



Post-trade made easy

Euroclear plc

Annual Report 2015

Euroclear plc
Strategic report
2015

Chairman's message

Marc Antoine Autheman

Chairman of the Board

Dear shareholders,

I am pleased to announce that your company delivered a positive performance in 2015. Euroclear grew revenues, operating profit and earnings per share, benefitting from more supportive market conditions, as the group's new initiatives translated into increased revenue growth.

The Board is recommending a dividend of €36.3 per share for 2015, which represents a 15% increase over the prior year. This reflects the Board's decision to maintain a 40% dividend payout ratio for the year.

In 2015, for the third consecutive year, we implemented a successful share buy-back, purchasing 4% of our shares below book value for €106 million. The Board considered that in view of the current risk and regulatory environment, it was prudent to allocate a portion of 2015 profits to reserve.

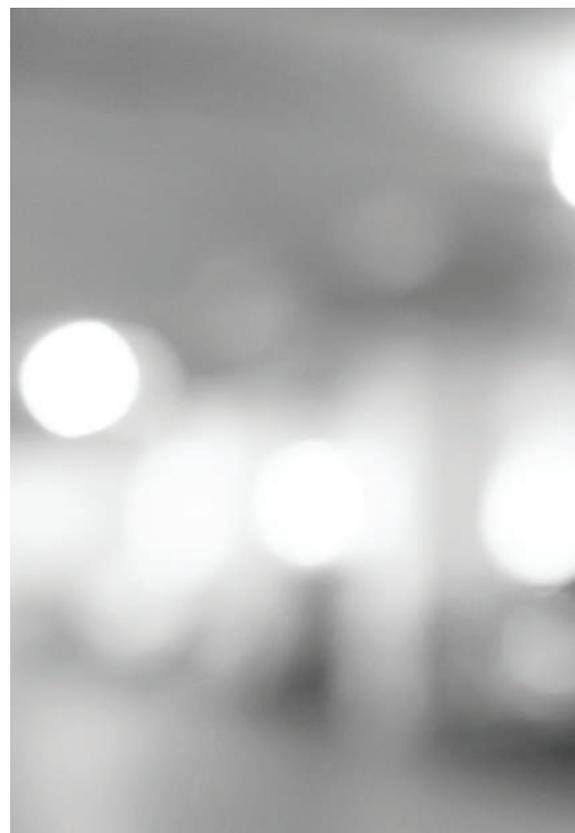
Over the past three years, the company has now returned a total of over €410 million to shareholders through its buy-back programme. Shareholders voted unanimously in favour of the transactions at the general meeting, confirming the Board's view that the programme was value-enhancing. Ensuring that Euroclear's shareholder base is engaged, committed and supportive of the company's strategic direction, while providing liquidity to shareholders who wish to sell, remain key priorities for the Board.

While the company's performance has been positive in 2015, our implementation of TARGET2-Securities (T2S) met with some difficulties, and we were granted more time by the Eurosystem. The Board closely monitored management's corrective actions and reviewed its revised plan, with the support of key market participants. We conducted an audit of the T2S project, providing the conclusions to our regulators. We are committed to meeting the expectations of the market and regulators in relation to T2S, and helping to deliver the significant improvement it brings to the way the European domestic financial market operates.

Another key focus for the group in 2016 will be the continued preparation for CSD Regulation (CSDR). Our implementation projects are well advanced and we are actively engaged with clients, regulators and other stakeholders ahead of CSDR's introduction.

We are also making good progress with our joint venture with the Depository Trust & Clearing Corporation (DTCC), DTCC-Euroclear GlobalCollateral Ltd. In 2016, we expect to deliver GlobalCollateral's first services, an important step in developing a truly global collateral management solution for the financial markets.

For the third consecutive year, we implemented a successful share buy-back, purchasing 4% of our shares below book value for €106 million.





Building upon the Board's long established practice of conducting an annual self-assessment, we undertook our first externally facilitated Board review during 2015. The review confirmed that the Board was functioning effectively, with favourable scores when benchmarked against good governance standards. The Board has agreed an action plan to follow up on the areas identified where improvements could be made.

During 2015, the Board welcomed Cian Burke and Tom Isaac as directors nominated by shareholders, while Joseph Antonellis retired after a ten-year tenure as a Board member. On behalf of the Board, I would like to extend our gratitude to Joe for the contribution he made during his time on the Board. In addition, the Board extended my position as Chairman for a second three-year term as from 1 January 2016. I am grateful for the confidence the Board has shown in me and I look forward to working together on our strategic opportunities over the coming years.

On behalf of the Board, I would like to thank our management and staff for their efforts over the past year. I am confident that we will continue the positive strategic development of our group in the coming year and beyond, extending the relevance of Euroclear's position in the post-trade environment.

A handwritten signature in black ink, appearing to read 'Autheman', written in a cursive style.

Marc Antoine Autheman
Chairman of the Board

CEO's statement

Tim Howell

Group Chief Executive Officer

I am pleased to report that in 2015 Euroclear again delivered a robust performance, against the backdrop of a financial market that is undergoing considerable change, while continuing to position itself for further, sustainable future growth.

The volume of transactions we processed increased by 5%, to 191 million last year, and the value of securities held for our clients grew by over 6% to €27.5 trillion. We also settled the equivalent of €674.7 trillion in transactions, up 8%.

We have reported operating income of €1,130 million, up 9%, driven by increased activity levels across our business lines, reflecting product strength and the benefit of financial market conditions. Profit before tax was up 12%, to €401 million. Core administrative expenses have remained relatively flat through continued cost discipline, but we increased investment to strengthen both franchise and regulatory-driven initiatives, notably TARGET2-Securities (T2S). Consequently, the group's cost base increased by 6%, compared to 2014. Profit for the year rose by 4%, to €293 million, or 10% when adjusted for last year's partial reversal of the deferred tax write off recognised in 2010. Earnings per share increased by 11% to €87.0.

Our balance sheet remains strong and we have an industry-leading capital

base with a Tier 1 ratio of 40%, at the end of 2015, under the Basel III framework. Euroclear Bank's liquidity coverage and net stable funding ratios are also strong, and our consistent AA+/AA market rating reflects our stability and market position.

