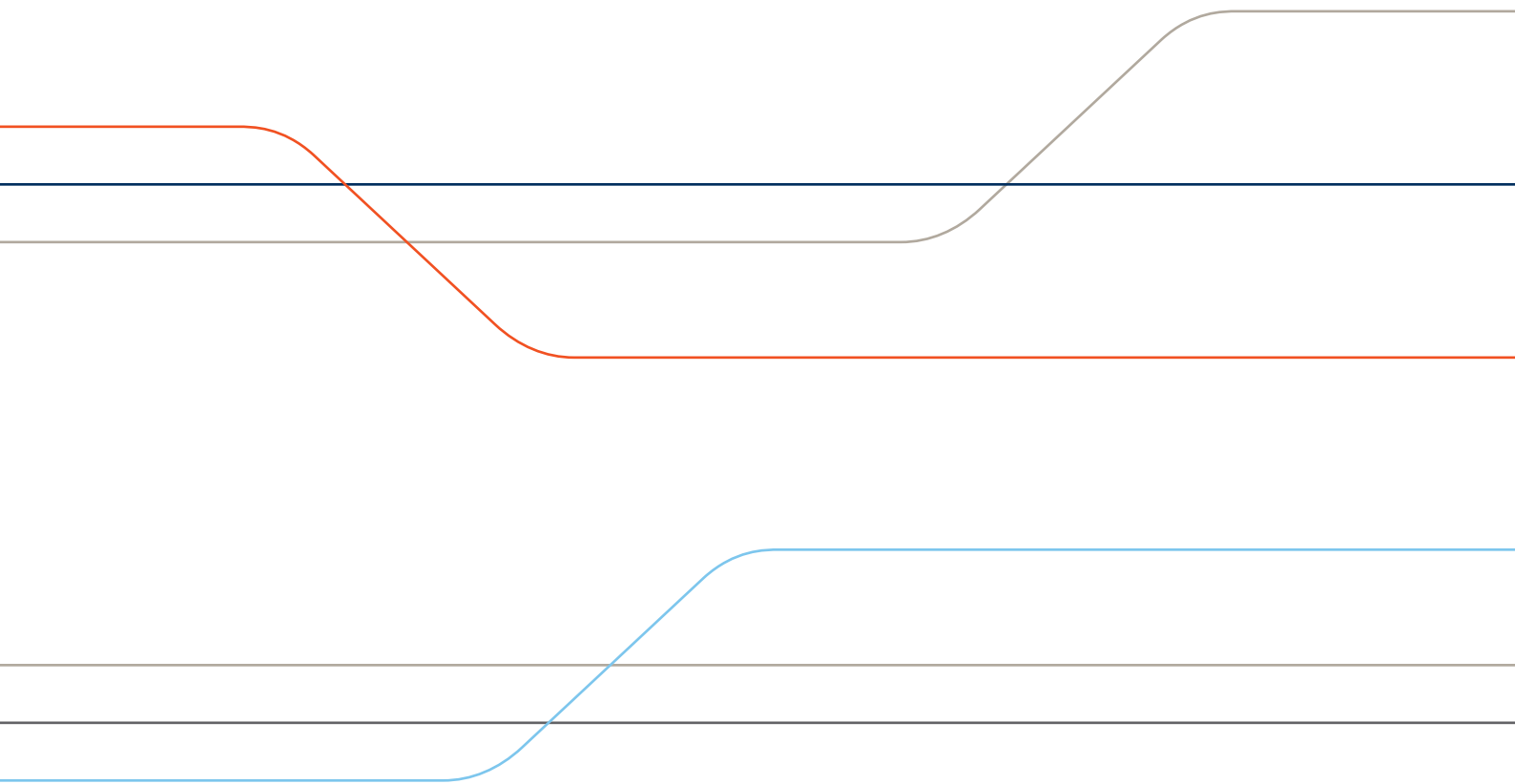




Financial Statements 2016

SIX Securities Services Ltd



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Key figures

SIX Securities Services 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 a key pillar of the Swiss financial center.

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

The management of all systemically important services of SIX is pooled together under the SIX Securities Services brand.

