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## About us

European Central Counterparty N.V. (EuroCCP) provides post-trade services to stock exchanges, multilateral trading facilities (MTFs), other equities trading platforms and for OTC equities trades.

EuroCCP centrally manages counterparty risk after a trade has been executed. EuroCCP will deliver securities or make payment to clients at the price agreed at trade execution, even if the original counterparty to the trade defaulted on its obligations to do so.

EuroCCP also reduces settlement costs and operational complexity for clients. Regardless of how many trades in the same security a client has executed on a day, EuroCCP nets all the trades into a single settlement obligation.

Headquartered in Amsterdam, EuroCCP was formed on 5 December 2013 following the combination of European Multilateral Clearing Facility N.V. (EMCF) and European Central Counterparty Limited (ECCP Limited), both incorporated in 2007. The company's shareholders are ABN AMRO Clearing Bank, BATS Chi-X Europe, NASDAQ OMX and The Depository Trust & Clearing Corporation (DTCC), each with 25% shareholding.

EuroCCP currently provides central counterparty (CCP) services for 16 trading platforms in Europe. The securities traded on these platforms and cleared by EuroCCP include equities, depository receipts and ETFs from 18 national markets including the United States.

The large number of markets serviced by EuroCCP brings operational efficiency and reduces post-trade costs to clients through cross-platform netting of trades executed on multiple platforms.

EuroCCP services 161 clients that trade on platforms it clears for and has 49 Clearing Participants with headquarters in 14 jurisdictions in Europe, North America and Asia.

CCPs are highly regulated financial market infrastructures. EuroCCP's home regulators are De Nederlandsche Bank (DNB, the Dutch central bank) and Autoriteit Financiële Markten (AFM, the Dutch financial markets authority). During 2013 EuroCCP was placed under voluntary supervision of DNB and AFM.

The European Market Infrastructures Regulation (EMIR) requires all CCPs operating in the European Union to meet common risk management, governance and capital adequacy standards and replaces the local regulatory regimes. EuroCCP received regulatory authorisation under EMIR from DNB on 1 April 2014.

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<sup>1</sup> BATS Chi-X Europe is the trading name of BATS Trading Limited.

**9 platforms cleared during 2013**

Aquis	NASDAQ OMX Stockholm
BATS Chi-X Europe	NASDAQ OMX Helsinki
Burgundy (Oslo Börs)	NASDAQ OMX Copenhagen
TOM	NASDAQ OMX First North
Turquoise (London Stock Exchange)	

During 2014, the following platforms were added: Equiduct, GETMatched, NYSE Arca Europe (Euronext), SmartPool (Euronext), Sigma-X, UBS MTF.

**17 markets cleared during 2013**

Austria	Italy
Belgium	Netherlands
Czech Republic	Norway
Denmark	Portugal
Finland	Spain
France	Sweden
Germany	Switzerland
Hungary	United Kingdom
Ireland	

During 2014, United States was added.



## Letter from the CEO

The company returned to profitability this year but business conditions remained challenging. European equities trading volume by the number of transactions, on which basis CCPs are paid for services, was the same as prior year at an average daily 5.4 million trade executions or 10.8 million trade sides. Significant pressure to continue cost reduction persisted throughout the industry.

During the year, measures to ensure the safety of market infrastructures continued to be the top priority in the public policy agenda. EMIR, which came into force in 2012, required all European CCPs to apply for authorization by September 2013. The process of authorization requires a CCP's national competent authority and a college of regulators to ensure that it meets EMIR requirements for risk management, governance and capital adequacy. During 2013 EuroCCP devoted significant resources to prepare the application for EMIR authorisation, which was received on 1 April 2014.

In March 2013 EMCF announced the combination with ECCP Limited and the transaction was completed on 5 December 2013. The Dutch legal entity was chosen for the combined business and was renamed European Central Counterparty N.V. on 6 January 2014, with the trading name EuroCCP. The company's headquarters and support functions remain in Amsterdam while client-facing functions are located in London and Stockholm.

2013 was thus a transformative year for the company. EuroCCP will take the best features of the two pan-European equities CCPs, each having been successful in its own way, and become a more robust and superior CCP than either of its predecessors.

Combined, the company will be the largest equities CCP in Europe, clearing over 40% of the cash-equity transactions executed on organized trading venues that are cleared by a CCP. The prominence of the company carries with it the responsibility to be responsive to clients' service requirements and to make a difference in equities post-trade services. We have therefore established a client Advisory Board, a Nordic Advisory Council and a Trading Platform Advisory Council to foster successful collaboration with our clients, both Clearing Participants who pay for our services and trading platforms that give EuroCCP access to their trade feeds.

We will continue our policy to distribute the benefits of economies of scale among users and all connected platforms. We will remain at the forefront of advocating choice for users of clearing services. The company has been successfully interoperating with two other CCPs for more than two years on BATS Chi-X Europe and Turquoise, part of the London Stock Exchange Group. Our goal is to achieve access to all platforms that are cleared by at least one interoperating CCP, thereby extending full choice to all firms trading on these platforms.



**Diana Chan**

Chief Executive Officer

## Governance and organisation

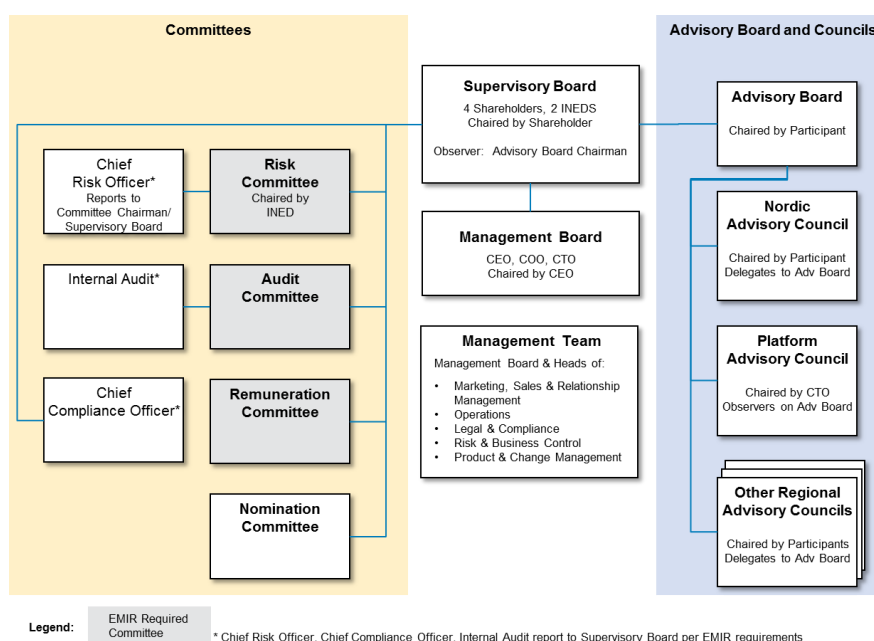
After the completion of the combination of EMCF and ECCP Limited in December 2013, the company is owned by four institutions each with a 25% shareholding and equal voting rights: two original shareholders ABN AMRO Clearing Bank and NASDAQ OMX, plus BATS Chi-X Europe and DTCC.

### Governance structure

The governance of EuroCCP reflects the requirements of EMIR and the requirements of the Dutch company law for a two-tier board structure.

The governance structure is, in addition, designed to enable clients – both Clearing Participants who pay for services and platforms who give EuroCCP access to their trade feeds – to advise management of their service requirements.

#### EuroCCP governance structure overview



### Supervisory Board

Following the changes in the Articles of Association enacted on 5 December 2013, the EuroCCP Supervisory Board consists of six members: two independent supervisory directors and four supervisory directors nominated by the shareholders. Each shareholder may nominate one supervisory director. All members of the Supervisory Board are appointed by the shareholders.

On 5 December 2013 the shareholders accepted the resignation of Andrej Bolkovic and Peter Nyberg and appointed Andrew Gray (nominated by DTCC), Mark Hemsley (nominated by BATS Chi-X Europe) and Iain Saville (independent member) as supervisory directors.

The Supervisory Board comprised the following members as of 5 December 2013:

- Jan Bart de Boer (1967), Chairman, Chief Commercial Officer of ABN AMRO Clearing Bank.

- Andrew Gray (1965), Managing Director, Core Business Management, DTCC and member of the DTCC Management Committee.
- Mark Hemsley (1962), Chief Executive Officer of BATS Chi-X Europe.
- Hans-Ole Jochumsen (1957), President of NASDAQ OMX Nordic and Executive Vice President of NASDAQ OMX.
- Peter Bezemer (1950), former member of the Executive Committee of Euronext; currently a financial services consultant.
- Iain Saville (1948), founder and former CEO of CRESTCo Ltd; currently an independent director of BNY Mellon CSD SA/NV.

## Management Board

The Management Board consists of:

- Diana Chan (1954), Chief Executive Officer, was the CEO of ECCP Limited from 2007 and was appointed CEO when the two companies combined. Prior to that she was with Citi and JP Morgan in regional and global management positions for post-trade services in Europe, Asia and North America.
- Jan Booij (1957), Chief Operating Officer, has been with the company since its inception (then EMCF) in 2007 and has a career that spans more than 30 years in the clearing and settlement industry.
- Albert-Jan Huizing (1961), Chief Technology Officer, joined the company (then EMCF) during the project phase in 2006. Prior to that he was with Euronext in management positions for business development and information technology, with a focus on derivatives trading.

## Risk Committee

The Risk Committee was chaired in 2013 by Peter Bezemer, independent member of the Supervisory Board, and comprised of representatives from a number of Clearing Participants. The Risk Committee held three meetings during 2013 and discussed the following subjects:

- the impact of EMIR on EuroCCP including capital requirements
- a scenario of an out of control trading algorithm
- liquidity plan
- segregation and portability
- default procedure
- preparations for application for EMIR authorisation

In addition, the committee members were presented in each meeting with reports regarding the results of back testing and stress testing.

## Advisory boards and councils

In July 2013 it was announced that an Advisory Board is to be formed comprising of representatives of the firms that were on the Board of Directors of ECCP Limited and also firms that were on the EMCF Market Advisory Board. To ensure that the Advisory Board has influence over the direction of the company, its Terms of Reference contains the provision that its Chairman, who shall be a Clearing Participant representative initially invited by the Supervisory Board and who will be elected by Clearing Participants from 2015 onwards, shall have a standing invitation to be an observer at Supervisory Board meetings.

