

Company number: 692 032 485

LCH SA

**MANAGEMENT REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023**

**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

<u>Name</u>	<u>Type of Director</u>	<u>Other Directorship at 31 December 2023</u>
Claude Ehlinger	Chairman	Bureau Veritas SA Stahl Parent BV Stahl Lux 2 SA Stahl Group SA Wendel Luxembourg Tarkett Participation SAS Wendel SE
Christophe Hémon (resigned on 30 September 2023)	Director	Euroclear Holding SA/NV
Corentine Poilvet-Clédière (appointed on 1 october 2023)	Director	None
Daniel Maguire	Director	LCH Group Holdings Limited LCH Limited LSEG Post Trade Services Limited Regulatory Reporting Limited – Chairman ISDA
Marc Breillout	Director	Sucden Financial Ltd
Ronaldus (Ron) Berndsen	Director	LCH Limited Quantoz Payments BV Fnality UK Limited
Jane Guyett	Director	LCH Limited UK Government Investments Limited Connect Plus (M25) PLC Royal London Mutual Insurance Society

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Carole Machell	Director	Weatherby's Bank Limited Sainsbury's Bank Plc
Brigitte Trafford (resigned on 15 November 2023)	Director	London Stock Exchange Group NewsGuard Technologies
Anthony McCarthy (appointed on 23 November 2023)	Director	London Stock Exchange Group LCH Ltd
Artur Chauchat	Director	None
Ghislain Bardon	Director	ELITE S.p.A Nord Pool
William Stenning	Director	CLS Group (resigned on 6 June 2023) OTCDerivNet

There are five standing committees which assist the Company: the 'Audit Committee', the 'Risk Committee', the 'Operational Resilience Committee' (formerly '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:

Marc Breillout	85 000 €
Claude Ehlinger	200 000 €
Ron Berndsen	100 000 €
Jane Guyett	60 000 £
Carole Machell	60 000 £

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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.

The « Fifth Amendment to the Cash Clearing Agreement »: On 24 September 2021, LCH SA, 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, Euronext London Ltd and the Irish Stock Exchange Plc, jointly signed the Fifth Amendment to the Cash Clearing Agreement dated 22 January 2013 to introduce the Irish Stock Exchange Plc (aka Euronext Dublin) as a new party to the agreement and a Euronext Market Undertaking to which LCH SA offers clearing services in respect of securities transactions. This Fifth Amendment also embeds the removal of Euronext London Ltd as a party to the Cash Clearing Agreement due to the loss of their license and necessary authorizations to operate a trading market. The Amendment 5 to the Cash Clearing Agreement was approved by the Board of Directors in May 2021 and by the general meeting of shareholders on 29 March 2022.

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.

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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 « 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 '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 agreement entitled "Amendment and Restatement Agreement to the Technology Services Agreement" (Amendment N°1 to TSA LTD) dated October 1, 2019 signed on June 07, 2021 between LCH SA and LCH LTD and accompanied by the associated Work Orders and MLM Software license.

The purpose of the amendment is to add a new clause to the TSA between LCH SA and LCH LTD dated October 1, 2019, in order to provide for the implementation of Work Orders governing the provision of IT services, licenses to use certain software and any other services provided by LCH LTD for the benefit of LCH SA under the TSA.

The agreement entitled "First Amendment to the Tulip Framework Agreement" of May 13, 2020 signed on September 24, 2021 between LCH SA, LCH Group Ltd and 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, and approved by the Board of Directors on May 05, 2021.

This amendment modifies several clauses of the Tulip Framework Agreement, dated May 13, 2020, notably concerning the timetable and conditions for implementing initiative 1 of the Framework Agreement, which concerns the project to clear ISINs traded on the Euronext Dublin market. Under the terms of the amendment, LCH SA will initially provide its clearing services to Euronext Dublin under the "Preferred CCP" model, and will subsequently be designated as the "Default CCP" for this market. A new timetable and new financial conditions are also set out in the amendment to provide a better framework for this initiative.

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.

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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. Order Form between LCH SA and BSL entered into pursuant to the GSA, relating to Oracle Financials, signed on 2nd January 2019;
- IX. Sublease Agreement dated 13 March 2020 between LCH SA and Beyond Ratings ;
- X. 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;
- XI. 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;
- XII. 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;
- XIII. 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;
- XIV. 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.
- XV. Amended and Restated TSA between LCH SA and BSL signed on 31 May 2021;
- XVI. Order Form between LCH SA and LCH Ltd entered into pursuant to the Technology Services Agreement (for the period 1 January to 31 December 2021), signed on 31 May 2021;

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- XVII. Order Form between LCH SA and BSL entered into pursuant to the Technology Services Agreement (for the period 1 January to 31 December 2021), signed on 21 June 2021;
- XVIII. Order Form between LCH SA and LCH Ltd entered into pursuant to the Technology Services Agreement dated 1st January 2021 (signed on 3rd November 2021) (CDSClear Time & Materials);
- XIX. Order Form between LCH SA and LCH Ltd entered into pursuant to the Technology Services Agreement dated 1st January 2019 (signed on 4th October 2021) (RepoClear MLM Time & Materials);
- XX. Order Form between LCH SA and LCH Ltd entered into pursuant to the Technology Services Agreement dated 1st July 2020 (signed on 3rd November 2021) (EquityClear MLM Time & Materials);

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 2023.

Ultimate parent company and group companies

LCH SA is owned at 99.99% by LCH.Clearnet Group Limited (the “Group”). London Stock Exchange Group (“LSEG”) holds a majority stake in the Group, with the balance held by users (i.e. clearing members) and other exchanges.

Scope of the Company

In addition to Paris, two entities compose the social scope of LCH SA: Amsterdam and Porto. Amsterdam is a branch 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.

The Company fully complied with prudential capital requirements this year. In particular, EMIR is required to maintain sufficient resources – own funds and liquidity – to cover the risks to which the company is exposed.

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CRR2

Under "Pillar 1" of the Basel III standards, the Company is required to ensure that the ratio of shareholders' equity to risk-weighted assets does not fall below a threshold of 4.5% of common shareholders' equity, 6% of Tier 1 capital, and 10.5% of total capital (taking into account the 2.5% conservation buffer).

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 2023 is 0,015 % (2022: 0.014%).

Proposed appropriation of net profit

LCH SA Board of Directors proposes to allocate the 2023 profit of € 116.3 million as following:

Allocation of 2023 earnings	€'m
Allocation to Legal Reserves	-
Allocation of Other Reserves	-
Allocation to Retained Earnings	116.3
Dividends	-
	<hr/>
	116.3

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

for 2020: €60 million corresponding to €8.09 per share

for 2021: €60 million corresponding to €8.09 per share

for 2022: €70 million corresponding to €9.44 per share

Distributable reserves are as follows:

Distributable reserves	€'m
Profit for the period	116.3
Other reserves	32.6
Profit carried forward	229.4
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	378.3

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 and Portugal, for Fixed income products and Credit Default Swaps (CDS) traded either on regulated markets or trading platforms located in France, UK, 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.

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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 earned 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:

	2023	2022	Variation
<i>CDSClear</i>			
CDSClear members	25	25	0%
Notional cleared (€ billion) - single counted	2487.5	1683.5	48%
Fixed Income: notional cleared (€ trillion) - single counted	129.0	117.0	10%
Listed Derivatives: contracts cleared (million) - single counted	132.6	151.6	-13%
Cash Equities: trades cleared (million) - single counted	159.2	277.2	-43%
Average cash collateral (€ billion)	26.8	33.9	-21%

Accounts payable

As of 31 December 2023, amounts payable to suppliers totalled €21.3 million (2022: €28.5 million). All these accounts are due within two months. LCH SA paid its invoices with an average of one month. Accounts with non-resident suppliers amount to €11.8 million (2022: €10.0 million).

