



Securities Services

Annual Report 2013

SIX Securities Services Ltd

Unlocking the potential.

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Preface

SIX Securities Services Ltd is a part of SIX.

SIX operates Switzerland's financial market infrastructure and offers comprehensive services around the world in the areas of securities trading, securities services, financial information and payment transactions. As a globally active infrastructure provider, the company is an important pillar of the Swiss financial center.

SIX Securities Services Ltd is a leading, internationally active full service provider of clearing, settlement, risk management, securities custody and administration, and share register services. It provides the Swiss financial center and international markets with an efficient and largely automated infrastructure.

With its operational subsidiaries SIX SIS Ltd, SIX x-clear Ltd, SIX SAG Ltd and SIX Systems Ltd, SIX Securities Services Ltd forms the Securities Services division covering the securities services business field.

Annual report

Key figures

	2013	2012
Operating income (in CHF 1,000)	186,781	172,746
Headcount as at 31/12 (full-time equivalents) ¹	374.3	434.3
Operating income per employee ¹	462	385
Number of settlement transactions (in 1,000)	26,017	23,808
Deposit volume (in CHF m)	2,892,255	2,687,494
Number of clearing transactions (in 1,000 transactions) ²	240,000	183,119

¹ Staff number = Average number of full-time equivalents

² In the previous year the number of cleared trades was disclosed as "Number of clearing transactions". Now the two sides of a cleared trade are reported separately.

Greater client focus

In a fiercely competitive market, SIX Securities Services Ltd once again succeeded in significantly increasing transaction volumes in clearing. In settlement, work began on establishing a direct connection to the European TARGET2-Securities platform. Furthermore, the business area was geared stronger towards clients and markets. Operating income rose by 8.1% to CHF 186.8 million, and gross profit increased by 48.7% to CHF 48.4 million.

The post-trade business continues to face strong competition and price pressure, both in Switzerland and abroad. Since most clients in this segment are active across international markets as well as in the domestic market, the pressure on prices applies across all products. Regulatory requirements are also being stepped up which have an impact across all market and product segments. This environment is leading to falling margins and higher production costs, which have to be offset by higher volumes and lower operating costs.

In the year under review, SIX Securities Services Ltd adapted and restructured its post-trade business in line with the changing market environment. The main priority was to focus more closely on clients and markets in order to ensure that services and products are tailored more precisely to client needs. By doing this, SIX Securities Services Ltd aims to strengthen its competitiveness in the post-trade area. At the same time, the foundation have been laid for a more intensive dialog with clients and a stronger culture of innovation.

Expansion of clearing in a challenging environment

SIX Securities Services Ltd continued to pursue a strategy of growth and internationalization in clearing. Two years after the extension of the interoperability agreement, which allowed free choice between two or more central counterparties on a trading platform, competition between the clearing houses has increased. Interoperability in clearing now applies to more than half the volume of shares traded on European stock exchanges and alternative trading platforms, including Swiss Exchange, London Stock Exchange, BATS Chi-X and Turquoise, as well as a series of smaller multilateral trading facilities (MTFs). 2013 saw the addition of two new MTFs, Getco Execution Services and Aquis. SIX Securities Services Ltd is the only central counterparty in Europe to offer access to all interoperable trading platforms.

Clearing in equity trading continued to be highly competitive, which led to falling margins. Furthermore, the number of trades on the European stock exchanges stagnated overall in 2013. Overcapacity and strong fragmentation have resulted in a need for consolidation, and SIX Securities Services Ltd is actively contributing to this process through the acquisition of Oslo Clearing.

In a fiercely competitive environment, SIX Securities Services Ltd further increased its share of the clearing market, boosting volume by 31% to 240 million transactions. Well over half this volume now comes from MTFs, and 87% of the transactions are from abroad (2012: 80%).

Direct connection to T2S

TARGET2-Securities (T2S) is one of the Eurosystem's biggest infrastructure projects. The aim is to create a pan-European platform that allows securities transactions to be processed in central bank money (the euro), and which harmonizes cross-border settlement processes in the eurozone. Right from the start, SIX SIS Ltd has played an active part in the design of T2S and has represented the interests of the Swiss financial center.

At the beginning of 2013, the SIX Board of Directors agreed that Switzerland should be connected to T2S. A program was therefore launched to give Switzerland direct access to this platform. SIX Securities Services Ltd is working closely with the Swiss National Bank, banking associations and Swiss banks in order to develop solutions that will allow Swiss banks to access all T2S markets with a minimum of additional expense.

In the first T2S wave in June 2015, SIX Securities Services Ltd will become the first central securities depository from a non-EU country to offer its clients direct access to T2S. This solution will enable SIX to provide the Swiss financial center with an attractive new method of connecting to the euro capital markets. At the same time, SIX SIS Ltd will be able to achieve sufficient economies of scale to keep settlement fees low in the domestic business, too.

Custody and settlement were carefully geared towards the European settlement platform T2S in order to ensure the linking of the Swiss financial center and offer clients flexible solutions for their cross-border business. Settlement transactions in Switzerland were up 2.3%, while cross-border transactions increased by 21.5% compared with the previous year.

Growth in deposit volumes

The custody business grew once again. On the one hand, well-known foreign banks were joined as clients for the settlement of Swiss and international securities transactions. On the other hand, existing Swiss clients entrusted SIX Securities Services Ltd with more assets in relation to international securities transactions. Swiss deposit volumes increased to CHF 2,185 billion. At the end of the year, foreign deposit volumes stood at CHF 707 billion.

Global Fund Services faced stronger competitive pressure because of the possible merger of Citco Bank and Clearstream, and this led to a slowdown in the inflow of new client assets. Compared with the previous year, international fund assets under custody rose by 2.2% (8%), with ETFs recording the biggest growth at 15%.

Added value for a variety of stakeholders

The market environment for share register management worsened because of new regulatory requirements relating to FATCA, especially in the area of special registers, which was therefore realigned. At the end of 2013, SIX Securities Services Ltd managed 210 (202) share registers and organized 134 (132) general meetings.

In the year under review, clients placed increasing emphasis on additional services in the areas of collateral management, corporate actions, taxation and repurchase agreements, since greater attention is being paid to differentiating and optimizing the product portfolio.

