

Company number: 692 032 485

LCH SA

**MANAGEMENT REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021**

LCH SA
Management report for the year ended 31 December 2021

**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>Type of Director</u>	<u>Name</u>	<u>Other Directorship at 31 December 2021</u>
<u>Chairman</u>	Claude Ehlinger	Bureau Veritas SA Stahl Parent BV Stahl Lux 2 SA Stahl Group SA Wendel Luxembourg Oranje-Nassau Groep Wendel SE
Director	Christophe Hémon	Euroclear Holding SA/NV
Director	Daniel Maguire	LCH Group LCH Limited International Swaps and Derivatives Association Non-Executive Chairman – Curve Global Limited Chairman – UnaVista Limited Non-Executive Director of London Stock Exchange LEI Limited
Director	Dennis McLaughlin (resigned 9 April 2021)	LCH Limited SwapAgent Ltd
Director	Eric Litvack	International Swaps and Derivatives Association Global Financial Markets Association
Director	Anthony Attia	Euronext NV (resigned on 11 May 2021) Euronext Paris SA (resigned on 11 May 2021) Euronext Dublin LiquidShare SA Euroclear Holding SA/NV (resigned on 1 July 2021) Sicovam Holding SA

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		Elite S.p.A (appointed on 12 May 2021) MTS S.p.A (from 12 May 2021 to 28 October 2021)
Director	Marc Breillout	Sucden Financial Ltd
Director	Ronaldus (Ron) Berndsen	LCH Limited Quantoz Payments BV (appointed 15 November 2021)
Director	Jeroen Krens	International Swaps and Derivatives Association OTCderiv OTCderivnet
Director	Diane Côté (resigned 21 February 2021)	London Stock Exchange Group Société Générale
Director	Jane Guyett	LCH Limited UK Government Investments Limited Connect Plus (M25) PLC Royal London Mutual Insurance Society (appointed 4 August 2021)
Director	Carole Machell	Weatherby's Bank Limited Distribution Finance Capital Limited Sainsbury's Bank Plc
Director	Brigitte Trafford (appointed 19 February 2021)	London Stock Exchange Group NewsGuard Technologies

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

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

Marc Breillout	85 000 €
Claude Ehlinger	175 000 €
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.Cleynet 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.Cleynet Luxembourg S.à.r.l. between LCH SA and LCH Limited.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 2021.

Ultimate parent company and group companies

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

Scope of the Company

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

Capital Management

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

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

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

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

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

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

Basel III

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

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

Pursuant to article 90 of CRD IV transposed by article R511-16-1 of Code monétaire et financier, return on assets of the Company as of 31 December 2021 is 0.017% (2020: 0.014%).

Proposed appropriation of net profit

LCH SA Board of Directors proposes to allocate the 2021 profit of € 113.1million as following:

Allocation of 2021 earnings	€'m
Allocation to Legal Reserves	-
Allocation of Other Reserves	-
Allocation to Retained Earnings	53.1
Dividends	60.0
	<hr/>
	113.1

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

- for 2018: €46 million corresponding to €6.20 per share
- for 2019: €71 million corresponding to €9.57 per share
- for 2020: €60 million corresponding to €8.09 per share

Distributable reserves are as follows:

Distributable reserves	€'m
Profit for the period	113.1
Other reserves	32.6
Profit carried forward	147.8
	<hr/>
	293.5

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

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

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

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

	2021	2020	Variation
<i>CDSClear</i>			
CDSClear members	25	26	-4%
Notional cleared (€ billion) - single counted	1141	1214	-6%
Fixed Income: notional cleared (€ trillion) - single counted	97.5	84.5	15%
Listed Derivatives: contracts cleared (million) - single counted	164.1	170.5	-4%
Cash Equities: trades cleared (million) - single counted	303.6	336.7	-10%
Average cash collateral (€ billion)	26	23	13%

Accounts payable

As of 31 December 2021, amounts payable to suppliers totalled €19.3 million (2020: €18million) and were all due within two months. LCH SA settled the invoices with an average of one month. Non-resident suppliers were €5.4 million (2020: €3.3 million).

	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Accounts payable					
Invoice count	51	52	42	63	208
Total amount of invoices (VAT included)	0.1	0.1	0.0	0.0	0.2
Percentage over total purchases (VAT included)	0.0%	0.1%	0.0%	0.0%	0.2%

Accounts receivable

As of 31 December 2021, amounts receivable from customers totalled €25.3 million (2020: €23.9 million) and were all due within one month. Of this, non-resident customers were €16.6 million (2020: €15.1 million).

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	1 to 30 days	31 to 60 days	61 to 90 days	Over 91 days	Total
Accounts receivable					
Invoice count	704	0	0	0	704
Total amount of invoices (VAT included)	19.7	0.1	0.1	0.4	20.3
Percentage over billed operating income	8.3%	0.1%	0.1%	0.1%	8.6%

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.