In accordance with the provisions of Articles L. 441-14 and D. 441-6 of the French Commercial Code, we provide below information on the payment terms of suppliers mentioned in I of Article D. 441-6 of the French Commercial Code, including invoices received but not paid by the end of the fiscal year:

Article D. 441-6 I-1°: Invoices received but not paid by the end of the financial year when due

	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
(A) Late payment bracket					
Invoice count	32	10	8	47	97
Total amount of invoices (VAT included) in M€	0.6	0.1	0.1	0.5	1.3
Percentage over total purchases (VAT included)	0.5%	0.1%	0.1%	0.3%	1.0%
(B) Invoices excluded from (A) relating to disputed or unrecorded payables and receivables					
Excluded Invoice count	0				
Total amount of invoices	0€ VAT included				
(C) Reference payment terms used (contractual or legal - article L. 441-6 or article L. 443-1 of the French Commercial Code)					

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Payment periods used to calculate late payments	Contractual
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Accounts receivable

As of 31 December 2023, amounts receivable from customers totalled €54.6 million (2022: €22.4 million). All these accounts are due within one month. Accounts with non-resident customers amount to €19.8 million (2022: €14.1 million).

In accordance with the provisions of Articles L. 441-14 and D. 441-6 of the French Commercial Code, we hereby provide you with the following information on the payment terms of customers referred to in I of Article D. 441-6 of the French Commercial Code, including invoices issued but not yet paid at the year-end date:

Article D. 441-6 I-1°: Invoices issued but not paid by the end of the financial year when due

	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
(A) Late payment bracket					
Invoice count	540	3	-	22	565
Total amount of invoices (VAT included) in M€	50.7	0.1	-	0.3	51
Percentage of total sales for the year (VAT included)	18.5%	0.0%	-	0.1%	18.6%
(B) Invoices excluded from (A) relating to disputed or unrecorded payables and receivables					
Excluded Invoice count	0				
Total amount of invoices	0 VAT included				
(C) Reference payment terms used (contractual or legal - article L. 441-6 or article L. 443-1 of the French Commercial Code)					
Payment periods used to calculate late payments	Contractual				

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. The net value of other intangible assets is €9.1 million as at 31 December 2023.

Key points for the year

CDSClear

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CDSClear clears the widest range of credit default swaps (CDS), the advantages of which are linked to the existence of a single risk structure. Nearly 100 credit indices and 500 unique issuers, including CDS reference banks, are eligible for clearing, many of which are only available at CDSClear.

CDSClear is dual-licensed (under the European Markets Infrastructure Regulations (EMIR) in Europe, and in the U.S. by virtue of its registration as a derivatives clearing house with the Commodity Futures Trading Commission (CFTC) and as a clearing agency with the Securities and Exchange Commission (SEC)), which means it can offer its services to clients in both the U.S. and Europe.

The number of CDSClear members is 25 (2022: 25). The total notional amount cleared increased by 48% percent to 2 487 billion (2022: €1,684 billion). Total clearing fee income for the year, driven by higher volumes, increased to €21.6 million (2022: €18.2 million). That's mainly thanks to the increase in customer volumes (+95% compared with 2022, with a new record reached in September 2023) since ICE left the European markets in October 2023.

Fixed Income

LCH SA's clearing of repurchase agreements (repos) and cash bonds performed well at €129 trillion in the past year (2022: €117 trillion) in 11 European government bond markets (French, Spanish, Italian, Belgian, German, Portuguese, Finnish, Austrian, Dutch, Irish and Slovenian debt). Total clearing fee income for the year amounted to €99.9 million (2022: €93.3 million). RepoClear clearing revenue remains strong in 2023 mainly driven by market growth, market activity, membership extension, offset by the introduction of a rebate scheme. This leads to record nominal and trade sides cleared in 2023. Italian and French debts generated more than half of the RepoClear clearing revenue in 2023.

On RepoClear initiatives:

Bond borrowing

The bond borrowing initiative is an internal program designed to reduce securities delivery defaults impacting LCH SA. This initiative is in addition to a series of MBA initiatives to support improved plant performance throughout the settlement cycle. The general concept of this initiative is that when a member has not delivered bonds to the CCP, RepoClear will borrow those bonds from Euroclear Bank and deliver them to another member who is the purchaser of those specific bonds that day.

LCH SA received interest from cash settlement from non-failing member in the transaction and pays fees to Euroclear Bank for the bond borrowing.

Service merger

LCH SA has merged its RepoClear euro debt service with its €GCPlus general guarantee service to provide alternative channels for accessing GC liquidity. The new combined service provides a single point of access to the largest euro-cleared liquidity pool in the world, with clearing members benefiting from a single membership, a default fund and a set of margins, as well as new clearing opportunities. The service went live on July 3, 2023.

Listed Derivatives and Cash Equities

LCH provides listed derivatives clearing services to several platforms, including Euronext Derivatives Markets. Financial contracts cleared in 2023 decreased 13% to 132.6 million (2022: 151.6 million). Clearing fees outperformed on commodities under the combined effect of higher volumes (+14% vs 2022 with a new record on clearing fees on commodities in November 2023) and the modification of the tariff schedule in early 2023 (€ 0.77 per contract against € 0.70 in 2022). This change is partially offset by lower volumes on Financial Derivatives (-17% vs 2022).

In equity clearing services, LCH clears spot shares for several trading platforms including Euronext, Equiduct, Turquoise and Luxembourg Stock Exchange. The number of contracts cleared in 2023 decreased by 43% to 159.1 million euros (2022: 277.2 million euros) due to the combination of the loss of market share in the clearing and the consequence of the loss of market share of Euronext in the transactions. This trend is amplified by the migration of transactions from Euronext to Euronext CCP in November 2023.

Total clearing fee income in 2023 decreased to 68.4 million (2022: €73.5 million).

Net treasury income

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Net treasury income corresponds to interest earned on monetary assets deposited with LCH in respect of collateral deposits and default funds. Interest rates have entered in positive area in September 2022 as a result of multiple decisions of ECB in 2022 to raise its main base rates. This decision has significant impacts on accounting and disclosure of financial information. LCH SA has started to pay interests on collaterals to its Members whereas LCH receives interests on its investments. Interests on collaterals have been recorded as interest payables to Members in liabilities and interests from investments are then recorded in assets as receivables, since September 2022. Net Treasury Income is made by the net of revenues from investments and charges paid to Members in P&L.

LCH's total net cash income for 2023 decreased to €75.0 million euros (2022: €82.5 million euros) due to lower cash collateral (-€7 billion euros to €27 billion euros), partly offset by higher performance (+0.3 basis points to 29.4 basis points). The decline in cash collateral was mainly due to lower collateral on RepoClear, partly offset by higher volumes on CDSClear.

General operating expenses

Operating expenses have increased by 8.4% to €125.0 million euros (2022: €115.4 million). There was an increase in total personnel and external staff costs to support business growth and comply with regulatory requirements, as well as an increase in IT support and reloaded Group costs. Main strategic projects have been delivered increasing the depreciation.

No impact Credit Suisse

Crédit Suisse's default had a marginal impact on LCH SA's business. Credit Suisse's situation had been strongly monitored by Credit Risk Teams. First red alerts on Credit Suisse Group AG were raised by Credit Risk teams in October and November 2022. Red alerts were driven by profit warning on Q3 results with expected losses over USD 7bn and CDS spike.

A first ad hoc review was performed in November 2022 and the second one in March 2023. Efficient and strong actions were decided for ensuring LCH SA and clearing members not being impacted. Credit Suisse's entities' ICS had been downgraded ahead of rating agencies actions. LCH SA did not register any loss or failure related to Credit Suisse Group and Credit Suisse had been removed as an investment counterpart end of 2022.

Exit from Euronext

On 16 January 2023, Euronext notified LCH SA of the termination of the derivatives clearing agreement signed in 2017. The deadline for terminating the agreement is as follows:

- From 16 January 2023 to December 2023: preparation of exit plan by LCH SA
- From 15 January 2024 to July 15, 2024 (with an option for Euronext to extend this period by 6 months, until January 15, 2025): migration period. LCH SA will support Euronext in implementing the exit plan. At this stage, there are no plans to extend the migration period beyond July 2024.

