Euroclear plc

Consolidated financial statements
and parent company financial statements
at 31 December 2009

(Registered number: 106.08.02)

Directors' report

The Directors of Euroclear plc are pleased to present their report, together with the audited consolidated financial statements of Euroclear plc and its subsidiaries (the 'group'), for the year ended 31 December 2009 A review of the group's business, results for the year and future developments, along with a description of the principal risks and uncertainties facing the group, is set out in the annual report within the Chairman's statement on page 12, the Chief Executive's review on page 16 and the Financial review on page 84, all of which should be read in conjunction with this report

Results and dividends

The group results for the year are shown in the consolidated income statement on page 10 The loss attributable to the Company's ordinary shareholders for the year ended 31 December 2009, including an impairment charge of €185 million, amounted to €38 million compared with a €262 million profit for the year ended 31 December 2008

The Board is pleased to propose a final dividend of €11 46 (2008 €20 49) per ordinary share for payment on 11 June 2010 to shareholders on the register at the close of business on 30 April 2010 This dividend is evidence that even in the current difficult market conditions, the group stays committed to deliver long-term value to shareholders, it leaves sufficient means for the group to finance its strategic objectives

Principal activities

The Company is a holding company which owns, directly or indirectly, the entire issued ordinary share capital of various companies operating in the European post-trade market infrastructure, including, inter alia, Euroclear SA/NV, Euroclear Bank, Euroclear Belgium, Euroclear France, Euroclear Nederland, Euroclear UK & Ireland, EMX Company Limited (EMXCo), Euroclear Finland and Euroclear Sweden and the recently acquired Xtrakter Limited (Xtrakter) (full list is provided in Note II on pages 99 and 100 of the parent Company financial statements)

These main group companies are engaged principally in providing clearance and settlement systems and related services for domestic and international securities transactions, covering bonds, equities, investment funds and derivatives While Euroclear SA/NV provides system development and support services, the other entities mentioned act as Central Securities Depositories (CSDs) for Belgian, Dutch, Finnish, French, Irish, Swedish and UK securities whilst Euroclear Bank acts as an International CSD (ICSD) for international securities EMXCo acts as an investment-fund order-routing company

On 30 April 2009, Xtrakter became part of the Euroclear group Xtrakter is a provider of market data, operational risk management, trade matching and regulatory reporting services to the global capital market Xtrakter also provides information services for fixed income instruments and owns a system named TRAX, a trade matching and transaction reporting system

Business review

Key business parameters

The Euroclear group's financial performance is measured in terms of net fee income and net interest income set against operating costs These were influenced by several key drivers in 2009

- Net fee income is mainly a function of the value of securities deposited in the group's (I)CSDs, the number of settlement transactions and the daily value of collateral provision outstanding The billing of bonds is based on nominal value and provides a stable base, while for equities their market value is taken into consideration, as detailed in the 'Performance highlights' section on page 6 of the annual report
- Net interest income is derived mainly from the prevailing interest rates and the level of cash balances deposited by clients

  While the level of clients' cash balances throughout 2009 confirmed that Euroclear is perceived as a low risk counterparty and safe harbour, the record low interest rates had a negative impact on interest earnings
- Operating expenses decreased significantly in 2009, confirming the effectiveness of the cost containment programme

Operating highlights

- The value of securities held for Euroclear clients at the end of 2009 was a record of €20 2 trillion, 12% higher than the €18 1 trillion at year-end 2008
- Turnover, or the value of securities transactions settled, was €513 5 trillion in 2009, an 8% decrease compared with the €559 8 trillion reported in 2008 This was largely due to lower overall trading activity
- The number of netted transactions settled in the Euroclear group increased by 14% to a record 179 6 million in 2009 compared with 157 3 million in 2008
- The combined daily value of collateral provision outstanding in Euroclear Bank and Euroclear UK & Ireland rose by 28% in 2009 to €544 2 billion from €424 3 billion at the end of 2008

Reinforced reputation in 2009 despite market conditions

While the 2008 financial crisis, and the economic recession that followed, made 2009 a challenging year for all market players, Euroclear's low risk profile and strong risk management culture have contributed to protect the Company's solid reputation

Operating income for the year amounted to €934 million, €204 million less than in 2008 The loss for the year reached €38 million, including a €185 million impairment charge, compared with a €262 million profit in 2008

In 2009, in line with its commitment to share economies of scale with the market, Euroclear announced further tariff reductions

The 2009 end-of-year headcount decreased by 221 full-time equivalents compared to 2008 (excluding the employees from Xtrakter that joined the group in 2009), as a result of non-replaced departures following the external hiring freeze across the group and successful deployment of staff due to our internal mobility programme

Financial performance highlights

The detailed results for the year are set out on page 10 of the financial statements

Loss for the year reached €38 million for Euroclear plc consolidated, due to the difficult market conditions in 2009, especially the interest rate environment, and a €185 million impairment on ESES, Euroclear UK & Ireland and NCSD In 2008, Euroclear plc's profit reached €262 million

The normalised profit for the year reached €111 million, when excluding the impairment charge, the dividend received from LCH Clearnet group Limited, the realised gain on the redemption and sale of LCH Clearnet Group Limited shares and the realised gain on the re-purchase of Hybrid Tier I debt

	€ million
Loss for the year	**(38)**
Adjustments	
Impairment charge	185
Dividend received from LCH Clearnet Group Limited	(18)
Realised gain on disposal of LCH Clearnet Group Limited shares	(17)
Realised gain on re-purchase of Hybrid Tier I debt	(2)
Tax effect of the above	1
Normalised profit after tax for the year	**111**

Operating income reached €934 million, 18% below 2008, whereby the decrease in interest income accounts for 91% of the reduction The income for 2009 includes the €18 million dividend received on the participation in LCH Clearnet Group Limited and the €17 million capital gain following the redemption and sale of Euroclear's participation in LCH Clearnet Group Limited

Net interest income reached €98 million, a 65% reduction compared to 2008, due to historically low interest rates throughout the year The USD and EUR overnight interest rates decreased, on average, from 2 1% and 3 6% in 2008 to 0 2% and 0 6% respectively in 2009 Average deposits dropped by 9% and average overdrafts by 42% as clients' focus on liquidity management and reduction of interest costs increased Interest income in Euroclear stems principally from Euroclear Bank's overnight redeposits of clients' cash balances It also stems from the investment of Euroclear Bank's capital, retained earnings and the proceeds from subordinated debt

Net fee and commission income, decreased by 6% to €759 million, reflecting the impact of market conditions and tariff reductions to maintain the competitiveness of the group Net fees and commission income represents 81% of 2009 total operating income A significant share of Euroclear's fees and commission income is generated by fixed income securities and in particular by the depot, for which safekeeping fees are charged on the nominal amount Furthermore, the large government stimulus packages financed by debt issuance helped sustain business resilience in Euroclear, which contributed to protecting group revenues

Administrative expenses decreased by 5% to €749 million in 2009 as a significant multi-year cost reduction programme built on a large range of measures such as Lean (to increase efficiency and improve productivity), automation and procurement spend management initiatives covering all non-personnel related expenses, The programme started in 2008, was pursued and extended It is aimed at reducing the operational cost base by about 25% by 2012 compared to 2008 plans (using comparable bases), with a significant part of the effort frontloaded in 2009-2010 At the end of 2009, costs had been reduced by 18% against this objective

On a fully comparable basis, the cost base decreased by 12% in 2009

Operating loss before tax reached €0 5 million, compared with an operating profit of €347 million in 2008, reflecting the consequences on income of the difficult market conditions and goodwill impairment

Impairment charges were recognised for a total amount of €185 million, split between ESES €10 million, Euroclear UK & Ireland €75 million and NCSD €100 million This is due essentially to the expected impact of TARGET2 Securities (T2S), expectations that market recovery will be slow and moderate in the aftermath of the financial crisis and some specific market developments

Dividend on 25 March 2010, the Directors decided to recommend a dividend distribution to shareholders of €43 9 million, representing €11 46 per share (compared with €20 49 per share in 2008) This dividend level is in line with Euroclear's multi-year dividend policy and reflects Euroclear's continued commitment to ensuring shareholders are adequately remunerated for their capital investment, as well as the objectives of the group regarding capital strength under the current market environment

Balance sheet total assets stood at €11,003 million on 31 December 2009, down €2,447 million on the previous year Throughout the year, the level of deposits and loans is influenced to a large extent by the level of settlement activity in Euroclear Bank

Total shareholders' equity decreased by 3% to €3,133 million in 2009 This variance is mainly explained by the payment of the 2008 dividend in June (€78 5 million) and the loss of the year after impairment (€38 million)

The group continues to have strong regulatory capital with Tier 1 and total ratios of 34% at the end of 2009 compared with 44% at the end of 2008

Share capital

The share capital of Euroclear plc on 25 March 2010 is as shown in the table

(€ Denominated)	Authorised		Issued	
	Number	Nominal value	Number	Nominal value
Ordinary shares of €1 each	3 330 556	3 330 556	3 330 556	3 330 556
'S' shares of €1 each	500 120	500 120	500 120	500 120
Unclassified shares of €1 each	169 324	169 324	-	-
Total	4 000 000	4 000 000	3 830 676	3 830 676

(£ Denominated)*				
Preferred non-voting redeemable sterling shares of £1 each	50 000	50 000	50 000	50 000

Under International Financial Reporting Standards (IFRS), the preferred non-voting redeemable sterling shares are considered as debt in the consolidated financial statements of the group

Post balance sheet events

There have been no significant events between the year end and the date of approval of these accounts which require recognition or disclosure in the financial statements

Business development

The Euroclear group's philosophy is that the best way to provide shareholders with returns over the medium term is to look after its clients so that they continue to keep business with, and to bring new business to, the Company That requires Euroclear to be able to help clients handle extreme market events, to maintain low-risk systems for the settlement of transactions and the safekeeping of client assets, and to retain a high quality staff Above all, the ability to retain and attract business requires investment in new services and facilities

Market conditions in 2009 mean that there is now an even greater need to develop solutions that provide for greater transparency, lower risk and increased access to liquidity, with market infrastructures the natural providers of generic solutions for the market

ESES successfully launched

ESES, the multi-market transaction processing platform for harmonised settlement and custody services for the Euronext market, was successfully completed in January 2009 With ESES in place, clients can settle cross-border transactions between Belgium, France and The Netherlands as domestic transactions Euroclear Bank adapted its procedures accordingly following the launch

Increasing efficiency through integration

Throughout 2009, good progress was made in integrating the entities that recently joined the Euroclear group

By integrating EMXCo's fund order routing services with our fund offerings in the (I)CSDs, we have been working to provide a global, end-to-end automated fund processing service In 2009, we rolled out the second phase of the link between EMXCo and Euroclear UK & Ireland This provides the UK funds industry with the first automated, integrated order routing and settlement service through a single point of input

Euroclear's acquisition of Xtrakter in 2009 has already benefited mutual clients of Euroclear Bank and Xtrakter through the use of automated transaction information flows, from trade matching to settlement This eliminates trade matching duplication, and reduces the number of unsettled transactions, post-trade costs and risks

Some of the group CSDs already have well developed issuer services, including Euroclear Finland and Euroclear Sweden, and we are looking to extend such services across all our CSDs The European Commission is working on new legislation to remove the barriers that currently force issuers to issue securities in their own domestic market, which would further enable issuers to choose where they issue securities As a result, our CSDs are poised to attract more issuance, and more revenues, if we develop competitive issuer services across the CSDs of the group

Single Platform modified approach to meet changing market needs

Development of the Single Platform further progressed in 2009

While maintaining our key goal of removing systems fragmentation, and harmonising differing local market standards and practices in the European markets we serve, we revised the roll-out plan for the Single Platform in response to the changing financial and competitive landscape

This will allow us to better take advantage of the opportunities offered by the European Central Bank's T2S settlement platform Immediate focus is on those areas where there is currently a strong market need the standardisation for corporate actions and the need for efficient liquidity generation throughout the financial sector A key element also remains the Common Communication Interface (CCI), which will provide all Euroclear clients with an industry-standard single access to our services

We intend to continue to develop the project to bring the processing of client transactions onto a single platform and provide a single point of access for clients of the group's six CSDs and Euroclear Bank Considering the difficulties that Euroclear has encountered in Single Platform Custody testing, Euroclear is proceeding with the Single Platform in a more modular fashion, phasing the efforts required both by Euroclear and the market to provide greater reliability both in the requirements and in the timetable

Ongoing service enhancements with a flexible approach

In addition to the major service improvements that the Single Platform will deliver, we continue to focus on areas where we can make a difference now, especially where new needs have arisen as a result of the financial crisis

Addressing the need for increased liquidity, in 2009 Euroclear Bank launched an automated collateral allocation interface between its triparty module and the collateral management systems of several central banks

Euroclear Bank also extended its coverage to the Korean market in 2009 Euroclear's heightened presence in Asia has also allowed Euroclear Bank to become the first ICSD to launch same-day cross-border settlement services for four Asian markets and to open the real-time processing window earlier in the day In Europe, extended deadlines introduced in 2009 for eight countries now enable clients to input instructions as close as possible to the local market deadlines

In 2009 Euroclear Bank introduced a dedicated EquityReach operations department, providing clients with a comprehensive end-to-end equities service with increased dedicated support for both custody and settlement This offering is proving attractive to clients, with our efficient Euronext equities service seeing continued take-up from leading international broker dealers

Working to improve transparency

With the prospect of increased regulation after the crisis has come the need for increased transparency

Euroclear Bank's DerivManager, designed to help derivatives market players mitigate bilateral counterparty risk for their entire OTC derivatives activity, was upgraded in 2009 to increase user-friendliness

In addition, we are playing an active role in the loans market, following the launch of Euroclear Bank's LoanReach in 2008 In 2009 the launch of an automated trade matching service was a first major step towards reducing operational risk – providing greater transparency and increasing efficiency

Research and development

For the sixth consecutive year, the Euroclear group has invested heavily in research and development as part of the implementation of the new business model These investments are linked to the resolution of functional and technological challenges related to

- consolidation the setup of IT programmes capable of processing the consolidated volumes of transactions,
- harmonisation the development of the single communication layer for our clients including standard messages,
- performance the development of sophisticated algorithms capable of supporting even extreme requirements in terms of overall settlement efficiency and peak settlement, and
- resilience the development of synchronous procedures in our data centres capable of supporting high volumes, high security features and a wide range of operating systems

The group continues to invest in market research in line with its mission to provide increasingly commoditised market infrastructure services

Euroclear is a founding member of TransConstellation, an organisation promoting Belgium as a centre of excellence in financial transaction processing During 2009, a number of Euroclear group employees attended the training modules offered by the TransConstellation Academy, a training centre run in collaboration with the Solvay Business School in Brussels

Risk management in the Euroclear group

Euroclear was not directly affected by the risks that materialised during the financial crisis and continued to ripple through the real economy in 2009 This high degree of insulation reflected the single purpose orientation of the group, as well as its low risk profile and its track record of conservative risk management The group did of course see indirect effects through business volumes and enhanced stakeholder interest in risk management and controls

Well established risk management culture and rigorous standards

Euroclear has a well established risk management culture, shared by all areas of the organisation Risks are managed under a comprehensive Enterprise Risk Management (ERM) framework, with policies related to each of the relevant risks and a governance structure that makes clear the responsibilities for monitoring and control

Euroclear's ERM framework is based on relevant market and regulatory standards These include the work of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which has established a common internal control model against which companies may assess their control systems They also include ISO 31000 2009 principles and generic guidelines on risk management and ISO 27001 2005 for Information Security, as well as standards and guidelines issued by the Basel Committee on Banking Supervision The larger Euroclear entities publish audited Statement on Auditing Standards (SAS) 70 control reports to inform clients and other stakeholders about their control environments In addition, each of the group CSDs and Euroclear Bank complete and publish annually the Disclosure Framework for Securities Settlement Systems, which is one of the requirements for compliance with the Recommendations for Securities Settlement Systems, published by the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR), and by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO)

In 2009, Euroclear continued to implement Basel II Euroclear worked towards fulfilling the terms and conditions that accompanied the accreditation received in 2008 from the Belgian Banking, Finance and Insurance Commission (CBFA) to use the AMA to calculate capital requirements for operational risk under Pillar 1 A final regulatory decision on the AMA methodology is expected in the coming months After finalising its Internal Capital Adequacy Assessment Process (ICAAP) framework under Pillar 2 in 2008, Euroclear ensured that it was implemented at the level of the relevant entities In December 2009, the CBFA initiated the Supervisory Evaluation Process under Pillar 2, the process is ongoing and the prudential supervisor plans to prepare a letter to be sent to Euroclear soon Finally, Euroclear made a public disclosure in line with Pillar 3 of Basel II for the second time in 2009

That report was extended compared to the previous year with, for example, the inclusion of a chapter on liquidity risk management

In 2010, Euroclear will continue to strengthen IT change management and associated activities, in view of the important launch schedules for the major Single Platform programme and will further strengthen financial controls

The self-assessment processes that form part of Euroclear's ERM framework will be fully based on the controls maturity model

In 2010, Euroclear will also focus on, among other things, stress-testing liquidity risk, and on following regulatory developments closely, with a view to ensuring that forthcoming regulations do not unintentionally affect the efficient and proper functioning of securities markets and Euroclear's role as a market infrastructure

Banking risk management

Euroclear Bank manages its banking risks according to demanding standards

The specific role of Euroclear Bank in financial markets offers a high level of protection against **credit risk** As a settlement institution, its exposures are concentrated within a business day, which significantly limits the probability of an unanticipated default, all the more so as Euroclear Bank's client base consists mainly of highly-rated banks and other financial institutions, such as central banks In addition, Euroclear Bank almost exclusively grants credit secured by high quality collateral, with close to 99% of its client credit exposure collateralised In addition, Euroclear Bank also incurs treasury exposure resulting from the placing of clients' end-of-day positions in the market with high quality counterparties, using repos whenever possible

Liquidity is necessary for Euroclear Bank to perform its settlement operations efficiently Euroclear therefore has a strong **liquidity risk** management framework, whereby net funding requirements are adequately measured and monitored The framework also allows for a high level of preparedness to cope with unexpected liquidity shocks caused by either an operational or credit event To be able to cover such liquidity shortfalls, Euroclear Bank has reliable and tested committed contingency liquidity sources and it is rolling out the legal and operational means to re-use immediately the collateral pledged by its customers, up to the level of their debits

For its daily liquidity needs, Euroclear Bank can rely upon a large network of cash correspondents and settlement banks and direct access to TARGET2 With its excellent name in the market, Euroclear Bank has access to a broad range of counterparties

Market risk arises as a by-product of the investment of Euroclear Bank's capital, and from variations in business earnings and hedging strategy The interest rate and foreign exchange risks that it faces are limited by the risk tolerance level set by Euroclear Bank's Board of Directors This is determined by the economic capital allocated annually for such risks, This is reinforced by internal daily market limits, such as Value at Risk, and legal or regulatory limits

Euroclear Bank enters into currency forwards in order to protect its revenue stream from adverse movements in foreign exchange rates, such transactions are classified as cash flow hedges In addition, forex hedging is used by the companies of the Euroclear group to economically hedge the fair value of some specific liabilities expressed in foreign currencies

Finally, Euroclear SA/NV hedges its foreign currency exposure associated with its net investment in foreign subsidiary undertakings Unrealised and realised exchange gains and losses are recorded on the balance sheet until the disposal of the net investment with the relevant amount being transferred to the income statement when a dividend is received As a general rule, such hedge contracts are rolled over every three months

Under IFRS, the results of interest rate derivatives contracts qualifying as hedges under Belgian GAAP must be recorded directly in the income statement

Going concern

Note III, on pages 22 to 40 of the financial statements, includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The group has appropriate financial resources and, as a consequence, the Directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the Directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that Euroclear plc has adequate resources to continue to operate for the foreseeable future For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements

Disclosure of branches

Euroclear SA/NV operates three branches in Amsterdam, London and Paris and in April 2008, Euroclear Bank opened a branch in Hong Kong

Directors

The Directors of the group who have held office during the period 1 January 2009 to the date of this report are listed on page 118

Directors' interests

The Directors of Euroclear plc have no interest in the shares or in options over shares of the parent company, or any of the other companies in the group

Directors' options

Directors of Euroclear plc do not participate in a stock option scheme

The Belgian-based members of the Euroclear SA/NV and Euroclear Bank SA/NV Management Committees and certain members of their senior management participate in a stock option scheme Under the overall group remuneration strategy approved by the Board of Directors, participants in the scheme receive up to 10% of their variable compensation in the form of stock options

Under the current plan, the Company grants stock options on shares in the Sicav ING (L) Invest EMU Equity (Cap) Simultaneously, the Company buys stock options on the Dow Jones Eurostoxx 50 in order to cover its exposure

Corporate governance

The Euroclear group's commitment to high standards of corporate governance continued throughout 2009 Full details of the initiatives undertaken by the group in relation to corporate governance are set out on page 70 of the annual report

Market value of land and buildings

Euroclear Bank owns 51% of an office building in Brussels through a joint venture between its wholly-owned subsidiary, Calar Belgium, and Cabesa which has the remaining 49% interest in the property Calar Belgium's interest in the building is now recorded in the consolidated balance sheet at a depreciated cost of €32 million

Euroclear France owns two office buildings located in the Paris area, minor portions of which are subject to third party rental agreements The buildings are recorded in the consolidated balance sheet at a total depreciated cost of €11 million

Euroclear Properties France also owns property in the Paris area These premises host one on the group's data centres and are included in the consolidated balance sheet at a depreciated cost of €17 million

There is no indication that the related market values would differ significantly from these depreciated costs

Euroclear people

Like all financial institutions, Euroclear faces increased pressure from competitors and the continuing challenge of decreasing its operating costs In order to remain competitive we have decreased our headcount in 2009, for the first time in our history and it is expected that further headcount reduction might be necessary in the years ahead of us To achieve these headcount reduction objectives we have given priority to internal staff mobility and we encourage staff to take on temporary assignments across the group

Euroclear recognises that employee training and development and strong leadership have strategic importance in helping the Company achieve its business mission and objectives

In line with our continuing focus on service excellence and our commitment to listening to our people, Euroclear also works to maintain a constructive relationship with our different social partners

In this more competitive and changing environment, our people remain more than ever our most valuable asset This is why we are committed to continue to provide our people with opportunities for growth

Corporate social responsibility

As the financial crisis has shown, it is important for companies to be aware of the social and economic impact of their operations Long-term sustainability and professional competence are the foundations upon which Euroclear has built its leadership of the past 40 years, and with which we aim to continue to lead, including in our corporate responsibility strategies

We strongly believe that demonstrating social and environmental leadership helps to build the trust of the public and of employees, and can strengthen a Company's reputation among all its stakeholders, including its shareholders and clients It is our view that companies that recognise the value of corporate responsibility are better able to attract and retain employees who are both technically proficient and inclined to think long term

Our core corporate responsibility is intrinsic to our specific role as a leading provider in post-trade market infrastructure services in the domestic and international financial markets We have succeeded in bringing stability during the financial crisis and its aftermath, thanks to our long-standing, consistent adherence to low-risk policies and the resilience of the state-of-the-art processing infrastructure we have built in recent years

In parallel, as a user-owned, user-governed organisation, we have a duty to deliver for the long-term benefit of the market by continuously enhancing efficiency, thereby reducing the cost and risks for the markets we serve This in turn can contribute to the creation of wealth and well-being Our ongoing work to integrate systems and harmonise market practices helps to create a more efficient market

Euroclear is also convinced of the value of corporate responsibility in its more conventional sense We have robust policies and a variety of initiatives in place to protect and offer opportunities to people, both within and outside of the Company We attach the utmost importance to equality, integrity and ethical conduct and are firmly committed to health and safety We also aim to minimise the use of our planet's resources, while making sustainable business decisions in the best interests of the group

Euroclear supports and contributes to the development of the community by providing financial assistance and other forms of support to social not-for-profit associations We encourage and support charities in the countries where Euroclear operates, in particular those in which our staff or their relatives are personally active

Charitable contributions

The total charitable donations given by the group and its subsidiary undertakings during the year ending 31 December 2009 was €496,000, a portion of which was donated through the individual 'gift matching' scheme in which Euroclear offers to match every donation its employees make to charitable organisations that meet the programme's criteria Part of the donations, €95,000, is paid to charitable organisations in the United Kingdom

Employment of disabled persons

A policy of non-discrimination underpins Euroclear's employment policy Opportunities are provided for people with disabilities according to their capabilities

Supplier payment policy

The group's policy concerning the payment of its trade creditors is to discharge suppliers' invoices for the provision of goods and services in conformity with the terms and conditions of the purchase within previously agreed payment terms For all trade creditors, it is the group's policy to agree the terms of payment at the start of trading with that supplier (usually 30 days after receipt of invoice), ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other legal obligations

Political donations

No political donations were made during the year

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Non-statutory audit services

The amount of fees charged to Euroclear plc and its subsidianes for non-statutory audit services amounted to €728,000 Details of fees for audit and non-audit services are provided in note XIII on page 53 of the financial statements

Auditors

PncewaterhouseCoopers LLP have indicated their willingness to continue in office A resolution to reappoint Pncewaterhouse Coopers LLP as auditors of the group will be proposed at the forthcoming Annual General Meeting on 27 May 2010

Insurance

Directors benefit from Directors' and officers' liability insurance purchased by the Company

By order of the Board

Nigel Wicks

Sir Nigel Wicks
Chairman of the Board
25 March 2010

Statement of Directors' responsibilities

In relation to the financial statements

The following statement, which should be read in conjunction with the independent auditors' reports on pages 94 and 117, is made with the purpose of distinguishing for shareholders the responsibilities of the Directors from those of the auditors in relation to the financial statements

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union In preparing the group financial statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB) The financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company at the end of the financial period and of the profit or loss of the group and the parent company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS as adopted by the European Union and IFRS issued by IASB, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy and at any time the financial position of the group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the parent company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group web site, www euroclear com Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each person who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006

By order of the Board

Nigel Wicks

Sir Nigel Wicks
Chairman of the Board
25 March 2010

Consolidated income statement
For the year ended 31 December 2009

(€000)	Notes	2009	2008
Interest income	VI	138,174	531,790
Interest expense	VI	(39,944)	(247,995)
Net interest income		98,230	283,795
Fee and commission income	VII	1,103,468	1,214,922
Fee and commission expense	VII	(344,743)	(407,131)
Net fee and commission income		758,725	807,791
Net interest and fee income		856,955	1,091,586
Dividend income	VIII	17,814	4,451
Realised gains on available-for-sale financial assets	IX	33,770	-
Realised gains on financial liabilities measured at amortised cost	X	2,088	-
Net gains on financial assets and liabilities held for trading	XI	10,452	19,050
Net gains/(losses) on foreign exchange		(2,141)	10,251
Other operating income	XII	14,829	12,739
Operating income		**933,767**	**1,138,077**
Administrative expenses	XIII	(749,346)	(790,768)
Impairment	XIV	(184,912)	(272)
Operating profit/(loss) before tax		**(491)**	**347,037**
Taxation	XV, XVI	(37,900)	(85,356)
Profit/(loss) for the year		**(38,391)**	**261,681**

For the companies included in the group, see Note II to the parent company financial statements

The Notes on pages 15 to 93 form part of these financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2009

		2009			2008		
(€000)	Notes	Gross	Tax	Net	Gross	Tax	Net
Changes in Other comprehensive income							
Available-for-sale financial assets	XIX, XXXVI	(10 351)	(65)	(10,416)	6,672	(3,080)	3,592
Cash flow hedges	XXII, XXXVI	(2,596)	1,163	(1,433)	(169)	(223)	(392)
Hedge of net investments in foreign operations	XXII, XXXVI	(13,966)	-	(13,966)	21,701	-	21,701
Foreign currency translation reserve	XXXVI	27,453	-	27,453	(49,925)	-	(49,925)
Defined benefit plans	XXXII	10,877	(3,384)	7,493	(34,929)	11,515	(23,414)
Other comprehensive income for the year		**11,417**	**(2,286)**	**9,131**	**(56,650)**	**8,212**	**(48,438)**
Profit/(loss) for the year		**(491)**	**(37,900)**	**(38,391)**	**347,037**	**(85,356)**	**261,681**
Total Comprehensive income for the year		**10,926**	**(40,186)**	**(29,260)**	**290,387**	**(77,144)**	**213,243**

The Notes on pages 15 to 93 form part of these financial statements

Consolidated statement of financial position

As at 31 December 2009

(€000)	Notes	2009	2008
Assets			
Cash and balances with central banks	XVII	945,344	1,020,166
Loans and advances	XVIII	6,544,348	8,735,921
Available-for-sale financial assets	XIX	1,274,321	1,103,176
Held-to-maturity financial assets	XX	298,729	299,551
Financial assets held for trading	XXI	6,022	19,251
Derivatives used for hedging	XXII	268	5,123
Current income tax assets	XV	16,845	21,957
Deferred income tax assets	XVI	155,845	155,241
Other assets	XXIII	252 228	369,073
Pre-payments and accrued income	XXIV	89,066	97,462
Property, plant and equipment	XXV	127,015	145,376
Goodwill and intangible assets	XXVI	1,292,508	1,478,082
Total assets		**11,002,539**	**13,450,379**
Liabilities			
Deposits from central banks	XXVII	1,493,662	469,757
Deposits from banks and customers	XXVIII	5,542,157	8,546,623
Financial liabilities held for trading	XXI	4,136	5,667
Derivatives used for hedging	XXII	2,663	2,142
Other liabilities	XXIX	264 948	561,893
Accruals and deferred income	XXX	202,195	222,191
Current income tax liabilities		4,811	27,159
Deferred income tax liabilities	XVI	2 985	6 825
Provisions for liabilities and charges	XXXI	9,197	5,836
Pension deficit	XXXII	43,143	56,033
Subordinated liabilities	XXXIII	299,245	305,106
Redeemable preference shares	XXXIV	14	13
Total liabilities		**7,869,156**	**10,209,245**
Shareholders' equity			
Called up share capital	XXXV	3,831	3,831
Share premium account		143 223	143 223
Other reserves	XXXVI	1,164 598	1,188 507
Retained earnings		1,821,731	1,905,573
Total shareholders' equity		**3,133,383**	**3,241,134**
Total liabilities and shareholders' equity		**11,002,539**	**13,450,379**

The Notes on pages 15 to 93 form part of these financial statements

Consolidated statement of changes in equity
For the year ended 31 December 2009

(€000)	Notes	Capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2009		3,831	143,223	1 188,507	1,905,573	3,241,134
Changes in Other comprehensive income for 2009						
- Available-for-sale financial assets	XXXVI	-	-	(10,416)	-	(10,416)
- Cash flow hedges	XXXVI	-	-	(1,433)	-	(1,433)
- Hedge of net investment in foreign operations	XXXVI	-	-	(13,966)	-	(13,966)
- Foreign currency translation reserve	XXXVI	-	-	27,453	-	27,453
- Transfer to legal reserve	XXXVI	-	-	4,453	(4,453)	-
- Transfer to non distributable reserve	XXXVI	-	-	55,000	(55,000)	-
- Defined benefit plans		-	-	-	7,493	7,493
- Transfer to retained earnings	XXXVI	-	-	(85,000)	85,000	-
Loss for the year		-	-	-	(38,391)	(38,391)
Dividends paid	XXXVII	-	-	-	(78,491)	(78,491)
At 31 December 2009		**3,831**	**143,223**	**1,164,598**	**1,821,731**	**3,133,383**

At 1 January 2008		3,831	143,223	1,185,232	1,793,594	3,125 880
Changes in Other comprehensive income for 2008						
- Available-for-sale financial assets	XXXVI	-	-	3,592	-	3,592
- Cash flow hedges	XXXVI	-	-	(392)	-	(392)
- Hedge of net investment in foreign operations	XXXVI	-	-	21,701	-	21,701
- Foreign currency translation reserve	XXXVI	-	-	(49,925)	-	(49,925)
- Transfer to legal reserve	XXXVI	-	-	28,299	(28,299)	-
- Defined benefit plans		-	-	-	(23,414)	(23,414)
Profit for the year		-	-	-	261,681	261,681
Dividends paid	XXXVII	-	-	-	(97,989)	(97,989)
At 31 December 2008		**3,831**	**143,223**	**1,188,507**	**1,905,573**	**3,241,134**

The Notes on pages 15 to 93 form part of these financial statements

Consolidated statement of cash flows

For the year ended 31 December 2009

(€000)	Notes	2009	2008
Cash flows from operating activities			
Cash generated from operations	XXXVIII	(2,138,647)	(2,825,788)
Tax paid		(61,723)	(111,404)
Net cash from operating activities		**(2,200,370)**	**(2,937,192)**
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	XLII	(4,682)	(431,071)
Purchase of available-for-sale financial assets	XIX	(1,389,248)	(1 439,530)
Proceeds from redemption of available-for-sale financial assets	IX, XIX	1 244,725	1,648,000
Proceeds from redemption of held-to-maturity financial assets	XX	-	50,000
Purchase of property, plant and equipment	XXV	(11,053)	(50,946)
Purchase of intangible assets	XXVI	(7,707)	(11,949)
Sale of property, plant and equipment		14	6
Dividends received	VIII	17 814	4,451
Net cash used in investing activities		**(150,137)**	**(231,039)**
Cash flow from financing activities			
Interest paid on redeemable preference shares	XXXIV	(1)	(1)
Interest paid on subordinated liabilities		(12,708)	(12,705)
Repurchase of subordinated liability	X XXXIII	(3,890)	-
Equity dividends paid	XXXVII	(78 491)	(97 989)
Net cash used in financing activities		**(95,090)**	**(110,695)**
Net increase/(decrease) in cash and cash equivalents		**(2,445,597)**	**(3,278,926)**
Cash and cash equivalents at beginning of year	XXXVIII	9,744,826	12,588,624
Effect of exchange rate changes on cash and cash equivalents		(90,494)	435 128
Cash and cash equivalents at end of year	**XXXVIII**	**7,208,735**	**9,744,826**

The Notes on pages 15 to 93 form part of these financial statements

These accounts were approved by the Board of Directors on 25 March 2010 and signed on its behalf by

Nigel Wicks

Sir Nigel Wicks, Chairman of the Board

I General information

Euroclear plc (the Company) and its subsidiaries (together, the group) arrange for the provision of clearance and settlement systems and related services, including banking services in the case of Euroclear Bank, for domestic and international securities transactions, covering bonds, equities and investment funds

Euroclear plc is a limited liability company and is incorporated in the United Kingdom The address of its registered office is

Euroclear plc
2 Lamb's Passage
London EC1Y 8BB
United Kingdom

The Company is domiciled in Switzerland, with its executive office located at

Baarermatte
6340 Baar
Switzerland

The full list of subsidiaries of the group can be found in Note II to the parent company financial statements

II Accounting policies

Basis of preparation

The group prepares its consolidated financial statements in accordance with International Financial Reporting Standards and International Accounting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretation Committee (together IFRS), endorsed for use by the European Union (EU)

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

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

1) Adoption of new interpretations and amendments to standards

The following standard, amendments to standards and interpretations, potentially relevant to the Euroclear group, became effective on 1 January 2009

- IFRS 8 Operating Segments
- Amendments to IAS 23 Borrowing Costs
- Amendments to IFRS 2 Share Based payments – Vesting Conditions and Cancellations
- Amendments to IAS 1 Presentation of Financial Statements A Revised Presentation
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Improvements to IFRS issued by the IASB in May 2008
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Reclassification of Financial Assets Effective date and Transition
- Amendment to IAS 39 Financial Instruments Recognition and Measurement - Eligible Hedged Items
- Amendments to IFRS 7 Improving disclosures about Financial Instruments
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 Transfers of Assets from Customers

The application of the new standard and amended standards has impacted the disclosure of segmental reporting and financial instruments, and the presentation of the financial statements The application of the interpretations has no impact on the entity's financial statements in this period of initial application

2) Interpretations and amended standards endorsed by the EU but effective on 1 January 2010

The group has chosen to early adopt the revision to IFRS 3 Business combinations As a result, costs directly attributable to an acquisition, which were in the past recognised as part of the cost of the acquisition, are now expensed In accordance with the transition arrangements, the treatment of prior years' acquisitions has not been restated

The group has chosen not to early adopt

- Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
- Amendments to IAS 32 Classification of Rights Issues
- IFRIC 17 New Interpretation on Non-Cash Distributions

The application of this interpretation and amended standards will have no material impact on the entity's financial statements in the period of initial application

Summary of significant accounting policies

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

Consolidation

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

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

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

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

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

Segment reporting

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

II Accounting policies (continued)

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

Foreign currency translation

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

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

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

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

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

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

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

Revenue recognition

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

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

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

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

2) Fee and commission income and expense
Fee and commission income and expense, which respectively represent a return and cost for services rendered (e g safekeeping, settlement and custody), are recognised in the income statement when the related service is performed Rebates granted are deducted from fee and commission income when declared

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

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

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

Financial instruments

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

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

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

II Accounting policies (continued)

Available-for-sale investments are recognised in the balance sheet on settlement date at fair value Gains or losses arising from changes in the fair value of such assets are recognised directly in equity, until the asset is either sold, matures or becomes impaired, at which time the cumulative gain or loss previously recognised in equity is released to the income statement Interest revenues are recognised using the effective yield method The fair value of listed debt securities and equity shares reflects the published price at the balance sheet date In the case of investments with no listed market price, a valuation technique (e g recent transactions between willing and knowledgeable parties, discounted cash flows and market multiples) is applied Where the fair value of unlisted equity investments cannot be reliably measured, they continue to be valued at cost

3) Held for trading
A financial asset is classified as held for trading if it is

- acquired for the purpose of selling or repurchasing in the near term,
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or
- a derivative that is not a designated and effective hedging instrument

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

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

Borrowings

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

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

Derivative financial instruments and hedge accounting

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

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

Hedge relationships are formally documented at inception The documentation includes identification of the hedged item and the hedging instrument and explains the risk that is being hedged and the way in which effectiveness of the hedge relationship will be assessed at inception and during the period of the hedge If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued In such circumstances, amounts retained in equity are immediately recycled to profit and loss The group may enter into three types of hedges hedges of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedges), hedges of the variability in cash flows from a recognised asset or liability or a forecast transaction (cash flow hedges), and hedges of the net investment in a foreign entity (net investment hedges)

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

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

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

Impairment of financial assets

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

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

II Accounting policies (continued)

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

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

Purchase and resale agreements

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

Securities sold subject to repurchase agreements ('repos') are not entered into by the group

Goodwill and intangible assets

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

2) Computer software
Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software

These costs are amortised on a straight-line basis

Costs associated with the development phase of computer software being developed by, and for use of, the group are capitalised only when the following can be demonstrated

- technical feasibility,
- intention to complete,
- ability to use or sell the asset,
- generation of probable future economic benefits,
- availability of technical, financial and
- other resources, and
- reliable measurement of attributable expenditure

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

The cost of internally developed software is amortised using the straight-line method over its estimated useful life Impairment tests are performed annually or more frequently if events or circumstances indicate that the asset might be impaired

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

3) Other intangible assets
At the time of a business combination, part of the cost might be attributed to one or more intangible assets when these are separable or arise from contractual or other legal rights (such as contractual customer relationships), provided a fair value can be measured reliably
For each asset, the expected useful life is also assessed Where this is a finite period, the cost of the asset will be amortised using the straight-line method over that period The estimated useful life is assessed to be indefinite when, following an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows In such circumstances, the cost will not be amortised

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

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

Property, plant and equipment

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

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

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

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

Land is not depreciated

Leases

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

II. Accounting policies (continued)

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

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

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

Cash and cash equivalents

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

Provisions

Provisions are recognised where

- there is a present obligation arising from a past event,
- there is a probable outflow of resources, and
- the outflow can be estimated reliably

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

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

Employee benefits

1) Pension obligations
The group operates a number of post-retirement benefits schemes for its employees, including both defined contribution and defined benefit pension plans
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions

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

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability For countries without a deep corporate bond market, reference is made to the redemption yield on government bonds

All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity in the period in which they occur Past service cost is recognised in the profit and loss account over the average period until the benefits become vested If the benefits are already vested, the past service cost is recognised immediately

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

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

Current and deferred income taxes

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

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

The principal temporary differences arise from

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

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

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where

- the timing of the reversal of the temporary timing difference is controlled by the group, and
- it is probable that the difference will not reverse in the foreseeable future

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

II Accounting policies (continued)

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

Deferred tax assets and liabilities are not discounted

Dividends

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

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

Comparatives

Comparative figures have been adjusted where necessary to conform to changes in presentation in the current year

Some cost recoveries included under Other operating income in 2008 are reported under Administrative expenses in 2009 The impact of this change on the relevant consolidated income statement captions is shown below The change had no impact on the profit of the current and prior periods

Consolidated income statement

(€000)	2008	Impact of change	2008 restated
Other operating income	20,178	(7,439)	12,739
Administrative expenses	(798,207)	7,439	(790,768)

III Risk management and financial risk management environment

1 Managing business in a risk controlled environment

Euroclear has organised its risk management function at group level to ensure a complete and consistent management of the risks faced by each of its services or entities Working with the business areas, the risk management function has developed a comprehensive risk framework, based on an Enterprise Risk Management (ERM) approach, an internal view on the capital needed by each entity, as well as appropriate policies and procedures

Euroclear's ERM framework is based on relevant market and regulatory standards These include the work of COSO (Committee of Sponsoring Organizations of the Treadway Commission), which has established a common internal control model against which companies may assess their control systems, ISO 31000 2009 principles and generic guidelines on risk management, and ISO 27001 2005 for Information Security, and Advanced Measurement Approach (AMA) for Operational Risk Several Euroclear entities, including Euroclear Bank, make audited SAS 70 control statements to inform clients and other stakeholders about their control environments The framework is supported by a governance structure that makes clear the responsibility for control monitoring Euroclear also has appropriately formal but pragmatic processes and procedures These cover both day-to-day operational processes and risk/control processes which include the identification, monitoring and mitigation of risks and incident handling processes

Euroclear uses the ERM framework to ensure the coherence of its risk management and internal control activities The ERM framework helps risk owners take decisions in line with the Company's risk appetite It consists of three main components

1 All the major risks that Euroclear faces in pursuing its corporate objectives are listed in the risk register, which is approved by the Board Seven principal categories of risk ('enterprise risks') have been identified Three arise from the provision of Euroclear's daily services (credit, liquidity and operational risk) Another three are related to the environment in which Euroclear operates (market, business and strategic risk) Finally, one risk (strategic projects risk) is addressed separately, as it is particularly important for the organisation and is managed separately from day-to-day services The risk register is complemented by a more detailed database of risks (including mitigated and accepted risks)

2 Embedded within the ERM framework is the Internal Controls System (ICS) Euroclear has a well established ICS to allocate roles and responsibilities in the management of risks The risk register is supported by high-level control objectives to mitigate key risks These control objectives are approved by the Euroclear SA/NV Management Committee and are owned by division heads, who have the lead responsibility in managing the associated risks This approach enables the risks related to the provision of Euroclear services to be identified and then managed *or accepted in accordance with the business model The high level control objectives are supported by second level control objectives,* established by business management and with a clear link to the mission of each business unit. These second level control objectives are supported by detailed controls describing how the risks impacting business activities are to be mitigated

3 The third component of the ERM framework is the annual self-assessment process The second level control objectives form the basis of the annual business Risk & Control Self-Assessments (RCSAs) and the complementary Horizontal Self-Assessments (HSAs) The RCSAs and HSAs aim to achieve the following objectives to

- build an accurate and consistent assessment of the ICS, i e to achieve a good understanding of the risk profile of the business,
- increase risk awareness and promote an ongoing assessment of risks and controls by business managers,
- identify new risks by bringing staff together in brainstorming sessions,
- quantify the risks faced by Euroclear,
- ensure that individual risks in the ICS are identified proactively and that they are addressed adequately, and
- help management make a well-founded statement on the effectiveness of the ICS

The internal view on Euroclear Bank's capital needs is based on an economic capital model that is continuously kept up-to-date and regularly validated by an independent party Euroclear Bank is therefore fully confident that the resulting capital requirements are adequate to support the risks that it faces The model covers operational, market and credit risks, as well as business risks Liquidity risk is addressed through strong liquidity plans and strategic risk receives constant qualitative attention from the management Because Euroclear Bank systematically seeks to minimise risk, the base case figures are small in relation to Euroclear Bank's actual capital, but the capital also aims at covering the worst stress test amongst all risk types, and also includes substantial buffers for model risk and capital stability This conservative approach to capital, combined with Euroclear's strong risk management and effective controls, has helped Euroclear Bank maintain its current AA+ rating in times of market stress

Euroclear has been working on the implementation of the Basel II framework since the early stages of the Basel Committee's work Euroclear Bank, Euroclear SA/NV, and Euroclear plc as the parent company, received at the end of 2006, the regulator's accreditation to use the Foundation Internal Ratings Based Approach for credit risk under Basel II's first Pillar Euroclear has been using Basel II as from 1 January 2007 to compute the group's regulatory capital needs for credit risk.

Euroclear has also obtained the regulatory accreditation to use the AMA to calculate regulatory capital requirements for operational risk as from the first quarter of 2008 This accreditation was accompanied by a number of terms and conditions which were implemented during 2008 and 2009 In 2008, the CBFA imposed an add-on, which was reduced in 2009 The add-on brought capital requirements for operational risk with the AMA to a higher level than would be the case with the Basic Indicator Approach (BIA) A final decision on the AMA methodology, including the level of an eventual add-on, is expected in the coming months The capital requirements for operational risk were also significantly influenced by a worsening trend in operational risk losses recorded by the Operational Riskdata eXchange (ORX), which Euroclear uses in its operational risk model to complement data on internal losses This does not reflect a deterioration in Euroclear's own control environment

Finally, Euroclear delivered a public disclosure under Pillar 3 of Basel II for the second time in 2009 That report was enhanced compared to the previous year with, among others, the inclusion of a chapter dedicated to liquidity risk management, in order to present a coherent and complete view of the risks that Euroclear is facing and of the group's risk management approaches Further details can be found on the website This disclosure is annual

III. Risk management and financial risk management environment (continued)

2 Euroclear group financial risk management

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

The framework put in place at Euroclear ensures that financial risks are tightly controlled. At the level of Euroclear Bank, the core of this framework is formed by financial risk Board policies (separate policies exist for market, credit and liquidity risk). These Board policies formulate a risk and control statement, and the principles by which Euroclear Bank seeks to ensure effective assessment and management of these risks. The policies define the risk appetite of Euroclear Bank. The Euroclear Bank Board, through the Audit Committee, oversees the implementation of the risk Board policies, and reviews the policies at least every two years or when required. Board policies are complemented by management resolutions and implementing procedures. The risk control framework of the Euroclear CSDs reflects the limited purpose statutory goal of these entities, as well as their risk-averse nature and the stringent regulatory regime in which they operate.

3 Credit risk

Euroclear Bank
The risk of a credit loss for Euroclear Bank is very low and Euroclear Bank has never suffered a credit loss in its entire history, not even during the period of market turmoil. This is largely due to the very short duration of the credit exposure which, in general, is intra-day. Additionally, Euroclear Bank applies very strict collateralisation rules, resulting in average collateralisation levels for its client credit exposure close to 99%. These exposures are mostly secured with very high quality collateral. Euroclear Bank's clients that are granted secured credit facilities usually pledge financial assets deposited in Euroclear Bank to secure their credit usage. In order to accurately determine the value of the collateral it takes, Euroclear Bank has developed a dynamic internal collateral valuation model to compute adequate haircuts, by security, considering market, credit, country and liquidity risks. Haircuts are computed at least once a day for all securities, reflecting the latest market risk factors and market conditions. The collateral valuation model is back-tested and stress-tested yearly. The collateral valuation model has provided continued adequate valuations, even in a period of very highly volatile markets.

