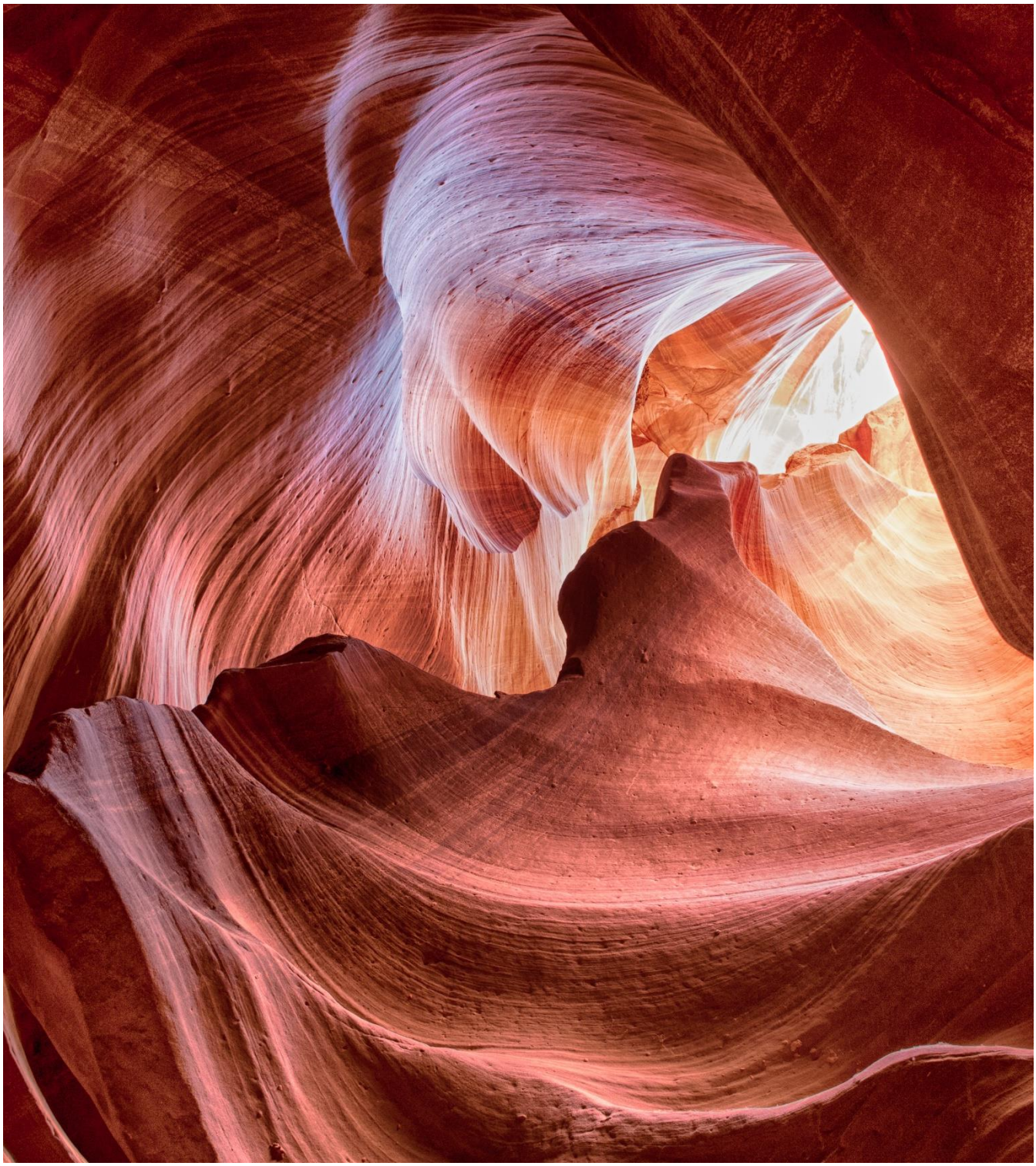
EuroCCP

Make a difference

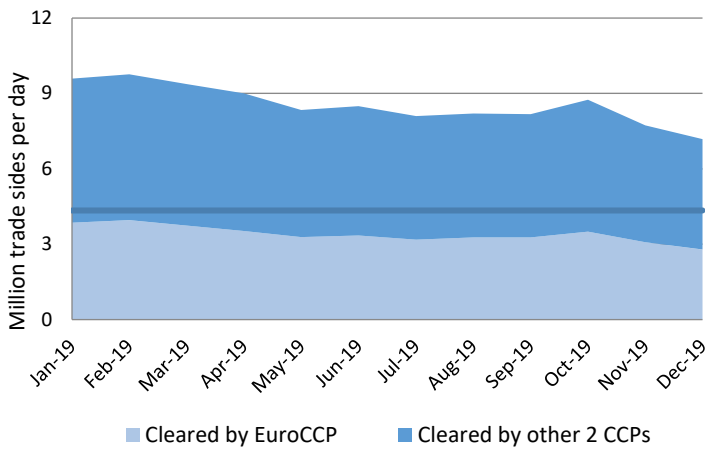
European Central Counterparty N.V.
Annual Report 2019



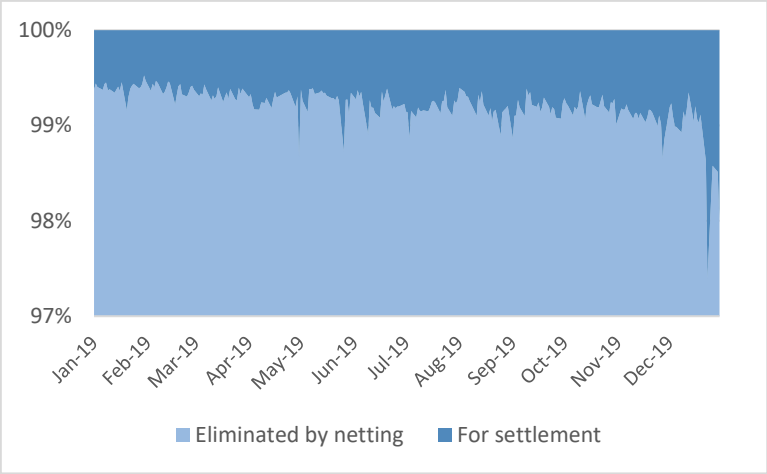
EuroCCP is the leading equities CCP in Europe. Our core focus remains to minimise post-trade costs, maximise netting and increase capital efficiency, while continuously improving risk management.

In partnership with our clients, we continue to diversify our business by providing new products and services offering capital and operational efficiencies. ETFs and equity derivatives have become a key focus for us.

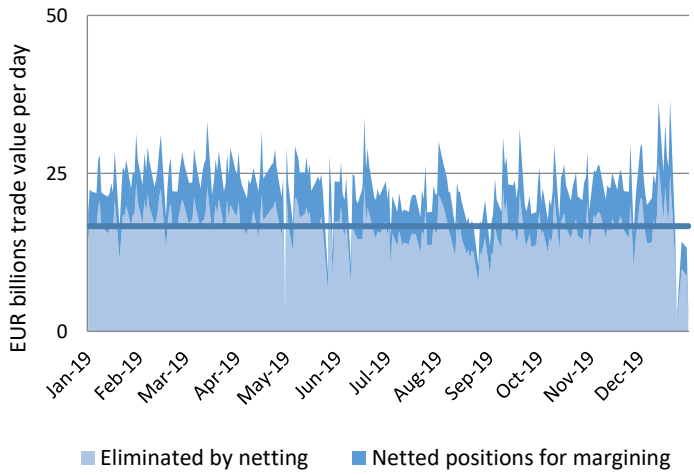
EuroCCP cleared 40% of trades on platforms to which it has access and which are interoperable[1].



Through netting, EuroCCP eliminates 99.2% of trades for settlement …



… and 72% of trading firms' market risk exposure, an equivalent of EUR 19 billion daily.



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

Letter from the CEO

- The last year was one of significant change for the European equity market. Twelve months on from implementation, we felt the full impact of MiFID II as the drive towards delivering greater transparency and efficiency changed the way financial markets behaved. We also had Brexit and all the uncertainty about when, and if (now settled, of course) the UK would leave the EU. Unfortunately, we are still no clearer about what Brexit could mean in the long run for the financial services sector in Europe and the UK.
- Added to this, more recently, the coronavirus pandemic has caused huge volatility in financial markets and threatens significant economic disruption with predictions that the global economy could shrink at its fastest pace in decades, raising fears we are facing the worst recession since the 1930s Great Depression.
- As I have reported previously a significant focus of my work since becoming CEO has been to look at opportunities for EuroCCP to grow and diversify both organically and inorganically. The strategic review we conducted last year resulted in Cboe Global Markets making an offer to acquire 100% of EuroCCP's stock. A Share Purchase Agreement (SPA) was signed on 9 December 2019 and the transaction was closed on 1 July 2020. This is an important milestone for EuroCCP and sets the scene for future growth and diversification into new business lines and asset classes such as equity derivatives.
- As part of this transaction, we have put in place a committed credit facility of up to EUR 1.5 billion to ensure EuroCCP continues to meet all relevant liquidity requirements under EMIR. This facility is an important part of a number of new tools and procedures that will strengthen our liquidity risk management framework. As an organisation, we are dedicated to continuously improve risk management, which includes the forthcoming replacement of our margin risk system to provide greater transparency and flexibility to clearing members. We also continue to carry out extensive work on our recovery plan in line with market practices and international standards.
- While the operating environment for European equity markets was challenging in 2019, EuroCCP retained its place as Europe's largest equities CCP. We had a 33% share of the region's overall cash equities clearing and a share of 40% of those platforms offering three-way interoperability. We cleared over 870 million trades in 2019.
- In February 2019, EuroCCP went live for transactions executed on Euronext Dublin, clearing shares, equity certificates and ETFs. Further, as a result of MiFID II CCPs rights for non-discriminatory and open access to trading venues, we gained access to clear trades on Deutsche Börse in November 2019. This followed EuroCCP securing access to Oslo Børs and Borsa Italiana in 2018. Taken together, this meant that by the end of 2019, we extended CCP choice to over 95% of all equity trades executed on organised markets in Europe, leading to significant consolidation benefits for clearing members.
- EuroCCP has worked on a number of initiatives aimed at increasing post-trade efficiency in partnership with existing and new clients. This includes a focus on ETF clearing. In September, we announced that we will clear European ETFs executed on Tradeweb and we are progressing with further expansion of our ETF clearing capabilities.

