



Euroclear

ANNUAL REVIEW 2019

Important note

The information on which the statements herein are based, is derived from the audited consolidated financial statements of Euroclear Holding SA/NV for the year ended 31 December 2019. These will be submitted for approval to the annual general meeting of shareholders in May 2020 and will be filed in accordance with applicable requirements under Belgian law.

ANNUAL REVIEW 2019

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Marc Antoine Autheman Chairman of the Board

Chairman's message

Dear shareholders,

As I write this, the COVID-19 crisis is having a profound impact on the lives of billions of people and the financial markets around the world. I hope that you are managing to adapt to the challenges this has imposed on us all. As for many companies and wider society, the human cost on Euroclear has been painful, even if the financial and business impacts have been successfully contained.

I am pleased to report that 2019 was another year of outstanding performance for Euroclear. We built on our success in 2018 with continued growth on all fronts: strong revenue growth, ahead of plan, in combination with effective cost control initiatives produced record net profit for the group of €431 million. Your Board is particularly pleased with this performance given we have continued to invest in strengthening our platform for the future.

Based on this sustained performance, and considering the company's robust capital base, the Board informed all shareholders in February of its intention to recommend a dividend of €82.4 per share, with a 60% pay-out ratio, right in the middle of the 55% to 65% guidance the Board has adopted for future recommendations.

While the Board remains confident that your Company's low risk profile and the resilient nature of its business will preserve the safety and profitability of Euroclear in 2020, it will follow the recommendations made by the European Central Bank (ECB) to European banks on 27 March 2020 regarding dividend distributions. In line with the ECB's recommendations, the Board will postpone any payment of dividends until at least 1 October 2020.

Strengthening our framework

We made further progress in strengthening our risk framework and in monitoring its implementation in 2019. Six out of seven operating entities were granted new CSD licenses last year, including Euroclear Bank which became the first International CSD to do so.

This was an important milestone for our company and is testament to our continuous investment in making Euroclear a safe, secure and efficient infrastructure for all financial market participants. None of this would have been possible without the hard work of our management and colleagues in fostering the stability and soundness of our organisation.

Euroclear has been relied upon as a trusted and safe provider of financial market services for over 50 years, and this hallmark of quality from the regulator is further proof of our commitment to our customers.

Governance

There have been a number of changes to the composition of our Boards over the course of 2019 and their size has been significantly reduced.

Effective 3 May 2019, the Euroclear Holding Board was reduced to twelve people. Nine Board members were reappointed and we welcomed three new Board members, Sophie Javary, Anthony Attia and Bert De Graeve.

The following mandates were not renewed at the level of Euroclear Holding: Lieve Mostrey, Ellis Ferran, Bernard Frenay, Inge Boets, Andrew Butcher, Harold Finders, Francis La Salla, Franco Passacantando, Oliver Stuart (who are directors of the main operating company of the group, Euroclear SA/NV) and Patrick Colle, Andrew Murray, Katsunori Obata, Sota Suzuki, and Catherine Langlais, who resigned from the Board. Lieve Mostrey, as group CEO, remains a permanent attendee of the Euroclear Holding Board. I would like to express sincere thanks and recognition to all for their contributions to the Company.

The Euroclear SA/NV (ESA) Board was composed of fifteen Directors including three executive directors and twelve non-executive directors, of whom eight were considered to be independent directors, under the new Belgian Code of Companies and Associations, with effect from the start of 2020.

We welcomed Diana Chan, Yuxin Du, Emeric Laforet and Oliver Stuart to the ESA Board during the financial year.

The events of recent weeks, as the impact of the COVID-19 has grown, remind us of the fragility of markets to external shocks. We will continue to invest in the strength and resilience of our framework to ensure we meet the challenges facing global financial markets.

Marc Antoine Autheman Chairman of the Board

Corporate Responsibility

Never has the focus on the responsibilities placed on business been so great as today. 2019 was the second year that we published Euroclear's sustainability report, outlining our achievements across corporate social responsibility, in accordance with the Global Reporting Initiative Standards.

With green finance reaching record levels in 2019, we have been working to support demand from global issuers and investors to incorporate Environmental, Social and Governance factors into their securities profile and are actively supporting the standardisation of these metrics.

Separately, our white paper on the "Impact of Euroclearability" last year found that our business enables connectivity between domestic bond markets and international investors, allowing growing economies to attract crucial foreign investment. COVID-19 is having

a profound impact on capital issuance in emerging markets, and we stand ready to help, to the best of our ability.

Liquidity

A key focus for your Board this year has been to undertake a thorough review of liquidity options, with the goal of enabling an orderly transition of the company's shareholder base. This will, in turn, support the stability and openness of our European Financial Market Infrastructure over time.

Euroclear's good performance in 2019, and the recent addition of new prominent shareholders, triggered a growing interest in our shares from a variety of investors. These developments supported our plan to prepare a structured initiative which would recognise the value of Euroclear and its ability to generate sustained returns under a low risk profile.



By December 2019, the company's Boards completed the study phase of this process. However, the COVID-19 pandemic has now led to an economic crisis, the magnitude and length of which is currently unknown. As such, the Board has decided to stop all work on a tentative liquidity initiative, and wait until economic activity and market stability has been restored in a sustained way to consider the matter again.

Outlook

Looking ahead, it is clear that 2020 has already proved a challenging year for financial markets. The outbreak of COVID-19 has created significant uncertainty for global economies and markets in the first few months of this year.

The events of recent weeks, as the impact of the COVID-19 has grown, remind us of the fragility of markets to external shocks. We will continue to invest

in the strength and resilience of our framework to ensure we meet the challenges facing global financial markets.

The situation is currently rapidly evolving and the full impact remains unclear at the time of writing this report. The Board continues to monitor the situation closely and considers that, in the short term, Euroclear is well positioned to maintain the stability of its financial market infrastructures and the safety of its operations for the benefit of all market participants, while ensuring the wellbeing of its people. After the COVID-19 crisis subsides, we expect Euroclear to be well placed to continue delivering value to stakeholders through its attractive customer proposition and unique business model as an independent, open financial market infrastructure.

Marc Antoine Autheman

Interview with Lieve Mostrey

Euroclear group CEO

Q. Before we talk about Euroclear's performance, can you share your perspective on COVID-19 and its impact on both the business as well as the broader financial markets?

Lieve Mostrey. The global economy and health system is currently facing unprecedented challenges and uncertainty dealing with COVID-19.

The situation is very dynamic and is currently having a significant impact on the behaviour of financial markets and their participants across the world. The human aspects of this crisis are especially troubling.

During this time, our key priorities are the welfare and wellbeing of our colleagues, while continuing to safeguard both our clients' and Euroclear's assets.

We are monitoring the situation very closely and carefully assessing any potential impact on our business. Despite the exceptional volumes being processed across the financial markets, Euroclear is performing well. All services are up and running as normal, and we have remained open for capital market activity throughout. Meanwhile, I am encouraged that the financial market community has continued to work together to support clients.

We have a strong balance sheet and a AA/AA+ rating. Our disciplined risk management, limited leverage and prudent liquidity position means we are well positioned to safeguard our clients' assets during this period of uncertainty.

Q. Euroclear continued to deliver growing financial results in 2019; how would you describe the group's performance?

LM. I'm very pleased with how Euroclear performed, both operationally and financially, with our key business metrics again demonstrating our attractiveness to customers and illustrating our systemically-important role at the centre of global financial markets.

In total, the Euroclear group settled 239 million transactions, up 3.9% compared to 2018, which is the equivalent of €837 trillion being transacted through our platforms. That's equivalent to ten times global economic output. Assets under custody reached a record €31.4 trillion at year end, while average collateral outstanding grew 6% to reach €1.3 trillion.

Revenues (comprising Business Income and Interest, Banking and Other Income) increased by 8% year-on-year to €1,435 million as we benefited from the consistent implementation of our strategy and captured the benefit of positive market conditions.

Business income growth reached 6% to €1,145 million, which is above secular through-the-cycle levels. We are very pleased with these levels of organic growth for a mature business like Euroclear. It demonstrates the effectiveness of our strategy to grow such high-quality fee earnings.

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Lieve Mostrey Euroclear group CEO

We also benefited from increased net interest earnings, up 13% to €290 million, predominantly due to higher US interest rates in the first half of the year. Following the US Federal Reserve's decision to lower interest rates, the interest rate environment weakened in the second half 2019. The interest rate environment has, of course, since been further impacted by the response to the current Coronavirus crisis.