In addition, Euroclear Bank also has treasury exposures resulting from clients' end-of-day positions. Such positions are usually re-deposited in the market with high quality counterparties. Where possible, repos are used but some exposures remain unsecured. The risks are limited by their short duration (mainly overnight), as well as policy limits.

To comply with the qualitative and quantitative requirements of Basel II, Euroclear Bank has been using an internal rating model since the end of 2005. The model allows credit officers to rate all Participants and counterparties that are granted credit or market facilities and all the countries where Euroclear Bank has credit exposure. The rating scale is composed of 15 different rating grades and each internal rating is mapped to a probability of default. As Euroclear Bank has no default history, it uses external data to calibrate the probability of default.

The Euroclear CSDs
As their transactions settle in central bank money, the CSDs have no direct cash relationship with their clients. Consequently, they cannot extend loans or credit facilities to their customers. The CSDs can potentially face a certain level of credit risk arising from the non-payment of fees by their clients, albeit for limited amounts considering both the frequency of the billing and their relatively broad customer base. Therefore each CSD of the group is required by its home regulator to hold enough liquidity to cover such risks. Finally, the CSDs are also exposed to the credit risk related to the reinvestment of their cash surplus with their bank counterparties. To limit the credit risk taken on such counterparties, the banks that are considered for these investments should at least have a rating of AA- or above. However, in the current market context, where a large number of institutions suffered from issuer credit rating downgrades, a list of A+ rated banks has exceptionally been considered, in case government support is provided to them. The type of instruments used is limited to short-term or overnight deposits.

III. Risk management and financial risk management environment (continued)

3 1 Maximum credit exposure

The table below summarises the maximum exposure to credit risk (net of any impairment losses recognised in accordance with IAS 39), which for the purpose of this annex is defined as the net carrying amount as reported in the financial statements, without taking into account any collateral held or other credit enhancement attached

(€'000)	Notes	2009	2008
At 31 December			
Financial assets			
- Cash and balances with central banks	XVII	945,344	1 020,166
- Loans and advances	XVIII	6,544,348	8,735 921
- Available-for-sale financial assets	XIX	1,274 321	1,103,176
- Held-to-maturity financial assets	XX	298,729	299,551
- Financial assets held for trading	XXI	6,022	19 251
- Derivatives used for hedging	XXII	268	5 123
Total financial assets		**9,069,032**	**11,183,188**
Securities lending indemnifications	XXXIX	**6,954,266**	**6,512,744**

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

Rating (in %)	2009	2008
At 31 December		
Eaaa	12%	13%
Eaa	50%	58%
Ea	36%	27%
Ebbb+ and Ebbb	1%	1%
Ebbb- and below	1%	1%
Total	**100%**	**100%**

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

The table below presents an analysis of the held-to-maturity financial assets and the available-for-sale financial assets (excluding the equity shares) by rating agency designation at 31 December 2009 and 31 December 2008, based on Standard & Poor's ratings or their equivalent

Rating (in %)	2009	2008
At 31 December		
AAA	12%	9%
AA+	62%	32%
AA	25%	20%
AA-	1%	1%
A1	0%	38%
Total	**100%**	**100%**

A1 is a short-term rating corresponding to a AAA/AA long-term rating

III Risk management and financial risk management environment (continued)

3 2 Credit risk mitigation

As mentioned, Euroclear Bank aims at mitigating most of the credit exposure on its Participants, preferably by relying on the collateral held and pledged within the Participants' accounts in the Euroclear System However, other means, such as statutory lien, external collateral, pledged time deposits, reverse repos, letters of credit and guarantees are used as well Frequent monitoring shows that more than 95% of the collateral pledged in the Euroclear System has investment grade quality Due to the international scope of its activities and the multipurpose and multicurrency nature of the credit facilities granted to its Participants, the collateral pledged to Euroclear Bank is not specifically attributable to any of the different types of credit exposures Euroclear Bank has on one Participant This means that all the collateral pledged from a specific Participant is there to guarantee all the obligations it has with Euroclear Bank without differentiating within the nature of the exposure and the original currency

Euroclear Bank's unsecured exposure is almost exclusively treasury exposure resulting from Participants' end-of-day positions, which are usually re-deposited in the market Where possible, repos are used but the remainder of the exposure is unsecured The risks are limited by the high quality of the counterparties, the short duration (mainly overnight) of the exposure, and policy limits In case of market wide stress, Euroclear Bank may deposit excess cash balances at the central bank for each of the major currencies

(€000)	2009	2008
At 31 December		
Secured exposure	9,722,757	10,948,305
Unsecured exposure	6,272,345	6,727,766
Accrued interest income on financial assets	28,196	19,861
Total	**16,023,298**	**17,695,932**

3 3 Concentration risk

Concentration limits are set to ensure that the group does not take a too large exposure on too few Participants or counterparties European and Belgian banking regulations also impose risk concentration limits that have to be respected for each applicable exposure

Large individual exposures above 25% of the own funds (Tier 1 + Tier 2 – deductions) are reported as breaches under the large exposures regulation The sum of all large exposures combined has to remain below 800% of the own funds

Euroclear SA/NV and Euroclear Belgium, both located in Belgium, are subject to capital adequacy regulations equivalent to those applicable to Euroclear Bank This stems from their regulatory status, under regulations applicable in Belgium, of "settlement institution" for Euroclear Belgium, and "company assimilated to a settlement institution" for Euroclear SA/NV Consequently, both entities have to make sure that they do not breach the same concentration limits as defined above for Euroclear Bank.

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

III. Risk management and financial risk management environment (continued)

3 3 1 Geographical concentration of financial assets and liabilities

(€'000)	Notes	Europe	Americas	Rest of the world	Total
At 31 December 2009					
Financial assets					
- Cash and balances with central banks	XVII	911,778	3	33,563	945,344
- Loans and advances	XVIII	5,959,184	225,574	359,590	6 544,348
- Available-for-sale financial assets	XIX	1,274,321	-	-	1,274 321
- Held-to-maturity financial assets	XX	298,729	-	-	298,729
- Financial assets held for trading	XXI	6,022	-	-	6 022
- Derivatives used for hedging	XXII	268	-	-	268
Total financial assets		**8,450,302**	**225,577**	**393,153**	**9,069,032**
Financial liabilities					
- Deposits from central banks	XXVII	1,171,326	1,588	320 748	1,493 662
- Deposits from banks and customers	XXVIII	2,609 862	1,235 847	1,696,448	5,542,157
- Financial liabilities held for trading	XXI	4,136	-	-	4 136
- Derivatives used for hedging	XXII	2,663	-	-	2,663
- Subordinated debt	XXXIII	299,245	-	-	299 245
Total financial liabilities		**4,087,232**	**1,237,435**	**2,017,196**	**7,341,863**
At 31 December 2008					
Financial assets					
- Cash and balances with central banks	XVII	992,580	3	27,583	1 020,166
- Loans and advances	XVIII	7,067,241	811,691	856,989	8,735,921
- Available-for-sale financial assets	XIX	1 103 176	-	-	1,103,176
- Held-to-maturity financial assets	XX	299,551	-	-	299,551
- Financial assets held for trading	XXI	19 251	-	-	19 251
- Derivatives used for hedging	XXII	5,123	-	-	5,123
Total financial assets		**9,486,922**	**811,694**	**884,572**	**11,183,188**
Financial liabilities					
- Deposits from central banks	XXVII	260,171	181	209,405	469 757
- Deposits from banks and customers	XXVIII	4 680 023	1 119 948	2 746,652	8,546,623
- Financial liabilities held for trading	XXI	5,667	-	-	5,667
- Derivatives used for hedging	XXII	2,142	-	-	2,142
- Subordinated liabilities	XXXIII	305,106	-	-	305 106
Total financial liabilities		**5,253,109**	**1,120,129**	**2,956,057**	**9,329,295**

III Risk management and financial risk management environment (continued)

3 3 2 Rating concentration of financial assets

On average, in 2009, more than 95% of the settlement exposure (secured and unsecured) of Euroclear Bank was taken on investment grade rated Participants, while almost 100% of treasury exposure was taken on investment grade counterparties In addition, on average close to 99% of the settlement exposure is secured and most of this exposure is intra-day Therefore, there are no expected credit losses and no impairment provision has ever been required

As for the exposure Euroclear Bank takes on its investment book, Euroclear Bank follows a conservative approach stating that any security held in the investment book, which in IFRS terms is to be understood as all fixed income securities belonging to the available-for-sale or held-to maturity portfolios, needs to have a credit rating equal to, or greater than, AA-

Finally, as mentioned earlier, the surplus cash of Euroclear SA/NV and of the CSDs is invested short-term with counterparties whose rating is at least equal to AA- This places strong limits on the credit risk they face For entities that have a different investment policy upon joining the group, a transition period is foreseen, whereby existing investments are to be phased out or ended earlier if possible or necessary This is true for Euroclear Finland which holds some longer-term investments

4 Liquidity risk

4 1 Liquidity risk at Euroclear Bank

Liquidity is an important component for offering efficient settlement and custody services in Euroclear Bank it ensures the timely cross-border settlement with domestic markets, it supports the new issues and custody activity, and liquidity allows clients to wire out the sales and income proceeds in a timely manner

As a single purpose bank, Euroclear Bank's liquidity risk is therefore largely intra-day and transactional and results from the secured intra-day credit it extends to facilitate delivery-versus-payment settlement Euroclear Bank's overnight settlement process, allowing clients to settle a wide range of currencies within a single time window efficiently recycles and minimises liquidity needs, as clients only have to fund the resulting net debit position Although the daily incoming and outgoing cash payments are typically matched, clients may still end up with residual cash positions at the end of the day On a daily basis, Euroclear Bank is typically long in cash, which is then invested by Euroclear Bank mainly on an overnight basis, to match the volatility of clients' settlement and money transfer activity

4 2 Liquidity risk appetite

While the liquidity requirements and associated risks are limited by nature, Euroclear Bank's liquidity risk appetite is very low, given the criticality of intra-day liquidity for the efficient delivery of its settlement and custody services Euroclear Bank has therefore adopted a strong risk management framework to anticipate, monitor and manage the intra-day liquidity flows to ensure the quality of its services and prevent problems The liquidity risk is further mitigated by Euroclear Bank's strict admission policy and continuous credit assessment of its clients, and by the fact that the transactional credit is secured and extended on an intra-day basis In order to support the daily payment activity, Euroclear Bank relies on a wide network of highly rated cash correspondents and has direct access to TARGET2 for euro payments

4 3 Funding

There is an efficient recycling of liquidity While Euroclear Bank settles €849 billion (average over 2009) every day, it only extends some €80 billion of secured credit on an intra-day basis to its clients, given back-to-back transactions and an efficient Lending and Borrowing programme Since Euroclear Bank's daily cash flows are typically matched, i e the receipts match the payment obligations, additional liquidity is only there to smoothe or accelerate the payment process or to deal with some timed payments spread throughout the day Euroclear Bank has built access to a wide range of liquidity sources, including the intra-day liquidity provided by a large network of cash correspondents and settlement banks as well as the National Bank of Belgium Furthermore, Euroclear Bank has developed a broad access to the inter-bank market and has put in place contingency liquidity sources for the major currencies Most of Euroclear Banks' capital is reinvested in European System of Central Banks (ESCB) eligible securities that are pledged to obtain liquidity Euroclear Bank continues to develop strategic initiatives to ensure adequate access to liquidity on a day-to-day basis and in contingency situations These initiatives include extending the ability for Euroclear Bank to re-use collateral from Participants to obtain funding intraday and overnight

The adequacy of the bank's liquidity capacity is assessed and approved quarterly by the Credit and Assets and Liabilities Committee (CALCO) It monitors the trend of liquidity risk that Euroclear Bank faces through liquidity key risk indicators, which allow it to identify, among other things, changes in Participants' cash management practices that may affect Euroclear Bank's liquidity A first indicator shows the timing at which funds are received throughout the day, as late credit confirmations can impact remaining wire transfers A second indicator focuses on the adequacy of collateral to support cross-border activity A third finally monitors whether the liquidity risk arising from credit provision to Participants can be supported by Euroclear Bank's liquidity sources A complementary analysis focuses on all elements that could create further pressure on Euroclear Bank's liquidity management across all currencies by looking at events that may detrimentally affect Euroclear Bank if they materialise or if they become more frequent or more severe Additionally, the Banking and Risk Management Divisions inform the CALCO of any notable change in Euroclear Bank liquidity capacity in the major currencies

At the height of the financial crisis, Euroclear Bank saw its end-of-day client cash balances soar This eased the liquidity management of Euroclear Bank, but at the same time created additional re-deposit risk, which was mitigated through a higher spread on the remunerated funds and re-deposits of excess funds at the central bank From January 2009 onwards, balances decreased to levels exhibited before the crisis However, as uncertainty in the interbank market remained high, Euroclear Bank continued to make use of the central bank in case of exceptionally long Participant balances and maintained a higher spread on remunerated balances

III Risk management and financial risk management environment (continued)

4 4 Management of intra-day and end-of-day liquidity

Euroclear Bank ensures that it has permanent access to enough liquidity to support its core services It therefore forecasts, monitors and measures the net intra-day funding requirements, which are derived from the cross-border settlement activity, Clearstream Bridge activity, new issues and advanced income payments, in a timely manner and at different critical moments Euroclear Bank anticipates and monitors the end-of-day position at each of the cash correspondent banks End-of-day long balances may be invested short term provided that reinvestment complies with end-of-day liquidity limits, defined by currency and maturity buckets

Euroclear maintains a network of treasury counterparties to ensure sufficient borrowing capacity for the few occasions in which it has to fund short end-of-day balances

4 5 Liquidity stress testing

Euroclear Bank performs on a regular basis both idiosyncratic and market wide liquidity stress test scenarios to assess the liquidity strains and to ensure that Euroclear Bank has access to enough liquidity sources to fund potential liquidity shortfalls For the group CSDs and Euroclear SA/NV, liquidity stress testing is also performed to ensure, where applicable, their respective compliance with local regulatory liquidity obligations as well as their adequate funding

4 6 Liquidity contingency plan

Euroclear Bank maintains a strong liquidity contingency plan to ensure business continuity of its core settlement and custody services, in line with recommendation 9 of Recommendations for Securities Settlement Systems published on the one hand by the Committee on Payment and Settlement Systems of the Bank for International Settlement (CPSS) and the International Organization of Securities Commissions (IOSCO), and on the other hand by the European Central Bank and the Committee of European Securities Regulators (CESR)

This liquidity contingency plan documents the relevant operational procedures and ensures access to (contingency) liquidity in the event of an operational or financial crisis On top of its own capital, a wide access to the inter-bank market and a selective network of highly rated cash correspondents and collateral providers, Euroclear Bank has negotiated committed liquidity lines and can call upon a €1 3 billion syndicated backstop facility The contingency plan and the availability of contingency liquidity is regularly tested and reviewed through stress-testing

4 7 Liquidity risks in Euroclear SA/NV and the CSDs

Both for Euroclear SA/NV and the CSDs, two types of cash are to be distinguished from a liquidity perspective, i e the cash position linked to the regulatory liquidity requirements, for entities where such requirements apply, and the surplus cash, which includes the working cash needs of these entities

- the stable cash position linked to the regulatory liquidity requirements should be invested on a roll-over basis, and
- surplus cash investments should always be cash flow driven, which means that the amount and period of the investments should take into account the evolution of working cash needs and capital expenditure

The type of instrument to be used is limited to overnight or term deposits whose duration should not exceed six months

The table below shows the consolidated financial liabilities analysed by remaining contractual maturity at the balance sheet date The amounts disclosed in the table are the contractual undiscounted cash flows

III Risk management and financial risk management environment (continued)

(€000)	Notes	Repayable on demand or within one week	Other amounts maturing before 31 March 2010	Maturity after 31 March 2010 but before 30 June 2010	Maturity after 30 June 2010 but before 31 December 2010	Maturity after 31 December 2010 but before 31 December 2014	Maturity after 31 December 2014	Undiscounted contractual cash flows - Total	Book value
At 31 December 2009									
Financial liabilities									
- Deposits from central banks	XXVII	1,493,662	-	-	-	-	-	**1,493,662**	**1,493,662**
- Deposits from banks and customers	XXVIII	5,244,759	278,294	4,737	574	12,464	3,064	**5,543,892**	**5,542,157**
- Financial liabilities held for trading	XXI	-	75	-	-	1,135	2,926	**4,136**	**4,136**
- Derivatives used for hedging	XXII	-	2,108	228	327	-	-	**2,663**	**2,663**
- Subordinated liabilities	XXXIII	-	-	12,451	-	49,804	306,451	**368,706**	**299,245**
Total financial liabilities		**6,738,421**	**280,477**	**17,416**	**901**	**63,403**	**312,441**	**7,413,059**	**7,341,863**

(€000)		Repayable on demand or within one week	Other amounts maturing before 31 March 2009	Maturity after 31 March 2009 but before 30 June 2009	Maturity after 30 June 2009 but before 31 December 2009	Maturity after 31 December 2009 but before 31 December 2013	Maturity after 31 December 2013	Undiscounted contractual cash flows - Total	Book value
At 31 December 2008									
Financial liabilities									
- Deposits from central banks	XXVII	469,761	-	-	-	-	-	**469,761**	**469,757**
- Deposits from banks and customers	XXVIII	8,231,069	295,619	5,079	-	11,379	6,059	**8,549,205**	**8,546,623**
- Financial liabilities held for trading	XXI	2,000	913	77	65	570	2,042	**5,667**	**5,667**
- Derivatives used for hedging	XXII	950	1,089	103	-	-	-	**2,142**	**2,142**
- Subordinated liabilities	XXXIII	-	-	12,705	-	50,820	325,410	**388,935**	**305,106**
Total financial liabilities		**8,703,780**	**297,621**	**17,964**	**65**	**62,769**	**333,511**	**9,415,710**	**9,329,295**

III Risk management and financial risk management environment (continued)

4 8 Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis These instruments are included in level 1

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques These valuation techniques maximise the use of observable market data where it is available. If all significant inputs that are required to fair value an instrument are observable, the instrument is included in level 2

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

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

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

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

(€000)	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2009					
Financial assets					
Available-for-sale financial assets	XIX				
- Equity shares		1,185	-	10,958	**12,143**
- Debt instruments issued by central governments and central banks		1,247,627	-	-	**1,247,627**
- Debt instruments issued by financial institutions		14,551	-	-	**14,551**
Financial assets held for trading	XXI				
- Interest rate options		-	845	-	**845**
- Interest rate swaps		-	17	-	**17**
- Interest rate futures		1,015	-	-	**1,015**
- Forward foreign exchange		-	84	-	**84**
- Stock options		4,061	-	-	**4,061**
Derivatives used for hedging	XXII				
- Forward foreign exchange		-	268	-	**268**
Total financial assets		**1,268,439**	**1,214**	**10,958**	**1,280,611**
Financial liabilities					
Financial liabilities held for trading	XXI				
- Interest rate options		-	-	-	-
- Interest rate swaps		-	14	-	**14**
- Forward foreign exchange		-	61	-	**61**
- Stock options		4,061	-	-	**4,061**
Derivatives used for hedging	XXII				
- Forward foreign exchange		-	2,663	-	**2,663**
Total financial liabilities		**4,061**	**2,738**	**-**	**6,799**

III Risk management and financial risk management environment (continued)

(€'000)	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2008					
Financial assets					
Available-for-sale financial assets	XIX				
- Equity shares		1,215	-	121,384	**122,599**
- Debt instruments issued by central governments and central banks		944,896	-	-	**944,896**
- Debt instruments issued by financial institutions		35,681	-	-	**35,681**
Financial assets held for trading	XXI				
- Interest rate options		-	908	-	**908**
- Interest rate swaps		-	1,359	-	**1,359**
- Interest rate futures		13,293	-	-	**13,293**
- Forward foreign exchange			1,078	-	**1,078**
- Stock options		2,613	-	-	**2,613**
Derivatives used for hedging	XXII				
- Forward foreign exchange		-	5,123	-	**5,123**
Total financial assets		**997,698**	**8,468**	**121,384**	**1,127,550**
Financial liabilities					
Financial liabilities held for trading	XIX				
- Interest rate options		-	215	-	**215**
- Interest rate swaps		-	715	-	**715**
- Forward foreign exchange		-	2,124	-	**2,124**
- Stock options		2,613	-	-	**2,613**
Derivatives used for hedging	XXII				
- Forward foreign exchange		-	2,142	-	**2,142**
Total financial liabilities		**2,613**	**5,196**	**-**	**7,809**

III Risk management and financial risk management environment (continued)

5 Market risk

5 1 Market risk in Euroclear

5 1 1 Interest rate risk

The majority of the interest rate risk is concentrated at Euroclear Bank As part of the Market Risk Board Policy, an adequate risk framework has been put in place to measure, monitor and control the interest rate risk supported by Euroclear Bank Both Value-at-Risk (VaR) and Earnings-at-Risk (EaR) methodologies are used as primary measurements of the interest rate risk The Management Committee of Euroclear Bank sets VaR and EaR limits for all currencies combined, which are monitored daily As from January 2010, the EaR framework was replaced by a more transparent and comprehensive benchmarking of the performance of the outstanding hedges

The core equity (shareholder equity plus retained earnings) is invested in risk-free assets The duration of these assets is limited to five years by policy and is currently around three years The VaR is limited Regarding the reinvestment of subordinated debts, Euroclear Bank applied the matching principle, as it allows for the best risk reduction all proceeds from the debt issued were invested in high quality assets with maturity close to the maturity of the debt It eliminates any uncertainty on the value of the cash flows and reduces considerably the interest rate risk on the mark-to-market of the portfolio The interest rates VaR on the Treasury Book and the Hedging Book are also very limited

Interest rate risk exists only to a limited extent in the CSDs and in Euroclear SA/NV Indeed, the CSDs do not operate commercial cash accounts but invest their cash position linked to the regulatory liquidity requirements, for entities where such requirements apply, and their surplus The duration of the investments cannot exceed six months, and the types of instruments to be used are limited to straight overnight or term deposits

The tables below reflect the maturity profile of assets and liabilities at 31 December, based on the earlier of maturity date and interest rate resetting date

III Risk management and financial risk management environment (continued)

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2010	Maturity after 31 March 2010 but before 30 June 2010	Maturity after 30 June 2010 but before 31 December 2010	Maturity after 31 December 2010 but before 31 December 2014	Maturity after 31 December 2014	Non-interest bearing	Total
At 31 December 2009								
Assets								
- Cash and balances with central banks	945,180	-	-	-	-	-	164	945 344
- Loans and advances	5,030,230	1,475,505	34,690	-	-	-	3,923	6,544,348
- Available-for-sale financial assets	-	151 080	11 085	157,788	711,440	209,719	33,209	1 274,321
- Held-to-maturity financial assets	-	-	-	-	-	294,483	4,246	298,729
- Financial assets held for trading	71	12	1,261	600	-	-	4,078	6,022
- Derivatives used for hedging	-	108	59	101	-	-	-	268
- Current income tax assets	-	-	-	-	-	-	16,845	16 845
- Deferred income tax assets	-	-	-	-	-	-	155 845	155,845
- Other assets	-	-	-	-	-	-	252,228	252,228
- Pre-payments and accrued income	-	-	-	-	-	-	89,066	89 066
- Property, plant and equipment	-	-	-	-	-	-	127,015	127,015
- Goodwill and intangible assets	-	-	-	-	-	-	1,292,508	1,292,508
Total assets	**5,975,481**	**1,626,705**	**47,095**	**158,489**	**711,440**	**504,202**	**1,979,127**	**11,002,539**
Liabilities								
- Deposits from central banks	1,493,662	-	-	-	-	-	-	1,493 662
- Deposits from banks and customers	5,244,446	278,260	4,185	574	11,096	2,958	638	5,542,157
- Financial liabilities held for trading	-	61	-	-	-	-	4,075	4,136
- Derivatives used for hedging	-	2,108	228	327	-	-	-	2 663
- Other liabilities	-	-	-	-	-	-	264 948	264,948
- Accruals and deferred income	-	-	-	-	-	-	202,195	202,195
- Current income tax liabilities	-	-	-	-	-	-	4,811	4 811
- Deferred income tax liabilities	-	-	-	-	-	-	2,985	2,985
- Provisions for liabilities and charges	-	-	-	-	-	-	9,197	9,197
- Pension deficit	-	-	-	-	-	-	43,143	43 143
- Subordinated liabilities	-	-	-	-	-	292,422	6,823	299,245
- Redeemable preference shares	-	-	-	-	-	14	-	14
Shareholder's equity	-	-	-	-	-	-	3 133,383	3,133,383
Total liabilities and shareholders' equity	**6,738,108**	**280,429**	**4,413**	**901**	**11,096**	**295,394**	**3,672,198**	**11,002,539**
Total interest sensitivity gap	**(762,627)**	**1,346,276**	**42,682**	**157,588**	**700,344**	**208,808**	**(1,693,071)**	**-**
Cumulative gap	**(762,627)**	**583,649**	**626,331**	**783,919**	**1,484,263**	**1,693,071**	**-**	**-**

III Risk management and financial risk management environment (continued)

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2009	Maturity after 31 March 2009 but before 30 June 2009	Maturity after 30 June 2009 but before 31 December 2009	Maturity after 31 December 2009 but before 31 December 2013	Maturity after 31 December 2013	Non-interest bearing	Total
At 31 December 2008								
Assets								
- Cash and balances with central banks	1,020,026	-	-	-	-	-	140	1,020,166
- Loans and advances	7,601,415	1,115,631	10,000	-	-	-	8,875	8,735,921
- Available-for-sale financial assets	10,000	189,646	198,420	242,328	333,272	-	129,510	1,103,176
- Held-to-maturity financial assets	-	-	-	-	-	295,305	4,246	299,551
- Financial assets held for trading	2,857	241	5,429	7,404	-	-	3,320	19,251
- Derivatives used for hedging	1,115	1,435	1,139	1,434	-	-	-	5,123
- Current income tax assets	-	-	-	-	-	-	21,957	21,957
- Deferred income tax assets	-	-	-	-	-	-	155,241	155,241
- Other assets	-	-	-	-	-	-	369,073	369,073
- Pre-payments and accrued income	-	-	-	-	-	-	97,462	97,462
- Property, plant and equipment	-	-	-	-	-	-	145,376	145,376
- Goodwill and intangible assets						-	1,478,082	1,478,082
Total assets	**8,635,413**	**1,306,953**	**214,988**	**251,166**	**333,272**	**295,305**	**2,413,282**	**13,450,379**
Liabilities								
- Deposits from central banks	469,740	-	-	-	-	-	17	469 757
- Deposits from banks and customers	8,229,849	295,042	4,441	-	9,665	5,748	1,878	8,546,623
- Financial liabilities held for trading	1 999	198	77	65	-	-	3,328	5,667
- Derivatives used for hedging	950	1,089	103	-	-	-	-	2,142
- Other liabilities	-	-	-	-	-	-	561,893	561 893
- Accruals and deferred income	-	-	-	-	-	-	222,191	222,191
- Current income tax liabilities	-	-	-	-	-	-	27,159	27,159
- Deferred income tax liabilities	-	-	-	-	-	-	6,825	6,825
- Provisions for liabilities and charges	-	-	-	-	-	-	5,836	5,836
- Pension deficit	-	-	-	-	-	-	56,033	56,033
- Subordinated liabilities						298,144	6,962	305,106
- Redeemable preference shares	-	-	-	-	-	13		13
Shareholder's equity	-	-	-	-	-	-	3,241,134	3,241,134
Total liabilities and shareholders' equity	**8,702,538**	**296,329**	**4,621**	**65**	**9,665**	**303,905**	**4,133,256**	**13,450,379**
Total interest sensitivity gap	**(67,125)**	**1,010,624**	**210,367**	**251,101**	**323,607**	**(8,600)**	**(1,719,974)**	**-**
Cumulative gap	**(67,125)**	**943,499**	**1,153,866**	**1,404,967**	**1,728,574**	**1,719,974**	**-**	**-**

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

III Risk management and financial risk management environment (continued)

5 1 2 Foreign exchange risk

The group's entities have the euro as their functional currency with the exception of subsidiaries located in the United Kingdom and Sweden The Brazilian subsidiary was liquidated during 2009

The group's structural currency exposures as at 31 December 2009 and 2008 were as follows

(€'000)	Notes	Net investment in non-euro operations	Currency hedges other than borrowings	Remaining Structural Currency Exposures
Functional currency of the operation involved				
At 31 December 2009				
- Pound sterling	XXII	107,134	(107,791)	(657)
- Swedish krona	XXII	15,233	(17,558)	(2,325)
At 31 December 2008				
- Brazilian reals		120	-	120
- Pound sterling	XXII	108,511	(109,763)	(1,252)
- Swedish krona	XXII	14,099	(13,784)	315

Euroclear Latin America Limitada in Brazil was liquidated on 31 July 2009

The majority of the foreign exchange risk is concentrated at Euroclear Bank As part of the Market Risk Board Policy, an adequate risk framework has been put in place to measure, monitor and control the foreign exchange risk supported by the Bank. Both VaR and EaR methodologies are used as primary measurements of the currency risk The Management Committee of Euroclear Bank sets VaR and EaR limits for all currencies combined, which are monitored daily As from January 2010, the EaR framework has been replaced by a more transparent and comprehensive benchmarking of the performance of the outstanding hedges

Foreign exchange risk exists only to a limited extent in the CSDs and in Euroclear SA/NV Indeed, to avoid the potential foreign exchange risk that would arise from the investment of their surplus cash, their investments can only be made in their local currency, i e in EUR for entities whose functional currency is EUR, in GBP for the entities located in the United Kingdom, and in SEK for the Swedish entities The most significant source of foreign exchange risk stems from the potential change in net asset values of the non-EUR Euroclear SA/NV's participation (e g Euroclear UK & Ireland, Euroclear Sweden) This exposure is hedged on a rolling basis

III Risk management and financial risk management environment (continued)

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

Concentration of assets and liabilities per currency (€000)	Notes	Euro	US dollar	Japanese yen	Pound sterling	Other	Total
At 31 December 2009							
Assets							
- Cash and balances with central banks	XVII	911,719	11	-	76	33,538	945,344
- Loans and advances	XVIII	2,537,161	2,029,880	678,536	480 022	818,749	6,544,348
- Available-for-sale financial assets	XIX	1,274,311	-	-	8	2	1,274 321
- Held-to-maturity financial assets	XX	298,729	-	-	-	-	298 729
- Financial assets held for trading	XXI	4,990	840	-	192	-	6,022
- Derivatives used for hedging	XXII	268	-	-	-	-	268
- Current income tax assets	XV	16,303	-	-	282	260	16 845
- Deferred income tax assets	XVI	153,042	71	-	2,732	-	155,845
- Other assets	XXIII	96,674	101,602	1,400	20,044	32 508	252,228
- Pre-payments and accrued income	XXIV	66,706	10,763	-	10,441	1,156	89 066
- Property plant and equipment	XXV	118,261	-	-	6,829	1,925	127,015
- Goodwill and intangible assets	XXVI	1,078,354	-	-	22 917	191,237	1 292,508
Total assets		**6,556,518**	**2,143,167**	**679,936**	**543,543**	**1,079,375**	**11,002,539**
Liabilities							
- Deposits from central banks	XXVII	1,258 490	183,301	4,354	10,554	36,963	1,493,662
- Deposits from banks and customers	XXVIII	1,876,692	1,815,581	674,518	371,546	803,821	5,542,158
- Financial liabilities held for trading	XXI	4,122	8	-	6	-	4 136
- Derivatives used for hedging	XXII	2,663	-	-	-	-	2 663
- Other liabilities	XXIX	92,765	129,658	872	21,243	20,410	264,948
- Accruals and deferred income	XXX	164,039	15,071	48	16,985	6,052	202 195
- Current income tax liabilities		536	-	-	1,609	2,666	4 811
- Deferred income tax liabilities	XVI	1,389	-	-	-	1,596	2,985
- Provisions for liabilities and charges	XXXI	1,529	12	-	7 656	-	9,197
- Pension deficit	XXXII	39,750	450	-	-	2 942	43 142
- Subordinated liabilities	XXXIII	299,245	-	-	-	-	299,245
- Redeemable preference shares	XXXIV	-	-	-	14	-	14
Shareholders' equity		3,158,774	495	-	(20,275)	(5,611)	3,133 383
Total liabilities and shareholders' equity		**6,899,994**	**2,144,576**	**679,792**	**409,338**	**868,839**	**11,002,539**
Net balance sheet position		**(343,476)**	**(1,409)**	**144**	**134,205**	**210,536**	**-**

III Risk management and financial risk management environment (continued)

Concentration of assets and liabilities per currency (€'000)	Notes	Euro	US dollar	Japanese yen	Pound sterling	Other	Total
At 31 December 2008							
Assets							
- Cash and balances with central banks	XVII	997,563	59	-	235	22,309	1,020,166
- Loans and advances	XVIII	3 119,088	2,716,848	1,191,594	652,325	1 056,066	8,735,921
- Available-for-sale financial assets	XIX	1,103,175	-	-	-	1	1,103,176
- Held-to-maturity financial assets	XX	299 551	-	-	-	-	299,551
- Financial assets held for trading	XXI	9,365	7,493	-	2,393	-	19,251
- Derivatives used for hedging	XXII	5,123	-	-	-	-	5,123
- Current income tax assets	XV	21,886	-	-	37	34	21,957
- Deferred income tax assets	XVI	153,843	-	-	1,044	354	155,241
- Other assets	XXIII	176 127	127,768	4,912	14,120	46,146	369,073
- Pre-payments and accrued income	XXIV	85,958	29	-	9,925	1,550	97,462
- Property, plant and equipment	XXV	138 293	26	-	5,779	1,278	145,376
- Goodwill and intangible assets	XXVI	1,268,871	-	-	22,217	186,994	1,478,082
Total assets		**7,378,843**	**2,852,223**	**1,196,506**	**708,075**	**1,314,732**	**13,450,379**
Liabilities							
- Deposits from central banks	XXVII	288,697	123,550	4,616	38,591	14,303	469,757
- Deposits from banks and customers	XXVIII	3,276,159	2,606,041	1,188,978	504,837	970 608	8,546,623
- Financial liabilities held for trading	XXI	5,305	247	-	115	-	5,667
- Derivatives used for hedging	XXII	2,142	-	-	-	-	2 142
- Other liabilities	XXIX	279,204	205,673	2,764	34,577	39,675	561,893
- Accruals and deferred income	XXX	196,961	3,712	61	15,920	5,537	222 191
- Current income tax liabilities		1,508	-	-	4,906	20,745	27,159
- Deferred income tax liabilities	XVI	6,825	-	-	-	-	6,825
- Provisions for liabilities and charges	XXXI	4 464	-	-	1,372	-	5,836
- Pension deficit	XXXII	49,100	-	-	-	6,933	56,033
- Subordinated liabilities	XXXIII	305 106	-	-	-	-	305,106
- Redeemable preference shares	XXXIV	-	-	-	13	-	13
Shareholders' equity		**3,227,126**	**734**	**-**	**(3,648)**	**16,922**	**3,241,134**
Total liabilities and shareholders' equity		**7,642,597**	**2,939,957**	**1,196,419**	**596,683**	**1,074,723**	**13,450,379**
Net balance sheet position		**(263,754)**	**(87,734)**	**87**	**111,392**	**240,009**	**-**

5 2 Market risk appetite for Euroclear Bank

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

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

III Risk management and financial risk management environment (continued)

5 3 Market risk mitigation (hedging)

Euroclear Bank has engaged in a series of market derivatives in order to hedge the market risk exposure resulting from future income streams, with the aim of ensuring that the financial results are not adversely affected by market evolutions ('predictability of future revenues') It is compliant with market expectations that Euroclear conducts its business prudently, as a single purpose bank This hedging strategy occurs on a rolling five quarters time horizon and must comply with strict guidelines (1) To be hedged, a future cash flow must be expected with a sufficiently high level of certainty, (2) a position, once hedged, may not be re-opened, and (3) any position above the anticipated level must be reversed

5 4 Market risk measurement

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

Given the low market risk appetite and the fact that Euroclear Bank will not engage in trading activities, the VaR figures are low Evolutions in investment book VaR over 2008 and 2009 are mainly due to changes in volatilities in the market and the lengthening of the portfolio duration from 6 months to 3 years

(€'000)	2009 Average	2009 min	2009 max	2008 Average	2008 min	2008 max
Investment book IR risk	2,576	1,751	4,017	1,135	691	2,007
Treasury book IR risk	73	10	697	117	13	930
Treasury book FX risk	16	3	70	19	2	148
Hedging book	931	182	2,690	1,796	906	3,984
Aggregate VaR	3,186	1,874	4 769	2,453	1,235	4,681

b) Earnings-at-Risk
The market risk relative to future earnings is measured through an internally developed EaR methodology The EaR for a portfolio estimates, based on a Monte-Carlo simulation and for a given confidence interval (99%), the potential values of Euroclear Bank's future income, converted to base currency, at a fixed time horizon, under normal market conditions The time horizon is limited to a rolling, five-quarters period The market parameters are derived from volatility and correlation observed either from historical daily changes or from option prices
The EaR framework requires a certain level of earnings to be guaranteed with a sufficiently high confidence level This minimum level is a certain percentage of the revenues that would have been obtained, based upon the forward rates applicable at the moment of fixing

As from January 2010, the EaR framework has been replaced by a more transparent and comprehensive benchmarking of performance of the outstanding hedges This benchmark will compare the futures earnings taking into account the actual hedges, simulated hedges or no hedge at all

c) Economic capital for market risk
As of 2008, a new methodology has been put in place to estimate the uncertainty on the loss absorption capacity of Euroclear Bank over a one-year horizon due to movements in market risk factors (interest rates and foreign exchange rates) The loss absorption capacity is defined as the buffer that would be available to Euroclear in the case that it would face a loss It is made up of the market value of the investment book (Tier 1 capital), the unrealised gain or loss on the hedging book and the earnings over the next twelve months Based on a Monte-Carlo process, an economic capital amount for market risk is determined assuming a confidence level that allows Euroclear Bank to obtain a AA+ rating

The economic capital for market risk on 31 December 2009 was only €69 million The increase compared to 2008 reflects the increased duration of Euroclear Bank's investment portfolio and is in line with the low risk appetite

5 5 Back and stress tests

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

III Risk management and financial risk management environment (continued)

5 6 Market risk monitoring and controls
Daily and monthly controls are performed under supervision of Risk Management Daily, weekly, monthly and quarterly reports are produced to ensure compliance and correct implementation of the risk framework defined and approved by the Board of Directors

6 Capital management

6 1 Capital measurement and allocation

The Commission Bancaire, Financière et des Assurances (CBFA) in Belgium is the main supervisor of Euroclear Bank and the lead regulator for Euroclear SA/NV, and for consolidated capital adequacy purposes only, Euroclear plc In addition, individual Central Securities Depositories (CSDs) are regulated by their own local supervisors, which set and monitor capital adequacy and liquidity requirements for them

In accordance with the Basel II framework, the CBFA requires each bank and banking group to maintain a ratio of total capital to risk-weighted assets that cannot fall under a threshold of 8%, and a ratio of Tier 1 capital to risk-weighted assets that must always exceed a threshold of 4% Furthermore, as a company closely associated with a settlement institution, Euroclear SA/NV is subject to certain specific requirements regarding its solvency and liquidity position

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

Total capital is divided into two Tiers Tier 1 is essentially made up of shareholders' capital, share premium, consolidated reserves and retained earnings, while Tier 2 comprises undated subordinated loans In accordance with capital adequacy regulations, Euroclear monitors the proportion of the Hybrid Tier 1 instrument (issued in 2005) that can be considered as Tier 1, and reclassifies the remainder to Tier 2 Goodwill and intangible fixed assets are deducted in full from Tier 1 capital The current regulatory framework stipulates that Tier 2 capital cannot exceed Tier 1 capital, a requirement that is very comfortably met by the group

The group's policy is to maintain a strong capital base and to diversify its sources of capital appropriately, so that an adequate relationship between total capital and the underlying risks of the group's business exists at all times

As an entity that periodically issues debt instruments, Euroclear Bank has been assigned an AA+ rating by both Fitch and Standard & Poor's

With effect from 1 January 2007, the regulatory capital requirements for Euroclear Bank started to be determined by the Basel II framework, both on a stand-alone and consolidated basis, as well as for all consolidated levels above Euroclear Bank Within this framework, Euroclear determines regulatory capital requirements both for credit and operational risk

As far as credit risk is concerned, Euroclear has been using the Foundation Internal Ratings Based Approach (FIRBA) as from 1 January 2007, in accordance with the accreditation received from the CBFA at the end of 2006 Since then, Euroclear has also computed its capital needs under Basel I, in parallel with the Basel II methodology, in order to be able to apply, if necessary, the so-called Basel I floors set out in the capital adequacy regulation

With respect to operational risk, Euroclear has been allowed by the CBFA to use the Advanced Measurement Approach (AMA) for the calculation of Pillar 1 capital requirements as from Q1 2008 Euroclear uses a hybrid approach at all consolidated levels above Euroclear Bank, by combining the AMA for Euroclear Bank with a Standardised or Basic Indicator Approach for the group's other entities

In 2009, Euroclear continued to make progress with its implementation of AMA for operational risk Euroclear worked towards fulfilling the terms and conditions that accompanied the accreditation received in 2008 from the CBFA to use the AMA to calculate capital requirements for operational risk under Pillar 1 In 2008, the CBFA imposed an add-on, which was reduced in 2009 The add-on brought capital requirements for operational risk with the AMA to a higher level than would be the case with the Basic Indicator Approach (BIA) A final decision on the AMA methodology, including the level of an eventual add-on, is expected in the coming months The capital requirements for operational risk were also significantly influenced by a worsening trend in market wide operational risk losses recorded by the Operational Riskdata eXchange (ORX), which Euroclear uses in its operational risk model to complement data on internal losses This increase in the capital requirements for operational risk does not reflect a deterioration in Euroclear's own control environment

The table below sets out the group's total capital, which comfortably exceeds its regulatory requirements

III Risk management and financial risk management environment (continued)

6 2 Regulatory capital position

The following table analyses the group's regulatory capital resources at the period end

(€000)	2009	2008
Risk weighted assets[1]	**6,104,357**	**4,440,656**
Capital requirement	**488,349**	**355,252**
- Credit risk	82,000	115,549
- Market risk	18,031	14,116
- Operational risk	388,318	225,587
Capital base	**2,082,372**	**1,970,296**
- Tier 1	2,081,238	1,957,033
- Tier 2	1,134	13,263
Solvency ratio		
- Tier 1	34 1%	44 1%
- Total	34 1%	44 4%

[1] Risk weighted assets represent the total capital requirement multiplied by a factor of 12 5 This means that the risk weighted assets do not only relate to credit and market risk, but also comprise the gross-up of the capital requirements related to operational risks For Euroclear, the latter are the main source of capital consumption

The lowering of the solvency ratios observed as of 31 December 2009 results from the increase of the capital requirements for operational risk As explained above, this essentially relates to the worsening trend in operational risk losses, unrelated to Euroclear, recorded by the Operational Riskdata eXchange (ORX)

IV Critical accounting estimates and judgments

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

Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the group evaluates among other factors, the normal volatility in share price

In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows

Where appropriate, the group has recourse to adequate valuation techniques (e g discounted cash flows, market multiples) to estimate the value of non-quoted available-for-sale equity investments, as explained in section 4 8 of Note III

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

Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques Where valuation techniques (e g models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them All models are certified by Risk Management before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices To the extent that is practical, models use only observable market inputs, however, certain pricing parameters such as volatilities and correlations require management to make estimates

Held-to-maturity investments

The group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity This classification requires significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity

Currently, the usage of the held-to-maturity category is restricted to these securities that represent those reinvestment of the proceeds received upon the issuance of the group's hybrid Tier 1 capital

If the group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale The investments would therefore be measured at fair value, not amortised cost

Depreciation of property, plant and equipment

The estimated useful life of property, plant and equipment is as follows

- freehold and long leasehold buildings 25 to 40 years,
- building enhancements 20 years,
- leasehold improvements shorter of economic life and period of lease,
- data processing and communications equipment between three and five years, and
- fixtures, fittings and furnishings seven to ten years

The impact of a change in accounting estimate on data processing and communication equipment in 2009 was a credit to the income statement of €6,348,000

Impairment of goodwill and contractual customers' relationships

The group tests goodwill and contractual customers' relationships for impairment annually (during the 4th quarter), irrespective of whether there is an indication of impairment. Furthermore, the group remains alert for indicators of impairment throughout the year and conducts a high level impairment review at each quarter end

Such impairment reviews are deemed to detect

- overpayment,
- under-performance compared with expectations,
- significant changes with an adverse effect on the acquired business Such changes can stem e g from new business parameters or from changes in market data used to determine the cost of capital of the acquired businesses

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

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

An impairment loss was booked as a result of these reviews in 2009 See Note XXVI

Depreciation of computer software

The estimated useful life of purchased and internally developed software is three to five years

The impact of a change in accounting estimate on data processing and communication software in 2009 was a credit to the income statement of €1,931,000

IV Critical accounting estimates and judgments

Impairment of other intangible assets

Intangible assets that derive their fair value from e g contractual relationships, communication standards or unpatented technologies and have a finite useful life are amortised over their estimated useful life Determining the latter requires an analysis of circumstances and judgment by the group's management

At each balance sheet date, or more frequently when events or changes in circumstances require, these intangible assets are assessed for indications of impairment If indications are present, these assets are subject to an impairment review The impairment review comprises a comparison of the carrying amount of the asset with its estimated recoverable amount the higher of the asset's net selling price and its value in use, as defined above

The most significant amounts of such intangible assets relate to the acquisition of the NCSD group and EMXCo

Contingent consideration

When a portion of the consideration to be paid for an acquisition is subject to the achievement of specified performance levels in the acquired company, IFRS require the net present value of the contingent consideration to be recorded as a liability at the time of acquisition Furthermore, in subsequent years, this amount has to be reviewed and adjusted to reflect the most recent expectations regarding the future performance of the acquired company Such assessment requires judgement from management

This only relates to the acquisition of EMXCo in 2007, and the final amount of the consideration has now been determined and paid See Note XXIX

Defined benefit plans

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

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

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

The major assumptions used are shown in Note XXXII

V Segment analysis

Segment reporting by the group was prepared for the first time in 2009 in accordance with IFRS 8, *Operating Segments* The data relating to 2008 has been restated to conform to the requirements of IFRS 8

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

The reportable business segments are as follows
- Euroclear Bank (including its Hong Kong branch) is an International Central Securities Depository (ICSD),
- Euroclear SA/NV (including its branches in Amsterdam, London and Paris) is the provider of software development and non-operational support services to the (I)CSDs,
- Euroclear UK & Ireland is the Central Securities Depository (CSD) subsidiary located in the United Kingdom,
- The ESES segment includes the group's CSD subsidiaries located in Belgium, France and the Netherlands, and
- The NCSD segment includes the five companies acquired in October 2008 NCSD Holding AB, Euroclear Sweden (CSD in Sweden), Euroclear Finland (CSD in Finland), NCSD Systems AB and VKI AB

Information reported within 'Other' relates to EMXCo, Xtrakter, the parent company, a reinsurance company, a Special Purpose Vehicle (SPV) established in connection with the issuance of subordinated debt qualifying as capital for Euroclear Bank, two property development companies whose properties are leased almost entirely to Euroclear SA/NV and a small client relationship subsidiary in Brazil which was liquidated in July 2009 None of these qualified as a reportable segment in 2008 or 2009

