

EuroCCP

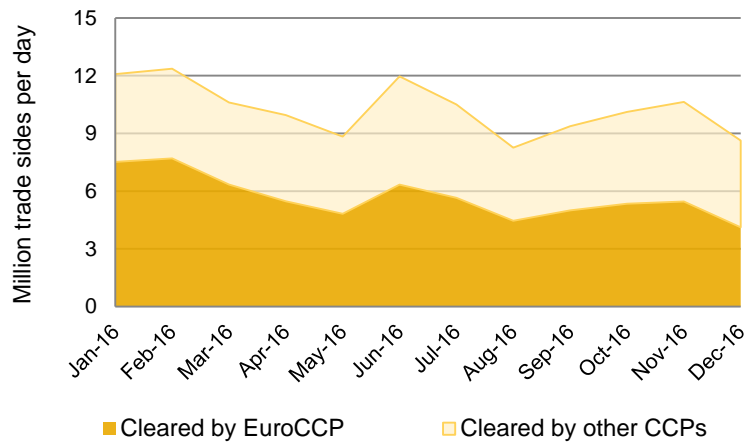
Make a difference

**European Central Counterparty N.V.
Annual Report 2016**

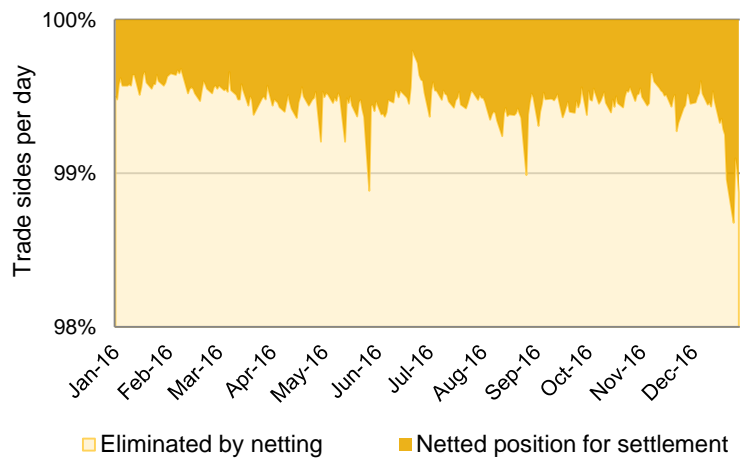


Mission: Be the leading equities CCP in Europe, minimize post-trade costs, maximize netting, increase capital efficiency and continuously improve risk management.

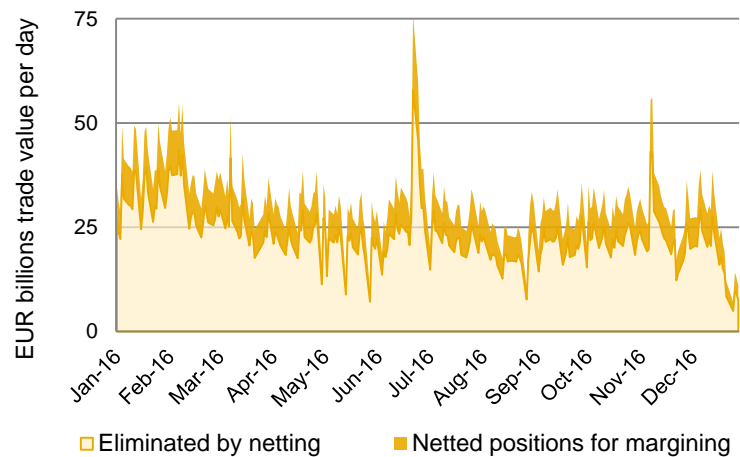
EuroCCP cleared 55% of trades on platforms to which it has access¹.



Through netting, EuroCCP eliminates 99.5% of trades for settlement ...



... and over 75% of trading firms' market risk exposure, an equivalent of EUR 23.5 billion daily.



¹ Accessed platforms can be found in section "EuroCCP at a glance" on page 7.

Letter from the CEO

A number of milestones were reached in 2016, both for EuroCCP and for equities clearing. Five years ago, in early 2012, the full choice of multiple interoperating CCPs was offered to trading firms by Bats Europe. Soon thereafter, Turquoise became the second platform that offered full choice of all interoperating CCPs to trading firms, and many other trading platforms followed in subsequent years. By December 2016, firms trading on 12 national stock exchanges and multilateral trading facilities in Europe, representing 71% of all equities traded, were assured of a full choice among three interoperating CCPs, which has become the expected norm in equities clearing.

In December 2016, another major milestone was reached for equities clearing when Euronext N.V. acquired a 20% stake in EuroCCP. This created the only CCP in Europe that is a shared post-trade infrastructure, majority-owned in equal parts by several stock exchanges: Euronext, Bats Europe and Nasdaq². Shared infrastructure has become a valid business model in equities clearing.

EuroCCP continues to expand its access to trading platforms. We started clearing equities traded on SIX Swiss Exchange in February 2017 and equities traded on Euronext in March 2017. Our mission of connecting all major trading platforms in Europe to maximise netting and minimise post-trade costs in equities trading is closer to being realised.

We have completed our operations strategy of connecting directly to all CSDs where we have a substantial settlement volume. We are now a Directly Connected Party to seven CSDs using the TARGET2-Securities (T2S) platform, four of which were added during 2016. At present, some 35% of EuroCCP's settlements by value have migrated to T2S. We are able to offer our clients settlement efficiency benefits that are only available to directly connected CCPs in T2S.

Clients continue to be satisfied with EuroCCP's services. A high level of engagement was evidenced by a participation rate of 83% in the annual Client Satisfaction Survey, an increase over the previous year. This year, once again, 100% of those clients who responded to the survey were satisfied with our services and we will continue our efforts to ensure that we support our clients' service needs.



Diana Chan
Chief Executive Officer

² All five shareholders are listed in the section "About us", forth paragraph on page 5

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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 has defaulted on its obligations. In 2016, EuroCCP provided central counterparty protection amounting to an average of Euro 31.1 billion of value traded on a daily basis.

EuroCCP also reduces settlement costs and operational complexity for clients. Regardless of how many trades a client has executed in the same security on a given day, EuroCCP nets all the trades into a single settlement obligation. In 2016, over 99.5% of trades were netted into single settlement obligations.

Headquartered in Amsterdam, EuroCCP was formed in December 2013 following the combination of European Multilateral Clearing Facility N.V. (EMCF) and European Central Counterparty Limited (ECCP Limited), both of which were incorporated in 2007. The company's shareholders are ABN AMRO Clearing Bank, Bats Europe, Euronext, Nasdaq and The Depository Trust & Clearing Corporation (DTCC), each with a 20% shareholding³.

EuroCCP provides central counterparty (CCP) services for 16 trading platforms in Europe as at the end of 2016. In early 2017, EuroCCP started providing services for SIX Swiss Exchange and 10 trading platforms operated by Euronext. The securities traded on these platforms and cleared by EuroCCP include equities, depositary receipts and ETFs across 19 national markets.

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

EuroCCP services, as of December 2016, 159 firms that trade on platforms it clears for and has 42 active Clearing Participants with headquarters in 16 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 Netherlands Authority for the Financial Markets).

The European Market Infrastructure 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 which previously applied in the EU Member States. EuroCCP received regulatory authorisation under EMIR from DNB in April 2014.

³ The legal entities holding the shares are ABN AMRO Clearing Investments B.V., Bats Trading Limited, Euronext N.V., Nasdaq AB and DTCC Global Holdings B.V.

16 platforms and trade sources cleared as of December 2016

Altnet	Nasdaq Helsinki
Aquis Exchange	Nasdaq Stockholm
Bats Europe	Sigma-X
Equiduct	SmartPool
Euronext London MTF	TOM
First North	Traiana
London Stock Exchange	Turquoise
Nasdaq Copenhagen	UBS MTF

11 additional platforms cleared as of April 2017

Alternext Brussels	Euronext Lisbon
Alternext Lisbon	Euronext Paris
Alternext Paris	Marché Libre Brussels
Easynext Lisbon	Marché Libre Paris
Euronext Amsterdam	SIX Swiss Exchange
Euronext Brussels	

19 markets covered

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

5 cash accounts with central banks

De Nederlandsche Bank	Euro
Danmarks Nationalbank	Danish krone
Norges Bank	Norwegian krone
Sveriges Riksbank	Swedish krona
Swiss National Bank	Swiss franc

15 accounts with Central Securities Depositories

Austria	OeKB
Belgium	Euroclear Belgium
Denmark	VP
France	Euroclear France
Finland	Euroclear Finland
Germany	Clearstream Banking Frankfurt
Ireland	Euroclear UK & Ireland
Portugal	Interbolsa
Italy	Monte Titoli
Netherlands	Euroclear Nederland
Norway	VPS
Spain	Iberclear
Switzerland	SIX SIS
Sweden	Euroclear Sweden
United Kingdom	Euroclear UK & Ireland