In addition, a Nordic Advisory Council has been formed with a Chairman who is a Clearing Participant representative initially invited by the

Supervisory Board and who will be elected by Clearing Participants from 2015 onwards. It is considered desirable for Nordic Clearing Participants with specific regional interests to have a forum to themselves, with two representatives of the council being members of the Advisory Board. In the future, more regional advisory councils will be set up as needed when the business scope of EuroCCP expands.

A Platform Advisory Council has been formed to serve as a forum for all platforms giving trade feed access to EuroCCP to discuss post-trade matters of common interest.

## **Organisation**

At year-end 2013 EuroCCP employed 32 professionals (excluding agency staff), representing a full-time equivalent of 31.

The combination of EMCF and ECCP Limited presented the opportunity to leverage the strengths of each company and establish a superior organisation.

The company set up a London branch within the same premises as ECCP Limited, staffed by 10 employees in client-facing functions. The head of the Nordic region continues to be based in Stockholm. The Operations team is located in both London and Amsterdam to provide dual-location resiliency.

The critical functions from a regulatory perspective are based in the company headquarters in Amsterdam.



# Report from the Management Board

## **EMIR**

During the year significant resources were devoted to prepare the application for the authorisation of the company under the EMIR which entered into force in August 2012. EMIR required all CCPs to submit applications for authorisation by September 2013. EMIR sets common risk management, governance and capital adequacy standards throughout the European Union and replaces the local regulatory regimes which previously applied to EuroCCP in the Netherlands, the United Kingdom, Denmark and Finland.

Changes were made in the clearing rules in order to comply with EMIR requirements, in particular in relation to segregation and portability. The member consultation on these matters started in June 2013 and ended with the entry into force of the new rules in January 2014.

EuroCCP filed its application on 10 September 2013 and it was declared complete by its EMIR National Competent Authority, DNB, on 22 October 2013. On 1 April 2014 the company received its EMIR authorisation. EuroCCP's college of regulators is composed in accordance with EMIR and consists of ESMA, EuroCCP's national regulators, regulators of the platforms cleared by EuroCCP, regulators of the firms domiciled in the top three EU Member States that contribute the largest amount to the EuroCCP clearing fund, regulators of the CSDs in which EuroCCP has direct accounts, regulators and central banks with oversight of CCPs in the EU interoperating with EuroCCP, and central banks of the three most relevant EU currencies in which securities cleared by EuroCCP are denominated.

## **Combination with ECCP Limited**

On 14 March 2013 EMCF and ECCP Limited announced plans to combine their strengths and capabilities to deliver greater efficiencies and sustainable competition to the pan-European marketplace.

The transaction received wide support among market participants. The combination is viewed as one which will ensure continued competition in equities clearing. Market participants expect the new company to keep clearing costs low through economies of scale and expect continued competition through interoperability to encourage innovation and responsiveness to clients' service requirements. The combination will generate significant settlement and collateral cost savings for clients through more cross-platform netting and lower operational risks. The company has committed itself to not cause higher expenses to smaller clients who do not benefit from increased cross-platform netting.

## **Service development**

A number of additional service features were developed during the second half of the year in preparation for the combination with ECCP Limited. The changes aimed to minimise the adaptations that migrating clients need to make to their processing routines.

To avoid impacting clients in the Nordic markets who do not need to migrate, the additional service features are offered as an option and participants can decide whether or not to adopt them.

Real time trade confirmations are now sent not only in FIX but also in MT518 format. Trades are also available for Clearing Participants in the form of intraday files, where each file only contains the trades received since the previous file. Settlement efficiency is improved via the

introduction of the power of attorney process, whereby Clearing Participants' settlement agents receive settlement messages from EuroCCP directly while a copy of those messages is sent to Clearing Participants for their administration. We have also introduced direct debit for cash collateral payments.

Throughout the year business-as-usual development continued. More progress was made in the clearing of OTC equities transactions, an initiative which began in 2012 when a number of General Clearing Participants expressed a need for real-time access to trades executed by their clients on several Broker Crossing Networks (BCNs) for risk management purposes. During 2013 we implemented the service and by the end of the year we were ready to take the next step to clear the trades executed on these BCNs as well as trade matching services.

Other important enhancements relate to compliance with EMIR. These enhancements range from a more flexible account structure to allow various segregated accounts with corresponding collateral accounts to additional storage of data collected at various important steps in the processing chain.

During the latter half of the year significant progress was made to reduce post-trade costs through three important initiatives:

- in August cross-platform netting for UK equities traded on multilateral trading facilities (MTFs) became possible, after approval by the UK's tax authority, HMRC. Firms that use EuroCCP as their CCP of choice could immediately save 50% of settlement costs for UK equities if they trade on two MTFs, and 66% if they trade on three.
- in November Turquoise, a member of the London Stock Exchange Group, chose EuroCCP to clear Spanish equities. As a result, trades in Spanish equities on Turquoise, BATS Chi-X Europe could be netted into one settlement obligation per security per day, cutting 50% of settlement costs for firms that trade on these platforms.
- also in November the new MTF Aquis launched with EuroCCP and two other interoperating CCPs. This post-trade model with multiple interoperating CCPs at launch is a significant milestone for interoperability. It gives maximum choice of clearing arrangements for trading firms and could well become the new standard for MTFs that come to market in the future.

As always, we were ready to change with the business requirements of the platforms we serve. In June 2013 we adapted our processing systems following the conversion of Burgundy MTF to the Millennium IT trading platform, which is also used by Turquoise.

## Technology

Our technology supports straight through processing of equity transactions and it is key to EuroCCP's ability to provide its services at low cost. Trade capture, multilateral netting, settlement and risk management applications form the core of our IT infrastructure.

Processing capabilities were increased again in 2013. Account allocation functionality was moved from the IBM iSeries platform to a Linux platform to increase capacity. An extensive and realistic end-to-end chain test was carried out whereby trading venues were simulated sending trade messages to the FIX engine, trade capture and validation software, central clearing software and risk systems. The trades were distributed over the various trading venues, participants and products. One thousand trade sides per second were sent to the system for more than one hour and were processed through the chain without delay. Since 40% of all transactions are received

in the last two hours of a trading day, this translates to a processing capacity of over 15 million trade sides per day.

A file of 15 million trade sides was created representing the trades on a single day. The output files for customers were created in one hour during the batch process that takes place at the end of each trading day.

In August 2013, when cross-platform netting was made possible for UK equities traded on MTFs, the settlement software was amended and a new SWIFT infrastructure was implemented in both our datacentres in order to offer our customers "Direct Input" functionality.

## Financial results

For the year ending 31 December 2013, EuroCCP registered a profit before tax of EUR 0.6 million compared with a loss of EUR 2.4 million in the prior year. Net revenues amounted to EUR 12.2 million and expenses amounted to EUR 11.6 million.

During the year 673 million sides were cleared, of which 203 million were interoperable sides, i.e. when a trade was executed between a EuroCCP Participant and a counterparty clearing through an interoperating CCP. This represented a decrease of 17% in the total number of cleared sides and a decrease by 9% of the number of interoperable sides. EuroCCP cleared 810 million sides in 2012, of which 223 million were interoperable sides.

Net commission and fees increased by 23% to EUR 11.9 million in 2013 from EUR 9.7 million in 2012 due to a change in the mix of fee-generating activities. Including net interest income of EUR 0.2 million, total net revenue was EUR 12.2 million compared with EUR 9.4 million in 2012 or an increase of 30%. Operating and administrative expenses totalled EUR 11.6 million in 2013, compared to EUR 11.8 million in 2012.

In 2013 the old and new shareholders agreed on the future capitalisation of EuroCCP based on the forecasted business development. The amount agreed as total capital was EUR 30 million. To reach this amount a share premium payment of EUR 7.9 million was made by ABN AMRO Clearing Bank and OMX on 5 December 2013.

Detailed figures are disclosed in the financial statements and in the notes to the financial statements.

## Outlook

The company received EMIR authorisation on 1 April 2014 by meeting the requirements for risk management, governance and capital adequacy. Attention on the regulatory front will then turn to the next item on the public policy agenda, namely recovery and resolution arrangements for financial market infrastructures. We fully support the regulatory initiatives to increase the safety of post-trade arrangements and market participants' confidence in these arrangements.

The combination with ECCP Limited will make the company financially stronger by combining two revenue streams and maintaining only one cost base. Although total expenses will increase modestly due to the establishment of a London branch, we are confident that this branch will improve engagement with, and responsiveness to, the significant population of Clearing Participants and platforms located there.

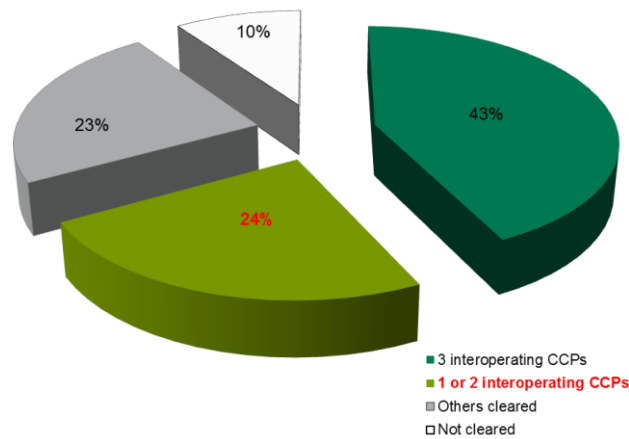
The migration of clients from the UK to the Dutch legal vehicle concluded by 9 April 2014. The additional volume and economies of scale will ensure that we can continue to deliver low-cost clearing services to small and large Clearing Participants alike.

Further volume growth will come from extending clearing to more types of transactions and more trading platforms. As long as a firm already has a trade in a security on one of the 16 platforms cleared by EuroCCP, additional trades in that security from any additional platform giving EuroCCP its trade feed can be netted together into a single settlement obligation, thereby eliminating multiple settlement costs and reducing operational complexity. We believe that very significant savings can be brought to market participants by increased netting through more extensive coverage of pan-European equities, and that is where we will focus our efforts.

We will continue work to capture more OTC equities transactions that are now settled bilaterally between trading counterparties. These include trades executed on BCNs and trades that can be captured through trade matching services.

