Cassa di Compensazione e Garanzia S.p.A.

Financial statements for the year ending 31 December 2020

Cassa di Compensazione e Garanzia S.p.A.
Fully paid-up share capital € 33,000,000.00. - Registered in the Companies' Register of Rome - Tax Number 04289511000 - Economic and Administrative Index no. 752154 - Company subject to the management and coordination of London Stock Exchange Group Holdings Italia S.p.A. Sole shareholder Borsa Italiana S.p.A.

CONTENTS

London Stock Exchange Group

1. Financial Highlights

(amounts in thousands of euro)

Economic indicators	Year 2020	Year 2019
Revenue	102,037	102,338
Ebitda	79,927	77,032
Ebitda margin	*78.3%*	*75.3%*
Ebit	78,331	79,571
Ebit margin	*76.8%*	*77.8%*
Net profit	62,988	53,281
(as % of Revenue)	*61.7%*	*52.1%*
ROE	31.0%	30.5%
Dividends	59,840	32,945
Equity indicators	Year 2020	Year 2019
Shareholders' Equity	222,396	184,425
Net Fin. Position (- debt / + cash)	213,500	153,613
Efficiency indicators	Year 2020	Year 2019
Average number of employees and secor	77.5	77.0
Revenues/employees	1,317	1,329
Ebit/employees	1,011	1,033

2. Report on operations

The annual financial statements of Cassa Compensazione e Garanzia S.p.A. (CC&G) for the year to 31 December 2020 show a net profit of € 62,988,086 (€ 53,281,157 at 31 December 2019).

The past year was characterised by CC&G's contribution to consolidating the financial services provided by market infrastructures and managing information flows and arrangements with members.

With the objective of continual improvements to the risk management solutions offered, various projects continued during the year aimed at further increasing efficiency in the margining models used. In particular, these activities regarded, together with the interoperable CCP, the definition of the requisites of a new margining model for the bond segment, belonging to the family of "Value at Risk" models (FIRE: Fixed Income Risk Engine). In particular, during 2020, the process of internal approval of FIRE was concluded; it will come into production once the process for approval by the Supervisory Authorities has been launched and completed and once - with the due notice - the opportune communications and disclosures have been given to the participants in the bond segment.

The main event that characterised 2020 was the spread of the Covid-19 pandemic and the consequent crisis that engulfed the financial markets (Equities/Eq. Derivatives, Fixed Income and Energy) with a peak of volatility reached in the middle of March, when the FTSE MIB index recorded its largest historical drop over 3 days (-18.54%), with a surge in volatility of 370% from the end of February.

CC&G's Risk Management managed the moment of crisis adequately with the objective of preserving the adequacy of the pre-financed resources available in the guarantee system and, at the same time, limiting possible pro-cyclical effects on the financial system.

Despite the high turbulence recorded on the markets, the performance of CC&G's Risk Management system turned out to be solid and reliable, as can be seen also from the results of the backtests conducted on the margining models which produced levels of coverage that were always satisfactory and higher than both the regulatory minima and CC&G's Risk Appetite. CC&G's conservative approach and the actions taken to mitigate the crisis ensured constant resilience of the entire default waterfall (the margins were covered in cash for approximately 88% and the default funds were always dimensioned in a prudent way with respect to the effective exposure of the participants).

In conclusion, the conservative approach that CC&G has always taken constantly ensured the resilience of the guarantee system of the CCP avoiding, also in the moment of crisis, any criticalities or assumption of excessive risks and at the same time minimising potential pro-cyclical effects on the financial system.

On 22 March 2019 the Delegated and Execution Regulations related to Regulation (EU) 2365/2015 ("SFTR") were published in the Official Journal of the European Union. The SFTR introduces an obligation to report to authorised Trade Repositories the details related to Securities Financing Transactions (SFTs) concluded by market participants. Starting from 13 July 2020 CC&G began to report SFTs to the trade repository in accordance with article 33 of the SFTR.

On 28 May 2019, Regulation (EU) 2019/834 ("EMIR REFIT") which amends Regulation (EU) 648/2012 ("EMIR") was published in the Official Journal of the European Union. The new regulation – which came into force on 17 June 2019 - incorporates the experience gained in the seven years that the EMIR has been in force, from which the it emerged that it was opportune to simplify a number of obligations and regulatory requirements reducing at the same time also their costs. Among the changes introduced, we can note the obligation for central counterparties to provide information on the simulation of the initial margin to participants starting from 18 December 2019. In March 2020 ESMA proposed a change to the current requirements for reporting OTC derivatives and ETDs with the publication of a consultation document containing the draft of RTS 2 and on 17 December 2020 the related ESMA Final Report was published; it is expected that the aforementioned RTS will come into force in the second half of 2022.

On 12 December 2019 Regulation (EU) No. 2019/2099 ("EMIR 2.2"), which amends the EMIR with reference to the supervisory architecture of European and non-EU CCPs, was published in the Official Journal of the European Union. With reference to European CCPs the EMIR 2.2 came into force 20 days after publication in the Official Journal. In October 2020 ESMA began a consultation on the development of RTSs with reference: (i) to the conditions at which supplementary services or activities to which a CCP wishes to extend its business; (ii) to the procedure for modifying risk models under the terms of article 49 EMIR. The publication of the aforesaid RTSs is expected in the second quarter of 2021.

With regard to the process of the United Kingdom's exit from the European Union (Brexit), in order to continue providing its services in the United Kingdom even in the case of a potential Hard Brexit scenario, CC&G, in conjunction with the Bank of Italy and Consob, has initiated the procedure for recognition as a non-UK CCP with the Bank of England. A similar procedure was also launched applying for the designation of the settlement system, so as to benefit from the protection provided in terms of settlement finality regulations in the United Kingdom.

In order to be able to continue to provide its services in the United Kingdom also post Brexit, on 24 January 2019 CC&G was included by the Bank of England on the list of non-UK CCPs authorised to benefit from the temporary recognition regime (TRR) in the United Kingdom. In addition, again on 24 January 2019 CC&G was included also on the Bank of England's list of operators authorised to make use of the "settlement finality designation" (SFD) regime in order to continue to enjoy the protection under the terms of the rules related to settlement finality in the United Kingdom for a period of three years extendible by the British Treasury Ministry.

In addition, in order to ensure the business continuity of participants based in the United Kingdom, CC&G amended the Instructions for the Regulation on maintaining the requisites for membership of the system laying down that, with reference to this category of operators, the conditions and requisites provided for in Article B.2.1.1 and Article B.2.1.2, paragraphs 12 and 13 of the Regulation are considered fulfilled for a period of 18 months starting from 31 December 2020. This assumes that the direct participants based in the United Kingdom, which up to 31 December 2020 were subject to the legislation of the European Union, will then be subject to a regulatory framework - in particular, to rules on the subject of clearing and settlement finality, and of supervision applicable to banks and investment firms - equivalent to that applicable in the European Union. The amendments to the Instructions for the CC&G Regulation came into force on 31 December 2020.

Most Clients resident in the United Kingdom have in any case activated the relocation of their operating headquarters to continental Europe. At the end of the current year most of them are operating from both headquarters of residence.

As far as services are concerned, functional adjustments have been made during the year for the purpose of more efficiently managing the activities carried out. As regards the initiatives of provision in outsourcing of central counterparty services, after the signing of the contract with the Austrian Central Counterparty (CCP.a) which regards provision of the technological service of the Clearing System in "Software as a Service" (SaaS) mode compliant with the EMIR standards, replacing the current system provided by London Stock Exchange, during 2019 it conducted the planning activities for adaptation of the Clearing system in relation to the requirements of CCP.a, which led to entry into production of the service in the first half of 2020.

CC&G confirms its commitment to promoting a secure and stable market infrastructure based on its offering of innovative and solid clearing and risk management solutions and implementation of a business model that meets its customers' needs.

2.1 Events of the year ended 31 December 2020

Central counterparty services

Participants in the clearing and guarantee system as of 31 December 2020 totalled 158 (161 at 31 December 2019), represented for the most part by banks (90) and investment firms (62), 3 private companies, 1 state-controlled company, 1 CCP and 1 central bank.

Of these, 93 were clearing members, of which 71 were banks, 19 investment firms, 1 a state-controlled company, 1 CCP and 1 central bank. The degree of openness to the European market of clearing members is shown by the proportion of foreign banks (20 EU) amounting to 28.17% of the overall total of banks, and of EU investment firms (15) amounting to 78.95%.

Derivative segments (IDEM Equity, IDEX and AGREX)

There were 25,108,886 cleared contracts on the IDEM Equity Market at 31 December 2020, compared to 30,701,189 at 31 December 2019 (-18.2%). The daily average was 98,466 contracts, compared to 121,349 in the previous year.

There were increases compared to the same period of the previous year on the following instrument:

- mini-futures on stock market indices went from 2.4 million contracts in 2019 to 2.7 million contracts in 2020 (+12.5%).

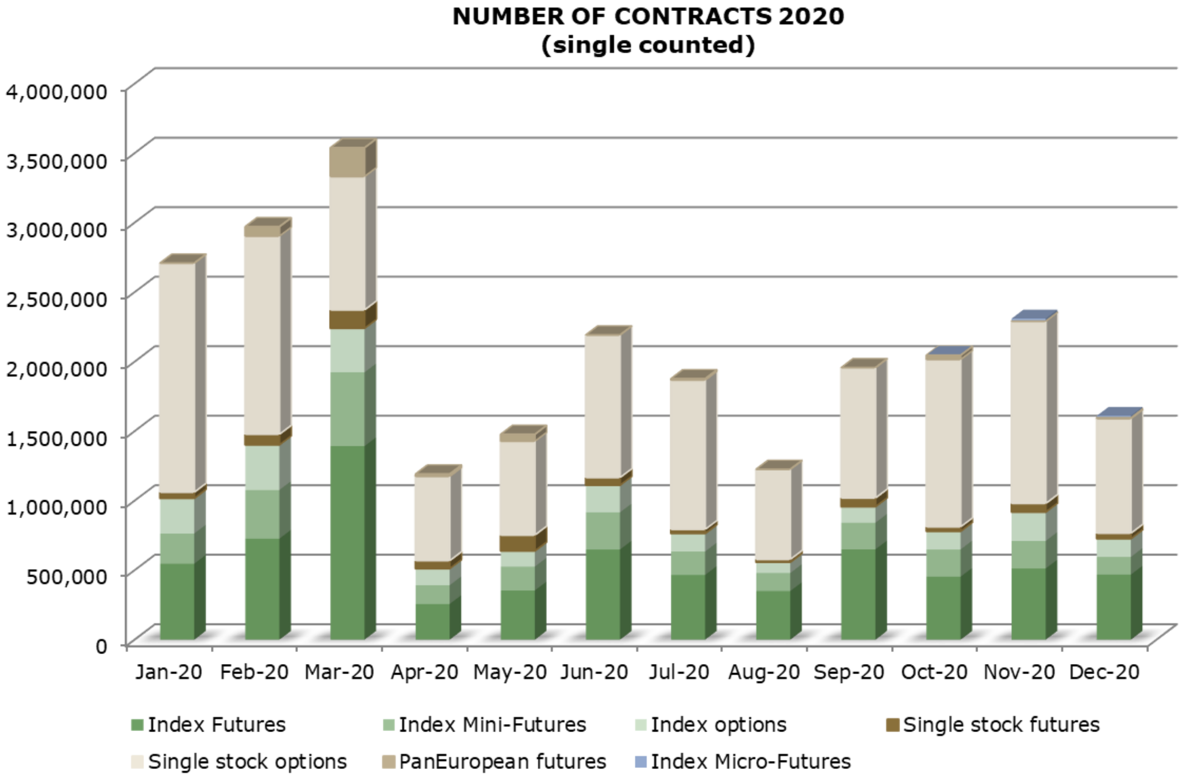
The volumes were in line with the same period of the previous year on the following instrument:

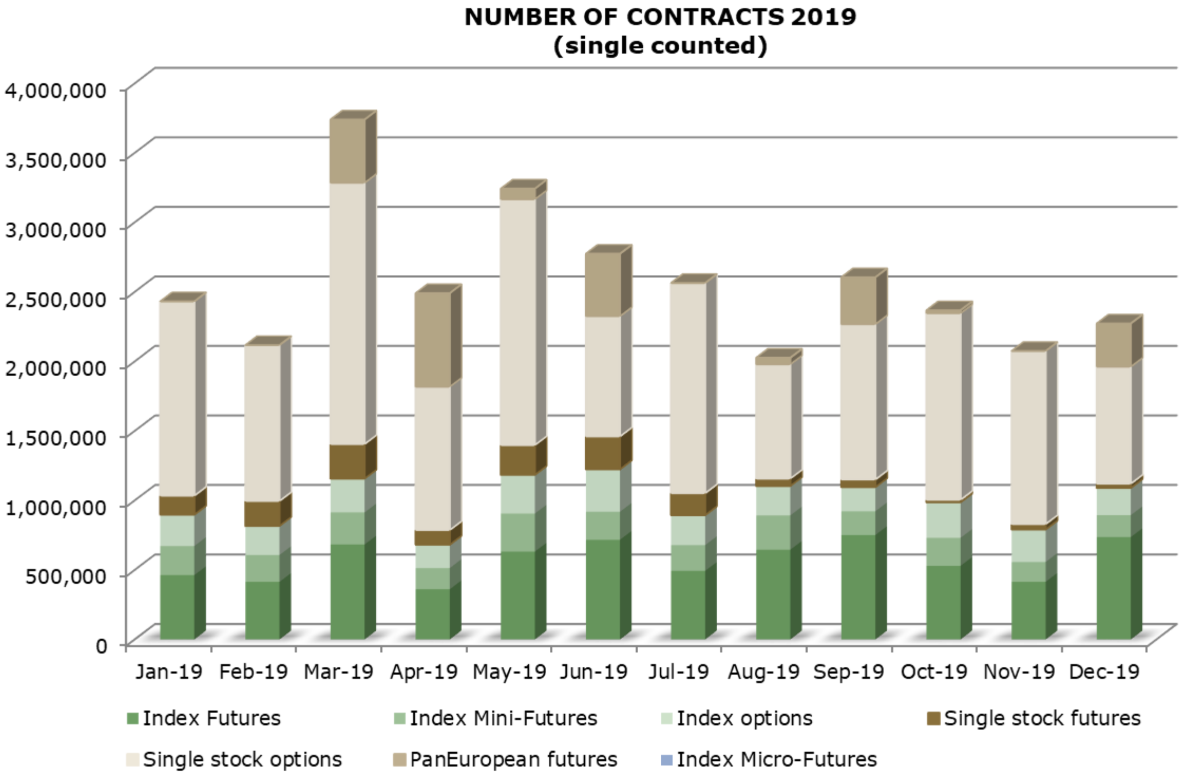
- stock index futures, with volumes of 6.8 million in 2019 and 2020.

There were, instead, decreases compared to the same period last year on the following instruments:

- stock index options, which went from 2.7 million in 2019 to 2.1 million contracts in 2020 (-22.2%);
- single stock futures, which went from 1.5 million in 2019 to 0.7 million contracts in 2020 (-53.3%);
- pan-European futures, which went from 2.4 million in 2019 to 0.4 million contracts in 2020 (-83.3%);
- single stock options, down from 14.9 million in 2019 to 12.3 million contracts in 2020 (-17.4%).

We can note the introduction of the new instrument Micro Futures on stock indices with volumes of 37 thousand contracts in 2020.

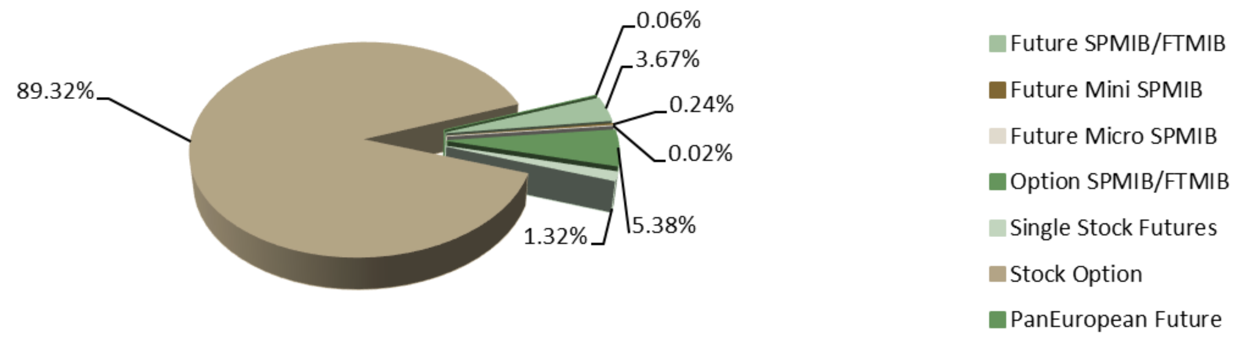

NUMBER OF CONTRACTS 2020
(single counted)
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20
Index Futures
Index Mini-Futures
Index options
Single stock futures
Single stock options
PanEuropean futures
Index Micro-Futures


NUMBER OF CONTRACTS 2019
(single counted)
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Jan-19 Feb-19 Mar-19 Apr-19 May-19 Jun-19 Jul-19 Aug-19 Sep-19 Oct-19 Nov-19 Dec-19
Index Futures
Index Mini-Futures
Index options
Single stock futures
Single stock options
PanEuropean futures
Index Micro-Futures

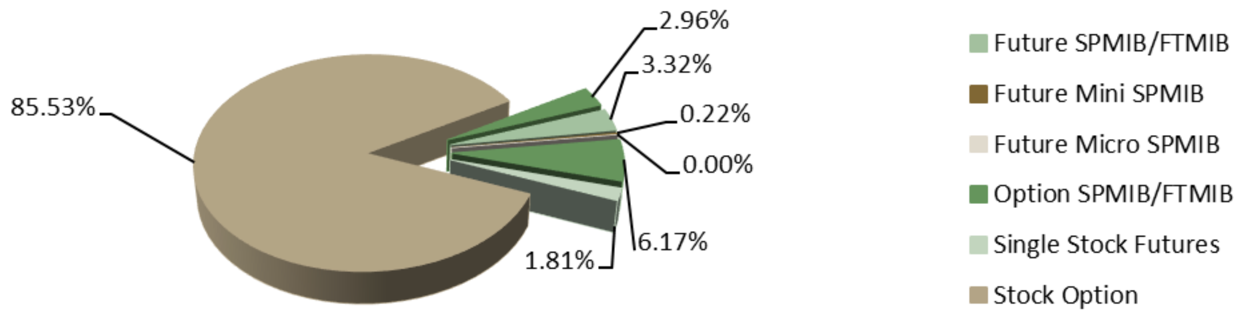
The open positions as of 31 December 2020 (so called open interest) were 6,059,927, 7.0% less than at 31 December 2019 (6,515,565).

OPEN POSITIONS
(% number of contracts)

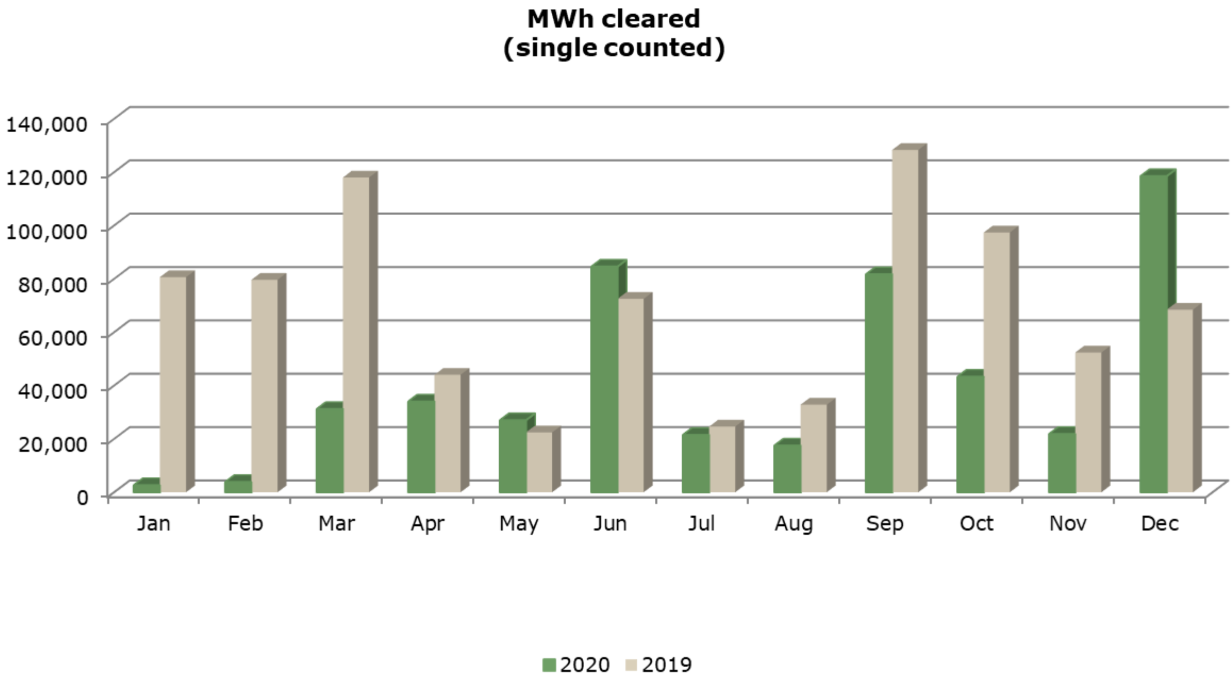
2020



2019



The volumes of the IDEX derivatives segment at 31 December 2020 amounted to MWh 487,690 cleared, 40.6% less compared to the same period last year, with 821,278 MWh cleared.

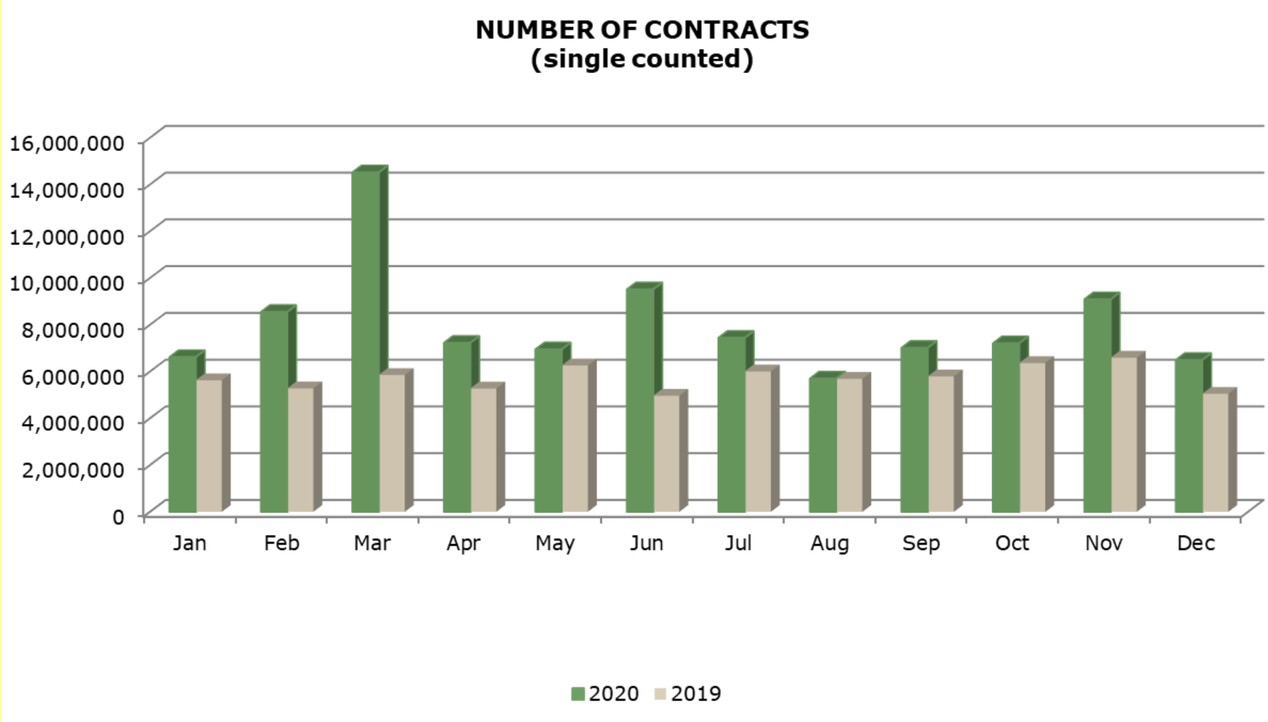


No volumes were recorded for the period ended 31 December 2020 in the AGREX derivative sector.

At 31 December 2020, there were 37 clearing members in the derivative equity segment (39 at 31 December 2019), of which 27 were General and 10 Individual; there were 6 (in line with the previous year), in the energy derivatives segment, all General, while there were 2 in the agricultural commodities derivatives segment, all General. The IDEM, IDEX and AGREX markets are guaranteed in these segments.

Equity segment

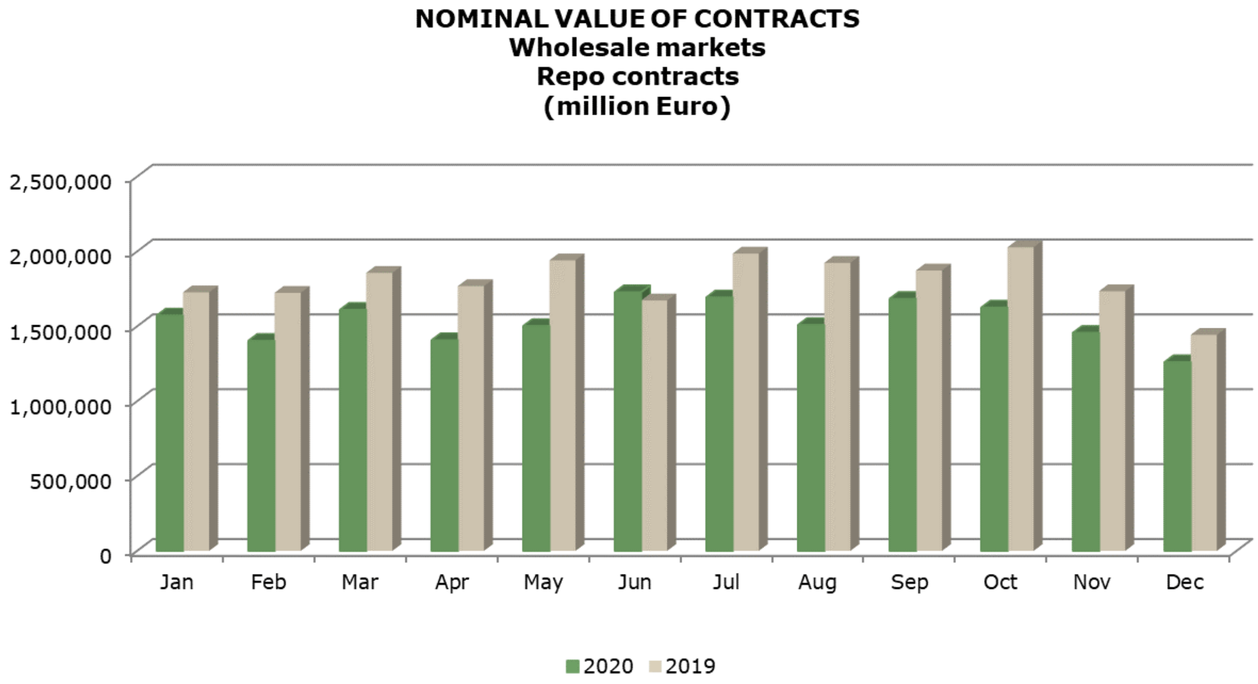
On the equity markets of Borsa Italiana, 96,328,375 contracts were covered by guarantees, with a 40.1% increase compared to the same period of the previous year (68,751,259 contracts); the daily average was 377,758 contracts compared to 271,744 contracts the previous year.