We are a profit-moderated industry utility that provides low risk, highly automated services at a competitive price and in an open architecture. We sustain the necessary level of investment to ensure our long-term commitment to capital market stability, safety and efficiency. At the same time, we continue to provide our shareholders with a return on equity of nearly 9%.

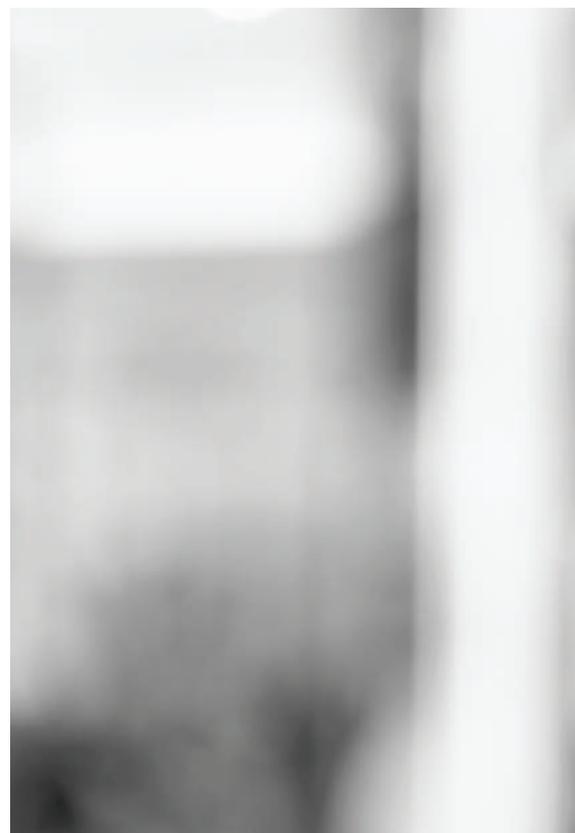
We have continued to invest in our franchise, to realise the ambitions that we share with market participants, both in Europe and around the globe.

In Europe, we have further increased our investment in regulatory-driven initiatives, particularly in the implementation of T2S for the Euroclear Settlement of Euronext-zone Securities (ESES) CSDs. During 2015, we faced some system development challenges,

now under control, in progressing the ESES CSD's transition to T2S, resulting in more time being required to ensure a safe and stable migration.

Since raising the matter with the Eurosystem, we worked closely with the ECB, the other CSDs and our clients, to develop and agree a revised schedule that provides us with the necessary time to safely complete the migration. We also took a number of additional measures to secure delivery of the project. These measures, along with the progress seen in the project since, have provided us with confidence in meeting the new September 2016 deadline.

We continue to develop an effective solution for collateral sourcing challenges and mobilisation complexity for all global participants. Our Collateral Highway gained further traction, with collateral outstanding breaking €1 trillion for the first time. We saw a 20% year-on-year increase in daily average collateral outstandings on the Collateral Highway, to €1,068 billion equivalent. Through our joint venture company with the Depository Trust & Clearing Corporation (DTCC), DTCC-Euroclear GlobalCollateral Ltd,





we are building on this momentum with its first products to streamline margin settlement processes expected to be available in 2016. This open infrastructure will deliver unprecedented operating efficiencies to market participants and improve the stability and soundness of financial markets.

Euroclear's Collateral Highway gained further traction, with collateral outstanding breaking €1 trillion for the first time.

Elsewhere, we continue to extend our support to the growth and stability of the international capital markets, by providing growth markets with efficient access to a global investor base. We are paving the way for growth markets to create settlement links with Euroclear for a variety of domestic securities classes expected to go live in 2016. Notably, we have reached agreement with Indian authorities to support the settlement of India's government bonds.

In 2015, our innovative international exchange-traded fund (ETF) structure built further momentum. The China Construction Bank completed the first ever listing of an offshore Renminbi-denominated money market international ETF, before also signing a partnership with us to support of the offshore Renminbi capital market.

Using Euroclear's range of fund solutions, investors are increasingly choosing funds as a vehicle to access international markets, and a way for issuers to efficiently access a global investor base. In 2015, we further expanded our network outside Europe, opening an account with Hong Kong's CSD, the Central Moneymarkets Unit, providing Euroclear Bank clients with access to China-domiciled funds through FundSettle™, as well as Hong Kong-domiciled funds.

Our performance over 2015 has strengthened Euroclear as a pre-eminent provider in an ever-changing environment, which is well-positioned for future growth opportunities. In looking to the year ahead, our focus remains on delivering on regulation-driven initiatives in Europe, while investing in opportunities that offer greater value to our clients.

We thank our clients for the business they entrust with us, our staff for delivering on our client and industry commitments, and our shareholders for their continued support. We look forward to working together again in the year ahead.

Tim Howell
Group Chief Executive Officer

Operating highlights

The Euroclear group delivered robust business performance in 2015, driven by increased activity levels and continued discipline to manage core operating costs, despite regulatory-driven cost pressures.

Key drivers

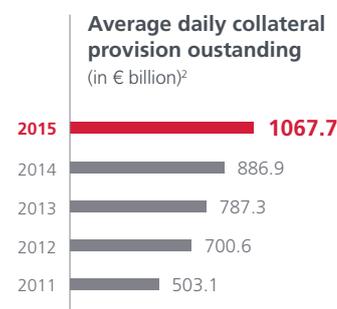
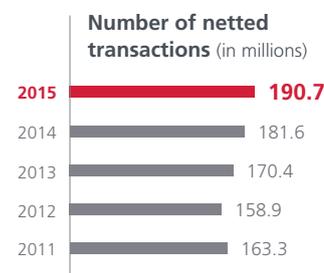
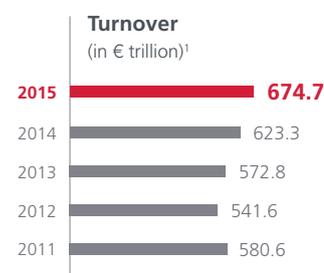
The **value of securities held**¹ for our clients at the end of 2015 reached €27.5 trillion, a 6% increase compared to €26.0 trillion in 2014.

