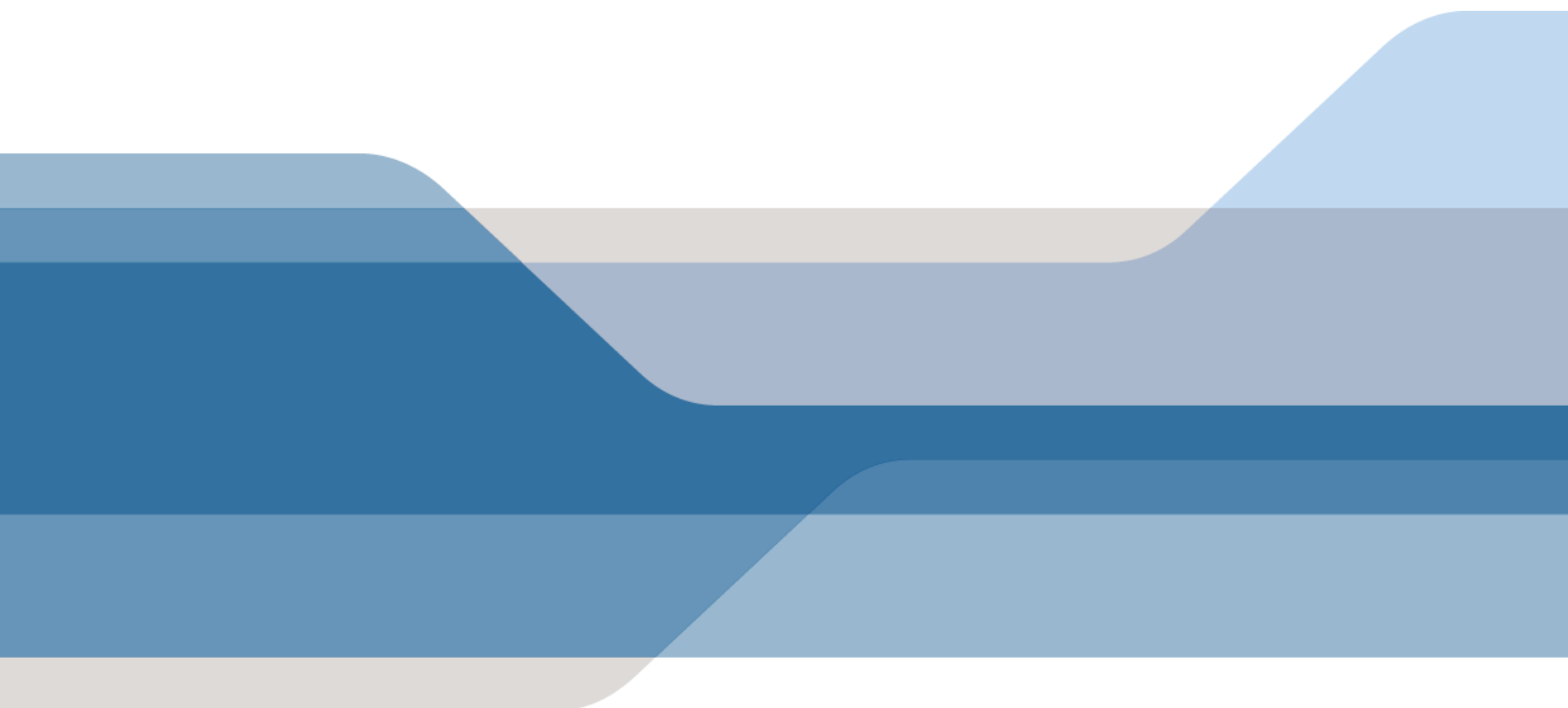


Annual Report 2010

SIX x-clear Ltd
Brandschenkestrasse 47
CH-8002 Zurich



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Annual report of SIX x-clear Ltd

Increase in volume in the international securities business

In 2010, SIX x-clear Ltd was able to increase the number of settled transactions from 33.4 million to 41.7 million due to the expansion in the clearing business. Following the introduction of the SIX Securities Services brand, all of SIX Group's securities services are now presented under the umbrella of a single corporate identity.

Numerous regulatory initiatives in Europe are creating a number of challenges with respect to the future framework and general conditions in the Securities Services business field. In many countries, regulatory interventions are delaying the introduction of interoperability between clearing organizations and thus the opening of markets; this has slowed the rapid growth of clearing transaction volumes targeted by SIX x-clear Ltd and played a significant role in the company's negative annual result.