The risks and returns associated with Euroclear Bank's ICSD services do not vary geographically, and accordingly it is considered as one geographical segment The activities of all other segments are within Europe, with the exception of the small, now liquidated, subsidiary located in Brazil

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

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

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

V. Segment analysis (continued)

(€'000)	Notes	2009 Euroclear Bank	Euroclear SA/NV	Euroclear UK & Ireland	ESES CSDs	NCSD	Other	Eliminations	Group
Net interest income	VI	97,196	(1,355)	477	853	378	681	-	98,230
Net fee and commission income	VII	399,218	(37)	98,228	160,483	75,383	25,431	19	758,725
Intra group recharges		40	512,159	86	17,480	75	1,443	(531,283)	-
Other income		63,792	36,523	(109)	7 593	951	57,266	(89,204)	76,812
Operating income		560,246	547,290	98 682	186,409	76,787	84,821	(620,468)	933,767
Staff costs	XIII	(96,285)	(232,550)	(5,184)	(22,223)	(20,994)	(13,446)	-	(390,682)
Other direct costs	XIII	(36,515)	(234,172)	(4,845)	(13 502)	(18 820)	(12,194)	16,361	(303,687)
Depreciation and amortisation	XXV, XXVI	(705)	(29,532)	-	(1,997)	(15,530)	(7 213)	-	(54 977)
Royalty fees	XIII	(19,302)	-	(284)	(526)	(266)	(1)	20,379	-
Group non-operational and administrative support services		(291,430)	(17,325)	(83,292)	(136 317)	(1,259)	(1,641)	531,264	-
Impairment	XIV	-	(85,000)	(1)	(111)	(100,120)	320	-	(184,912)
Operating profit/(loss) before tax		116,009	(51 289)	5 076	11,733	(80,202)	50,646	(52 464)	(491)
Taxation	XV	(16,347)	(1,338)	(1,452)	(4 144)	(8 283)	(6,336)	-	(37,900)
Profit/(loss) for the year		**99,662**	**(52,627)**	**3,624**	**7,589**	**(88,485)**	**44,310**	**(52,464)**	**(38,391)**
External revenues		947,925	2,068	102,244	150,296	77,445	38,476	-	1,318,454
Revenues from other segments		11,460	548,365	275	39,202	76	59,750	(659,128)	-
Total revenues		**959,385**	**550,433**	**102,519**	**189,498**	**77,521**	**98,226**	**(659,128)**	**1,318,454**
Segment assets		9,012 811	1,234 569	86,483	153,303	393,274	122,099	-	11,002,539
Segment liabilities		7,339,529	139,449	6,118	27,122	21,827	335,111	-	7,869,156

The €52,464,000 remaining in the Eliminations column relates to dividends received from companies within the group

As explained in note XXVI, the €85 million of impairment charges reported in the Euroclear SA/NV segment relate to the goodwill recognised in respect of Euroclear UK & Ireland and the ESES CSDs The goodwill relating to these cash generating units originated from acquisitions preceding the adoption of IFRS by the group At that time, goodwill was considered as a non-monetary asset of the acquirer, and it is therefore recorded under this segment, along with any related impairment charge

V Segment analysis (continued)

(€'000)	Notes	Euroclear Bank	Euroclear SA/NV	Euroclear UK & Ireland	ESES CSDs	NCSD	Other	Eliminations	Group
		2008							
Net interest income	VI	260,508	6,958	6,637	3,992	286	5,414	-	283,795
Net fee and commission income	VII	456,256	(149)	141,374	183,963	12,556	13,831	(40)	807,791
Intra group recharges		-	508,069	70	1,566	-	4 277	(513,982)	-
Other income		37,721	506,993	(61)	6,885	(2)	133 982	(639,027)	46 491
Operating income		754,485	1,021,871	148,020	196,406	12,840	157,504	(1,153,049)	1,138,077
Staff costs	XIII	(104 396)	(230,410)	(6,339)	(23,211)	(4,072)	(6,176)	-	(374 604)
Other direct costs	XIII	(44,003)	(298,374)	(7,032)	(17,030)	(3,747)	(14,809)	19,885	(365,110)
Depreciation and amortisation	XXV, XXVI	(573)	(39,059)	-	(2,161)	(2,421)	(6,840)	-	(51,054)
Royalty fees	XIII	(123,448)	-	(502)	(579)	-	(1)	124,530	-
Group non-operational and administrative support services		(293 691)	(36)	(94,273)	(119,709)	-	(530)	508,239	-
Impairment	XIV	-	-	(361)	109	(20)	-	-	(272)
Operating profit before tax		188,374	453,992	39 513	33,825	2,580	129,148	(500,395)	347,037
Taxation	XV	(48,237)	8,939	(10,933)	(11,159)	(1,214)	(22 752)	-	(85 356)
Profit/(loss) for the year		**140,137**	**462,931**	**28,580**	**22,666**	**1,366**	**106,396**	**(500,395)**	**261,681**
External revenues		1,417 049	17,429	151,757	177,144	12,960	16,864	-	1 793 203
Revenues from other segments		14,578	1,012,736	411	24,182	1	154,231	(1,206 139)	-
Total revenues		**1,431,627**	**1,030,165**	**152,168**	**201,326**	**12,961**	**171,095**	**(1,206,139)**	**1,793,203**
Segment assets		11,238,245	1,346,329	93,531	152,183	492,181	127,910	-	13 450,379
Segment liabilities		9,589,464	177,387	9 806	54,389	22,995	355,204	-	10 209,245

The €500,395,000 remaining in the Eliminations column relates to dividends received from companies within the group

The income statement amounts for the NCSD segment in 2008 only relate to the months of November and December 2008

VI Net interest income

(€'000)	2009	2008
Interest Income		
- Cash and balances with central banks	2,713	18,417
- Loans and advances	90,948	400,911
- Available-for-sale financial assets	26,078	39,732
- Held-to-maturity financial assets	9,916	10,199
- Financial assets held for trading	8,392	62,531
- Derivatives used for hedging (only interest flows)	127	-
Total interest income	**138,174**	**531,790**
Interest expense		
- Deposits from central banks	260	4,136
- Deposits from banks and customers	20,056	170 250
- Financial liabilities held for trading	6,678	57,717
- Derivatives used for hedging (only interest flows)	125	2,932
- Subordinated liabilities	12,825	12,960
Total interest expense	**39,944**	**247,995**
Net interest income	**98,230**	**283,795**

VII Net fee and commission income

(€000)	2009	2008
Fee and commission income		
Clearing and settlement	304,495	424,444
Custody	482,825	513 987
Other	316,148	276,491
Total fee and commission income	**1,103,468**	**1,214,922**
Fee and commission expense		
Clearing and settlement	53,564	114,886
Custody	159,557	170,126
Other	131,622	122,119
Total fee and commission expense	**344,743**	**407,131**
Net fee and commission income	**758,725**	**807,791**

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

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

VIII Dividend income

(€'000)	2009	2008
Income from available-for-sale financial assets	17,814	4,451

This relates to dividends received from LCH Clearnet Group Limited, NYSE Euronext and Monte Titoli

IX. Realised gains on available-for-sale financial assets

(€000)	2009	2008
Available-for-sale financial assets		
- fair value adjustment recognised in equity and released in profit or loss during the period - quoted debt instruments	7 502	-
- realised result recognised in profit or loss during the period - quoted debt instruments	8,803	-
- fair value adjustment recognised in equity and released in profit or loss during the period - equity shares	10 532	-
- realised result recognised in profit or loss during the period - equity shares	6 933	-
Total	33,770	-

During 2009, Euroclear Bank restructured the duration of its Available-for-sale debt securities, realising gains of €16,305,000

In November 2009, Euroclear Bank realised a gain of €6,933,000 in connection with the disposal of its shares in LCH Clearnet Group Limited

A further gain of €10,532,000 was realised on the disposal of these shares at the level of the Euroclear plc consolidated financial statements In 2002, Euroclear plc acquired Clearnet SA in exchange for newly issued shares of Euroclear plc 75% of the Euroclear plc shares were issued in February 2002 with the remaining 25% to be issued in February 2004 In February 2002, Euroclear plc dropped down the investment in Clearnet SA to Euroclear Bank in exchange for newly issued shares, with no deferred consideration terms The value of the Euroclear plc deferred consideration shares in February 2002 was estimated at €33,444,000 whereas when the shares were issued in February 2004, the value was €22,692,000 Additional cash consideration of €220,000 was paid in February 2004 For the purposes of the Euroclear plc consolidated financial statements, the shares in Clearnet SA had cost €10,532,000 less than anticipated When Euroclear adopted IFRS in 2006, this amount was considered as part of the Available-for-sale revaluation reserve within Shareholders' equity In 2009, at the time of the disposal of the shares in LCH Clearnet Group Limited, this amount has been transferred from the Available-for-sale revaluation reserve to the consolidated Income statement

X. Realised gains on financial liabilities measured at amortised cost

(€ 000)	2009	2008
Financial liabilities measured at amortised cost		
- Realised gains	2 088	-
Total	**2,088**	**-**

During 2009, Euroclear Finance 2 bought back €6,000,000 of its Hybrid Tier I debt, realising a gain of €2,088,000

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

(€000)	2009	2008
Interest rate instruments and related derivatives	8,405	19 756
Foreign exchange trading	2,047	(706)
Total	**10,452**	**19,050**

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

The net gains/(losses) on foreign exchange trading relate to
- net gains (2008 losses) on treasury swaps initiated by Euroclear Bank in order to convert balances in non-core currencies into euro or US dollars for re-investment purposes Under IFRS, these results may not be included within net interest income,
- net losses (2008 gains) on forward foreign exchange contracts initiated by Euroclear plc to cover the company's Swiss franc tax liabilities, and
- a net loss on a contract initiated by Euroclear SA/NV to cover its pound sterling liability for the EMXCo contingent consideration (Note XXIX)

XII Other operating income

(€'000)	2009	2008
Occupancy income	3,923	3,687
Other	10,906	9,052
Total	**14,829**	**12,739**

Other mainly relates to personnel-related subsidies received (e g payroll taxes linked to research and development), and net profits arising from operational incidents

XIII Administrative expenses

(€000)	Notes	2009	2008
Staff costs			
- Wages and salaries		279,360	269 713
- Social security costs		72,588	71 450
- Defined benefit plans	XXXII	12 888	10,189
- Defined contribution plans		8,251	5,919
- Other staff costs		17,595	17,333
Auditors' remuneration		2,496	2,543
Consultants' fees		122,598	191,615
Occupancy		48,620	45,260
Maintenance and repairs		41,366	32,925
Communications		22,557	22,269
Depreciation and amortisation	XXV, XXVI	54,977	51,054
Other administrative expenses		60,829	69,029
Provisions for liabilities and charges	XXXI	5,221	1,469
Total		**749,346**	**790,768**

The average number of persons employed by the group during the year was 3,961 (2008 3,794) The figure includes a full year of NCSD employees and a contribution of 8 months of Xtrakter employees

The auditors' remuneration for Euroclear plc and its subsidiary undertakings was as follows

(€000)	2009	2008
Fees payable to the company's auditor for the audit of the company's annual accounts	121	151
Fees payable to the company's auditor and its associates for other services		
- The audit of the company's subsidiaries, pursuant to legislation	1,647	1 492
- Other services pursuant to legislation	58	83
- Other services (principally SAS 70)	670	817
Fees included in the consolidated financial statements	2,496	2,543
Fees in respect of audit of pension plan	9	9
Total	**2,505**	**2,552**

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

XIV Impairment

(€'000)	Notes	2009	2008
Impairment charge			
Goodwill and intangible assets	XXVI	185,000	-
Other assets		(88)	272
At 31 December		**184,912**	**272**

(€'000)	2009	2008
Impairment of other assets		
At 1 January	467	280
- Acquisition of subsidiaries	681	83
- Charge to the income statement	(88)	272
- Amounts used	(356)	(98)
- Exchange differences	32	(70)
At 31 December	**736**	**467**

For other assets, impairment relates to fees receivable from clients in several of the group's CSD subsidiaries, the recovery of which is at least partially in doubt

XV Taxation

Euroclear plc is not treated as a UK resident for UK tax purposes and has no taxable presence itself in the United Kingdom The UK Corporation tax charge relates to the group's subsidiary EMXCo, Euroclear UK & Ireland, Xtrakter Limited and the UK branch of Euroclear SA/NV The overseas tax charges arose in Belgium, Brazil, Finland, France, Luxembourg, Sweden, Switzerland and The Netherlands

(€000)	2009	2008
Current income tax expense	43,750	80 073
Adjustments to current tax of prior period	182	125
	43,932	**80,198**
Deferred tax charge/(income) relating to the origination and reversal of temporary differences	(5,942)	5,229
Deferred tax charge/(income) resulting from change in tax rate	(90)	(71)
Tax expense	**37,900**	**85,356**

Further information on deferred tax is presented in Note XVI

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

Operating profit before tax	**(491)**	**347,037**
At standard rate of tax[1]	(101)	85,371
Effects of		
- Notional interest on capital	(16,000)	(17,625)
- Expenses not deductible for tax purposes	85,328	179,263
- Income not subject to tax	(31,668)	(169,151)
- Different rates in the companies in the group	249	7,444
- Change of tax rate on deferred taxation	(90)	(71)
- Adjustments to tax charge in respect of previous period	182	125
Tax expense for the year	**37,900**	**85,356**

[1] A rate of 20 54% (2008 24 60%), representing the effective tax rate (before impairment) for the group, has been used as the standard rate

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

The current income tax asset of €16,845,000 at 31 December 2009 (2008 €21,957,000) represents the total of amounts recoverable from the tax authorities relating to prior years and over-payments of 2009 income tax pre-payments

XVI Deferred taxation

The details of deferred taxation are as follows

(€'000)	Total	Maturity on or before 31 December 2010	Maturity after 31 December 2010
At 31 December 2009			
Assets			
Defined benefit plans	13,557	-	13,557
Available-for-sale securities	(2,600)	-	(2,600)
Cash flow hedging reserve	206	206	-
Financial assets/(liabilities) held for trading	(569)	(569)	-
Software development	67,227	152	67,075
Property, plant and equipment	1,953	59	1,894
Tax loss carried forward	61,902	-	61,902
Other temporary differences	14,169	2,852	11,317
Total	**155,845**	**2,700**	**153,145**
Liabilities			
Defined benefit plans	(2,307)	-	(2,307)
Property, plant and equipment	6	-	6
Other temporary differences	3,897	203	3,694
Insurance reserve of Euroclear Re SA	1,389	-	1,389
Total	**2,985**	**203**	**2,782**

Depending on the total net deferred tax asset or liability, across all types of deferred tax, at year-end for each entity, the analysis is provided under deferred tax assets or deferred tax liabilities At 31 December 2009, Euroclear Re SA and Euroclear Sweden had a net deferred tax liability

Deferred taxation for both software development and tax losses carried forward mainly relates to Euroclear SA/NV

XVI Deferred taxation (continued)

(€000)	Total	Maturity on or before 31 December 2009	Maturity after 31 December 2009
At 31 December 2008			
Assets			
Defined benefit plans	15,257	-	15,257
Available-for-sale securities	(14)	-	(14)
Financial assets/(liabilities) held for trading	665	665	-
Software development	67,466	9,453	58,013
Property, plant and equipment	1,303	359	944
Tax loss carried forward	60,233	-	60,233
Other temporary differences	10,331	2,684	7,647
Total	**155,241**	**13,161**	**142,080**
Liabilities			
Defined benefit plans	(4,403)	-	(4 403)
Available-for-sale securities	2 538	2,857	(319)
Cash flow hedging reserve	957	957	-
Financial assets/(liabilities) held for trading	6,823	6,823	-
Other temporary differences	(288)	(288)	-
Insurance reserve of Euroclear Re SA	1,198	-	1,198
Total	**6,825**	**10,349**	**(3,524)**

XVI Deferred taxation (continued)

(€000)	Notes	2009	2008
Analysis of movement of the net deferred tax asset and liability balances			
At 1 January		148,416	144,846
Acquisition of subsidiaries	XLII	625	1,109
Income statement	XV	6,032	(5,158)
Deferred tax relating to items (charged) or credited to equity			
- Defined benefit plans	XXXII	(3,384)	11,515
- Revaluation reserve on available-for-sale financial assets	XXXVI	(65)	(3,080)
- Cash flow hedging reserve	XXXVI	1,163	(223)
Exchange differences		73	(593)
At 31 December		**152,860**	**148,416**

The deferred tax asset recognised at the time of the acquisition of Xtrakter in 2009 consists of deferred tax assets related to property, plant and equipment (€625,000)

The deferred tax asset recognised at the time of the acquisition of the NCSD group in 2008 represents the net of deferred tax assets related to defined benefit plans (€3,028,000) (Note XXXII) and property, plant and equipment (€156,000) and deferred tax liabilities related to untaxed reserves (€2,062,000) and the fair valuation of financial instruments (€13,000)

The deferred tax income/(charge) in the income statement relates to the following temporary differences

	Notes	2009	2008
Defined benefit plans	XXXII	(606)	(6 438)
Financial assets/(liabilities) held for trading		5,605	(5,959)
Software development		(286)	13,033
Property, plant and equipment		(11)	(496)
Tax losses carried forward		1,669	(2,456)
Insurance reserve		(191)	(381)
Other temporary differences		(148)	(2,461)
Total		**6,032**	**(5,158)**

XVII Cash and balances with central banks

(€000)	Notes	2009	2008
At 31 December			
Cash in hand		18	136
Loans and advances		736,721	1,019,913
Included in cash and cash equivalents	XXXVIII	736,739	1,020,049
Monetary reserve		208,605	117
Total cash and balances with central banks		**945,344**	**1,020,166**

At 31 December 2009, Euroclear Bank had deposited €700,000,000 (2008 €968,000,000) of surplus funds with the Belgian National Bank

Euroclear Bank, like other banks, is required to comply with average monetary reserve requirements determined by the European Central Bank (ECB) Throughout each period set by the ECB, Euroclear Bank deposits varying amounts in its monetary reserve account at the Belgian National Bank in order to meet the average requirement for that period

XVIII Loans and advances

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2010	Maturity after 31 March 2010 but before 30 June 2010	Maturity after 30 June 2010 but before 31 December 2010	Maturity after 31 December 2010 but before 31 December 2014	Maturity after 31 December 2014	Non-interest bearing	Total
As at 31 December 2009								
Loans and advances to								
- central governments	-	-	-	-	-	-	6	6
- financial institutions	5,019,384	1,475,505	34,690	-	-	-	2,599	6,532 178
- corporates	10 845	-	-	-	-	-	1 319	12,164
Total	**5,030,229**	**1,475,505**	**34,690**	**-**	**-**	**-**	**3,924**	**6,544,348**

The amount repayable on demand or within one week includes €1,470,786,000 of securities purchased under agreement to resell ('reverse repo') transactions

Other amounts maturing before 31 March 2010 includes € 937,513,000 of securities purchased under agreement to resell ('reverse repo') transactions

The fair value of the loans and advances is not materially different from their book value at 31 December

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2009	Maturity after 31 March 2009 but before 30 June 2009	Maturity after 30 June 2009 but before 31 December 2009	Maturity after 31 December 2009 but before 31 December 2013	Maturity after 31 December 2013	Non-interest bearing	Total
As at 31 December 2008								
Loans and advances to								
- central governments	85,000	-					5	85,005
- financial institutions	7 508 706	1,107,192	10,000				7,491	8,633 389
- corporates	7,709	8,439	-				1,379	17,527
Total	**7,601,415**	**1,115,631**	**10,000**	**-**	**-**	**-**	**8,875**	**8,735,921**

The amount repayable on demand or within one week includes € 3,128,830,000 of securities purchased under agreement to resell ('reverse repo') transactions

Other amounts maturing before 31 March 2009 includes € 704,309,000 of securities purchased under agreement to resell ('reverse repo') transactions

The fair value of the loans and advances is not materially different from their book value at 31 December

XVIII. Loans and advances (continued)

In terms of nature, the following additional analysis is relevant

(€'000)	2009	2008
Surplus funds	5 835,491	7 432,382
Loans and advances	708,857	1,303,539
Total	**6,544,348**	**8,735,921**

Surplus funds relate to Euroclear Bank's treasury exposures resulting from clients' end-of-day positions Such positions are usually re-deposited in the market with high quality counterparties, as explained in the credit risk section of Note III

The group's loans and advances exposure is concentrated on the major banks with which surplus funds are invested and, to a lesser extent, on the overdrafts of Euroclear Bank Participants Geographic concentrations have been based on the residence of the counterparty

	Europe		Americas		Other		Total	
(€'000)	2009	2008	2009	2008	2009	2008	2009	2008
At 31 December								
Loans and advances to								
- central governments	-	85,005	-	-	5	-	5	85,005
- financial institutions	5,948,177	6,969,332	224,425	807,297	359,578	856,760	6,532 180	8 633 389
- corporates	11 007	12,904	1,149	4,394	7	229	12,163	17,527
Total	**5,959,184**	**7,067,241**	**225,574**	**811,691**	**359,590**	**856,989**	**6,544,348**	**8,735,921**

XIX Available-for-sale financial assets

(€'000)	2009	2008
At 31 December		
Equity shares		
- Quoted prices in active markets	1,185	1,215
- Valuation techniques for which any significant input is not based on observable market data	10,957	121,383
Quoted debt instruments issued by		
- central governments and central banks	1,247,628	944,897
- financial institutions	14 551	35,681
	1,274,321	**1,103,176**

All debt securities have fixed coupons Equity securities do not bear interest

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

In November 2009, in connection with a share buy-back by LCH Clearnet Group Limited, Euroclear disposed of its shareholding in the company, receiving a dividend of €17,568,000 (Note VIII) and realising a gain of €17,465,000 (Note IX)

During the course of 2009, Euroclear Bank restructured its Available-for-sale debt instrument portfolio, realising gains of €16,305,000 (Note IX)

The group has not reclassified any held-to-maturity financial asset during the year (2008 €0)

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

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

(€000)	Equity shares	Debt securities	Total
At 1 January 2009	122,598	980,578	1,103,176
Additions	761	1,388,487	1 389,248
Redemptions and disposals	(100,656)	(1,110,299)	(1,210,955)
Gains/losses from changes in fair value			
- Gains/losses on redeemed or sold securities	(10,532)	(7,502)	(18,034)
- Gains/losses on held securities	(30)	7,649	7,619
Amortisation of discounts and (premiums)	-	(10,887)	(10,887)
Net change in accrued interest	-	14,154	14,154
At 31 December 2009	**12,141**	**1,262,180**	**1,274,321**

(€000)	Equity shares	Debt securities	Total
At 1 January 2008	124,979	1,141,303	1,266,282
Acquisition of subsidiaries	1	9,009	9,010
Additions	-	1,439,530	1,439,530
Redemptions and disposals	-	(1,648,000)	(1,648,000)
Gains/losses from changes in fair value			
- Gains/losses on held securities	(2,382)	9,054	6,672
Amortisation of discounts and (premiums)	-	31,115	31,115
Net change in accrued interest	-	(1,433)	(1,433)
At 31 December 2008	**122,598**	**980,578**	**1,103,176**

XX Held-to-maturity financial assets

(€000)	2009	2008
At 31 December		
Quoted debt instruments issued by		
- central governments and central banks	298,729	299 551
	298,729	**299,551**

All debt securities have fixed coupons All debt securities are quoted in an active market

The group has not reclassified any held-to-maturity financial asset during the year (2008 €0)

The maturity profile of the held-to-maturity financial assets can be found in Note III

The book value and the fair value of the held-to-maturity financial assets can be detailed as follows

(€000)	2009 Book value	2009 Fair value	2008 Book value	2008 Fair value
At 31 December				
Quoted debt instruments issued by				
- central governments and central banks	298,729	305,539	299,551	297,151
	298,729	**305,539**	**299,551**	**297,151**

The movement in held-to-maturity financial assets can be summarised as follows

(€000)	2009	2008
At 1 January	299,551	352,964
Redemptions	-	(50,000)
Amortisation of discounts and (premiums)	(822)	(827)
Net change in accrued interest	-	(2 586)
At 31 December	**298,729**	**299,551**

XXI Financial instruments held for trading

The group's financial assets and liabilities held for trading are comprised of the following derivatives which can be used by the group to hedge interest rate and foreign currencies exposures

- interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates or to buy or sell a financial instrument on a future date at a specific price,
- interest rate swaps and overnight indexed swaps are commitments to exchange one set of cash flows for another Such transactions result in an economic exchange of interest rates,
- interest rate options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, to buy or sell at or by a set date or during a set period, a financial instrument at a predetermined price,
- currency forwards represent commitments to buy or sell foreign and domestic currencies on a future date at a predetermined price

In order to reduce the volatility of its net interest earnings, Euroclear Bank uses certain interest rate derivatives In particular, it enters into transactions in interest rate futures and options, as well as overnight indexed swaps

Although these transactions do not qualify for hedge accounting under IFRS, such transactions allow Euroclear Bank to protect the interest rate margin on the reinvestment of its long core deposits

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

1 Fair value and notional amounts
At 31 December 2009 and 31 December 2009, the fair value and the notional amounts of the group's trading derivatives were as follows

	Fair value		Notional amount	
(€'000)	Assets	Liabilities	Assets	Liabilities
At 31 December 2009				
Interest rate derivatives				
- Interest rate options	845	-	600,000	-
- Interest rate swaps	17	14	173 539	33,780
- Interest rate futures	1,015	-	487,827	-
Total	**1,877**	**14**	**1,261,366**	**33,780**
Foreign exchange derivatives				
- Forward foreign exchange	84	61	12,907	10,523
Stock options (Note IV to Parent company financial statements)	4 061	4 061	45,604	45,604
Total	**6,022**	**4,136**	**1,319,877**	**89,907**
At 31 December 2008				
Interest rate derivatives				
- Interest rate options	908	215	811,691	646,691
- Interest rate swaps	1 359	715	1,548,199	-
- Interest rate futures	13,293	-	3,725,008	-
Total	**15,560**	**930**	**6,084,898**	**646,691**
Foreign exchange derivatives				
- Forward foreign exchange	1,078	2,124	116,160	14,213
Stock options (Note IV to Parent company financial statements)	2,613	2,613	44 497	44,497
Total	**19,251**	**5,667**	**6,245,555**	**705,401**

XXII Derivatives used for hedging

In addition to the interest rate hedging described in Note XIX, which is classified as trading under IFRS, the group's policy is to hedge the following exposures

- foreign exchange risk arising from expected future income streams sensitive to foreign exchange movements, and
- structural currency exposures

Some of Euroclear Bank's fee income is sensitive to the level of foreign exchange rates In order to protect this revenue stream from adverse movements in foreign exchange rates, Euroclear Bank enters into currency forward exchange contracts, whereby it sells the relevant currencies on a future date at a predetermined price Such transactions are classified as cash flow hedges

In addition, the group also uses currency forward exchange contracts to hedge its net investments in foreign operations Such transactions are classified as hedges of net investments

The positions taken on the hedging book are managed according to the following key principles

- an exposure once hedged will not be re-opened, and
- unwinding of positions will be done only in exceptional circumstances, for instance in case of an over-hedged position

1 Cash flow hedges

At 31 December 2009 and 31 December 2008, the fair value and the notional amounts of the group's derivatives used for cash flow hedges were as follows

Derivatives designated as cash flow hedges

	Fair value		Notional amount	
(€'000)	Assets	Liabilities	Assets	Liabilities
At 31 December 2009				
Foreign exchange derivatives				
- Forward foreign exchange	268	874	10,652	55,202
Total	**268**	**874**	**10,652**	**55,202**
At 31 December 2008				
Foreign exchange derivatives				
- Forward foreign exchange	4 008	2,018	43,402	22,354
Total	**4,008**	**2,018**	**43,402**	**22,354**

The group applies hedge accounting for expected revenue streams influenced by changes in foreign exchange rates for certain currencies At 31 December 2008, there was also a hedge contract in connection with the purchase consideration for Xtrakter Limited

The amounts recognised in the cash flow hedging reserve will be gradually released in the income statement in the course of 2010, when the related cash flows materialise

There was no ineffectiveness arising from cash flow hedging to be recognised in profit or loss as at 31 December 2009 and 31 December 2008

There were no transactions for which cash flow hedge accounting had to be ceased in 2009 or 2008 as a result of the highly probable cash flows no longer being expected to occur

XXII Derivatives used for hedging (continued)

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

(€'000)	Gross amount	Deferred tax	Net amount
At 1 January 2009	**1,990**	**(957)**	**1,033**
Amount released from equity to profit or loss during the period	2,293	(779)	1,514
Change of fair value directly recognised in equity during the year	(4,889)	1,942	(2 947)
Change to cash flow hedging reserve during the year	**(2,596)**	**1,163**	**(1,433)**
At 31 December 2009	**(606)**	**206**	**(400)**
At 1 January 2008	**2,159**	**(734)**	**1,425**
Amount released from equity to profit or loss during the period	1,213	(412)	801
Change of fair value directly recognised in equity during the year	(1,382)	189	(1 193)
Change to cash flow hedging reserve during the year	**(169)**	**(223)**	**(392)**
At 31 December 2008	**1,990**	**(957)**	**1,033**

2 Hedges of net investments in a foreign operation

At 31 December 2009 and 31 December 2008, the fair value and the notional amounts of the group's derivatives used for the hedge of net investments in a foreign operation were as follows

(€'000)	Notes	Fair value Assets	Fair value Liabilities	Notional amount
At 31 December 2009				
Foreign exchange derivatives				
- Forward foreign exchange			1,789	125 349
Total	III	**-**	**1,789**	**125,349**
At 31 December 2008				
Foreign exchange derivatives				
- Forward foreign exchange		1,115	124	123,547
Total	III	**1,115**	**124**	**123,547**

The group hedges part of the currency translation risk of net investments in foreign operations (EMXCo, Xtrakter, Euroclear UK & Ireland, the UK branch of Euroclear SA/NV, NCSD Holding AB and Euroclear Sweden) No ineffectiveness was recognised in income statements that arose from hedges of net investments in foreign operations

The movements in the hedge of net investments in foreign operations reserve as at 31 December 2009 and 31 December 2008 can be detailed as follows

(€'000)	Notes	2009	2008
At 1 January		**38,530**	**16,829**
Amount released from equity to profit or loss during the period		(5,071)	(12,188)
Change of fair value directly recognised in equity during the year		(8,895)	33,889
Change to hedge of net investments in foreign operations reserve during the year	XXXVI	**(13,966)**	**21,701**
At 31 December		**24,564**	**38,530**

XXIII Other Assets

(€000)	Notes	2009	2008
At 31 December			
Items in process of collection		166,361	321,672
Taxation and social security		40,884	24 012
Other assets (after impairment)	XIV	44,983	23,389
		252,228	**369,073**

Items in process of collection principally relate to coupon and redemption proceeds for Participants of Euroclear Bank

XXIV Pre-payments and accrued income

(€000)	2009	2008
At 31 December		
Pre-payments	14,512	20,657
Accrued fee income	73,619	75,832
Other acrued income	935	973
	89,066	**97,462**

XXV Property, plant and equipment

(€'000)	Notes	Land and buildings	Furniture and fixtures	IT equipment	Other equipment	Total
Cost						
At 1 January 2009		115,738	22,271	221 651	61,118	420,778
Additions		746	64	7 529	2,714	11 053
Acquisition of subsidiaries	XLII	-	952	4 220	1,585	6,757
Transfer and disposals		-	(3,174)	(28,161)	(8 470)	(39,805)
Exchange differences		-	139	549	597	1,285
At 31 December 2009		**116,484**	**20,252**	**205,788**	**57,544**	**400,068**
Accumulated depreciation						
At 1 January 2009		(53,258)	(16,856)	(164 797)	(40 491)	(275,402)
Acquisition of subsidiaries	XLII	-	(920)	(2,706)	(1,393)	(5,019)
Depreciation charge		(3,710)	(1,352)	(21,786)	(4,725)	(31,573)
Transfer and disposals		-	2,865	28,538	8,393	39,796
Exchange differences		-	(71)	(485)	(299)	(855)
At 31 December 2009		**(56,968)**	**(16,334)**	**(161,236)**	**(38,515)**	**(273,053)**
Net book value at 31 December 2009		**59,516**	**3,918**	**44,552**	**19,029**	**127,015**

(€'000)	Land and buildings	Furniture and fixtures	IT equipment	Other equipment	Total
Cost					
At 1 January 2008	113,716	20,325	180,697	57,628	372 366
Additions	2,022	913	41,223	6,788	50 946
Acquisition of subsidiaries	-	1,522	4,425	208	6 155
Transfer and disposals	-	(85)	(3 090)	(1,097)	(4,272)
Exchange differences	-	(404)	(1 604)	(2,409)	(4,417)
At 31 December 2008	**115,738**	**22,271**	**221,651**	**61,118**	**420,778**
Accumulated depreciation					
At 1 January 2008	(49,455)	(14,780)	(137,945)	(37,878)	(240,058)
Acquisition of subsidiaries	-	(818)	(3,700)	(140)	(4,658)
Depreciation charge	(3,803)	(1,524)	(27,331)	(4,837)	(37,495)
Transfer and disposals	-	84	2,804	1,054	3,942
Exchange differences	-	182	1,375	1,310	2,867
At 31 December 2008	**(53,258)**	**(16,856)**	**(164,797)**	**(40,491)**	**(275,402)**
Net book value at 31 December 2008	**62,480**	**5,415**	**56,854**	**20,627**	**145,376**

The net book value of IT equipment includes €2,140,000 (2008 €0) in respect of IT equipment held under non-cancellable finance lease agreements The lease terms are between 1 and 2 years

XXVI Goodwill and intangible assets

(€'000)	Notes	Internally developed software	Purchased software	Know-how	Goodwill	Contractual customer relationship	Contractual commitment	Unpatented technology	Total
Cost									
At 1 January 2009		28,097	55,642	45,855	1,391,803	21 965	4,802	54,231	1,602 395
Additions		61	7,646	-	-	-	-	-	7,707
Acquisition of subsidiaries	XLII	1,643	3,842	-	1,109	1,120	-	-	7,714
Transfer and disposals		-	(3,905)	-	(221)	-	-	-	(4,126)
Exchange differences		10	361	65	10,967	6	348	2,043	13,800
At 31 December 2009		**29,811**	**63,586**	**45,920**	**1,403,658**	**23,091**	**5,150**	**56,274**	**1,627,490**
Provisions for amortisation and impairment									
At 1 January 2009		(25,966)	(45,420)	(43,823)	-	-	(3 201)	(5,903)	(124,313)
Acquisition of subsidiaries	XLII	(1,462)	(2,957)	-	-	(75)	-	-	(4 494)
Amortisation charges		(1,271)	(5,211)	(694)	-	(151)	(1,712)	(14,365)	(23,404)
Impairment		-	-	-	(185,000)	-	-	-	(185,000)
Transfer and disposals		-	3,399	-	-	-	-	-	3,399
Exchange differences		(8)	(348)	(9)	-	-	(237)	(568)	(1,170)
At 31 December 2009		**(28,707)**	**(50,537)**	**(44,526)**	**(185,000)**	**(226)**	**(5,150)**	**(20,836)**	**(334,982)**
Net book value at 31 December 2009		**1,104**	**13,049**	**1,394**	**1,218,658**	**22,865**	**-**	**35,438**	**1,292,508**

(€'000)	Internally developed software	Purchased software	Know-how	Goodwill	Contractual customer relationship	Contractual commitment	Unpatented technology	Total
Cost								
At 1 January 2008	-	44,670	44 774	1,009 422	21,965	6,237	12,590	1 139,658
Additions	-	10,868	1,081	-	-	-	-	11,949
Acquisition of subsidiaries	28,097	1,646	-	402,914	-	-	46 700	479,357
Transfer and disposals	-	(62)	-	(181)	-	-	-	(243)
Exchange differences	-	(1,480)	-	(20,352)	-	(1,435)	(5,059)	(28,326)
At 31 December 2008	**28,097**	**55,642**	**45,855**	**1,391,803**	**21,965**	**4,802**	**54,231**	**1,602,395**
Provisions for amortisation and impairment								
At 1 January 2008	-	(39,323)	(43,314)	-	-	(2,079)	(2,519)	(87,235)
Acquisition of subsidiaries	(25,765)	(946)	-	-	-	-	-	(26,711)
Amortisation charges	(201)	(6,543)	(510)	-	-	(1,918)	(4,387)	(13,559)
Exchange differences	-	1,392	1	-	-	796	1,003	3,192
At 31 December 2008	**(25,966)**	**(45,420)**	**(43,823)**	**-**	**-**	**(3,201)**	**(5,903)**	**(124,313)**
Net book value at 31 December 2008	**2,131**	**10,222**	**2,032**	**1,391,803**	**21,965**	**1,601**	**48,328**	**1,478,082**

Goodwill and the contractual customer relationship set out in the tables above relate to the acquisition of Euroclear Belgium, Euroclear France, Euroclear Nederland, Euroclear UK & Ireland, EMXCo, Euroclear Finland and Euroclear Sweden (both acquired in October 2008), and Xtrakter Limited (acquired in April 2009)

XXVI Goodwill and intangible assets (continued)

Determination of the cash-generating units

In 2008, the Euroclear Audit Committee approved the move from impairment reviews performed at the level of CSD as a separate Cash-Generating Unit (CGU) to reviewing a single cash-generating unit for the Single Platform (SP) This was considered appropriate with the up-coming launch in January 2009 of the Euroclear Settlement of Euronext-Zone Securities (ESES) platform when Euroclear Belgium, Euroclear France and Euroclear Nederland would migrate to a common platform Since then, a major part of the cash flows is being generated by this platform and other local revenues are gradually going to decrease (such as revenues relating to physical securities in Belgium, by 2013) Whilst the three legal entities in the ESES market will be maintained from an organisational viewpoint, essentially for local regulatory reasons, the local management teams have been aligned and there is a common CEO for the three entities The composition of Audit Committees and Boards of Directors of the three entities has also been fully aligned, as has the tariff structure across the ESES markets

The migration of Euroclear UK & Ireland, Euroclear Finland and Euroclear Sweden to SP is planned in the coming years The cash flows for these three CSDs have been incorporated within the SP CGU following the transition period to simulate the sharing of SP costs between all of the group's CSDs in a post-migration environment

Except for EMXCo, Euroclear Sweden and Xtrakter Limited, goodwill and contractual customer relationship are expressed and tested for impairment in euros At the time of the acquisition of Euroclear UK & Ireland, goodwill was considered a non-monetary asset of the acquirer and it was therefore expressed in euros At the time of its migration to IFRS, Euroclear decided not to restate prior years' business combinations

Basis on which recoverable amounts have been determined

As explained above, the testing of the book value of goodwill is made at the level of the Single Platform CGU for the concerned CSDs, where the overall book value of goodwill and contractual customer relationships (the latter related to Euroclear Belgium) is tested jointly against the fair value resulting from the combined CSDs' cash flows from the Single Platform CGU

Until the launch of the SP, Euroclear UK & Ireland, Euroclear Finland and Euroclear Sweden will remain separate CGUs, with cash flows generated from their local platforms Therefore, the existing goodwill of Euroclear UK & Ireland will remain attached to the Euroclear UK & Ireland CGU during the transition period after which it will be transferred to the SP CGU The cash flows of the Euroclear UK & Ireland CGU are limited to the point at which the existing Euroclear UK & Ireland platform ceases to be used and services are transferred to SP However, the recoverable amount under IAS 36 is the higher of its "value in use" and "fair value less costs to sell" Therefore, the impairment test for the Euroclear UK & Ireland CGU is based on the resale value of the entity The value in use would be lower than the resale value as it would only include the cash flows from the remaining life of the existing Euroclear UK & Ireland platform up to the point when it joins the SP

For Euroclear Finland and Sweden, specific intangible assets relating to their respective platforms were recognised in the consolidated accounts and these are being amortised over a 44 month period up to their scheduled migration to SP

The amounts of goodwill related to EMXCo and Xtrakter are tested for impairment independently from the other group entities

The net book values of the goodwill, and Euroclear Belgium's contractual customer relationships, before and after the 2009 impairment review, were as follows

	2009		2008	
	Before impairment	After impairment	Before impairment	After impairment
Euroclear UK & Ireland	502,124	427,124	502,124	502,124
Single Platform	906,663	796,663	896,987	896,987
EMXCo	15,720	15,720	14,657	14,657
Xtrakter	1,116	1,116	-	-
	1,425,623	1,240,623	1,413,768	1,413,768

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

The valuation of all entities of the Euroclear group essentially relies on projected free cash flows for the entities concerned, based on annual multi-year plan forecasts Since 2005, the size and scope of Euroclear's strategic initiatives made it appropriate to reconsider the "5-year free cash flows forecast" that used until then, which is standard practice in valuation exercises The reason to reconsider this practice was that the 5th year of cash flow would not have represented a suitable basis for the computation of the perpetual value As a consequence, the current forecast of free cash flows extends to 2018, by when the cost of the strategic projects will have been recharged to the (I)CSDs, the data for 2018 being considered as a stable basis for the computation of the perpetual value The same methodology is applied to the CGU's valued under "value in use" and "fair value less costs to sell" For the latter, no relevant market information (e g comparable transactions) was used

XXVI Goodwill and intangible assets (continued)

Key assumptions related to discount factors

Discount rates are calculated based on the Capital Asset Pricing Model (CAPM) Such discount rates result from the combination of 3 factors

1 Risk-free rates For impairment review purposes, the Euroclear policy is to compute the risk-free rates as the average rates for the 10-year government bond for the relevant countries These averages are computed over the twelve month period prior to the review In particular, the SP CGU risk free rate is taken as the average risk free rate of the countries in which the SP CGU CSDs are based,
2 Beta The beta represents the degree of volatility of the expected return for a particular company vis-à-vis the overall market, and is applied to the equity risk premium Since betas are not readily available for the group CSDs, betas of listed companies in sectors relevant to the companies are taken as guidance, e g European stock exchanges and banks processing high transaction volumes, involving settlement and/or custody Due to the different nature of their businesses, the betas for EMXCo and Xtrakter are each calculated as the weighted average of betas for a selection of relevant companies
3 Equity risk premium The risk premium is measured as the extra return that equity investors expect to achieve over risk-free assets, on average The Euroclear policy is to use long-term arithmetic averages to determine the applicable equity risk premia, in accordance with the country where the entity is incorporated An average of the relevant countries has been used for the SP CGU

Perpetual growth rates applicable to the CGU's take into account the expected long-term growth of the equity/fixed income markets, and the strong franchise that the relevant CSD's have in their respective local markets An average of the relevant perpetual growth rates has been applied to the SP CGU

The discount rates and perpetual growth rates used for each CGU in the Q4 2009 and 2008 impairment reviews were as follows

	2009		2008	
	Discount rate	Perpetual growth rate	Discount rate	Perpetual growth rate
Euroclear UK & Ireland	8 09%	3 00%	9 23%	3 00%
Single Platform	8 73%	2 78%	9 44%	2 78%
EMXCo	9 68%	2 50%	10 86%	2 50%
Xtrakter	9 17%	2 50%	-	-

The 2009 review

Considering a combination of the difficult market conditions that have continued throughout 2009 and are expected to remain for the next few years, and the potential direct and indirect impact that Target2 Securities (T2S) and other anticipated market developments may have on the national CSDs and on the scope and timing of certain aspects of the Single Platform, together with further expected pressures on pricing, Management has taken a conservative approach in the multi-year plan, especially with its fee revenue projections

Although the latest multi-year forecasts for the CSDs show a relatively limited short-term profitability, measures have been planned in order to remedy this situation and both business parameters and profitability are expected to recover in the medium to long term Mitigating actions have been taken into account only when their implementation is highly probable

Conclusions

Management concluded that it was appropriate to record a total impairment charge for the CSDs of €185,000,000, €75,000,000 for Euroclear UK & Ireland and €110,000,000 for the SP CGU (of which €100,000,000 relates to concerns about Finland and € 10,000,000 about the ESES markets)

For EMXCo and Xtrakter, the valuation exercise indicated that the current values of goodwill and related intangibles are still justified

XXVII Deposits from central banks

(€000)	2009	2008
Deposits	1,493,662	469,757
Total	**1,493,662**	**469,757**

A large number of national central banks are clients of Euroclear Bank As of 31 December 2009, in addition to current account deposits, one central bank had placed €1,095,000,000 on an overnight deposit (2008 €0)

XXVIII Deposits from banks and customers

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2010	Maturity after 31 March 2008 but before 30 June 2010	Maturity after 30 June 2010 but before 31 December 2010	Maturity after 31 December 2010 but before 31 December 2014	Maturity after 31 December 2014	Non-interest bearing	Total
At 31 December 2009								
Deposits from								
- central governments	6,760	-	-	-	-	-	-	6,760
- financial institutions	5,058,710	271,622	3,894	-	10,246	2,958	638	5,348,068
- regional governments and local authorities	-	-	-	-	-	-	-	-
- corporates	178,976	6,347	-	-	-	-	-	185,323
Finance lease	-	291	291	574	850	-	-	2,006
Total	**5,244,446**	**278,260**	**4,185**	**574**	**11,096**	**2,958**	**638**	**5,542,157**

The fair value of deposits with a maturity greater than one year at 31 December 2009 was € 14,016,000

(€'000)	Repayable on demand or within one week	Other amounts maturing before 31 March 2009	Maturity after 31 March 2009 but before 30 June 2009	Maturity after 30 June 2009 but before 31 December 2009	Maturity after 31 December 2009 but before 31 December 2013	Maturity after 31 December 2013	Non-interest bearing	Total
At 31 December 2008								
Deposits from								
- central governments	1,910						2	1,912
- financial institutions	7,504,478	289 042	4,441		9,665	5,748	1,860	7,815,234
- regional governments and local authorities								-
- corporates	723 461	6,000			-	-	16	729,477
Finance lease	-	-	-	-	-	-	-	-
	8,229,849	**295,042**	**4,441**	**-**	**9,665**	**5,748**	**1,878**	**8,546,623**

The fair value of deposits with a maturity greater than one year at 31 December 2008 was €15,418,000

In terms of nature, the following additional analysis is relevant

(€'000)	2009	2008
Deposits	5,168 354	8,388,920
Borrowings	373,803	157,703
	5,542,157	**8,546,623**

XXVIII Deposits from banks and customers (continued)

Deposits from banks and customers include finance lease liabilities as follows (Note XXV)

(€'000)	2009	2008
Gross finance lease liabilities - minimum lease payments		
- up to one year	1,227	-
- later than one year but not later than five years	902	-
- over five years	-	-
Future interest finance charges	123	-
Present value of finance lease liabilities		
The present value of finance lease liabilities is as follows		
- up to one year	1,156	-
- later than one year but not later than five years	850	-
- over five years	-	-

XXIX Other liabilities

(€'000)	Notes	2009	2008
At 31 December			
Funds to be assigned		231,634	497,600
Taxation and social security		11,108	12,811
Contingent consideration related to acquisition of EMX Company Limited		-	10,197
Deferred consideration related to acquisition of NCSD Holding AB		-	16 357
Creditors		17,056	7,990
Other		5,150	16 938
Total		**264,948**	**561,893**

'Funds to be assigned' principally represent funds received and other items in the process of reconciliation

The liability for the deferred consideration due to the sellers of the NCSD group reflects the net present value at 31 December 2008 of the amount paid in February 2009

The contingent consideration due to EMXCo at 31 December 2008 was related to the volume of billable orders routed through the EMX Message System during 2007 and 2008 The liability at 31 December 2008 reflected the net present value of the amount paid in February 2009

