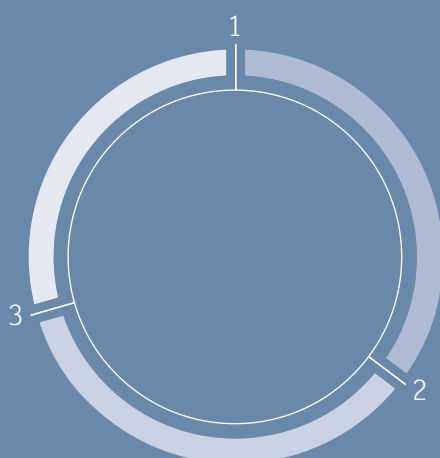


Capital Markets

Sub-segment

£426m

2018: £407m



- 1 ● **35%**
Primary Markets
- 2 ● **35%**
Secondary Markets
– Equities
- 3 ● **29%**
Secondary Markets
– Fixed Income, Derivatives and Other

Note: Percentages may not equal 100% due to rounding

Introduction

The Group's capital markets businesses facilitate a wide range of domestic and international companies' capital raising by providing well-regulated and highly liquid markets across our London, Milan and pan-European trading platforms.

Our range of primary markets provides choice for issuers and investors, enabling companies to raise equity capital or issue debt efficiently and increase their visibility with a wide group of customers and investors.

Our secondary markets create a deep pool of liquidity and allow active and efficient trading of equity, fixed income and derivative products through our high-performance trading platforms.

Revenue drivers

Revenues from Primary Markets are derived from fees charged to equity issuers seeking admission to London Stock Exchange and Borsa Italiana. The fees are charged based on the market value of securities listed. Issuers of equity securities are subsequently subject to annual fees. On London Stock Exchange, fees are also charged for companies carrying out further equity fund raisings once they are listed. For fixed income securities, a flat fee is charged for each new bond issued onto our markets.

In Secondary Markets a fee is charged based on value traded for UK equities, Turquoise and MTS fixed income markets. On other markets, Italian equities, derivatives and retail fixed income, a fee is charged per trade or contract traded. Revenues are also generated from membership fees, reporting fees for trades carried out away from the order book and market maker security registration fees.

Further information

For more information on our Capital Markets division, see: www.lseg.com, www.londonstockexchange.com and www.borsaitaliana.it

Market trends and our response for Capital Markets can be found on pages 14–20. Profitability of each segment can be found in the Financial Review on pages 53–59. A glossary of terms can be found on pages 204–206.

Highlights

Primary Markets

£23.4 billion

Total raised by new and further issues (2018: £28.7 billion)

Secondary Markets Equities

£4.7 billion

UK average daily value traded (2018: £5.8 billion)

Secondary Markets Fixed Income, Derivatives and Other

€113 trillion

MTS Repo value traded (2018: €87 trillion)

Sustainability

£37.4 billion

Total amount raised from green, social and sustainable bonds on our markets

Segmental review (continued)

£4.0 billion

New capital raised on our AIM growth markets (2018: £6.7 billion)

£4.05 billion

Total raised on our bond markets (2018: £410 billion)

Capital Markets

– Capital Markets revenue up 5% to £426 million (2018: £407 million) on both a reported and constant currency basis

Primary Markets

Summary

– Primary Markets revenue up 34% to £151 million (2018: £113 million), also up 34% on a constant currency basis

– Primary Markets revenue increased by c.£32 million in H1 2019 due to a one-off change in estimate relating to IFRS 15. Adjusting for this, Primary Markets revenue for the year rose 6%

Despite a challenging global equity market in 2019, our Primary Markets saw strength in international companies listing in London, making up almost a quarter of new issuances for the year, and with a record number of admissions to AIM Italia, our Italian growth market. In total, 109 companies were admitted across our markets in 2019 (2018: 176), raising a total of £6.8 billion (2018: £8.4 billion). Further offerings amounted to £16.6 billion (2018: £20.3 billion) as listed companies continued to access the deep pools of capital available through our venues.

