333)	-	(3,761)	(3,761)	-	(4,094)
Exchange differences		-	(1,674)	1,402	(272)	-	(272)
Transfers		-	-	1,022	1,022	-	1,022
Benefit payments		-	(7,084)	7,084	-	-	-
At 31 December 2014		**45,534**	**279,667**	**(228,656)**	**51,011**	**-**	**96,545**

(€'000)	Notes	Medical plans: Present value of obligations	Pension plans: Present value of obligations	Pension plans: Fair value of plan assets	Pension plans: Total	Asset ceiling	Total
At 1 January 2013		**30,758**	**221,984**	**(187,606)**	**34,378**	**1,391**	**66,527**
Current service cost	X	1,285	13,636	-	13,636	-	14,921
Interest expense/(income)	VI	1,011	6,715	(5,855)	860	46	1,917
Income statement		**2,296**	**20,351**	**(5,855)**	**14,496**	**46**	**16,838**
Remeasurements							
Experience (gains)/losses		(376)	(3,565)	(6,578)	(10,143)	-	(10,519)
(Gains)/losses due to change in demographic assumptions		-	625	-	625	-	625
(Gains)/losses due to change in financial assumptions		(873)	(13,307)	-	(13,307)	-	(14,180)
Changes in asset ceiling		-	-	-	-	950	950
Statement of other comprehensive income		**(1,249)**	**(16,247)**	**(6,578)**	**(22,825)**	**950**	**(23,124)**
Employer's contributions		(276)	-	(4,247)	(4,247)	-	(4,523)
Exchange differences		-	(1,569)	696	(873)	(5)	(878)
Benefit payments		-	(5,118)	5,118	-	-	-
At 31 December 2013		**31,529**	**219,401**	**(198,472)**	**20,929**	**2,382**	**54,840**

The weighted average duration of the defined benefit obligations is 18.5 years.

Until 31 December 2013, the defined benefit pension plan of Euroclear Nederland, which was part of the Euronext pension fund and to which other employers of the financial sector participated, was financed via a pension fund managed by the Stichting Mercurius Pension fund Amsterdam. Since 1 January 2014, the fund is managed by the Euroclear pension fund, transformed into a pan-European pension fund. The minimum funding is in line with the Belgian prudential regulations with a strict minimum equal to the present value of accrued benefits calculated with the Dutch risk free rate. Each sponsoring employer is only liable for the payment of his contribution.

Funding levels are monitored on an annual basis and contributions are made to comply with minimum requirements as determined by local regulations and, if applicable, internal funding policy. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period.

Expected contributions to post-employment benefit plans for the year ending 31 December 2015 are €12,212,000.

The cumulative actuarial loss recognised in other comprehensive income as at 31 December 2014 was €85,705,000 (2013: €57,161,000).

The sensitivity of the defined benefit obligations to a 1% movement in the weighted principal assumptions is:

(€'000)	Increase in assumption	Decrease in assumtion
Discount rate	-15.3%	18.5%
Salary increase rate	13.0%	-12.6%
Inflation rate	11.8%	-11.8%
Medical trend rate	27.7%	-20.8%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. As the majority of the liabilities are not affected by the life expectancy risk (because of lump sum payments), no life expectancy sensitivity is considered.

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The risk is kept under control thanks to proper risk management procedures and strategic asset allocation driven by the financial characteristics of the plans, in particular the plans liabilities and the risk tolerance of the Board and the group. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Belgian plans hold 60% of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See above for more details on the group's asset-liability matching strategy.
- Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

- Inflation risk: The plans' benefit obligations are linked to inflation (see sensitivity impact), and higher inflation will lead to higher liabilities. The impact is however limited and the assumptions are cautiously monitored annually.
- Life expectancy: As mentioned, longevity risk is limited as the majority of the benefit payments are lump sums.
- Medical trend rate risk: As the liabilities of the Belgian and French medical plans are very sensitive to the used medical trend rate, the evolution of this trend rate is monitored regularly to make sure that this trend rate properly reflects the long term expected evolution of the medical cost.
- Salary increase: As the pension liabilities are quite sensitive to salary increase, the used assumptions are monitored closely and historic salary evolution is compared against the used assumptions.

The group has not changed the processes used to manage its risks from previous periods.