XXX Accruals and deferred income

(€'000)	2009	2008
At 31 December		
Accrued fee expense	51,401	56,072
Accrued payroll expense	100,041	117,036
Other accrued expense	45,820	44,786
Deferred income	4,933	4 297
	202,195	**222,191**

XXXI Provisions for liabilities and charges

(€000)	Onerous lease	Outsourcing of pension plan	Redundancy	Dilapidation	Other provisions	Total
At 1 January 2009	1,372	601	2,460	-	1,403	5,836
Capitalisation of dilapidation provision	-	-	-	586	-	586
Acquisition of subsidiaries	-	-	-	901	-	901
Additions	3,864	-	288	1 350	255	5,757
Unused amounts reversed during the period	-	(107)	(328)	-	(101)	(536)
Amounts used	(314)	(494)	(1,747)	-	(716)	(3,271)
Unwinding of discount and effect of changes in the discount rate	(168)	-	-	-	-	(168)
Exchange differences	93	-	(1)	-	-	92
At 31 December 2009	**4,847**	**-**	**672**	**2,837**	**841**	**9,197**

One floor of Euroclear's office space in London, leased until 2019, is sub-let to tenants at terms and conditions below those in Euroclear's lease Further space has become available and efforts are being made to sub-let it. It is again expected that, given current market conditions, income to be received will not cover the costs being incurred by Euroclear The provision reflects the net present value of the expected shortfall and it will progressively be utilised over the remaining period of the lease

Following a change of law in France during 2004, the pension fund of Euroclear France (and, since 1 January 2005, of the French branch of Euroclear SA/NV, which now manages the fund), had to be outsourced to an insurance company by no later than the end of 2009 The final cost of the outsourcing was €2,880,000, of which €2,386,000 was already paid in 2008 and €494,000 was paid in 2009 The remainder of the provision has been reversed

The redundancy provisions will be fully utilised in 2010

Provisions for dilapidation costs have been recorded to reflect Euroclear's end-of-lease obligations

Other provisions mainly relate to potential litigation, expected to be closed by the end of 2010

XXXII Defined benefit plans

The group has several defined benefit pension plans covering employees in Belgium, France, Japan, The Netherlands, Sweden and Switzerland The group also provides medical plans and termination indemnities for its employees

The assets of the plans are held separately from those of the group

The most recent full actuarial valuations of the plans, under IFRS, were made by independent qualified professional actuaries as follows
- Euroclear Bank - all plans 31 December 2009
- Euroclear Belgium SA/NV - all plans 31 December 2009
- Euroclear France - all plans 31 December 2009
- Euroclear Nederland - pension plan 31 December 2009
- Euroclear plc - pension plan 31 December 2009
- Euroclear SA/NV - all plans 31 December 2009
- Euroclear Sweden - all plans 31 December 2009

The actuarial valuation of all plans as of 31 December 2009 showed a total deficit of €43,143,000 (2008 €56,033,000)

The pension cost in 2009 of €12,888,000 (2008 €10,189,000) has been fully recognised in the current year The contribution, reflecting employer's contributions for funded plans and benefit disbursements for unfunded plans, amounted to €15,361,000 (2008 €28,773,000)

The major assumptions used by the actuaries in their valuations were

	2009	2008
Discount rate	5 21%	5 23%
Expected rate of return on assets	6 52%	6 28%
Expected inflation rate	1 96%	1 99%
Future salary increases	4 78%	4 79%
Expected medical cost trend rate	5 72%	5 80%

The above percentages are weighted averages of the assumptions used for the individual plans

Assumptions regarding future mortality experience are set based on advice and published statistics in each territory (MR/FR table in Belgium, TGHF 05 table in France, GBM/V2000-2050 with an age setback of three years in The Netherlands, EPF 2004 rates in Japan and FFFS2007 31 in Sweden)

The value of assets in all plans and the expected rates of return were

	2009		2008	
€'000	Value of assets	Long-term rate of expected return	Value of assets	Long-term rate of expected return
Equities	83,012	7 48%	55,062	7 50%
Bonds	30,698	4 38%	27 206	4 37%
Property	574	0 00%	-	-
Cash	484	1 33%	1,389	2 00%
Other	4 693	4 19%	4,370	4 23%
Total market value of assets	**119,461**		**88,027**	

The above percentages are weighted averages of the expectations for the individual plans

The expected return on assets is based on market expectations, at the beginning of the period, for return over the entire life of the related asset class, net of administrative fees It is determined by using the building block approach which factors in long-term inflation and the expected long-term net return on each asset category

'Other' represents an insurance company investment product with a guaranteed minimum interest rate

XXXII Defined benefit plans (continued)

The amounts recognised in the balance sheet are as follows

(€'000)	2009	2008
Present value of funded obligations	(147,716)	(131,099)
Fair value of plan assets	119,461	88,027
	(28,255)	(43,072)
Present value of unfunded obligations	(13 632)	(12,212)
Unrecognised past service cost	926	1,037
Irrecoverable surplus	(2,182)	(1,786)
Pension deficit	**(43,143)**	**(56,033)**

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

The changes in the net deficit are as follows

(€'000)	2009	2008
Deficit in plans at 1 January	(56,033)	(34,679)
Employer's expense	(12,888)	(10 189)
Actuarial gains/(losses) for the year	10,818	(34 712)
Actual employer's contributions	15 361	28,773
Acquisition of subsidiaries	-	(5,501)
Exchange differences	(401)	275
Deficit in plans at 31 December	**(43,143)**	**(56,033)**

The impact on the statement of recognised income and expense is as follows

(€'000)	2009	2008
Actuarial gains/(losses) for the year	11,168	(34,691)
Impact of change in irrecoverable surplus	(350)	(21)
Exchange differences	59	(217)
Impact on statement of recognised income and expense	**10,877**	**(34,929)**

The amounts recognised in the income statement are as follows

(€'000)	2009	2008
Employer's current service cost (excludes employee contributions)	10,133	9,466
Interest cost	7,991	6,596
Expected return on assets	(5,797)	(5,680)
Amortisation of past service cost	561	111
Losses/(gains) on curtailments and settlements	-	(304)
Total, included in staff costs	**12,888**	**10,189**

XXXII Defined benefit plans (continued)

Changes in the present value of the defined benefit obligations are as follows

(€000)	2009	2008
Present value of obligations at 1 January	143,311	130,595
Acquisition of subsidiaries	-	20,656
Service cost	10,133	9,466
Interest cost	7,991	6,596
Benefit payments	(3,392)	(2,479)
Settlement	(1,575)	(20,461)
Past service cost	450	-
Experience (gains)/losses	2,998	2,181
(Gains)/losses due to assumption changes	177	(1,620)
Exchange differences	1,255	(1,623)
Present value of obligations at 31 December	**161,348**	**143,311**

Changes in plan assets are as follows

(€000)	2009	2008
Fair value of plan assets at 1 January	88,027	96 087
Acquisition of subsidiaries	-	15,644
Employer contributions	15,361	28,773
Benefit payments	(3,392)	(2,479)
Expected return on plan assets	5,797	5 680
Experience gains/(losses) on plan assets	14,343	(34 130)
Settlement	(1,575)	(20,157)
Exchange differences	900	(1,391)
Fair value of plan assets at 31 December	**119,461**	**88,027**

The amounts shown for settlement in 2009 relate to plan members in The Netherlands who left the company in 2009 The amounts shown for settlement in 2008 relate to the externalisation of the French closed supplementary defined benefit plan to an insurance company (Note XXXI)

Expected contributions to post-employment benefit plans for the year ending 31 December 2010 are €12,573,000

The amounts recognised on the balance sheet are as follows

(€000)	2009	2008	2007	2006	2005
Present value of defined benefit obligations	(161,348)	(143,311)	(130,595)	(132,365)	(118,994)
Fair value of plan assets	119,461	88,027	96,087	91,781	75,988
Unrecognised past service cost	926	1,037	1,149	1 295	1,371
Irrecoverable surplus	(2,182)	(1,786)	(1,320)	(1,259)	-
Deficit in plans	**(43,143)**	**(56,033)**	**(34,679)**	**(40,548)**	**(41,635)**

Details of experience adjustments for the year

(€000)					
Experience gains/(losses) on plan assets	14,343	(34,130)	(7,158)	1 806	7,742
Experience (gains)/losses on plan liabilities	2,998	2,181	3,618	(399)	5,033

XXXII Defined benefit plans (continued)

The effect of a 1% movement in the assumed medical cost trend rate would be as follows

(€'000)	Increase	Decrease
- Effect on the defined benefit obligations	690	(908)
- Effect on the aggregate of the current service cost and interest cost	106	(146)

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

(€'000)	Notes	2009	2008
Acquisition of subsidiaries		-	3,028
Amount credited/(charged) through equity	XVI	(3,384)	11,515
Amount credited/(charged) through the income statement	XVI	(606)	(6,438)
Exchange differences		194	(265)
Increase/(decrease) in deferred tax asset		**(3,796)**	**7,840**

XXXIII Subordinated liabilities

(€'000)	2009 Book value	2009 Fair value	2008 Book value	2008 Fair value
At 31 December				
Fixed/Floating Rate Guaranteed Non-Cumulative Perpetual Securities	299,245	232,203	305,106	117,377
Total	**299,245**	**232,203**	**305,106**	**117,377**
Repayable				
- in more than five years	299,245	232,203	305,106	117,377
Total	**299,245**	**232,203**	**305,106**	**117,377**

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

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

At the end of 2008, the difference between the fair value of the subordinated liabilities, which represents their quoted price plus accrued interest, and their book value reflected the particular market conditions of that period, and in particular the lack of liquidity for hybrid capital instruments Prevailing interest rates and spreads at 31 December 2008, taken alone, would have indicated a significantly higher fair value Since then, the financial markets have partially recovered and the fair value of the subordinated liabilities increased accordingly

During 2009, Euroclear Finance 2 repurchased a nominal amount of €6 million of its issued securities (Note X) This transaction resulted in an equivalent repurchase of the notes issued by Euroclear Bank

XXXIV. Redeemable preference shares

(€000)	2009	2008
Preferred, non voting, redeemable shares	14	13

In May 2000, Euroclear plc issued 50,000 preferred, non-voting, redeemable shares of one pound sterling each, which are 25% paid up They have no voting rights but receive each year, on 1 June, a preferred dividend equal to 6 66% of their paid up nominal value Subject to the provisions of the Companies Act, the pound sterling shares shall be redeemed 100 years from their date of issue or at any time prior thereto at the option of the company On redemption, the company shall pay to the holder the paid up nominal value of the sterling shares

In the event of a winding up of the company, or a reduction of capital involving a repayment, the non-voting, non-equity, redeemable sterling preference shares have priority over the other classes of share capital

XXXV Share capital

Authorised share capital 4,000,000 shares of 1 euro each

Equity shares	Number of shares			
Issued, allotted and fully paid share capital	Ordinary	Class 'S'	Total	(€000)
At 1 January and 31 December 2009	3,330,556	500,120	**3,830,676**	**3,831**
At 1 January and 31 December 2008	3,330,556	500,120	**3,830,676**	**3,831**

At 31 December 2009 and 2008, there was no stock option plan on the shares of Euroclear plc or any subsidiary

Equity shareholders have the right to attend and vote at general meetings and to receive dividends, except that class S shareholders are not entitled to vote on the appointment of any directors of the Company other than an S director

XXXVI Other reserves

(€000)	Notes	Available-for-sale revaluation reserve	Cash flow hedging reserve	Hedge of net inv in foreign operations reserve	Foreign currency translation reserve	Legal reserve	Other	Total
At 1 January 2009		17 857	1 033	38 530	(72 152)	67,525	1,135,714	1,188,507
Fair value adjustments	XIX, XXII	(10,351)	(2,596)	(13,966)	-	-	-	(26,913)
Deferred tax on fair value adjustments	XVI	(65)	1,163	-	-	-	-	1,098
Foreign currency translation differences		-	-	-	27,453	-	-	27,453
Transfer to non-distributable reserves		-	-	-	-	4,453	55,000	59,453
Transfer to retained earnings		-	-	-	-	-	(85,000)	(85,000)
At 31 December 2009		**7,441**	**(400)**	**24,564**	**(44,699)**	**71,978**	**1,105,714**	**1,164,598**
At 1 January 2008		14,265	1 425	16,829	(22,227)	39 226	1,135 714	1,185 232
Fair value adjustments	XIX, XXII	6,672	(169)	21,701	-	-	-	28,204
Deferred tax on fair value adjustments	XVI	(3,080)	(223)	-	-	-	-	(3,303)
Foreign currency translation differences		-	-	-	(49,925)	-	-	(49 925)
Transfer to non-distributable reserves		-	-	-	-	28,299	-	28,299
At 31 December 2008		**17,857**	**1,033**	**38,530**	**(72,152)**	**67,525**	**1,135,714**	**1,188,507**

The hedge of net investment in foreign operations reserve relates to the group's subsidiaries in Sweden and the United Kingdom

In addition to the translation of structural currency exposures relating to the group's subsidiaries with a functional currency other than the euro, the foreign currency translation reserve includes the translation impact when other group entities moved to the euro as their functional currency

The foreign currency translation reserve includes the translation impact of goodwill and intangible assets expressed in the Swedish krona and sterling that were recognised at the time of acquisition of subsidiaries in Sweden, and EMXCo and Xtrakter in the United Kingdom

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

Other reserves include €1,112,950,000 previously classified as a Merger reserve under UK Generally Accepted Accounting Principles (GAAP) Since Merger relief accounting is no longer permitted under IFRS, this amount is now classified under Other reserves In 2009, a transfer of €85,000,000 was made from this amount to Retained earnings, to cover the Euroclear UK and Ireland and ESES parts of the impairment charge Details on the impairment charge are set out in Note XXVI

Other reserves also includes a non distributable reserve of €55,000,000 required to be established by Euroclear SA/NV during the duration of a loan it made to Euroclear Investments to partially finance a capital increase in Euroclear SA/NV

The remaining €22,764,000 relates to the acquisition of EMXCo in 2006 (€22,267,000) and a general reserve of Euroclear plc €497,000

XXXVII Dividends paid

€ per share	2009	2008
Equity paid	**20 49**	**25 58**
(€'000)		
Equity paid	**78,491**	**97,989**

See Note XLIII for details of the proposed 2009 equity dividend

XXXVIII Note to the consolidated statement of cash flows

1 Reconciliation of operating profit to net operating cash flows

(€000)	Notes	2009	2008
Profit/(loss) before tax		**(491)**	**347,037**
Adjustments for			
- Depreciation and amortisation	XXV, XXVI	54,977	51,054
- Impairment	XIV	184,912	272
- Interest paid on redeemable preference shares	XXXIV	1	1
- Interest on subordinated loan added back	VI	12,825	12,960
- Dividends received	VIII	(17,814)	(4,451)
- Realised gains on available-for-sale financial assets	IX	(33 770)	-
- Realised gains on financial liabilities measured at amortised cost	X	(2,088)	-
- Profit on disposal of property, plant and equipment		(14)	-
- Provision for liabilities and charges	XXXI	5,221	1,469
Other non-cash movements		(10,635)	(101 055)
Cash flows from operating profit before changes in operating assets/liabilities		**193,124**	**307,287**
Net increase/(decrease) in deposits from banks and customers		(1,882,586)	(2,923,979)
Net (increase)/decrease in monetary reserve	XVII	(208 488)	178,146
Net (increase)/decrease in loans and advances	XVIII	(61 208)	30,100
Net (increase)/decrease in other assets	XXIII, XLII	120,801	81 341
Net increase/(decrease) in other liabilities	XXIX, XLII	(300,290)	(498,683)
Net cash outflow from operating activities		**(2,138,647)**	**(2,825,788)**

2 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

(€000)	At 1 January 2009	Effect of foreign exchange movements	Cash Flow	At 31 December 2009	At 1 January 2008	Effect of foreign exchange movements	Cash Flow	At 31 December 2008
Cash and balances at central banks (Note XVII)	1,020,049	(1,301)	(282,009)	736 739	4,555	(259)	1,015,753	1,020 049
Loans and advances (Note XVIII)	8,724,777	(89,193)	(2,163,588)	6,471 996	12,584,069	435,387	(4,294,679)	8,724,777
Total	**9,744,826**	**(90,494)**	**(2,445,597)**	**7,208,735**	**12,588,624**	**435,128**	**(3,278,926)**	**9,744,826**

Cash equivalents represent Loans and advances with an initial maturity of three months or less, including accrued interest

3 Reconciliation of cash equivalents to Cash and balances with central banks and Loans and advances

(€000)	Notes	2009	2008
Cash and balances with central banks		736,739	1,020,049
Loans and advances		6,471,996	8,724,777
Cash and cash equivalent at year end		**7,208,735**	**9,744,826**
Cash and balances with central banks - monetary reserve	XVII	208,605	117
Loans and advances with initial maturity above three months		72,352	11,144
Cash and balances with central banks	**XVII**	**945,344**	**1,020,166**
Loans and advances	**XVIII**	**6,544,348**	**8,735,921**

XXXIX Contingent liabilities and commitments

(€'000)	2009	2008
At 31 December		
Assets pledged as collateral security	1,521,963	1,251,029
Securities lending indemnifications	6,954 266	6,512,744

Assets pledged as collateral reflect investment securities with a book value of €1,521,963,000 (2008 €1,251,029,000) deposited with the Belgian National Bank as potential collateral, principally for TARGET-related exposures There was no exposure at 31 December 2009 (2008 €0)

Under the terms of the Euroclear Securities Lending and Borrowing Programme, Euroclear Bank provides an indemnification to securities lenders whereby if a securities borrower is unable to return the securities, Euroclear Bank will indemnify the lender with replacement securities or their cash equivalent As of 31 December 2009, the amount of such guarantees amounted to €6,954,266,000 (2008 €6,512,744,000), which represents market value plus accrued interest. Euroclear Bank's policy is that all securities borrowings are covered by collateral pledged by the borrowing banks and customers

XL. Operating lease commitments

(€'000)	2009 Property	2009 Vehicles, plant and equipment	2008 Property	2008 Vehicles, plant and equipment
Group company as lessee				
Future aggregate minimum lease payments under non-cancellable operating leases	82,604	15,812	90,841	13,432
- up to one year	21,786	9,428	22,047	5,776
- later than one year and not later than five years	41,255	5,782	41 741	7,656
- over five years	19,563	602	27,053	-

The total sublease payments receivable relating to the above operating leases amounted to €7,280,000 (2008 € 7,251,000)

Minimum lease payments recognised as an expense	23,412	8 963	21,033	6 300

Group company as lessor				
Future minimum lease payments receivable under non cancellable leases				
- up to one year	850	31	1,634	-
- later than one year and not later than five years	-	63	2,546	-
- over five years	-	-	-	-

XLI Related party disclosures

Euroclear plc, incorporated in the United Kingdom, is the ultimate parent of the Euroclear group A list of its shareholders can be found on pages 119 and 120

Euroclear plc's investments in its subsidiaries are set out in note II to the parent company financial statements

Transactions with related parties, other than those between companies of the group, eliminated on consolidation, are limited to key management compensation (Transactions between Euroclear plc, as parent company, and its subsidiaries are described in Note XV to the parent company financial statements)

Key management compensation
The compensation of key management (members of the management committees of Euroclear SA/NV and its (I)CSD subsidiaries and EMXCo and Xtrakter, group division heads and the Euroclear plc Executive Secretary) and non-executive Directors was as follows

(€000)	2009	2008
Short-term employee benefits	22,071	20,355
Post-employment benefits	4,337	6,260
Other long-term benefits	1,180	1,704
Termination benefits	3,046	959
Total compensation of key management	30,634	29,278
Emoluments of non-executive directors	1 258	1,290
Total compensation of key management and director	**31,892**	**30,568**
Emoluments of highest paid director	479	447

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

The companies employing the Euroclear plc non-executive Directors are subject to the same terms, conditions and tariffs as other companies

Included in the fees of non-executive Directors are fees paid directly to the respective employers of the Euroclear Directors, amounting to €500,000 (2008 €369,000)

Three directors waived the right to receive emoluments totalling €90,000 (2008 Two directors, €62,000)

Directors' emoluments are in the form of fees with the exception of insurance benefits for one director amounting to €18,000 (2008 €6,000)

XLII Business combinations

On 30 April 2009 Euroclear SA/NV acquired 100% of the share capital of Xtrakter Limited

Xtrakter Limited contributed €1,195,000 of pre-tax profit during 2009 If Xtrakter Limited had been acquired on 1 January, its pre-tax profit for the full year would have been €1,506,000, and its total revenues would have been €17,684,000

The details of the assets and liabilities together with the goodwill at the date of acquisition are set out below The fair values are considered to be final

(€'000)	Notes	Acquiree's carrying value	Fair value
Total purchase consideration paid			**7,700**
Cash and cash equivalents		331	331
Loans and advances to banks		2 687	2,687
Deferred income tax assets	XVI	-	625
Other assets		3,900	3,900
Property plant and equipment	XXV	1,738	1,738
Intangible assets	XXVI	2,111	2,111
Other liabilities		(3,350)	(4,246)
Current income tax liabilities		(555)	(555)
Fair value of assets and liabilities acquired		**6,862**	**6,591**
Goodwill, representing residual amount of purchase consideration			**1,109**
Estimated cost of acquisition			
Cash consideration			7,700
Total			**7,700**
2009 cash outflow on acquisition			(7,700)
Less. Cash and cash equivalents in subsidiaries acquired			3,018
Net cash outflow			**(4,682)**

No additional intangible assets were recognised at the time of acquisition

The goodwill attributed to Xtrakter Limited is denominated in sterling and therefore generates exchange differences when revalued, which are included in the foreign currency translation reserve within shareholders' equity

XLIII Events after the balance sheet date

Proposed dividend

On 25 March 2010, the Directors resolved to propose a dividend in respect of the financial year ending 31 December 2009 of €11 46 per equity share, which will distribute €43,900,000 of shareholders' equity The dividend will be paid on 11 June 2010 to shareholders on the register on 30 April 2010

Independent auditors' report
to the members of Euroclear plc

We have audited the consolidated financial statements of Euroclear plc for the year ended 31 December 2009 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, the Accounting policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the parent company financial statements of Euroclear plc for the year ended 31 December 2009

John Hitchins (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

31 March 2010

Notes

(a) The maintenance and integrity of the Euroclear plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Parent company statement of financial position

As at 31 December 2009

(€000)	Notes	2009	2008
Assets			
Non-current assets			
Investment in subsidiary undertakings	II	1,562,921	1,562,921
Deferred income tax assets	III	71	-
Trade and other receivables	IV	14,420	16,784
Total non-current assets		**1,577,412**	**1,579,705**
Current assets			
Trade and other receivables	IV	4,957	33,312
Derivative financial instruments	V	4,092	3,522
Cash and cash equivalents	VI	45 243	96,001
Total current assets		**54,292**	**132,835**
Total assets		**1,631,704**	**1,712,540**
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	VII	3,831	3,831
Share premium		143,223	143 223
Other reserves	VIII	1,210,456	1 210 456
Retained earnings		266,715	329,641
Total equity		**1,624,225**	**1,687,151**
Liabilities			
Non-current liabilities			
Redeemable preference shares	IX	14	13
Pension deficit	X	450	-
Total non-current liabilities		**464**	**13**
Current liabilities			
Trade and other payables	XI	408	2 276
Current income tax liabilities		2,546	20,487
Derivative financial instruments	V	4,061	2,613
Total current liabilities		**7,015**	**25,376**
Total liabilities		**7,479**	**25,389**
Total equity and liabilities		**1,631,704**	**1,712,540**

The Notes on pages 16 to 21 and 98 to 116 form part of these financial statements

These accounts were approved by the Board of Directors on 25 March 2010 and signed on its behalf by

N. L. Wicks

Sir Nigel Wicks, Chairman of the Board

Statement of changes in equity

(€000)	Capital	Share premium	Other reserves	Retained earnings	Total equity
At 1 January 2009	**3,831**	**143,223**	**1,210,456**	**329,641**	**1,687,151**
Profit for the year (Note I)	-	-	-	15,565	15,565
Dividends paid (Note XXXVII to Euroclear plc consolidated financial statements)	-	-	-	(78 491)	(78,491)
At 31 December 2009	**3,831**	**143,223**	**1,210,456**	**266,715**	**1,624,225**
At 1 January 2008	**3,831**	**143,223**	**1,210,456**	**326,109**	**1,683,619**
Profit for the year (Note I)	-	-	-	101,521	101 521
Dividends paid (Note XXXVII to Euroclear plc consolidated financial statements)	-	-	-	(97,989)	(97 989)
At 31 December 2008	**3,831**	**143,223**	**1,210,456**	**329,641**	**1,687,151**

The Notes on pages 16 to 21 and 98 to 116 form part of these financial statements

Statement of cash flows

(€000)	Notes	2009	2008
Cash flows from operating activities			
Cash generated from operations	XII	48,574	124,920
Income tax paid		(20,840)	(28,001)
Net cash generated from operating activities		**27,734**	**96,919**
Cash flows from financing activities			
Dividends paid to Company's shareholders		(78 491)	(97,989)
Dividends paid to holders of redeemable preference shares		(1)	(1)
Net cash used in financing activities		**(78,492)**	**(97,990)**
Net (decrease)/increase in cash and cash equivalents		**(50,758)**	**(1,071)**
Cash and cash equivalents at beginning of the year	VI	96,001	97,072
Cash and cash equivalents at end of the year	**VI**	**45,243**	**96,001**

The Notes on pages 16 to 21 and 98 to 116 form part of these financial statements

l Group profit dealt with in the accounts of Euroclear plc

For 2009, a profit after tax of €15,565,000 (2008 €101,521,000) of the group's overall profit attributable to equity shareholders was recorded in the accounts of Euroclear plc As permitted by Section 408 of the Companies Act 2006, the income statement of Euroclear plc has not been presented separately

II. Investments in subsidiary undertakings

(€000)	Notes	2009	2008
At 1 January		1,562 921	1,562,921
At 31 December	XV	**1,562,921**	**1,562,921**

At 31 December 2009, Euroclear plc had the following interests in the issued ordinary share capital of subsidiary undertakings

Name	Country of incorporation	Nature of business	Proportion of voting rights and ordinary shares held
Consolidated subsidiaries			
Caisse interprofessionelle de dépôts et de virements de titres SA[1]	Belgium	Central Securities Depository for Belgium	100%
Caiar Belgium SA/NV[2]	Belgium	Property investment	100%
EMX Company Limited[1]	United Kingdom	Investment-fund order routing	100%
Euroclear SA/NV[3]	Belgium	(I)CSD holding company, ownership of share processing platforms and delivery of shared non-operational services	100%
Euroclear Bank SA/NV[1]	Belgium	Banking, securities settlement and custody services	100%
Euroclear Finance 2 SA[2]	Luxembourg	Financing vehicle	100%
Euroclear Finland Oy[4]	Finland	Central Securities Depository for Finland	100%
Euroclear France SA[1]	France	Central Securities Depository for France	100%
Euroclear Investments	Luxembourg	Investment holding	100%
Euroclear Properties France SAS[3]	France	Property investment	100%
Euroclear Re SA[3]	Luxembourg	Reinsurance	100%
Euroclear Sweden AB[5]	Sweden	Central Securities Depository for Sweden	100%
Euroclear UK & Ireland Limited[1]	United Kingdom	Central Security Depository for the UK and Ireland	100%
NCSD Holding AB[1]	Sweden	Investment holding	100%
NCSD Systems AB[4]	Sweden	Dormant	100%
Nederlands Centraal Instituut voor Giraal Effectenverkeer BV (Necigef)[1]	The Netherlands	Central Securities Depository for The Netherlands	100%
Nederlands Interprofessioneel Effectencentrum NIEC BV(NIEC)[1]	The Netherlands	Central Securities Depository for The Netherlands	100%
VKI AB[4]	Sweden	Dormant	100%
Xtrakter Limited[1]	United Kingdom	TRAX trade matching and reporting	100%

[1] Held through Euroclear SA/NV
[2] Held through Euroclear Bank SA/NV
[3] Held through Euroclear Investments
[4] Held through Euroclear Sweden AB
[5] Held through NCSD Holding AB

On 9 February 2009, the names of Suomen Arvopapenkeskus Oy (APK) and VPC AB were changed to Euroclear Finland Oy and Euroclear Sweden AB respectively

On 30 April 2009, Euroclear SA/NV acquired 100% of the shares of Xtrakter Limited

On 31 July 2009, Euroclear Latin America Limitada in Brazil was liquidated

II Investments in subsidiary undertakings (continued)

Name	Country of incorporation	Nature of business	Proportion of voting rights and ordinary shares held
Non-consolidated subsidiaries			
CIN (Belgium) Limited[1]	United Kingdom	Nominee company	100%
CREST Client Tax Nominee (No 1) Limited[1]	United Kingdom	Nominee company	100%
CREST Depository Limited[2]	United Kingdom	Nominee company	100%
CREST International Nominees Limited[1]	United Kingdom	Nominee company	100%
CREST Stamp Nominee (No 1) Limited[2]	United Kingdom	Nominee company	100%
CREST Stamp Nominee (No 2) Limited[2]	United Kingdom	Nominee company	100%
CRESTCo Limited[2]	United Kingdom	Nominee company	100%
EC Nominees Limited[3]	United Kingdom	Nominee company	100%
EOC Equity Limited[3]	United Kingdom	Nominee company	100%
Euroclear International Services Limited[4]	United Kingdom	Nominee company	100%
Euroclear Nominees Limited[3]	United Kingdom	Nominee company	100%
FundSettle EOC Nominees Limited[3]	United Kingdom	Nominee company	100%
Trinity Nominees Limited[2]	United Kingdom	Nominee company	100%

[1] Held through CREST Depository Limited
[2] Held through Euroclear UK & Ireland Limited
[3] Held through Euroclear Bank SA/NV
[4] Held through Euroclear SA/NV

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

III. Deferred income tax assets

(€'000)	2009	2008
Defined benefit plan	71	-
Total	**71**	**-**

A deferred tax asset has been recognised on the defined benefit plan liability (see Note X)

IV Trade and other receivables

(€000)	Notes	2009	2008
Non-current assets			
Loans to related parties	XV	14,420	16,784
Total		**14,420**	**16,784**
Current assets			
Accrued fee income from related parties	XV	4 853	33,006
Pre-payments		80	108
Other assets		24	198
Total		**4,957**	**33,312**

Euroclear Properties France reimbursed €2,000,000 of its loan in May 2009 The fair value of the loan at 31 December 2009 was €16,080,000 (2008 €18 064 000)

The fair value of the current trade and other receivables equals their carrying amount as at 31 December 2009 and 2008

No trade and other receivables were impaired or past due as at 31 December 2009 and 2008

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above

V Derivative financial instruments

At 31 December 2009 and 31 December 2008, the fair value and the notional amounts of the company's derivative financial instruments were as follows

(€000)	Fair value Assets	Fair value Liabilities	Notional amount Assets	Notional amount Liabilities
At 31 December 2009				
Foreign exchange derivatives				
- Forward foreign exchange	31	-	3,471	-
Stock options	4,061	4 061	45,604	45,604
Total	**4,092**	**4,061**	**49,075**	**45,604**
At 31 December 2008				
Foreign exchange derivatives				
- Forward foreign exchange	909	-	18,586	-
Stock options	2,613	2 613	44,497	44,497
Total	**3,522**	**2,613**	**63,083**	**44,497**

All derivatives are classified as a current asset or liability held for trading as at 31 December 2009 and 31 December 2008

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet

As explained in the Director's report, the Belgian-based members of Euroclear SA/NV and Euroclear Bank Management Committee and certain members of senior management participate in a stock option scheme managed by the Board of Directors of Euroclear plc

VI Cash and cash equivalents

(€'000)	2009	2008
Cash at bank and on hand	1,860	5,894
Short-term bank deposits	43,383	90,107
Total	**45,243**	**96,001**

The amount held by related parties at 31 December 2009 was €42,526,000 (2008 € 90,048,000) (Note XV)

VII Share capital

For details, see Note XXXV to the Euroclear plc consolidated financial statements

VIII Other reserves

(€'000)	Non-distributable capital reserve	General reserve	Other reserves	Total
At 1 January and 31 December 2009	10,752	497	1,199,207	1,210,456
At 1 January and 31 December 2008	10,752	497	1,199,207	1,210,456

Euroclear plc ordinary shares issued as deferred consideration in 2004, in connection with the acquisition of 20% of Clearnet in 2002, were revalued from €33,444,000 in 2002 to €22,692,000 when issued Since the investment in LCH Clearnet Group Limited (Clearnet having merged with London Clearing House Limited in 2003) was recorded in a subsidiary, Euroclear Bank, the decrease in the cost of the investment is recorded in the Euroclear plc parent company financial statements as a non-distributable capital reserve

Other reserves include €1,176,940,000 previously classified as a Merger reserve under UK Generally Accepted Accounting Principles (GAAP) Since Merger relief accounting is no longer permitted under IFRS, this amount is now classified under Other reserves The remaining €22,267,000 relates to the acquisition of Euroclear Belgium in 2006

IX Redeemable preference shares

For details, see Note XXXIV to the Euroclear plc consolidated financial statements

X Pension deficit

(€000)	2009	2008
Defined benefit plan	450	-
Total	**450**	**-**

The plan relates to annuity pensions payable to former Executive Secretaries, transferable to their spouses in case of death It has been valued for the first time in 2009 in accordance with IAS 19 rules

XI Trade and other payables

(€000)	Notes	2009	2008
Amounts due to related parties	XV	165	876
Social security and other taxes		40	38
Accruals and deferred income		128	1,261
Other liabilities		75	101
Total		**408**	**2,276**

XII Cash generated from operations

(€000)	2009	2008
Profit before income tax	**18,465**	**120,873**
Adjustments for		
- Fair value gains on derivative financial instruments	877	(1,059)
- Interest on redeemable preference shares	1	1
- Unrealised foreign exchange gain on redeemable preference shares	(1)	(4)
Changes in working capital		
- Trade and other receivables	30,650	10,525
- Trade and other payables	(1,418)	(5,416)
Cash generated from operations	**48,574**	**124,920**

XIII Contingent liabilities

(€000)	Notes	2009	2008
Contingent liabilities			
Loan guarantee (contract amount)	XV	15,413	17 497
Loan guarantee to subsidiary (contract amount)	XV	40,000	80,000
Total		**55,413**	**97,497**

The loan guarantee relates to a loan taken out by Calar Belgium The loan guarantee to subsidiary relates to a loan taken out by Euroclear SA/NV

XIV Commitments

(€000)	Notes	2009	2008
Commitments (contract amount)			
Liquidity facility provided to subsidiary - one year or less	XV	20,000	20,000

The Company has contractually committed to make a liquidity facility of up to € 20,000,000 available to Euroclear SA/NV No amount has been drawn on this facility

XV Related-party transactions

Euroclear plc is the ultimate parent of the Euroclear group Its investments in its subsidiaries are set out in Note II

The following is a summary of the balances relating to transactions with Euroclear plc's subsidiaries included in its financial statements

(€000)	Notes	2009	2008
Assets			
Non-current assets		**1,577,341**	**1,579,705**
Investment in subsidiaries	II	1,562,921	1,562,921
Trade and other receivables	IV	14 420	16,784
Current assets		**47,379**	**123,054**
Trade and other receivables	IV	4,853	33,006
Cash and cash equivalents	VI	42,526	90,048
Total assets		**1,624,720**	**1,702,759**
Liabilities			
Current liabilities			
Trade and other payables	XI	165	876
Total liabilities		**165**	**876**
Income statement			
Revenues		19,365	123 548
Administrative expenses		(603)	(2,718)
Other income		758	784
Finance income		729	3,373
Total income statement		**20,250**	**124,987**
Off-balance sheet			
Guarantees provided	XIII	55,413	97,497
Liquidity facility provided	XIV	20,000	20 000
Total off-balance sheet		**75,413**	**117,497**

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

XV. Related-party transactions (continued)

1 Transactions with its subsidiaries

Unsecured loans

The loan transactions and related interest are as follows

(€000)	Notes	2009	2008
At 1 January		16,784	16,782
Reimbursement during the year		(2,000)	-
Net change in accrued interest		(364)	2
At 31 December	IV	**14,420**	**16,784**

The loan to Euroclear Properties France has an interest rate of 4 82% and is reimbursable in 9 annual instalments of €2,000,000 as from May 2011, although Euroclear Properties France may with prior notice reimburse all or part of the loan €2,000,000 was reimbursed in November 2005 and a further €2,000,000 in May 2009

No provisions have been recognised in respect of this loan

Bank accounts and term deposits
Euroclear plc also has sight and unsecured short-term deposit accounts at Euroclear Bank The deposits are remunerated at market rates of interest

No provisions have been recognised in respect of these deposits

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

Licence agreement
Under a licence agreement, Euroclear plc has granted to Euroclear Bank the right to operate the Euroclear System and the right to use and sub-licence the Euroclear Trademark The agreement may be terminated by either party with 3 years notice Euroclear Bank pays Euroclear plc a royalty fee of 2 7% (2008 12 7%), computed on certain qualifying revenues

Guarantees provided
Euroclear plc provides a guarantee to Euroclear Bank in connection with the bank's loan to Euroclear SA/NV Euroclear SA/NV pays Euroclear plc a guarantee fee of 5 bps on the outstanding capital amount At 31 December 2009, the amount of the guarantee was €40,000,000 (2008 €80,000,000)

Euroclear plc provides a guarantee to a Belgian bank in connection with that bank's loan made to Calar Belgium SA/NV, a wholly-owned subsidiary of Euroclear Bank, in 1995 Calar Belgium pays Euroclear plc a guarantee fee of 20 bps on the outstanding capital amount At 31 December 2009, the amount of the guarantee was €15,413,000 (2008 €17,497,000)

Liquidity facility
In July 2005, Euroclear plc provided a liquidity facility to Euroclear SA/NV for an aggregate principal amount of €20,000,000 The facility was made for an initial period of one year, automatically renewed It can be terminated by either party with three months notice A fee of 5 bps is computed on the amount of the facility regardless of whether the facility is used and any utilisation of the facility (none to date) is remunerated at Euribor + 12 5 bps

XV Related-party transactions (continued)

2 Key management compensation

The compensation of key management was as follows

(€000)	2009	2008
Short-term employee benefits	284	265
Post-employment benefits	39	37
	323	**302**
Fees of non-executive directors	226	224
Total	**549**	**526**

Further information relating to Directors' emoluments can be found in Note XLI to the Euroclear plc consolidated financial statements No loans or similar transactions occurred with Directors, key management or their close family members

XVI Events after the balance sheet date

Proposed dividend

On 25 March 2010, the Directors resolved to propose a dividend in respect of the financial year ending 31 December 2009 of €11 46 per equity share, which will distribute €43,900,000 of shareholders' equity The dividend will be paid on 11 June 2010 to shareholders on the register on 30 April 2010

Independent auditors' report
to the members of Euroclear plc

We have audited the parent company financial statements of Euroclear plc for the year ended 31 December 2009 which comprise the Statement of financial position, Statement of changes in equity, Statement of cash flows, and the related notes These parent company financial statements have been prepared under the accounting policies set out within note II of the consolidated financial statements The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2006

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the consolidated financial statements of Euroclear plc for the year ended 31 December 2009

John Hitchins (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

31 March 2010

Notes

(a) The maintenance and integrity of the Euroclear plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Board and Board Committees composition
(as at 25 March 2010)

Board of Directors

1 Sir Nigel Wicks
Chairman

2 Jean-Jacques Verdickt
Deputy Chairman

3 Joseph C Antonellis
State Street Corporation

4 Michel Berthezène[1]
Caisse des Dépôts et Consignations

5 Alain Closier
Société Générale

6 Sue Concannon
Halifax Share Dealing Limited

7 Stephen A J Davies[2]
Bank of America Merrill Lynch

8 Erik Dralans[3]
ING

9 Mary M Fenoglio
Citigroup

10 Mark S Garvin
Senior Independent Director
JP Morgan plc

11 William Higgins
The Royal Bank of Scotland

12 Tim Howell[4]

13 Junichi Ishii
Mizuho Trust & Banking (Luxembourg) SA

14 Peter T Johnston
Goldman Sachs & Co

15 Akihiro Kanayasu[5]
Mitsubishi UFJ Global Custody SA

16 Timothy F Keaney
The Bank of New York Mellon

17 François Marion[1]
CACEIS

18 Neil Martin[3]
Credit Suisse

19 Lieve Mostrey
BNP Paribas Fortis

20 David Nicol
Morgan Stanley

21 Herschel Post

22 Tom Ruud

23 Martin Slumbers
Deutsche Bank AG

24 John Stewart
UBS AG

Lionello Falconi
Executive Secretary

Board Committees

Operations Committee
Sir Nigel Wicks, Chairman
Mary M Fenoglio
François Marion
David Nicol
Jean-Jacques Verdickt

Audit Committee
Mary M Fenoglio, Chairperson
Sue Concannon
François Marion
David Nicol
Martin Slumbers
Jean-Jacques Verdickt[6], Euroclear SA/NV Risk Committee Chairman

Frank J DeCongelio, Advisor

Nominations, Remuneration and Governance Committee
Mark S Garvin, Chairman
Joseph C Antonellis
Alain Closier
Peter T Johnston
Herschel Post
Tom Ruud
Jean-Jacques Verdickt
Sir Nigel Wicks

[1] Appointed by Sicovam Holding
[2] Appointed 9 October 2009
[3] Appointed 17 June 2009
[4] Formerly of HSBC Holdings plc. Will resign from the Board on taking up new role as Chief Executive Officer of Euroclear SA/NV on 5 April 2010
[5] Will resign with effect 2 April 2010
[6] Ex-officio member

- Frank J DeCongelio resigned with effect 17 June 2009
- Dame Clara Furse resigned with effect 17 June 2009
- Jean-François Théodore resigned with effect 18 February 2010

List of Euroclear plc shareholders

As per registrations completed at Companies House as of 28 February 2010

A

Abbey National plc
London, United Kingdom
ABN AMRO Bank NV
Amsterdam, The Netherlands
ABN AMRO Bank NV (London Branch)
London, United Kingdom
ABN AMRO Bank NV Paris Branch
Paris, France
Allied Irish Bank plc
Dublin, Ireland
Allsec Nominees Limited
Dundee, United Kingdom
Arab Banking Corporation (BSC)
Manama, Bahrain
Asco Nominees Limited
Manchester, United Kingdom
Astaire Group plc
London, United Kingdom

B

Banc of America Securities Limited
London, United Kingdom
Banca del Ceresio
Lugano, Switzerland
Banco Santander Central Hispano SA
Madrid, Spain
Bangkok Bank Public Limited Company
Bangkok, Thailand
Bank Julius Baer & Co Ltd
Zurich, Switzerland
Bank of Bermuda Limited
Hamilton, Bermuda
Bank of China
Beijing, China
Bank of England
London, United Kingdom
Bank One Europe Limited
London, United Kingdom
Bank Sarasin & Co Ltd
Basel, Switzerland
Bank Vontobel AG
Zurich, Switzerland
Banque Palatine
Paris, France
Barclays Bank plc
London, United Kingdom
Barratt & Cooke Nominees Limited
Norfolk, United Kingdom
BGC International
London, United Kingdom
Blankstone Sington Limited
Liverpool, United Kingdom
BMO Capital Markets Limited
London, United Kingdom
BNL International Investments
Luxembourg, Luxembourg
BNP Paribas Securities Services
Paris, France
BNP Paribas UK Limited
London, United Kingdom
BNY International Financing Corporation
New York USA
Brewin Dolphin Limited
London, United Kingdom
Brown Shipley & Co Limited
London, United Kingdom
BTI Investments
London, United Kingdom

C

CACEIS Bank
Paris, France
Calyon
Paris, France
Capita IRG plc
Kent, United Kingdom
Cazenove IP Limited
London, United Kingdom
Charles Stanley & Co Limited
London, United Kingdom
Chuo Mitsui Trust and Banking Co Ltd
Tokyo, Japan
Citigroup Global Markets Europe Limited
London, United Kingdom
Citigroup Global Markets Inc
New York, USA
Citibank International PLC
London, United Kingdom
Citibank NA
London, United Kingdom
Clydesdale Bank plc
Glasgow, United Kingdom
Collins Stewart (CI) Ltd
Guernsey, United Kingdom
Collins Stewart Europe Limited
London, United Kingdom
Commercial Union Assurance Company plc
London, United Kingdom
Computershare Investor Services plc
Edinburgh, United Kingdom
Corner Banca SA
Lugano, Switzerland
Credit Agricole Asset Management Group
Paris France
Credit Suisse First Boston
Zurich, Switzerland
Credit Suisse First Boston Equities Limited
London, United Kingdom
Credit Suisse Securities (Europe) Limited
London, United Kingdom
Credit Suisse (UK) Limited
London, United Kingdom
Cunningham Coates Limited
Belfast, United Kingdom

D

Daiwa Securities Group Inc
Tokyo, Japan
Daiwa Securities SMBC Europe Limited
London, United Kingdom
Danske Bank AS
Copenhagen, Denmark
Davco Nominees Limited
London, United Kingdom
Davy Nominees Limited
Dublin, Ireland
DekaBank Deutsche Girozentrale
Frankfurt am Main, Germany
Deutsche Bank AG
Frankfurt/Main 1, Germany
Deutsche Bank AG
London, United Kingdom
Dolmen Securities Limited
Dublin, Ireland
Dresdner Bank AG
Frankfurt/Main Germany
Dresdner Kleinwort Wasserstein Limited
London, United Kingdom

E

Equiniti Limited
Lancing United Kingdom
Euronext NV
Amsterdam, The Netherlands
Evolution Securities Limited
London, United Kingdom

F

FHF (Nominees) Ltd
Leeds, United Kingdom
FIL Limited
Pembroke HM, Bermuda
Fiske plc
London, United Kingdom
Fortis Bank (Nederland) NV
Amsterdam, The Netherlands
Fortis Bank NV
Brussels, Belgium
Fortis Holdings (UK) Limited
London, United Kingdom
Fortis Private Investment Management Ltd
London, United Kingdom
Fox-Pitt Kelton Limited
London, United Kingdom

G

Garban Securities Holdings (Europe) Limited
London, United Kingdom
Gee and Co
Toronto, Canada
GHC Capital Markets Ltd
Leicester, United Kingdom
Goldman Sachs International
London, United Kingdom
Gulf International Bank BSC
Manama, Bahrain

H

HALB Nominees Limited
Birmingham, United Kingdom
Halifax Share Dealing Limited
Halifax, United Kingdom
Hargreaves Lansdown Stockbrokers Limited
Bristol, United Kingdom
Hoodless Brennan PLC
London, United Kingdom
HSBC Bank PLC
London United Kingdom
HSBC France
Paris, France
HSBC Holdings plc
London, United Kingdom
HSBC Trinkaus & Burkhardt Gesellschaft fur Bankbeteiligungen mbH
Dusseldorf, Germany

I

ING Bank NV
Amsterdam, The Netherlands
ING Belgium SA
Bruxelles, Belgium
ING (London) (No 12) Limited
London, United Kingdom
Instinet Europe Limited
London United Kingdom
Intesa Sanpaolo Holding International SA
Luxembourg, Luxembourg
Intesa Sanpaolo S p A
Torino, Italy
Investec Group Investments (UK) Limited
London, United Kingdom

J

James Brearley & Sons Limited
Blackpool, United Kingdom
J P Morgan Europe Limited
London, United Kingdom
J P Morgan International Finance Limited
New York, USA

K

KAS BANK NV
Amsterdam, The Netherlands
KBC Peel Hunt Ltd
London, United Kingdom
Killik & Co Limited
London, United Kingdom
Kuwait Investment Company (SAK)
Safat, Kuwait

L
La Roche & Co
Basel, Switzerland
LCF Rothschild Securities Limited
London United Kingdom
Lehman Brothers International (Europe)
London, United Kingdom
Les Fils Dreyfus & Cie SA
Basel, Switzerland
LFCM Holdings LLC
New York, USA
Lloyds TSB Bank plc
London, United Kingdom
Lombard Odier Darier Hentsch & Cie
Geneva, Switzerland
Luxembourg State and Savings Bank Trust Company SA
Luxembourg, Luxembourg

M
Merrill Lynch International
London, United Kingdom
Merrill Lynch Nominees Limited
London, United Kingdom
MF Global UK Limited
London, United Kingdom
Midas Nominees Limited
Manchester, United Kingdom
Mitsubishi UFJ Trust and Banking Corporation
Tokyo, Japan
Mizuho Corporate Bank Ltd
Tokyo, Japan
Mizuho Investors Securities Co Ltd
Tokyo Japan
Mizuho Securities Co Ltd
Tokyo, Japan
Mizuho Trust & Banking Co Ltd
Tokyo, Japan
M M Warburg & Co Kommanditgesellschaft auf Aktien
Hamburg, Germany
Mole Nominees Limited
Dublin, Ireland
Morgan Stanley Securities Limited
London, United Kingdom
Morgan Stanley UK Group
London, United Kingdom

N
Natexis Bleichroeder Inc
New York, USA
NCB Trust Limited
London, United Kingdom
Nikko Cordial Securities Inc
Tokyo Japan
Nomura Holdings, Inc
Tokyo, Japan
Nomura International plc
London, United Kingdom
Nordea Bank Danmark A/S
Copenhagen, Denmark
Nordea Bank Finland plc
Helsinki, Finland
Nordea Bank Norge ASA
Oslo, Norway
Nortrust Nominees Ltd A/C LTD01
London, United Kingdom
Numis Securities Limited
London, United Kingdom

O
Old Oaks Holdings Limited
London, United Kingdom
OMFS (GGP) Limited
London, United Kingdom

P
Pendle Nominees Limited A/C HP
Blackburn, United Kingdom
Pendle Nominees Limited
Blackburn, United Kingdom
Pershing Securities Limited
London, United Kingdom
Pictet & Cie
Geneva, Switzerland
Prudential Equity Group, LLC
Newark, USA
Puilaetco Dewaay Private Bankers S A.
Bruxelles Belgium

R
Rathbone Brothers plc
London, United Kingdom
RBC Dominion Securities Inc
Toronto, Canada
Redmayne (Nominees) Limited
Leeds, United Kingdom
Rensburg Sheppards Investment Management Limited
Leeds, United Kingdom
Rensburg Sheppards PLC
Leeds, United Kingdom
Resona Bank Limited
Tokyo, Japan
Reyker Nominees Limited
London, United Kingdom
Robert Fleming Holdings Limited
London, United Kingdom
Royal Bank of Canada Europe Limited
London, United Kingdom
Rulegale Nominees Limited
Bury, United Kingdom

S
Sampo Bank plc
Helsinki, Finland
Schroder Investment Management Limited
London, United Kingdom
SCHWAB (SIS) Holdings Inc
San Francisco USA
Shinsei Bank Limited
Tokyo, Japan
Sicovam Holding s a
Paris, France
Skandinaviska Enskilda Banken
Stockholm Sweden
Smith & Williamson Corporate Finance Limited
London, United Kingdom
Smith & Williamson Investment Management Ltd
London United Kingdom
Société Générale
Paris, France
Société Générale (London Branch)
London, United Kingdom
Speirs & Jeffrey Limited
Glasgow, United Kingdom
St Ann's Square Nominees Limited
Manchester, United Kingdom
State Street International Holdings
Boston, USA
State Street London Limited
London United Kingdom
State Street Nominees Limited
London, United Kingdom
Sumitomo Mitsui Banking Corporation
Tokyo Japan
Svenska Handelsbanken
Stockholm, Sweden
SWX Europe Holdings Limited
London, United Kingdom

T
Taiwan Depository & Clearing Corporation
Taipei City, Taiwan
TD Waterhouse Investor Services (Europe) Limited
London, United Kingdom
Teathers Ltd
London, United Kingdom
The Bank of East Asia (Nominees) Limited
Hong Kong
The Bank of New York
New York, USA
The Bank of New York (Nominees) Limited
Manchester, United Kingdom
The Bank of Nova Scotia
Toronto, Canada
The Bank of Tokyo-Mitsubishi UFJ, Ltd
Tokyo, Japan
The Bank of Yokohama, Ltd
Tokyo, Japan
The Governor and Company of the Bank of Scotland
Edinburgh, United Kingdom
The Hong Kong and Shanghai Banking Corporation Limited
Hong Kong
The Irish Stock Exchange Limited
Dublin, Ireland
The London Stock Exchange plc
London United Kingdom
The Northern Trust Company
London, United Kingdom
The Royal Bank of Scotland plc
Edinburgh, United Kingdom
The Share Centre Ltd
Buckinghamshire United Kingdom
The Sumitomo Trust & Banking Co Limited
Tokyo, Japan
Tullett Securities Limited
London, United Kingdom

U
UBS AG
London, United Kingdom
UBS AG (London Branch)
London, United Kingdom
UBS AG Zurich and Basel
Zurich, Switzerland
UBS Americas Inc
Stamford, USA
UBS UK Holding Limited
London, United Kingdom
Union Bancaire Privée
Geneva, Switzerland

W
Walker Crips Group plc
London, United Kingdom
W H Ireland Limited
Manchester, United Kingdom
Wilkinform (Nominees) Limited
Kent, United Kingdom
Winterflood Securities Limited
London, United Kingdom
Wood Gundy SA
Geneva, Switzerland

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Reliability for a world in motion

euroclear

Contents

The economy will
only thrive if it can
rely on a stable
infrastructure.
And that is exactly
Euroclear's area
of expertise:
connecting
markets, initiatives
and people.