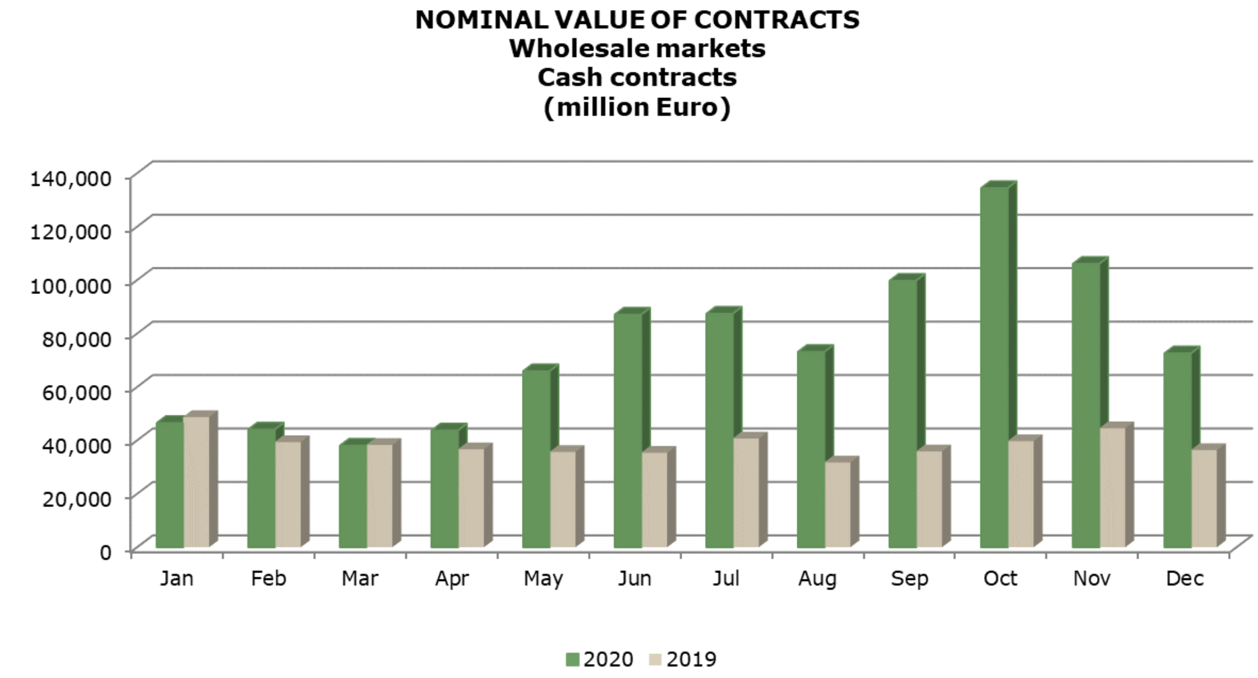


At 31 December 2020, there were 30 clearing members in the Equity section (33 as of 31 December 2019), of which 18 were general and 12 individual. The MTA, ETF plus, MIV and BIT Equity MTF markets are guaranteed in this section.

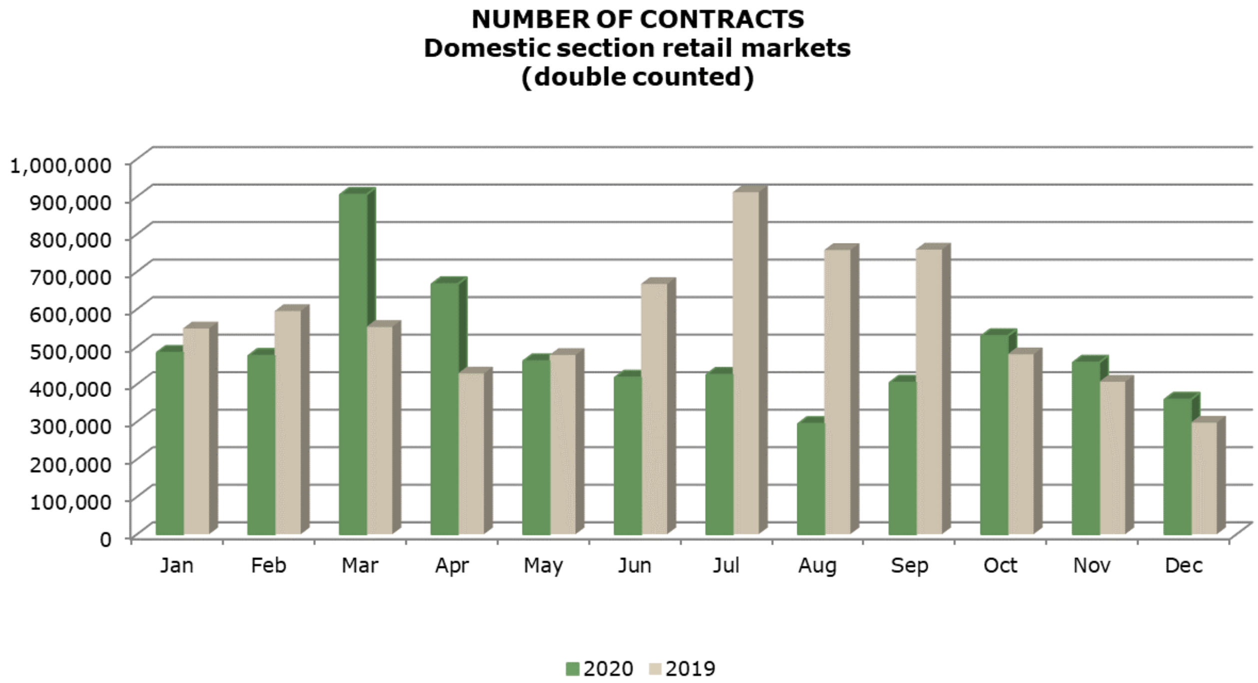
Bond segment

The value of guaranteed contracts, traded on the wholesale bond segment was lower than the previous year for Repos (a nominal € 18,445.7 billion compared to € 21,672.1 billion, with a change of -14.9%), and higher than the previous year for cash transactions (a nominal € 898.6 billion compared to € 462.8 billion, +94.2%).





As far as the retail bond segment is concerned, the international segment (ICSD) was lower compared to the same period of the previous year (804,376 contracts compared to 844,137 contracts with a decrease of -4.7%). The domestic segment was also lower compared to the same period of the previous year (5,875,484 contracts compared to 6,876,900 contracts with a decrease of -14.6% from the previous year).



There were 69 clearing members in the bond segment as of 31 December 2020 (65 as of 31 December 2019), of which 15 were general and 54 individual. In this section the MTS Cash, MTS Repo, Nex Brokertech and Repo e-MID markets are guaranteed for the wholesale segment, and the MOT, Euro TLX and Hi MTF markets for the retail segment.

There were 30 clearing members in the ICSD bond section as of 31 December 2020 (31 as of 31 December 2019), of which 13 were general and 17 individual. In this section, the Euro MOT, Extra MOT and Hi MTF markets are guaranteed.

X-Com segment

The Central Counterparty Service of the X-COM Segment was closed on 30 November 2020.

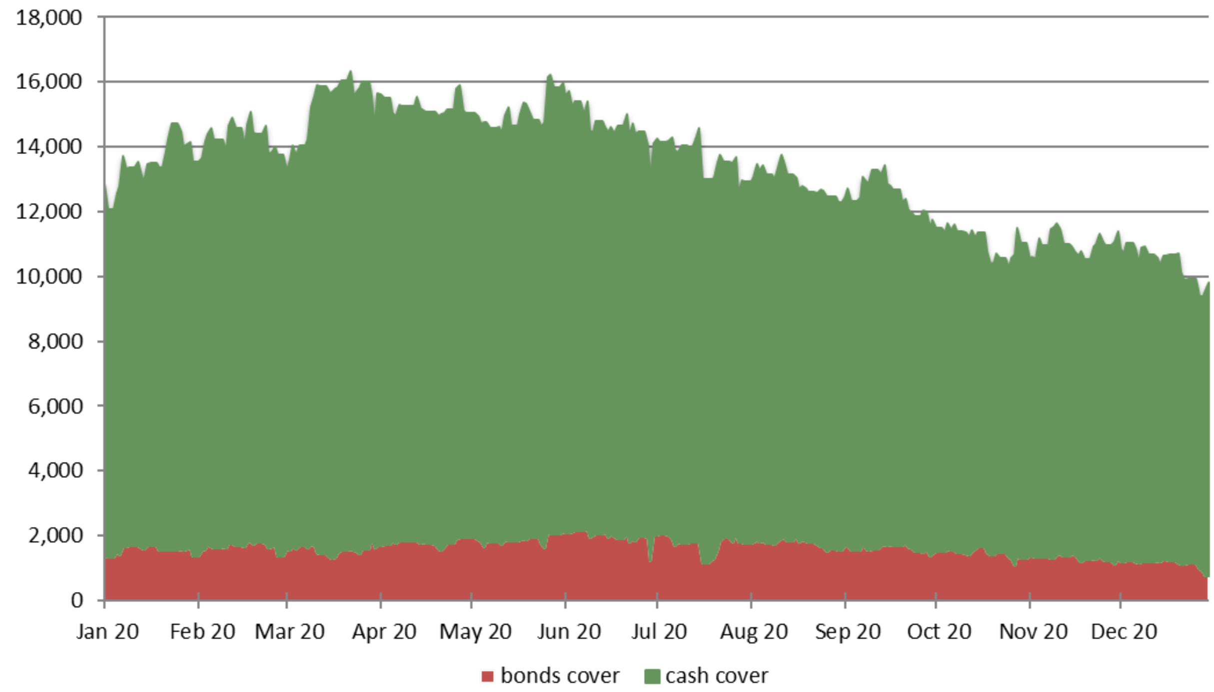
Risk management

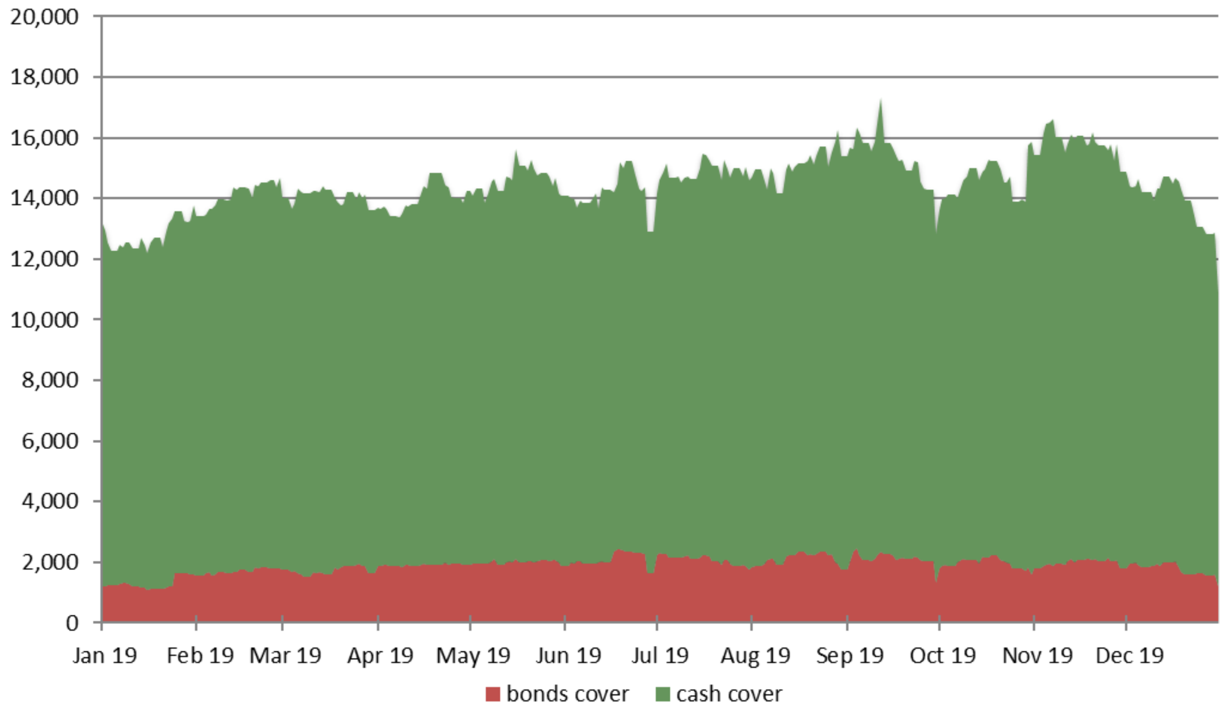
During the period under review, 143 new instruments were listed on the Equity segment, of which 131 ETFs, 7 shares on MTA, and 5 Warrants. On the Equity Derivatives segment the following were listed respectively: 1 new single stock future, 1 new index future (FTMIB Micro Future) and 1 new option.

The average daily amount of the initial margins went from € 13.4 billion in January 2020 to € 10.4 billion in December 2020 (the month in which the maximum value of the average occurred was April 2020 with a figure of € 15.3 billion). Compared to the daily average of the last financial year (€ 14.4 billion), a 8.0% decrease was recorded, arriving at € 13.3 billion. On average for the period in question, the guarantees deposited to cover initial margins were 88% in cash and 12% in Government Bonds.

INITIAL MARGINS

(millions of euro)





The monitoring of counterparty risk, carried out by verifying members' exposures on an ongoing basis, resulted in 14,352 requests for intraday additional margins during the year, for a total of € 111.1 billion.

The default funds at 31 December 2020 amounted to:

- € 1,150 million (€ 2,300 million at the end of the previous year, -50%) for the equity markets (Cash and Derivatives),
- € 4,000 million for the Bond segment (€ 5,100 million in the previous year, -21.5%),

- € 1.3 million for the Energy Derivatives segment (€ 2.7 million in the previous year, -51.8%),
- € 0.20 million for the Agricultural Commodity Derivatives segment (€ 0.10 million in the previous year, +100%).

These amounts were adjusted several times during the financial year on the basis of the stress test results.

New services and functionalities introduced in the financial year

<u>Extension of IDEM times</u>

Starting from 17 February 2020 the closing time for trading of Futures and Mini Futures contracts on the FTSE MIB Stock Exchange Index was postponed from 20:30 to 22:00.

Consequently, starting from the same date, the deadline for the submission to CC&G, via the BCS, of clearing requests for Futures contracts was postponed from 21:00 to 22:30.

<u>BCS enhancements</u>

On 14 September 2020 CC&G issued into the Production environment version 5.8.3 of the BCS Client containing the following new features:
- New TVTIC and Source Code fields in the layouts of derivative contracts;
- E-mail notifications;
- Modification of the Subscribe Filter function of the APIs.

<u>Launch of the clearing service for Micro Futures on Stock Indices (Micro-FIB)</u>

On 19 October 2020 CC&G launched the clearing service for Micro Futures contracts.

The new contract expands the range of Futures contracts on the FTSE MIB Index, in addition to the Futures contract (FIB) and the Mini Futures contract (Mini-FIB), of which it shares all the contractual specifications with the exception of the notional value which is € 0.20 per index point (compared to € 1.00 for Mini Futures and € 5.00 for Futures).

<u>Extension from T+5 to T+10 of the deadline for execution of ordering functions on offset derivative contracts</u>

On 14 December 2020 CC&G extended from T+5 to T+10 the time limit within which to carry out via BCS the following clearing functions on offset derivative contracts:
- "Trade Transfer", that is the transfer of the contract at the trading price;
- "Trade Split" and "Cancel Trade Split", that is the separation of the contract into several parts and the related revocation;
- "Client Code Change", that is the modification of the client code.

Establishment of the VAT Group

On 24 September 2019 London Stock Exchange Group Holdings Italia S.p.A. and its Italian subsidiaries exercised the option for the establishment of the VAT Group, governed by articles from 70-bis to 70-duodecies of Italian Presidential Decree no. 633/1972.

The option is effective from 1 January 2020 and will have a three-year duration, with automatic renewal from year to year, unless revoked.

As a result of the option, both the performance of services and sales of goods between subjects belonging to the VAT Group are not relevant for the purposes of value added tax. Sales of goods and the performance of services made by a subject that belongs to the VAT Group to an external subject, are considered made by the VAT Group; sales of goods and the performance of services made by an external subject to a subject in the group are considered made to the VAT Group.

2.2 Economic results and financial position

Below is a summary of economic data compared to the previous financial year:

(amounts in thousands of euro)

	31/12/2020	31/12/2019
Net interest income	**55,333**	**50,876**
Net commission income	46,261	46,777
Dividends and similar income	3	6
Net income from financial assets/liabilities	130	40
Intermediation margin	**101,727**	**97,700**
Administrative expenses	(22,791)	(22,186)
Other operating income	991	1,518
Gross operating margin (EBITDA)	**79,927**	**77,032**
Net value adjustments for impairment	-	
Amortisation and depreciation	(2,036)	(2,138)
Operating income	**77,891**	**74,893**
Result of financial management	440	4,678
Net operating margin (EBIT)	**78,331**	**79,571**
Income taxes	(15,342)	(26,290)
Profit (Loss) for the year	**62,988**	**53,281**

Cassa di Compensazione e Garanzia S.p.A. ended the financial year to 31 December 2020 with a net profit of € 63.0 million (€ 53.3 million at 31 December 2019). The intermediation margin was € 101.7 million, divided between net interest income of € 55.3 million, and net fee income of € 46.3 million. At 31 December 2019 the intermediation margin was € 97.7 million, divided between net interest income of € 50.9 million, and net fee income of € 46.8 million.

Administrative expenses amounted to a total of € 22.8 million. Amortisation and depreciation amounted to € 2.0 million whilst other sundry operating revenues amounted to approximately € 1.0 million. As a consequence of what was noted above, net operating income (EBIT) amounted to € 78.3 million. Taxes for the financial year, inclusive of the provision for deferred tax liabilities, were € 15.3 million.

The Balance Sheet shows a total amount of assets that decreased from € 174.8 billion at 31 December 2019 to € 129.3 billion at 31 December 2020. In particular, the following assets items are noted, with a counter entry on the liabilities side: financial assets/liabilities held for trading for CCP activities for an amount of € 6.4 billion (€ 13.4 billion at 31 December 2019) and assets/liabilities measured at amortised cost for € 116.8/122.6 billion (€ 155.8/161.1 billion in the previous financial year).

Item 30 of the Balance Sheet shows financial instruments classified as financial assets measured at fair value through other comprehensive income, and these relate to investments in secured assets of margins, default funds and residually, the Company's own funds for a total of € 6.0 billion.

In receivables, which amounted to a total of € 116.8 billion, € 7.9 billion was recorded for receivables from banks, € 2.7 billion for receivables from financial companies and € 106.2 billion for other receivables. In payables, which amounted to a total of € 122.6 billion, € 4.4 billion was recognised under payables to financial companies, € 0.4 billion for payables to banks and € 117.8 billion for other payables.

The Company's equity, equal to € 222.4 million is made up for € 33.0 million of the share capital, for € 6.6 million of the legal reserve, for € 119.8 million of other reserves (including the skin in the game provided for in the EMIR, the extraordinary reserve, reserves from the measurement of financial assets available for sale, the FTA reserves and the other distributable reserves) and for € 63.0 million of the profit for the year.

The cash flow recorded net cash provided of € 60.6 million (at 31 December 2019 the cash provided was € 0.5 million).

2.3 Information relating to employees and the environment

At 31 December 2020 the organizational structure was made up of a total of 67 (65 at 31 December 2019) employees, 8 of which are Senior Managers, 24 Middle Managers and 35 clerical staff as well as 11 resources seconded from other Group companies. The average age is 42.4 years and 40% of the workforce is female. The average length of service is 11 years.

In relation to the activities carried out by our Company, which do not entail any particular levels of risk for employees, no accidents in the workplace have been reported, nor have any pathology linked to professional illnesses occurred. From the beginning of the pandemic (COVID-19) the company adopted a safety protocol aimed at protecting its employees through recourse to structural Smart Working which continued for the whole of 2020 and is still going on.

2.4 Research and development

During the current year the IT area further expanded the activities carried out in previous years in the field of Cognitive/Artificial Intelligence on the Power AI (Augmented Intelligence) platform extending its use to two new business cases related to defining credit risk scoring and to identifying anomalies in calculating margins. These activities are oriented to exploiting the potentials of artificial intelligence as an instrument of support to human decision-making and a Data Governance instrument, integrating into already-structured processes thanks to the continual collaboration between the IT area and the business areas of CC&G.

In the context of scouting new technologies and software development methods, CC&G finalised the exploratory activities of the previous year creating two innovative modules based on cloud technologies that implement a number of functions of the clearing system in a modular and scalable way, so as to ensure the necessary flexibility for the platform with a view to future business objectives. These developments are part of a multi-annual evolutionary roadmap.

2.5 Risk assessment

The guidelines for the management of risks adopted by CC&G are dictated by the Board of Directors and monitored by the Chief Risk Officer.

The framework outlining the objectives of the Group in terms of risk management enables management to have an acceptable risk level in pursuing its strategy and to identify the relevant responsibilities.

For the purpose of validating the adequacy of the parameters and the robustness of the models for margin calculation, the Risk Management Office is conducting back tests on a daily basis and sensitivity tests on a monthly basis.

Stress tests are also carried out on a daily basis in order to verify the adequacy of the Default Funds amounts.

The stress test framework is revised both by the External Risk Committee and by the Board of Directors at least on a yearly basis.

The adequacy of stress scenarios used for the determination of Default Funds for each segment is assessed, inter alia, by carrying out reverse stress tests with the aim of identifying, through an iterative approach, hypothetical stress scenarios, which would render the available financial resources insufficient to cover a possible default.

The Risk Policy Office is responsible for the function of independent validation of the risk management models and reports to the Chief Risk Officer.

The validation of the model is carried out at least once a year in compliance with the EMIR legislation and on the basis of international standards. The introduction of a new model or a substantial change to an existing model require validation by the Risk Policy Office.

The Risk Policy Office, making use of, among other things, a modular software, MoVE, created in-house, analyses all the components of the risk management models (inputs, calculation stages and outputs) in order to verify their conceptual soundness and their consistency with the purpose envisaged for each model. In addition, on the basis of samples, independent replications are made in order to verify the effective implementation of the models in the IT systems and the adherence to the regulatory requirements and methods declared by the Risk Management Office.

The detailed outcomes of the validation activity are communicated to the subjects involved, namely the Head of Risk Management, the Chief Risk Officer, the Chief Executive Officer, the Board of Directors, and also to the Supervisory Authorities, the Bank of Italy and Consob.

From an organisational point of view, in the last four months of the year, the "Membership" Office was brought under the area of responsibility of the Chief Risk Officer, considering that the adequacy of the Membership requisites is the first pillar of risk mitigation adopted by the CCP. Following this organisational change, the "Risk Management" Office was renamed "Risk Management & Membership".

Internal control system

The separation of the operating units from those of control (Finance, Risk, Compliance and Internal Audit) is guaranteed. The latter constitute different levels of control with clear and distinct functional responsibilities.

Internal controls are arranged on the following levels:

Ex-ante:

The front office operating department guarantees in the performance of its daily activities the ex-ante observance of the principles and limits provided for in the relevant Policies.

Level 1:

The first-level controls of operating activities are carried out by a dedicated corporate structure which ensures their correct performance and correct functional segregation and independence with respect to the operating structure. To this end the first-level controls are performed within the Finance department.

Level 2:

In compliance with EMIR rules, CC&G has established internally permanent second-level control functions which operate independently from the operating structures.

In particular, the second level functions provided in the framework of CC&G internal control systems are entrusted to the Chief Risk Officer and the Chief Compliance Officer.

Level 3:

Third level controls are performed by the Italy Internal Audit Department. This structure conducts periodical independent audits on the Company's operating and administrative processes, according to the provisions of the annual Audit Plan. Considering the importance of proper risk management and the relevance it has from a regulatory and governance standpoint, the Audit Department performs periodic controls on the Risk Management Department with the purpose of ensuring a perfect application of the guidelines prepared.

External Risk Committee

In compliance with EMIR provisions, the external Risk Committee, made up from representatives of clearing members, independent members of the Board of Directors and customer negotiators, meets periodically. The members of the Committee have been appointed by CC&G's Board of Directors on the basis of objective non discriminatory criteria and are subject to periodical rotation.

The External Risk Committee is a consultative body of the Board. This Committee expresses non-binding opinions on all measures that may affect the Company's risk management in its capacity as central counterparty and prepares a report on activities carried out on a yearly basis (see paragraph 2.6).

Competition

CC&G constantly compares itself with its major European competitors from an organisational standpoint as well as for services offered. With a view to a possible consolidation of post-trading in Europe, CC&G is well positioned for coping with competition, with extensive experience in the sector and a solid risk management model.

Technology

In order to guarantee a rapid and effective response to market demands and those of its members, the Company has constantly kept a close eye on maintaining technological skills internally. The use of secure, stable, and high-performance technology, enabling high levels of information accessibility and processing capacity, is the determining element in making it possible to meet the increasing operational demand from the market avoiding also interruptions or delays when introducing new services or products. At the same time CC&G maintains stable monitoring of the state of the art with the innovation business unit ensuring constant alignment with the best practices and main standards of the fintech world. The combination of the two above-mentioned key factors enables CC&G to effectively compete in a scenario characterised by rapid technological changes, improvements in standards and the introduction and evolution of new products and services.

The robustness and resilience of the technological organisation adopted in CC&G was tested successfully during 2020 on the occasion of the COVID-19 pandemic in relation to which the company, in order to protect the health of its employees and consultants, decided to close down its offices completely adopting, right from the beginning of March 2020, the countermeasures provided for in its business continuity plans and therefore the remote working method guaranteeing at the same time full operations in each area of work and the adequacy of the cyber security measures.

Also with the new work method, the evolutions planned on the infrastructural level were all brought to completion. In particular, the "Hardware Refresh" project that provided for complete replacement of all the Core platforms for the Clearing, Access to RNI, T2, Swift activities, was completed through replacement of the central IBM "Power I" systems that are now equipped with the latest available technology (Power9). In this context the specific architecture dedicated to services for the CCP.A was also completed through an opportune segregation of the logical partitions both at the level of central systems and for the SAN part and naturally a network of specific dedicated cyber security systems between our Data Centers of Rome, Milan and the CCP.A offices in Vienna. Further specific implementations regarded the BCS with the adoption of Strong Authentication based on the Secure Envoy platform.

In order to increase our resilience further a "Flashcopy" function was progressively implemented. This makes available snapshots of our databases throughout the day to handle any critical issues involving alteration of the same by malware and enabling their rapid reinstatement.

New storage systems based on innovative technologies were also introduced into Production to enable more rapid backups and long-term storage systems (10 years) that will gradually replace the library systems (tapes).

The "X86" part was also the subject of a "hardware Refresh" project through the introduction of new VMware farms on Lenovo technology.

The specific part of Cyber Security is constantly aligned with the best practices and therefore also this year the necessary technological implementations and punctual Vulnerability Assessment checks were carried out, both through independent systems and therefore in autonomy with short intervals, and through specialised partners that performed also Penetration Test activities according to different methods agreed in advance. All the results were satisfactory and no particular critical issues or vulnerabilities were found.

During the year CC&G also took part in all the weekly CODISE sessions organised during the most critical phases of the pandemic reporting and describing the current state of its services.

The tests planned by Codise and Certfin in the Cyber area were also regularly performed and saw the involvement, remotely, of all the CC&G colleagues.

As regards the application solutions numerous new developments were completed, including:

Release of the SaaS solution for CCP.A

The entire h/w and s/w infrastructure for providing the clearing service for the CCP.A was released, maintaining the necessary segregation between the systems and organising the service of management and interaction with the Austrian client. The clearing application platform was replicated in a dedicated instance, supplemented by the specific customisations for the Austrian counterparty. In June 2020 the solution went live and today it is running with the complete satisfaction of the client.

Securities Finance Transaction Regulation (SFTR)

In July the obligation of Reporting to the Trade Repositories transactions in Securities guaranteed by CCP came into force. CC&G released successfully the SW solution that permits daily transmission of information on new transactions and revaluation of transactions already sent and still in being. The CCP plays a key role in the reporting process because it is its primary task to define the unique transaction identifier (UTI). This UTI is reported by the counterparties to enable the matching of the information in the structures responsible for receiving them (Trade Reporting). The information must be sent for each transaction by each contractual counterparty. CC&G in accordance with the SFTR rules agreed with LCH, and managed applicatively, the logic for defining the unique identifier (UTI) for contracts executed in a Clearing Link arrangement.

Insolvency Management

The developments agreed corporately and discussed with the Regulators were made, following the performance of a functionality test in 2019 and aimed at creating improvements in the management of the Default Waterfall (real-time updating of the resource erosion status), Insolvency Monitoring Function (new detailed information introduced in the section devoted to GCMs, granularity added to information related to the CCP), Buy In Agent Interface Management (function added for REPO purchase).

Treasury Management

The process of upgrading the Treasury Management application, Fis Quantum, supplied by FisGlobal, was carried out. The release in use had reached its End-of-Life status, with consequent cessation of support and assistance by the supplier. The applications that are based on it were also involved in the migration process of the Fis Quantum Treasury system. These applications support CC&G's investment processes in relation to management and valuation of the portfolio, simulation of portfolio reallocation on the basis of the market conditions and observing the parameters and limitations imposed by the procedures and regulations, recognition of and accounting for changes via interfaces to the Swift platform and the group accounting system, production of the reports to be sent to the Trade Repositories. The migration process was guided by personnel internal to CC&G and supported by the colleagues of the treasury services user group.

BCS Function

The platform that manages the interaction between the participants and the clearing system both in User to Application mode, and in Application to Application mode was enriched with new functions: extension of the contract transfer function up to ten days following the date of execution of the contract, distribution of the Trading Venue Transaction Identification Code (TVTIC)

AI Applications

A process was created for the detection of anomalies on determination of the Closing Prices of derivative market products based on unsupervised Machine Learning and Deep Learning models. Creation of the process was conducted in equal collaboration with the Risk Management area.

Introduction of New Financial Instruments

The derivative product trading system (IDEM) introduced a new Index Futures instrument, entitled MicroFib. The introduction of the instrument required a revision of the method for aggregating Futures positions with the same underlying (FTSE MIB Index) in order to enable offsetting of positions on different instruments, but with the same maturity, for margining purposes.