As a priority, we will also continue our efforts to gain access to the trade feeds of platforms that are cleared by the other interoperating CCPs. EuroCCP has been interoperating with LCH.Clearnet Limited and SIX x-clear since 2012 on BATS Chi-X Europe and Turquoise, a member of the London Stock Exchange Group. These platforms which offer trading firms a choice of three interoperating CCPs account for 43% of trades executed on organised platforms in 2013. Trading firms can have the same choice for a further 24% of trades if the platforms using at least one of the interoperating CCPs will give access to all three of them. That will bring to 67% the portion of all trades executed in Europe in which firms can direct the clearing of their trades to their CCP of choice.

**Additional 24% of trades in Europe could be cleared by all 3 interoperating CCPs**



Source: Federation of European Securities Exchanges

Amsterdam, 23 April 2014

**Diana Chan**, Chief Executive Officer

**Jan Booij**, Chief Operating Officer

**Albert-Jan Huizing**, Chief Technology Officer

## Risk management

EuroCCP is exposed to credit, liquidity, market, operational, legal and reputational risk as it centrally manages counterparty risk for clients. As part of the overall risk management framework, EuroCCP has set for each type of risk an appropriate risk bearing capacity and risk tolerance level.

Day-to-day risk management is the responsibility of the Risk Management Department, according to policies and methodologies approved by the Boards of EuroCCP. The Chief Risk Officer has a functional reporting line to the Supervisory Board of EuroCCP.

EuroCCP's approach to risk management consists of four components:

1. membership requirements: only qualified firms will be accepted as a Clearing Participant of EuroCCP;
2. collateral: EuroCCP requires Clearing Participants to deposit collateral in order to meet the margin requirements on the Participants' open positions;
3. clearing fund: in the event that a Clearing Participant goes into default and the collateral it has provided is not enough to cover losses incurred by EuroCCP in the liquidation of its portfolio, the clearing fund contributed by non-defaulting Clearing Participants provides an additional significant buffer;
4. EuroCCP's own capital: under EMIR requirements CCPs must use a portion of its own resources, equivalent to a maximum of 25% of its operational expenses, before it invokes loss sharing among non-defaulting Participants through the clearing fund.

For a detailed description of EuroCCP's risk management policies and practices, we refer to the separate risk management chapter in this report.

## Report of the Supervisory Board

The Supervisory Board is charged with overseeing the Management Board, supervising the general course of affairs of the company and the associated business, and providing advice to the Management Board. The Supervisory Board has a standing committee for the remuneration of the managing directors and the target setting and evaluation of the company.

The Supervisory Board has two other standing committees, the Audit Committee and the Nomination Committee. The latter committee makes recommendations in respect of appointment of independent members. An independent member of the supervisory board chairs the EuroCCP Risk Committee. The Chief Risk Officer and the Chief Compliance Officer of EuroCCP have a direct reporting line to the Supervisory Board.

We held seven board meetings in 2013, all but one in the presence of the Management Board. A special meeting was held in July 2013 to discuss on the corporate transaction of the company. Recurring agenda items on the agenda were risk management, EMIR authorisation and financials. The Management Board provided us with information on the business operations as well as on the financial and strategic developments on a regular basis. Monthly accounting figures have been provided to us. The Supervisory Board was involved in all important decisions.

The financial year 2013 was closed with a profit after tax of EUR 0.4 million. Notwithstanding this modest financial result, EuroCCP had a good year from an operational, technology and risk management perspective, and it was an extremely important year from a strategic perspective.

The company filed for EMIR authorisation in September 2013. The license was granted on 1 April 2014. This is another milestone in the history of the company and the Supervisory Board is very pleased with this result.

In March 2013 EMCF and ECCP Limited announced that they would combine their strengths. DTCC, the owner of ECCP Limited, and BATS Chi-X Europe joined as shareholders to create a strong and diverse ownership base with both exchanges and users equally owning the firm.

On 5 December 2013 the transaction closed, followed by the name change of EMCF into European Central Counterparty N.V. and the adoption of the trading name EuroCCP on 6 January 2014. In this connection, Andrej Bolkovic and Peter Nyberg resigned from our board. Both gentlemen were active board members involved with the company on multiple levels, and we thank them for their contribution. Three new members joined the board: Andrew Gray of DTCC and the former chairman of the Board of ECCP Limited, Mark Hemsley, CEO of BATS Chi-X Europe, and Iain Saville as independent member.

Diana Chan, the former CEO of ECCP Limited, was appointed as Chief Executive Officer of the company. Jan Booij and Albert-Jan Huizing continue as members of the Management Board. Jan Booij does so in the capacity of Chief Operations Officer.

Jan Booij has headed EMCF since the start of the company in 2007 during many successful years. We thank Jan Booij for this.

In conclusion, the supervisory board would like to thank the Management Board as well as the employees for their work during 2013.

On behalf of the Supervisory Board

**Jan Bart de Boer**, Chairman



## Financial statements for the year 2013

### Statement of financial position as at 31 December 2013

before proposed profit appropriation (x EUR 1,000)

<b>Assets</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	1	281,606	210,135
Due from banks and due from customers	2	43,664	34,333
Property and equipment	3	238	536
Intangible assets	4	289	677
Other assets	5	4,081	4,690
<b>Total assets</b>		<b>329,878</b>	<b>250,371</b>
<b>Liabilities</b>			
Due to banks	6	214,642	155,340
Due to customers	7	81,858	69,488
VAT and other tax payables	8	68	76
Accrued interest, expenses and other liabilities	9	3,302	3,550
<b>Total liabilities</b>		<b>299,870</b>	<b>228,454</b>
<b>Shareholders' equity</b>			
	10		
Share capital		5,000	5,000
Share premium		7,892	-
Retained earnings		16,917	18,694
Adjustment IAS 19R		-171	-
Other comprehensive income		-28	-
Result of the year		398	-1,777
<b>Total shareholders' equity</b>		<b>30,008</b>	<b>21,917</b>
<b>Total liabilities and shareholders' equity</b>		<b>329,878</b>	<b>250,371</b>
<b>Contingent assets</b>			
	11	<b>523,352</b>	<b>521,802</b>
<b>Contingent liabilities</b>			
	12	<b>28,865</b>	<b>23,799</b>

Statement of  
comprehensive income for  
the year 2013

(x EUR 1,000)

**Income statement**

<b>Income</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
Interest income		527	216
Interest expense		<u>-351</u>	<u>-526</u>
Net interest income	13	176	-310
Fees and commission income			
Fees and commission expense			
Net fees and commissions	14	11,912	9,660
Other revenue	15	152	16
<b>Revenue</b>		<b>12,240</b>	<b>9,366</b>

Personnel expenses	16	-4,175	-3,714
Depreciation and amortisation	17	-910	-979
Other operating and administrative expenses	18	-6,526	-7,085
<b>Total expenses</b>		<b>-11,611</b>	<b>-11,778</b>
Profit before tax		629	-2,412
Income tax expense	19	-231	635
<b>Profit/(Loss)</b>		<b>398</b>	<b>-1,777</b>

<b>Statement of other comprehensive income</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Net profit/(loss)</b>		<b>398</b>	<b>-1,777</b>

**Other comprehensive  
income**

*Items that will not be  
classified to profit or loss:*

Re-measurements of defined benefit pension plan	16	-37	-
Income tax relating to other comprehensive income	19	9	-
<b>Other comprehensive income/(expense)</b>		<b>-28</b>	<b>-</b>

<b>Total comprehensive income for the year</b>		<b>370</b>	<b>-1,777</b>
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Statement of changes in  
shareholders' equity

(x EUR 1,000)

	Share capital	Share premium	Retained earnings	Result of the year	Total 2012
Opening balance as at 1 January 2012	5,000	-	13,276	5,418	23,694
Profit appropriation	-	-	5,418	-5,418	-
Dividends	-	-	-	-	-
Result for the year	-	-	-	-1,777	-1,777
<b>Closing balance as at 31 December 2012</b>	<b>5,000</b>	<b>-</b>	<b>18,694</b>	<b>-1,777</b>	<b>21,917</b>

	Share capital	Share premium	Retained earnings	Other reserves, including result of the year	Total 2013
Opening balance as at 1 January 2013	5,000	-	18,694	-1,777	21,917
Changes in accounting Policy (IAS19R)	-	-	-171	-	-171
<b>Restated balance</b>	<b>5,000</b>	<b>-</b>	<b>18,523</b>	<b>-1,777</b>	<b>21,746</b>
Comprehensive income	-	-	-	370	370
Profit appropriation	-	-	-1,777	1,777	-
Addition (share premium)	-	7,892	-	-	7,892
Dividends	-	-	-	-	-
<b>Closing balance as at 31 December 2013</b>	<b>5,000</b>	<b>7,892</b>	<b>16,746</b>	<b>370</b>	<b>30,008</b>

Cash flow statement for the  
year 2013

(x EUR 1,000)

	2013	2012
<b>Cash flows from operating activities</b>		
Profit before taxation	629	-2,412
<i>Adjustment to reconcile profit to net cash generated by operating activities:</i>	947	979
Depreciation and amortisation	910	979
Pension provision	37	-
<i>Changes in operating assets and liabilities</i>	61,148	46,759
Due from banks and due from customers	-9,330	-18,887
Due to banks	59,303	35,258
Due to customers	12,370	29,889
Net changes in all other operational assets and liabilities	-1,195	499
<b>Cash generated by operating activities</b>	<b>62,724</b>	<b>45,326</b>
Income taxes paid(-)/received (+)	1,079	-420
<b>Net cash from operating activities</b>	<b>63,803</b>	<b>44,906</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	-124	-28
Acquisition of intangible assets	-100	-402
<b>Net cash flow generated by investing activities</b>	<b>-224</b>	<b>-430</b>
<b>Cash flows from financing activities</b>		
Proceeds from share premium contribution	7,892	-
<b>Net cash from financing activities</b>	<b>7,892</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>71,471</b>	<b>44,476</b>
<b>Cash and cash equivalents –as at 1 January</b>	<b>210,135</b>	<b>165,659</b>
<b>Cash and cash equivalents –as at 31 December</b>	<b>281,606</b>	<b>210,135</b>
<b>Supplementary disclosures of operating cash flow information</b>		
Interest income received	526	233
Interest expense paid	-337	-670

EuroCCP's own assets (mostly related to IT) form part of the net cash flow from investing activities. Due to the nature of the activities, the funding is short term and included in the operating activities.

These financial statements are prepared by the Management Board of EuroCCP on 23 April 2014, in accordance with IFRS – including International Accounting Standards ('IAS') and Interpretations – at 31 December 2013, as adopted by the European Union and with title 9 of book 2 of the Dutch Civil Code.

The annual financial statements are prepared under the going concern assumption. All amounts in the tables of these financial statements are denominated in thousands of euros, unless otherwise stated.

