

## Press Release

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### LCH.Clearnet Group results and announcements

**London, 29 September 2009**

LCH.Clearnet, the leading independent central counterparty group (CCP), today announced its results for the year ended 31 December 2008.

#### Financial highlights

- Dividend of €110,898,924 or €1.50 per share to be paid to shareholders;
- Strong growth in net revenue of 14.6% to €573.5 million from record traded volumes in 2008;
- Over 2 billion trades, an increase of 16.4% on 2007;
- Operating profit increased by 14.1% to €293.6 million;
- Repurchase of a further €61.8 million of ordinary shares from NYSE Euronext in July 2008;
- Tariff reductions of €73.2 million across cash equities and energy markets in 2008;
- Impairment charge of €393.4 million for the first seven months of 2009, arising from implemented and proposed tariff reductions.

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75002 Paris

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#### Brussels

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B-1000 Brussels

#### Lisbon

Av. da Boavista, 3433  
4149-017 Porto

#### Luxembourg

52, rue Charles Martel  
L-2134 Luxembourg

Commenting on the Group's performance, LCH.Clearnet's Chief Executive Roger Liddell said:

"2008 was a year of challenges and successes. We generated record profits and cleared record volumes of over two billion contracts, an increase of 16% on 2007 and over two and a half times those cleared in

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2005. At the same time, we faced extremely volatile market conditions and successfully resolved the largest default in banking history.

“We have been improving our competitive position as many of the markets we clear are becoming increasingly competitive, particularly cash equities. We have been reducing cash equity clearing fees for some time and these fell a further 25% in 2008. Two further significant reductions in cash equity fees\* in LCH.Clearnet SA have been announced in 2009 and, due to the impact of these tariff reductions on future revenues, we have recognised an impairment charge for the first seven months of 2009. This does not impact the Company’s cash or regulatory capital position.

“Volumes held up well in many markets, but the growth in cleared volumes for some OTC markets was significant. For example, volumes in SwapClear, our interest rate swap clearing service, grew 63% year on year, as market participants looked to reduce their counterparty risk, a trend which has continued. The environment remains challenging, and we can best serve our customers and their markets by continuing to deliver cost-effective, robust and innovative clearing solutions; building on our extensive and unique expertise across a range of asset classes in both exchange traded and OTC markets.

“We see opportunities for LCH.Clearnet and we have plans to develop our presence in existing and new markets. We have today separately announced a buyback of shares which will better align the shareholder base and user base and enable us to respond more effectively to competitive pressures and to work more closely with our clients to capitalise on opportunities for clearing new markets.”

\* LCH.Clearnet SA reduced cash equity clearing fees by an average of 30% from 1 July 2009 and has recently announced that from 1 January 2010 equity clearing fees for blue chip stocks will further reduce to €0.05 per trade

**Financial review**
**Summarised consolidated income statement for LCH.Clearnet Group for the year ended 31 December 2008**

	2008 €'m	2007 €'m
Total revenue	1,589.5	1,362.7
Interest expense and similar charges	(1,016.0)	(862.1)
Net revenue	<u>573.5</u>	<u>500.6</u>
Administrative expenditure	(279.9)	(243.2)
Operating costs	<u>(279.9)</u>	<u>(243.2)</u>
Operating profit	293.6	257.4
Net finance income	2.5	4.5
Profit before taxation	<u>296.1</u>	<u>261.9</u>
Taxation expense	(76.3)	(83.0)
Profit for the year	<u><u>219.8</u></u>	<u><u>178.9</u></u>

**Total revenue**

	2008 €'m	2007 €'m	Increase %
Clearing fees	328.3	404.3	(18.8)
Interest from cash and collateral margin	1,160.4	847.1	37.0
Interest earned on Default Funds	71.1	82.6	(13.9)
Other income	29.7	28.7	3.5
Total revenue	<u><u>1,589.5</u></u>	<u><u>1,362.7</u></u>	<u><u>16.6</u></u>

Group turnover from continuing operations, on a like-for-like basis, increased by 16.6% to €1,589.5 million, driven by exceptionally high levels of interest income.