From an organisational point of view, a service management office was created, reporting directly to the technical department, with the objective of managing in a unitary and efficient way the central counterparty service for a foreign client (today CCP.A and in future potentially other entities). The service management structure manages the help desk services in relation to the Austrian client and is responsible for taking the necessary technical and organisational actions to ensure continuity of the service and the resolution of any problems and critical issues. The structure also manages the evolutionary maintenance activities ensuring constant adjustment of the solution to the needs of CCP.A. Service management maintains a continual and direct relationship with CCP.A. so as to report the feedback promptly to the corporate management.

As regards the management methods all-round training activity began with the aim of spreading within the company an AGILE approach to software development so as to bring together as closely as possible the technology and the business areas involved. Dedicated training and coaching activities were carried out and cross-functional teams were put into play with the particular involvement of the project management area. These activities are part of a multi-annual plan and will be expanded in 2022.

<u>Employees</u>

In a rapidly changing environment that requires a continuous ability to react to change and to count on excellent performance, the Company's ability to attract the best talent and retain key people also depends on the Company's remuneration policy, which is defined according to professional profile, the level of individual contribution and comparison with the reference labour market. Failure to attract and retain key personnel can significantly affect business management, as the company may not be able to implement strategies effectively and on time. Therefore, in order to ensure the competitiveness of its remuneration policies, on an annual basis, the Group and Borsa Italiana revise, also in comparison with the reference labour market, the remuneration policy based on fixed remuneration, the variable component, benefits and corporate welfare plans. A performance management system instead ensures the monitoring and annual assessment of the degree of individual contribution to achieving the company's objectives.

The company adopted, starting from 14 March 2020, the shared Protocol regulating measures for countering and containing the spread of the Covid-19 virus in the workplace which provides for a series of measures (organisational and procedural) aimed at guaranteeing the health of employees, contractors and visitors.

The risk assessment document (RAD) was updated to take into consideration also the COVID 19 risk, although for employees it is not a professional risk.

2.6 Governance and legal information

(a) General information

Name and registered office

Cassa di Compensazione e Garanzia S.p.A. has its registered office in Rome, Via Tomacelli, 146 and a branch in Milan, Piazza degli Affari, 6.

Date of incorporation and date of termination of the company

The Company was incorporated on 31 March 1992 and will end on 31 December 2100.

Companies' Register

The company is entered in the Companies' Register of the Chamber of Commerce of Rome under No. 04289511000.

Legal form

The company is a joint stock company duly incorporated and existing under the laws of Italy, endowed with a management and control system based on the presence of a Board of Directors and a Board of Statutory Auditors.

The Company is subject to the management and coordination activities of London Stock Exchange Group Holdings Italia S.p.A.

The following information is not exhaustive and is based on By-laws. The full text of the By-laws is available at the company's registered office.

(b) Corporate bodies

Board of Directors

The Board of Directors was appointed by the ordinary Shareholders' Meeting of 24 April 2020 and will remain in office for the financial years ending at 31 December 2020 to 31 December 2022.

At 31 December 2020, the Board was made up of the following directors:

Renato Tarantola	Chairman
Raffaele Jerusalmi	Vice Chairman
Marco Polito	Chief Executive Officer
Lorenzo Guasco	Executive Director with delegated powers for Finance
Luisella Bosetti	Director
Claudio Grego	Independent Director
Alfredo Maria Magri	Independent Director
Vincenzo Pontolillo	Independent Director

Valentina Sidoti	Director

General Management

Marco Polito	General Manager

Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the ordinary shareholders' meeting of 18 April 2018 for three financial years, which will expire with the Shareholders' Meeting convened for the approval of the financial statements at 31 December 2020 and is made up as follows:

Roberto Ruozi	Chairperson
Fabio Artoni	Statutory Auditor
Mauro Coazzoli	Statutory Auditor
Nicola Frangi	Acting Auditor
Lorenzo Pozza	Acting Auditor

Risk Committee

The Risk Committee, established in compliance with EU Regulation 648/2012 (EMIR) is made up of 8 members, of which:

(a) two independent Directors of CC&G

(b) three representatives of the clearing members

(c) three representatives of the clients

Composition of the Risk Committee:

Vincenzo Pontolillo	Chairperson (Independent Director)
Alfredo Maria Magri	Deputy Chairperson (Independent Director)
Simona Corno	Representative of the clearing member Unicredit
Rita Gnutti	Representative of the clearing member Intesa San Paolo
Luca Lotti	Representative of the clearing member Cassa Depositi e Prestiti
Nicolas Meyeri	Representative of the customer Société Générale
Loubna Serrar	Representative of the customer BNP Arbitrage
Rob Willems	Representative of the customer Flow Traders BV

Remuneration Committee

The Remunerations Committee, established in compliance with Article 7 of EU Delegated Regulation No. 153/2013 and Article 20 of the company's By-laws, is made up of 3 members, of which:

(a) the Vice Chairman of the Board of Directors

(b) two non-executive independent directors

Composition of the Remunerations Committee:

Raffaele Jerusalmi

Claudio Grego

Vincenzo Pontolillo

Disciplinary Board

The Disciplinary Board[1], established in compliance with Article 26 of the Code of Conduct, consists of:

Mario Notari	Chairman
Marco Lamandini	
Prof. Giuseppe Lusignani	

Board of Arbitrators

Il Collegio dei Probiviri[2], istituito secondo quanto previsto dalle Condizioni Generali Parte I è composto da:

Emanuele Rimini	Chairperson
Matteo Rescigno	
Carlo A. Favero	

(c) Corporate Governance

The corporate governance structure of Cassa di Compensazione e Garanzia S.p.A. is based on the "traditional" system of management and control, characterized by the presence of the Board of Directors (management and strategic supervision body) and of the Board of Auditors (control body), both appointed by the Shareholders' meeting.

Independent auditing of the accounts is performed pursuant to the law by an audit firm (EY S.p.A.).

The **Board of Directors** is responsible for the strategic lead and supervision of the company's overall activity, as well as for the risk management process, in order for these to be consistent with strategic policies.

The Board is vested with all the powers for the ordinary and extraordinary management of the Company in the framework of the provisions of laws, regulations and By-laws, and has the power and authority to perform all acts that it deems necessary and appropriate for pursuing the corporate purpose.

In particular, the Board of Directors, on the proposal of the Chief Executive Officer:

- defines the strategic guidelines and objectives to be pursued, reviews and approves the strategic, industrial and financial plans and the budget of the Company, as well as agreements and alliances of a strategic nature, monitoring periodically their implementation;
- defines, determines and documents the Company's system of risk targets (so called Risk Appetite Framework);
- it defines the Company's risk management policy, providing a periodical review of these;

[1] Appointed by the shareholders' meeting of 24 April 2020 for three years.
[2] Appointed by the Board of Directors meeting of 25 March 2020 for three years.

- defines the principal guidelines of the Company's internal controls system; evaluates on an annual basis, the adequacy, effectiveness and actual functioning of the internal controls system;
- reviews and approves the Company's transactions with a significant strategic, economic, equity and financial relevance for the Company;
- grants and revokes powers to and from its members, defining the limits and procedures for exercising such powers;
- it also establishes the frequency, in any event never exceeding a financial quarter, according to which the delegated bodies must report to the Board about the activities carried out while exercising the delegated powers;
- establishes one or more internal Committees, with proposing and consultative functions, including the Remuneration Committee, appointing the members and establishing duties and remuneration;
- establishes a Risk Committee and determines its operating rules;
- evaluates the general performance of the Company's management, on the basis of the information received from the directors with delegations, paying particular attention to the situations of conflict of interest and comparing the results obtained with those planned;
- formulates the proposals to be submitted to the Shareholders' Meeting;
- approves the regulations;
- exercises other powers and carries out the duties required from it by the law and By-laws.

Without prejudice to its exclusive competence, the Board of Directors attributed powers of ordinary management and representation to some of its members, in line with the provisions of the By-laws. The directors vested with particular duties by the Board of Directors are the Chairperson, the Deputy Chairperson, the Chief Executive Officer, and the Director with delegated powers for finance. The Board also appointed a General Manager.

The Chairman has the legal representation of the Company in relation to third parties and before the Court, jointly with the Vice Chairman.

The Deputy Chairperson has the duty to implement the strategic guidance resolved upon by the Board, oversee international relations and make decisions regarding negotiating, perfecting or making amendments concerning national and international alliances and agreements.

The Managing Director is granted all the management powers to centrally manage counterparty guarantee systems operated by the Company and guarantee systems other than those operated by a central counterparty managed by the Company, as well as financial management powers instrumental to the performance of the central counterparty activity provided for in the Company's By-laws.

The General Manager oversees the operations of the Company, has the Company's signature for acts of ordinary management, sees to the implementation of the resolutions of the Shareholders' Meeting and the Board of Directors and oversees the performance of the office.

The Director with delegated powers for finance is granted all powers concerning administration and finance, with the exception of the powers to manage the financial resources deriving from the performance of central counterparty activities provided for by the By-laws and granted to the Managing Director.

Persons in possession of the integrity and professionalism requirements established by the Italian Ministry of Economy and Finance for representatives of the management companies of regulated markets and centralised management of financial instruments, or in possession of the specific requirements provided by law for central counterparties may be vested with the office of director.

At least one third of the directors in office, but no less than two of them, are independent according to that defined by EU Regulation No 648/2012. The Board of Directors resolves upon the existence of the above-mentioned requirements in the next appropriate meeting subsequent to the appointment or to learning that the requirements no longer exist. Independent Directors play a central role in the governance of the Company. They are directly engaged in the matters where potential conflicts of interest may arise, such as risk management and the remuneration of directors, as well as the key personnel of control functions, through participation in the Remuneration and Risk Committees.

The **Remuneration Committee** has proposing and consultative functions in the matter of remunerations of personnel, with particular interest in the more significant company representatives and personnel responsible for risk management, compliance control and internal audit functions; it creates and develops the remuneration policy, monitors its implementation through senior management and periodically reviews its proper functioning.

The Risk Committee is a consultative committee of the board. The Committee expresses its mandatory non-binding opinion to the Board of Directors, on the measures that can affect the management of risks deriving from the Company's central counterparty activities.

In particular, the Committee expresses its opinion on:

- characteristics of the risk models adopted, including models relating to interoperability agreements with other central counterparties, as well as any substantial amendments to the aforementioned models, the relevant methods and the framework for liquidity risk management;
- the internal reference framework for defining the types of extreme but plausible market conditions and the revisions, implemented for the purpose of determining the minimum amount of the default funds, proceeding with the evaluations provided by Articles 29, paragraph 3, and 31 of the EU Delegated Regulation No 153/2013;
- the policy for the management of default procedures;
- the liquidity plan adopted by the Company, in compliance with the provision of Article 32 of EU Delegated Regulation No 153/2013;
- the admission criteria of members;
- the criteria adopted for admitting new classes of secured instruments;
- the outsourcing of functions;
- the policy concerning the use of derivative contracts, for the purpose of Article 47 of EU Regulation No 648 of 2012.

The Committee may also submit proposals to the Board of Directors on matters relating to the management of CC&G risk.

The committee’s advisory and proposal-making activities do not extend to decisions relating to the current operations of the Company.

The Committee prepares an annual report, containing information on activities carried out and their assessments of the Company’s risk management. This report is attached to the annual report on the organisational structure and the management of risk addressed to the supervisory Authorities.

The **Board of Statutory Auditors** is the body responsible for oversight of compliance with the provisions of the law and By-laws, compliance with the principles of correct management and, in particular the adequacy of the internal control system and the organisational, administrative and accounting structures and their proper functioning. The Board of Statutory Auditors is also required to make a reasoned proposal to the Shareholders' Meeting when it appoints the independent auditors.

The Board of directors also performs the functions of Internal Control and Legal Audit Committee, as provided by article 7 of EU Delegated Rule No. 153 of 2013.

The members of the Board of Auditors are appointed for a term of three financial years and may be re-elected.

Each of the members of the Board of Statutory Auditors must possess the requirements of integrity, professionalism and independence, provided for by the law and By-Laws.

The **Shareholders' Meeting** is the body that represents all the shareholders and is responsible for resolving in the ordinary meeting with regard to the approval of the annual financial statements, the appointment and revocation of the members of the Board of Directors, the appointment of the members of the Board of Auditors and their Chairpersons, the determination of the remunerations of the directors and auditors, the conferral of the accounting audit appointment, the responsibility of directors and auditors. The extraordinary shareholders' meeting is responsible for deciding with regard to amendments to the Company's By-Laws and transactions having an extraordinary character such as capital increases, mergers and demergers, except the duties attributed to the competence of the Board of Directors by Article 19 of the By-Laws, as already specified above.

The **independent auditing of the accounts** is carried out pursuant to the law by a company listed in the Special Register kept by Consob. The Shareholders' Meeting of 15 April 2015 conferred the relevant appointment, for the term of nine financial years on the basis of the applicable provisions of law, on EY S.p.A. for the financial years closing on 31 December 2015 to 31 December 2023.

(d) The Company's purpose

The Company is authorised to carry out clearing services as a central counterparty pursuant to (EU) Regulation No 648/2012.

In compliance with Article 4 of the By-laws, the Company has the following corporate purpose:

a) the management and provision of clearing services in its capacity as central counterparty, as defined by European and domestic legislation (in particular by the provisions of EU Regulation No 648/2012 and by Legislative Decree No 58 of 24 February 1998);
b) the implementation of activities conducive to and related to clearing;
c) the management of any other guarantee systems not included in the preceding paragraph;
d) the management and monitoring, also on behalf of third parties, of guarantees of any kind, including bank guarantees, security interests, monetary and security guarantees, including through adjustment techniques of the same guarantees to secured obligations, as well as the implementation, also on behalf of third parties, of cashing and payment instructions.

The Company may also carry out any promotional and marketing activities for its services and products, as well as any activities related or conducive to what is provided for in the preceding paragraphs.

In particular, the Company may provide, manage and market, technological services and advisory support mainly relating to clearing and guarantee and risk management activities.

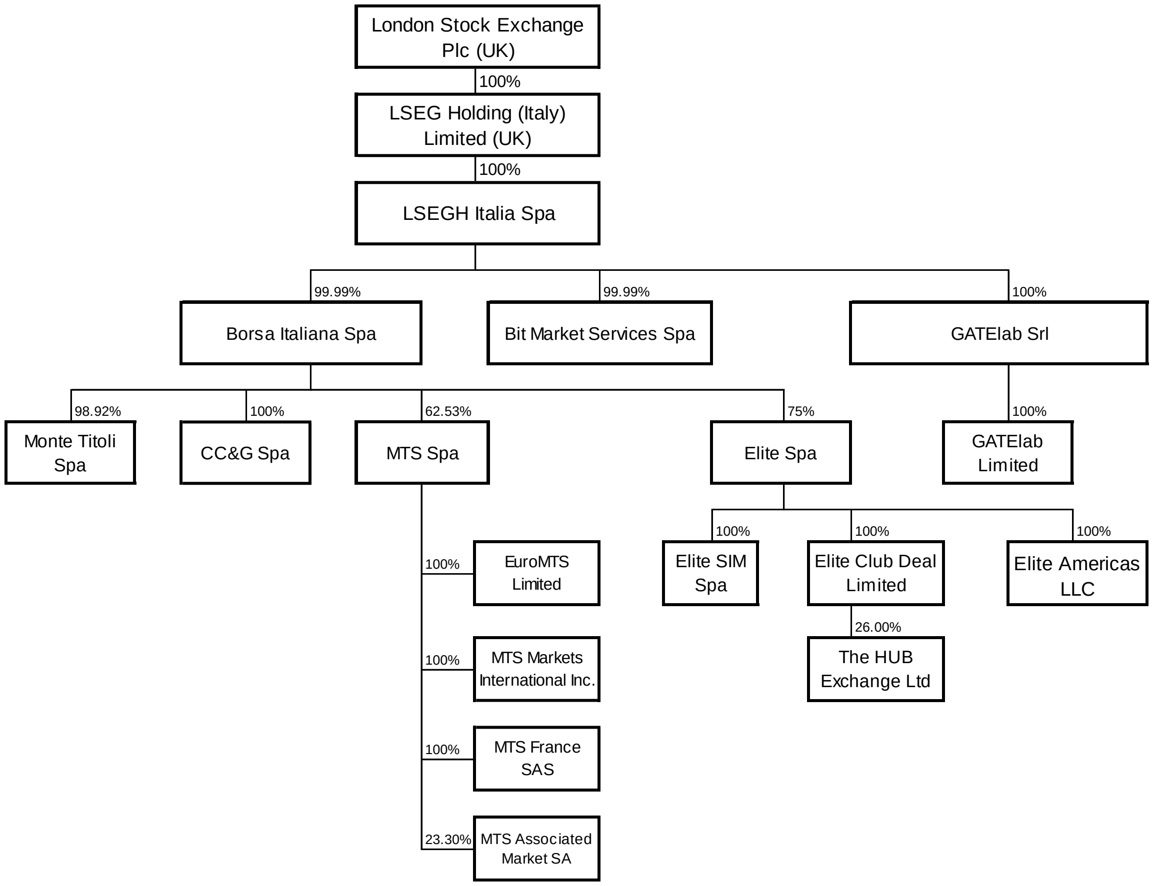
(e) Share capital

The share capital amounts to € 33,000,000.00, fully paid up. It is divided into 5,500 ordinary shares with a nominal value of € 6,000.00 each.

(f) Structure of the Group

Pursuant to Article 2497 et seq. of the Italian Civil Code, at 31 December 2020, Cassa di Compensazione e Garanzia S.p.A. is 100% controlled by Borsa Italiana S.p.A. and is subject to the management and coordination activities of London Stock Exchange Group Holdings Italia S.p.A., in turn controlled by the London Stock Exchange Group Plc.

Cassa di Compensazione e Garanzia S.p.A. holds no equity interests.



2.7 Relationships with related parties

For a review of relationships with related parties, reference is made to the appropriate paragraph in the Explanatory Notes.

2.8 Significant events after the close of the financial year

In November 2020 the Company presented a request for ruling to the Revenues Agency pursuant to art. 11, paragraph 1, lett. a), Italian Law no. 212 of 27 July 2000, in order to ask for confirmation that the Company itself does not qualify for tax purposes as equivalent to a "financial intermediary" under the terms of art. 162-bis of the TUIR (the Consolidated Income Tax Law), but rather as an industrial/commercial company.
After filing the request for ruling the Company presented digitally, within the legal terms, the IRES and IRAP tax return for financial year 2019 and the supplementary statements for the year 2018, determining the related taxable base, and the tax rate, in accordance with the solution suggested in the request.
On 24 February 2021 the Revenues Agency, after a discussion with the Department of Finance, therefore, confirmed that CC&G cannot be classified among financial intermediaries, pursuant to paragraph 1, letter a) of article 162-bis of the TUIR, as it is instead classifiable "among ordinary industrial and commercial companies with whatever follows in terms of application of the related tax provisions".

The Board of Directors, at its meeting on 21 July 2020, resolved in agreement with the shareholder to defer payment of the dividend approved by the Shareholders' Meeting, ordering that it was to be paid starting from 1 January 2021, in consideration of the Recommendation on the restriction of distributions during the COVID–19 pandemic, with which the European

Committee for systemic risk (ESRB/2020/7) aimed to limit the distribution of profits and capital by financial institutions, including CCPs.

On 9 October 2020, LSEG plc announced that it had signed a contract with Euronext NV for the sale of 100% of the shares of the company London Stock Exchange Group Holdings Italia S.p.A., the parent company of the Borsa Italiana Group, to which MTS S.p.A. and its subsidiaries also belong, for an amount of € 4.325 billion, plus a further sum that reflects the cash generation up to completion of the operation. Completion of the operation is conditional on, among other things, obtainment of the necessary authorisations from the competent Authorities.

In January 2021, the European Commission approved the merger of LSEG with Refinitiv, accepting LSEG's commitment to sell the shares of London Stock Exchange Group Holdings Italia S.p.A. and of all its subsidiaries.
In February 2021 the European Commission ruled that Euronext NV was a suitable buyer for the acquisition of London Stock Exchange Group Holdings Italia S.p.A. bringing the group one step closer to the conclusion of the operation expected within the first half of 2021.

Apart from what is reported above no significant events are noted as having occurred after the end of the financial year such as:

- announcement or initiation of reorganisation plans,
- capital increases,
- assumption of significant contractual obligations,
- significant litigations arising after the end of the financial year.

2.9 Approval of the draft financial statements, proposed allocation of profit, and change of the restricted reserve from "skin-in-the-game"

Dear Shareholders,

We ask you to approve the draft financial statements for the year ending 31 December 2020 (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Explanatory Notes) in their entirety and their individual entries and propose to allocate the net profit for the period of € 62,988,085.57, as follows:

- to Shareholders, as a dividend equal to € 10,880.00 for 5,500 ordinary shares with a nominal value of € 6,000.00 each representing the Share Capital, for a total of € 59,840,000.00;
- to Reserves, the remaining profit of € 3,148,085.57 in order to enable the capital strengthening of the company.
- to change, on the basis of the calculation of the Regulatory Capital requirements - provided for in Regulation (EU) No. 648/2012 (EMIR) - shown in Section D - Other Information, the Restricted Reserve pursuant to Article 45, paragraph 4 of Regulation (EU) 648/2012 (Skin in the Game) - which, following the approval of the Shareholders' Meeting of 24 April 2020 amounted to € 19,430,126.00 - taking it to the new value calculated (pursuant to Regulation (EU) 648/2012) of € 19,785,092.00, allocating the difference to the item Other Reserves.

The dividend will be payable from 5 May 2021.

Rome, 24 March 2021

for the Board of Directors

The Chairman

Renato Tarantola

3. Financial statements for the year ending 31 December 2020

Balance Sheet

ASSETS

(Amounts in euro)

	Assets	31/12/2020	31/12/2019
10.	Cash and cash equivalents	74	147
20.	Financial assets measured at fair value through profit or loss	6,434,573,671	13,445,227,913
	a) financial assets held for trading (for CCP activities)	*6,427,775,735*	*13,440,800,883*
	c) other financial assets with mandatory measurement at fair value (for CCP activities)	*6,797,936*	*4,427,030*
30.	Financial assets measured at fair value through other comprehensive income	6,037,128,098	5,534,020,801
40.	Financial assets measured at amortised cost	116,773,076,715	155,783,879,159
	a) receivables from banks	*7,936,048,779*	*12,048,535,680*
	b) receivables from financial companies	*2,675,129,772*	*3,389,581,925*
	c) receivables from customers	-	-
	d) other receivables	*106,161,898,164*	*140,345,761,554*
80.	Property, plant and equipment	2,980,689	1,842,387
90.	Intangible assets	4,584,551	3,127,664
100.	Tax assets	10,481,851	-
	a) current	*10,481,851*	-
	b) deferred	-	-
120.	Other assets	978,108	2,001,303
	TOTAL ASSETS	**129,263,803,757**	**174,770,099,374**

LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS

(Amounts in euro)

	Liabilities and shareholders' equity items	31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost	122,594,077,411	161,126,629,864
	a) payables	*122,594,077,411*	*161,126,629,864*
20.	Financial liabilities held for trading (for CCP activities)	6,427,775,735	13,440,800,883
30.	Financial liabilities measured at fair value (for CCP activities)	6,175,558	4,030,069
60.	Tax liabilities	4,716,861	3,032,669
	a) current	-	*804,207*
	b) deferred	*4,716,861*	*2,228,462*
80.	Other liabilities	7,391,830	9,968,053
90.	Employee severance indemnity provision	1,270,072	1,212,856
110.	Share capital	33,000,000	33,000,000
150.	Reserves	113,179,163	92,843,006
160.	Valuation reserves	13,229,041	5,300,817
170.	Profit (Loss) for the year	62,988,086	53,281,157
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**129,263,803,757**	**174,770,099,374**

Income statement

(Amounts in euro)

	Items	31/12/2020	31/12/2019
10.	Interest receivable and similar revenues	2,294,831,655	2,908,617,829
20.	Interest expenses and similar charges	(2,239,498,723)	(2,857,741,546)
30.	**NET INTEREST INCOME**	**55,332,932**	**50,876,283**
40.	Commissions receivable	47,539,706	48,259,546
50.	Commissions payable	(1,278,843)	(1,482,447)
60.	**NET COMMISSION INCOME**	**46,260,863**	**46,777,099**
70.	Dividends and similar income	3,434	6,476
80.	Net income from trading activities	-	-
100.	Profit (Loss) from sale or repurchase of:	439,728	4,677,968
	b) financial assets measured at fair value impacting on comprehensive income	*439,728*	*4,677,968*
110.	Net income from other financial assets and liabilities measured at fair value impacting the income statement	129,548	40,031
	b) other financial assets with mandatory measurement at fair value	*129,548*	*40,031*
120.	**INTERMEDIATION MARGIN**	**102,166,505**	**102,377,857**
130.	Net value adjustments for credit risk of:	-	-
	a) financial assets measured at amortised cost	-	-
150.	**NET FINANCIAL INCOME**	**102,166,505**	**102,377,857**
160.	Administrative expenses:	(22,791,366)	(22,185,892)
	a) personnel expenses	*(7,743,422)*	*(7,958,505)*
	b) other administrative expenses	*(15,047,944)*	*(14,227,387)*
180.	Net adjustments/write-backs on tangible assets	(1,278,934)	(1,182,222)
190.	Net adjustments/write-backs on intangible assets	(756,792)	(955,889)
200.	Other operating expenses and income	991,123	1,517,522
210.	**OPERATING COSTS**	**(23,835,969)**	**(22,806,481)**
260.	**PROFIT (LOSS) OF CURRENT OPERATIONS BEFORE TAX**	**78,330,536**	**79,571,376**
270.	Income taxes for the financial year on current operations	(15,342,450)	(26,290,219)
280.	**PROFIT (LOSS) OF CURRENT OPERATIONS NET OF TAXES**	**62,988,086**	**53,281,157**
300.	**PROFIT (LOSS) FOR THE YEAR**	**62,988,086**	**53,281,157**

Statement of comprehensive income

(Amounts in euro)

	Items	31/12/2020	31/12/2019
10.	**Profit (Loss) for the year**	**62,988,086**	**53,281,157**
	Other comprehensive income, net of taxes, without reversal to income statement	**212,261**	**86,140**
70.	Defined benefit plans	212,261	86,140
	Other comprehensive income, net of taxes, with reversal to income statement	**7,715,963**	**10,742,026**
140	Financial assets (other than equities) measured at fair value through other comprehensive income	7,715,963	10,742,026
170	**Total other income components net of taxes**	**7,928,224**	**10,828,166**
180	**Comprehensive income (Item 10+170)**	**70,916,310**	**64,109,323**

Statement of changes in Shareholders' Equity

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 December 2020

(Amounts in euro)

	Balances at 31/12/2019	Change to the opening balances	Balances at 01/01/2020	Allocation of the result of the previous financial year		Changes that occurred in the financial year						Comprehensive income for the year 2020	Shareholders' Equity at 31/12/2020
							Transactions on Shareholders' Equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	33,000,000		33,000,000										33,000,000
Share premium	-		-										-
Reserves:	-		-										-
- legal	6,600,000		6,600,000										6,600,000
- other reserves	84,104,929		84,104,929	20,336,157									104,441,086
- profits/losses brought forward	-		-										-
- fund for the purchase of shares of parent company	2,082,568		2,082,568										2,082,568
- FTA reserve	55,509		55,509										55,509
Valuation reserves	5,300,817		5,300,817									7,928,224	13,229,041
Equity instruments	-		-										-
Own shares	-		-										-
Profit (Loss) for the year	53,281,157		53,281,157	(20,336,157)	(32,945,000)							62,988,086	62,988,086
Shareholders' Equity	184,424,980	-	184,424,980	-	(32,945,000)	-	-	-	-	-	-	70,916,310	222,396,290

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 December 2019

(Amounts in euro)

	Balances at 31/12/2018	Change to the opening balances	Balances at 01/01/2019	Allocation of the result of the previous financial year		Changes that occurred in the financial year						Comprehensive income for the year 2019	Shareholders' Equity at 31/12/2019
							Transactions on Shareholders' Equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	33,000,000		33,000,000										33,000,000
Share premium	-		-										-
Reserves:	-		-										-
- legal	6,600,000		6,600,000										6,600,000
- other reserves	81,552,140		81,552,140	2,552,789									84,104,929
- profits/losses brought forward	-		-										-
- fund for the purchase of shares of parent company	2,082,568		2,082,568										2,082,568
- FTA reserve	70,540		70,540			(15,031)							55,509
Valuation reserves	(5,527,349)		(5,527,349)									10,828,166	5,300,817
Equity instruments	-		-										-
Own shares	-		-										-
Profit (Loss) for the year	47,102,789		47,102,789	(2,552,789)	(44,550,000)							53,281,157	53,281,157
Shareholders' Equity	164,880,688	-	164,880,688	-	(44,550,000)	(15,031)	-	-	-	-	-	64,109,323	184,424,980

Cash Flow Statement

DIRECT METHOD

(Amounts in euro)

A. OPERATING ACTIVITIES	***Amount***	
	31/12/20	**31/12/19**
1. Management	**70,385,927**	**43,493,577**
- interest income received (+)	(68,565,290)	(94,767,471)
- interest expenses paid (-)	145,769,478	128,731,381
- dividends and similar income (+)	3,434	6,476
- net commission income (+/-)	46,500,721	46,882,538
- personnel expenses (-)	(10,570,486)	(5,174,214)
- other expenses (-)	(15,235,460)	(10,465,277)
- other revenues (+)	1,747,915	2,473,411
- taxes (-)	(29,264,385)	(24,193,267)
2. Liquidity generated / absorbed by financial assets	**4,369,483,000**	**75,305,263**
- financial assets held for trading for CCP activities	0	0
- financial assets with mandatory measurement at fair value for CCP activities	(236,003)	4,325,060
- financial assets measured at fair value through other comprehensive income	(507,379,205)	122,775,233
- financial assets measured at amortised cost	4,886,556,864	(54,017,960)
- other assets	(9,458,565)	2,222,930
3. Liquidity generated / absorbed by financial liabilities	**(4,374,643,734)**	**(69,918,117)**
- financial liabilities measured at amortised cost	(4,390,780,765)	(70,753,577)
- financial liabilities held for trading for CCP activities	0	0
- financial liabilities with mandatory measurement at fair value for CCP activities	10,586	(172,287)
- other liabilities	16,126,445	1,007,747
Net liquidity generated/absorbed by operating activity	**65,225,193**	**48,880,723**
B. INVESTMENT ACTIVITY		
1. Cash generated from	**-**	**-**
- sales of tangible assets	0	0
- sales of intangible assets	0	0
2. Cash absorbed by	**(4,630,914)**	**(3,856,669)**
- purchases of tangible assets	(2,417,236)	(2,166,975)
- purchases of intangible assets	(2,213,679)	(1,689,694)
Net liquidity generated/absorbed by investment activity	**(4,630,914)**	**(3,856,669)**
C FUNDING ACTIVITY		
- distribution of dividends and other	0	(44,565,031)
Net cash generated/absorbed by funding activity	**0**	**(44,565,031)**
CASH GENERATED/ABSORBED IN THE YEAR	**60,594,279**	**459,023**

RECONCILIATION

	Amount	
	31/12/20	**31/12/19**
Cash and cash equivalents at beginning of the year	29,352,975	28,893,951
Total net cash generated/absorbed during the year	60,594,278	459,023
Cash and cash equivalents at year end	89,947,253	29,352,975

Explanatory Notes

Part A - Accounting policies

A.1 - General part

Cassa di Compensazione e Garanzia S.p.A. manages clearing and settlement systems for transactions on derivative and other financial instruments pursuant to EU Regulation 648/2012 EMIR (European Market Infrastructure Regulation), which dictates, at the European level, common rules to all central counterparties defining new levels of transparency and security for the markets.