EuroCCP (previously named EMCF) was incorporated on February 28, 2007 as 99% owned subsidiary of previously named Fortis Bank Global Clearing N.V. (hereinafter ABN AMRO Clearing Bank N.V.) in Amsterdam and 1% of previously named Fortis Bank Nederland N.V. (hereinafter ABN AMRO Bank N.V.). Early in 2009, a change in the company's ownership was significant in determining the governance structure of EuroCCP: during January 2009, OMX AB acquired 22% of the share of ABN AMRO Clearing Bank N.V. in EuroCCP.

During December 2013, a new change in the company's ownership took place. By 31 December 2013 the company was owned as follows:

- ABN AMRO Clearing Bank N.V. (25 %)
- BATS Trading Limited (25%)
- The Depository Trust & Clearing Corporation (25 %)
- OMX AB (25%)

As a result of changes in the shareholding structure, ABN AMRO Group N.V. withdrew the full 403 declaration with respect to EuroCCP on 18 December 2013. In the Netherlands, EuroCCP was placed until 31 March 2014 under the voluntarily supervision of the Dutch regulators by an agreement (the "Private Law Agreement") signed by and between EuroCCP, "Autoriteit Financiële Markten" (herein after AFM), and "De Nederlandsche Bank" (herein after DNB). On 1 April 2014 EuroCCP received its EMIR authorisation.

EuroCCP provides post-trade services to stock exchanges, multilateral trading facilities (MTFs), other equities trading platforms and for OTC equities trades.

### **Changes in accounting policies**

#### **Amended IFRSs**

Amendments resulting from improvements to the following standards did not have significant impact on the accounting policies, financial position or performance of EuroCCP during this financial year. The amendments are listed below:

**IAS 1 Presentation of Financial Statements:** the amendment requires separation of items presented in other comprehensive income into two groups, based on whether or not they can be recycled (reclassified) into the income statement in the future. Items that will not be recycled in the future are presented separately from items that may be recycled in the future. The amendment is adopted on January 1, 2013 and applied retrospectively. The application of this amendment impacts presentation and disclosures only.

**IAS 19 Employee Benefits:** the amended standard (hereinafter IAS 19R) states that changes in the defined benefit obligation and fair value of plan assets are recognized in the period as they occur. The “corridor” method is eliminated and actuarial gains and losses and unrecognized past service costs are recognized directly in other comprehensive income or directly in income statement. Due to the fact that actuarial gains and losses are no longer deferred, both the net defined benefit liability/asset and the amounts recognized in profit or loss are affected:

- the amended standard splits changes in defined benefit liabilities/assets in service cost (including past service costs, curtailments and settlements) – in profit or loss;
- net interest costs (i.e., net interest on the net defined benefit liability) – in profit or loss;
- re-measurement of the defined benefit liability/asset – in other comprehensive income.

IAS 19R became effective for periods beginning on or after 1 January 2013. During financial year ending 31 December 2012, EuroCCP used the “corridor” method. EuroCCP adjusted opening balances of January 1, 2013 incorporating the changes required by the amended standard.

**IFRS 7 Financial Instruments:** disclosures, requiring additional information on offsetting financial assets and financial liabilities

**IFRS 13 Fair Value Measurement:** IFRS 13 clarifies how to measure fair value but does not change the requirements regarding which items should be measured at fair value. In addition, IFRS 13 requires additional disclosures about fair value measurements. The new standard does not have significant impact on the income statement or balance sheet of EuroCCP.

#### **New and amended IFRSs not yet effective**

EuroCCP is in process of assessing the impact on the financial statements of the following standards issued (that will become effective for the company on or after 1 January 2014):

**IFRS 9 Financial Instruments:** Classification and Measurement, as issued reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The standard is not yet endorsed by the European Union, and is therefore not available for early adoption. In subsequent phases, the IASB is addressing impairments and hedge accounting. Exposure drafts have been issued but mandatory date is not yet specified. EuroCCP is currently assessing the impact of all phases on its financial statements.

**IFRS 10 Consolidated Financial Statements** replaces all of the consolidation guidance of IAS 27 Consolidated and separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. IAS 28, Investments in Associates and Joint Ventures is also amended for conforming changes based on the issuance of IFRS 10. IFRS 10 is effective as of 1 January 2013. The standard has no current impact on EuroCCP.



The following new or revised standards and interpretations were issued by the IASB, which become effective after 2013, if and when endorsed by the European Union:

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, effective as of 1 January 2013;
- IFRS 11 Joint Arrangements, within EU effective as of 1 January 2013;
- IFRS 12 Disclosure of Interests in Other Entities, within EU effective as of 1 January 2013;
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance, effective for periods beginning on or after 1 January 2014;
- Amendments to IAS 27 Separate Financial Statements, within EU effective as of 1 January 2013;
- Amendments to IAS 28 Investments in Associates and Joint Ventures, within EU effective as of 1 January 2013;
- Improvements to IFRSs (2009-2011), effective as of 1 January 2013.

Although these new requirements are still being analysed and the final impact is not yet known, EuroCCP does not expect the adoption of these new or revised standards and interpretations to have a significant effect on equity and/or result.

## Principles

### Functional currency

The financial statements are stated in euros, the functional currency of EuroCCP.

### Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate at the date of transaction.

Outstanding balances in foreign currencies at year end are translated at year end exchange rates for monetary items.

### Foreign currency translation

Translation of non-monetary items depends on whether the non-monetary items are carried at historical cost or at fair value. Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined.

The resulting exchange differences are recorded in the income statement as foreign currency gains (losses) except for those non-monetary items whose fair value change is recorded as a component of shareholders' equity.

The income statement and cash flow statement of entities whose functional currency is not denominated in euro are translated into the presentation currency (the euro) at exchange rate at the date of the transaction and their balance sheets are translated using the exchange rates prevailing at the balance sheet date. Translation exchange differences are recognised in shareholders' equity.

### **Trade date and settlement date accounting**

All purchases and sales of financial assets requiring delivery within the period established by regulation or market convention are recognised on the trade date, which is the date on which EuroCCP becomes a party to the contractual provisions of the instrument.

### **Accounting estimates**

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying these accounting principles. Therefore, actual results may differ from these estimates and judgemental decisions. Estimates are reviewed on an ongoing basis.

Judgements and estimates are principally made in the following areas:

- recoverable amounts in case of indebtedness of clients; recoverable amount is based on mark-to-market of client position vis-à-vis future obligations of EuroCCP in its function as central counterparty;
- estimation of present obligations resulting from past events in recognition of provisions;
- determination of expected useful life of intangible assets and amortization method applied;
- pension benefit cost, based on actuarial assumptions and calculations; inherent within these calculations are assumptions including: discount rates, salary increases and the expected return on plan assets. Changes in pension and post retirement costs may occur in the future as a consequence of changes in interest rates, the return on assets or other factors, such as inflation and expected salary increase;
- income taxes for the current year are recognised within the income statement, based on estimations; actual income tax might differ from it, based on the applicable tax/fiscal laws in each jurisdiction and are available upon the tax return forms filed with and accepted by local tax authorities.

### **Offsetting**

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Assets are recorded net of any accumulated provision for impairment loss.

### **Cash flow statement**

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed in to cash flows from operating activities, investing activities and financing activities.

The net result is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Given the short-term character of the funding, cash flows from funding activities are recognised under cash flows from operating activities and not as cash flows from financing activities.

Investing activities are comprised of acquisitions/disposals of property and equipment.

Interest received and interest paid are presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities. Dividends paid are classified as cash flows from financing activities.

### **Classification and measurement of financial assets and liabilities**

EuroCCP classifies financial assets and liabilities based on the business purpose of entering into these transactions.

All maturities are shorter than three months. If this is not the case, they will be separately disclosed in the notes to these financial statements.

#### **Financial assets**

Financial assets comprise cash and cash equivalents, loans (due from banks and due from customers) and receivables (other assets).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The measurement and income recognition in the income statement depend on the IFRS classification of the financial assets being:

- cash and cash equivalent
- loans and receivables

Financial assets are recognised on the date at which they are originated and are initially measured at transaction price (being the fair value of the consideration). Subsequently, they are measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

#### **Measurement of impaired assets**

An asset is impaired when its carrying amount exceeds its recoverable amount. The carrying amount of impaired assets is reduced to the net present value of its estimated recoverable amount and the change in the current year is recognised in the income statement.

Financial assets are impaired when it can be demonstrated objectively that a loss has occurred after initial recognition and that the loss event has impact (that can be reliably estimated) on future cash flow of the asset.

#### **Financial liabilities**

Financial liabilities comprise within the books of EuroCCP of due to banks and due to customers (demand deposits).

Financial liabilities are recognised on the date at which they are originated and are initially measured at transaction price. They are subsequently measured at fair value, the amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

### **Balance sheet items**

#### **Financial assets**

##### **Cash and cash equivalents**

Cash and cash equivalents comprise freely available balances with central banks and other financial institutions and instruments, readily convertible into known amounts of cash, with original maturity of three months or less, and subject to insignificant risk of changes in value.

#### **Due from banks and due from customers**

Due from banks and due from customers include loans originated by EuroCCP by providing money directly to the borrower or to a sub-participation agent.

#### **Other assets**

Other assets arising from the normal course of business and originated by EuroCCP are initially recorded at transaction price and subsequently measured at fair value: the amortised cost using the effective interest method, less provisions for impairment.

#### **Non-financial assets**

##### **Property and equipment**

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Depreciation is recognised as expense in income statement account and it is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual value and the useful life of property and equipment are reviewed at each financial year-end.

By year ended 31 December 2013, EuroCCP's fixed assets are represented by leasehold improvements, equipment and motor vehicles and IT equipment.

Subsequent expenditure on fixed assets is capitalised only when it increases the asset's future economic benefits.

Repairs and maintenance expenses are charged to the income statement when the expenditure is incurred. Expenditures that enhance or extend the benefits of fixed assets beyond their original use are capitalised and subsequently depreciated.

Useful life for EuroCCP's property and equipment is three or five years.

##### **Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance, controlled by the entity as a result of past events and from which future economic benefits are expected to flow. When initially recognised, an intangible asset is measured at cost (reliably measured).

By year ended 31 December 2013, EuroCCP's intangible assets are represented mainly by acquired software. Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property and equipment.

The acquired software is stated at cost less accumulated amortization and accumulated impairment losses. It is amortised using the straight-line method over the estimated useful life of three years.

