Company number: 692 032 485

LCH SA

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Report on the corporate governance pursuant to articles L.225-37 and seq. of the French commercial code

Pursuant to articles L.225-37 and seq of the French commercial code, LCH SA shall establish a report on the company's governance which mentions (i) the list of each director's directorships in other companies; (ii) the regulated agreements approved in accordance with article L.225-38 of the French commercial code and (iii) the delegations granted by the general meeting of shareholders to the Board of directors in respect of capital increase.

It shall be noted that the functions of Chief Executive Officer and President of the Board of directors are separate, in accordance with article L511-58 of the French Monetary and Financial code.

This information is set out in the following sections:

Board of Directors

Type of Director	Name	Other Directorship at 31 December 2020
Chairman	Leonardus (Lex) Hoogduin (Resigned on 31.12.2020)	Lex Hoogduin B.V. Supervisory Board of Centre for Integral Revalidation GloComNet BV Dutch Payment Association
Chairman	Claude Ehlinger (Appointed on 30.10.2020)	Bureau Veritas SA Stahl Parent BV Stahl Lux 2 SA Stahl Group SA Winvest Conseil SA Trief Corporation SA Oranje-Nassau Groep Wendel SE
Director	Christophe Hémon	Euroclear Holding SA/NV
Director	Daniel Maguire	LCH Group Holdings Limited LCH Limited International Swaps and Derivatives Association
Director	Dennis McLaughlin	LCH Limited SwapAgent Ltd
Director	Eric Litvack	International Swaps and Derivatives Association Global Financial Markets Association
Director	Anthony Attia	Euronext NV Euronext Paris SA Euronext Dublin Enternext SA LiquidShare SA

		Euroclear Holding SA/NV LCH SA Sicovam Holding SA
Director	Catherine Lubochinsky (Resigned on 17.03.2020)	Banque Wormser Frères
Director	Shona Milne (Resigned on 31.12.2020)	LCH Limited
Director	Marc Breillout	Sucden Financial Ltd
Director	Ronaldus (Ron) Berndsen	LCH Limited
Director	Jeroen Krens	International Swaps and Derivatives Association OTCDeriv OTCDerivnet
Director	Diane Côté	London Stock Exchange Group Société Générale
Director	Jane Guyett (Appointed on 06.01.2020)	LCH Limited UK Government Investments Limited Connect Plus (M25) PLC Dalcor Pharma UK Limited
Director	Carole Machell (Appointed on 30.10.2020)	Crown Agency Bank Weatherby's Bank Limited Distribution Finance Capital Limited Sainsbury's Bank Plc

There are five standing committees which assist the Company: the 'Audit Committee', the 'Risk Committee', the 'Technology, Security and Resilience Committee', the 'Remuneration Committee' and the 'Group Nomination Committee'. The terms of reference defining the functions, missions, powers and responsibilities of these Committees are approved by the Board of Directors.

Annual fees allocated by LCH SA to above Directors are as follows:

Shona Milne	€50,000
Catherine Lubochinsky	€70,000
Ronaldus Berndsen	€80,000
Marc Breillout	€75,000

Agreements regulated by Article L.225-38 of the French Code of Commerce

In the framework of the implementation of the transfer pricing policy, the 'Framework Intragroup – Services Agreement' between LCH SA, LCH Group Limited and LCH Limited, approved by the Board of directors on 28

November 2006, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The agreement stipulates the legal and financial principles applicable to the provision of IT and other services by a company to either one of the Group's entities.

The Amendment of the CEO's employment agreement between LCH SA and its Chief Executive Officer, approved by the Board of directors on 8 October 2015 and by the General Meeting of shareholders on 9 March 2016, is considered to be a regulated agreement in the scope of article L-225-38 of the French Code of Commerce.

Pursuant to the terms of this amendment, the termination notice has been extended and a six months non compete and non solicitation clause has been added. The amendment was deemed in the best interest of the Company.

The 'Assignment and License Agreement' entered into on 30 November 2016 between LCH.Clearnet Luxembourg S.à.r.l. (liquidated on 31 October 2018), LCH Limited and LCH SA, approved by the Board of directors on 8 October 2015 and by the General Meeting of shareholders on 9 March 2016, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The purpose of this agreement was the transfer of assets of LCH.Clearnet Luxembourg S.à.r.l. between LCH SA and LCH Limited.

In addition, LCH SA was granted with a perpetual royalty free license to use the shared FICS software.

The 'Cash Clearing Agreement' entered into on 22 January 2013 between LCH Group Limited, Euronext Brussels S.A. / N.V, Euronext Amsterdam N.V, Euronext Paris S.A., Euronext Lisbon – Sociedade Gestorade de Mercados Regulamentados S.A, Liffe Administration and Management and LCH SA, approved by the General Meeting of shareholders on 23 March 2018 (following the entry of Euronext NV in LCH SA's capital as minority shareholder), is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce. This agreement is subject to four amendments, which were concluded respectively on 21 March 2014, 14 December 2016, 7 August 2017 and 3 January 2018.

Since Euronext took stakes in LCH SA equity, this agreement regulated by article L.225-38 of the French Code of Commerce, was approved by the shareholders' meeting on 23rd March 2018.

This agreement sets out the legal and governance framework governing the Clearing Services for cash equities transactions provided by LCH SA to Euronext.

In the framework of renewal of the Euronext Derivative Clearing Agreement, the 'Euronext Derivative Clearing Agreement and Share Exchange Term Sheet', entered into on 7 August 2017 between LCH Group Ltd, LCH SA, LSEG Plc and Euronext Paris SA, Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Lisbon - Sociedade Gestorade de Mercados Regulamentados S.A, approved by the Board of directors on 7 August 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

The purpose of the Term Sheet agreement is to set out legal and financial principles governing the renewal of the Clearing Services Agreement for derivatives transactions between LCH SA and Euronext, and to amend the Clearing Services Agreement for cash equities transactions between LCH SA and Euronext.

The 'Derivatives Clearing Agreement' entered into on 31 October 2017 between Euronext, LCH Group and LCH SA, and approved by the Board of directors on 30 October 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

This agreement sets out the new legal, financial and governance framework governing the Clearing Services Agreement for derivatives transactions between LCH SA and Euronext.

The 'Shareholders' Agreement' entered into on 29 December 2017 between Euronext N.V., LSEG, LCH Group and LCH SA, and approved by the Board of directors on 29 December 2017, is considered to be a regulated agreement falling within the scope of Article L.225-38 of the French Code of Commerce.

This agreement governs the relations between shareholders of LCH SA and provides details over the rights granted to Euronext as minority shareholder of LCH SA.

The « Technology Services Agreement » entered into on 1 October 2019 between LCH SA and LCH Ltd.

This agreement establishes the legal and financial principles governing the provision of IT services, formerly governed by the Framework Intragroup Services Agreement, by an LSEG Group entity to LCH SA.

The "TULIP Framework Agreement" dated 13 May 2020 between LCH SA, LCH Group Ltd et Euronext Paris SA, Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Lisbon – Sociedade Gestorade de Mercados Regulamentos S.A., Euronext London Ltd and Irish Stock Exchange Plc.

This agreement establishes the legal and financial principles, notably the project cost coverage between the Parties, governing the implementation of certain common initiatives between Euronext and LCH SA as regard to the SA EquityClear business line for 2020-2021.

The "Settlement Assistance Services Agreement" dated 23 July 2020 between LCH SA and Euronext Paris SA.

This agreement establishes the legal and financial principles governing the provision of settlement assistance services for non-cleared transactions on warrants and certificates, by LCH SA to Euronext. This initiative is part of the TULIP Framework Agreement and the services include the netting of relevant transactions and the sending of settlement instructions to CSDs.

The "Oslo Migration Framework Agreement" dated 3 September 2020 between LCH SA, Euronext Amsterdam N.V. and Oslo Bors ASA.

This agreement set forth the Parties' respective obligations as regard to the migration of clearing activities for transactions traded on Oslo Bors Derivatives Market from SIX x-clear to LCH SA, as successfully completed on 5- 6 December 2020.

The « Amendment No1 to the Derivatives Clearing Agreement » dated 30 October 2020 between LCH SA, LCH Group Ltd, Euronext Paris SA, Euronext Brussels S.A./N.V., Euronext Amsterdam N.V., Euronext Lisbon – Sociedade Gestorade de Mercados Regulamentos S.A. and Oslo Bors ASA.