Key points for the year

LCH SA broke new records in 2021 in terms of volume/revenue, mainly as a result of the high volatility observed in the markets.

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 (2020: 26). The total notional amount cleared decreased by 6 percent to EUR 1,141 billion (2020: EUR 1,214 billion). Total clearing fee income for the year amounted to €17.4 million (2020: €17.7 million). This change reflects the decrease in the number of "general members unlimited" partially offset by the increase in "general introductory members" and "CIO members".

Fixed Income

LCH SA's clearing of repurchase agreements (repos) and cash bonds performed well at €97.5 bn in the past year (2020: €84.5 bn) 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 €104.4 million (2020: €80.5 million) and total margins increased beyond budget as a result of a high level of activity.

SA RepoClear's historically high volumes are of particular importance as we connect new € debt markets to LCH.SA, thereby multiplying potential clearing opportunities.

Listed Derivatives and Cash Equities

LCH provides clearing services for listed derivatives to several platforms, including Euronext Derivatives Markets. Contracts cleared in 2021 decreased by 4% to 164.1 million (2020: 170.5 million). LCH SA started providing clearing services to Oslo Børs Derivatives Markets in December 2020. Clearing is offered on listed equity derivative contracts on particular stocks and Norwegian indices.

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In equity clearing services, LCH clears cash equities for several trading platforms including Euronext, Equiduct, Turquoise and Bourse du Luxembourg. The number of contracts cleared in 2021 decreased by 10% to 303.7 million (2020: 336.7 million).

Total clearing fee income in 2021 increased at €73 million (2020: €71.9 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. Users of LCH deposit cash and receive an overnight rate less an agreed margin. The level of funds held is primarily related to cleared volumes and market volatility. This income is also determined by short term rates in the Euro money market.

LCH's total net cash income for 2021 increased to €75.6 million (2020: €65.6 million) as a result of increased collateral deposits.

Research and development activities

In 2021, the Company was not able to claim government assistance in the form of research tax credits (CIR) with respect to LCH SA.

General operating expenses

Operating expenses have increased by 7.8% to €98.3 million (2020: €91.2 million)

Brexit

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

COVID-19

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

Euronext announcement

After closing the acquisition of Borsa Italiana, Euronext announced on 8 November 2021, the plan to internalise its clearing activity on Listed Derivatives and Cash Equities with an effective date of January 2024 at the earliest for Listed Derivatives. Termination of the Cash Equities' clearing service is subject to a 12-month notice period.

Potential consequences of contract termination have been assessed and presented to the Audit Committee. The objective was to quantify any potential impacts on our intangible assets and goodwill. Based on this analysis, no significant impact has been identified in 2021.

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Strategic objectives

The Company's strategic objectives are:

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

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

Research and Development activities

In 2021, the Company does not qualify for Government assistance in the form of "crédit d'impôt recherche" (CIR) (a research and development tax credit).

Significant events which occurred since the date of the financial statements

None.

Perspectives

Business mature which will benefit from various initiatives across the different Business Lines. These secure level of margin and revenues recorded in 2021, in a context of strong environment as Brexit and aggressive competition in the Market.

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

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Five year financial summary

Five year financial summary	2017	2018	2019	2020	2021
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	121.3	123.3	164.2	191.1	223.0
Profit before tax, profit sharing, amortisation, provisions and impairment	81.9	86.4	124.9	145.2	177.3
Income tax	19.9	22.5	35.4	40.3	43.7
Profit sharing for the year	2.2	2.8	3.2	4.1	4.8
Impairment	-	-	-	-	-
Net income after tax, profit sharing, amortisation and provisions	44.6	46.0	71.1	88.0	113.1
Distributed earnings	44.0	46.0	71.0	60.0	
Earnings per share (in €)					
Profit after tax, profit sharing, but before amortisation and provisions	11.04	11.66	16.84	19.58	23.91
Net income after tax, profit sharing, amortisation and provisions	6.01	6.20	9.58	11.86	15.25
Net dividend distributed per share	5.93	6.20	9.57	8.09	
Employee information					
Average headcount*	177	170	167	179	192
Total payroll for the year (in €'m)	19.4	22.5	20.0	22.8	23.6

*Average headcount for LCH SA Paris only.