Governance and organisation

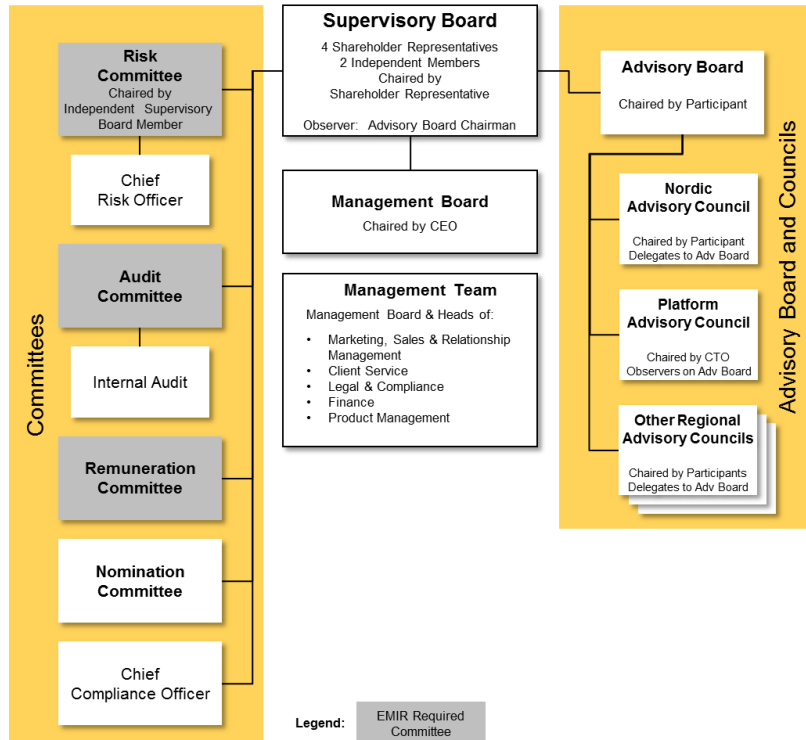
Following the completion of the combination of EMCF and ECCP Limited in December 2013, the company was owned by four institutions each with a 25% shareholding and equal voting rights. The three original shareholders from the constituting entities – ABN AMRO Clearing Bank, Nasdaq and DTCC – owned the company together with Bats Europe. In December 2016, Euronext became the fifth shareholder and all five shareholders now own an equal share of 20% in EuroCCP.

Governance structure

The governance of EuroCCP reflects the requirements of EMIR and the two-tier board structure.

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

EuroCCP governance structure overview



Supervisory Board

The EuroCCP Supervisory Board consists of six members, all men: two independent members and four members nominated by the shareholders. Each shareholder may nominate one Supervisory Board member and shareholders appoint all members of the Supervisory Board.

As a result of Euronext becoming the fifth shareholder, a fifth member nominated by Euronext will join the Supervisory Board as soon as the nominee is approved by the regulators. In addition, in compliance with EMIR requirements, a third independent member will join the Supervisory Board as soon as the candidate is approved by the regulators.

Throughout 2016, the Supervisory Board consisted of the following members:

- Jan Bart de Boer (1967), Chairman, Chief Commercial Officer of ABN AMRO Clearing Bank.
- Andrew Gray (1965), Managing Director, Group Chief Risk Officer of DTCC and member of the DTCC Management Committee.
- Mark Hemsley (1962), Chief Executive Officer of Bats Europe.
- Lauri Rosendahl (1960), Senior Vice President of Global Trading & Market Services for Nasdaq. He is responsible for equity and equity derivatives trading and products at Nasdaq in Europe.
- Peter Bezemer (1950), former member of the Executive Committee of Euronext; currently a financial services consultant.
- Dr Iain Saville CBE (1948), founder and former CEO of CRESTCo Ltd and up to December 2016 Chairman of Block Asset Technologies.

As noted above, two additional board members, one nominated by Euronext and one independent, are expected to join the board in 2017, once they have been approved by the regulators. The board will then consist of eight members, three independent members and five members nominated by the shareholders.

The Supervisory Board has three committees: Audit Committee, Remuneration Committee and Nomination Committee.

Management Board

The Management Board consists of one woman and two men:

- 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 Citibank and JP Morgan in regional and global management positions for post-trade services in Europe, Asia and North America.
- Albert-Jan Huizing (1961), Chief Technology Officer, joined 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.
- Arnoud Siegmann (1973), Chief Risk Officer, joined EMCF in 2008. He was previously Head of Risk at Fortis Clearing Americas between 2001 and 2008, and had risk-related roles at Object+ BV and Extra Clearing BV.

Risk Committee

The Risk Committee has four representatives from Clearing Participants, three clients of Clearing Participants and two independent members of the Supervisory Board, in compliance with EMIR requirements. Iain Saville chairs the Risk Committee. The Chief Executive Officer, Chief Risk Officer and Chief Compliance Officer attend the committee meetings. The committee held four meetings during 2016 and discussed the following subjects:

General

- Evaluation of the working and composition of the committee
- CPMI-IOSCO PFMI self assessment
- Recovery and resolution
- Risk tolerance statements

Participant related

- Changes to the risk framework
- Model validation
- Stress test policy and scenarios

- Reverse stress testing
- Wrong way risk
- Criteria for accepting clearing members
- Default handling procedure

EuroCCP related

- Liquidity plan
- Investment policy
- Cyber security

Other

- Review the outsourcing of functions
- Brexit – preparation and evaluation

At each meeting, reports concerning the performance of the risk framework were reviewed by the committee.

The most material risks faced by EuroCCP are described in the Risk Management section on page 30.

Advisory boards and councils

The Advisory Board was chaired in 2016 by Jeffrey King, Managing Director, Custody Product Development, Markets & Securities Services at Citibank and a member of the Post Trade Board and co-chairman of the Clearing & Settlement Committee of the Association for Financial Markets in Europe (AFME). The Advisory Board has representatives from 13 Clearing Participants and observers from the three largest trading platforms cleared by EuroCCP. The Advisory Board met three times in 2016. The chairman of the Advisory Board has a standing invitation to be an observer at EuroCCP Supervisory Board meetings on matters relevant to the mandate of the Advisory Board.

The Nordic Advisory Council has representatives from seven Clearing Participants, headquartered in the Nordics. In addition, the Nordic Securities Association participates as a representative for the broader Nordic markets. The Council met three times in 2016. Two of the Clearing Participants of the Council are representatives at the Advisory Board. The Council was temporarily chaired by Björn Svensson, EuroCCP's Head of Nordic markets. Topics of special interest for the Council in 2016 were the further development of interoperability including EuroCCP's access to Oslo Børs and improving settlement performance in Sweden and Norway.

In the future, additional regional advisory councils will be set up as required when EuroCCP's business scope expands.

Albert-Jan Huizing, Chief Technology Officer at EuroCCP, chaired the Platform Advisory Council during 2016. The Platform Advisory Council comprises of representatives from each platform cleared by EuroCCP and serves as a forum for the discussion of post-trade matters of common interest. The Council met twice in 2016.

Organisation

At the end of 2016, EuroCCP had 53 employees on its payroll.

EuroCCP's London office has ten employees in client-facing functions. The head of the Nordic region continues to be based in Stockholm. The Operations team is concentrated in Amsterdam, while the Client Services team operates from London.

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

Report from the Management Board

Service development

An average of 7.6 million trade sides were cleared per day, of which 2 million were interoperable sides (where a trade was executed between a EuroCCP Participant and a counterparty clearing through an interoperating CCP). The number of interoperable sides increased by 52% from the previous year, reflecting EuroCCP's access to London Stock Exchange (LSE) and Nasdaq becoming interoperable, both in Q4 2015.

Throughout the year, EuroCCP continued its unique operations strategy among interoperating CCPs by becoming a direct participant at central securities depositories (CSDs). We are now a direct participant and operate our own accounts in 15 CSDs, which enables us to improve efficiency, reduce costs and operational risks for the clients' benefit.

Improving settlement efficiency continues to be a service priority. EuroCCP has become a Directly Connected Party (DCP) in TARGET2-Securities (T2S) via all CSDs where EuroCCP settles transactions with clearing participants. Becoming a DCP has enabled EuroCCP's clients to benefit from T2S features that are designed to increase settlement performance that would otherwise not be available.

In 2016, we became DCP via the CSDs of Belgium, France and the Netherlands as soon as they migrated to T2S, and via the CSD of Portugal shortly after its migration. Including the CSDs of Austria and Germany which migrated in early 2017 and Italy which migrated in 2015, EuroCCP has now consolidated seven separate national connections into a single connection to the shared T2S pan-European settlement platform. Rationalisation of connectivity has improved operational and technical efficiencies.

Direct connection to the Spanish CSD was accomplished in the first half of the year, leveraging the opportunity offered by the market reform which fundamentally changed the post-trade process for Spanish equities.

In preparation for clearing Norwegian equities traded on Oslo Børs as soon as it agrees to grant EuroCCP access, we began to operate our own account at Verdipapirsentralen ASA (VPS), the Norwegian CSD. We also received regulatory approval from the Norwegian Ministry of Finance to clear for Oslo Børs and opened an account at Norges Bank, the Norwegian central bank, to settle securities in central bank money.