In addition, we continued to balance our investments in business initiatives, including compliance with the Central Security Depository (CSD) Regulation and the ongoing transformation of our technology divisions, while closely managing operating expenses. Our focus on costs combined with business income growth enabled us to deliver a business income operating margin of 28.4%, up four percentage points, which is progressing ahead of our plans towards our targeted low to mid-thirties level by 2023. The group's EBITDA margin increased by five percentage points to 49.4%.

Given the sustained revenue growth and close management of costs, Euroclear delivered operating profit of €616 million, an increase of 20% compared to the prior year. Net profit rose 34% to €431 million.

Q. Euroclear also reached some important milestones in its regulatory compliance. What does this mean for customers?

LM. Indeed, six out of seven group operating entities, including Euroclear Bank, the group's International CSD, have now been granted CSD licenses from their respective competent authorities. This is hugely significant and reflects our strengths as an organisation.

Safety and robustness, alongside efficiency and access to liquidity, are the pre-eminent reasons why customers use us as their financial market infrastructure. We continue to invest in these aspects – including with regards to evolving cyber threats. Nevertheless, regulatory approval under CSDR provides a hallmark of quality that only a limited number of European CSDs have achieved so far.

Reaching these milestones also allows us to turn our resources towards other initiatives that enhance the value we provide to customers, such as modernising our technology and innovations that grow and reshape our network.

Q. Can you tell me more about your planned investments to enhance value for customers?

LM. One of our key areas of strategic focus over a number of years is providing a hub of liquidity to investors around the world, whether by making markets 'Euroclearable', through collateral management solutions or insights from new liquidity data solutions. These initiatives, which remain a central focus for the group, have supported financial markets' evolving needs and underpinned our business income growth.

Since 2016, we have connected three of our domestic European CSDs to the European Central Bank's Target2-Securities (T2S) platform, providing access to Eurozone securities with central bank money settlement. We recently announced that we will connect Euroclear Bank to T2S, an innovative step that would give global investors the choice between euro settlement in commercial or central bank money.

Euroclear would therefore create a single pool of collateral liquidity across multiple currencies and market jurisdictions, which supports the European Union's long-standing ambitions to increase efficiency and reduce fragmentation across its financial markets.

At the same time, we have embarked on the modernisation of our technology, with significant investments in new technologies, cyber security, optimising our ways of working and exploring innovation. We anticipate that these investments will also facilitate efficiency gains across different areas of the business in the coming years. This sustained investment has helped to minimise operational risk and build a more resilient business allowing us to support our customers and colleagues through this difficult time.

Finally, we are also investing in a solution to offset the impact of Brexit on the settlement of Irish securities which currently are processed by Euroclear UK & Ireland. Having worked closely with authorities and financial market participants in Ireland we are pleased to be able to develop a solution through Euroclear Bank.

Q. As we enter a new decade, how do you see the role of financial market infrastructure evolving?

LM. 2019 was a year when purpose, not just profit, became a central theme for businesses worldwide. With a position at the centre of the financial markets, Euroclear has important responsibilities that help enable the global economy to function better.

In its report into the impact of Euroclearability, PwC found that emerging market sovereign issuer borrowing costs for primary issuance reduced by 28 basis points simply by being connected to Euroclear. They found that this money could instead be invested in other areas, such as schools and hospitals, making a real impact for the people that most need it in our global society.

We share such broader societal concerns with many other players within the financial industry, and it's important that the sector takes steps to build trust in the post-financial crisis world. As such, for a number of years, we have been actively engaged in promoting ethical practices in financial industry by supporting the Ethics and Trust in Finance Prize for people under the age of 35. We are especially proud that a Euroclear employee received a Special Commendation of the Jury in the 2019 edition.

We are encouraged by the continued growth of the ESG financial sector, with green bond issuance reaching record levels. However, the sector faces challenges to ensure that coherent industry standards are implemented, to avoid concerns from both issuers and investors about greenwashing. As an infrastructure at the centre of the financial market ecosystem, we are actively exploring how to help overcome such concerns.

Q. Do you have any closing thoughts?

LM. Euroclear has been closely monitoring the COVID-19 situation over the past weeks. I would like to say thank you to my colleagues, not only for their continued dedication over the last year but also adapting quickly to the changing demands of the job during a period of increased uncertainty for our industry and our company. The human price to pay in such a crisis has been high. In this context, we can be proud of how our workforce is embracing the ongoing evolution of our business and contributing to the resilience of our model.

I would also like to thank our partners. We remain grateful to our clients for entrusting their business with Euroclear, to suppliers for their contribution and to our regulators as we strive towards our shared goal of making financial markets a safer place, especially during this current period of global uncertainty. Our focus is on helping you and ensuring continuity of our services as a financial market infrastructure.

Finally, I would like to thank our shareholders and bondholders for their continued support of our business and strategic vision.

Turnover¹ (in € trillion)



Value of securities held²
(in € trillion)



Average daily collateral provision outstanding²
(in € billion)



Number of netted transactions (in millions)



Group-wide fund orders routed (in millions)



¹ The data includes intra-group holdings/transactions, as relevant.

² Yearly average



Euroclear group

Management Committee

The Management Committee of Euroclear SA/NV is responsible for managing the operations of the Euroclear group.

It is chaired by the group Chief Executive Officer.