In accordance with the Derivatives Clearing Agreement, LCH SA is entitled to a termination fee of €30 million euros and a migration fee of €6.6 million euros (including an indexation mechanism of €0.6 million euros for the migration fee). Both fees are payable in 2024. *Termination fees are recognized as "Other sales and services" in 2023. Migration costs will be recognized in the income statement in 2024.*

In addition, the useful lives of intangible assets dedicated to the Listed Derivatives business have been revised, with an end date of July 16, 2024. The additional amortization recorded in 2023 amounts to €0.5 million euros.

Cash equities

As part of a strategic review, the Board of Directors of LCH SA decided on 18 December 2023 to mandate the Chief Executive Officer to consider discontinuing the Cash Equity business in 2024, following migration to Euronext. This decision gave rise to various expenses totalling €20 million euros (before tax impact) in 2023, including amortization and impairment of intangible assets for €11.8 million euros and related costs.

This event does not impact the sustainability of the RepoClear and CDSClear activities.

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Research and Development activities

In 2023, the Company was able to claim government assistance in the form of a research tax credit (CIR) to DigitalAssetClear in the amount of €0.7 million euros linked to investments spent in 2022.

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.

Significant events which occurred since the date of the financial statements

Subsequent events have been evaluated by the Company through 28 March 2024, the date these financial statements are available to be issued.

Based on this Derivative Clearing Agreement, Euronext was due to confirm before February 17, 2023, whether the migration period initially provided (end of July 2024) would be maintained. Having not received any formal notification from Euronext, it is considered that the migration period will remain the same.

This post-closing event does not generate any specific impact in the 2023 financial statements.

Perspectives

Following the termination of the Derivatives Clearing Agreement by Euronext on January 16, 2023, LCH SA's ambition will be to ensure the successful migration of the clearing member positions to Euronext Clearing by Euronext by the end of July 2024.

On its other business lines, LCH SA's business is mature, and the company will implement various initiatives to extend its range of services and reach new customers.

On Cash Equities, as mentioned previously, as part of a strategic review, the objective is to close the clearing of that product by the end of 2024.

On RepoClear, the business is mature with the recurrent objective to gain market shares on the buy-side and to reengage discussion with the SEC on a potential US extension.

On CDSClear, now that the full European market share is owned by LCH, the next step is to trade with the US clients starting 2024.

LCH SA should launch its new Digital Asset Clear business as soon as the supervisory authorities have given all the necessary approvals. Taken together, these initiatives will enable LCH SA to maintain the margins and revenue levels achieved in 2023, against a backdrop of great international uncertainty and fierce market competition.

LCH SA
Management report for the year ended 31 December 2023

Five year financial summary

Five year financial summary	2019	2020	2021	2022	2023
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	164.2	191.1	223.0	222.8	278.7
Profit before tax, profit sharing, amortisation, provisions and impairment	124.9	145.2	177.3	163.9	201.1
Income tax	35.4	40.3	43.7	34.7	42.6
Profit sharing for the year	3.2	4.1	4.8	5.0	4.8
Impairment	-	-	-	-	-
Net income after tax, profit sharing, amortisation and provisions	71.1	88.0	113.1	98.5	116.3
Distributed earnings	71.0	60.0	60.0	70.0	
Earnings per share (in €)					
Profit after tax, profit sharing, but before amortisation and provisions	16.84	19.58	23.91	22.10	27.12
Net income after tax, profit sharing, amortisation and provisions	9.58	11.86	15.25	13.28	15.68
Net dividend distributed per share	9.57	8.09	8.09	9.44	
Employee information					
Average headcount*	167	179	192	212	229
Total payroll for the year (in €'m)	20.0	22.8	23.6	27.6	30.8

*Average headcount for LCH SA Paris only.

Auditors

Ernst & Young Audit, Tour First, 1 Place des Saisons, 92037 Paris La Défense
 BDO Paris, 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 2023

Income statement

	Note	2023 €'m	2022 €'m
Interest and related income	1	1,128.7	304.6
Interest and related expenses	1	(1,053.7)	(222.1)
Commissions received	2	296.3	264.4
Commissions paid	2	(34.2)	(24.7)
Gains on investment portfolio	3	24.9	2.3
Losses on investment portfolio	3	2.2	(6.3)
Gains on Fixed asset		-	0.1
Losses on Fixed asset		(0.4)	-
Other banking income	4	-	-
Other banking expense	4	(42.5)	(43.9)
Net banking revenue		321.4	274.3
General operating expenses	5	(125.0)	(115.4)
Depreciation, amortisation and provisions	8	(25.1)	(18.2)
Gross operating income		171.3	140.7
Cost of risk		-	-
Operating income		171.3	140.7
Gains/(losses) on fixed assets	9	(12.3)	(7.5)
Net operating profit before tax		159.0	133.2
Extraordinary result		-	-
Corporate income tax	10	(42.6)	(34.7)
Provisions and write-backs on general banking risk		-	-
Net income for the year		116.3	98.5

Statement of financial position

	Note	2023 €'m	2022 €'m
Assets			
Cash in Central bank	11	6.8	143.3
Cash in bank accounts		4.9	8.2
Loan to Central bank	11	24,431.0	32,509.8
Securities under resale agreement	12	724,110.2	675,585.5
Bonds and other fixed income securities	13	873.6	924.3
Long term equity investment	14	0.7	0.7
Other assets	15	7,655.7	5,809.7
Assets related to clearing operations	16	696.4	1,067.7
Fixed assets		118.9	121.1
<i>Intangible assets</i>	17	107.1	108.0
<i>Tangible assets</i>	18	11.9	13.1
Total assets		757,898.2	716,170.4
Liabilities			
Debts with credit institutions	19	1,121.1	1,036.2
Debts with other financial institutions	20	329.4	408.5
Securities under repurchase agreement	12	724,110.2	675,585.5
Other liabilities	21	31,341.8	38,260.7
Liabilities related to clearing operations	16	486.4	417.1
Provisions	22	5.6	5.0
Reserve for general banking risk		0.3	0.3
Shareholders' equity	23	503.4	457.1
<i>Share capital</i>		113.1	113.1
<i>Reserves</i>		44.6	44.6
<i>Retained earnings</i>		229.4	200.9
<i>Net profit</i>		116.3	98.5
Total liabilities		757,898.2	716,170.4
Off balance sheet			
Commitment given			
<i>Guarantee commitments</i>	24	791,379.9	659,707.8
<i>Commitments on securities</i>	24	761,573.4	691,629.3
Commitments received			
<i>Guarantee commitments</i>	24	828,057.9	683,686.7
<i>Commitments on securities</i>	24	761,334.6	691,647.1

LCH SA

Financial statements for the year ended 31 December 2022

Notes to the financial statements

Highlights of the year

CDSClear

CDSClear clears the widest range of credit default swaps (CDS), the advantages of which are linked to the existence of a single risk structure. Nearly 100 credit indices and 500 unique issuers, including CDS reference banks, are eligible for clearing, many of which are only available at CDSClear.

CDSClear is dual-licensed (under the European Markets Infrastructure Regulations (EMIR) in Europe, and in the U.S. by virtue of its registration as a derivatives clearing house with the Commodity Futures Trading Commission (CFTC) and as a clearing agency with the Securities and Exchange Commission (SEC)), which means it can offer its services to clients in both the U.S. and Europe.

The number of CDSClear members is 25 (2022: 25). The total notional amount cleared increased by 48% percent to 2 487 billion (2022: €1,684 billion). Total clearing fee income for the year, driven by higher volumes, increased to €21.6 million (2022: €18.2 million). That's mainly thanks to the increase in customer volumes (+95% compared with 2022, with a new record reached in September 2023) since ICE left the European markets in October 2023.

Fixed Income

LCH SA's clearing of repurchase agreements (repos) and cash bonds performed well at €129 trillion in the past year (2022: €117 trillion) in 11 European government bond markets (French, Spanish, Italian, Belgian, German, Portuguese, Finnish, Austrian, Dutch, Irish and Slovenian debt). Total clearing fee income for the year amounted to €99.9 million (2022: €93.3 million). RepoClear clearing revenue remains strong in 2023 mainly driven by market growth, market activity, membership extension, offset by the introduction of a rebate scheme. This leads to record nominal and trade sides cleared in 2023. Italian and French debts generated more than half of the RepoClear clearing revenue in 2023.