Turnover¹, or the value of securities transactions settled, rose by 8% to €674.7 trillion in 2015 compared to €623.3 trillion in 2014.

The **number of netted transactions** settled in the group reached 190.7 million in 2015, a 5% increase compared to 181.6 million in 2014.

On our global **Collateral Highway**, the daily outstandings for the end of 2015 averaged a record €1068 billion, an increase of 20% compared to €887 billion in 2014.

Our group-wide **fund orders routed** increased by 13% to 12.7 million.



¹ The data includes intra-group holdings/transactions, as relevant.

² The Collateral Highway launched in July 2012, mobilises collateral from sources within and external to the Euroclear group.

Key performance indicators

Our key performance indicators reflect our stability and discipline as a company.

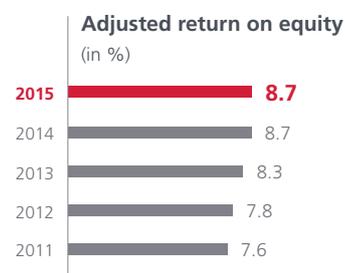
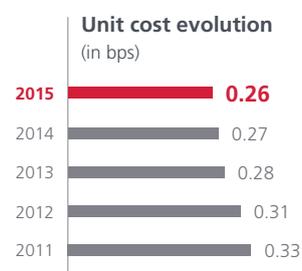
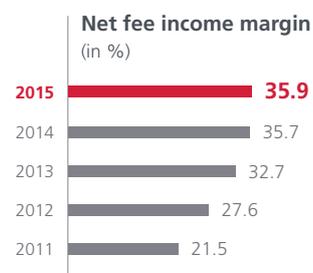
Net fee income margin (net fee income excluding administrative expenses compared to administrative expenses) increased from 35.7% to 35.9% in 2015 reflecting continued control of expenses and growth of fee income.

Operating margin (operating profit before impairment and taxation compared to operating income) increased from 34.6% in 2014 to 35.4% in 2015.

Unit cost ratio (administrative expenses compared to the average value of securities held) improved from 0.27 basis point (bps) in 2014 to 0.26 bps in 2015.

Return on equity (profit for the year compared to average shareholders' equity) remains stable at 8.7%.

Net earnings per share (profit for the year divided by the weighted average number of shares) increased to €87.0 in 2015 compared to €78.6 in 2014 due to the higher earnings combined with the impact of the share buy-back.



Financial review

Income statement review

The group's results for the year are set out on page 36 of the Euroclear plc consolidated financial statements.

Net fee and commission income was €982.8 million in 2015, a 6% increase compared to the previous year.

Net interest income was €98.9 million, compared to €90.3 million last year, due to higher levels of clients' balances.

Other income reached €48.6 million in 2015.

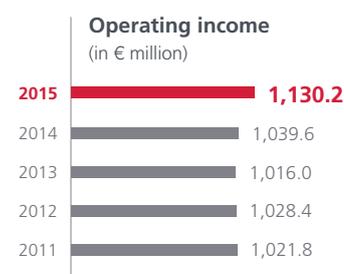
Operating income was €1,130.2 million in 2015, an increase of €91 million.

Administrative expenses increased by 6% to €723.1 million in 2015, resulting from higher activity levels, accelerated tightening of risks, and investments in regulatory-driven and growth initiatives, while maintaining a constant focus on cost management.

Operating profit before impairment and taxation was €400.6 million, a 12% increase, reflecting the higher operating income which compensated the increase in administrative expenses.

Effective tax rate amounted to 27%, compared to 22% in 2014. 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 ended 31 December 2015 was €293 million, compared to a profit of €281 million for the year ended 31 December 2014, or €266 million when adjusted for the partial reversal of the deferred tax asset write off recognised in 2010.



* Restated following the adoption of revised IAS 19

Balance sheet review

The group's financial position as of 31 December 2015 is set out on page 39 of the Euroclear plc consolidated financial statements.

Total assets were €21,985 million on 31 December 2015, down €3,984 million from the previous year.

Loans and deposits totalled €18,031 million and €17,828 million, respectively, on 31 December 2015.

Total shareholders' equity totalled €3,476 million in 2015, up €231 million from the prior year, with the increase from the year's profit and Euronext stake value being partly offset by the reduction in equity following the share buy-back and the dividend pay-out from Euroclear's 2014 results.

Net asset value per share (total shareholder's equity divided by the year-end number of shares) totalled €1,076.6 as of 31 December 2015, compared to €963.0 in 2014.

Capital management

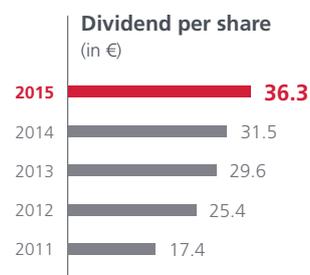
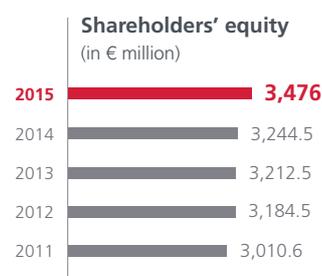
In 2015, the group's dividend pay-out ratio of 40% remained unchanged, and we completed a share buy-back for €106.2 million. The Board has recommended a dividend of €117.2 million, or €36.30 per share (2014: €31.53).

Euroclear Bank is rated AA+ by Fitch Ratings and AA by Standard & Poor's.

Our industry-leading regulatory capital levels comprised both a Tier 1 ratio and a total capital adequacy ratio of 40% at the end of 2015, under the Basel III framework.

Employee evolution

The average number of people employed by the group during the year was 3,863 compared to 3,684 in 2014.



Our strategy to support the evolving capital markets

Euroclear is committed to supporting its clients in an operating environment that is being shaped by two major trends. First, market authorities and regulators, particularly in Europe, have played an increasingly active role in defining capital markets since the last financial crisis. Secondly, over the medium term, globalisation continues to be a major driver of economic growth.

