Cassa di Compensazione e Garanzia S.p.A.

Financial statements for the year ended 31 December 2019

Cassa di Compensazione e Garanzia S.p.A.
Fully paid-up share capital € 33,000,000,00 fully paid up - 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.

London Stock Exchange Group

1. Financial Highlights

(amounts in thousands of euro)

Economic indicators	Year 2019	Year 2018
Revenue	102,353	92,762
Ebitda	76,951	66,893
Ebitda margin	*75.2%*	*72.1%*
Ebit	79,491	70,452
Ebit margin	*77.7%*	*75.9%*
Net profit	53,201	47,103
(in % of Revenues)	*52.0%*	*50.8%*
ROE	30.5%	28.3%
Dividends	32,945	44,550
Equity indicators	Year 2019	Year 2018
Shareholders' Equity	184,345	164,881
Net Fin. Position (- debt / + cash)	153,613	156,922
Efficiency indicators	Year 2019	Year 2018
Average number of employees and seco	77.0	74.0
Revenues/employees	1,329	1,254
Ebit/employees	1,032	952

2. Report on operations

The annual financial statements of Cassa Compensazione e Garanzia S.p.A. (CC&G) for the year to 31 December 2019 show a net profit of € 53,281,157 (€ 47,102,789 at 31 December 2018).

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. In addition, from the perspective of continued improvements to the risk management solutions offered, various projects were launched aimed at further increasing efficiency in the margining models used. These changes regard initially the bond segment, in relation to which a joint working party was set up with the interoperable CCP.

The financial events of 2019 were strongly conditioned by the geopolitical uncertainty generated by the continuation of commercial tensions and protectionist policies above all on the part of the United States. All this entailed a weakness of the macroeconomic data to which the central banks responded continuing with expansive monetary policies. The Italian situation presented less volatility than in 2018 owing to a re-established political stability. However the spread between the yield of ten-year BTPs and that of the *bund* remains among the highest of the Eurozone.

The conservative approach that has always characterised CC&G constantly ensured the resilience of the CCP's guarantee system avoiding any criticality or assumption of excessive risks.

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. These obligations to report to trade repositories will take effect in stages according to the counterparty involved starting from:

- 12 months after publication in the Official Journal of the aforesaid Regulations for financial counterparties;
- 15 months after publication in the Journal for central counterparties and CSDs;
- 18 months after publication in the Journal for insurance or reinsurance companies, UCITSs, AIFs, pension bodies;
- 21 months for non-financial counterparties.

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.

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.

On 22 October 2019 the Board of Directors of CC&G approved the method for calculating a strategic capital reserve (Strategic Buffer) to be revalued annually when the proposal for allocation of the profit is made. This reserve (available and distributable) will be set aside initially with the approval of these annual financial statements 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.

With regard to the United Kingdom's exit process 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 undertaken 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.

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 will lead to entry into production of the service within 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 2019

Central counterparty services

Participants in the clearing and guarantee system as of 31 December 2019 totalled 161 (149 at 31 December 2018), represented for the most part by banks (91) and investment firms (62), 4 private companies, 1 state-controlled Company, 1 commodities exchange management company, 1 CCP and 1 central bank.

Of these, 91 were clearing members, of which 71 were banks, 17 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 (21 EU) amounting to 29.58% of the overall total of banks, and of EU investment firms (13) amounting to 76.47%.

Derivative segments (IDEM Equity, IDEX and AGREX)

There were 30,701,189 cleared contracts on the IDEM Equity Market at 31 December 2019, compared to 36,244,434 at 31 December 2018 (-15.3%). The daily average was 121,349 contracts, compared to 143,827 at 31 December 2018.

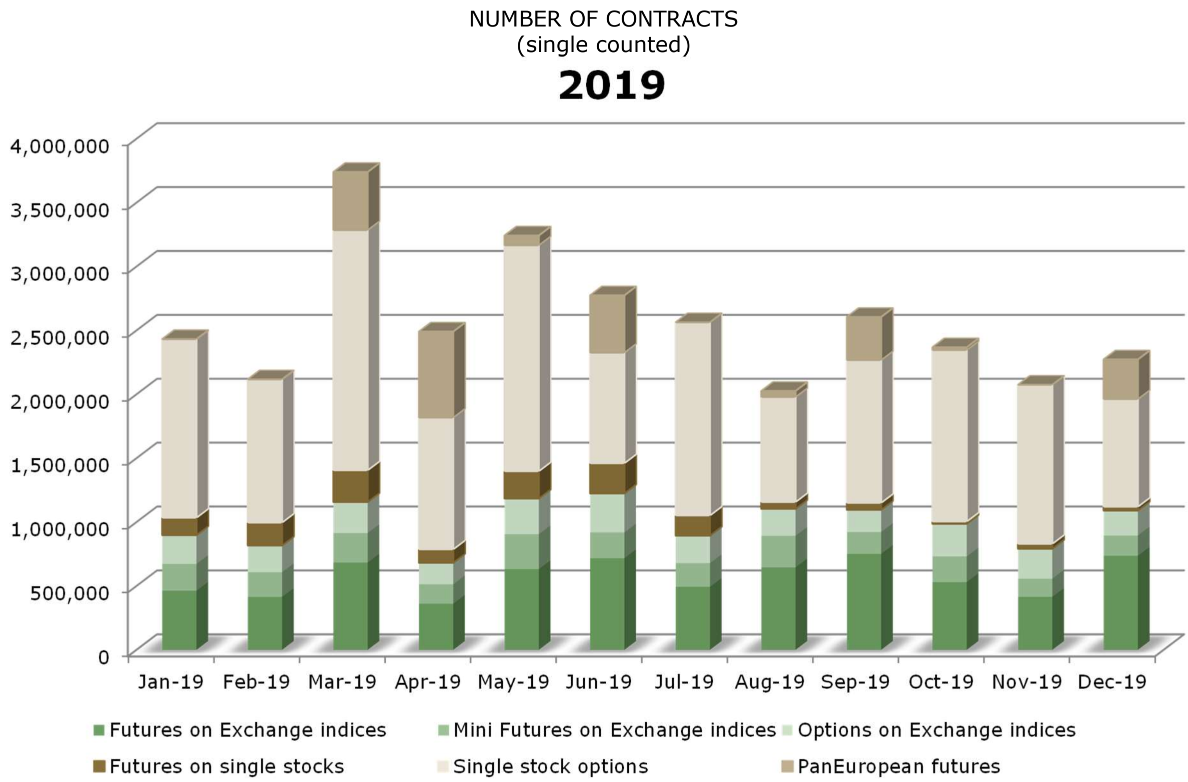
There were increases compared to the same period last year on the following instruments:

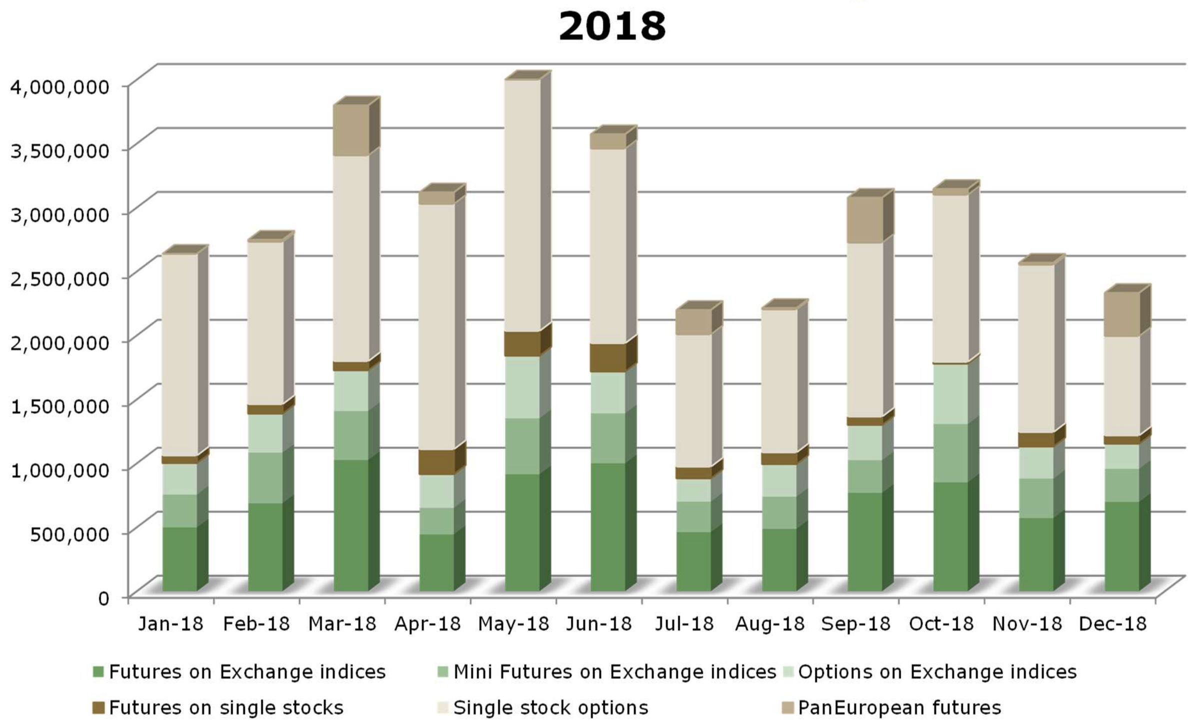
- futures on individual stocks, which went from 1.3 million in 2018 to 1.5 million contracts in 2019 (+15.4%);

- pan-European futures, which went from 1.9 million in 2018 to 2.4 million contracts in 2019 (+26.3%).

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

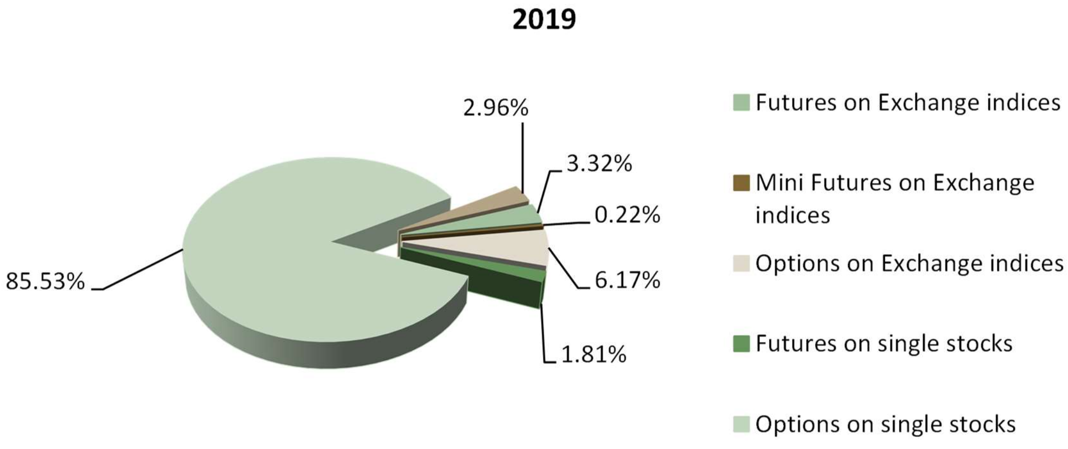
- options on individual stocks, down from 17.3 million in 2018 to 14.9 million contracts in 2019 (-13.9%);
- stock market index futures, which went from 8.4 million in 2018 to 6.8 million contracts in 2019 (-19.0%);
- stock market index options, which went from 3.6 million in 2018 to 2.7 million contracts in 2019 (-25.0%);
- mini-futures on stock market indices went from 3.8 million contracts in 2018 to 2.4 million contracts in 2019 (-36.8%).

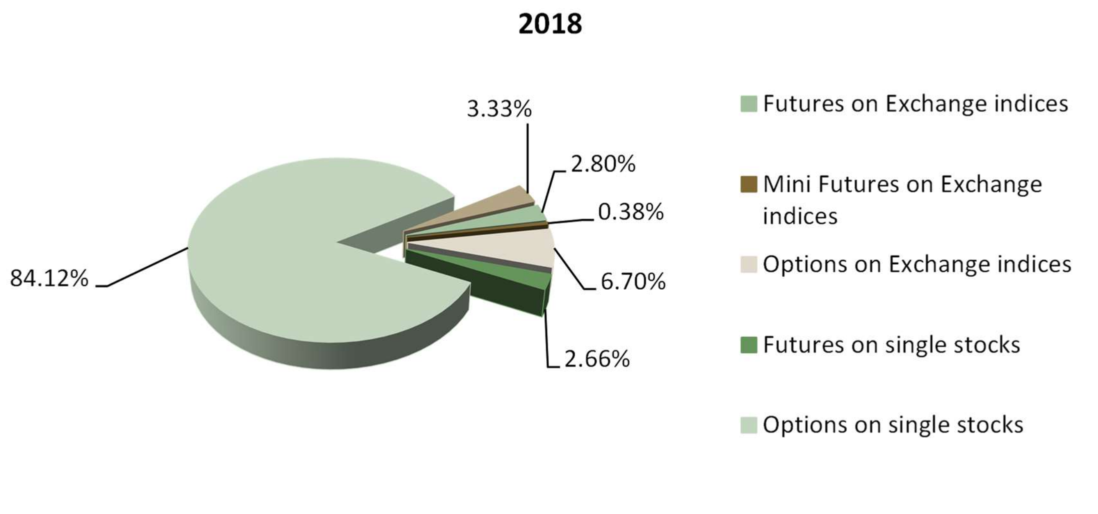




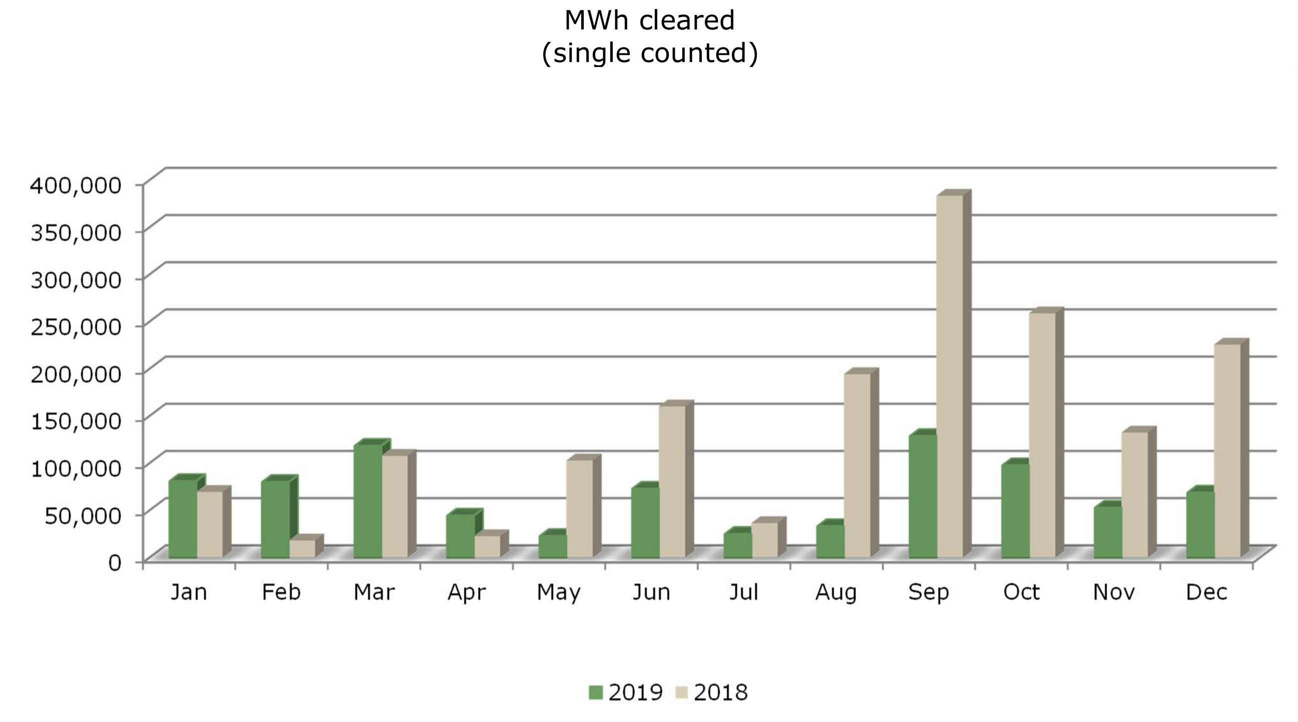
The open positions as of 31 December 2019 (so called open interest) were 6,515,565, 16.0% more than at 31 December 2018 (5,614,647).