EuroCCP is also continuing work with clients on the upcoming implementation of the Settlement Discipline Regime (SDR) under the Central Securities Depositories Regulation (CSDR) – despite the recently announced delay to February 2022. This includes looking at innovative ways to support clients with new post-trade services that will help with buy-ins and settlement efficiencies.

- Returning to Brexit, EuroCCP has spent significant time and efforts preparing for the UK's departure from Europe to provide continuity of services to its clearing members. We have gained temporary recognition from the Bank of England (BoE) as a third country CCP, which will enable us to continue to operate in the UK for three years after Brexit (in a hard Brexit scenario), while we secure permanent recognition.
- To close, I would like to offer my sincere thanks to all the clients and colleagues who have supported me during a period of rapid change at EuroCCP, including most recently with the challenges brought to us by the coronavirus pandemic. Despite the uncertainty that surrounds the prospects for the global economy in the short to medium term, I am confident about the resilience of our industry and about EuroCCP's future prospects under Cboe's ownership. We will be a stronger, and more innovative organisation in the future, one that is even better placed to develop the products and services that our clients need.

Cécile Nagel
Chief Executive Officer

Contents

About us

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

EuroCCP centrally manages counterparty risk after a trade has been executed. EuroCCP will deliver securities or make payment to clients at the price agreed at trade execution, even if the original counterparty to the trade has defaulted on its obligations. In 2019, EuroCCP provided central counterparty (CCP) protection for an average of EUR 35 billion of value on a daily basis. Through the process of netting, EuroCCP eliminated 72% or EUR 17 billion of the value that required settlement on average each day.

EuroCCP also reduces settlement costs and operational complexity for clients. Regardless of how many trades a client has executed in the same security on multiple platforms on a given day, EuroCCP nets the trades across all platforms into a single settlement obligation. In 2019, over 99.2% of trades were netted into single settlement obligations.

Headquartered in Amsterdam, EuroCCP was formed in December 2013 following the combination of European Multilateral Clearing Facility N.V. (EMCF) and European Central Counterparty Limited (ECCP Limited), both of which were incorporated in 2007. In 2019 the company's shareholders were ABN AMRO Clearing Bank N.V., Cboe Europe Limited (Cboe), Euronext N.V., Nasdaq AB and The Depository Trust & Clearing Corporation (DTCC), each with a 20% shareholding. Cboe Worldwide Holdings Limited, an affiliate of Cboe, signed an SPA to acquire 100% of the EuroCCP business on 9 December 2019. The transaction closed on 1 July 2020 as of which date EuroCCP became part of the Cboe group.

EuroCCP provides central counterparty services for 38 trading platforms in Europe as of the end of 2019. The securities traded on these platforms and cleared by EuroCCP include equities, depositary receipts and ETFs across 19 national markets.

As of December 2019, EuroCCP services 146 firms that trade on platforms it clears for and has 44 active Clearing Participants with headquarters in 13 jurisdictions in Europe.

CCPs are highly regulated financial market infrastructures. EuroCCP's home regulators are De Nederlandsche Bank (DNB, the Dutch Central Bank) and Autoriteit Financiële Markten (AFM, the Dutch Authority for Financial Markets).

The European Market Infrastructure Regulation (EMIR) governs the CCPs operating in the European Union and requires them to meet common risk management, governance and capital adequacy standards. EuroCCP received regulatory authorisation under EMIR from DNB in April 2014.

EuroCCP at a glance

38 platforms and trade sources cleared as of December 2019

Aquis
Aquis Exchange Europe
BlockMatch
Borsa Italiana Equity MTF
Cboe Europe Equities
Cboe Europe BV
Deutsche Börse
Equiduct
Euronext Amsterdam
Euronext Brussels
Euronext Lisbon
Euronext London
Euronext Paris
Euronext Access Brussels
Euronext Access Lisbon
Euronext Access Paris
Euronext Block
Euronext Dublin Atlantic Securities Market
Euronext Dublin Enterprise Securities Market
Euronext Dublin Main Securities Market
Euronext Growth Brussels
Euronext Growth Lisbon
Euronext Growth Paris
ETFplus Market
London Stock Exchange
Mercato Telematico Aziionario (MTA)
Morgan Stanley MTF
Nasdaq Copenhagen
Nasdaq Helsinki
Nasdaq Stockholm
Nasdaq First North
Oslo Børs
Sigma-X
SIX Swiss Exchange
Traiana
Turquoise
Turquoise Global Holdings Europe
UBS MTF

19 markets covered

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

5 cash accounts with Central Banks

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

Direct member of 17 (international) Central Securities Depositories settling across 20 settlement locations / markets & asset types

Austria	OeKB
Belgium	Euroclear Belgium
Denmark	VP
France	Euroclear France
Finland	Euroclear Finland
Germany	Clearstream Banking Frankfurt
IDRs / International ETFs	Euroclear Bank /
IDRs / International ETFs	CBF International
Ireland	Euroclear UK & Ireland
Portugal	Interbolsa
Italy	Monte Titoli
Netherlands	Euroclear Nederland
Norway	VPS
Spain	Iberclear

Switzerland	SIX SIS
Sweden	Euroclear Sweden
United Kingdom	Euroclear UK & Ireland

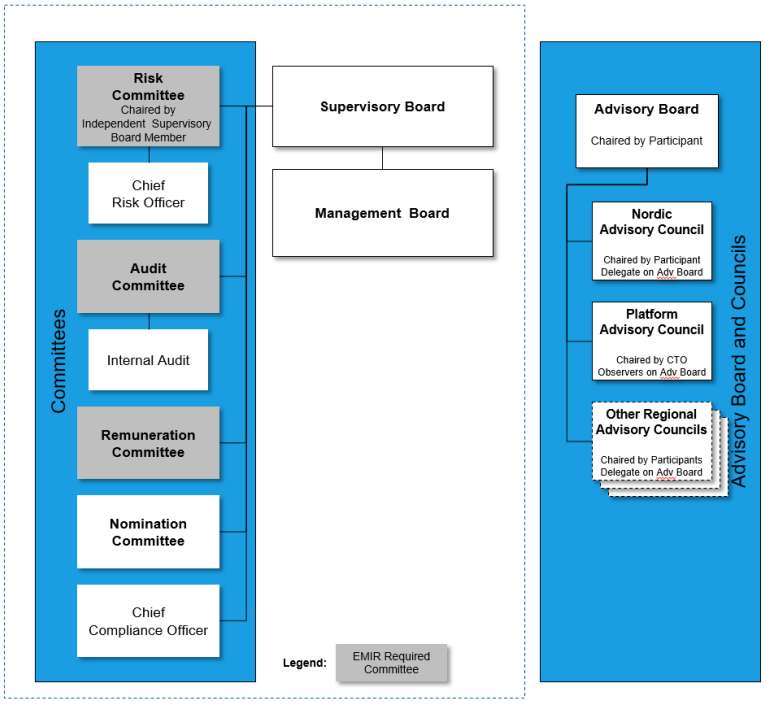
Governance and organisation

Governance structure

The governance structure of EuroCCP reflects the requirements of EMIR. EuroCCP has a two-tier board structure under Dutch corporate law.

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

EuroCCP governance structure overview as at 31 December 2019.



EuroCCP's Chief Risk Officer and Chief Compliance Officer have a direct reporting line to the Supervisory Board while Head of Internal Audit reports to the Audit Committee of the Supervisory Board.

Supervisory Board

The Supervisory Board oversees the Management Board, supervises the general affairs of the company and its associated business and provides advice to the Management Board.

In 2019 the EuroCCP Supervisory Board consisted of eight members: three independent members and five members nominated by the shareholders .

Each shareholder had nominated one Supervisory Board member and the shareholders appoint all members of the Supervisory Board.

In compliance with the EMIR requirement that independent members comprise one third of the board, EuroCCP had three independent members.

As of December 2019, the Supervisory Board consisted of the following members:

- Jan Bart de Boer (1967), Chairman, Chief Commercial Officer of ABN AMRO Clearing Bank.
- Mark Hemsley (1962), Chief Executive Officer of Cboe Europe. Mr Hemsley has been succeeded by Mr David Howson as of 20 February 2020.

- Karl Spielmann (1970), Managing Director and Deputy General Counsel of DTCC Europe. Mr Spielmann resigned as a Supervisory Board member as of 5 March 2020.
- Lauri Rosendahl (1960), President Nasdaq Nordics and Nasdaq Stockholm and Senior Vice President European Cash Equity and Equity Derivatives within Global Transaction & Market Services at Nasdaq.
- Nicolas Rivard (1977), Chief Innovation Officer of Euronext.
- Peter Bezemer (1950), former member of the Executive Committee of Euronext; currently a financial services consultant.
- Clotilde Bouchet (1966), former Deputy CEO of Credit Immobilier de France; currently a Board member and independent consultant.
- Paul Hilgers who joined EuroCCP as independent member of the Supervisory Board replacing Mr Iain Saville as of September 2019. Mr Hilgers was the former Group CEO of Optiver Holding; currently a financial services consultant.

From 1 July 2020 the EuroCCP Supervisory Board consists of five members: two independent members and three members nominated by Cboe as 100% shareholder.