From left to right

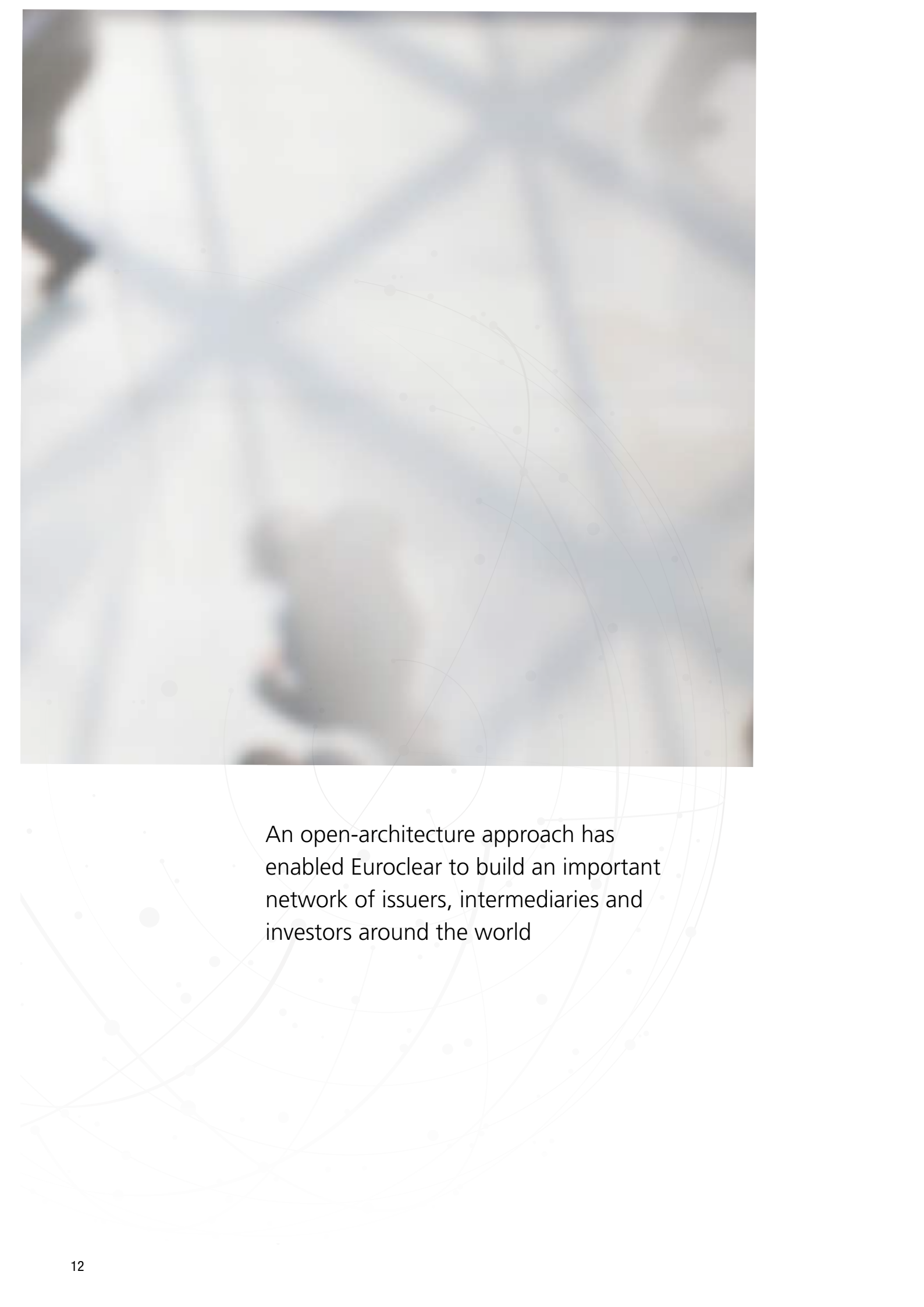
Yves Dupuy Chief Information Officer

Lieve Mostrey Chief Executive Officer

Frederic Hannequart Chief Business Officer

Bernard Frenay Chief Administration Officer

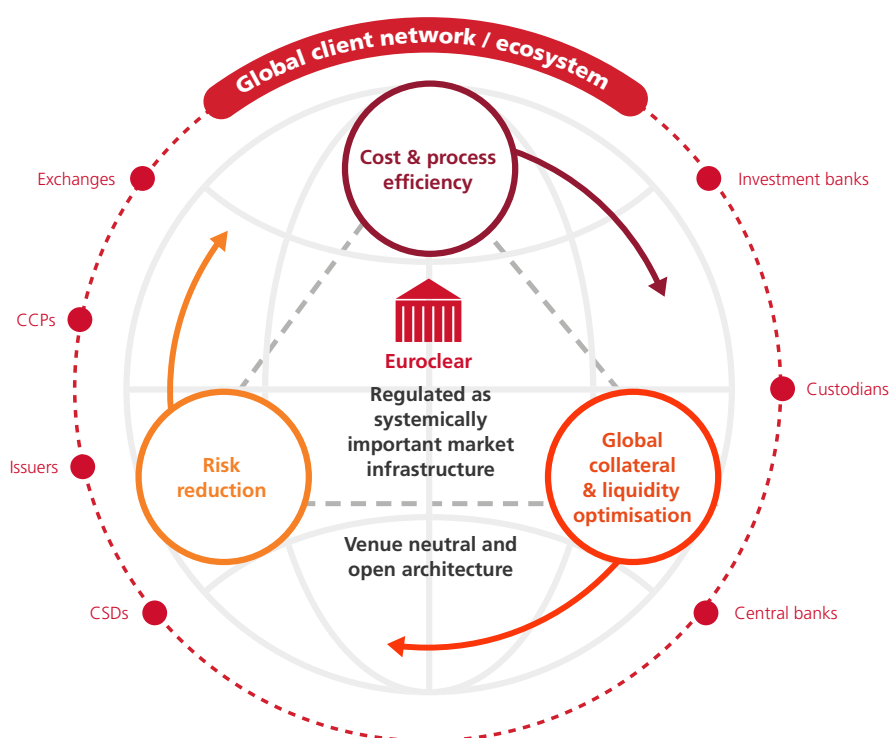
Peter Sneyers Chief Risk Officer



An open-architecture approach has enabled Euroclear to build an important network of issuers, intermediaries and investors around the world

Our strategy for evolving capital markets

Our business strategy builds on Euroclear's position as a systemically important infrastructure, at the centre of the global financial market ecosystem.



Our strategy is focused on three strategic objectives:

- **Strengthening our network** in Eurobonds, European securities and fund asset classes
- **Growing our network** by expanding internationally and by connecting global collateral pools
- **Reshaping our network** by exploring innovative value-add solutions that ensure our long-term relevance to clients

An open-architecture approach has enabled Euroclear to build an important network of issuers, intermediaries and investors around the world.

By bringing together this network, we aim to facilitate financing in capital markets by reducing risk, increasing process efficiency in post-trade activities, and optimising collateral mobility and access to liquidity.

Delivery of these strategic objectives will help clients safely navigate a rapidly changing operating environment, while contributing to a sustained long-term financial performance. In 2019, Euroclear further built on the record operating metrics and financial performance in 2018, which is testament to the group's strategic progress and attractive customer proposition.

Strengthening our core European network

We continually invest in providing robust and relevant market infrastructure services for the markets we serve through our international CSD (Euroclear Bank) and the group's six domestic CSDs.

Euroclear has a long-lasting commitment to Europe, holding 60% of Eurobonds and 50% of European capital market securities. The group also provides significant coverage of the European funds industry, with access to over 1,200 fund administrators and 145,000 funds. Our core European network generates approximately 75% of the group's business income.

Embracing regulatory change to drive efficiency and safety

For over half a century, Euroclear has been relied upon as a trusted and safe provider of financial market services. The global financial crisis of a decade ago triggered new regulatory initiatives, all aimed at safeguarding capital market efficiency and safety. Since then, participants have been embracing a stronger regulatory landscape that has been established in Europe.

Recent pan-European legislation such as MIFID II, EMIR, the CSD Regulation (CSDR), SRD2, and new banking regulations continue to lead to new industry needs as clients adapt to the new regulatory requirements. Euroclear has made considerable investments to remain at the forefront, adopting those rules that directly affect our business, such as CSDR whilst actively supporting participants as their expectations evolve.

As a single, pan-European rulebook for CSDs, CSDR applies directly to every (I)CSD in the group and adapting to the new regime has entailed significant investment over the past years.

We were therefore delighted to have been granted licences from the competent authorities for six out of seven operating entities in 2019. Euroclear Bank, the ESES CSDs (Belgium, France and the Netherlands), Euroclear Sweden and Euroclear Finland all received

their CSD licences. Such progress places Euroclear amongst the most advanced in Europe and reinforces our role as a provider of a safe and efficient financial market infrastructure.

In addition, we have continued to prepare for the changes that are expected to come with the United Kingdom's decision to leave the European Union. In particular, we have focused on ensuring continuity for the Irish non-gilt securities settlement services after Brexit since these are currently provided from London by Euroclear UK & Ireland. Euroclear is well placed to continue its Irish securities settlement services after Brexit, having secured recognition for Euroclear UK & Ireland by the European Securities and Markets Authority (ESMA), until 30 March 2021. By this time, the Irish non-gilt securities market will have migrated to Euroclear Bank as its Issuer CSD, in addition to its existing role as CSD for Irish gilt securities. This transition will happen regardless of trading and listing arrangements.

Sustained investment to upgrade our technology capabilities

Given our role at the core of global financial markets, clients rely on us for efficient and safe technology solutions. During 2019, we defined a strategic vision, comprised of a number of transformation themes, to progressively upgrade our technology capabilities across the entire group.

First and foremost, we ensure that operational risks remain strictly controlled, with continued investment in cyber defence and business resilience. At the same time, we are selectively modernising our core systems, while avoiding a 'big bang' approach. This is further supported by efforts to modernise the group's IT infrastructure, providing solid foundations for future developments.

We also continue to invest in new digital solutions that support clients' evolving needs. As part of this objective, we are increasingly looking to cloud-based solutions, digital interfaces and blockchain solutions to support innovative services.

Moreover, we continue to strive to progressively become more data-driven, increasingly adopt agile ways of working across the whole organisation, and optimise our IT operating model leveraging group capabilities and global partners.

Such efforts continue to make Euroclear an appealing place to work for ambitious and skilled technology professionals, ensuring that we attract and retain talented people.

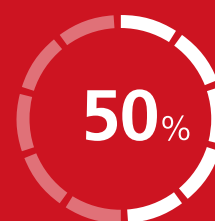
Supporting Europe's ambitions for a single capital market

Over the past years, European financial markets have been shaped by a sustained low-interest rate environment and the effects of stronger pan-European regulatory regimes, for all participants. These conditions have increased clients' appetite for access to an efficient, robust and harmonised European post-trade network that goes beyond the traditional domestic borders. Furthermore, these clients expect an environment where they can reduce their liquidity and credit costs, via an accessible, common and seamless marketplace.

The European Union has held a long-standing policy ambition for a Capital Markets Union. One of the most important developments in reaching this goal was the setup of the European Central Bank's T2S platform in late 2016, which established a single settlement platform for Eurozone securities. As an integrated settlement model for Europe, T2S has aimed to reduce European fragmentation and make securities settlement more efficient.

Scale provider of post-trade services

€31 trillion
assets held in our
custody for our clients



€837 trillion
in turnover

+6%
y-o-y growth

239 million
transactions processed
+3.9% y-o-y growth

>1.5 million
securities
worldwide

Euroclear has supported the T2S initiative with the ESES CSDs (domestic CSDs for Belgium, France and the Netherlands) joining in 2016 and contributing c. 40% of total value of T2S-eligible securities. We continue to consider how best to further support clients' evolving needs for an efficient European post-trade network, including initiatives to increase interoperability between ESES and Euroclear Bank.

