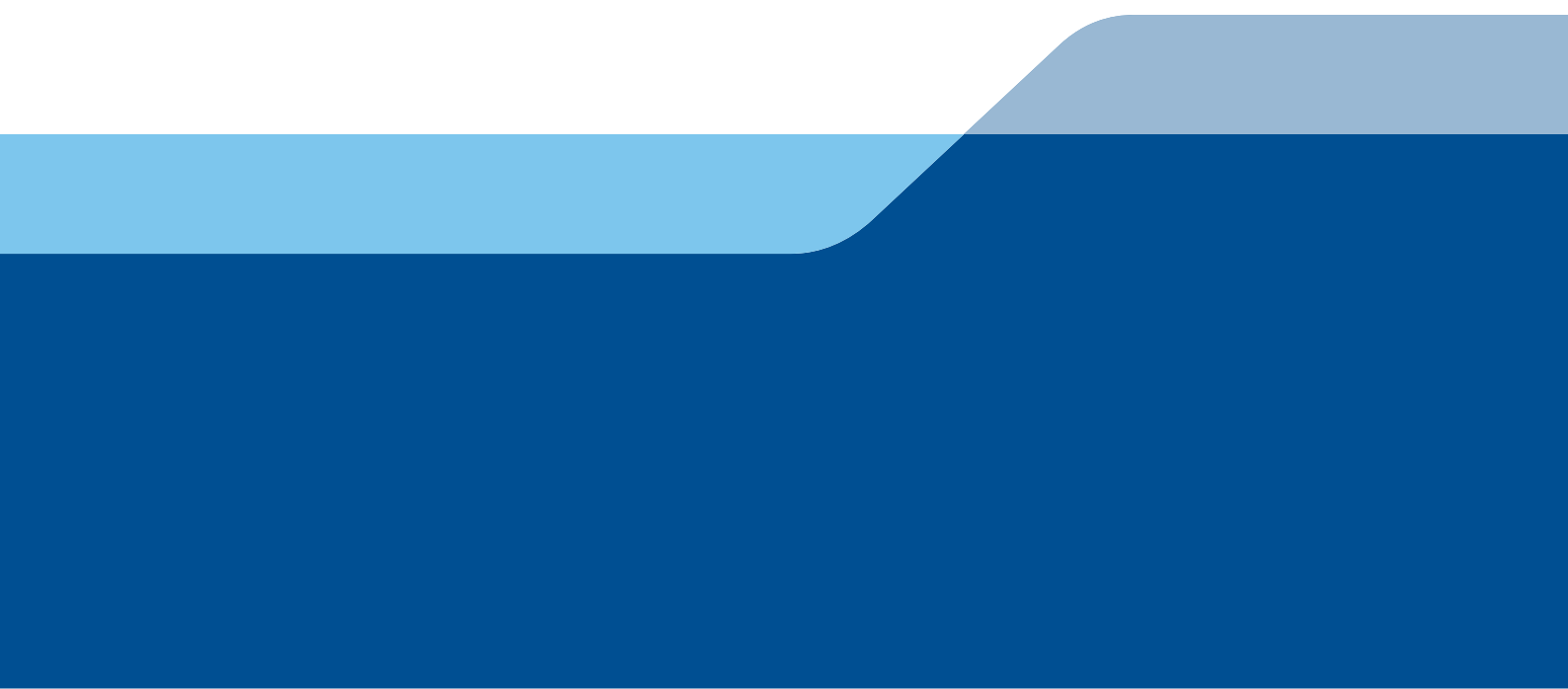




Securities Services

# Annual Report 2013

SIX SIS Ltd



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# Annual Report

## Greater client focus

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 11.7% to CHF 172.8 million, and gross income increased by 44.2% to CHF 43.3 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.

### 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 SIS 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 SIS 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 SIS 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.