20.2 trillion

euro worth of securities holdings

179.6 million

transactions settled

513.5 trillion

euro turnover

Euroclear,
the world's leading post-trade service provider

Bonds • Equities • Funds • Derivatives
Settlement • Custody • Collateral management • Issuer services

In a fast-changing world, Euroclear offers the reliability and flexibility needed to support markets worldwide in reaching their full potential.

Performance highlights

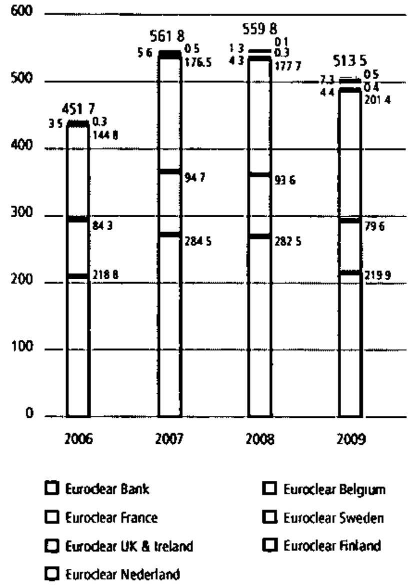
- The value of securities held for Euroclear clients at the end of 2009 was a record €20 2 trillion, 12% higher than the €18 1 trillion at the end of 2008

- Turnover, or the value of securities transactions settled, was €513 5 trillion in 2009, an 8% decrease compared with the €559 8 trillion reported in 2008 This was largely due to lower overall trading activity

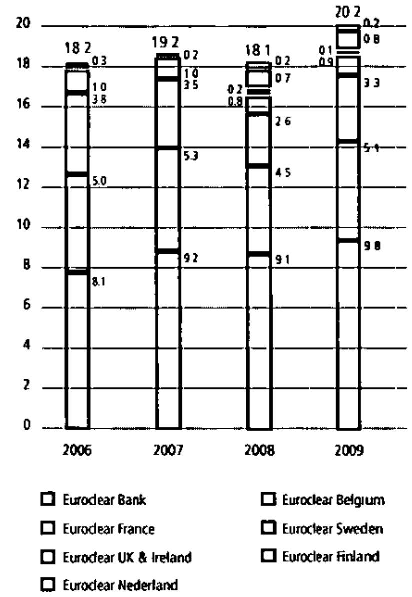
- The number of netted transactions settled in the Euroclear group increased by 14% to a record 179 6 million in 2009 compared with 157 3 million in 2008

- The combined daily value of collateral provision outstanding in Euroclear Bank and Euroclear UK & Ireland rose by 28% in 2009 to €544 2 billion from €424 3 billion at the end of 2008

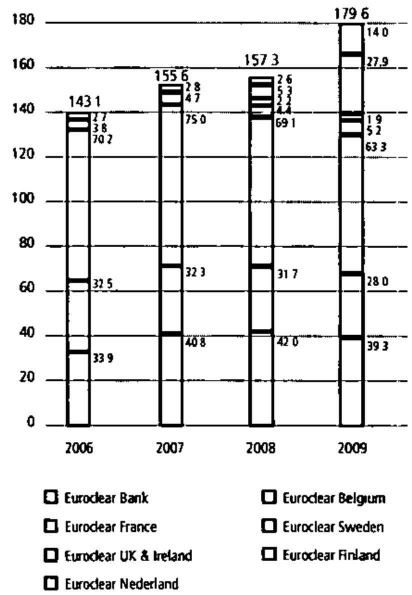
Turnover (in € trillion)[1,2]



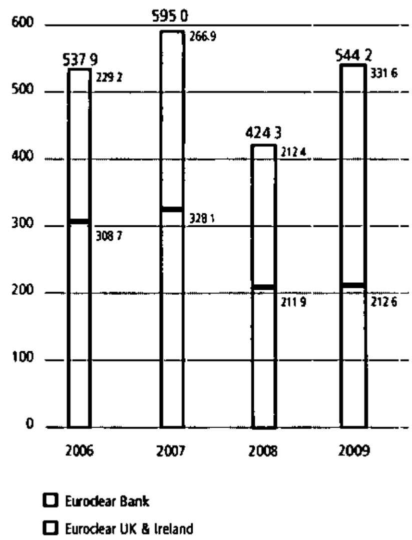
Values of securities held (in € trillion)[1,3]



Number of netted transactions (millions)[1,2]

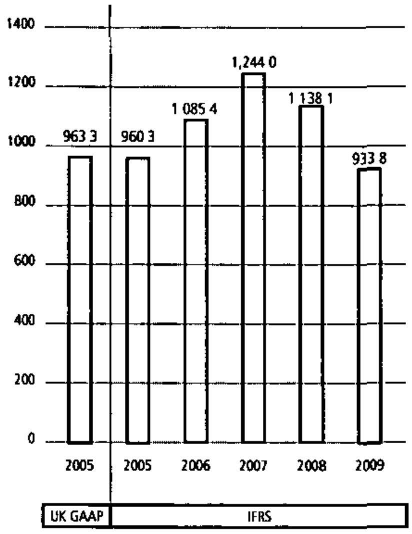


Daily collateral provision outstanding (in € billion)[4]

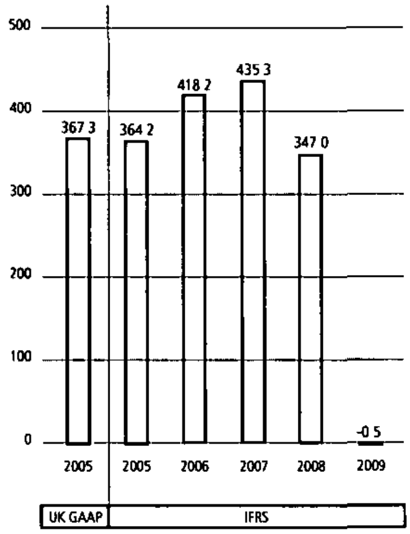


1 The data includes intra-group holdings/transactions, as relevant
2 The data for Euroclear UK & Ireland excludes self-collateralising repos The data for Euroclear France excludes 'pensions livrées' with Banque de France The 2008 data for Euroclear Sweden and Euroclear Finland for turnover and number of netted transactions settled comprises the months of November and December 2008
3 Securities in the United Kingdom are held through Euroclear UK & Ireland on the books of registrars
4 The data for Euroclear UK & Ireland consists of Delivery By Value (DBV) and money-market instrument repo transactions Not all are intermediated transactions

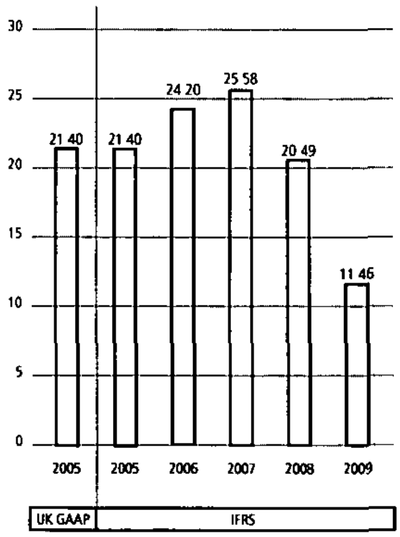
Operating income (in € million)



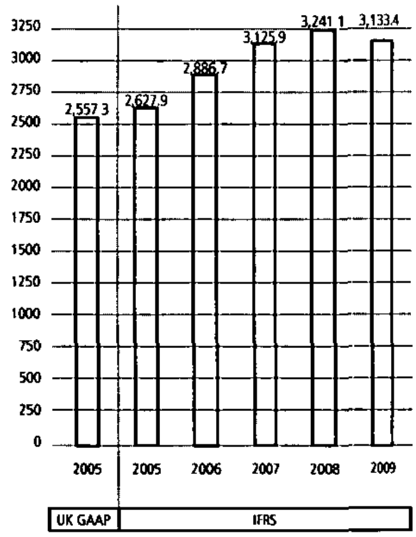
Operating profit before tax (in € million)



Dividend per share (in € per share)



Shareholders' equity (in € million)



Financial highlights

The 2008 financial crisis, and the economic recession that followed, made 2009 a challenging year for all market players Euroclear's total operating income decreased by 18% to €934 million, of which €759 million was generated from the stable net fee and commission income and €98 million from the more volatile net interest income which was impacted by historically low interest rates

In this challenging context, the cost base decreased by 12% on a comparable basis (taking into account the impact of the acquisitions of the Finnish and Swedish CSDs and Xtrakter) to €749 million This reduction is the result of a significant multi-year cost reduction programme started in 2008 that is built on a range of measures such as Lean (to increase efficiency and improve productivity and client service), automation and procurement spend management initiatives covering all non-personnel related expenses The programme is aimed at reducing the operational cost base by about 25% by 2012 compared to 2008 plans Against this objective, costs had been reduced by 18% by the end of 2009

Euroclear's net loss amounted to €38 million, including a €185 million impairment charge on goodwill The Board is proposing a dividend of €11 46 per share, compared to €20 49 in 2008

	2009	2008
Euroclear plc consolidated		
For the year ended 31 December (in € million)		
Operating income	933 8	1,138 1
Profit/(loss) for the year	(38 4)	261 7
Net earnings per share (€)	(10 0)	68 3
Dividend per share (€)	11 46	20 49
At 31 December		
Total assets	11,002 5	13,450 4
Subordinated liabilities	299 2	305 1
Shareholders' equity	3,133 4	3,241 1
Shareholders' equity/Total assets	28 5%	24 1%

Tim Howell
CEO of Euroclear SA/NV from 5 April 2010

To face the future confidently, you must be well prepared

Chairman's statement

I said in my report last year that 2009 would be a difficult year and this proved to be the case Your company has faced challenging trading conditions The fall in volumes in most of the securities markets in which Euroclear is active, the low level of interest rates earned on financial balances left with the company (net interest income in 2009 fell by €185 6 million compared to 2008), and the levels of the dollar and sterling, all continued to affect revenues adversely Your Board has also considered the potential effects on the future profitability of the group CSDs of the European Central Bank's TARGET2-Securities (T2S) project, the continuing difficult market conditions, and other specific market developments As a result, it has concluded that it is prudent for the group to record an impairment of €185 0 million in the goodwill carried on the balance sheet in respect of the group's CSDs This impairment does not affect the valuation of Euroclear Bank, nor the group's regulatory capital

Taking account of the impairment, the group recorded a loss of €38 4 million in 2009 Before impairment, group profits were €146 6 million The 2009 result benefited considerably from a vigorous programme to reduce costs, with operating costs down by 12% compared to 2008 and the total internal headcount reduced by 221 full-time equivalents (excluding the employees from Xtrakter that joined the group in 2009) This programme to reduce costs will be maintained in 2010 and in future years Market expectations suggest that trading conditions may not improve in the immediate future

The Board has proposed a dividend of €11 46 per share for 2009, representing a payment of €43 9 million This represents a dividend payout ratio of around 30% of the pre-impairment profit, in line with previous years The Board will continue in its mission to deliver value to its shareholders through these challenging times in the market, and will consider the dividend recommendation each year in light of all relevant circumstances

Future strategy

Your Board of Directors continues to believe that the best way to provide shareholders with returns over the medium term, appropriate for a company in Euroclear's position, is to look after our clients so that they continue to keep business with, and to bring new business to, the group. That requires the group to be able to help clients handle extreme market events, to maintain low-risk systems for the settlement of transactions and the safekeeping of client assets, and to retain a high-quality staff. Above all, the ability to retain and attract business requires investment in new services and facilities. So we intend to continue to develop the project to bring the processing of client transactions onto a single platform and provide a single point of access for clients of the group's six CSDs and for Euroclear Bank. This project comprises several elements. In 2007 the company launched the first element, the Single Settlement Engine, which consolidated the group's core settlement applications, thereby optimising settlement efficiency. In 2009, Euroclear Settlement of Euronext-zone Securities (ESES) was completed, bringing, for the first time, the national CSDs of Belgium, France and The Netherlands onto a common IT platform with harmonised business processes, practices and tariffs. Both elements are now in successful operation.

The next step is the launch of Single Platform Custody, which will offer our clients more efficient and harmonised corporate action services. This is an extremely complex programme and the Board has been carefully monitoring its development. As is explained later in the annual report, some difficulties have arisen in its building that will take time to correct and its introduction into production will be phased. Thereafter, the company intends to adopt a more modular approach to the development of major new systems and to introduce on a step-by-step basis the elements that will provide the necessary functionality for clients. The company will give priority to those elements that benefit its competitive position in the market. In particular, we believe that the development of our collateral management services offers particular opportunities for the company. The financial crisis has reinforced the need for efficient tools to mobilise collateral to secure exposures and to meet financing needs. Given that the total value of assets held in Euroclear's different entities exceeds €20 trillion, the group is uniquely positioned to act as the prime collateral management service provider by bringing all of these assets into a single pool for clients of any of our (I)CSDs.

The group intends also to invest in new facilities which will support its cost reduction initiatives. The group plans to enhance services offered by its operating entities, such as issuer services and information services, and other services likely to be in demand in the new world for securities settlement that will follow the introduction of the TARGET2-Securities (T2S) facility of the European Central Bank (ECB).

TARGET2-Securities

Euroclear has continued to participate actively and constructively in the discussions in the various advisory groups about the ECB's T2S project. The Board is following closely the discussions concerning the formal legal Agreement between the ECB and the CSDs. We continue to argue that this Agreement must be comprehensive enough to allow Directors to fulfil their fiduciary duty to make a full assessment of the services, mutual obligations, liabilities and risks that will result from a commitment by the company to use the T2S system.

More generally, we believe that T2S will have a profound effect on the market environment and we are taking that into account in the development of the group's strategic projects The Euroclear group as a whole will be well placed to take advantage of this emerging environment and to offer our clients a variety of competitive service offerings Euroclear Bank will be able to offer a broad service coverage for the full range of T2S markets While the group CSDs that join T2S will lose some settlement income, which may have to be compensated for by increased tariffs on other services, their critical mass and the enhanced custody and collateral management services planned as part of the strategic projects should put group CSDs in a strong competitive position

Corporate events

In 2009, Euroclear acquired the London-based trade matching provider, Xtrakter By combining Xtrakter's pre-settlement services with Euroclear's settlement services, we are working to fully automate the flow of trade information from trade matching through to settlement This will reduce cost and operational risk for the market and offer access to more streamlined process flows

Following Euroclear's acquisition of the Finnish and Swedish CSDs in late 2008, integration into the Euroclear group is proceeding with various processes and functions successfully integrated during 2009 The integration of EMXCo, the leading UK provider of investment-fund order routing, is also progressing as planned and has already brought about major efficiency gains in the UK fund market This integration will continue in 2010

In 2009 Euroclear supported the changes in ownership and governance that LCH Clearnet is realising through its shareholder rebalancing initiative by disposing of its 15 8% stake in LCH Clearnet at a small profit We are now collaborating with LCH Clearnet in a joint initiative aimed at realising greater client cost savings and operational efficiencies between the cash securities clearing business of LCH Clearnet and the custody and settlement capabilities of Euroclear

New legislative initiatives on post-trading

The next few years will inevitably, and rightly, see greater regulation of the financial services industry Quite how this will affect Euroclear and its clients is, for the moment, unclear The cost of doing business may well increase, but that would be worthwhile if regulatory change can bring greater stability to financial markets It is important for your company that any new regulation brings an equality of treatment for competing market participants so that any regulatory change affects in a similar way all those carrying out similar business Regulation that discriminates against CSDs and ICSDs would damage the company and would, in all likelihood, damage the efficiency of financial markets We will continue to work with legislators and regulators in their efforts to bring stability and efficiency to security markets We have already acted to reinforce the group's risk management governance reflecting, for example, the recommendations from Sir David Walker's review of corporate governance in UK banks and other financial institutions

Smooth transition to new leadership

Last June, Pierre Francotte informed the Board that he wished to step down after having served 10 years as Chief Executive Officer of Euroclear SA/NV and its predecessor company The Board established a Search Committee under my chairmanship and, with the assistance of a leading firm of search consultants, conducted a global search for his replacement Early in January 2010, the Board was pleased to announce the appointment of Tim Howell as the new CEO of Euroclear SA/NV, and he takes up his post with effect from 5

April 2010 Tim Howell was formerly Global Head of HSBC Securities Services, where he was responsible for the custody, fund administration and corporate trust businesses of the HSBC Group Previously, he was Group Treasurer, responsible for asset and liability management, and at an earlier stage of his career Head of Market Risk He is a Chartered Accountant, having qualified with Arthur Andersen & Co Tim Howell has been a Board member of Euroclear SA/NV since 2007, in which capacity he has acted as Chairman of the Board's Risk Committee His experience in managing a successful financial business operating in a number of countries will be of great value to Euroclear The Board is confident that he will provide the leadership for Euroclear to meet the challenges and opportunities across the global capital markets at this time of rapid change Tim will leave his non-executive directorship of Euroclear plc upon taking up his role as CEO, but will remain on the Board of Euroclear SA/NV as an executive director

On behalf of the Board, I would like to thank Pierre Francotte for his considerable achievements during his 10 years of successful leadership of the Euroclear group His wise stewardship has seen unprecedented transformation in the group's systems and operations, range of client services and geographical reach Pierre's strategic vision and intellectual insight, coupled with his determination and drive, have led to Euroclear becoming a major player in its field We are very grateful for all that he has contributed during his time at Euroclear and we wish him well for the future

The Board

The Board welcomes Stephen A J Davies of Bank of America Merrill Lynch, Erik Dralans of ING and Neil Martin of Credit Suisse as new members of the Euroclear plc and Euroclear SA/NV Boards

Frank J DeCongelio formerly of Credit Suisse, Dame Clara Furse formerly of the London Stock Exchange Group and Jean-Francois Theodore of NYSE Euronext resigned from the Boards and the Board thanks them for their services and contribution The Board is fortunate, however, that Frank DeCongelio has agreed to continue to act as an Adviser to the Audit Committee of which he was, for many years, the much valued Chairman We thank too Akihiro Kanayasu of Mitsubishi UFJ Global Custody SA who has announced his intention to resign from his position as director on the Boards of Euroclear plc, Euroclear SA/NV and the Euroclear Luxembourg-based subsidiaries

Finally, on behalf of the Board, I would like to thank Euroclear management and staff for the contribution they are making in today's challenging times

Nigel Wicks

Sir Nigel Wicks
Chairman

Chief executive's review

In demanding conditions, Euroclear has continued to act as a highly reliable post-trade infrastructure service provider throughout 2009 Trading conditions have been very difficult and have affected our profit levels significantly in 2009 We have booked an impairment of the goodwill of the CSDs of the group to reflect the potential significant impact of T2S on CSDs, our cautious view of market recovery in the aftermath of the financial crisis, and some specific market developments Our business performance results, including a 12% increase in the value of securities that we hold in custody, have nevertheless reinforced our position as the leading global post-trade infrastructure service provider Our net income has understandably been affected by market conditions, especially the historically low interest rates, which have affected our net interest earnings However, our major cost reduction effort (12% in 2009, and 18% compared to 2008 plans) has allowed us to ensure a solid underlying profitability (before impairment), while maintaining, and even improving in a number of areas, the control environment, as well as service levels to clients as demonstrated by our annual client survey

In a profoundly changing market environment, we have continued to deliver efficient and innovative solutions to help our clients manage their risks and increase efficiency ESES was successfully launched in January 2009 and since then has achieved near 100% production availability We have adapted our pioneering Single Platform programme to meet changing market needs Having acquired the electronic trade matching provider Xtrakter, we are reducing risk and cost by automating the flow of trade information from trade through to settlement

Robust business performance in 2009

In the aftermath of the financial crisis, and with the development of the European Central Bank's T2S settlement platform underway, clients are increasingly looking for low-risk and low-cost solutions in the areas of custody and collateral management With a strong track record of expertise in those fields and wide market and asset coverage in these areas, the Euroclear group is uniquely positioned for this new context

The value of securities held for Euroclear clients at the end of 2009 was €20 2 trillion, an increase of 12% on the €18 1 trillion recorded at the end of 2008 The increase was largely due to growth in the fixed income markets, driven by the high levels of government debt issuance in support of countries' economic recoveries The value of equities, equity-linked products and funds deposited in the Euroclear group also increased The daily value of collateral outstanding averaged €544 2 billion at the end of 2009, a 28% increase on 2008 The most recent Euroclear Bank figures demonstrate a growing interest in triparty services from a broader mix of clients, as the need for secured financing continues to grow The number of netted transactions was 179 6 million in 2009, a 14% increase on 2008, although the aggregated value of transactions settled declined by 8% to €513 5 trillion This was largely due to lower levels of trading and financing activity

With some stability returning following the crisis, clients have been able to rely on Euroclear's safe and trusted services In September 2009, Euroclear Bank's credit rating of AA+ was reconfirmed by Standard & Poor's rating agency and Fitch Ratings By anticipating market needs and investing in technology upgrades in a timely manner, all group entities have been able to deal with peaks in volumes

Euroclear has also continued, in 2009, to help its clients deal with the consequences of two of the biggest events of the 2008 crisis – the default of Lehman Brothers and the Icelandic banking crisis

Strong measures in place to bolster profitability

Our revenues were impacted in 2009 by the market downturn Although commission revenues were resilient, the prolonged period of record low interest rates has had a considerable effect on our income, as anticipated Euroclear's operating income for 2009 was €934 million or 18% below 2008 Prior to impairment, net profit after tax was €146 6 million, compared to €262 million for 2008 We have decided to record an impairment of €185 million split over the ESES, Euroclear UK & Ireland and NCSD CSD operating segments to reflect in particular the continuing impact of the economic and financial crisis, as well as of T2S on some of our CSDs While we believe our CSDs will be able to respond to these challenges better than other CSDs, our impairment reflects the assumption that they will have a structural impact on the CSD business model generally We also anticipate that Euroclear Bank will benefit from the new competitive landscape created by T2S

We have accelerated the cost reduction programme initiated in 2008, which aims to bring down our costs by about 25% compared to 2008 plans by 2012 We have so far achieved an 18% reduction against this objective The effort will continue unabated in 2010 and subsequent years We have identified additional measures to further reduce cost in the coming years

This programme has been designed so as not to jeopardise our ability to offer a high-quality service to our clients and maintain our low-risk profile, as evidenced by the very positive client survey results obtained in 2009 and the renewal of Euroclear Bank's AA+ credit rating This will remain our clear objective in future

A number of initiatives are being implemented to help improve the way we translate our critical mass and our strengths into direct competitive value for clients In 2009, we continued to roll out an organisational efficiency programme – Lean management – throughout the group Over 50% of the group has now been through the Lean programme We have been generating productivity gains consistently exceeding 25%, while at the same time improving client satisfaction as well as contributing to a better control environment Other initiatives have included a procurement spend management programme to tackle non-payroll expenses

Euroclear's position in the market

To sustain and grow our revenues longer term, we are building on the strengths of our various entities to develop and introduce new services across the group This is particularly important in the context of T2S, which will impact practically all CSDs in Europe, including the CSDs of the Euroclear group While it must be expected that our CSDs' profits will be affected by T2S, they are nevertheless better placed than most other CSDs in Europe to respond to this challenge First, representing about 60% of equities in Europe, they have together a much greater critical mass than other CSDs in Europe Second, they will be able to benefit from the Single Platform to translate this critical mass into competitive advantages, in particular through upgraded corporate action services and sophisticated collateral management services Euroclear Bank will also be very well placed to take advantage of these new opportunities thanks to the Single Platform, the ICSD's market coverage and its expertise not only in fixed income but also in equities and funds

Throughout 2009, good progress was made in integrating the entities that recently joined the Euroclear group – EMXCo, Xtrakter, as well as Euroclear Finland and Euroclear Sweden

In the case of EMXCo and Xtrakter, their expertise in post-trade, pre-settlement services provides Euroclear with the opportunity to expand its service offering, bringing advantages to our clients by automating entire process flows from order routing and trade matching right through to settlement

By integrating EMXCo's fund order routing services with our fund offerings in the (I)CSDs, we have been working to provide a global, end-to-end automated fund processing service In 2009, we rolled out the second phase of the link between EMXCo and Euroclear UK & Ireland This provides the UK funds industry with the first automated, integrated order routing and settlement service through a single point of input This is a truly historical development for the UK securities markets, which helps clients reduce their costs and risks significantly

Euroclear's acquisition of Xtrakter in 2009 has already benefited mutual clients of Euroclear Bank and Xtrakter through the use of automated transaction information flows from trade matching to settlement This eliminates trade matching duplication and reduces the number of unsettled transactions, as well as post-trade costs and risks In the future, we will also look to offer improved information services across the group, using Xtrakter's expertise in this area

Some of the group CSDs already have well developed issuer services, including Euroclear Finland and Euroclear Sweden, and we are looking to extend such services across all our CSDs The European Commission is working on new legislation to remove the barriers that currently force issuers to issue securities in their own domestic market, which would further enable issuers to choose where they issue securities As a result, our CSDs are poised to attract more issuance, and more revenues, if we develop competitive issuer services across the CSDs of the group

Single Platform modified approach to meet changing market needs

The successful launch of the ESES platform in Belgium, France and The Netherlands in January 2009, has highlighted the benefits of consolidating systems and harmonising market practices to make cross-border settlement and custody cheaper and more efficient While there is still more work to do in these markets to bring about further automation and efficiency savings, the new platform is already achieving high efficiency and reliability, as underscored by clients in the 2009 Client Satisfaction Survey

The completion of our Single Platform remains a pillar of our strategy, as we believe it is the most effective way to increase post-trade efficiency and lower costs and risks for the market, and to ensure the success of Euroclear However, the world has changed with the planned launch of T2S and the repercussions of the financial crisis T2S does not make our Single Platform unnecessary On the contrary, beyond the settlement functionality, T2S is a perfect complement to our Single Platform The market will need a coherent and harmonised set of corporate action, collateral management and other services, to complement the harmonised settlement solution that T2S is expected to provide In order to avoid the cost and complexity of duplication with T2S, we have decided to leverage the T2S platform and interface it with our Single Platform, at least for our eurozone CSDs This will represent both

Delivering the Code of Conduct

In line with its commitment to the European Code of Conduct for Clearing and Settlement, Euroclear has made further progress with regard to price transparency in 2009 We have participated in the Oxera study commissioned by the European Commission aiming at monitoring the prices, costs and volumes of trading and post-trading services We welcome the first report's conclusions, published in July 2009, which confirm that CSD transaction costs account for less than 0 5% of the total transaction costs paid by an investor For securities holdings, the CSD charge is less than 1% of the total cost This is to be expected considering that in most markets there is a netting process through CCPs and fees are therefore charged on the netted number of transactions (often less than 5% of the gross number), whereas trading and clearing fees – which represent by far the largest part of transaction costs – are charged on gross trades

In 2009, Euroclear has also delivered on the Code's third pillar on service unbundling and accounting segregation Each (I)CSD has provided the accounting segregation figures to its national regulators and has published a Self Assessment Report on compliance with this part of the Code Our external auditors have issued unqualified limited assurance reports on these Self-Assessment Reports for the year ending 31 December 2008 All related documents are available on www euroclear com

Euroclear welcomes the work on access and interoperability undertaken by the Committee of European Securities Regulators (CESR) Their study, published in February 2009, demonstrates the existence of regulatory barriers to access and interoperability which explain some of the difficulties in delivering this part of the Code The regulators and the European Commission are looking into ways of removing these regulatory barriers Euroclear has progressed on the interoperability requests that it received For example, Euroclear UK & Ireland introduced seven new trading venues with their associated CCPs in 2009, with more in the pipeline for 2010 Euroclear Bank's requests for access to CCP transaction feeds with several markets have unfortunately not proven successful to date Further steps will clearly be needed to obtain the open access and interoperability that the Code anticipated time and investment savings for us Therefore, our main focus is now on delivering Single Platform Custody and Single Platform Collateral Management, as well as the Common Communication Interface (CCI), which will provide all Euroclear clients with an industry-standard single access to our services There are a number of other elements in the final phase of the Single Platform which we believe will be valuable for us and for our clients, and which we still intend to deliver in due course

The last year has been a reminder that large projects, and especially corporate action platforms, are notoriously difficult to manage and that in the current financial market environment, more modular, practical solutions are preferable to all-encompassing solutions that cost more and take longer to deliver In 2009, the initial testing for Single Platform Custody revealed a number of issues that will take time to correct No fundamental or structural issues were found, but we have concluded that we should conduct additional testing, adapt our project organisation and adjust the delivery approach of the various phases of the project going forward We are determined to make sure that we launch a platform that is stable and fit for purpose for our clients Therefore, we have concluded that the most efficient and cost-effective way to proceed is to adopt a revised, stepped approach to the project

With Single Platform Custody, we will be providing the market with a harmonised and consolidated single custody service for about 60% of European equity capitalisation In the context of T2S, it will help to position the group as an ideal single entry point for accessing the future post-trading securities infrastructure Euroclear Bank will be in a strong position as one of the few pan-European providers that has the necessary track record to offer services for all the T2S markets for the full range of assets (bonds, equities and funds)

European CSDs are all looking for ways to move up the value chain to replace the settlement revenues they will lose, following the introduction of T2S, with revenues from new services For many CSDs, the large investments required and the potentially greater risks involved will make this very difficult However, Euroclear's CSDs will be able to utilise the service capabilities of Euroclear Bank, enhanced by the Single Platform, and so avoid excessive investment costs and the associated greater risk By using Euroclear Bank's capabilities to provide services across T2S markets and not just their own domestic market, Euroclear CSDs will be able to offer substantially improved corporate action services to those clients seeking a higher service level

In the aftermath of the financial crisis, our clients and regulators are attaching great importance to being able to mobilise securities to obtain liquidity and to collateralise credit exposure Single Platform Collateral Management will create a single pool of assets for our clients, encompassing the securities they have anywhere in the group We will also upgrade the collateral management services of the Euroclear group CSDs

Ongoing service enhancements with a flexible approach

In addition to the major service improvements that the Single Platform will deliver, we continue to focus on areas where we can make a difference now, especially where new needs have arisen as a result of the financial crisis

Addressing the need for increased liquidity, in 2009, Euroclear Bank launched an automated collateral allocation interface between its triparty module and the collateral management systems of several central banks This new service allows banks to automate the allocation of collateral to their central banks, simplifying access to central bank credit and limiting the 'time to liquidity'

Euroclear Bank also extended its coverage to the Korean market in 2009, after signing a co-operation agreement with Korea Securities Depository Euroclear's strengthened presence in Asia has also allowed Euroclear Bank to become the first ICSD to launch same-day cross-border settlement services for four Asian markets and to open the real-time processing window earlier in the day In Europe, extended deadlines, introduced in 2009 for eight countries, now enable clients to input instructions as close as possible to the local market deadlines Improvements have also been made for Euroclear Bank clients active in the US market, who now have longer to input instructions for corporate actions on US domestic securities

To ensure our clients can take advantage of a flexible approach to equities settlement in a trading and clearing environment that is increasingly fragmented, Euroclear Bank provides clients with a number of trade execution and clearing support solutions as part of its EquityReach service In 2009 we also introduced a dedicated EquityReach operations department, providing clients with a comprehensive end-to-end equities service with increased dedicated support for both custody and settlement This offering is proving attractive to clients, with our efficient Euronext equities service seeing continued take-up from leading international broker dealers

Working to improve transparency

With the prospect of increased regulation after the crisis, has come the need for increased transparency Euroclear is helping to bring this about in a number of areas Euroclear Bank's DerivManager, designed to help derivatives market players mitigate bilateral counterparty risk for their entire OTC derivatives activity, was upgraded in 2009 to increase user friendliness

Euroclear's acquisition of Xtrakter has also enabled us to work towards greater transparency In addition to its trade matching services, Xtrakter also provides reporting to regulatory bodies and an expanding range of market and reference data to the global capital markets

In addition, we are playing an active role in the loans market, following the launch of Euroclear Bank's LoanReach in 2008 In 2009 the launch of an automated trade matching service was a first major step towards reducing operational risk – providing greater transparency and increasing efficiency

The future

For many years, Euroclear has been contributing to the safety and soundness of the financial markets, to the development of the global securities markets and to the creation of a low-cost, low-risk post-trade environment for the benefit of issuers and investors It has been a true privilege for me to be at its helm for the last decade I personally believe that 10 years is the maximum length of time for a CEO to be leading this company and that now is the time to pass the baton Tim Howell is extremely well placed to bring a fresh view in a context of strategic continuity Having been a Board member since 2007, he is well aware of Euroclear's strengths and challenges, he knows intimately and has helped shape Euroclear's strategy, and he is well equipped to understand the special characteristics of a market infrastructure service company I am confident that Euroclear will flourish under Tim's leadership, supported by the great wisdom and strong guidance of the Chairman and the Board, and the exceptional quality and depth of Euroclear management and staff

Pierre Francotte
CEO of Euroclear SA/NV

Group management

(as at 25 March 2010)

2 22 11 15 19 24 20 27 9 13

8 17 25 10 6 26 28 16 21 7

5 3 29 12 23 18 1 4 14

Management Committee of Euroclear SA/NV

1 Pierre Francotte
Chief Executive Officer,
Euroclear SA/NV until 4 April 2010

2 Tim Howell
Chief Executive Officer,
Euroclear SA/NV from 5 April 2010

3 Ignace R Combes
Deputy Chief Executive Officer,
Euroclear SA/NV

4 Frederic Hannequart
Chief Business Development Officer,
Euroclear SA/NV

5 Dr Tim May
Chief Administrative Officer,
Euroclear SA/NV

6 Joël Merere
Executive Director International
Policy Affairs, Euroclear SA/NV

7 André Rolland
Chief Financial Officer,
Euroclear SA/NV

Group Management Team

8 Kjell Arvidsson
Chairman, Euroclear Finland Oy
and Euroclear Sweden AB

9 Stéphane Bernard
Chief Operating Officer,
Euroclear Belgium, Euroclear
France SA and Euroclear Nederland

10 Jan Colaes
Head of Project Delivery Services
and Head of Development,
Maintenance and Production
Support for the Legacy Roadmaps
BE/UK/ESES, Euroclear SA/NV

11 Richard Crews
Deputy Chief Executive Officer,
Euroclear UK & Ireland Limited

12 Fabien Debarre
General Counsel and
Head of Legal Division,
Euroclear SA/NV

13 Bernard Frenay
Head of Financial Division,
Euroclear SA/NV

14 Pierre Yves Goemans
Head of Commercial Division,
Euroclear SA/NV

15 Mark Kirby
Senior Advisor,
Euroclear SA/NV

16 Yves Poullet
Chief Executive Officer,
Euroclear Bank SA/NV

17 Seppo Rantanen
Chief Executive Officer,
Euroclear Finland Oy

18 Guy Schuermans
Head of Corporate Spend
Management Division,
Euroclear SA/NV

19 Michael Shipton
Head of Corporate Technology
Division and Head of Delivery
Support Services Division,
Euroclear SA/NV

20 Pierre Slechten
Head of Human Resources Division,
Euroclear SA/NV

21 Peter Sneyers
Head of Asset Servicing Operations
and Client Services Division,
Euroclear Bank SA/NV

22 Peter Sucaet
Chief Auditor, Euroclear SA/NV

23 Anne Swaelus
Head of Single Platform Custody
Programme, Euroclear SA/NV

24 Anso Thiré
Chief Executive Officer,
Euroclear Sweden AB

25 John Trundle
Chief Risk Officer, Euroclear SA/NV

26 Valérie Urbain
Chief Executive Officer,
Euroclear Belgium,
Euroclear France SA
and Euroclear Nederland

27 Jo Van de Velde
Head of Product Management
Division, Euroclear SA/NV

28 Luc Vantomme
Head of Network Management
and Banking Division,
Euroclear Bank SA/NV

29 Yannic Weber
Chief Executive Officer,
Euroclear UK & Ireland Limited,
EMX Company Limited and
Xtrakter Limited

The response to change requires expertise and flexibility

Eugene Wang
Project Developer, Shanghai

Eugene Wang is representative of the new drive to improve infrastructure and the quality of accommodation in China. A property developer based in Shanghai, he is involved in developing an entirely new neighbourhood in his nearby hometown of Jiaxing, in the Yangtze Delta.

Local initiatives not only rely on local providers; they need international partners. With its worldwide reach and efficient processing, Euroclear helps to provide international funding for regional growth initiatives.

In a city where past meets present, where East meets West, the opportunities are endless.

Making the transition from global manufacturing centre to the services industry will not only help Shanghai, Jiaxing and the entire Yangtze Delta economy move forward, but also bring interior and western regions of China more opportunities to develop manufacturing and services As regional cities are adopting mutually complementary and beneficial strategies, they facilitate the flow and production of goods And they open the gateway to a brighter future

Achieving our objectives

Providing a fully integrated solution

Notwithstanding the financial crisis, financial markets are continuing to globalise Yet cross-border market participants continue to bear the cost and risk of inefficiencies in the post-trade area Efforts to remove the barriers to cross-border efficiency must continue

Our Single Platform project is the leading private sector initiative to break down the barriers to an efficient European capital market identified by the 2001 Giovannini Report It combines the benefits of market practice harmonisation across multiple countries and standardised ISO-compliant messaging onto a single technological system

Mergers with various CSDs have allowed the Euroclear group to grow significantly since 2000 Our CSDs now service seven European countries and ICSD services are available for 42 markets around the world The Single Platform aims at providing a fully integrated solution for corporate action management, collateral management activity, and domestic and cross-border transaction management across the whole of the Euroclear group

ESES – a single platform for three markets

The launch of the ESES platform in January 2009 was an important step towards realising a single, integrated European capital market

For the first time, three national CSDs share a common IT platform, business processes and practices All fixed income, equity and other domestic securities transactions for market participants in Belgium, France and The Netherlands can now be processed on the same platform The introduction of a harmonised tariff resulted in client savings in excess of €20 million in 2009

For these three European countries, cross-border settlement is now effectively as straightforward as domestic This has driven down the cost of settlement for cross-border transactions across Belgium, France and The Netherlands, and has given clients further opportunities to reduce back-office costs Firms can now use one team and one infrastructure to process transactions across these three markets in a standardised way

The ESES platform also benefits issuers, who can maximise the use of the NYSE Euronext Single Order Book to access larger pools of liquidity more easily

Moving closer towards a domestic market for Europe

Development of the Single Platform progressed further in 2009 While maintaining our key goal of removing systems fragmentation and harmonising differing local market standards and practices in the European markets, we revised the roll-out plan for the Single Platform This was in response to the changing financial and competitive landscape, and our experience with the project

This will allow us to take greater advantage of the opportunities offered by T2S Immediate focus is on those areas where there is currently a strong market need standardisation for corporate actions and efficient liquidity generation throughout the financial sector Given the current demanding market conditions and considering the difficulties that Euroclear has encountered in Single Platform Custody testing, we believe that it is wiser to proceed with the Single Platform in a more modular fashion, phasing the efforts required by Euroclear and the market, to provide reliability both in the requirements and in the timetable This will allow Euroclear and its clients to leverage, as a matter of priority, the key components of the Single Platform needed in the context of T2S

Single Platform Custody

The implementation of Single Platform Custody together with the Common Communication Interface (CCI) as a single entry point for settlement, custody and collateral management services, will significantly strengthen Euroclear's competitive position and help clients streamline their back-office operations The introduction of extended ISO-compliant messaging for input and reporting, including the use of ISO 20022 by issuer agents and the harmonisation of market practices in line with recently defined corporate action standards, will significantly increase the levels of STP Single Platform Custody will provide end-to-end information and processing flows – further replacing fax and manual input, and reducing the number of errors and operational losses

Euroclear's Single Platform Custody will be Europe's first multi-(I)CSD custody platform and will address Giovannini barrier 3, which relates to the differing rules governing corporate actions, beneficial ownership and custody

Single Platform Custody will offer improved asset servicing for corporate actions and income processing Clients will receive more accurate and timely corporate action information Additional subscription options for receiving corporate action notifications, more comprehensive and integrated reporting and a wider range of standing instructions will increase back-office efficiencies Real-time credit and reporting of cash proceeds will reduce clients' credit needs Using ISO 20022 proxy voting messages, Single Platform Custody will deliver new meeting functionalities including notifications, voting instructions and the distribution of meeting resolutions Strengthening the relationship and interaction with the issuer community, including the provision of meeting services, will become especially important for our CSDs as competition for European CSDs is expected to grow in the T2S environment

With Single Platform Custody, the Euroclear group will be well positioned to offer a single access for settling T2S-eligible securities against commercial and central bank money We will be able to offer services for all T2S-eligible securities – irrespective of whether they are deposited in a Euroclear (I)CSD or outside the group

Single Platform Collateral Management

Single Platform Custody will be complemented by a single group collateral management service, allowing clients to manage a single pool of collateral for both market transactions and central bank credit operations

With more than €20 trillion worth of securities on deposit in our ICSD and CSDs, the Euroclear group has the largest pool of assets of any local custodian or ICSD/CSD in Europe In the aftermath of the financial crisis, clients and regulators attach great importance to the ability of banks to optimise the mobility of their securities to obtain liquidity and to collateralise credit exposure

Single Platform Collateral Management will deliver true collateral pooling capabilities across the Euroclear group It will extend to securities held in all seven domestic markets we serve as well as the markets available through Euroclear Bank Liquidity will be easier to obtain – where and when it is needed Single Platform Collateral Management will provide increased efficiency,

Single point of entry for Euroclear group services

An essential element of our Single Platform development is the provision of a unique point of access for Euroclear services – the Common Communication Interface (CCI) The CCI is already available to clients using the ESES platform and is intended to be available to all clients in advance of Single Platform Custody It will enable clients to initiate and monitor their activity, whether domestic or international, through a single interface

The CCI offers a choice of two highly secure communication channels Depending on their business needs and volume of transactions, clients will be able to choose between using the real-time, screen-based interface, ScreenFlow™ alone, or in conjunction with the STP channel, AutoFlow™

Both channels are well protected Secure Messaging Services are provided by two network providers, BT and SWIFT, who are working closely with Euroclear to implement the CCI

Adoption of the CCI will help clients manage their migration to ISO 20022-compliant messaging The CCI will support both ISO 15022 and ISO 20022 standards in key areas such as corporate actions and settlement – removing the burden of mandatory migration to ISO 20022 for clients

Use of a single interface with the Euroclear group will generate data-transport and back-office cost savings for clients through economies of scale and choice of network provider The CCI will also remove the cost of maintaining multiple communication gateways

offering seamless access to a wide range of counterparties, including central banks and CCPs, for securities financing and broad collateral management purposes In effect, it will become a collateral hub for clients – optimising market access to liquidity

These collateral pooling capabilities will extend to all T2S-eligible securities and it will be possible to process collateral transfers generated by Single Platform Collateral Management on the T2S platform It will provide full collateral mobility, including interoperability with the Eurosystem's collateral management common platform, CCBM2

Extending the benefits of the Single Platform

The consolidation process for the Euroclear Finland and Euroclear Sweden migration to the Single Platform is progressing The Finnish and Swedish Market Advisory Committees (MACs) act as a primary source of consultation between the Euroclear group and the user communities on the migration and other significant matters relating to their respective domestic markets In addition, common working groups have been organised to discuss the harmonisation of market practices in Finland and Sweden, which are based on those already defined by other Euroclear CSDs

Once the migration is complete, Euroclear Finland and Euroclear Sweden clients will be able to access a post-trade infrastructure that covers all markets served by the Euroclear group as efficiently as in domestic markets and more cost effectively than today The range of services provided by these CSDs will be widened New services in areas such as collateral management and market claims and transformations will be made available and existing services, such as corporate action messaging, will be enhanced

Increasing efficiency in the post-crisis environment

The need for greater post-trade market efficiency has not diminished On the contrary, there is now an even greater need to develop solutions that provide for greater transparency, lower risk and increased access to liquidity Market infrastructures are the natural providers of generic solutions for the market Our strategy has long been to address this need – be it through our consolidation and harmonisation programme or through specific developments per asset class

We have continued to extend services that have proven success in one market, across the rest of the group, reducing investment costs and ensuring faster time to market

Fixed income

How well their technological capabilities hold up against sudden market movements is a crucial benchmark for infrastructure service providers With a significant resurgence of issuance in the bond markets in 2009, Euroclear's track record for safety and efficiency played a major role in providing the sector with much needed reliability Increased market interoperability remains a key factor in efficient and safe settlement This, along with adapting services to changing market needs, can offer new business opportunities to our clients

Interest in sovereign debt markets and primary dealership increased in 2009 Euroclear Bank is acting as a hub for European primary dealers looking for centralised services designed to meet specific market needs such as multi-lingual support in Belgium and France

In 2009, Euroclear France adapted its service offering to comply with the new fungibility rules applying to the stripping and reconstitution of the fixed-rate government bonds, OATs This new service offering allows primary dealers to benefit from increased fungibility while maintaining an automated and secured processing of their stripping and reconstitution operations

The acquisition of Xtrakter in 2009 has strengthened Euroclear's ability to support the market through increased transparency Xtrakter had already launched a bond market transparency service in 2007, prior to the crisis, in response to previous concerns expressed by regulators

Equities

With the need for sufficient capital intensifying, more companies sought to raise capital through subscriptions in 2009 – offering substantial discounts to shareholders opting for stock The resulting large volume swells emphasised the need for reliable, efficient asset servicing – both at CSD and ICSD level Focus also increased on providing effective interoperability and close market proximity as the number of new trading venues and players offering clearing services increased

The launch of the ESES platform has made cross-border settlement significantly easier and more efficient for trades on the Amsterdam, Brussels and Paris exchanges It has also provided Euroclear Belgium, Euroclear France and Euroclear Nederland clients with access to new Multilateral Trading Facilities (MTFs) and CCPs such as Chi-X and the European Multilateral Clearing Facility (EMCF)

ISMAG – streamlining the international securities market

The International Securities Market Advisory Group (ISMAG) is an initiative set up by Euroclear Bank and Clearstream Banking Luxembourg, supported by key market players and associations. It aims to harmonise and standardise operational processes for international securities, making them more transparent for issuers and investors, as well as increasing STP levels to reduce operational risk. At the same time, the initiative looks to maintain market attractiveness and competitiveness for issuers and investors alike.