Amortization is recognised as expense in the income statement on a straight-line basis over the estimated useful life, from the date the software is available for use. Amortization methods, useful lives and residual value are reviewed at each financial year-end.

Subsequent expenditure on software is capitalised only when it increases the asset's future economic benefits.

#### **Impairment of non-financial assets**

Property, equipment and intangible assets are assessed at each balance sheet date or more frequently if necessary, in order to determine whether there is any indication of impairment. If such indication exists, the assets are subject to an impairment review. An impairment loss is recognised whenever the carrying amount of an asset that generates largely independent cash flows, exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

By 31 December 2013, no impairment loss was recognised relevant to non-financial assets.

#### **Financial liabilities**

##### **Due to banks and due to customers**

Due to banks and due to customers are classified as demand deposits.

Demand deposits are initially measured at transaction price and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

Balances with clearing members (clearing fund) are included in due to banks and due to customers upon initial recognition.

##### **Other liabilities**

Other liabilities arising from normal course of business are initially recognised and recorded at cost.

##### **Pension liability**

EuroCCP provides a defined benefit (career average) plan, with unconditional indexation for employees and conditional for former employees, to all its employees in Amsterdam. EuroCCP has one employee in Stockholm, who is benefitting from a defined contribution plan, in accordance with local conditions/industry practices.

A defined contribution plan is a pension plan under which EuroCCP pays fixed contributions. EuroCCP has no legal or constructive obligations to pay further contributions if the assets are not sufficient to pay the employee the benefits relating to employee service in the current and prior periods. The risk that benefits will be less than expected (actuarial risk) and the risk that assets invested will not be sufficient to meet the expected benefits (investment risk) fall on the employee.

EuroCCP's contributions to defined contribution pension plan are charged to the income statement in the year to which they relate.

A defined benefit plan is a post-employment benefit plan that defines an amount of pension benefit an employee will receive on retirement, dependant on more factors such as age and years of service. Actuarial risk (benefits will be less than expected) and investment risk (assets invested will not be sufficient to meet the expected benefits) fall on the entity; in case actuarial or investment experience turn worse than expected, the entity's obligation may be increased.

Accounting for defined benefit plan requires actuarial assumptions and techniques in order to measure the obligation and the expense and actuarial gains and losses. The calculation is annually performed by qualified actuaries.

Actuarial techniques are used to make reliable estimates of the amount of the benefit employees earned in return for their services in current and prior periods. The entity determines the benefits for current and prior periods and makes estimates about demographic and financial variables that will influence the cost of the benefit.

The Projected Unit Cost method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, the present value of pension commitments is determined on the basis of the number of active years of service up to the balance sheet date and the estimated employee salary at the time of the expected retirement date, discounted using the market rate of interest on high-quality corporate bonds.

Pension costs for the year are established at the beginning of the year based on the expected service and interest costs and the expected return on the plan assets, plus the impact of any current period curtailments or plan changes.

When the benefit formula is based on future compensation and social security levels, they are projected to the age at which the employee is assumed to leave active service using assumptions about the level of growth. In normal circumstances, the projected accrued benefit is based upon the plan's accrual formula. If service in later years leads to a materially higher level of benefit than earlier years, the projected accrued benefit is calculated by attributing benefits on a straight-line basis over the relevant period. The fair value of assets is used to determine the expected investment return during the year.

The pension scheme in Amsterdam is funded through a guaranteed insurance contract. The market value of the assets is determined as the discounted stream of guaranteed benefit payment at the market rate, increased with expected future profit sharing, if any. Plan assets are invested by the insurance company; only positive resulting profits are shared with EuroCCP, in case the investment return exceeds the contractual discount rate. The insurance company provided a guarantee that any negative profits are not for the account of EuroCCP. The market rate is assumed to be equal to the discount rate reflecting the assets underlying the insurance contract. Benefits that are insured on a risk basis are not included in the asset value as there is no withdrawal or discontinuance value.

Previously (until 31 December 2012), EuroCCP adopted a policy of including the amortization of actuarial gains and losses as a component of benefit expense for a year. Thus, amortization of unrecognised gains and losses was included as a component of the annual expense for a year if, as



of the beginning of the year, the cumulative net unrecognised gain or loss exceeds 10% of the greater of the defined benefit obligation or value of plan assets. If amortization was required, the amortization was that excess divided by the expected average future service of the employees participating in the plan.

For financial year starting 1 January 2013, EuroCCP adopted IAS 19R, as it became effective and the actuarial gains and losses that arise in the current fiscal year are recognised in other comprehensive income.

### **Provisions**

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits (such as cash flows), as a result of past events and a reliable estimate can be made at the balance sheet date. Provisions are established for certain guarantee contracts for which EuroCCP is responsible to pay upon default of payment. Provisions are estimated based on all relevant factors and information existing at the balance sheet date.

### **Contingent assets and liabilities**

Contingent assets and liabilities are those uncertainties where an amount cannot be reasonably estimated or when it is not probable that payment will be required to settle the obligation. Contingent assets and liabilities are not recognised in the financial statements.

### **Transactions with related parties**

In the normal course of business, EuroCCP enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Within the context of these financial statements, related parties comprise of ABN AMRO Clearing Bank N.V. in Amsterdam and its group companies, BATS Trading Limited and its group companies, The Depository Trust & Clearing Corporation and its group companies, OMX AB and its group companies, and the Management Board of EuroCCP.

Since 2008, ABN AMRO Bank N.V. has charged EuroCCP for centralised services in Amsterdam, based on contractual agreements. EuroCCP is not engaged in any proprietary trading and operates at arm's length with ABN AMRO group companies. The transactions are based on normal market conditions and relate mainly to funding, clearing, settlement and securities borrowing.

The amounts receivable or payable to related companies are disclosed in the notes to the financial statements.

### **Shareholders' equity**

#### **Share capital**

Incremental costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes. Other elements recorded in shareholders' equity are related to foreign currency translation effect.

## Income statement items

### Interest income and expense

Interest income and interest expense are recognised for all interest bearing instruments in the income statement on an accrual basis, using the effective interest method based on the actual purchase price, including direct transaction costs.

Interest income is the result of current balances and settlement funding.

Once a financial asset has been amortised to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount future cash flows for measuring the recoverable amount.

### Realised and unrealised gains and losses

Realised and unrealised gains and losses represent foreign exchange transaction differences, from translation of monetary and non-monetary items. For further accounting treatment, refer to foreign currency transactions.

### Fees, commission income and transaction costs

Fees earned as services provided are generally recognised as revenue as the services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered as a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Commission revenue is recognised when the performance obligation is complete.

The specific settlement fees charged by settlement agents are passed on to the clients.

Transaction costs are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. These include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

### Expenses

EuroCCP's expenses include staff expenses and other administrative expenses, charged to the income statement in the period in which they arise.

### Corporate tax expense

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction, in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilised.

## Risk management

### Credit risk

EuroCCP is exposed to credit risk predominantly in the event that a Clearing Participant fails to meet a financial or contractual obligation.

EuroCCP mitigates credit risk through minimum capital requirements for Clearing Participants and monitoring of their financial health. To cover potential loss to EuroCCP in the event of a Clearing Participant default, collateral is required from Clearing Participants.

EuroCCP accepts both cash and non-cash collateral with haircuts as specified in EuroCCP's Regulation Collateral. Clearing Participants must deposit a percentage (currently 43%) of their required collateral directly with EuroCCP. The remaining collateral may be held either in an account at a financial institution and pledged to EuroCCP or it may be directly deposited with EuroCCP as well. As of 31 December 2013, EUR 284 million was directly deposited with EuroCCP and EUR 190 million was pledged to EuroCCP. When cash collateral is deposited with EuroCCP, EuroCCP will invest it in accordance with the Regulation EuroCCP Investment Policy.

The value of the collateral (cash and bonds) held by EuroCCP was EUR 474 million as of 31 December in 2013 and EUR 550 million in 2012.

Besides potential defaults of Clearing Participants, the main credit risk faced by EuroCCP is exposure against Clearing Participants in case a trade fails to settle. To mitigate these risks, EuroCCP charges a fail fee to discourage late settlements. This fee covers not only the cost for EuroCCP but it is also meant to work as a deterrent as required by Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps. In the event that a trade still fails to settle after a certain period of time, EuroCCP will start a buy-in process for which the costs are carried by the failing Clearing Participant. For more detail, we refer to EuroCCP's Regulation Buy-in.

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<sup>2</sup> Regulation Collateral is available on our website: [www.euroccp.com](http://www.euroccp.com).

<sup>3</sup> Regulation Buy-in is available on our website: [www.euroccp.com](http://www.euroccp.com).

### Offsetting financial assets and liabilities

The financial assets and liabilities of EuroCCP do not meet the criteria for offsetting in the statement of financial position. The financial assets and liabilities are related to the agreements in place, as part of the company's day to day activity. The agreements create a right of sett-off of recognised amounts, enforceable only following an event of default, insolvency or bankruptcy of the other party to the contract.

The disclosures below include the assets and liabilities and the related amounts not offset in the statement of financial position at 31 December 2013:

Financial assets	Gross amount of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Cash and cash equivalents	281,606	-	281,606	-292,759	-	-11,153
Due from bank and due from customers	43,664	-	43,664	-43,664	-	-
<b>Total</b>	<b>325,270</b>	<b>-</b>	<b>325,270</b>	<b>-336,423</b>	<b>-</b>	<b>-11,153</b>

Financial liabilities	Gross amount of recognised financial liability	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liability presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Due to banks	214,642	-	214,642	-43,664	-170,978	-
Due to customers	81,858	-	81,858	-	-81,858	-
<b>Total</b>	<b>296,500</b>	<b>-</b>	<b>296,500</b>	<b>-43,664</b>	<b>-252,836</b>	<b>-</b>

## Liquidity risk

EuroCCP is exposed to liquidity risk in the event that the company is unable to meet its payment obligations at any point in time, without incurring unacceptable costs or losses or risking damage to EuroCCP's reputation. EuroCCP operates a liquidity risk framework to identify measure and monitor its settlement and funding flows.

Liquidity is mainly required for securities settlement. By nature of its role as counterparty to Clearing Participants, EuroCCP must pay for securities received before it receives payment for securities delivered; this process requires intraday liquidity. If the delivery fails on the settlement date, then the intraday liquidity will turn into an overdraft until the delivery can settle.