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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

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Income statement

	Note	2021 €'m	2020 €'m
Interest and related income	1	224.3	196.8
Interest and related expenses	1	(148.7)	(131.1)
Commissions received	2	260.4	227.0
Commissions paid	2	(16.2)	(14.2)
Gains on investment portfolio	3	3.2	1.5
Losses on investment portfolio	3	(11.3)	(10.2)
Gains on Forex	4	-	-
Losses on Forex	4	(0.1)	0.0
Other banking income	5	-	-
Other banking expense	5	(40.7)	(37.5)
Net banking revenue		270.9	232.3
General operating expenses	6	(98.3)	(91.2)
Depreciation, amortisation and provisions	9	(14.2)	(12.8)
Gross operating income		158.3	128.3
Cost of risk		-	-
Operating income		158.3	128.3
Gains/(losses) on fixed assets	10	(1.5)	(0.0)
Net operating profit before tax		156.8	128.3
Extraordinary result		-	-
Corporate income tax	11	(43.7)	(40.3)
Provisions and write-backs on general banking risk		-	-
Net income for the year		113.1	88.0

Statement of financial position

	Note	2021 €'m	2020 €'m
Assets			
Cash in Central bank	12	33,050.8	27,682.4
Cash in bank accounts		48.4	2.1
Securities under resale agreement	13	630,913.7	587,287.9
Bonds and other fixed income securities	14	556.7	1,527.0
Long term equity investment	15	0.7	0.5
Other assets	16	4,167.4	5,236.9
Assets related to clearing operations	17	904.3	1,042.4
Fixed assets		102.6	85.4
<i>Intangible assets</i>	18	100.2	83.4
<i>Tangible assets</i>	19	2.4	2.0
Total assets		669,744.7	622,864.5
Liabilities			
Debts with credit institutions	20	1,315.0	1,325.7
Debts with other financial institutions	21	345.7	258.1
Securities under repurchase agreement	13	630,913.7	587,287.9
Other liabilities	22	36,172.9	32,933.9
Liabilities related to clearing operations	17	571.3	685.7
Provisions	23	7.1	7.5
Reserve for general banking risk		0.3	0.3
Shareholders' equity	24	418.6	365.4
Total liabilities		669,744.7	622,864.5
Off balance sheet			
Commitment given			
<i>Guarantee commitments</i>	25	499,422.9	491,422.3
<i>Commitments on securities</i>	25	621,701.9	563,114.3
Commitments received			
<i>Guarantee commitments</i>	25	525,490.2	518,189.9
<i>Commitments on securities</i>	25	621,647.4	563,116.1

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Highlights of the year

LCH SA broke new records in 2021 in terms of volume/revenue, mainly as a result of the high volatility observed in the markets.

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 (2020: 26). The total notional amount cleared decreased by 6 percent to EUR 1,141 billion (2020: EUR 1,214 billion). Total clearing fee income for the year amounted to €17.4 million (2020: €17.7 million). This change reflects the decrease in the number of "general members unlimited" partially offset by the increase in "general introductory members" and "CIO members".

Fixed Income

LCH SA's clearing of repurchase agreements (repos) and cash bonds performed well at €97.5 bn in the past year (2020: €84.5 bn) 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 €104.4 million (2020: €80.5 million) and total margins increased beyond budget as a result of a high level of activity.

SA RepoClear's historically high volumes are of particular importance as we connect new € debt markets to LCH.SA, thereby multiplying potential clearing opportunities.

Listed Derivatives and Cash Equities

LCH provides clearing services for listed derivatives to several platforms, including Euronext Derivatives Markets. Contracts cleared in 2021 decreased by 4% to 164.1 million (2020: 170.5 million). LCH SA started providing clearing services to Oslo Børs Derivatives Markets in December 2020. Clearing is offered on listed equity derivative contracts on particular stocks and Norwegian indices.

In equity clearing services, LCH clears cash equities for several trading platforms including Euronext, Equiduct, Turquoise and Bourse du Luxembourg. The number of contracts cleared in 2021 decreased by 10% to 303.7 million (2020: 336.7 million).

Total clearing fee income in 2021 remained increased at €73 million (2020: €71.9 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. Users of LCH deposit cash and receive an overnight rate less an agreed margin. The level of funds held is primarily related to cleared volumes and market volatility. This income is also determined by short term rates in the Euro money market.

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LCH's total net cash income for 2021 increased to €75.6 million (2020: €65.6 million) as a result of increased collateral deposits.

General operating expenses

Operating expenses have increased by 7.8% to €98.3 million (2020: €91.2 million)

Brexit

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

COVID-19

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

Strategic objectives

The Company's strategic objectives are:

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

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

Research and Development activities

In 2021, the Company does not qualify for Government assistance in the form of "crédit d'impôt recherche" (CIR) (a research and development tax credit).

Significant events which occurred since the date of the financial statements

None.

Perspectives

Business mature which will benefit from various initiatives across the different Business Lines . These secure level of margin and revenues recorded in 2021, in a context of strong environment as Brexit and aggressive competition in the Market.

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

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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.