Improved operating result despite regulatory interventions

The operating income posted by SIX x-clear Ltd declined from CHF 13.9 million in 2009 to CHF 12.4 million in 2010. The growth in clearing transactions continued, with an increase of 24.9% from CHF 33.4 million in 2009 to CHF 41.7 million in the year under review. Based on the number of affiliated stock exchange platforms, the company is a leading provider in the clearing business and is thus in an excellent position to expand internationally. SIX x-clear Ltd succeeded in attracting numerous exchanges and clients to its clearing business in 2010.

Balance sheet of SIX x-clear Ltd as at 31 December 2010

(CHF 1,000)	Annex	31.12.2010	31.12.2009
Assets			
Due from banks		106,303	114,952
Due from clients		181	254
Participations		4	4
Accrued income and prepaid expenses		2,740	42
Other assets	3.1	9,511	5,811
Total assets		118,739	121,063
Due from qualified participants (direct)		134	133
Due from qualified participants (indirect)		150	52
Due from affiliated companies (banks)		102,805	105,874
Due from affiliated companies (clients)		49	79
Liabilities			
Due to banks		49,457	55,960
Due to clients		5,108	122
Accrued expenses and deferred income		1,201	4,020
Other liabilities	3.1	8,738	6,015
Valuation adjustments and provisions	3.4	4	4
Share capital	3.6	30,000	30,000
General legal reserves	3.6	6,360	6,360
Free reserves	3.6	18,500	13,500
Profit carried forward from previous year	3.6	81	313
Annual profit/loss	3.6	- 710	4,769
Total liabilities and equity		118,739	121,063
Due to qualified participants (direct)		-	-
Due to qualified participants (indirect)		17,396	46
Due to affiliated companies (banks)		1,493	33
Due to affiliated companies (clients)		4,787	77
Off-balance sheet transactions			
Irrevocable commitments		2	2
Equity derivatives			
Contract volumes		4,582,729	4,293,586
Positive replacement values		34,431	25,285
Negative replacement values		34,032	25,124

Income statement 2010 of SIS x-clear Ltd

(CHF 1,000)	Annex	2010	2009
Operating income			
Interest income			
Interest and discount income		3	136
Interest expenses		- 297	- 65
Net interest income		- 294	71
Commission and other services business income			
Commission income		12,109	10,801
Commission expenses		- 179	- 353
Commission income from other services business		145	233
Commission expenses from other services business		- 617	- 335
Net commission and other services business income		11,458	10,347
Net trading income	4.1	- 95	637
Other income			
Other ordinary income ¹		1,299	2,840
Other ordinary expenses		- 15	-
Net other income		1,284	2,840
Total operating income		12,353	13,893
Total operating expenses			
Personnel expenses		- 3,665	- 4,769
Other operating expenses ²		- 8,852	- 10,014
Total operating expenses		- 12,517	- 14,783
Gross result		- 164	- 890
Depreciation on fixed assets		-	-
Valuation adjustments, provisions and losses		-	-
Operating result (sub-total)		- 164	- 890
Extraordinary income		-	7,672
Extraordinary expenses		-	-
Taxes		- 546	- 2,014
Annual profit/loss		- 710	4,769
Appropriation of disposable profit			
Profit carried forward from the previous year		81	313
Loss / profit at the General Meeting's disposal		- 628	5,081
Allocation to general legal reserves		-	-
Allocation to/withdrawal from other reserves		-	-
Dividend		-	- 5,000
Profit carried forward		- 628	81
¹ Thereof Group-internal services		1,275	2,835
² Thereof Group-internal services		- 3,814	- 5,759

Annex to the financial statements 2010

1 Notes on business activities and workforce

1.1 General

SIX x-clear Ltd operates as an international central counterparty (CCP) in securities trading. As CCP, SIX x-clear Ltd provides clearing services for SIX Swiss Exchange, the London Stock Exchange, and a number of multilateral trading facilities (MTFs).

Furthermore, it assumes the role of a center of competence in the field of risk management for SIX Securities Group. SIX x-clear Ltd is licensed as a bank under Swiss law and supervised by the Swiss Financial Market Supervisory Authority (FINMA). Based on the National Bank Law, it is also supervised by the Swiss National Bank with respect to systemic risks. The Financial Services Authority (UK) granted SIX x-clear Ltd the status of a Recognised Overseas Clearing House (ROCH).