The Group delivered tariff reductions of €73.2 million in Equities and Commodities and Energy during the year which contributed to the decrease in clearing fees of €76.0 million (18.8%) to €328.3 million (2007: €404.3 million), combined with the full effect of tariff

reductions implemented during 2007. Overall trading volumes increased by 16.4% to 2,010.4 million.

Interest income from cash and collateral margin balances increased by €313.3 million (37.0%) to €1,160.4 million (2007: €847.1 million), principally due to the substantially higher cash and collateral margin balances arising from increased levels of market activity and volatility during the year.

Default Fund interest earnings decreased by €11.5 million (13.9%) to €71.1 million (2007: €82.6 million) due to falling interest rates. Other fee income has increased by €1.0 million (3.5%) to €29.7 million (2007: €28.7 million). Other income includes annual fees charged to members, recovery of settlement fees and transfer fees.

### **Interest payments to clearing members**

Interest payments to clearing members in respect of cash and collateral margins increased by €162.7 million (21.1%) to €932.4 million (2007: €769.7 million). Interest paid to clearing members in respect of contributions to the Default Funds decreased by €8.8 million (9.5%) to €83.6 million (2007: €92.4 million).

### **Administrative expenditure**

Administrative expenditure has risen by €36.7 million (15.1%) to €279.9 million (2007: €243.2 million). The increase has been mitigated by the exchange effect of converting a significant portion of the cost base of LCH.Clearnet Limited from sterling to euros. At 2007 exchange rates total administrative expenditure would have been €296.6 million, an increase of 22.0%.

This increase reflects a continuation of the high level of project expenditure that began in the second half of 2007 and the full year effect of the increase in staff numbers in 2007, combined with the further strengthening of staff numbers in 2008. The focus of project expenditure has been on the new derivatives platform, Synapse, and the development of new services such as SecFinex to deliver central counterparty services for securities lending transactions, Bluenext to enable clearing on a new environmental market, clearing of credit default swaps on Liffe, and integration of new trading sources within Equities such as SmartPool, Equiduct Trading, Borse Berlin and Plus Markets.

### **Operating profit**

An increase in operating profit of €36.2 million (14.1%) to €293.6 million (2007: €257.4 million).

**LCH.Clearnet Group Limited**
**Extracts from the 2008 Annual Report and Consolidated Financial Statements**
**Consolidated income statement for the year ended 31 December 2008**

	2008 €'000	2007 €'000
<b>Revenue</b>		
Interest income	1,231,473	929,713
Interest expense and similar charges	<u>(1,016,029)</u>	<u>(862,084)</u>
Net interest income	215,444	67,629
Clearing fees	328,334	404,279
Other income	<u>29,707</u>	<u>28,714</u>
<b>Net revenue</b>	<b>573,485</b>	<b>500,622</b>
<b>Costs and expenses</b>		
Employee benefits expense	(86,830)	(81,486)
Depreciation and amortisation charge	(13,207)	(11,684)
Other operating expenses	(179,837)	(150,064)
<b>Total costs and expenses</b>	<b><u>(279,874)</u></b>	<b><u>(243,234)</u></b>
<b>Operating profit</b>	<b>293,611</b>	<b>257,388</b>
Finance income	17,805	20,564
Finance costs	(15,317)	(16,094)
<b>Profit before taxation</b>	<b><u>296,099</u></b>	<b><u>261,858</u></b>
Taxation expense	(76,283)	(82,934)
<b>Profit for the year</b>	<b><u>219,816</u></b>	<b><u>178,924</u></b>