Technology

EuroCCP's technology enables us to achieve straight-through processing of equity transactions. Trade capture, multilateral netting, settlement and risk management applications form the core of EuroCCP's IT infrastructure.

On 24 June 2016, a new daily peak of 16.7 million trade sides was processed. EuroCCP's IT systems handled this surge well, in accordance with our regular volume testing. All processes ran smoothly and client reporting was sent on time. This record volume was a 16% increase over the previous record of 14.4 million trade sides processed on 24 August 2015, and higher than the daily average of 15.0 million sides for all equities traded in Europe during the whole of 2016, according to data published by the Federation of European Securities Exchanges.

Changes in the Spanish market post-trade process in April 2016 necessitated an extensive new IT infrastructure for the exchange of files with clients and with the new reporting system operated by the Spanish CSD. A new message interface was built and user access arranged between EuroCCP and the Spanish CSD, in line with our operations strategy of becoming a direct CSD participant in all markets where we settle significant transaction volumes with clearing participants. The new applications that were developed to comply with the reporting and settlement obligations include automation of an extensive beneficial owner administration that is unique to the Spanish market.

During the year, we launched a cyber resilience improvement program to strengthen controls. The program follows the National Institute of Standards and Technology (NIST)'s *Cybersecurity Framework*, and relies on the Committee on Payments and Market Infrastructures (CPMI) and International Organization of Securities Commissions (IOSCO) *Guidance on cyber resilience for financial market infrastructures* for reference. Controls to pre-empt, respond to and recover from cyber attacks will continue to be implemented or improved to meet target standards. Additionally, cyber and information security governance will be further strengthened and security assurance will be more fully integrated into EuroCCP's vendor management process.

Financial results

For the year ending 31 December 2016, EuroCCP made a profit before tax of Euro 6.1 million, compared with Euro 6.3 million in the prior year.

Total revenue of Euro 23.7 million was Euro 1.0 million (4%) higher than the previous year's Euro 22.7 million total. The largest component of total revenue – net commission and fees – was 6% lower than the previous year due to the effect of a slower consolidation of client business towards EuroCCP than away from EuroCCP during the first year of extended interoperability. The additional revenue opportunities from access to the London Stock Exchange were more than offset by loss of business as a result of Nasdaq becoming interoperable and Oslo Børs remaining accessible only to other interoperating CCPs. This decrease in net commission and fees was offset by a Euro 1.4 million increase in other revenue as a result of improved cost recovery from successful settlement efficiency projects.

Total expenses of Euro 17.6 million was Euro 1.2 million, or 7% higher than prior year's Euro 16.4 million. There was a significant increase in the cost of external staff, consultants and professional fees incurred for service development projects. This cost increase was partially offset by a pension curtailment due to the change of the employee pension plan from a defined benefit to a defined contribution scheme.

Total capital as at year-end 2016 was Euro 40.2 million, well above the capital of Euro 23.4 million required by EMIR. The excess capital above regulatory requirement provides sizeable headroom for business growth.

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

Outlook

Regulations introduced following the financial crisis will continue to shape financial institutions, direct their business choices and affect the infrastructures they use. We expect more demand for bilateral securities transactions to be cleared by CCPs as our clients focus on reducing operational costs and risks, and as they make use of opportunities to use their capital more effectively.

Specifically, EuroCCP has started to design a stock loan clearing service in response to client demand. During 2017, we will continue to work closely with the stock lending community in search of the best model for clearing these transactions in a CCP. Key market participants including stock lenders and their lending agents, borrowers, collateral agents and electronic platforms on which the loans are executed or matched have been providing valuable input on service development. EuroCCP will require specific authorisation under EMIR and plans to start the filing process in 2017.

The most significant upcoming regulation is the Recovery and Resolution Regulation for CCPs proposed by the European Commission in November 2016. EuroCCP will proceed with preparations in anticipation of the regulation being finalised in due course..

EuroCCP will continue to improve the control framework and the cyber resilience improvement program.

Besides actively participating in cyber resilience initiatives, we are also closely observing developments in distributed ledger technology (DLT). Adoption of DLT by trading platforms or by CSDs could affect how transactions are processed by CCPs. How market participants use DLT in optimising usage and mobility of collateral could affect the risk management process. We believe there continues to be a need for CCPs to novate and net away the vast majority of equities transactions that require settlement, and to centrally manage risks in the event of the insolvency of a financial institution.

The impact of United Kingdom's decision to leave the European Union (Brexit) on trading platforms and firms that EuroCCP clears for will not be known until the results of the UK's negotiations with the European Union are known. EuroCCP continues with its mission to minimize post-trade costs through access to the largest number of equities trading platforms and maximizing netting opportunities for our clients.

EuroCCP will continue to stay at the forefront of bringing choice of CCP to equities trading in Europe. 2017 marks the tenth anniversary of the start of multilateral trading facilities (MTFs), pan-European trading platforms which were set up to compete with national stock exchanges under the regulatory regime of the Markets in Financial Instruments Directive (MiFID). The essential clearing services that these MTFs needed from the beginning were supplied by two purpose-built pan-European CCPs, the predecessor companies of EuroCCP N.V. 2017 also marks the fifth anniversary of multi-CCP interoperability. In 2012, the MTFs using different CCPs, began to offer a choice of multiple CCPs to trading firms, so that the firms could direct trades to be cleared by their CCP of choice and benefit from cross-platform netting. This enabled the firms to reduce settlement costs by over 50% and significantly reduce market risk exposure in equities trading.

In February 2017, two national exchanges – Nasdaq and SIX Swiss Exchange – joined London Stock Exchange in offering a full choice of three interoperating CCPs to trading firms. We will continue our discussions with Oslo Børs, the last remaining national stock exchange cleared by interoperating CCPs but not offering a full choice. Firms trading

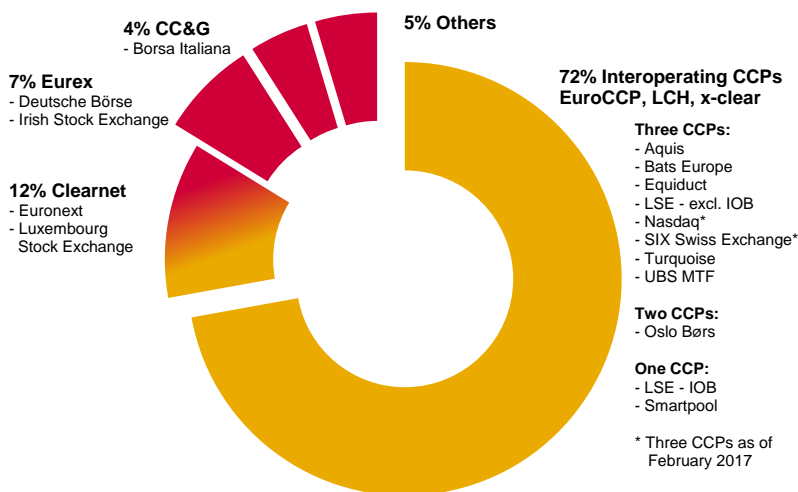
on Oslo Børs are already bearing the cost of three-way interoperability but not receiving the benefits.

In March 2017, EuroCCP began clearing for Euronext in an arrangement called *user choice* which does not require the incumbent CCP, LCH.Clearnet S.A., (Clearnet) to interoperate. The full benefit of the arrangement will be realised when interoperability is established between Clearnet and EuroCCP.

This increases the share of European trades open to competitive clearing to over 80%. It can be said that competitive clearing has become the norm for equities trading in Europe. In 2017, we will continue the dialogue with the remaining national exchanges which are yet to offer choice of CCP to trading firms.

Equities clearing: competitive and non-contestable sectors

Source: Federation of European Securities Exchanges, based on 2016 daily average trade sides



Amsterdam, 21 April 2017

Diana Chan

Albert-Jan Huizing

Arnoud Siegmann

Report of the Supervisory Board

The Supervisory Board oversees the Management Board, supervises the general affairs of the company and its associated business and provides advice to the Management Board. In order to function in line with prevailing regulations and to have better oversight the Supervisory Board has three standing committees:

The Remuneration Committee oversees the Company's remuneration strategy and principles for members of the Management Board. It reviews the policies and general principles on which the Company's compensation plans are based. The Remuneration Committee performs its task in preparation for joint decision-making by the Supervisory Board. The Remuneration Committee held four meetings in 2016.

The Audit Committee advises the Supervisory Board on financial accounting, on the workings of the internal risk and control framework, the role and functioning of the internal auditor and the appointment of the external auditor. The Audit Committee held five meetings in 2016.

The Nomination Committee makes recommendations for the appointment of independent members of the Supervisory Board.

The Risk Committee is chaired by an independent member of the Supervisory Board. As an EMIR authorised CCP, EuroCCP has representatives of the users on the Risk Committee.

EuroCCP's Chief Risk Officer and the Chief Compliance Officer have a direct reporting line to the Supervisory Board.