As of 1 July 2020, the Supervisory Board consist of the following members:

- David Howson, Chairman, Chief Executive Officer of Cboe Europe Ltd.
- Stephanie Renner, member, Chief Financial Officer Cboe Europe Ltd.
- John Deters, member, Chief Strategy Officer, Cboe Global Markets Inc
- Peter Bezemer (1950), independent member, former member of the Executive Committee of Euronext; currently a financial services consultant.
- Clotilde Bouchet (1966), independent member, former Deputy CEO of Credit Immobilier de France; currently independent consultant.

As at 31 December 2019, the Supervisory Board had three committees:

- The Audit Committee advises the Supervisory Board on financial accounting, on the workings of the internal risk and control framework, the role and functioning of the internal auditor and the appointment of the external auditor.
- The Remuneration Committee oversees the Company's remuneration strategy and principles for members of the Management Board. It reviews the policies and general principles on which the Company’s compensation plans are based. The Remuneration Committee performs its task in preparation for decision-making by the Supervisory Board.
- The Nomination Committee makes recommendations for the appointment of independent members of the Supervisory Board.

Risk Committee

The Risk Committee is an EMIR required advisory committee composed of three representatives from Clearing Participants, two representatives from clients of Clearing Participants and two independent members of the Supervisory Board, in compliance with EMIR requirements. Iain Saville chaired the Risk Committee until the 30th of September 2019. Since the 1st of October 2019, Paul Hilgers chaired the Risk Committee. As of 1 July 2020 Peter Bezemer is the chair of the Risk Committee. The Chief Executive Officer, Chief Risk Officer and Chief Compliance Officer attend the committee meetings. The committee held four meetings during 2019 and discussed following subjects:

Public sector initiatives

- European Commission proposal on European Market Infrastructure Regulation (EMIR) review
- Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions (CPMI-IOSCO) report on Resilience of central counterparties (CCPs): Further guidance on the PFMI

Credit/Market risk framework

- Changes to the risk framework/new margin model
- Model validation
- Stress test policy and scenarios
- Criteria for accepting clearing members
- Default handling procedure
- Haircuts

Other

- Liquidity plan
- Investment policy
- Review of outsourced functions
- Recovery and resolution
- Brexit
- Risk tolerance statements

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

The most material risks faced by EuroCCP are described in the Risk Management section on page 29.

Advisory boards and councils

The Advisory Board met twice in 2019 and was chaired by Martyn Nott, Managing Director, Global Head of Network Management at Bank of America Merrill Lynch and Chair of the Post Trade Board of the Association for Financial Markets in Europe (AFME). The Advisory Board has representatives from 18 Clearing Participants.

The Nordic Advisory Council has representatives from 6 Clearing Participants headquartered in the Nordics. In addition, the Nordic Securities Association participates as a representative for the broader Nordic markets. The Council met twice in 2019. Two of the Clearing Participants of the Council are representatives at the Advisory Board.

In 2020, the Advisory Board will be renamed the Strategic Advisory Board and will be composed of 6 Clearing Participants who will provide input to and validation of EuroCCP product and business strategy, as well as advice on market and regulatory developments. To ensure continuity of representation of the wider Clearing Participant community, the Member Advisory Council will be established and will be responsible for providing advice on operational matters and corroborating output from the Strategic Advisory Board.

Management Board

As of 31 December 2019, the Management Board consisted of 2 members:

- Cécile Nagel (1976), Chief Executive Officer, joined from the London Stock Exchange Group (LSEG) where she held a number of senior positions across the organisation including Head of Strategic Planning for the Group and Global Head of Equities and Commodities at LCH, LSEG's multi-asset clearinghouse. Most recently she was Head of LSE Markets Global Product Development and LSE Exchange Traded Products.
- Arnoud Siegmann (1973), Chief Risk Officer, joined EMCF in 2008. He was previously Head of Risk at Fortis Clearing Americas between 2001 and 2008, and had risk-related roles at Object+ BV and Extra Clearing BV.

Without detriment to the collective responsibility of the Management Board as a whole to establish and comply with the risk management framework, the Chief Risk Officer is responsible for implementation of the risk management framework, including its policies and procedures. The Chief Risk Officer does not bear individual responsibility for and operates independently from commercial matters.

Internal Audit

The internal audit function provides independent, objective assurance and consulting services designed to add value and improve EuroCCP's operations. The internal audit function has a direct reporting line to the chairman of the Audit Committee and administratively reports to the Chief Executive Officer. Internal Audit, the Audit Committee and the external auditor have regular contact to share information, discuss and consult on specific risk and control topics. In the meetings of the Audit Committee, risk analysis, audit plan and findings & resolutions are presented and discussed.

As of 1 January 2020 the internal audit function has been performed by PriceWaterhouseCoopers.

Organisation

EuroCCP currently has 62 employees on its payroll. This number has remained unchanged since the end of 2019.

Most of the critical functions from a regulatory perspective, apart from the CEO function, are located at the company headquarters in Amsterdam. Client-facing functions, consisting of eight employees, are located in London.

Remuneration policy

Fixed salary levels are aligned with similar functions in the financial industry in each location where the company operates.

Variable compensation is discretionary and is according to legislation in the employees' jurisdiction of employment.

The variable compensation of risk management, compliance and internal audit staff is based on performance indicators that are independent of the business performance and aligned with prudent risk management.

Service development

In 2019, EuroCCP continued to focus on delivering on its objective to be the leading equities CCP in Europe, by onboarding new clients and venues. In November 2019, EuroCCP secured access to Deutsche Börse, signifying a key milestone in pan-European equities clearing.

In 2019, EuroCCP allocated significant resources to enhance the firm's liquidity risk management framework, in response to weaknesses identified relating to extreme but plausible scenarios during the industry-wide stress tests carried out by the European Securities and Markets Authority (ESMA).

In conjunction with our work on liquidity, a strategic review of the EuroCCP business was conducted leading to existing shareholder, Cboe, acquiring 100% of the EuroCCP business. As part of the transaction, additional liquidity tools and new procedures have been implemented. This included putting in place a committed credit facility of up to EUR 1.5 billion to ensure EuroCCP continues to meet all relevant liquidity requirements under EMIR.

Furthermore, EuroCCP successfully progressed the replacement of its margin risk system over the course of 2019, replacing the existing model and technology in order to improve transparency and enable greater flexibility. We expect the new risk system to be implemented by the end of 2020, subject to regulatory approvals.

In terms of new products and services, EuroCCP worked throughout the year in close partnership with clearing members, industry bodies and other market participants on a number of initiatives aimed at increasing post-trade efficiency. Our focus has included ETFs and settlement services. We have also in the course of 2020 embarked on a project to launch equity derivatives in close partnership with Cboe.

Technology

EuroCCP's technology enables straight-through processing of equity transactions, eliminating any manual intervention and resulting in significant efficiency gains. Trade capture, multilateral netting, settlement and risk management applications form the core of EuroCCP's information technology infrastructure.

Throughout 2019, EuroCCP's trading venue access software has been enriched to implement the bespoke access requirements of Oslo Børs, Borsa Italiana and Deutsche Börse. As part of our enhanced liquidity risk management framework, we completed the automation of liquidity stress tests and reporting with further enhancements planned in 2020.

Furthermore, EuroCCP invested heavily in improving its cyber resilience in 2019 and we are continuing to do so in 2020.

We made a significant advancement towards Agile delivery and adopting new working practices for the technology department. We also continue to monitor developments in distributed ledger technology (DLT), robotic process automation (RPA) and cloud technologies.

Financial results

For the year ending 31 December 2019, EuroCCP made a profit before tax of EUR 4.1 million, which is EUR 2.4 million higher compared with the prior year.

Total revenue for the year of EUR 24.2 million was EUR 3 million (14%) higher than the previous year (EUR 21.2 million). The increase in revenues was mainly driven by higher net fees and commissions and lower fees paid (non-recurring) for obtaining access to some new platforms. Normalized for these non-recurring fees, revenues were EUR 25.0 million, which is 10% (or EUR 2.2 million) above the 2018 revenue level.

Total expenses of EUR 20.1 million were 3% higher than prior year's total expenses of EUR 19.6 million. This can be mainly attributed to an increase of operating and administrative expenses (non-recurring) in relation to the

acquisition of EuroCCP's shares by Cboe Worldwide Holdings Limited as of 1 July 2020. Adjusted for these non-recurring costs, expenses for the year were EUR 19.2 million, which is 2% (EUR 0.4 million) lower than the prior year's total expenses.

Total capital as at year-end 2019 was EUR 47.8 million, well above the capital of EUR 24.8 million required by EMIR. The excess capital above regulatory requirement provides sizeable headroom for resilience and business growth.

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

Outlook

We recognise the consequences that the coronavirus pandemic has on the global economy and society in general and that recovery will take time. EuroCCP has coped well and continued to serve its clients throughout the pandemic so far and we are confident that we will be able to withstand any possible future developments. We will of course continue to monitor the situation and ensure that we are prepared for any rapidly changing circumstances.

The cost associated with the syndicated loan that EuroCCP secured as part of the enhanced liquidity framework will negatively impact EuroCCP's profitability in the short term. The ongoing development of the business will compensate for this adverse effect in the medium to long term. EuroCCP has the full support of Cboe as its 100% shareholder in this regard with the cost of the syndicated loan being factored in the acquisition case. Looking ahead at the development of the business, we will continue to work closely with Cboe regarding the integration of EuroCCP into the Cboe group. Cboe is an established advocate of open access and interoperability, values which EuroCCP has long sought to promote. Cboe has an established track record of servicing clients globally and providing innovative products across numerous asset classes. There are a number of natural synergies between the two businesses which will allow EuroCCP to accelerate business growth and develop new products and services, in addition to introducing further efficiencies in the marketplace.

We expect the replacement of our margin risk management system to take place by the end of 2020. The project was started in 2018 and filing for regulatory approval took place on 1 October 2019.

We will continue to develop our pan-European coverage following securing access to trades executed on Deutsche Börse in November 2019, as well as continuing to work with market participants on ETF clearing and other initiatives aimed at bringing efficiency to post-trade services We will also continue to help venues and clearing members execute their Brexit contingency plans.