At the end of 2010, SIX x-clear had a full-time equivalent workforce of 17 people (2009: 17). Since the financial year 2010, temporary staff have been counted in this headcount figure if the duration of their contract is greater than six months.

1.2 Outsourcing

Wherever possible, SIX x-clear Ltd uses the services of other affiliated companies of SIX Group.

SIX x-clear Ltd has outsourced securities settlement within the Group, i.e. the settlement of CCP transactions has been assigned to its affiliate SIX SIS Ltd. The outsourced tasks include the settlement and monitoring of trades and the respective repositioning of securities. The service provider SIX SIS Ltd is also a regulated bank supervised by FINMA.

SIX x-clear Ltd outsourced the operation and maintenance of the computer centre to SIX Group Services Ltd. This outsourcing arrangement is governed by Service Level Agreements in compliance with FINMA regulations. Staff members of SIX Group Services Ltd are obligated to maintain banking secrecy.

1.3 Risk management

1.3.1 General

As a part of SIX Group, SIX x-clear Ltd is an important pillar of the Swiss financial center, laying great emphasis on reliability and security, and thus creating the trust that is essential for the financial centre's smooth functioning. The Board of Directors of SIX Group is responsible for risk. The Risk Committee of the Board of Directors of SIX Group is responsible for internal controls with respect to risk. The Board of Directors of SIX Group approves the risk policy and delegates risk management tasks.

Overall responsibility for risk management lies with the members of the Group Executive Board of SIX Group, which is supported at Group level by the specialized units Corporate Development (for strategic risks), Corporate Security Officer (for security risks) and Compliance Officer as well as the Finance & Risk division. SIX Group's risk control measures are executed by the Chief Risk Officer of SIX Group, who is independent of the line management structure. Risk management and controlling are monitored by the internal auditors.

The management of specific risks faced by SIX x-clear Ltd is assumed by senior executives of SIX Securities Group. Risk controlling tasks specific to SIX x-clear Ltd are assigned to the Risk Controlling unit of SIX Securities Group. For this purpose, the risk management instruments are continually enhanced and adjusted.

1.3.2 Risk policy

The scope of SIX x-clear Ltd's risk policy is determined by the risk policy of SIX Group, in which the principles and philosophy applied to various risks are set out. The risk policy precisely defines organization, structures, competencies, and responsibilities and provides the basis for dealing with different kinds of risk as well as outlining the readiness to assume risk. Thus, the risk policy constitutes the central framework for regulations and directives of the individual companies and for the risk categories.

1.3.3 Risk groups

1.3.3.1 Strategic risk and project risk

Strategic risks and project risks arise both from the implementation of SIX Group's strategy and from the implementation of the strategies of the individual subsidiaries. They are the responsibility of the Group Executive Board as well as of the Executive Boards of the subsidiaries. Strategic risks and project risks are not directly quantified; the risk profiles of the individual SIX Group companies are, however, checked semi-annually.

1.3.3.2 Reputational risks

Reputational risk involves the risk of SIX Group's or one of its subsidiaries' reputation being tarnished. As reputational risk is inherent in business activities, reputational risk management mainly consists of ensuring competency, integrity, responsibility as well as compliance in business activities at a Group level. Reputational risk management includes all operational and strategic management instruments of SIX Group, in particular financial reporting, monitoring of performance key figures as well as studies on customer and staff satisfaction. Reputational risks are not directly quantified.

1.3.3.3 Counterparty risk (default risk, credit risk)

Credit risk, counterparty risk or default risk is defined as the danger of a loss caused by a counterparty not fulfilling its contractual obligations, i.e. a counterparty or a country becoming insolvent. This includes settlement risk or the risk of the counterparty becoming insolvent at the time when the transaction is settled.

SIX x-clear Ltd pursues a conservative risk and credit policy. New members of SIX x-clear have to meet strict regulatory standards. Inadequately regulated and supervised market participants, or institutions not subject to money laundering monitoring, are not admitted.

SIX x-clear Ltd is linked online and in real time with SIX Swiss Exchange, the London Stock Exchange and a number of multilateral trading facilities (MTFs) as well as with the SIC/euroSIC systems. The system of real-time settlement of irreversible transactions on the basis of simultaneous delivery versus payment, which has been in operation for several years, offers the best guarantee of eliminating settlement risk.