Outlook: increasing regulation of the post-trade industry

Regulatory requirements in the area of post-trading will continue to present a major challenge. In 2014 it will be vital to implement the requirements of the new Swiss National Bank ordinance in the systemically significant parts of the business. Regulatory requirements issued by the European Securities and Market Authority (ESMA), the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions (CPSS-IOSCO) as well as the Foreign Account Tax Compliance Act (FATCA) have a negative impact on the activities of infrastructure providers in Europe.

As well as working to give the Swiss financial center access to T2S, SIX Securities Services Ltd will collaborate closely with the Swiss National Bank to clarify how it can support the latter in the implementation of its monetary policy. Here, SIX Securities Services Ltd will bring a technical platform for processing repurchase agreements into operation. This will also allow SIX Securities Services Ltd to expand its service offering in the area of collateral management.

In clearing, SIX intends to reinforce its position in the pan-European market and enhance its range in the area of bonds and derivatives. Last but not least, clearing will focus on the need to meet regulatory requirements and ensure that ESMA renews the authorization of SIX Securities Services Ltd to operate in the EU.

Consolidated balance sheet

(CHF 1,000)	Note	31/12/2013	31/12/2012 ¹
Assets			
Liquid assets		3,162,237	3,304,133
Amounts due from banks		1,667,692	1,975,249
Amounts due from customers	3.1	27,776	39,284
Financial investments	3.2	256,761	39,534
Non-consolidated participating interests	3.3, 3.4	9,755	11,767
Tangible fixed assets	3.4	36,759	40,498
Accrued income and prepaid expenses		4,346	2,201
Other assets	3.5	53,128	47,474
Total assets		5,218,455	5,460,139
Amounts due from qualified participants		73,033	98,617
Liabilities			
Amounts due to banks		4,453,156	4,616,977
Other amounts due to customers		239,018	326,988
Accrued expenses and deferred income		22,833	15,945
Other liabilities	3.5	77,202	128,260
Valuation adjustments and provisions	3.9	53,476	57,759
Bank's capital	3.10, 3.11	26,000	26,000
General legal reserves	3.11	34,910	34,910
Other reserves	3.11	165,071	138,071
Profit reserves	3.11	115,228	97,869
Consolidated profit for the year	3.11	31,561	17,359
Total liabilities		5,218,455	5,460,139
Amounts due to qualified participants		1,553,290	1,345,968
Off-balance-sheet transactions			
Irrevocable commitments	3.1, 4.5	24	24
Fiduciary transactions	4.4	7,013	2,428
Derivative financial instruments			
Contract volumes	4.3	10,019,969	7,378,878
Positive replacement values	4.3	47,237	34,077
Negative replacement values	4.3	45,510	35,751

¹ Individual prior-year figures have been adjusted for purposes of comparison ("restatement"). Details are given in the second section under "Changes in the accounting and valuation policies".

Consolidated income statement

(CHF 1,000)	Note	2013	2012
Operating income			
Result from interest operations			
Interest and discount income		3,584	4,832
Interest and dividend income from financial investments		3,490	–
Interest expense		–5,246	–170
Total result from interest operations		1,828	4,663
Result from commission business and services			
Commission income from clearing and settlement		218,655	205,756
Commission expenses from clearing and settlement		–63,124	–60,734
Commission income from other services		30,635	26,397
Commission expenses from other services		–7,981	–10,468
Total result from commission business and services		178,185	160,952
Result from trading activities	5.1	–41	249
Other result from ordinary activities			
Income from participating interests		452	–517
Other ordinary income		6,359	7,399
Other ordinary expenses		–4	–
Total other result from ordinary activities		6,808	6,882
Total operating income		186,781	172,746
Operating expenses			
Personnel expenses	5.2	–59,638	–62,807
General and administrative expenses	5.3	–78,722	–77,370
Total operating expenses		–138,361	–140,176
Gross profit		48,420	32,569
Depreciation and amortisation of fixed assets	3.4	–7,667	–7,198
Valuation adjustments, provisions and losses		–181	–3,921
Result before extraordinary items and taxes		40,573	21,450
Extraordinary income	5.4	2,779	982
Extraordinary expenses	5.4	–1,530	–
Taxes	5.5	–10,260	–5,072
Consolidated profit for the year		31,561	17,359

Consolidated cash flow statement

(CHF 1,000)	Note	2013	2012
Cash flow from operating activities			
Profit for the year		31,561	17,359
Depreciation of fixed assets	3.4	7,667	7,198
Valuation adjustments and provisions	3.9	-4,490	1,992
Deferred taxes	5.5	,207	46
Income from non-consolidated participating interests	3.4	1,760	740
Amounts due from customers		11,508	18,132
Other amounts due to customers		-87,970	305,528
Accrued income and prepaid expenses		-2,146	3,543
Accrued expenses and deferred income		6,888	150
Cash flow from operating activities (internal financing)		-35,016	354,689
Cash flow from shareholder's equity transactions			
Other transfers to reserves		27,000	-
Dividends	3.11	-	-32,000
Cash flow from shareholder's equity transactions		27,000	-32,000
Cash flow from investment activities			
Participating interests		252	-
Tangible fixed assets	3.4	-3,928	-4,547
Dividends received		682	222
Cash flow from investment activities		-2,994	-4,325
Cash flow from banking operations			
Amounts due from banks		306,874	-520,938
Amounts due to banks		-163,821	1,726,147
Financial investments		-217,227	-33,975
Other assets		-5,654	-3,794
Other liabilities		-51,059	-4,867
Cash flow from banking operations		-130,886	1,162,572
Change in liquid assets		-141,896	1,480,936
Liquid assets as at 1/1		3,304,133	1,823,197
Liquid assets as at 31/12		3,162,237	3,304,133

Notes to the financial statements

1. Notes on business activities and headcount

SIX Securities Services Ltd is the parent company of six operating units: SIX SIS Ltd, SIX SIS International Ltd, SIX x-clear Ltd, SIX SAG Ltd, SIX Systems Ltd and Projektgesellschaft Softwareentwicklung Oktober 2011 Ltd. As a wholly-owned subsidiary of SIX, it comprises the securities services business field.

The core business of SIX SIS Ltd is the settlement of securities transactions and the safekeeping and administration of securities both in Switzerland and abroad. As the national central securities depository (CSD), SIX SIS Ltd is a key element of the Swiss Value Chain. It also offers global custody services. As a licensed bank under Swiss law, SIX SIS Ltd is supervised by the Swiss Financial Market Supervisory Authority (FINMA). Financial system supervision is performed by the Swiss National Bank.