On RepoClear initiatives:

Bond borrowing

The bond borrowing initiative is an internal program designed to reduce securities delivery defaults impacting LCH SA. This initiative is in addition to a series of MBA initiatives to support improved plant performance throughout the settlement cycle. The general concept of this initiative is that when a member has not delivered bonds to the CCP, RepoClear will borrow those bonds from Euroclear Bank and deliver them to another member who is the purchaser of those specific bonds that day.

LCH SA received interest from cash settlement from non-failing member in the transaction and pays fees to Euroclear Bank for the bond borrowing.

Service merger

LCH SA has merged its RepoClear euro debt service with its €GCPlus general guarantee service to provide alternative channels for accessing GC liquidity. The new combined service provides a single point of access to the largest euro-cleared liquidity pool in the world, with clearing members benefiting from a single membership, a default fund and a set of margins, as well as new clearing opportunities. The service went live on July 3, 2023.

Listed Derivatives and Cash Equities

LCH provides listed derivatives clearing services to several platforms, including Euronext Derivatives Markets. Financial contracts cleared in 2023 decreased 13% to 132.6 million (2022: 151.6 million). Clearing fees outperformed on commodities under the combined effect of higher volumes (+14% vs 2022 with a new record on clearing fees on commodities in November 2023) and the modification of the tariff schedule in early 2023 (€ 0.77 per contract against € 0.70 in 2022). This change is partially offset by lower volumes on Financial Derivatives (-17% vs 2022).

LCH SA

Financial statements for the year ended 31 December 2023

Notes to the financial statements

In equity clearing services, LCH clears spot shares for several trading platforms including Euronext, Equiduct, Turquoise and Luxembourg Stock Exchange. The number of contracts cleared in 2023 decreased by 43% to 159.1 million euros (2022: 277.2 million euros) due to the combination of the loss of market share in the clearing and the consequence of the loss of market share of Euronext in the transactions. This trend is amplified by the migration of transactions from Euronext to Euronext CCP in November 2023.

Total clearing fee income in 2023 decreased to 68.4 million (2022: €73.5 million).

Net treasury income

Net treasury income corresponds to interest earned on monetary assets deposited with LCH in respect of collateral deposits and default funds. Interest rates have entered in positive area in September 2022 as a result of multiple decisions of ECB in 2022 to raise its main base rates. This decision has significant impacts on accounting and disclosure of financial information. LCH SA has started to pay interests on collaterals to its Members whereas LCH receives interests on its investments. Interests on collaterals have been recorded as interest payables to Members in liabilities and interests from investments are then recorded in assets as receivables, since September 2022. Net Treasury Income is made by the net of revenues from investments and charges paid to Members in P&L.

LCH's total net cash income for 2023 decreased to €75.0 million euros (2022: €82.5 million euros) due to lower cash collateral (-€7 billion euros to €27 billion euros), partly offset by higher performance (+0.3 basis points to 29.4 basis points). The decline in cash collateral was mainly due to lower collateral on RepoClear, partly offset by higher volumes on CDSClear.

General operating expenses

Operating expenses have increased by 8.4% to €125.0 million euros (2022: €115.4 million). There was an increase in total personnel and external staff costs to support business growth and comply with regulatory requirements, as well as an increase in IT support and reloaded Group costs. Main strategic projects have been delivered increasing the depreciation.

No impact Credit Suisse

Crédit Suisse's default had a marginal impact on LCH SA's business. Credit Suisse's situation had been strongly monitored by Credit Risk Teams. First red alerts on Credit Suisse Group AG were raised by Credit Risk teams in October and November 2022. Red alerts were driven by profit warning on Q3 results with expected losses over USD 7bn and CDS spike.

A first ad hoc review was performed in November 2022 and the second one in March 2023. Efficient and strong actions were decided for ensuring LCH SA and clearing members not being impacted. Credit Suisse's entities' ICS had been downgraded ahead of rating agencies actions. LCH SA did not register any loss or failure related to Credit Suisse Group and Credit Suisse had been removed as an investment counterpart end of 2022.

Exit from Euronext

On 16 January 2023, Euronext notified LCH SA of the termination of the derivatives clearing agreement signed in 2017. The deadline for terminating the agreement is as follows:

- From 16 January 2023 to December 2023: preparation of exit plan by LCH SA
- From 15 January 2024 to July 15, 2024 (with an option for Euronext to extend this period by 6 months, until January 15, 2025): migration period. LCH SA will support Euronext in implementing the exit plan. At this stage, there are no plans to extend the migration period beyond July 2024.

In accordance with the Derivatives Clearing Agreement, LCH SA is entitled to a termination fee of €30 million euros and a migration fee of €6.6 million euros (including an indexation mechanism of €0.6 million euros for the migration fee). Both fees are payable in 2024. *Termination fees are recognized as "Other sales and services" in 2023. Migration costs will be recognized in the income statement in 2024.*

LCH SA

Financial statements for the year ended 31 December 2023

Notes to the financial statements

In addition, the useful lives of intangible assets dedicated to the Listed Derivatives business have been revised, with an end date of July 16, 2024. The additional amortization recorded in 2023 amounts to €0.5 million euros.

Cash equities

As part of a strategic review, the Board of Directors of LCH SA decided on 18 December 2023 to mandate the Chief Executive Officer to consider discontinuing the Cash Equity business in 2024, following migration to Euronext. This decision gave rise to various expenses totalling €20 million euros (before tax impact) in 2023, including amortization and impairment of intangible assets for €11.8 million euros and related costs.

This event does not impact the sustainability of the RepoClear and CDSClear activities.

Research and Development activities

In 2023, the Company was able to claim government assistance in the form of a research tax credit (CIR) to DigitalAssetClear in the amount of €0.7 million euros linked to investments spent in 2022.

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.

Significant events which occurred since the date of the financial statements

Subsequent events have been evaluated by the Company through 28 March 2024, the date these financial statements are available to be issued.

Based on this Derivative Clearing Agreement, Euronext was due to confirm before February 17, 2023, whether the migration period initially provided (end of July 2024) would be maintained. Having not received any formal notification from Euronext, it is considered that the migration period will remain the same.

This post-closing event does not generate any specific impact in the 2023 financial statements.

Perspectives

- Following the termination of the Derivatives Clearing Agreement by Euronext on January 16, 2023, LCH SA's ambition will be to ensure the successful migration of the clearing member positions to Euronext Clearing by Euronext by the end of July 2024.
- On its other business lines, LCH SA's business is mature, and the company will implement various initiatives to extend its range of services and reach new customers.
- On Cash Equities, as mentioned previously, as part of a strategic review, the objective is to close the clearing of that product by the end of 2024.
- On RepoClear, the business is mature with the recurrent objective to gain market shares on the buy-side and to reengage discussion with the SEC on a potential US extension.
- On CDSClear, now that the full European market share is owned by LCH, the next step is to trade with the US clients starting 2024.
- LCH SA should launch its new Digital Asset Clear business as soon as the supervisory authorities have given all the necessary approvals. Taken together, these initiatives will enable LCH SA to maintain the margins and revenue levels achieved in 2023, against a backdrop of great international uncertainty and fierce market competition.

LCH SA
Financial statements for the year ended 31 December 2023
Notes to the financial statements

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.

LCH SA
Financial statements for the year ended 31 December 2022
Notes to the financial statements

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.

Intangible assets and property, plant and equipment

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.

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Financial statements for the year ended 31 December 2023
Notes to the financial statements

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.

Bond Borrowing

LCH SA has activated Bond Borrowing to reduce the number of fails on RepoClear. They are recognised in securities borrowings and debts on securities borrowings in accordance with the article Art 2361-1 of ANC 2014-07 .

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

LCH SA does not carry out any proprietary derivative transactions in accordance with the requirements of the European Market Infrastructure Regulation (EMIR).

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.

LCH SA
Financial statements for the year ended 31 December 2023
Notes to the financial statements

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.