OPEN POSITIONS
(% number of contracts)





The volumes of the IDEX derivatives segment at 31 December 2019 amounted to MWh 821,278 cleared, 51.9% less compared to the same period last year, with 1,708,570 MWh cleared.



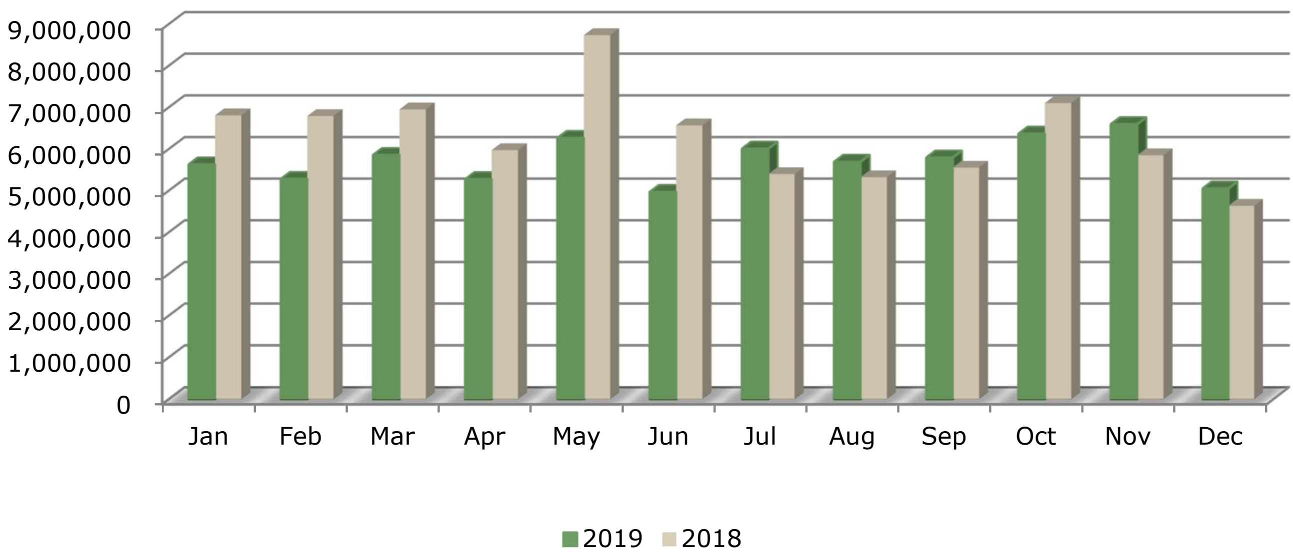
No volumes were recorded for the period ended 31 December 2019 in the AGREX derivative sector.

At 31 December 2019, there were 39 clearing members in the derivative equity segment (32 at 31 December 2018), of which 29 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 section

On the equity markets of Borsa Italiana, 68,751,259 contracts were covered by guarantees, with a 9.1% decrease compared to the same period of the previous year (75,667,085 contracts); the daily average was 271,744 contracts compared to 300,266 contracts the previous year.

NUMBER OF CONTRACTS
(single counted)

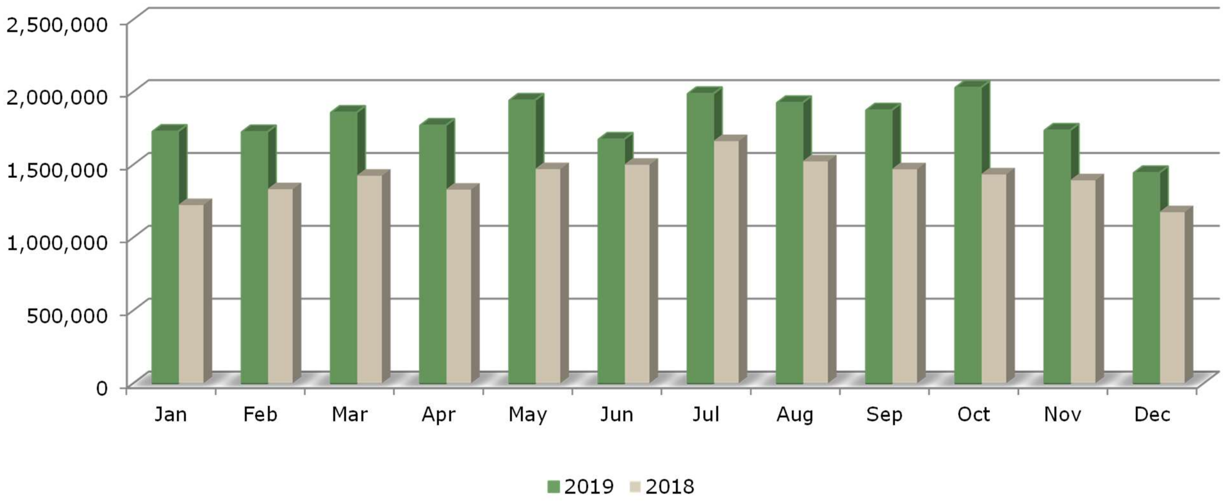


At 31 December 2019, there were 33 clearing members in the Equity section (30 as of 31 December 2018), of which 18 were general and 15 individual. The MTA, ETF plus, MIV and BIT Equity MTF markets are guaranteed in this section.

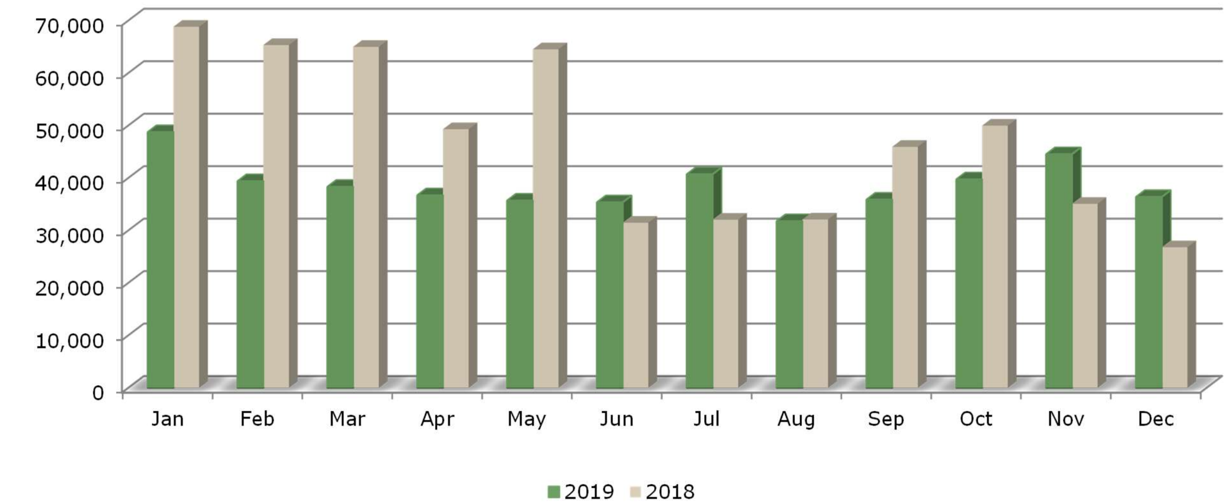
Bond section

The value of guaranteed contracts, traded on the wholesale bond segment was higher than the preceding year for Repos (a nominal € 21,672.1 billion compared to € 16,914.6 billion, with an increase of 28.1%), and lower for cash transactions (a nominal € 462.8 billion compared to € 566.0 billion, -18.2%).

NOMINAL VALUE OF CONTRACTS
Wholesale markets
Repo contracts
(millions of euro)

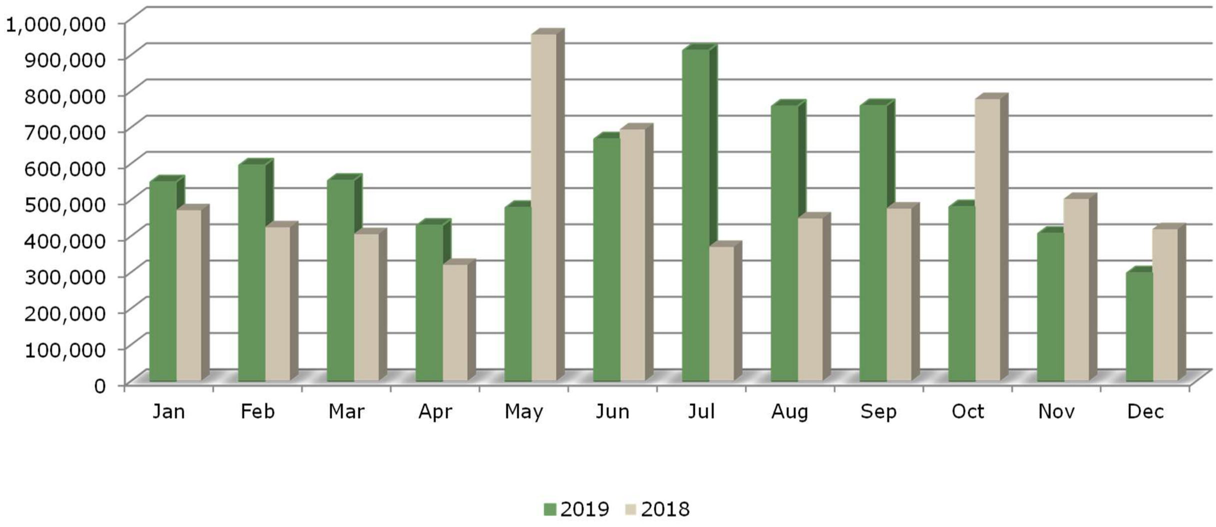


NOMINAL VALUE OF CONTRACTS
Wholesale markets
Cash contracts
(millions of euro)



As far as the retail bond segment is concerned, the international segment (ICSD) was higher compared to the same period of the previous year (844,137 contracts compared to 760,198 contracts with an increase of 11.0% on the previous year), and the domestic segment was also higher compared to the same period in the previous year (6,876,900 contracts compared to 6,257,248 contracts with an increase of 9.9% on the previous year).

NUMBER OF CONTRACTS
Domestic section retail markets
(double counted)



The clearing members participating in the Bond Segment as of 31 December 2019 were 65 (63 as of 31 December 2018), 16 of which General and 49 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 31 clearing members in the ICSD bond section as of 31 December 2019 (30 as of 31 December 2018), of which 14 were general and 17 individual. In this section, the Euro MOT, Extra MOT and Hi MTF markets are guaranteed.

X-Com section

The Central Counterparty Service of the X-COM Segment was suspended on 1 October 2019.

There were 10 clearing members in the X-COM segment at 1 October 2019 (in line with the previous year), of which 3 were General and 7 Individual.

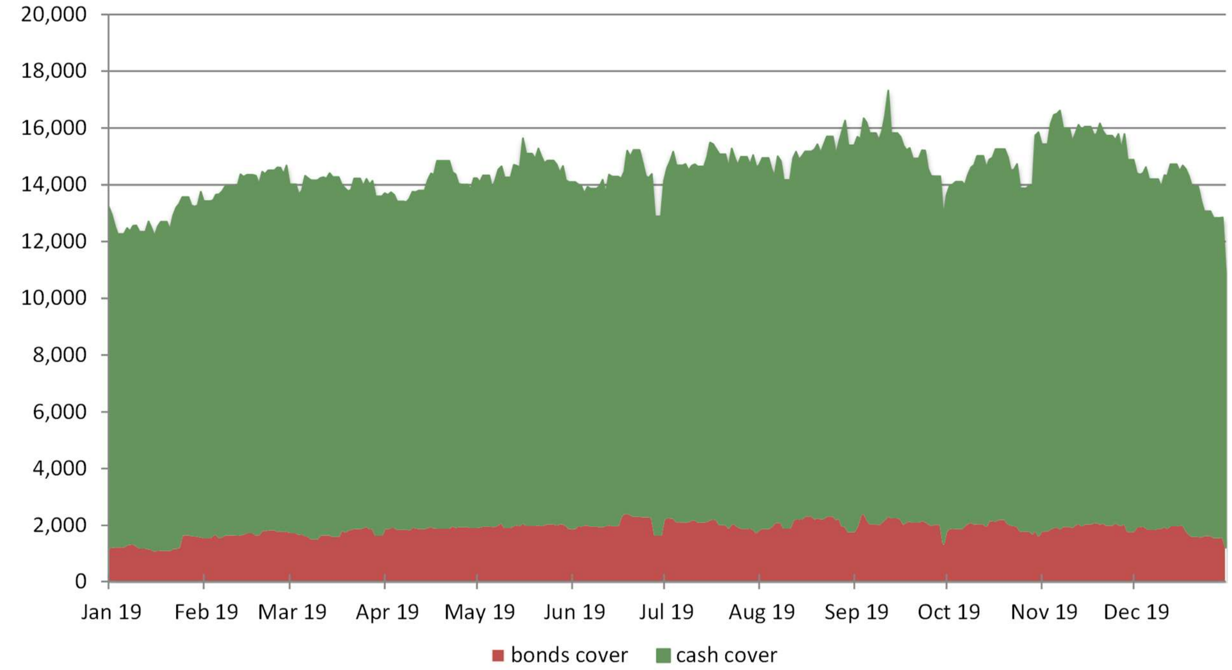
The triparty Repo markets currently guaranteed by CC&G are the MTS Repo and Repo e-MID markets.

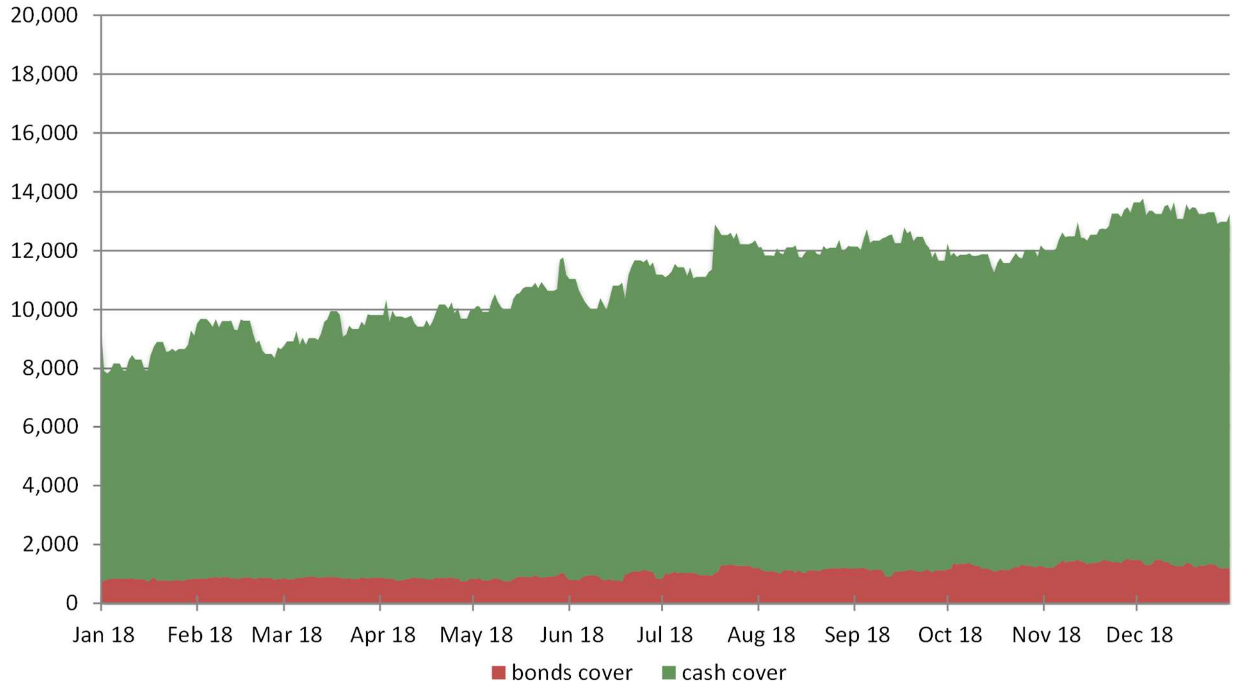
Risk management

During the period under review, 194 new instruments were listed on the Equity segment, of which 181 ETFs, 11 shares on MTA, and 2 Warrants. In the Equity Derivative segment, 2 new futures were listed on individual stocks, and 7 series of options.