The Supervisory Board held five board meetings in 2016 in the presence of the Management Board and Management Team. The chairman of the Advisory Board attended these meetings as an observer when matters relevant to the mandate of the Advisory Board were discussed. During 2016 the chairman of the Advisory Board attended three meetings. The Supervisory Board is in regular contact with the financial auditor during the year; the auditor participated in the board meeting where the annual report was submitted for approval.

The Management Board provided the Supervisory Board with information on a regular basis on business operations and on financial and strategic developments. The Supervisory Board was involved in all important decisions. Risk management remained a standing agenda item at every Supervisory Board meeting and the risk tolerance statements of the company were regularly reviewed.

The Supervisory Board is very pleased that important initiatives were taken to assess new business opportunities and that significant progress was made in furthering interoperability and access to trade feeds. We also followed closely the operations strategy of connecting directly to T2S and CSDs, which improves settlement efficiency for clients and makes EuroCCP more resilient.

In 2016 we welcomed a new strategic shareholder. The Supervisory Board is very pleased to see Euronext joining our shareholders group as an equal partner. Working together with EuroCCP, Euronext is taking a major step forward to benefit its clients through enabling user choice, by delivering optionality in clearing and enhancing the service for equities trading in the Eurozone.

We are also pleased with the robust financial performance of the company for 2016, delivering a profit before tax of Euro 6.1 million and about the

same level as in 2015, after investments in new initiatives and in strengthening the operational and technical resilience of the company.

In 2016, no members left or joined the Supervisory Board.

The Supervisory Board would like to thank the Management Board and the employees in our three locations for their efforts made during 2016.

On behalf of the Supervisory Board,

Jan Bart de Boer
Chairman

Financial statements for 2016

Statement of financial position as at 31 December 2016

before proposed profit appropriation (x Euro 1,000)

Assets	Note	2016	2015
Cash and cash equivalents	1	521,129	573,128
Due from banks and due from customers	2	15,075	54,719
Property and equipment	3	666	644
Intangible assets	4	1,064	999
Other assets	5	4,520	5,731
Total assets		542,454	635,221
Liabilities			
Due to banks	6	189,253	274,578
Due to customers	7	302,845	310,237
Tax payables	8	366	368
Accrued interest, expenses and other liabilities	9	9,793	10,906
Pension provision	16	-	689
Total liabilities		502,257	596,778
Shareholders' equity			
	10		
Share capital		7,500	7,500
Share premium		5,392	5,392
Retained earnings		18,704	18,139
Other reserves (EMIR)		3,847	2,770
Other reserves (re-measurements of defined benefit pension plan and currency translation)		-162	-272
Result for the year		4,867	4,804
Other comprehensive income for the year		49	110
Total shareholders' equity		40,197	38,443
Total liabilities and shareholders' equity		542,454	635,221
Contingent assets			
	11	926,183	1,035,913
Contingent liabilities			
	12	192,376	125,800

Statement of profit and loss for 2016

(x Euro 1,000)

Statement of profit and loss	Note	2016	2015
Interest income		-	-
Interest expense		5,497	1,291
Negative interest on assets		<u>-5,501</u>	<u>-2,684</u>
Net interest income	13	-4	-1,393
Net fees and commissions	14	22,533	23,985
Other revenue	15	1,158	130
Revenue		23,687	22,722
Personnel expenses	16	-6,826	-7,267
Depreciation and amortisation	17	-723	-476
Other operating and administrative expenses	18	-10,029	-8,655
Total expenses		-17,578	-16,398
Profit before tax		6,109	6,324
Income tax expense	19	-1,242	-1,520
Net profit/(loss)		4,867	4,804

Statement of total comprehensive income for 2016

(x Euro 1,000)

Statement of total comprehensive income	Note	2016	2015
Net profit/(loss)		4,867	4,804
Other comprehensive income			
<i>Items that will not be classified to profit and loss:</i>			
Re-measurements of defined benefit pension plan	16	84	144
Currency translation reserve		-25	3
Income tax relating to other comprehensive income	19	-10	-37
Other comprehensive income/(expense)		49	110
Total comprehensive income for the year		4,916	4,914

Statement of changes in shareholders' equity (x Euro 1,000)

	Share capital	Share premium	Retained earnings	Other reserves (EMIR)	Other reserves	Result for the year	Total 2016
Opening balance as at 1 January 2016	7,500	5,392	18,139	2,770	-272	4,914	38,443
Total comprehensive income	-	-	-	-	-	4,916	4,916
Profit appropriation	-	-	4,804	-	-	-4,804	-
Change in other reserves (EMIR)	-	-	-1,077	1,077	-	-	-
Change in other reserves (currency translation)	-	-	-	-	2	-2	-
Change in Other reserves (re-measurements of defined benefit pension plan)	-	-	-	-	108	-108	-
Issue ordinary shares	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Dividends	-	-	-3,162	-	-	-	-3,162
Closing balance as at 31 December 2016	7,500	5,392	18,704	3,847	-162	4,916	40,197

	Share capital	Share premium	Retained earnings	Other reserves (EMIR)	Other reserves	Result for the year	Total 2015
Opening balance as at 1 January 2015	7,500	5,392	14,061	3,081	-26	3,521	33,529
Total comprehensive income	-	-	-	-	-	4,914	4,914
Profit appropriation	-	-	3,765	-	-	-3,765	-
Change in other reserves (EMIR)	-	-	311	-311	-	-	-
Change in other reserves (currency translation)	-	-	2	-	-2	-	-
Change in other reserves (re-measurements of defined benefit pension plan)	-	-	-	-	-244	244	-
Issue ordinary shares	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Closing balance as at 31 December 2015	7,500	5,392	18,139	2,770	-272	4,914	38,443

**Cash flow statement for
2016**

(x Euro 1,000)

	2016	2015
Cash flows from operating activities		
Profit before tax	6,109	6,324
<i>Adjustment to reconcile profit to net cash generated by operating activities:</i>	<i>741</i>	<i>474</i>
Depreciation and amortisation	723	476
Effect of foreign exchange rate upon re-translation of London office	18	-2
<i>Changes in operating assets and liabilities</i>	<i>-53,342</i>	<i>183,226</i>
Due from banks and due from customers	39,644	4,710
Due to banks	-85,325	87,303
Due to customers	-7,393	85,478
Net changes in all other operational assets and liabilities	-268	5,735
Cash generated by operating activities	-46,492	190,024
Income taxes paid	-1,543	-1,791
Net cash from operating activities	-48,035	188,233
Cash flows from investing activities		
Acquisition of property and equipment	-233	-691
Acquisition of intangible assets	-569	-944
Net cash flow generated by investing activities	-802	-1,635
Cash flows from financing activities		
Proceeds from issue of share capital	-	-
Proceeds from share premium contribution	-	-
Dividend paid	-3,162	-
Net cash from financing activities	-3,162	-
Net decrease (-) / increase (+) in cash and cash equivalents	-51,999	186,598
Cash and cash equivalents – as at 1 January	573,128	386,530
Cash and cash equivalents – as at 31 December	521,129	573,128
Supplementary disclosures of operating cash flow information		
Interest received	7,472	2,886
Interest paid	-7,647	-4,033

General

These financial statements are prepared by EuroCCP's Management Board on 21 April 2017, in accordance with IFRS, 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 was incorporated on 28 February 2007, with its registered office in Amsterdam, the Netherlands.

As from January 2014, EuroCCP is registered as a UK establishment of an overseas company at UK Companies House. The UK office is located in London.

On 15 December 2016, Euronext NV became one of EuroCCP's shareholders, with each shareholder having an equal share in the company.

As at 31 December 2016 the company's shareholders were:

- ABN AMRO Clearing Investments B.V. (20 %)
- Bats Trading Limited (20%)
- DTCC Global Holdings B.V.(20 %)
- Nasdaq AB (20%)
- Euronext NV (20%)

On 1 April 2014, EuroCCP was granted authorisation under European Market Infrastructure Regulation (EMIR) by the National Competent Authority, De Nederlandsche Bank N.V. In addition EuroCCP is regulated by the "Autoriteit Financiële Markten"

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

The assets and liabilities of the London office are included in these financial statements; they are initially denominated in Pounds Sterling and then translated into Euro, EuroCCP's functional currency.

Changes in accounting policies

Amended IFRSs

Amendments resulting from improvements to standards did not have a significant impact on the accounting policies, financial position or performance of EuroCCP during this financial year. The relevant amendments to EuroCCP, effective for annual periods beginning on or after 1 January 2016, are listed below:

IAS 1 Presentation of financial statements: amendments bring clarity on existing requirements, with emphasis on disclosures relating to materiality and the presentation of aggregated amounts, subtotals, order of notes in the financial statements, significant accounting policies and items of other comprehensive income from investments accounted for under the equity method. The amendments clarify that those preparing the financial statements should exercise judgement in the presentation of their financial statements and materiality applies to all parts of the financial statements. There is no prescribed order in presenting the notes to the financial statements and that aggregating or disaggregating the items in the statement of profit and loss and other comprehensive income and balance sheet should be done if relevant to the users of the financial

statements. Guidance is given on the presentation of subtotals, including reconciliation of the items in the statement of profit and loss and other comprehensive income. The amendments did not bring any significant change compared with the previous periods.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: these clarify that revenue based method reflects a pattern of economic benefits generated from operating the business rather than the operating benefits are consumed through the use of the asset. The revenue based method is not appropriate for depreciating property, plant and equipment but it may be used in very limited circumstances to amortise intangible assets. EuroCCP reviewed the amendments and concluded that these have no impact.