Our ambition remains to reduce risk and complexity for the market as well as reducing clients' costs and improving operating efficiency. The group continues to invest in regulation-driven initiatives that ensure compliance with the market infrastructure regulatory framework and foster open access.

Clients and other market participants are seeking greater access to liquidity and collateral mobility, and the operational benefits of increased process automation. We continue to invest in developing products and services that fulfil these evolving requirements.

Investing in our European franchise

Europe is becoming a single marketplace as a result of a broad range of regulations that impact every facet of its financial markets and, in particular, through the development of a Capital Markets Union (CMU). The post-trade sector has already taken some important steps towards becoming a single market, with the new CSD Regulation (CSDR) providing a single, pan-European rulebook for the sector, while the launch of the ECB's TARGET2-Securities (T2S) platform will provide a single settlement environment for the Eurozone.

The longer-term effects of the many new regulations that have been implemented since 2008 continue to

drive the operating environment. The cost of regulatory compliance and the de-leveraging of balance sheets have spurred the quest for further operating efficiencies and cost savings. This, in turn, is driving market participants to consolidate and rationalise market access, and embrace services that help realise latent efficiencies.

At the same time, authorities have been playing a more active role as market participants since the financial crisis. Most notably, the ECB continued to undertake its quantitative easing programme, while moving interest rates beyond their historic low levels and into negative territory.

These unprecedented developments, along with continued historically low interest rates and meagre economic growth in Europe, have proven a further challenge to clients, prompting many to adapt their approach to funding and collateral management activities.

Capital Markets Union

On 30 September 2015, the European Commission published its Action Plan for the CMU. The plan sets out a wide range of steps that aim to remove barriers between investors and businesses, through better integration of Europe's capital markets. In addition, the Commission began an important review of the cumulative impact of recent legislation.

Although the post-trade environment is not the central focus of the plan, there are potential implications for the sector in two core areas. First, the Commission will gather evidence on the main barriers to the cross-border distribution of investment funds. Secondly, it will take forward previous work to clarify securities ownership and conflict of law rules. Euroclear fully supports the Commission's plans to efficiently link savings with growth, while enhancing financial stability.

CSD regulation (CSDR)

CSDR not only introduces a complete review and standardisation of regulation that applies to (1)CSDs in the European Union, but also standardises settlement cycles and settlement discipline procedures across Europe.

In 2016, CSDR will be a major focus for the group as the Euroclear (1)CSDs will apply for authorisation under the new regulation. CSDR will also require changes by our clients to comply with record keeping requirements, in particular. The introduction of standardised settlement discipline and buy-in regimes across Europe will occur in mid-2018. Euroclear is well advanced with its CSDR implementation projects and detailed discussions with regulators are underway.

TARGET2-Securities (T2S)

The launch of the T2S platform will significantly alter the European post-

trade landscape. In June 2015, the first wave of Eurozone CSDs successfully migrated to T2S.

In October 2015, Euroclear announced that the ESES CSDs required more time than originally provided to ensure a safe and stable migration to the T2S platform. This delay was caused by challenges faced in progressing the ESES CSDs' migration to the T2S platform. Since the announcement, the group has worked closely with the ECB and wider CSD community to collectively develop a revised migration schedule.

Under the revised plan, the ESES CSDs will migrate in September 2016, providing the necessary time to safely migrate to the T2S platform and support clients in Belgium, France and the Netherlands throughout this transition. The migration of Euroclear Finland, the remaining CSD in the Euroclear group that will move to T2S, is scheduled for September 2017.

Euroclear is fully committed to the T2S project and has implemented a range of measures to secure its delivery, including additional investment in dedicated resources.

Euroclear has sought to support the readiness of domestic markets, through the provision of documentation and close collaboration with clients. In October 2015, the group began the important step of community testing with ESES clients, with a further testing period scheduled for early 2016.

In the T2S environment, Euroclear will provide the same level of asset servicing across asset classes, regardless of the service access option and the asset

location. The group will offer a range of harmonised services across all T2S markets, despite the continuing co-existence of varying market practices.

Investing in the Nordics

As part of Euroclear's investment in the broader European franchise, and in preparation for T2S, we have also been replacing Euroclear Finland's entire securities processing infrastructure with a new settlement system, known as Infinity. Infinity's first launch, comprising its fixed income system, was successfully completed in February 2015, with further developments scheduled for the year ahead.

We are also investing to replace Euroclear Sweden's platform, with an agreement reached to proceed with the Swedish Market Advisory Committee, in a move that will bolster the Swedish financial market's competitiveness. This follows a period of extensive market consultation conducted over the year. The new platform will leverage the investments made in Finland, bringing scale efficiencies to both markets.

In 2015, new chief executive officers were appointed for both Euroclear Finland and Euroclear Sweden to progress the opportunities that exist in these markets in the years ahead.

Optimising pan-European liquidity and collateral management

The investments that we are making in our European franchise are aimed at helping clients to further optimise their liquidity across European markets.

We have already completed a number of investments to increase interoperability between Euroclear Bank and the ESES CSDs. Once the

ESES CSDs' migration to T2S has been completed, Euroclear's clients will benefit from access to both global commercial and European central bank liquidity, a unique proposition that will enable clients to improve management of their short-term liquidity requirements.

In addition, €GCPlus, which successfully launched in 2014, enables clients to manage their medium-term funding requirements using standardised baskets of securities, complementing the global collateral management services offered through Euroclear Bank.

Realising opportunities in the global capital markets

As an open financial market infrastructure, Euroclear supports the evolving requirements of participants as they look to benefit from the opportunities created by globalisation and an increasingly interconnected global economy.

Global collateral management

Financial market participants are increasingly demanding collateral that can be mobilised across borders and time zones. With new global regulations in the un-cleared, over-the-counter (OTC) derivative market coming into force in 2016, demand for collateral is poised to accelerate in the years ahead.

A key tenet of our strategy has been to support the financial market's requirement for a neutral, interoperable utility to source, mobilise and segregate such collateral. This led us to launch the Euroclear Collateral Highway in 2012, the world's first open architecture global infrastructure for collateral management.