### 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.

# Balance sheet

(CHF 1,000)	Note	31/12/2013	31/12/2012 <sup>1</sup>
<b>Assets</b>			
Liquid assets		3,162,126	3,304,022
Amounts due from banks		1,655,792	1,921,725
Amounts due from customers		1,869	1,348
Participating interests	3.1	1,800	3,581
Tangible fixed assets	3.1	36,134	39,622
Accrued income and prepaid expenses		748	1,430
Other assets	3.2	7,740	13,085
<b>Total assets</b>		<b>4,866,208</b>	<b>5,284,814</b>
Amounts due from qualified participants (direct)		29	4
Amounts due from qualified participants (indirect)		46,250	42,602
Amounts due from affiliated companies (banks)		80,987	25,600
Amounts due from affiliated companies (customers)		643	1,318
<b>Liabilities</b>			
Amounts due to banks		4,526,348	4,637,954
Other amounts due to customers		56,858	329,321
Accrued expenses and deferred income		16,126	11,234
Other liabilities	3.2	24,726	92,458
Valuation adjustments and provisions	3.5	80,207	84,480
Bank's capital	3.7	26,000	26,000
General legal reserve	3.7	18,300	18,300
Reserves from capital contributions	3.7	5,000	5,000
Other reserves	3.7	63,100	63,100
Profit carried forward	3.7	16,967	58
Profit for the year	3.7	32,577	16,910
<b>Total liabilities</b>		<b>4,866,208</b>	<b>5,284,814</b>
Amounts due to qualified participants (direct)		3,371	–
Amounts due to qualified participants (indirect)		960,718	1,261,737
Amounts due to affiliated companies (banks)		471,904	500,736
Amounts due to affiliated companies (customers)		10,719	17,793
<b>Off-balance sheet transactions</b>			
Irrevocable commitments		18	22
Derivative financial instruments			
Contract volumes		136,049	59,781
Positive replacement values		2,224	201
Negative replacement values		523	425

<sup>1</sup> Individual figures have been adjusted for purposes of comparison ("restatement"). Details may be found in item 2.13 of the Notes.

# Income statement

(CHF 1,000)	Note	2013	2012
<b>Operating income</b>			
<b>Result from interest operations</b>			
Interest and dividend income from financial investments		3,639	6,097
Interest expense		-246	-166
<b>Total result from interest operations</b>		<b>3,394</b>	<b>5,931</b>
<b>Result from commission business and services</b>			
Commission income from clearing and settlement		203,212	197,821
Commission expense from clearing and settlement		-56,959	-60,472
Commission income from other services		16,569	12,940
Commission expense from other services		-2,871	-9,358
<b>Total result from commission business and services</b>		<b>159,951</b>	<b>140,931</b>
<b>Result from trading activities</b>	4.1	<b>49</b>	<b>257</b>
<b>Other result from ordinary activities</b>			
Other ordinary income <sup>1</sup>		9,441	7,587
Other ordinary expenses		-3	-
<b>Total other result from ordinary activities</b>		<b>9,439</b>	<b>7,587</b>
<b>Total operating income</b>		<b>172,833</b>	<b>154,707</b>
<b>Operating expenses</b>			
Personnel expenses		-36,297	-39,389
Other operating expenses <sup>2</sup>		-93,191	-85,249
<b>Total operating expenses</b>		<b>-129,488</b>	<b>-124,638</b>
<b>Gross income</b>		<b>43,345</b>	<b>30,069</b>
Depreciation and amortisation of fixed assets	3.1	-3,488	-4,231
Value adjustments, provisions and losses	3.5	-1,433	-5,305
<b>Result before extraordinary items and taxes</b>		<b>38,424</b>	<b>20,533</b>
Extraordinary income	3.5	4,271	632
Extraordinary expenses		-1,530	-
Taxes		-8,588	-4,255
<b>Profit for the year</b>		<b>32,577</b>	<b>16,910</b>
<b>Appropriation of profit</b>			
Profit carried forward from the previous year		16,967	58
<b>Distributable profit</b>		<b>49,544</b>	<b>16,967</b>
Dividend		-30,000	-
<b>Profit carried forward</b>		<b>19,544</b>	<b>16,967</b>
<sup>1</sup> Thereof group-internal services		4,914	1,566
<sup>2</sup> Thereof group-internal services		-67,889	-69,170

# Notes to the financial statements

## 1. Notes on business activities and headcount

### 1.1 General

SIX SIS Ltd's core business is the settlement of securities transactions and the safe custody and administration of securities both in Switzerland and abroad. As the national central securities depository (CSD), the company is a key element of the Swiss Value Chain in its home market. It provides securities settlement on a simultaneous, final and irrevocable delivery versus payment basis. In its role as an international central securities depository (CSD), SIX SIS Ltd offers a wide range of tailor-made global custody services for clients.

To facilitate the settlement of securities transactions, particularly in cross-border business, national and international participants and foreign custodians hold accounts in various currencies with SIX SIS Ltd. Interim financing as a means of guaranteeing the smooth settlement of securities transactions is exclusively short-term in nature and provided on a current account basis; commercial financing is not provided.

The number of staff on a full-time equivalent basis was 256 people as at year-end (previous year: 302). 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.

SIX SIS Ltd is licensed as a bank under Swiss law and is subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA).