The average daily amount of the initial margins went from € 12.8 billion in January 2019 to € 13.9 billion in December 2019 (the month in which the maximum value of the average occurred was November 2019 with a figure of € 15.8 billion). Compared to the daily average of the last financial year (€ 11.0 billion), a 31.1% increase was recorded, reaching € 14.4 billion. On average for the period in question, the guarantees deposited to cover initial margins were 87% in cash and 13% 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 4,255 requests for intraday additional margins during the year, for a total of € 97.6 billion.

The default funds at 31 December 2019 amounted to:

- € 2,300 million (€ 800 million at the end of the previous year, +188%) for the equity markets (Cash and Derivatives),
- € 5,100 million for the Bond segment (€ 4,600 million in the previous year, +11%),

- € 2.7 million for the Energy Derivatives segment (€ 2.3 million in the previous year, +17%),
- € 0.10 million for the Agricultural Commodity Derivatives segment (€ 0.10 million in the previous year).

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

The amount of the Default Fund for the MIC at 31 December 2019 amounted to € 4 million (€ 4.3 million at the end of the preceding financial year, -7%).

New services and functionalities introduced in the financial year

BCS enhancements

Regulation (EU) 2019/834 ("EMIR REFIT"), which came into force on 17 June 2019, amended Regulation (EU) 648/2012 of 4 July 2012 ("EMIR") and introduced a number of changes aimed at increasing transparency, enabling Direct Participants to understand more precisely the risks connected with participation in CCPs.

In accordance with the new legislation, on 16 December 2019 CC&G added to the technological infrastructure interfacing with the BCS Clearing System the following functions:

- in the BCS-GUI, "what-if" analysis which makes it possible to estimate the initial margin of a portfolio on its own and in combination with the existing one;
- in the BCS-API, the new interface through which is possible to create the same function in automated mode (A2A).

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)

	31/12/2019	31/12/2018
Net interest income	**50,892**	**43,091**
Net commission income	46,777	44,485
Dividends and similar income	6	5
Net income from financial assets/liabilities	40	97
Intermediation margin	**97,715**	**87,678**
Administrative expenses	(22,201)	(22,965)
Other operating income	1,518	2,180
Gross operating margin (EBITDA)	**77,032**	**66,893**
Net value adjustments for impairment	-	
Amortizations and depreciations	(2,138)	(1,622)
Operating income	**74,893**	**65,271**
Net financial income	4,678	5,181
Net operating margin (EBIT)	**79,571**	**70,452**
Income taxes	(26,290)	(23,349)
Profit (Loss) for the year	**53,281**	**47,103**

Cassa di Compensazione e Garanzia S.p.A. ended the financial year to 31 December 2019 with a net profit of € 53.3 million (€ 47.1 million at 31 December 2018). The intermediation margin was € 97.7 million, divided between net interest income of € 50.9 million, and net fee income of € 46.8 million. At 31 December 2018 the intermediation margin was € 87.7 million, divided between net interest income of € 43.1 million, and net fee income of € 44.5 million.

Administrative expenses amounted to a total of € 22.2 million. Amortization and depreciation amounted to € 2.1 million whilst other sundry operating revenues amounted to approximately € 1.5 million euro. As a consequence of what was noted above, net operating income (EBIT) amounted to € 79.6 million. Taxes for the financial year, inclusive of the provision for deferred tax liabilities, were € 26.3 million.

The Balance Sheet shows a total amount of assets that decreased from € 179.2 billion at 31 December 2018 to € 174.8 billion at 31 December 2019. 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 € 13.4 billion (€ 5.4 billion at 31 December 2018) and assets/liabilities measured at amortised cost for € 155.8/161.1 billion (€ 168.2/173.6 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 relate to investments in secured assets of margins, default funds and residually, the Company's own funds for € 5.5 billion.

In receivables, which amounted to a total of € 155.8 billion, € 12.0 billion was recorded for receivables from banks, € 3.4 billion for receivables from financial companies and € 140.3 billion for other receivables. In payables, which amounted to a total of € 161.1 billion, € 4.3 billion was recognised under payables to financial companies, € 0.02 billion for payables to banks and € 156.8 billion for other payables.

The Company's assets, equal to € 184.4 million are made up for € 33.0 million by the share capital, for € 6.6 million by the legal reserve, for € 91.5 million by 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 € 53.3 million by the profit for the year.

The cash flow recorded net cash generated of € 0.5 million (at 31 December 2018 the cash absorbed was € 82.9 million).

2.3 Information relating to employees and the environment

At 31 December 2019 the organizational structure was made up of a total of 65 employees (62.5 at 31 December 2018), 7 of which are Senior Managers, 21 Middle Ranking Managers and 37 clerical staff as well as 12 resources seconded from other Group companies. The average age is 41.9 years, and 35% of the workforce is female. The average length of service is 11 years.

In relation to the activities carried out by the Company, which do not entail any particular levels of risk for employees, no accidents in the workplace were reported, nor did any pathology linked to professional illnesses emerge.

2.4 Research and development

During the current year the IT area conducted further activities in the field of Cognitive/Artificial Intelligence on a Power AI (Augmented Intelligence) platform: specifically an effective business case was identified, and this enabled the use of the knowledge acquired and the combined use of Machine Learning and Deep Learning models, in order to identify any anomalies in the definition of closing prices of options and futures instruments, processed by the Risk Management area. This project, which will be completed during 2020, constitutes a further Data Governance instrument, integrating with the processes already structured and with the continual collaboration between the IT area and the business areas of CC&G.

CC&G also developed a POC (Proof Of Concept) in order to assess the applicability to modern parallel processing paradigms to financial risk models.

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 General Manager, the Board of Directors, and also to the Supervisory Authorities, the Bank of Italy and Consob.

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 accessibility and processing capacity of information, is the determining element in making it possible to meet the increasing operational demand from the market; this is aimed at avoiding interruptions or delays when introducing new services or products. 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.

During the year, CC&G continued with the alignment of its core processes to sector standards by optimising management of the processes themselves. More specifically, it extended the use of appropriate tools to verify the quality of the software developed internally (Code Review) and widened the field of application of the technological solutions based on vulnerability control systems on the network (SwasCan); the adoption of these two measures made it possible to increase efficiency, and combined with the existing monitoring and control system, on the one hand, prevented the occurrence of unexpected events and, on the other, supported a prompt reaction to any critical aspects encountered.

The requirement of comparison and ongoing pursuit of improvement are the underlying aspects whereby CC&G designs and implements its business strategies, based on compliance with shared guidelines and international standards.

Over the last year CC&G has increased quality levels and enriched the scope of its services by developing a potentially valid and competitive range also beyond national borders, based on the implementation of a management system in accordance with ISO standards that not only has allowed activities to be systematised according to best practices, but has also provided an additional tool for cooperation with international players.

During 2019 CC&G undertook and completed successfully the recertification process through a new certification body, Bureau Veritas, in relation to the ISO 22301 standard, which lays down the requirements for a Business Continuity management system. In addition it completed and passed the annual verification process with BSI for ISO 27001 Certification in relation to information security. CC&G has also confirmed its adoption of the international ISO 31000 guidelines for risk analysis, further promoting internal collaboration, the adoption and consolidation of a project-based approach in accordance with reference standards. The above certifications received double accreditation by the ANAB (ANSI-ASQ National Accreditation Board) and the UKAS (United Kingdom Accreditation Service) and are therefore valid worldwide.

Membership of CERTFin (Bank of Italy and ABI) was renewed, to deal with cyber issues together with other Financial Institutions.

As required by EMIR rules, the Chief Technology Officer (hereinafter CTO) is the figure in charge of the necessary technology activities for responding to correct business and market stimuli.

In the context of the constant expansion of the IT structures, an IT Governance team was created. This reports in a direct line to the CISO (Chief Information Security Officer) in order to manage with the due responsibility and care the specific aspects of Cyber Security issues and in particular:

- control of accesses to the system;
- adequate protection against intrusions and wrongful use of data;
- adoptions of suitable solutions to preserve the authenticity and integrity of data;
- the use of highly reliable connection networks and procedures ensuring punctual and precise data management, recording and tracking of each transaction performed, according to a "standard by design" business approach.

The IT Governance team has its own department, the Security Operations Centre (SOC), which is engaged in supporting the monitoring of the IT infrastructure and the Security systems, also through the introduction of new Artificial Intelligence based systems, with the ability to identify any intrusion attempts or attacks on all systems in our new architecture, in real time.

With the SOC, the management of all security issues related to IT infrastructure was therefore centralised (network, systems and applications), as were all proactive services aimed at improving CC&G protection levels (security assessments, vulnerability assessments, early warning, security awareness, etc.). Based on Configuration Management, the SOC also guarantees consistent alignment with firewalling rules and all internal or external policy formulations and changes, filtering or authorisation to move data traffic between an external and internal source (or vice versa). The team analyses the logs originating from the consoles or tools used and then draws up a weekly executive summary, which is made available for analysis and discussion at Top Management meetings.

The said team is obliged to report any new vulnerability discovered to the CISO, so that it can be promptly reported to CertFin using the security alert service. It is then analysed with other members of the latter to identify possible countermeasures that can mitigate or hopefully eliminate the impact of this vulnerability.

The IT Governance office conducts a periodic Vulnerability Assessment either directly or using specialist companies, aiming to identify vulnerabilities already known on the systems and the services installed on the former, as well as a Penetration Test to identify and exploit the known vulnerabilities or those that are as yet unknown on the systems, services and web applications installed on them so as to more effectively highlight the threat each of these represent and estimate their impact.

The IT area has continued to implement a more efficient formulation of the increasing requirements regarding its Corporate Governance system and also referring to the different Management Systems implemented, the specific international Certifications obtained, as well as all the required support activities (e.g. Process mapping, BIA): starting from processes, the five traditional stages making up IT governance are managed (strategy and planning, plan implementation, performance management and monitoring). Considering IT governance from an organisational perspective on the other hand, the strategic dimension is assessed, defining governance principles, objectives, areas of competencies within the organisation and Group and, also the operational dimension, defining the areas where the IT team intends to respond by implementing the related internal support activities to properly manage the entire IT universe.

<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.

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 28 April 2017 and will remain in office for the financial years ending at 31 December 2017 to 31 December 2019.

At 31 December 2019, the Board was made up of the following directors:

Renato Tarantola	Chairman
Raffaele Jerusalmi	Vice Chairman
Mauro Lorenzo Dognini	Director
Andrea Maldi	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)
Marco Cicogna	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 Meyer	Representative of the customer Société Générale
Loubna Serrar	Representative of the customer BNP Arbitrage
Fabian Rijlaarsdam	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, established in compliance with Article 26 of the Code of Conduct, consists of:

Mario Notari Chairman

Marco Lamandini

Prof. Giuseppe Lusignani

Board of Arbitrators

The Board of Arbitrators, established in accordance with the provisions of the General conditions Part I is made up of:

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 auditing 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, upon proposal of the Managing Director:

- 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;
- 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 Managing Director, 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 above-mentioned 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 activities and risk management.

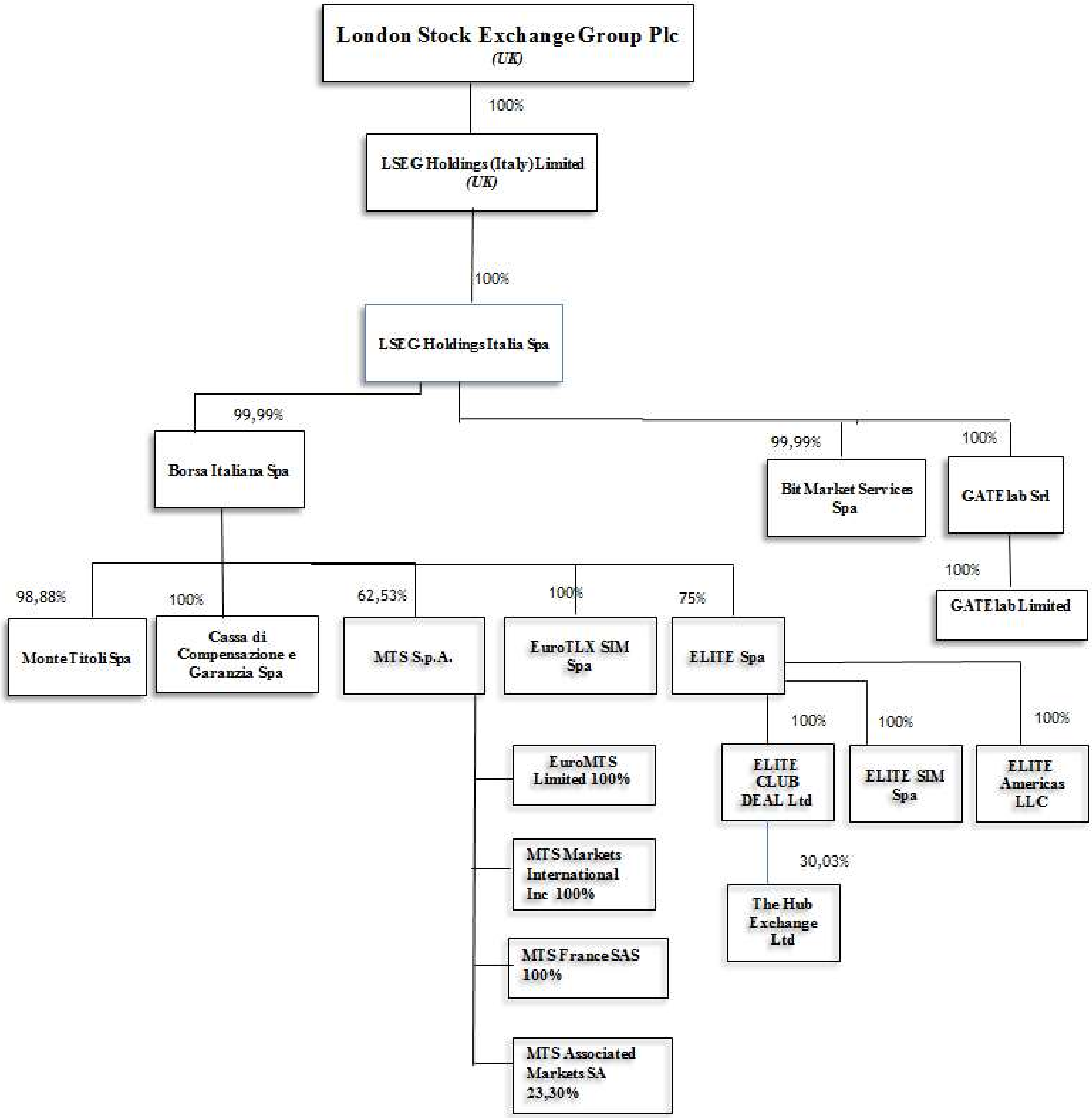
(e) Share capital

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 2019, 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 the 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

Following the communication by e-MID S.p.A. of the decision to cease business from 1 January 2020, CC&G's MIC guarantee system will no longer receive contracts related to the MIC and e-MID Repo market starting from 2 January 2020. Consequently CC&G began the activities in preparation for management of the impacts on the central counterparty system and for closure of the MIC Guarantee System.

During 2020, extension of the trading hours of the IDEM market is envisaged; CC&G will be extending its guarantee services on this market. In particular, starting from February 2020, the latest time for sending clearing order requests related to contractual positions in Futures will be put back from the current 21:00 to 22:30.

On 31 January 2020 the United Kingdom completed its exit from the European Union following ratification of the withdrawal agreement by the British and European Parliaments. The withdrawal agreement provides for a transition period up to 31 December 2020 (subject to a possible extension) during which European legislation will continue to apply in the United Kingdom and to the United Kingdom as if the latter were still a member state.

As mentioned, 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. The TRR will come into force at the end of the transition period and will have a duration of three years extendible by the British Treasury Ministry.

In addition, again on 24 January 2019 CC&G was included also on the Bank of England's list of operators of the European Economic Area (EEA) authorised to benefit from the "settlement finality designation" (SFD) regime at the end of the transition period. SFD designation will enable the EEA systems to benefit from 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.