The Collateral Highway provides a comprehensive solution for managing collateral, offering clients a complete view of exposures across the full spectrum of asset classes. In addition to more traditional collateral management functions (typically repos, securities lending, derivatives and access to central bank liquidity), our range of collateral management solutions includes dedicated services for corporate treasurers, and a specialised equity financing service. By the end of 2015, average daily collateralised outstandings on the Collateral Highway reached €1,068 billion, up 20% on the prior year.

Our joint venture with the Depository Trust & Clearing Corporation (DTCC), DTCC-Euroclear GlobalCollateral Ltd, is connecting two of the largest pools of collateral to provide a truly global, end-to-end collateral management solution. By leveraging our European OTC derivative solutions, we will enable the automatic transfer and segregation of collateral, through DTCC-Euroclear GlobalCollateral, based on agreed margin calls relating to OTC derivatives and other collateralised contracts.

In 2016, we will begin to rollout GlobalCollateral's collateral margin utility, bringing unprecedented operating efficiencies to market participants and improving the stability and soundness of financial markets.

In addition, we took a further step to consolidate our collateral management offering, through our investment in AcadiaSoft, an industry-leading provider of electronic messaging for the OTC derivatives market.

International markets

Across the globe, growth economies 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, particularly during a period of historically low yields in Europe and North America.

Over the course of 2015, a number of banks added 'Euroclear eligibility' as a criteria for inclusion in their emerging market bond indices, further illustrating the strength of our global franchise.

To this end, we made further progress in bringing benefits to domestic capital markets that might otherwise have more limited access to global participants, enabling more efficient capital flows while seeking to provide stability in the domestic markets. Over the course of 2015, a number of banks added 'Euroclear eligibility' as a criteria for inclusion in their emerging market bond indices, further illustrating the strength of our global franchise.

Asia is widely expected to be a driving force of global economic growth in the coming decades. As an open post-trade infrastructure, Euroclear is committed to supporting the growth and stability of the region's financial markets, building on an unwavering presence in Asia for over 25 years. Euroclear was delighted to be recognised as CSD of the Year

in The Asian Banker's Financial Market Awards 2015.

During the course of 2015, we established a partnership with the China Construction Bank in support of the offshore Renminbi capital market.

Our increased focus on growing the Asia Pacific franchise was demonstrated by Frédéric Hannequart's relocation to Asia in his continuing roles as Chairman

of Euroclear Bank and Euroclear UK & Ireland, and the group's Chief Business Development Officer. The group also established a new position of Head of Government Relations and Strategy for Asia, based in Hong Kong. These moves allow us to further develop the open and collaborative approach that has helped the group become a trusted and relevant partner for many of the world's authorities and market infrastructures.

We made further progress in strengthening our franchise around the world, with continued success in bringing 'Euroclearability' to domestic capital markets. We took an important step by reaching agreement with Indian authorities to provide access to India's government bonds through our platform. We also supported Mexico in the launch of a corporate bonds asset

class, Cebures, following the setup of that market's link to Euroclear in late 2014.

Global funds

Funds are increasingly the means by which investors are choosing to participate in international markets, and a way for issuers to efficiently access a global investor base.

Through its expanding network of funds markets, Euroclear is establishing itself as the place for funds, providing a single entry point for the effective distribution of cross-border, offshore and domestic funds.

In early 2016, we launched Euroclear FundsPlace, a new umbrella brand for our fund solutions. Our range of trade and post-trade services for funds is fully automated, to drive out the cost, risks and complexity associated with the manual processing of fund trades. These services include order routing, account opening, settlement and asset servicing, providing access to a network of over 900 fund administrators.

In Europe, we are now one of the largest providers of fund processing services with over 12.7 million orders routed through our platforms in 2015. Our fund services have continued to grow in the Swedish market, following the launch in 2014 of a link from Euroclear Sweden to FundSettle™. In the UK, we have been supporting clients in achieving compliance with the new Clients Asset Sourcebook regulations for their own client reporting.

In 2015, we further expanded our network outside of Europe, opening an account with Hong Kong's Central

Securities Depository, the Central Moneymarkets Unit. This opening coincided with a decision by Hong Kong and China's regulatory bodies to allow eligible Hong Kong-domiciled funds to be sold to retail investors in China. Qualifying Chinese funds will also be available to the retail investor base in Hong Kong. As a result, Euroclear Bank clients will be able to access China-domiciled funds through FundSettle™, as well as Hong Kong-domiciled funds.

In addition, working closely with the China Construction Bank, the group supported the launch of the first ever RMB-denominated money market international ETF, listed in London in March 2015. This was followed in June by the first in mainland Europe, listed in Paris.

In Europe, we are now one of the largest providers of fund processing services with over 12.7 million orders routed through our platforms in 2015.

We also made further progress in supporting existing users of the international ETF structure in 2015. BlackRock, the world's largest provider of ETFs, was the inaugural issuer of international ETFs in 2013. With investors from across European markets benefitting from the simplified issuance structure, BlackRock migrated another 20 ETFs to the international form, in the first ever corporate action of its type.

Simplifying the client experience

Clients around the world expect a user-friendly client experience, and we continue to meet this demand through the growth of our EasyWay™ communication tool. With the launch of new corporate action and settlement functionality in the first quarter, as well as a new more user-friendly and mobile compatible web interface, client uptake for EasyWay™ increased substantially in 2015. There are now over 300 clients using the service, with users ranging from investment banks to corporate treasury teams.

Launched in 2012, in close collaboration with many of our clients, EasyWay™ allows users to work in real time through dashboards, alerts and intuitive navigation.

Over the coming year, we plan to further enhance the settlement and corporate actions dashboards, as well as additional collateral management features through EasyWay™, to create an unparalleled digital client experience.