In November, as the first ICSD in the industry, Euroclear Bank announced that it is closely exploring whether to connect to the T2S ecosystem. By providing access to both central and commercial bank money, Euroclear Bank would be the sole global post-trade provider to provide access to central bank money on top of its commercial bank money environment.

Such a move would greatly assist financial institutions to manage their risk and increase efficiency, while also optimising liquidity. This also creates a single pool of collateral liquidity across multiple currencies and market jurisdictions and fosters more attractive European capital markets.

Better connecting European issuers to investors

Whilst we continue to focus on providing investor CSD solutions to global financial market participants, we also seek to make our issuer CSDs more attractive for local issuers, including in the asset management sector. Issuers are looking to distribute their securities to a broad range of potential investors, and to know and engage more closely with their shareholders.

Corporate governance has a crucial role to play in the entire end-to-end cycle, be it for the issuing entity or the end investor. Both sides of the chain expect high levels of transparency and higher engagement. This can be attained by embracing new regulatory conditions and technology to understand investor viewpoints, e.g. voting trends through electronic voting technology, shareholder analysis, etc.

We have a particularly strong issuer franchise in Finland and Sweden where we provide a range of

services, including helping issuers to manage their general meetings. We continue to develop these services through new product developments such as electronic voting solutions.

With the ESES markets now connected to T2S, we have the opportunity to attract new issuers to our CSDs from other European markets. For example, Euroclear France has been appointed issuer CSD for two Spanish equities listed on Euronext trading venues via its Tech Hub initiative.

In addition, we are developing new solutions that meet the new requirements of the incoming shareholder rights directive (SRD II). By creating new transparency requirements, SRD II provides issuers with the opportunity to better identify and engage with their shareholder base, and therefore strengthen corporate governance.

Providing efficient, global access to funds

Asset managers' objectives as funds promoters are similar to those of corporate issuers in enabling broad and efficient access to their issuances. We support their distribution strategies by developing a range of funds-specific post-trade services, known as Euroclear FundsPlace.

Our platform provides automated order routing, settlement, and asset servicing for fund assets. With our network of over 1,200 fund administrators, we routed 11.2 million funds orders in 2019, an increase of 2.6% year on year. We continue to deliver a more flexible service while allowing clients to leverage automation to reduce the cost, risks and complexity associated to processing fund trades.

The funds industry is embarking on a period of significant evolution. New innovative business models are being created to meet the expectations of an increasingly global and technologically savvy customer base and pressures to increase transparency and efficiency throughout the investment chain. Euroclear is supporting the industry to adapt to these changes.

For example, Legal & General Investment Management (LGIM) selected Euroclear UK & Ireland's CREST Investment Fund Service to benefit from full automation of settlement for its UK investment funds. The CREST Investment Fund Service delivers end-to-end automation from order placement to settlement and asset servicing. It reduces operational and counterparty risks, improves liquidity management and ensures certainty of settlement. Clients benefit from clear visibility of their settlement obligations and are able to manage cash flows effectively and efficiently.

In Sweden, a number of the country's leading fund management companies, have selected Euroclear Sweden to digitalise fund order flows, and so reduce the cost and risk associated with manual processing of fund administration. This follows on from the decision to add the Danish krone to its Exchange Traded Products service offering. Euroclear Sweden now provides a service for issuance, settlement and payment of Exchange Traded Products in Danish krone, Euro and Swedish krona.

A major trend in the fund management industry in recent years has been the rise of passive management. We have been at the centre of innovation in the Exchange-Traded Fund (ETF) market by developing the international ETF structure.

With its simplified issuance structure, the international model is attractive to both ETF issuers and global investors. Today, an important part of the European ETF industry is in the international form and major asset managers continue to migrate their ETFs to the structure. In an industry first, Euroclear Bank and Hong Kong Exchanges and Clearing Limited (HKEX) have collaborated to enhance the distribution of European ETFs in Asia. HKEX has become the first stock exchange in Asia to adopt the ICSD ETF settlement model in Euroclear Bank.

The place for funds

145,000

investment funds
processed by Euroclear

>1,200

fund administrators

€2.4 trillion

funds under custody

11.2 million

funds orders routed annually

Growing our network globally

As an open financial market infrastructure servicing multiple currencies, we support the evolving requirements of our clients as they look to benefit from the opportunities created by an interconnected global economy.

We are growing our network globally by supporting financial market participants increasing requirement to mobilise collateral across borders and time zones, as well as by connecting international markets to Euroclear. Together, these programmes have grown substantially over recent years and now contribute to around 25% of the group's revenues.

Providing global collateral management solutions

Through Euroclear's Collateral Highway, we support the financial market's requirement for a neutral, interoperable utility to source, mobilise and segregate collateral. It provides a comprehensive solution for managing collateral, offering clients a complete view of exposures across the full spectrum of their asset classes and enabling collateral optimisation opportunities.

In addition to more traditional collateral management activities (typically repos, securities lending, derivatives and access to central bank liquidity), our range of collateral management solutions includes dedicated services for corporate treasurers, and a specialised equities collateral management service.

By the end of 2019, the average daily collateralised outstanding on the Collateral Highway reached €1.3 trillion, despite challenging market conditions in the securities lending and borrowing market during the period.

The demand for collateral management services is expected to continue to accelerate, driven by the end of quantitative easing and the impact of new global regulations which require clients to post margin across transactions to reduce counterparty and systemic risk. One area of regulatory change is the new regime for initial margin requirements for non-cleared derivatives, and we have been accompanying clients in their transition since 2016.

During 2018 and last year, we continued to assist market participants to successfully on-board clients who transitioned to the new regime. Preparations are underway to support the broader range of clients who will do so in the years ahead. For example, we launched the Collateral Portfolio Service enabling our custodian clients to offer a triparty collateral management solution to their buy-side clients, making triparty a truly portable service offering, agnostic of the settlement and custody location.

Euroclear is now the sole owner of the GlobalCollateral entity, having taken over the 50% previously owned by DTCC in March 2020. In doing so, we enhance the efficiency and delivery model of the Collateral Margin Utility product that helps meet the industry's needs to manage collateral movements across borders.

Euroclearability – making an impact

Across the globe, growth economies are seeking to attract foreign investors to help fund long-term development needs. At the same time, international investors are seeking opportunities to diversify and increase the profitability of their investments around the world, particularly during a period of historically low yields in Europe and North America. Euroclear works closely to support local economies that wish to connect their domestic capital markets to a global investor base, aiming to bring more efficient capital flows and providing stability to these financial markets. Some emerging markets are also profoundly impacted by the global COVID-19 health crisis, and we continue to support these economies in accessing a global investor base now, and over the longer term.

Last year PwC, in cooperation with Euroclear Bank, published the white paper "Impact of Euroclearability" examining the benefits markets can achieve when they become Euroclearable. These include increased

liquidity in domestic sovereign bond markets, directly prompting higher trading volumes and lower bond yields in primary and secondary markets.

Markets that are Euroclearable illustrate a number of features that enable international investors to access domestic bond markets, such as efficient and secure asset ownership, an investor-friendly tax and regulatory environment and other features which enable connectivity between domestic bond markets and international investors.

Controlling for wider factors, PwC finds that Euroclearability is associated with a reduction in sovereign borrowing costs of 28 basis points (bps) in primary bond issues. This is broadly equivalent to the yield differential of one credit rating notch (i.e. the difference between A- and BBB+).

For six countries that have recently obtained Euroclearability, the potential gain from lower borrowing costs is associated with a GDP boost of US\$3.8 billion over 10 years. These countries reported a rise in spending on areas that benefit society, such as infrastructure and healthcare.


During 2019, Euroclear worked closely with four growth markets, China, Egypt, Israel and Saudi Arabia. Signing a Memorandum Of Understanding (MOU) with China Central Depository & Clearing, the intention is to work towards enhancing cross-border services and eventually establishing an efficient link to support further opening of the Chinese Interbank Bond Market.

Collateral Highway



€1.3 trillion average collateral outstanding mobilised daily
+8% y-o-y growth

Euroclearability



\$3.8 billion
Potential GDP boost to real economies for 6 recently Eurocleared countries over 10 years

+1.2%

increase in the annual education budget



or

+1.0%

in the annual healthcare budget



At IMF/World Bank spring meetings, the Egyptian Ministry of Finance (MoF) and Euroclear Bank also signed a MOU, looking to create the appropriate market conditions for local currency sovereign debt issuance. The intention is for the market to eventually become Euroclearable, creating a cross-border link to enable international investment in Egyptian domestic debt instruments. Euroclear signed a similar agreement with Saudi Arabia.