As central counterparty (CCP), SIX x-clear Ltd provides clearing services for SIX Swiss Exchange Ltd, the London Stock Exchange, and a number of multilateral trading facilities (MTFs). SIX x-clear Ltd is responsible for operational risk management within SIX Securities Services Ltd. As a licensed bank under Swiss law, SIX x-clear Ltd is supervised by FINMA. Financial system supervision is performed by the Swiss National Bank. Furthermore, the company has Recognised Overseas Clearing House (ROCH) status in the United Kingdom.

The core business of SIX SAG Ltd is the management of share registers for third companies. It also prepares, organizes and holds general meetings on a mandate basis and offers services in connection with special share registers. In addition, it supports companies planning a change of corporate structure or an initial public offering.

SIX Systems Ltd provides IT and logistics services to all SIX Securities Services Ltd companies. The company maintains a wide-ranging network of partners, uses state-of-the-art technologies and systematically exploits outsourcing opportunities.

Headcount

At year-end 2013, SIX Securities Services Ltd employed 374 staff members on a full-time equivalent basis (year-end 2012: 434). Since the financial year 2010, temporary staff have been counted in this headcount figure if the duration of their contract is longer than six months.

Outsourcing

SIX Securities Services Ltd outsources the operation and maintenance of the data center 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 required to maintain banking secrecy.

2. Accounting and valuation policies

All amounts shown in the financial statements have been rounded. The totals may therefore deviate from the sum of the individual values.

General principles

The accounting, reporting and valuation principles for the individual companies comply with the provisions of the Swiss Code of Obligations (CO), the accounting principles of the Swiss banking legislation (BAG SFBC) and the accounting principles of the Swiss Financial Market Supervisory Authority (FINMA). As the entire group is supervised by FINMA, the financial statements of the group have also been consolidated in line with the accounting principles of the Swiss banking legislation. SIX Securities Services Ltd applies the true and fair view principle in the consolidated financial statements. In general, business transactions are recorded using the trade date accounting principle. An exception to this are the non-fulfilled transactions from the clearing business, which are accounted for using the settlement date accounting principle.

Detail positions reported under a specific balance sheet item are valued item-by-item. These consolidated financial statements are also published in German. In case of inconsistencies between the German and English version of this financial statements, the German version shall prevail.

Scope and method of consolidation

The consolidated financial statements comprise all transactions of SIX Securities Services Ltd and its directly and indirectly held subsidiaries (more than 50% share of voting capital); these are fully consolidated in the financial statement. Consolidation is carried out in accordance with the purchase method. In principle, participating interests of between 20% and 50% are recognized in line with the equity method. Participating interests under 20% are held at the lower of cost or market value.

The effects of intragroup transactions and profits are eliminated when preparing the consolidated financial statements.

Conversion of foreign currencies

Transactions in foreign currencies 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.

Liquid assets, money-market instruments

These balance sheet items are shown at their nominal value.

Amounts due to and from banks and customers

Receivables and liabilities in CHF are recorded 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. Receivables from and liabilities towards banks arise mainly from clearing and settlement activities between SIX SIS Ltd and SIX x-clear Ltd with banks and financial organizations in Switzerland and abroad.

Trading portfolios

The trading portfolios are reported at market value.

Financial investments

Financial investments are stated as the lower of cost or market value. Bonds pledged as collateral (see note 3.6) are valued on the accrual principle, with the premium arising on purchase being amortized over the term to maturity. Value adjustments resulting from changes in the debtor's credit standing are immediately recognised.

Currency	USD	EUR	GBP	JPY	HKD	CAD
Unit	1	1	1	100	100	1
Exchange rates as at 31/12/2013	0.89	1.23	1.46	0.85	11.46	0.83
as at year-end 2012	0.92	1.21	1.48	1.06	11.81	0.92

Securities lending and repurchase transactions

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

Securities lending and borrowing transactions

SIX Securities Services Ltd lends and borrows non-monetary instruments such as money-market papers and securities for its own account and risk (principal status). It generally only engages in trading-book transactions, whereby receivables and liabilities arising from the lending or borrowing of non-monetary instruments are valued at market price. Lending transactions in securities or money market papers are treated like repurchase agreements, provided they are covered by cash collateral and subject to daily margining. Lending transactions in securities or money market papers that are not covered by cash collateral are not included in the balance sheet, but shown in the notes. Fees paid and received are shown under commission income rather than interest income.

Repurchase and reverse repurchase agreements

Repurchase agreements are shown in the balance sheet as cash deposits against pledge of own securities. Reverse repurchase agreements are treated as loans covered by securities collateral. This emphasizes the nature of such transactions as financing instruments. The transfer of securities is treated as if the securities had been pledged as collateral to cover the loan. Fees paid and received are shown under commission income rather than interest income.

Participating interests

Companies in which SIX Securities Services Ltd has a majority participating interest and management responsibilities are fully consolidated. All assets, liabilities, income and expenditures are included at 100%.

As an inactive, non-bank participating interest, AccuMatch AG is recognized according to the equity method.

Tangible fixed assets

Tangible fixed assets are shown in the balance sheet at cost less necessary depreciation. Depreciation is calculated using the straight-line method. All tangible fixed assets are regularly assessed with respect to a possible impairment of their value.

The estimated useful life of the individual assets is defined as follows:

– Installations	max. 7 years
– Furnishings	max. 5 years
– Internally developed software incl. SECOM	immediate depreciation
– Purchased software	3 to max. 5 years
– Hardware	3 to max. 5 years
– Vehicles	max. 5 years
– Buildings and building installations ¹	max. 35 years

¹ Real estate is not depreciated.

SIX Securities Services Ltd does not report any intangible assets. Purchased software is held on the balance sheet under tangible fixed assets.

Valuation adjustments and provisions

Appropriate individual valuation adjustments are made on impaired assets. Furthermore, flat-rate provisions are created to cover latent defaults in the area of short-term financing used to guarantee settlement of securities transactions. Provisions depend on the balances as at balance sheet date: depending on the account type, provisions of 0.15-1.0% of the respective balances are made per account. Changes since the previous year are charged to the income statement and amortized (previous year: if the results were lower, the figure for the previous year was used).

Operational risks are covered by appropriate provisions. The calculation is made on the basis of the effective operational risks (previous year: flat-rate 1.5-3.0% of the business income).

The tax implications resulting from time differences between the balance sheet items recorded in the consolidated financial statements and their taxable values in the individual financial statements are recorded as deferred tax assets/liabilities.