AIM and AIM Italia continue to perform well with 54 companies admitted to these venues over the course of 2019 (2018: 91). Total capital raised on our AIM markets in 2019 amounted to £4.0 billion (2018: £6.7 billion) of which 83% was through further equity issuance, demonstrating the long-term relationships that exist between AIM companies and their investors. 60% of capital raised in European growth markets in 2019 was conducted via AIM. **M**

In June, we launched the Shanghai-London Stock Connect with Huatai Securities raising US\$1.5 billion of new capital on the Shanghai Segment. After many years of collaboration between the London and Shanghai stock exchanges, this is the first fungible cross-listing mechanism enabling international investors to access China A-shares from outside Greater China and represents the first time foreign companies have the opportunity to list in mainland China.

In November, LSEG announced a strategic partnership with PrimaryBid, a service that connects publicly listed companies with retail investors, offering equal access to capital markets transactions including IPOs to both institutional and retail clients.

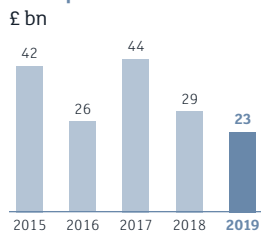
In October, London Stock Exchange launched the Green Economy Mark, recognising equity issuers on the Main Market and AIM with green revenues of 50% or more, identified by the Green Revenues data model developed by FTSE Russell. As at the end of 2019, a total of 75 issuers had received the Green Economy Mark. For more information on the Green Economy Mark see page 14 of our Corporate Sustainability report. **M**

Our ETP platform in London saw a softer market in 2019 with 191 new ETPs listed (2018: 323) whereas our Italian ETFPlus market set a new record of 217 new ETPs (2018: 191). The total number of ETPs across our markets at the end of 2019 stood at 2,822 (2018: 2,831) with Goldman Sachs, the Kuwait & Middle-East Financial Investment Company and GraniteShare issuing their first ETPs in London, and Vanguard and Goldman Sachs as new issuers on ETFPlus.

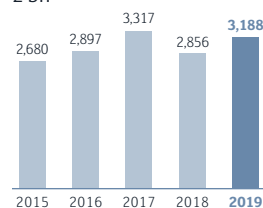
ELITE, LSEG's international programme to facilitate access to capital for SMEs, saw its community of companies reach 1,400 companies across 45 countries (2018: 1,000 companies across 40 countries). ELITE continues to expand its global reach, launching ELITE Scotland and ELITE America in the year. Five ELITE companies joined AIM Italia, taking the total number of IPOs from ELITE companies on our markets to 29.

We continue to be a leading global venue for international debt fundraising, including issuances in Indian Rupee, Chinese Renminbi, Sukuk bonds and Indonesian Rupiah, raising over £9.3 billion in 2019. In total, 1,524 bonds were listed on our markets, raising over £405 billion, 45% of which was raised by international issuers (2018: 1,972 bonds, £410 billion raised, 47% international).

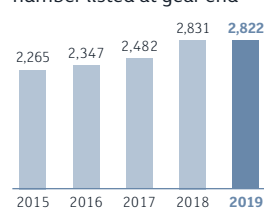
Equity money raised – Group
£ bn



Market capitalisation of companies listed – Group
£ bn



Exchange Traded Products – Group
number listed at year end



London Stock Exchange launched the Sustainable Bond Market (SBM) in October, building upon the success of its Green Bond Segment, launched in 2015. The SBM includes new dedicated segments for social and sustainability bonds, in addition to the existing Green Bond Segment. The total number of green, social and sustainable bonds listed on our markets as at the end of 2019 was 215, raising £37.4 billion. For more information on the SBM see page 15 of our Corporate Sustainability report. **M**