The situation of macroeconomic weakness of 2020, accentuated by the diffusion of the coronavirus which neutralised the positive push provided by the commercial agreement between the USA and China, would seem destined to persist at least until around the middle of the year. Starting from the second half of the year the market drivers could be found in the possible continuation of the effects of the coronavirus on global economic growth and in the evolution of inflation and consumption. This trend could condition the ECB's strategic review, to be completed by the end of the year, and any expansive fiscal countermeasures by the governments of the Eurozone. In the second half of the year, the presidential electoral appointment in the USA will be of ever-increasing importance, also in the light of the commercial negotiations between the USA and the EU.

The Italian market could again suffer setbacks from the rising political risk at the time of the regional elections planned between May and June, even if a government crisis does not occur, and from any repercussions on the domestic economy of the propagation of the coronavirus.

At the end of 2019, a group of cases that showed the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of the Chinese province of Hubei. On 31 December 2019, China informed the World Health Organisation (WHO) of this new virus. On 30 January 2020, the WHO health regulations emergency committee declared the epidemic a "public health emergency of international interest". Since then, an ever-increasing number of cases have been diagnosed, including in other countries and increasingly restrictive measures have been taken both by China and by the other countries affected by the virus.

The slowdown and, in some cases, the closure of productive activity and services triggered by the countermeasures implemented to contrast the rapid spread of the coronavirus epidemic, together with the collapse of oil prices caused by the deterioration of the diplomatic relationship between the USA and Saudi Arabia, are entailing a further downward revision of the forecasts for global growth (from 2.7% to approximately 2.0% for the end of 2020). To contrast the expected macroeconomic weakness, both central banks and governments have announced expansive measures through monetary and fiscal channels which, reasonably, could be destined to produce positive effects with a recovery of the risk appetite envisaged not before the second half of 2020. Before then, the economic framework seems destined to worsen further compared to the current levels, implying most likely a technical recession in the first quarter of 2020 and in the second quarter of 2020 for the Eurozone and Italy, and a slowdown at the global level.

The uncertainty on the continuation of the crisis in progress could also make the markets extremely volatile in the short and medium term, irrespective of the nonetheless important political appointments (Brexit and the US elections) which, at least for now, remain in the background in the scale of drivers capable of conditioning the performance of the markets.

At the moment, no quantifiable financial impacts are expected to result from the events described, nor can indicators of impairment on the Company's financial assets be detected from them.

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 proposed financial statements for the year ending 31 December 2019 (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 operating profit of € 53,281,156.61, as follows:

- to Shareholders, as a dividend equal to € 5,990.00 for 5,500 ordinary shares with a nominal value of € 6,000.00 each representing the Share Capital, for a total of € 32,945,000.00;
- to Reserves, the remaining profit of € 20,336,156.61 in order to enable the capital strengthening of the company.

Furthermore, we ask you to propose the following resolutions to the Shareholders' Meeting:

- to establish a strategic capital reserve (Strategic Buffer) of € 20,300,000.00 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 of 22 October 2019;
- to change, on the basis of the calculation of the Regulatory Capital requirements - provided by (EU) Regulation No.648/2012 (EMIR) - shown in Section D - Other Information, the Restricted Reserve pursuant to Article 45, paragraph 4 of EU Regulation 648/2012 (Skin in the Game) - which, following the approval of the Shareholders' Meeting of 29 April 2019 amounted to € 21,649,375.00 - taking it to the new value calculated (pursuant to Regulation (EU) 648/2012) of € 19,430,126.00, allocating the difference to the item Other Reserves.

The dividend will be payable from 5 May 2020.

Rome, 25 March 2020

for the Board of Directors

The Chairman

Renato Tarantola

3. Financial statements for the year ending 31 December 2019

Balance Sheet

ASSETS

(Amounts in euro)

	Assets	31/12/2019	31/12/2018
10.	Cash and cash equivalents	147	193
20.	Financial assets measured at fair value impacting on income statement	13,445,227,913	5,428,188,424
	a) financial assets held for trading (for CCP activities)	*13,440,800,883*	*5,417,825,243*
	c) other financial assets with mandatory measurement at fair value (for CCP activities)	*4,427,030*	*10,363,181*
30.	Financial assets measured at fair value impacting on comprehensive income	5,534,020,801	5,616,062,583
40.	Financial assets measured at amortised cost	155,783,879,159	168,181,952,293
	a) receivables from banks	*12,048,535,680*	*11,073,310,105*
	b) receivables from financial companies	*3,389,581,925*	*4,334,816,824*
	c) receivables from customers	-	-
	d) other receivables	*140,345,761,554*	*152,773,825,364*
80.	Tangible assets	1,842,387	857,633
90.	Intangible assets	3,127,664	2,393,859
100.	Tax assets	-	3,075,685
	a) current	-	-
	b) prepaid	-	*3,075,685*
120.	Other assets	2,001,303	1,148,548
	TOTAL ASSETS	**174,770,099,374**	**179,233,679,218**

LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS

(Amounts in euro)

	Liabilities and shareholders' equity items	31/12/2019	31/12/2018
10.	Financial liabilities measured at amortised cost	161,126,629,864	173,636,764,589
	a) payables	*161,126,629,864*	*173,636,764,589*
20.	Financial liabilities held for trading (for CCP activities)	13,440,800,883	5,417,825,243
30.	Financial liabilities measured at fair value (for CCP activities)	4,030,069	5,813,447
60.	Tax liabilities	3,032,669	153,531
	a) current	*804,207*	*153,531*
	b) deferred	*2,228,462*	-
80.	Other liabilities	9,968,053	7,122,636
90.	Employee severance indemnity provision	1,212,856	1,119,084
110.	Share capital	33,000,000	33,000,000
150.	Reserves	92,843,006	90,305,248
160.	Valuation reserves	5,300,817	(5,527,349)
170.	Profit (Loss) for the year	53,281,157	47,102,789
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**174,770,099,374**	**179,233,679,218**

Income Statement

(Amounts in Euro)

	Items	31/12/2019	31/12/2018
10.	Interest receivable and similar revenues	2,908,617,829	2,524,278,152
20.	Interest expenses and similar charges	(2,857,726,070)	(2,481,186,753)
30.	**NET INTEREST INCOME**	**50,891,759**	**43,091,399**
40.	Commissions receivable	48,259,546	45,880,935
50.	Commissions payable	(1,482,447)	(1,395,894)
60.	**NET COMMISSION INCOME**	**46,777,099**	**44,485,041**
70.	Dividends and similar income	6,476	4,711
80.	Net income from trading activities	-	-
100.	Profit (Loss) from sale or repurchase of:	4,677,968	5,180,864
	b) financial assets measured at fair value impacting on comprehensive income	*4,677,968*	*5,180,864*
110.	Net income from other financial assets and liabilities measured at fair value impacting the income statement	40,031	97,315
	b) other financial assets with mandatory measurement at fair value	*40,031*	*97,315*
120.	**INTERMEDIATION MARGIN**	**102,393,333**	**92,859,330**
130.	Net adjustments/write-backs due to credit risk of:	-	-
	a) financial assets measured at amortised cost	-	-
150.	**NET FINANCIAL INCOME**	**102,393,333**	**92,859,330**
160.	Administrative expenses:	(22,201,368)	(22,965,093)
	a) personnel expenses	*(7,973,981)*	*(9,283,958)*
	b) other administrative expenses	*(14,227,387)*	*(13,681,135)*
180.	Net adjustments/write-backs on tangible assets	(1,182,222)	(211,715)
190.	Net adjustments/write-backs on intangible assets	(955,889)	(1,410,571)
200.	Other operating expenses and income	1,517,522	2,179,995
210.	**OPERATING COSTS**	**(22,821,957)**	**(22,407,384)**
260.	**PROFIT (LOSS) OF CURRENT OPERATIONS BEFORE TAX**	**79,571,376**	**70,451,946**
270.	Income taxes for the financial year on current operations	(26,290,219)	(23,349,157)
280.	**PROFIT (LOSS) OF CURRENT OPERATIONS NET OF TAXES**	**53,281,157**	**47,102,789**
300.	**PROFIT (LOSS) FOR THE YEAR**	**53,281,157**	**47,102,789**

Statement of comprehensive income

(Amounts in Euro)

	Items	31/12/2019	31/12/2018
10.	**Profit (Loss) for the year**	**53,281,157**	**47,102,789**
	Other comprehensive income, net of taxes, without reversal to income statement	**86,140**	**117,440**
70.	Defined benefit plans	86,140	117,440
	Other comprehensive income, net of taxes with reversal to income statement	**10,742,026**	**(7,223,547)**
140	Financial assets (other than equities) measured at fair value impacting on comprehensive income	10,742,026	(7,223,547)
170	**Total other income components net of taxes**	**10,828,166**	(7,106,107)
180	**Comprehensive income (Item 10+170)**	**64,109,323**	**39,996,682**

Statement of changes in Shareholders' Equity

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 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 capital 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
Capital 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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 December 2018

(Amounts in Euro)

	Balances at 31/12/2017	Change to the opening balances	Balances at 01/01/2018	Allocation of the result of the previous financial year: Reserves	Allocation of the result of the previous financial year: Dividends and other allocations	Changes occurred in the financial year: Changes in reserves	Changes occurred in the financial year – Transactions on Shareholders' Equity: Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in capital instruments	Other changes	Comprehensive income for the year 2018	Shareholders' Equity at 31/12/2018
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	79,276,175		79,276,175	2,275,965									81,552,140
- 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										70,540
Valuation reserves	1,578,758		1,578,758									(7,106,107)	(5,527,349)
Capital instruments	-		-										-
Own shares	-		-										-
Profit (Loss) for the year	45,285,966		45,285,966	(2,275,965)	(43,010,001)							47,102,789	47,102,789
Shareholders' Equity	167,894,007	-	167,894,007	-	(43,010,001)	-	-	-	-	-	-	39,996,682	164,880,688

Cash Flow Statement

DIRECT METHOD

(Amounts in euro)

A. OPERATING ACTIVITIES	Amount	
	31/12/19	**31/12/18**
1. Management	**43,493,577**	**25,357,793**
- interest income received (+)	(94,767,471)	(88,102,557)
- interest expenses paid (-)	128,731,381	101,557,616
- dividends and similar income (+)	6,476	4,711
- net commission income (+/-)	46,882,538	44,714,784
- personnel expenses (-)	(5,174,214)	(8,991,834)
- other expenses (-)	(10,465,277)	(9,813,527)
- other revenues (+)	2,473,411	3,590,566
- taxes (-)	(24,193,267)	(17,601,966)
2. Liquidity generated / absorbed by financial assets	**75,305,263**	**(3,806,978,088)**
- financial assets held for trading for CCP activities	0	0
- financial assets with mandatory measurement at fair value for CCP activities	4,325,060	(4,261,356)
- financial assets measured at fair value impacting on comprehensive income	122,775,233	65,269,143
- financial assets measured at amortised cost	(54,017,960)	(3,868,877,201)
- other assets	2,222,930	891,326
3. Liquidity generated / absorbed by financial liabilities	**(69,918,117)**	**3,743,780,761**
- financial liabilities measured at amortised cost	(70,753,577)	3,749,677,423
- financial liabilities held for trading for CCP activities	0	0
- financial liabilities with mandatory measurement at fair value for CCP activities	(172,287)	190,500
- other liabilities	1,007,747	(6,087,162)
Net liquidity generated/absorbed by operating activity	**48,880,723**	**(37,839,534)**
B. INVESTMENT ACTIVITY		
1. Cash generated from	**-**	**-**
- sales of tangible assets	0	0
- sales of intangible assets	0	0
2. Liquidity absorbed by	**(3,856,669)**	**(2,096,164)**
- purchases of tangible assets	(2,166,975)	(582,889)
- purchases of intangible assets	(1,689,694)	(1,513,275)
Net liquidity generated/absorbed by investment activity	**(3,856,669)**	**(2,096,164)**
C FUNDING ACTIVITY		
- distribution of dividends and other	(44,565,031)	(43,010,001)
Net liquidity generated/absorbed by the funding activity	**(44,565,031)**	**(43,010,001)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**459,023**	**(82,945,699)**

RECONCILIATION

	Amount	
	31/12/19	**31/12/18**
Cash and cash equivalents at beginning of the year	28,893,951	111,839,650
Total net cash generated/absorbed during the year	459,023	(82,945,699)
Cash and cash equivalents at year end	29,352,975	28,893,951

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 2018. 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 2019, 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[1], 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 bank intermediaries" document issued by the Bank of Italy on 30 November 2018, suitably adjusted to take account of specific activities carried out by the Company. 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[2]. 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.

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.

1 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.
2 In the Balance Sheet, the Income Statement, the Statement of Overall Profitability 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.

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.

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 2019 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 symptoms were identified in the equity and financial structures and in the operational performance that may lead to uncertainties on this issue. Information on risks and uncertainties to which the Company is exposed is included as part 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.

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 2018.

New standards applicable from the financial year ended 31 December 2019

The Company applied IFRS 16 for the first time. The nature and effect of the changes subsequent to the adoption of this new accounting standard are detailed below.

Various other amendments and interpretations were applicable for the first time in 2019, but these did not impact the financial statements. The Company did not proceed with the early adoption of any standards, interpretations or amendments issued, but not yet effective.

IAS/IFRS and the relevant IFRIC interpretations endorsed by the EU as of 30 November 2018 and applicable to financial statements for financial years starting after 1 January 2019

Document title	Issue date	Date of entry in force	Date of approval	EU Registration and date of publication	Notes and references
IFRS 16 - Leasing	Jan-16	1° January 2019	31-Oct-17	(UE) 2017/1986 09-Nov-17	Early applicaion is allowed
Advance payment elements with negative compensation (Amendmends IFRS 9)	Oct-17	1° January 2019	22-Mar-18	(UE) 2018/498 26-Mar-18	Early applicaion is allowed
IFRIC 23 Interpretation - Uncertainty about treatments for income tax purposes	Jun-17	1° January 2019	13-Oct-18	(UE) 2018/1595 24-Oct18	Early applicaion is allowed

IFRS 16

IFRS 16 replaces the current provisions on leasing, including IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases —Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 defines the principles for recognising, measuring, presenting and disclosing leases and requires that lessees recognise all lease contracts in the financial statements based on a single model similar to the one used to recognise financial leases pursuant to IAS 17. The standard provides for two exemptions from applying the model: lease contracts relating to "low value" assets and short-term lease contracts. Except for the contracts falling into the categories referred to above, at the commencement date of the lease, the lessee recognises a liability against the future payments that have been undertaken by signing the contract (i.e. Lease liability) and an asset representing the right-of-use asset under a lease, for the duration of the contract (i.e. right-of-use asset). Lessees must recognise the financial costs accrued on the lease and amortisation of the right of use asset separately in the income statement.

Lessees must also remeasure the lease liability should specific events occur (for example: a change in the lease contract conditions, a change in the future lease payments following a change in an index or rate used to determine said payments). The lessee will generally recognise the remeasurement amount for the lease liability as an adjustment to the right-of-use asset.

IFRS 16 was endorsed by the European Union in October 2017 and is applicable in the preparation of financial statements for financial periods as from 1 January 2019.

The standard provides an option to apply the new provisions, with a full retrospective effect or a modified retrospective effect. The Company applied a modified retrospective approach. Data for the comparative period were therefore not reformulated, and were applied with certain simplifications and practical expedients as permitted by the reference standard.