Last but not least, expansion into derivatives in partnership with Cboe is expected to be a key priority for EuroCCP in 2020 and beyond.

In all our efforts, we will continue to focus on enhancing the safety and the efficiency of European markets in close cooperation with market participants.

Amsterdam, 23 September 2020

Cécile Nagel

Arnoud Siegmann

Report of the Supervisory Board

The Supervisory Board held five board meetings in 2019 in the presence of the Management Board and other members of senior management. In addition to the five regular meetings of the Supervisory Board in 2019, a number of additional meetings were held to review proposed enhancements to EuroCCP's liquidity risk management framework.

The Management Board provided the Supervisory Board with information on a regular basis on business operations and on financial and strategic developments. The Supervisory Board was involved in all key decisions. Risk management is a standing agenda item at every Supervisory Board meeting.

In September 2019, the Supervisory Board welcomed Mr Paul Hilgers as new independent Supervisory Board member. Mr Hilgers replaced Mr Iain Saville whose term ended that month.

The Supervisory Board recognises the significant work undertaken by the EuroCCP management team to not only develop the business commercially but also to strengthen the organisation's risk management and its operational and technical resilience. Specifically, this includes the significant work undertaken to strengthen EuroCCP's liquidity risk management framework which involved obtaining regulatory approval and securing the syndicated loan.

The Supervisory Board was also highly supportive of the proposed change in the ownership of EuroCCP and it saw the transaction with Cboe as highly positive in terms of resiliency and growth prospects.

On behalf of the Supervisory Board,

David Howson

Chairman

Financial statements for 2019

Statement of financial position as at 31 December 2019

before proposed profit appropriation (x EUR 1,000)

Assets	**Note**	**2019**	**2018**
Cash and cash equivalents	1	571,204	566,193
Due from banks and due from customers	2	29,245	39,106
Property and equipment	3	1,785	1,153
Intangible assets	4	3,293	1,608
Other assets	5	6,072	7,608
Total assets		**611,599**	**615,668**

Liabilities			
Due to banks	6	248,220	326,789
Due to customers	7	285,969	234,174
Tax payables	8	58	79
Other liabilities	9	29,591	9,969
Total liabilities		**563,838**	**571,011**

Shareholders' equity	10		
Share capital		7,500	7,500
Share premium		5,392	5,392
Retained earnings		24,254	24,854
Other reserves (EMIR)		4,787	4,744
Other reserves (legal reserve)		2,861	1,013
Other reserves*		-123	-120
Result for the year		3,071	1,277
Other comprehensive income for the year		19	-3
Total shareholders' equity		**47,761**	**44,657**
Total liabilities and shareholders' equity		**611,599**	**615,668**

* re-measurements of defined benefit pension plan and currency translation

Contingent assets	11	**692,319**	**904,136**
Contingent liabilities	12	**257,770**	**374,533**

Statement of profit or loss for 2019

(x EUR 1,000)

Statement of profit or loss	Note	2019	2018
Interest income		-	-
Negative interest on liabilities		6,104	6,176
Interest expense		-786	-982
Negative interest on assets		-2,974	-3,454
Net interest income (expense)	13	2,344	1,740
Net fees and commissions	14	20,443	18,322
Other revenue	15	1,366	1,175
Revenue		**24,153**	**21,237**
Personnel expenses	16	-8,543	-9,867
Depreciation and amortisation	17	-962	-674
Other operating and administrative expenses	18	-10,589	-9,019
Total expenses		**-20,094**	**-19,560**
Profit before tax		4,059	1,677
Income tax expense	19	-988	-400
Net profit/(loss)		**3,071**	**1,277**

Statement of total comprehensive income for 2019

(x EUR 1,000)

Statement of total comprehensive income	Note	2019	2018
Net profit/(loss)		**3,071**	**1,277**
Other comprehensive income			
Items that will not be classified to profit or loss:			
Re-measurements of defined benefit pension plan	16	-	-
Currency translation reserve		25	-4
Income tax relating to other comprehensive income	19	-6	1
Other comprehensive income/(expense)		**19**	**-3**
Total comprehensive income for the year		**3,090**	**1,274**

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

	Share capital	Share premium	Retained earnings	Other reserves (EMIR)	Other reserves*	Other reserves (legal reserve)	Result for the year	Total 2019
Opening balance as at 1 January 2019	**7,500**	**5,392**	**24,854**	**4,744**	**-120**	**1,013**	**1,274**	**44,657**
Total comprehensive income	-	-	-	-	-	-	3,090	3,090
IFRS 16 Adjustment	-	-	14	-	-	-	-	14
Profit appropriation	-	-	1,277	-	-	-	-1,277	-
Change in other reserves (EMIR)	-	-	-43	43	-	-	-	-
Change in other reserves (legal reserves)	-	-	-1,848	-	-	1,848	-	-
Change in other reserves*	-	-	-	-	-3	-	3	-
Issue ordinary shares	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Closing balance as at 31 December 2019	**7,500**	**5,392**	**24,254**	**4,787**	**-123**	**2,861**	**3,090**	**47,761**

* re-measurements of defined benefit pension plan and currency translation

	Share capital	Share premium	Retained earnings	Other reserves (EMIR)	Other reserves*	Other reserves (legal reserve)	Result for the year	Total 2018
Opening balance as at 1 January 2018	**7,500**	**5,392**	**23,082**	**4,336**	**-113**	**-**	**3,186**	**43,383**
Total comprehensive income	-	-	-	-	-	-	1,274	1,274
Profit appropriation	-	-	3,193	-	-	-	-3,193	-
Change in other reserves (EMIR)	-	-	-408	408	-	-	-	-
Change in other reserves (legal reserves)	-	-	-1,013	-	-	1,013	-	-
Change in other reserves*	-	-	-	-	-7	-	7	-
Issue ordinary shares	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Closing balance as at 31 December 2018	**7,500**	**5,392**	**24,854**	**4,744**	**-120**	**1,013**	**1,274**	**44,657**

* re-measurements of defined benefit pension plan and currency translation

Cash flow statement for 2019

(x EUR 1,000)

	2019	2018
Cash flows from operating activities		
Profit before tax	4,059	1,677
Adjustment to reconcile profit to net cash generated by operating activities:	971	670
Depreciation and amortisation	962	674
Effect of foreign exchange rate	9	-4
Changes in operating assets and liabilities	3,753	-16,680
Due from banks and due from customers	9,860	-29,410
Due to banks	-78,568	69,099
Due to customers	51,795	-57,166
Net changes in all other operational assets and liabilities	20,666	797
Cash generated by operating activities	**8,783**	**-14,333**
Income taxes paid	-1,291	-1,279
Net cash from operating activities	**7,492**	**-15,612**
Cash flows from investing activities		
Acquisition of property and equipment	-234	-434
Acquisition of intangible assets	-1,960	-1,319
Net cash flow generated by investing activities	**-2,194**	**-1,753**
Cash flows from financing activities		
Proceeds from issue of share capital	-	-
Proceeds from share premium contribution	-	-
Dividend paid	-	-
Finance charges - lease liabilities	-3	-
Repayment of lease liabilities	-284	-
Net cash from financing activities	**-287**	**-**
Net decrease (-) / increase (+) in cash and cash equivalents	**5,011**	**-17,365**
Cash and cash equivalents – as at 1 January	**566,193**	**583,558**
Cash and cash equivalents – as at 31 December	**571,204**	**566,193**
Supplementary disclosures of operating cash flow information		
Interest received	8,750	8,669
Interest paid	-7,068	-6,642

Accounting principles

General

EuroCCP was incorporated on 28 February 2007, with its registered office in Amsterdam, the Netherlands.

EuroCCP is registered as a UK establishment of an overseas company at UK Companies House, with the office located in London.

As at 31 December 2019 the company's shareholders were:

• ABN AMRO Clearing Investments B.V. (20%)

• Cboe Europe Limited (20%)

• DTCC Global Holdings B.V. (20%)

• Nasdaq AB (20%)

• Euronext N.V. (20%)

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

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

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

Basis of preparation

These financial statements are prepared by EuroCCP's Management Board on 20 May 2020, in accordance with IFRS, as adopted by the European Union, and with Title 9 of Book 2 of the Dutch Civil Code. All amounts in the tables of these financial statements are denominated in thousands of euros, unless otherwise stated.

Changes in accounting policies

Amended IFRSs

Amendments resulting from improvements to standards did not have a significant impact on the accounting policies, financial position or performance of EuroCCP during this financial year.

The amendments relevant to EuroCCP, effective for annual periods beginning on or after 1 January 2019, are listed below:

IFRS 16 Leases sets up the principles for recognition, measurement, presentation and disclosures for all leases, introducing a single on-balance sheet lease accounting model for the lessees. Under IFRS 16 the distinction between finance and operating lease is removed and all leases are recognized on the balance sheet. The standards requires entities to capitalise right-of-use assets and further account for corresponding liabilities which represent the obligation to make lease payments, This approach requires recognition of all assets and liabilities for leases whose lease period is more than 12 months, unless they are considered to be of low value. Expenses for leases whose period is less than 12 months (short-term leases) or are considered of a low value are recognized in the income statement of the period in which they incur, as allowed by the standard.

Lessor accounting remains similar as the current standard (the lessor continues classifying leases as finance and operating leases).

The mandatory effective date for this standard is for annual periods starting on or after 1 January 2019, with early adoption permitted for entities applying IFRS 15 at or before the date of initial application of IFRS 16. The standard was endorsed by the European Union in November 2017.

EuroCCP adopted IFRS 16 Leases as at 1 January 2019 in the position of the lessee. The entity opted for the modified retrospective approach, with the cumulative effect of the initial application being recognised in retained earnings as at 1 January 2019. As a result the comparative figures have not been restated.

When accounting under IFRS 16, a separation between lease components from the non-lease components is required.