### 1.2 Outsourcing

Wherever possible, SIX SIS Ltd uses the services of other affiliated companies of SIX.

The risk management for all of SIX Securities Services, which itself is a division of SIX, is performed by SIX Securities Services, with the operational settlement of the management of limits in SECOM being carried out by SIX SIS Ltd.

SIX SIS 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.

### 1.3 Risk management

#### 1.3.1 General

As a part of SIX, SIX SIS 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. The management of specific risks faced by SIX SIS Ltd is assumed by senior executives of SIX Securities Services Ltd.

#### 1.3.2 Risk policy

The scope of SIX SIS 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.

### **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 Securities Services Ltd's strategy and from the implementation of the strategies of the individual subsidiaries. They are the responsibility of the Group Executive Board and of the Executive Boards of the subsidiaries. Strategic risks and project risks are reviewed semi-annually based on their risk profiles.

#### **1.3.3.2 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.

#### **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 SIS Ltd applies a conservative risk and credit policy. New participants of SIX SIS Ltd are required to meet strict regulatory standards. Market participants that are not subject to adequate financial institution and money laundering regulation and supervision are not accepted. Management is effected via limits granted to the participants by the relevant bodies within SIX pursuant to the competency rules. 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 limit granted mainly depends on the participant's rating and the collateral it provides. Limits are monitored on a daily basis.

SIX SIS Ltd is linked online and in real time with SIX Swiss Exchange and with the SIC/euroSIC systems. The system of real-time settlement of irreversible transactions on the basis of simultaneous delivery versus pay-

ment, 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 SIS Ltd applies the Swiss standard approach during the transitional period in line with Basel III 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 and other assets subject to depreciation.

Non-counterparty-related risks are accounted for through adequate depreciation and insurances; in particular, software is fully depreciated 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 in the underlying factors (e.g. equity or commodity prices, exchange rates and interest rates and their respective volatilities).

##### **1.3.3.5.1 Interest rate risks**

SIX SIS Ltd does not engage in conventional credit business and does not enter in material mid-term or long-term fixed interest transactions. However, interest rate fluctuations resulting from short-term investments may influence the treasury result.

##### **1.3.3.5.2 Foreign currency risk**

In principle, SIX SIS 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. 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 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 of SIX 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 SIS 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. They also ensure that rules and directives are amended in line with changing regulations and are observed.

The risk inherent in relying on information technology is addressed by SIX SIS Ltd’s business continuity planning, which is in line with customary industry practice, and measures aimed at reducing the probability of such failures occurring, such as by maintaining an IT back-up center. Corresponding measures on the part of our outsourcing partners are subject to contractual agreements. Furthermore, SIX SIS 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.

### 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 SIS 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
<b>Eligible capital (after profit appropriation):</b>	<b>170,235</b>	<b>181,977</b>
<b>Total required capital:</b>	<b>55,080</b>	<b>64,890</b>
thereof for credit risks	24,012	34,822
thereof for non-counterparty-related risks	7,247	8,002
thereof for market risks	766	268
thereof for operational risks	23,055	21,797



## 2. Accounting and valuation policies

### 2.1 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 guide-lines 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.

Transactions are recorded using the trade date accounting principle. An exception to this are Amounts due from and to banks and customers, which are accounted for using the settlement date accounting principle. Detail positions reported under a specific balance sheet item are valued item-by-item.

Some information in the notes are according to the Swiss bank law disclosed in the consolidated financial statements only. These 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.

### 2.2 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, provided that no valuation using historic exchange rates is carried out (e.g. participating interests). Exchange rate gains or losses are credited or debited to the income statement.

### 2.3 Liquid assets, deposits

These balance sheet items are shown at their nominal value.

### 2.4 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 liability item "Valua-

tion 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 with banks and financial organizations in Switzerland and abroad.

### 2.5 Lending and repurchase transactions in securities

The substance over form principle applies for lending and repurchase activities with securities. Thus non-monetary values remain in the balance sheet of the party delivering these values.

### 2.6 Securities lending and borrowing

SIX SIS Ltd lends and borrows non-monetary instruments such as money market papers and securities for its own account and risk (principal status). The bank 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 value. 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 disclosed in the notes. Fees paid and received are shown under commission income rather than interest income.

### 2.7 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.

### Exchange rates

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

## 2.8 Financial investments in securities

Financial investments are stated as the lower of cost or market value.