LCH SA
Financial statements for the year ended 31 December 2023
Notes to the financial statements

1. Interest and related income/(expenses)

	2023	2022
	€'m	€'m
Interest on debit bank accounts	0.1	-
Margin interest	246.1	178.6
Interest received from Central Bank	882.5	125.9
Interest and related income	1,128.7	304.5
Interest payable to Central bank	-	(94.9)
Interest on credit bank account	(0.2)	(0.1)
Interest on other collateral	(1,053.5)	(127.1)
Interest and related expenses	(1,053.7)	(222.1)
Net interest and related income/(expenses)	75.0	82.4

Interest rates entered the positive zone in September 2022 following multiple decisions by the ECB in 2022 to increase the main prime rates. This decision has a significant impact on accounting and financial reporting. LCH SA pays interest on margins deposited by members, while LCH SA receives interest on its investments. Interest on margins is recorded under interest payable to members on the liabilities side, while interest on investments has been recorded under assets since September 2022. Net cash income comprises the net of income from investments and interest expense paid to members in the income statement. Interest on margin calls is calculated on the basis of margin calls, guarantee funds and debts to financial institutions and customers.

The rise in interest rates led to an increase in interest received from the central bank, as well as an increase in interest paid on cash collateral.

In 2023, interest and similar income/(expenses) decreased to €75.0 million euros (2022: €82.4 million euros), mainly as a result of the lower volume of cash guarantee deposits collected from clearing members.

2. Commissions

	2023	2022
	€'m	€'m
Cash equities	16.2	23.9
Derivatives	52.3	49.6
Fixed Income	99.9	93.3
CDS	21.6	18.2
Clearing fees	190.0	185.0
Sale of other product and services	69.6	42.0
Connectivity fees	3.0	2.6
Non cash collateral fees	33.6	34.7
Commissions received	296.3	264.4
Settlement fees and bank fees	(34.2)	(24.7)
Commissions paid	(34.2)	(24.7)

LCH SA

Financial statements for the year ended 31 December 2023

Notes to the financial statements

Revenues are derived from clearing and other post-trading services, including financial income generated on assets received as collateral. Sales are net of rebates, sales taxes and certain revenue-sharing agreements.

Revenues from clearing commissions and related discounts, as well as revenues from other commissions and settlement fees, are recognized on a transaction-by-transaction basis or, in the case of annual flat-rate commissions, monthly in arrears, in accordance with the Company's commission schedules.

Other post-trading services include revenues from customer connection services, which are recognized as revenues on a straight-line basis over the duration of the service, to reflect its ongoing nature.

Company-wide customer contracts involving a single performance obligation at a fixed price do not require the variable portion of the payment to be constrained or allocated to multiple performance obligations. However, the Company also provides services to its customers based on a tiered structure and differentiated pricing, which introduces a degree of variability in contract revenues. When future contract revenues vary as a result of factors beyond the Company's control, the Company limits the total transaction price at the time of contract signature, and recognizes the minimum expected sales guaranteed by the terms of the contract. Any variable portion is then recognized over the period in which it materializes.

On EquityClear, posted **cash equity clearing revenues** were 32% lower than in 2022, mainly due to lower cleared volumes and the migration of Euronext transactions to Euronext Clearing in November 2023.

On **derivatives markets** (indices and commodities), sales rose by 5% in 2023 to €52.2 million euros (2022: €49.6 million euros) due to higher volumes on commodities (+14% vs. 2022), partially offset by lower volumes on indices (-17% vs. 2022).

In **Fixed Income**, sales rose by 7% in 2023 to €99.9 million euros (2022: €93.3 million euros), mainly thanks to market growth, market activity and membership extension, offset by the full-year impact of a rebate program launched in 2022. This leads to a record number of nominal and commercial aspects offset in 2023. Italian and French debts generated more than half of RepoClear's offset revenues in 2023.

On the **CDS market**, CDSClear's clearing revenues come from the payment by each of the 9 unlimited general members paying an annual fee of €1.3 million euros, 3 selective members paying an annual fee of €0.45 million euros, 1 selective member paying an annual fee of €0.25 million euros, 1 introductory member paying an annual fee of €0.2 million euros, 2 introductory members paying an annual fee of €0.4 million euros and 7 CIO members (3 of €0.375 million euros and 4 of €0.115 million euros). Customer clearing sales rose sharply by €0.9 million on the previous year (+67%), driven by higher volumes and new volumes captured from Ice. Periodic fees are charged on account structure fees invoiced in June and December.

Other sales and services include membership fees and penalties rebilled to clearing members.

For 2023, they also include the termination indemnities for the Derivatives Clearing Agreement invoiced to Euronext in the amount of €30 million euros.

Membership fees (excluding periodic fees) remain stable at €3.6 million euros (2022: €3.8 million euros) and break down as follows:

- €0.6 million euros in membership fees related to the French derivatives market (2022: €0.6 million euros).
- €3.0 million euros in membership fees relating to cash equity markets (2022: €3.2 million euros).

Commissions on guarantees decreased to €33.6 million euros (2022: €34.7 million euros).

Settlement fees rebilled to clearing members and bank charges increased to €34.2 million euros (2022: €24.7 million euros). This is due to bank charges for securities borrowed as part of the bond borrowing process.

LCH SA
Financial statements for the year ended 31 December 2023
Notes to the financial statements

3. Gains and (Losses) on investment portfolio

	2023	2022
	€'m	€'m
Interest from Tri-Party Repo	19.6	1.1
Interest from available for sales securities	4.6	0.6
Interest accrued	0.8	0.6
Gains on investment portfolio	24.9	2.3
Interest Paid out on Securities	(2.0)	(2.1)
Interest accrued	-	-
Gains/(losses) on securities sales	-	-
Net (decrease)/increase of provisions on securities	4.2	(4.2)
Losses on investment portfolio	2.2	(6.3)

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

	2023	2022
	€'m	€'m
Recharges to Group companies	-	-
Other banking income	-	-
Revenue share with Euronext	(38.4)	(41.6)
CDS profit share	(4.1)	(2.3)
Revenue and profit share	(42.5)	(43.9)
Other banking expense	(42.5)	(43.9)

Amounts included in other banking operating expenses relate to profit- or revenue-sharing agreements under which, as part of an operating agreement, amounts must be paid back either to the other parties to the operating agreement or to compensating customers.

An agreement on the CDS business was signed in April 2014, and came into effect on January 1, 2014. The corresponding profit sharing for 2023 amounts to €4.1 million euros (2022: €2.3 million euros).

A revenue-sharing agreement on listed derivatives, effective from January 2019, was signed with Euronext in October 2017. Under this agreement, a net retrocession amount of €38.4 million euros was paid to Euronext (2022: €41.6 million euros).

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5. General operating expenses

	Note	2023 €'m	2022 €'m
Payroll charges	6	(52.3)	(48.3)
External services	7	(66.7)	(63.5)
Other taxes		(3.9)	(2.0)
Other general operating expenses		(2.1)	(1.6)
General operating expenses		(125.0)	(115.4)

Miscellaneous operating expenses, including directors' fees in 2023, amount to €0.5 million euros.

6. Personnel expenses

	2023 €'m	2022 €'m
Salaries	(30.5)	(26.7)
Pensions and other payroll charges	(15.1)	(15.0)
Profit sharing with employees	(4.8)	(5.0)
Payroll taxes	(1.9)	(1.5)
Personnel expenses	(52.3)	(48.3)

Employee profit-sharing for the 2023 financial year is €4.8 million euros (2022: €5.0 million euros). Employee profit-sharing is a statutory contribution to employees based on last year's net income.

At the end of December 2023, the company's headcount (permanent employees) in Paris was 240 (2022: 212).

7. External services

	2023 €'m	2022 €'m
External staff	(10.2)	(9.1)
Other personnel expenses	(4.7)	(6.9)
IT costs	(32.4)	(24.4)
Property costs	(7.0)	(6.3)
Other external services	(12.4)	(16.8)
External services	(66.7)	(63.5)

Total external services increased to €66.7 million euros (2022: €63.5 million euros).