The main quantitative information related to IFRS 16 as provided for in paragraphs 58 and 53 letter g) is presented below:

€ 000	Entity	Right-of-use assets 2019	Depreciation Charg 2019	Net Book Value 2019
Servers	CC&G	1,538	832	706
Cars	CC&G	28	6	22
Total		**1,566**	**838**	**728**

Lease liabilities -CC&G

€ 000	**2019**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	860
One to five years	747
More than five years	-
Total undiscounted cash flows	**1,607**
Total lease liabilities	**23**
Current	10
Non Current	13

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	**2019**
Interest on financial liabilities on leases- Servers	16
Interest on financial liabilities on leases-Cars	0
Depreciation-Servers	832
Depreciation-Cars	6

Aggregate annual cost of short-term leases	-
Aggregate annual cost of leases of low value assets	-

The new IAS/IFRS standards and related IFRIC interpretations applicable to the financial statements of years that begin after 1 January 2020, endorsed by the EU at 15 January 2020 are listed, and briefly illustrated, below:

Document title	Date of issue	Date of entry into force	Endorsement date	EU Regulation and date of publication	Notes and references to the present control list
Changes to the references to the Conceptual Framework in the IFRSs	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019	Application in advance is permitted See questions 514 and 515
Definition of significant – Amendments to IAS 1 and IAS 8	October 2018	1 January 2020	29 November 2019	(EU) 2019/2104 10 December 2019	Application in advance is permitted See questions 516 and 517
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020	Application in advance is permitted See questions 518 and 519

The new IAS/IFRS standards and related IFRIC interpretations applicable to the financial statements of years that begin after 1 January 2020, not yet endorsed by the EU at 15 January 2020 are listed, and briefly illustrated, below:

Document title	Date of issue by the IASB	Date of entry into force of IASB document	Planned validation date by the EU
Standards			
IFRS 17 Insurance Contracts	May 2017	1 January 2021[3]	TBD
Amendments			
Definition of a Business (Amendments to IFRS 3)	October 2018	1 January 2020	Q1 2020

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 the financial statements and their approval by the Board of Directors 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 25 March 2020 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.

Cassa di Compensazione e Garanzia S.p.A.'s financial statements for the year ending 31 December 2019 are subject to an accounting audit by EY S.p.A.

[3] We can note that in June 2019, the IASB published an exposure draft that includes a number of amendments to IFRS 17 and the deferment of entry into force of the new accounting standard to 1 January 2022. At the reference date of the present addendum (15 January 2020) the amendments to IFRS 17 have not yet been definitively approved by the IASB.

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 performed on the settlement date but not yet settled) represented in the item 'Guarantees and commitments' in the section '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.

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).

Receivables/Payables due to/from clearing members

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.

Receivables/payables due from/to clearing members for CCP activities

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.

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[4].

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.

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[5].

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.

It is not possible to individually estimate the recoverable amount of an asset; the company estimates the recoverable value of the unit generating the financial flow to which the asset belongs[6].

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.

Other assets/liabilities

[4] The depreciation periods for each category of tangible fixed assets are as follows:

- Automatic data processing systems	3 years
- Plant and equipment	5 years
- Furniture and fittings	3 years

[5] 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.

[6] The recoverable value of an asset is the higher of its current value less selling costs 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.

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. Moreover, it also includes the receivables/payables to the Parent Company (consolidating entity for the time being) as a result of the application of the national tax consolidation system.

Financial assets and liabilities subject to offsetting in the financial statements

As from last year, based on a Group decision, 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 exposure 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.

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 recording plans with defined benefits 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.

Payments based on shares

Share-Based Payments to employees 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, not accounted for in the context of the national tax consolidation, 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 the "Other information" section, 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[7].

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.

7 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

Disclosure of quantitative information

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

	31/12/2019			31/12/2018		
Financial 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	13,440,800,883			5,417,825,243		
b) financial assets designated at fair value						
c) other financial assets with mandatory measurement at fair value	4,427,030			10,363,181		
2. Financial assets measured at fair value impacting on comprehensive income	5,534,020,801			5,616,062,583		
Total	**18,979,248,714**	**-**	**-**	**11,044,251,007**	**-**	**-**
1. Financial liabilities held for trading	13,440,800,883			5,417,825,243		
2. Financial liabilities measured obligatorily at fair value	4,030,069			5,813,447		
Total	**13,444,830,952**	**-**	**-**	**5,423,638,690**	**-**	**-**

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	31/12/2019				31/12/2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	155,783,879,159			155,783,879,159	168,181,952,293			168,181,952,293
Total	**155,783,879,159**	**-**	**-**	**155,783,879,159**	**168,181,952,293**	**-**	**-**	**168,181,952,293**
1. Financial liabilities measured at amortised cost	161,126,629,864			161,126,629,864	173,636,764,589			173,636,764,589
Total	**161,126,629,864**	**-**	**-**	**161,126,629,864**	**173,636,764,589**	**-**	**-**	**173,636,764,589**

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 € 147 (€ 193 at 31 December 2018) and consisted of cash in hand.

Breakdown of item 10 "Cash and cash equivalents"

Items/Values	Total 31/12/2019	Total 31/12/2018
Cash and cash equivalents	147	193
Total	**147**	**193**

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 € 13,440,800,883 (€ 5,417,825,243 at 31 December 2018) and related to the net amount 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	**31/12/2019**			**31/12/2018**		
	L1	L2	L3	L1	L2	L3
B. Derivative financial instruments	**13,440,800,883**			**5,417,825,243**		
1. Financial derivatives	13,440,800,883			5,417,825,243		
1.1 for trading	13,440,800,883			5,417,825,243		
FTSE stock market index derivatives:	*11,828,365,078*			*3,679,688,808*		
- Futures	*11,175,482,000*			*2,903,996,130*		
- Mini Futures	*54,628,030*			*56,644,670*		
- Options	*598,255,048*			*719,048,008*		
Single stock derivatives:	*1,608,175,477*			*1,728,751,121*		
- Futures	*807,926,273*			*741,338,821*		
- Options	*800,249,204*			*987,412,300*		
Commodities derivatives	*4,260,328*			*9,385,314*		
Total	**13,440,800,883**			**5,417,825,243**	**-**	**-**

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

2.2 Derivative financial instruments

Underlying assets/type of derivatives	**Total 31/12/2019**				**Total 31/12/2018**			
	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								
- Fair Value				13,436,540,555				5,408,439,929
5. Goods								
- Fair Value				4,260,328				9,385,314
Total	-	-	-	**13,440,800,883**	-	-	-	**5,417,825,243**

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

Items/Values	Total 31/12/2019	Total 31/12/2018
B. DERIVATIVE INSTRUMENTS	**13,440,800,883**	**5,417,825,243**
a) Central Counterparties	-	-
b) Others	13,440,800,883	5,417,825,243
Total	**13,440,800,883**	**5,417,825,243**

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 € 4,427,030 (€ 10,363,181 in the previous year).

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

Items/Values	Total 31/12/2019			Total 31/12/2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**2,119,174**			**9,384,474**		
Financial instruments traded but not yet settled (1):	2,030,843			5,095,760		
- *Government bonds*	*2,030,843*			*5,095,760*		
Financial instruments in the portfolio (2):	88,331			4,288,714		
- *Government bonds*	*88,331*			*4,288,714*		
2. Equities	**2,307,856**			**978,707**		
Financial instruments traded but not yet settled (1):	1,999,210			545,384		
- *Equity instruments*	*1,999,210*			*545,384*		
Financial instruments in the portfolio (2):	308,646			433,323		
- *Equity instruments*	*308,646*			*433,323*		
Total	**4,427,030**			**10,363,181**		

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

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

Items/Values	Total 31/12/2019			Total 31/12/2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	**5,534,020,801**			**5,616,062,583**		
1.1 Structured instruments	-			-		
1.2 Other debt instruments	5,534,020,801			5,616,062,583		
of which: securities purchased through equity financing	*123,862,565*			*123,305,828*		
of which: securities purchased with contributions of the participants	*5,410,158,236*			*5,492,756,755*		
Total	**5,534,020,801**	**-**	**-**	**5,616,062,583**	**-**	**-**

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

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 EU regulation no. 648/2012 (EMIR), Article 47, paragraphs 1 and 2 in terms of Regulatory Capital invested in secured assets.

The overall investment amounts to € 5,534,020,801, corresponding to a nominal value of € 5,430,600,000 of securities in portfolio, and a purchase value of € 5,587,849,864, adjusted for interest not yet accrued at the date and € 7,451,355 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 € 123,862,565 corresponding to a nominal value of € 121,800,000 and a purchase value of € 127,145,542, adjusted for interest not yet accrued at the date and € 235,723 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, Portugal and Spain; Supranational Bonds issued by the European Investment Bank, the European Stability Mechanism and European Financial Stability Facility, as well as securities issued by the Spanish (Instituto de Credito Oficial) and German government agencies (Kreditanstalt fur Wiederaufbau). 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 prepaid and deferred taxes are referred to 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 impacting on comprehensive income: breakdown by debtor/issuers

Items/Values	Total 31/12/2019	Total 31/12/2018
1. Debt instruments	**5,534,020,801**	**5,616,062,583**
- Governments and Central Banks	4,703,377,091	4,923,127,463
- Other issuers	830,643,710	692,935,120
Total	**5,534,020,801**	**5,616,062,583**

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

Item 40a - Receivables from banks

This item amounted to € 12,048,535,680 (€ 11,073,310,105 in the previous year).

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

Breakdown	Total 31/12/2019						Total 31/12/2018					
	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	**10,472,416,312**					**10,472,416,312**	**9,507,403,838**					**9,507,403,838**
Cash in bank accounts originated from own funds (1)	29,352,826					29,352,826	28,893,757					28,893,757
Cash in bank accounts originated by payments of the participants (1)	19,217,143					19,217,143	14,454,200					14,454,200
Cash in Banca Centrale Nazionale accounts originated by payments of the members (2)	10,423,846,343					10,423,846,343	9,464,055,881					9,464,055,881
2. Loans	**350,000,000**					**350,000,000**	**330,000,000**					**330,000,000**
2.1 Repurchase agreements (3)	350,000,000					350,000,000	330,000,000					330,000,000
4. Other assets	**1,226,119,368**					**1,226,119,368**	**1,235,906,267**					**1,235,906,267**
Clearing commissions on contracts entered into in relevant month (4)	2,371,491					2,371,491	1,102,118					1,102,118
Commissions on securities deposited as collateral (4)	362,613					362,613	302,032					302,032
Receivables from participants for margins and premiums	24,607,476					24,607,476	10,635,430					10,635,430
Receivables guaranteed by securities (5)	1,178,777,788					1,178,777,788	1,193,866,687					1,193,866,687
Receivables from MIC members (6)	20,000,000					20,000,000	30,000,000					30,000,000
Total	**12,048,535,680**					**12,048,535,680**	**11,073,310,105**					**11,073,310,105**

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

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

(2) 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.

(3) The rule provided for in Article 45, paragraph 2 of the Delegated Regulation No 153/2013 (ESMA) provides 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 amounts have been collected on the first day of market trading of the month following the reference month.

(5) 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.

(6) These refer to existing contracts traded on the Collateralised Interbank Market (MIC Mercato Interbancario Collateralizzato) as of the closing of the financial year.

Item 40b – Receivables from financial companies

This item amounted to € 3,389,581,925 (€ 4,334,816,824 in the previous year).

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

Breakdown	Total 31/12/2019						Total 31/12/2018					
	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:	**3,389,581,925**					**3,389,581,925**	**4,334,816,824**					**4,334,816,824**
Clearing commissions on contracts entered into in relevant month (1)	645,972					645,972	1,869,513					1,869,513
Commissions on securities deposited as collateral (1)	2,182					2,182	3,156					3,156
Receivables from participants for margins and premiums							461,391,317					461,391,317
Receivables guaranteed by securities (2)	8,888,691					8,888,691	4,289,838					4,289,838
Receivables from other clearing and guarantee systems (3)	3,379,218,670					3,379,218,670	3,866,610,718					3,866,610,718
Receivables from Group financial companies	59,658					59,658	-					-
Other receivables for services (4)	766,752					766,752	652,282					652,282
Total	**3,389,581,925**					**3,389,581,925**	**4,334,816,824**					**4,334,816,824**

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

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

(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 correspond to the margins paid to LCH Clearnet SA for the interoperability link existing with the French central counterparty on the MTS market; in particular the balance can be broken down into € 2,804,512,294 for initial margins and € 569,000,000 for the Additional Initial Margin, as well as receivables from interest for € 5,706,376.

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

Item 40d – Other receivables

This item amounted to € 140,345,761,554 (€ 152,773,825,364 in the previous year).

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

Breakdown	Total 31/12/2019						Total 31/12/2018					
	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:	**140,345,761,554**					**140,345,761,554**	**152,773,825,364**					**152,773,825,364**
Receivables for interest on cash deposited by participants (1)	32,546,290					32,546,290	21,329,124					21,329,124
Receivables from repo transactions for CCP activities (2)	140,312,649,163					140,312,649,163	152,752,492,779					152,752,492,779
Receivables vis-a-vis participants in the ICSD settlement system	566,101					566,101	3,461					3,461
Total	**140,345,761,554**					**140,345,761,554**	**152,773,825,364**					**152,773,825,364**

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

(1) These represent interest owed to the members on the cash deposited to cover initial margins and default funds. The rate applied to deposits is equal to the daily Eonia rate minus 30 basis points for margins and the daily Eonia rate minus 25 basis points for default funds.

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

(3) 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 in terms of Bank of Italy Circular 140 of 11 February 1991 containing the "Instructions relative to 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 31/12/2019**	**Total 31/12/2018**
1. Owned assets	**1,113,970**	**857,633**
c) furniture	15,702	21,614
d) electronic systems	1,098,268	836,019
e) other	0	0
2. Rights of use acquired with leasing	**728,417**	**0**
b) buildings	0	0
d) electronic systems	706,429	0
e) other	21,988	0
Total	**1,842,387**	**857,633**

During this financial year electronic systems were purchased for € 706,429.

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**	**8,740,200**	**0**	**9,408,259**
A.1 Total net value reductions	(646,466)	(7,904,159)	0	(8,550,625)
A.2 Net opening balance	**21,593**	**836,041**	**0**	**857,634**
B. Increases	**0**	**600,578**	**1,566,397**	**2,166,975**
B.1 Purchases	0	600,578	-	600,578
B.7 Other changes	0	0	1,566,397	1,566,397
C. Decreases	**(5,891)**	**(338,351)**	**(837,980)**	**(1,182,222)**
C.1 Sales	-	-	-	-
C.2 Amortization and depreciation	(5,891)	(338,351)	(837,980)	(1,182,222)
C.7 Other changes	0	0	-	-
D. Net closing balance	**15,702**	**1,098,268**	**728,417**	**1,842,387**
D.1 Total net value reductions	(652,357)	(8,242,510)	(837,980)	(9,732,847)
D.2 Gross closing balance	**668,059**	**9,340,778**	**1,566,397**	**11,575,234**

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown

Items/Measurement	Total 31/12/2019		Total 31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
2. Other intangible assets:	**3,127,664**		**2,393,859**	
2.1 own assets	3,127,664		2,393,589	
- other	3,127,664		2,393,589	
2.2 Rights of use acquired with leasing	0		0	
Total	**3,127,664**		**2,393,859**	

9.2 Intangible assets: annual changes

	Total
A. Opening balance	**2,393,859**
B. Increases	**1,689,694**
B.1 Purchases	1,689,694
C. Decreases	**(955,889)**
C.2 Amortization and depreciation	(955,889)
D. Final balance	**3,127,664**

Increases for software purchases (€ 1,689,694) related mainly to:

- developments of the Clearing system to enable the settlement of the positions with a CSD other than Monte Titoli (Cross CSD);
- supply of the Clearing system technological service in “Software as a Service” (SaaS) mode, as per EMIR rules, to the Austrian Central Counterparty (CCP.a), replacing the system provided by the London Stock Exchange;
- adoption of a margining system, “Value at Risk” type methodology for the fixed income portion;
- licence renewal for the Treasury system.

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 2019 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 31/12/2019**	**Total 31/12/2018**
Tax assets:		
a) current	-	-
b) deferred	-	3,075,685
Total	**-**	**3,075,685**

10.2 "Tax liabilities: current and deferred": breakdown

Items/Breakdown	Total 31/12/2019	Total 31/12/2018
Tax liabilities:		
a) current	(804,207)	(153,531)
b) deferred	(2,228,462)	-
Total	**(3,032,669)**	**(153,531)**

Current tax liabilities, of € 804,207 at 31 December 2019, were made up:

- for € 323,276, of the net balance between the estimated payable for IRES surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015 for financial year 2019 and the related advances paid;
- for € 480,931, of the net balance between the estimated payable for IRAP for financial year 2019 and the related advances paid.