Performing strongly across the group

Euroclear Bank

Euroclear Bank continues to perform resiliently, despite the unprecedented circumstances in the global capital markets in 2015. Quantitative easing in Europe, combined with market-specific issues such as the Greek debt crisis, have resulted in clients adapting their approach to both settlement and collateral management. At the same time, clients are positioning themselves to adapt to the new European post-trade landscape, which is being shaped through regulations such as T2S and CSDR.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Bank	2015	€442.6 trillion	€12.4 trillion	83.3 million
	Change from 2014	+12.2%	+5.3%	+10.8%

We are committed to supporting clients through the challenges they face, as we protect and grow our European franchise. Euroclear Bank is working closely with clients and the other domestic CSDs in the Euroclear group, to ensure readiness for CSDR and the migration to T2S. We have also reinforced our European service offering through the provision of further liquidity enhancements, including collateral management services and enhancements to the 'Bridge' between Euroclear and Clearstream.

Euroclear Bank also continues to expand its presence on the international markets. Euroclear's Collateral Highway – soon to be extended through our DTCC-Euroclear GlobalCollateral Ltd joint venture – provides an open industry infrastructure to streamline collateral processing for clients around the world.

We continued to enhance and expand our range of fund services in global markets, and in 2016 we intend to establish a processing solution to support Mexico's domestic mutual fund market. In addition, our international ETF structure gained further momentum, with BlackRock migrating 20 ETFs to the international settlement structure and the China Construction Bank issuing the first ever RMB-denominated money market international ETF.

Euroclear UK & Ireland

Euroclear UK & Ireland made a number of service enhancements in 2015 that support the strength and efficiency of the financial marketplace, as well as improve the client experience. From the third quarter of 2016, we will support the extension of the settlement day for direct participant banks through the CREST settlement system, further bolstering the competitiveness of UK financial markets. We also continue to implement our rolling programme of functionality enhancements for clients, including new operator activity screens.

		Turnover	Value of securities held	Number of netted transactions
Euroclear UK & Ireland	2015	€147.5 trillion	€6.1 trillion	55.3 million
	Change from 2014	+3.7%	+7.9%	-1.4%

The data for Euroclear UK & Ireland excludes self-collateralised repos.

During the year, we further enhanced our Term DBV collateral service, and enabled UK clients to connect to the group's Collateral Highway through Open Inventory Sourcing, developing Euroclear UK & Ireland's domestic collateral management offering by leveraging capability from across the Euroclear group.

Client adoption of our investment funds service continued to grow in 2015, enabling end-to-end automation from the placing of a funds order,

to settlement, reconciliation and transfers. New clients to the service include Northern Trust and leading wealth manager, Investec Wealth and Investment Ltd. We also re-developed the EMX fund messaging infrastructure to maintain service levels and capacity.

Towards the end of the year, the Governors of the US Federal Reserve agreed in principle to allow the Federal Reserve Bank of New York to negotiate with Euroclear UK & Ireland to allow us access to its Net Settlement Service.

This will enable us to continue providing clients with a US dollar settlement service that meets the requirements of CSDR.

Looking to 2016, we remain focused on implementing the changes required by CSDR, while supporting clients through the transitional period.

ESES CSDs – Euroclear Belgium, Euroclear France and Euroclear Nederland

Euroclear Settlement of Euronext-zone Securities (ESES) comprises Euroclear France, Euroclear Belgium and Euroclear Nederland.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Belgium	2015	€0.9 trillion	€0.3 trillion	2.5 million
	Change from 2014	+32.1%	+21.3%	+17.3%
Euroclear France	2015	€67.4 trillion	€6.1 trillion	24.0 million
	Change from 2014	-5.5%	+5.5%	+6.5%
Euroclear Nederland	2015	€4.9 trillion	€1.0 trillion	6.2 million
	Change from 2014	+12.0%	-3.9%	+9.4%

The data for Euroclear France excludes 'pensions livrées' with Banque de France.

The ESES CSDs' primary focus remains delivering a safe and stable migration to T2S. During the year, we faced some system development challenges, now under control, in progressing the ESES CSD's migration to T2S, resulting in more time being required to ensure a safe and stable migration to T2S. We have worked closely with the ECB, the other CSDs and our clients, to develop and agree a revised schedule that provides us with the necessary time to safely complete the migration. We also took a number of additional measures to secure delivery of the project. These measures, along with the progress seen in the project since, give us confidence in meeting the new September 2016 deadline.

Meanwhile, we actively supported the readiness of local markets and, following a migration rehearsal in October 2015, we began client testing. Initially a small group of pre-pilot clients tested the platform before the testing was opened to all ESES clients. A further migration rehearsal and client testing period will commence in early 2016.

We took steps to enhance custody services in 2015, with the implementation of functionalities linked to the automated processing of mandatory corporate actions. Once the ESES CSD's migration to the T2S platform is complete, we will further improve our custody services, in particular for corporate actions with options. We have also made efforts to develop our issuer services, most notably by facilitating access to pricing tools and enhancing our shareholder identification service.

In 2015, Euroclear France achieved a record level of Eurobond assets under custody, with a peak of over €1 trillion. We have also seen traction in the €GCPlus collateral management product, following its successful launch in 2014, with a total of 10 clients using the platform.

Euroclear France will continue to develop its relationship with its local financial market, in support of the Paris2020 initiative. Most notably, we will use our collateral expertise to take the lead in managing the new 'Repo'

commission for Paris Place under the leadership of ACI France AFTB. We will also work with the French post-trade association, AFTI, to promote Paris as a centre for fund domiciliation, specifically with regard to international distribution in the T2S environment.

Meanwhile, we continue to partner closely with Euronext. Together, we agreed to centralise the settlement of 'Expert market' trades (a platform dedicated to smaller companies) in Euroclear Belgium.

Looking ahead, the ESES CSDs are preparing for the new European post-trade landscape through their focus on a safe and stable migration to T2S, and the ongoing programmes to prepare for the implementation of CSDR.

Euroclear Finland and Euroclear Sweden

Euroclear Finland and Euroclear Sweden continue to make progress in the implementation of the group's strategy in the Nordic region. In 2015, new chief executive officers were appointed for both Euroclear Finland and Euroclear Sweden, to take advantage of the opportunities that exist in these markets in the years ahead.