In a first phase, ISMAG set out to define best practices for the dissemination of information for all intermediaries in the chain. This culminated in the publication of the International Securities Operational Market Practice Book in 2008, which describes the flows, roles and responsibilities.

Together with market experts, ISMAG then worked to develop specific market standards. Harmonisation and a common understanding of the most common corporate actions will minimise the risk of misinterpretation and bridge many current operational gaps – improving the quality of asset servicing for securities primarily deposited with the ICSDs.

Replacing paperwork by electronic communication, wherever legally and operationally feasible, has also been an ISMAG priority.

Since the publication of the International Securities Operational Market Practice Book, ISMAG has monitored adherence to its key benchmarks and relevant Key Performance Indicators (KPIs). During 2009, the monitoring of specific KPIs has created momentum to improve income reversals and rate fixing notifications, as well as speed up the distribution of finalised security reference data. The KPIs have also led to increased transparency and the improved performance of market players.

In 2010, ISMAG will continue to further define, promote and monitor adherence to ISMAG standards and the International Securities Operational Market Practice Book will be updated accordingly.

Euroclear Bank's EquityReach™ service has continued to attract significant new equities business. To ensure the provision of a complete end-to-end equities service to our clients, we centralised our equities expertise into a new department, EquityReach Operations, in March 2009, to serve the specific needs of the equities markets.

Thanks to this end-to-end equities service and increased dedicated support for both custody and settlement to ensure the necessary levels of expertise and proactivity, we were able to absorb new client volumes smoothly during 2009. Specific improvements in the management of voluntary corporate actions were implemented and asset servicing deadlines were improved in 2009, to bring them as close as possible to the local deadlines.

Euroclear Bank currently provides stock exchange settlement services for 11 European countries with direct connectivity to six of them. Work is progressing to expand the on-exchange direct settlement service to other European stock exchanges including Deutsche Börse, Borsa Italiana, SIX SIS and Nasdaq OMX. In line with Code of Conduct interoperability guidelines, Euroclear Bank has requested direct feeds from the CCPs on the books of Euroclear Bank, similar to the setup for Euronext with LCH Clearnet. The response of the infrastructures in some of these markets has, however, been uneven, raising questions about the openness of these markets under the Code of Conduct. We will be pursuing further our request for access and interoperability.

Euroclear Bank has also been appointed to settle CCP-eligible Depository Receipts (DRs) traded on the LSE's International Order Book (IOB) and Turquoise, as well as Belgian, French, Dutch and Portuguese securities on the new NYSE Euronext SecFinex trading platform.

The growing fragmentation of trading and clearing in Europe has led banks to reconsider whether to become a direct member of an exchange and whether to self-clear their activity or use the services of a General Clearing Member (GCM) For the benefits of clients who want to centralise their assets in Euroclear Bank but who do not have direct access to an exchange or do not self-clear, Euroclear Bank offers a number of trade execution and clearing supporting solutions

For clients opting to trade on European exchanges and MTFs on an electronic basis without becoming a direct trading member, Euroclear Bank has made it possible to route the execution flows directly to Euroclear Bank and to settle these trades on an STP basis Similarly, for clients requiring direct access to an exchange, or an MTF, but without the technical infrastructure to self-clear, Euroclear Bank offers clearing and clearing support solutions This provides a single access to clearing, settlement and custody for these customers

Funds

2009 saw European investment funds rally from the large slump experienced in 2008 Figures for the Undertakings for Collective Investment in Transferable Securities (UCITS) funds market for the year show a net inflow This confirms the turnaround in net sales of UCITS following six consecutive quarters of net outflows since the summer of 2007

The combined assets of the investment fund market in Europe rose to €7 0 trillion at the end of 2009 from €6 1 trillion 12 months earlier, according to figures from the European Fund and Asset Management Association

The crisis has increased the need for low-risk, automated processing and it is this need that Euroclear aims to address Our goal remains to be Europe's leading infrastructure for the processing and servicing of investment funds, helping the industry reach its real potential by offering routing, settlement and asset servicing in all group entities

Euroclear has already made significant progress this year towards creating a single, automated funds processing solution We are continuing to build greater interoperability between systems to provide clients with the option of a single access point to all entities of the group

In the United Kingdom, we completed the link between EMXCo and Euroclear UK & Ireland in 2009 This provides the UK funds industry with the first automated, integrated order routing and settlement service with an optional single point of input

Euroclear Bank's FundSettle™ broadened its service to accept ISO 20022 messaging in 2009 Fund distributors joining FundSettle can now use ISO 20022 messages to send instructions and receive reports on their FundSettle orders over the SWIFT network This boosts levels of STP and provides a unique opportunity for fund distributors to use one means of communication through a single access point for their whole portfolio

In 2010, the automated link between the EMX Message System and FundSettle will be enhanced to provide full interoperability between international fund managers and UK distributors, regardless of the counterparty's choice of messaging (FIX-based or ISO-based) Services will also be extended to provide automated cross-border dealing, settlement, reconciliation processes and asset servicing for hedge funds

Beyond Europe, FundSettle continues to expand into new markets In early 2010, Euroclear Bank and Korea

Soo-Hwa Lee,
Chairman and Chief Executive Officer of Korea Securities Depository

The link with FundSettle will enable Korean investors to use Korea Securities Depository as the centralised access point to invest in international funds. As a result of this initiative, we expect a substantial increase in STP rates from close to zero to more than 90% for cross-border investment fund processing

Ian Fitzgerald,
Loan Market Association
Chairman

Loan settlement is one of the major challenges facing the syndicated loan market and Euroclear is making an important contribution in this respect

Securities Depository (KSD) agreed that KSD will establish a link to Euroclear Bank's FundSettle platform Euroclear Bank and KSD will also work together to develop KSD's multi-currency, cross-border investment fund distribution system

Derivatives

Market conditions in 2009 further highlighted the need for effective risk and exposure management in the OTC derivatives market The European Commission's call for the use of CCP services for Credit Default Swaps (CDSs) has received the backing of many leading financial institutions, who have committed to using at least one European CDS CCP

While clearing makes much economic sense for fairly liquid, plain vanilla credit instruments, it does not necessarily provide a sufficient solution for more complex and less standardised products A more widely encompassing solution is therefore required for this important segment of the derivatives market to complement the availability of CCPs

Euroclear Bank's DerivManager™ assists derivatives market players in mitigating bilateral counterparty risk for their entire OTC derivatives activity It offers a structural end-to-end solution for all OTC derivatives and deals with the exposure, risk and collateralisation of all non-cleared trades Full integration with Euroclear Bank's collateral management services allows clients to efficiently use securities as collateral for their OTC derivative transactions

DerivManager provides structural market benefits that complement CDS CCP initiatives Its open architecture means that DerivManager is fully interoperable with CCPs and other exposure and collateral management solutions

The DerivManager platform was upgraded in 2009 to increase user friendliness The revised web application substantially improves monitoring capabilities for exposure management, dispute identification and resolution It also includes tolerance levels, customised at client and product level

Loans

The syndicated loans industry continues to struggle with the inherent inefficiencies of a paper-based industry Manual errors, duplication of work and difficulties with record-keeping requirements all result in unnecessary costs and exposure to risk

LoanReach™, which was rolled out in 2008 to address these issues through automation, was enhanced significantly in 2009 The launch of our automated trade matching service was a major step towards reducing operational risk. Buyers and sellers of secondary market trades can input electronic instructions and benefit from real-time matching results

For clients who prefer to manually agree or disagree with positions posted by an agent on LoanReach, we also introduced an affirmation reconciliation service in 2009 Development is underway to introduce LoanReach's DVP settlement service in 2010 to significantly reduce settlement and counterparty risk, and to encourage the growth of liquidity in this market by supporting faster turnaround of settlement cycles LoanReach's functionality is being developed on the basis of market input We have been regularly meeting for this purpose with user working groups in Amsterdam, London, Luxembourg and Paris and are continuing our involvement as an active member of the Loan Market Association (LMA), the Loans Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA)

Collateral management

The financial crisis demonstrated the critical role of collateral both in counterparty risk mitigation and in providing a stable source of liquidity

Central banks played a key intermediation role in the financial markets in 2009 and the mobilisation of collateral in favour of a central bank has become an essential component of every credit institution's liquidity management

In 2009, Euroclear Bank introduced a series of new collateral risk criteria to its triparty platform to meet client demand for improved management of risks related to their collateralised business New SWIFT-based intraday and detailed collateral statements were also rolled out to improve the monitoring and control of triparty collateral

Euroclear Bank launched an automated collateral allocation interface between Euroclear Bank's triparty allocation module, AutoSelect™, and the collateral management systems of several central banks This major new service allows banks to automate the allocation of collateral to their central banks – easing access to central bank credit and limiting the 'time to liquidity'

The service is based on an open infrastructure and is flexible enough to deliver collateral outside the Euroclear group, whenever required by the relevant central bank This is also in line with current Eurosystem rules

This new service complements Euroclear Bank's triparty offering and offers clients the means to secure all possible sources of liquidity

In 2009, we broadened the pool of collateral that clients can use in our triparty environment Clients are actively using Euroclear Bank's triparty services to settle repos, and any other type of collateralised transaction, using international and domestic securities from more than 40 markets – including 10 in the Asia-Pacific region For example, improved interoperability with KSD, introduced in 2009, allows Korean Government Bonds (KGBs) to be held in Euroclear Bank and used as collateral in a wide range of financing deals

An ESCB decision has allowed us to extend the collateral pool for the ESES CSDs French Certificates of Deposit can now be used as collateral in Euroclear Belgium, Euroclear France and Euroclear Nederland

Lending and borrowing

Euroclear Bank's Securities Lending and Borrowing Programme, which provides liquidity for Euroclear's settlement activity, maintained its level of activity throughout 2009 and acted as a safe asset optimisation opportunity for clients Euroclear Bank's collateral-backed guarantee continued to offer lenders the level of protection required This sustained traders' ability to borrow securities, from a large range of eligible securities, to meet their delivery obligations throughout a period of adverse market conditions

The pool of eligible securities was extended in 2009 to include Romanian government debt securities and DRs for which the underlying issuer is Russian

Serving clients globally

As clients' needs have evolved in response to changing market conditions, so Euroclear's programme to be 'best of class' in client service has been adapted accordingly We have focused on the needs of clients not just in Europe, but worldwide, and are acting as a bridge for clients and securities markets across the different regions of the world

Meeting client expectations

Euroclear undertakes an annual Client Satisfaction Survey for each (I)CSD to obtain client feedback and ensure the enhancements we are making reflect client priorities

In 2009, a record number of clients responded to the survey and the Euroclear group achieved very good satisfaction ratings, in spite of difficult market conditions and the cost reduction programme

At Euroclear Bank, for example, scores increased significantly for core services such as internal settlement (90%)

Scores for client service, including for timeliness and accuracy of query responses have also improved, reflecting our continued work to reduce response times and improve the quality of information we provide Scores were substantially higher for credit monitoring, money transfer and income

Euroclear UK & Ireland clients see core services, such as settlement, as key strengths Delivery By Value (DBV) (81 8%) and lending services (87 5%) are highly appreciated by clients

The ESES CSDs (Euroclear Belgium, Euroclear France and Euroclear Nederland) were assessed as a single service entity for the first time in 2009 Very high scores were received for the efficiency and reliability of the ESES platform (88%) and its availability (85%) This reflects the efforts made to ensure top quality client service following the platform launch in early 2009 Euroclear Finland and Euroclear Sweden clients participated in our Client Satisfaction Survey for the first time in 2009 An issuer-specific survey was also carried out in these countries

The 2009 survey told us how strongly clients value the relationship management we offer This is very much a shared responsibility in Euroclear – shared across functions, across divisions, and across levels of seniority We continue to encourage stronger client ties at all levels This is a key factor in maintaining and enhancing client trust and confidence

Asia – further increasing our local presence

Euroclear Bank has had an uninterrupted local presence in Asia since 1987 and now has a branch office in Hong Kong and representative offices in Beijing, Singapore and Tokyo Our strong local presence – with close to 100 people – allows us to provide a faster and better service to Asian clients in their time zone and their own language

In 2009, we have therefore continued to strengthen our local service capability, bringing over Network Management and Product Management experts to complement our 70-strong Hong Kong team covering Operations, Client Service and Relationship

Management We expect to further strengthen the team with treasury specialists

Our heightened presence in the region is enabling us to respond more quickly and develop solutions tailored to the specific needs of each market In order to provide cheaper, more efficient fund processing, greater access to liquidity and safer methods of securing loans, we are working with local market associations, such as the Asia Fund Automation Consortium (AFAC), to promote the benefits of STP and automation

Nicholas de Boursac,
Managing Director,
Asia Securities Industry and Financial Markets Association (ASIFMA)

ASIFMA promotes deep, liquid and efficient capital markets by communicating the views of member firms to regulators in the region. Our close collaboration with Euroclear, which shares this objective, has resulted in the formulation of a number of clear and detailed recommendations. We believe these contributed to positive and decisive steps taken by the Korean authorities towards the further internationalisation of the Korean financial markets.

Performing strongly across the group

This section complements the preceding general description with additional information for each operating entity of the group For details of each (I)CSD's financial results, please see the Main operating entities – income statement on page 89 of the Financial review section

Euroclear Bank

Strong performance in 2009

Securities held in custody at Euroclear Bank for clients rose by 8% to a record €9 8 trillion at the end of 2009 from €9 1 trillion at the end of 2008 The number and value of transactions processed by Euroclear Bank in 2009 declined by 6% and 22%, respectively, due primarily to lower levels of repos and securities financing transactions in the markets during the year

Year-end figures for triparty collateral management deals outstanding administered by Euroclear Bank remained stable – rising slightly to €212 6 billion per day at the end of 2009 from €211 9 billion at the end of 2008, notwithstanding substantially lower levels of leveraged borrowing in the banking system generally and less overall inter-bank collateralised trading The most recent Euroclear Bank figures show a growing interest in tri-party services from a broader mix of clients, rather than increased business solely from existing clients, as the need for secured financing continues to gain recognition

AA+ credit ratings reconfirmed

Euroclear Bank's AA+ credit rating, with stable outlook, was reconfirmed by Standard & Poor's rating agency and Fitch This reflects Euroclear Bank's very low risk profile – consistent with its role as market infrastructure service provider It is this low risk profile, together with its stringent risk management, that helped insulate Euroclear Bank from the direct impact of the financial crisis and allowed it to bring stability to the market throughout the recent challenges

Lehman and Iceland – managing the aftermath

In the aftermath of the unprecedented Lehman Brothers and Icelandic bank insolvencies, Euroclear Bank has taken a key role in facilitating the proof of holdings that our clients, and their underlying clients, needed for their claim filing process Over 30,000 claim filing instructions were processed in an automated and secure manner, allowing creditors to prove their holding to the relevant claim administrators through processing alternatives adapted to their different needs

Significantly improved global service

A series of enhancements to Euroclear Bank's settlement infrastructure in 2009 enabled us to further improve settlement efficiency and provide greater same-day interoperability with local markets

In September 2009, Euroclear Bank opened a link with KSD to provide settlement, custody and related services for Korean Treasury Bonds (KTBs) and Monetary Stabilisation Bonds (MSBs) KSD is the 10th Asia-Pacific CSD with which Euroclear Bank has a link In 2009, we also reopened our link with Thailand and extended our Malaysian coverage to all fixed income securities Additional links are planned with other countries in Asia, Latin America and Eastern Europe

Euroclear Bank has introduced same-day deadlines for money transfer instructions in five Asia-Pacific currencies In 2009, we launched same-day cross-border settlement services for Australia, Hong Kong, Japan and Singapore – the first ICSD in the region to do so In November, as part of our Asia-Pacific strategy, we opened the real-time process window one-and-a-half hours earlier for the processing of internal and external instructions This provides clients with better interoperability with the Asia-Pacific region, more opportunities for same-day settlement and turnaround, and earlier availability of reporting, cash and securities for onward instructions

In 2010, the input deadlines for external securities transaction instructions (both against and free of payment) for settlement in the Asia-Pacific region will be extended This will further increase interoperability with local markets and improve same-day turnaround possibilities It will offer more opportunities for timely settlement and improved same-day financing capabilities in Euroclear Bank's triparty service

We have introduced extended input deadlines for eight European countries Belgium, France, Finland, Greece, The Netherlands, Norway, Spain and Sweden

In 2009, Euroclear Bank improved its deadline to input instructions for corporate actions on US domestic securities by 20 hours – allowing clients to instruct on market expiry date Euroclear Bank is working on further extending this deadline to 17 00 CET and offering same-day deadlines for proxy voting and consent corporate actions in the United States This will complete the already extensive coverage of corporate actions under the same-day deadline

E-certification

Euroclear Bank, together with several agents, has further expanded the scope of electronic certification – reducing paperwork and administrative workload for clients More than half of all notifications requiring certification sent by Euroclear Bank now offer the possibility of electronic certification

Moving towards an automated tax solution

Euroclear Bank aims to fundamentally simplify tax operations for clients active on the international securities market and provide easy access to documentation required for tax relief

In 2009, we introduced an optional e-mail tax-reporting service – helping clients quickly reconcile tax data and easily identify actions to be taken In 2010, we will launch Euroclear TaxGenix™ Clients will then be able to monitor and manage their tax activities and documentation in real time – reducing processing time while providing online validation

Fee reductions

In spite of the financial crisis and its negative impact on Euroclear Bank's revenues, Euroclear Bank implemented further fee reductions in 2009 The 'family' concept, which was implemented for the calculation of safekeeping fees several years ago, has been extended to settlement fees This benefits those clients that are active in Euroclear Bank through various legal entities

Another series of Euroclear Bank fee reductions has reduced the cost of cross-border settlement involving securities from countries in which Euroclear operates the CSD (i e domestic securities from Belgium, France, Ireland, The Netherlands and the United Kingdom)

Key figures Euroclear Bank

Turnover	
€219 9 trillion	- 22%
Holdings	
€9 8 trillion	+ 8%
Number of transactions after netting	
39 3 million	- 6%
Collateral provision outstanding	
€212 6 billion	0%

Securities held in custody by clients rose by 8% to a record €9 8 trillion at the end of 2009

ESES CSDs

(Euroclear Belgium, Euroclear France, Euroclear Nederland)

Solid performance across ESES entities

Euroclear Belgium experienced a rise in turnover of 19% in 2009 to €399 billion, from €335 billion in 2008, based on 1 9 million transactions, a decrease of 14% from 2008 Securities held at Euroclear Belgium at the end of 2009 were valued at €140 billion, 9% above the 2008 level of €128 billion[1]

The value of securities held for clients in Euroclear France rose by 12% to €5 1 trillion in 2009 from €4 5 trillion in 2008 In contrast, turnover at Euroclear France was €79 6 trillion, 15% lower than in 2008, and the number of netted transactions declined by 12% Lower overall trading activity, particularly in equity trading by French retail investors, was the primary factor for this development

With a record number of transactions processed in 2009, rising 18% from 4 4 million in 2008 to 5 2 million in 2009, Euroclear Nederland's turnover rose by about 3% on 2008 to €4 4 trillion There was also a 7% rise in securities held in custody for clients, from €819 billion in 2008 to €880 billion in 2009

Successful launch of the ESES platform

Euroclear is the first infrastructure service provider in Europe to successfully consolidate three CSDs onto a common IT platform The launch of the ESES platform in January 2009 harmonised the settlement of trades on the Amsterdam, Brussels and Paris exchanges This was key in delivering the full benefits of the NYSE Euronext Single Order Book

The implementation of the ESES platform went particularly smoothly Extensive testing and launch rehearsals meant that Euroclear and the markets it serves were well prepared and supported during the preparatory, migration and post-migration phases The ESES platform has proved reliable ever since its launch, with 99 98% availability over its first year

Throughout 2009, we have continued to introduce enhancements to the ESES platform and to fine-tune various functions on a regular basis In 2010, specific focus will be given to corporate actions and shareholder identification services

Integration and user governance

With Euroclear Belgium, Euroclear France and Euroclear Nederland sharing a single transaction-processing solution, Euroclear introduced a more integrated, harmonised governance structure in 2009 The 'ESES Coordination College', comprising a cross-section of local CSD management team members, is chaired by the same CEO for all three CSDs

Key figures Euroclear Belgium	
Turnover	
€399 billion	+ 19%
Holdings	
€140 billion	+ 9%
Number of transactions after netting	
1 9 million	- 14%
Euroclear Belgium experienced a rise in turnover of 19% in 2009	

Key figures Euroclear France	
Turnover	
€79 6 trillion	- 15%
Holdings	
€5 1 trillion	+ 12%
Number of transactions after netting	
28 million	- 12%
Lower overall trading activity, particularly in equity trading by French retail investors, was the primary factor for the decline in the number of transactions	

Key figures Euroclear Nederland	
Turnover	
€4 4 trillion	+ 3%
Holdings	
€880 billion	+ 7%
Number of transactions after netting	
5 2 million	+ 18%
Euroclear Nederland processed a record number of transactions in 2009, rising 18% to 5 2 million	

1 The 2008 figure for securities holdings was recalculated using the same calculation method as is used for Euroclear France and Euroclear Nederland

This more streamlined management structure allows us both to reduce internal costs and to ensure a more effective delivery of the new platform's benefits to clients

In 2009, we set up two new industry discussion forums – the ESES Settlement Performance and Monitoring group (SPMG) and the ESES Users Forum The SPMG monitors the settlement efficiency of the platform on a monthly basis It also gives recommendations on the best practices that should be applied and penalties for late matching and settlement The ESES Users Forum helps define the developments that are required in order of priority The forum liaises with various domestic working groups (e g AFTI, DACSI, MEC) to ensure proper communication across all three countries and to reinforce a common approach when addressing evolving market needs

Increased interoperability

The increased interoperability between the ESES CSDs is being further extended to other CSDs The use of standard ISO messaging has strengthened links with various non-Euroclear group CSDs Securities eligible in the European System of Central Banks can be transferred using STP between ESES CSDs and Monte Titoli and OEKB The same is expected for Iberclear and Clearstream Banking Frankfurt in 2010

Faster automated warrants and certificate admission

A new service to admit warrants and certificates was introduced in 2009 for clients of all three ESES CSDs By automating previously manual issuance processes, this service shortens the admission process from five days to one Issuers can issue securities more quickly – taking full advantage of market conditions

Realising the benefits of dematerialisation

Euroclear Belgium is continuing to support the removal of physical securities from the Belgian capital market Its infrastructure for physical securities is the pivotal point for the dematerialisation process, which started in 2008 and will last until 2013 In 2009, the volume of physical securities deposited with Euroclear Belgium, and requiring dematerialisation, dropped significantly Euroclear Belgium has taken various steps to reduce infrastructure costs – including the rationalisation of its IT platform Further efforts will be made to reduce the amount of paper stored in Euroclear Belgium's vaults

Continuing the work started in 2008, Euroclear Nederland, together with its clients and issuer agents, introduced further incentives in 2009, which have successfully reduced the number of physical securities This is in preparation of the arrival of a new law, expected to come into effect in 2011, which aims at terminating individual bearer securities for The Netherlands As a second logical step towards dematerialisation, Euroclear Nederland has outsourced its safekeeping services to Euroclear Belgium This has allowed Euroclear Nederland to close its vault infrastructure thus contributing to a (cost) efficient and seamless transfer towards dematerialisation

Modernising payment practices in Belgium

In Belgium, dematerialisation and the implementation of the ESES platform triggered initiatives to modernise and harmonise payment practices In a joint market effort led by the Belgian financial sector association, Febelfin, Belgian market players have agreed to switch from the classic payment method to the direct payment method for dividend and interest payments on all securities eligible in Euroclear Belgium This reduces processing costs and risk for Euroclear Belgium clients

In addition, it contributes to increased harmonisation by aligning Belgian practices with the standards defined by the Corporate Action Joint Working Group

Euroclear Belgium has also launched a payment service to support issuers in November 2009 – extending the benefits of the direct payment method further

Enhanced issuer services

Euroclear France launched Euroclear CapiNews in 2009 which allows issuers and agents to communicate directly with their holders in an efficient and low-cost manner This service is planned to be extended to Euroclear Belgium and Euroclear Nederland clients in 2010

The Capilog report, currently available to issuers in Euroclear Belgium, will soon be extended to issuer agents and system paying agents in Euroclear France Issuers or their agents will be able to reconcile positions more easily, and proactively manage corporate actions with options

In 2009, Euroclear Nederland began preparation of a new shareholder identification service that will help issuers in disclosing intermediaries and beneficiaries throughout the custody chain This is in anticipation of an amendment of the Dutch Securities Giro Act, which in now estimated to come into effect in 2011 Euroclear Nederland published a white paper in 2009 describing the main principles that need to be met in order to ensure proper functioning of shareholder identification in The Netherlands In parallel, Euroclear Nederland took the lead in developing, together with external stakeholders, a standard template for the efficient processing of shareholder identification requests

Increased business in funds

Euroclear France's order routing and settlement service for funds continued to gain ground in 2009 Volumes increased by 15% despite the temporary adverse market conditions affecting third-party distribution in general The number of orders processed through the order routing platform reached 280,000, and around 5,000 funds are now available on the platform

SBI functional upgrades

Euroclear France has enlarged the scope of its broker-to-custodian trade-affirmation system, SBI, and adapted the service to comply with new regulatory requirements Its usage has been extended to include new trading venues and to allow settlement to take place on sub accounts

Confirmation of trades without settlement is available for all securities and SBI transaction notices can be used as legal electronic invoices

Nordic CSDs

(Euroclear Finland, Euroclear Sweden)

Continued robust performance in difficult times

The number of settlement transactions processed by both Euroclear Finland and Euroclear Sweden was adversely affected by the introduction of a mandatory CCP in 2009 This resulted in a reduction of around 72% for Euroclear Finland and a decrease of 63% for Euroclear Sweden

However, for Euroclear Sweden, transactions in foreign securities went up by around 60% in 2009 as a result of increased interest from investors who previously mainly traded in Nordic securities This resulted in the number of settlement transactions decreasing by only 12% on a year-on-year basis

The value of equities held in custody by Euroclear Finland returned to growth in spring 2009, reaching a value of €140 9 billion at the end of the year The number of new bond issues also grew by about 30% in contrast to the warrant market, which decelerated heavily The number of holdings in different securities lines on accounts continued to increase due to investment activity in owner specific accounts This increase started in 2008 and continued throughout 2009 Despite the turbulent economic conditions, settlement efficiency remained above 99 5% for trades cleared and settled in Euroclear Finland's HEXClear system

The availability of Euroclear Sweden's system remained very high throughout 2009 (99 96%) The number of affiliated issuers remained at 1,223 on par with 2008, although the number of affiliation issues increased at the end of 2009 The increased need for liquidity pushed the number of rights issues up by over 50% on 2008 to 142 in 2009 Dividend payments through Euroclear Sweden dropped by 12% to SEK 130 billion Outstanding issuance volumes for structured products rose by 7% to SEK 177 billion by the end of 2009, and the number of service accounts increased by 15% to over 1,047,000 accounts

Enhancing issuer services

Market practice for AGMs has undergone significant change over the past few years New regulation has been introduced, and in 2009, Finland saw the implementation of the Shareholders' Rights directive and the revision of the AGM temporary list schedule

Further developing its issuer services, Euroclear Finland initiated the rollout of its new electronic General Meeting (eGM) service in 2009 The first phase of this internet-based meetings service for shareholders was launched in the spring and introduced the use of electronic meeting notifications This initiative has been welcomed by issuers and shareholders alike The second phase will consist of the launch of an advance voting facility for direct registered shareholders in 2010 and future plans include extending this advance voting facility to nominee registered shareholders

Plans are also underway to enhance Euroclear Finland's Shareholder Information and Insider Register services to comply with new regulatory changes This will reinforce the CSD's flexibility and capability for wider and more value-added services to the issuers

Euroclear Sweden fully integrated its newly acquired AGM service, BOSS, into its operations in 2009 Many major listed companies have opted to use this new service, which offers support to issuers prior to, and during, AGMs Further developments were realised in the latter part of 2009, offering specific support to issuers of debt instruments A BOSS-light application is planned for early 2010 – designed for issuers with few participants attending AGMs

Anna von Knorring,
Deputy Director
Legal & Back Office,
State Treasury Finland

State Treasury Finland's targets are to keep issuance procedures for Finnish government bonds and treasury bills as smooth and efficient as possible at reasonable costs When aiming for these objectives we rely on our long-standing relationship and dialogue with Euroclear Finland We monitor closely developments in T2S and the Single Platform migration.

Ongoing integration

2009 was the first full year in which Euroclear Finland and Euroclear Sweden were part of the Euroclear group Various functions and processes have been successfully integrated into the Euroclear group as planned

During the second half of 2009, both CSDs implemented a reorganisation and integration of IT operations to ensure a common strategy for the future IT architecture and to facilitate the migration to the Single Platform A more integrated, harmonised governance structure was introduced early in 2010 – similar to that established for the ESES CSDs Further integration will continue in 2010 extending, where possible, economies of scale and an enhanced range of client services

Key figures Euroclear Finland
Turnover
€508 billion
Holdings
€226 billion
Number of transactions after netting
14 million
The 2009 results reflect the first full year contribution to the Euroclear group of Euroclear Finland, which became part of the group at the end of October 2008

Key figures Euroclear Sweden
Turnover
€7 3 trillion
Holdings
€804 billion
Number of transactions after netting
27 9 million
The 2009 results reflect the first full year contribution to the Euroclear group of Euroclear Sweden, which became part of the group at the end of October 2008

To streamline the notification process further, account holders will be given the option to receive electronic notification instead of physical notification

Euroclear Sweden's web-based tool, VPC Analys, which allows issuers to analyse and sort information concerning holders of their company's financial instruments, will also be improved in early 2010 New reports and an enhanced interface with VPC Analys will further increase transparency

Developing account operator services

Euroclear Finland further developed and improved account operator and settlement services throughout 2009 Services were upgraded in line with changing market practices and Euroclear Finland's settlement system, HEXClear, began processing transaction types other than trades This includes the processing of corporate action instructions and collateral transfers Development to accommodate two new Finnish Acts of Law is also ongoing The Act on Tax Account affects the distribution of cash proceeds and the Act on Long Term Savings requires the implementation of a specific account type for long term savings Both laws came into effect at the beginning of 2010

CCP implementation

The introduction of a mandatory CCP was a major structural change in the Nordic post-trading industry in 2009 Both Euroclear Finland and Euroclear Sweden have actively contributed to the successful CCP implementation – together with market participants and in close co-operation with the CCP candidates, Burgundy, NasdaqOMX and the local authorities

Euroclear UK & Ireland

Major increase in cash values

Euroclear UK & Ireland experienced a 14-fold increase in the combined issuance of treasury bills and a new type of Bank of England bill used in reserve account operations Daily values of cash settled in the system rose from a pre-crisis 2008 daily average of £888 billion to around £1 3 trillion in 2009

Euroclear UK & Ireland's system was able to absorb this rise in values with no impact on its processing or resources Further improvements to settlement processing were made and the real-time settlement system maintained 99 92% availability in 2009

Settlement of DBV transactions, used by the Bank of England as a tool to create liquidity, increased by 75% to a daily average of £251 billion in 2009

Tariff reductions

In spite of difficult market conditions, Euroclear UK & Ireland implemented several tariff reductions and delivered important savings back to the market in 2009 We removed the clearing fees charged to the CCP early in the year In November 2009, Euroclear UK & Ireland launched a new pricing model that provides increased transparency in pricing by itemising each clearing-related service component (netting, stamp duty assessment and transaction reporting) This allows clients to select and purchase only the services they require

By the end of 2009, Euroclear UK & Ireland had reduced its trade netting tariff by at least 70% over the previous three years A further reduction and tariff restructuring has come into effect in March 2010 – charging clients per netted transaction rather than per gross transactions This translates into a lowering of the cost of using our trade netting service by 90% since 2006

The Association for Financial Markets in Europe (AFME) along with other securities market representatives have affirmed Euroclear UK & Ireland's trade netting model and tariff structure as the post-trade model of preference for the United Kingdom and Ireland, ensuring our ability to continue to provide the trade netting services requested by our clients

Working with HM Treasury

Following the Lehman Brothers insolvency, HM Treasury has been carrying out an extensive consultation into improving responses to investment bank insolvency Its aims are to create greater certainty for the market as a whole, including returning client assets more quickly and addressing counterparty exposures Euroclear UK & Ireland has been working closely with HM Treasury and participates in working groups in relation to insolvency and client assets

As part of this work, Euroclear UK & Ireland has proposed a new approach to handling pending settlement instructions on insolvency Pending instructions would immediately be permanently frozen, to provide greater certainty to counterparties These proposals are now undergoing consultation as part of the HM Treasury work

Key figures Euroclear UK & Ireland

Turnover	
€201 4 trillion	+ 13%
Holdings	
€3 3 trillion	+ 26%
Number of transactions after netting	
63 3 million	- 8%
Collateral provision outstanding	
€331 6 billion	+ 56%

New records were set by Euroclear UK & Ireland in nearly all measures of performance

Improving price and reporting transparency

As a result of the economic conditions, including recent failures in the market and the current cost of borrowing, settlement banks have sought to improve their management of risk – especially regarding liquidity management and collateral Responding to their needs, Euroclear UK & Ireland has delivered enhanced liquidity reporting – providing settlement banks with a more transparent view of liquidity usage

In consultation with the market, Euroclear UK & Ireland is currently looking into ways to further increase transparency in its pricing and reporting We implemented a new electronic billing mechanism in 2009, allowing us to send financial information to clients quicker and on a more regular basis, and we are exploring ways to offer clients a more detailed breakdown of their trades, identifying the place of trade for each transaction

As of early 2010, and as requested by clients, we have provided clients with a new report to monitor their daily transaction reporting statuses This helps clients to reconcile the transaction reports sent, accepted and rejected by the FSA and thus improve control

Regulation S

Euroclear UK & Ireland is planning to introduce a solution for electronic settlement of US Regulation S Category 3 securities towards the end of 2010 These securities are currently mainly settled in paper form The electronic solution will therefore help to bring risk reduction, reduce settlement times significantly and improve liquidity in these securities

Euroclear UK & Ireland and EMXCo win award for funds settlement solution

Euroclear UK & Ireland and EMXCo were named European Technology and Trading provider of the year in the 'Back Office' category at the Funds Europe Awards 2009 The award was given for the Euroclear UK & Ireland funds settlement service, which was launched in September 2009 The service provides full end-to-end automation for the processing of UK fund transactions This centralised source of transaction information largely addresses the market need to optimise reconciliation procedures, and complies with MiFID and FSA reconciliation rules

Introducing automated funds settlement allows funds practitioners to take advantage of the full settlement functionality available in Euroclear UK & Ireland HM Treasury estimates savings for the UK funds industry of between £70 and £290 million a year by moving away from paper-based unit fund settlement Funds domiciled in the United Kingdom, Ireland, the Channel Islands and the Isle of Man are currently eligible for this service The range of eligible funds will be expanded in 2010

EMXCo

Record volumes in 2009

In 2009, volumes increased by over 32% for EMXCo, with the number of messages passing through the EMX Message System reaching 30 1 million

16 new fund providers and 76 new distributors joined the system This brings the total number of participants on the EMX Message System to 403 fund distributors and 102 fund providers, and the total number of available funds on the system to 6,800

The EMX Message System also sustained 100% availability throughout the year

Tariff reductions

EMXCo delivered a significant tariff cut in 2009 by expanding the initial band rate This meant that, since Euroclear's acquisition of EMXCo, some fund providers have seen their order message costs fall by up to 52% A further reduction in Q1 2010 introduced additional savings through a 12 5% reduction in the highest tariff band EMXCo will continue to review its tariff to ensure it remains competitively priced and returns the benefits of economies of scale to clients

New services in 2010

EMXCo will continue to enhance its services to meet the needs of its clients Enhancements planned for 2010 include the possibility of converting FIX to ISO messaging and the introduction of re-registration messages

Integrating into the Euroclear group

Since joining the Euroclear group in January 2007, changes have been made to the EMXCo Management Team with the CEO of Euroclear UK & Ireland taking over the same role for EMXCo Business support functions, Product Management as well as Sales and Relationship Management have been moved to Euroclear SA/NV to increase synergies across the group The resulting harmonisation will not only ensure EMXCo adheres to the stringent risk and audit processes of the group, but will also help reduce costs

Peter Fleming,
Head of UK Investment Administration, Skandia

Euroclear UK & Ireland funds settlement is a fully automated processing solution which is great news for the funds industry. EMXCo and Euroclear UK & Ireland are in an ideal position to offer this service which we expect will remove operational risk and improve efficiency.

Key figures EMXCo

Routed messages	
30 1 million	+ 32%

This increase is attributable to continued growth in business from existing clients, as well as to the growing number of new fund providers and distributors using the EMX Message System in 2009

Xtrakter

Developing as part of the Euroclear group

Work has already begun on extending Xtrakter's strengths across the Euroclear group and changes have been made to the Xtrakter Management Team in order to further integrate the company within the Euroclear group The same senior officer is now the CEO of Xtrakter, Euroclear UK & Ireland and EMXCo, which will help facilitate this integration and generate synergies Integration of the support functions started in the beginning of 2010, and further steps have been taken to harmonise the Compliance and HR teams

Trade matching straight through to settlement

As a leading provider of OTC trade matching, regulatory reporting and information services to the capital markets, Xtrakter has already contributed significantly to improving transparency and helping clients meet regulatory requirements

In November 2009, Euroclear Bank and Xtrakter launched the means for mutual clients to automate transaction information flows from trade matching through to settlement This allows client trade data matched by Xtrakter's trade-matching platform, TRAX, to be processed straight through for settlement at Euroclear Bank – eliminating trade matching duplication and reducing the number of unsettled transactions, post-trade costs and risks

For transactions settling at Euroclear Bank, TRAX matches the relevant trade details on trade date and informs clients of their transactions' matching status This gives them and their counterparties sufficient time to repair any matching instruction errors before the transaction is positioned for settlement at Euroclear Bank

Xtrakter also launched three new information services for the capital markets in 2009 XNAV, XM2M and XVOL provide subscribers with access to a range of new pricing and volume data sets

Sharp increase in volumes

The number of transactions processed by Xtrakter went up in 2009, to 578 million – a 105% increased on 2008 It closed the year with 284 community members subscribing to its products and services

New services in 2010

Xtrakter concluded its Alternative Instrument Identifier (Aii) project in Q1 2010 This enables the reporting on exchange traded derivatives transactions to the UK regulatory body, the Financial Services Authority (FSA), for the first time It will increase the range of asset classes Xtrakter processes and will improve its value proposition to regulatory reporting subscribers

During the same period, Xtrakter launched a new reference data service called XREF This new offering draws on the total reference data set Xtrakter has available and allows subscribers to access new data sets for the first time

Key figures Xtrakter

Number of transactions	
578 million	+ 105%

Xtrakter became part of the Euroclear group in April 2009

Managing resources in a responsible way

Students in landscape architecture at Tongji University in Shanghai and UC Berkeley (United States) are developing a plan for the city in anticipation of the high-speed rail link that will connect Jiaxing to Shanghai in just 15 minutes They want to maximise accessibility in order to encourage investment Moreover, they seek to create a design to suit all people - regardless of age, income or other status

Living, working, shopping, recreation: all part of one 'living' system.

The Shanghai Metro serves 3 56 million people a day Today, there are 11 lines, including the Shanghai magnetic levitation (Maglev) train By the end of 2020 the network will comprise 22 lines spanning 877 km

Euroclear's prime responsibility is to provide the skills, the people and a safe infrastructure to help the financial world remain stable and efficient.