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Accounting policies and principles

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

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

Fixed assets, amortisation and depreciation

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

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

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

Self-developed software	3 to 5 years
Infrastructure project	up to 12 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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Accounts receivable and payable

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

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

Held-for-sale securities

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

Transactions with Clearing Members

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

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

Financial derivative instruments

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

Reserve for general banking risks

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

Provisions

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

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

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

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

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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.

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1. Interest and related income/(expenses)

	2021	2020
	€'m	€'m
Interest on debit bank accounts	-	-
Margin interest	224.3	196.8
Interest and related income	224.3	196.8
Interest payable to Central bank	(127.3)	(109.2)
Interest on credit bank account	(0.1)	(0.1)
Interest on other collateral	(21.3)	(21.9)
Interest and related expenses	(148.7)	(131.1)
Net interest and related income/(expenses)	75.6	65.6

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

In 2021, the net interest and related income/(expenses) has increased to €75.6 million (2020: €65.6 million) mainly driven by the expansion of the cash initial margin volume collected from the members.

2. Commissions

	2021	2020
	€'m	€'m
Cash equities	26.0	27.1
Derivatives	47.0	44.8
Fixed Income	104.4	80.5
CDS	17.4	17.7
Clearing fees	194.8	170.1
Sale of other product and services	24.4	23.0
Connectivity fees	2.8	3.4
Non cash collateral fees	38.3	30.5
Commissions received	260.4	227.0
Settlement fees and bank fees	(16.2)	(14.2)
Commissions paid	(16.2)	(14.2)

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

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

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

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

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

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

On **Cash Equities**, the posted clearing revenue was 4% under 2020 due to lower volatility on markets which is more than offset by higher clearing revenue on Listed Derivatives linked with new volumes records on Commodities and additional clearing fees from Oslo (started in December 2020).

On **Derivatives markets** (indices and commodities), revenue decreased by 5% in 2021 at €47.0 million (2020: €44.8 million)

On **Fixed income markets**, government bonds and repos revenue increased by 30% compared to 2020. RepoClear clearing revenue strongly increased in 2021 mainly driven by market growth, market activity, membership extension and further diversification of the pool (new bonds and products), leading to record nominal and trade sides cleared in 2021. Italian and French debts generated more than half of the RepoClear clearing revenue in 2021

On the **CDS market**, CDSClear clearing revenue is made of 9 general unlimited members paying an annual membership fee of €1.3m, 2 select members an annual membership fee of €0.25m, 1 select member an annual membership fee of €0.45m, 2 introductory members an annual membership fee of €0.2m, 2 introductory members an annual membership fee of €0.4m and 7 CIO members.

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

Membership commissions (excluding period fees) remain stable €3.9 million (2020: €4.2 million) and are split as follows:

- €0.6 million in membership fees related to the French Derivatives market (2020: €0.6 million)
- €3.4 million in membership fees derived from the Cash Equities markets (2020: €3.5 million)

The non-cash collateral fees increased at €38.3 million (2020: €30.5 million).

Settlement costs recharged to clearing members and bank fees increased at €16.2 million (2020: €14.2 million).

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3. Gains and (Losses) on investment portfolio

	2021	2020
	€'m	€'m
Interest from Tri-Party Repo	0.0	0.0
Interest from available for sales securities	0.8	1.5
Interest accrued	2.4	-
Gains on investment portfolio	3.2	1.5
Interest Paid out on Securities	(11.7)	(6.7)
Interest accrued	-	(3.7)
Gains/(losses) on securities sales	0.4	0.2
Provisions on securities	0.0	(0.0)
Losses on investment portfolio	(11.3)	(10.2)

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

	2021	2020
	€'m	€'m
Gains on Forex transactions	-	-
Gains on Forex	-	-
Losses on Forex transactions	(0.1)	0.0
Losses on Forex	(0.1)	0.0

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

	2021	2020
	€'m	€'m
Recharges to Group companies	-	-
Other banking income	-	-
Revenue share with Euronext	(38.8)	(35.5)
CDS profit share	(1.9)	(2.0)
Revenue and profit share	(40.7)	(37.5)
Other banking expense	(40.7)	(37.5)

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

A CDS agreement was signed in April 2014, effective from 1 January 2014. The related profit sharing recognised in 2021 is €1.9 million (2020: €2.0 million).

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A revenue share on the listed derivatives segment effective from January 2019 is based on an agreement signed with Euronext in October 2017. This agreement generated a net retrocession fee to Euronext of €38.8 million (2020: €35.5 million).

6. General operating expenses

	Note	2021 €'m	2020 €'m
Payroll charges	6	(40.8)	(38.0)
External services	7	(52.4)	(47.7)
Other taxes		(3.5)	(4.0)
Other general operating expenses		(1.6)	(1.5)
General operating expenses		(98.3)	(91.2)

The other general operating expenses include the directors' fees in 2021 for €0.5 million.