Later in 2019, Euroclear became a custodial member of the Tel Aviv Stock Exchange, enabling it to provide settlement and asset services for domestic Israeli securities through its direct account in the CSD (TASECH). The benefits to international investors include a higher level of asset protection, increased market proximity and faster access to securities.

In addition, we will support demand from global issuers and investors as they look to incorporate Environmental, Social and Governance (ESG) factors into their securities profile. Green finance reached record levels in 2019, with issuances of green bonds estimated to reach €250 billion according to the rating agency Moody's. With sustained investor demand, Euroclear actively supports standardisation of ESG indicators to help issuers prove their credentials and for investors to efficiently screen their investments.

Reshaping our network

Our strategy extends to exploring opportunities to support our clients' evolving needs in new areas that reflect our ambitions to increase safety, efficiency and global liquidity optimisation in capital markets. By combining new technology with new business models, we believe that there are exciting opportunities to reshape our network and deliver long-term sustainable business growth.

Investing in digitalisation and data

We continue to invest in connectivity and communications products that benefit clients' experience and increase efficiency. EasyWay™ is Euroclear's web-based interface that offers clients the ability to have a clear overview of settlement, collateral management and corporate actions activity. With accurate, real-time data at their fingertips, EasyWay helps users work efficiently and make fast, effective decisions to manage operational risks. We continue to see increasing usage of the EasyWay platform with over 870 active clients on the platform, up from 250 in 2018.

A further example is Taskize, which was acquired in 2017. Taskize's innovative messaging tool helps back-offices across our network to manage and resolve their post-trade activities more efficiently, particularly important in light of CSDR. Client demand for the service has steadily increased, with over 200 active clients in 50 countries reporting high levels of user satisfaction. Taskize is well suited to helping clients meet their incoming CSDR obligations, particularly in reporting and resolving settlement failures, whilst keeping their relationships confidential.

We continue to consult financial market participants to understand their evolving requirements to ensure that we enhance the end-to-end user experience as we upgrade our own digital capabilities. Indeed, we are also exploring how certain technologies, such as cloud-based solutions, smart automation and robotics, might help to enhance Euroclear's own operating efficiency with several pilot projects already proving successful.

Given its role as financial market infrastructure with over €31 trillion of assets under custody, Euroclear today manages a vast amount of financial transactions data. Euroclear is looking to extend its role in bringing greater transparency and liquidity in global capital markets by harnessing this untapped data. By bringing new, valuable and actionable insights to clients, we commit to support the development of safer, more efficient financial markets.

In the course of 2019, we were encouraged that our reference data products have been gaining client traction and generating some initial revenues. Preparatory work has also been completed for Euroclear's first cloud-based liquidity data solutions, with commercial phase scheduled for mid-2020.

Exploring emerging technologies

We continue to take a collaborative approach to innovation and in assessing the opportunities that may be captured from new technologies such as distributed ledger technology (also known as Blockchain).

For example, we have an investment in Liquidshare, a collaboration to develop a blockchain-based infrastructure for European small and medium-sized enterprises, that is now reaching the pilot stage. In 2019 we have also worked with the European Investment Bank (EIB), Banco Santander, and EY on an end-to-end Blockchain solution for the issuance and settlement of European Commercial Paper.

Managing risk

Euroclear operates within a highly regulated environment and is a systemically important financial market infrastructure. Euroclear aims to maintain its strong reputation in the financial industry for its safety, resilience and quality of its post-trade services.

The Euroclear Board considers that a comprehensive and effective risk governance framework underpinned by a sound risk culture is critical to the overall effectiveness of Euroclear's risk management arrangements.

We continuously monitor changes to the group's risk profile and endeavour to take appropriate steps to address significant deviations at an early stage in line with our risk profile and the Board's risk appetite. While primary focus is given to managing those risks that fall within Euroclear's span of control, as a financial market infrastructure we also consider the implications of external factors, such as potential systemic risks to

the financial markets, our participants and their clients and the implications of geopolitical risks and climate change.

We place special emphasis on managing legal and reputational risks, such as compliance and ethical risks, through our compliance risk management framework. We do this to ensure we meet our legal and regulatory obligations on matters such as diversity and inclusion, anti-fraud and money laundering or sanctions.

Euroclear mainly uses the below risk categories to facilitate risk identification and analysis.

Principal risks

Our approach

Operational risk

Risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Includes custody risk, fraud and cyber, business disruption, system failures and model risk.

Euroclear has reinforced its operational risk management framework in the context of CSDR licensing over the last years. Effective identification, monitoring, management and appropriate reporting are at the centre of our approach. Being a market infrastructure, the integrity, confidentiality and availability of our and our clients' data and the continuous availability of our services remain very important.

In 2019, Euroclear has continued to invest significantly in its cyber security capabilities including improvements to the cyber security risk culture. This investment in the IT risk and control environment resulted in improved security arrangements in a constantly evolving cyber threat landscape. Our investment will continue in 2020 and beyond to further reduce the residual risks and ensure sustainability. Euroclear also engaged in a holistic step-back on business resilience that led to a dedicated business resilience programme set-up constructed around evidencing, strengthening and extending recovery capabilities to meet increasing market and regulatory expectations.

Credit risk

Risks arising from the default or failure of a participant or other counterparty (e.g. cash correspondents, treasury counterparts) to meet their agreed financial obligations to Euroclear.

Credit risk is borne mainly by Euroclear Bank, in its role as single-purpose settlement bank. Euroclear Bank faces collateralised intra-day credit exposures on its clients. In addition, it runs credit risk resulting from the intra-day use of a high-quality correspondent network and from short-term placements, mainly by using reverse repos, of clients' end-of-day cash positions in the market with high-quality counterparties. Euroclear Bank is continuously looking at initiatives to reduce the intra-day credit provided to its participants.

The CSDs of the group offer only securities settlement services in central bank money and do not provide credit to clients. They do not engage in operations with counterparties, except for the investment of their own funds.

Liquidity risk

Risks arising from being unable to settle a cash or securities obligation when due, resulting from inappropriate and/or insufficient liquidity sources.

Liquidity is key for the efficient functioning of Euroclear Bank. As a result, Euroclear Bank has built a robust liquidity management framework to ensure smooth day-to-day operations and to be able to cope with unexpected and significant liquidity shocks.

Over the past two years, Euroclear Bank has established a Euro Medium Term Note program and a Certificate of Deposit multi-currency program, issuing a total of €4.8 billion. This has increased the robustness of its liquidity arrangements as per CSD Regulation (including increased committed liquidity facilities) and has enabled the company to put liquidity arrangements in place to cover for unexpected liquidity shortfalls consistent with its Recovery plan.

Market risk

Risks to our (on or off balance-sheet) positions arising from movements in market prices.

Euroclear Bank has a very low level of market risk (interest rate and foreign exchange rate risks only) arising as a by-product of the investment of Euroclear Bank's capital (interest rate risk) and future earnings (interest rate and foreign exchange rate risks). A hedging strategy is in place to mitigate Euroclear Bank's foreign exchange risk.

Legal and compliance risk

Risks arising from applicable or upcoming laws, regulations, market rules and prescribed practices in all relevant jurisdictions, enforceability of contracts, conflicts of laws between jurisdictions.

A group-wide ethical and compliance framework is operated to adequately identify, monitor and manage legal and compliance risks. The areas monitored include amongst others, fraud, market abuse, sanctions and money laundering, and also consider the impacts arising from upcoming regulation.

Further information on our risks and uncertainties, risk management strategies, policies and processes can be found in the notes accompanying the consolidated financial statements of Euroclear Holding SA/NV and in our annual Pillar 3 report on www.euroclear.com.



The Euroclear group delivered a record business performance in 2019 reflecting the benefits of its strategy and its continued relevance as an systemically-important financial market infrastructure.

Financial review

The Euroclear group's results for the year and financial position at 31 December 2019 are set out in the Euroclear Holding SA/NV audited consolidated financial statements.

These figures are expected to be submitted for approval by Euroclear Holding SA/NV's 2020 annual shareholders' meeting. The full year 2019 figures are compared to the full year 2018 figures of Euroclear plc (unless otherwise indicated).

The Euroclear group delivered a record business performance in 2019 reflecting the benefits of its strategy and its continued relevance as a systemically-important financial market infrastructure.

Income statement review

Business income increased by 6% year on year to €1,145 million as we benefited from the consistent implementation of our strategy and positive market conditions. Net fee and commission income, which includes liquidity line fees, was €1,103 million in 2019, an increase of over 7% compared to the previous year.