Upon initial recognition EuroCCP measured the lease liability calculating the discounted net present value of future payments over the period of the lease, using the ECB interest rate on marginal lending facility as published, at the date of the commencement of the lease agreement.

The value of the asset at the commencement of the lease is equal to the amount calculated for the lease liability upon initial measurement. The standard requires that any initial direct costs incurred in relation to the asset should be added to the value of the asset upon initial recognition, as well as any cost estimation for dismantling and restauration. EuroCCP has not included any initial direct costs or estimation for dismantling and restauration costs when accounting for the right-of-use asset as such costs did not incur nor are foreseen by end of the lease term. As a result, the assets are initially measured at the value equal to the lease liability.

The right-of-use asset is depreciated over the period of the lease using the straight line method.

Subsequently the lease liability is measured by increasing the carrying amount to include the interest on the lease liability and reducing the value with the capital payments made as well as adjusting the balance to reflect any modifications to the lease. A lease liability is to be re-measured if there is an adjustment / change in the interest rate, the lease term, the residual values and / or the lease payments, discount rate or if there is a purchase option. Any changes in the lease liability is adjusted to the right-of-use asset. If the right-of-use asset is fully depreciated, any re-measurements to the lease liability is expensed in the income statement in the period in which it incurs. In situation of variable lease payments not included in the original lease agreement, they are to be expensed in the period in which they incur, unless they should be included in the carrying amount of an asset recognized under another standard. EuroCCP did not pay such variable lease payments and no other payments were either expensed in the period or included in the carrying amount of another asset.

Any adjustments to the terms or conditions of the original lease will lead to recognition of an additional asset or a change in the existing lease.

Right-of-use assets are comprised in Property, Plant and Equipment and the lease liabilities are included in Other liabilities. Depreciation of the right-of-use assets and interest costs associated are expensed in the income statement, as disclosed in note 17 and note 13 respectively.

The impact of applying IFRS 16 as at 1 January 2019 resulted in an increase of assets and liabilities in value of EUR 1.1 million, calculated as follows:

(x EUR 1,000)	**1 January 2019**
Increase in Property, Plant and equipment- Right of use assets (Cost)	1,391
Increase in Property, Plant and equipment- Right of use assets (Accumulated depreciation)	-301
Adjustment to Assets as at 1 January 2019	1,090
Increase in Lease liability	1,280
Decrease in Rental liability provision	-208
Increase in Deferred tax liability	4
Increase in Retained earnings	14
Adjustment to Equity and Liabilities as at 1 January 2019	**1,090**

In the previous financial year the lease liability was disclosed in contingent liabilities. Included in these contingent liabilities was an amount of EUR 1.5 million comprising of all services as well as rental for premises per the agreement. Should the previous standard still be applicable, the operating lease commitment as at 1 January 2019, discounted using the same interest rate as at initial application of IFRS 16 is EUR 1.2 million.

Annual Improvements to IFRS Standards 2015-2017 contain amendments to IAS 12, IAS 19, IAS 23, IFRS 3 and IFRS 11 with effective date beginning for annual periods beginning on or after 1 January 2019. No impact occurred in EuroCCP's financial statements from the application of these amendments.

New and amended IFRSs not yet effective

EuroCCP is in process of assessing the impact on the financial statements of the following standards, that will become effective for the company for annual periods beginning on or after 1 January 2020:

Conceptual Framework in IFRS Standards offer guidelines for the development of accounting policies and support in understanding and interpreting the standards. The amendments to the Conceptual Framework may impact the application of IFRS in situations when no standard is applicable to particular transactions or events. The amendments to IAS 1 in relation to classification of liabilities as current or non-current are not yet endorsed for use in the EU. EuroCCP is in process of reviewing the endorsed adjustments. It is the current expected that no significant changes would incur from the adoption of these adjustments.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and to IAS 1 Presentation of financial statements, revise and clarify the definition of Material, aligning the definition used in the Conceptual Framework and other standards, EuroCCP does not expect significant impact on financial statements from the adoption of these amendments.

IFRS 3 Business Combinations: the amendments issued have the scope of helping entities to determine whether a transaction should be accounted for as a business or assets acquisition, by offering a more clear definition of a business for the purpose of this standard IFRS 3. It is the current expectation that these amendments will have no impact on the EuroCCP's financial statements.

Amendments in Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7) offer more clarity to entities in continuing to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flow from hedging instruments are based will not be modified as a result of interest rate benchmark reform. It is expected that the adjustments are not applicable to EuroCCP.

Principles

Functional currency

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

Foreign currency translation

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

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

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

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

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

Trade date and settlement date accounting

All purchases and sales of financial assets requiring delivery within the period established by regulation or market convention are recognised on the settlement date, which is the date on which the instrument is delivered to or by EuroCCP.

Accounting estimates

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

Judgements and estimates are principally made in the following areas:

- recoverable amounts in case of indebtedness of clients; the recoverable amount is based on a mark-to-market valuation of the client position, vis-à-vis future obligations of EuroCCP in its function as central counterparty and taking into consideration the collateral provided;
- estimation of present obligations resulting from past events in recognition of provisions;
- determination of the expected useful life of intangible assets and amortization method applied;

- income taxes for the current year are recognised within the statement of profit or loss, based on estimations; actual income tax might differ from it, based on the applicable tax/fiscal laws in each jurisdiction and are available upon the tax return forms filed with and accepted by local tax authorities.

Offsetting

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

Cash flow statement

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

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

Given the nature and the short-term character of the funding, cash flows from funding activities are recognised under cash flows from operating activities and not as cash flows from financing activities. Interest received and interest paid are presented as cash flows from operating activities in the cash flow statement. Dividends received are classified as cash flows from operating activities.

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

Dividends paid are classified as cash flows from financing activities.

Classification and measurement of financial assets and liabilities

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

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

Financial assets

Financial assets comprise cash and cash equivalents, loans (due from banks and due from customers) and receivables (other assets). Their objective of business model for the purpose of IFRS 9 is to hold in order to collect the contractual flows rather than selling the assets in order to realize the changes in the fair values. The characteristics of the cash flows refer to solely payments of principal amount and interest on the principal amount outstanding, on specified dates.

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

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

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

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

Loans and receivables are recognised on the date at which they are originated and are initially measured at fair value (transaction price) plus any directly attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the statement of profit or loss.

Measurement of impaired assets

Financial assets are impaired using the expected credit loss model and based on the characteristics of the CCP business model and the risk mitigation measures in place.

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

Financial liabilities

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

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

Statement of financial position

Financial assets

Cash and cash equivalents

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

Due from banks and due from customers

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

Other assets

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

Non-financial assets

Property and equipment

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

At 31 December 2019, EuroCCP's fixed assets include leasehold improvements, right of use asset for the rental of data centre space and Amsterdam office premises, equipment and motor vehicles and IT equipment.

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

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

The useful life for EuroCCP's property and equipment is set at either three or five years.

Intangible assets

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

At 31 December 2019, EuroCCP's intangible assets represented acquired software and software under development. Software for computer hardware that cannot operate without that specific software, such as the operating system, is an integral part of the related hardware and it is treated as property and equipment.

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

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

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

Software under development include mostly core application software in course of development. For year ended 2019, software under development is stated at cost and it consists mostly of licences and development software work acquired from external parties for the replacement of the margin risk management system.

Impairment of non-financial assets

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

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

During 2019, no impairment loss was recognised relevant to non-financial assets.

Financial liabilities

Due to banks and due to customers

Due to banks and due to customers are amounts on demand.

Demand deposits are initially measured at fair value (transaction price) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the statement of profit or loss.

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

Other liabilities

Other liabilities arising in the normal course of business are recognised and recorded at cost.

Defined contribution pension plan

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

EuroCCP's contributions to defined contribution pension plan are charged to the statement of profit or loss in the year to which they relate.

Provisions

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

Contingent assets and liabilities

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

Transactions with related parties

In the normal course of business, EuroCCP enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Within the context of these financial statements, related parties are ABN AMRO Clearing Bank N.V. in Amsterdam and its group companies, Cboe Europe Limited and its group companies, DTCC Global Holdings B.V. and its group companies, Nasdaq AB and its group companies, Euronext N.V. and its group companies and the members of the Management Board and Supervisory Board of EuroCCP.

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

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

Shareholders' equity

Share capital

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

Statement of profit or loss

Interest income and expense

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

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

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

Realised and unrealised gains and losses

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

Fees, commission income and transaction costs

Fees earned on services provided are recognised as revenue at the time when the services are provided (when the customer obtains control of the service), based on the performance obligation and delivery of the services. The transaction price is allocated to the relevant service on a clearly addressed selling price. The transaction price does not contain any variable amount.

The specific settlement and fail fees charged by settlement agents are passed on to the clients, provided that revenue and costs are measured reliably.

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

Expenses

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

Income tax expenses

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

The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which those losses can be utilised.

Credit risk

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

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

EuroCCP accepts both cash and non-cash collateral with haircuts as specified in EuroCCP's Regulation Collateral[2]. Clearing Participants must deposit their required collateral directly with EuroCCP. Those Clearing Participants who make use of clearing services with a higher probability of intra-day margin calls towards the end of the Clearing Day, such as OTC trades or ETRs, may, after the approval of EuroCCP, deposit it's collateral in an account pledged to EuroCCP. As at 31 December 2019, EUR 516.5 million was directly deposited with EuroCCP with no collateral pledged to EuroCCP. The value of the collateral (cash and bonds) held by EuroCCP as at 31 December 2019 was EUR 516.5 million and EUR 640.4 million in 2018.