New and amended IFRSs not yet effective

EuroCCP is in process of assessing the impact on the financial statements of the following standards, that will become effective for the company for annual periods beginning after 1 January 2016:

IFRS 9 Financial Instruments: Classification and Measurement, incorporates requirements for classification, measurement, impairment, general hedge accounting, de-recognition and disclosure of financial instruments. The amendments classify the financial assets by relating to the business model under which they are reported and the characteristics of their contractual cash flow. The “incurred loss” model (IAS 39) is replaced with the “expected credit loss” model, meaning that an impairment allowance is to be recognised before the loss event occurs and expected credit losses are to be recognised in the profit and loss for financial assets not measured at fair value through profit and loss. The standard was endorsed by the European Union in November 2016. The mandatory effective date for these amendments is for annual periods on or after 1 January 2018. EuroCCP did not early adopt the standard and it is currently in the process of assessing the impact.

IAS 12 Income Taxes clarify requirements on recognition of deferred tax assets for unrealised losses on debt instruments, as deductible temporary differences arise. A deferred tax asset is assessed in relation with other deferred tax assets, where tax law restricts usage of tax losses, the entity should assess a deferred tax asset in relation with the same type of other tax deferred assets. Estimates of taxable profits do not include reversals of deductible temporary differences. The standard is expected to be endorsed by the European Union in the second quarter of year 2017. The mandatory effective date for this standard is for annual periods starting on or after 1 January 2017. EuroCCP does not expect any material impact arising from the adjustments of this standard.

IFRS 15 Revenues from Contracts with Customers replaces all current revenue requirements in IFRS, providing a single five step model applicable to all revenue from contracts with customers. The standard requires entities to exercise judgement and take into consideration relevant factors when applying the model. The standards establishes when and how much revenue an entity should recognise and requires more informative disclosures to be presented. The standard also provides for the recognition and measurement of some non-financial assets. The standard was endorsed by the European Union in September 2016. Clarifications to IFRS 15 Revenues from Contracts with Customers is expected to be endorsed during the second quarter of 2017. The mandatory effective date for this standard is for annual periods starting on or after 1 January 2018. EuroCCP did not early adopt this standard it is currently in the process of assessing the impact.

IFRS 16 Leases sets up the principles for recognition, measurement, presentation and disclosures for all leases, introducing a single on-balance sheet lease accounting model for the lessees. This approach requires recognition of all assets and liabilities for leases whose lease period is more than 12 months, unless they are considered to be of low value. Lessor accounting remains similar as the current standard (the lessor continues classifying leases as finance and operating leases). The impact identified relates to the recognition of new assets and liabilities for the operating leases of the premises in Amsterdam and London. The mandatory effective date for this standard is for annual periods starting on or after 1 January 2019, with early adoption permitted for entities applying IFRS 15 at or before the date of initial application of IFRS 16. The standard is expected to be endorsed by the European Union in the second half of 2017. EuroCCP is currently in the process of assessing the new standard, the current expectation is that the lease contract for the EuroCCP premises and a car leasing contract will be recognised on the balance sheet.

Principles

Functional currency

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

Foreign currency translation

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.

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 statement of profit and loss as foreign currency gains (losses) except for those non-monetary items whose fair value change is recorded as a component of shareholders' equity.

The statement of profit and loss and the cash flow statement of entities whose functional currency is not denominated in Euro are translated into the presentation currency (the Euro) at the 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 the currency translation reserves within the 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 settlement date, which is the date on which the instrument is delivered to or by EuroCCP.

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; the recoverable amount is based on a mark-to-market valuation of the client position, vis-à-vis future obligations of EuroCCP in its function as central counterparty and taking into consideration the collateral provided;
- estimation of present obligations resulting from past events in recognition of provisions;
- determination of the 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 statement of profit and loss, 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 divided into 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 nature and 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. 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.

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

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 were shorter than three months. If this is not the case, they are 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 statement of profit and loss depend on the IFRS classification of the financial assets being:

- cash and cash equivalent; or
- loans and receivables.

Cash and cash equivalents are recognised and measured at nominal value.

Loans and receivables 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 amortisation recorded in the statement of profit and loss.

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 statement of profit and loss.

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 amounts due to banks and amounts due to customers (demand deposits).

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

Statement of financial position

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise freely available balances with central banks and other financial institutions, 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 includes 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 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 the statement profit and loss 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 is reviewed at each financial year-end.

At 31 December 2016, EuroCCP's fixed assets include 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 statement of profit and loss when the expenditure is incurred. Expenditures that enhance or extend the benefits of fixed assets beyond their original use are capitalised and subsequently depreciated.

The useful life for EuroCCP's property and equipment is set at either 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).

At 31 December 2016, EuroCCP's intangible assets were 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 amortisation and accumulated impairment losses. It is amortised using the straight-line method over the estimated useful life of three years.

Amortisation is recognised as expense in the statement of profit and loss on a straight-line basis over the estimated useful life, from the date the software is available for use. Amortisation 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.

During 2016, 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 amounts on demand.

Demand deposits are initially measured at transaction price (fair value) 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 in the normal course of business are recognised and recorded at cost.

Defined contribution pension plan

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 statement of profit and loss in the year to which they relate.

Defined benefit pension plan

A defined benefit plan is a post-employment benefit plan that defines an amount of pension benefit an employee will receive on retirement, dependent 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 increase.

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 for Amsterdam-based staff 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 (i.e. in case where the investment return exceeds the contractual discount rate). The insurance company provides a guarantee that any shortfall is not for the account of EuroCCP.

Due to the nature of the insurance contract of EuroCCP with the insurance company, accrued benefits are insured by the insurance company. The plan assets are assumed to equal the market value of these accrued benefits. For determining the market value, the accrued benefits are discounted with a market rate, that is assumed to be equal to the discount rate used for the defined benefit obligation valuation. In the asset value only benefits that are insured on capital / accrual base are taken into account. Benefits that are insured on a risk basis (like waiver of premium due to disability for active employees) are not included in the asset value since the risk event has not yet occurred (if any). Benefits insured on risk basis therefore have no withdrawal or discontinuance value.

Actuarial gains and losses arising in the relevant fiscal year were recognised in other comprehensive income.

For details in relation to changes in the defined pension plan, we refer to Note 16 of these financial statements.

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 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 are ABN AMRO Clearing Bank N.V. in Amsterdam and its group companies, Bats Trading Limited and its group companies, DTCC Global Holdings B.V. and its group companies, Nasdaq AB and its group companies, Euronext N.V. and its group companies and the members of the Management Board and Supervisory Board of EuroCCP.

EuroCCP operates at arm's length from related party companies. EuroCCP's transactions with related party companies are subject to normal market contracts and relate mainly to some of its 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.

Statement of profit and loss

Interest income and expense

Interest income and interest expense are recognised for all interest bearing instruments in the statement of profit and loss 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 on services provided are generally recognised as revenue at the time when 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.

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 and 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 statement of profit and loss in the period in which they arise.

Income tax expenses

Income tax expense is recognised in the statement of profit and loss in the period in which profits arise, to the extent that it does not arise from a transaction recognised directly in shareholder's equity. Income tax expenses comprises current and deferred tax expenses. The current tax expense takes into account the taxable and deductible amounts for the period. Differences may arise when the accounting profits differ from the taxable profits as IFRS recognition criteria for items of income and expense are different from the tax law treatment. In such situations, the differences are to be recognised in the statement of financial positions as a deferred tax asset or deferred tax liability: a tax liability is recognised in full, while a tax asset is recognised to the extent it is likely to be recovered in the future. Current tax assets and liabilities are measured at the amounts expected to be recovered from and paid to the tax authorities, based on the applicable tax laws in each jurisdiction.

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 by monitoring 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 Collateral⁴. Clearing Participants must deposit a percentage (currently 70%) of their required collateral directly with EuroCCP. The remaining collateral may be held in an account at a financial institution and pledged to EuroCCP or it may be directly deposited with EuroCCP. As at 31 December 2016, Euro 501 million was directly deposited with EuroCCP with an additional Euro 70 million pledged to EuroCCP.

The value of the collateral (cash and bonds) held by EuroCCP as at 31 December 2016 was Euro 571 million as of 31 December in 2016 and Euro 679 million in 2015.

The cash held by the Clearing Participants in the cash collateral accounts, EuroCCP's own funds and the cash held in the Clearing Fund account as detailed in the Regulation Clearing Fund⁵, are invested in accordance with the Regulation EuroCCP Investment Policy⁶ (REIP). The REIP specifies the approved types of transaction which EuroCCP may use to make investments, the type of securities that may be invested in, the eligible counterparties and the custodians where the securities can be held. Placements of cash made pursuant to the REIP are safeguarded by government securities received as collateral for the cash placements. The collateral received is subject to the concentration limits stipulated in the REIP. EuroCCP receives full title to the collateral. The collateral is used to secure intraday credit from DNB or to support credit arrangements with commercial banks.