People

Notwithstanding the challenging conditions in the aftermath of the financial crisis, in 2009, Euroclear's people have succeeded in increasing the quality of service offered to our clients

Service excellence

The work we do is of course our primary concern and we are focused on providing a service to our clients that meets the level of excellence to which they have become accustomed Over the past few years, Euroclear has been implementing an organisational efficiency programme based on Lean management methodology, first in the operations departments and later across other divisions In 2009, the company clearly saw the benefits of this intense programme as efficiency improved often by 25% or more and the different departments of Euroclear focused on those processes that add specific value for clients

Now that over half of the departments have been involved in Lean management, we move from a project state into continuous improvement This will continue to encourage people across the group to challenge their processes and to find ways to improve our service to clients

Again in 2009, the Client Satisfaction Survey has shown that our clients have taken note and given appreciation for the skills and client focus of our workforce

Internal mobility

Like all financial institutions, Euroclear faces increased pressure from competitors and the continuing challenge of decreasing its operating costs In order to remain competitive we have taken measures to increase efficiency and keep our headcount cost as low as possible

To achieve our objectives we have given priority to internal staff mobility, redeploying staff to fill vacant positions as a means to streamline the company's organisation This will continue to be Euroclear's preferred approach in meeting our future staffing needs In 2009, people were also encouraged to take on temporary assignments, providing them with experience in other sides of the business while allowing teams to benefit from the knowledge and expertise that is present in the workforce

This programme has enabled us to make the most of the available expertise where and when it was needed, in order to provide the best possible service to our clients In total, over 400 people changed jobs in 2009, including through redeployment, temporary assignments and other mobility of internal applicants

Training and development

Employee training and development has strategic importance in helping the company achieve its business mission and objectives

Euroclear has recently re-evaluated its training offer in order to make sure that training and development can be translated into career opportunities for the employees and real value for the company and our clients As a result, Euroclear employees collectively attended more than 12,000 days of training in 2009 Recognising the importance of strong leadership, Euroclear has started a Euroclear Leadership Programme, a specific development programme for senior management

Company pride

We want our employees to be proud of our company, and not only in the work we do Euroclear is very much aware of its social responsibility Through the Community Relations Committees and equivalent committees in our different entities, Euroclear continues to support local social and humanitarian schemes

Social dialogue

In line with our focus on service excellence and our commitment to employee communication, Euroclear also maintains a constructive relationship with our different social partners through an open and continuous dialogue

Climate survey: listening to our people

To be able to provide the best possible working environment for our people, Euroclear invites employees to share their views in an annual climate survey With a response rate of over 75%, the results of the survey help to identify those areas that need specific focus in the next year

The 2009 survey has confirmed the need for a regular communication of our corporate strategy in a rapidly changing world, as well as the importance our people attach to training and personal development opportunities

Euroclear will continue to address the needs identified through the climate survey results, in order to provide our employees with an engaging working environment that allows them to continue to put the client first

In this competitive and changing environment our people remain our most valuable asset Their expertise and their commitment to the company are the source of our future success This is why we are committed to continue to provide our people with opportunities for growth

Euroclear group people profile (as at December 2009)

Number of employees	**3,725**
Europe	3,623
• Belgium	2,520
• Finland	105
• France	408
• The Netherlands	68
• Sweden	120
• United Kingdom	390
• Other European countries	12
Asia	86
Americas	16
Staff decrease in 2009 (excluding the employees from Xtrakter that joined the group in 2009)	**221 full-time equivalents**
Gender balance	**51% male – 49% female**
Nationalities represented	**78**
Average age	**38**
Average length of service	**9 5 years**

Corporate responsibility

As the financial crisis has shown, it is important for companies to be aware of the social and economic impact of their operations Long-term sustainability and professional competence are the foundations upon which Euroclear has built its leadership of the past 40 years, and with which we aim to continue to lead, including in our corporate responsibility strategies

Corporate responsibility at Euroclear takes place on two main levels – in our wider responsibility as a key player in the financial market, and in how we deal with people and the world around us on a day-to-day basis

We strongly believe that demonstrating social and environmental leadership helps to build the trust of the public and of employees, and can strengthen a company's reputation among all its stakeholders, including its shareholders and clients It is our view that companies that recognise the value of corporate responsibility are better able to attract and retain employees who are both technically proficient and inclined to think long term

Serving markets responsibly

Our core corporate responsibility is intrinsic to our specific role as a leading provider in post-trade market infrastructure services in the domestic and international financial markets We have a duty to ensure the continuous, secure and efficient running of operations, and the capacity to assume extreme market volatility

We have succeeded in bringing stability during the financial crisis and its aftermath, thanks to our long-standing, consistent adherence to low-risk policies and the resilience of the state-of-the-art processing infrastructure we have built in recent years Our robust infrastructure and procedures put us in a leadership role in terms of business continuity, allowing us to sustain operations even in the event of a regional scale disaster

In parallel, we have a duty to deliver for the long-term benefit of the market by continuously enhancing efficiency, thereby reducing the cost and risks for the markets we serve This in turn can contribute to the creation of wealth and well-being Our ongoing work to integrate systems and harmonise market practices helps to create a more efficient and safer market

Taking care of people and the environment

Euroclear is also convinced of the value of corporate responsibility in its more conventional sense We have robust policies and a variety of initiatives in place to protect and offer opportunities to people, both within and outside of the company Some facts stand out when looking at Euroclear's colleagues as a whole we are a truly multicultural company with 78 nationalities represented among our staff and an almost equal gender balance

These figures are the result of long-standing principles on equality and non-discrimination, and a firm belief that an organisation can be internationally successful in the long term only if it attracts and trains talented people from diverse cultures and backgrounds

Work-life balance

At Euroclear, we recognise that it is necessary to make every effort to provide a supportive, flexible and healthy environment if the people we rely on are to develop and grow We have a dedicated team to monitor well-being at work, and in 2009 several initiatives took place to provide support to our employees These included events organised for employees and their families, part-time working hours and subsidised membership to various sports clubs

Equality and non-discrimination
A policy of non-discrimination underpins our employment policy and we also provide opportunities for people with disabilities according to their capabilities In addition, we consult regularly with employees, or their representatives, in compliance with national employment law, ensuring the company takes their views into account when making decisions likely to affect staff interests

Code of ethics
Euroclear attaches the utmost importance to its reputation for integrity, honesty and fairness in its conduct towards its employees and contractors as well as our clients and others with whom we do business It has also established clear standards of behaviour expected in return from all those associated with it These principles are set out in the organisation's Ethical Conduct, Legal and Compliance Risk policy and the Board code of ethics

Health and safety
Euroclear is committed to health and safety and the protection of people, property and the environment We are continuously refining our policies and procedures in order to provide an even more robust health and safety management system We set and maintain high standards, ensuring the health, safety and welfare of our employees, contractors and visitors

We believe in the importance of integrating health and safety considerations into all aspects of our business and fully recognise the advantages Euroclear recognises that the negative impact of work-related stress on people's health is a major risk in the execution of their functions, and therefore places a particular focus on well-being initiatives

In 2009, the increased threat of pandemic flu became a matter of significant focus As a result, additional health and safety measures were put in place, in line with health authority best practice

Environmental responsibility
In difficult financial conditions, it is sometimes easy to lose sight of the environmental aspects of business, although being cost conscious and environmentally sensitive often go hand in hand At Euroclear, we aim to minimise the use of our planet's resources, while making sustainable business decisions in the best interests of the group

We have a wide range of activities in place to ensure that we use our resources wisely and prudently Until recently, many of the measures have been local, but we are now working to implement a group-wide environmental strategy

In Belgium, Euroclear is working with the Institut Bruxellois pour la Gestion de l'Environnement/Brussels Instituut voor Milieubeheer (IBGE/BIM) to further develop our environmental action plans

As a reflection of our company policies, in 2009, Euroclear's London office won a Gold Award in the City of London Clean City Award scheme for the second consecutive year

Other initiatives include

- improved recycling facilities in all entities and better waste disposal,
- reduced consumption through use of energy-saving lighting,
- an agreement to buy 100% green energy in Belgium Due to government incentives, this results in both cost savings and a greener environmental footprint,
- electronic payslips, invoicing and greetings cards,
- use of environmentally-friendly cleaning and stationery products, and
- introduction of improved cooling systems with minimal impact on the environment

TransConstellation

Euroclear is one of the industry leaders with major operations centres in Belgium that established TransConstellation and the TransConstellation Academy in 2003

TransConstellation is a non-profit organisation that promotes Belgium as a centre of excellence in financial transaction processing The TransConstellation Academy is a shared training centre run in partnership with the Solvay Brussels School of Economics and Management In addition to broadening the horizons of their knowledge, participants are given an excellent opportunity to form lasting relationships with professionals from other companies To date, over 200 participants have benefited from the TransConstellation Academy experience

Supporting the wider community

Euroclear has also developed initiatives to support and contribute to the development of the social community by providing financial assistance and other forms of support to social non-profit associations We encourage and support charities in the countries where Euroclear operates, in particular those in which our staff or their relatives are personally active

Through this scheme, employees can propose local charities for sponsorship In 2009, Euroclear supported over 50 projects, including

- support for charities working with disadvantaged children and homeless people in Belgium,
- helping a charity that works with bereaved children and their families in the United Kingdom,
- simultaneous coffee mornings in London and Brussels to raise money for charities providing cancer support, and
- participating in the Téléthon des Financiers in Paris to raise money for children with muscular dystrophy

A 'matching gift' programme also exists whereby the company matches individual donations made spontaneously by employees to eligible charities

A total of €496,000 was given to charity in 2009

Risk management and internal controls

Euroclear was not directly affected by the risks that materialised during the financial crisis, and which continued to ripple through the real economy in 2009 This high degree of insulation reflected the single-purpose orientation of the group, as well as its low risk profile and its track record of conservative risk management The group did of course see indirect effects through the impact of the crisis on its clients, business volumes and enhanced stakeholder interest in risk management and controls

Well-established risk management culture and rigorous standards

Euroclear has a well-established risk management culture, shared by all areas of the organisation Risks are managed under a comprehensive Enterprise Risk Management (ERM) framework, with policies related to each of the relevant risks and a governance structure that makes clear the responsibilities for monitoring and control

Euroclear's ERM framework is based on relevant market and regulatory standards These include the work of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which has established a common internal control model against which companies may assess their control systems They also include ISO 31000 2009 principles and generic guidelines on risk management and ISO 27001 2005 for Information Security, as well as standards and guidelines issued by the Basel Committee on Banking Supervision The larger Euroclear entities publish audited Statement on Auditing Standards (SAS) 70 control reports to inform clients and other stakeholders about their control environments In addition, each of the group CSDs and Euroclear Bank complete and publish annually, on www euroclear com, the Disclosure Framework for Securities Settlement Systems, which is one of the requirements for compliance with the Recommendations for Securities Settlement Systems, published by the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR), and by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO)

In 2009, Euroclear continued to implement Basel II, and in particular enhanced its implementation of the Advanced Measurement Approach (AMA) for operational risk Euroclear worked towards fulfilling the terms and conditions that accompanied the accreditation received in 2008 from the Belgian Banking, Finance and Insurance Commission (CBFA) to use the AMA to calculate capital requirements for operational risk under Pillar 1 In 2008, the CBFA imposed an initial capital add-on, which was reduced in 2009 The add-on brought capital requirements for operational risk on the AMA calculation to a higher level than would be the case with the Basic Indicator Approach (BIA) A final regulatory decision on the AMA methodology is expected in the coming months

After finalising its Internal Capital Adequacy Assessment Process (ICAAP) framework under Pillar 2 in 2008, Euroclear ensured that it was implemented appropriately at the level of the relevant entities In December 2009, the CBFA initiated the Supervisory

Evaluation Process under Pillar 2 This process is ongoing and the prudential supervisor plans to prepare a letter to be sent to Euroclear soon

Finally, Euroclear made a public disclosure in line with pillar 3 of Basel II for the second time in 2009 That report was extended to include a chapter on liquidity risk management The report can be found on www euroclear com This disclosure is annual

Enterprise Risk Management: a coherent framework

Euroclear uses the ERM framework to ensure the coherence of its risk management and internal control activities The framework helps risk owners take decisions in line with the company's risk appetite It is rooted in good market practice and details how risks are identified, who owns them and how they are mitigated It also describes relevant risk processes, individual roles, and what information is needed for proper management decisions Euroclear implements the ERM framework consistently across the Euroclear group, though detailed implementation may vary slightly to reflect each entity's specific needs Overall practices and tools are largely harmonised

The framework has three main components

- All the major types of risk that Euroclear faces in pursuing its corporate objectives are set out at a high level in the **Risk Register**, which is approved by the Board Euroclear defines 'enterprise risk' as anything that could keep the group from meeting its business objectives Seven principal categories of 'enterprise risks' have been identified Three arise from the provision of Euroclear's daily services (credit, liquidity and operational risk) Another three are related to the environment in which Euroclear operates (market, business and strategic risk) Finally, one risk (strategic programmes risk) is addressed separately, as it is particularly important for the organisation and is managed separately from day-to-day services The Risk Register is complemented by a more detailed database of risks (including mitigated and accepted risks)
- Embedded within the ERM framework is the **Internal Controls System (ICS)** Euroclear has a well established ICS that allocates roles and responsibilities in the management of risks The Risk Register is supported by high-level control objectives to mitigate key risks These are approved by the Euroclear SA/NV Management Committee and are owned by division heads, who have the lead responsibility in managing the associated risks The high-level control objectives are elaborated by second level control objectives, established by business management and with a clear link to the mission of each business unit and, finally, by detailed controls describing how the risks impacting business activities are to be mitigated This approach enables the risks related to the provision of Euroclear services to be identified and then managed or accepted in accordance with the business model More information on Euroclear's ICS is given below
- The third component of the ERM framework is the **annual self-assessment process** The second level control objectives form the basis of the business Risk & Control Self-Assessments (RCSAs) and of the complementary Horizontal Self-Assessments (HSAs) The RCSAs and HSAs
  - build an accurate and consistent assessment of the ICS to achieve a good understanding of the risk profile of the business,
  - increase risk awareness and promote an ongoing assessment of risks and controls by business managers,

- identify new risks by bringing staff together to brainstorm,
- allow the risks faced by Euroclear to be quantified,
- ensure that individual risks are identified proactively and that they are addressed adequately; and
- help management make a well-founded statement on the effectiveness of the ICS

Euroclear promotes proactive risk identification and the self-assessments are an important source of risk identification by the business areas The results of the RCSAs and HSAs have been used as input for the 2009 assessment of the ICS The assessment also considers the results of parallel processes such as those leading to the annual SAS 70 control reports

Euroclear's ERM framework distinguishes seven key interrelated building blocks

Strategy: our approach to risk management
Euroclear's risk strategy ensures that Euroclear accepts risks consistent with its risk appetite and its role as market infrastructure It is supported by a Policy Control Framework that brings policies together and maps them to the different risk types Euroclear uses the concept of 'risk appetite' and 'tolerance level' for market, credit and operational risk. Risk appetites are articulated by the senior management of the different group entities, within the upper tolerance levels approved by the Boards, and based upon advanced and relatively mature capital modelling techniques that are subject to detailed internal and external review Finally, Euroclear's vision and strategy are translated into tangible objectives, the implementation of which is measured using a Balanced Scorecard This ensures that priorities are cascaded through the organisation appropriately See page 77 for more information on the Balanced Scorecard

Culture and competence: an active approach to risk management by appropriately skilled people
The group values articulate the main elements of culture and competence that the organisation wants and the expected corresponding behaviour Escalation processes up to senior management encourage reporting about risk issues Information is also passed down as necessary from the Board and the Management Committee to the division heads and their teams Individual objectives define what is expected at employee level The annual survey of staff opinion ensures open feedback on the quality of communication across the group Euroclear has adopted an 'Ethical Conduct, Legal and Compliance' policy The introduction of management assertions on risk and controls and the attention given by the Management Committee to a quarterly report of the group's risk profile has also spread the understanding of the different risk and control processes

Governance: assigning responsibility and authority
Euroclear has an appropriately strong risk management governance in place The Board approves the key risk policies and its committees review risk and control areas regularly and thoroughly Authority is delegated by the Board of Euroclear SA/NV to the Euroclear SA/NV Management Committee for the implementation of the strategy and other decisions taken by the Board

The corporate structure reinforces the role of the local management of the individual operating entities of the group, with the alignment of functions across the group and group-wide responsibilities for division heads The governance structure has been articulated more precisely since the establishment, by the Management Committee, of high level control objectives linked to the Risk Register Moreover, risk, control and compliance are part of individual managers' objectives

This seeks to ensure that delegation of responsibility for managing risks and implementing controls is well understood and acted upon Management has established several committees, including the Group Risk Committee, to assist in its oversight and management role

Measurement and assessment: understanding our risks
Risks are identified continuously by the different business units In addition, formal semi-annual risk self-assessments are conducted in all business areas Control weaknesses identified are logged and prioritised properly and action plans are tracked by management and independently validated All new services or launches of new systems and products are subject to a thorough risk assessment

Risk response and control: addressing our risks in an appropriate way
Operational departments have well established and extensive controls in place, ranging from the definition of procedures to automated reconciliations A diverse range of control activities is applied at all levels and to all functions Reaction to day-to-day operational incidents is generally good and timely, and post-mortem analyses are widely applied to identify lessons learnt

Reporting: getting the right information to the right people at the right time
Management information is generally satisfactory and reliable There are numerous specific periodic reports to management and Boards, such as the report on the group risk profile by the Chief Risk Officer or the annual independent report of the Chief Security Officer (who reports to the Chief Risk Officer) to the various Audit Committees

Monitoring processes: assessing the effectiveness of our risk management strategies
Monitoring reports and processes are used to help assess the overall adherence to the different risk management processes and the effective management of risks Outstanding issues are monitored regularly and outstanding escalations are reviewed on a monthly basis Key Risk Indicators have been developed for (I)CSDs and are monitored regularly Defining Key Risk Indicators for Xtrakter and EMXCo is a component of the 2010 rollout of Euroclear's group risk management framework, including risk tools and infrastructure, for these entities As an interim measure, a register of risks is maintained and reviewed regularly by local management

Internal Controls System

A sound ICS is required to safeguard shareholders' investments and Euroclear's assets, and to enable Euroclear to fulfil its function as a market infrastructure service provider well Each Board is responsible for ensuring the establishment, supervision and review of the relevant entity's ICS The role of group management is to oversee implementation of Board policies on risk and controls The effectiveness of the group ICS is reviewed and assessed annually by the Euroclear SA/NV Management Committee, with the participation of business managers from across the Euroclear group The consolidated results of that assessment are discussed with the Group Risk Committee at management level and then by the joint Audit Committee of the Boards of Euroclear SA/NV and Euroclear plc, which report the results of their assessment to the Boards

The ICS adopted by the Euroclear group is designed to ensure

- well-ordered and prudent conduct of business following clearly defined objectives,
- effective and efficient use of Euroclear's resources, maintaining the right balance between risk, service quality and cost,
- the safeguarding of Euroclear and client assets, protecting Euroclear's reputation, financial stability and operational continuity,
- high-quality financial and reporting information for use by management and external stakeholders, and
- compliance with regulatory requirements

In keeping with its role as a provider of services that are part of the financial market infrastructure, Euroclear's benchmarks for control levels are set at appropriately high levels and are reviewed regularly The Euroclear ICS has been designed in line with the guidance set out in the Turnbull Report and with reference to guidance provided by COSO, Basel II, the CBFA circular on the responsibility of executive management and the Board in the establishment of an appropriate ICS Euroclear has adopted an industry-standard controls-maturity model to assess the effectiveness of the ICS and to provide a measure of sustainability of controls over time

The ICS is designed to manage, rather than necessarily to eliminate, the risk of failure to achieve business objectives In establishing, supervising and reviewing the ICS, the directors have regard to the nature and extent of relevant risks, the likelihood of a loss being incurred and the costs of control It follows, therefore, that the ICS can provide reasonable, but not absolute, assurance against the risk of material loss

Management is committed to the continuous improvement of the ICS and a number of enhancements made during 2009 are reflected above In 2010, Euroclear will continue to strengthen IT change management and associated activities, in view of the Single Platform launch schedule, and will further strengthen financial controls In 2010, the self-assessment processes will be fully based on the controls-maturity model Participants will be required to provide not only an updated view of the maturity of the controls in place but also a target maturity level and an indication of the timescale required to achieve it This will ensure a common controls framework that can be assessed by the business managers and the Risk Management Division and, independently, by Internal Audit, which assesses the effectiveness of the ICS as part of Euroclear's annual audit programme

Operational risks

All Euroclear entities face some form of operational risk In line with Basel II, Euroclear defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events" Euroclear uses its ERM framework to ensure the coherence of its operational risk management activities across entities In particular, as discussed above, it uses an AMA under Basel II

To reduce the likelihood of errors, each department has established appropriately formal but pragmatic procedures and processes The day-to-day management of operational risks is conducted at the lowest possible level in the organisation This also allows for appropriate use testing of operational risk procedures and processes

Effective monitoring of operational risks is supported by the use of databases of potential risks and the careful reporting of incidents Euroclear's database now has more than 10 years of historical data on operational losses Internal data is complemented by external loss data, as Euroclear Bank is among the banks that provide information to the Operational Riskdata eXchange (ORX) database Benchmarking operational risk losses revealed that losses incurred by Euroclear tend to be significantly lower than those recorded by other banks Such continuous monitoring is complemented by the semi-annual self-assessments conducted by the business (as outlined above, one of the three main components of Euroclear's ERM framework) In addition to these control processes, Euroclear maintains a comprehensive insurance programme to protect against operational risk

Information security

The corporate objective of the group security activity is to assure management that Information Security (IS) risks are properly identified and correctly ranked and that IS control processes are effective and in line with the defined risk appetite Euroclear has adopted a standardised threat profile that is supplemented annually by a more strategic IS threat assessment Together these provide the baseline for the annual IS risk assessment from which risk treatment plans are derived The IS internal control system has been included in the ERM framework, allowing compliance with the requirements associated with Euroclear's adoption of the AMA under Basel II and full alignment with other internationally recognised reference frameworks such as Control Objectives for Information and related Technology (CobIT) and Information Technology Infrastructure Library (ITIL) Euroclear is designated as critical infrastructure in Belgium, Finland, France, The Netherlands and the United Kingdom Euroclear receives threat assessments from the national security agencies of these countries on a regular basis and can draw upon their expertise to resolve IS issues These agencies conduct periodic assurance reviews of Euroclear's security standards and procedures

Business resilience

To ensure continuous availability of business-critical services, Euroclear carefully reviews its use of technology, buildings and staff using BS25999 2005 as a reference framework Since 2007, Euroclear has had three data centres sufficiently distanced from each other to sustain operations in the event of a regional-scale disaster Euroclear remains, to our knowledge, the only securities infrastructure service provider in Europe to do so The effectiveness of data centres and recovery procedures is assured through the transfer of production activity between sites on a monthly basis and an annual regional disaster recovery exercise In addition Euroclear Bank, Euroclear France and Euroclear UK & Ireland follow a dual office structure, to ensure the availability of critical expertise in different locations Euroclear Belgium and Euroclear Nederland can use office space in Brussels as a remote backup, should a localised event disrupt access to their main facilities

Euroclear Finland and Euroclear Sweden each run two geographically separated IT centres between which all critical servers are duplicated and data is mirrored in real time In addition, each entity has access to a separate backup office outside the respective city centre with enough capacity for staff to run all critical business processes, including the IT operations and maintenance

All entities perform annual business impact analyses to identify their critical business services and recovery time objectives Business continuity plans have been harmonised at corporate and departmental levels throughout the group Finally, each element of the strategy is regularly maintained and tested A comprehensive crisis management training programme is in place and uses increasingly sophisticated market-based scenarios to further develop the capabilities of the crisis response teams, including those involving top management

Crisis management

Euroclear's central position in international financial markets makes resilient service delivery an essential component of its business model A system failure would immediately affect securities settlements, custody and central bank operations To maintain and improve its preparedness to face potential disrupting events, Euroclear conducts a wide range of desk-top analyses and live exercises, dealing with operational incidents More recently, it has developed a project to practice and improve its response plans for a large-scale financial crisis, and has begun to test those plans rigorously using the same business continuity management practices and frameworks as for operational risk scenarios

A first financial crisis exercise was conducted in July 2008, involving Euroclear Bank's senior management (Gold team), as well as lower levels of management (Silver team) Experts were on call to interact with the Gold and Silver team Following the exercise, the lessons learned were consolidated into action plans to improve Euroclear Bank's response This allowed Euroclear to ensure service continuity during the turbulent times that followed (with the Lehman default, the Icelandic crisis and the general liquidity freeze) and manage the credit and liquidity effects of the crisis effectively More importantly, the bank's crisis management programme enabled rapid, informed decision making

A second exercise followed in 2009, involving the Silver team and the Bronze team (made up of business managers) to assess the effective interaction between these two levels of management A number of practical lessons learned were incorporated into relevant business plans, with the aim of enhancing Euroclear's overall preparedness to face financial crises

Financial risks

Euroclear manages its financial risks according to demanding standards Such risks are borne mainly by the ICSD, Euroclear Bank, in its role as single-purpose settlement bank The CSDs of the group have a very low risk profile in line with their risk appetite They offer only securities settlement services in central bank money and do not provide credit to clients, so are largely insulated from financial risks

Credit risk

The specific role of Euroclear Bank in financial markets offers a high level of protection against credit risk As a single-purpose settlement institution, its main exposures are concentrated within a business day Such a short duration significantly limits the probability of an unanticipated default, all the more so as Euroclear Bank's client base consists mainly of highly-rated banks and other financial institutions such as central banks In addition, Euroclear Bank grants credit secured by high-quality collateral preferably held and pledged within the Participant's Euroclear account, with average collateralisation levels for its client credit exposure close to 99% Other means of recourse are also possible in some circumstances such as statutory lien, external collateral, pledged time deposits, reverse repos, letters of credit and guarantees In addition, Euroclear Bank incurs treasury exposure resulting from the placing of clients' end-of-day positions Such positions are typically re-deposited in the market with high-quality counterparties Where possible, repos are used but some exposure is unsecured The risks are limited by their short duration (mainly overnight), as well as policy caps Concentration risk, the risk that Euroclear Bank would be too highly exposed to any counterparty, is also monitored and limited Euroclear Bank thereby also complies with Belgian banking regulations relating to large exposures

Since 1 January 2007, Euroclear Bank, as well as Euroclear SA/NV and Euroclear plc, have applied the Foundations Internal Ratings Based Approach (FIRBA)

Liquidity risk stress testing

In June 2009, Euroclear Bank's Credit and Assets and Liabilities Committee approved an improved liquidity stress-testing framework for Euroclear Bank, in line with the Principles for Sound Liquidity Risk Management and Supervision published in September 2008 by the Basel Committee on Banking Supervision, as well as with the revised Capital Requirements Directive and the Committee of European Banking Supervisors' Interim Report on Liquidity Buffers and Survival Periods issued in 2009

The aim of liquidity stress testing is to identify the vulnerabilities of the institution's liquidity management and to define appropriate mitigating actions to avoid liquidity shortfalls In addition, liquidity stress tests are an essential tool to size correctly the contingent liquidity sources which should be available in the liquidity contingency plan

The new, scenario-based, liquidity stress-testing framework complements the stress-tests that Euroclear carries out regularly to demonstrate its compliance with recommendation 9 of the ESCB/CESR and CPSS/IOSCO Recommendations for Securities Settlement Systems Under the new stress-testing framework, more complex scenarios, tailor-made to fit Euroclear Bank's specific vulnerabilities, are identified and analysed The analysis includes an assessment of liquidity inflows and outflows under stressed conditions

Seven standard scenarios have been approved One, based on the failure of a large cash correspondent and settlement bank, was analysed through an exercise involving Risk Management and Euroclear Bank management The lessons learnt from this exercise have led to enhancements in the management of the related liquidity risks

for credit risk under the Basel II framework. The ratings of participants and counterparties resulting from the internal rating model are used in the calculation of regulatory and economic capital They also offer Euroclear tailor-made tools to refine its credit risk management The resulting regulatory capital for credit risk for Euroclear Bank in December 2009 is less than one tenth of the total available capital These conservative credit practices have enabled Euroclear Bank to avoid any credit loss in its history to date

The CSDs do not provide credit to their participants They do not engage in operations with counterparties, except for the investment of their own funds

Liquidity risk

Euroclear has a strong liquidity risk management framework in place, in line with international standards, whereby net funding requirements are adequately measured and monitored The framework, including extensive stress testing of liquidity needs and funding, also allows for a high level of preparedness to cope with unexpected liquidity shocks caused by either operational or credit events

Liquidity is necessary to allow Euroclear Bank to perform its settlement operations efficiently During the day, Euroclear Bank is typically a net liquidity provider to the market, as it processes payments and settles securities based on clients' available funds and collateral To cope with its daily liquidity needs, Euroclear Bank can rely upon a wide range of liquidity sources in all its eligible currencies, including a large network of cash correspondents and settlement banks and direct access to TARGET2, the large-value payment system of the ESCB Euroclear Bank has an excellent name in the inter-bank market and has also access to a broad range of established counterparties

To be able to cover potential liquidity shortfalls, Euroclear Bank has reliable, tested and committed contingency liquidity sources for the major currencies and it is rolling out the legal and operational means to immediately re-use the collateral pledged by its customers, up to the level of their debits

End-of-day client balances can be re-deposited in the inter-bank market for which term limits are set in order to maintain liquidity availability Euroclear Bank mitigates the risk that it faces when re-depositing funds in the market through the use of reverse repurchase agreements and by re-depositing excess funds at the central bank.

As the cash leg of the CSDs' securities settlement takes place exclusively in the accounts of a central bank, the CSDs do not incur liquidity risk originating from client cash deposits. Surplus cash investments of the CSDs are always assessed against expected future cash flows and can be invested only in term deposits.

Market risk

Euroclear Bank does not seek market risk, but some risk arises as a by-product of the investment of its capital, and from variations in business earnings and hedging strategy. Euroclear Bank's investment book aims at capital and liquidity preservation and, as such, is very conservatively managed. The approach to the treasury book is similarly conservative. Trades result from end-of-day client positions that are re-deposited in the market, mostly on an overnight basis. The hedging book comprises market derivatives transactions, which are designed to insulate future financial results from adverse market developments. As Euroclear Bank does not have a trading book, it is exempted from the relevant regulatory capital provisions for interest rate risk required under the Basel II Capital Accord.

The interest rate and foreign exchange risks incurred in these activities are limited by the risk tolerance level set by Euroclear Bank's Board of Directors. This is determined by the economic capital allocated annually for such risks. This is reinforced by internal daily market limits, such as Value at Risk (VaR) and Earnings at Risk (EaR), and legal or regulatory limits. In Q1 2010, EaR limits have been replaced by Key Performance Indicators, which allow management to monitor and control the performance of the Bank's Treasury appropriately.

The CSDs are exposed to a very low level of interest rate risk, resulting from the investments of proprietary funds (i.e. regulatory and working capital, surplus cash). The duration of these investments is limited to a maximum term of six months. Euroclear Belgium, Euroclear France and Euroclear Nederland face limited market risks related to downward movements in equity prices, which might affect their expected fee earnings on securities in custody. Euroclear UK & Ireland and Euroclear Sweden face some market risk from exchange rate fluctuations to the extent to which there is a mismatch between income and expenditure in local currency and the euro. This is monitored and reported to management and Boards.

Basel III

The Basel Committee on Banking Supervision issued two proposals for consultation in December 2009, aimed at strengthening global capital and liquidity regulations to enhance banks' ability to withstand future financial crises (already dubbed 'Basel III' by market participants). These proposals reflect lessons learnt from the credit crisis. The paper, *Strengthening the resilience of the banking sector* proposes to introduce additional standards related to capital composition and counterparty credit risk, as well as a leverage ratio and measures promoting forward-looking provisioning. The other paper shapes an *International framework for liquidity risk measurement, standards and monitoring*.

As Euroclear has a sound capital base, with core equity as its main capital component, and as it has had low levels of leverage over time, it does not expect to be materially affected by the implementation of these proposals. Euroclear still follows developments in these areas closely and is actively involved in the related discussions to ensure that forthcoming regulations do not unintentionally affect the well-functioning of the securities market and its role as market infrastructure.

Inter-company Transaction Policy audit

The Euroclear group has committed itself to the policy of no cross-subsidy between the group ICSD and CSDs

Every year, we request an independent auditor, PricewaterhouseCoopers, to conduct an audit and provide an attestation to the Euroclear Board The conclusions of this report are published in the Euroclear annual report The audit takes the form of a yearly confirmation that the Euroclear Inter-company Transaction Policy complies with the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines and that these guidelines are applied by the Euroclear group Such an attestation has been included in the annual report since 2003

A copy of the independent auditor's attestation for 2009 is included on the opposite page The related Euroclear management assertion statement regarding Inter-company Transaction Policy provided to the independent auditor with respect to 2009 can be found on this page

Euroclear remains the only settlement service provider furnishing this type of independent third-party verification

Management assertion statement

Euroclear SA/NV and its subsidiaries maintain effective controls to comply with the Euroclear Inter-company Transaction Policy (the 'Policy') The controls include those processes and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the inter-company transactions and arrangements (ii) provide reasonable assurance that transactions are recorded as necessary to comply with the Policy, and those transactions and arrangements are being made only in accordance with authorisations of management or directors of Euroclear SA/NV and its subsidiaries Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified

The Policy, which has been established by Management and approved by the Board of Directors of each of the Euroclear entities, complies with the OECD Transfer Pricing Guidelines of July 1995, including subsequent amendments

The Policy is designed to ensure that for any goods or services which are provided between entities, agreements are in place for 'at arm's length'[1] remuneration between those entities

Management is responsible for establishing and maintaining processes and procedures to ensure compliance with the Policy

Management has assessed the application of the Inter-company Transaction Policy for the period 1 January 2009 through to 31 December 2009

As the integration of NCSD Holding AB and its subsidiaries (hereafter the 'Nordic entities') within the Euroclear group was still ongoing in 2009, the Policy had not been approved yet by the Board of Directors of the Nordic entities Nevertheless, the transactions between the Nordic entities and between the Nordic entities and Euroclear SA/NV have been covered for the year 2009 by a temporary inter-company service agreement, which explicitly refers to the Policy Therefore, the signature by the Nordic entities of the temporary inter-company service agreement insured that, for the year 2009, those transactions would be compliant with the Policy

Based on our assessment, and taking into account the above assertions, Euroclear SA/NV believes that, for the period 1 January 2009 through to 31 December 2009, the Inter-company Transaction Policy has been in accordance with the OECD Guidelines and was applied effectively amongst Euroclear SA/NV and its subsidiaries

25 March 2010
Pierre Francotte
CEO of Euroclear SA/NV

1 Arm's length definition according to the OECD Guidelines

Report of the independent auditor regarding the Inter-company Transaction Policy of Euroclear SA/NV for the year ending 31 December 2009

Upon request from Euroclear SA/NV's Board, in light of their stated objective to avoid cross-subsidy between the parent companies and the (I)CSDs of the group, we have examined Euroclear SA/NV's Management Committee's assertions on the inter-company transactions, stating that

- the Euroclear Inter-company Transaction Policy ('Policy') complies with the OECD Transfer Pricing Guidelines of July 1995, including subsequent amendments, and
- effective internal control over compliance with the Policy has been maintained during the year ending 31 December 2009

Euroclear SA/NV's Management Committee is responsible for the assertions Our responsibility is to express an opinion on the assertions based on our examination

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (SSAE No 10) and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances We believe that our examination provides a reasonable basis for our opinion

In our opinion, based on the OECD Transfer Pricing Guidelines, the management's assertions as referred to above are fairly stated in all material respects

31 March 2010

PricewaterhouseCoopers Reviseurs d'entreprises sccrl
Represented by

Robert Peirce
Partner

Corporate governance

The Euroclear Board believes that good corporate governance underpins the ability of the group to achieve its strategic objectives Euroclear's governance framework is structured around its user governance model which is key to the position of the group as a sound market infrastructure committed to delivering long term value to its shareholders The Board believes that its focus on ensuring a solid governance framework and practices has contributed to its ability to provide its customers with a stable and safe environment in the turbulence that has prevailed in the financial services sector in the last year or so

Euroclear is committed to strong corporate governance at all levels of the group The Board followed the developments on corporate governance embodied in the Turner and Walker reviews throughout the year Steps have already been taken by the Board to examine Euroclear's governance against emerging recommendations and to make some consequential adjustments to better align its governance practices in certain areas, for example in the governance of risk.

Euroclear plc (the Company), as the ultimate parent company of the group, decided in 2004 to voluntarily apply the UK Combined Code on Corporate Governance (the Code) and has continued this practice since that time As an unlisted company, there are certain areas of the Code that are less relevant to Euroclear, for example Section II on Institutional Shareholders However, the Board believes that the Code provides a valuable guide against which to assess its corporate governance and to provide shareholders with a basis upon which to judge how it has discharged its duties

This part of the annual report describes the Company's governance arrangements by reference to the Code The Board considers that, during 2009, the Company has applied the Main Principles set out in Section 1 of the Code It has done so by complying with the associated Provisions except where specifically indicated below

Euroclear SA/NV is the direct or indirect parent of the main operating subsidiaries of the group and is regulated by the Belgian Banking Finance and Insurance Commission (CBFA) Euroclear SA/NV complies with the 10 principles of good governance defined by the CBFA in its Internal Governance Circular These principles reflect applicable regulations, recommendations and best practice on corporate governance for regulated entities in Belgium and are in line with the philosophy of the Code In this context, the Board of Euroclear SA/NV has approved a Governance Memorandum which describes the Euroclear SA/NV governance practices in the context of the 10 principles The Governance Memorandum is reviewed annually by the Board and approved by the CBFA. It also forms the basis for the CBFA's prudential supervision of Euroclear SA/NV's governance As the CBFA requirements in relation to governance have developed over the last two to three years and now form a comprehensive set of governance rules and requirements for Euroclear SA/NV, the Board of Euroclear SA/NV decided not to apply the Code directly at the level of Euroclear SA/NV as had been the case in the past This report contains references to governance at the level of Euroclear SA/NV where it is necessary or desirable to give the context for the overall governance of the group

The Boards of Directors

Board composition

The Euroclear group is headed by the Board of Euroclear plc (Board), composed in 2009 of 25 non-executive directors Reflecting Euroclear's user governance model, 21 of the 25 directors are senior executive from firms representing a cross-section of users of Euroclear services and shareholders of the company The other 4 directors, including the chairman and deputy chairman, have no affiliation with Euroclear users The same 25 directors also sit on the Board of Euroclear SA/NV together with two executive directors (the CEO and Deputy CEO) The list of Directors is contained on pages 94-95

Both Boards are chaired by Sir Nigel Wicks He has no executive responsibilities for running any part of the group's business As Chairman, his core responsibilities are directing, advising and leading the Boards as well as ensuring the Boards are adequately informed on all matters relevant to leading the group, directing shareholder relationships and facilitating the Board's relationship with management The Chairman is in regular contact with the members of Boards and meets each director individually outside of Board meetings to discuss Euroclear matters Sir Nigel is also a non-executive director of Edinburgh Investments Trust plc and a member of the Jersey Financial Services Commission, a statutory body responsible for the regulation and supervision of the financial services industry in the island of Jersey

The Boards' deputy chairman, Jean-Jacques Verdickt, assists the chairman in carrying out his role, particularly with regard to governance matters Jean-Jacques Verdickt exercises other non-executive directorship mandates outside the Euroclear group, a list of which is available on www euroclear com

The Board of Euroclear plc considers all the directors of the Company to be independent in character and judgement within the meaning set out in the Code, having examined each director against the independence criteria described in the Code

Given that the directors are largely drawn from the user community, several of them have links with each other outside of Euroclear However, none of these links are deemed by the Board to be significant or to impede the independence of the directors in question in the exercise of their function on the Board Similarly, the three directors appointed by Sicovam Holding SA, which holds 13 6% of the Company's share capital, are considered by the Boards to be independent in judgment and character notwithstanding that they are appointed by the shareholder Furthermore, David Nicol is considered by the Board to be independent notwithstanding his tenure of more than nine years on the Board, as the Board concluded that he has retained his independence in character and judgement

Given that most of the directors are drawn from users of the group's services, the Board has agreed and applied objective guidelines to evaluate whether the business relationship between Euroclear and the relevant user companies could adversely impact the independence of such directors and have concluded, based on those objective guidelines, that this is not the case for any director Board directors have an obligation to report their commitments outside Euroclear, and any changes to such commitments, to the Board Upon receipt of such reporting, the Board satisfies itself as to whether such commitments could conflict with their duties as directors of the Companies and responds accordingly

The Board has designated the chairman of the Nominations, Remuneration & Governance Committee (NRGC) as the Senior Independent Director, ex officio The position is currently held by Mark S Garvin The role of the Senior Independent Director in Euroclear is principally to be available to fellow non-executive directors, either individually or collectively, should they wish to discuss matters of concern in a forum that does not include the management of the group or the Chairman, and to lead the Board in the assessment of the Chairman

The NRGC leads the process for identification of prospective directors in accordance with selection criteria set out in the Board Composition Policy approved by the Board The Committee seeks to ensure that the Board overall possesses the necessary balance of skills and experience to set the general policy and strategy of Euroclear plc and Euroclear SA/NV and the group generally, and to properly supervise management in the implementation of such policy and strategy The Board Composition Policy's criteria cover the integrity, availability, experience and seniority of directors as well as their knowledge of the markets and of the group's core business lines Also taken into consideration is whether the candidate is drawn from the shareholders and/or significant users in Euroclear

The NRGC also advises the Board on its annual review of board and committee composition which is aimed at ensuring the Board remains balanced with an appropriate mix of skills and expertise to perform its role As the directors are drawn from users of Euroclear services, who are senior executives within their firms and generally well known in the industry, the Board did not rely on an external search agency or open advertising in the appointment of non-executive directors during 2009

Upon appointment, Board members receive a letter of appointment which outlines their responsibilities and the terms upon which they are appointed to the Board, including the time they are required to allocate to fulfil their Board role in Euroclear

Each director is offered an induction into Euroclear designed to develop his/her knowledge and understanding of all important elements of the group's business and the responsibilities of the role as a Board director Because of the user governance framework within which the group operates, the Board does not deem it necessary for new non-executive directors to have specific meetings with major shareholders as part of their induction programme There is an ongoing training programme for directors on matters of importance to their mandate and matters identified by Board and Board committee members as part of the annual Board evaluation process

Board role

The direction of the Euroclear group is divided between the Board of Euroclear plc and that of Euroclear SA/NV There is a clearly defined division of responsibilities between the two Boards The Board of Euroclear plc is responsible for all shareholder matters, setting values and standards in governance matters and ensuring that necessary financial resources are in place to meet strategic aims

The Board of Euroclear SA/NV has as its principal responsibilities setting group strategy and overseeing its implementation, ensuring effective controls are in place to enable risk to be properly managed, and setting the framework for group policies The section Internal Controls System on page 62 contains an explanation of the work of the Board in maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management systems

There is no executive management at the level of Euroclear plc Therefore, the Provisions of the Code in respect of executive management do not apply to the Company The Board of Euroclear SA/NV has established a Management Committee, in accordance with Belgian law, and delegated to it responsibility for managing the business of the company within the strategy and general policy decided by the Board and to implement such strategy and general policy Throughout the year Pierre Francotte was the CEO of Euroclear SA/NV and the chairman of the Management Committee

As in previous years the Boards undertook a self evaluation during 2009 which was designed to assess Board performance and identify areas in which its policies, processes and effectiveness should be enhanced, and to assess the performance of the Board Chairman and, in the case of Euroclear SA/NV, the Management This annual performance evaluation was facilitated internally and the results were reviewed first by the NRGC which prepared a summary of the results which was then reviewed to the Boards Based on the results of the self evaluation, the Boards agreed upon action items to address weaknesses identified and further improve their effectiveness

Directors are expected to attend all Board and relevant committee meetings The Board has five regular scheduled meetings throughout the year and holds additional meetings as and when necessary The Board dedicates one full day per year to a strategy session that focuses on big picture strategic planning for the Euroclear group During 2009, the Board of the Company met six times and the Board of Euroclear SA/NV 12 times A table detailing directors' attendance at Board and Board committee meetings during 2009 is set out on page 75

A full list of current Board directors, the terms and conditions of appointment of non-executive directors, the Board Composition Policy and other relevant documents can be found on www euroclear com

Board committees

In order for the Boards to fulfil their responsibilities efficiently, committees with different expertise and powers have been established Their terms of reference, which include details of the role and responsibilities of each of these committees, can be found on www euroclear com

Euroclear plc has three Board committees – the Nominations, Remuneration & Governance Committee, the Audit Committee and the Operations Committee The Board of Euroclear SA/NV has established seven committees – the Management Committee, the Nominations, Remuneration & Governance Committee, the Audit Committee, the Strategy Committee, the Risk Committee, the Business Model Implementation Committee and the Executive Compensation Committee Other than the Management Committee, all these seven committees are advisory committees The Chairman and the Deputy Chairman are members of each committee ex officio, except the Audit Committees, which they attend by invitation, and the Management Committee, which is composed exclusively of the most senior executives of Euroclear SA/NV During 2009 the Board of Euroclear SA/NV established a Search Committee to assist the Board in its task of identifying suitable candidates as the new group CEO The work of the Search Committee is described below

The Management Committee meets usually once a week The other committees meet on a regular basis and each committee chairperson reports at the Board meeting immediately following a committee meeting and makes agreed recommendations from their committee to the Board The table on page 75 sets out the membership of each committee during 2009

Management Committee
The Management Committee of the Board of Euroclear SA/NV has been delegated by the Board the general management powers of the company The Committee was comprised throughout the year of seven members including its chairman Two members of the Management Committee are also Board members The other members, although not members of the Boards, participate in all Board meetings and have frequent contact with individual Board members outside of Board meetings The Chairman and CEO have regular contacts, several times per week

The Management Committee reports to the Euroclear SA/NV Board at each meeting on the objectives that that Board has set in executing Board decisions and managing the business of the Company The CEO works together with the Chairman to formulate strategic proposals for consideration by the Board In this context, the Management Committee recommends to the Board an annual plan and budget addressing how to implement corporate strategy and long-term goals, and policies designed to establish clear risk management objectives for the company Once the annual plan has been approved by the Board, the Management Committee manages the day-to-day operations by deciding on, or guiding, key courses of action in operations by staff and ensuring the efficient management of human, financial and physical resources Under the direction of its Chairman, the Management Committee ensures relevant items are presented to the Board in a full and thorough fashion in a way that enables the Board to assess management's performance in meeting the goals and objectives agreed by the Board

Audit Committees
The Audit Committees of Euroclear plc and Euroclear SA/NV review and make recommendations to the Boards in relation to the companies' and the group's financial results, the financial reporting process and the integrity of such reporting, the effectiveness of internal controls and the process for monitoring compliance with laws and regulations and business continuity, the appointment of the external auditor as well as its independence and approval of annual internal and external audit plans

During 2009, the Committees received standing quarterly reports from the Chief Auditor on control issues and progress of the annual internal audit plan and from the Chief Compliance officer on legal and compliance matters At each meeting the Committees received an update on unaudited financial results to date and a six monthly progress report on the cost management initiatives agreed by the Board In view of the external environment, the Committees spent considerable time throughout the year monitoring its impairment analysis

The external auditor reported at each Committee meeting on relevant accounting, control and regulatory issues

Euroclear plc & Euroclear SA/NV directors' attendance 2009[1]

	Board Meetings	Audit Committee	Business Model Implementation Committee	Executive Compensation Committee	Nominations & Remuneration Committee	Operations Committee	Risk Committee	Search Committee
Sir Nigel Wicks	18 (18)	9[2]	4 (4)	5 (5)	4 (4)	1 (1)	4 (5)	9 (9)
Jean-Jacques Verdickt	17 (18)	8[2]	4 (4)	5 (5)	4 (4)	1 (1)	5 (5)	9 (9)
Joseph C Antonellis	14 (18)		3 (4)		2 (4)			
Michel Berthezène[3]	14 (18)						4 (5)	9 (9)
Alain Closier	13 (18)		4 (4)	5 (5)	4 (4)			8 (9)
Sue Concannon	11 (18)	6 (9)	3 (4)					
Ignace R Combes[4]	11 (12)							
Christer Cragnell[5]			4 (4)					
Stephen A J Davies	4 (4)		1[2]					
Frank J DeCongelio	10 (10)	4 (4)		2 (2)				
Erik Dralans	6 (8)							
Mary M Fenoglio	17 (18)	9 (9)	1			1 (1)	1 (1)	9 (9)
Pierre Francotte[4]	12 (12)							
Clara Furse	4 (10)							
Mark S Garvin	17 (18)		4 (4)	5 (5)	4 (4)			6 (9)
William Higgins	9 (18)			3 (5)			4 (5)	
Tim Howell	14 (18)	0 (1)	1[2]				4 (5)	
Junichi Ishii	8 (18)							
Peter T Johnston	16 (18)				3 (4)		3 (5)	
Akihiro Kanayasu	15 (18)							
Timothy F Keaney	18 (18)			3 (3)				8 (9)
François Marion[3]	17 (18)	8 (9)				1 (1)		
Neil Martin	6 (6)							
Lieve Mostrey	16 (18)		4 (4)	5 (5)				9 (9)
David Nicol	14 (18)	7 (9)	3 (4)			0 (1)		
Herschel Post	15 (18)	1[2]		5 (5)	4 (4)			
Tom Ruud	14 (18)				2 (4)			8 (9)
Martin Slumbers	12 (18)	3 (5)	1[2]					
John Stewart	15 (18)							7 (9)
Jean-François Théodore[3]	9 (18)							

1 The figure in brackets indicates the maximum number of meetings the director could have attended
2 Attended as invitee
3 Directors Nominated by the 'S shareholders
4 As Executive Director of Euroclear SA/NV only attendance at Euroclear SA/NV board meetings accounted for
5 Non-Board director

There were no meetings of the Strategy Committee in 2009

The Committees had ongoing oversight of the system of internal control and conducted their annual in-depth review of the effectiveness of the system of internal control, a full description of which is set out on page 62

Nominations, Remuneration & Governance Committees

The Nominations, Remuneration & Governance Committees of Euroclear plc and Euroclear SA/NV (NRGC) are responsible for reviewing and making recommendations to the Boards in relation to the nomination of directors and remuneration of non-executive Board members within the limits set by the shareholders The NRGCs also advise the Boards on governance matters other than executive remuneration which is within the role of the Executive Compensation Committee

In 2009, the NRGC reviewed and proposed to the Boards persons for election as directors as vacancies arose throughout the year, evaluating each candidate against the required skills and expertise and other relevant elements of the Board Composition Policy

The NRGC also reviewed the changes emerging in corporate governance best practice and regulation and advised the Board on the same throughout the year The NRGC examined whether the large size of the Board has an unduly negative impact on its effectiveness The NRGC concluded, and the Board concurred, that the current size of the Board is appropriate to ensure the balance of skills and experience necessary for effective user governance of Euroclear and that size itself does not have a negative impact on the effectiveness of the Board The Board will keep the matter under review

Operations Committee

The Operations Committee of Euroclear plc, which is responsible for handling operational and administrative matters arising between Board meetings, met once during the year to approve the opening of a Bulletin Board session

Risk Committee

Similar to many financial institutions, the Board undertook a detailed review of its risk governance during the course of 2009 One result of this analysis was a decision to enhance the role of the Risk Committee to embrace a wider, more forward-looking review of all major risks The respective roles and responsibilities of the Risk and Audit Committees with respect to risk and control matters were also further clarified

In addition to its regular reporting from management on risk issues, the Committee was involved throughout the year, in discussing with management the impact of the financial crisis on Euroclear's risk profile and risk tolerance levels The Risk Committee hosted its annual risk forum in June 2009, where leading industry risk experts were invited to exchange ideas on risk topics relevant to the Euroclear group The forum was devoted to an in-depth discussion on the impact of the financial crisis on the risk profile of market infrastructures

Due to his appointment as the future CEO of Euroclear SA/NV, Tim Howell stepped down as chairman of the Risk Committee in January 2010 and was replaced in that position by Jean-Jacques Verdickt

Business Model Implementation Committee

The Business Model Implementation Committee of Euroclear SA/NV monitors the progress towards implementation of the Euroclear business model The membership of the Committee was restructured in 2009 to better reflect the current point of evolution of the business model, with Joseph Antonellis taking over the chairmanship from Sir Nigel Wicks

At each meeting during 2009, the Committee was given a detailed update on the progress of the main programmes of the Single Platform that are part of the implementation of the business model The Committee also received a quarterly audit scorecard for each of the programmes that assess the internal control system of the programmes During 2009, the Committee recommended to the Board a re-phasing of the last part of the delivery of the Single Platform to take account of the current market environment and the introduction of T2S to the market

Executive Compensation Committee
The Executive Compensation Committee, which is composed entirely of independent non-executive directors, advises the Board of Euroclear SA/NV on the global compensation philosophy for the Management and staff of Euroclear SA/NV, on the Balanced Scorecard for the Company and on the annual variable compensation budget in line with such global compensation philosophy

In line with its Terms of Reference, the Committee considered and made recommendation to the Board on matters concerning the results of the Balanced Scorecard results for 2009 and its proposed structure for 2010

Based on the results of the Balanced Scorecard for 2009 and other relevant factors, the Committee considered and made recommendations concerning the size of the incentive compensation pool payable to Management and staff, the variable level of compensation to be paid to the members of the Management Committee, as well as the total amount of stock options to be granted in 2010 to certain managers of the group

In addition to that, the Committee reviewed and agreed the 2010 objectives for the members of the Management

Balanced Scorecard

The Balanced Scorecard is one of the tools used by Management and the Board to measure performance across the Euroclear group It sets out the group's key priorities, in line with our vision and strategy The targets are set at the beginning of the year and cannot be changed unless approved by the Board In assessing the company's performance, the Board takes into account the results of the Balanced Scorecard, which it complements with a qualitative assessment that considers other relevant factors

The Balanced Scorecard includes objectives not only relating to financial performance, but also operational and project delivery, risk management, client satisfaction and people and management of the company The 'weight' of each objective reflects the relative importance of the area to the company's strategy

The Balanced Scorecard results are one of the important factors considered by the Board in determining the variable compensation pool for Management and staff

Committee, recommended the objectives of the CEO for the approval of the Board and kept the Board fully apprised, in the course of the year, of the evolution of the executive compensation regulatory framework in Belgium and other countries, as relevant to Euroclear

Search Committee
This Committee was established by the Board in June 2009, following the announcement by Pierre Francotte of his decision to stand down as Chief Executive Officer of Euroclear SA/NV in early 2010 The Committee was delegated with the specific task of making a recommendation on the appointment of Mr Francotte's successor The membership of the Committee was set at 10 non-executive board members, including the Chairman of the Board acting as committee chair

The Committee met nine times and, with the help of a professional outside consulting firm, undertook a wide-ranging search and interviews of prospective candidates for the position of new CEO The Board was kept closely in touch with its work and deliberations, taking account of the need to preserve the confidence of the candidates being considered

In December 2009, the members of the Search and Executive Compensation Committees met jointly and agreed to recommend to the Board the appointment and remuneration of Tim Howell as the new CEO of Euroclear SA/NV and as a member and Chairman of its Management Committee This appointment was approved by the Board on the condition that the necessary regulatory approvals were subsequently received Pierre Francotte's tenure as CEO will end on 4 April 2010, with Tim Howell taking over on 5 April

Having completed its task, the Committee was dissolved by the Board in March 2010

Strategy Committee
For the last few years, the Strategy Committee has prepared the Board's annual in-depth discussion of strategy The discussion planned for January 2010 has been postponed until later in the year pending the new CEO's assumption of his duties Consequently, the Strategy Committee did not meet during 2009 The Board is currently reviewing the ongoing role of the Strategy Committee

Relations with shareholders

Euroclear plc shares are not traded on any exchange In order to promote liquidity in the shares, the Board of Euroclear plc has established a Bulletin Board service accessible to shareholders and certain other users The Bulletin Board provides a mechanism for making bid/offer prices available to potential buyers and sellers who can, if they so wish, contact each other in order to negotiate a trade outside of the facility provided by Euroclear During 2009, the Bulletin Board was opened for two sessions but resulted in a limited number of share transfers

The user governance structure of Euroclear results in the large majority of the directors on the Boards of Euroclear plc and Euroclear SA/NV being individuals who are employed by firms that use Euroclear All these firms are also shareholders in Euroclear plc

The wide shareholder representation on the Boards and the relatively static nature of the shareholder base, gives the Euroclear plc Board confidence that it has a continued understanding of the objectives of its shareholders as a whole The Chairman and senior management maintained a structured dialogue with the Company's largest shareholder throughout the year through regular meetings The Chairman involved the full Board, as appropriate, to discuss issues raised by that shareholder In addition, the Chairman, accompanied by Management where appropriate, pays regular visits to other shareholders The availability of the Chairman, as well as that of other Directors and senior management, at the Annual General Meeting provides a further forum for two way discussion between the Company and its shareholders The Chairman, the Deputy Chairman and other directors are always available to talk with shareholders

A list of all the shareholders of Euroclear plc, as of registrations completed at Companies House on 28 February 2010, can be found on the enclosed CD-ROM

Market Advisory Committees

The Euroclear group has established seven user committees known as Market Advisory Committees (MACs) for Belgium and The Netherlands jointly, France, Ireland, the United Kingdom, as well as Sweden and Finland, and a Cross-Market Advisory Committee These committees are not Board committees and their members are not directors of, and owe no fiduciary duty to, Euroclear The MACs are a primary source of feedback and interaction between the user community and Euroclear management on significant matters affecting their respective domestic markets

Strong foundations to ensure a stable future

A region that
builds on the
wisdom of its
history and
on the energy
of its young
population.