The cash held by the Clearing Participants in the cash collateral accounts, EuroCCP's own funds and the cash held in the Clearing Fund account as detailed in the Regulation Clearing Fund[3], are invested in accordance with the Regulation EuroCCP Investment Policy[4] (REIP). The REIP specifies the approved types of transaction which EuroCCP may use to make investments, the type of securities that may be invested in, the eligible counterparties and the custodians where the securities can be held. Placements of cash made pursuant to the REIP are safeguarded by government securities received as collateral for the cash placements. The collateral received is subject to the concentration limits stipulated in the REIP. EuroCCP receives full title to the collateral. The collateral is used to secure intraday credit from DNB or to support credit arrangements with commercial banks.

Besides potential defaults of Clearing Participants, the main credit risk faced by EuroCCP is exposure to Clearing Participants when a trade fails to settle. To mitigate this risk, EuroCCP charges a fail fee to discourage late settlements. This fee covers EuroCCP's costs but also acts as a deterrent as required by Regulation (EU) No 236/2012 on short selling, together with certain aspects of credit default swaps. In the event that a trade still fails to settle after a certain period of time, EuroCCP will start a buy-in process, the costs of which are borne by the failing Clearing Participant. For more detail, refer to EuroCCP's Regulation Buy-in[5].

Offsetting financial assets and liabilities

The financial assets and liabilities of EuroCCP do not meet the criteria for offsetting in the statement of financial position and are shown gross.

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

The following tables show assets and liabilities and the related amounts not offset in the statement of financial position as at 31 December 2019:

[2] Regulation Collateral is available on our website: www.euroccp.com.
[3] Regulation Clearing Fund is available on our website: www.euroccp.com.
[4] Regulation EuroCCP Investment Policy is available on our website: www.euroccp.com.
[5] Regulation Buy-in is available on our website: www.euroccp.com.

Financial assets (x EUR 1,000)	Gross amount of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Cash and cash equivalents	571,204	-	571,204	-562,294	-	8,910
Due from bank and due from customers	29,245	-	29,245	-29.245	-	-
Total	**600,449**	**-**	**600,449**	**-591,539**	**-**	**8,910**

Financial liabilities (x EUR 1,000)	Gross amount of recognised financial liability	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liability presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Due to banks	250,970	-	250,970	-29,245	-221,725	-
Due to customers	283,219	-	283,219	-	-283,219	-
Total	**534,189**	**-**	**534,189**	**-29,245**	**-504,994**	**-**

Liquidity risk

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

Liquidity is mainly required for securities settlement. The payment and settlement obligations at EuroCCP stem from its function as cash equity Clearing House: shares are bought and sold by Clearing Participants on a trading platform or OTC, and netted to settle two days later. During the settlement the actual payment for and delivery of the shares take place, this process requires intraday liquidity. If counterparties, which receive shares against payment, are unable to settle, an overnight liquidity need arises. This overnight liquidity need usually is limited and very short term, no more than a few days at the most.

The tables below set out the maturities of the company's financial assets and liabilities, as at 31 December 2019:

Financial assets (x EUR 1,000)	**Less than one month**	**Between one and three months**	**Between three and six months**	**Between six and twelve months**	**Between one and two years**	**Between two and five years**	**Between five and ten years**	**Total**
Cash and cash equivalents	571,204	-	-	-	-	-	-	571,204
Due from banks and due from customers	29,245	-	-	-	-	-	-	29,245
Other assets	629	3,458	154	138	86	23	-	4,488
Total	**601,078**	**3,458**	**154**	**138**	**86**	**23**	**-**	**604,937**

Financial liabilities (x EUR 1,000)	**Less than one month**	**Between one and three months**	**Between three and six months**	**Between six and twelve months**	**Between one and two years**	**Between two and five years**	**Between five and ten years**	**Total**
Due to banks	250,970	-	-	-	-	-	-	250,970
Due to customers	283,219	-	-	-	-	-	-	283,219
Accrued interest, expenses and other liabilities	23,948	812	-	3,101	189	-	-	28,050
Total	**558,137**	**812**	**-**	**3,101**	**189**	**-**	**-**	**562,239**

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

As a result of the weaknesses identified by the regulators in the liquidity risk management framework, significant efforts were invested to improve various areas with regards to liquidity risk management in 2018 and 2019. Stress tests have been expanded and enhanced, tools and procedures have been greatly improved, new mitigating measures have been designed and an important additional liquidity source is currently being implemented (also see Accounting Principles). These improvements were submitted to the relevant regulators for approval on 9 December 2019 through an Article 49 EMIR application. Approval was received on 22 June 2020. In addition a 3:28a application on the same topic was filed with the DNB on 14 February 2020 and approved by the DNB on 17 June 2020.

Market risk

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

To mitigate market risk, EuroCCP collects collateral from Clearing Participants to cover for the probable loss during normal market conditions, together with contributions to the clearing fund to cover losses if a default occurred during extreme but plausible market conditions. An appropriate haircut is taken on the Collateral to withstand extreme but plausible market

conditions. Adverse movements in exchange rates affecting the value of obligations and collateral are factored into the calculation.

After each day's trades have been netted, EuroCCP calculates the maximum theoretical loss of the portfolio of all open net positions based upon a 99.7% confidence level (three standard deviations) and assumes that a three-day time horizon would be required for liquidation. In this calculation the dominant factor is the price risk for each security; however, other risk factors such as currency risk are also taken into account. On a daily basis, back tests are performed to assess the adequacy of the margin model. In 2019, this process demonstrated that EuroCCP did not need to make any adjustment to the parameters of the model. The outcome of these back tests is reported to EuroCCP's regulators.

For intraday calculations, EuroCCP recalculates the margin requirement continuously, using the current positions and market prices. EuroCCP has the authority and the operational ability to demand additional collateral at first notice, whenever there is a significant intraday collateral deficit.

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

The collateral required to cover for extreme but plausible market conditions is placed in the Clearing Fund. The amounts and percentages of the respective contribution per Clearing Participant are stipulated in the Regulation Clearing Fund, available on our website.

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

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

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

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

EuroCCP does not run other price risk (the risk that fair value of future cash flows of the financial instruments will fluctuate due to changes in the market prices, other than those arising from interest rate risk or currency risk). The required Clearing Fund size of EuroCCP Clearing Fund as at 31 December 2019 stood at EUR 257.5 million.

Operational risk

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

OR&C is responsible for the maintenance of the entire control framework, including policies, processes and procedures, business continuity management, operational risk events including operational errors. Within all processes and procedures, (key) risk indicators and (key) performance indicators are defined, being used in daily and monthly monitoring. OR&C reports on a monthly basis to the management team related to the status of the control framework, with separate detailed report sent to all department heads. Additional reporting is sent to the Supervisory Board, Audit Committee

and the Risk Governance Board. These reports may include an overview of framework compliance (policies, processes and procedures), business continuity, operational losses, risk tolerance statements, open audit findings, issue and action management.

EuroCCP did not incur any material operational loss in 2019.

Fair value measurement

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

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their own economic best interest.

Fair value of financial assets and liabilities

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

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

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

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

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

Financial assets and financial liabilities are recognised on the date at which they are originated and are initially measured at transaction price. Subsequently, they are measured at amortised cost using the effective interest method, with the periodic (monthly) amortisation recorded in the statement of profit or loss.

As at 31 December 2019, EuroCCP was not aware of any material difference between the carrying value of the financial assets and financial liabilities and their estimated fair value, as all financial liabilities are short-term.

Disclosure of the contingent assets as at 31 December 2019 is presented below:

Contingent assets (x EUR 1,000)	**Value (market value)**	**Quoted market prices in active markets (level 1)**	**Valuation techniques - observable inputs (level 2)**	**Valuation techniques - significant unobservable inputs (level 3)**	**Net amount**
Non-cash contribution to clearing fund (bonds)	63,339	63,339	-	-	63,339
Non-cash deposits to interoperability fund (bonds)	71,165	71,165	-	-	71,165
Non-cash mandatory collateral deposits (bonds)	214,664	214,664	-	-	214,664
Collateral received (bonds)	21,218	21,218	-	-	21,218
Total	**370,386**	**370,386**	**-**	**-**	**370,386**

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

Notes to the statement of financial position as at 31 December 2019

(x EUR 1,000)

ASSETS

	2019	2018
1. Cash and cash equivalents	**571,204**	**566,193**

This item comprises cash on hand, freely available balances with central banks and credit and financial institutions with less than three months maturity from the date of acquisition.

From the total balance, EUR 215 million relates to the clearing fund balance of participants available only pursuant to the rules of the clearing fund.

The table below shows the components of cash and cash equivalents at 31 December.

Cash and cash equivalents with central banks	542,143	425,436
Cash and cash equivalents with related party companies	20,758	52,864
Cash and cash equivalents with third party companies	8,303	87,894
Closing balance as at 31 December	**571,204**	**566,193**
Components of cash and cash equivalents:		
Own cash	46,046	41,816
Cash and cash equivalents, related to business operations	525,157	524,377
Closing balance as at 31 December	**571,204**	**566,193**

Cash and cash equivalents related to business operations consists of cash required for settlement funding and cash received from clients to meet the collateral requirements.

	2019	2018
2. Due from banks and due from customers	**29,245**	**39,106**

This item consists of accounts receivables from participants, both credit and non-credit institutions, that relate to business operations. Due from banks and due from customers are fully collateralised by securities and do not belong to cash and cash equivalents. They reflect the value of transactions for which securities are delivered to EuroCCP in exchange for cash compensation. The securities are to be further delivered by EuroCCP to participants versus agreed cash compensation.

Due from banks and due from customers have an expected credit loss close to nil. When assessing this, EuroCCP considered the CCP business model and the risk mitigation measures in place (for which we refer to the risk management chapter in this document).