External personnel includes temporary staff and consultants, and increased to €10.2 million euros (2022: €9.1 million euros), as business growth necessitated increased support.

Other personnel expenses decreased to €4.7 million euros (2022: 6.9 million euros).

IT operating costs rose to €32.4 million euros (2022: €24.2 million euros), reflecting the increased cost of IT support provided by the Group.

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Real estate expenses remained stable at €7 million euros (2022: €6.3 million euros).

Other external services decreased to €12.4 million euros (2022: €16.8 million euros).

They include the provisioned fees of the Statutory Auditors for the 2023 financial year, which amount to :

	EY	BDO	EY	BDO
	2023		2022	
Total – audit services	236 500	170 350	225 225	162 225
<i>Special review for the council</i>	5 000	-	5 000	-
<i>Mandat PCAOB</i>	-	89 000	-	84 000
Total – Other services than audit	5 000	89 000	5 000	84 000
Total – honoraires	241 500	259 350	230 225	246 225

8. Depreciation, amortisation and provisions

	2023 €'m	2022 €'m
Intangible assets depreciation	(22.9)	(19.9)
Tangible assets depreciation	(1.6)	(0.4)
Impairment	-	-
Depreciation and amortisation	(24.4)	(20.4)
Net (decrease)/increase of other provisions	-	-
Net (decrease)/increase of provisions for employees	(0.6)	2.1
Net (decrease)/increase in provisions	(0.6)	2.1
Depreciation, amortisation and provisions	(25.1)	(18.2)

Amortization of intangible assets increased in 2023 to €22.9 million euros (2022: €19.9 million euros).

Depreciation of property, plant and equipment increased to €1.6 million euros (2022: €0.4 million euros).

Provisions for employee-related commitments were reversed, amounting to €0.6 million euros (2022: €2.1 million euros).

9. Gains/(losses) on fixed assets

The net book value of retired fixed assets is €12.3 million euros in 2023 (2022: €7.5 million euros).

As part of a strategic review, on 18 December 2023, the Board of Directors of LCH SA decided to mandate the Managing Director to consider discontinuing the Cash Equity business in 2024, following migration to Euronext. This decision gave rise to various expenses totalling €20 million euros (before tax impact) in 2023, including amortization and impairment of intangible assets for €11.8 million euros and related costs.

As part of the announcement of the termination of the Derivatives Clearing Agreement on January 17, 2023, the amortization of fixed assets in production and allocated to listed Derivatives has been accelerated to an end date of January 16, 2024. The accelerated depreciation represents €0.5 million.

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10. Corporate income tax

A multilateral transfer pricing agreement (Advanced Pricing Agreement - APA) signed jointly by representatives of the French, Belgian and Dutch tax authorities had been in force since 1st January 2004 and was renewed in April 2014 until 31 December 2015.

This agreement provides for the distribution of profits generated jointly by Banque Centrale de Compensation (headquartered in Paris) and its branches in the Netherlands and Belgium.

As LCH SA's Portuguese establishment is not considered a permanent establishment for tax purposes, its assets and operations are aggregated with those of its parent company, which is resident in France for tax purposes. Consequently, LCH SA does not recognize any income tax expense vis-à-vis the Portuguese tax authorities.

The tax rate is 25% in France and 25.8% in the Netherlands.

	2023	2022
	€'m	€'m
French income tax	(37.3)	(29.4)
Belgian income tax	-	-
Dutch income tax	(5.3)	(5.4)
Corporate income tax	(42.6)	(34.7)

11. Cash and loan to Central bank

LCH SA trades directly on the money market, investing its own cash and cash received as collateral from its clearing members.

Of the total cash and cash equivalents of €24,437.8 million (2022: €32,653.2 million):

- LCH SA is investing part of its cash in a short-term loan with the Bank amounting to €24,422.9 million, for which LCH SA records interest receivable amounting to €8.1 million.
- €6.8 million euros correspond to own cash (2022: €143.3 million).

As of 31 December 2023, €64.5 million (2022: €41.9 million) of the company's own funds are allocated to the "Skin in the Game" reserves set aside by the Chamber for the risk of default.

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12. Securities under resale and repurchase agreement

	2023 €'m	2022 €'m
Reverse repo	722 148,4	675 141,9
Interest receivable	1 961,8	443,7
Securities under resale agreement	724 110,2	675 585,5

	2023 €'m	2022 €'m
Repo	(722 148,4)	(675 141,9)
Interest payable	(1 961,8)	(443,7)
Securities under repurchase agreement	(724 110,2)	(675 585,5)

Repurchase agreements on over-the-counter markets are presented on a non-net basis. Amounts recorded as assets under "reverse repos" represent the cash loan guaranteed by the securities received as collateral; conversely, amounts recorded as liabilities under "repos" represent the cash borrowed in return for the securities pledged as collateral. Repurchase agreements concluded on the market but not yet delivered are recorded as off-balance sheet items.

	2023 €'m	2022 €'m
Credit institutions	534,851.1	461,273.3
Other Financial institutions	76,564.4	101,795.7
Interoperability partner – <i>Euronext Clearing</i>	112,694.7	112,516.5
Securities under resale agreement	724,110.2	675,585.5

	2023 €'m	2022 €'m
Credit institutions	(565,091.4)	(478,430.6)
Other Financial institutions	(133,258.0)	(175,832.2)
Interoperability partner – <i>Euronext Clearing</i>	(25,760.7)	(21,322.7)
Securities under repurchase agreement	(724,110.2)	(675,585.5)

Securities subject to a resale contract by maturity band:	2023 €'m	2022 €'m
less than one month	656,580.3	600,422.0
less than three months	63,213.9	67,064.3
less than three months	2,522.9	5,973.9
less than one year	1,793.0	2,125.4
over one year	-	-
Securities under resale agreement	724,110.2	675,585.5

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13. Investment Portfolio: Bonds and other fixed income securities

The Company may invest its cash in three types of investment vehicle: demand deposits with central banks (see note 11 on accounts with central banks), securities received under repurchase agreements and debt securities issued by issuers with very high credit ratings.

	2023	2022
	€'m	€'m
Securities borrowing	219.5	-
Investment securities and related receivables	-	-
Securities available for sale and related receivables	65.2	870.8
Securities placed on repos	588.9	53.5
Bonds and other fixed income securities	873.6	924.3
	2023	2022
	€'m	€'m
Maturity less than 1 month	808.4	78.5
Maturity less than 3 months	65.2	408.9
Maturity less than 6 months	-	338.0
Maturity less than 12 months	-	98.9
Maturity greater than 12 months	-	-
Total investment portfolio	873.6	924.3

The valuation of investment securities using the LOCOM method at December 31, 2023 is €873.6 million euros (2022: €924.3 million euros).

- Including house overnight repos 394m€
- Including other fixed income securities 64m€
- Including auto-borrowing 219.5m€

14. Long-term equity investment

	2023	2022
	€'m	€'m
SWIFT	0.7	0.7
Long term equity investment	0.7	0.7

At December 31, 2023, LCH SA held a stake of €664,520 euros in the capital of SWIFT (2022: €664,520 euros). This stake results from the systematic allocation of SWIFT shares to LCH SA, based on the volume of messages transmitted by LCH to its clearing members via the SWIFT system. The company SWIFT is a listed company on the stock exchanges.

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15. Other assets

	2023 €'m	2022 €'m
Initial margin deposited to <i>Euronext Clearing</i>	7,521.0	5,754.8
Interest receivable from initial margin	74.9	21.8
Credit hedge receivable	-	-
Member fees receivable	54.6	22.4
Amount due from Group companies	1.5	7.6
Other receivable	3.7	3.1
Other assets	7,655.7	5,809.7

Initial Margin *Euronext Clearing*

LCH SA pays a daily security deposit to the Italian clearing house Euronext Clearing to cover positions taken by its members whose counterparties are cleared by Euronext Clearing . Similarly, LCH SA collects a security deposit from Euronext Clearing to cover positions taken by Euronext Clearing members who have traded with LCH SA members.