7. Personnel expenses

	2021 €'m	2020 €'m
Salaries	(22.1)	(20.7)
Pensions and other payroll charges	(11.8)	(11.7)
Profit sharing with employees	(4.8)	(4.1)
Payroll taxes	(2.2)	(1.5)
Personnel expenses	(40.8)	(37.9)

In 2021, the total amount recognised as profit-sharing expenses under payroll costs amount to €4.8 million (2020: €4.1 million). The profit sharing is the legal contribution of employees to the prior net income ("Participation").

In 2021, the average headcount (permanent employees) in Paris was 192 (2020: 179).

8. External services

	2021 €'m	2020 €'m
External staff	(7.4)	(4.7)
Other personnel expenses	(5.9)	(5.8)
IT costs	(20.5)	(21.2)
Property costs	(6.1)	(6.0)
Other external services	(12.4)	(10.0)
External services	(52.4)	(47.7)

The overall external services costs have increased to €52.4 million (2020: €47.7 million).

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The external staff includes temporary staff and contractors, which have increased to €7.4 million (2020: €4.7 million) due to increase support following Business growth.

The other personnel expenses have remained stable at €5.9 million (2020: €5.8 million).

IT running costs have remained stable at €20.5 million (2020: €21.2 million).

Property costs have also remained stable to €6.1 million (2020: €6.0 million).

The other external services have increased at €12.4 million (2020: €10.0 million) mainly due to projects related expenses.

They comprise the auditors' fees for the year 2021, which amount to:

	EY	BDO	EY	BDO
	2021		2020	
Total - audit services	214,500	154,500	211,040	150,520
<i>Work Council Contribution</i>	<i>5,000</i>		<i>7,500</i>	
<i>PCAOB mandate</i>		<i>80,000</i>		<i>75,625</i>
Total - non audit services	5,000	80,000	7,500	75,625
Total - fees	219,500	234,500	218,540	226,145

9. Depreciation, amortisation and provisions

	2021	2020
	€'m	€'m
Intangible assets depreciation	(14.4)	(12.2)
Tangible assets depreciation	(0.2)	(0.1)
Impairment	-	-
Depreciation and amortisation	(14.6)	(12.3)
Net (decrease)/increase of other provisions	-	-
Net (decrease)/increase of provisions for employees	0.4	(0.5)
Net (decrease)/increase in provisions	0.4	(0.5)
Depreciation, amortisation and provisions	(14.2)	(12.8)

Intangible assets amortisation has increased in 2021 to €14.4 million (2020: €12.2 million).

Tangible assets amortisation has increased in 2021 to €0.2 million (2020: €0.1 million).

The provisions for employee have decreased to €0.4 million (2020: €0.5 million).

10. Gains/(losses) on fixed assets

The net accounting value of asset retirement is €1.5 million in 2021 (2020: nil)

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11. Corporate income tax

An Advanced Pricing Agreement (APA) signed by representatives of the French, Belgian, and Dutch tax authorities has been in effect since 1 January 2004 and has been renewed on April 2014 until 31 December 2015.

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

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

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

The standard corporate tax rate is 27.5% in France, 25% in the Netherlands and 29% in Belgium.

	2021	2020
	€'m	€'m
French income tax	(37.3)	(33.9)
Belgian income tax	-	(0.4)
Dutch income tax	(6.4)	(6.0)
Corporate income tax	(43.7)	(40.3)

12. Cash in Central bank

LCH SA operates directly on the money market, investing the cash arising from its operating cash flow and from the cash collateral received from its clearing members. As of 31 December 2021, there was no live term repos.

Out of the total treasury accounts of €33,050.8 million (2020: €27,682.4million), €334.8 million is own cash (2020: €303.7 million). €42.5 million of this amount (2020: €34.9 million) is restricted as the Company's own resources to be used in the default waterfall in case of default.

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13. Securities under resale and repurchase agreement

	2021 €'m	2020 €'m
Reverse repo	631,422.9	587,614.2
Interest payable	(509.2)	(326.3)
Securities under resale agreement	630,913.7	587,287.9

	2021 €'m	2020 €'m
Reverse repo	(631,422.9)	(587,614.2)
Interest receivable	509.2	326.3
Securities under repurchase agreement	(630,913.7)	(587,287.9)

Repos and reverse repos transactions are presented on a non-offset basis. The amount on the asset side represents the cash loans for which securities were received as collateral; the amount on the liabilities side represents the cash

borrowing for which securities were delivered as collateral. Repos and reverse repos which have been traded but not yet settled are recorded as commitments in Off Balance Sheet.