	2019	2018
3. Property and equipment	**1,790**	**1,153**

	Right-of-use asset	Lease-hold improvement	Equipment and motor vehicles	IT equip-ment	2019 Total	2018 Total
Cost as at 1 January	**-**	**583**	**454**	**2,288**	**3,325**	**2,891**
Impact of adopting IFRS 16	1,391				1,391	
Additions	-	-	17	217	234	434
Removal of fully depreciated assets	-	-	-	-	-	-
Closing balance as at 31 December	**1,391**	**583**	**471**	**2,505**	**4,950**	**3,325**
Accumulated depreciation at 1 January	**-**	**-117**	**-297**	**-1,758**	**-2,172**	**-1,863**
Impact of adopting IFRS 16	-301				**-301**	
Depreciation expense	-243	-97	-50	-302	-692	-310
Adjustment to depreciation due to removal of fully depreciated assets	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	-	1
Accumulated depreciation as at 31 December	**-544**	**-214**	**-347**	**-2,060**	**-3,165**	**-2,172**
Closing balance as at 31 December	**847**	**369**	**124**	**445**	**1,785**	**1,153**

Leasehold improvement is depreciated over 6 years (Amsterdam office premises, based on exiting contract). Most of the equipment and motor vehicles are depreciated over 5 years. IT equipment is depreciated over 3 years.

The impact of adopting IFRS 16 as at 1 January 2019 has a net impact of EUR 1.1 million, composed out of EUR 1.4 million value of right-of-use assets and EUR 0.3 million depreciation. The leases consist out of Amsterdam office premises located in World Trade Centre and the space leased in two data centres located in the Netherlands, used for storage and IT equipment.

The depreciation periods of the right-of-use assets correspond to the lease periods relevant to each asset.

As per 1 January 2019, EuroCCP identified three leases which subject to IFRS16. These include the Amsterdam office premises located in World Trade Centre and the racks space located in two data centres in the Netherlands (one rack in each data centre).

For these leases, an agreement / order is in place with the relevant vendor, as follows:

- Amsterdam office premises**:**
  - agreement signed in September 2017 for a minimum period of five years.
- Data centres:
  - Entered in vigour in July 2018 for a minimum period of three years.
  - Entered in vigour in November 2018 for a minimum period of three years.

For year ended 31 December 2019, EuroCCP has no impaired assets.

	2019	2018
4. Intangible assets	**3,293**	**1,608**

The intangible assets consist of acquired software (that is not an integral part of the hardware) and software under development. The acquired software is amortised in 3 years.
For year-end 2019, an additional EUR 1.9 million is capitalized as software under development (not yet in use).
EuroCCP has no impaired assets by 31 December 2019.

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

	Intangible assets under development	Intangible assets	2019 Total	2018 Total
Software at cost as at 1 January	1,013	3,925	4,938	3,619
Additions	1,848	112	1,960	306
Closing balance as at 31 December	**2,861**	**4,037**	**6,898**	**4,938**
Accumulated amortisation as at 1 January		-3,330	-3,330	-2,967
Amortisation expense		-275	-275	-363
Accumulated amortisation as at 31 December		**-3,605**	**-3,605**	**-3,330**
Closing balance as at 31 December	**2,861**	**432**	**3,293**	**1,608**

	2019	2018
5. Other assets	**6,072**	**7,608**
The table below shows the components of other assets at 31 December:		
Fees receivable from clients	296	360
Prepayments and accruals	3,977	3,554
Corporation tax receivable	1,129	832
Deferred tax asset	84	144
Other	586	2,718
Closing balance as at December 31	**6,072**	**7,608**

Prepayments and accruals consists of payments made in advance to providers of services and goods (according to commercial agreements in place). Fees receivables from clients relate to the month of December 2019, as the invoicing process takes place after the end of the month.

Deferred tax asset arise as a result of the difference between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes.

Components of other assets:		
Other assets (accruals) related parties	403	284
Other assets third parties	5,669	7,324
Closing balance as at 31 December	**6,072**	**7,608**

Other assets related parties include EUR 221 thousand representing advanced payments to the Dutch tax authorities on behalf of one of the members of the Management Board. The outstanding balance of EUR 221 thousand is not interest-bearing.

LIABILITIES

	2019	2018
6. Due to banks	**248,220**	**326,789**
The table below shows the components of due to banks at 31 December:		
Demand deposits due to banks	248,220	326,789
Closing balance as at 31 December	**248,220**	**326,789**
This item includes, among others, balances of those clearing participants which are banks in the Clearing Fund (EUR 95 million) and mandatory collateral deposits (EUR 139 million).		
The due to banks item can be split up as follows:		
Demand deposits due to related party banks	143,550	178,762
Demand deposits due to third party banks	104,670	148,027
Closing balance as at 31 December	**248,220**	**326,789**

	2019	2018
7. Due to customers	**285,969**	**234,174**
The components of due to customers at 31 December are as follows:		
Demand deposits due to customers	285,969	234,174
Closing balance as at 31 December	**285,969**	**234,174**

This item comprises balances of non-bank clearing participants (customers) in the clearing fund (EUR 120 million) and mandatory collateral deposits (EUR 166 million).
The demand deposits are all due to third party customers.

	2019	2018
8. Tax payable	**58**	**79**
EuroCCP settles its tax obligations directly with the tax authorities in the relevant jurisdictions (the Netherlands and the UK).		
As at 31 December the composition of tax payables is as follows:		
Corporate tax payable	-	-
VAT payable	58	79
Closing balance as at 31 December	**58**	**79**

	2019	2018
9. Other liabilities	**29,591**	**9,969**
As at 31 December the composition of accrued interest and other liabilities is as follows:		
Accrued interest charges	546	650
Payables	556	548
Accruals	3,287	2,888
Salary related payables	1,701	2,163
Lease liability	995	-
Other	22,506	3,720
Closing balance as at 31 December	**29,591**	**9,969**

The accruals item consists of cost reservations for services performed by providers to EuroCCP, services for which invoices are not yet received. Most of the reservations relate to costs incurred in December 2019, relevant to both core business and administrative activities of EuroCCP.

"Other" includes business operations liabilities which relate to pending settlements and the Settlement Efficiency Improvement Fund (SEIF), as described in our Regulation Fees and Penalties[6], whose disbursements are made upon consultation of the Advisory Board of EuroCCP. These disbursements are reflected in note 15. The business operations liabilities constantly change because pending settlements differ per day. These fluctuations can result in relatively large differences in the statement of financial position at year-end.

Components of accrued interest, expense and other liabilities:		
Accrued interest, expense and other liabilities related parties	102	78
Accrued interest, expense and other liabilities third parties	29,489	9,891
Closing balance as at 31 December	**29,591**	**9,969**

Included in Other liabilities is the IFRS 16 lease liability amounting to EUR 995 thousands, calculated using the following assumptions:

Office premises

Lease term:	72 Months
Interest rate:	0.25% (marginal lending rate)
Annual increase:	3.00% (linked to index rate)

Data centres

Lease term:	36 Months
Interest rate:	0.25% (marginal lending rate)
Annual increase:	3.00% (linked to index rate)

The interest rate applicable at the date of initial application was 0.25%, there have not been a change to this rate subsequently therefore the liability has not been restated.

[6] Regulation Fees and Penalties is available on our website: www.euroccp.com.

The underlying assets are disclosed in note 3.

The following table shows the maturity of the lease liabilities for the above leases:

Maturity of lease liabilities

	Within 12 Months	More than 1 year but less within 5 years	More than 5 years	Total
Lease liabilities	292	703	-	995

	2019	2018
10. Shareholders' equity	**47,761**	**44,657**

At year-end 2019, EuroCCP has 7,500 ordinary shares in issue. The authorised share capital amounts to EUR 15 million distributed over 15,000 ordinary shares, each having a nominal value of EUR 1,000.

Share capital	7,500	7,500
Share premium	5,392	5,392
Retained earnings	24,254	24,854
Other reserves (EMIR)	4,787	4,744
Other reserves (legal reserve)	2,861	1,013
Other reserves*	-123	-120
Proposed result of the year	3,071	1,277
Other comprehensive income for the year	19	-3
Shareholders' equity	**47,761**	**44,657**

*(re-measurements of defined benefit pension plan and currency translation

As at year-end 2019, the capital required by EMIR is EUR 24,763 thousands.

Other reserves (EMIR) consist of dedicated own resources, as are required by Regulation (EU) no. 648/2012 and Regulation (EU) no.153/2013. Other reserves (legal reserve) – incurring since 2018 as a requirement under Title 9 of Book 2 of the Dutch Civil Code - are in relation to the replacement of the risk management system. Other comprehensive income for the year comprises the impact of the currency translation differences arising on consolidation of the London Branch, net of tax.

IFRS 16 adjustment

The cumulative effect on retained earnings - as disclosed in the Statement of changes shareholders' equity - is as follows:

	1 January 2019
Decrease in operating lease expense - rent	-324
Increase in depreciation	301
Increase in Interest expense	4
Decrease in taxation - deferred	5
Retained earnings adjustment (after tax effect)	**14**

	2019	2018
11. Contingent assets	**692,319**	**904,136**
The details of contingent assets at 31 December are presented below.		
Non-cash contribution to clearing fund (bonds)	63,339	59,829
Non-cash deposits to interoperability fund (bonds)	71,165	105,114
Cash deposits to interoperability fund	321,933	335,981
Non-cash mandatory collateral deposits (bonds)	214,664	273,209
Collateral received	21,218	130,003
Total contingent assets	**692,319**	**904,136**

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

The non-cash contribution to the clearing fund is governed by the rules of the Regulation Clearing Fund[7].

Interoperability fund deposits are comprised of cash and non-cash deposited by clearing participants of EuroCCP, according to the Regulation Interoperability Fund[8].

Mandatory collateral deposits are subject to the Regulation Collateral.

The collateral received is relevant for and subject to REIP, that safeguards the cash provided by the clearing participants as clearing fund contributions and mandatory collateral deposits. EuroCCP does not have any economic interest in the collateral.

As per 31 December 2019, contingent assets received from related parties amounted to 98 million euro, cash and bonds.