Besides potential defaults of Clearing Participants, the main credit risk faced by EuroCCP is exposure to Clearing Participants when a trade fails to settle. To mitigate these risks, EuroCCP charges a fail fee to discourage late settlements. This fee covers EuroCCP's costs but also acts as a deterrent as required by Regulation (EU) No 236/2012 on short selling, together with 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, the costs of which are borne by the failing Clearing Participant. For more detail, refer to EuroCCP's Regulation Buy-in⁷.

⁴ Regulation Collateral is available on our website: www.euroccp.com.

⁵ Regulation Clearing Fund is available on our website: www.euroccp.com.

⁶ Regulation EuroCCP Investment Policy is available on our website: www.euroccp.com.

⁷ Regulation Buy-in is available on our website: 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 and are shown gross.

The financial assets and liabilities are subject to the agreements in place, as part of the company's day to day activities. The agreements create a right of set-off of recognised amounts, enforceable only following an event of default, insolvency or bankruptcy of the other party to the contract.

The following tables show assets and liabilities and the related amounts not offset in the statement of financial position as at 31 December 2016:

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	521,129	-	521,129	-527,275	-	-6,146
Due from bank and due from customers	15,075	-	15,075	-15,075	-	-
Total	536,204	-	536,204	-542,350	-	-6,146

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	189,253	-	189,253	-15,075	-174,178	-
Due to customers	302,845	-	302,845	-	-302,845	-
Total	492,098	-	492,098	-15,075	-477,023	-

Liquidity risk

EuroCCP is exposed to liquidity risk – the risk that the company is unable to meet its payment obligations, when due. EuroCCP operates a liquidity risk framework to identify, measure and monitor its settlement and funding flows.

Liquidity is mainly required for securities settlement. By the nature of its role as a 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.

During 2016 the use of intraday liquidity facilities increased as a result of the increased value of settlements due to the migration of various markets to T2S and the fact that EuroCCP is a Direct Clearing Participant for these markets in T2S.

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 at 31 December 2016:

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 five and ten years	Total
Cash and cash equivalents	521,129	-	-	-	-	-	-	521,129
Due from banks and due from customers	15,075	-	-	-	-	-	-	15,075
Other assets	710	2,978	113	129	52	8	-	3,990
Total	536,914	2,978	113	129	52	8	-	540,194

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 five and ten years	Total
Due to banks	189,253	-	-	-	-	-	-	189,253
Due to customers	302,845	-	-	-	-	-	-	302,845
Accrued interest, expenses and other liabilities	3,645	2,959	529	259	199	-	-	7,591
Total	495,743	2,959	529	259	199	-	-	499,689

Other assets and Accrued interest, expenses and other liabilities have maturities up to one month. All other financial assets and financial liabilities have maturities up to 7 days, unless otherwise mentioned.

Market risk

EuroCCP is exposed to market risk in the event that a Clearing 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, together with contributions to the clearing fund to cover losses if a default occurred during extreme but plausible market conditions. Adverse movements in exchange rates affecting the value of obligations and collateral are factored into the calculation.

After each 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 that a three-day time horizon would be required for liquidation. In this calculation the dominant factor is the price risk for each security; however, other risk factors such as currency risk are also taken into account. On a daily basis, back tests are performed to assess the adequacy of the margin model. In 2016, this process demonstrated that EuroCCP did not need to make any adjustment to the parameters of the model. The outcome of these back tests is reported to EuroCCP's regulators.

For intraday calculations, EuroCCP recalculates the margin requirement continuously, using the current positions and market prices. EuroCCP has the authority and the operational ability to demand additional collateral at first notice, 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 for extreme but plausible market conditions is placed in the Clearing Fund. The amounts and percentages of the respective contribution per Clearing Participant are stipulated in the Regulation Clearing Fund, available on our website.

On a daily basis, stress tests are performed where portfolios are stressed along various scenarios. These stress tests can be as extreme as anticipating a market move of 40% across the whole portfolio of equities. The results of the stress tests are used to confirm that the EuroCCP risk framework is adequate at all times. The outcome of these stress tests is reported to EuroCCP's regulators.

EuroCCP is exposed to currency risk where receipts and payments take place in non-Euro currencies, such as invoices received from settlement agents. This exposure is handled on a monthly basis, buying relevant currency amounts using spot transactions.

EuroCCP does not take significant interest rate risk on the cash part of the margin and clearing fund deposits it holds since EuroCCP passes on the interest income / charges minus costs.

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 REIP.

EuroCCP does not run other price risk (the risk that fair value of future cash flows of the financial instruments will fluctuate due to changes in the market prices, other than those arising from interest rate risk or currency risk). The size of the EuroCCP clearing fund as at 31 December 2016 was Euro 217 million.

Operational risk

Operational risk is monitored and controlled by the operational risk and control team within the risk management department (OR&C).

OR&C is responsible for the maintenance of the entire control framework, including policies, processes and procedures, business continuity management, operational risk events including operational errors. Within all processes and procedures, (key) risk indicators and (key) performance indicators are defined, being used in daily and monthly monitoring. OR&C reports on a monthly basis to the management team related to the status of the control framework, with separate detailed report sent to all department heads. Additional reporting is sent to the Supervisory Board, Audit Committee and the Risk Governance Board. These reports may include an overview of framework compliance (policies, processes and procedures), business continuity, operational losses, risk tolerance statements, open audit findings, issue and action management.

EuroCCP did not incur any material operational loss in 2016.

Fair value measurement

Fair value reflects the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction is considered to take place either in the principal market for that asset/liability 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, assuming that they act in their own economic best interest.

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 statement of profit and loss.

As at 31 December 2016, EuroCCP was not aware of any material difference between the carrying value of the financial assets and financial liabilities and their estimated fair value, as all financial liabilities are short-term.

Disclosure of the contingent assets as at 31 December 2016 is presented below:

Contingent assets	Value (market value)	Quoted market prices in active markets (level 1)	Valuation techniques - observable inputs (level 2)	Valuation techniques - significant unobservable inputs (level 3)	Net amount
Non-cash contribution to clearing fund (bonds)	67,098	67,098	-	-	67,098
Non-cash deposits to interoperability fund (bonds)	71,482	71,482	-	-	71,482
Non-cash mandatory collateral deposits (bonds)	218,888	218,888	-	-	218,888
Collateral received (bonds)	333,341	333,341	-	-	333,341
Total	690,809	690,809	-	-	690,809

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

Notes to the statement of financial position as at 31 December 2016

(x Euro 1,000)

ASSETS

	2016	2015
1. Cash and cash equivalents	521,129	573,128
<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.</p> <p>From the total balance, Euro 158 million relates to the clearing fund balance of participants 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	195,657	3,989
Cash and cash equivalents with related party companies	253,728	543,186
Cash and cash equivalents with third party companies	71,744	25,953
Closing balance as at 31 December	521,129	573,128
<p>Components of cash and cash equivalents:</p>		
Own cash	41,240	41,324
Cash and cash equivalents, required for use in EuroCCP, day-to-day clearing	479,889	531,804
Closing balance as at 31 December	521,129	573,128
	2016	2015
2. Due from banks and due from customers	15,075	54,719
<p>This item consists of accounts receivables from participants, both credit and non-credit institutions, that relate to business operations. Due from banks and due from customers are fully collateralised by securities and do not belong to cash and cash equivalents. They reflect the value of transactions for which securities are delivered to EuroCCP in exchange for cash compensation. The securities are to be further delivered by EuroCCP to participants versus agreed cash compensation.</p>		

	2016	2015
3. Property and equipment	666	643

The property and equipment consist of equipment and motor vehicles, leasehold improvements and IT equipment.

	Leasehold improvement	Equipment and motor vehicles	IT equipment	2016 Total	2015 Total
Cost as at 1 January	587	359	1,503	2,449	1,758
Additions	-	30	203	233	691
Closing balance as at 31 December	587	389	1,706	2,682	2,449
Accumulated depreciation at 1 January	-224	-221	-1,361	-1,806	-1,599
Depreciation expense	-85	-35	-99	-219	-207
Effect of foreign currency exchange differences	-	-	9	9	-
Accumulated depreciation as at 31 December	-309	-256	-1,451	-2,016	-1,806
Closing balance as at 31 December	278	133	255	666	643

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 2016, EuroCCP has no impaired assets.

	2016	2015
4. Intangible assets	1,064	999

The intangible assets consist mostly of acquired software that is not an integral part of the hardware and it is amortised in 3 years.

For year ended 31 December 2016, EuroCCP has no impaired assets.

The tables below show the components of intangible assets at 31 December.