Section 1 – Declaration of compliance with international accounting standards

On 1 January 2005, Cassa di Compensazione e Garanzia S.p.A. adopted the international accounting standards.

The separate financial statements of the company are prepared according to the accounting standards issued by the International Accounting Standards Board (IASB) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) and endorsed by the European Commission, as provided for by EC Regulation No 1606 of 19 July 2002 transposed in Italy by Italian Legislative Decree No 38 of 28 February 2005, up to the date of approval of these financial statements. In preparing these financial statements the same accounting standards have been used, where applicable, as those adopted in preparing the financial statements for the year ended 31 December 2019. The financial statements have been prepared in accordance with the going concern assumption.

Section 2 - General principles

The financial statements for the year ending 31 December 2020, prepared in Euro, consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement[3], Explanatory Notes and the relevant comparative information; they are also accompanied by the Report on Operations prepared by the Directors.

The financial statements were derived from the tables proposed by the instructions contained in "The financial statements of IFRS intermediaries other than banking intermediaries" document issued by the Bank of Italy on 30 November 2018, suitably adjusted to take into account specific activities carried out by the Company, and taking into account the Bank of Italy Communication of 27 January 2021. To ensure greater compliance with the Bank of Italy's instructions, some tables in the Explanatory Notes were modified according to these tables, and some values were reclassified to take into account the different exposure[4]. The comparison with the previous year was maintained, as per the regulations.

The financial statements were prepared clearly and are a true and accurate representation of the equity situation, the financial situation and the economic result. The Explanatory Notes to the financial statements provide an exhaustive explanation aiming to outline a clear, truthful and accurate presentation of the financial statements.

3 The cash flow statement for the financial year and the previous year was prepared using the direct method, which indicates the main categories of gross cash receipts and payments. The direct method provides useful information in the estimate of future cash flows.

4 In the Balance Sheet, the Income Statement, the Statement of Comprehensive Income and the Explanatory Notes no items were provided that do not present amounts for the financial year to which they relate nor for the preceding financial year.

The IASs/IFRSs were applied with reference also to a "conceptual model for financial reporting" (so called "framework") particularly with regard to the basic principle involving substance over form, and the concept of relevance and significance of the information.

Financial-statement items were evaluated based on the continuity of the company's business and taking into account the economic function of the assets and liabilities considered.

In compliance with the provisions of IAS 1, the following general principles were observed in preparing the interim financial statements:

- going concern: the financial statements were prepared on the basis of a going-concern assumption; therefore, assets, liabilities and off-balance-sheet transactions were measured according to operating criteria;
- economic pertinence: costs and revenues were recognised on the basis of economic accrual and according to the criterion of correlation;
- relevance and aggregation of items: each relevant class of items has been presented separately in the financial statements. Items of dissimilar nature or allocation have been aggregated only if irrelevant;
- offsetting: assets and liabilities, income and charges must not be offset unless expressly required or allowed by a standard or an interpretation;
- comparative information: comparative information is provided for a previous period for all data presented in the financial statements unless otherwise called for by a standard or an interpretation;
- uniformity of presentation: the presentation and classification of the items have been kept constant over time in order to ensure that the information is comparable, unless otherwise specifically required by new accounting standards or by their interpretations.

The assessment criteria adopted are therefore consistent and comply with the principles of relevance, significance and meaningfulness of accounting information as well as prevalence of economic substance over legal form. These criteria have not been changed with respect to the previous year.

Main risks and uncertainties

In document No 2 of 6 February 2009 and again in document No 4 of 3 March 2010, Bank of Italy, Consob and Isvap requested that financial reports provide information that is indispensable for a better understanding of the Company's performance and prospects.

The company also took into account the Bank of Italy Communication of 27 January 2021 and, in particular, in relation to the risks, uncertainties and impacts of the COVID-19 epidemic please see what is described in the report on operations and below in section 4.

Having regard to those recommendations and with reference to the precondition of business continuity, it is pointed out that the financial statements as at 31 December 2020 were prepared based on the perspective of business continuity, there being no reasons to consider that the Company will not continue operating in the foreseeable future. In fact, no aspects were found in the equity and financial structure and in the operating performance that would lead to uncertainties on this issue. Information on the risks and uncertainties to which the Company is exposed are described in the context of this report.

The information on financial risks and operational risks, the methods for managing the same, is given in the dedicated section of the Report on the Operations and in the Explanatory Notes to the financial statements.

Group tax regimen

The Company exercised jointly with the Parent Company London Stock Exchange Holdings Italia S.p.A. the option for the national consolidation regimen for the three years 2019 – 2021. The option is irrevocable for three years, unless the requisites for application of the regimen are no longer met and with the possibility of revocation at the end of the three years.

The economic relationships, as well as the reciprocal responsibilities and obligations, between the Company and the parent are defined in the "Regulation for participation in the national consolidation taxation regimen of the group controlled by London Stock Exchange Group Holdings Italia S.p.A.".

The national tax consolidation is an arrangement introduced by the tax reform (Italian Legislative Decree no. 344 of 12 December 2003 and related implementing decrees) which offers groups of companies resident in Italy the opportunity to optimise taxation.

On 24 September 2019 London Stock Exchange Group Holdings Italia S.p.A. and its Italian subsidiaries exercised the option for the establishment of the VAT Group, governed by articles from 70-bis to 70-duodecies of Italian Presidential Decree no. 633/1972.

The option is effective from 1 January 2020 and will have a three-year duration, with automatic renewal from year to year, unless revoked.

As a result of the option, both the performance of services and sales of goods between subjects belonging to the VAT Group are not relevant for the purposes of value added tax. Sales of goods and the performance of services made by a subject that belongs to the VAT Group to an external subject, are considered made by the VAT Group; sales of goods and the performance of services made by an external subject to a subject in the group are considered made to the VAT Group.

New accounting standards

In preparing these financial statements the same accounting standards have been used, where applicable, as those adopted for preparing the financial statements of the financial year ended at 31 December 2019.

<u>New standards applicable from the financial year ended 31 December 2020</u>

In accordance with IAS 8, the table below shows the new international accounting standards, or the amendments to standards already in force, and the related endorsement Regulations whose application became obligatory from financial year 2020.

International accounting standards endorsed at 31.12.2020 and in force from 2020

Regulation endorsement	Title	Date of entry into force
2075/2019	**Amendments to References to the Conceptual Framework (*)**	01 January 2020 First financial year starting on 01/01/2020 or later
2014/2019	**Amendments to IAS 1 Presentation of Financial Statements - Definition of Material**	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	01 January 2020 First financial year starting on 01/01/2020 or later
34/2020	**Amendments to IFRS 9 Financial Instruments - Interest Rate Benchmark Reform (**)**	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform (**)	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform (**)	01 January 2020 First financial year starting on 01/01/2020 or later
551/2020	**Amendments to IFRS 3 Business Combinations: Definition of a Business**	01 January 2020 First financial year starting on 01/01/2020 or later
1434/2020	**Amendments to IFRS 16 Leases - Covid-19-Related Rent Concessions**	01 June 2020 First financial year starting on 01/01/2020 or later

(*) The document updates the references to the Conceptual Framework present in: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32.

(**) Regulation no. 34/2020, endorsed on 15 January 2020, is obligatorily applicable from 1 January 2020, but can be applied in advance for the 2019 Financial Statements.

The amendments endorsed as above had no significant impacts on the company's financial statements.

International accounting standards endorsed by the European Union but not yet in force

The table below shows, instead, the new international accounting standards, or amendments to standards already in force, and the related endorsement Regulations by the European Commission, whose obligatory application starts from 1 January 2021 – in the case of financial statements coinciding with the calendar year – or from a later date.

International accounting standards endorsed at 31.12.2020 with application after 31.12.2020

Regulation endorsement	Title	Date of entry into force
2097/2020	Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9	01 January 2021 First financial year starting on 01/01/2021 or later
25/2021 (*)	Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021 First financial year starting on 01/01/2021 or later

(*) Regulation no. 25/2021 was endorsed on 13 January 2021.

International accounting standards not yet endorsed by the European Union

We present finally the new international accounting standards, or amendments to standards already in force not yet endorsed by the European Commission.

International accounting standards not yet endorsed at 31.12.2020		
Standard/ Interpretation	**Title**	**Publication date**
IFRS 17	Insurance Contracts	18 May 2017
Standard/ Interpretation	**Amendments**	**Publication date**
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23 January 2020
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15 July 2020
IFRS 3	Business Combinations	14 May 2020
IAS 16	Property, Plant and Equipment	14 May 2020
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	14 May 2020
IFRS 17	Insurance Contracts	25 June 2020

Amendment to IFRS 16 “Leases”: Covid-19-Related Rent Concessions

The Covid-19 pandemic has led, in some cases, to the concession by lessors of incentives in favour of the lessees, deferring or reducing some instalments of the contract.

The accounting standard IFRS 16, in the presence of contractual modifications, provides for the redetermination of the liability for instalments payable using a revised discount rate as a balancing entry for the right of use (RoU), therefore without it recognising immediate impacts on the income statement.

The IFRS Foundation approved an amendment to IFRS 16 to clarify whether to account for related incentives following the pandemic on the part of lessors that prepare their financial statements using the international accounting standards.

This amendment, endorsed on 12 October 2020, with the publication of Regulation (EU) 2020/1434, provides for the exemption for lessors from the obligation of assessing whether Covid-19-related incentives represent contractual modifications of the lease. Therefore, if the lessor avails itself of this option it must account for any change in the payments due for the lease deriving from a concession on rents in the same way as it would account for the change as if the latter were not a change in the lease itself, making it possible, therefore, to identify them as “variable rent” with a direct impact on the income statement to reflect the changes in the payments due.

For the purpose of applying this exemption it is necessary for all the following conditions to be met:

- the change made entails consideration equal to or less than the consideration provided for before the same;
- the change is related only to fees in payment up to 30 June 2021;
- no further changes of significant scope are made to the contract.

If an entity applies this expedient it must disclose this in the financial statements.

For the time being no significant impacts are expected from the adoption of such standards.

Section 3 - Events subsequent to the reference date of these financial statements

In the period between the date of these financial statements and their approval by the Board of Directors and besides what was already reported in the Directors' Report on the COVID health emergency, no events have occurred that require an adjustment of the data approved at that meeting. The draft financial statements were approved by the Board of Directors on 24 March 2021 and were authorised for publication on that date (IAS 10).

Section 4 - Other aspects

In consideration of the unique nature of the service rendered by the Company and the fact that it is geographically concentrated within the country, the Segment reporting provided by IFRS 8 is represented by the financial statements themselves.

In relation to the risks and uncertainties to which the Company is exposed as a result of COVID-19 and of the associated assessments made we can specify that CC&G's Risk Management managed the moment of crisis adequately with the objective of preserving the adequacy of the pre-financed resources available in the guarantee system and, at the same time, limiting possible pro-cyclical effects on the financial system.

Despite the high turbulence recorded on the markets, the performance of CC&G's Risk Management system turned out to be solid and reliable, as can be seen also from the results of the backtests conducted on the margining models which produced levels of coverage that were always satisfactory and higher than both the regulatory minima and CC&G's Risk Appetite. CC&G's conservative approach and the actions taken to mitigate the crisis ensured constant resilience of the entire default waterfall (the margins were covered in cash for approximately 88% and the default funds were always dimensioned in a prudent way with respect to the effective exposure of the participants).

The conservative approach that CC&G has always taken constantly ensured the resilience of the guarantee system of the CCP avoiding, also in the moment of crisis, any criticalities or assumption of excessive risks and at the same time minimising potential pro-cyclical effects on the financial system.

With reference to the changes in the accounting estimates associated with COVID-19, we can specify that these had no significant effect in the year or that they are not expected to have an effect in future years. We can also specify that no contractual amendments and accounting cancellations were made during the year.

Cassa di Compensazione e Garanzia S.p.A.'s financial statements for the year ending 31 December 2020 are subject to audit by EY S.p.A.

A.2 – Section relating to the main items of the financial statements

Evaluation criteria and accounting principles

Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of on-demand or short-term (3 months) availability, are successful and do not incur collection costs.

Financial assets measured at fair value impacting on the income statement - Financial trading assets/liabilities for Central Counterparty activities

These items show measurement at fair value of open transactions not settled at the reporting date (so-called "open interest") on the derivatives market (IDEM Equity, IDEX and AGREX) in which Cassa di Compensazione e Garanzia operates as a central counterparty.

In particular, these items include:

- contracts relating to derivative financial instruments on the FTSE MIB stock market index (index futures, stock mini-futures, index options, etc.);
- Derivative financial instruments contracts on single stocks (stock futures, stock options);
- Commodity futures contracts (energy and durum wheat futures).

The fair value valuation of such positions is determined on the market price of each individual financial instrument at the closing of the financial year; since the Company has a perfect balance of assets and liabilities, this amount is equally entered in both assets and liabilities, therefore the fair value of both items does not lead to any net profit or loss in the income statement of the Company (item "Net profit/loss from trading activities").

Financial assets measured at fair value through profit or loss - Other financial assets/liabilities measured at fair value for Central Counterparty activities

The company, operating as central counterparty in trades on regulated markets of standardised financial instruments, decided to adopt the settlement date as reference date for the recognition of financial assets and therefore these items include:

- listed share and bond financial instruments, measured at fair value, which CC&G has in its portfolio, having already collected them in the T2S and ICSD (international CSD) settlement systems, and has not yet delivered to the purchasing intermediaries;
- the valuation at fair value of financial assets/liabilities traded and not yet settled on stock and bond markets (both for transactions carried out around the turn of the year and for which the trade date has already passed but not the settlement date and for transactions that have reached the settlement date but not yet settled).

These items are represented in the item 'Guarantees and commitments' in Part D - "Other information".

The "fair value" of the financial instruments in the portfolio has been determined on the basis of the market price of each individual financial instrument at the moment of "withdrawal" in the framework of the T2S and ICSD settlement systems (date of first recognition); subsequently the changes in fair value of the securities in the portfolio are recorded in the income statement ("Net income from financial assets and liabilities measured at fair value" item) on the basis of the market price at the date of the financial statements, perfectly balanced by the offsetting of the equivalent differences with respect to commitments for transactions to be settled. Memorandum accounts show the nominal value of open interest positions at the reference date of the financial statements: the difference between the nominal value of the securities to be received and the securities to be delivered is provided by the nominal value of securities in the portfolio in question.

Please refer to “Part D - Other information” for the details.

For securities traded as part of central counterparty activities on stock and bond markets and still not concluded at the settlement date, the difference between the settlement price of each individual financial instrument at the trade date and the market price of each individual financial instrument at the end of the financial year, represented by prices recorded on the last day of the year, is recorded. The effects of this valuation are recorded in the income statement (item "Net income from financial assets and liabilities valued at fair value"), to offset the recording of the same amount in respect of the commitment to market counterparties.

Given the company's fully balanced position as market central counterparty with regard to assets and liabilities, no net income or loss is generated.

Financial assets measured at fair value impacting on comprehensive income

This item includes all financial assets (debt instruments, equities and loans) classified in the portfolio at fair value, impacting on comprehensive income. The CCP has decided to include in this item all financial assets that do not belong to other categories of financial instruments typical of its core business.

These assets are initially recognised at fair value, which corresponds to the purchase or subscription cost of the transaction.

This category includes the investment in secured assets of Margins and payments to the Default Funds deposited by participants with the central guarantee system, in compliance with the new EMIR rules.

This refers to EU country Government Bonds and Bonds issued by the European Union and Supranational Bonds issued by the European Investment Bank, the European Stability Mechanism and the European Financial Stability Facility, as well as bonds issued by government agencies of EU countries recognised at fair value under financial assets measured at fair value through other comprehensive income - BS Assets, item 30.

After the initial recording, accrued interest is shown in the Income Statement according to the actual interest rate of the transaction. Financial assets measured at fair value through other comprehensive income are measured at fair value on the basis of the closing prices published on the active market. Capital gains and losses resulting from changes in the fair value are shown directly in the shareholders' equity, in a specific valuation reserve, except for impairment losses.

In case of sale before maturity, the gains and losses from a valuation pending in the shareholders' equity reserve are shown in the income statement in item 100, "Gain/loss deriving from disposal or repurchase of financial assets".

Financial assets/liabilities valued at amortised cost

The initial recognition of financial assets is done on the settlement date for debt instruments and on the date of disbursement in the case of receivables. At the time of initial recognition, assets are stated at their fair value, which normally corresponds to the total amount disbursed for costs/incomes directly determined from the start of the transaction, referring to individual instruments, even if they are settled at a subsequent date. Even though they may have the stated characteristics, costs are excluded when they refer to a reimbursement by the debtor counterparty or if they qualify as administrative costs.

Included in this category are financial assets represented by debt instruments, managed within the scope of a “held to collect” business model, where the contractual flows only represent principal payments and interest on the residual principal (Solely Payment of Principal and Interest test – SPPI – passed). Receivables that do not pass the SPPI test are classified under the portfolio of financial assets that must be measured at fair value (see Financial assets measured at fair value impacting the income statement - Item 20).

After the initial recognition, financial assets stated in this category are measured at amortised cost. The amortised cost equals the difference between the gross carrying amount and the provision for losses determined by the expected credit losses.

The gross carrying amount is the amount in the initial recognition, decreased/increased by:

- principal repayments;
- the amortisation of the difference between the amount paid and the amount reimbursable on expiry, represented by initial costs/incomes. The amortisation is calculated based on the effective interest rate method, which considers these costs/income;
- profits/losses from a concession.

The amortised cost method is not used for short-term receivables where the discounting effect would be negligible. A similar criterion is adopted for receivables without a definite expiry or demand receivables).

At the close of each financial period or interim position, financial assets measured at amortised cost are subject to impairment with the recognition of the expected credit losses (over a 12 month time frame or based on the financial instrument’s entire life, should the credit risk rise significantly in relation to the financial asset’s initial recognition – lifetime expected losses).

Financial assets measured at amortised cost, are classified under three categories (defined as stages) for impairment purposes, in ascending order according to the deterioration in credit quality.

The first category – stage 1 – includes financial instruments that have not undergone a significant increase in the credit risk since initial recognition.

The second category – stage 2 – includes financial instruments that have undergone a significant increase in credit risk, which is measured by taking into account the indicators set by the accounting standard and the relevance these have for the company.

The third category – stage 3 – includes all impaired positions.

Expected credit losses over a 12 month time frame are recognised for financial instruments in the first category. For financial instruments in the other two categories, expected losses are determined over the course of the financial instrument’s entire life cycle (lifetime expected losses).

<u>Receivables/Payables due to/from clearing members</u>

These are trade receivables/payables whose maturity does not exceed thirty days and, therefore, are not discounted back, and are recorded at their nominal value net of any ancillary collection costs.

<u>Receivables/payables due from/to clearing members for CCP activities</u>

This item includes receivables/payables originated from clearing member's activities in the derivative, share and bond segments. These include amounts to be received/delivered for initial margins, variation margins and option premiums. These receivables/payables are settled the day after the determination of the receivable and therefore are not discounted back, and represent the fair value, calculated by Cassa di Compensazione e Garanzia, on the basis of procedures that reflect operational risks.

Operational risks mean risks attributable to the correct functioning of the margining system, also taking into account:

- Equity/technical and organisational risks adopted by CC&G for the selection of members;

- The organisational structure and the internal audit system.

This item also includes the value of repurchase agreements (repos) entered into by members in the bond market that make use of the company's clearing and guarantee system. They represent the value of the transactions already settled in cash and not yet forward settled. This item, evaluated at amortised cost, was already valued by allocating the return of such repurchase agreement on a pro-rata temporis basis (coupon accrued during the year and spread between the spot price and forward price). Since the company is perfectly balanced as regards asset and liability positions, this evaluation does not impact on the operating result. This item includes receivables for guarantees given in securities.

Please refer to "Part D - Other information" for the details.

Property, plant and equipment

Property, plant and equipment items are entered at purchase cost inclusive of directly attributable ancillary expenses and the amounts are shown net of depreciation and any impairment losses[5].

Maintenance costs relating to improvements are attributed to the asset to which they relate and are depreciated over the remaining useful life of the asset.

IFRS 16

In accordance with the provisions of the standard IFRS 16, which came into force and was adopted starting from 1 January 2019, the Company accounts for a right of use when it holds control over an asset it does not own for a period of not less than 12 months and when this asset is not of "low value". The corresponding fixed asset is initially recognised at cost and amortised on a straight line basis along the shorter time period between the duration of the leasing contract and the estimated useful life. The cost is calculated as the financial liability for the leasing, plus all other ancillary costs and net of any incentives received. The duration of the leasing is instead equal to the non-modifiable term of the contract, plus any option for extension or reduction due to interruption clauses which, on the basis of the management's judgement, are reasonably likely to be exercised.

The financial liability for the leasing is calculated as the net present value of the future payments that will be made on the basis of the terms provided for in the leasing contract. If the contract provides for extension or interruption clauses, the management uses its judgement to determine whether these are reasonably likely to be exercised.

Since the Company, as also the Group it belongs to, does not have external sources of financing, the net present value of the future payments was calculated using as the rate for discounting the interest rate of intragroup loans, 1.4%.

The financial liability thus determined corresponding to the payments provided for within the next year was classified among current liabilities, while the remainder among non-current liabilities.

The main quantitative information related to rights of use and financial liabilities recognised in the Company's financial statements in application of the standard IFRS 16 is presented below:

Rights of use

€ 000	**Company**	**Rights of use 2020**	**Acc. Depn. 2020**	**Net value 2020**
Servers	CC&G	3,004	1,115	1,890
Cars	CC&G	28	16	13
Total		**3,032**	**1,131**	**1,903**

[5] The depreciation periods for each category of tangible fixed assets are as follows:
- Automatic data processing systems three years
- Plant and equipment five years
- Furniture and fittings three years

Financial payables for leasing - CC&G

€ 000	**2020**
Analysis by maturity - Gross contractual cash flows (not discounted)	
Less than one year	839
from 1 to 5 years	1,115
More than 5 years	0
Total gross cash flows	**1,954**
Total financial payables	**1,916**
Current	770
Non-current	1,146

The interest rate used for discounting the cash flows is 1.4% conventionally understood as the internal rate of return of cash and cash equivalents.

Amounts to income statement	**CC&G**
€ 000	**2020**
Interest on financial liabilities on leases- Servers	26
Interest on financial liabilities on leases-Cars	0
Depreciation-Servers	847
Depreciation-Cars	9
Aggregate annual cost of short-term leases	0
Aggregate annual cost of leases of low value assets	0

Intangible Assets

Intangible assets are recorded under assets when it is likely that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably measured. These assets are recorded at purchase cost, net of impairments and amortised on a straight-line basis over the asset's estimated useful life[6].

Impairment of assets

The Company reviews the book value of its tangible and intangible assets to determine whether there are signs that these assets have suffered any impairment.

If it is not possible to individually estimate the recoverable amount of an asset, the company estimates the recoverable value of the cash flow generating unit to which the asset belongs[7].

Impairment is recorded if the recoverable amount is below the book value. This impairment loss is reversed in the event that the reasons that led to impairment no longer exist, up to the maximum amount of the original value.

[6] They refer to:
- software licences, amortised over three years;
- costs for the development of application software, amortised over three years;
- ongoing intangible assets and payments on account relating to costs incurred for the development of specific application software and the purchase of software licences for projects not yet completed; no amortisation has been calculated on this item.

[7] The recoverable value of an asset is the higher of its current value less costs to sell and its value in use. Where the current value is the consideration obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties and the value in use of an asset is calculated by discounting estimated future cash flows, gross of taxes, at a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Other assets/liabilities

These are measured at cost, representative of the recoverable value of assets; since they are short-term items, they are not discounted. The item includes receivables relating to bankruptcy proceedings following market insolvencies that have a matching item in the liabilities in the form of amounts owed to members in guarantee funds. The latter refer to long-term receivables and payables that cannot be offset and which should be valued following impairment tests and therefore discounted back. Considering the importance that these items have for members in guarantee funds and considering also that the company will not incur any losses from such insolvency proceedings, it has been deemed appropriate not to proceed with devaluation. In addition, it also includes the receivables/payables to the Parent Company (consolidating entity for the time being) as a result of applying the national tax consolidation system.

Financial assets and liabilities subject to offsetting in the financial statements

As from the year ended 31 December 2017, following discussions with the Group, it was decided to provide more information on the presentation of net or gross financial assets and liabilities (so-called offsetting), in accordance with IAS 32, paragraph 42.

In particular, IAS 32 requires the presentation of financial assets and financial liabilities on a net basis if this representation reflects the future cash flows that the entity expects to obtain from the settlement of two or more separate financial instruments.

There are essentially two criteria for such compensation:

1. a criterion whereby an entity has the legal right to offset amounts recognised in the accounts;
2. a criterion by which an entity intends to settle the net residual amount, or to realise the asset and simultaneously settle the liability.

The net amounts represent financial assets and liabilities offset by a contractual position in accordance with the provisions of Cassa Compensazione e Garanzia S.p.A. regulations.

Operationally, the concept of a contractual position corresponds to an ISIN data item, a member data item and an account item.

Please refer to “Part D - Other information” for the details.

Employee severance indemnity

The employee severance indemnity (TFR) pursuant to article 2120 of the Italian Civil Code is subject to an actuarial valuation, based on assumptions regarding the employees' seniority of service and the remuneration received during a certain period of service. The entry in the financial statements of defined benefit plans requires an estimate - by means of actuarial techniques - of the amount of employees' contributions for the work carried out during the current and previous years and the discounted value of such contributions, in order to determine the present value of the company's commitments. The calculation of the current value of the company's commitments is performed by an external expert according to the Projected Unit Credit Method considering only accrued seniority at valuation date, the years of service at the valuation reference date and the total average seniority at the time the benefit liquidation is expected. Moreover, the aforementioned method entails the consideration of future salary increases, regardless of the reason (inflation, career progress, contracts renewals, etc.) until the termination of the employment.

Regulation No 475/2012 endorsed the amendments to IAS 19, as approved by the IASB on 16 June 2011, with the objective of rendering the financial statements understandable and comparable, above all with regard to defined benefit plans. The most important amendment refers to the elimination of different admissible accounting treatments for recognising defined benefit plans and the consequent introduction of a single method that provides for the immediate recognition in the statement of comprehensive income of the discounted profits/losses deriving from the evaluation of the obligation. In relation to the previous accounting layout adopted, the principal effects consist of the elimination of the recording in the income statement, with immediate recognition in the statement of comprehensive income and, therefore, in the shareholders' equity, of the changes in value of the obligations and of the assets servicing the plan.

Share-based payments

Payments to employees based on shares of the Parent Company London Stock Exchange Group plc are recognised by reporting at cost in the Income Statement the portion of the share allocation plan, determined at fair value on the date of granting of the plan and taking into account the terms and conditions on which such instruments are granted.