This amendment agreement modifies several provisions of the Derivatives Clearing Agreement dated 31 October 2017, relating notably to the determination of the revenue sharing and the onboarding of Oslo Bors ASA as a Party to the DCA (Euronext Market Undertaking) following the merger of Oslo Bors ASA in the Euronext Group and the migration of clearing activities for transactions traded on Oslo Bors Derivatives Market to LCH SA.

The « Amended and Restated Technology Services Agreement » entered into on 1 October 2019 between LCH SA and LSEG Business Services Ltd.

All existing related party agreements entered into or remaining in full force in 2020 were reviewed by the Board of Directors on 3 December 2020, in accordance with Article L225-40-1 of the French Commercial Code.

Current agreement - Article L.225-39 of the French Code of Commerce

The following agreements are considered to be current agreements falling within the scope of Article L.225-39 of the French Code of Commerce:

I. Euronext Collateral Inventory Management Services Agreement dated 21 March 2017 with Euronext Paris SA (relating to dematerialisation of storage certificates in the framework of futures contracts on commodities);

II. Agency Agreement with LCH Ltd dated 7 July 2017 (relating to the representation of LCH SA by LCH Ltd in London for the service of process);

III. IT Infrastructure Order Form for 2017 entered into pursuant to the Technology Services Agreement (“TSA”) between LCH SA and LSEG Business Services Limited (“BSL”) on 6 June 2017, with a commencement date on 1 January 2017, and superseding Order Forms Day 1 (1 January 2016) and Day 2 (1 April 2016) ;

IV. Project Order Form entered into pursuant to the TSA between LCH SA and BSL on 19 October 2017, with a commencement date on 13 July 2017, relating to the Triumph Project;

V. Order Form between LCH SA and LCH Ltd entered into pursuant to the Framework Intragroup Services Agreement (for the period 1 January to 30 September 2019), signed in December 2019;

VI. Order Form between LCH SA and LCH Ltd entered into pursuant to the Technology Services Agreement (for the period 1 October to 31 December 2019), signed in December 2019;

VII. Order Form between LCH SA and BSL entered into pursuant to the TSA (for the periods 1 January to 30 September 2019 and 1 October to 31 December 2019), signed in December 2019;

VIII. Sublease Agreement dated 13 March 2020 between LCH SA and Beyond Ratings ;

IX. Work Order - Beyond Ratings Finance Services dated 10 December 2020 between LCH SA and Beyond Ratings, and linked to the Intra-Group General Services Framework Agreement dated 11 February 2010;

X. Work Order - Local IT Support Services dated 10 December 2020 between LCH SA and Beyond Ratings, and linked to the Intra-Group ICT Services Framework Agreement dated 16 February 2010;

XI. Amended And Restated Sublease and Services Agreement dated 13 November 2020 between LCH SA and MTS France SAS to repeal and replace the « Sublease Agreement » et « Services Agreement » dated 14 November 2014 ;

XII. Amendment Agreement N°1 to the Service Agreement relating to U.S. Market Data Monitoring, dated 02 December 2020 between LCH SA and LCH Ltd, and linked to the Framework Intra-Group Services Agreement ;

XIII. Unavista – Trade Repository Project Agreement dated 23 December 2020 between LCH SA and Unavista Tradecho B.V., and linked to the Master Services Agreement signed on 17 December 2013 between LCH SA et London Stock Exchange PLC.

Delegations granted by the general meeting of shareholders to the Board of directors in respect of capital increase

There has not been any such delegation granted by the General meeting of shareholders to the Board of directors within LCH SA for the year-end 2020.

Ultimate parent company and group companies

In the third quarter 2017, Euronext entered into definitive agreements to swap its current 2.3% stake in LCH Group for an 11.1% stake in SA. The transactions have been finalised by the beginning of January 2018. SA is owned for 89.9%, by LCH.Clearnet Group Limited (“the Group)”. The Group is majority (c.80% since the end of 2018) owned by the London Stock Exchange Group (“LSEG”), with the remainder being owned by users (i.e., clearing members) and other exchanges.

Scope of the Company

In addition to Paris, three entities compose the social scope of LCH SA: Amsterdam, Brussels (closed on 30 June 2020) and Porto. Amsterdam and Brussels are branches and Porto is a representative desk.

Capital Management

The Company's approach to capital management is to maintain a strong capital base that will support the development of the business, meet regulatory requirements at all times and maintain good credit ratings. This is managed with reference to external capital requirements, including a consideration of future impacts of LCH Capital plans are included within the Company's medium-term financial plan which is presented to the Board annually. The capital plans take into account current and future regulatory requirements and the development of the Company's business. The Company monitors capital resources in relation to its capital requirements.

LCH SA is considered a Qualifying Central Counterparty (QCCP) under the European Capital Requirements Regulations (CRR) as it has received authorisation under European Market Infrastructure Regulations (EMIR). The Company is registered as a Derivatives Clearing Organization (DCO) in the USA affording QCCP status for USA members.

LCH SA is regulated as a credit institution by the ACPR and as a CCP and an investment service provider by l'Autorité des marchés financiers (AMF) in Paris, France. It is subject to standard capital adequacy rules under EMIR and Basel III. It is also regulated by the CFTC as a DCO in the USA. The US Securities and Exchange Commission (SEC) has approved an application by LCH's CDSClear unit for registration as a clearing agency. The authorisation, granted on December 29, 2016, allows LCH to begin clearing single-name credit default swap (CDS) contracts for US clients.

LCH SA is subject to capital adequacy rules under EMIR. Since December 2013, it is also regulated by the CFTC's Subpart C rules.

- The Company has fully complied with its externally imposed capital requirements in the year.

In particular, it is required to ensure that its EMIR capital requirement is met by both its capital and audited reserves and adjusted liquid financial resources.

Basel III

In accordance with Basel III Pillar 1 framework, the Company is required to maintain ratio of capital to risk weighted assets that cannot fall under a threshold of 4.5% of core equity, 6% of Tier 1 capital, 2.5% of capital conservation buffer and 10.5% of total capital.

Return on assets - Article R511-16-1 du Code monétaire et financier

Pursuant to article 90 of CRD IV transposed by article R511-16-1 of Code monétaire et financier, return on assets of the Company as of 31 December 2020 is 0.014% (2019: 0.013%).

Proposed appropriation of net profit

LCH SA Board of Directors proposes to allocate the 2020 profit of €88.0 million as following:

	€'m
Allocation of 2020 earnings	
Allocation to Legal Reserves	-
Allocation of Other Reserves	-
Allocation to Retained Earnings	28.0
Dividends	60.0
	88.0

Dividend payments for the past three financial years were as follows:

- for 2017: €44 million corresponding to €5.93 per share
- for 2018: €46 million corresponding to €6.20 per share
- for 2019: €71 million corresponding to €9.57 per share

Distributable reserves are as follows:

Distributable reserves	€'m
Profit for the period	88.0
Other reserves	32.6
Profit carried forward	119.8
	240.4

Banque Centrale de Compensation SA (trading as LCH SA) acts as the clearing house for Listed Derivatives and Cash Equities traded in regulated markets in France, the Netherlands, Belgium and Portugal, for Fixed income products and Credit Default Swaps (CDS) traded either on regulated markets or trading platforms located in France, UK, Belgium, US and Italy.

LCH SA is part of the LCH Group, a leading multi-national clearing house. The Group provides services to mitigate counterparty risk across multiple asset classes for clearing members and their clients, operating through an open access model that clears for major exchanges and platforms as well as ranged over-the-counter (OTC) markets.

As a CCP, LCH SA sits in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, LCH SA owns the defaulter's risk and becomes accountable for its liabilities. During the life of a trade, or that of a portfolio of trades, the CCP processes all cash flows and marks the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.

LCH earns its revenue in the OTC derivatives markets by charging members either an annual fee for all clearing or a lower annual fee with variable fee based on volume, additional fees are levied for new services such as compression. Clients pay a fee based on OTC volume cleared. In non-OTC markets all users pay a fee based on volumes cleared. Net treasury income is earnt on cash and securities held for margin and default funds.