Reversals and additions of valuation adjustments and provisions are reported net in the income statement, in accordance with the provisions of FINMA circular no. 2008/2. A surplus is shown as extraordinary income.

Pension benefit obligations

Pension benefit obligations are treated according to Swiss GAAP FER 16. SIX Securities Services Ltd offers defined contribution plans. On the balance sheet date, SIX Securities Services Ltd has no liabilities in excess of the regulatory contributions.

Other assets and other liabilities

Other assets and other liabilities include SECOM settlement accounts as well as receivables and liabilities related to indirect taxes and towards social insurance institutions. This position also includes positive and negative replacement values.

Information on off-balance sheet transactions

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

SIX Securities Services 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 and the respective contract volumes are spot transactions resulting from the clearing business of SIX x-clear Ltd and SIX SIS Ltd that were outstanding at year-end.

The fiduciary accounts are bank accounts held with third-party banks. SIX SAG Ltd administers these accounts in connection with the management of special share registers. Off-balance sheet transactions are reported in the tables under item 4.

Taxes

Current taxes for the year under review are reported on an accrual basis.

Changes in accounting and valuation policies

SIX SIS Ltd and SIX x-clear Ltd replacement values

Since the second half of 2013, replacement values from pending cross-border settlement ("settled suspense") transactions have been calculated and reported at SIX SIS Ltd. They are recognised in the balance sheet items other assets and other liabilities.

For reasons of transparency, replacement values at SIX x-clear Ltd are no longer being offset. In the year under review, they are being reported on a gross basis. The potential effect of netting is shown in note 4.3.

Methods of calculating flat-rate value adjustments

The methods for calculating individual flat-rate value adjustments were changed in the year under review. These are described in detail in the second section under "Valuation adjustments and provisions".

SIX SAG Ltd fiduciary transactions

The fiduciary accounts of SIX SAG Ltd were checked in the year under review. As a result, fiduciary accounts that have been recognised in the balance sheet in the previous year, are now shown in the off-balance-sheet. Total fiduciary transactions therefore increased significantly in the year under review.

3. Information on the balance sheet

3.1 Overview of collateral for loans and off-balance-sheet transactions

Amounts due from customers

(CHF 1,000)	31/12/2013	31/12/2012
Amounts due from customers	27,776	39,284
thereof unsecured	27,776	39,284

Off-balance-sheet transactions

(CHF 1,000)	31/12/2013	31/12/2012
Irrevocable commitments	24	24
thereof unsecured	24	24

3.2 Financial investments

(CHF 1,000)	Book value		Fair value	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Financial investments in securities				
Debt securities	177,732	–	176,004	–
thereof held to maturity	177,732	–	–	–
Equity securities	79,030	39,534	79,030	39,534
Total financial investments in securities	256,761	39,534	255,034	39,534
thereof securities eligible for repurchase agreements according to liquidity regulations	177,732	–	176,004	–

3.3 Information on substantial participating interests

(in 1,000)	Business activity	31/12/2013		31/12/2012	
		Capital	Participation	Capital	Participation
Fully consolidated participating interests					
SIX Securities Services Ltd, Zurich	Holding	CHF 26,000	Holding		Holding
SIX SIS Ltd, Olten	Settlement/ Custody	CHF 26,000	100%		100%
SIX x-clear Ltd, Zurich	Clearing	CHF 30,000	100%		100%
SIX SAG Ltd, Olten	Share register	CHF 100	100%		100%
SIX Systems Ltd, Olten	Service provider	CHF 2,500	100%		100%
SIX SIS Nominee U.K. Ltd., Olten	Nominee	CHF 100	100%		100%
SIX SIS International Ltd, Zurich	Inactive	CHF 100	100%		100%
Projektgesellschaft Softwareentwicklung Oktober 2011 AG, Frankfurt	Inactive	EUR 50	100%		100%

Items included in the participating interests and consolidation according to the equity method	Business activity	31/12/2013		31/12/2012	
		Capital	Participation	Capital	Participation
AccuMatch AG in liquidation, Zurich ¹	Inactive	CHF 301	70%		70%
Link-up Capital Markets S.L., Madrid ²	Settlement	EUR 13,723	0%		23%

¹ Liquidation value: CHF 8.051 million (previous year: CHF 8.281 million).

² Sold during year under review (carrying amount previous year: CHF 1,782 million).

3.4 Statement of fixed assets

(CHF 1,000)	Cost value	Accumulated depreciation	Book value 31/12/2012	Additions	Disposals	Depreciation	Book value 31/12/2013
Participating interests							
– Participating interests valued according to equity method	7,404	2,658	10,063	–	–252	–1,760	8,051
– Other participating interests	1,704	–	1,704	–	–	–	1,704
Total participating interests	9,108	2,658	11,767	–	–252	–1,760	9,755
Tangible fixed assets							
Installations and furnishings	3,807	–3,549	258	–	–	–189	69
Hardware	216	–216	–	–	–	–	–
Real estate and buildings ¹	112,381	–73,017	39,364	–	–	–3,299	36,065
Software	86,831	–85,955	876	3,928	–	–4,179	625
Total tangible fixed assets	203,235	–162,737	40,498	3,928	–	–7,667	36,759
Fire insurance value of buildings			91,336				91,336
Fire insurance value of sundry property, plant and equipment			19,699				16,783

¹ Real estate is not depreciated.

3.5 Other assets and other liabilities

(CHF 1,000)	Other assets		Other liabilities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012 ¹
SECOM settlement accounts	4,379	12,312	2,350	66,684
Indirect taxes	1,046	1,027	20,278	23,760
Replacement values ¹	47,237	34,077	45,510	35,751
Compensation account	–	–	26	–
Sundry assets and sundry liabilities	466	57	9,038	2,065
Total other assets and other liabilities	53,128	47,474	77,202	128,260

¹ Previous year's figures have been adjusted for purposes of comparison ("restatement").

3.6 Assets pledged or assigned to secure own commitments

(CHF 1,000)	31/12/2013		31/12/2012	
	Amount due or book value	Liabilities/claimed liabilities	Amount due or book value	Liabilities/claimed liabilities
Due from banks	–	–	5,304	–
Financial investments	177,732	–	–	–
Total pledged assets	177,732	–	5,304	–

The assets were pledged to cover inter-CCP risks.