This brand encompasses a number of business units focusing on areas such as clearing, settlement, custody, securities finance and payments.

Through these business units, SIX Securities Services covers the entire post-trade transactions lifecycle.

CHF 1,000	2016	2015
Total assets	6,976,865	5,806,868
Total liabilities	6,501,578	5,356,234
Total equity	475,286	450,633
Operating income	227,651	226,414
Operating expenses	-180,587	-178,172
Consolidated profit	59,654	43,414
Cash flow from operating activities ¹	79,371	30,331
Cash flow from shareholder's equity transactions ¹	-	-
Cash flow from investing activities	7,362	-4,398
Cash flow from banking operations	804,922	-1,159,623
Capital adequacy/solvency ratio	60.9%	52.8%
Leverage ratio	7.7%	8.5%
Liquidity coverage ratio (SIX SIS Ltd)	227.0%	133.1%
Workforce (full-time equivalents)	393	388
Number of settlement transactions (in 1,000) ²	37,561	40,762
Number of clearing transactions (in 1,000) ²	423,935	398,773
Deposit volume (in CHF million)	3,149,542	3,135,874

¹ Some prior-year items have been regrouped from cash flow from shareholder's equity transactions to cash flow from operating activities

² Figure for 2015 has been restated for comparison reasons as the calculation method has been adjusted in 2016

Consolidated Financial Statements 2016

Management report

SIX Securities Services delivers a strong performance for the Swiss financial market

In the highly competitive post-trade services area, SIX Securities Services achieved a profit of CHF 76.7 million before tax by responding to the increased demands being placed on the Swiss financial center. In addition, it embarked on a transformation program to establish itself as a gateway and service hub for the Swiss financial sector.

The operating income generated by SIX Securities Services grew by 0.5% in 2016. This was despite a decrease in settlement transactions and lower exchange levels, which resulted in a decline in revenue from domestic custody services. The additional market activity and heightened transaction volumes generated by the Brexit vote in the UK and the US presidential elections did not fully offset the decline in Swiss custody volumes.

Translating swiss quality into international success

The high quality of services provided by SIX Securities Services was further confirmed by the industry's Global Custodian magazine. The magazine's annual survey looked at the quality of clearing, settlement and asset servicing (Swiss and international) offerings. For the second year in a row, SIX Securities Services scored top marks in ten out of twelve categories, in the Swiss market and as an ICSD. Furthermore, the independent SIX client survey highlighted the above-average levels of loyalty shown by clients of SIX Securities Services in comparison to its competitors.

SIX Securities Services continues to build on its already excellent client retention levels. It is developing platforms and services which provide added value for financial institutions in view of the increasing margin and cost pressures they face as well as the tighter liquidity and regulatory requirements.

Strategically adding value through advanced services

Over the next three years, SIX Securities Services is set to transform itself completely from a transaction provider to a service hub for the financial sector. Through this transformation, SIX Securities Services

aims to realize cross-market economies of scale and significant cost savings for banks.

On 1 January 2017, SIX Securities Services launched its Tax Reclaim Service, the first component in a comprehensive range of cross-market automated tax services. The new Tax Reclaim Service simplifies the time-consuming and costly processes Swiss investors face concerning withholding tax on interest and dividends from foreign companies.

The new Advanced Settlement Service involves SIX Securities Services taking on the entire responsibility for financial institutions' Standing Settlement Instructions (SSIs), thereby considerably reducing their operational complexity and risk exposure. Customers can save up to 30% of their operational costs and free up their resources to concentrate on core business activities.

As part of an MVP (Minimum Viable Product) approach, SIX Securities Services is exploring ways to revolutionize the validation of corporate action data by testing the deployment and commercial viability of distributed ledger technology (DLT). A first prototype using this technology has been finalized.

Interoperability produces additional economies of scale

SIX relies on generating additional business volumes abroad in order to realize greater economies of scale. At the end of March 2016, the European Securities and Markets Authority (ESMA) recognized SIX x-clear Ltd – the clearing arm of SIX Securities Services – as a central counterparty under the European Market Infrastructure Regulation (EMIR), meaning it is officially authorized to provide cross-border clearing services in the EU and actively tap into new business areas abroad. SIX x-clear Ltd is now the preferred clearing partner for various trading venues in Europe, with more than 90% of its transactions coming from outside Switzerland.