The Yangtze Delta Metropolitan Area is the largest metropolitan area in China It is home to over 90 million people, of which an estimated 50 million are urban In the future the area may well evolve into the largest megalopolis in the world, a cohesive network of cities and towns

Since the 9th century, the Yangtze Delta has been the most populous area in China, and one of the most densely populated areas of the world During the mid to late period of the Tang Dynasty (618-907), the region emerged as the most important agricultural, handicraft and economic centre for China

Companies building a new infrastructure need a solid financial partner for such an ambitious project. They can rely on Euroclear's strong financial foundations to support and protect their interests.

Financial review

Reinforced reputation in 2009 despite market conditions

While the 2008 financial crisis, and the economic recession that followed, made 2009 a challenging year for all market players, Euroclear's low risk profile and strong risk management culture have contributed to protect the company's solid reputation

Operating income for the year amounted to €934 million, of which €759 million was generated from the stable net fee and commission income and €98 million from the more volatile net interest income which was impacted by historically low interest rates The operating profit before tax for the year was €184 5 million, before a goodwill impairment charge of €185 million, compared with a €347 million profit before tax in 2008

In 2009, Euroclear implemented further tariff reductions

The 2009 end-of-year headcount decreased by 221 full-time equivalents compared to 2008 (excluding the employees from Xtrakter that joined the group in 2009)

Euroclear plc summarised consolidated income statement (in € million)

	2009	2008
Net interest income	98 2	283 8
Net fee and commission income	758 7	807 8
Dividend income	17 8	4 5
Realised gains on available-for-sale financial assets	33 8	-
Realised gains on financial liabilities measured at amortised cost	2 1	-
Net gains on financial assets or liabilities held for trading	10 5	19 0
Net gains/(losses) on foreign exchange	(2 1)	10 3
Other operating income	14 8	12 7
Operating income	**933 8**	**1,138 1**
Administrative expenses	(749 4)	(790 8)
Impairment	(184 9)	(0 3)
Operating profit/(loss) before tax	**(0 5)**	**347 0**
Taxation	(37 9)	(85 3)
Profit/(loss) for the year	**(38 4)**	**261 7**

Financial performance highlights

The detailed results for the year are set out on page 10 of the Euroclear plc financial statements, which are available on the enclosed CD-ROM

Loss for the year: due to the difficult market conditions in 2009, especially the interest rate environment, and a €185 million impairment split over the ESES, Euroclear UK & Ireland and NCSD CSD operating segments, the Euroclear group's loss after tax for the year reached €38 million, compared to a €262 million profit after tax for 2008

Excluding unusual items arising during 2009, the 'normalised' profit after tax for the year was €111 million, as illustrated in the table below

	€ million
Loss for the year	**(38)**
Adjustments	
Impairment charge	185
Dividend received from LCH Clearnet Group Limited	(18)
Realised gain on disposal of LCH Clearnet Group Limited shares	(17)
Realised gain on re-purchase of Hybrid Tier I debt	(2)
Tax effect of the above	1
Normalised profit after tax	**111**

Operating income reached €934 million, 18% below 2008, the decrease in net interest income accounting for 91% of the reduction 2009 income includes the €18 million dividend received from LCH Clearnet Group Limited and the €17 million capital gain following the disposal of Euroclear's shares in LCH Clearnet Group Limited

Net interest income reached €98 million, a 65% reduction compared to 2008, due to historically low interest rates throughout the year The USD and EUR overnight interest rates decreased, on average, from 2 1% and 3 6% in 2008 to 0 2% and 0 6% respectively in 2009 Average deposits dropped by 9% and average overdrafts by 42% as clients' focus on liquidity management and reduction of interest costs increased Interest income in Euroclear stems principally from Euroclear Bank's overnight redeposits of clients' cash balances It also stems from the investment of Euroclear Bank's capital, retained earnings and the proceeds from subordinated debt

Net fee and commission income decreased by 6% to €759 million, reflecting the impact of market conditions and tariff reductions to maintain the competitiveness of the group Net fee and commission income represents 81% of 2009 total operating income A significant share of Euroclear's fees and commission income is generated by fixed income securities and in particular by the securities held in custody, for which safekeeping fees are charged on the nominal amount Furthermore, the large government stimulus packages financed by debt issuance helped sustain business resilience in Euroclear, which contributed to protecting group revenues

Administrative expenses decreased by 5% to €749 million in 2009 as a significant multi-year cost reduction programme built on a large range of measures such as Lean management (to increase efficiency and improve productivity), automation and procurement spend management initiatives covering all non-personnel related expenses, started in 2008, was pursued and extended On a fully comparable basis the decrease was 12% The programme is aimed at reducing the operational cost base by about 25% by 2012 compared to 2008 plans (using comparable bases), with a significant part

Our business environment

The Euroclear group is a market infrastructure service provider to the international financial industry User owned and user governed, our organisation provides settlement and settlement-related services to financial institutions in more than 80 countries for a wide range of securities Euroclear aims to position itself as the leading market infrastructure in the post-trading field A strategy of translating economies of scale into lower risks and lower costs for its clients and thereby generating greater critical mass of business in Euroclear is key to its success

The Euroclear group's financial performance is measured in terms of net fee income and net interest income set against operating costs These were influenced by several key drivers in 2009

- Net fee income is mainly a function of the value of securities deposited in the group's (I)CSDs, the number of settlement transactions and the daily value of collateral provision outstanding The billing of bonds is based on nominal value and provides a stable base, while for equities their market value is taken into consideration, as detailed in the 'Performance highlights' section on page 6

- Net interest income is derived from the prevailing interest rates and the level of cash balances deposited by clients While the level of clients' cash balances throughout 2009 confirmed that Euroclear is perceived as a low risk counterparty and safe harbour, the historically low interest rates had a negative impact on interest earnings

- Operating expenses decreased significantly in 2009, confirming the effectiveness of the cost containment programme

of the effort frontloaded in 2009-2010 At the end of 2009, costs had been reduced by 18% against this objective

Impairment charges were recognised for a total amount of €185 million, split between the ESES CSDs (€10 million), Euroclear UK & Ireland (€75 million) and NCSD (€100 million) This is due essentially to the expected impact of T2S, expectations that market recovery will be slow and moderate in the aftermath of the financial crisis, and other significant market developments

Operating loss before tax was €0 5 million, a decrease of €348 million compared with the profit in 2008, reflecting the reduction of interest income and the impairment charge

Dividend: on 25 March 2010, the directors decided to recommend a dividend distribution to shareholders of €43 9 million, representing €11 46 per share (compared with €20 49 per share relating to 2008) This dividend level is in line with Euroclear's multi-year dividend policy and reflects Euroclear's continued commitment to ensuring shareholders are adequately remunerated for their capital investment, as well as the objectives of the group regarding capital strength under the current market environment

Balance sheet: total assets stood at €11,003 million on 31 December 2009, down €2,447 million on the previous year Deposits decreased by 22% to €7,036 million and loans decreased by 23% to €7,490 million Total shareholders' equity decreased by 3% to €3,133 million in 2009 This variance is mainly explained by the payment of the 2008 dividend in June (€78 5 million) and the loss of the year after impairment (€38 million) During 2009, €6 million of the €300 million Hybrid Tier I issue was bought back on the market, in order to accommodate some investors' needs and take advantage of market conditions

The group continues to hold strong regulatory capital levels with a Tier 1 ratio of 34% at year-end in 2009 compared with 44% in 2008

Euroclear plc summarised consolidated balance sheet (in € million)

	2009	2008
Assets		
Cash and balances with central banks	945 4	1,020 2
Loans and advances	6,544 4	8,735 9
Available-for-sale financial assets	1,274 3	1,103 2
Held-to-maturity financial assets	298 7	299 5
Financial assets held for trading	6 0	19 2
Derivatives used for hedging	0 3	5 1
Current income tax assets	16 8	22 0
Deferred income tax assets	155 8	155 2
Other assets	252 2	369 1
Pre-payments and accrued income	89 1	97 5
Property, plant and equipment	127 0	145 4
Goodwill and intangible assets	1,292 5	1,478 1
Total assets	**11,002 5**	**13,450 4**

Liabilities		
Deposits from central banks	1,493 7	469 8
Deposits from banks and customers	5,542 2	8,546 6
Financial liabilities held for trading	4 1	5 7
Derivatives used for hedging	2 7	2 2
Other liabilities	264 9	561 9
Accruals and deferred income	202 2	222 2
Current income tax liabilities	4 8	27 2
Deferred income tax liabilities	3 0	6 8
Provisions for liabilities and charges	9 2	5 8
Pension deficit	43 1	56 0
Subordinated liabilities	299 2	305 1
Shareholders' equity	**3,133 4**	**3,241 1**
Total liabilities and shareholders' equity	**11,002 5**	**13,450 4**

Share capital of Euroclear plc on 25 March 2010

	Authorised		Issued	
	Number	Nominal value	Number	Nominal value
(€ denominated)				
Ordinary shares of €1 each	3,330,556	3,330,556	3,330,556	3,330,556
'S' shares of €1 each	500,120	500,120	500,120	500,120
Unclassified shares of €1 each	169,324	169,324	-	-
Total	**4,000,000**	**4,000,000**	**3,830,676**	**3,830,676**
(£ denominated)				
Preferred non-voting redeemable sterling shares of £1 each[1]	50,000	50,000	50,000	50,000

1 Under International Financial Reporting Standards (IFRS), the preferred non voting redeemable sterling shares are considered as debt in the consolidated financial statements of the group

Euroclear Bank credit ratings

	Short-term	Long-term
Fitch-IBCA	F1+	AA+
Standard & Poor's	A-1+	AA+

Main operating entities - income statement (€ million)

	ICSD	ESES CSDs			Nordic CSDs		
	Euroclear Bank	Euroclear Belgium	Euroclear France	Euroclear Nederland	Euroclear Finland	Euroclear Sweden	Euroclear UK & Ireland
2009 income statement (under IFRS)							
Net interest income	97 2	0 1	0 7	0 1	0 3	0 1	0 5
Net fee and commission income	399 2	18 4	113 6	28 5	36 9	38 5	98 2
Other operating income [1]	61 9	0 3	7 2	0 0	0 0	1 3	(0 1)
Operating income	**558 3**	**18 8**	**121 5**	**28 6**	**37 2**	**39 9**	**98 6**
- Operating expenses	(152 8)	(11 0)	(20 5)	(6 9)	(25 7)	(30 4)	(10 3)
- Costs charged to group entities	0 0	0 4	17 5	0 2	0 1	0 1	0 1
- Costs recharged by group entities	(291 4)	(13 1)	(102 2)	(21 6)	(0 7)	(0 7)	(83 3)
Net operating expense	**(444 2)**	**(23 7)**	**(105 2)**	**(28 3)**	**(26 3)**	**(31 0)**	**(93 5)**
Profit before tax	**114 1**	**(4 9)**	**16 3**	**0 3**	**10 9**	**8 9**	**5 1**
Taxation	(16 3)	1 9	(5 9)	(0 1)	(4 4)	(3 9)	(1 5)
Profit/(loss) for the year (under IFRS) [2]	**97 8**	**(3 0)**	**10 4**	**0 2**	**6 5**	**5 0**	**3 6**
Effect of adjustments to comply with group accounting policies and IFRS	17 3	(3 4)	1 2	0 0	6 1	1 6	0 5
Profit/(loss) for the year in statutory accounts under local GAAP	**115 1**	**(6 4)**	**11 6**	**0 2**	**12 6**	**6 6**	**4 1**
Shareholders' equity in statutory accounts under local GAAP	**1,286 5**	**13 8**	**81 1**	**8 9**	**27 8**	**82 6**	**76 7**

1 Includes dividend income, realised gains on available-for-sale financial assets and on financial liabilities measured at amortised cost, net gains on financial assets and liabilities held for trading net gains/(losses) on foreign exchange and other operating income (excluding costs recharged to group companies)
2 Excluding goodwill impairment

Capital management

The Commission Bancaire, Financière et des Assurances (CBFA) in Belgium is the main supervisor of Euroclear Bank and the lead regulator for Euroclear SA/NV and, for consolidated capital adequacy purposes only, Euroclear plc In addition, individual CSDs are regulated by their own local supervisors, which set and monitor capital adequacy and liquidity requirements for them

In accordance with the Basel II framework, the CBFA requires each bank and banking group to maintain a ratio of total capital to risk-weighted assets that cannot fall under a threshold of 8%, and a ratio of Tier 1 capital to risk-weighted assets that must always exceed a threshold of 4% Furthermore, as a company closely associated with a settlement institution, Euroclear SA/NV is subject to certain specific requirements regarding its solvency and liquidity position

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

Total capital is divided into two Tiers Tier 1 is essentially made up of shareholders' capital, share premium, consolidated reserves and retained earnings, while Tier 2 comprises undated subordinated loans In accordance with capital adequacy regulations, Euroclear monitors the proportion of the Hybrid Tier 1 instrument (issued in 2005) that can be considered as Tier 1, and reclassifies the remainder to Tier 2 Goodwill and intangible fixed assets are deducted in full from Tier 1 capital The current regulatory framework imposes that Tier 2 capital cannot exceed Tier 1 capital, a requirement that is very comfortably met by the group

The group's policy is to maintain a strong capital base and to diversify its sources of capital appropriately, so that an adequate relationship between total capital and the underlying risks of the group's business exists at all times

As an entity that periodically issues debt instruments, Euroclear Bank has been assigned an AA+ rating by both Fitch and Standard & Poor's

With effect from 1 January 2007, the regulatory capital requirements for Euroclear Bank started to be determined by the Basel II framework, both on a stand-alone and consolidated basis, as well as for all consolidated levels above Euroclear Bank Within this framework, Euroclear determines regulatory capital requirements both for credit and operational risk.

As far as credit risk is concerned, Euroclear has been using the Foundation Internal Ratings Based Approach (FIRBA) as from 1 January 2007, in accordance with the accreditation received from the CBFA at the end of 2006 Since then, Euroclear has also computed its capital needs under Basel I, in parallel with the Basel II methodology, in order to be able to apply, if necessary, the so-called Basel I floors set out in the capital adequacy regulation

With respect to operational risk, Euroclear has been allowed by the CBFA to use the Advanced Measurement Approach (AMA) for the calculation of Pillar 1 capital requirements as from Q1 2008 Euroclear uses a hybrid approach at all consolidated levels above Euroclear Bank, by combining the AMA for Euroclear Bank with a Standardised or Basic Indicator Approach for the group's other entities

In 2009, Euroclear continued to make progress with its implementation of AMA for operational risk Euroclear worked towards fulfilling the terms and conditions that accompanied the accreditation received in 2008 from the CBFA to use the AMA to calculate capital requirements for operational risk under Pillar 1 In 2008, the CBFA imposed an add-on, which was reduced in 2009 The add-on brought capital requirements for operational risk with the AMA to a higher level than would be the case with the Basic Indicator Approach (BIA) A final decision on the AMA methodology, including the level of an eventual add-on, is expected in the coming months The capital requirements for operational risk were also significantly influenced by a worsening trend in market-wide operational risk losses recorded by the Operational Riskdata eXchange (ORX), which Euroclear uses in its operational risk model to complement data on internal losses This increase in the capital requirements for operational risk does not reflect a deterioration in Euroclear's own control environment

The table below sets out the group's total capital, which comfortably exceeds its regulatory requirements

The lowering of the solvency ratios observed as of 31 December 2009 results from the increase of the capital requirements for operational risk As explained above, this essentially relates to the worsening trend in operational risk losses, unrelated to Euroclear, recorded by the ORX.

Regulatory capital position

The following table analyses the group's regulatory capital resources at the period end

	2009	2008
(€ '000)		
Risk weighted assets[1]	6,104,357	4,440,656
Capital requirement	**488,349**	**355,252**
Credit risk	82,000	115,549
Market risk	18,031	14,116
Operational risk	388,318	225,587
Capital base	**2,082,372**	**1,970,296**
Tier 1	2,081,238	1,957,033
Tier 2	1,134	13,263
Solvency ratio		
Tier 1	34 1%	44 1%
Total	34 1%	44 4%

1 Risk-weighted assets represent the total capital requirement multiplied by a factor of 12 5 This means that the risk weighted assets do not only relate to credit and market risk, but also comprise the gross-up of the capital requirements related to operational risks For Euroclear, the latter are the main source of capital consumption

Annual accounts and auditors' opinion

The attached CD-ROM comprises the consolidated financial statements and parent company financial statements of Euroclear plc

As required by law, the statutory annual accounts, the Board of Directors' report and the Statutory Auditors' report are filed with UK Companies House (Euroclear plc)

A paper copy of these documents is available on request from

The Company Secretary
Euroclear plc
Baarermatte
6340 Baar, Switzerland

The auditors have delivered an unqualified opinion on the 2009 consolidated and parent company financial statements of Euroclear plc

The management's assertion statement, together with the auditor's statement on the Inter-company Transaction Policy implemented by the Euroclear group is available on pages 68 and 69

Board and Board Committees composition

(as at 25 March 2010)

23 10 24 5 20 21 16

1 18 12 9 17 11 3 22

14 13 4 19 6 2 15 7

Euroclear plc

Board of Directors

1 Sir Nigel Wicks
Chairman

2 Jean-Jacques Verdickt
Deputy Chairman

3 Joseph C Antonellis
State Street Corporation

4 Michel Berthezène[1]
Caisse des Dépôts et Consignations

5 Alain Closier
Société Générale

6 Sue Concannon
Halifax Share Dealing Limited

7 Stephen A J Davies[2]
Bank of America Merrill Lynch

8 Erik Dralans[3]
ING

9 Mary M Fenoglio
Citigroup

10 Mark S. Garvin
Senior Independent Director
JP Morgan plc

11 William Higgins
The Royal Bank of Scotland

12 Tim Howell[4]

13 Junichi Ishii
Mizuho Trust & Banking
(Luxembourg) SA

14 Peter T Johnston
Goldman Sachs & Co

15 Akihiro Kanayasu[5]
Mitsubishi UFJ Global Custody SA

16 Timothy F Keaney
The Bank of New York Mellon

17 François Marion[1]
CACEIS

18 Neil Martin[3]
Credit Suisse

19 Lieve Mostrey
BNP Paribas Fortis

20 David Nicol
Morgan Stanley

21 Herschel Post

22 Tom Ruud

23 Martin Slumbers
Deutsche Bank AG

24 John Stewart
UBS AG

Lionello Falconi
Executive Secretary

1 Appointed by Sicovam Holding
2 Appointed 9 October 2009
3 Appointed 17 June 2009
4 Formerly of HSBC Holdings plc. Will resign from the Board on taking up new role as Chief Executive Officer of Euroclear SA/NV on 5 April 2010
5 Will resign with effect 2 April 2010
6 Ex-officio member

Board Committees

Operations Committee
Sir Nigel Wicks, Chairman
Mary M Fenoglio
François Marion
David Nicol
Jean-Jacques Verdickt

Audit Committee
Mary M Fenoglio, Chairperson
Sue Concannon
François Marion
David Nicol
Martin Slumbers
Jean-Jacques Verdickt[6],
Euroclear SA/NV
Risk Committee Chairman

Frank J DeCongelio, Advisor

Nominations, Remuneration and Governance Committee
Mark S Garvin, Chairman
Joseph C Antonellis
Alain Closier
Peter T Johnston
Herschel Post
Tom Ruud
Jean-Jacques Verdickt
Sir Nigel Wicks

- Frank J DeCongelio resigned with effect 17 June 2009
- Dame Clara Furse resigned with effect 17 June 2009
- Jean-François Théodore resigned with effect 18 February 2010

Euroclear SA/NV

Board of Directors

Sir Nigel Wicks
Chairman

Jean-Jacques Verdickt
Deputy Chairman

Joseph C Antonellis
State Street Corporation

Michel Berthezène
Caisse des Dépôts et Consignations

Alain Closier
Société Générale

Ignace R Combes
Deputy CEO[1]
Euroclear SA/NV

Sue Concannon
Halifax Share Dealing Limited

Stephen A J Davies[2]
Bank of America Merrill Lynch

Erik Dralans[3]
ING

Mary M Fenoglio
Citigroup

Pierre Francotte
CEO[1,4]
Euroclear SA/NV

Mark S. Garvin
Senior Independent Director
JP Morgan plc

William Higgins
The Royal Bank of Scotland

Tim Howell[5]

Junichi Ishii
Mizuho Trust & Banking
(Luxembourg) SA

Peter T Johnston
Goldman Sachs & Co

Akihiro Kanayasu[6]
Mitsubishi UFJ Global Custody SA

Timothy F Keaney
The Bank of New York Mellon

François Marion
CACEIS

Neil Martin[3]
Credit Suisse

Lieve Mostrey
BNP Paribas Fortis

David Nicol
Morgan Stanley

Herschel Post

Tom Ruud

Martin Slumbers
Deutsche Bank AG

John Stewart
UBS AG

Lionello Falconi
Executive Secretary

1 Appointed 14 April 2009
2 Appointed with effect 26 June 2009
3 Appointed 17 June 2009
4 Will resign with effect 4 April 2010
5 Formerly HSBC Holdings plc Will become CEO Euroclear SA/NV and Chairman of the Management Committee with effect 5 April 2010
6 Will resign with effect 2 April 2010
7 Appointed with effect 28 January 2010 Replaced Tim Howell
8 Ex-officio member
9 Appointed with effect 15 December 2009
10 Non-Board director
11 Disbanded on 25 March 2010

- Frank J DeCongelio resigned with effect 17 June 2009
- Dame Clara Furse resigned with effect 17 June 2009
- Jean-François Théodore resigned with effect 18 February 2010

- Wim Claeys, Management Committee member resigned on 31 December 2009

Management Committee

Pierre Francotte[4]
CEO and Chairman
Ignace R Combes
Deputy CEO and Vice Chairman
Frederic Hannequart
Dr Tim May
Joel Merère
André Rolland

Board Committees

Strategy Committee
Sir Nigel Wicks, Chairman
Joseph C Antonellis
Alain Closier
Sue Concannon
Pierre Francotte[4]
Tim Howell
Herschel Post
Tom Ruud
Martin Slumbers
Jean-Jacques Verdickt

Risk Committee
Jean-Jacques Verdickt[7], Chairman
Michel Berthezène
Stephen Davies
William Higgins
Peter Johnston
Sir Nigel Wicks
Mary M Fenoglio[8]
Audit Committee Chairperson

John P Davidson, Advisor
M Andrew Threadgold, Advisor

Audit Committee
Mary M Fenoglio, Chairperson
Sue Concannon
François Marion
David Nicol
Martin Slumbers
Jean-Jacques Verdickt[8],
Risk Committee Chairman

Frank J DeCongelio, Advisor

Business Model Implementation Committee
Joseph C Antonellis[9], Chairman
Alain Closier
Sue Concannon
Christer Cragnell[10]
Stephen Davies
Mary M Fenoglio
Mark S. Garvin
William Higgins
Lieve Mostrey
David Nicol
Martin Slumbers
Jean-Jacques Verdickt
Sir Nigel Wicks

Nominations, Remuneration and Governance Committee
Mark S Garvin, Chairman
Joseph C Antonellis
Alain Closier
Peter T Johnston
Herschel Post
Tom Ruud
Jean-Jacques Verdickt
Sir Nigel Wicks

Executive Compensation Committee
Sir Nigel Wicks, Chairman
Alain Closier
Mark S. Garvin
William Higgins
Timothy F Keaney
Lieve Mostrey
Herschel Post
Jean-Jacques Verdickt

Search Committee[11]
Sir Nigel Wicks, Chairman
Michel Berthezene
Alain Closier
Mary M Fenoglio
Mark S Garvin
Timothy F Keaney
Lieve Mostrey
Tom Ruud
John Stewart
Jean-Jacques Verdickt

Euroclear Investments

Board of Directors

Sir Nigel Wicks, Chairman
Junichi Ishii
Akihiro Kanayasu[1]
Maître Jacques Loesch

1 Will resign with effect 2 April 2010

Euroclear Bank SA/NV

Board of Directors

Frederic Hannequart, Chairman
Ignace R Combes
Dr Tim May
Yannic Weber
Jean-Jacques Verdickt
Independent Director

Pierre Yves Goemans
Yves Poullet
André Rolland
Luc Vantomme

Susan Y Stenson
Company Secretary

Management Committee

Yves Poullet, CEO and Chairman
Pierre Yves Goemans
Andre Rolland
Luc Vantomme

Board Committees

Audit and Risk Committee
Jean-Jacques Verdickt, Chairman
Ignace R Combes
Dr Tim May

Fabien Debarre, Observer
Fernando Diaz, Observer

Nominations Committee
Frederic Hannequart, Chairman
Jean-Jacques Verdickt

Remuneration Committee
Pierre Francotte, Chairman[1,2]
Jean-Jacques Verdickt

Frederic Hannequart, Advisor

1 Function held by the Euroclear SA/NV Chief Executive Officer
2 Will resign with effect 4 April 2010

Euroclear Belgium[1]

Board of Directors

Ignace R Combes, Chairman
Joel Mérère[2], Vice Chairman
Anso Thire[3]
Gérard Soularue[4], Independent Director

Valérie Urbain[5]
Stéphane Bernard
Hugo Spanjer[4]

Ruud Sleenhoff[6], Observer

Véronique Jehan[2], Company Secretary

Management Committee

Valérie Urbain, CEO and Chairperson
Stéphane Bernard
Brigitte Daurelle
Hugo Spanjer

Board Committees

Audit Committee
Gérard Soularue, Chairman
Pierre Yves Goemans
Anso Thiré

Nominations and Remuneration Committee
Ignace R Combes, Chairman
Gérard Soularue

1 Trade name for Caisse Interprofessionnelle de Dépôts et de Virements de Titres/ Interprofessionele Effectendeposito- en Girokas (CIK) SA/NV
2 Appointed with effect 1 February 2009
3 Appointed with effect 1 November 2009
4 Appointed 28 April 2009
5 Appointed as Chief Executive Officer on 1 November 2009
6 Appointed 23 March 2009

- Stéphane Bernard resigned as Chief Executive Officer with effect 1 February 2009
- Francis Remacle, Independent Director resigned with effect 28 April 2009
- Paul Taylor Director, resigned with effect 1 February 2009
- Anne Swaelus, Director, resigned with effect 1 February 2009
- Pierre Slechten Chief Executive Officer and Director, resigned with effect 31 October 2009

Euroclear Finland Oy

Board of Directors

Kjell Arvidsson[1], Chairman
Seppo Rantanen
Pierre Slechten
Anso Thire
Per-Ola Jansson[2],
Independent Director

Arne Jansson,
Board Secretary

Local Management Team

Seppo Rantanen, CEO and Chairman
Ulla Heikkilä
Kirsi Heikkinen
Harri Hukkinen
Jouni Leinonen
Mikko Matilainen
Kaija Niemela
Jan Palm
Anu Saarinen
Jorma Yli-Jaakkola
Heikki Ylipekkala

Board Committee

Audit Committee
Per-Ola Jansson, Chairman
Michael Shipton
Pierre Slechten

1 Will resign with effect 7 April 2010 and be replaced as Chairman by Frederic Hannequart
2 Appointed 27 January 2009

- Björn G Olofsson, Director resigned with effect 27 January 2009

Euroclear France SA

Board of Directors

Ignace R Combes, Chairman
Joel Merere, Vice Chairman
Anso Thiré[1]
Gérard Soularue, Independent Director

Valérie Urbain
Stephane Bernard[2]
Hugo Spanjer[3]

Ruud Sleenhoff[4], Observer

Nadine Mollier[5]
Grazynja Thébault[5]

Véronique Jehan, Company Secretary

Management Committee

Valérie Urbain[6], CEO and Chairperson
Stéphane Bernard
Brigitte Daurelle
Hugo Spanjer

Board Committees

Audit Committee
Gérard Soularue, Chairman
Pierre Yves Goemans
Anso Thire

Nominations Committee
Ignace R Combes, Chairman
Gerard Soularue

Remuneration Committee
Pierre Francotte, Chairman[7 8]
Gerard Soularue

1 Appointed with effect 1 November 2009
2 Appointed with effect 1 February 2009
3 Appointed 20 May 2009
4 Appointed 13 March 2009
5 Members of the Euroclear France SA Works Council whose attendance at Board meetings is a legal requirement
6 Appointed as Chief Executive Officer with effect 1 November 2009
7 Function held by the Euroclear SA/NV CEO
8 Will resign with effect 4 April 2010

- André Rolland, Director, resigned with effect 1 February 2009
- Alain Pochet, Observer, resigned with effect 13 March 2009
- Pierre Slechten, Chief Executive Officer and Director, resigned with effect 31 October 2009

Euroclear Nederland[1] and Euroclear NIEC[2]

Board of Directors

Ignace R Combes, Chairman
Joel Merere[3], Vice Chairman
Anso Thiré[4]
Gerard Soularue[5], Independent Director

Valérie Urbain[3 6]
Stéphane Bernard[3]
Hugo Spanjer[3]

Ruud Sleenhoff[7], Observer

Véronique Jehan[3], Company Secretary

Management Committee

Valérie Urbain, CEO and Chairperson
Stephane Bernard
Brigitte Daurelle
Hugo Spanjer

Board Committees

Audit Committee
Gerard Soularue, Chairman
Pierre Yves Goemans
Anso Thire

Nominations and Remuneration Committee
Ignace R Combes, Chairman
Gérard Soularue

1 Trade name for Nederlands Centraal Instituut voor Giraal Effectenverkeer (NECIGEF) BV
2 Trade name for Nederlands Interprofessioneel Effectencentrum (NIEC)
3 Appointed with effect 1 February 2009
4 Resigned with effect 1 February and re-appointed with effect 1 November 2009
5 Appointed 23 April 2009
6 Appointed as Chief Executive Officer with effect 1 November 2009
7 Appointed 23 March 2009

- Wim Claeys Director, resigned with effect 1 February 2009
- Jos de Wit, Independent Director resigned with effect 23 April 2009
- Gerard Hartsink, Observer resigned with effect 23 March 2009
- Guy Schuermans resigned as Chief Executive Officer with effect 1 February 2009 and as Director with effect 23 March 2009
- Pierre Slechten, Chief Executive Officer and Director resigned with effect 31 October 2009

Euroclear Sweden AB

Board of Directors

Kjell Arvidsson[1], Chairman
Anso Thire
Seppo Rantanen
Pierre Slechten

Per-Ola Jansson[2], Independent Director

Anders Gauffin[3]
Ingela Gille Rausen[3]

Siv Flodkvist[4]
Mikael Persson[4]

Arne Jansson, Board Secretary

Local Management Team

Anso Thiré, CEO and Chairman
Jan Dafgård
Isabelle Desaegher
Arne Jansson
Karl Johansson
Goran Karnfält
Anders Löfgren
Mikko Matilainen
Henrik Mattsson
Jan Palm
Eric Sylvén

Board Committee

Audit Committee
Per-Ola Jansson, Chairman
Michael Shipton
Pierre Slechten

1 Will resign with effect 7 April 2010 and be replaced as Chairman by Frederic Hannequart
2 Appointed 27 January 2009
3 Employee Representatives on the Board
4 Substitute Employee Representatives on the Board

- Björn G Olofsson, Director, resigned with effect 27 January 2009

Euroclear UK & Ireland Limited

Board of Directors

Dr Tim May, Chairman
Yves Poullet
John Trundle
Herschel Post, Independent Director
Mike Williams, Independent Director

Yannic Weber
Richard Crews

David Whitehead, Company Secretary

Executive Committee

Yannic Weber, CEO and Chairman
Richard Crews, Deputy CEO
Ian Besser[1]
David Burke[1]
Anouk Gauthier[1]
Jason Waight[1]
David Whitehead[1]

Board Committees

Audit and Compliance Committee
Herschel Post, Chairman
Leanne Middleton
Geoffrey Mitchell[2]
Mike Williams

Nominations and Remuneration Committee
Dr Tim May, Chairman
Herschel Post
Mike Williams

1 Non-voting member
2 Independent co-opted member

- David Wyatt, Executive Committee Member, resigned with effect 1 October 2009

EMX Company Limited

Board of Directors

Dr Tim May, Chairman
Jo Van de Velde[1]
Yannic Weber[2]
Tony Wood
Tom Challenor, Independent Director

David Whitehead, Company Secretary

Executive Committee

Yannic Weber, CEO and Chairman
Graham Last
Leanne Middleton
Jane Sidnell
Tony Wood

Board Committees

Audit Committee
Tom Challenor, Chairman
Richard Crews
David Burke
Martin Ingell

1 Appointed 1 February 2009
2 Appointed as Chief Executive Officer 1 January 2009

- Max Wright, Chief Executive Officer, resigned with effect 1 January 2009
- David Burke Director, resigned from the Board with effect 2 April 2009
- Pierre Yves Goemans Director resigned with effect 2 April 2009

NCSD Holding AB

Board of Directors

Ignace R Combes[1], Chairman
Kjell Arvidsson[2]
Pierre Slechten

1 Will resign with effect 7 April 2010 and be replaced as Chairman by Frederic Hannequart
2 Will resign with effect 7 April 2010 and be replaced by Anso Thiré

Xtrakter Limited

Board of Directors

Dr Tim May, Chairman
Bernard Frenay[1]
Jo Van de Velde
Yannic Weber[2]

David Whitehead, Company Secretary

Executive Committee

Yannic Weber, CEO and Chairman
Graeme Austin
David Burke
Richard Jinks
David Lawler
Jason Waight

David Whitehead, Secretary

1 Appointed 8 January 2010
2 Appointed as Chief Executive Officer with effect 8 January 2010

- David Burke resigned with effect 8 January 2010
- Kevin Milne resigned with effect 8 January 2010

Market Advisory Committees (MACs)

Belgium and The Netherlands

Eric Hollanders, Chairman
Bank Mendes Gans
Nico Blom, Vice Chairman
Kas Bank NV
Gautier Bataille de Longprey
Bank Degroof SA
Hans Brits
De Nederlandsche Bank NV
Gerard Fransen
Rabobank Nederland
Peter Hannes
KBC NV
Anny Jans
BNP Paribas
Betty Mulder-Mosman
Deutsche Bank
Pervaiz Panjwani
Citibank International plc
Damien Roegiers
Euronext
Ed van der Star
Fortis Bank Nederland NV
Eric Struye
Petercam SA
Yvan Timmermans
National Bank of Belgium

Observers
Representative Belgian MEC
Patrick Drogné
Febelfin

Representative Dutch ACSI
Ruud Sleenhoff
ABN Amro Bank NV

Finland

Kirsi Sakki, Chairperson
Pohjola Bank plc
Esa Andersson
Skandinaviska Enskilda Banken AB Finland
Reijo Jokelainen
Sampo Pankki Oy
Anna von Knorring
State Treasury
Kari Korhonen
Bank of Finland
Paivi Kuitunen
Evli Pankki Oy
Mats Råstedt
Nordea Pankki Oy
Markku Savikko
Finnish Association of Securities Dealers
Anu Terho
Svenska Handelsbanken AB Finland
Pekka Virtanen
EQ Pankki Oy

France

Alain Pochet, Chairman
BNP Paribas
Robert Baconnier
Emetteurs
Roland Bellegarde
Euronext
Pierre-Yves Berthon
AFG
Philippe Castelanelli
HSBC France
Norbert Cron
Natixis
Adrien Decker
Crédit Mutuel/CIC
Jean-Marc Eyssautier
CACEIS
Emmanuel de Fournoux
AMAFI
Christophe Hemon
LCH Clearnet
Guy de Leusse
Entreprises d'Investissement
Yvon Lucas
Banque de France
Eric de Nexon
Société Générale
Marcel Roncin
AFTI
Jean Tricou
Fédération Bancaire Française
Jean-François Viou
AFSF
Dominique De Wit
Groupe Crédit Agricole SA

Observer
Nelly Cotelle
ICMA/AMTE

Ireland

Brian Healy, Chairman
Irish Stock Exchange
Albert Farrell
Bastow Charlton
Mary Farrell
Central Bank and Financial Services Authority of Ireland
Eileen Kelly
Goodbody Stockbrokers
Joe Molony
Computershare
Emer Nolan
Bank of Ireland Securities Services
Graham O'Brien
NCB Stockbrokers
Pat O'Donoghue
Capita Registrars (Ireland) Limited
Kevin Petley
Irish Stock Exchange
Paul Shiels
National Treasury Management Agency
Graham Shuttlewood
The Royal Bank of Scotland
Helen Young
Central Bank and Financial Services Authority of Ireland

Sweden

Göran Fors, Chairman
Skandinaviska Enskilda Banken AB
Monica Bergström
Svenska Handelsbanken AB
Kerstin Hermansson
Swedish Securities Dealers Association
Thomas Karlsson
Avanza Bank Holding AB
Robert Mattsson
Nordea AB
Ola Mjörud
Citibank International plc
Erik Öhman
Swedbank AB
Mattias Persson
Sveriges Riksbank
Carina Roosmark
Neonet AB
Karin Wemvall
Swedish National Debt Office

United Kingdom

Pen Kent CBE, Chairman
Chris Addenbrooke
Capita Financial Group
Richard Barber
Citibank NA
Verity Barclay
Tullett Prebon
Robert Barnes
UBS
Philippe Castelanelli
HSBC Bank plc
Alison Emblow
Bank of England
Isabelle Hennebelle
Goldman Sachs
Robert Howard
Charles Stanley
Robert Keane
Bank of New York Mellon
Peter Lightfoot
RBS Global Banking & Market
Julian Palfreyman
Winterflood Securities Ltd
Jason Phillips
UK Debt Management Office
Judy Price
Rensburg Sheppards
Nick Scott
Deutsche Bank AG
David Shrimpton
London Stock Exchange
John Whelan
Merrill Lynch

Cross-border MAC

Alain Pochet, Chairman
BNP Paribas
Charlotte Black
Brewin Dolphin Securities
Nico Blom
Kas Bank NV
Diana Dijmarescu
JPMorgan Chase & Co
Jean-Marc Eyssautier
CACEIS
Goran Fors
Skandinaviska Enskilda Banken AB
Gerard Fransen
Rabobank Nederland
Brian Healy
Irish Stock Exchange
Eric Hollanders
Bank Mendes Gans
Pen Kent CBE
Kirsi Sakki
Pohjola Bank plc

Euroclear group principal offices

Euroclear plc

Registered office
2 Lamb's Passage
London EC1Y 8BB, UK

Executive office
Baarermatte
6340 Baar, Switzerland

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Euroclear Bank SA/NV
Calar Belgium SA/NV
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1210 Brussels, Belgium

Euroclear Belgium[1]
6, Avenue de Schiphol
1140 Brussels, Belgium

Euroclear Finland Oy
PO Box 1110
00101 Helsinki, Finland

Euroclear France SA
Euroclear Properties France SAS
115, Rue Réaumur
75081 Paris, Cedex 02, France

Euroclear Nederland[2]
Euroclear NIEC[3]
Herengracht 459-469, 1st Floor
1017 BS Amsterdam, The Netherlands

Euroclear Sweden AB
NCSD Holding AB
NCSD Systems AB
VKI AB
PO Box 7822
103 97 Stockholm, Sweden

Euroclear UK & Ireland Limited
33 Cannon Street
London EC4M 5SB, UK

EMX Company Limited
2nd Floor North
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The Causeway
Bishop's Stortford
Hertfordshire CM23 2ER, UK

Euroclear Investments SA
Euroclear Finance 2 SA
Euroclear Re SA
12, Rue Eugène Ruppert
2453 Luxembourg, Luxembourg

Xtrakter Limited
Seven Lime Harbour
Docklands
London E14 9NQ, UK

Euroclear SA/NV Branch Offices

Paris
115, Rue Réaumur
75081 Paris, Cedex 02, France

Amsterdam
Herengracht 459-469, 1st Floor
1017 BS Amsterdam, The Netherlands

London
33 Cannon Street
London EC4M 5SB, UK

Euroclear Bank Branch Office

Hong Kong
Suites 1201-06
12/F One Pacific Place
88 Queensway, Hong Kong

Euroclear Bank Representative Offices

Beijing
Euroclear Bank Representative Office
Suite 505 Excel Center
No 6 Wudinghou Street
Xicheng District
Beijing, 10040 China

Frankfurt
Euroclear Bank Representative Office
Eschersheimer Landstrasse 60
60322 Frankfurt am Main, Germany

New York
Euroclear Bank Representative Office
40 Wall Street, 39th Floor
New York, N Y 10005, USA

Singapore
Euroclear Bank Representative Office
80 Raffles Place # 30-22
UOB Plaza 2
Singapore 048624

Tokyo
Euroclear Bank Representative Office
The Imperial Hotel Tower 9F
1-1 Uchisaiwaicho 1-chome,
Chiyoda-Ku
Tokyo 100-0011, Japan

1 Trade name for Caisse Interprofessionnelle de Dépôts et de Virements de Titres/ Interprofessionele Effectendeposito- en Girokas (CIK) SA/NV
2 Trade name for Nederlands Centraal Instituut voor Giraal Effectenverkeer (NECIGEF) BV
3 Trade name for Nederlands Interprofessioneel Effectencentrum (NIEC) BV