	2021 €'m	2020 €'m
Credit institutions	437,546.0	416,089.7
Other Financial institutions	104,807.9	96,031.8
Interoperability partner – <i>Cassa di Compensazione & Garanzia</i> (CC&G)	88,559.8	75,166.3
Securities under resale agreement	630,913.7	587,287.9

	2021 €'m	2020 €'m
Credit institutions	(426,209.8)	(401,982.5)
Other Financial institutions	(191,109.3)	(159,654.0)
Interoperability partner – <i>Cassa di Compensazione & Garanzia</i> (CC&G)	(13,594.7)	(25,651.3)
Securities under repurchase agreement	(630,913.7)	(587,287.9)

Securities under resale agreement by maturity bucket:

	2021 €'m	2020 €'m
less than one month	544,737.3	488,452.6
less than three months	78,332.1	82,061.6
less than three months	4,506.5	10,986.7
less than one year	2,778.7	5,786.9
over one year	559.1	-
Securities under resale agreement	630,913.7	587,287.9

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14. Investment Portfolio: Bonds and other fixed income securities

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

The securities held for the purpose of held for sales at 31 December 2021 consisted exclusively of treasury bills issued by the European Governments "OAT". Reverse repos have all matured as of 31st December 2021.

	2021	2020
	€'m	€'m
Investment securities and related receivables	-	-
Securities available for sale and related receivables	556.7	1 527.0
Securities placed on repos	-	-
Bonds and other fixed income securities	556.7	1 527.0
	2021	2020
	€'m	€'m
Maturity less than 1 month	-	130.0
Maturity less than 3 months	-	463.0
Maturity less than 6 months	240.0	519.0
Maturity less than 12 months	316.7	415.0
Maturity greater than 12 months	-	-
Total Investment portfolio	556.7	1 527.0

The fair value of securities available for sale as of 31 December 2021 is €556.7 million (2020 : €1527.0 million).

15. Long-term equity investment

	2021	2020
	€'m	€'m
SWIFT	0.7	0.5
Long term equity investment	0.7	0.5

At 31 December 2021, LCH SA owned a €664,520 equity interest in the company SWIFT (2020: €490,277). This interest arose from the systematic attribution of SWIFT shares to LCH SA based on the volume of messages transmitted by LCH SA to its clearing members via the SWIFT system (30 additional shares at 5 915€ unit/price for 2021). The company SWIFT is a listed company on the stock exchanges.

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16. Other assets

	2021	2020
	€'m	€'m
Initial margin deposited to <i>Cassa di Compensazione & Garanzia</i> (CC&G)	4,107.9	4,380.9
Interest receivable from initial margin	31.0	27.6
Credit hedge receivable	-	801.1
Member fees receivable	25.3	23.9
Amount due from Group companies	0.9	1.6
Other receivable	2.3	1.8
Other assets	4,167.4	5,236.9

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

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

Interest receivable from initial margin

The margin interest receivable from members have increased to €31.0 million (2020: €27.6 million). The cash collateral held amounts to €31.4 billion in 2021 (2020: €31.6 billion).

Credit hedge receivable

On CDS market, the credit hedge does not cover any credit event as none occurred this year (2020: 801.1 million). This operation is totally mirrored in liabilities – Credit hedge payables in other liabilities, nil 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.

	2021	2020
	€'m	€'m
Member fees receivable	25.3	23.9
Doubtful accounts	-	-
Member fees receivable	25.3	23.9

As of 31 December 2021, there were no doubtful accounts.

Other receivable

The other receivable have increased to €2.3 million in 2021 (2020: 1.8 million).

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17. Accounts related to Clearing Operations

	2021 €'m	2020 €'m
Prepayments	1.3	1.9
Clearing suspense accounts (assets)	0.0	2.7
Clearing settlement receivable (assets)	830.6	943.8
Variation margin receivable	70.4	88.0
Option premium receivable	2.0	6.0
Other accrued income	-	-
Assets related to clearing operations	904.3	1,042.4

	2021 €'m	2020 €'m
Deferred income	3.1	3.1
Clearing suspense accounts (liabilities)	6.9	0.5
Clearing settlement accounts (liabilities)	466.9	569.0
Variation margin payable	70.4	88.0
Option premium payable	2.0	6.0
Accruals for invoices not received	20.2	17.2
Other accruals	1.9	1.9
Liabilities related to clearing operations	571.3	685.7

Clearing suspense accounts

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

The clearing portage receivable amounts is nil in 2021 (2020: €2.7 million).

The clearing portage payable amounts to €5.2 million in 2021 (2020: €0.5 million). split as following: €4.5 million for OTC market and €0.7 million for Cash Equity market.

Clearing settlement accounts

The clearing settlement receivable amounts to €830.6 million in 2021 (2020: €943.8 million) and the clearing settlement payable amounts to €466.9 million in 2021 (2020: €569.0 million).