Borsa Italiana launched a new bond segment of its ExtraMOT market, ExtraMOT PRO³, for Italian SME companies not listed on regulated markets and / or with an issue value of less than €50 million. 161 debt instruments have been listed with over €5 billion raised in 2019. **M**

Secondary Markets Equities

– Secondary Markets – Equities revenue down 11% to £151 million (2018: £169 million), also down 11% on a constant currency basis

Equity trading in the UK was down 18% to £1.19 trillion in 2019 (2018: £1.46 trillion), while average daily value traded was down 18% to £4.7 billion (2018: £5.8 billion). In Italy, the average daily number of trades decreased by 10% to 255,000 (2018: 282,000). Activity levels across both of these markets were broadly reflective of lower volumes in the wider global equity markets.

Trading on the Shanghai-London Stock Connect was launched alongside Huatai Securities' listing in June 2019, with an average of US\$5.9 million value traded per day, this was one of the top traded depository receipts on the International Order Book (IOB). 32 LSE member firms have already traded on the Stock Connect service with more expected over the course of 2020.

In October we launched the Global Equity Segment (GES) in London, offering trading in 95 international securities including US blue chip and Chinese ADRs during regular London trading hours. This segment provides investors the opportunity to reduce time zone risk in major international stocks whilst accessing exposure to global securities. In 2019, since launch, the average daily value traded on GES was £15.5 million. We expect volumes to grow during 2020 as investors take advantage of London's unique time zone, trading expertise and global investor community.

Turquoise, our pan-European MTF saw total value traded decline by 36% to €531 billion (2018: €828 billion) with Turquoise Lit activity of €318 billion (2018: €624 billion) declining by 49% as Lit flow tended towards the primary listing venue. Turquoise Plato's dark order book, Europe's largest dark pool, achieved new records with value traded up 4% to €213 billion (2018: €204 billion) with around half of this executed through Turquoise Plato Block Discovery, our MiFID II compliant mechanism for executing large anonymous block orders. In March, the Dutch authorities granted Turquoise a licence to operate an MTF in the Netherlands. In July, Turquoise removed more than 200 Swiss stocks after the EU and Switzerland did not agree to renew equivalence and in September, Turquoise announced changes to its tariff structure that increased the level of rebates to liquidity providers for passive limit orders above certain thresholds. In December, Turquoise NYLON, Turquoise's equity derivatives trading solution, launched an innovative cleared contract, which combines the economics and flexibility of OTC swaps with the capital efficiencies of central clearing.

The Group remains the largest exchange by turnover and number of trades for ETP order book trading in Europe, with £196 billion total value traded across our markets in the year (2018: £202 billion). This was down 3% compared with the strong trading seen in 2018. ETP trading accounts for around 9% of equity trading on LSE and 16% of equity trading on Borsa Italiana. ETPs trade on our platforms across four currencies including Chinese Renminbi.

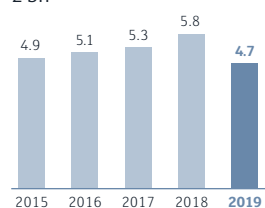
95

Global Equity Segment
launched offering
trading in 95
international securities

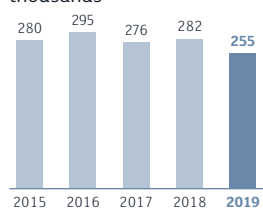
€103
billion

Value traded on Turquoise Plato
Block Discovery
(2018: €93 billion)

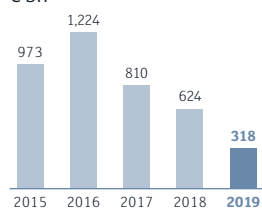
LSE – average daily
value traded
£ bn



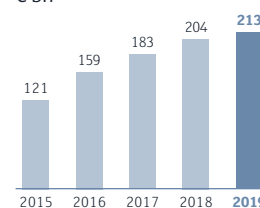
Borsa Italiana – average
daily number of trades
thousands