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

	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**318,518**	**431,855**
2. Increases	**-**	**21,734**
2.1 Prepaid tax recorded during the year	-	21,734
d) other	-	21,734
3. Decreases	**(318,518)**	**(135,071)**
3.1 Prepaid tax cancelled during the year	(318,518)	(135,071)
a) reversals	(318,518)	(135,071)
4. Final amount	**-**	**318,518**

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

	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**-**	**-**
2. Increases	**400,447**	**-**
2.1 Deferred tax recorded during the year	400,447	-
a) related to previous FYs	318,518	-
c) other	81,929	-
3. Decreases	**(45,785)**	**-**
3.1 Deferred tax cancelled during the year	(45,785)	-
a) reversals	-	-
c) other	(45,785)	-
4. Final amount	**354,662**	**-**

Increases for deferred tax liabilities recorded during the year

Items/Technical forms	Amounts	IRES	IRAP	TOTAL
Non-deductible amortisations	1,217,206	334,732	-	334,732
Unpaid emoluments due to directors	43,000	11,825	-	11,825
Amount set aside to provisions for corporate restructuring	91,810	25,248	-	25,248
AUDIT FEES – increase of Audit costs	39,900	10,972	-	10,972
Allocation to provision for bad debts	53,432	14,694	2,976	17,670
Total	**1,445,348**	**397,471**	**2,976**	**400,447**

Reductions for deferred tax liabilities cancelled during the year

Items/Technical forms	Amounts	IRES	IRAP	TOTAL
Prepaid taxes on employee severance indemnity OCI as at 3	(203,545)	(55,975)	-	(55,975)
Unrealized exchange gains	(14,704)	(4,043)	-	(4,043)
Prepaid taxes on employee severance indemnity for the year	51,758	14,233	-	14,233
Total	**(166,491)**	**(45,785)**	**-**	**(45,785)**

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

	Total 31/12/2019	Total 31/12/2018
1. Opening balance	**2,757,167**	**(777,437)**
2. Increases	-	**3,534,604**
2.1 Deferred tax recorded during the year	-	3,534,604
c) other	-	3,534,604
3. Decreases	**(5,340,292)**	**-**
3.1 Deferred tax cancelled during the year	-	-
c) other	(5,340,292)	-
4. Final amount	**(2,583,125)**	**2,757,167**

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 € 2,001,303 (€ 1,148,548 in the previous year).

12.1 Other assets: breakdown

Breakdown	Total 31/12/2019	Total 31/12/2018
Receivables from Group companies (1)	1,347,612	698,775
Receivables relating to bankruptcy proceedings (2)	38,508	38,508
Tax credits	23,223	-
Guarantee deposits	2,500	2,500
Other receivables (3)	589,460	408,765
Total	**2,001,303**	**1,148,548**

(1) "Receivables from Group companies", for a total of € 1,347,612 were recognised in relation to:

- LSE plc for € 1,015,325 relating to invoices issued and not yet collected;

- LSE Technology Ltd for € 131,921 relating to invoices issued and not yet collected;
- London Stock Exchange Group Holdings Italia S.p.A. for € 200,366 relating to the refund of the annual contribution payable to the Italian Antitrust Authority for which the group made an application for a refund in 2019.

(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 which sustained 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 € 589,460 refer mainly for € 464,388 to prepaid expenses for costs incurred but not yet accrued, for € 15,518 to withholding tax on bank interest, and for € 37,469 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 € 161,126,629,864 (€ 173,636,764,589 at 31 December 2018).

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

Items	Total 31/12/2019				Total 31/12/2018			
	due to banks	due to financial institutions	due to customers	others	due to banks	due to financial institutions	due to customers	others
1. Loans					**460,000,000**			
1.1 Repurchase agreements					460,000,000			
2. Leasing payables (1)				**738,214**				
3. Other payables	**22,427,660**	**4,351,842,379**		**156,751,621,611**	**31,512,836**	**6,855,272,157**		**166,289,979,596**
Interest payable (2)	2,427,660				1,512,836			
Due to participants for margins and premiums				7,541,529,099				7,139,694,142
Due to participants for advance account deposits				1,472,367,960				974,640,723
Due to participants in default funds				7,425,053,000				5,416,502,000
Due to discount scheme participants								
Due for repo transactions for CCP activities (3)				140,312,649,163				152,752,492,779
Due to other clearing and guarantee systems (4)		4,351,842,379				6,855,272,157		
Due to participants in MIC	20,000,000				30,000,000			
Due to participants in the securities settlement system T2S and ICSD				22,389				6,426,058
Total	**22,427,660**	**4,351,842,379**		**156,752,359,825**	**491,512,836**	**6,855,272,157**		**166,289,979,596**
Fair value - level 1								
Fair value - level 2								
Fair value - level 3	**22,427,660**	**4,351,842,379**		**156,752,359,825**	**491,512,836**	**6,855,272,157**		**166,289,979,596**
Total Fair value	**22,427,660**	**4,351,842,379**		**156,752,359,825**	**491,512,836**	**6,855,272,157**		**166,289,979,596**

(1) These are financial payables due to the introduction of the new accounting standard IFRS 16.

(2) This amount includes € 264,599 of interest payable accrued on investments and Repo loans and € 2,163,060, 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 2018 was equal to -50 bps.

(3) 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.

(4) These correspond to the margins paid by LCH Clearnet SA for the interoperability link existing with the French central counterparty on the MTS market. The item includes € 3,750,630,798 for initial margins, € 569,000,000 for the additional initial margin, € 3,561,902 for interest payable by CC&G on cash deposited as initial margins and additional initial margin, and € 28,649,679 for margins to cover fail positions.

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

This item amounts to € 13,440,800,883 (€ 5,417,825,243 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 31/12/2019					Total 31/12/2018				
	NV	*Fair Value*			Fair value*	NV	*Fair Value*			Fair value*
		L1	L2	L3			L1	L2	L3	
B. Derivative instruments		**13,440,800,883**					**5,417,825,243**			
1. Financial derivatives		13,440,800,883					5,417,825,243			
S&P stock market index derivatives:	x	*11,828,365,078*			x	x	*3,679,688,808*			x
- Futures	x	*11,175,482,000*			x	x	*2,903,996,130*			x
- Mini Futures	x	*54,628,030*			x	x	*56,644,670*			x
- Options	x	*598,255,048*			x	x	*719,048,008*			x
Single stock derivatives:	x	*1,608,175,477*			x	x	*1,728,751,121*			x
- Futures	x	*807,926,273*			x	x	*741,338,821*			x
- Options	x	*800,249,204*			x	x	*987,412,300*			x
Commodities derivatives	x	*4,260,328*			x	x	*9,385,314*			x
Total		**13,440,800,883**					**5,417,825,243**	-	-	

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 31/12/2019				Total 31/12/2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without Central Counterparties: With clearing agreements	Without Central Counterparties: Without clearing agreements		Central Counterparties	Without Central Counterparties: With clearing agreements	Without Central Counterparties: Without clearing agreements	
2. Equities and share indices				**13,436,540,555**				**5,408,439,929**
- Fair Value				13,436,540,555				5,408,439,929
5. Goods				**4,260,328**				**9,385,314**
- Fair Value				4,260,328				9,385,314
Total	**-**	**-**	**-**	**13,440,800,883**	**-**	**-**	**-**	**5,417,825,243**

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

This item amounted to € 4,030,069 (€ 5,813,447 in the previous year) and includes:

3.1 Financial liabilities measured at fair value: breakdown by type

Liabilities	Total 31/12/2019					Total 31/12/2018				
	NV	*Fair Value*			FV*	NV	*Fair Value*			FV*
		L1	L2	L3			L1	L2	L3	
2. Debt instruments		4,030,069			x		5,813,447			x
Bonds		*2,030,859*					*5,245,332*			
Financial instruments traded but not yet settled		*2,030,843*					*5,095,760*			
- Government bonds										
Financial instruments in the portfolio		*16*					*149,572*			
- Valuation on Government bonds (1)					x					x
Other securities		*1,999,210*					*568,115*			
Financial instruments traded but not yet settled:		*1,999,210*					*545,384*			
- Equity instruments										
Financial instruments in the portfolio:		*0*					*22,731*			
- Valuation of equity instruments (2)										
Total		**4,030,069**					**5,813,447**			

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 and which have been delivered to the respective purchasers on the closing date of the financial year.

(2) This value relates to the measurement at market prices on the reporting date of shares withdrawn from the T2S settlement system for instruments settling both in Euro and in US Dollars and 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 € 9,968,053 (€ 7,122,636 in the previous financial year), can be broken down as follows:

8.1 Other liabilities: breakdown

Items	Total 31/12/2019	Total 31/12/2018
Due to intercompany suppliers (1)	5,083,438	1,788,242
Sundry payables (2)	1,834,456	2,776,187
Due to suppliers (3)	1,761,317	1,265,036
Due for recoveries from bankruptcy proceedings (4)	648,686	648,686
Due to social securities and insurance institutions	633,695	588,640
Tax payables	5,405	55,384
Due to customers	161	161
Deferred income	895	300
Total	**9,968,053**	**7,122,636**

(1) Payables to Group companies for a total of € 5,083,438 were recognised in relation to:

- LSE Group Holdings Italia S.p.A. for € 2,241,560 due to the net balance between the estimated payable for IRES of the Group national tax consolidation for financial year 2019 and the related advances paid;
- Borsa Italiana S.p.A. for € 2,270,355 for invoices to be paid and for invoices to be issued;
- Monte Titoli S.p.A. for € 397,814 for invoices to be paid and for invoices to be issued;
- GATElab S.r.l. for € 96,000 for invoices to be paid;
- LSE Group Plc for € 70,786 for invoices to be paid and for invoices to be issued;
- LSE Business Service Ltd for € 6,191 for invoices to be issued;
- Mts S.p.A. for € 732 for invoices to be paid.

(2) 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.

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

(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

	Total 31/12/2019	Total 31/12/2018
A. Opening balance	**1,119,084**	**1,160,559**
B. Increases	**249,176**	**164,444**
B1. Provision for the year	113,681	39,613
B2. Other increases	135,495	124,831
C. Decreases	**(155,404)**	**(205,919)**
C1. Settlements made	(27,233)	(34,576)
C2. Other decreases	(128,171)	(171,343)
D. Final balance	**1,212,856**	**1,119,084**

This table represents the annual changes in the company's employee severance indemnity (TFR). The discounted value as per IAS 19 amounted to € 1,001,462 at 31 December 2019.

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

	31/12/2019	31/12/2018
Annual technical discount rate	0.71%	1.57%
Annual inflation rate	1.00%	1.50%
Annual rate of salary increase for managers and middle managers	3.00%	3.50%
Annual rate of salary increase for administrative staff	2.00%	2.50%
Annual rate of increase of the Employee Severance Indemnity (TFR)	2.25%	2.63%

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.

The sensitivity analysis, performed on the main variables adopted in the actuarial calculation of the Severance Indemnity Provisions, is presented below.

Yearly discount rate		Annual inflation rate		Annual turnover rate	
+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
937,899	1,071,470	1,014,854	988,334	958,689	1,070,986

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

The shareholders' equity at the reporting date amounted to € 184,424,980 (€ 164,880,688 in the previous financial 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**	**21,904,893**	**2,082,568**	**70,540**	**227,485**	**(5,754,834)**	**57,128,833**	**84,777,899**
B. Increases	**-**	**-**	**244,482**	**-**	**-**	**86,140**	**10,742,026**	**308,307**	**13,380,955**
B1. Allocation of income	-	-	2,244,482	-	-	-	-	308,307	2,552,789
B2. Other increases	-	-	-	-	-	86,140	10,742,026	-	10,828,166
C. Decreases	**-**	**-**	**-**	**-**	**15,031**	**-**	**-**	**-**	**15,031**
C1. Settlements made	-	-	-	-	-	-	-	-	-
C2. Other decreases	-	-	-	-	15,031	-	-	-	15,031
D. Final balance	**6,600,000**	**2,518,414**	**22,149,375**	**2,082,568**	**55,509**	**313,625**	**4,987,192**	**57,437,140**	**98,143,823**

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 available for sale in the portfolio at 31 December 2019 - shown in item 30, BS Assets - and other reserves.

€ 21,649,375 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 18 April 2018 of the previous reserve amounting to € 19,404,893 (with an increase of € 2,244,482 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 24,149,375 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 draw downs made in past three years	
				To cover losses	For other reasons
Share capital	**33,000,000**				
Income reserves:	**98,143,823**				
Legal reserve	6,600,000	B			
Extraordinary reserve	2,518,414	A, B, C	2,518,414		
Revaluation reserve, of which:					
- *revaluation of securities*	4,987,192	D			
- *severance indemnity revaluation*	313,625	D			
Regulatory reserves (*)	24,149,375	B, D			
Other reserves	57,437,140	A, B, C	57,437,140		
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	53,281,157		53,281,157		
Total	**184,424,980**		**113,236,711**	0	0

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

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 € 2,908,617,829 (€ 2,524,278,152 in the previous financial year) and can be broken down as follows:

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt instruments	Loans	Other transactions	Total 31/12/2019	Total 31/12/2018
2. Financial assets measured at fair value impacting on comprehensive income (1)	**(9,873,938)**			**(9,873,938)**	**(9,370,885)**
3. Financial assets measured at amortised cost:		**(53,607,125)**	**2,972,098,892**	**(53,607,125)**	**(30,665,166)**
3.1 Receivables from banks		(53,607,125)		**(53,607,125)**	**(30,665,166)**
- on deposits with commercial banks (2)		*59,686*		***59,686***	***95,442***
- on deposits with the National Central Bank (3)		*(52,578,549)*		***(52,578,549)***	***(28,057,971)***
- on Repos assets (4)		*(1,088,262)*		***(1,088,262)***	***(2,702,637)***
3.2 Receivables from financial companies			(13,896,091)	**(13,896,091)**	**(15,471,837)**
- on deposits with other clearing and guarantee systems (5)			(13,896,091)	**(13,896,091)**	**(15,471,837)**
3.3 Receivables from costumers			2,985,994,983	**2,985,994,983**	**2,579,786,040**
- on Repos for CCP activities (6)			2,985,994,983	**2,985,994,983**	**2,579,786,040**
Total	**(9,873,938)**	**(53,607,125)**	**2,972,098,892**	**2,908,617,829**	**2,524,278,152**

(1) This item includes negative interest accrued on securities in the portfolio at 31 December 2019 for € -9,873,938 (€ -9,370,885 at 31 December 2018).

(2) The item includes interest accrued on on-demand bank deposits equal to € 59,686 at 31 December 2019 (€ 95,442 at 31 December 2018).

(3) The item includes negative interest accrued on deposits with the National Central Bank, equal to € -52,578,549 at 31 December 2019, 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 2019, was -50 basis points. At 31 December 2018, interest payable accrued amounted to € -28,057,971 with a negative interest rate equal to -40 basis points.

(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 interest payable accrued on amounts deposited with LCH Clearnet SA for initial margins and the Additional Initial Margin.

(6) The item includes the valorisation of repos as at 31 December 2019 for central counterparty activities.

Interest expenses and similar charges- Item 20

This item amounted to € 2,857,726,070 (€ 2,481,186,753 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 31/12/2019	Total 31/12/2018
1. Financial liabilities measured at amortised cost	(128,285,538)		2,985,994,983	**2,857,709,445**	**2,481,186,753**
1.1 Due to banks	(1,953,549)			**(1,953,549)**	**(1,250,276)**
- on Repos assets (1)	*(1,953,549)*			***(1,953,549)***	***(1,250,276)***
1.2 Due to financial companies	(21,124,945)			**(21,124,945)**	**(12,031,854)**
- on deposits with other clearing and guarantee systems (2)	*(21,124,945)*			***(21,124,945)***	***(12,031,854)***
1.3 Due to customers:	(105,207,044)		2,985,994,983	**2,880,787,939**	**2,494,468,883**
- on deposits by clearing members (3)	*(105,207,044)*			***(105,207,044)***	***(85,317,157)***
- on Repos for CCP activities (4)			*2,985,994,983*	***2,985,994,983***	***2,579,786,040***
4. Other liabilities			16,625	**16,625**	**-**
Total	**(128,285,538)**		**2,986,011,608**	**2,857,726,070**	**2,481,186,753**
of which: interest expense related to leasing payables			16,625	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 CC&G deposited with LCH Clearnet SA 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. In fact, the Company has adopted a pricing list whereby the cash deposited by the members entails a negative remuneration at the daily Eonia rate minus 30 basis points for margins and minus 25 basis points for default funds.

(4) The item includes the valorisation of repos as at 31 December 2019 for central counterparty activities.