Variation margin

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

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

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The variation margins covering Futures amount to €55.4 million in 2021 (2020: €70.9 million).

The variation margins covering Credit Default Swaps instruments amount to €15.0 million in 2021 (2020: €17.2 million).

Option premium

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

Payable premiums are recorded as liabilities and receivable premiums are recorded as assets and both amount to €2.0 million in 2021 (2020: €6.0 million).

Accruals for invoices not received

At the end of 2021, accruals related to payables to suppliers amount to €20.2 million (2020: €17.2 million). The main amounts include CDC Clear Ltd with €1.9 million (2020: €2.1 million) and Euronext with €7.1 million (2020: €6.3 million); those are related to business fees.

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18. Intangible assets

Intangible assets

Gross amount	2020 €'m	Acqui- sitions	Project delivery	Disposal	2021 €'m
Other intangible assets	52.7	-	-	-	52.7
Software	145.6	0.3	28.4	-	174.3
Intangible work in progress	39.0	32.0	(28.4)	(1.1)	41.4
Intangible assets - Cost	237.3	32.3	-	(1.1)	268.4
Accumulated amortisation	2020 €'m	Allo- wances	Reversals	Impairment	2021 €'m
Other intangible assets	43.6	-	-	-	43.6
Software	110.1	14.4	-	-	124.5
Intangible assets - accumulated amortisation	153.8	14.4	-	-	168.2
Intangible assets - Net book value	83.4				100.2

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

The disposal of €1.1 million is the portion of the work performed on the MRisk module which will finally not be used (Group's choice to use MLM)

Impairment testing of intangible assets

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

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

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

The key assumptions used in the valuations relate to discounted cash flow projections prepared by management covering a five-year period. The cash flow projections are based on the Group's budget for 2022 and the approved plan for the two financial years following the last financial year in the budget. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates.

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

- i) The values assigned to short and medium term revenue and cost growth are based on the 2021 budget and the Group approved plan. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions
- ii) Long term growth rates of %5.5 (2020: 2.3%) represent management's internal forecasts based on external estimates of GDP and inflation
- iii) The pre-tax discount rate of %10.59 (2020: 10.78%) is based on a number of factors including the risk-free rate, the Group's estimated market risk premium and a premium to reflect inherent risks

Impairment results

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

Sensitivity analysis

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

	Base case	Adjusted	Other non-amortisable intangible assets €m	Other intangibles €m
At 31 December 2021				
Reduction in clearing revenues	various	-10.0%	No impairment	No impairment
Long-term cashflow growth	5.5%	0.0%	No impairment	No impairment
Pre-tax discount rate	10.59%	14.1%	No impairment	No impairment

Other non-amortisable intangible assets

	Base case	Adjusted	Increase in impairment €m
At 31 December 2020			
Reduction in clearing revenues	various	-10.0%	-
Cashflow growth beyond the 5-year period	2.3%	0.0%	0.0%
Pre-tax discount rate	10.78%	14.1%	-

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19. Tangible assets

Gross amount	2020 €'m	Acqui- sitions	Project delivery	Disposal	2021 €'m
Other tangible fixed assets	8.7	-	1.1	(7.1)	2.7
Tangible fixed assets in progress	1.6	1.1	(1.3)	-	1.4
Tangible assets - Cost	10.3	1.1	(0.2)	(7.1)	4.0
Accumulated amortisation	2020 €'m	Allo- wances	Reversals	Impairment	2021 €'m
Other tangible fixed assets	8.3	0.3	(6.9)	-	1.7
Tangible assets - accumulated amortisation	8.3	0.3	(6.9)	-	1.7
Tangible assets - Net book value	2.0				2.4

20. Debts with credit institutions

	2021 €'m	2020 €'m
Cash call to credit institutions	1,310.6	1,319.7
Interest payable to Central Bank	4.5	5.9
Settlement overdraft	0.0	0.1
Debts with credit institutions	1,315.0	1,325.7

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

The interest payable to central bank has decreased at €4.5 million in 2021 (2020: €5.9 million).

21. Debts with other financial institutions

	2021 €'m	2020 €'m
Cash call to other financial institutions	345.7	258.1
Debts with other financial institutions	345.7	258.1

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22. Other liabilities

	2021 €'m	2020 €'m
Initial margin	30,348.2	26,235.4
Default fund	5,763.9	5,835.5
Interest payable on initial margins	6.4	5.2
Credit hedge payable	-	801.1
Personnel and related payables	27.1	24.8
Tax payable	20.7	22.2
Trade payable	(0.9)	0.8
Amount due to Group companies	6.0	6.7
Other liabilities	1.4	2.2
Other liabilities	36,172.9	32,933.9

Initial margin and default fund

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

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

Personnel and related payables

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

- Paid holidays: €13.5 million (2020: €12.4 million)
- Employees' profit sharing schemes: €5.8 million (2020: €4.9 million)
- Bonuses: €3 million (2020: €3.1 million)
- National Insurance payables: €2.6 million (2020: €3.1 million)
- Other personnel provisions : €2.1 million (2020 : €1.3 million)

Tax payable

The accrued taxes payable are mainly made of:

- Corporate tax payable: €16.1 million (2020: €18.9 million)
- VAT: €2.5 million (2020: €1.6 million)
- C3S tax: €0.7 million (2020: €0.6 million)
- Other taxes: €1.3 million (2020: €1.1 million)

Trade payables

All trade payables as of 31 December 2021 and 2020 had a maturity of less than two months.