Net interest income was €307 million, compared to €256 million last year, due to higher average interest rates margins (mainly in USD) coupled with slightly higher cash deposits on average during the year. Meanwhile, other income reached €25 million in 2019, a decrease of close to 50% compared to 2018, due to lower gains on foreign exchange and financial assets and liabilities held for trading.

Operating income was €1,435 million in 2019, an increase of about 8% compared to 2018.

Administrative expenses increased by 0.7% to €820 million in 2019 as continued investments in the business to modernise technology capabilities, along with product enhancements, regulatory-driven and cyber security initiatives were offset by tight control of operating costs. Indeed cost discipline remains a strong focus, demonstrated by the set-up of an operational excellence team to coordinate delivery of cost savings.

Share of results in the DEGCL joint venture amounted to a €1 million profit in 2019 compared to a loss of €7 million in 2018. The 2019 result of DEGCL is explained by a one-off tax gain for about US\$7 million (consortium relief) whereby DEGCL's 2017 and 2018 tax losses were transferred to UK affiliated entities of the consortium members, i.e. DTCC and Euroclear.

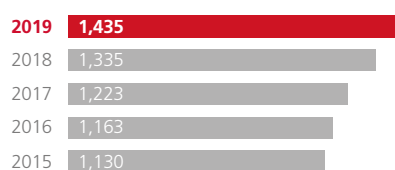
Operating profit before impairment and taxation reached €616 million in 2019, an increase of 20% compared to 2018, led by strong revenue growth and management's continued focus on costs as explained above.

Impairments were recorded in 2019 for €2 million, principally related to intangible and fixed assets.

The effective tax rate amounted to 29%, broadly similar to the prior year (31%) and in line with the level of the Belgian tax rate applicable during the year.

Profit for the year ended 31 December 2019 was €431 million, an increase of 34% compared to a profit of €322 million in 2018.

Operating income (in € million)



Operating profit before impairment and taxation (in € million)



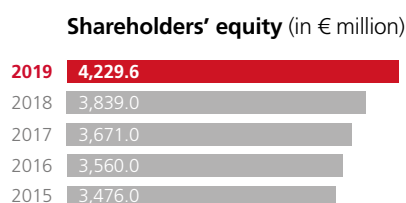
Balance sheet review

Total assets amounted to €27,569 million on 31 December 2019, down by €565 million compared to the previous year. The decrease is mainly driven by lower deposits from central banks, banks and other customers partially offset by additional debt instruments issued on the market in 2019 for a total €-equivalent of €1.7 billion at the level of Euroclear Bank coupled with stronger consolidated shareholder equity.

Loans and deposits totalled €15,618 million and €16,415 million, respectively, on 31 December 2019.

Total shareholders' equity totalled €4,230 million in 2019, up €391 million from the prior year. Such increase is principally driven by the profits of the year coupled with the increase of FVOCI revaluation reserves relating to Euroclear financial instruments held on balance sheet (mainly equity participation in Euronext), partially offset by the interim dividend paid to shareholders in December 2019 for €173 million.

Net asset value per share (total shareholder's equity divided by the year-end number of shares) totalled €1,344 as of 31 December 2019, compared to €1,220 in 2018.

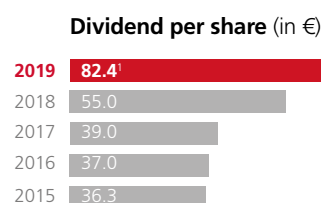


Capital management

Following the group restructuring in 2018, the Board is recommending to shareholders to approve the payment of an ordinary dividend of €55 per share, corresponding to a total amount of €173.1 million at the Annual General Meeting as part of the usual yearly profit allocation process. This dividend was already paid in December 2019 under the form of an interim distribution and corresponded to the allocation of 2018 results with a pay-out ratio of 54%, compared to 52% from the prior year (2017).

In February, the Board also announced its intention to pay an interim dividend of €82.4 per share. This would represent a dividend pay-out ratio of 60% on 2019 net profit. In its publication dated 27 March 2020, the ECB has recommended that significant credit institutions hold back dividend distributions for the financial year 2019, at least until October 2020, in light of the COVID-19 crisis situation. As such, the Board envisages approving the payment of the interim dividend in the fourth quarter of 2020 under the form of an interim distribution, in accordance with the Belgian Companies Code and Euroclear Holding SA/NV's Articles of Association.

Euroclear Bank is rated AA+ by Fitch Ratings and AA by Standard & Poor's.



¹ Indicative dividend. The Board envisages approving the payment of such a dividend in the fourth quarter of 2020 under the form of an interim distribution, in accordance with the Belgian Companies Code and Euroclear Holding SA/NV's Articles of Association.

Key performance indicators

Our key performance indicators reflect the effectiveness of our corporate strategy as we build on our stability and discipline as a company.

Business income margin (Business income excluding administrative expenses compared to business income) increased from 25% in 2018 to 28% in 2019 confirming the positive operating leverage achieved during the year (i.e. close to 5%).

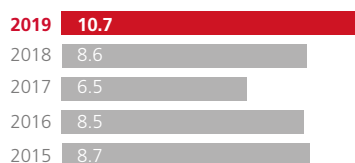
Operating margin (operating profit before impairment and taxation compared to operating income) increased from 38% to about 43% in 2019.

Unit cost ratio (administrative expenses compared to the average value of securities held). The adjusted Unit cost ratio reduced slightly from 0.28 basis points (bps) in 2018 to 0.27 bps in 2019, thanks to stable cost base while average value of securities held increased by more than 4% year-on-year.

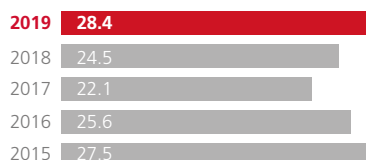
Return on equity (profit for the year compared to average shareholders' equity) increased from 8.6% to 10.7% in 2019.

Net earnings per share (profit for the year divided by the weighted average number of shares) increased to €136.9 in 2019 compared to €102.3 in 2018 due to higher earnings.

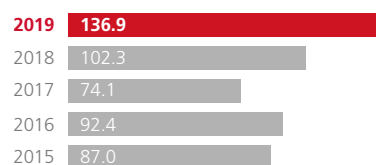
Return on equity (in %)