Software at cost as at 1 January	2,952	2,008
Acquired software at cost – additions	569	944
Closing balance as at 31 December	3,521	2,952
Accumulated amortisation as at 1 January	-1,953	-1,681
Amortisation expense	-504	-272
Accumulated amortisation as at 31 December	-2,457	-1,953
Closing balance as at 31 December	1,064	999

	2016	2015
5. Other assets	4,520	5,731

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

Fees receivable from clients	624	700
Prepayments and accruals	3,350	4,556
Deferred tax asset	530	374
Other	16	101
Closing balance as at December 31	4,520	5,731

Prepayments and accruals consists of payments made in advance to providers of services and goods (according to commercial agreements in place). Fees receivables from clients relate to the month of December 2016, as the invoicing process takes place after the end of the month.

Components of other assets:

Other assets (accruals) related parties	252	221
Other assets third parties	4,268	5,510
Closing balance as at 31 December	4,520	5,731

LIABILITIES

	2016	2015
6. Due to banks	189,253	273,128

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

Demand deposits due to banks	189,253	273,128
Closing balance as at 31 December	189,253	273,128

This item includes, among others, balances of those clearing participants which are banks in the Clearing Fund (Euro 61 million) and mandatory collateral deposits (Euro 78 million).

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

Demand deposits due to related party banks	85,070	123,808
Demand deposits due to third party banks	104,183	149,320
Closing balance as at 31 December	189,253	273,128

	2016	2015
7. Due to customers	302,845	311,687
The components of due to customers at 31 December are as follows:		
Demand deposits due to customers	302,845	311,687
Closing balance as at 31 December	302,845	311,687
This item comprises balances of non-bank clearing participants (customers) in the clearing fund (Euro 97 million) and mandatory collateral deposits (Euro 206 million).		
The demand deposits are all due to third party customers.		

	2016	2015
8. Tax payable	366	368
EuroCCP settles its tax obligations directly with the tax authorities in the relevant jurisdiction (the Netherlands and the UK). As at 31 December the composition of tax payables is as follows:		
Corporate tax payable	310	332
VAT payable	56	36
Closing balance as at 31 December	366	368

	2016	2015
9. Accrued interest, expenses and other liabilities	9,793	10,906
As at 31 December the composition of accrued interest and other liabilities is as follows:		
Accrued interest charges	371	513
Payables	399	610
Accruals	2,401	3,398
Salary related payables	1,602	1,337
Other	5,020	5,048
Closing balance as at 31 December	9,793	10,906

The accruals item consists of cost reservations for services performed by providers to EuroCCP, services for which invoices are not yet received. Most of the reservations relate to costs incurred in December 2016, relevant to both core business and administrative activities of EuroCCP.

“Other” includes mainly the Settlement Efficiency Improvement Fund (SEIF), as described in our Regulation Fees and Penalties⁸, whose

⁸ Regulation Fees and Penalties is available on our website: www.euroccp.com.

disbursements are made upon consultation of the Advisory Board of EuroCCP. These disbursements are reflected in note 15.

Components of accrued interest, expense and other liabilities:		
Accrued interest, expense and other liabilities related parties	423	1,289
Accrued interest, expense and other liabilities third parties	9,370	9,617
Closing balance as at 31 December	9,793	10,906

	2016	2015
10. Shareholders' equity	40,197	38,443

At year-end 2016, EuroCCP has 7,500 ordinary shares in issue. The authorised share capital amounts to Euro 15 million distributed over 15,000 ordinary shares, each having a nominal value of Euro 1,000.

Share capital	7,500	7,500
Share premium	5,392	5,392
Retained earnings	18,704	18,139
Other reserves (EMIR)	3,847	2,770
Other reserves (re-measurements of defined benefit pension plan and currency translation)	-162	-272
Proposed result of the year	4,867	4,804
Other comprehensive income for the year	49	110
Shareholders' equity	40,197	38,443

Other reserves (EMIR) mainly consist of dedicated own resources, as are required by Regulation (EU) no. 648/2012 and Regulation (EU) no.153/2013. Other comprehensive income for the year comprises re-measurement effects taking place between 31 December 2015 and 31 May 2016 and the impact of the currency translation differences arising on consolidation of the London Branch, both items net of tax.

	2016	2015
11. Contingent assets	926,183	1,035,913

The details of contingent assets at 31 December are presented below.

Non-cash contribution to clearing fund (bonds)	67,098	65,086
Non-cash deposits to interoperability fund (bonds)	71,482	53,869
Cash deposits to interoperability fund	235,374	120,139
Non-cash mandatory collateral deposits (bonds)	218,888	203,379

Collateral received	333,341	593,440
Total contingent assets	926,183	1,035,913

Contingent assets comprises of bonds and cash received from clients in the account of EuroCCP and bonds received under treasury agreements in vigour by end of the year, as follows:

The non-cash contribution to the clearing fund is governed by the rules of the Regulation Clearing Fund⁹.

Interoperability fund deposits are comprised of cash and non-cash deposited by clearing participants of EuroCCP, according to the Regulation Interoperability Fund¹⁰.

Mandatory collateral deposits are subject to the Regulation Collateral. The collateral received is relevant for and subject to REIP, 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.

	2016	2015
12. Contingent liabilities	192,376	125,800
Commitments (rental of premises)	443	1,214
Guarantee given	191,933	124,586
Total contingent liabilities	192,376	125,800

Rental of premises represent the minimum period commitments as per 31 December 2016 for each geographical location. EuroCCP entered into a new rental agreement for the Amsterdam office premises, for which we further refer to “Post-balance sheet date event” section of these financial statements.

The “guarantee given” represents collateral pledged by EuroCCP on 31 December to the other interoperable CCPs, to cover margin calls EuroCCP received from other interoperable CCPs under reciprocal collateral arrangements in place with Clearstream Banking, which allow the co-operating CCPs to provide collateral to each other to meet the interoperable CCPs’ margin obligations. For EuroCCP, the assets used to provide collateral are deposited by the Clearing Participants in the interoperability fund designated account. There are no contingent liabilities arising from post-employment obligations.

⁹ Regulation Clearing Fund is available on our website: www.euroccp.com.

¹⁰ Regulation Interoperability Fund is available on our website: www.euroccp.com.

Notes to the statement of profit and loss for 2016

(x Euro 1,000)

	2016	2015
13. Net interest income	-4	-1,393
Interest income	-	-
Interest expense	5,497	1,291
Negative interest on assets	-5,501	-2,684
Net interest expense	-4	-1,393

Net interest comprises of interest amounts paid by EuroCCP for use of credit lines, directly related to EuroCCP's settlement needs in different markets, and interest charged by EuroCCP for the financial liabilities.

The breakdown of net interest income is as follows:

Interest expense related parties	377	-322
Interest expense third parties	5,120	1,631
Interest expense	5,497	1,291

Negative interest on assets include interest amounts paid on financial assets - cash and cash equivalents deposited with credit institutions, part of treasury arrangements - as a result of negative interest rates.

Negative interest on assets can be split in:

Negative interest on assets related parties	-4,406	-2,673
Negative interest on assets third parties	-1,095	-11
Negative interest on assets	-5,501	-2,684

	2016	2015
14. Net fees and commissions	22,533	23,985

The Commissions and fees item can be split as follows:

Commission and fee income	39,607	45,151
Commission and fee expense	-17,074	-21,166
Net commissions and fees	22,533	23,985

The components of fee and commission are:

Net commissions securities	22,701	24,114
Net commissions - other	-168	-129
Net commissions and fees	22,533	23,985

The breakdown of the net commissions and fees item is:

Net commissions and fees related party companies	-36	-75
Net commissions and fees third party customers/banks	22,569	24,060
Net commissions and fees	22,533	23,985

	2016	2015
15. Other revenue	1,158	130

This item consists mainly of cost recovery items related to company's initiatives for new products and settlement process enhancement in value of Euro 1.2 million. Included in this item are also the foreign exchange differences on monetary items and the result coming from losses from operational activity (net loss lower than Euro 0.1million).

	2016	2015
16. Personnel expenses	6,826	7,267

Details are presented below:

Salaries and wages	5,031	4,494
Social security charges	743	676
Contributions to defined contribution pension plans	343	129
Expenses related to defined benefit pension plans	-550	676
Bonus expenses	1,076	1,160
Other	183	132
Total staff expenses	6,826	7,267

The remuneration of the Management Board in 2016 was Euro 1.0 million, composed of salary and bonus, comparable with Euro 1.2 million in 2015. The contributions made for the defined pension plans amounted to Euro 40 thousand (2015: Euro 35 thousand).

The average number of full time equivalent employees in 2016 was 48.5 (2015: 41.4).

The remuneration to the Supervisory Board was Euro 118 thousand in 2016 (including VAT) relevant to 2 members, consistent with the previous year (2015: Euro 118 thousand).

Employee benefits

Defined benefit pension plan – curtailment on 1 June 2016

EuroCCP provided a defined benefit pension plan for its employees in Amsterdam until 31May 2016. Starting 1 June 2016, the pension plan was replaced by a defined contribution pension plan.

The pension plan is a career average pension plan with unconditional indexation of accrued benefits for employees and it is fully insured with the insurance company Zwitterleven (a trading name of SRLEV N.V.). The insurance contract is a guarantee contract whereby accrued benefits are insured and covers a five year period ending on 31 March 2016, extended by two months, ending on 31 May 2016. The assumption for the pension accrual was fixed at a rate of 3%. Due to the nature of the indexation, annual lump sums were previously paid by EuroCCP for the indexation of accrued active pension benefits.