## 2.9 Tangible fixed assets

The following depreciation rates are applicable:

Asset class	Lifetime in years maximum	Depreciation rate, linear, based on acquisition value
Installations	7	14,3 %
Building installations	10	10%
Fixtures logistics	12	8,3%
Furnishings and equipment	5	20%
Vehicles	5	20%
EDP hardware	5	20%
Computer hardware	3	33,3%
EDP and computer software	immediate depreciation	100%
Ordinary office buildings	35	3%
Buildings for special uses	20	5%
Real estate	not depreciated	0%

Real estate and buildings are to be reported separately. Real estate is not depreciated. Tangible fixed assets are reported on a net basis, i.e. after deduction of accumulated depreciation. Costs for proprietary software development are recognized in the assets and fully depreciated within the same year.

## 2.10 Pension fund liabilities

Liabilities towards SIX SIS Ltd's own pension fund as at 31 December 2013 amount to TCHF 0 (2012: TCHF 0). SIX SIS Ltd offers defined contribution plans.

## 2.11 Information on off-balance sheet transactions

Off-balance sheet transactions requiring disclosure concern derivative financial instruments. SIX SIS 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.

## 2.12 Valuation adjustments and provisions

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

Allowance is made for predictable risks of loss 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. 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 according to the following rates:

Account type	31/12/2013	31/12/2012
Nostro accounts	0.25%	0.30%
Placements (investments/receivables from third-party banks)	0.15%	0.20%
Short-term interim financing granted to participants on an unsecured basis	1.00%	1.00%
Short-term interim financing granted to participants on a covered basis	0.20%	0.20%

Changes since the previous year are recognised in the income statement (previous year: If the amount was lower, the value of the previous year was used).

### 2.12.2 Valuation adjustments and provisions for other business-related risks (in particular settlement risks)

Latent settlement risks in the securities business are accounted for by flat-rate provisions for operational risks. This is calculated on the basis of the effective operational risks (previous year: flat-rate 2% of the commission income).

Actual losses resulting from settlement are allocated to existing provisions. However, realized settlement proceeds need to be reported under other ordinary income.

### 2.12.3 Provisions in respect of safekeeping

The maximum provision is 0.0018% (previous year 0.0025%) of the assets under custody. Changes since the previous year are recognised in the income statement.

## 2.13 Changes in accounting and valuation principles

### 2.13.1 Calculation of flat-rate value adjustments

The rates for calculating flat-rate value adjustments were changed in the year under review. Provisions for operational risks are now calculated on the basis of the effective operational risks, and the provision in respect

of securities safekeeping is now calculated directly according to the assets under custody. In the previous year these provisions were derived from the income statement on a flat-rate basis.

Furthermore, counterparty risks are no longer left in the event of a surplus but are amortized through the income statement.

As a consequence of these changes, provisions amounting to TCHF 3,970 were released to income, with TCHF 550 of this sum relating to the release of hidden reserves.

### 2.13.2 Settled suspense

Since the second half of 2013, positive and negative replacement values from crossborder settlement transactions that were pending on the balance sheet date ("settled suspense") have been reported under other assets and liabilities. The net effect of the valuation of these outstanding transactions is reported in the amounts due to banks.

## 3. Information on the balance sheet

### 3.1 Participating interests and tangible fixed assets

(CHF 1,000)	Cost value	Accumulated depreciation	Book value 31/12/2012	Additions	Disposals	Depreciation	Book value 31/12/2013
<b>Participating interests</b>							
Majority participations	100	–	100	–	–	–	100
Minority participations	6,282	–2,800	3,481	–	–252	–1,530	1,700
<b>Total participating interests</b>	<b>6,382</b>	<b>–2,800</b>	<b>3,581</b>	<b>–</b>	<b>–252</b>	<b>–1,530</b>	<b>1,800</b>
<b>Tangible fixed assets</b>							
Installations and furnishings	2,875	–2,617	258	–	–	–189	69
Hardware	216	–216	–	–	–	–	–
Real estate and buildings <sup>1</sup>	112,313	–72,949	39,364	–	–	–3,299	36,065
Software	1,111	–1,111	–	–	–	–	–
<b>Total tangible fixed assets</b>	<b>116,514</b>	<b>–76,892</b>	<b>39,622</b>	<b>–</b>	<b>–</b>	<b>–3,488</b>	<b>36,134</b>
Fire insurance value of buildings			91,336				91,336
Fire insurance value of sundry tangible fixed assets			18,797				16,015

<sup>1</sup> Real estate is not depreciated.