SIX x-clear Ltd avails of a system for the internal monitoring of cluster risks. SIX x-clear Ltd applies the Swiss standard approach to calculate capital adequacy requirements for credit risks.

1.3.3.4 Non counterparty-related risk

Non-counterparty-related risk is defined as the danger of a loss due to value changes or liquidation of assets that are not related to a specific counterparty. This category includes positions that concern the actual infrastructure for business activities. In particular, it includes office buildings, sundry tangible assets, software as well as other assets subject to depreciation.

Non counterparty-related risks are accounted for through adequate depreciation as well as insurance. In particular, software is written off in full in the year of production/purchase.

1.3.3.5 Market risk

Market risk is the risk of a loss due to value fluctuations of a position triggered by a change of underlying factors (e.g. equity or commodity prices, exchange rates and interest rates as well as their respective volatilities).

As central counterparty, SIX x-clear applies the following multi-level risk management techniques in order to minimize market risk due to unsettled transactions: Regular evaluations of positions at the latest quotation, rules for the prevention and coverage of possible losses, application of margin requirements for actual changes in value (variation margin) and possible future price fluctuations (initial margin) as well as a default fund contributed by the participants. Furthermore, the Default Fund is mutualized and participants are under the duty to make additional contributions (margin calls). Risks resulting from inter-CCP transactions with LCH are covered by a guarantee issued by a top-rated bank.

1.3.3.5.1 Interest rate risks

SIX Securities Group does not engage in credit transactions or in major mid-term or long-term fixed interest transactions. Consequently, SIX Securities Group is not exposed to any significant risk of interest rate fluctuations.

1.3.3.5.2 Foreign currency risk

In principle, SIX Securities Group does not hold any foreign currency for its own account outside of OECD member states. Moreover, all receivables from and liabilities towards participants and custodians are matched by currency. Currency risks are generally limited to the net amounts from interest received and paid, commissions and fees.

1.3.3.6 Operational risk

According to Basel II, operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The definition also covers all legal risks, including fines from supervisory bodies and settlements. Strategic risks and reputational risks, however, are excluded.

Operational risk management is a task assumed at all management levels. Operational risks are mainly limited by means of internal regulations and directives on organization and control. Additionally, it is mandatory to identify, assess and manage them continually. For this purpose, business process risks are systematically assessed by the internal Group audit department and adequate measures are implemented. Furthermore, SIX Securities Group maintains a loss and risk database reflecting the risk categories defined by Basel II to systematically identify any risks in processes and to collect data to minimize losses in all business areas.

Together with the legal department, the compliance function ensures that the business activities of SIX Securities Group observe the current rules and regulations as well as the financial intermediaries' general obligation to exercise due diligence. These entities are responsible for implementing the requirements and developments defined by supervisory bodies, the legislator, the jurisdiction and other relevant institutions. Furthermore, they ensure that internal rules and directives are observed and amended in line with changing legal provisions.

The risk inherent in the reliance on information technology is addressed by SIX Securities Group by means of business continuity planning in line with customary industry practice and measures to reduce the probability of such failures occurring, such as by maintaining an IT backup center. Appropriate steps on the part of SIX x-clear Ltd's outsourcing partners are subject to contractual agreements.

SIX Securities Group is also supervised by the Swiss National Bank in this respect pursuant to specific legal provisions.

Operational risks are backed with capital according to the basic indicator approach under Basel II.

1.3.4 Disclosure in accordance with FINMA circular no. 08/22 on capital adequacy disclosure

In accordance with margin notes 7 – 11 of FINMA circular 08/22, SIX x-clear Ltd meets the requirements for partial disclosure.

Capital as at 31 December 2010 and 31 December 2009, respectively:

Eligible equity capital

(CHF 1,000)	31.12.2010	31.12.2009
Eligible capital:	54,232	54,941
Total required capital:	5,283	4,998
thereof for credit risks:	3,050	2,437
thereof for non-counterparty-related risks:	–	–
thereof for market risks:	75	86
thereof for operational risks:	2,158	2,475

2 Principles of accounting and valuation

2.1 General principles

The accounting, reporting and valuation for the individual companies comply with the provisions of the Swiss Code of Obligations, the accounting guidelines of the Swiss banking legislation (BAG SFBC) and the accounting guidelines of the Swiss Financial Market Supervisory Authority (FINMA). The financial statement reporting date is 31 December. In principle, settlement date accounting was applied to all transactions, i.e. the transactions are shown in the balance sheet as at the relevant settlement/value date. An exception to this are the non-fulfilled transactions from the clearing business, which were accounted for using the trade date accounting principle. Detail positions reported under a specific balance sheet item are valued individually.