**Consolidated balance sheet as at 31 December 2008**

	2008 €'000	2007 €'000
<b>Non-current assets</b>		
Intangible assets	540,205	516,616
Property, plant and equipment	13,299	13,265
Deferred taxation	11,503	12,110
	<u>565,007</u>	<u>541,991</u>
<b>Current assets</b>		
Cash and short-term deposits	23,018,416	16,823,831
Other financial assets	13,464,383	-
Derivative financial assets	-	4,683
Income tax receivable	11,093	-
Debtors and other receivables	72,317	52,725
Balances with clearing members	319,976,063	278,041,605
	<u>356,542,272</u>	<u>294,922,844</u>
<b>TOTAL ASSETS</b>	<u>357,107,279</u>	<u>295,464,835</u>
<b>Capital and reserves</b>		
Called up share capital	73,933	80,116
Capital reserves	15,327	15,327
Capital redemption reserve	26,183	20,000
Retained earnings	722,952	603,515
	<u>838,395</u>	<u>718,958</u>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	223,019	223,961
Default Funds	1,386,017	1,540,862
Employee benefits	23,940	7,869
	1,164	-
	<u>1,634,140</u>	<u>1,772,692</u>
<b>Current liabilities</b>		
Interest bearing loans and borrowings	52,937	5,276
Other financial liabilities	56,010	-
Derivative financial liabilities	8,716	278
Income tax payable	28,799	24,927
Creditors and other payables	295,007	110,315
Balances with clearing members	354,193,275	292,832,389
	<u>354,634,744</u>	<u>292,973,185</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>357,107,279</u>	<u>295,464,835</u>

### About LCH.Clearnet

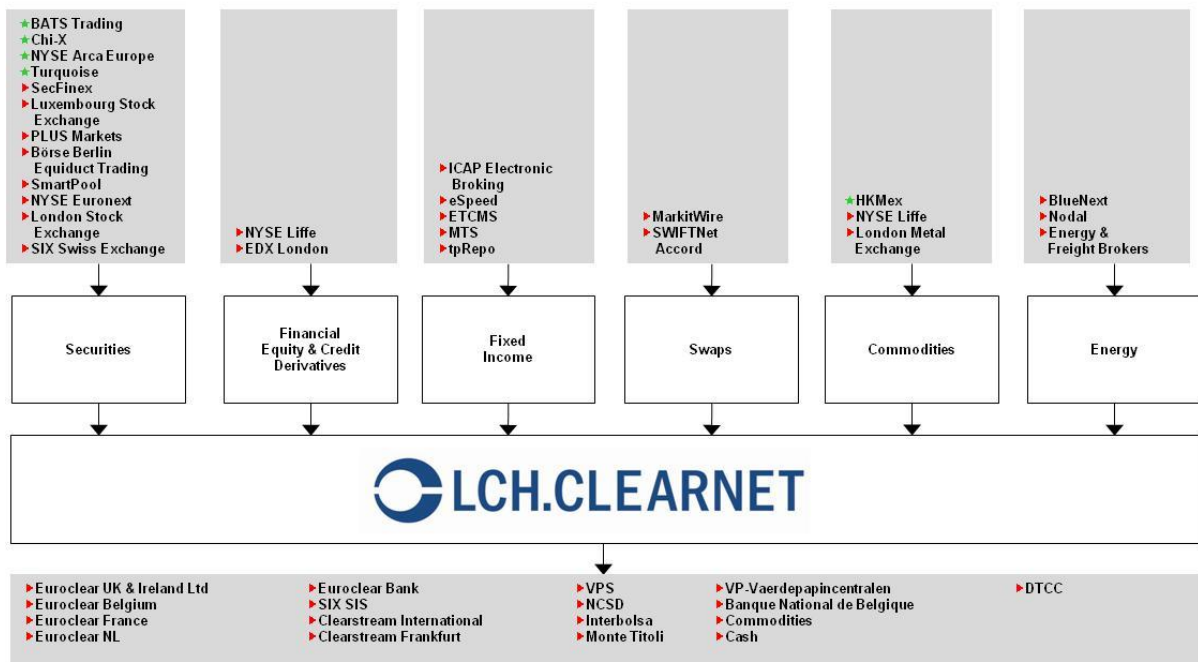
LCH.Clearnet is the leading independent clearing house group, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, energy, freight, interbank interest rate swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

A clearing house sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with a clearing house, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, the clearing house steps in. By assuming the counterparty risk, the clearing house underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from clearing members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by the clearing house's highly experienced risk management teams, who assess a member's positions and market risk on a daily basis. Both the soundness of the risk management approach and the resilience of its systems have been proven in recent times.

LCH.Clearnet is regulated or overseen by the national securities regulator and/or central bank in each jurisdiction from which it operates.

### Markets Served



\* Soon to be launched