Section 2 - Commissions - Items 40 and 50

Commission receivable - Item 40

This entry includes commissions received for services performed, amounting to € 48,259,546 (€ 45,880,935 in the previous financial year), as shown in the following table:

2.1 Commission receivables: breakdown

Breakdown	**Total 31/12/2019**	**Total 31/12/2018**
e) services:	33,682,129	34,740,137
- others	33,682,129	34,740,137
- clearing activities	*33,682,129*	*34,740,137*
h) other commissions:	14,577,417	11,140,798
- other clearing commissions	*6,129,053*	*5,270,942*
- shareholdings	*4,005,792*	*3,319,471*
- commissions on guarantees deposited	*4,442,572*	*2,550,385*
Total	**48,259,546**	**45,880,935**

Commissions payable - Item 50

2.2 Commissions payable: breakdown

Breakdown/Sectors	**Total 31/12/2019**	**Total 31/12/2018**
d) other commissions	1,482,447	1,395,894
- bank commissions	*1,482,447*	*1,395,894*
Total	**1,482,447**	**1,395,894**

This item amounted to € 1,482,447 (€ 1,395,894 in the previous financial year) and includes commissions payable for lines of credit (for € 452,326), and costs incurred for bank services.

Section 3 - Dividends and similar income - Item 70

This item amounted to € 6,476 (€ 4,711 in the preceding financial year) and represents the amount of dividends collected on withdrawn securities cum-dividend, delivered in subsequent gross settlement cycles, without 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 31/12/2019		Total 31/12/2018	
	Dividends and similar income	Similar income	Dividends and similar income	Similar income
B. Other financial assets obligatorily measured at fair value	6,476	-	4,711	-
Total	**6,476**	**-**	**4,711**	**-**

Section 4 – Net income from trading activities – Item 80

4.1 Net income from trading activities: breakdown

Voci/Componenti reddituali	Plusvalenze (A)	Utili da negoziazione (B)	Minusvalenze (C)	Perdite da negoziazione (D)	Risultato netto [(A+B) - (C+D)]
4. Strumenti derivati:		**13.055.044.415**		**13.055.044.415**	
4.1 Derivati finanziari		13.055.044.415		13.055.044.415	
Margini di variazione per attività di CCP		*7.903.242.757*		*7.903.242.757*	
Premi su opzioni per attività di CCP		*5.151.801.658*		*5.151.801.658*	
Totale	-	**13.055.044.415**	-	**13.055.044.415**	-

This item represents the losses and profits which, as at 31 December 2019, the Company has obtained as results from 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 € 4,677,968 (€ 5,180,864 in the previous year).

6.1 Profit (Loss) from sale or repurchase: breakdown

Items/Income components	Total 31/12/2019			Total 31/12/2018		
	Profit	Loss	Net result	Profit	Loss	Net result
A. Financial assets	**4,677,968**	**-**	**4,677,968**	**5,180,864**	**-**	**5,180,864**
2. Financial assets measured at fair value impacting on comprehensive income	4,677,968	-	4,677,968	5,180,864	-	5,180,864
2.1 Debt instruments	*4,677,968*	-	*4,677,968*	*5,180,864*	-	*5,180,864*
Total Assets (A)	**4,677,968**	**-**	**4,677,968**	**5,180,864**	**-**	**5,180,864**

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. The investment of securities in the portfolio is currently diversified into six Eurozone countries, Belgium, France, Ireland, Italy, Spain and Portugal; on Supranational Securities issued by the European Investment Bank, the European Stability Mechanism and European Financial Stability Facility, as well as securities issued by Spanish (Instituto de Credito Oficial) and German government agencies (Kreditanstalt fur Wiederaufbau).

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

The balance of this item amounted to € 40,031 (€ 97,315 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	**(4,030,053)**	**46,507**	**6,476**		**(3,990,022)**
1.1 Debt instruments	(2,030,843)	2,207	6,476		**(2,035,112)**
1.2 Equity securities	(1,999,210)	44,300			**(1,954,910)**
2. Financial liabilities			**(4,030,053)**		**4,030,053**
2.1 Debt instruments			(2,030,843)		**2,030,843**
2.2 Equity securities			(1,999,210)		**1,999,210**
Total	**(4,030,053)**	**46,507**	**(4,023,577)**	**-**	**40,031**

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

This item amounted to € 22,201,368 (€ 22,965,093 in the previous year).

10.1 Personnel expenses: breakdown

Type of expense/values	**Total 31/12/2019**	**Total 31/12/2018**
1. Employees:	**6,912,576**	**8,142,044**
a) Wages and salaries	4,665,018	4,679,974
b) Social security charges	1,200,926	1,143,216
d) Welfare costs	136,681	172,150
e) Provisions for employee severance indemnities	474,134	468,812
h) other employee benefits (1)	435,817	1,677,892
2. Other employees in service (2)	**829,249**	**911,698**
3. Directors and Auditors (3)	**232,156**	**230,216**
Total	**7,973,981**	**9,283,958**

(1) The item other employee benefits includes a retirement incentive, training expenses, meal allowance indemnity and insurance policies.

(2) The "Other employees in service” item includes costs relating to employees seconded to CC&G by Borsa Italiana S.p.A. after deducting the costs for CC&G personnel seconded to the holding company Borsa Italiana S.p.A.

(3) 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	**31/12/2018**	Recruitments	Resignations	Promotions	**31/12/2019**	Average
Executives	7	-	-	-	7	7.0
Middle managers	19	1		1	21	21.0
Administrative staff	39	2	(3)	(1)	37	37.0
Total employees	**65**	**3**	**(3)**	**-**	**65**	**65.0**
Seconded in	13	-	(1)	-	12	12.5
Seconded out	(1)	-	1	-	-	(0.5)
Total employees and secondments	**77**	**3**	**(3)**	**-**	**77**	**77.0**

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 31/12/2019**	**Total 31/12/2018**
IT Services (1)	9,034,986	8,000,851
Professional services (2)	1,658,505	1,913,425
Expenses for Company offices (3)	1,606,253	1,538,838
Contributions to Authorities (4)	393,449	652,230
Telematic and data transmission services	660,502	559,988
EMIR Compliance and Trade Repository (5)	314,523	479,724
Other expenses	443,673	457,344
Insurance costs	106,775	60,031
Corporate bodies operating costs	8,721	18,704
Total other administrative expenses	**14,227,387**	**13,681,135**

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

(2) 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.

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

(4) The item mainly includes the CONSOB contribution of € 526,277 and the AGCM contribution of € 67,538. This item also includes the refund (of € 200,366) obtained from AGCM following acceptance of the refund application made in 2019.

(5) 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 € 1,182,222 at 31 December 2019 (€ 211,715 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. Tangible assets	1,182,222			**1,182,222**
A.1 for functional use	1,182,222			**1,182,222**
- Owned by the company	344,242			**344,242**
- Rights of use acquired with leasing	837,980			**837,980**
Total	**1,182,222**	**-**	**-**	**1,182,222**

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

This item amounted to € 955,889 (€ 1,410,571 in the previous year).

13.1 Net value adjustments to intangible assets: breakdown

Assets/Income components	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill	**955,889**			**955,889**
1.1 own assets	955,889			955,889
1.2 rights of use acquired with leasing	0			0
Total	**955,889**	**-**	**-**	**955,889**

Section 14 - Other operating expenses and income - Item 200

This item amounting to € 1,517,522 (€ 2,179,995 in the previous financial year) refers to expenses for € 53,051 and income for € 1,570,573.

14.1 Other operating expenses: breakdown

Items/Sectors	**Total 31/12/2019**	**Total 31/12/2018**
Negative rounding up	57	276
Exchange losses	52,794	25,898
Other non deductible costs	200	35
Total operating expenses (A)	**53,051**	**26,209**

14.2 Other operating income: breakdown

Items/Sectors	**Total 31/12/2019**	**Total 31/12/2018**
Sundry income (intercompany re-charging)	1,303,018	1,319,816
Other operating income	264,811	854,582
Exchange gain	-	3,548
Other income	2,744	28,258
Total operating income (B)	**1,570,573**	**2,206,204**
Total other operating expenses and income (B-A)	**1,517,522**	**2,179,995**

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

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

This item amounted to € 26,290,219 (€ 23,349,157 in the previous year).

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

	Total 31/12/2019	Total 31/12/2018
1. Current taxes (-)	26,285,708	23,224,102
2. Change in current taxes of previous years (+/-)	40,655	21,725
5. Changes in deferred taxes (+/-)	(36,144)	103,330
6. Taxes for the period (-) (-1+/-2+/-5)	**26,290,219**	**23,349,157**

Current taxes, a total expense of € 26,285,708 at 31 December 2019, were made up:

- for € 18,947,299 of the expense for IRES deriving from the transfer of taxable income to the Group national tax consolidation;
- for € 2,763,148 of the IRES surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015;
- for € 4,575,261 of the expense for IRAP of the year.

Item 270 reports the total current taxes and the relevant decreases linked to the change in prepaid 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 31/12/2019
Profit before taxes	**79,571,376**
Theoretical IRES	21,882,128
Effect of increases	385,381
Effect of decreases	(345,129)
ACE deduction	(211,933)
Actual IRES	**21,710,447**
Irap	4,575,261
Adjustments of previous years	40,655
Deferred taxes	(36,144)
Total tax burden	**26,290,219**

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 31/12/2019**			**Total 31/12/2018**		
	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)	26,866,966,581	13,426,165,698	13,440,800,883	20,350,679,930	14,932,854,687	5,417,825,243
Government bonds (item 20c)	2,861,158	830,315	2,030,843	8,191,992	3,096,232	5,095,760
Equity instruments (item 20c)	6,375,416	4,376,206	1,999,210	1,539,747	994,363	545,384
Receivables from repo transactions for CCP activities (item 40d)	174,050,264,746	33,737,615,583	140,312,649,163	175,835,811,266	23,083,318,487	152,752,492,779
Total	**200,926,467,901**	**47,168,987,802**	**153,757,480,098**	**196,196,222,935**	**38,020,263,769**	**158,175,959,166**

Financial liabilities subject to offsetting

Items/Values	**Total 31/12/2019**			**Total 31/12/2018**		
	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)	26,866,966,581	13,426,165,698	13,440,800,883	20,350,679,930	14,932,854,687	5,417,825,243
Government bonds (item 30)	2,861,158	830,315	2,030,843	8,191,992	3,096,232	5,095,760
Equity instruments (item 30)	6,375,416	4,376,206	1,999,210	1,539,747	994,363	545,384
Receivables from repo transactions for CCP activities (item 10)	174,050,264,746	33,737,615,583	140,312,649,163	175,835,811,266	23,083,318,487	152,752,492,779
Total	**200,926,467,901**	**47,168,987,802**	**153,757,480,098**	**196,196,222,935**	**38,020,263,769**	**158,175,959,166**

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" (2,563.6 million euro) shows the nominal value of Government bonds (2,080.1 million euro), shares deposited in order to guarantee short call positions in options (2.5 million euro) and guarantees for the New MIC market (481.0 million euro) deposited by CCP members.

- "Securities to be received/delivered for transactions to be settled", for € 804.0 and € 805.0 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 share 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 shall 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;
  - for the remaining 50% of the shares awarded: the number of shares to be awarded on expiration of individual plans shall be determined on the basis of the growth of EPS or the basic adjusted profit per LSEG share.

- Matching Shares was 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 the 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 shall 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 awarded: the number of shares to be awarded upon expiration of individual plans shall 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 overall cost at 31 December 2019 for the award of shares and options on shares is equal to € 414,138.77 inclusive of the severance indemnity.

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

31/12/2019	**232-CC&G**			
n. azioni	Share Options	SAYE	LTIP	**Totale**
Saldo iniziale 01/01/19	0	4,888	46,199	**51,087**
Azioni assegate (granted)		2,118	6,963	**9,081**
Azioni trasferite		(319)		**(319)**
Azioni trasferite da UK				
Azioni esercitate (exercised)		(1,419)	(19,908)	**(21,327)**
Azioni forfetizzate (forfeited)			(2,306)	**(2,306)**
Azioni annullate (lapsed)				**0**
Saldo finale 31/12/19	**0**	**5,268**	**30,948**	**36,216**

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:

2019 The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	SAYE Sharesave Plan	LSEG LTIP Performance Shares			LSEG LTIP Matching Shares	Restricted Share Award Plan		
Date of grant	01-May-19	22-Mar-19	29-Aug-19	28-Nov-18	22-Mar-19	22-Mar-19	29-Aug-19	28-Nov-19
Grant date share price	£51.86	£45.94	£69.70	£68.98	£45.94	£45.94	£69.70	£68.98
Expected life	3.3 years	3 years	3 years	3 years	3 years	0.95 years to 2.95 years	2 years to 3 years	0.33 year to 4.33 years
Exercise price	£38.46 to £39.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	1.30%	1.50%	1.10%	0.90%	1.50%	1.50%	1.10%	0.90%
Risk-free interest rate	0.80%	0.70%	0.30%	0.50%	0.70%	0.65% to 0.72%	0.33% to 0.43%	0.49% to 0.74%
Volatility	23%	20.00%	20.00%	21.00%	20.00%	18.20% to 20.30%	20.00% to 21.40%	21.00% to 39.10%
Fair value	£14.41 to £15.00	-	-	-	-	£44.00 to £45.31	£67.40 to £68.16	£66.28 to £68.77
Fair value TSR	n.a.	£13.69	£27.09	£20.00	£13.69	n.a.	n.a.	n.a.
Fair value EPS	n.a.	£43.97	£67.40	£66.90 to £67.10	£43.97	n.a.	n.a.	n.a.

IFRS 2 - paragraphs 46 and 47

46 - An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

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 granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:

(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 2019 in being with them.

(Amounts in Euro)

	REVENUE	RECEIVABLES	ASSETS
Borsa Italiana S.p.A.			
- Rendering services and costs recharge		59,658	
- Work in Progress			95,150
- Custody, administration and Settlement	49,007		
GateLab S.r.l.			
- Work in Progress			96,000
London Stock Exchange Plc			
- Fees for services	1,015,325		
- Work in Progress			1,980
- Settlement		1,015,325	
LSEG Business Services Ltd			
- Work in Progress			6,505

LSEG Post Trade Services Limited			
- Custody, administration and Settlement	131,921		
- Settlement		131,921	
Monte Titoli S.p.A.			
- Fees for services	107,360		
LSEG Business Services Colombo (Private) Ltd			
- Man Effort Recharge			447
LSEGH Italia SpA			
- Rendering services and costs recharge		200,366	

	COSTS	PAYABLES
BIt Market Services S.p.A.		
- Fees for services	20,635	
Borsa Italiana S.p.A.		
- Fees for services	2,606,732	
- Seconded personnel	880,210	
- Rendering services and costs recharge		2,270,355
- Man Effort Recharge	2,778	
EuroMTS Ltd		
- Fees for services	25,000	
GateLab S.r.l.		
- Rendering services and costs recharge		96,000
London Stock Exchange Group Plc		
- Rendering services and costs recharge		11,670
- Share Scheme		59,116
- Insurance	106,775	
- Management fees Recharge	274,105	
London Stock Exchange Plc		
- Management fees Recharge	42,195	
LSEG Business Services Ltd		
- Fees for services	222,464	
- Rendering services and costs recharge		6,191
Monte Titoli S.p.A.		
- Fees for services	4,219,667	
- Seconded personnel	167,661	
- Rendering services and costs recharge		397,815
LSEGH Italia SpA.		
- Rentals and service charges	1,072,204	
- Tax consolidation		2,241,559
- Fees for services	36,908	
Mts SpA		
- Fees for services	2,400	
- Rendering services and costs recharge		732

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	852,274
Auditors	84,558

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

a. Benefits to short-term employees	454,855
b. Post-employment benefits	35,355
c. Other long-term benefits	-
d. Severance benefits	41,460
e. Payments based on shares	192,604
Total	724,274

Plan	Number of shares	Assignment date
LSEG Matching Share Award (2014) - Apr 2017	1,495	03/04/2017
LSEG Matching Share Award (2014) - Apr 2018	1,488	26/04/2018
LSEG Matching Share Award (2014) - Mar 2019	1,722	22/03/2019
LSEG Performance Share Award (2014) - Apr 2018	3,233	26/04/2018
LSEG Performance Share Award (2014) - Mar 2017	4,230	03/04/2017
LSEG Performance Share Award (2014) - Mar 2019	3,495	22/03/2019
LSEG Invested Share (2014) - Apr 2017	377	07/04/2017
LSEG Invested Share (2014) - Apr 2018	394	25/04/2018
LSEG Invested Share (2014) - Mar 2019	409	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

It is noted that as of the date of the financial statements at 31 December 2019, 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 closed on 31 December 2018.