The movement in the deferred tax asset relating to the pension deficit is as follows:

(€'000)	Notes	2014	2013
Amount credited/(charged) through equity	XIII	(8,960)	(6,634)
Amount credited/(charged) through the income statement	XIII	(4,315)	4,082
Exchange differences		136	(123)
Increase/(decrease) in deferred tax asset		**(13,139)**	**(2,675)**

XXI. Subordinated liabilities

	2014		2013	
(€'000)	Book value	Fair value	Book value	Fair value
At 31 December				
Fixed/Floating Rate Guaranteed Non-Cumulative Perpetual Securities	100,282	101,249	100,207	101,338
Total	**100,282**	**101,249**	**100,207**	**101,338**
Repayable				
- in one year or less	100,282	101,249	-	-
- in more than one year but less than two years	-	-	100,207	101,338
Total	**100,282**	**101,249**	**100,207**	**101,338**

The Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities listed above are denominated in euro and were issued at par by Euroclear Finance 2 in June 2005 (principal amount of €300,000,000). The proceeds of the issue and the €4,500,000 capital of Euroclear Finance 2 were lent to Euroclear Bank through the full subscription of Fixed/Floating Rate Subordinated Perpetual Notes (principal amount of €304,500,000, net of €2,600,000 of issue costs) issued by Euroclear Bank. These notes provide Upper Tier II regulatory capital to Euroclear Bank on a stand-alone basis, whereas the securities provide Hybrid Tier I regulatory capital to Euroclear Bank on a consolidated basis.

Euroclear Bank has irrevocably guaranteed, on a subordinated basis, the due payment of all sums payable by Euroclear Finance 2. The notes rank equally with all unsecured obligations of Euroclear Bank and rank in priority to the rights and claims of all classes of equity. They are subordinated to the claims of senior creditors of Euroclear Bank. The securities rank equally with all other present and future, direct, unsecured, perpetual, non-cumulative and subordinated obligations of Euroclear Finance 2 and rank in priority to the rights and claims of all classes of equity. They are subordinated to the claims of senior creditors both of Euroclear Finance 2 and Euroclear Bank. Euroclear Finance 2 has options to redeem the Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities on 15 June 2015 and on any interest payment date thereafter. Upon the occurrence of a supervisory event or any event resulting in a general concursus creditorum on the assets of Euroclear Bank, as defined in the terms and conditions of Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities, the securities together with the accrued interest will be converted into Conversion Profit-sharing Certificates in consideration for a contribution in kind of the securities to Euroclear Bank. Upon the occurrence of such an event, the notes will also be redeemed at their principal amount together with accrued interest.

During 2009, Euroclear Finance 2 SA repurchased a nominal amount of €6 million of its issued securities. Furthermore, during 2012, Euroclear Finance 2 SA repurchased a nominal amount of €195.9 million of its issued securities. These transactions resulted in an equivalent repurchase of notes issued by Euroclear Bank.

In March 2015, the Board of Euroclear Bank will propose to exercise on 15 June 2015 the optional redemption rights of the Bank on all of its Upper Tier 2 note with Euroclear Finance 2 at the base redemption price, pending the approval of the National Bank of Belgium and the related notification to bondholders.

XXII. Share capital and share premium

		(€'000)		
Equity shares	Number of shares	Share Capital	Share Premium	Total
At 1 January and 31 December 2014	12,014,560	839,601	1,623,628	2,463,229
At 1 January and 31 December 2013	12,014,560	839,601	1,623,628	2,463,229

The shares have attached to them full voting, dividend and capital distribution rights.

XXIII. Other reserves

(€'000)	Notes	Available-for-sale revaluation reserve	Cash flow hedging reserve	Hedge of net inv. in foreign operations reserve	Foreign currency translation reserve	Legal reserve	Disposal groups held for sale	Total
At 1 January 2014		3,548	263	18,238	2,383	77,555	-	101,987
Fair value adjustments	XIV, XVI	42,771	(823)	-	-	-	-	41,948
Deferred tax on fair value adjustments	XIII	229	280	-	-	-	-	509
Foreign currency translation reserve		-	-	-	(6,281)	-	-	(6,281)
Transfer to non-distributable reserves		-	-	-	-	14,058	-	14,058
At 31 December 2014		**46,548**	**(280)**	**18,238**	**(3,898)**	**91,613**	**-**	**152,221**
At 1 January 2013		3,299	1,913	18,014	11,271	76,908	508	111,913
Fair value adjustments	XIV, XVI	255	(2,500)	224	-	-	-	(2,021)
Deferred tax on fair value adjustments	XIII	(6)	850	-	-	-	-	844
Foreign currency translation reserve		-	-	-	(8,888)	-	-	(8,888)
Disposal		-	-	-	-	-	(508)	(508)
Transfer to non-distributable reserves		-	-	-	-	647	-	647
At 31 December 2013		**3,548**	**263**	**18,238**	**2,383**	**77,555**	**-**	**101,987**

The hedge of net investment in foreign operations reserve and the foreign currency translation reserve relate to the group's subsidiaries in Sweden and the United Kingdom.