EuroCCP continuously manages its payment obligations which are covered through committed and uncommitted liquidity facilities. These facilities are allocated to intraday settlement requirements and the facilities at the end of 2013 are assessed as adequate by the Management Board of EuroCCP.

During 2013 the usage of intraday liquidity facilities has not materially increased.

A credit facility with DNB is in place for the provision of emergency liquidity under unforeseen circumstances. In this context, EuroCCP has access to Target 2 as an ancillary system in order to obtain very rapid access to the liquidity.

The tables below set out the maturities of the company's financial assets and liabilities, as per 31 December 2013:

Financial assets	Less than one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	Between two and five years	Total
Cash and cash equivalents	281,606	-	-	-	-	-	-	281,606
Due from banks and due from customers	43,664	-	-	-	-	-	-	43,664
Other assets	954	1,984	241	889	10	3	-	4,081
<b>total</b>	<b>326,224</b>	<b>1,984</b>	<b>241</b>	<b>889</b>	<b>10</b>	<b>3</b>	<b>-</b>	<b>329,351</b>

Financial liabilities	Less than one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	Between two and five years	Total
Due to banks	214,642	-	-	-	-	-	-	214,642
Due to customers	81,858	-	-	-	-	-	-	81,858
VAT and other tax payables	68	-	-	-	-	-	-	68
Accrued interest, expenses and other liabilities	832	1,363	550	16	433	-	108	3,302
<b>total</b>	<b>297,400</b>	<b>1,363</b>	<b>550</b>	<b>16</b>	<b>433</b>	<b>-</b>	<b>108</b>	<b>299,870</b>

## Market risk

EuroCCP is exposed to market risk in the event that a Participant defaults and the market prices of the securities in its open positions have moved adversely so that EuroCCP can only close out the Participant's obligations at a loss.

To mitigate market risk, EuroCCP collects collateral from Clearing Participants to cover the probable loss during normal market conditions, and contribution to a clearing fund to cover losses if a default occurred during extreme but plausible market conditions. Probable adverse movements in foreign exchange rates of the obligations and collateral are factored into the calculation.

After the day's trades have been netted, EuroCCP calculates the maximum theoretical loss of the portfolio of all open net positions based upon a 99.7% confidence level (three standard deviations) and assumes a three-day time horizon required for liquidation. In this calculation the dominant factor is the price risk for each security; however, other risk factors like FX risk are also taken into account. In 2013 this process demonstrated that EuroCCP did not need to make any adjustment to the parameters of the model.

For intraday calculations, EuroCCP recalculates the margin requirement every three to five minutes, using the most up to date positions and market prices. EuroCCP has the authority and the operational ability to demand additional collateral at any time, whenever there is a significant intraday collateral deficit.

EuroCCP provides a real time cleared trade feed to Clearing Participants to enable them to also perform intraday or real time risk management in respect of their clients.

The collateral required to cover extreme but plausible market conditions is collected into a clearing fund. The amounts and percentages of the respective contribution per Clearing Participant are stipulated in the Regulation Clearing Fund. On a daily basis, stress tests are performed where portfolios are stressed along various scenarios. These stress tests can go as far as anticipating a market move of 25% across the whole portfolio of equities. The results of the stress tests are used to affirm that the EuroCCP risk framework is adequate at all times. The outcome of these stress tests is reported to EuroCCP's regulators.

Foreign exchange risk is taken into account in the margin requirements EuroCCP calculates as far as it concerns the portfolio's of the Clearing Participants. However EuroCCP is also exposed to FX risk where receipts and payments take place in non-euro currencies. This exposure was rather limited in 2013 as the vast majority of payments were in euro.

EuroCCP does not run interest rate risk on the cash part of the margin and clearing fund deposits it holds since EuroCCP pays out the interest it receives minus costs. As such, the balance is zero.

Investment risk is the risk that invested cash is reduced in value upon maturity. This risk is mitigated through the strict application of the investment policy of EuroCCP, as set out in Regulation EuroCCP Investment Policy.

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<sup>4</sup> Regulation EuroCCP Investment Policy is available on our website: [www.euroccp.com](http://www.euroccp.com).

The size of the EuroCCP clearing fund as of 31 December 2013 was EUR 118 million on deposit, significantly above the actual required contribution of EUR 93 million.

## **Operational risk**

Operational risk is monitored and controlled by the Business Control Department. It initiates and coordinates the implementation of risk-reducing, mitigating actions, as directed by the Management Board. Key risk indicators are used to monitor this process.

EuroCCP did not incur any significant operational loss in 2013.

## **Fair value measurement**

Fair value reflects the price (exit price) that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The transaction is considered to take place either in principal market or in the most advantageous market (where no principal market exists).

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, considering that they act in their own economic best interest. There is no need that market participants are identified.

### **Fair value of financial assets and liabilities**

Financial assets and liabilities are valued using the hierarchy below, to determine their fair value:

- level 1: unadjusted quoted prices for identical assets or liabilities in active markets;
- level 2: inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- level 3: unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

The assumption used in the measurement is that the liabilities would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

When a quoted price for the transfer of an identical (or a similar) liability or entity's own equity instrument is not available, and that identical (or similar) item is held by another party as an asset, the measurement of the fair value is performed from the perspective of a market participant that holds the identical item as an asset at the measurement date, by:

- using the quoted price in an active market for the identical item, or if not available;
- using other observable inputs, or if not available;
- using another valuation technique (i.e. income approach, or market approach).

Financial assets and financial liabilities are recognised on the date at which they are originated and are initially measured at transaction price. Subsequently, they are measured at amortised cost using the effective

interest method, with the periodic (monthly) amortisation recorded in the income statement.

By 31 December 2013, we did not notice any difference between the carrying value of the financial assets and financial liabilities and their estimated fair value.

Disclosure of the contingent assets at 31 December 2013 is presented below:

<b>Contingent assets</b>	<b>Value (market value)</b>	<b>Quoted market prices in active markets (level 1)</b>	<b>Valuation techniques - observable inputs (level 2)</b>	<b>Valuation techniques - significant unobservable inputs (level 3)</b>	<b>Net amount</b>
Non-cash contribution to clearing fund (bonds)	39,185	39,185	-	-	39,185
Non-cash deposits to interoperability fund (bonds)	37,061	37,061	-	-	37,061
Non-cash mandatory collateral deposits (bonds)	129,460	129,460	-	-	129,460
Collateral received (bonds)	292,760	292,760	-	-	292,760
<b>Total</b>	<b>498,466</b>	<b>498,466</b>	-	-	<b>498,466</b>

EuroCCP does not have any economic interest in the contingent assets. Details of the contingent assets are presented within Note 11.



# Notes to the balance sheet as at 31 December 2013

(x EUR 1,000)

## ASSETS

	2013	2012
<b>1. Cash and cash equivalents</b>	<b>281,606</b>	<b>210,135</b>
<p>This item comprises cash on hand, freely available balances with central banks and other financial institutions with less than three months maturity from the date of acquisition. From the total balance, EUR 80 million relates to the balance of clearing participants. This balance will be available only pursuant to the rules of the clearing fund.</p> <p>The table below shows the components of cash and cash equivalents at 31 December.</p>		
Cash and cash equivalents with central banks	4,547	697
Cash and cash equivalents with related party companies	263,442	204,826
Cash and cash equivalents with third party companies	13,617	4,612
<b>Closing balance as at 31 December</b>	<b>281,606</b>	<b>210,135</b>
<p>Components of cash and cash equivalents:</p>		
Own cash	29,980	19,548
Cash and cash equivalents, available for use in EuroCCP, day-to-day operations	251,626	190,587
<b>Closing balance as at 31 December</b>	<b>281,606</b>	<b>210,135</b>
<b>2. Due from banks and due from customers</b>	<b>43,664</b>	<b>34,333</b>
<p>This item includes all accounts receivables from customers that relate to business operations (fully collateralised by securities) and do not belong to cash and cash equivalents.</p>		
<b>3. Property and equipment</b>	<b>238</b>	<b>536</b>
<p>The property and equipment consist of equipment and motor vehicles, leasehold improvements and IT equipment.</p>		

				2013	2012
	Leasehold improvement	Equipment and motor vehicles	IT equipment	Total	Total
Cost as at 1 January	160	185	1,163	1,508	1,480
Additions/disposals	0	5	119	124	28
<b>Closing balance as at 31 December</b>	<b>160</b>	<b>190</b>	<b>1,282</b>	<b>1,632</b>	<b>1,508</b>
Accumulated depreciation at 1 January	-67	-94	-811	-972	-508
Depreciation expense	-32	-39	-351	-422	-464
<b>Accumulated depreciation as at 31 December</b>	<b>-99</b>	<b>-133</b>	<b>-1,162</b>	<b>-</b>	<b>-972</b>
				<b>1,394</b>	
<b>Closing balance as at 31 December</b>	<b>61</b>	<b>57</b>	<b>120</b>	<b>238</b>	<b>536</b>

Leasehold improvement is depreciated over 5 years and IT equipment over 3 years. Most of the equipment and motor vehicles are depreciated over 5 years. For year ended 31 December 2013, EuroCCP has no impaired assets.

	2013	2012
<b>4. Intangible assets</b>	<b>289</b>	<b>677</b>
The intangible assets consist mostly of acquired software that is not an integral part of the hardware and it is amortized in 3 years.		
For year ended 31 December 2013, EuroCCP has no impaired assets.		
The tables below show the components of intangible assets at 31 December.		
Software at cost as at 1 January	1,595	1,193
Acquired software at cost – additions	100	402
<b>Closing balance as at 31 December</b>	<b>1,695</b>	<b>1,595</b>
Accumulated amortization as at 1 January	-918	-402
Amortization expense	-488	-516
<b>Closing balance as at 31 December</b>	<b>-1,406</b>	<b>-918</b>
<b>Closing balance as at 31 December</b>	<b>289</b>	<b>677</b>

	2013	2012
<b>5. Other assets</b>	<b>4,081</b>	<b>4,690</b>

The table below shows the components of other assets at 31 December:

Fees receivable from clients	637	713
Prepayments and Accruals	2,456	1,968
Tax asset	494	1,912
Deferred tax asset	270	97
Other	224	-
<b>Closing balance as at December 31</b>	<b>4,081</b>	<b>4,690</b>

Prepayments and accruals consists of payments made in advance to providers of services and goods (according to commercial agreements in place) and fees to be charged to clients for the month of December 2013, as the invoicing process takes place at a later moment.

Item other consists of receivables, in the form of temporary differences between actual bank accounts balances and internal postings.