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 2018, 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.

STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2018

(Amounts in €/1000)	**31-Dec-18**
Assets	
Non-current assets	1,440,275
Total current assets	10,672
TOTAL ASSETS	**1,450,947**
Liabilities	
Non-current liabilities	158,647
Current liabilities	80,785
TOTAL LIABILITIES	**239,432**
NET ASSETS	**1,211,515**
Equity	
Share capital	350,000
Reserves	798,390
(loos)/profit of the period	63,125
TOTAL EQUITY	**1,211,515**

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

(Amount in €/1000)	**31-Dec-18**
Revenues	79,511
TOTAL REVENUES	**79,511**
Employee's costs	1,362
Service costs	10,910
Depreciation and amortization	1,232
Operating expenses	204
TOTAL OPERATING COSTS	**13,708**
Finance income	1
Finance expense	3,728
PROFIT BEFORE TAX	**62,076**
Taxes	1,049
NET INCOME	**63,125**
Other elements with an impact on Shareholder's Equity	11
TOTAL NET INCOME	**63,136**

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 Legislative Decree No. 39 of 27 January 2010, the following table is shown below:

Services	**Entity that provided the service**	**Fees (euro)**
Legal accounting audit	EY S.p.A.	76,280
Other auditing services (Reporting Package	EY S.p.A.	39,462
Certification services	EY S.p.A.	2,238
Total		**117,980**

Capital Requirements

The European Banking Authority approved in December 2012 the 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"). Such an 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 such 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.

Moreover, for the purpose of having additional coverage in support of the Regulatory Capital, Cassa di Compensazione e Garanzia S.p.A. 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 S.p.A. - which takes into account the business risk, the market risk, the counterparty risk and operational risks - showed at 31 December 2019, a Skin in The Game equal to € 19,430,126.00 (25% of the total regulatory capital equal to € 77,720,502.00), 10% less than the comparable figure for 31 December 2018, of € 21,649,375.00.

The calculation of the Regulatory Capital at 31 December 2019 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)*	**31/12/2019**
Share capital	33,000,000
Reserves (*)	98,143,823
Net profit allocated to reserves	20,336,157
Total Shareholder's Equity	**151,479,980**
Intangible assets	(3,127,664)
AFS and FTA reserves	(5,356,326)
Share Awards	(2,082,568)
Total Shareholder's Equity after prudential filter	**140,913,422**
Skin in the Game (SIG)	19,430,126
Total "NET" Shareholder's Equity	**121,483,296**

Capital Requirement as per art. 16 EMIR Regulation *(Amounts in Euro)*	**31/12/2019**
Winding down/restructuring requirement	11,578,628
Credit, Market and Counterparty risk	45,773,513
Operational risk	14,579,047
Business Risk	5,789,314
Total Capital Requirement (TCR)	**77,720,502**
Notification threshold (10%)	7,772,050
TCR + Notification threshold	**85,492,552**
Internal Buffer (IB)	1,000,000
Second Skin in the Game (SIG2)	1,500,000
TCR + Notification threshold + SIG2 + IB	**87,992,552**

(*) this item includes restricted reserves equal to € 24,149,375.00 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 2019 amounted to € 140,913,422.00 (on an overall amount of Shareholders' Equity on the same date of € 151,479,980.00 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 risks of winding down and restructuring;
- the 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 € 77,720,502.00 (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 27 April 2020) to a restricted reserve of up to € 19,430,126.00. The Internal Buffer reserve, equal to € 1,000,000.00 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 € 1,500,000.00, and allocated to a restricted reserve by the Shareholders' Meeting of 13 April 2016.

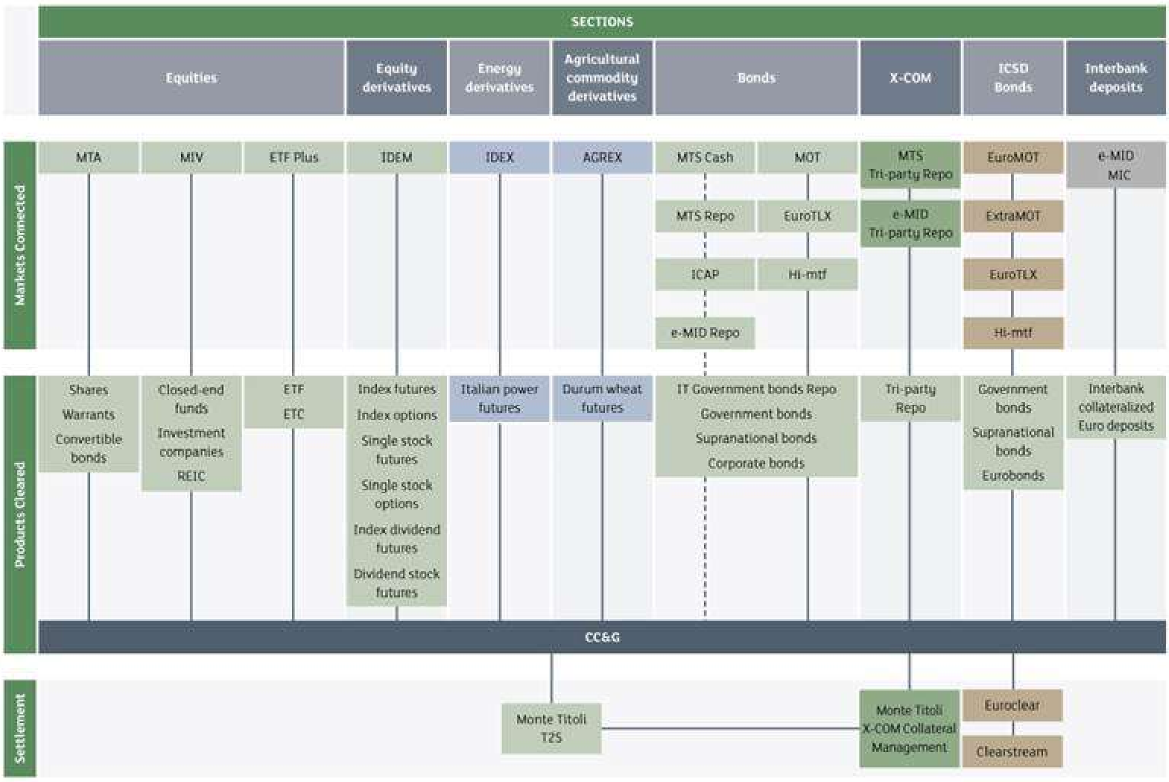
On 22 October 2019 the Board of Directors approved the method for calculating a strategic capital reserve (Strategic Buffer) to be established annually when the proposal for allocation of the profit is made. This reserve (available and distributable) will be set aside initially with the approval of these annual financial statements 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 value of the reserve that will be established with the approval of these annual financial statements is € 20,300,000.00.

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 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. Moreover, CC&G S.p.A. offers its services on the collateralised interbank market MIC.[8]

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

[8] The Central Counterparty Service of the X-COM platform was suspended on 1 October 2019.

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

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 customer negotiator (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 clearing members are, therefore, required to pay margins on all open positions, except for specific relationships entered into with the Market Manager as direct counterparty of the Company on the market of energy derivatives, in consideration of the specific features of the Market Manager and of the guarantee system to which it is subject.

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 can also be hedged 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 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 2019 the Default Funds were made up as follows:

- Equity and Equity Derivatives Market: € 2,300 million;
- Bond Segment: € 5,100 million;
- Energy Derivatives Segment: € 2.7 million;
- Agricultural Commodity Derivatives Segment: € 100,000;

- Default Funds Segment for the MIC: € 4 million.

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 portion of contribution to the default fund must be made in cash (Euro).

4. Equity and financial resources

At 31 December 2019, the shareholders' equity of CC&G was € 184.4 million. Moreover, CC&G has provided 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).

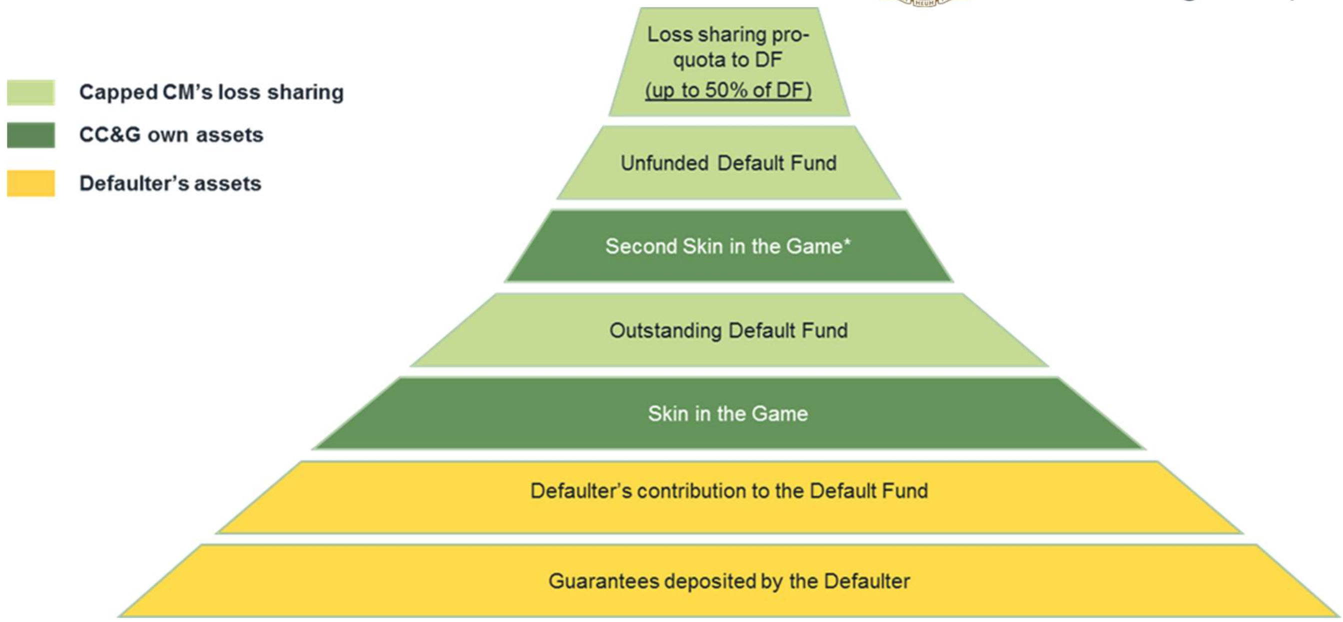
Insolvency proceedings against a Member

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.

When resources of the default waterfall listed in sub-paragraphs a)-f) of the preceding paragraph do not appear to be sufficient, CC&G will distribute the remaining losses *pro rata* to non-defaulting members on the basis of the contribution quota to the default fund for 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 € 19,430,126.00 at 31 December 2019.[9]

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

CC&G has developed a 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 has been structured in such a way as to allow CC&G, its Participants and all their stakeholders to overcome these extreme circumstances and increase the possibility that the most appropriate tools to cope with these stress conditions will be used. 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 consequently identified. Based on the scenarios identified, CC&G has included the description of the scenarios in the recovery plan, the events that could trigger these scenarios, the list of preventive controls that CC&G uses 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, within the limits established in an appropriate release/notification;

[9] This amount, resulting from the calculation of the regulatory capital at 31/12/2019, 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 € 21,649,375.

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

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.

MIC Guarantee System

CC&G S.p.A. defines the rules of the MIC Guarantee System and in particular:

a) the membership procedures;
b) the suspension, exclusion and withdrawal from the System;
c) the netting and guarantee of the contracts concluded on the market and the settlement procedures;
d) the rules governing guarantees;
e) the management of the default procedures of the Member.

Participants in the MIC market are banks, which comply with the rules set out in the "Regulation of the MIC guarantee system in force since 19 September 2017" available on the Company's website.

The necessary condition for enabling members in the market to operate on the MIC is the prior constitution of a collateral, the value of which must be and must remain higher than the exposure that the members assume in the interbank contracts.

Cassa di Compensazione e Garanzia S.p.A. receives securities in the form of collateral, which are submitted daily to suitability and evaluation controls as dictated by the annexes to the above-mentioned Regulation.

For additional information and details, please see the documentation available on the Company's website.

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.

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 that the Company may suffer losses 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 bonds of the European Union issued by states with a rating of at least investment grade 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 a qualified rating 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

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 is referred to as market risk.

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[10] on OTC derivative instruments, central counterparties and trade repositories, subsequently supplemented by EU Delegated Regulation No 153/2013[11] 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 funds 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.

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[10] *(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*

[11] (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.

To mitigate this risk, CC&G deposits securities with the national central depositary Monte Titoli S.p.A. (belonging to the LSE Group) or the International Central Securities Depositories or the Central Bank, for 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.

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 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

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, is referred to as issuer risk. Reference is made to the "Credit risk" section.

Liquidity risk

The liquidity risk is the risk that the Company is 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 the 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

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 is referred to as interest rate risk.

At 31 December 2019 the Company remunerates, with the reference parameter of the short-term rate "EONIA" -30 bps the initial guarantee margins and "EONIA" -25 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 2019 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)

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, is referred to as exchange rate or FX risk. The Company has not operated under conditions that entailed an FX risk.

Operational Risk

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

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 General Manager'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, 25 March 2020

for the Board of Directors

The Chairman

Renato Tarantola

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

Company subject to the management and coordination of

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

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING

CONVENED TO APPROVE THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING

31 DECEMBER 2019, PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

Introduction

During the financial year ended 31 December 2019, the Board of Statutory Auditors carried out the functions provided for by Articles 2403 et seq. of the Italian Civil Code. The Statutory Audit is entrusted to the auditing 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 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 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 the company's size and problems, the "planning" phase for monitoring—when an assessment must be made of the intrinsic risks and critical aspects referring to the aforementioned

two parameters—was done on the basis of the consolidated knowledge and information already acquired over time.
It was therefore possible to confirm that:
- the core business carried out by the Company is consistent with what is stated in the corporate purpose and has not changed during the period in question;
- the organisational structure, the computer equipment and human resources employed appear adequate for the business.
This report thus summarises the activities relating to the disclosure required pursuant to 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 stipulated by legislation;
- on the remarks and proposals regarding the financial statements;
- on any complaints received from shareholders in terms of Art. 2408 of the Italian Civil Code.
In terms of a time frame, the Board of Statutory Auditors activities span the entire financial year, during which meetings were regularly held as per Art. 2404 of the Italian Civil Code, with appropriate minutes drawn up for these meeting, which were duly signed and unanimously approved.

Activities carried out

During its periodic checking, the Board of Statutory Auditors monitored developments in the business conducted by the Company, paying special attention to problems of a contingent and/or extraordinary nature, so as to determine the economic and financial impact on the year's result and the asset 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 management events was adequate regarding ordinary corporate events and they can be deemed to have sufficient knowledge regarding corporate problems.
In the scope of the coordination function with other supervisory bodies, we met with 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 which 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.
In terms of 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 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 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, referring 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 company 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 2019 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 auditing 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 positive and confirms that the financial statements at 31 December 2019 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 effects of the COVID-19 pandemic and the related analysis in terms of business continuity. These circumstances, as explained, beyond the other aspects described, entail a certain degree of uncertainty which could have effects on the Company's development that cannot currently be predicted or calculated.

Result for the financial year

The net result confirmed by the Board of Directors relating to the year ending 31 December 2019 is positive for € 53,281,157.

Conclusions

Based on the above information and the Board of Statutory Auditors' knowledge and periodic verifications conducted, the Board unanimously deems that there are no impediments to your approval of the draft financial statements for the year ended 31 December 2019, as prepared and duly proposed by the Board of Directors.

Milan, 09 April 2020

For the Board of Statutory Auditors

The Chairman

(Roberto Ruozi)

Cassa di Compensazione e Garanzia S.p.A.

Financial statements as at 31 December 2019

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 2019, 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 2019, 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 2019, 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 2019 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 2019 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, 8 April 2020

EY S.p.A.
Signed by: Mauro Iacobucci, Auditor

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