Key performance indicators

Financial and non-financial key performance indicators utilised by the directors to measure LCH SA's progress are as follows:

	2020	**2019**	**Variation**
CDSClear			
CDSClear members	26	26	0%
Notional cleared (€ billion) - single counted	1214.0	758.7	60%
Fixed Income: notional cleared (€ trillion) - single counted	84.5	83.4	1%
Listed Derivatives: contracts cleared (million) - single counted	170.5	144.1	18%
Cash Equities: trades cleared (million) - single counted	336.7	212.0	59%
Average cash collateral (€ billion)	23.0	18.7	23%

Accounts payable

As of 31 December 2020, amounts payable to suppliers totalled €18.0 million (2019: €18.4 million) and were all due within two months. LCH SA settled the invoices with an average of one month. Non-resident suppliers were €3.3 million (2019: €5.8 million).

	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Accounts payable					
Invoice count	27	25	6	30	**88**
Total amount of invoices (VAT included)	0.9	0.2	-	0.2	**1.3**
Percentage over total purchases (VAT included)	1.0%	0.3%	-	0.2%	**1.5%**

Accounts receivable

As of 31 December 2020, amounts receivable from customers totalled €23.9 million (2019: €21.4 million) and were all due within one month. Of this, non-resident customers were €15.1 million (2019: €13.3 million).

	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Accounts receivable					
Invoice count	7,266	-	-	-	**7,266**
Total amount of invoices (VAT included)	19.5	-	-	-	**19.5**
Percentage over billed operating income	9.4%	-	-	-	**9.4%**

Other intangible assets

Annual impairment testing is carried out on other intangible assets in relation to the acquisition of branches in Amsterdam, Brussels and Porto and the related cash generating units. The recoverable amount associated with these branches is determined based on value in use calculation.

Highlights of the year

Several new records for LCH SA in 2020 in terms of volumes/revenue mainly driven by high volatility in markets.

CDSClear

CDSClear clears the broadest set of credit default swaps (CDS) across both European and US underlyings with all the inherent netting benefits from being under the same risk framework. Close to 100 credit indices and 500 single names including CDS referencing Banks are eligible for clearing, many of which are uniquely available at CDSClear.

CDSClear is dual registered in Europe (EMIR authorized) and in the US (registered as a Derivative Clearing Organization with the CFTC and as a Clearing Agency with the SEC), which allows it to act for members and clients both in the US and Europe.

CDSClear membership counts 26 members (2019: 26) following the introduction of the new Select Membership tier. The notional cleared increased by 60 per cent to €1,214.0 billion (2019: €758.7 billion). Total clearing fee revenue for the year was €17.7 million (2019: €20.7 million). This variation reflects the decrease of the fixed fee for a general member unlimited.

Fixed Income

LCH SA delivered a good performance in repo and cash bond markets; clearing €84.5 trillion in 2020 (2019: €83.4 trillion), across 11 European government markets (French, Spanish, Italian, Belgian, German, Portugal, Finland, Austria, Netherlands, Ireland, Slovenia debts). Total clearing fee revenue for the year was €80.5 million (2019: €69.6 million) and the total of margins was higher and over the budget reflecting strong activity.

The volumes in SA RepoClear, which are the largest ever, are especially relevant as we connect more EUR debt markets to LCH.SA, creating an ever increasing pool of potential netting opportunities.

Listed Derivatives and Cash Equities

The various Listed Derivatives venues cleared by LCH SA include Euronext Derivatives Markets. Contracts cleared in 2020 increased by 18% to 170.5 million (2019: 144.1 million). LCH SA has started to clear for Oslo Børs Derivatives Market in December 2020. Clearing is available for listed equity derivatives contracts on Norwegian single stocks and indexes.

In Equities, LCH provides clearing services for cash equity products and for a set of trade venues including Euronext, Equiduct and Bourse du Luxembourg. Trades cleared in 2020 increased by 59% to 336.7 million (2019: 212.0 million).

Clearing revenue in 2020 increased by €14.8 million to €71.9 million (2019: €57.3 million).

Net interest and related income

Net interest and related income is the result of interest earned on cash assets lodged with the clearing house, on margin and default funds. Users of LCH post cash and receive an overnight interest rate less an agreed spread. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates in the Euro money market.

Total net interest and related income for 2020 increased to €65.6 million (2019: €52.0 million) reflecting the increase of initial margin deposits mentioned previously.

General operating expenses

Operating expenses have increased by 11.6% to €91.2 million (2019: €81.6 million)

Brexit

The UK's exit from the EU left significant uncertainty concerning the political and regulatory environment, however LCH SA is allowed under the Bank of England Temporary Recognition Regime (TRR) to provide clearing services and activities in the UK for up to 3 years post 31 December 2020.

COVID-19

The ongoing impact of COVID-19 on the Company has been considered in the preparation of these financial statements. The directors have reviewed liquidity and profit and loss forecasts, regulatory capital, and critical accounting estimates and judgements for the Company. The directors have also considered sensitivities including any potential impairments as a result of changes in cashflow forecasts. At the reporting date, no material short-term impacts have crystallised and the Company remains confident about its long-term future performance but remains vigilant in monitoring day-to-day changes as the global situation evolves. Staff and customer safety remain the paramount concerns of the Company and it has adapted successfully to the new ways of working.

Strategic objectives

The Company's strategic objectives are:

- to provide robust risk management services to members and clients
- to deliver world class clearing services
- to partner with the markets we serve

The strategy for achieving these objectives is to maintain a sound risk management approach across all asset classes cleared and to work closely with market participants to develop and deliver new services.

Research and Development activities

In 2020, the Company does not qualify for Government assistance in the form of "crédit d'impôt recherche" (CIR) (a research and development tax credit).

Significant events which occurred since the date of the financial statements

None.

Perspectives

Business mature which will benefit from various initiatives across the different Business Lines . These secure level of margin and revenues recorded in 2020, in a context of strong environment as Brexit and aggressive competition in the Market.

LCH SA will engage strong investments in the coming years to support its client services and its independency.

Five year financial summary

Five year financial summary	2016	2017	2018	2019	2020
Share capital at year end					
Share capital (in €'m)	113.1	113.1	113.1	113.1	113.1
Number of ordinary shares	7,416,700	7,416,700	7,416,700	7,416,700	7,416,700
Result of operations (in €'m)					
Clearing revenue	118.4	121.3	123.3	164.2	191.1
Profit before tax, profit sharing, amortisation, provisions and impairment	71.9	81.9	86.4	125.0	145.2
Income tax	14.7	19.9	22.5	35.4	40.4
Profit sharing for the year	1.6	2.2	2.8	3.2	4.1
Impairment	-	-	-	-	-
Net income after tax, profit sharing, amortisation and provisions	41.6	44.6	46.0	71.1	88.0
Distributed earnings	40.0	44.0	46.0	71.0	
Earnings per share (in €)					
Profit after tax, profit sharing, but before amortisation and provisions	9.69	11.04	11.66	16.85	19.58
Net income after tax, profit sharing, amortisation and provisions	5.61	6.01	6.20	9.58	11.86
Net dividend distributed per share	5.39	5.93	6.20	9.57	
Employee information					
Average headcount*	171	177	170	167	179
Total payroll for the year (in €'m)	17.8	19.4	22.5	20.0	22.8

*Average headcount for LCH SA Paris only.

Auditors

Ernst & Young Audit, Tour First, 1 Place des Saisons, 92037 Paris La Défense
BDO Paris Audit & Advisory, 43-47 avenue de la Grande Armée, 75116 Paris

Registered office

18, rue du Quatre Septembre 75002 Paris
Telephone: +33 (0) 1 70 37 65 00
Registered in France number 692 032 485

LCH SA is fully consolidated in the accounts of LCH Group Holdings Limited, the head office of which is located at Aldgate House, 33 Aldgate High Street, London. The Company's ultimate parent since 1 May 2013 is the London Stock Exchange Group plc.