		Turnover	Value of securities held	Number of netted transactions
Euroclear Finland	2015	€0.6 trillion	€0.3 trillion	6.8 million
	Change from 2014	-0.9%	+6.9%	+8.1%
Euroclear Sweden	2015	€10.7 trillion	€1.4 trillion	12.6 million
	Change from 2014	+13.3%	+12.2%	-8.0%

As part of its preparations for the migration to T2S (scheduled for September 2017), Euroclear Finland is migrating its entire securities processing infrastructure to a new IT system, known as Infinity, which will be deployed progressively. The project remains on-track with Infinity's first launch, which was successfully completed in February 2015, replacing the previous fixed income system.

In the second phase (which will be delivered in October 2016), Infinity will cover equities and will include functionalities to support a new asset class of Housing Company Certificates. The third phase (in 2017) will connect our new platform to T2S.

Concurrently, both Euroclear Finland and Euroclear Sweden are making progress with the implementation of functional changes that meet the requirements of CSDR, further supporting European market harmonisation.

Euroclear Sweden completed a period of extensive market consultation regarding the future of its legacy IT platform, leveraging the work done in Finland for Infinity, and strengthening the competitiveness of Sweden's financial markets. This new CSD platform was agreed with the Swedish Market Advisory Committee in October 2015, and will be fully compliant with CSDR and other European standards for corporate actions and ISO messages.

Our responsibility

Professional competence, resilient platforms, a strong risk culture and the integrity of the company's corporate governance framework are the foundations upon which Euroclear has established its position as a trusted market infrastructure. Equally important is our commitment to our people and our wider social responsibility.

Risk and governance

Euroclear has built a strong risk culture and an embedded risk management framework underpinned by considerable expertise with a stable and experienced team. Our aim is to minimise the risks involved in the operation of both domestic and international settlement, custody and collateral services, and other settlement-related activities.

Our enterprise risk management framework is benchmarked against relevant market and regulatory standards, including those covering market infrastructures. A clear governance structure is in place to ensure accountability for identifying, monitoring and controlling the risks related to the business. This includes comprehensive and regularly tested processes in all entities, to ensure continuous availability of business critical services, including effective management response to crises.

Further information on our risks and uncertainties, risk management strategies, policies and processes can be found in the notes accompanying the Consolidated Financial Statements and in our annual Pillar 3 report on euroclear.com.

Corporate governance

The individual entities within the Euroclear group operate in line with local law and regulation on corporate governance matters. In addition,

as a group, there is an overarching governance framework and philosophy that reinforces our position as a safe and efficient venue for post-trade activities. We are committed to, and guided by, best practice recommendations and the principles outlined in the UK Corporate Governance Code.

The Board of Euroclear plc, as the ultimate parent company of the group, is responsible for:

- ensuring that the necessary financial resources are in place to meet strategic goals;
- all shareholder matters, including agreeing dividend policies and payments;
- setting values and standards in governance matters.

The Board of Euroclear SA/NV plays a key role in setting the direction of the group. All directors on the Euroclear plc Board are also Euroclear SA/NV Board members in addition to three members of the Euroclear SA/NV's senior management. The Euroclear SA/NV Board is responsible for:

- setting group strategy and overseeing its implementation;
- setting the risk appetite for the group and ensuring an effective framework is in place to enable risks to be properly managed.

A Management Committee is in place in Euroclear SA/NV, composed of eight senior management team members. It is chaired by the group CEO and has been delegated wide management powers by the Euroclear SA/NV Board.

For further information on corporate governance, including our governance focus in 2015, please see page 31 of the Directors' report.

Our mission and values

Our company mission and values serve as a compass as we navigate through market challenges to achieve our common goal of 'post-trade made easy'. Through reliability, innovation and leadership, we strive at all times to live up to our reputation as one of the world's pre-eminent providers of post-trade services:

- by listening closely to what our clients need and adapting quickly;
- by delivering on our commitments;
- by supporting the stability and development of the markets, locally and globally;
- by building effective partnerships with our clients and others in the industry.

Our corporate values are encapsulated in the word REACH, which stands for:

- R** Respect
- E** Effective
- A** Accountable
- C** Client first
- H** Helpful

REACH embodies our aim to exceed expectations, to take advantage of new opportunities and to reach out to help our clients achieve success.

Our people

Our people are critical to the success of our mission. We are committed to build a high performing organisation by investing in our people. Developing the right mix of people and skills, engaging employees with our corporate values, and providing a positive working environment as well as leadership support are priorities in every location of the group.

In our annual staff satisfaction survey, 83% of staff participated in 2015, giving a highly representative picture of the organisation. The overall staff satisfaction score of 72% is the highest ever recorded. This follows the implementation of a broad action plan that includes several well-being initiatives, such as an Employee Assistance Programme and stress management training.

As a driver for employee engagement and to support all employees in their career management, we took steps in 2015 to increase the transparency on the financial positioning of our people.

We seek to ensure business continuity by taking an active role in succession planning, and conduct an annual talent review as part of our ongoing efforts to identify and promote key talent within the company.

Over the course of 2015, 350 new colleagues joined Euroclear in locations around the world, reaching a workforce equivalent to 3,863 full-time employees at year-end. We continue to promote internal mobility within the group, with 10% of existing staff changing roles this year through our internal recruitment process, helping to retain key talent through career progression and skills development.

Our extensive training programmes were enhanced with the provision of e-learning for topics including compliance and risk management. In total, staff attended more than 10,000 days of training over the year.

We continued the roll-out of our Leadership Development Programme in 2015, in collaboration with Ashridge Business School. Already more than 300 senior staff members have been participating in this learning experience. The programme allows participants to further develop both specific individual skills as well as the collective leadership skills required for our continued success.

Complementing our Leadership Development Programme, we also launched a development offer for middle managers this year.

The group's diversity action plan seeks to enrich the quality of what we do:

- by promoting equality of opportunity for all our people regardless of gender, ethnicity, sexual orientation, religion or disability;
- by showing each other respect;
- by removing any direct or indirect forms of discrimination that may limit the achievement of this goal.

In 2015, we focused on the initial stage of our action plan to promote better gender balance at all levels in the group, starting with the senior levels. At Extended Management Committee level, the percentage of female representation has risen from 15% in 2014 to 19% this year. Female employees now represent 32% of the Steering population versus 31% in 2014.