3.7 Securities lending and repurchase transactions

(CHF 1,000)	31/12/2013	31/12/2012 ¹
Book value of receivables from cash collateral in securities borrowing and reverse repurchase agreements	351,603	551,469
Book value of obligations from cash collateral in securities lending and repurchase agreements	–	362,298
Fair value of securities serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing or securities received in connection with reverse-repurchase agreements for which the right to resell or repledge is unrestricted,	515,250	759,977
Fair value of associated resold or repledged securities	142,433	156,555

¹ Previous year's figures adjusted for purposes of comparison.

Collateral for borrowed securities was primarily provided in the form of other securities rather than cash.

3.8 Pension benefit obligations

As at year-end, there were no liabilities towards own pension funds.

3.8.1 Economic benefit from surplus cover

According to the latest audited financial statements (according to Swiss GAAP FER 26) of SIX Securities Services Ltd's pension funds, the cover ratio is as follows:

(in percent)	31/12/2013	31/12/2012
Occupational Benefits Foundation of SIX, Zurich	116.1	111.1
Based on the audited financial statements of the pension funds as at:	31/12/2012	31/12/2011

According to a current pension fund estimate (unaudited), the covering ratio as at 31 December 2013 is more than 116%.

SIX Securities Services Ltd is connected to the Occupational Benefits Foundation of SIX. SIX Securities Services Ltd does not gain any economic benefits in the event of a surplus cover.

3.8.2 Employer contribution reserves

(CHF 1,000)	2013	2012
as at 1 January	19,143	19,143
as at 31 December	19,143	19,143

3.8.3 Pension fund expenses and the main influencing factors

(CHF 1,000)	31/12/2013	31/12/2012
Pension fund expenses according to the subsidiaries' financial statements	5,011	5,090
Subtotal: Deferred employer contributions on an accrual basis	5,011	5,090
Pension fund expenses according to the consolidated income statement (contributions to staff pension funds)	5,011	5,090

3.9 Valuation adjustments and provisions

(CHF 1,000)	Balance at year-end 2012	Use in conformity with designated purpose	New provisions charged to income	Releases to income	Releases to income	Balance at year-end 2013
Valuation adjustments and provisions for:						
Default risk	4,253	–	26	–1,551		2,728
Other business risks	42,039	–315	695	–3,835		38,584
Deferred taxes ¹	11,510	–	366	–159		11,717
Restructuring provisions	–	–1,741	2,703	–361		601
Defined benefit obligation	111	–	–	–111		–
Value adjustment of assets deriving from employer contribution reserves	19,143	–	–	–		19,143
Total valuation adjustments and provisions	77,057	–2,056	3,790	–6,018		72,774
Less: valuation adjustments directly offset against assets	19,298	–	–	–		19,298
Total valuation adjustments and provisions as per balance sheet	57,759	–2,056	3,790	–6,018		53,476

¹ The change in provisions for deferred taxes is shown under tax expenses in the consolidated income statement in compliance with RRV-FINMA.

3.10 Bank's capital and holders of interests exceeding 5% of all voting rights

The share capital entitled to dividends of SIX Securities Services Ltd amounts to CHF 26 million. It consists of 260,000 registered shares with a nominal value of CHF 100 each.

	31/12/2013		31/12/2012	
	Par value (CHF 1,000)	Share in %	Par value (CHF 1,000)	Share in %
Shareholders				
SIX Group Ltd	26,000	100	26,000	100
Total	26,000	100	26,000	100

The following shareholders hold indirect participations in SIX Securities Services Ltd via SIX Group Ltd:

	31/12/2013		31/12/2012	
	Share in %		Share in %	
Shareholders				
UBS AG consolidated		17.3		17.3
Credit Suisse Group consolidated		12.5		12.8

3.11 Statement of shareholders' equity

(CHF 1,000)	Bank's capital	General legal reserves	Other reserves	Profit carried forward	Total
1 January 2013	26,000	34,910	138,071	115,228	314,209
Other transfers to reserves	–	–	27,000	–	27,000
Profit for the year 2013	–	–	–	31,561	31,561
31 December 2013	26,000	34,910	165,071	146,789	372,770
1 January 2012	26,000	34,910	138,071	129,869	328,850
Dividends	–	–	–	–32,000	–32,000
Profit for the year 2012	–	–	–	17,359	17,359
31 December 2012	26,000	34,910	138,071	115,228	314,209

3.12 Maturity analysis of current assets and third-party liabilities

(CHF 1,000)	Due								Total
	At sight	Cancellable	within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity		
Current assets									
Liquid assets	3,162,237	–	–	–	–	–	–	–	3,162,237
Amounts due from banks	696,797	–	970,895	–	–	–	–	–	1,667,692
Amounts due from customers	27,776	–	–	–	–	–	–	–	27,776
Financial investments	256,761	–	–	–	–	–	–	–	256,761
Total current assets	4,143,571	–	970,895	–	–	–	–	–	5,114,467
Previous year	4,604,079	–	747,121	7,000	–	–	–	–	5,358,200
Borrowed funds									
Amounts due to banks	4,453,156	–	–	–	–	–	–	–	4,453,156
Other amounts due to customers	55,266	–	183,752	–	–	–	–	–	239,018
Total third-party capital	4,508,422	–	183,752	–	–	–	–	–	4,692,174
Previous year	4,943,965	–	–	–	–	–	–	–	4,943,965

3.13 Transactions with related parties

(CHF 1,000)	31/12/2013	31/12/2012
Amounts due from affiliated companies	24,533	36,655
Amounts due to affiliated companies	49,766	313,828
Loans granted to governing bodies	–	–

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

3.14 Assets and liabilities by domestic and foreign origin

	31/12/2013			31/12/2012		
(CHF 1,000)	Domestic	Abroad	Total	Domestic	Abroad	Total
Assets						
Liquid assets	2,528,486	633,750	3,162,237	2,781,199	522,934	3,304,133
Amounts due from banks	596,711	1,070,981	1,667,692	704,124	1,271,125	1,975,249
Amounts due from customers	27,572	204	27,776	39,159	125	39,284
Financial investments	–	256,761	256,761	15,238	24,296	39,534
Non-consolidated participating interests	8,055	1,700	9,755	8,285	3,481	11,767
Tangible fixed assets	36,759	–	36,759	40,498	–	40,498
Accrued income and prepaid expenses	1,712	2 634	4,346	2,201	–	2,201
Other assets	53,128	–	53,128	47 474	–	47,474
Total assets	3,252,423	1,966,032	5,218,455	3,638,178	1,821,961	5,460,139
Liabilities						
Amounts due to banks	3,199,464	1,253,692	4,453,156	3,280,614	1,336,364	4,616,977
Other amounts due to customers	239,017	1	239,018	326,987	1	326,988
Accrued expenses and deferred income	22,833	–	22,833	15,945	–	15,945
Other liabilities	61,974	15,228	77,202	109 005	19 255	128 260
Valuation adjustments and provisions	53,476	–	53,476	57,759	–	57,759
Bank's capital	26,000	–	26,000	26,000	–	26,000
General legal reserves	34,910	–	34,910	34,910	–	34,910
Other reserves	165,071	–	165,071	138,071	–	138,071
Profit reserves	115,228	–	115,228	97,869	–	97,869
Consolidated profit for the year	31,561	–	31,561	17,359	–	17,359
Total liabilities	3,949,535	1,268,920	5,218,455	4,104,519	1,355,619	5 460 139