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23. Provisions

	2020 €'m	Allowance	Write-off	2021 €'m
Employee benefit provisions				
Compensation for retirement	5.7	(0.4)	(0.0)	5.4
Jubilee award	1.6	(0.0)	0.0	1.5
	7.3	(0.4)	(0.0)	6.9
Other operating provisions				
Provisions for operating risks	0.2	-	-	0.2
Provisions	7.5	(0.4)	-	7.1

Employee benefit provisions are €6.9 million (2020: €7.3 million); this represents the compensation that the Company would have to pay to employee in case of retirement. The provision is calculated by an external agency on the basis of the following assumptions: an inflation rate of 1.9%, an interest rate at 1% and a 2.5% increase in salaries.

Other operating provisions are €0.2 million (2020: €0.2 million) for litigation with a contractor.

24. Shareholders' equity

The company has 7,416,700 fully paid-up ordinary shares of €15.24 each in issue as at 31 December 2021 (2020: 7,416,700).

	2021 €'m	2020 €'m
Share capital	113.1	113.1
Legal reserve	11.3	11.3
Other reserves	32.6	32.6
Capital premium	0.7	0.7
Retained earnings	147.8	119.8
	305.4	277.5
Net profit	113.1	88.0
Revenues to be allocated	-	-
Interim dividend	-	-
Shareholders' equity	418.6	365.4

€60.0 million out of net income in 2020, which amounted to €88.0 million, was distributed.

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The change in the Shareholders' equity during 2021 may be summarised as follows:

Shareholder's equity at 31 December 2020	365.4
Dividends	(60.0)
Net profit of the year	113.1
Revenues to be allocated	-
Shareholder's equity at 31 December 2021	418.6

25. Clearing house commitment

	2021 €'m	2020 €'m
Guarantees given to Banque de France	2,454.6	2,423.9
Credit Default Swap sold	496,968.3	488,998.4
Guarantees given	499,422.9	491,422.3
Securities deliverable	621,701.9	563,114.3
Commitments given	621,701.9	563,114.3
Securities received as collateral	25,397.4	23,298.2
First-demand guarantees received from banks	403.0	2,907.0
Guarantees received from DNB	1,259.7	1,542.8
Guarantees received from BNB	1,461.8	1,443.5
Credit Default Swap bought	496,968.3	488,998.4
Guarantees received	525,490.2	518,189.9
Securities receivable	621,647.4	563,116.1
Commitments received	621,647.4	563,116.1

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 increased in 2021 to €2,454.6 million (2020: €2,423.9 million).

Securities receivable and deliverables are Fixed Income transactions which are already traded but not settled yet. The volume has increased significantly €621,647.4 million as of 31 December 2021 (€563,116.1 million in 2020) in correlation of the RepoClear development – see Management Report.

CDS bought represent the notional of credit hedging receivable and CDS sold the notional of credit hedging payable in case of credit event. The volume has largely remained stable at €496,968.3 million (2020: €488,998.4 million).

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26. Consolidating company

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

	2021 €'m	2020 €'m
Transactions with parent companies		
<i>Income statement</i>		
Services recharged to parent companies	-	-
Services recharged from parent companies	5.8	5.0
Services recharged from parent company disclosed as non-recurring costs	-	-
Total	5.8	5.0
<i>Statement of financial position</i>		
Amount due to parent companies as of 31 December	(1.5)	(1.4)

Transactions with fellow companies

<i>Income statement</i>		
Services recharged to fellow companies	-	-
Services recharged from fellow companies	13.0	10.6
Project recharge income with other fellow companies	0.2	(0.4)
Project recharge cost from other fellow companies	14.3	9.3
Total	27.5	19.5
<i>Statement of financial position</i>		
Amount due to fellow companies as of 31 December	(3.6)	(3.6)

27. Directors' fees

Directors' fees paid by the company in 2021 amounted to €501,570. This amount excludes the CEO's compensation.

28. Management report

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

29. Subsequent event

Subsequent events have been evaluated by LCH SA through February 25th, 2022, the date these financial statements are available to be issued.