### 3.2 Other assets and other liabilities

(CHF 1,000)	Other assets		Other liabilities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SECOM settlement accounts	4,379	12,171	2,350	66,684
Indirect taxes	690	689	19,897	23,447
Replacement values <sup>1</sup>	2,224	201	523	425
Sundry assets and sundry liabilities	447	24	1,956	1,901
<b>Total other assets and other liabilities</b>	<b>7,740</b>	<b>13,085</b>	<b>24,726</b>	<b>92,458</b>

<sup>1</sup> 2012 restated, see item 2.13

### 3.3 Assets pledged or assigned to secure own commitments

As at 31 December 2013 no assets were pledged or assigned to secure own commitments.

### 3.4 Securities lending and repurchase transactions

(CHF 1,000)	31/12/2013	31/12/2012 <sup>1</sup>
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

<sup>1</sup>restated

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

### 3.5 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	Balance at year-end 2013
<b>Valuation adjustments and provisions for:</b>					
Default risk	3,974	–	–	–1,551	2,423
Other business risks	27,818	–1,435	1,433	–2,093	25,723
Provisions for defined benefit obligations	77	–	–	–77	–
Other provisions	52,610	–	–	–550	52,061
Valuation adjustment on assets from employer contribution reserves	19,143	–	–	–	19,143
<b>Total valuation adjustments and provisions</b>	<b>103,622</b>	<b>–1,435</b>	<b>1,433</b>	<b>–4,271</b>	<b>99,349</b>
Less: valuation adjustments directly offset against assets	19,143	–	–	–	19,143
<b>Total valuation adjustments and provisions as per balance sheet</b>	<b>84,480</b>	<b>–1,435</b>	<b>1,433</b>	<b>–4,271</b>	<b>80,207</b>

Regarding valuation adjustments and provisions for default risks and other business risks, please refer to items 2.12.1 and 2.12.2 of the notes. Other provisions contain the provision for securities safekeeping in the Swiss financial market mentioned under item 2.12.3.

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

(CHF 1,000)	31/12/2013			31/12/2012		
	Total par value (CHF m)	Number of shares	Capital eligible for dividend (CHF m)	Total par value (CHF m)	Number of shares	Capital eligible for dividend (CHF m)
Share capital	26	260,000	26	26	260,000	26
<b>Bank's capital</b>	<b>26</b>	<b>260,000</b>	<b>26</b>	<b>26</b>	<b>260,000</b>	<b>26</b>
Authorized capital	–	–	–	–	–	–
Conditional capital	–	–	–	–	–	–

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

### 3.7 Statement of shareholders equity

(CHF 1,000)	Bank's capital	General legal reserve	Capital contribution reserve	Other reserves	Profit carried forward	Total
<b>1 January 2013</b>	<b>26,000</b>	<b>18,300</b>	<b>5,000</b>	<b>63,100</b>	<b>16,967</b>	<b>129,367</b>
Dividends	–	–	–	–	–	–
Allocation to reserves	–	–	–	–	–	–
<b>Profit for the year 2013</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>32,577</b>	<b>32,577</b>
<b>31 December 2013</b>	<b>26,000</b>	<b>18,300</b>	<b>5,000</b>	<b>63,100</b>	<b>49,544</b>	<b>161,944</b>
<b>1 January 2012</b>	<b>26,000</b>	<b>18,300</b>	<b>5,000</b>	<b>63,200</b>	<b>12,958</b>	<b>125,458</b>
Dividends	–	–	–	–	–13,000	–13,000
Allocation to reserves	–	–	–	–100	100	–
<b>Profit for the year 2012</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,910</b>	<b>16,910</b>
<b>31 December 2012</b>	<b>26,000</b>	<b>18,300</b>	<b>5,000</b>	<b>63,100</b>	<b>16,967</b>	<b>129,367</b>

### 3.8 Transactions with related parties

Transactions with related parties were executed on the same terms as those applicable to third parties.

## 4. Information on the income statements

### 4.1 Result from trading activities

(CHF 1,000)	2013	2012
Valuation result from the translation of foreign exchange positions	49	257
<b>Total</b>	<b>49</b>	<b>257</b>

## 5. Information on off-balance-sheet transactions

### 5.1 Contingent liabilities

(CHF 1,000)	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 SIS AG, Olten**

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 SIS AG, which comprise the balance sheet, income statement and notes (pages 4 to 15), 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.





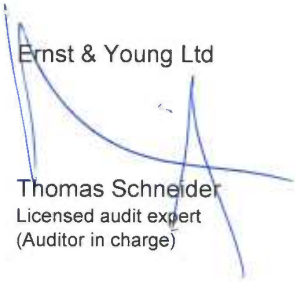
## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and 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 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 SIS Ltd

### Board of Directors

Dr. Urs Rügsegger  
Andreas Plüss  
Dr. Stefan Mäder

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

## Addresses

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