Interest receivable from initial margin

In 2023, interest on initial margin deposits receivable from members includes only interest receivable from Euronext Clearing and amounts to €74.9 million euros.

Credit hedge receivable

On CDS market, the credit hedge does not cover any credit event as none occurred this year (2022: none). This operation is totally mirrored in liabilities – Credit hedge payables in other liabilities, none as well – see note 22.

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.

	2023 €'m	2022 €'m
Member fees receivable	54.6	22.4
Doubtful accounts	-	-
Member fees receivable	54.6	22.4

As of 31 December 2023, there were no doubtful accounts.

Other receivables

The other receivable has increased to €3.7 million in 2023 (2022: €3.1 million).

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16. Accounts related to Clearing Operations

	2022	2022
	€'m	€'m
Prepayments	2.0	2.3
Clearing suspense accounts	-	17.8
Clearing settlement receivable	634.9	904.8
Variation margin receivable	55.8	137.2
Option premium receivable	3.7	5.6
Other accrued income	-	-
Assets related to clearing operations	696.4	1,067.7

	2023	2022
	€'m	€'m
Deferred income	1.2	2.6
Clearing suspense accounts	239.3	1.4
Clearing settlement accounts	162.9	240.4
Variation margin payable	55.8	137.2
Option premium payable	3.7	5.6
Accruals for invoices not received	20.7	27.3
Other accruals	2.8	2.5
Liabilities related to clearing operations	486.4	417.1

Clearing suspense accounts

Carry positions included in suspense accounts represent the amount remaining payable by LCH SA in the event of default by members, and are calculated on the basis of the net amount of pending transactions on the buy and sell sides of the Cash Equity and Fixed Income markets, by original currency. These may vary according to the activity of clearing members.

The debit carry is zero in 2023 (2022: €17.8 million euros).

The credit carry is €239.3 million euros in 2023 (2022: none), exclusively on the RepoClear market.

Clearing settlement accounts

The liaison accounts receivable included in the settlement accounts amount to €634.9 million euros in 2023 (2022: €904.8 million euros) and the liaison accounts payable amount to €162.9 million euros in 2023 (2022: €240.4 million euros).

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”.

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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 €12.1 million in 2023 (2022: €109.9 million).

The variation margins covering Credit Default Swaps instruments amount to €43.7 million in 2023 (2022: €27.3 million).

Option premium

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

Premiums payable are recorded as liabilities and premiums receivable are recorded as assets for an amount of €3.7 million euros in 2023 (2022: €5.6 million euros).

Accruals for invoices not received

At December 31, 2023, amounts due to suppliers totalled €20.7 million euros (2022: €27.3 million euros). The main amounts relate to CDC Clear Ltd in the amount of €4.3 million euros (2022: €2.4 million euros) and Euronext in the amount of €2.5 million euros (2022: €6.5 million euros), and correspond respectively to retrocessions under revenue-sharing and profit-sharing agreements.

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17. Intangible assets

Gross amount	2022 €'m	Acqui- sitions	Project delivery	Disposal/ Impairment/ Transfer	2023 €'m
Other intangible assets	52.7	-	-	-	52.7
Software	202.7	-	9.8	(0.2)	212.2
Intangible work in progress	29.2	36.0	(10.0)	(12.1)	43.1
Intangible assets - Cost	284.5	36.0	(0.2)	(12.3)*	308.0
Accumulated amortisation	2022 €'m	Allo- wances	Reversals	Impairment	2023 €'m
Other intangible assets	43.6	-	-	-	43.6
Software	132.9	22.4	-	2.0	157.3
Intangible assets - accumulated amortisation	176.5	22.4	-	2.0	200.9
Intangible assets - Net book value	108.0				107.1

Fixed assets correspond to depreciable assets and assets under construction. The latter includes software under development and various tangible assets not yet brought into service. As soon as they are brought into service, these assets are depreciated in accordance with the principles set out in Part II - Accounting principles and methods - Fixed assets, depreciation and amortization.

*As part of a strategic review, on December 18, 2023, the Board of Directors of LCH SA decided to mandate the Managing Director to consider discontinuing the Cash Equity business in 2024, following migration to Euronext. This decision gave rise to various expenses totalling €20 million euros (before tax impact) in 2023, including amortization and impairment of intangible assets for €11.8 million euros and related costs.

As part of the announcement of the termination of the Derivatives Clearing Agreement on January 17, 2023, the amortization of fixed assets in production and allocated to listed Derivatives has been accelerated to an end date of January 16, 2024. The accelerated depreciation represents €0.5 million.

Impairment testing of intangible assets

As set out in Regulation ANC 2015-06, the Company has analysed the nature of the other intangible assets and confirms that they are composed solely of intangible assets; as a result, the Corporation conducts an impairment test on intangible assets annually in December of each year, or more frequently if circumstances show that impairment is likely.

The commercial fund relates to the acquisitions of the Amsterdam, Brussels and Porto branches. The recoverable value for these branches is determined by calculating the use value.

For goodwill, impairment is assessed by revising the carrying amount of the asset against its recoverable value, itself determined by calculating the use value of the relevant cash-generating unit using discounted cash flow projections.

The key assumptions used in the valuations are based on management's discounted cash flow projections over a five-year period. Cash flow projections are based on the 2024 Group budget and the approved plan for the two years following the last budget year. Cash flows beyond this period are extrapolated by applying estimates of the long-term growth rate and pre-tax discount rates.

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Management shall base its calculations of the use value of each cash-generating unit on the main assumptions relating to short- and medium-term revenue and cost growth, at long-term economic growth rates (used to determine final value) and pre-tax discount rates, as follows:

- i) Values attributed to short- and medium-term revenue and cost growth are based on the 2024 budget and the Group's approved plan. Assumptions are based on an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management experience. These factors are examined in conjunction with the Group's long-term strategic objectives to determine short- and medium-term growth assumptions;
- ii) Long-term growth rates are 3.43% (2022: 4.46%) corresponding to management's internal forecasts, based on external estimates of GDP and inflation;
- iii) The effect of tax charges, based on the 25% corporate income rate and allowable deductions;
- iv) The pre-tax discount rate of 8.22% (2022: 9.02%) is based on a number of factors, including the risk-free rate, the Group's estimated market risk premium and a premium to reflect intrinsic risks.

For intangible assets, the key assumptions used in the valuations are based on management's discounted cash flow projections over a 10-year period. Cash flow projections are based on the 2024 Group budget and the approved plan for the two years following the last budget year. Cash flows beyond this period are extrapolated by applying estimates of the long-term growth rate and pre-tax discount rates.

Management bases its calculations of the use value of each cash-generating unit on the following key assumptions:

- i) Values attributed to short- and medium-term revenue and cost growth are based on the 2024 budget and the Group's approved plan. Assumptions are based on an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management experience. These factors are examined in conjunction with the Group's long-term strategic objectives to determine short- and medium-term growth assumptions;
- ii) No long-term growth rate has been retained for conservatism;
- iii) The weighted average cost of capital (WACC) rate of 8.22% (2022: 9.02%) is based on a number of factors, including the risk-free rate, the Group's estimated market risk premium and a premium reflecting the inherent risks;
- iv) We have taken into account the migration of Cash Equity to Euronext from November 2023 and the cessation of the activity of Listed Derivatives from July 2024, and thus, the absence of income from these markets.

Impairment results

- Software in progress relating to the markets mentioned below was written down by €12.3m.
- Following the tests described above, no other intangible assets were found to be depreciated.

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	Base case	Adjusted	Increase in impairment
At 31 December 2023			€m
Reduction in clearing revenues	various	-10 %	No impairment
Cashflow growth	3.43 %	-100 %	No impairment
WACC	8.22 %	12 %	No impairment

Certain characteristics of intangible assets were stressed as part of the sensitivity test, as described above. The

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results of this analysis did not require any impairment of the value of intangible assets:

- A 10% reduction in compensation income does not lead to a negative result
- A variation of 4% in the WACC does not lead to a negative result.