2.2 Conversion of foreign currencies

Transactions in foreign currency are posted at the current exchange rates. Balance sheet items in foreign currencies are translated into Swiss francs at the exchange rates applicable on the balance sheet date. Exchange rate gains or losses are credited or debited to the income statement.

Exchange rates

Currency	USD	EUR	GBP	JPY	HKD	CAD
Unit	1	1	1	100	100	1
Exchange rates as at 31.12.2010	0.93	1.25	1.45	1.15	12.02	0.94
as at year-end 2009	1.03	1.49	1.66	1.12	13.29	0.98

2.3 Liquid funds, borrowed funds

These items are shown in the balance sheet at their nominal value.

2.4 Receivables from and liabilities towards banks and clients

Receivables and liabilities in CHF are shown at their nominal values. Risks arising in respect of customer claims are taken into account in the balance sheet item "Valuation adjustments and provisions." Predictable risks of loss are accounted for through individual valuation adjustments and latent risks through flat-rate valuation adjustments calculated on the basis of clearly defined rates.

Claims from and liabilities towards banks arise mainly from clearing activities as CCP.

2.5 Lending and repurchase transactions in securities

In accordance with the new accounting guidelines, the substance over form principle is applied to lending and repurchase activities with securities. Thus, non-monetary values are shown in the balance sheet of the party delivering these values.

2.6 Securities lending and borrowing transactions

Basically, SIX x-clear Ltd only engages in trading book transactions, exclusively assuming the role of borrower at SIX SIS Ltd. Liabilities arising from the borrowing of non-monetary instruments are valued at market price. Lending transactions in securities or money market papers are treated like repo transactions, provided they are covered by cash collateral and are subject to daily margining. Lending transactions in securities that are not covered by cash collateral are not included in the balance sheet, but shown in the Annex. Fees paid and received are shown under commission income rather than interest income.

2.7 Repurchase and reverse repurchase transactions (repo)

SIX x-clear Ltd does not engage in any repo or reverse repo transactions.

2.8 Pension fund liabilities

Liabilities towards SIX SIS Ltd's own pension fund as at 31 December 2010 amount to TCHF 0 (in 2009: TCHF 31). SIX x-clear Ltd offers defined contribution plans.

2.9 Information on off-balance sheet transactions

Off-balance sheet transactions requiring disclosure concern derivative financial instruments. There were no contingent liabilities as at the balance sheet date.

SIX x-clear Ltd engages in transactions involving derivative financial instruments for its own account only to a very limited extent and for the sole purpose of hedging.

The positive and negative replacement values as well as the respective contract volumes are spot transactions which were outstanding at year-end.

2.10 Valuation adjustments and provisions for default risks (counterparty, customer and country risk)

Allowance is made for individual risks predictable on the balance sheet date by means of individual valuation adjustments and provisions based on the accounting principle of prudence. Individual valuation adjustments are deducted directly from the corresponding asset item.

2.11 Amended principles of accounting and valuation

The provisions set up to cover latent operational risks were fully reversed in 2009.

3 Balance sheet information

3.1 Other assets and other liabilities

(CHF 1,000)	Other assets		Other liabilities	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Replacement values	8,559	5,685	8,160	5,685
Compensation account	–	–	399	–
SECOM settlement accounts	931	126	167	175
Indirect taxes	–	–	12	–
Sundry assets and sundry liabilities	21	–	–	156
Total other assets and other liabilities	9,511	5,811	8,738	6,015

3.2 Assets pledged or assigned as cover for liabilities

To meet the margin requirements of LCH totaling CHF 17.7 million, SIX x-clear Ltd pledged Swiss government bonds with a nominal value of CHF 20 million (2009: CHF 49 million) by means of an irregular lien.