Company number: 692 032 485

LCH SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

Income statement

	Note	**2020 €'m**	2019 €'m
Interest and related income	1	**196.8**	153.1
Interest and related expenses	1	**(131.1)**	(101.0)
Commissions received	2	**227.0**	195.2
Commissions paid	2	**(14.2)**	(11.9)
Gains on investment portfolio	3	**1.5**	-
Losses on investment portfolio	3	**(10.2)**	(0.8)
Gains on Forex		**-**	-
Losses on Forex		**-**	(0.1)
Other banking income	4	**-**	-
Other banking expense	4	**(37.5)**	(31.0)
Net banking revenue		**232.3**	203.5
General operating expenses	5	**(91.2)**	(81.7)
Depreciation, amortisation and provisions	8	**(12.8)**	(13.0)
Gross operating income		**128.3**	108.8
Cost of risk		**-**	-
Operating income		**128.3**	108.8
Gains/(losses) on fixed assets	9	**-**	(2.3)
Net operating profit before tax		**128.3**	106.5
Extraordinary result		**-**	-
Corporate income tax	10	**(40.3)**	(35.4)
Provisions and write-backs on general banking risk		**-**	-
Net income for the year		**88.0**	71.1

Statement of financial position

	Note	**2020 €'m**	2019 €'m
Assets			
Cash in Central bank	11	**27,682.4**	18,767.9
Cash in bank accounts		**2.1**	1.5
Securities under resale agreement	12	**587,287.9**	*529,311.1*
Bonds and other fixed income securities	13	**1,527.0**	60.0
Long term equity investment	14	**0.5**	0.5
Other assets	15	**5,236.9**	3,936.8
Assets related to clearing operations	16	**1,042.4**	1,224.0
Fixed assets		**85.4**	74.6
Intangible assets	17	***83.4***	*72.8*
Tangible assets	18	***2.0***	*1.8*
Total assets		**622,864.5**	**553,376.4**
Liabilities			
Debts with credit institutions	19	**1,325.7**	1,102.5
Debts with other financial institutions	20	**258.1**	189.5
Securities under repurchase agreement	12	**587,287.9**	*529,311.1*
Other liabilities	21	**32,933.9**	21,870.2
Liabilities related to clearing operations	16	**685.7**	547.2
Provisions	22	**7.5**	7.1
Reserve for general banking risk		**0.3**	0.3
Shareholders' equity	23	**365.4**	348.5
Total liabilities		**622,864.5**	**553,376.4**
Off balance sheet			
Commitment given			
Guarantee commitments		***491,422.3***	*372,715.5*
Commitments on securities		***563,114.3***	*509,285.2*
Commitments received			
Guarantee commitments		***518,189.9***	*401,326.7*
Commitments on securities		***563,116.1***	*509,812.6*

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CDSClear membership counts 26 members (2019: 26) following the introduction of the new Select Membership tier. The notional cleared increased by 60 per cent to €1,214.0 billion (2019: €758.7 billion). Total clearing fee revenue for the year was €17.7 million (2019: €20.7 million). This variation reflects the decrease of the fixed fee for a general member unlimited.

Fixed Income

LCH SA delivered a good performance in repo and cash bond markets; clearing €84.5 trillion in 2020 (2019: €83.4 trillion), across 11 European government markets (French, Spanish, Italian, Belgian, German, Portugal, Finland, Austria, Netherlands, Ireland, Slovenia debts). Total clearing fee revenue for the year was €80.5 million (2019: €69.6 million) and the total of margins was higher and over the budget reflecting strong activity.

The volumes in SA RepoClear, which are the largest ever, are especially relevant as we connect more EUR debt markets to LCH.SA, creating an ever increasing pool of potential netting opportunities.

Listed Derivatives and Cash Equities

The various Listed Derivatives venues cleared by LCH SA include Euronext Derivatives Markets. Contracts cleared in 2020 increased by 18% to 170.5 million (2019: 144.1 million). LCH SA has started to clear for Oslo Børs Derivatives Market in December 2020. Clearing is available for listed equity derivatives contracts on Norwegian single stocks and indexes.

In Equities, LCH provides clearing services for cash equity products and for a set of trade venues including Euronext, Equiduct and Bourse du Luxembourg. Trades cleared in 2020 increased by 59% to 336.7 million (2019: 212.0 million).

Clearing revenue in 2020 increased by €14.8 million to €71.9 million (2019: €57.3 million).

Net interest and related income

Net interest and related income is the result of interest earned on cash assets lodged with the clearing house, on margin and default funds. Users of LCH post cash and receive an overnight interest rate less an agreed spread. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates in the Euro money market.

Total net interest and related income for 2020 increased to €65.6 million (2019: €52.0 million) reflecting the increase of initial margin deposits mentioned previously.

General operating expenses

Operating expenses have increased by 11.6% to €91.2 million (2019: €81.6 million)

Brexit

The UK's exit from the EU left significant uncertainty concerning the political and regulatory environment, however LCH SA is allowed under the Bank of England Temporary Recognition Regime (TRR) to provide clearing services and activities in the UK for up to 3 years post 31 December 2020.

COVID-19

The ongoing impact of COVID-19 on the Company has been considered in the preparation of these financial statements. The directors have reviewed liquidity and profit and loss forecasts, regulatory capital, and critical accounting estimates and judgements for the Company. The directors have also considered sensitivities including any potential impairments as a result of changes in cashflow forecasts. At the reporting date, no material short-term impacts have crystallised and the Company remains confident about its long-term future performance but remains vigilant in monitoring day-to-day changes as the global situation evolves. Staff and customer safety remain the paramount concerns of the Company and it has adapted successfully to the new ways of working.

Strategic objectives

The Company's strategic objectives are:

- to provide robust risk management services to members and clients
- to deliver world class clearing services
- to partner with the markets we serve

The strategy for achieving these objectives is to maintain a sound risk management approach across all asset classes cleared and to work closely with market participants to develop and deliver new services.

Research and Development activities

In 2020, the Company does not qualifies for Government assistance in the form of "crédit d'impôt recherche" (CIR) (a research and development tax credit).

Significant events which occurred since the date of the financial statements

None.

Perspectives

Business mature which will benefit from various initiatives across the different Business Lines . These secure level of margin and revenues recorded in 2020, in a context of strong environment as Brexit and aggressive competition in the Market.

LCH SA will engage strong investments in the coming years to support its client services and its independency.

Presentation of the financial statements

As a financial institution, Banque Centrale de Compensation (BCC), which trades under the business name LCH SA, is required to prepare and publish annual financial statements (balance sheet, off-balance sheet and income statement) in accordance with the articles ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5 from The French Accounting Standards Setter ("Autorité des Normes Comptables").

Since the merger of the Amsterdam and Brussels clearing houses within LCH SA on 1 February 2001 and the corresponding creation of two new branches in Amsterdam and Brussels, (*Banque Centrale de Compensation Amsterdam* and *Banque Centrale de Compensation Bruxelles*), the accounts of these two branches have been integrated into those of LCH SA. In addition, LCH SA's accounting perimeter includes the activity of an establishment based in Porto after the acquisition from NYSE Euronext of the Portuguese clearing house on 15 July 2003.

The management accounting presentation of the balance sheet and income statement includes the following specific features:

Balance sheet

In view of their size, the assets and liabilities related to Banque Centrale de Compensation's clearing house activity and its treasury management operations are shown separately, with a detailed analysis of each item provided in the notes to the financial statements.

Repo transactions on the OTC market have been presented on a non-offset basis. The amount on the asset side represents the cash loans for which securities were received under reverse repos; the amount on the liabilities side represents the cash borrowing for which securities were delivered under repos. Repos and reverse repos which have been traded but not yet settled are recorded as commitments in Off Balance Sheet. LCH SA retains a commitment to full and secure completion in respect of both lender and borrower.

Commitments relating to clearing operations are transferred to the balance sheet on effective date of settlement. If fail to deliver occurs at that date, clearing operations appear and remain in adjustment accounts on the balance sheet until the effective settlement date.

Off-balance sheet commitments

Commitments relating to clearing operations have been separated from commercial commitments and cash management commitments.

The information given in the financial statements carries the following notes, which are presented in accordance with the above-mentioned ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5, include all material information required to give a true and fair view of Banque Centrale de Compensation's assets, liabilities, financial position, exposure and profit and loss.

Accounting policies and principles

The financial statements have been prepared and presented in accordance with accounting principles applicable to banks in France and complies with the provision of regulation 2014-07 of ANC, the French Accounting Standards Board, revised by regulation 2020-10 of ANC.

The main accounting policies and valuation methods applied are detailed below.

Fixed assets, amortisation and depreciation

Fixed assets are recorded at acquisition cost excluding deductible value-added tax (VAT).

IT development costs are recognised on the balance sheet in accordance with principles stated in the ANC 2014-03. Self-developed software is recorded based on direct costs of development, which include mostly man-days costs related to the stages from technical specifications to testing.