3.15 Total assets by country/group of countries

	31/12/2013		31/12/2012	
	(CHF 1,000)	Share in %	(CHF 1,000)	Share in %
Europe	4,525,098	86.71	5 138 966	94.09
Switzerland	3,256,135	62.40	3,610,224	66.46
Liechtenstein	1,063	0.02	527	0.01
Czech Republic	10,361	0.20	2,371	0.04
Denmark	15,752	0.30	3,526	0.06
Eurozone	1,075,241	20.60	1 286 787	23.17
Guernsey	–	–	10	–
United Kingdom	127,712	2.45	205,754	3.79
Iceland	91	–	74	–
Norway	21,644	0.41	14,334	0.26
Poland	703	0.01	1,061	0.02
Sweden	11,846	0.23	9,829	0.18
Turkey	3,191	0.06	3,693	0.07
Hungary	1,359	0.03	778	0.01
North America/Central America	569,008	10.90	212,375	3.91
Bermuda	–	–	35	–
Cayman Islands	6	–	2	–
Canada	40,050	0.77	31,416	0.58
Mexico	16	–	10	–
USA	528,935	10.14	180,912	3.33
South America	373	0.01	1,659	0.03
Argentina	360	0.01	1,404	0.03
Brazil	12	–	255	–
Africa	2,838	0.05	4,672	0.09
Egypt	21	–	30	–
South Africa	2,817	–	4,641	0.98
Asia	86,517	1.66	53,191	0.98
China	1	–	1	–
Hong Kong	9,428	0.18	21,775	0.40
Indonesia	90	–	119	–
Israel	463	0.01	223	–
Japan	63,649	1.22	13,992	0.26
Korea	32	–	6	–
Malaysia	4	–	5	–
Philippines	81	–	116	–
Singapore	10,288	0.20	14,289	0.26
Thailand	2,470	0.05	2,664	0.05
United Arab Emirates	10	–	1	–
Australia/Oceania	34,622	0.66	49,276	0.91
Australia	26,591	0.51	38,410	0.71
New Zealand	8,032	0.15	10,866	0.20
Total assets	5,218,455	100.00	5 460 139	100.00

3.16 Analysis of assets and liabilities according to currency

(CHF 1,000)	CHF	EUR	USD	GBP	Other	Total
Assets						
Liquid assets	2,528,375	633,750	–	–	111	3,162,237
Amounts due from banks	168,369	262,632	803,504	140,190	292,998	1,667,692
Amounts due from customers	27,776	–	–	–	–	27,776
Financial investments	8,085	242,449	2,123	195	3,909	256,761
Non-consolidated participating interests	8,051	1,704	–	–	–	9,755
Tangible fixed assets	36,759	–	–	–	–	36,759
Accrued income and prepaid expenses	1,712	2,634	–	–	–	4,346
Other assets	49,233	2,736	302	586	270	53,128
Total assets shown in balance sheet	2,828,362	1,145,906	805,929	140,971	297,287	5,218,455
Delivery entitlements from spot exchange, forward forex and forex options transactions	–	–	–	–	–	–
Total assets	2,828,362	1,145,906	805,929	140,971	297,287	5,218,455
Liabilities						
Amounts due to banks	2,271,435	962,245	782,032	140,361	297,082	4,453,156
Other amounts due to customers	51,271	187,584	49	15	98	239,018
Accrued expenses and deferred income	22,833	–	–	–	–	22,833
Other liabilities	59,377	1,104	16,250	41	430	77,202
Valuation adjustments and provisions	53,476	–	–	–	–	53,476
Bank's capital	26,000	–	–	–	–	26,000
General legal reserves	34,910	–	–	–	–	34,910
Other reserves	165,071	–	–	–	–	165,071
Profit reserves	115,228	–	–	–	–	115,228
Consolidated profit for the year	31,561	–	–	–	–	31,561
Total liabilities shown in the balance sheet	2,831,163	1,150,933	798,332	140,417	297,610	5,218,455
Delivery obligations from from spot exchange, forward forex and forex option transactions	–	–	–	–	–	–
Total liabilities	2,831,163	1,150,933	798,332	140,417	297,610	5,218,455
Net position per currency	–2,802	–5,028	7,598	555	–323	–
Net position per currency as at 31 December 2012	–3,280	2,825	–169	389	236	–

4. Information on off-balance-sheet transactions

4.1 Contingent liabilities

	31/12/2013	31/12/2012
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

4.2 Commitment credits

There were no commitment credits as at the balance sheet date.

4.3 Derivative financial instruments

(CHF 1,000)	31/12/2013	31/12/2012
Derivative financial instruments		
Contract volumes	10,019,969	7,378,878
Positive replacement values	47,237	34,077
Negative replacement values	45,510	35,751

(CHF 1,000)	31/12/2013	31/12/2012
Total after consideration of netting contracts		
Positive replacement values	8,850	6,123
Negative replacement values	7,124	7,797

4.4 Fiduciary transactions

(CHF 1,000)	31/12/2013	31/12/2012
Fiduciary transactions	7,013	2,428
Total fiduciary transactions	7,013	2,428

4.5 Irrevocable commitments

(CHF 1,000)	31/12/2013	31/12/2012
Deposit protection	24	24
Total irrevocable commitments	24	24

5. Information on the income statement

5.1 Result from trading activities

(CHF 1,000)	2013	2012
Result from trading activities		
Valuation result from the translation of foreign exchange positions	-41	249
Total result from trading activities	-41	249