	2019	2018
12. Contingent liabilities	**257,770**	**374,533**
Commitments (rental of premises)	172	1,741
Guarantee given	257,598	372,792
Total contingent liabilities	**257,770**	**374,533**

Rental of premises represent the minimum period commitments as per 31 December 2019 for the rental agreement for London office premises. As of 1 January 2019 EuroCCP applies IFRS 16 for the lease related to the office premises in Amsterdam.

The “guarantee given” represents collateral pledged by EuroCCP on 31 December 2019 to the other interoperable CCPs, to cover margin calls EuroCCP received from other interoperable CCPs under reciprocal collateral arrangements in place with Clearstream Banking, which allow the co-operating CCPs to provide collateral to each other to meet the interoperable CCPs’ margin obligations. For EuroCCP, the assets used

[7] Regulation Clearing Fund is available on our website: www.euroccp.com.
[8] Regulation Interoperability Fund is available on our website: www.euroccp.com.

to provide collateral are deposited by the Clearing Participants in the interoperability fund designated account.

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

Notes to the statement of profit or loss for 2019

(x EUR 1,000)

	2019	2018
13. Net interest income	**2,344**	**1,740**
Interest income	-	-
Negative interest on liabilities	6,104	6,176
Interest expense	-786	-982
Negative interest on assets	-2,974	-3,454
Net interest income	**2,344**	**1,740**

Negative interest on liabilities comprises of interest charged by EuroCCP for the financial liabilities to its clients, as a result of negative interest rates.

The breakdown of negative interest on liabilities is as follows:

Negative interest on liabilities related parties	1,536	1,389
Negative interest on liabilities third parties	4,568	4,787
Interest expense	**6,104**	**6,176**

Net interest comprises of interest amounts paid by EuroCCP for use of credit lines, directly related to EuroCCP's settlement needs in different markets),
The breakdown of net interest expense is as follows:

Interest expense related parties	371	206
Interest expense third parties	415	776
Interest expense	**786**	**982**

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

Negative interest on assets can be split in:		
Negative interest on assets related parties	-142	-779
Negative interest on assets third parties	-2,832	-2,675
Negative interest on assets	**-2,974**	**-3,454**

Included in negative interest on assets third parties, the interest on lease liabilities amounts to EUR 3 thousand.

	2019	2018
14. Net fees and commissions	**20,443**	**18,322**

The Commissions and fees item can be split as follows:

Commission and fee income	33,523	32,164
Commission and fee expense	-13,080	-13,842
Net commissions and fees	**20,443**	**18,322**

The components of fee and commission are:

Net commissions securities	20,536	18,461
Net commissions - other	-93	-139
Net commissions and fees	**20,443**	**18,322**

The breakdown of the net commissions and fees item is:

Net commissions and fees related party companies	3,839	3,075
Net commissions and fees third party customers/banks	16,604	15,247
Net commissions and fees	**20,443**	**18,322**

	2019	2018
15. Other revenue	**1,366**	**1,175**

This item consists mainly of cost recovery items related to company's initiatives for new products and settlement process enhancement in value of EUR 1.3 million. Included in this item are also the foreign exchange differences on monetary items and the result coming from losses from operational activity, which are immaterial (net impact is cost EUR 9 thousand).

	2019	2018
16. Personnel expenses	**8,543**	**9,867**

Details are presented below:

Salaries and wages	5,989	7,592
Social security charges	911	507
Contributions to defined contribution pension plans	674	674
Bonus expenses	735	832
Other	234	262
Total staff expenses	**8,543**	**9,867**

The remuneration of the Management Board in 2019 was EUR 1.7 million, composed of salary and bonus, comparable with EUR 1.65 million in 2018. The contributions made for the defined contribution pension plans amounted to EUR 42 thousand (2018: EUR 55 thousand).
The average number of full-time equivalent employees in 2019 was 57.6 (2018: 59.3).
The remuneration to the Supervisory Board was EUR 146 thousand in 2019 (including VAT) relevant to 3 members. The remuneration to the Supervisory Board was EUR 201 thousand in 2018 (including VAT) relevant to 3 members.

The breakdown of personnel expense is as follows:

Expense related parties	549	561
Expense third parties	7,994	9,306
Total personnel expense	**8,543**	**9,867**

Employee benefits

Defined contribution pension plan

By 31 December 2019, all EuroCCP employees benefited from defined contribution pension plans. The amount paid to defined contribution pension plans of employees in Amsterdam and London amounted to EUR 674 thousand in the statement of profit or loss which is comparable with the amount for 2018 (EUR 674 thousand).

	2019	2017
17. Depreciation and amortisation	**962**	**674**
Details of depreciation and amortisation expense are presented below:		
Depreciation expense	444	310
Depreciation right-of-use assets (IFRS 16)	243	-
Amortisation expense	275	364
Total depreciation and amortisation	**962**	**674**

	2019	2018
18. Other operating and administrative expenses	**10,589**	**9,019**
Details of other operating and administrative expenses are presented below:		
Technology and system costs	5,440	5,118
External staff	1,385	586
Audit, legal and compliance expenses	1,417	830
Consultancy	1,146	1,069
Travel and representation expenses	227	163
Rental expenses	303	577
Other	671	676
Total other operating and administrative expenses	**10,589**	**9,019**

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

Expenses related parties	2,998	2,911
Expenses third parties	7,591	6,108
Total other operating and administrative expenses	**10,589**	**9,019**

Operating and administrative expenses increased by EUR 1.6 million compared with prior year, mainly due to increase in professional fees in relation to the acquisition of EuroCCP's shares by Cboe Worldwide Holdings Limited and the preparation to secure the subordinated loan as of 1 July 2020.

External auditor's fee

The remuneration to be paid to the external auditor totals EUR 355 thousand for the audit of the financial statements (2018: EUR 218 thousand).

	2019	2018
19. Income tax	**988**	**399**
The details of the corporate income tax are presented below ("-" is profit in this particular note):		
Profit before tax	4,059	1,677
Tax	25%	25%
Current tax expense for the current period	1,014	418
Tax rate difference London office	-7	-4
Adjustment recognised in the period for current tax of prior periods	-68	4
Deferred tax expense arising from previous period	49	-18
Total income tax expenses	**988**	**400**
Income tax relating to other comprehensive income	6	-1
Total income tax	**994**	**399**

The effective tax rate was 24% in 2019, comparable with the previous year's effective tax rate of 24%. During 2019, the corporate income tax was 25% in the Netherlands.

Proposal for profit appropriation

The Management Board proposes that the net profit for 2019 totalling EUR 3.1 million be added to retained earnings.

Post-balance sheet date events

Some important events have occurred after the date of the reporting period of these financial statements, as disclosed below.

Change in the liquidity risk management framework

During 2020, EuroCCP obtained approval from the relevant regulatory authorities for a fundamental change of the liquidity risk management framework. With this approval, some shortcomings in the liquidity framework identified previously by regulators were formally resolved. A very important component of the enhanced liquidity risk management framework is that EuroCCP was able to secure a subordinated loan of EUR 1.5 billion as of 1 July 2020.

Change in shareholders base

On 1 July 2020, Cboe Worldwide Holdings Limited, an affiliate of Cboe Europe Limited - one of the shareholders of EuroCCP by end of the reporting period as per these financials statements – acquired 100% of the shares of EuroCCP, becoming the sole shareholder of the company.

COVID-19

The outbreak of COVID-19 spread rapidly since beginning of the current year, affecting the economic activity worldwide and the health and safety of the global population.

The management of EuroCCP is closely monitoring global developments from the onset of the pandemic. In doing so, the management ensures that it is constantly informed of the latest economic and financial developments as well as developments with regard to safety and health. Since the situation differs per geographic region, developments are also monitored at local level where relevant for the company.

The management of EuroCCP pays special attention to the safety and health measurements by providing guidance to the employees in line with the local governments requirements.

When assessing the impact of COVID-19 on the financial performance of the entity and its stakeholders, EuroCCP considered possible events and conditions that may affect the current and future business, looking into a 12 months period after end of the reporting period as well as the period up to 12 months after the date of these financial statements.

As a result of the COVID19 pandemic, the volumes cleared and settled by EuroCCP have increased sharply especially in March and April 2020 due to the increased trading activities of the Clearing Participants. This increased trading activity of our customers, combined with the exceptional market conditions, has led to an increase in collateral requirements vis-à-vis EuroCCP's clients. Despite this increase in the required collateral, no issues collecting collateral from customers have been encountered.

EuroCCP and its stakeholders have all shown that they have adapted well to the current situation and we see no reason to assume that this will develop negatively in the coming period. The systems of EuroCCP have once more proven to be robust enough to handle extremely high volumes and we expect our systems to continue to function properly in the coming period, even if volumes would increase again.

Legal procedures

EuroCCP is not involved in court procedures.

Amsterdam, 23 September 2020

Management Board:	**Supervisory Board:**
Cécile Nagel	David Howson
Arnoud Siegmann	Stephanie Renner
	John Deters
	Clotilde Bouchet
	Peter Bezemer

Other information

Independent auditor's report

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

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2019 of European Central Counterparty N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of European Central Counterparty N.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1 the statement of financial position as at 31 December 2019;

2 the following statements for 2019: the statement of profit or loss, the statements of total comprehensive income, changes in shareholders' equity and the cash flow statement; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on the other information included in the annual report

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

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

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

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

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

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

The Management Board is responsible for the preparation of the other information, including the Report from the Management Board, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;

- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 23 September 2020

KPMG Accountants N.V.

R. Smeeing RA

Rules on profit appropriation	As per article 24 of the Articles of Association of EuroCCP, the authority deciding over the allocation of profits (as determined by the adoption of the annual financial statements) and making distributions is vested in the General Meeting of Shareholders, with due observance of the limitations prescribed by law. A resolution to make a distribution will not be effective until approved by the Management Board. The Management Board may only refuse to grant such approval if it knows or reasonably foresees that after the distribution, EuroCCP would not be able to continue to pay its debts as they fall due.

Other information

EuroCCP is registered as a UK establishment of an overseas company at UK Companies House, with the office located in London.