For the purpose of alignment with the Group policies, starting from 1 January 2016 the relevant debt is recorded among current liabilities - short-term Intergroup Debts (up to 31 December 2015 the debt was recorded in a specific Shareholders' Equity reserve).

If they are SBPs identified as Equity Settled an increase is recorded in the corresponding Equity reserve in accordance with IFRS 2.

In addition to the cost of the share allocation plan, the portion of Employee Severance Indemnity that the company must settle or pay at the end of the accrual period is shown in the Income Statement by recording an increase in the relevant liabilities.

Revenue and costs recognition

For the purposes of recognising revenue, IFRS 15 is based on the principle of transferring control, and not only the transfer of risks and benefits.

The new standard requires that the contract identifies all performance obligations, where applicable, each with its own revenue recognition model. An analysis of the performance obligations therefore forms the basis for the recognition of each revenue component relating to the different products and/or services offered.

Services are deemed to have been transferred once the customer gains control thereof.

Revenue arising from the rendering of services is not recognised in the income statement while there is a strong possibility that a significant reversal could occur. Costs are recognised at the time they are incurred.

Interest payable/receivable and similar income and expenses

Financial income and expenses are recorded, using the effective interest rate, as they accrue on the basis of interest accrued on the relevant financial assets and liabilities.

Taxes

Current taxes are recognised on the basis of the estimate of the taxable income in accordance with the current rules and taking into account the applicable exemptions and the tax credits due in the context of the national tax consolidation.

In the case of negative taxable incomes the tax income on these losses is recognised, only in the case of verified capacity on the part of the national tax consolidation.

Income taxes related to previous years, including any monetary sanctions and interest accrued, are included in the income tax expense of the year.

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of the assets and liabilities and the corresponding value attributed to them for tax purposes, adopting the tax rates expected to be applicable in the years in which the temporary differences mature.

Deferred tax assets are shown net of deferred tax liabilities, or vice versa, if this offsetting is possible, on the basis of the type and maturity of the differences that originated them.

Deferred tax assets are recognised when there is reasonable certainty of their realisation through adequate taxable incomes in the years in which the deductible temporary differences will mature.

The tax benefit connected with the retainable tax losses is recognised only when there are, at the same time, the following conditions:

- there is reasonable certainty of their recovery on the basis of the capacity of the Company or of the Group national tax consolidation, as a result of the option related to the "tax consolidation", to produce future taxable incomes;
- the tax losses in question derive from clearly identified circumstances and it is reasonably certain that these circumstances will not be repeated.

The deferred tax assets and liabilities related to a transaction or a fact recognised directly in Equity are recognised adjusting the corresponding equity item.

Guarantees and commitments

Regarding items recorded as guarantees and commitments referred to in part D - "Other information", we can note that:

- third party securities deposited as collateral and securities to be received/delivered for transactions to be settled are recorded at their nominal value;
- sureties deposited as guarantee are recorded at their nominal value;
- securities to be received/delivered for transactions to be settled are recorded at the nominal value of open interest positions at the balance sheet reference date.

No guarantees were issued by the company in favour of third parties.

Use of estimates

The preparation of the financial statements and of the relevant notes pursuant to International Accounting Standards requires the use of estimates and assumptions which impact the value of assets and liabilities in the financial statements and in the information related to potential assets and liabilities at the reporting date. Final results could differ from the estimates made.

Estimates and assumptions are periodically reviewed and the effects of the changes are recorded in the income statement.

In particular, see the "risk management" section, part D "Other information" of the Explanatory Notes, for an illustration of the methods adopted for the calculation of margins and default funds, as elements of the risk management system of CC&G as central counterparty.

A.3 Information on transfers between portfolios of financial assets

There were no reclassifications of financial assets during the year.

A.4 – Fair value disclosure

Information of a qualitative nature

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs used

There are no assets and/or liabilities measured at fair value related to level 2 and level 3, on a recurring basis[8].

Fair value measurements are classified according to hierarchy of levels that reflects the significance of the inputs used in the measurements. As CC&G operates exclusively on regulated markets, assets and financial liabilities at fair value are only "Level 1" and that is - as defined by IFRS 13 - they refer to quoted prices (unadjusted) in an active market for the assets or liabilities to be measured.

A.4.2 Processes and sensitivity of evaluations

Cassa di Compensazione e Garanzia uses no fair value levels other than level 1 in the hierarchies provided for in IFRS 13. However, conventionally, as provided by Circular no. 262 of 22 December 2005 of the banks, to which in absence of other regulations the Central Counterparty as financial intermediary makes reference, for assets secured by repos, as well as receivables/payables in the financial statements and available cash, uses level 3 fair value for indicating the amortized cost or real value of what deposited.

A.4.3 The fair value hierarchy

Financial instruments are measured at fair value in accordance with the classes required by IFRS 13, as follows:

- Livello 1. prices (without adjustments) on the active market as defined by IFRS 13 for assets or liabilities to be measured.
- Livello 2. Inputs other than quoted prices included in the preceding paragraph, that are observable either directly (as prices) or indirectly (derived from prices) on the market.
- Livello 3. Inputs that are not based on observable market data.

A.4.4 Other information

Reference is made to paragraphs A.4.1 and A.4.2 above.

<u>Disclosure of quantitative information</u>

A.4.5 The fair value hierarchy

The following table shows the breakdown of financial portfolios based on the above-mentioned levels of fair value. There are no assets/liabilities classified as level 2 or level 3.

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: division by fair value levels

8 With reference to receivables and payables, valued in the financial statements at amortised cost in accordance with IAS 39, it is considered that this valuation reasonably approximates the fair value of these items for which a hierarchy of fair value of category 3 is indicated in the tables in the Explanatory Notes to the financial statements.

	31/12/2020			31/12/2019		
Assets/Liabilities measured at fair value	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss						
a) financial assets held for trading	6,427,775,735			13,440,800,883		
b) financial assets designated at fair value						
c) other financial assets with mandatory measurement at fair value	6,797,936			4,427,030		
2. Financial assets measured at fair value through other comprehensive income	6,037,128,098			5,534,020,801		
Total	**12,471,701,769**	**-**	**-**	**18,979,248,714**	**-**	**-**
1. Financial liabilities held for trading	6,427,775,735			13,440,800,883		
2. Financial liabilities measured obligatorily at fair value	6,175,558			4,030,069		
Total	**6,433,951,293**	**-**	**-**	**13,444,830,952**	**-**	**-**

Key:

L1= Level 1

L2= Level 2

L3= Level 3

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non recurring basis: division by fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	116,773,076,715			116,773,076,715	155,783,879,159			155,783,879,159
Total	**116,773,076,715**	**-**	**-**	**116,773,076,715**	**155,783,879,159**	**-**	**-**	**155,783,879,159**
1. Financial liabilities measured at amortised cost	122,594,077,411			122,594,077,411	161,126,629,864			161,126,629,864
Total	**122,594,077,411**	**-**	**-**	**122,594,077,411**	**161,126,629,864**	**-**	**-**	**161,126,629,864**

Key:

BV = Book Value

L1= Level 1

L2= Level 2

L3= Level 3

A.5 Disclosure of so-called “day one profit/loss”

This section has not been completed, since at the date of the financial statements in question, there were no balances attributable to the items in question.

ANALYSIS OF THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

Part B – Information on the Balance Sheet

BALANCE SHEET- ASSETS

Section 1 - Cash and cash equivalents - Item 10

This item amounted to € 74 (€ 147 at 31 December 2019) and consisted of cash in hand.

Breakdown of item 10 "Cash and cash equivalents"

Items/Values	Total 31/12/2020	Total 31/12/2019
Cash and cash equivalents	74	147
Total	**74**	**147**

Section 2 -Financial assets measured at fair value through profit or loss - Item 20

Item 20a - Financial assets held for trading for CCP activities

This item, relating to derivative instrument transactions, amounted to € 6,427,775,735 (€ 13,440,800,883 in the previous year) and relates to the net matching entry of open positions (so-called "open interest") of financial assets held for trading for CCP activities. This item represents the measurement at fair value of open interest positions on the derivatives markets (IDEM Equity, IDEX and Agrex), in which the Company operates as Central Counterparty.

2.1 Financial assets held for trading: breakdown by product

Items/Values	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
B. Derivative financial instruments	**6,427,775,735**			**13,440,800,883**		
1. Financial derivatives	6,427,775,735			13,440,800,883		
1.1 for trading	6,427,775,735			13,440,800,883		
FTSE stock market index derivatives:	*5,194,601,400*			*11,828,365,078*		
- Futures	*4,345,239,190*			*11,175,482,000*		
- Mini Futures	*50,463,247*			*54,628,030*		
- Options	*798,898,963*			*598,255,048*		
Single stock derivatives:	*1,228,271,213*			*1,608,175,477*		
- Futures	*214,038,173*			*807,926,273*		
- Options	*1,014,233,040*			*800,249,204*		
Commodities derivatives	*4,903,122*			*4,260,328*		
Total	**6,427,775,735**	**0**	**0**	**13,440,800,883**	**0**	**0**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

2.2 Derivative financial instruments

Underlying assets/type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without Central Counterparties			Central Counterparties	Without Central Counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	With clearing agreements	
2. Equities and share indices				**6,422,872,613**				**13,436,540,555**
- Fair Value				6,422,872,613				13,436,540,555
5. Goods				**4,903,122**				**4,260,328**
- Fair Value				4,903,122				4,260,328
Total	**0**	**0**	**0**	**6,427,775,735**	**0**	**0**	**0**	**13,440,800,883**

2.3 Financial assets held for trading: breakdown by debtor/issuers/counterparties

Items/Values	Total 31/12/2020	Total 31/12/2019
B. DERIVATIVE INSTRUMENTS	**6,427,775,735**	**13,440,800,883**
a) Central Counterparties	-	-
b) Others	6,427,775,735	13,440,800,883
Total	**6,427,775,735**	**13,440,800,883**

Item 20c - Other financial assets with mandatory measurement at fair value for CCP activities

This item, which refers to non-derivative financial instruments transactions, amounted to € 6,797,936 (€ 4,427,030 in the previous year).

2.6 Other financial assets with mandatory measurement at fair value: breakdown by type

Items/Values	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**5,228,138**			**2,119,174**		
Financial instruments traded but not yet settled (1):	5,053,112			2,030,843		
- Government bonds	*5,053,112*			*2,030,843*		
Financial instruments in the portfolio (2):	175,026			88,331		
- Government bonds	*175,026*			*88,331*		
2. Equities	**1,569,798**			**2,307,856**		
Financial instruments traded but not yet settled (1):	1,111,844			1,999,210		
- Equity instruments	*1,111,844*			*1,999,210*		
Financial instruments in the portfolio (2):	457,954			308,646		
- Equity instruments	*457,954*			*308,646*		
Total	**6,797,936**	**0**	**0**	**4,427,030**	**0**	**0**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

(1) This item represents the difference between the trading value and the market value, as at the date of the financial statements, for instruments already traded but not yet settled (mainly related to the MTS, MTA and MOT markets).

(2) This item represents the value of the securities withdrawn from the T2S and ICSD settlement systems, which have been delivered to the respective buyers after the close of the financial year; these values incorporate the valuation at market prices at the date of the financial statements.

Section 3 -Financial assets measured at fair value impacting the comprehensive income - Item 30

This item includes all investments in secured assets paid in cash by members of the central counterparty system. Investments linked to the Company's equity were also included to meet the requirements of Regulation (EU) no. 648/2012 (EMIR), Article 47, paragraphs 1 and 2 in terms of Regulatory Capital invested in secured assets.

3.1 Financial assets measured at fair value impacting on comprehensive income: composition breakdown

Items/Values	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**6,037,128,098**			**5,534,020,801**		
1.1 Structured instruments	-			-		
1.2 Other debt instruments	6,037,128,098			5,534,020,801		
of which: securities purchased through equity financing	*122,919,678*			*123,862,565*		
of which: securities purchased with contributions of the pa	*5,914,208,420*			*5,410,158,236*		
Total	**6,037,128,098**	**0**	**0**	**5,534,020,801**	**0**	**0**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

The overall investment amounts to € 6,037,128,098, corresponding to a purchase value of € 6,091,083,402 and a nominal value of € 5,935,300,000 of securities in portfolio, adjusted for interest not yet accrued at the date for € 83,981,575 and € 17,846,523 resulting from the measurement of securities at fair value at the reporting date.
The portion of securities representing the Company's equity, included in the aforementioned total, amounted to € 122,919,678 corresponding to a purchase value of € 123,451,134 and a nominal value of € 121,300,000, adjusted for interest not yet accrued at the date for € 1,100,613 and € 519,064 as the effect deriving from the measurement of securities at fair value at the reporting date.

Part of the Company's funds are invested in securities, in compliance with EMIR rules on the capital requirements of central counterparties.

Currently the investment in secured assets consists of Government Bonds issued by the Governments of Belgium, France, Ireland, Italy, the Netherlands, Portugal and Spain; and Supranational Bonds issued by the European Stability Mechanism and the European Financial Stability Facility, as well as securities issued by the Spanish (Instituto de Credito Oficial) and French (Caisse d'Amortissement de la Dette Sociale) government agencies. These securities were recorded at their fair value and valued on the basis of the public market prices on the date of these financial statements. The amount of the valuation is recorded under equity in the Balance Sheet, item 160, net of prepaid and deferred taxes that do not have any economic impact, as they reflect only the theoretical taxation of Equity items. These deferred tax assets and liabilities are present under item 100 B of assets in the Balance Sheet and item 60 B of liabilities in the Balance Sheet.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

	Total 31/12/2020	Total 31/12/2019
1. Debt instruments	**6,037,128,098**	**5,534,020,801**
- Governments and Central Banks	5,278,469,338	4,703,377,091
- Other issuers	758,658,760	830,643,710
Total	**6,037,128,098**	**5,534,020,801**

Section 4 – Financial assets measured at amortised cost – Item 40

Item 40a - Receivables from banks

This item amounted to € 7,936,048,779 (€ 12,048,535,680 in the previous year).

4.1 Financial assets measured at amortised cost: breakdown by type of receivables from banks

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book Value			Fair Value			Book Value			Fair Value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Bank deposits and accounts	**6,851,811,174**					**6,851,811,174**	**10,472,416,312**					**10,472,416,312**
Cash at Central Bank originating from payments of the members (1)	6,743,293,551					6,743,293,551	10,423,846,343					10,423,846,343
Cash in bank accounts originating from own funds (2)	89,947,177					89,947,177	29,352,826					29,352,826
Cash in bank accounts originating from payments of the participants (2)	18,570,446					18,570,446	19,217,143					19,217,143
2. Loans	**340,000,000**					**340,000,000**	**350,000,000**					**350,000,000**
2.1 Repurchase agreements (3)	340,000,000					340,000,000	350,000,000					350,000,000
4. Other assets	**744,237,605**					**744,237,605**	**1,226,119,368**					**1,226,119,368**
Receivables guaranteed by securities (4)	738,075,738					738,075,738	1,178,777,788					1,178,777,788
Receivables from participants for margins and premiums	3,228,073					3,228,073	24,607,476					24,607,476
Clearing commissions on contracts entered into in relevant month (5)	2,599,627					2,599,627	2,371,491					2,371,491
Commissions on securities deposited as collateral (5)	334,167					334,167	362,613					362,613
Receivables from MIC members (6)	-					-	20,000,000					20,000,000
Total	**7,936,048,779**					**7,936,048,779**	**12,048,535,680**					**12,048,535,680**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

(1) The rules provided by Article 47, paragraph 4 of EU Regulation No 648/2012 (EMIR) govern the investment policy of CCPs, whereby the cash deposits on a CCP must be constituted through highly secure mechanisms with authorized financial entities or, alternatively, through the use of deposits with the National Central Banks.

(2) This item includes interest income accrued on bank accounts and still not paid, entered in bank account availabilities on an accrual basis.

(3) The rule provided for in Article 45, paragraph 2 of the Delegated Regulation No 153/2013 (ESMA) states that, if cash is not deposited with the Central Bank, but is kept overnight, no less than 95% of that cash will be deposited into collateralised deposits, including repurchase agreements. CC&G intended to use triparty agents (the principal international CSDs) in order to comply with such rules.

(4) These represent the amounts of initial margins due by banks, for open interest positions at the close of the financial year and not yet paid in cash since guaranteed by the prior deposit of securities.

(5) These amounts were collected on the first day of market trading of the month following the reference month.

(6) These referred to existing contracts traded on the Collateralised Interbank Market (MIC Mercato Interbancario Collateralizzato) as of the end of the previous financial year. We can remind you, in fact, that CC&G's MIC Guarantee System ceased to operate on 1 January 2020 following the communication by e-MID S.p.A. of the decision to terminate the activity.

Item 40b – Receivables from financial companies

This item amounted to € 2,675,129,772 (€ 3,389,581,925 in the previous year).

4.2 Financial assets measured at amortised cost: breakdown by type of receivables from financial companies

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book Value			Fair Value			Book Value			Fair Value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
3. Other assets:	**2,675,129,772**					**2,675,129,772**	**3,389,581,925**					**3,389,581,925**
Receivables from other clearing and guarantee systems (1)	2,662,384,002					2,662,384,002	3,379,218,670					3,379,218,670
Receivables guaranteed by securities (2)	10,253,407					10,253,407	8,888,691					8,888,691
Clearing commissions on contracts entered into in relevant month (31)	685,814					685,814	645,972					645,972
Commissions on securities deposited as collateral (3)	2,508					2,508	2,182					2,182
Receivables from Group financial companies (4)	160,841					160,841	59,658					59,658
Other receivables for services (5)	1,643,200					1,643,200	766,752					766,752
Total	**2,675,129,772**					**2,675,129,772**	**3,389,581,925**					**3,389,581,925**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

(1) These correspond to the margins paid to LCH SA for the interoperability link existing with the French central counterparty on the MTS market; in particular the balance can be broken down into € 1,864,343,773 for initial margins, € 589,000,000 for the Additional Initial Margin as well as a receivable for margins of € 203,806,426 and a receivable for interest of € 5,233,803.

(2) These represent the amounts of initial margins due by financial companies, for open interest positions at the close of the financial year and not yet paid in cash since guaranteed by the prior deposit of securities.

(3) These amounts were collected on the first day of market trading of the month following the reference month.

(4) For a detailed examination of the item Receivables from group financial companies please see the section "Related-party transactions" in Part D – Other Information of this document.

(5) These trade receivables refer primarily to receivables for invoices issued and not yet issued in respect of financial companies participating on the LSE Derivatives Market based on BCS technological infrastructure, invoices issued and not yet issued in relation to the Austrian CCP for consulting services and invoices relating to the period issued in relation to the Bucharest Stock Exchange for consulting services.

Item 40d – Other receivables

This item amounted to € 106,161,898,164 (€ 140,345,761,554 in the previous year).

4.6 Financial assets measured at amortised cost: breakdown by type of other receivables

Breakdown	Total 31/12/2020						Total 31/12/2019					
	Book Value			Fair Value			Book Value			Fair Value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
3. Other assets:	**106,161,898,164**					**106,161,898,164**	**140,345,761,554**					**140,345,761,554**
Receivables from repo transactions for CCP activities (1)	106,139,307,426					106,139,307,426	140,312,649,163					140,312,649,163
Receivables for interest on cash deposited by participants (2)	21,768,121					21,768,121	32,546,290					32,546,290
Receivables from participants in the settlement system T2S and ICSD	822,617					822,617	566,101					566,101
Total	**106,161,898,164**					**106,161,898,164**	**140,345,761,554**					**140,345,761,554**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

(1) This represents, like the corresponding item 10 in the liabilities, the value of repo transactions carried out by members using the CCP service.

(2) These represent interest owed to the members on the cash deposited to cover initial margins and default funds. From 1 October 2020 the rate applied to deposits is equal to the daily "€STR" rate minus 21.5 basis points for initial guarantee margins and the daily "€STR" rate minus 16.5 basis points for deposits of Participants as Default Funds.

This item includes the receivables where it was not possible to make a distinction between receivables from banks, receivables from financial companies and receivables from customers in operational terms, as required by Bank of Italy Circular 140 of 11 February 1991 containing "Instructions on customer classification".

Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment held for operating purposes: breakdown of assets measured at cost

Assets/values	Total 31/12/2020	Total 31/12/2019
1. Owned assets	**1,078,343**	**1,113,970**
c) furniture	10,820	15,702
d) electronic systems	1,067,523	1,098,268
e) other	0	0
2. Rights of use acquired with leasing	**1,902,346**	**728,417**
b) buildings	0	0
d) electronic systems	1,889,782	706,429
e) other	12,564	21,988
Total	**2,980,689**	**1,842,387**

During this financial year electronic systems were purchased for € 387,176. The decreases are due to depreciation for the year.

8.6 Property, plant and equipment held for operating purposes: annual changes

	Furniture	Electronic systems	Long-term hires	**Total**
A. Gross opening balance	**668,059**	**9,340,778**	**1,566,397**	**11,575,234**
A.1 Total net value reductions	(652,357)	(8,242,510)	(837,980)	(9,732,847)
A.2 Net opening balance	**15,702**	**1,098,268**	**728,417**	**1,842,387**
B. Increases	**-**	**387,176**	**2,030,060**	**2,417,236**
B.1 Purchases	-	387,176	-	387,176
B.7 Other changes	-	-	2,030,060	2,030,060
C. Decreases	**(4,882)**	**(417,921)**	**(856,131)**	**(1,278,934)**
C.1 Sales	-	-	-	-
C.2 Amortisation and depreciation	(4,882)	(417,921)	(856,131)	(1,278,934)
C.7 Other changes	-	-	-	-
D. Net closing balance	**10,820**	**1,067,523**	**1,902,346**	**2,980,689**
D.1 Total net value reductions	(657,239)	(8,660,431)	(1,694,111)	(11,011,781)
D.2 Gross closing balance	**668,059**	**9,727,954**	**3,596,457**	**13,992,470**

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown

Items/Measurement	Total 31/12/2020		Total 31/12/2019	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
2. Other intangible assets:	**4,584,551**		**3,127,664**	
2.1 own assets	4,584,551		3,127,664	
- other	4,584,551		3,127,664	
2.2 Rights of use acquired with leasing	0		0	
Total	**4,584,551**		**3,127,664**	

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**3,127,664**
B. Increases	**2,213,679**
B.1 Purchases	2,213,679
C. Decreases	**(756,792)**
C.2 Amortisation and depreciation	(756,792)
D. Final balance	**4,584,551**

During this financial year electronic systems were purchased for € 2,213,679. The decreases are due to depreciation for the year.

Section 10 – Tax assets and tax liabilities – Item 100 under assets and Item 60 under liabilities

At 31 December 2020, the balance of tax assets was € 10,481,851 due to current tax assets; the balance of tax liabilities was € 4,716,861 due to deferred tax liabilities.

In the previous year the balance of tax liabilities was € 3,032,669 due for € 804,207 to current tax liabilities and for € 2,228,462 to deferred tax liabilities.

10.1 "Tax assets: current and deferred": breakdown

Items/breakdown	Total 31/12/2020	Total 31/12/2019
Tax assets:		
a) current	10,481,851	-
b) deferred	-	-
Total	**10,481,851**	**-**

10.2 "Tax liabilities: current and deferred": breakdown

Items/Breakdown	Total 31/12/2020	Total 31/12/2019
Tax liabilities:		
a) current	-	(804,207)
b) deferred	(4,716,861)	(2,228,462)
Total	**(4,716,861)**	**(3,032,669)**

Current tax assets, of € 10,481,851 at 31 December 2020, were made up of the higher taxes paid for IRES Surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015 and IRAP for the years from 2018 to 2020 because the Company should have been considered as an "industrial/commercial company" and not as a financial intermediary.

More in detail, in November 2020 the Company, in consideration of the interpretative uncertainties, presented a request for ruling to the Revenues Agency pursuant to art. 11, paragraph 1, lett. a), Italian Law no. 212 of 27 July 2000, in order to ask for confirmation that the Company itself does not qualify for tax purposes as equivalent to a "financial intermediary" under the terms of art. 162-bis of the TUIR (the Consolidated Income Tax Law), but rather as an industrial/commercial company.
After filing the request for ruling the Company presented digitally, within the legal terms, the IRES and IRAP tax return for financial year 2019 and the supplementary statements for the year 2018, determining the related taxable base, and the tax rate, in accordance with the solution suggested in the request.

On 24 February 2021 the Revenues Agency, after a discussion with the Department of Finance, therefore, confirmed that CC&G cannot be classified among financial intermediaries, pursuant to paragraph 1, letter a) of article 162-bis of the TUIR, as it is instead classifiable "among ordinary industrial and commercial companies with whatever follows in terms of application of the related tax provisions".

10.3 Changes in prepaid tax (counter entry in income statement).

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**-**	**318,518**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised during the year	-	-
d) other	-	-
3. Decreases	**-**	**(318,518)**
3.1 Deferred tax assets cancelled during the year	-	(318,518)
a) reversals	-	(318,518)
4. Final amount	**-**	**-**

10.4 Changes in deferred tax liabilities (counter entry in income statement)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**354,662**	**-**
2. Increases	**9,104**	**400,447**
2.1 Deferred tax liabilities recognised during the year	9,104	400,447
a) related to previous FYs	-	318,518
c) other	9,104	81,929
3. Decreases	**(70,719)**	**(45,785)**
3.1 Deferred tax liabilities cancelled during the year	(70,719)	(45,785)
a) reversals	-	-
c) other	(70,719)	(45,785)
4. Final amount	**293,047**	**354,662**

Deferred taxes for the financial year

Items/Technical forms	Amounts	IRES	IRAP	TOTAL
Non-deductible CC&G amortisations	1,289,702	309,528	-	309,528
Unpaid emoluments due to directors	20,000	4,800	-	4,800
Amount set aside to provisions for corporate restructuring	-	-	-	-
Allocation to provisions for impairment of receivables	53,432	12,824	2,575	15,399
Total	**1,363,134**	**327,152**	**2,575**	**329,728**

Items/Technical forms	Amounts	IRES	IRAP	TOTAL
Unrealized exchange gains	(1,050)	(252)	-	(252)
Deferred tax assets on employee severance indemnity for the year	51,758	12,422	-	12,422
Deferred tax assets on employee severance indemnity OCI as at 31/03/2013	(203,545)	(48,851)	-	(48,851)
Total	**(152,837)**	**(36,681)**	**-**	**(36,681)**

10.6 Changes in deferred tax (counter item in the shareholders' equity)

	Total 31/12/2020	**Total 31/12/2019**
1. Opening balance	**(2,583,125)**	**2,757,167**
2. Increases	-	**-**
2.1 Deferred tax liabilities recognised during the year	-	-
c) other	-	-
3. Decreases	**(2,426,783)**	**(5,340,292)**
3.1 Deferred tax liabilities cancelled during the year	-	(5,340,292)
c) other	(2,426,783)	(5,340,292)
4. Final amount	**(5,009,908)**	**(2,583,125)**

The values shown in table 10.6 above refer to deferred taxes on securities in the portfolio measured at fair value with balancing item in the shareholders' equity.

Section 12 - Other assets - Item 120

This item amounted to € 978,108 (€ 2,001,303 in the previous year).

12.1 Other assets: breakdown

Breakdown	Total 31/12/2020	Total 31/12/2019
Receivables from Group companies (1)	258,470	1,347,612
Tax credits	-	23,223
Receivables relating to bankruptcy proceedings	38,508	38,508
Guarantee deposits	2,500	2,500
Other receivables (3)	678,630	589,460
Total	**978,108**	**2,001,303**

(1) For a detailed examination of the item Receivables from group companies please see the section "Related-party transactions" in Part D – Other information of this document.

(2) These amounts refer exclusively to certain "traders/negotiators" participating in guarantee funds, which were declared bankrupt in previous years and in relation to which CC&G, as fund manager, took action, pursuant to the applicable provisions of laws and regulations, in order to recover the disbursement in relation to the insolvent parties in the interest of the members that made the disbursement. Any minor collections of these claims will not lead to losses for the Company, because should that be the case, minor debts will arise in relation to members in the funds. The receivable and payable items for bankruptcy proceedings still under way remain outstanding.

(3) Other receivables of € 678,630 refer mainly for € 535,786 to prepaid expenses for costs incurred but not yet accrued, for € 18,673 to withholding tax on bank interest, and for € 47,969 to receivables from the Banks and Insurance Fund for employee training courses co-financed by the said fund.

BALANCE SHEET – LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

This item amounted to € 122,594,077,411 (€ 161,126,629,864 in the previous financial Year).