Fixed assets are depreciated on a straight-line basis, based on their anticipated useful lives, which are as follows:

Self-developed software	3 to 5 years
Computer equipment	3 years
Furniture	10 years
Leaseholds improvements	10 years
Office equipment	3 to 5 years
Other intangible assets	3 to 5 years

Impairment of intangible assets and property, plant and equipment

The intangible assets in the course of development are subject to an annual impairment review or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset may not be fully recoverable.

For the purpose of impairment testing, intangible assets are allocated to cash generating units monitored by management, usually at statutory company level. The impairment review involves a comparison of the carrying amount of the intangible asset allocated to the related cash generating units, with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of less the costs associated with the sale.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

The carrying amount of intangible assets allocated to a cash generating unit is taken into account when determining the gain or loss on disposal of the unit.

Long-term equity investment

Long-term assets are recorded at their nominal value and impairments are recognised if their value in use decreases below their book value.

Accounts receivable and payable

Accounts receivable and payable are stated at cost and have initial maturities of less than one month.

Provisions for doubtful debts are determined on an individual basis and are recorded as direct reductions in the value of the related receivables.

Held-for-sale securities

Investment securities held are cash management instruments, recognised and valued under Lower of Cost or Market (LOCOM) methodology in accordance with ANC 2014-07 §1111-1 to 1124-61 and §3111-1 to 3111-5.

Transactions with Clearing Members

Transactions with Clearing Members are valued according the day to day market valuation as settled to Members via the Variation Margins. The positions in Balance Sheet reflects exactly what are due to or from Members for their clearing activity.

- Repos and reverse repos are now specifically identified in assets and liabilities in phase with the PCEC.
- Repos and reverse repos with Clearing Members are valued at fair value. No off setting is applied.
- Derivatives are valued at fair valued.

Financial derivative instruments

In accordance with European Market Infrastructure Regulation, the company neither holds nor issues derivatives for proprietary trading.

Reserve for general banking risks

As permitted under regulation CRBF 90.02 of the French Committee for Banking and Financial Regulations, LCH SA has allocated amounts to a 'Reserve for General Banking Risks' to cover general risks inherent to its activity.

Provisions

In accordance with ANC 2014-03, LCH SA recognises a provision as a liability on its balance sheet when it considers that an event creates an obligation in respect of a third party that might lead to the outflow of economic resources to that third party in order to settle the obligation without any corresponding inflow of proportional value.

LCH SA therefore allocates provisions to cover its commercial risks, measures its pension commitments under defined benefit pension plans using the "preferential" method (projected credit unit method), recognising the provisions for the resulting employee benefit commitments as liabilities on its balance sheet.

Provisions for employee benefit commitments have been calculated by an independent actuary based on changes in headcount (turnover, seniority) and are calculated in accordance with the projected credit unit methodology. They comprise commitments for retirement and jubilee award.

In the normal course of business, LCH SA receives legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from LCH SA (and is measurable), a provision is made representing the expected cost of settling such claims.

Share-based compensation

The Company operates share-based compensation plans for employees, settled in shares of the ultimate parent company, London Stock Exchange Group plc. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of the grant as an indirect measure of the value of employee services received by the Company and recognised over the relevant vesting period.

Extraordinary result

The extraordinary result includes income and expenses before tax which are generated or booked on an exceptional basis and are not derived from the company's ordinary activities (ANC 2014-07).

Changes in accounting presentation of financial statements

None.

1. Interest and related income/(expenses)

	2020 **€'m**	2019 €'m
Interest on debit bank accounts	**-**	-
Margin interest	**196.8**	153.1
Interest and related income	**196.8**	**153.1**
Interest payable to Central bank	**(109.2)**	(79.8)
Interest on credit bank account	**(0.1)**	(0.1)
Interest on other collateral	**(21.9)**	(21.1)
Interest and related expenses	**(131.1)**	**(101.0)**
Net interest and related income/(expenses)	**65.6**	**52.1**

The margin interest are calculated from the initial margin, default fund and debts with credit institutions and other financial institutions.

In 2020, the net interest and related income/(expenses) has increased to €65.6 million (2019: €52.1 million) mainly driven by the expansion of the cash initial margin volume collected from the members.

2. Commissions

	2020 **€'m**	2019 €'m
Cash Equities	**27.1**	18.7
Derivatives	**44.8**	38.5
Fixed Income	**80.5**	69.6
CDS	**17.7**	20.7
Clearing fees	**170.1**	147.5
Sale of other product and services	**23.0**	19.9
Connectivity fees	**3.4**	3.4
Non cash collateral fees	**30.5**	24.4
Commissions received	**227.0**	**195.2**
Settlement fees and bank fees	**(14.2)**	(11.9)
Commissions paid	**(14.2)**	**(11.9)**

Revenue is generated from clearing and other post trade services, including investment income earned on collateral. Revenue is shown net of discounts, sales taxes and certain revenue share arrangements.

Clearing fee income and rebates, together with other fee income are recognised when the service is rendered on a per transaction basis, or in cases where there is a fixed annual fee, monthly in arrears, in accordance with the Company's fee scales net of all applicable sales taxes.

Other post trade services include revenue from client connectivity services which is recognised as revenue on a straight-line basis over the service period as this reflects the continuous transfer of services.

Customer contracts across the Company that contain a single performance obligation at a fixed price do not require variable consideration to be constrained or allocated to multiple performance obligations. However the Company also provides services to customers under a tiered and tariff pricing structure that generates a degree of variability in the revenue streams from the contract. Where the future revenue from a contract varies due to factors that are outside of the Company's control, the Company limits the total transaction price at contract inception and recognises the minimum expected revenue guaranteed by the terms of the contract. Any variable element is subsequently recognised in the period in which the variable factor occurs.

Net treasury income is the total of income earned on the cash and other financial assets held that have been generated from clearing member activity, less interest paid on clearing members' margin and other monies lodged with the Company. Interest expense or income is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

In conditions where negative interest rates apply, the Company recognises interest paid on cash and other assets as an expense and interest received on clearing members' margin as income.

On **Cash Equities**, the posted clearing revenue was 45% above 2019 due to the increase of volume in 2020.

On **Derivatives markets** (indices and commodities), revenue decreased by 16% in 2020 at €44.8 million (2019: €38.5 million)

On **Fixed income markets**, government bonds and repos revenue increased by 16% compared to 2019. As part of the expansion of SA RepoClear in order to become the leading CCP in € Repos, new segments were successfully launched in February 2019: Portugal, Finland, Austria, Netherlands, Ireland, Slovenia debts. In order to enhance member netting opportunities, these segments have complemented the clearing of French, Spanish, Italian, Belgian and German markets. The volumes in SA RepoClear, which are the largest ever, are especially relevant as we connect more EUR debt markets to LCH.SA, creating an ever increasing pool of potential netting opportunities.

On the **CDS market**, clearing revenue is made up of 11 members paying each an annual membership fee fixed at €1.3 million per member, 2 select members an annual membership fee of €0.25 million, 1 select member an annual membership fee of €0.45 million, 1 general introductory member an annual membership fee of €0.2 million, 6 CIO members.

The sales of other product and services mainly comprise membership commissions and penalty fees recharged to clearing member.

Membership commissions (excluding period fees) remain stable €4.2 million (2019: €4.0 million) and are split as follows:
- €0.6 million in membership fees related to the French Derivatives market (2019: €0.6 million)
- €3.5 million in membership fees derived from the Cash Equities markets (2019: €3.4 million)

The non-cash collateral fees increased at €30.5 million (2019: €24.4 million).

Settlement costs recharged to clearing members and bank fees increased at €14.2 million (2019: €11.9 million).

3. Gains and (Losses) on investment portfolio

	2020 €'m	2019 €'m
Interest from Tri-Party Repos	-	-
Interest from held for sale securities	1.5	-
Interest accrued	-	-
Gains on investment portfolio	**1.5**	**-**
Interest Paid out on Securities	(6.7)	(0.8)
Interest accrued	(3.7)	
Gains/(losses) on securities sales	0.2	-
Provisions on securities	-	-
Losses on investment portfolio	**(10.2)**	**(0.8)**

4. Other income/(Other expense) on banking transactions

	2020 €'m	2019 €'m
Recharges to Group companies	-	-
Other banking income	**-**	**-**
Revenue share with Euronext	(35.5)	(27.2)
CDS profit share	(2.0)	(3.8)
Revenue and profit share	(37.5)	(31.0)
Other banking expense	**(37.5)**	(31.0)

Amounts included in the other banking expenses relate to surplus or revenue share arrangements whereby, as part of an operating agreement, amounts are due back to either the other party to the operating agreement or the actual clearing customers.