In addition to the translation of structural currency exposures relating to the group's subsidiaries and joint venture with a functional currency other than the euro, the foreign currency translation reserve includes the translation impact of goodwill and intangible assets expressed in Swedish krona and sterling that were recognised at the time of acquisition of subsidiaries in Sweden, and EMXCo in the United Kingdom.

The legal reserve represents non-distributable amounts required to be established as separate reserves in compliance with local laws in certain countries where the group operates.

XXIV. Dividends paid

€ per share	2014	2013
Equity paid	**20.90**	**19.32**

(€'000)		
Equity paid	**251,106**	**232,124**

A dividend of €105,129,000 was paid in respect of the financial year ending 31 December 2013 (out of the total 2013 dividend of €258,193,000), and €145,977,000 (€12.15 per share) was already paid as interim dividend in September 2014 in respect of financial year ending 31 December 2014.

See Note XXVIII for details of the proposed 2014 equity dividend.

XXV. Contingent liabilities and commitments

(€'000)	2014	2013
At 31 December		
Assets pledged as collateral	3,570,934	3,075,582
Securities lending indemnifications	11,133,237	7,994,359

Assets pledged as collateral mainly include:

- investment securities with a book value of €3,535,349,000 (2013: €1,440,125,000) and a tender deal amounting to €0 (2013:€ 1,600,000,000) have been deposited with the National Bank of Belgium as potential collateral, principally for TARGET2-related exposures. There was an exposure amounting to €840,651,000 at 31 December 2014 (2013: €0); and
- a bank deposit of €500,000 (2013: €500,000) pledged by Euroclear Finland to a third-party registration fund in order to fulfil its obligations as account operator.

Under the terms of the Euroclear Securities Lending and Borrowing Programme, Euroclear Bank provides a guarantee to securities lenders whereby if a securities borrower is unable to return the securities, Euroclear Bank guarantees the lender to receive replacement securities or their cash equivalent. A similar guarantee applies to Euroclear Bank's GC Access Programme. The guarantee is valued at market value of the loan securities plus accrued interest. Euroclear Bank's policy is that all securities borrowings are covered by collateral pledged by the borrowing banks and customers.

XXVI. Operating lease commitments

	2014		2013	
(€'000)	Property	Vehicles, plant and equipment	Property	Vehicles, plant and equipment
Group company as lessee				
Future aggregate minimum lease payments under non-cancellable operating leases:	**113,558**	**40,285**	**127,871**	**18,813**
- up to one year	20,127	15,488	20,464	8,428
- later than one year and not later than five years	57,135	23,432	60,879	10,020
- over five years	36,296	1,365	46,528	365

	2014 Property	2014 Vehicles, plant and equipment	2013 Property	2013 Vehicles, plant and equipment
Minimum lease payments recognised as an expense	19,696	17,173	19,953	12,803

XXVII. Related-party disclosures

Euroclear SA/NV is controlled by Euroclear Investments SA/NV, incorporated in Luxembourg, which owns 99.99% of the ordinary shares. The ultimate parent and controlling party of the group is Euroclear plc, incorporated in the United Kingdom.

Euroclear SA/NV's investments in its subsidiaries are set out in Note I.

The following is a summary of the balances relating to transactions with Euroclear SA/NV's parent, ultimate parent and other companies in the Euroclear group included in its consolidated financial statements:

	2014				2013			
(€'000)	Immediate parent	Ultimate parent company	Other group companies	Total	Immediate parent	Ultimate parent company	Other group companies	Total
Assets								
Loans and advances	-	-	12,242	12,242	-	-	12,242	12,242
Other assets	-	144	-	144	-	3	-	3
Prepayments and accrued income	19	39	-	58	17	67	32	116
Total assets	**19**	**183**	**12,242**	**12,444**	**17**	**70**	**12,274**	**12,361**
Liabilities								
Deposits from banks and customers	54	44	-	98	10,089	845	-	10,934
Other liabilities	7	-	-	7	5	87	-	92
Accruals and deferred income	205	5,994	176	6,375	150	5,548	101	5,799
Total liabilities	**266**	**6,038**	**176**	**6,480**	**10,244**	**6,480**	**101**	**16,825**
Income statement								
Interest income	-	-	560	560	-	-	560	560
Interest expense	(4)	-	-	(4)	(23)	(32)	-	(55)
Fee and commission expense	-	(15)	-	(15)	-	(12)	-	(12)
Other operating income	394	1,424	-	1,818	128	910	-	1,038
Administrative expense	(877)	(23,602)	(4,506)	(28,985)	(657)	(22,362)	(4,518)	(27,537)
Total income statement	**(487)**	**(22,193)**	**(3,946)**	**(26,626)**	**(552)**	**(21,496)**	**(3,958)**	**(26,006)**
Off-balance sheet								
Liquidity facility received	-	20,000	-	20,000	-	20,000	-	20,000
Total off-balance sheet	**-**	**20,000**	**-**	**20,000**	**-**	**20,000**	**-**	**20,000**

Further details about transactions with related parties and of key management compensation are provided below.