Turquoise lit book
– total value traded
€ bn



Turquoise dark book
– total value traded
€ bn



Segmental review (continued)

€237 billion

Value traded on our retail bond markets (2018: €205 billion)

5.7 million

Interest rate derivative lots traded on CurveGlobal (2018: 3.3 million)

Fixed Income, Derivatives and Other

– Secondary Markets – Fixed Income, Derivatives and Other revenue was broadly flat at £124 million (2018: £125 million), and up 1% on a constant currency basis

Our retail bond markets include MOT in Italy, which is the most liquid and heavily traded retail fixed income platform in Europe, EuroTLX and the UK Order Book for Retail Bonds (ORB). Across the year, these platforms continued to provide liquid markets despite the prevailing low interest rate environment. Total trades for the year were 6.0 million (2018: 5.1 million) with value traded at €237 billion (2018: €205 billion).

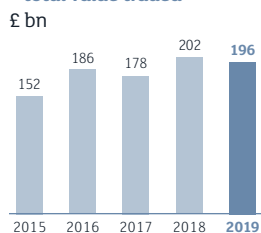
Derivative volumes fell 23% in the year owing to challenging markets in the first half of 2019 with 33.1 million contracts traded (2018: 42.8 million). Volumes were primarily executed on IDEM, the Group's Italian derivatives market which saw trading volumes of 30.7 million contracts (2018: 36.2 million). As planned, the London Stock Exchange Derivatives Market (LSEDM) has been rebranded CurveGlobal Markets as of 24 June 2019, following the withdrawal of IOB Equity Derivatives contracts on 21 June 2019 and the subsequent withdrawal of Norwegian equity derivatives from 29 November 2019.

CurveGlobal, our interest rate derivative trading platform operated as a joint-venture, saw over 11 million lots trade on the platform since launch with open interest at 395,000 lots at the end of the year (2018: 348,000), mostly in European Short-Term Interest Rate futures (STIRs). During 2019, CurveGlobal continued its innovation by launching One-Month SONIA contracts on the platform to aid the UK's transition from a LIBOR benchmark. Alternative interest rate products continue to be an area of focus, with further short term interest rate products to be launched later in 2020. Towards the end of 2019, CurveGlobal introduced a unique uncapped pre-paid trading scheme allowing its member firms and their clients to execute an unlimited number of lots in any CurveGlobal interest rates derivatives products over a one or three year period. As a minority shareholder, the results of CurveGlobal are not consolidated by the Group.

MTS is our leading regulated electronic trading platform for European wholesale government bonds and other types of fixed income securities. Value traded in MTS Repo increased 30% to €113 trillion (2018: €87 trillion) as European repo markets saw strong activity across the year due to continued excess liquidity, a stable interest rate environment and the compression of spreads between repo rates for core and periphery countries in the Eurozone. MTS Cash and BondVision's value traded ended the year down 4% to €3.2 trillion (2018: €3.3 trillion).

MTS extended the number of countries on its Cash market to 21, with the launch of MTS Cyprus in November 2019. This is the first designated electronic trading platform for Euro-denominated Cypriot government bonds. MTS is exploring further opportunities to provide infrastructure for other global markets to generate recurring licence based revenues. In 2018, MTS launched BondVision Repo, a Dealer to Client (D2C) repo solution in preparation for upcoming EU regulation, Securities Financing Transactions Regulation (SFTR), which will require participants to report repo transactions. Development has taken place throughout the year, alongside record volume activity towards the end of 2019, with a final release expected in 2020 ahead of the implementation of SFTR on 11 April 2020. In July 2019, Maria Cannata was announced as the new President of MTS. With 18 years of experience at the Italian Ministry of Economy and Finance, Maria will further strengthen MTS' relationships with the market.

Exchange Traded Products – total value traded £ bn



MTS Repo € tn