Components of other assets:

Other assets (accruals) related parties	144	83
Other assets third parties	3,937	4,554
<b>Closing balance as at 31 December</b>	<b>4,081</b>	<b>4,607</b>

## LIABILITIES

	2013	2012
<b>6. Due to banks</b>	<b>214,642</b>	<b>155,340</b>

The table below shows the components of due to banks at 31 December:

Demand deposits due to banks	214,642	155,340
<b>Closing balance as at 31 December</b>	<b>214,642</b>	<b>155,340</b>

This item comprises, among others, balances of clearing participants (banks) for the Clearing Fund (EUR 53 million) and mandatory collateral deposits (EUR 98 million).

The due to banks item can be split up as follows:

Demand deposits due to related party banks	86,824	56,551
Demand deposits due to third party banks	127,818	98,789
<b>Closing balance as at 31 December</b>	<b>214,642</b>	<b>155,340</b>

	2013	2012
<b>7. Due to customers</b>	<b>81,858</b>	<b>69,488</b>
The components of due to customers at 31 December are as follows:		
Demand deposits due to customers	81,858	69,488
<b>Closing balance as at 31 December</b>	<b>81,858</b>	<b>69,488</b>
This item comprises balances of clearing participants (customers) to the clearing fund (EUR 26 million) and mandatory collateral (EUR 56 million).		
The demand deposits are all due to third party customers.		

	68	76
<b>8. VAT and Other tax payable</b>	<b>68</b>	<b>76</b>
EuroCCP was part of ABN AMRO Bank N.V. fiscal VAT unity until 4 December 2013, to which EuroCCP delivered quarterly VAT returns and also paid the amounts due.		
As of 5 December 2013, EuroCCP has its own fiscal VAT unity, settling directly the tax due with the tax authority in the Netherlands.		
As at 31 December the composition of VAT and other tax payable is as follows:		
VAT payable	68	76
<b>Closing balance as at 31 December</b>	<b>68</b>	<b>76</b>

	3,302	3,550
<b>9. Accrued interest, expenses and other liabilities</b>	<b>3,302</b>	<b>3,550</b>
As at 31 December the composition of accrued interest and other liabilities is as follows:		
Accrued interest charges	32	17
Payables	486	691
Accruals	1,362	1,090
Salary related payables	879	696
Pension provision	366	33
Other	177	1,023
<b>Closing balance as at 31 December</b>	<b>3,302</b>	<b>3,550</b>

The accruals item consists of cost reservations where orders had been placed but invoices not received. Most of the reservations relate to costs incurred in December 2013.

Components of accrued interest, expense and other liabilities:		
Accrued interest, expense and other liabilities related parties	348	672
Accrued interest, expense and other liabilities third parties	2,954	2,878
<b>Closing balance as at 31 December</b>	<b>3,302</b>	<b>3,550</b>

	2013	2012
<b>10. Shareholders' equity</b>	<b>30,008</b>	<b>21,917</b>

On 5 December 2013, the shareholding base changed and new shareholders joined the company. On that date (which was also the day of the transfer of the shares), former shareholders paid EUR 7.9 million as share premium.

At year-end 2013, authorised share capital amounts to EUR 15 million distributed over 15,000 ordinary shares, each having a nominal value of EUR 1,000.

Issued and paid-up share capital of EuroCCP amounted to EUR 5 million distributed over 5,000 shares having a nominal value of EUR 1,000: 1,250 shares were held by ABN AMRO Clearing Bank N.V., 1,250 shares by OMX AB, 1,250 shares by BATS Trading Limited and 1,250 shares by The Depository Trust & Clearing Corporation.

Share capital	5,000	5,000
Addition share premium	7,892	-
Retained earnings	16,917	18,694
Proposed result of the year	398	-1,777
Adjustment IAS 19R	-171	-
Other comprehensive income	-28	-
<b>Shareholders' equity</b>	<b>30,008</b>	<b>21,917</b>

<b>11. Contingent assets</b>	<b>523,325</b>	<b>521,802</b>
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The details of contingent assets by 31 December 2013 are presented below.

Non-cash contribution to clearing fund (bonds)	39,185	37,311
Non-cash contribution to clearing fund (letters of credit)	-	7,400
Non-cash deposits to interoperability fund (bonds)	37,061	41,027
Cash deposits to interoperability fund	24,886	32,101
Non-cash mandatory collateral deposits (bonds)	129,460	147,886
Collateral received	292,760	256,077
<b>Total contingent assets</b>	<b>523,352</b>	<b>521,802</b>

The non-cash contribution to the clearing fund is available only pursuant to the rules of the Regulation Clearing Fund. Interoperability fund deposits comprise of cash and non-cash deposited by clearing participants of EuroCCP, according to the Regulation Interoperability Fund.

Mandatory collateral deposits are subject to the Regulation Collateral. The collateral received is relevant to Regulation EuroCCP Investment Policy that safeguards the cash provided by the clearing participants as clearing fund contributions and mandatory collateral deposits. EuroCCP does not have any economic interest in the collateral.

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<b>12. Contingent liabilities</b>	<b>28,865</b>	<b>23,799</b>
Commitments (rental of premises)	-	299
Guarantee given	28,865	23,500

Contingent liabilities consist of guarantee given and it is related to the collateral pledged by EuroCCP to the other interoperable CCPs, to cover for margin calls EuroCCP received from other interoperable CCPs.

There are no contingent liabilities arising from post-employment obligations.

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<sup>5</sup> Regulation Clearing Fund is available on our website: [www.euroccp.com](http://www.euroccp.com).

<sup>6</sup> Regulation Interoperability Fund is available on our website: [www.euroccp.com](http://www.euroccp.com).

## Notes to the income statement for the year 2013

(x EUR 1,000)

	2013	2012
<b>13. Net interest income</b>	<b>176</b>	<b>-310</b>
This item includes interest income and interest expense from banks and customers.		
Interest income	527	216
Interest expense	-351	-526
<b>Net interest income</b>	<b>176</b>	<b>-310</b>
The interest income item can be split as follows:		
Interest income related party companies	127	61
Interest income third party banks	400	155
<b>Total interest income</b>	<b>527</b>	<b>216</b>
The interest expense item can be split as follows:		
Interest expense related party companies	-149	-425
Interest expense third party customers/banks	-202	-101
<b>Total interest expense</b>	<b>-351</b>	<b>-526</b>

	2013	2012
<b>14. Net fees and commissions</b>	<b>11,912</b>	<b>9,660</b>
The Commissions and fees item can be split as follows:		
Commission and fee income	21,828	19,582
Commission and fee expense	-9,916	-9,922
<b>Net commissions and fees</b>	<b>11,912</b>	<b>9,660</b>
The components of fee and commission are:		
Net commissions securities	11,954	9,694
Net commissions - other	-42	-34
<b>Net commissions and fees</b>	<b>11,912</b>	<b>9,660</b>

Of the net commissions and fees item the following amounts were:

Net commissions and fees related party companies	361	-1,918
Net commissions and fees third party customers/banks	11,551	11,578
<b>Net commissions and fees</b>	<b>11,912</b>	<b>9,660</b>

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<b>15. Other revenue</b>	<b>152</b>	<b>16</b>
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This item consists mainly of foreign exchange differences on monetary items and differences in dividend tax amounts, concerning differences between dividends received and dividend substitute payments made during 2010. These remained unclaimed by the parties involved in spite of our queries. The amounts involved were recorded as income in November 2013.

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	<b>2013</b>	<b>2012</b>
<b>16. Personnel expenses</b>	<b>4,175</b>	<b>3,714</b>

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Salary related cost amounted in 2013 to EUR 4.1 million.

Details of staff expenses are presented below:

Salaries and wages	2,806	2,487
Social security charges	302	311
Contributions to defined contribution plans	428	341
Expenses related to defined benefit plans	37	31
Bonus expenses	550	429
Other	52	100
<b>Total staff expenses</b>	<b>4,175</b>	<b>3,714</b>

Salary and wages amount include the crisis tax amounting to EUR 21 thousand. The crisis tax was calculated over 2012 fiscal salary and paid for the first time during 2013; the crisis tax is applicable to personnel whose annual income exceeds EUR 150 thousand, according to the local legislation in vigour. For year ending 31 December 2013, the amount relates to the Management Board members only. The crisis tax is applicable also for financial year 2014 (based on 2013 fiscal salary).



The remuneration to the Management Board in 2013 was EUR 505 thousand (relevant to the former EMCF Executive Board members), composed of salary and bonus (2012: EUR 452 thousand). The contributions made for the defined pension plan amounted to EUR 71 thousand in 2013.

The amount relevant to the defined contribution plan in Stockholm amounted to EUR 37 thousand in the income statement; the amount relevant to 2012 amounted to EUR 31 thousand.

The amount expensed into the income statement relevant to the defined benefit plan in Amsterdam totalled EUR 429 thousand; 2012 defined benefit plan expensed amounted to EUR 341 thousand

### **Employee benefits**

EuroCCP is operating a defined benefit pension plan for its employees in Amsterdam, fully insured with the insurance company Zwitserleven. The fair value of the plan assets is represented by the net present value of the insured cash flow (possible profit sharing included).

The plan assets are invested by Zwitserleven and the positive resulting profits are shared with EuroCCP in case the investment return exceeds the contractual Zwitserleven discount rate of 3%. Actual investments are not taken into account as plan assets, as a guarantee is provided by Zwitserleven that negative profits are not for the account of EuroCCP.

For financial year starting 1 January 2013, EuroCCP adopted IAS 19 R.

Key elements of changes, as the amendment became effective are as follows:

- all changes in the funded position are immediately recognised;
- interest cost and expected return on plan assets are replaced with net interest on net defined benefit liability/asset;
- explicit assumptions regarding plans with risk-sharing features must be taken into account;
- the costs of an employee benefit plan must be disaggregated into employment, financing and re-measurement effects.

Benefit expense represents the amount recognised in profit or loss as the cost of a benefit plan for the period. The components are service cost and net interest on the net defined benefit liability/(asset).

Re-measurements on the net defined benefit liability, comprising actuarial gains and losses, return on plan assets and the effect of the asset ceiling (excluding interest) are immediately recognised in other comprehensive income. Net interest on the defined benefit liability/(asset) is determined by multiplying the net defined benefit liability/(asset) by the discount rate at the start of the accounting period, taking into account changes in the net defined benefit liability/(asset) as a result of contributions and benefit payments. Net interest on the defined benefit liability/(asset) comprises interest income on plan assets, interest costs on defined benefit obligation and interest on the effect of the asset ceiling. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment. A plan amendment occurs when an entity introduces or withdraws a defined benefit plan or changes the benefits payable under an existing defined benefit plan. A curtailment occurs when an entity reduces significantly the number of employees covered by the plan. The changes are immediately recognised in profit or loss. Gains and losses on the settlement of a defined benefit plan are recognised when the settlement occurs.