18. Tangible assets

Gross amount	2022 €'m	Acquisitions	Project delivery	Disposal/ Impairment/ Transfer	2023 €'m
Other tangible fixed assets	11.6	-	2.2	-	13.8
Tangible fixed assets in progress	2.8	0.2	(2.1)	-	1.0
Tangible assets - Cost	14.4	0.2	0.2	-	14.8
Accumulated amortisation	2022 €'m	Allowances	Reversals	Impairment	2023 €'m
Other tangible fixed assets	1.3	1.6	-	-	2.9
Tangible assets - accumulated amortisation	1.3	1.6	-	-	2.9
Tangible assets - Net book value	13.1				11.9

19. Debts with credit institutions

	2023 €'m	2022 €'m
Cash call to credit institutions	901.4	1,036.1
Interest payable to Central Bank	-	-
Debt on securities borrowing	219.5	0.1
Settlement overdraft	0.3	0.1
Debts with credit institutions	1,121.1	1,036.2

In order to guarantee the integrity of the transactions carried out, LCH SA requires clearing members to make margin deposits by a call for funds. The nature of the call for funds and the conditions governing calls are determined by LCH SA. They are broken down by type of counterparty: credit institutions and financial customers below.

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20. Debts with other financial institutions

	2023	2022
	€'m	€'m
Cash call to other financial institutions	329.4	408.5
Debts with other financial institutions	329.4	408.5

21. Other liabilities

	2023	2022
	€'m	€'m
Initial margin	24,164.0	31,796.6
Default fund	6,973.2	6,338.3
Interest payable on initial margins	143.4	67.0
Credit hedge payable	-	-
Personnel and related payables	32.6	31.7
Tax payable	14.7	10.0
Trade payable	0.6	1.2
Amount due to Group companies	13.0	15.4
Other liabilities	0.3	0.3
Other liabilities	31,341.8	38,260.7

Initial margin and default fund

Collateral may be in the form of cash, securities or bank guarantees; LCH SA expressly stipulates that only these instruments are eligible.

Cash collateral is recorded as a liability on the balance sheet, while bank guarantees and securities are recorded as off-balance sheet items. Cash collateral is valued daily, giving rise either to an additional margin call, recorded as an asset receivable from the clearing member, or to a repayment, recorded as a liability to the clearing member.

Cash collateral amounted to €31.1 billion euros at December 31, 2023 (2022: €38.1 billion euros). Interest due at the end of 2023 in respect of members' guarantees amounts to €143.4 million euros.

Personnel and related payables

Employee-related liabilities mainly comprise the following provisions:

- Vacation pay: €14.8 million euros (2022: €15.3 million euros).
- Profit-sharing and incentive schemes: 6 million euros (2022: €6.0 million euros).
- Bonuses: €5.3 million euros (2022: €4.6 million euros).
- Social security liabilities: €0.9 million euros (2022: €1.8 million euros).
- Other remuneration due: €5.7 million euros (2022: €3.8 million euros).*

Tax payable

Tax liabilities break down as follows:

- Corporate income tax: €5.6 million euros (2022: €7.0 million euros).
- VAT: €6.0 million euros (2022: €1.8 million euros).

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- C3S tax: €2.2 million euros (2022: €0.7 million euros).
- Other taxes: €0.9 million euros (2022: €0.4 million euros).

Trade payables

All trade payables at December 31, 2023 and 2022 were due within two months.

22. Provisions

	2022 €'m	Allowance	Write-off	2023 €'m
Employee benefit provisions				
Compensation for retirement	3.5	0.7		4.2
Jubilee award	1.3	0.1	-	1.4
	4.8	0.8	-	5.6
Other operating provisions				
Provisions for operating risks	0.2	-	(0.2)	-
Provisions	5.0	0.8	(0.2)	5.6

Provisions for social commitments amount to €5.6 million euros (2022: €4.8 million euros); this represents the compensation that the Company would have to pay to employees at the end of their careers. This provision is calculated by an external actuary on the basis of the following assumptions: an inflation rate of 2.3%, a discount rate of 3.2% and an annual salary growth rate of 2.5%.

Other provisions for operating risks are nil in 2023 (2022: €0.2 million euros).

23. Shareholders' equity

	2023 €'m	2022 €'m
Share capital	113.1	113.1
Legal reserve	11.3	11.3
Legal reserve	32.6	32.6
Capital premium	0.7	0.7
Retained earnings	229.4	200.9
	387.1	358.6
Net profit	116.3	98.5
Revenues to be allocated	-	-
Interim dividend	-	-
Shareholder's equity	503.4	457.1

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At December 31, 2023, the Company had 7,416,700 fully paid-up ordinary shares in issue, each with a par value of €15.24 euros (2022: 7,416,700).

Dividends distributed in 2022 amounted to €70 million on net income of €98.5 million.

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The change in the Shareholders' equity during 2023 may be summarised as follows:

Shareholder's equity as of 31 December 2022	457.1
Dividends	(70.0)
Net profit of the year	116.3
Revenues to be allocated	-
Shareholder's equity as of 31 December 2023	503.4

24. Clearing house commitment

	2023 €'m	2022 €'m
Guarantees given to Banque de France	2,690.3	2,429.6
Credit Default Swap sold	788,689.6	657,278.3
Guarantees given	791,379.9	659,707.8
Securities deliverable	761,573.4	691,629.3
Commitments given	761,573.4	691,629.3
Securities received as collateral	36,231.8	24,698.4
First-demand guarantees received from banks	3.0	3.0
Guarantees received from DNB	1,886.3	943.8
Guarantees received from BNB	1,247.2	763.3
Credit Default Swap bought	788,689.6	657,278.3
Guarantees received	828,057.9	683,686.7
Securities receivable	761,334.6	691,647.1
Commitments received	761,334.6	691,647.1

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 draw a credit line in case of liquidity needs. The amount has decreased in 2023 to €2,690.3 millions of euros (2022: €2,429.6 million).

Securities receivable and deliverables are Fixed Income transactions which are already traded but not settled yet. The volume has increased significantly €761,573.4 billion as of 31 December 2023 (€691,629.3 billion in 2022) 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 increased to €788,689.6 million (2022: €657,278.3 million) in correlation of the CDSClear development – see Management Report.

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25. Consolidating company

London Stock Exchange Group plc (LSEG) is the ultimate parent company of the LCH Group, with a total shareholding of 82.61% and is the largest Group that prepares consolidated accounts. The immediate parent company of LCH SA is LCH Group Holdings Limited (formerly LCH Group Holdings Limited).

	2023	2022
	€'m	€'m
Transactions with parent companies		
<i>Income statement</i>		
Services recharged to parent companies	(0.0)	0.0
Services recharged from parent companies	4.6	4.8
Services recharged from parent company disclosed as non-recurring costs	-	-
Total	4.6	4.8
<i>Statement of financial position</i>		
Amount due to parent companies as of 31 December	(1.4)	(0.4)
Transactions with fellow companies		
<i>Income statement</i>		
Services recharged to fellow companies	(2.9)	(0.5)
Services recharged from fellow companies	23.3	19.8
Project recharge income with other fellow companies	(0.9)	(6.7)
Project recharge cost from other fellow companies	16.1	19.0
Total	35.6	31.5
<i>Statement of financial position</i>		
Amount due to fellow companies as of 31 December	(10.1)	(7.3)
Transactions with associate		
<i>Income statement</i>		
Project recharge income (netted with administrative expenses)	-	-
Services recharged to fellow subsidiary	-	-
Royalties and maintenance recharged from associate	-	-
Total	-	-
<i>Statement of financial position</i>		
Intangible assets acquired from subsidiary company (note 8)	-	-
Amount due to associate companies as of 31 December	-	-

26. Directors' fees

Directors' fees paid by the company in 2023 amounted to €524 900 . 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 the Company through 28 March 2024, the date these financial statements are available to be issued.

Based on this Derivative Clearing Agreement, Euronext was due to confirm before February 17, 2023, whether the migration period initially provided (end of July 2024) would be maintained. Having not received any formal notification from Euronext, it is considered that the migration period will remain the same.

This post-closing event does not generate any specific impact in the 2023 financial statements.