A CDS agreement was signed in April 2014, effective from 1 January 2014. The related profit sharing recognised in 2020 is €2.0 million (2019: €3.8 million).

A revenue share on the listed derivatives segment effective from January 2019 is based on an agreement signed with Euronext in October 2017. This agreement generated a net retrocession fee to Euronext of €35.5 million (2019: €27.2 million).

5. General operating expenses

	Note	2020 €'m	2019 €'m

Payroll charges	6	**(38.0)**	(36.7)
External services	7	**(47.7)**	(40.2)
Other taxes		**(4.0)**	(3.7)
Other general operating expenses		**(1.5)**	(1.1)
General operating expenses		**(91.2)**	**(81.7)**

The other general operating expenses include the directors' fees in 2020 for €0.5 million.

6. Personnel expenses

	2020 €'m	2019 €'m
Salaries	**(20.7)**	(22.6)
Pensions and other payroll charges	**(11.7)**	(9.1)
Profit sharing with employees	**(4.1)**	(3.2)
Payroll taxes	**(1.5)**	(1.8)
Personnel expenses	**(38.0)**	**(36.6)**

In 2020, the total amount recognised as profit-sharing expenses under payroll costs amount to €4.1 million (2019: €3.2 million). The profit sharing is the legal contribution of employees to the prior net income ("Participation").

In 2020, the average headcount (permanent employees) in Paris was 179 (2019: 167).

7. External services

	2020 €'m	2019 €'m
External staff	**(4.7)**	(2.8)
Other personnel expenses	**(5.8)**	(4.0)
IT costs	**(21.2)**	(18.5)
Property costs	**(6.0)**	(5.5)
Other external services	**(10.0)**	(9.4)
External services	**(47.7)**	**(40.2)**

The overall external services costs have increased to €47.7 million (2019: €40.2 million).

The external staff includes temporary staff and contractors, which have increased to €4.7 million (2019: €2.8 million) due to increase support following Business growth.

The other personnel expenses have increased to €5.8 million (2019: €4.0 million) also due to LTIP variable compensation increase and full year impact of Fixed income debts migration to LCH SA in 2019.

IT running costs have increased by €2.7 million, linked with new security cost following ACPR recommendation and additional cost to support business growth.

Property costs have increased by 0.5 million to €6.0 million (2019: €5.5 million).

The other external services have increased at €10.0 million.

They comprise the auditors' fees for the year 2020, which amount to:

- €0.36 million for the statutory accounts shared between BDO Paris Audit & Advisory (€0.15 million) and Ernst & Young (€0.21 million)
- €0.08 million for the PCAOB audit to BDO Paris Audit & Advisory
- €0.01 million for the statutory audit of LCH SA Belgium Branch to ERNST & YOUNG Réviseurs d'Entreprises SRL

8. Depreciation, amortisation and provisions

	2020 €'m	2019 €'m
Intangible assets depreciation	**(12.2)**	(12.0)
Tangible assets depreciation	**(0.1)**	(0.1)
Impairment	**-**	-
Depreciation and amortisation	**(12.3)**	**(12.1)**
Net (decrease)/increase of other provisions	**-**	-
Net (decrease)/increase of provisions for employees	**(0.5)**	(0.9)
Net (decrease)/increase in provisions	**(0.5)**	**(0.9)**
Depreciation, amortisation and provisions	**(12.8)**	**(13.0)**

Intangible assets amortisation has slightly increased in 2020 to €12.2 million (2019: €12.0 million).

Tangible assets amortisation has remained stable in 2020 to €0.1 million (2019: €0.1 million).

The provisions for employee have decreased to €0.5 million (2019: €0.9 million).

9. Gains/(losses) on fixed assets

The net accounting value of asset retirement is nil in 2020.

10. Corporate income tax

A multi-lateral transfer pricing agreement signed by representatives of the French, Belgian, and Dutch tax authorities has been in effect since 1 January 2004 and has been renewed on April 2014 until 31 December 2015.

This agreement allows the distribution of the earnings that are jointly generated by Banque Centrale de Compensation, which has its registered office in Paris, and by its Dutch and Belgian branches.

For this year LCH SA recorded tax charges under Belgian rate for the first six months of activity, considering Brussels branch had been liquidated in June 2020.

LCH SA's Portuguese branch is not considered as a permanent establishment for Portuguese corporate tax purposes, and its assets and operations are therefore assimilated with those of its parent company, a French tax resident. LCH SA therefore records no corporate tax charge payable to the Portuguese tax authorities.

The standard corporate tax rate is 31% in France, 25% in the Netherlands and 29% in Belgium.

	2020 **€'m**	2019 €'m
French income tax	**(33.9)**	(30.2)
Belgian income tax	**(0.4)**	(0.4)
Dutch income tax	**(6.0)**	(4.8)
Corporate income tax	**(40.3)**	**(35.4)**

11. Cash in Central bank

LCH SA operates directly on the money market, investing the cash arising from its operating cash flow and from the cash collateral received from its clearing members. As of 31 December 2020, there was no live term repos.

Out of the total treasury accounts of €27,682.4 million (2019: €18,767.9 million), €303.7 million is own cash (2019: €297.2 million). €34.9 million of this amount (2019: €39.2 million) is restricted as the Company's own resources to be used in the default waterfall in case of default.

12. Securities under resale and repurchase agreement

	2020 **€'m**	2019 €'m
Reverse repos	**587,614.2**	529,505.0
Interest payable	**(326.3)**	(193.9)
Securities under resale agreement	**587,287.9**	**529,311.1**

	2020 **€'m**	2019 €'m
Repos	**(587,614.2)**	(529,505.0)
Interest receivable	**326.3**	193.9
Securities under repurchase agreement	**(587,287.9)**	**(529,311.1)**

Repos and reverse repos transactions are presented on a non-offset basis. The amount on the asset side represents the cash loans for which securities were received as collateral; the amount on the liabilities side represents the cash borrowing for which securities were delivered as collateral. Repos and reverse repos which have been traded but not yet settled are recorded as commitments in Off Balance Sheet.

	2020 €'m	2019 €'m
Credit institutions	**416,089.7**	351,503.9
Other Financial institutions	**96,031.8**	88,631.8
Interoperatibility partner – *Cassa di Compensazione & Garanzia* (CC&G)	**75,166.3**	89,175.4
Securities under resale agreement	**587,287.9**	**529,311.1**

	2020 €'m	2019 €'m
Credit institutions	**(401,982.5)**	(361,701.7)
Other Financial institutions	**(159,654.0)**	(119,586.8)
Interoperatibility partner – *Cassa di Compensazione & Garanzia* (CC&G)	**(25,651.3)**	(48,022.6)
Securities under repurchase agreement	**(587,287.9)**	**(529,311.1)**

The breakdown of remaining maturity is set as following:

- €488,452.6 million are due to/from members for less than one month (2019: €471,808.1 million);
- €82,061.6 million are due to/from members for less than three months (2019: €44,816.9 million);
- €10,986.7 million are due to/from members for less than six months (2019: €6,602.2 million);
- €5,786.9 million are due to/from members for less than one year (2019: €5,781.4 million);
- €0 is due to/from member for over one year (2019: €298.6 million).

13. Investment Portfolio: Bonds and other fixed income securities

The Company can invest cash in three types of products under its Investment policy : the unsecured deposits at Central bank (see note 11, Cash in Central banks), the secured deposits ie reverse repos and debt securities issued by high rated obligators.

The securities held for the purpose of held for sales at 31 December 2020 consisted exclusively of treasury bills issued by the European Governments "OAT". Reverse repos have all matured as of 31st December 2020.

	2020 €'m	2019 €'m
Investment securities and related receivables	**-**	-
Securities held for sale and related receivables	**1,527.0**	60.0
Securities placed on repos	**-**	-
Bonds and other fixed income securities	**1,527.0**	**60.0**
Total Investment portfolio	**1,527.0**	**60.0**

	2020 €'m	2019 €'m
Maturity less than 1 month	**130.0**	-
Maturity less than 3 months	**463.0**	60.0
Maturity less than 6 months	**519.0**	-
Maturity less than 12 months	**415.0**	-

Maturity greater than 12 months	**-**	-
Total Investment portfolio	**1,527.0**	**60.0**

The fair value of securities available for sale as of 31 December 2020 is €1,527.0 million (2019: €60.0 million).