(CHF 1,000)	31.12.2010		31.12.2009	
	Amount due or book value	Liabilities/ claimed liabilities	Amount due or book value	Liabilities/ claimed liabilities
Due from banks (affiliated companies)	102,805	1,493	105,874	33
Total pledged assets	102,805	1,493	105,874	33

3.3 Lending and repurchase transactions in securities

(CHF 1,000)	31.12.2010	31.12.2009
Market value of securities received due to securities borrowing for which the right to sell or pledge was granted without restriction	112	732
thereof: resold or repledged securities	112	732

All credit balances at SIX SIS Ltd (custody and money accounts), which mostly comprise cash balances, are pledged according to the Pledge Agreement and the supplementary contract for the broker line facility.

3.4 Valuation adjustments and provisions

	Balance at year-end 2009	Designated uses	New amounts charged to income statement	Reversals credited to income statement	Balance at year-end 2010
(CHF 1,000)					
Value adjustments and provisions for:					
Pension fund liabilities	4	-	-	-	4
Total valuation adjustments and provisions	4	-	-	-	4

3.5 Company capital and shareholders holding more than 5% of all voting rights

	31.12.2010			31.12.2009		
	Total nominal value (CHF m)	Quantity	Capital entitled to dividends (CHF m)	Total nominal value (CHF m)	Quantity	Capital entitled to dividends (CHF m)
Share capital	30	30,000	30	30	30,000	30
Company capital	30	30,000	30	30	30,000	30
Authorized capital	-	-	-	-	-	-
Conditional capital	-	-	-	-	-	-

All registered shares, and thus all voting rights (1 share = 1 vote), are held by the parent company SIX Securities Group Ltd.

3.6 Statement of equity as at 31.12.2010

	Share capital	General statutory reserves	Free reserves	Retained earnings	Total
(CHF 1,000)					
1 January 2010	30,000	6,360	13,500	5,081	54,941
Dividend payment	-	-	-	-	-
Allocation to reserves	-	-	5,000	- 5,000	-
Annual loss 2010	-	-	-	- 710	- 710
31 December 2010	30,000	6,360	18,500	- 628	54,232
1 January 2009	30,000	6,000	6,500	7,673	50,173
Dividend payment	-	-	-	-	-
Allocation to reserves	-	360	7,000	- 7,360	-
Annual profit 2009	-	-	-	4,769	4,769
31 December 2009	30,000	6,360	13,500	5,081	54,941

3.7 Transactions with associated persons

These transactions were executed on the same terms as those applicable to third parties.

4 Information on the income statement

4.1 Net trading income

(CHF 1,000)	2010	2009
Income from forex transactions	95	637
Total	95	637

5 Additional information

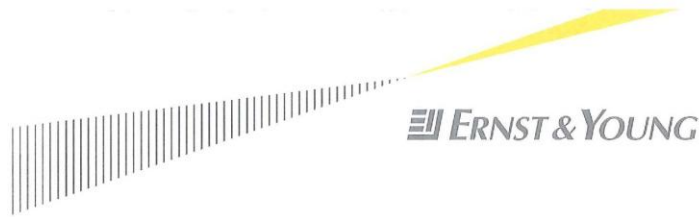
5.1 Contingent liabilities

	31.12.2010	31.12.2009
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

The annex to the consolidated financial statements of SIX Securities Group Ltd, which are based on the true and fair view principle, contains additional information.

6 Margin requirements

As at 31.12.2010, the margin requirements of SIX x-clear Ltd's members amounted to TCHF 85,576. To meet this requirement, collateral with a market value of TCHF 1,021,482 was deposited.



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To the General Meeting of
SIX x-clear Ltd, Zurich

Zurich, 4 March 2011

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of SIX x-clear Ltd, which comprise the balance sheet, income statement and notes (pages 4 until 14), for the year ended 31 December 2010.

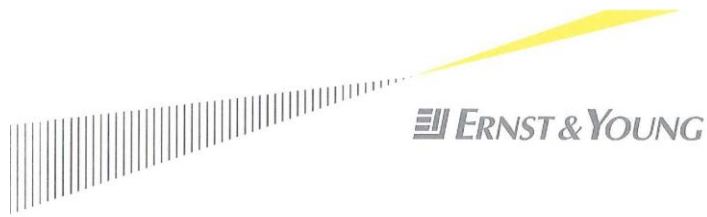
Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Thomas Schneider
Licensed audit expert
(Auditor in charge)

Pascal Berli
Licensed audit expert

Corporate bodies

SIX x-clear Ltd

Board of Directors

Prof. Dr. Peter Gomez
Dr. Urs Rügsegger
Thomas Zeeb

Chairman of the Board of Directors
Member of the Board of Directors
Member of the Board of Directors

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