

Press Release

Contact: Andrea Schlaepfer/ Rachael Harper, Corporate Communications +44 (0) 20 7426 7463/7175
Stephan Giraud-Prince, Company Secretary +44 (0) 20 7426 7259

LCH.Clearnet Group results and announcements

London, 16 February 2010

LCH.Clearnet, the leading independent central counterparty group (CCP), today announced its results for the year ended 31 December 2009.

Financial highlights:

- €333 million share buyback successfully completed
- Net revenue increased 24% to €711.5 million (including a one off receipt of €260.4 million from NYSE Liffe)
- Redemption of €20 million of preferred securities and a €27 million subordinated loan
- Volumes fell by 20% to 1.6 billion; falling exchange volumes were partially offset by strong growth in OTC volumes
- Operating profit of €423 million (2008: €293.6 million), excluding €393.4 million impairment
- Impairment charge of €393.4 million, arising from implemented tariff reductions and revised volume growth assumptions, resulting in a net loss for the year (including €121.5 million taxation charge) of €91.0 million
- Balances with clearing members rose 25.4% to €444.1 billion, driven largely by growth in our OTC business
- The total regulatory capital of the Group, at €311.1 million (2008: €410.3 million) continues to comfortably exceed "Pillar 1" requirements of €121.0 million (2008: €136.5 million).

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

"2009 was a year of transition for the Group. The successful realignment of our shareholder base through a strongly supported €333 million share buyback will 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.

"The ongoing focus from regulatory authorities on clearing is creating both opportunities and challenges for our business across the financial markets. In cash equities we have responded to an increase in competition by reducing our fees, most notably in LCH.Clearnet SA where the clearing fee for blue chip

stocks is now €0.05. Due to the impact of these tariff reductions on future revenues, we have recognised an impairment charge of €393.4 million. This does not affect the Company's cash or regulatory capital position.

“Volumes in exchange traded markets were largely down this year. However, our OTC interest rate swap and fixed income businesses, both of which were launched over 10 years ago, saw significant increases in the value of contracts cleared; the notional value of trades in SwapClear rose 42% to \$215.5 trillion and the value of term adjusted fixed income trades across the Group rose 12% to €479.8 billion. The launch of new services, such as client clearing for interest rate swaps, credit default swaps and fertilizer swaps, will extend the benefits of OTC clearing to new audiences and markets. Also, the addition of new trading venues, such as Nodal Exchange and a number of MTFs, to our client base will further diversify our exchange related business.

“We are committed to delivering quality, cost effective and innovative products across new and existing markets. Our independence and realigned ownership makes us well placed to work with both financial institutions and exchanges to develop market leading clearing solutions, globally.”

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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.