The plan assets of EuroCCP participated in the annual profit of the insurance company Zwitterleven, with a guaranteed return of 3%, the

profits being determined based on the results of Zwitserleven at each year end. The fair value of the plan assets is defined as the net present value of the insured cash flow (including potential profit sharing).

Benefit expense represents the amount recognised in statement of profit and 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 of the net defined benefit liability, comprising actuarial gains and losses, return on plan assets and the effect of the asset ceiling (excluding interest) were immediately recognised in other comprehensive income. Net interest on the defined benefit liability/(asset) was 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 the defined benefit obligation and interest on the effect of the asset ceiling. Past service cost represented the change in the present value of the defined benefit obligation resulting from a plan amendment.

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 rate applied by the insurance company to determine the premium equals 3%, which is higher than the discount rate.

An assumption has been made for an allowance 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 were a separate component of the service cost. Past service costs were recognised immediately in the statement of profit and loss.

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

The economic assumptions currently used were as follows:

- an annual discount rate of 2.5% at the beginning of 2016 and 2.1% as per 1 June 2016, 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 on the long term expectation for inflation in the Euro zone;
- general wage increases and career increases assumed an annual general increase of 2.5% and an age-related scale reflecting promotional increases;
- cost of living adjustments for active participants: accrued benefits of active participants will be increased annually at a rate of 2.5%; this indexation is unconditional based on the general wage increase;
- cost of living adjustments for non-active participants: current and future pension payments will increase at an average rate of 0% per year.

The demographic assumptions used are as follows:

- mortality rates used are based on “AG Prognosetafel 2014” and Willis Towers Watson mortality experience factors, as published;

- disability rates are based on an adjustments of 60% of the standard table of “Verbond van Verzekeraars”.

A plan amendment occurs when an entity introduces or withdraws a defined benefit plan or changes the benefits payables under an existing defined benefit plan.

A curtailment occurs when an entity significantly reduces the number of employees covered by the plan. The changes are immediately recognised in the statement of profit and loss. Gains and losses on the settlement of a defined benefit plan are recognised when the settlement occurs.

On 1 June 2016 a curtailment in the defined benefit pension plan took place.

Post-employment benefit	1 June 2016	2015
Statement of profit and loss		
Current service cost	265	639
Interest cost	12	24
Administrative expenses	6	13
Past services on amendments and curtailments	-833	-
Benefit income (-) / cost (+)	-550	676

Other comprehensive income

Actuarial gain (-) / loss due to liability experience	-111	1
Actuarial (gain) /loss due to liability assumption changes	59	-100
Return on plan assets greater than discount rate	-32	-45
Other adjustments	-	-
Re-measurement effects recognised in OCI	-84	-144
Total benefit income (-) / expense (+) recognised in statement of comprehensive income	-634	532

The amounts recognised in the statement of financial positions are as follows:

	1 June 2016	2015
Present value of funded obligations	2,422	3,000
Fair value of plan assets	-2,427	-2,311
Present value of net obligations / assets (-)	-	-
Unrecognised past service cost	-	-
Unrecognised actuarial losses (-) / gains	-	-
Net asset (-) / liability (+) for defined benefit obligations	-5	689
Provision for pension commitments	-	-
Pension assets	-	-
Net recognised asset (-) / liability (+) for	-5	689

defined benefit obligations

After curtailment, the positive funded status of Euro 5 thousand was returned to EuroCCP.

Movements in defined benefit obligations are as follows:

	1 June 2016	2015
Balance as at 1 January	3,000	2,390
Employer service cost	271	652
Interest cost	39	73
Employee contributions	-	-
Actuarial gains/ losses (-)		
Experience adjustment	-111	1
Financial assumptions adjustment	59	-100
Demographic assumption adjustment		
Administrative expenses paid	-3	-15
Benefits paid	-	-1
Acquisitions / disposals (-)	-	-
Past service on plan amendments and curtailments	-833	-
Balance as at end of period	2,422	3,000

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

	1 June 2016	2015
Balance as at 1 January	2,311	1,908
Return on plan assets	32	45
Financial gains/(losses)	26	50
Employers contribution	61	324
Benefits paid	-	-1
Administrative expenses paid	-3	-15
Balance as at end of period	2,427	2,311

Defined contribution pension plan

By 31 December 2016, all EuroCCP employees benefited from defined contribution pension plans. The amount paid to defined contribution pension plans of employees in Amsterdam, Stockholm and London amounted to Euro 343 thousand in the statement of profit and loss; the amount for 2015 was Euro 129 thousand.

	2016	2015
17. Depreciation and amortisation	723	476

Details of depreciation and amortisation expense are presented below:

Depreciation expense	219	204
Amortisation expense	504	272
Total depreciation and amortisation	723	476

	2016	2015
18. Other operating and administrative expenses	10,029	8,655

Details of other operating and administrative expenses are presented below:

Technology and system costs	5,364	5,091
External staff	1,720	878
Audit, legal and compliance expenses	676	504
Consultancy	858	681
Travel and representation expenses	240	238
Rental expenses	409	531
Other	762	732
Total other operating and administrative expenses	10,029	8,655

The allocation of total operating and administrative expenses was as follows:

Expenses related parties	2,922	3,109
Expenses third parties	7,107	5,546
Total other operating and administrative expenses	10,029	8,655

Operating and administrative expenses increased by Euro 1.4 million compared with previous year, mainly due to market development projects and research for clearing other products, with impact on technology and system costs but also on consultancy, audit, legal and compliance expenses.

External auditor's fee

The remuneration to be paid to the external auditor amounted to Euro 173 thousand for the audit of the financial statements and Euro 18 thousand for non-assurance engagements related to the Regulation EuroCCP Investment Policy (2015: Euro 116 thousand and Euro 18 thousand respectively).

	2016	2015
19. Income tax	1,242	1,556
The details of the corporate income tax are presented below ("-" is profit in this particular note):		
Current tax expense for the current period	1,522	1,576
Adjustment recognised in the period for current tax of prior periods	-113	22
Deferred tax expense arising from previous period	-167	-78
Total income tax expenses	1,242	1,520
Income tax relating to other comprehensive income	10	37
Total income tax	1,252	1,557

The effective tax rate was 20% in 2016, lower than previous year's effective tax rate of 24%. During 2016, the corporate income tax was 25% in the Netherlands.

Post-balance sheet events

New rental agreement for Amsterdam office premises

In March 2017 EuroCCP entered into a new rental agreement for the Amsterdam office premises in the World Trade Center Amsterdam. The contract term is six years, effective as of September 2017.

Distribution of profit

Provisions on profit appropriation of the company are set out in article 23 of the Articles of Association.

Article 23.1

‘The authority to decide over the allocation of profits determined by the adoption of the annual accounts and to make distributions is vested in the General Meeting, with due observance of the limitations prescribed by the law.’

Article 23.2

‘Distributions may be made only up to an amount which does not exceed the amount of Distributable Equity and, if it concerns an interim distribution, the compliance with the requirement is evidenced by an interim statement of assets and liabilities as referred in Section 2:105, subsection 4, of the Dutch Civil Code. The Company must deposit the statement of assets and liabilities at the office of the Commercial Register within eight days after the day of which the resolution to make the distribution is published.’

Article 23.3

‘The authority of the General Meeting to make distributions applies to both distributions at the expense of non-appropriated profits and distributions at the expense of any reserves, and to both distributions on the occasion of the adoption of the annual accounts and interim distributions.’

Article 23.4

‘A resolution to make a distribution will not be effective until approved by the Management Board. The Management Board may only refuse to grant such approval if it knows or reasonably should foresee that after the distribution the Company would not be able to continue to pay its debts as they fall due.’

The Management Board proposes to the General Meeting, that the net profit for 2016 will be added to retained earnings.

Legal procedures

EuroCCP is not involved in court procedures.

Amsterdam, 21 April 2017

Management Board:

Diana Chan

Albert-Jan Huizing

Arnoud Siegmann

Supervisory Board:

Jan Bart de Boer

Andrew Gray

Mark Hemsley

Lauri Rosendahl

Peter Bezemer

Iain Saville

Independent auditor's report

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

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2016 of European Central Counterparty N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of European Central Counterparty N.V. as at 31 December 2016 and of its result and its cash flows 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the statement of financial position as at 31 December 2016;
2. the following statements 2016: the statement of profit and loss, the statements of total comprehensive income, changes in shareholders' equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements section of our report.

We are independent of European Central Counterparty N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Letter from the CEO
- About us
- Governance and organisation
- Report from the Management Board
- Report of the Supervisory Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management board's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

For a further description of our responsibilities in respect of an audit of financial statements, we refer to the website of the professional body for accountants in the Netherlands (NBA): www.nba.nl/Engels_nietoob_2016.

Amstelveen, 21 April 2017
KPMG Accountants N.V.

N.C. Paping RA