Actions taken to strengthen our gender-balanced talent pipeline for the future include measures to mitigate unconscious bias, an in-depth reward and promotion analysis, dedicated questions in our staff satisfaction survey, and quarterly reporting to senior management. Our Diversity and Well-being initiatives also form an integral part of the workplace segment of Euroclear's Corporate Responsibility framework.

In our approach to employee relations, we ensure that all mandatory Social Relations bodies and committees – and related negotiations – are organised and conducted in a timely manner, and take place in each of our group entities as well as on a pan-European level, thereby complying with the Information and Consultation processes on recurrent topics and special projects.

Corporate responsibility

As a financial market infrastructure, Euroclear's DNA is made up of openness, being profit moderated, and serving the public good by ensuring the efficiency of the capital markets.

Having a positive impact on the markets we serve is fundamental to our purpose, and in 2014, we set up the Corporate Responsibility programme (CR) to connect our existing CR initiatives across the group.

The CR programme is centred on four activity streams:

- Community;
- Environment;
- Marketplace; and
- Workplace.

Our CR mission is to conduct business in an ethical, responsible and sustainable way, while giving back to the wider community.

Community

The group's community partnerships, which include supporting young entrepreneurs in Europe and two schools in rural Uganda, have made a positive contribution to local communities, as well as employee engagement. For more information on Junior Achievement Europe and Build Africa, please visit jaeurope.org and build-africa.org.

Partnering with Build Africa, we have made considerable progress with our school projects in Uganda. In 2015, Euroclear provided two new classroom

blocks, new latrines, sports equipment, a new kitchen, a school garden, a library, text books and cupboards. Some of this has been made possible through staff fundraising, which raised over €25,000 for various projects. Two groups of our staff travelled to Uganda in the course of 2015 to help the school and community work towards becoming self-sustaining and to identify another school project in the same region, which we are now also supporting.

In line with our focus on education, we also partner with Junior Achievement Europe to roll out programmes across six of our locations. Through this programme, staff can volunteer in local schools to help young people gain the skills they need to thrive in the modern business environment. In 2015, over 130 employees participated in one of the Junior Achievement programmes.

We continue to support many local initiatives through our local office charity committees, putting special emphasis on projects proposed by staff members. Some of our locations also run a matching gift scheme, whereby we match staff donations to registered charities.

On 30 September 2015, Euroclear was honoured to receive a visit from the Lord Mayor of the City of London in recognition of the group's CR programme as part of his City Giving Day initiative.

Environment

As a responsible corporate citizen, we aim to reduce our impact on the environment as much as possible. Euroclear focuses on three main environmental pillars: emissions, energy, and waste. As a company we have been third party certified to the BS PAS 2060 standard for Carbon Neutrality since 2012. Since this date we have invested over €0.5 million in high standard carbon credits, which include additional social or health benefits for the local communities. Euroclear's environmental initiatives have achieved an 18% reduction in the group's carbon footprint since 2010, which was 8% above our 2015 target. A large part of these savings have been linked to our reductions in energy consumption. We commit to the EU Datacentre Code of Conduct and have reduced the energy outputs from our group datacentre by a substantial 58%.

Our waste management systems have been improved as part of a recent refurbishment of our head office in Brussels, and our London office has been a long term supporter of the City of London's, Cleaner City Award Scheme, consistently receiving annual awards since 2009.

We are currently reviewing our environmental strategy in line with the new global targets and latest scientific opinion. Our focus is to set challenging targets to ensure that

Euroclear's operations and influence contribute actively to achieving the long-term goals from COP21.

Marketplace

Long-term sustainability and professional competence are the foundations upon which Euroclear has built its leadership position over the past 45 years. Our corporate reputation, brand, client trust and public confidence in our business activities depend upon the behaviour and safeguards put in place to anticipate and correct any potential problems, internally and externally. This includes responsible procurement and adhering to strong business ethics.

We commit to protect ourselves from possible unethical practices on the part of our suppliers, thereby implicating Euroclear as part of the supply chain. We strongly encourage all providers to, where possible, improve the footprint of goods and services. Increasingly, our clients demand of us to offer responsible financial products and services, with documented proof according to industry-wide accepted standards.

We are conscious of the ever-changing business environment in which we operate, including its risks. Building and maintaining awareness to conduct our business ethically and in compliance with laws and policies is a responsibility for everyone in the group. The mandatory

biennial Compliance & Ethics test, together with the e-learning modules offered to staff throughout the year, are important building blocks for success. In 2015, 98% of staff completed the Compliance & Ethics test, with a healthy 93% pass rate.

Workplace

The workplace segment of Euroclear's CR framework is comprised of its Diversity & Inclusion programme discussed above in 'Our People', and employee well-being initiatives such as promoting optimal work-life balance. Through these programmes, we aim to create a working environment where all employees feel valued, respected, supported and fully engaged to contribute to our future success.

We are a diverse group with different working cultures, different clients, and different ways of doing business. This diversity, whether it is gender diversity, racial diversity, or just a diversity of opinions, combined with an inclusive culture where people can be themselves, helps deliver value for our clients and our business, by:

- contributing to our attractiveness as an employer and to retain talented people;
- supporting our ability to forge strong and trusted relationships with a wide variety of existing and prospective clients around the world;

- fostering innovation and creativity to strengthen our competitive advantage and business performance;
- approaching challenges from a variety of perspectives to support problem solving and risk mitigation.

Our approach to work-life balance has seen the introduction of flexible working and teleworking, providing the technology and infrastructure to support a more agile work culture. Similarly, it has supported cultural and recreational activities for the benefit of staff and their families around the world.

In summary

Our performance over 2015 has strengthened Euroclear as a pre-eminent provider in an ever-changing environment, which is well-positioned for future growth opportunities.

In looking to the year ahead, our focus remains on delivering on regulation-driven initiatives in Europe, while investing in opportunities that create value to our clients.

By order of the Board

A handwritten signature in black ink, appearing to read 'Autheman', written in a cursive style.

Marc Antoine Autheman
Chairman of the Board

23 February 2016

euroclear.com

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