14. Long-term equity investment

	2020 €'m	2019 €'m
SWIFT	**0.5**	0.5
Long term equity investment	**0.5**	**0.5**

At 31 December 2020, LCH SA owned a €490,277 equity interest in the company SWIFT (2019: €490,277). This interest arose from the systematic attribution of SWIFT shares to LCH SA based on the volume of messages transmitted by LCH SA to its clearing members via the SWIFT system. The company SWIFT is a listed company on the stock exchanges.

15. Other assets

	2020 €'m	2019 €'m
Initial margin deposited to *Cassa di Compensazione & Garanzia* (CC&G)	**4,380.9**	3,890.4
Interest receivable from initial margin	**27.6**	19.4
Credit hedge receivable	**801.1**	-
Member fees receivable	**23.9**	21.4
Amount due from Group companies	**1.6**	1.4
Other receivable	**1.8**	4.2
Other assets	**5,236.9**	**3,936.8**

Initial Margin *Cassa di Compensazione & Garanzia* (CC&G),

LCH SA pays a daily collateral deposit to *Cassa di Compensazione & Garanzia* (CC&G), the Italian clearing house and fellow subsidiary of London Stock Exchange Group plc, to cover positions taken by its clearing members whose counterparties clear through CC&G. Similarly, LCH SA receives collateral deposits from CC&G to cover positions taken by CC&G clearing members trading with LCH SA clearing members.

Interest receivable from initial margin

The margin interest receivable from members have increased to €27.6 million (2019: €19.4 million). The cash collateral held amounts to €31.6 billion in 2020 (2019: €16.6 billion).

Credit hedge receivable

On CDS market, the credit hedge covers a credit event, which amounts to €801.1 million(2019: nil). This operation is totally mirrored in liabilities – Credit hedge payables in other liabilities, for €801.1 million as well – see note 21.

Member fees receivable

The company's member fees receivables mostly consist of clearing fees debited from clearing members' accounts on the 10th working day of the month following the transaction.

	2020 €'m	2019 €'m
Member fees receivable	**23.9**	**21.4**
Doubtful accounts	**-**	**-**
Member fees receivable	**23.9**	**21.4**

As of 31 December 2020, there were no doubtful accounts.

Other receivable

The other receivable have decreased to €1.8 million in 2020 (2019: 4.2 million), mainly due to the €2.5 million decrease of LCH contribution to Single Resolution Fund further to over weighting of company risk profile.

16. Accounts related to Clearing Operations

	2020 €'m	2019 €'m
Prepayments	**1.9**	1.3
Clearing suspense accounts (assets)	**2.7**	527.7
Clearing settlement accounts (assets)*	**943.8**	670.3
Variation margin receivable	**88.0**	23.4
Option premium receivable	**6.0**	1.3
Other accrued income	**-**	-
Assets related to clearing operations	**1,042.4**	**1,224.0**

*previously called Clearing pivot receivable

	2020 €'m	2019 €'m
Deferred income	**3.1**	2.2
Clearing suspense accounts (liabilities)	**0.5**	5.6
Clearing settlement accounts (liabilities)	**569.0**	498.8
Variation margin payable	**88.0**	23.4
Option premium payable	**6.0**	1.3
Accruals for invoices not received	**17.2**	13.9
Other accruals	**1.9**	2.0
Liabilities related to clearing operations	**685.7**	**547.2**

Clearing suspense accounts

The portage positions represents the actual amount that would be endorsed by LCH SA and is the net amount between OTC and cash equity suspense receivables and payables by entered currency. This can vary depending on the members clearing activity.

The clearing portage receivable amounts to €2.7 million in 2020 (2019: €527.5), split as following: €1.8 million for OTC market and €0.9 million for Cash Equity market.

The clearing portage payable amounts to €0.5 million in 2020 (2019: €5.6 million).

Clearing settlement accounts

The clearing settlement receivable amounts to €943.8 million in 2020 (2019: €670.3 million) and the clearing settlement payable amounts to €569.0 million in 2020 (2019: €498.8 million).

Variation margin

This relates derivatives transactions specifically. Positive variation margins that may be recovered by clearing members are recognised as a liability. Negative variation margins represent amounts receivable by the clearing house and are therefore recorded as an asset under margins receivable from clearing house members.

Margins to be received or paid are calculated and called daily based on each clearing member's position. The margin receivable from or payable to each clearing member corresponds to the difference between the daily settlement value of the clearing member’s position compared with that of the previous day.

The variation margins covering Futures amount to €70.9 million in 2020 (2019: €12.4 million).

The variation margins covering Credit Default Swaps instruments amount to €17.2 million in 2020 (2019: €11.0 million).

Option premium

In addition to margin deposits, clearing house members may be called upon to pay or receive premiums on a daily basis. Premiums correspond to the traded price paid by option buyers to option writers. At the end of each trading day, premiums payable and receivable consist in the net difference between each clearing member's long and short trades.

Payable premiums are recorded as liabilities and receivable premiums are recorded as assets and both amount to €6.0 million in 2020 (2019: €1.3 million).

Accruals for invoices not received

At the end of 2020, accruals related to payables to suppliers amount to €17.2 million (2019: €13.9 million). The main amounts include CDC Clear Ltd with €2.1 million (2019: €3.7 million) and Euronext with €6.3 million (2019: €2.9 million); those are related to business fees.

17. Intangible assets

Gross amount	2019 €'m	Acqui-sitions	Project delivery*	Disposal	**2020 €'m**
Other intangible assets	52.7	-	-	-	**52.7**
Software	129.9	-	**15.6**	-	**145.6**
Intangible work in progress	31.9	**22.8**	**(15.6)**	-	**39.0**
Intangible assets - Cost	214.4	**22.8**	-	-	**237.3**

Accumulated amortisation	2019 €'m	Allo-wances*	Reversals	Impairment	**2020 €'m**
Other intangible assets	43.6	-	-	-	**43.6**
Software	98.0	**12.2**		-	**110.1**
Intangible assets - accumulated amortisation	141.6	**12.2**	-	-	**153.8**
Intangible assets - Net book value	72.8				**83.4**

*netted of €8.4 million related to impairment made on 2013 self-developed software.

Fixed asset items include both depreciable assets and fixed assets in progress. The latter items include software under development and various tangible assets that have not yet entered service. Once these assets come into use, they start to be depreciated or amortised in accordance with the principles described in section II – accounting principles and valuation methods / fixed assets, amortisation and depreciation.

Impairment testing of intangible assets

In accordance with ANC 2015-06, the Company has performed an analysis on the nature of other intangible assets and confirms that they are only composed of intangible assets; as a consequence, the Company carries out annual impairment testing on intangible assets in December of each year, or more often if circumstances show that impairment may be likely.

Other intangible assets are carried in relation to the acquisition of branches in Amsterdam, Brussels and Porto. The recoverable amount associated with these branches is determined based on value in use calculations.

For intangible assets, impairment is assessed by reviewing the carrying value of the asset against its recoverable amount, which is determined by value in use calculations for the relevant cash generating unit using discounted cash flow projections.

The key assumptions used in the valuations relate to discounted cash flow projections prepared by management covering a five year period. The cash flow projections are based on the Group's budget for 2021 and the approved plan for the two financial years following the last financial year in the budget. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates.

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates, as follows:

i) The values assigned to short and medium term revenue and cost growth are based on the 2021 budget and the Group approved plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions

ii) Long term growth rates of 2.3% (2019: 2.68%) represent management's internal forecasts based on external estimates of GDP and inflation

iii) The pre-tax discount rate of 10.78% (2019: 10.4%) is based on a number of factors including the risk-free rate, the Group's estimated market risk premium and a premium to reflect inherent risks

Impairment results

Having completed the tests as described above, self developed software and other intangible assets were not found to be impaired.