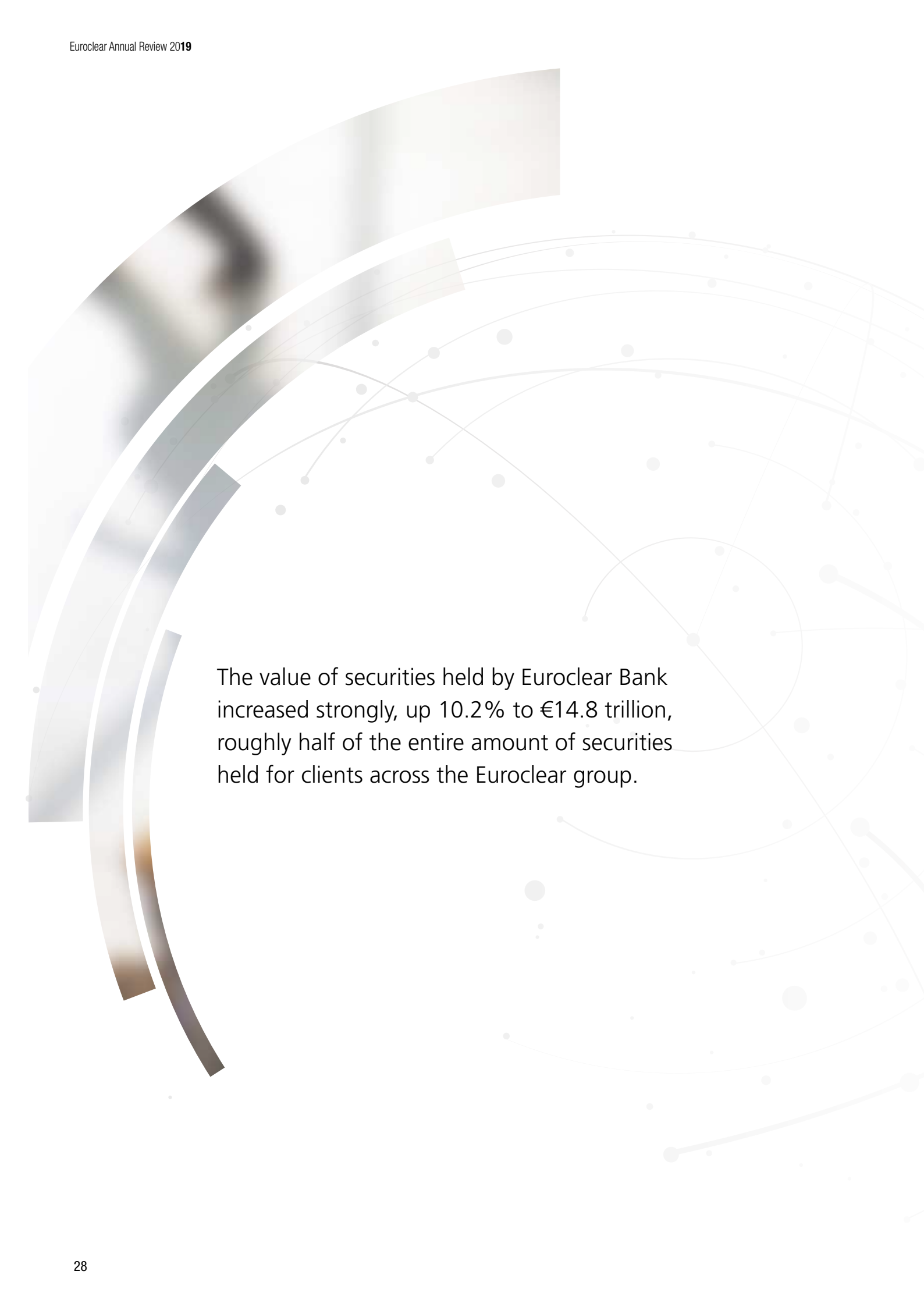


Business income margin (in%)



Net earnings per share (in €)



The background of the page features a complex, abstract graphic design. It consists of several overlapping, curved bands in shades of grey, white, and brown. Overlaid on these bands is a network of thin, light grey lines connecting various sized grey dots, creating a sense of interconnectedness and data flow. The overall aesthetic is clean, modern, and technical.

The value of securities held by Euroclear Bank increased strongly, up 10.2% to €14.8 trillion, roughly half of the entire amount of securities held for clients across the Euroclear group.

Business review

Euroclear Bank

Our ICSD, Euroclear Bank, delivered solid business growth in 2019 with positive operating metrics reflecting the attractiveness of our service offering and beneficial market conditions.

Netted transactions rose 8.8% year on year, resulting in an equivalent of €545 trillion being processed by our systems. The value of securities held by Euroclear Bank also increased strongly, up 10.2% to €14.8 trillion, roughly half of the entire amount of securities held for clients across the Euroclear group. The scalability of the Euroclear Bank platform was demonstrated by a significant proportion of this increase emanating from new issues being brought to market, spurred on by the low interest rate conditions during the second half of 2019.

The role of Euroclear Bank in providing safe and efficient post-trade services remains appreciated in Europe and beyond. We have now been granted our CSD license from our respective competent authorities, the first ICSD to reach this milestone. With it comes the hallmark of quality that such regulatory approval signifies, as well as market responsibility. Safety and robustness, alongside efficiency and access to liquidity, are the pre-eminent reasons why clients entrust their business with Euroclear Bank. We continue to invest in these aspects – and especially with regards to evolving cyber threats and regulatory compliance.

As outlined in the strategic review (pages 13 to 21), we continue to spend on strengthening and growing Euroclear Bank's network, as well as enhancing its customer proposition across a spectrum of asset classes serviced: equities, fixed income, mutual funds and the increasing market demand for ETFs. For example, with its simplified issuance structure, the international model is attractive to both ETF issuers and global investors. Meanwhile, Euroclear Bank's centralised fund processing services continue to attract asset managers and distributors alike, with good new business wins last year.

With Brexit, we have been working intensively with the authorities and financial market stakeholders in Ireland and we are pleased to be able to develop a solution for corporate debt and equities through Euroclear Bank, to complement the role we already play for Irish government debt.



Valérie Urbain Chief Executive Officer

Euroclear Bank	2019	Change from 2018
Turnover	€544.6 trillion	▲ 3.6%
Value of securities held ¹	€14.8 trillion	▲ 10.2%
Number of netted transactions	116 million	▲ 8.8%

¹ At December 2019

Furthermore, in November, we became the first ICSD in the industry to announce that we are exploring to connect to the T2S ecosystem. In providing access to both central and commercial bank money, Euroclear Bank would be the sole global post-trade provider to provide access to central bank money on top of its commercial bank money environment. This future development would support more harmonised European financial markets and foster international investment, in accordance with the ambitions of the Capital Market Union.

Being 'Euroclearable' is increasingly important for many international investors when assessing emerging market securities. Governments and central banks in emerging economies that wish to access international funding frequently recognise this and Euroclear assists them as they adopt international standards. Furthermore, securing such international investment allows these economies to bolster spending in the real economy (schools, healthcare, etc.).

Euroclear UK & Ireland



This year, Euroclear UK & Ireland continued its diligent focus on maintaining efficiencies around cost and operational performance.

Brexit is a major focus for Euroclear UK & Ireland and clients with the UK leaving the EU on January 31. We continue to work closely with authorities and market participants having regular and productive dialogue to help in ensuring a continuity of service and the orderly migration of Irish securities to Euroclear Bank.

2019 saw strong growth for our CREST Investment Fund Services, signing some top tier clients including, Legal & General Investment Management, First State Investments and Arbuthnot Latham & Co., Ltd. Clients are seeing the benefit of having clear visibility of their settlement obligations and managing cash flows accordingly.

We have seen continued momentum in our US dollar central bank money service, with some very large corporate actions being settled under the protection of central bank money finality, and we will seek further US dollar opportunities this year.

Market engagement will be sought to determine the appropriate evolution of our collateral services. We will also re-focus our attention on the communications strategy for the CREST service, seeking to leverage broader group synergies and local market development, for example the Bank of England's RTGS programme.

Finally, we also continue to progress on the approval of Euroclear UK & Ireland's CSDR licence.

Euroclear UK & Ireland	2019	Change from 2018
Turnover	€ 162.6 trillion	▲ 6.3%
Value of securities held ¹	€ 6.0 trillion	▲ 13.8%
Number of netted transactions	59.4 million	▼ 3.2%

¹ At December 2019

ESES CSDs – Euroclear Belgium, Euroclear France and Euroclear Nederland

The ESES CSDs together processed a total of 40 million netted transactions in 2019, which is equivalent to €117 trillion of settlement turnover. Equity market valuations strongly improved through 2019, resulting in the value of securities held on behalf of clients at year end rising to €8.6 trillion.

2019 marked ten years since ESES was created, bringing together the operations of the CSDs for Belgium, France and the Netherlands whilst retaining separate legal structures and regulatory oversight. It was fitting therefore to mark this milestone with the three CSDs gaining each of their licences under the CSDR from their respective country regulators. This made ESES amongst the first major CSDs in Europe to be recognised by the authorities as achieving compliance with CSDR's highly demanding standards.

With a connection via T2S, the ESES CSDs provide a gateway to investors to Eurozone securities. We have enhanced this 'investor CSD' offering through increased interoperability with Euroclear Bank over recent years. In so doing, we have been able to attract new international investors to join ESES Single CSD offer.

In addition, ESES provides a number of value-added services, including collateral management. Today, we have developed a local ecosystem, known as €GC+, in collaboration with the Banque de France and LCH, that connects with Euroclear's international Collateral Highway. Despite a challenging market context, €GC+ continues to develop in line with our plans, benefitting from further product enhancements and having attracted new, active participants to its ecosystem.

In our capacity of 'issuer CSD,' we have also focused on attracting new issuers to use our platforms. Our proven capability to manage complex issuances has brought new issuers, including from outside ESES' domestic markets. These include Spanish issuers in Euroclear France via Euronext's TechHub initiative as well as Icelandic and South-African issuers in Euroclear Nederland.

We remain committed to extending our offer to issuers across assets classes. For example, the SRD II directive gives Euroclear an opportunity to offer new levels of insight and transparency to issuers on their shareholder base, which can help promote better corporate governance and shareholder engagement.



Brigitte Daurelle Chief Executive Officer

Euroclear Belgium	2019	Change from 2018
Turnover	€0.8 trillion	▼ 18.7%
Value of securities held ¹	€0.2 trillion	▲ 23.7%
Number of netted transactions	2.6 million	▼ 2.5%
Euroclear France²		
Turnover	€110.5 trillion	▲ 21.0%
Value of securities held ¹	€7.3 trillion	▲ 11.6%
Number of netted transactions	30.2 million	▲ 4.9%
Euroclear Nederland		
Turnover	€5.6 trillion	▲ 5.3%
Value of securities held ¹	€1.1 trillion	▲ 14.2%
Number of netted transactions	6.9 million	▲ 4.0%

¹ At December 2019.