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables

Items	Total 31/12/2020				Total 31/12/2019			
	due to banks	due to financial companies	due to costumers	others	due to banks	due to financial companies	due to costumers	others
1. Loans	**350,000,000**							
1.1 Repurchase agreements	350,000,000							
2. Leasing payables (1)				**1,916,290**				**738,214**
3. Other payables	**1,539,007**	**4,416,967,848**		**117,823,654,266**	**22,427,660**	**4,351,842,379**		**156,751,621,611**
Due for repo transactions for CCP activities (2)				106,139,307,426				140,312,649,163
Payables to participants for margins and premiums				6,004,361,493				7,541,529,099
Amounts due to participants in Default funds				5,168,433,000				7,425,053,000
Due to other clearing and guarantee systems (3)		4,384,022,848		-		4,351,842,379		-
Due to participants for advance account deposits				511,542,828				1,472,367,960
Payables to the shareholder for dividends (4)		32,945,000						
Interest payable (5)	1,539,007				2,427,660			
Payables to participants in MIC		-		-	20,000,000			-
Payables to participants in the securities settlement system T2S and ICSD				9,519				22,389
Total	**351,539,007**	**4,416,967,848**		**117,825,570,556**	**22,427,660**	**4,351,842,379**		**156,752,359,825**
Fair value - level 1								
Fair value - level 2								
Fair value - level 3	**351,539,007**	**4,416,967,848**		**117,825,570,556**	**22,427,660**	**4,351,842,379**		**156,752,359,825**
Total Fair value	**351,539,007**	**4,416,967,848**		**117,825,570,556**	**22,427,660**	**4,351,842,379**		**156,752,359,825**

(1) These are financial payables connected with the application of IFRS 16.

(2) This amount includes, as for the corresponding item 40 of the assets, the value of repurchase agreements (repos) entered into by members that use the company's CCP guarantee service.

(3) These correspond to the margins paid by LCH SA for the interoperability link existing with the French central counterparty on the MTS market. The item includes € 3,753,150,707 for initial margins, € 589,000,000 for the additional initial margin, € 3,075,603 for interest payable by CC&G on cash deposited as initial margins and additional initial margin, and € 38,796,538 for margins to cover fail positions.

(4) The Board of Directors, at its meeting on 21 July 2020, resolved in agreement with the shareholder to defer payment of the dividend approved by the Shareholders' Meeting, ordering that it was to be paid starting from 1 January 2021, in consideration of the Recommendation on the restriction of distributions during the COVID–19 pandemic, with which the European Committee for systemic risk (ESRB/2020/7) aimed to limit the distribution of profits and capital by financial institutions, including CCPs.

(5) This amount includes € 65,838 of interest payable accrued on investments and Repo loans and € 1,473,169, the amount relating to interest accrued on deposits with the National Central Bank, which will be debited at the end of the maintenance period. Starting from 10 June 2014, the ECB adopted a negative monthly interest settlement for deposits with central banks by the IMF. This rate, as of 31 December 2020 was equal to -50 bps.

Section 2 - Financial liabilities held for trading for CCP activities - Item 20

This item amounted to € 6,427,775,735 (€ 13,440,800,883 in the previous year) and can be broken down as follows:

2.1 - Financial liabilities held for trading: breakdown by type

Type of transaction/Securities	Total 31/12/2020					Total 31/12/2019				
	NV	*Fair Value*			Fair value*	NV	*Fair Value*			Fair value*
		L1	L2	L3			L1	L2	L3	
B. Derivative instruments		**6,427,775,735**					**13,440,800,883**			
1. Financial derivatives		6,427,775,735					13,440,800,883			
S&P stock market index derivatives:	x	*5,194,601,400*			x	x	*11,828,365,078*			x
- Futures	x	*4,345,239,190*			x	x	*11,175,482,000*			x
- Mini Futures	x	*50,463,247*			x	x	*54,628,030*			x
- Options	x	*798,898,963*			x	x	*598,255,048*			x
Single stock derivatives:	x	*1,228,271,213*			x	x	*1,608,175,477*			x
- Futures	x	*214,038,173*			x	x	*807,926,273*			x
- Options	x	*1,014,233,040*			x	x	*800,249,204*			x
Commodities derivatives	x	*4,903,122*			x	x	*4,260,328*			x
Total		**6,427,775,735**					**13,440,800,883**	**-**	**-**	

L1= level 1
L2= level 2
L3= level 3
NV= nominal/notional value
FV* = Fair value calculated excluding changes in value due to changes in the creditworthiness of the issuer from the date of issue.

This item includes the fair value of the open interest positions on the derivative market in which the company operates as Central Counterparty.

2.4 Details of financial liabilities held for trading: derivative financial instruments

Underlying assets/type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without Central Counterparties			Central Counterparties	Without Central Counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
2. Equities and share indices				**6,422,872,613**				**13,436,540,555**
- Fair Value				6,422,872,613				13,436,540,555
5. Goods				**4,903,122**				**4,260,328**
- Fair Value				4,903,122				4,260,328
Total	**-**	**-**	**-**	**6,427,775,735**	**-**	**-**	**-**	**13,440,800,883**

Section 3 -Financial liabilities measured at fair value for CCP activities - Item 30

This item amounted to € 6,175,558 (€ 4,030,069 in the previous year) and includes:

3.1 Financial liabilities measured at fair value: breakdown by type

Liabilities	Total 31/12/2020					Total 31/12/2019				
	NV	*Fair Value*			FV*	NV	*Fair Value*			FV*
		L1	L2	L3			L1	L2	L3	
2. Debt instruments		**6,175,558**			**x**		**4,030,069**			**x**
Bonds		5,063,714					2,030,859			
Financial instruments traded but not yet settled										
- Government bonds		*5,053,112*			x		*2,030,843*			x
Financial instruments in the portfolio										
- Valuation on Government bonds (1)		*10,602*			x		*16*			x
Other securities		1,111,844			x		1,999,210			x
Financial instruments traded but not yet settled:										
- Equity instruments		*1,111,844*			x		*1,999,210*			x
Financial instruments in the portfolio:										
-Measurement of equity instruments		-			x		-			x
Total		**6,175,558**					**4,030,069**			

L1= Level 1
L2= Level 2
L3= Level 3
NV= nominal/notional value
Fair Value*= Fair value calculated excluding changes in value due to changes in the creditworthiness of the issuer from the date of issue

(1) This value relates to the valuation at market prices on the reporting date of bonds withdrawn from the T2S and ICSD Links settlement systems for instruments settling both in Euro and in US Dollars which were delivered to the respective purchasers after the closing date of the financial year.

Section 6 - Tax liabilities - Item 60

Reference is made to section 10 under Assets "Tax assets and tax liabilities".

Section 8 - Other liabilities - Item 80

The amount of € 7,391,830 (€ 9,968,053 in the previous year), can be broken down as follows:

8.1 Other liabilities: breakdown

Items	Total 31/12/2020	Total 31/12/2019
Due to intercompany suppliers (1)	2,216,892	5,083,438
Due to suppliers (2)	1,766,648	1,761,317
Sundry payables (3)	1,868,607	1,834,456
Due to social securities and insurance institutions	691,267	633,695
Due for recoveries from bankruptcy proceedings (4)	648,686	648,686
Deferred income	187,563	895
Tax payables	12,059	5,405
Due to customers	108	161
Total	**7,391,830**	**9,968,053**

(1) Payables to intercompany suppliers for a total of € 2,216,892 were recognised in relation to group companies for invoices to be paid and for invoices to be issued. For a more complete examination of the item Payables to intercompany suppliers please see the section "Related-party transactions" in Part D – Other Information of this document.

(2) Such debt is related to generic suppliers of services rendered and goods purchased for the operational management of the Company.

(3) This item consists of amounts due to employees for deferred salaries, payables for bonus payments, payables for withholding taxes levied on employment salaries and payables arising from fees to the members of the Board of Directors and the Board of Statutory Auditors.

(4) These amounts refer exclusively to receivables claimed for insolvencies of certain "traders/negotiators" participating in guarantee funds, which were declared insolvent in previous years; the corresponding item in the assets side is recorded under "Other assets", amounting to € 39,000. The difference between the amount recorded in liabilities and the amount charged to assets is due to amounts collected but not yet paid to members while awaiting developments in on-going proceedings. The credit and debt positions for insolvency proceedings still under way remain outstanding.

Section 9- Employee severance indemnity provision - Item 90

This item incorporates the liabilities relating to the severance indemnity for employees, adequately discounted back, according to the appraisal of the independent actuary, on the basis of the rates shown below.

9.1 Employee severance indemnity provision: annual changes

	31/12/2020	31/12/2019
A. Opening balance	**1,212,856**	**1,119,084**
B. Increases	**252,576**	**249,176**
B1. Provision for the year	109,275	113,681
B2. Other increases	143,300	135,495
C. Decreases	**(195,360)**	**(155,404)**
C1. Settlements made	(38,033)	(27,233)
C2. Other decreases	(157,327)	(128,171)
D. Final balance	**1,270,072**	**1,212,856**

This table presents the annual changes in the company's employee severance indemnity (TFR). The actuarial value of the TFR determined in accordance with IAS 19 was € 1,186,267 at 31 December 2020.

The table below shows the assumptions of the independent actuary for the purpose of evaluating the employee severance indemnity (TFR).

9.2 Other information
Assumptions for actuarial valuation

	31/12/2020	31/12/2019
Annual technical discount rate	0.37%	0.71%
Annual inflation rate	1.00%	1.00%
Annual rate of salary increase for managers and middle managers	3.00%	3.00%
Annual rate of salary increase for administrative staff	2.00%	2.00%
Annual rate of increase of the Employee Severance Indemnity (TFR)	2.25%	2.25%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 10+ index at the last useful date was taken as reference for the value of the said parameter.

For the choice of the annual inflation rate reference was made to the document on the inflation forecast measured by the IPCA index for the years 2020 – 2023, published by ISTAT on 8 June 2020 and assuming also for the subsequent years to 2023 the constant value of 1.00%.

The sensitivity analysis, performed on the main variables adopted in the actuarial calculation of the Severance Indemnity Provisions (net of the portion referred to deferred remuneration) of € 1,186,267 is presented below.

Sensitivity analysis of Past Service Liability

Yearly discount rate		Annual inflation rate		Annual turnover rate	
+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
1,113,563	1,266,042	1,201,075	1,171,741	1,090,679	1,264,928

Section 11 - Assets - Items 110 - 150 - 160 - 170

The shareholders' equity at the reporting date amounted to € 222,396,290 (€ 184,424,980 in the previous year). For an analytical breakdown of changes in shareholders' equity, reference must be made to the relevant statement.

The share capital of Cassa di Compensazione e Garanzia S.p.A. is composed of 5,500 shares, with face value of € 6,000 each, for a total value of € 33,000,000.

11.1 Capital: breakdown

Type	Amount
1. Share capital	**33,000,000**
1.1 Ordinary shares	33,000,000

11.5 Other information - Item 150 "Reserves" and item 160 "Valuation reserves"

	Legal reserve	Extraordinary reserve	Regulatory reserves	Share Awards	Reserve for FTA	Reserve for IAS19	Valuation reserve	Other	Total
A. Opening balance	**6,600,000**	**2,518,414**	**24,149,375**	**2,082,568**	**55,509**	**313,625**	**4,987,192**	**57,437,140**	**98,143,823**
B. Increases	**-**	**-**	**-**	**-**	**-**	**212,261**	**7,715,963**	**22,555,406**	**30,483,630**
B1. Allocation of income	-	-	-	-	-	-	-	22,555,406	22,555,406
B2. Other increases	-	-	-	-	-	212,261	7,715,963	-	7,928,224
C. Decreases	**-**	**-**	**2,219,249**	**-**	**-**	**-**	**-**	**-**	**2,219,249**
C1. Settlements made	-	-	-	-	-	-	-	-	-
C2. Other decreases	-	-	2,219,249	-	-	-	-	-	2,219,249
D. Final balance	**6,600,000**	**2,518,414**	**21,930,126**	**2,082,568**	**55,509**	**525,886**	**12,703,155**	**79,992,546**	**126,408,204**

These reserves comprise the fully paid up legal reserve pursuant to Article 2430 of the Italian Civil Code, an extraordinary reserve allocated by the company over the years, reserves from First Time Adoption and therefore not distributable, valuation reserves on financial assets measured at fair value through other comprehensive income, in the portfolio at 31 December 2020 - shown in item 30, BS Assets - and other reserves.

The item Other reserves includes a strategic capital reserve (Strategic Buffer) of € 20,300,000.00 established in order to strengthen the Company's shareholders' equity. The definition of the method of calculating the said reserve (to be revalued annually at the moment of proposing the allocation of the profits for the year) was decided by the Board of Directors on 22 October 2019.

€ 19,430,126 corresponding to the "Skin-in-the-Game" (equivalent to 25% of the Regulatory Capital, which according to European legislation must be allocated to a restricted reserve) has been allocated to Regulatory Reserves, following the amendment by the Shareholders' Meeting of 24 April 2020 of the previous reserve amounting to € 21,649,375 (with a decrease of € 2,219,249 compared to the previous year).

It is pointed out for the purpose of the reconciliation of the balance of the regulatory reserves in the amount of 21,930,126 that an additional reserve, equal to € 1,000,000, allocated to the coverage of losses (Internal Buffer), was approved by the Shareholders' Meeting of 6 November 2013. On 18 November 2015 the establishment was decided of a reserve, in the amount of € 1,500,000 in compliance with Article B.6.2.3. of CC&G Rules, intended to cover the expenses for the default procedure of a Clearing Member (Second Skin in the Game), resolved upon later by the Board of Directors of 2 December 2015 and validated by the Shareholders' Meeting of 13 April 2016.

The reserve pursuant to IAS 19 corresponds to the portion of actuarial gains and losses taken to reserves in this financial year.

Analysis of the breakdown of Shareholders' Equity items

Nature/description	Amount	Possibility of utilisation	Portion available for distribution	Summary of drawdowns made in past three years	
				To cover losses	For other reasons
Share capital	**33,000,000**				
Income reserves:	**126,408,204**				
Legal reserve	6,600,000	B			
Extraordinary reserve	2,518,414	A, B, C	2,518,414		
Revaluation reserve, of which:					
- *revaluation of securities*	12,703,155	D			
- *severance indemnity revaluation*	525,886	D			
Regulatory reserves (*)	21,930,126	B, D			
Other reserves (**)	79,992,546	A, B, C	79,992,546		
Reserve from transition to IFRS	55,509	A, B, C			
Provision for the purchase of Parent Company shares	2,082,568	D			
Profit (Loss) for the year	62,988,086		62,988,086		
Total	**222,396,290**		**145,499,046**	0	0

(*) Skin in the game, Second Skin in the game and Internal Buffer
(**) includes the Strategic Buffer reserve

Key

A: to increase capital

B: to cover losses

C: for distribution to shareholders

D: unavailable reserve

Part C – Information on the Income Statement

Section 1 - Interest- Items 10 and 20

Interest receivable and similar revenues - Item 10

This item amounted to € 2,294,831,655 (€ 2,908,617,829 in the previous year) and can be broken down as follows:

1.1 Interest receivable and similar income: breakdown

Items/Technical forms	Debt instruments	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019
2. Financial assets measured at fair value through other comprehensive income (1)	**(10,503,603)**			**(10,503,603)**	**(9,873,938)**
3. Financial assets measured at amortised cost:		**(51,364,503)**	**2,356,699,761**	**2,305,335,258**	**2,918,491,767**
3.1 Receivables from banks		(51,364,503)		**(51,364,503)**	**(53,607,125)**
- on deposits with commercial banks (2)		*9,202*		***9,202***	***59,686***
- on deposits with the National Central Bank (3)		*(49,982,631)*		***(49,982,631)***	***(52,578,549)***
- on Repos assets (4)		*(1,391,074)*		***(1,391,074)***	***(1,088,262)***
3.2 Receivables from financial companies			(17,317,699)	**(17,317,699)**	**(13,896,091)**
- on deposits with other clearing and guarantee systems (5)			(17,317,699)	**(17,317,699)**	**(13,896,091)**
3.3 Receivables from costumers			2,374,017,460	**2,374,017,460**	**2,985,994,983**
- on Repos for CCP activities (6)			2,374,017,460	**2,374,017,460**	**2,985,994,983**
Total	**(10,503,603)**	**(51,364,503)**	**2,356,699,761**	**2,294,831,655**	**2,908,617,829**

(1) This item includes negative interest accrued on securities in the portfolio at 31 December 2020 for € -10,503,603 (€ -9,873,938 at 31 December 2019).

(2) The item includes interest accrued on on-demand bank deposits equal to € 9,202 at 31 December 2020 (€ 59,686 at 31 December 2019).

(3) The item includes negative interest accrued on deposits with the National Central Bank, equal to € -49,982,631 at 31 December 2020, which was debited at the end of the various maintenance periods (the time schedule for the Eurosystem is published annually by the ECB). Starting from 10 June 2014, the ECB has adopted for deposits with the central banks by the FMI a negative interest rate. This rate, at 31 December 2020, was -50 basis points. At 31 December 2019 the negative interest accrued was € -52,578,549.

(4) The item includes interest payable accrued on investments in repos that CC&G carries out in fulfilment of Article 45 of Delegated Regulation No 153/2013.

(5) The item includes negative interest accrued on amounts deposited with LCH SA for initial margins and the Additional Initial Margin.

(6) The item includes the valorisation of repos as at 31 December 2020 for central counterparty activities.

Interest expenses and similar charges- Item 20

This item amounted to a total of € 2,239,498,723 (€ 2,857,741,546 in the previous financial year) and can be broken down as follows:

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Bonds	Other transactions	Total 31/12/2020	Total 31/12/2019
1. Financial liabilities measured at amortised cost	(134,552,484)		2,374,017,460	**2,239,464,976**	**2,857,709,445**
1.1 Due to banks	(396,560)			**(396,560)**	**(1,953,549)**
- on Repos assets (1)	*(396,560)*			***(396,560)***	***(1,953,549)***
1.2 Due to financial companies	(21,928,477)			**(21,928,477)**	**(21,124,945)**
- on deposits with other clearing and guarantee systems (2)	*(21,928,477)*			***(21,928,477)***	***(21,124,945)***
1.3 Due to customers:	(112,227,447)		2,374,017,460	**2,261,790,013**	**2,880,787,939**
- on deposits by clearing members (3)	*(112,227,447)*			***(112,227,447)***	***(105,207,044)***
- on Repos for CCP activities (4)			*2,374,017,460*	***2,374,017,460***	***2,985,994,983***
4. Other liabilities (5)			33,747	**33,747**	**32,101**
Total	**(134,552,484)**		**2,374,051,207**	**2,239,498,723**	**2,857,741,546**
of which: interest expense related to leasing payables			26,385	26,385	16,625

(1) This item includes interest accrued on repo funding contracts entered into by Cassa Compensazione e Garanzia during the period.

(2) The item includes interest accrued on the amounts that LCH SA deposited with CC&G for initial margins and the Additional Initial Margin.

(3) This item includes interest owed by members on the cash deposited to cover initial margins and default funds. The company in fact adopted, starting from 1 October 2020, a pricing list in which cash deposited by the participants entails a negative remuneration at the daily "€STR" rate minus 21.5 basis points for initial guarantee margins and at the daily "€STR" rate minus 16.5 basis points for deposits of Participants as Default Funds.

(4) The item includes the valorisation of repos as at 31 December 2020 for central counterparty activities.

(5) The item includes interest expense related to payables for leasing fees and interest expense deriving from the actuarial valuation of employee severance indemnity (reclassified with respect to the previous year from item 160a Personnel expenses).

Section 2 - Commissions - Items 40 and 50

Commission receivable - Item 40

This item includes commissions received for services performed, amounting to € 47,539,706 (€ 48,259,546 in the previous financial year), as shown in the following table:

2.1 Commission receivables: breakdown

Breakdown	**Total 31/12/2020**	**Total 31/12/2019**
e) services:	34,014,965	33,682,129
- others	34,014,965	33,682,129
- clearing activities	*34,014,965*	*33,682,129*
h) other commissions:	13,524,741	14,577,417
- other clearing commissions	*5,490,979*	*6,129,053*
- shareholdings	*3,825,627*	*4,005,792*
- commissions on guarantees deposited	*4,208,135*	*4,442,572*
Total	**47,539,706**	**48,259,546**

Commissions payable - Item 50

2.2 Commissions payable: breakdown

Breakdown/Sectors	**Total 31/12/2020**	**Total 31/12/2019**
d) other commissions	1,278,843	1,482,447
- bank commissions	*1,278,843*	*1,482,447*
Total	**1,278,843**	**1,482,447**

This item amounted to € 1,278,843 (€ 1,482,447 in the previous year) and includes commissions payable for lines of credit (for € 451,281), and costs incurred for bank services.

Section 3 - Dividends and similar income - Item 70

This item amounted to € 3,434 (€ 6,476 in the previous year) and represents the amount of dividends collected on withdrawn securities cum-dividend, delivered in subsequent gross settlement cycles, ex-dividend due to the effect of CC&G's direct intervention in the settlement system. This item must be offset with item 110 of the Income Statement, Capital losses on dividends.

3.1 Dividends and similar income: breakdown

Items/Income	**Total 31/12/2020**		**Total 31/12/2019**	
	Dividends	Similar income	Dividends	Similar income
B. Other financial assets obligatorily measured at fair value	3,434	-	6,476	-
Total	**3,434**	**-**	**6,476**	**-**

Section 4 – Net income from trading activities – Item 80

4.1 Net income from trading activities: breakdown

Transactions/Income components	Capital gains (A)	Gains from trading (B)	Capital losses (C)	Losses from trading (D)	Net result [(A+B) - (C+D)]
4. Derivative instruments:		**14,509,822,980**		**14,509,822,980**	
4.1 Financial derivatives		14,509,822,980		14,509,822,980	
Variation margins for CCP activities		*9,017,846,744*		*9,017,846,744*	
Option premiums for CCP activities		*5,491,976,236*		*5,491,976,236*	
Total	**-**	**14,509,822,980**	**-**	**14,509,822,980**	**-**

This item represents the gains and losses which, at 31 December 2020, the Company obtained as the result of trading activities. Since Cassa di Compensazione e Garanzia operates as a central counterparty, there is obviously an equal exposure of both gains and losses, with a net result of zero (as shown above in the income statement summary).

Section 6 – Profit (Loss) from sale or repurchase – item 100

This item amounted to € 439,728 (€ 4,677,968 in the previous year).

6.1 Profit (Loss) from sale or repurchase: breakdown

Items/Income components	Total 31/12/2020			Total 31/12/2019		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets	**439,728**	**-**	**439,728**	**4,677,968**	**-**	**4,677,968**
2. Financial assets measured at fair value through other comprehensive income	439,728	-	439,728	4,677,968	-	4,677,968
2.1 Debt instruments	*439,728*	-	*439,728*	*4,677,968*	-	*4,677,968*
Total Assets (A)	**439,728**	**-**	**439,728**	**4,677,968**	**-**	**4,677,968**

The item refers to gains and losses from the sale of securities made in the financial year. Securities, included under item 30 of the Assets side of the BS, are normally held by CC&G until maturity in order to invest the members' margins in secured assets. Sales are conducted solely in order to satisfy the cash requirements of the Company or to diversify country risk. Currently the investment of securities in the portfolio is diversified over six Euro-zone countries, namely Belgium, France, Ireland, Italy, the Netherlands, Spain and Portugal; and Supranational Bonds issued by the European Stability Mechanism and the European Financial Stability Facility, as well as securities issued by the Spanish (Instituto de Credito Oficial) and French (Caisse d'Amortissement de la Dette Sociale) government agencies.

Section 7 – Net income from other financial assets and liabilities measured at fair value impacting the income statement– Item 110

This item amounted to € 129,548 (€ 40,031 in the previous year).

7.1 Net changes to other financial assets and liabilities measured at fair value Through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	Capital gains (A)	Gains on disposals (B)	Capital losses (C)	Losses from disposals (D)	**Net result [(A+B) - (C+D)]**
1. Financial assets	**(6,164,956)**	**132,930**	**3,382**		**(6,035,408)**
1.1 Debt instruments	(5,053,112)	3,876	3,382		**(5,052,618)**
1.2 Equity securities	(1,111,844)	129,054			**(982,790)**
2. Financial liabilities			**(6,164,956)**		**6,164,956**
2.1 Debt instruments			(5,053,112)		**5,053,112**
2.2 Equity securities			(1,111,844)		**1,111,844**
Total	**(6,164,956)**	**132,930**	**(6,161,574)**	**-**	**129,548**

The capital gains and capital losses items mainly refer to the change deriving from the fair value measurement of the securities traded and not yet settled on the equity and bond markets and of financial instruments in the portfolio withdrawn from the settlement system T2S and ICSD. In consideration of the perfect balancing of the contractual positions undertaken by the Company, the overall economic impact is null.

Section 10 - Administrative expenses- Item 160

The total balance of the item amounted to € 22,791,366 (€ 22,185,892 in the previous year).

10.1 Personnel expenses: breakdown

Type of expense/values	Total 31/12/2020	Total 31/12/2019
1. Employees:	**7,014,454**	**6,897,100**
a) Wages and salaries	4,847,277	4,665,018
b) Social security charges	1,278,802	1,200,926
d) Welfare costs	149,389	136,681
e) Provisions for employee severance indemnities (1)	340,584	458,658
h) Other employee benefits (2)	398,402	435,817
2. Other employees in service (3)	**514,769**	**829,249**
3. Directors and Auditors (4)	**214,199**	**232,156**
Total	**7,743,422**	**7,958,505**

(1) Compared to the previous year interest expense deriving from the actuarial valuation of employee severance indemnity was reclassified from this item to item 20 Interest expenses and similar charges.

(2) The item Other employee benefits includes mainly training expenses, meal allowance indemnity and insurance policies.

(3) The "Other employees in service" item includes costs relating to employees seconded at CC&G by Borsa Italiana S.p.A. and Monte Titoli S.p.A. after deducting the costs for CC&G personnel seconded to Monte Titoli S.p.A.

(4) In the item Directors and Auditors the remunerations have been included of the directors and of the board of auditors, as per circular No. 0101799/10 of 8 February 2010 of the Bank of Italy having for its subject "Normativa in materia di bilanci bancari e finanziari" (Rules regarding the financial statements of banks and financial institutions).

Changes in the number of employees during the financial year were as follows:

10.2 Average number of employees by category

Category	31/12/2019	Recruitments	Resignations	Transfers	31/12/2020	Average
Executives	7	1	-	-	8	7.5
Middle managers	21	1	(1)	3	24	22.5
Administrative staff	37	6	(5)	(3)	35	36.0
Total employees	**65**	**8**	**(6)**	**-**	**67**	**66.0**
Seconded in	12	-	(1)	-	11	11.5
Seconded out	-	-	-	-	-	
Total employees and secondments	**77**	**8**	**(7)**	**-**	**78**	**77.5**

The average number is calculated as the weighted average of employees where the weight is given by the number of months worked in a year. In the case of part-time employees 50% is conventionally taken into consideration.

10.3 Other administrative expenses: breakdown

Items/Sectors	Total 31/12/2020	Total 31/12/2019
IT Services (1)	8,531,024	9,034,986
Other expenses (2)	2,665,831	443,673
Professional services (3)	1,200,491	1,658,505
Expenses for Company offices (4)	1,193,704	1,606,253
Contributions to Authorities (5)	627,606	393,449
Telematic and data transmission services	534,498	660,502
EMIR Compliance and Trade Repository (6)	221,440	314,523
Insurance costs	70,251	106,775
Corporate bodies operating costs	3,099	8,721
Total other administrative expenses	**15,047,944**	**14,227,387**

(1) This item includes fees for assistance and maintenance of hardware and software for information systems with the related third party suppliers.

(2) The item includes non-deductible VAT on goods and services.

(3) The item includes the costs of legal, tax, notary and auditing consultancy services provided by external professionals and expenses re-charged by Group companies for support services supplied during the year.

(4) Company office expenses refer to the costs of leasing the company headquarters in Rome and Milan and ancillary costs.

(5) The item mainly includes the CONSOB contribution of € 542,432 and the AGCM contribution of € 85,174.

(6) It includes all expenses incurred for the adjustment to the EMIR.

Section 12 - Net value adjustments on property, plant and equipment - Item 180

This item amounted to € 1,278,934 at 31 December 2020 (€ 1,182,222 in the previous year).

12.1 Net value adjustments on property, plant and equipment: breakdown

Assets/Income components	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	**Net result (a+b-c)**
A. Property, plant and equipment	1,278,934			**1,278,934**
A.1 for functional use	1,278,934			**1,278,934**
- Owned by the company	422,803			**422,803**
- Rights of use acquired with leasing	856,131			**856,131**
Total	**1,278,934**	**-**	**-**	**1,278,934**

Section 13 - Net value adjustments on intangible assets - Item 190

This item amounted to € 756,792 (€ 955,889 in the previous year).

13.1 Net value adjustments to intangible assets: breakdown

Assets/Income components	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill	**756,792**			**756,792**
1.1 own assets	756,792			756,792
1.2 rights of use acquired with leasing	0			0
Total	**756,792**	**-**	**-**	**756,792**

Section 14 - Other operating expenses and income - Item 200

This item amounting to € 991,123 (€ 1,517,522 in the previous financial year) refers to expenses for € 16,223 and income for € 1,007,346.

14.1 Other operating expenses: breakdown

Items/Sectors	Total 31/12/2020	Total 31/12/2019
Negative rounding up	504	57
Exchange losses	6,958	52,794
Other non-deductible costs	8,761	200
Total operating expenses (A)	**16,223**	**53,051**

14.2 Other operating income: breakdown

Items/Sectors	Total 31/12/2020	Total 31/12/2019
Sundry income (intercompany re-charging)	255,500	1,303,018
Other operating income	751,481	264,811
Other income	365	2,744
Total operating income (B)	**1,007,346**	**1,570,573**
Total other operating expenses and income (B-A)	**991,123**	**1,517,522**

Other operating income primarily refers to income deriving from central counterparty services supplied on an outsourcing basis to the Austrian central counterparty and to the Romanian counterparty.