Sensitivity analysis

Reasonably possible changes in key assumptions and rates are detailed below and the likely impact on the value in use or impairment noted:

Other non-amortisable intangible assets

As at 31 December 2020	Base case	Adjusted	Other non-amortisable intangible assets €'m	Other intangibles €'m
Reduction in clearing revenues	various	-10.0%	No impairment	No impairment
Long-term Cash flow growth	2.3%	0%	No impairment	No impairment
Pre-tax discount rate	10.78%	14.1%	No impairment	No impairment

As at 31 December 2020	Base case	Adjusted	Increase in impairment €'m
Reduction in clearing revenues	various	-10.0%	-
Cash flow growth beyond the five year period	2.3%	0%	-
Pre-tax discount rate	10.78%	14.1%	-

18. Tangible assets

Gross amount	2019 €'m	Acqui-sitions	Project delivery	Disposal	**2020 €'m**
Other tangible fixed assets	8.8	-	-	(0.1)	8.7
Tangible fixed assets in progress	1.2	0.4	-	-	1.6
Tangible assets - Cost	10.0	0.4	-	(0.1)	**10.3**

Accumulated amortisation	2019 €'m	Allo-wances	Reversals	Impairment	**2020 €'m**
Other tangible fixed assets	8.2	0.1	-	-	8.3
Tangible assets - accumulated amortisation	8.2	0.1	-	-	**8.3**
Tangible assets - Net book value	1.8				**2.0**

19. Debts with credit institutions

	2020 €'m	2019 €'m
Cash call to credit institutions	**1,319.7**	1,098.2
Interest payable to Central Bank	**5.9**	4.0
Settlement overdraft	**0.1**	0.3
Debts with credit institutions	**1,325.7**	**1,102.5**

In order to guarantee the integrity of the operations it processes, LCH SA requires clearing members to make deposits of collateral known as margin calls. The nature of the eligible margin calls, as well as the conditions governing the calls and deposit of these calls are determined by LCH SA. They are split by type of counterparty: credit institutions and other financial institutions.

The interest payable to central bank has increased at €5.9 million in 2020 (2019: €4.0 million).

20. Debts with other financial institutions

	2020 €'m	2019 €'m
Cash call to other financial institutions	**258.1**	189.5
Debts with other financial institutions	**258.1**	**189.5**

21. Other liabilities

	2020 **€'m**	2019 €'m
Initial margin	**26,235.4**	16,543.1
Default fund	**5,835.5**	5,270.2
Interest payable on initial margins	**5.2**	5.7
Credit hedge payable	**801.1**	-
Personnel and related payables	**24.8**	23.3
Tax payable	**22.2**	16.8
Trade payable	**0.8**	4.4
Amount due to Group companies	**6.7**	4.6
Other liabilities	**2.2**	2.1
Other liabilities	**32,933.9**	**21,870.2**

Initial margin and default fund

Initial margin may consist of cash, securities or bank guarantees; it is being expressly stipulated by LCH SA that these are the only eligible instruments.

Cash collateral appear as liabilities on the balance sheet, while bank guarantees and securities are recognised in the off-balance sheet. Collateral deposits are adjusted daily, giving rise either to a call for additional margin, recorded as an asset under funds receivable from clearing house members, or to a refund, recorded as a liability under funds payable to clearing house members.

Personnel and related payables

Accrued taxes and personnel costs mainly consist of the following provisions:

- Paid holidays: €12.4million (2019: €10.6 million)
- Employees' profit sharing schemes: €4.9 million (2019: €3.2 million)
- Bonuses: €3.1million (2019: €3.9 million)
- National Insurance payables: €3.1 million (2019: €1.6 million)
- Other personnel provisions : €1.3 million (2019 : €4.0 million)

Tax payable

The accrued taxes payable are mainly made of:

- Corporate tax payable: €18.9 million (2019: €13.2 million)
- VAT: €1.6 million (2019: €1.7 million)
- C3S tax: €0.6 million (2019: €0.5 million)
- Other taxes: €1.1 million (2019: €1.5 million)

Trade payables

All trade payables as of 31 December 2020 and 2019 had a maturity of less than two months.

22. Provisions

	2019 €'m	Allowance	Write-off	**2020 €'m**
Employee benefit provisions				
Compensation for retirement	5.3	0.4	-	**5.7**
Jubilee award	1.5	0.1	-	**1.6**
	6.8	**0.5**	**-**	**7.3**
Other operating provisions				
Provisions for operating risks	0.3	(0.1)	-	**0.2**
Provisions	**7.1**	**0.4**	**-**	**7.5**

Employee benefit provisions are €7.3 million (2019: €6.8 million); this represents the compensation that the Company would have to pay to employee in case of retirement. The provision is calculated by an external agency on the basis of the following assumptions: an inflation rate of 1.5%, an interest rate at 0.5% and a 2.5% increase in salaries.

Other operating provisions are €0.2 million (2019: €0.3 million) for litigation with a contractor.

23. Shareholders' equity

The company has 7,416,700 fully paid-up ordinary shares of €15.24 each in issue as at 31 December 2020 (2019: 7,416,700).

	2020 €'m	2019 €'m
Share capital	**113.1**	113.1
Legal reserve	**11.3**	11.3
Other reserves	**32.6**	32.6
Capital premium	**0.7**	0.7
Retained earnings	**119.8**	119.7
	277.5	277.4
Net profit	**88.0**	71.1
Revenues to be allocated	**-**	-
Interim dividend	**-**	-
Shareholders' equity	**365.4**	348.5

€71.0 million out of net income in 2019, which amounted to €71.1 million, was distributed.

The change in the Shareholders' equity during 2020 may be summarised as follows:

Shareholders' equity at 31 December 2019	**348.5**
Dividends	(71.0)
Net profit of the year	88.0
Revenues to be allocated	-
Shareholders' equity at 31 December 2020	**365.4**

24. Clearing house commitment

	2020 **€'m**	2019 €'m
Guarantees given to Banque de France	**2,423.9**	2,070.9
Credit Default Swap sold	**488,998.4**	370,644.6
Guarantees given	**491,422.3**	372,715.5
Securities deliverable	**563,114.3**	509,285.2
Commitments given	**563,114.3**	509,285.2
Securities received as collateral	**23,298.2**	25,064.2
First-demand guarantees received from banks	**2,907.0**	1,406.6
Guarantees received from DNB	**1,542.8**	1,293.8
Guarantees received from BNB	**1,443.5**	2,917.5
Credit Default Swap bought	**488,998.4**	370,644.6
Guarantees received	**518,189.9**	401,326.7
Securities receivable	**563,116.1**	509,812.6
Commitments received	**563,116.1**	509,812.6

Guarantee received recorded the collateral when some members decided to settle initial margins with guarantees given by a third-party.

Guarantees given to Banque de France represent the Securities deposited at the Central Bank within 3G agreement. This offers the capacity to LCH SA to drawn a credit line in case of liquidity needs. The amount has increased in 2020 to €2,423.9 million (2019: €2,070.9 million).

Securities receivable and deliverables are Fixed Income transactions which are already traded but not settled yet. The volume has increased significantly €563,116.1 million as of 31 December 2020 (€509,812.6 million in 2019) in correlation of the RepoClear development – see Management Report.

CDS bought represent the notional of credit hedging receivable and CDS sold the notional of credit hedging payable in case of credit event. The volume has largely remained stable at €488,998.4 million (2019: €370,644.6 million).

25. Consolidating company

London Stock Exchange Group plc (LSEG) is the ultimate parent company of the LCH Group, with a total shareholding of 57.78% and is the largest Group that prepares consolidated accounts. The immediate parent company is LCH Group Holdings Limited (formerly LCH Group Holdings Limited) which is the head of the smallest group that prepares consolidated accounts.

	2020 €'m	2019 €'m
Transactions with parent companies		
Income statement		
Services recharged to parent companies	-	-
Services recharged from parent companies	5.0	3.5
Services recharged from parent company disclosed as non-recurring costs	-	-
Total	**5.0**	3.5
Statement of financial position		
Amount due to parent companies as of 31 December	(1.4)	(1.8)
Transactions with fellow companies		
Income statement		
Services recharged to fellow companies	-	-
Services recharged from fellow companies	10.6	8.9
Project recharge income with other fellow companies	(0.4)	(1.4)
Project recharge cost from other fellow companies	9.3	9.6
Total	**19.5**	17.1
Statement of financial position		
Amount due to fellow companies as of 31 December	(3.6)	(1.4)

26. Directors' fees

Directors' fees paid by the company in 2020 amounted to €459,132. This amount excludes the CEO's compensation.

27. Management report

The management report is available to the public at LCH SA headquarters, 18 rue du Quatre Septembre 75002 Paris, France.

28. Subsequent event

Subsequent events have been evaluated by LCH SA through February 25th, 2021, the date these financial statements are available to be issued.