5.2 Personnel expenses

(CHF 1,000)	2013	2012
Personnel expenses		
Salaries (incl. bonuses)	-47,684	-50,435
Social benefits	-9,245	-9,502
Sundry personnel expenses	-2,709	-2,870
Total personnel expenses	-59,638	-62,807

5.3 General and administrative expenses

(CHF 1,000)	2013	2012
General and administrative expenses		
SECOM expenses, costs of equipment	-24,366	-24,739
Consultancy, fees and other services	-36,934	-33,549
Cost of premises	-7,585	-8,005
Advertising and marketing expenses	-2,819	-3,447
Indirect taxes and other fees	-1,629	-1,831
Other operating expenses	-5,389	-5,799
Total General and administrative expenses	-78,722	-77,370

5.4 Extraordinary expenses and income

(CHF 1,000)	2013	2012
Extraordinary income		
Release of redundant provisions	2,779	982
Total extraordinary income	2,779	982
Extraordinary expenses		
Loss on disposal of participations	1,530	–
Total extraordinary expenses	1,530	–

5.5 Taxes

Current taxes for the year under review are reported on an accrual basis. The consolidated financial statements include deferred taxes for untaxed profit reserves.

(CHF 1,000)	2013	2012
Tax expenses		
Expenses for taxes in previous years	4	252
Expenses for current taxes	–10,057	–5,278
Increase of provisions for deferred taxes	–207	–46
Total tax expenses	–10,260	–5,072

6. Risk management

6.1 General

As a part of SIX, SIX Securities Services Ltd is an important pillar of the Swiss financial center, laying great emphasis on reliability and security and creating the trust that is essential for the financial center's smooth functioning. The Board of Directors of SIX is responsible for risk. The Risk Committee of the Board of Directors of SIX is responsible for internal controls with respect to risk. The Board of Directors of SIX 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, which is supported at group level by the specialized units Corporate Development (for strategic risks), Corporate Security Officer (for security risks), Compliance Officer and by the Finance & Services division. Risk control measures at SIX are executed by the Chief Risk Officer, who is independent of the line management structure. Risk management and controlling are monitored by the internal auditors.

6.2 Risk policy

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

6.3 Risk groups

6.3.1 Strategic risk and project risk

Strategic risks and project risks arise both from the implementation of the SIX strategy and from the implementation of the strategies of the individual subsidiaries. They are the responsibility of the Executive Board of SIX and of the Executive Boards of the subsidiaries.

The risk profiles of the strategic risks and project risks of the individual SIX companies are reviewed semi-annually.

6.3.2 Reputational risk

Reputational risk involves the risk of the reputation of SIX or one of its subsidiaries being tarnished. As reputational risk is largely inherent in business activities, reputational risk management mainly consists of ensuring

competency, integrity, responsibility and compliance in business activities at group level. Reputational risk management includes all operational and strategic management instruments of SIX and SIX Securities Services Ltd, in particular financial reporting, monitoring of performance key figures and surveys of customer and staff satisfaction. A well established emergency organization system ensures that in the event of a crisis, reputational risks are kept to a minimum.

6.3.3 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 becoming insolvent. This includes settlement risk or the risk of the counterparty becoming insolvent at the time when the transaction is settled.

SIX Securities Services Ltd applies a conservative risk and credit policy. New participants of SIX SIS Ltd and new members of SIX x-clear Ltd have to meet strict regulatory standards. Market participants that are not subject to adequate financial institution and/or money laundering regulation and supervision are not accepted. All limits are revised at least annually, taking into account the development of the participant's business, its market standing and its relationship with SIX SIS Ltd. The limits must be approved by the risk management of Securities Services. The limit granted depends on the participant's rating and on the collateral it provides. Limits are monitored on a daily basis.

As the central counterparty, SIX x-clear Ltd applies the following multi-level risk management techniques in order to minimize cases of default: regular evaluations of positions at the latest quotation, rules for the prevention and coverage of possible losses, application of initial and variation margin requirements and a default fund contributed by the participants. Furthermore, the default funds are mutualized and participants are under an obligation to make additional contributions (margin calls) for market risk, if the individual contribution of the defaulting member and the designated part of SIX x-clear Ltd's capital should not suffice.

SIX Securities Services Ltd is linked online and in real time with SIX Swiss Exchange Ltd, 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. This system does not function for cross-border securities transactions. The resulting receivables from and liabilities towards banks are subject to counterparty risk and – to a limited extent, i.e. in the case of counterparty default – also market risk. These risks, which are of extremely short duration, are strictly monitored through detailed procedures for managing limits.

SIX Securities Services Ltd applies the Swiss standard approach during the transitional period in line with Basel III to calculate capital adequacy requirements for credit risks.

6.3.4 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 and other assets subject to depreciation.

Non-counterparty-related risks are accounted for through adequate depreciation and insurances; in particular, self-developed software is written off in full in the year of production/purchase.

6.3.5 Market risk

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

6.3.5.1 Interest rate risk

SIX Securities Services Ltd does not engage in conventional credit business and does not enter in material mid-term or long-term fixed interest transactions. Consequently, SIX Securities Services Ltd is not exposed to any significant risk of interest rate fluctuations.

6.3.5.2 Foreign currency risk

In principle, SIX Securities Services Ltd does not hold any foreign currency for its own account outside of OECD member states. In addition, all receivables from and liabilities towards participants and custodians are

matched by currency. The bonds which serve as collateral for other clearinghouses denominate in Euro. These are being financed by a Euro-loan from SIX Group. Possible residual risk is monitored and managed on group level.

6.3.6 Operational risks

According to Basel III, 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. However, strategic risks and reputational risks 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 audit department and adequate measures are implemented. Furthermore, SIX Securities Services Ltd maintains a loss and risk database reflecting the risk categories defined by Basel III to systematically identify any risks in processes and to collect data to minimize losses in all business areas.

Together with the legal department, the SIX compliance function ensures that the business activities of SIX Securities Services Ltd comply with the current rules and regulations and the general obligation of a financial intermediary 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.

The risk inherent in relying on information technology is addressed by SIX Securities Services Ltd’s business continuity planning, which is in line with customary industry practice, and measures aimed at reducing the probability of such failures occurring, for example by maintaining an IT back-up center. Corresponding measures on the part of SIX Securities Services Ltd’s outsourcing partners are subject to contractual agreements. SIX Securities Services Ltd is also supervised by the Swiss National Bank in this respect pursuant to the National Bank Act.