Section 19 – Income taxes for the financial year on current operations – Item 270

This item amounted to € 15,342,450 (€ 26,290,219 in the previous year).

19.1 Income taxes for the financial year on continuing operations: breakdown

	Total 31/12/2020	Total 31/12/2019
1. Current taxes (-)	22,163,673	26,285,708
2. Change in current taxes of previous years (+/-)	(6,882,838)	40,655
5. Changes in deferred tax liabilities (+/-)	61,615	(36,144)
6. Taxes for the period (-) (-1+/-2+/-5)	**15,342,450**	**26,290,219**

Current taxes, a total expense of € 22,163,673 at 31 December 2020, were made up:
- for € 18,525,780 of the expense for IRES deriving from the transfer of taxable income to the Group national tax consolidation;
- for € 3,637,893 of the expense for IRAP of the year.

The item Changes in current taxes for previous years is made up for € 6,794,236 of higher taxes paid for the years 2018 and 2019 and emerging from the supplementary tax returns presented; see the comment on item 10.2.
Item 270 shows the total current taxes and the related changes of previous years and to the changes of deferred taxes in the income statement.

Below is the reconciliation between theoretical and actual charges for IRES and IRAP purposes:

19.2 Reconciliation between theoretical tax charges and actual tax charges in the financial statements

	Total 31/12/2020
Profit before taxes	**78,330,536**
Theoretical IRES	18,799,329
Effect of increases	198,718
Effect of decreases	(223,857)
ACE deduction	(248,409)
Actual IRES	**18,525,781**
Irap	3,637,893
Adjustments of previous years	(6,882,838)
Deferred taxes	61,615
Total tax burden	**15,342,450**

Part D - Other information

Financial assets and liabilities subject to offsetting in the financial statements

As shown in the section on accounting policies, following discussion at Group level, it was decided to provide more information on the offsetting of financial assets and liabilities pursuant to IAS 32, paragraph 42 as from the financial statements for the year ended 31 December 2017.

The tables below provide the financial assets and liabilities that were offset in accordance with IAS 32, paragraph 42.

The 'Gross amount of assets' and 'Gross amount of liabilities' columns indicate the amounts of financial assets and financial liabilities, gross of offsets carried out in accordance with IAS 32, paragraph 42.

The "Amount of financial liabilities/assets cleared in the financial statements" column indicates the amounts that were cleared in accordance with IAS 32, paragraph 42.

The "Net amount of assets reported in the financial statements" and "Net amount of liabilities reported in the financial statements” columns show the net balances reported in the balance sheet.

Financial assets subject to offsetting

Items/Values	Total 31/12/2020			Total 31/12/2019		
	Gross amount (a)	Offset amount (b)	Net amount (c)=(a)-(b)	Gross amount (a)	Offset amount (b)	Net amount (c)=(a)-(b)
Derivative financial instruments (item 20a)	18,871,668,312	12,443,892,577	6,427,775,735	26,866,966,581	13,426,165,698	13,440,800,883
Government bonds (item 20c)	6,822,550	1,769,438	5,053,112	2,861,158	830,315	2,030,843
Equity instruments (item 20c)	3,280,842	2,168,998	1,111,844	6,375,416	4,376,206	1,999,210
Receivables from repo transactions for CCP activities (item 40d)	126,738,971,133	20,599,663,707	106,139,307,426	174,050,264,746	33,737,615,583	140,312,649,163
Total	**145,620,742,837**	**33,047,494,720**	**112,573,248,117**	**200,926,467,901**	**47,168,987,802**	**153,757,480,099**

Financial liabilities subject to offsetting

Items/Values	Total 31/12/2020			Total 31/12/2019		
	Gross amount (a)	Offset amount (b)	Net amount (c)=(a)-(b)	Gross amount (a)	Offset amount (b)	Net amount (c)=(a)-(b)
Derivative financial instruments (item 20)	18,871,668,312	12,443,892,577	6,427,775,735	26,866,966,581	13,426,165,698	13,440,800,883
Government bonds (item 30)	6,822,550	1,769,438	5,053,112	2,861,158	830,315	2,030,843
Equity instruments (item 30)	3,280,842	2,168,998	1,111,844	6,375,416	4,376,206	1,999,210
Receivables from repo transactions for CCP activities (item 10)	126,738,971,133	20,599,663,707	106,139,307,426	174,050,264,746	33,737,615,583	140,312,649,163
Total	**145,620,742,837**	**33,047,494,720**	**112,573,248,117**	**200,926,467,901**	**47,168,987,802**	**153,757,480,099**

The assets and liabilities subject to offsetting are:

- Financial assets and liabilities held for trading for central counterparty activities: this item includes the fair value measurement of open transactions not settled at the date of the financial statements (IDEM, IDEX and AGREX open interest);
- Financial assets and liabilities measured at fair value for central counterparty activities: in particular, financial assets and liabilities measured at fair value that are traded and not yet settled on the equity (MTA) and bond (MTS, MOT) markets are offset;
- Financial assets and liabilities measured at amortised cost to clearing members for central counterparty activities: these are offset in particular by repurchase agreements (repo) carried out by bond market members who use the company's clearing and guarantee service.

Guarantees and commitments

These are represented by the following items:

- "Third parties' securities deposited as collateral" (€ 2,116.9 million) shows the nominal value of Government bonds (€ 2,114.8 million) and of shares deposited in order to guarantee short call positions in options (€ 2.1 million) deposited by CCP members.

- "Securities to be received/delivered for transactions to be settled", for € 927.8 million and € 929.3 million, respectively; these represent the nominal value of open positions on the markets in which CC&G provides central counterparty activity, including securities withdrawn in the framework of the TS2 and ICSD settlement systems; the difference between the amount of securities to be received and those to be delivered represents what was already withdrawn in the TS2 and ICSD Links settlement process.

Long term incentive plan

Below the information is reported as required by IFRS 2 on the subject of share-based payments or options on shares.

The plans awarded to the employees of the group are the following:

- The Performance Shares plan has been implemented for a group of executives and senior managers, and consists of the possibility to receive, free of charge, shares of London Stock Exchange Group, provided, however, that certain Performance Conditions are satisfied; this must be checked at the end of a three- year period (Performance Period) after the date of award.

The performance conditions are measured as follows:

- for 50% of the shares awarded: the number of shares to be awarded upon expiration of individual plans will be determined on the basis of the positioning of the Total Shareholder Return (TSR) or the rate of return of LSEG shares in the accrual period calculated assuming the reinvestment of the dividends on the same shares;
- as to the remaining 50% of the shares assigned: the number of shares to be assigned on expiry of individual plans will be determined on the basis of the growth in EPS that is of adjusted basic earnings per share of LSEG.

- Matching shares have been activated for a small group of executives and senior managers and allows them to invest personal resources, up to a maximum of 50% of the value of their basic salary after tax, in shares of the London Stock Exchange Group (so-called "investment shares") and receive a bonus (matching award) if certain performance conditions (TSR-EPS) are met after a period of three years from the grant date. The shares involved in the matching award will be finally awarded and transferred to the employee upon expiration of the third year after the date of assignment, provided, however, that the employee has held the "investment shares" and the employment relationship is still in existence.

- The Performance Related Plan is conceived for rewarding a selected group of highly performing employees showing a high potential. As a participant in the plan, the employee is able to receive the bonus in the form of two different components:

  - the Restricted Share Award that provides for the award of ordinary shares of LSEG Group to the participants if the performance conditions are achieved;
  - the Share Option Award in the form of an option with a fixed strike price (i.e. the price that a participant must pay to take possession of a single share), which is also subject to the same performance conditions as the Restricted Share Award.

Both awards have three-year duration from the day of award.

The Performance Conditions are measured as follows:

a) for 50% of the shares awarded: the number of shares to be awarded upon expiration of individual plans will be determined on the basis of the positioning of the Total Shareholder Return (TSR) or the rate of return of LSEG shares in the accrual period calculated assuming the reinvestment of the dividends on the same shares;

b) for the remaining 50% of the shares assigned: the number of shares to be assigned on expiry of individual plans will be determined on the basis of the positioning of the Group costs compared to the specific budget targets.

- The SAYE (Save As You Earn) plan provides for the award of options on shares in favour of employees. At the time of award of the options the employee has the right to agree to participate in a saving plan, managed by the Yorkshire Building Society in the United Kingdom, which provides for monthly withdrawals from net salary for a period of three years starting from the implementation of the saving plan. The amounts paid in the three-year time-frame will bear interest. Upon expiration of the three-year term ("Maturity Date"), the plan allows for the purchase of ordinary shares of the London Stock Exchange Group Plc at a determined price. If conversely, upon expiration of the period, the value of the shares did not increase, the employee shall not be bound to purchase them and may simply withdraw the whole amount set aside for him/her, increased of accrued interest, if any.

The shares forming the subject of the LTIP are purchased on the market by LSEG.

The cost attributed to financial year 2020 for the assignment of plans based on shares and options on shares amounted to € 283,630.85, net of employee severance indemnity.

Below is a table with the movements of LSEG shares in the framework of the LTIP and the weighted average exercise price:

No. of shares	Share Options	SAYE	LTIP	Total
Opening balance 01/01/2020	**-**	**5,268**	**30,948**	**36,216**
Shares granted	-	913	3,571	**4,484**
Shares transferred	-	(624)		**(624)**
Shares transferred from UK	-			**-**
Exercised shares	-	(311)	(16,506)	**(16,817)**
Forfeited shares	-	(64)		**(64)**
Lapsed shares	-			**-**
Closing Balance 31/12/2020	**-**	**5,182**	**18,013**	**23,195**

The fair value of the shares granted in the framework of the LTIP in the financial year was determined using a probabilistic measurement model. The principal measurement assumptions used in the model are the following:

The fair value of the shares and of the options assigned during the year was determined using a model of stochastic valuation. The key assumptions used in the valuation are the following:

	SAYE Sharesave Plan	LSEG LTIP Performance Shares			Deferred Bonus Plan	Restricted Share Award Plan			
Assignment date	28-apr-20	22-apr-20	14-set-20	24-nov-20	16-mar-20	16-mar-20	22-apr-20	14-set-20	24-nov-20
Price of shares at assignment date	£74.88	£76.22	£89.60	£76.16	£63.12	£63.12	£76.22	£89.60	£76.16
Expected life	3.3 years	3 years	3 years	3.4 years	2 years to 3 years	1 year to 3 years	0.9 year to 4.9 years	0.5 year to 3.5 years	1.8 years to 3.8 years
Exercise price	£56.00 to £58.09	nil	nil	nil	nil	nil	nil	nil	nil
Dividend yield	1.15%	1.12%	0.92%	0.96%	n.a.	1.11%	1.12%	0.92%	0.96%
Risk free interest rate	0.09%	0.11%	-0.12%	0.00%	0.09% to 0.10%	0.09% to 0.11%	0.11% to 0.21%	-0.11% to 0.03%	-0.02% to 0%
Volatility	25%	29.10%	27.10%	26.80%	26.6% to 23.7%	23.7% to 32.1%	25.8% to 38.5%	25.8% to 41.2%	26.0% to 33.1%
Fair value	£20.18 to £21.45	n.a.	n.a.	n.a.	63.12	£61.05 to £62.42	£72.15 to £75.46	£86.76 to £89.19	£0.96 to £0.97
Fair value - TSR	n.a.	£65.64	£76.80	£29.64	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value - EPS	n.a.	£73.71	£87.16	74.01	n.a.	n.a.	n.a.	n.a.	n.a.

IFRS 2 - paragraphs 46 and 47

46 - An entity must provide a disclosure such as to enable users of the financial statements to understand the methods of measurement of the fair value of the goods and services received, or of the equity instruments assigned, during the period.

47 - If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments assigned, to give effect to the principle in paragraph 46, the entity shall disclose at least the following information:

(i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;

(ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and

(iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.

Volatility has been calculated by means of a weekly analysis of the price of the LSEG share since its listing in July 2001. The fair value of the shares awarded during the financial year takes into account the maturity conditions linked to the TSR. The employees to whom the shares linked to the LTIP were awarded are not entitled to receive dividends declared by LSEG during the accrual period.

Relationships with related parties

Intercompany relations

The following table shows details of "non-atypical" transactions during the year with related parties and the financial balances at 31 December 2020 in being with them.

(Amounts in Euro)

	REVENUE	RECEIVABLES	ASSETS
Borsa Italiana SpA			
- Services rendered and costs recharged		50,914	
- Work in Progress			172,398
- Custody, administration and Settlement	49,007		
GateLab Srl			
- Work in Progress			388,000
London Stock Exchange Plc			
- Fees for services	31,200	124,065	
- Work in Progress			1,980
LSEG Business Services Ltd			
- Work in Progress			9,563
LSEG Post Trade Services Limited			
- Services rendered and costs recharged		(65,961)	
- Custody, administration and Settlement	65,961		
Monte Titoli Spa			
- Fees for services	107,527		
- Services rendered and costs recharged		107,527	
LSEG Business Services Colombo (Private) Ltd			
- Man Effort Recharge			762
LSEGH Italia SpA			
- Services rendered and costs recharged		200,366	
Mts SpA			
- Fees for services	2,400		
- Services rendered and costs recharged		2,400	

(Amounts in euro)

	COSTS	PAYABLES
BIt Market Services SpA		
- Fees for services	15,600	
- Services rendered and costs recharged		5,856
Borsa Italiana Spa		
- Fees for services	1,681,107	
- Seconded personnel	903,924	133,650
- Services rendered and costs recharged		1,131,211
- Man Effort Recharge	1,540	
- Dividends to be paid		32,945,000
EuroMTS Ltd		
- Fees for services	25,000	
GateLab Srl		
- Fees for services	19,495	
- Services rendered and costs recharged		183,000
London Stock Exchange Group Plc		
- Services rendered and costs recharged		81,210
- Insurance	70,251	
- Management fees Recharge	264,886	
London Stock Exchange Plc		
- Services rendered and costs recharged		10,232
- Management fees Recharge	40,780	
LSEG Business Services Ltd		
- Fees for services	851,848	
- Services rendered and costs recharged		202,306
- Man Effort Recharge	(40)	
Monte Titoli SpA		
- Fees for services	4,513,924	
- Services rendered and costs recharged		432,386
UnaVista Limited		
- Fees for services	221,440	
- Services rendered and costs recharged		221,520
LSEG Business Services Colombo (Private) Ltd		
- Fees for services	(315)	
LSEGH Italia SpA		
- Rentals and service charges	938,661	
- Tax consolidation		(388,155)
- Fees for services	37,460	
- Services rendered and costs recharged		(116,708)
- Group VAT		317,966
Mts SpA		
- Fees for services	2,400	
- Services rendered and costs recharged		2,418

Relationships with companies of the Group are governed on the basis of specific agreements, and on the basis of fees in line with those of the market (so called arm's length conditions).

Remunerations of the members of corporate bodies

As required by IAS 24, the indication is shown below of the amount of the fees payable in the financial year just ended to the members of the Board of Directors, Board of Statutory Auditors and to the Key managers of the Company:

Directors and Key Managers	896,457
Auditors	74,720
Total	**971,177**

With regard to executives with strategic responsibilities, the breakdown of remuneration categories is detailed below:

a. Short-term employee benefits	499,941
b. Post-employment benefits	35,484
c. Other long-term benefits	-
d. Severance benefits	57,646
e. Share-Based Payments	177,386
Total	**770,457**

Plan	Number of shares	Date of award
LSEG Performance Share Award (2014) = Apr 2018	3,233	26/04/2018
LSEG Performance Share Award (2014) = Apr 2020	2,422	22/04/2020
LSEG Performance Share Award (2014) = Mar 2019	3,495	22/03/2019
01-Jun-2020 - 3 Year - Italy	343	28/04/2020
LSEG Invested Shares (2014) - Apr 2018	394	25/04/2018
LSEG Invested Shares (2014) - Mar 2019	409	22/03/2019
LSEG Matching Share Award (2014) - Apr 2018	1,488	26/04/2018
LSEG Matching Share Award (2014) - Mar 2019	1,722	22/03/2019

Directors of the Companies of the Group receive no remuneration. The amount relating to the key managers represents the overall cost borne by the Company, inclusive of any and all supplemental elements. The key managers category comprises managers with strategic responsibilities, i.e. with powers and responsibilities relating to planning, management and control of the business activities (Managing Director and General Manager).

No loans have been granted and no guarantees were issued in favour of Directors and Statutory Auditors.

Management and coordination

We can note that as of the reporting date, 31 December 2020, the Company is subject to the management and coordination of London Stock Exchange Group Holdings Italia S.p.A.

Summary table of the essential data of the last approved financial statements of the Parent Company

The essential data of the Parent Company London Stock Exchange Group Holdings Italia S.p.A shown in the summary statement required by Section 2497-bis of the Italian Civil Code was extracted from the relevant financial statements for the financial year ended 31 December 2019.

For an adequate and complete understanding of the equity and financial situation of London Stock Exchange Group Holdings Italia S.p.A at 31 December 2019, as well as of the economic results obtained by the Company in the financial year closed on that date, reference is made to the reading of the financial statements which, complete of the report prepared by the auditing firm, is available in the formats and manner provided by the law.

EQUITY AND FINANCIAL POSITION AT 31 DECEMBER 2019

(amounts in Euro/000)	**31 December 2019**
Assets	
Total non-current assets	1,462,712
Total current assets	9,673
TOTAL ASSETS	**1,472,385**
Liabilities	
Total non-current liabilities	111,212
Total current liabilities	90,845
TOTAL LIABILITIES	**202,057**
NET	**1,270,329**
Shareholders' Equity	
Share capital	350,000
Reserves	794,274
Profit/(loss) for the year	126,055
TOTAL SHAREHOLDERS' EQUITY	**1,270,329**

STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2019

(amounts in Euro/000)	**31 December 2019**
Revenues	141,387
OTHER REVENUES AND INCOME	**141,387**
Costs for personnel	1,240
Costs for services	4,061
Amortisation and depreciation	7,370
Operating costs	220
TOTAL OPERATING COSTS	**12,891**
Financial income	-
Financial expenses	2,457
PROFIT/(LOSS) BEFORE TAXES	**126,039**
Taxes	16
NET PROFIT/(LOSS)	**126,055**
Other components with an impact on shareholders' equity	17
COMPREHENSIVE NET PROFIT/(LOSS)	**126,072**

Disclosure of auditing fees and fees for services other than the audit

Pursuant to Article 2427, paragraph 1, sub-paragraph 16 bis, of the Italian Civil Code, implementing the provisions of Article 37, paragraph 16 of Italian Legislative Decree No. 39 of 27 January 2010, the following table is presented:

Services	Entity that provided the service	Fees (euro)
Independent auditing	EY S.p.A.	77,119
Other auditing services (Reporting Package	EY S.p.A.	39,896
Certification services	EY S.p.A.	2,262
Total		**119,277**

Capital Requirements

The European Banking Authority approved in December 2012 Delegated Regulation No 152 supplementing Regulation No 648/2012 (EMIR) concerning technical rules governing the capital requirements of central counterparties. Pursuant to Article 2, a central counterparty must have capital (inclusive of undistributed profits and reserves) that must be, at any time, sufficient to cover the total exposure to the following risks:

- risks relating to the liquidation or restructuring of assets,
- credit, counterparty's and market risks (not covered by specific financial resources pursuant to Articles 41 to 44 or EMIR Regulation),
- operational and legal risks,

- business risks.

The capital thus identified must be invested in secured assets for the purpose of complying with the provision of Article 47 of the EMIR. On the date of approval of these financial statements, CC&G has invested its Regulatory Capital in Government Bonds.

If the capital held by the central counterparty decreases below 110% equity requirements ("notification threshold"), the CCP must notify the competent Authority immediately, keeping it up to date until the amount of said capital increases and exceeds the above-mentioned notification threshold.

Moreover, pursuant to Article 35 of Delegated Rule no. 153 (ESMA), the central counterparty must hold and show separately in its balance sheet, an amount of equity resources ("Skin in the Game") to be used as defence line in the event of default by the members ("Default Waterfall"). This amount is calculated as 25% of the minimum capital (TCR). The CCP must notify the competent authority immediately if the amount of the Skin in the Game to be held for Default Waterfall decreases below the mandatory minimum amount.

Article 45, paragraph 4 of EU Regulation No. 648/2012 requires a CCP to have a share equal at least to 25% of the Regulatory Capital allocated to a restricted reserve (Skin in the Game).

From this the need derives to comply with these provisions of law and to allocate a share of the reserves represented by profits to the Skin in the Game. This reserve must be changed every year, at the time of approval of the Financial Statements, depending on the Company's levels of risk.

In addition, for the purpose of having additional coverage in support of the Regulatory Capital, Cassa di Compensazione e Garanzia has created an additional reserve, equal to € 1,000,000.00, intended to cover any losses (Internal Buffer), pursuant to the resolution of the Shareholders' Meeting of 6 November 2013.

The establishment of a reserve in the amount of € 1,500,000.00 pursuant to Article B.6.2.3. of the CC&G Regulations, was defined by the Managing Director on 18 November 2015, in agreement with the Deputy Chairperson; this reserve is intended to cover the expenses for the default procedure of a clearing member (Second Skin in the Game), resolved upon later by the Board of Directors' Meeting of 2 December 2015 and ratified by the Shareholders' Meeting of 13 April 2016.

From a management standpoint, the calculation of the Regulatory Capital of Cassa di Compensazione e Garanzia - which takes into account the business risk, the market risk, the counterparty risk and operational risks - showed at 31 December 2020, a Skin in The Game equal to € 19,785,092.00 (25% of the total regulatory capital equal to € 79,140,368.00), 2% more than the comparable figure for 31 December 2019, of € 19,430,126.00.

The calculation of the Regulatory Capital at 31 December 2020 is shown below, from which the value of the "skin-in-the-game", the Internal Buffer and the second "skin-in-the-game" is inferred.

Total Shareholders' Equity *(Amounts in euro)*	**31/12/2020**
Share capital	33,000,000
Reserves (*)	126,408,204
Net profit allocated to reserves	3,148,086
Total Shareholder's Equity	**162,556,290**
Intangible assets	(4,584,551)
AFS and FTA reserves	(13,284,550)
Share Awards	(2,082,568)
Total Shareholder's Equity after prudential filter	**142,604,621**
Skin in the Game (SIG)	19,785,092
Total "NET" Shareholder's Equity	**122,819,529**

Capital Requirement as per art. 16 EMIR Regulation *(Amounts in Euro)*	**31/12/2020**
Winding down/restructuring requirement	11,823,749
Credit, Market and Counterparty risk	46,300,128
Operational risk	15,104,617
Business Risk	5,911,874
Total Capital Requirement (TCR)	**79,140,368**
Notification threshold (10%)	7,914,037
TCR + Notification threshold	**87,054,405**
Internal Buffer (IB)	1,000,000
Second Skin in the Game (SIG2)	1,500,000
TCR + Notification threshold + SIG2 + IB	**89,554,405**

(*) this item includes restricted reserves equal to € 21,930,126 linked to the "skin-in-the-game", the Internal Buffer and to the second "skin-in-the-game".

Shareholders' Equity available pursuant to the applicable Provisions of Law, at 31 December 2020 amounted to € 142,604,621 (on an overall amount of Shareholders' Equity on the same date of € 162,556,290 including the profit for the year allocated to Reserves), having sterilised the impact of the reserves from First Time Adoption, Financial Assets at fair value through OCI, IAS 19 reserves and Share Awards, as well as the entire amount of intangible assets present under assets in the Balance Sheet on the date of these financial statements.

Following the Regulatory Capital requirements, the Company has calculated, according to the parameters provided by EU Regulation No 152/2013 of the Commission of 19 December 2012:

- the requisite of winding down and restructuring.
- Credit, Counterparty and Market risks.
- Operational risk.
- Business risk.

These risks, assessed on the basis of the corporate structure and solidity with respect to the market, have been calculated at € 79,140,368 (Regulatory Capital). A 10% notification threshold was then applied to these risks, pursuant to Article 1 of the aforementioned EU Regulation.

The value of the Regulatory Capital alone, excluding the notification threshold, was also subject to a 25% guarantee threshold (skin-in-the-game) which will be allocated (following the approval of the Shareholders' Meeting of 29 April 2021) to a restricted reserve of up to € 19,785,092. The Internal Buffer reserve, equal to € 1,000,000 was allocated to a restricted reserve by the Shareholders' Meeting of 6 November 2013. The second "skin-in-the-game" reserve, as per resolution of the Board of Directors' meeting of 2 December 2015, was defined as € 1,500,000, and allocated to a restricted reserve by the Shareholders' Meeting of 13 April 2016.

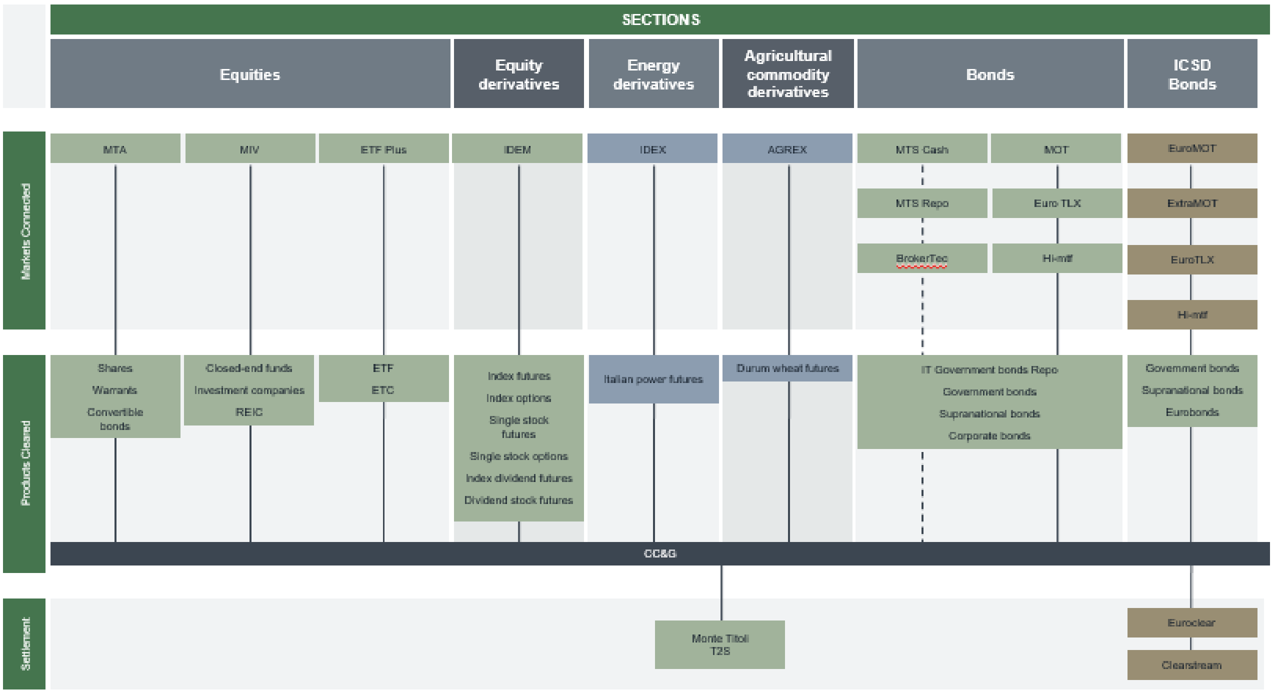
On 22 October 2019 the Board of Directors approved the method for calculating a strategic capital reserve (Strategic Buffer) to be established annually when the proposal for allocation of the profit is made. This reserve (available and distributable) was set aside initially with the approval of the 2019 annual financial statements and for an amount of € 20,300,000 and has as its purpose the consolidation of the capital resources strengthening CC&G's equity structure through the creation of an incremental capital buffer also to cover future growth of the business. The amount of the Strategic Buffer was revalued on preparation of the said annual financial statements and no further increase in its amount is required. The value of the reserve at 31 December 2020 was therefore still € 20,300,000.

Risk management

Introduction

Cassa di Compensazione e Garanzia S.p.A. manages the central counterparty (CCP) guarantee system on a broad range of markets: shares, option rights, warrants and convertible bonds listed on MTA, ETF and ETC listed on ETF Plus, futures and options on single stocks and index listed on IDEM Equity, futures on dividends, futures on electricity listed on IDEX, futures on durum wheat listed on AGREX, closed end funds, investment companies and real estate investment companies listed on MIV, Italian Government Bonds listed on MTS, EuroMTS, BrokerTec and Repo e-MID, Italian Government Bonds and bonds listed on MOT, EuroTLX and Hi-MTF[9].

CC&G avoids counterparty risk by becoming a contractual counterparty itself to members in organised markets and single Stock Exchange Group guarantor of the good outcome of the contracts acting as buyer in relation to the sellers and, vice-versa, operating in the capacity as seller in relation to the buyers.



CC&G activities are subjected to the supervision of the Bank of Italy and Consob, which approve its Regulations.

CC&G's financial protection system is based on 4 levels of protection:

1) membership requirements
2) margin system
3) default funds
4) equity and financial resources.

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[9] The Central Counterparty service for the collateralised interbank market MIC was closed with the maturity of the last open positions on 17 June 2020.