The net defined benefit asset/liability is the deficit or the surplus adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The deficit/surplus is the present value of the defined benefit obligation less the fair value of plan assets.

The interest applied by the insurance company to determine the premium equals 3%. This was less than the discount rate, resulting previously in an immediate loss on the contribution; previously, this loss was taken into profit or loss, currently it becomes part of experience loss taken into other comprehensive income.

The insurer's administration expenses are estimated at 4.5% of the contribution to the plan. Under IAS 19R, an assumption has been made for the plan expenses: they are estimated at 4.5% of the contribution to the plan and are part of administration costs (service cost).

Other plan administration costs are a separate component of the service cost. Past service costs are recognised immediately in benefit expense (in income statement).

Adjustments on 2013 opening balances under the 2011 amendment of the standard impacted as follows below:

	IAS 19	IAS 19R	Difference	Deferred tax asset (25%)	Impact on Equity
<b>Net liability/(asset) as at 1-1-2012</b>	<b>71</b>	<b>68</b>	<b>-3</b>	<b>-1</b>	<b>-2</b>
Pension expense 2012	341	204	-137	-35	-102
Actuarial gains and losses 2012 (through Equity " OCI")	-	367	367	92	275
Contributions 2012 (actuarial report)	-379	-379	-	-	-
Curtailment	-	-	-	-	-
<b>Net liability/(asset) as at 1-1-2013</b>	<b>33</b>	<b>260</b>	<b>227</b>	<b>56</b>	<b>171</b>

Pension obligations are determined by demographic assumptions (such as mortality, wage) and economic assumptions (such as inflation, value of plan assets and discount rate).

The economic assumptions currently used are as follows:

- annual discount rate of 3.7% at the beginning of 2013 and 3.7% at the end of 2013 is based upon the yields available on high-quality corporate bonds at the accounting date with a term that matches that of the liabilities. Generally AA credit rated corporate bonds are considered to satisfy the quality criteria. Using Bloomberg data, a yield curve was derived from it to determine the appropriate discount rate on the cash flows of the liabilities;
- price inflation assumed is 2%, based in the long term expectation for inflation in the EURO zone;
- general wage increase and career increases assumed an annual general increase of 2.5% and an age-related scale reflecting promotional increase;

- cost of living adjustments for active participants: accrued benefits of active participants will be increased annually at a rate of 2.5% (based on the wage inflation in line with the plan);
- cost of living adjustments for non-active participants: current and future pension payments will increase at an average rate of 0,50% per year;
- expected return on plan assets is 3.7% and it is equal to the discount rate.

The demographic assumptions used are as follows:

- mortality rates used are based on “Prognosetafel 2012-2062” published by Dutch Actuarial Society and mortality Towers Watson experience factors, as published;
- disability rates are based on an adjustments of 60% of the table Financial Services III published by “Verbond van Verzekeraars” in 2005.

Post-employment benefit	2013	2012
The tables below show the results under IAS19R. For comparative reasons the figures for 2012 are also based on IAS19R.		
Current service cost	411	194
Interest cost	48	25
Expected return on plan assets	-31	-15
(Gain)/loss on curtailment or settlements	-	-
Defined benefit plans	<b>428</b>	<b>204</b>
Defined contribution plans	37	31
Healthcare contributions	-	-
<b>Total costs</b>	<b>465</b>	<b>235</b>

The amounts recognised in the balance sheet are as follows:

	2013	2012
Present value of funded obligations	1,356	905
Fair value of plan assets	-990	-645
Present value of net obligations/(assets)	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial (losses)/gains	-	-
<b>Net liability/(asset) for defined benefit obligations</b>	<b>366</b>	<b>260</b>
Provision for pension commitments	-	-
Pension assets	-	-
<b>Net recognized liability/(asset) for defined benefit obligations</b>	<b>366</b>	<b>260</b>

Movements in defined benefit obligations are as follows:

	2013	2012
Balance as at 1 January	905	226
Current service cost	411	194
Interest cost	49	25
Employee contributions	-	10
Actuarial gains/(losses)	9	463
Benefits paid	-18	-13
Acquisitions/(disposals)	-	-
Recognised settlement and curtailment	-	-
<b>Balance as at 31 December</b>	<b>1,356</b>	<b>905</b>

Movements in the fair value of plan assets are as follows:

	2013	2012
Balance as at 1 January	645	158
Expected return on plan assets	31	16
Financial gains/(losses)	-28	95
Employers contribution	360	379
Employee contributions/refunds	-	10
Benefits paid	-18	-13
Acquisitions/(disposals)	-	-
Recognised settlement and curtailment	-	-
Other	-	-
<b>Balance as at 31 December</b>	<b>990</b>	<b>645</b>

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, while other assumptions remain constant, might have affected the defined obligation as below shown:

	Defined benefit obligation	Fair value of plan assets	Funded status
as per 31 December	1,356	990	366
Discount rate (movement +0.1%)	40	-28	12
Price inflation (movement +0.1%)	2	0	2
Wage, inflation and indexation (movement +0.1%)	-19	0	19

The analysis does not take into consideration the full distribution of cash flows expected under the plan, thus providing only an approximation of the sensitivity of the assumptions above mentioned.

### Additional disclosure information

Weighted average duration of defined benefit obligation 29 years

The pension scheme in Amsterdam is fully funded through a guaranteed insurance contract (Zwitserven MaatschappijGarantie). The plan assets of EuroCCP participate in the annual profit of the insurance company Zwitserven and a return of 3% is guaranteed. At the end of each year, the profits are determined based on the results of the insurer Zwitserven.

### Additional cash flow information:

<b>2013</b>	<b>timing</b>	
Actual contributions by the employer	Mid-period	360
Actual contributions by plan participants	Mid-period	-
Actual benefit payments	Mid-period	-
Actual administrative expenses	Period start	18
Actual balance of transfer values (incoming/outgoing)	Mid-period	-
<b>2014</b>	<b>timing</b>	
Expected contributions by the employer	Mid-period	370
Expected contributions by plan participants	Mid-period	-
Expected benefit payments	Mid-period	2
Actual administrative expenses	Period start	17

	<b>2013</b>	<b>2012</b>
<b>17. Depreciation and amortisation</b>	<b>910</b>	<b>979</b>
Details of depreciation and amortisation expense are presented below:		
Depreciation expense	422	464
Amortisation expense	<u>488</u>	<u>515</u>
<b>Total depreciation and amortisation</b>	<b>910</b>	<b>979</b>

	<b>2013</b>	<b>2012</b>
<b>18. Other operating and administrative expenses</b>	<b>6,526</b>	<b>7,085</b>

Details of other operating and administrative expenses are presented below:

Technology and system costs	4,037	4,366
External staff	886	1,186
Audit, legal and compliance expenses	257	139
Consultancy	309	147
Travel and representation expenses	70	134

Rental expenses	467	451
Other	500	662
<b>Total other operating and administrative expenses</b>	<b>6,526</b>	<b>7,085</b>

Of the total operating and administrative expenses, the following amounts were, as follows:

Expenses related parties	2,552	
2,875		
Expenses third parties	3,974	
<u>4,210</u>		
<b>Total other operating and administrative expenses</b>	<b>6,526</b>	

The audit professional fees expense amounted to EUR 82 thousand (including VAT), relevant to the annual financial audit (2012: EUR 80 thousand for financial audit, including VAT).

The remuneration to the Supervisory Board was EUR 54 thousand in 2013 (2012: EUR 52 thousand).

The average number of full time equivalent employees in 2013 was 30 (2012: 30).

	2013	2012
<b>19. Income tax</b>	<b>222</b>	<b>-635</b>

The details of the corporate income tax are presented below (“-“ is profit in this particular note):

Income tax expenses, composed out of:	<b>231</b>	<b>-635</b>
Current tax expenses for the current period	157	-603
Adjustment recognised in the period for current tax of prior periods	180	65
Deferred tax expense arising from previous period	-106	-97
<b>Total income tax expenses</b>	<b>231</b>	<b>-635</b>

Income tax relating to other comprehensive income	-9	-
<b>Total income tax</b>	<b>222</b>	<b>-635</b>

Effective tax rate equalled 35.3%, higher than the corporate income tax of 25%. For year 2012, effective tax rate equalled 26.33% higher than corporate income tax of 25%.

## Legal procedures

EuroCCP is not involved in court procedures.

Amsterdam, 23 April 2014

**Executive Board:**

Diana Chan  
Jan Booij  
Albert-Jan Huizing

**Supervisory Board:**

Jan Bart de Boer  
Andrew Gray  
Mark Hemsley  
Hans-Ole Jochumsen  
Peter Bezemer  
Iain Saville

## Other information

### Independent auditor's report

To: the Management Board of European Central Counterparty N.V.

#### Report on the company financial statements

We have audited the accompanying company financial statements 2013 which are part of the financial statements of European Central Counterparty N.V., Amsterdam, and comprise the company statement of financial position as at 31 December 2013, the company statements of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

#### The Management Board's responsibility

The Management Board is responsible for the preparation and fair presentation of these company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report from the Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these company financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the company 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the company financial statements.

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



## Opinion

In our opinion, the company financial statements give a true and fair view of the financial position of European Central Counterparty N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report from the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report from the Management Board, to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 23 April 2014

**KPMG Accountants N.V.**

**C.C.J. Segers RA**

**Post-balance sheet date events**

On 6 January 2014, the company name was changed to European Central Counterparty N.V, with the commercial name EuroCCP.

On the same day, EuroCCP issued 2,500 new shares, each share having a nominal value of EUR1,000, equally distributed to the shareholders. The new shares were issued at par and paid by transfer from the share premium reserve.

On 29 January 2014, the London branch of EuroCCP was registered as the UK establishment of an overseas company at the UK Companies House.

On 11 March 2014, The Depository Trust & Clearing Corporation transferred its shares in EuroCCP to DTCC Global Holding B.V.

On 1 April 2014 EuroCCP was granted authorisation under EMIR by the National Competent Authority, De Nederlandsche Bank N.V.

The Board of Directors proposes that the net profit for 2013 totalling EUR 0.4 million to be added to retained earnings.