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

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

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

Capital as at 31 December 2013 and 31 December 2012, respectively:

(CHF 1,000)	31/12/2013	31/12/2012
Eligible capital (after appropriation of disposable profit):	340,584	314,209
Total required capital:	73,806	77,770
thereof for credit risks	39,696	43,741
thereof for non-counterparty-related risks	7,247	8,440
thereof for market risks	965	366
thereof for operational risks	25,898	25,224



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To the General Meeting of
SIX Securities Services Ltd, Zurich

Zurich, 9 April 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of SIX Securities Services Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 7 until 28), for the year ended for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss banking law and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss banking law and comply with Swiss law.




Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) and that 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 consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd



Thomas Schneider
Licensed audit expert
(Auditor in charge)



Pascal Berli
Licensed audit expert

Financial statements of SIX Securities Services Ltd

Balance sheet

(CHF 1,000)	31/12/2013	31/12/2012
Assets		
Current assets		
Amounts due from banks	61,786	55,089
Amounts due from customers	13,765	18,014
Accrued income and prepaid expenses	70	62
Other assets	104	87
Total current assets	75,725	73,252
Investment capital		
Financial investments	1,071	1,071
Participating interests	69,285	69,285
Total investment capital	70,356	70,356
Total assets	146,081	143,608
Amounts due from qualified participants (direct)	32,633	38,015
Amounts due from group companies	4,090	–
Liabilities		
Borrowed funds		
Amounts due to banks	29	8
Amounts due to customers	886	309
Accrued expenses and deferred income	2,037	870
Other liabilities	39	22
Valuation adjustments and provisions	38	–
Total borrowed funds	3,028	1,209
Equity		
Share capital	26,000	26,000
General legal reserves	10,000	10,000
Reserves for general business risks	35,000	35,000
Other reserves	54,271	54,271
Profit carried forward	17,128	110
Profit for the year	654	17,018
Total equity	143,053	142,399
Total liabilities	146,081	143,608
Amounts due to qualified participants (direct)	27,105	–
Amounts due to group companies	608	197

Income statement

(CHF 1,000)	2013	2012
Operating income		
Result from interest operations		
Interest and discount income	6	28
Total result from interest operations	6	28
Result from trading activities	-1	-
Result from commission business and services		
Commission expenses from other services business	-4	-
Total result from commission business and services	-4	-
Other result from ordinary activities		
Income from participating interests	3,082	20,922
Other ordinary income	8,076	-
Other ordinary expenses	-65	-3
Total other result from ordinary activities	11,093	20,920
Total operating income	11,094	20,947
Operating expenses		
Personnel expenses	-4,704	-62
General and administrative expenses	-5,646	-3,827
Operating expenses	-10,350	-3,889
Gross profit	744	17,058
Depreciation on fixed assets	-	-
Valuation adjustments, provisions and losses	-38	-
Result before extraordinary items and taxes	707	17,058
Extraordinary income	-	-
Extraordinary expenses	-	-
Taxes	-52	-41
Profit for the year	654	17,018
Appropriation of profit		
Profit carried forward from the previous year	17,128	110
Profit at the General Meeting's disposal	17,782	17,128
Allocation to general legal reserves	-	-
Allocation to/withdrawal from other reserves	-	-
Dividends	-1,500	-
Profit carried forward	16,282	17,128

Notes to the financial statements of SIX Securities Services Ltd

1. Pension benefit obligations

SIX Securities Services Ltd has not made any provisions for pension benefit obligations.

2. Participating interests

Participating interests comprise of the following companies:

(in 1,000)	Business activity	31/12/2013		31/12/2012
		Capital	Participation	Participation
SIX SIS Ltd, Olten	Settlement/ custody	CHF 26,000	100%	100%
SIX x-clear Ltd, Zurich	Clearing	CHF 30,000	100%	100%
SIX SAG Ltd, Olten	Share register	CHF 100	100%	100%
SIX Systems Ltd, Olten	Service provider	CHF 2,500	100%	100%
SIX SIS International Ltd, Zurich	Inactive	CHF 100	100%	100%
Projektgesellschaft Softwareentwicklung Oktober 2011 AG, Frankfurt	Inactive	EUR 50	100%	100%
AccuMatch AG, Zurich	Inactive	CHF 301	70%	70%

3. Share capital and shareholders

The share capital entitled to dividends of SIX Securities Services Ltd amounts to CHF 26 million. It consists of 260,000 registered shares with a nominal value of CHF 100 each.

The shareholders are as follows:

	31/12/2013		31/12/2012	
	Par value		Par value	
	(CHF 1,000)	Share in %	(CHF 1,000)	Share in %
Shareholders				
SIX Group Ltd	26,000	100	26,000	100
Total	26,000	100	26,000	100

The following shareholders hold indirect participations in SIX Securities Services Ltd via SIX Group Ltd:

	31/12/2013		31/12/2012	
	Share in %		Share in %	
Shareholders				
UBS AG consolidated		17,3		17,3
Credit Suisse Group consolidated		12,5		12,8

4. Statement of shareholders' equity

(in 1 000)	Share capital	General statutory reserves	Other reserves	Profit carried forward	Total
1 January 2013	26,000	10,000	89,271	17,128	142,399
Dividends	–	–	–	–	–
Allocations to reserves	–	–	–	–	–
Profit for the year 2013	–	–	–	654	654
31 December 2013	26,000	10,000	89,271	17,782	143,053
1 January 2012	26,000	10,000	89,271	32,110	157,381
Dividends	–	–	–	–32,000	–32,000
Allocations to reserves	–	–	–	–	–
Profit for the year 2012	–	–	–	17,018	17,018
31 December 2012	26,000	10,000	89,271	17,128	142,399

5. Risk assessment

SIX Securities Services Ltd is a part of SIX. Risk assessment is carried out within the scope of group-wide risk management processes. A separate risk assessment by the Board of Directors was therefore deemed unnecessary.

6. Contingent liabilities

	31/12/2013	31/12/2012
Joint liability from consolidated value-added tax filing status	p.m.	p.m.



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To the General Meeting of
SIX Securities Services Ltd, Zurich

Zurich, 9 April 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of SIX Securities Services Ltd, which comprise the balance sheet, income statement and notes (pages 31 to 35), for the year ended 31 December 2013.

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 2013 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 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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. 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 Securities Services Ltd

Board of Directors

Dr. Urs Rügsegger
Dr. Stefan Mäder
Andreas Plüss

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

Addresses

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Wertpapierwelt

Foundation collection of historical securities

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