² The data for Euroclear France excludes 'pensions livrées' with Banque de France.

In collaboration with the industry, we are also investing in our funds and commercial paper offers, particularly in relation to making issuance processes faster and more efficient.

As part of the group's efforts to reshape the financial market ecosystem, we engage closely with a number of fintech partners in Europe. Most notably, our work with Liquidshare, the blockchain-based infrastructure for smaller European companies, has progressed to the advanced pilot stages with active users on the platform.

Euroclear Finland



Hanna Vainio Chief Executive Officer

Euroclear Finland	2019	Change from 2018
Turnover	€1.8 trillion	▲ 31.3%
Value of securities held ¹	€0.4 trillion	▲ 9.1%
Number of netted transactions	10.2 million	▲ 10.2%

¹ At December 2019

Euroclear Finland reported an increase of 10.2% in the number of netted transactions processed in 2019, which was equivalent to €1.8 trillion. Overall, the value of securities increased by 9.1% to €390 billion.

In 2019, we continued to deliver incremental improvement releases for our Infinity CSD system, which completes some 70 settlement cycles each day. As a result, the system uptime and the settlement efficiency, two key metrics for performance, are now at good levels.

The significance of high performance becomes particularly relevant for Central Counterparty (CCP) settlement, which also benefits from partial settlement that Euroclear Finland introduced in October.

Following extensive consultations with our clients as well as the Bank of Finland and the European Central Bank, the Finnish market announced in October that Euroclear Finland would join T2S in 2022. Joining T2S will complete Euroclear Finland's multi-year journey to implement Infinity, during which we have undertaken a comprehensive infrastructure renewal program to meet the requirements of the evolving European settlement landscape. Just like in the previous stages of the Infinity program, we are working together with clients to ensure a smooth transition to T2S for the whole market.

T2S is one key enabler for harmonised European securities settlement landscape. Another important cornerstone is EU's Central Securities Depository Regulation (CSDR), which establishes the regulatory framework and level-playing field for European CSDs. In August, Euroclear Finland received authorisation from the Finnish Ministry of Finance to operate under CSDR.

In the domestic market, we successfully completed the closure of the Customer Account Services with over 99% of the value of holdings successfully transferred to other account operators.

Euroclear Sweden

The introduction of mandatory clearing for small cap equities and the related netting had an inevitable impact on both the number of transactions and turnover value. This was balanced by a marked increase in the value of securities held, reflecting an overall positive equity market.

Like several of the group entities, a major milestone for Euroclear Sweden was receiving authorisation to act as a central securities depository from the Swedish Financial Supervisory Authority, under CSDR.

Furthermore, we have been preparing for the next aspects of the CSDR regulation, having successfully launched a substantial technology program - CSDR preventing settlement fails. The new services, launched through good collaboration with all Swedish market participants, will bring added value to our clients by providing tools for increased settlement efficiency.

Euroclear Sweden has expanded into Denmark for Exchange Traded Products. The ability to issue and pay in Danish krone is offered to clients issuing ETPs (such as warrants and standardised unit traded certificates) via Euroclear's service Plug & Clear. We now provide a service for issuance, settlement and payment of Exchange Traded Products (ETPs) in Danish krone, Euro and Swedish krona, all in central bank money. On the data front, we also embarked on the modernisation of our shareholder information service for issuer clients.



Michael Carty Chief Executive Officer

Euroclear Sweden	2019	Change from 2018
Turnover	€ 11.5 trillion	▼ 11.4%
Value of securities held ¹	€ 1.5 trillion	▲ 8.2%
Number of netted transactions	13.4 million	▼ 7.2%

¹ At December 2019

Our responsibility

Corporate Responsibility programme is an integral part of our business strategy, by conducting business in an ethical, responsible and sustainable way, while giving back to the wider community.



Our Corporate Responsibility approach is divided into four streams. For more details on each of these streams, please refer to our sustainability report on euroclear.com/ourresponsibility, prepared in accordance with the Global Reporting Initiative Standards (Core). Our 2019 report is scheduled to be published in May 2020.

Workplace

Being a 'great place to work' is one of our corporate objectives. We put great emphasis on diversity in the workplace, convinced that a workforce with a range of skills, backgrounds and ages is vital to business success.

In 2019, we focused on encouraging more women into middle/senior management roles, especially in traditionally male-dominated domains, such as IT. In 2019, we recruited 27 women into technology positions. We also ran a cross-divisional workshop to explore how we can improve life for colleagues with disabilities and we will be taking forward some of these initiatives in 2020.

Training and development is a key part of our People strategy. In 2019, we launched the 'Euroclear Academy' to support our staff through all stages of their career, so they can develop their skills and talents in line with our changing environment, particularly in the area of digital knowledge.

In 2019 we launched a new Employee Engagement survey 'Your Voice' which allows staff to give specific feedback on a wide range of areas. 84% of our staff took part in this survey.

Marketplace

In the past year, we have observed a number of client concerns in the sustainable finance market space, such as mistrust of data, fear of "greenwashing", lack of liquidity, the need for transparency, among others.

Euroclear is exploring ways to leverage our global ecosystem and trusted infrastructure to help bridge some of those gaps for our clients, bring sustainable finance to the mainstream and further support the UN SDGs.

In seeking to strengthen our relationship with our suppliers, we published in 2019 our Supplier Code of Business Conduct. Located publicly on our website, the code outlines the behaviours and rigorous standards that we expect from our suppliers.

Environment

We have been carbon neutral to PAS2060 standards for eight years. We are committed to Science-Based emissions reduction Targets (SBT) and plan to review our SBT in 2020 in line with a 1.5 degree rise in temperature.

In 2019, we launched the Euroclear Environment charter, where staff can sign up to commitments to help reduce their impact on the environment. These actions aim to reduce waste, travel-related emissions and energy consumption as well as championing best practice.

Community

In 2019, we saw the projects that we sponsored as part of our 50th anniversary celebrations come to fruition. We are pleased to say that the 20 projects are all underway and already providing vital support to those who are most in need. We also strengthened our partnership with our corporate charity, Build Africa, who have now merged with UK-based charity Street Child, meaning that we can expand our impact even further in 2020.

In 2019, we focused on building up our corporate volunteering offer and will launch the new programme gradually over 2020.

See our sustainability reports 'Our responsibility' on euroclear.com/ourresponsibility

Euroclear history

1968

Morgan Guaranty launched the Euroclear System.

1972

Euroclear System sold to the Euroclear Clearance System Public Limited Company which is owned by over 120 major financial institutions.

2005

Euroclear SA/NV created as a new parent company, owning Euroclear Bank and the CSDs and the group's shared securities-processing platforms.

2002

Euroclear acquired NECIGEF, the Dutch CSD, as Euroclear Nederland. CRESTCo, the CSD for Irish equities and all UK securities, acquired and renamed Euroclear UK & Ireland.

2006

CIK, the CSD for Belgium acquired and renamed Euroclear Belgium.

2008

Euroclear acquired the Nordic Central Securities Depository, which includes the CSDs of Finland and Sweden.

2017

Euroclear focused on implementing CSDR programs and strengthening cyber resilience.

2016

Euroclear's ESES CSDs (Euroclear Belgium, Euroclear France and Euroclear Nederland) connected to the ECB's TARGET2-Securities platform.

2018

Euroclear celebrated its 50th anniversary. Single CSD service launched as a gateway to Eurozone securities.

2019

Euroclear delivered record year with growth across business lines. Euroclear receives 6 of 7 CSDR licences.

▶ **2000**

Euroclear Bank created, taking responsibility for all Euroclear-related operating and banking responsibilities.

▶ **2001**

Euroclear Bank merged with Sicovam, the CSD of France, which is renamed Euroclear France.

▶ **2009**

Euroclear Settlement of Euronext-zone Securities (ESES) launched.

▶ **2014**

Building on Euroclear's Collateral Highway (2012). Euroclear and the Depository Trust & Clearing Corporation (DTCC) established joint venture, DTCC-Euroclear GlobalCollateral Ltd. Euroclear took 100% stake in GlobalCollateral Ltd. in 2019.

About Euroclear

Euroclear is the financial industry's trusted provider of post-trade services. We provide settlement, safekeeping and servicing of domestic and cross-border securities transactions, from bonds, equities and derivatives to investment funds. We connect over 2,000 financial market participants across the globe and ensure securities transactions are processed safely and efficiently. As an open and resilient infrastructure, we help clients cut through complexity, lower costs, and mitigate risks.



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Euroclear is a carbon neutral company **PAS2060 certified**

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