1. Membership requirements

Membership is the CC&G first line of defence, and establishes which members may be admitted to the system. It is possible to become member of CC&G as direct clearing member, general or individual (becoming counterparty to CC&G), or as Negotiator Customer (becoming counterparty to a general member). Clearing members must have a minimum regulatory capital. Each clearing member must also have an organisational structure, as well as technological and electronic systems, ensuring an orderly, continuing and efficient management of activities and relationships required by CC&G regulations.

2. Margin system

The margin system represents a fundamental system of risk management adopted by CC&G.

Members must post sufficient guarantees to cover the theoretical liquidation costs that CC&G would incur in case of default, in order to close the member's position in the most unfavourable, reasonably possible, market scenario. All Direct Members are therefore required to pay margins on all open positions.

The margins applied to each category of financial instruments are determined on the basis of statistical analyses so as to provide for a prefixed coverage level compared to price variations actually recorded.

Margins are calculated using the MARS - Margining System methodology for IDEM and BIT markets and the MVP methodology (Method for Portfolio Valuation) for fixed income markets. In addition, MMeL methodology is applied to the energy derivatives segment and MMeG methodology to the Derivatives on Agricultural Commodities segment.

The above-mentioned methodologies are efficient, reliable and accurate margin calculation systems able to recognise the overall portfolio risk and enable the netting of risks between strictly correlated products. The MARS - Margining System methodology permits cross-margining between equity and derivatives instruments composing the portfolio.

Fundamental principles applying to equity and equity derivatives sections: MarS

All financial instruments that are considered by CC&G as significantly correlated with one another in terms of price variations are included in one single Integrated Portfolio and, therefore, Initial Margins are calculated at portfolio level.

CC&G's Margining System method enables determination, at an overall aggregate level, of the risk exposure of each member per:

- Group of products: integrated portfolio including underlying assets with price variations with significant statistical correlation;

- Group of classes: integrated cash-derivative portfolio relating to the same share (options, futures and shares on the same share).

In order for a member to be allowed to benefit from cross-margining on cash-derivatives integrated portfolios, it is necessary that they are a general member or individual member in both sections, or, if they are a customer negotiator, that they use the same general member in both markets.

Fundamental principles governing the bond section: MVP

The MVP methodology allows for inclusion in Classes of financial instruments that are significantly correlated with one another, on the basis of their specific sensitivity to interest rate changes, measured through "Duration" or Time to Maturity. It allows for offsetting the risk between positions of opposite sign of instruments pertaining to the same Class of Duration or Life at Maturity, as well as between Classes of contiguous and well related Durations.

Fundamental principles governing the energy derivatives section: MMeL

Derivatives contracts traded on IDEX are included in a single Integrated Portfolio and, therefore, Initial Margins are calculated at portfolio level. The MMeL margining methodology provides for a class structure, each of which includes all contracts of the same kind (futures) with the same underlying asset (settlement price of the contract related to Italy) and the same characteristics (Delivery Period and supply type: Baseload and Peakload). Starting from August 2016 the method was refined in order to allow for the application of Product Groups fulfilling EMIR/EMSA regulatory requirements.

In addition to the final cash settlement, the option for the physical delivery/collection of the energy underlying the subscribed futures contract is also permitted. This settlement takes place outside CC&G's system, on the platform of the Energy markets manager, according to the rules in force therein.

Fundamental principles governing the derivatives section on agricultural commodities: MMeG

Derivatives contracts of Durum Wheat traded on AGREX are included in one single Integrated Portfolio and, therefore, Initial Margins are calculated at portfolio level.

MMeG margining methodology defines a structure of Classes comprising: delivery positions, and uncovered positions in delivery and matched delivery positions of the Withdrawing Counterparty and that in Delivery.

Collateral

The Initial Margins may be covered both in cash (euro) and/or in euro-denominated Government Bonds, traded on MTS and issued by countries of the Eurozone characterised by a low level of credit risk and market risk. The value of the guarantees deposited in securities usable to cover the initial margins is determined on the basis of the concentration limits.

The measurement methodology also involves each government bond deposited at CC&G to cover initial margins being evaluated daily, including intraday, applying a precautionary ‘haircut’ on the basis of the duration of the security.

Intraday Margins can be hedged in cash (euro) and also through the use of government bonds.

3. Default Funds

CC&G has an additional protection that is added to the margins system, represented by Default Funds. The function of Default Funds is to hedge the risk, generated by extreme changes in market conditions, and not guaranteed by the margin system; the objective is to ensure the integrity of the markets also in the event of multiple defaults in extreme market conditions, in line with the provisions of the EMIR.

The volumes of Default Funds are determined by CC&G on the basis of the results of the "stress tests" performed daily. Such results are reviewed by the Risk Committee of CC&G which modifies the amount of the default funds if it considers it necessary.

As of 31 December 2020 the Default Funds were made up as follows:

- Equity and Equity Derivatives Market: € 1,150 million;
- Bond Segment: € 4,000 million;
- Energy Derivatives Segment: € 1.3 million;
- Agricultural Commodity Derivatives Segment: € 200,000.

The adjustment of the default fund contribution portion for the participants is usually performed on a monthly basis, on the basis of the initial margins paid in the preceding month. For a general clearing member, the contribution quota to be deposited also includes those relating to its customer negotiators, if any.

The payment of the contribution quota to the default fund must be made in cash (Euro).

4. Equity and financial resources

At 31 December 2020, the shareholders' equity of CC&G was € 222.4 million. In addition, CC&G has obtained adequate credit lines negotiated with the main Italian banks, in order to cope with the needs linked to the management of the settlement phase (T2S and ICSD).

Insolvency proceedings against a Member

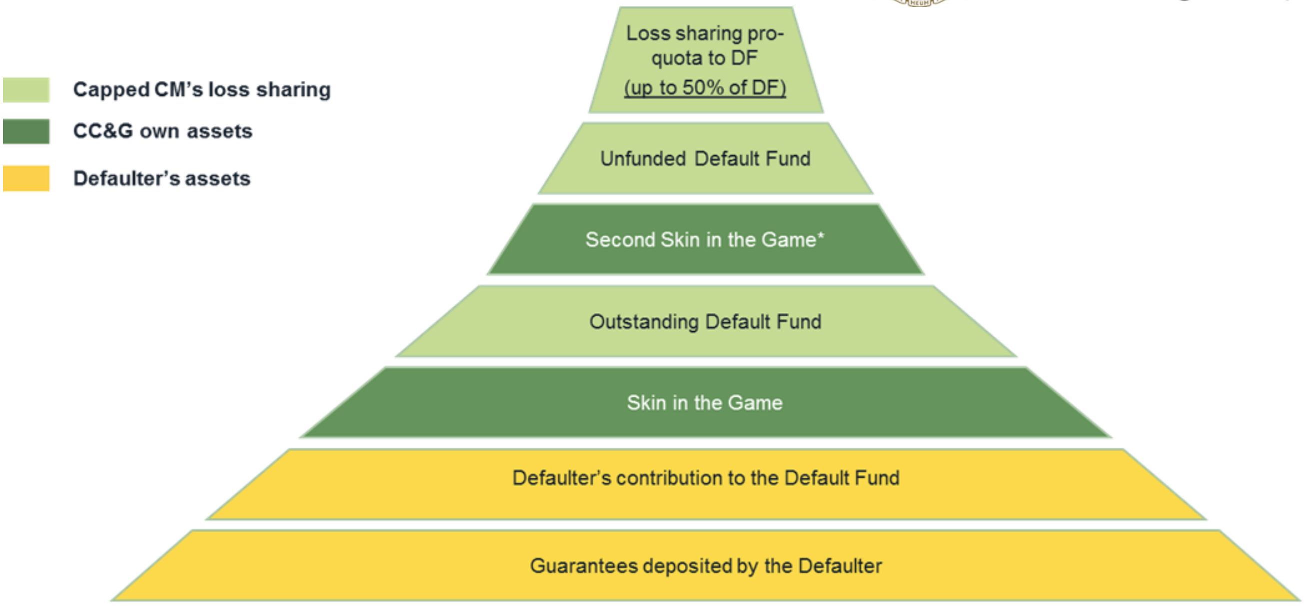
In case of default of a clearing member, for covering the losses CC&G uses the following resources:

a) the Margins deposited by the Defaulting Member;
b) the contributions to the Default Fund of the defaulting member;
c) CC&G's own resources ("skin-in-the-game"), determined in compliance with the limits provided by Article 45 of EMIR Rules;
d) contributions to the Default Fund of other clearing members of the Segment concerned, in proportion to the amounts paid and limited to the losses related to the Segment concerned;
e) CC&G's own resources in the amount of € 1.5 million (Second Skin in the Game);
f) the contribution to the Default Fund not financed in advance by other members, in proportion to the payment of contributions to the Default Fund of the Segment concerned.

During 2020 an incentive mechanism for Close-out agents was introduced, in the case of effective liquidation of the positions of the subject/subjects in default. This incentive mechanism consists of partial subordination of the Close-out agent in the process of allocating losses in the case of default. This subordination is limited to 30% of the contribution to the default fund of the Member that acts as Close-out agent and up to a maximum of € 1 million.

When the resources of the default waterfall listed in sub-paragraphs a)-f) are not sufficient, CC&G will distribute the remaining losses *pro rata* on the basis of the quota of contribution to the default fund among the members of the related segment. In any case, the losses that can be allocated to non-defaulting members shall be subject to a maximum limit represented by 50% of the amount of additional resources requested under the terms of Article B.6.2.3, letter f) of the Regulation.

Upon completion of the foregoing activities, CC&G may, in order to ensure the continuity of the business of the other Segments and of the interoperable CCP, after notifying the competent authorities, close the Segment. For this purpose, CC&G may take into account, by way of example, the following elements: the importance of counterparty risk mitigation for members, the number of members, the amount of guaranteed values.



The amount of the Skin-in-the-game, corresponding to 25% of the minimum regulatory capital was € 19,785,092.00 at 31 December 2020.[10]

CC&G Recovery Plan and changes in the management of a default

CC&G as usual updated its Recovery Plan in compliance with the guidelines defined in the report prepared by CPMI IOSCO "report on recovery of financial market infrastructures" published in October 2014 and in the document "principles for financial markets infrastructures (PFMIs)" published in April 2012.

The objective of the recovery plan is to define the information and procedures necessary to allow CC&G to continue to provide its critical services even in the remote hypothesis in which its survival is threatened. The recovery plan is structured so as to enable CC&G to identify and use promptly the most appropriate instruments to deal with such extreme stress conditions. This reduces the risk that the effectiveness of recovery actions will be diminished by a climate of uncertainty.

CC&G has identified its "critical" services, i.e. those services which ensure normal functioning of markets served by CC&G and the safeguarding of financial stability. Potential scenarios that could prevent the CCP from running normally were then identified. CC&G included in the recovery plan the description of the scenarios, the events that could trigger these scenarios, the list of preventive controls that it can use to monitor these events, the financial/organisational impacts of the scenarios on the CCP and its members and the measures to be implemented in the event that these scenarios occur.

Insolvency proceedings against a special member (interoperable CCP)

In case of default of a special member, CC&G charges the losses and expenses suffered in the following order:

a) to the Margins deposited by the Special Defaulting Member;

b) to CC&G's own resources, referred to as Internal Buffer in the amount of €1 million, and within the limits established in a specific Communication;

c) to the members which have a positive balance following a cash settlement, through a reduction in proportion to the amounts due to them.

[10] This amount, resulting from the calculation of the regulatory capital at 31/12/2020, as shown in the current draft financial statements, following approval by the Board of Directors' Meeting and the Shareholders' Meeting, will replace the preceding value of € 19,430,126.00.

If the Special Member ceases the central counterparty service in relation to its members and proceeds with a settlement in cash also in relation to CC&G, CC&G reserves the right to proceed with a cash settlement in relation to members participating in the market concerned.

Definition of risks

The main risks identified, monitored and actively managed by CC&G are the following:

i. country risk
ii. market risk
iii. credit risk
iv. issuer risk
v. liquidity risk
vi. interest rate risk
vii. exchange rate risk
viii. operational risk.

The management of these risks is governed according to the "Investment Policy" and the risk appetite framework. We must specify that the monitoring of the aforementioned risks takes into account the potential impacts deriving from the Covid-19 pandemic.

The definition of operational risks, as well as the consequent management and control methodology, is instead regulated by the "Operational Risk Manual".

Country risk

Country risk is the risk of potential losses for the Company deriving from a worsening of the creditworthiness or default of a sovereign country which is the issuer of financial instruments that have been the object of investments or whose institutions have a debit with the Company.

In order to mitigate this risk CC&G, in conducting its typical activity as Central Counterparty, calibrates its guarantees considering the creditworthiness of the issuer country of the guaranteed government bonds. In addition, only government securities of the European Union are eligible to be deposited as collateral.

Finally, CC&G limits its investments to securities issued by sovereign Countries of the European Union in possession of high credit worthiness on the basis of the "SRF" (Sovereign Risk Framework) method adopted for the monitoring and management of Country risk.

Moreover deposits, or receivables of any kind that CC&G may claim in relation to institutions located in the country considered are included in such limits.

Market Risk

Market Risk is defined as the risk that CC&G may suffer losses as a result of changes in value of the financial instruments traded on the markets for which the Company exercises its central counterparty function or changes in value of the financial instruments in which the Company invested the margins acquired from the members or its own resources.

a) Financial instruments traded on markets for which the Company exercises its central counterparty function.

In carrying out its typical activity as a central counterparty, CC&G does not incur any market risks since the positions assumed as buyer and seller in relation to all the other counterparties that operate on guaranteed markets, are balanced with respect to amounts, maturities and prices. In the case of a member default the risk is mitigated by the collection of the guarantees represented by initial margins and default funds.

b) Investments in financial instruments of margins, deposits of default funds or own resources.

The Company's activity is governed by EU Regulation 648/2012[11] on OTC derivative instruments, central counterparties and trade repositories, subsequently supplemented by EU Delegated Regulation No 153/2013[12] issued concerning technical standards related to the requirements for central counterparties.

In compliance with the above-mentioned rules and regulations, CC&G invests its financial resources exclusively in cash or highly liquid financial instruments with minimum market and credit risks.

Credit Risk

Credit Risk is the risk that CC&G may suffer losses that derive from a worsening of the creditworthiness or default of a counterparty:

a. of which (Member of the guarantee systems) the risks in the performance of the business mission of the central counterparty have been guaranteed. The risk is mitigated by the application of the admission criteria to the guarantee systems provided by the Company's regulations, approved by the Bank of Italy together with Consob, and by the right to request increased margins, including intraday, from members having a temporarily worsened creditworthiness.
b. at which amounts of money have been deposited from margins, Default Fund contributions or own resources. The risk is mitigated by strict limits specified in the CC&G Investment Policy for managing cash resources, and an internal method to assess the investment counterparty's creditworthiness.
c. on which securities were deposited for custody and administration.

To mitigate this risk, CC&G deposits securities with the national central depositary Monte Titoli S.p.A. or with the International Central Securities Depositories or with the Central Bank, against intraday refinancing.

For trade receivables and assets deriving from contracts, CC&G follows the approach adopted by the LSEG Group: In particular, the Group adopts a simplified approach to the calculation of expected losses. It consequently does not monitor credit risk, but rather fully recognises the expected loss at each reference date. The Group has prepared a matrix system based on historic information, which is revised in view of forecast elements with reference to specific types of debtors and their economic context, and is used as a tool to determine expected losses. In line with the approach adopted by the group the company monitored trade receivables carefully following the Covid-19 pandemic and it can be confirmed that these receivables were not impacted, also in the early months of financial year 2021, and that a worsening of credit risk has not occurred.

CC&G considers all financial assets measured at amortised cost and classified among the best credit rating categories to be a low credit risk. This refers to all its cash and receivables from the Central Bank.

CC&G considers a financial asset to be in default when the contract-based payments are overdue by two years. In some cases, CC&G could also consider a financial asset to be in default when internal or external information indicates that it is improbable for the Company to fully recover the contractual amounts, prior to having reviewed the guarantees on the credit it holds. A financial

[11] *(EU) Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivative instruments, central counterparties and data registers on negotiations*

[12] (EU) Delegated Regulation No 153/2013 of the Commission, dated 19 December 2012, supplementing (EU) Regulation No 648/2012 of the European Parliament and of the Council, concerning technical regulation rules relating to the requirements for central counterparties.

asset is eliminated when there is no reasonable expectation of recovering the contract-based financial flows.

For assets represented by debt instruments measured at fair value recognised in OCI, CC&G applies the simplified approach permitted for low credit risk assets. At each financial statements' reporting date, the Group assesses whether it considers the debt instrument to have a low credit risk by using all the information available that can be sourced without excessive costs or effort. In conducting this assessment, CC&G monitors the debt instrument's credit rating. Financial assets represented by debt instruments held by CC&G measured at fair value and recognised in OCI include only listed bonds classified in the best credit rating categories, and consequently are considered as low credit risk investments. CC&G policy measures the expected losses over the next twelve months on these instruments year-on-year.

Nonetheless, when there is a significant increase in credit risk, the Group fully recognises the expected losses referring to the exposure's residual duration. CC&G uses the leading Agency ratings both in determining whether the debt instrument's credit risk has increased significantly, and to estimate the expected losses referring to the exposure's residual duration.

Issuer risk

Issuer Risk is the risk that the Company may suffer losses deriving from the worsening of the creditworthiness or default of an issuer of financial instruments in which the Company has invested. Reference is made to the "Credit risk" section.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to satisfy its payment obligations on the dates these fall due.

With regard to liquidity, the Company, in addition to the obligations deriving from its CCP core business, must take into account those deriving from its participation in the "Target II" securities settlement process managed by Monte Titoli and the securities settlement process managed by the "ICSDs" through Euroclear.

The monitoring of liquidity risk, in ordinary conditions as well as stress conditions, is performed according to the provisions of the liquidity plan approved by the Board of Directors, in line with the EMIR/ESMA regulatory requirements.

The mitigation factors of these risks provided by the liquidity plan comprise the following:

- the right to access intraday re-financing at the Central Bank;
- the availability of collateralised and non collateralised credit lines, granted by leading commercial banks;
- the option to enter into financing repurchase agreements with qualified counterparties in the tri-party platforms of Euroclear and Clearstream.

Interest rate risk

Interest Rate Risk is the risk that the Company may suffer losses deriving from fluctuations in interest rate levels at which items of the assets and liabilities of the financial statements, which are not matched according to maturities or reference rate parameter, are exposed.

At 31 December 2020 the Company remunerates, with the reference parameter of the short-term rate "€STR" -21.5 bps the initial guarantee margins and "€STR" -16.5 bps the members' deposits for the Default Funds.

Any derivatives, such as interest rate swaps, may be used exclusively for hedging the risk. As of 31 December 2020 no derivative transactions appear to be in existence.

From the standpoint of loans and/or investments, the Company has no loans in existence.

Exchange Rate Risk (FX risk)

Exchange Rate or FX Risk is the risk that the Company may suffer losses from a fluctuation of the Euro exchange rates, in which its capital is denominated and its accounting books are expressed, or of other currencies in which items of the financial statements not balanced in equal currency are expressed. The Company has not operated under conditions that entailed an FX risk.

Operational Risk

Operational Risk is the risk that the Company may suffer losses caused by the operational activity of its employees, processes, electronic systems, external suppliers and unexpected events.

The management of operational risk, in general, is the responsibility of the Risk Policy Office, which prepares a quarterly update report for the Group Risk Department, the Board of Statutory Auditors and the Board of Directors.

The Operational Risks Committee works with an advisory function, in support of the Chief Executive Officer's decisions, on the subject of assessments related to Operational Risks – other than those covered by the Risks Committee - to which Cassa di Compensazione e Garanzia is potentially exposed.

The Risk Policy office also takes note of any problems or incidents linked to operations, coordinates the stages of communicating them and monitors the corrective actions necessary for the resolution or mitigation of the risk.

To supervise the Operational Risk, CC&G has arranged a mapping of all the processes relating to its business and of the risks connected thereto. For each process, "delicate" procedures and detailed policies have been realized, which are updated on a periodical basis.

The electronic system (Technology Risk) complies with the Guidelines of the Bank of Italy on the Business Continuity:

a. operations are guaranteed by an architectural configuration that envisages availability in two separate Data Centres at a distance of over 500 Km, linked by high-speed back-up lines and based on distinct Carriers, where the central processing systems and cyber connectivity and security devices are installed. Both centres have infrastructure with the same configuration, data aligned in real time and are permanently managed and maintained remotely by CC&G specialists from the BC&SM section and relevant SOC (Security Operations Centre);
b. the architecture provides a re-start option in disaster recovery situations within two hours;
c. disaster recovery and business continuity tests are conducted at least once a year;
d. external suppliers are selected according to the aforementioned Guidelines and are subject to specific SLA checks.

The whole plan is regularly tested, constantly updated and disseminated within the structure.

Rome, 24 March 2021

for the Board of Directors

The Chairman

Renato Tarantola

4. Board of Statutory Auditors' Report

CASSA DI COMPENSAZIONE E GARANZIA S.p.A.

Registered office in Rome – Via Tomacelli 146

Fully paid-up share capital € 33,000,000

Tax identification number and registration

in the Rome Business Register 04289511000

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Company subject to the management and coordination of

London Stock Exchange Group Holdings Italia S.p.A.

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BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING CONVENED TO APPROVE THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2020 PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

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Introduction

During the financial year ending 31 December 2020, the Board of Statutory Auditors performed the functions provided for by Art. 2403 et seq. of the Italian Civil Code. The Statutory Audit is entrusted to the audit firm EY S.p.A.
This report was collectively approved in time to be filed at the Company's registered office 15 days prior to the date convening the Shareholders' Meeting to approve the financial statements in question.
The format of this Report is based on legislation and Regulation no. 7.1 of the "*Rules of Conduct for Statutory Auditors - Principles of conduct for Statutory Auditors of unlisted companies*", issued in January 2021 by the Italian National Council of Public Accountants and Accounting Professionals (CNDCEC).

Knowledge of the Company, risk assessment and report on the tasks assigned

The Board of Statutory Auditors declares that it has a consolidated knowledge regarding the Company and in relation to:
i) the type of business conducted;
ii) the Company's organisational and accounting structure;

taking into account also the Company's size and problems, the "planning" phase for monitoring — in which the inherent risks and the critical aspects referring to the aforementioned two parameters need to be evaluated — was conducted on the basis of the consolidated knowledge and information already acquired over time.
It was therefore possible to confirm that:
- the core business of the Company is consistent with the corporate purpose and has not changed during the period in question;
- the organisational structure, IT equipment and human resources employed appear adequate for the business.
This report thus summarises the activities relating to the disclosure required by Art. 2429, paragraph 2 of the Italian Civil Code, and more specifically:
- on the results for the period;
- on the activities undertaken to comply with the duties required by legislation;
- on the remarks and proposals regarding the financial statements;
- on any complaints received from shareholders pursuant to Art. 2408 of the Italian Civil Code.
In terms of a timing, the Board of Statutory Auditors activities cover the entire financial year, during which meetings were regularly held as per Art. 2404 of the Italian Civil Code, with appropriate minutes drawn up, duly signed and unanimously approved.

Activities carried out

During its periodic controls, the Board of Statutory Auditors monitored the developments in the business of the Company, paying special attention to problems of a contingent and/or extraordinary nature, so as to determine their economic and financial impact on the year's result and the financial structure.
The Board of Statutory Auditors, therefore, periodically assessed the adequacy of the corporate organisational and functional structures and any changes in relation to the minimum requirements dictated by the Company's performance.
In its capacity as "Internal Control and Legal Audit Committee", established pursuant to Italian Legislative Decree No. 39/2010 and Art. 7 of EU Delegated Regulation No. 153/2013 (EMIR), the Board has performed the monitoring functions called for in Art. 19.
Relations with personnel operating within the Company and the Auditors were based on reciprocal collaboration in respect of the roles each is assigned, with the Statutory Auditors Board's role duly clarified.
It was noted that the level of technical expertise of internal administrative staff responsible for recording the Company's events was adequate regarding ordinary corporate events and they can be deemed to have sufficient knowledge regarding corporate problems.
Within the coordination activities with the other supervisory bodies, we met the Supervisory Board and received their periodic reports. Based on our meetings and the aforementioned reports, no critical aspects emerged concerning the correct implementation of the organisational model that would require mentioning in this report.
The information required by Art. 2381, paragraph 5 of the Italian Civil Code was provided

by the Managing Director.
Pursuant to Art. 2497 et seq. of the Italian Civil Code, the Company is subject to the management and coordination of London Stock Exchange Group Holdings Italia S.p.A., which is indirectly controlled by the London Stock Exchange Group Plc.
In so far as it was possible to ascertain with the activities carried out during the year, the Board of Statutory Auditors can confirm that:
- the decisions made by the Shareholders' Meeting and the Board of Directors complied with the law and the Articles of Association and were not manifestly imprudent or such that they would definitively compromise the integrity of Company's assets;
- sufficient information was obtained regarding management performance and its foreseeable development and on the more significant transactions undertaken by the Company in terms of size and characteristics;
- the transactions put in place were compliant with the law and Articles of Association and did not potentially conflict with resolutions made by the Shareholders' Meeting or Board of Directors or were such that they would compromise the integrity of Company's assets;
- there are no specific comments regarding the adequacy of the Company's organisational structure or the adequacy of the administrative and accounting system or even on the reliability of the latter to provide a correct representation of management events;
- we did not find any atypical or unusual transactions with Group companies, third parties or with related parties. The information provided to us by the Board of Directors was deemed adequate, also with particular reference to intragroup transactions and those with related parties. More specifically, these transactions are deemed to be related and inherent to the achievement of the corporate purpose and are consistent and in accordance with the Company's interests;
- no additional significant facts emerged during the supervisory activities that would require mention in this report;
- no intervention was required due to omissions by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;
- no complaints were received pursuant to Art. 2408 of the Italian Civil Code;
- no complaints were made pursuant to Art. 2409, paragraph 7 of the Italian Civil Code;
- the Board of Statutory Auditors issued no opinions required by law during the period.

Remarks and proposals regarding the financial statements and their approval

The draft financial statements for the period ending 31 December 2020 were approved by the Board of Directors and prepared in accordance with the International Financial Reporting Standards adopted by the European Union.
The Board of Directors prepared the Report on Operations.
These documents were submitted to the Board of Statutory Auditors in time so that they could be filed at the Company's registered office, accompanied by this report, and this regardless of the deadline set by Art. 2429, paragraph 1 of the Italian Civil Code.
The statutory audit is entrusted to the audit firm EY S.p.A., which has prepared its own report pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010. This report

records no significant deviations or negative opinions nor did it state that it was impossible to express an opinion or provide disclosures. The opinion issued was therefore positive and confirms that the financial statements at 31 December 2020 were compliant with the International Financial Reporting Standards adopted by the European Union.
The draft financial statements were reviewed, and the following additional information is provided in this regard:

- attention was focused on the layout of the draft financial statements, their general compliance with the law with regard to their formulation and structure and, in this respect, there are no remarks that require mention in this report;
- the explanatory notes adequately represent the transactions with related parties, highlighting the main economic-financial aspects;
- it was confirmed that the preparation of the Report on Operations complied with legislation and, in this respect, there are no remarks that require mention in this report;
- it was verified that the financial statements corresponded with the facts and information available on the basis of the Board of Statutory Auditors' duties and, in this respect, there are no additional remarks;
- please recall the information explained in the notes to the financial statements regarding the impact of the COVID-19 pandemic on the Company during the 2020 and the risks and effects on the development of the Company in 2021.

During the periodic meetings, the Board of Statutory Auditors obtained information regarding the measures and controls put in place by the Company in compliance with the applicable regulation.

Result for the financial year

The net result confirmed by the Board of Directors relating to the year ending 31 December 2020 is positive for € 62,988,086.

Conclusions

Based on the above information and the Board of Statutory Auditors' knowledge and periodic controls conducted, the Board unanimously deems that there are no impediments to your approval of the draft financial statements for the year ended 31 December 2020, as prepared and proposed by the Board of Directors.

Milan, 13 April 2021

For the Board of Statutory Auditors

The Chairman

(Roberto Ruozi)

This report has been translated into the English language solely for the convenience of the international readers. For the original signature please refer to the Italian version of the Financial Statements.

5. Report by the Auditing Firm

Cassa di Compensazione e Garanzia S.p.A.

Financial statements as at 31 December 2020

Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010

EY S.p.A.
Via Lombardia, 31
00187 Roma

Tel: +39 06 324751
Fax: +39 06 324755504
ey.com

Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Cassa di Compensazione e Garanzia S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cassa di Compensazione e Garanzia S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree n. 136, dated 18 August 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.
We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree n. 136, dated 18 August 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors'' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Cassa di Compensazione e Garanzia S.p.A. are responsible for the preparation of the Report on Operations of Cassa di Compensazione e Garanzia S.p.A. as at 31 December 2020, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Cassa di Compensazione e Garanzia S.p.A. as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Cassa di Compensazione e Garanzia S.p.A. as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Rome, 13 April 2021

EY S.p.A.
Signed by: Stefano Cattaneo, Auditor

This report has been translated into the English language solely for the convenience of international readers.