XXVII.1. Transactions with other companies in the Euroclear group

XXVII.1.a. Loan

In July 2012, Euroclear SA/NV granted a ten-year loan to Euroclear France Properties SAS to finance the building and management costs of a computer center in France. Interest on the loan, payable annually accrues at a rate of 4.60% per annum. At 31 December 2014, the outstanding loan plus accrued interest amounted to €12,242,000 (2013: €12,242,000).

XXVII.1.b. Bank accounts and term deposits

Euroclear Bank, a subsidiary of Euroclear SA/NV, provides banking services to other companies in the Euroclear group. Deposits are remunerated at market rates of interest.

XXVII.1.c. Administrative support

Certain administrative support costs are periodically recharged to and by other companies within the Euroclear group.

Euroclear SA/NV leases premises from Euroclear Properties France at market rates. The lease expires in 2025.

XXVII.1.d. Licence agreement

Under a licence agreement, Euroclear plc has granted to Euroclear Bank the right to operate the Euroclear System and the right to use and sub-licence the Euroclear trademark. The agreement may be terminated by either party with three years notice. Euroclear Bank pays Euroclear plc a royalty fee of 2.7% (2013: 2.7%), computed on certain qualifying revenues.

XXVII.1.e. Liquidity facility

In July 2005, Euroclear plc provided a liquidity facility to Euroclear SA/NV for an aggregate principal amount of €20,000,000. The facility was made for an initial period of one year, automatically renewed. It can be terminated by either party with three months notice. A fee of 5 basis points is computed on the amount of the facility regardless of whether the facility is used. Any utilisation of the facility (none to date) is remunerated at Euribor plus 12.5 basis points.

XXVII.1.f. Pension fund

The group considers its Belgian pension fund as a related party as it has the ability to exercise significant influence over it in taking financial or operational decisions. Disclosures related to the pension fund are presented in Note XX.

XXVII.1.g Joint venture

At 31 December 2014, there was no related transaction with DTCC-Euroclear Global Collateral Ltd created in September 2014.

XXVII.2. Key management compensation

The compensation of key management (members of the Management Committees of Euroclear SA/NV and its (I)CSD subsidiaries and group division heads) and non-executive directors was as follows:

(€'000)	2014	2013
Short-term employee benefits	17,315	16,053
Post-employment benefits	1,605	1,255
Other long-term benefits	3,252	4,415
Termination benefits	273	-
Total compensation of key management	22,445	21,723
Emoluments of non-executive directors	802	903
Total compensation of key management and directors	**23,247**	**22,626**

For 2014, the National Bank of Belgium (NBB) has been informed of the compensation principles for the members of the Management Committees of Euroclear SA/NV and Euroclear Bank and of certain other senior management, taking into account the most recent changes in the regulations. The 2014 amounts - as approved by the respective Remuneration Committees/Boards - reflect these principles and more specifically the allocation between short-term and long-term benefits.

No loans or similar transactions occurred with directors, key management or their close family members.

The companies employing the Euroclear SA/NV non-executive directors are subject to the same terms, conditions and tariffs as other companies.

Directors' emoluments are in the form of fees with the exception of life insurance benefits for one director amounting to €5,200 (2013: €5,000).

XXVIII. Events after the balance sheet date

Proposed dividend

On 24 February 2015, the directors resolved to propose a dividend in respect of the financial year ending 31 December 2014 of €19.40 (2013: €21.49) per equity share, which will distribute €233,082,000 (2013: €258,193,000) of shareholders' equity. €145,977,000 (€12.15 per share) was already paid as interim dividend in September 2014 (Note XXIV), leaving €87,105,000 (€7.25 per share) to be paid to shareholders in May 2015.

Statutory auditor's report

to the general shareholders' meeting on the financial statements for the year ended 31 December 2014

In accordance with the legal requirements, we report to you on the performance of our mandate as statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Euroclear SA ("the Company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to '000' EUR 25.882.824 and the consolidated income statement shows a profit for the year of '000' EUR 261.661.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.
We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 26 February 2015

The Statutory Auditor
PwC Bedrijfsrevisoren BCVBA
Represented by

Damien Walgrave
Reviseur d'Entreprises Agréé