One year after the successful launch of T2S and in parallel with migration wave 3 (MW3), SIX Securities Services enriched existing settlement links with T2S functionality and established three new Investor CSD links.

Consolidated balance sheet

CHF 1,000	Notes	31/12/2016	31/12/2015
Assets			
Liquid assets		4,156,645	3,264,990
Amounts due from banks		987,785	1,240,233
Amounts due from securities financing transactions	1	1,550,149	1,029,112
Amounts due from customers	2	21,093	25,707
Positive replacement values of derivative financial instruments	3	55,314	64,306
Financial investments	4	149,300	134,408
Accrued income and prepaid expenses		2,595	980
Non-consolidated participations	6	1,457	1,457
Tangible assets	7	27,570	36,304
Other assets	8	24,958	9,372
Total assets		6,976,865	5,806,868
Liabilities and equity			
Amounts due to banks		5,834,919	4,520,802
Liabilities from securities financing transactions	1	182,964	408,438
Amounts due to customers		351,422	261,351
Negative replacement values of derivative financial instruments	3	56,161	65,393
Accrued expenses and deferred income		26,385	37,315
Other liabilities	8	39,701	48,081
Provisions	11	10,027	14,854
Bank's capital	12	26,000	26,000
Revenue reserves		394,607	386,193
Currency conversion reserve		-4,974	-4,974
Consolidated profit for the year		59,654	43,414
Total liabilities and equity		6,976,865	5,806,868
Off-balance-sheet transactions			
Irrevocable commitments	2	30	34

Consolidated income statement

CHF 1,000	Notes	2016	2015
Interest and discount income		-655	-17,983
Interest and dividend income from financial investments ¹		1,802	4,489
Interest expenses		14,986	25,830
Gross income/result from interest operations		16,133	12,336
Changes in value adjustments for default risks		-	-89
Result from interest operations	23	16,133	12,247
Commission income from clearing & settlement		245,308	248,301
Commission expenses from clearing & settlement		-67,692	-69,364
Commission income from other services		24,887	26,056
Commission expenses from other services		-205	-194
Result from commission business and services		202,297	204,798
Result from trading activities	18	107	-111
Other ordinary income		9,115	9,493
Other ordinary expenses		-	-13
Result from other ordinary activities		9,114	9,479
Personnel expenses	19	-64,862	-61,066
General and administrative expenses	20	-115,725	-117,106
Operating expenses		-180,587	-178,172
Changes in value adjustments on non-consolidated participations and depreciation of tangible assets		-1,372	-2,188
Changes to provisions and other value adjustments, and losses	11	1,004	11,247
Operating result		46,696	57,301
Extraordinary income	21	29,983	83
Taxes	22	-17,026	-13,970
Consolidated profit for the year		59,654	43,414

¹ Prior-year items have been regrouped from income from participations

Consolidated cash flow statement

CHF 1,000	Notes	2016	2015
Cash flow from operating activities			
Consolidated profit for the year		59,654	43,414
Depreciation of tangible assets		1,372	2,188
Changes to provisions and other value adjustments, and losses	11	-2,712	-11,695
Changes in value adjustments for default risk and losses		-	89
Deferred taxes		-2,116	-3,797
Foreign currency conversion effect		-1	-2,546
Amounts due from customers	2	4,614	16,424
Amounts due to customers		90,071	9,940
Accrued income and prepaid expenses		-1,616	4,026
Accrued expenses and deferred income		-10,930	4,796
Other assets	8	-15,586	-3,541
Other liabilities	8	-8,379	6,033
Dividends paid ¹		-35,000	-35,000
Total cash flow from operating activities		79,371	30,331
Cash flow from shareholder's equity transactions			
Other transfers to reserves		-	-
Total cash flow from shareholder's equity transactions		-	-
Cash flow from investing activities			
Disposals (investments) of non-consolidated participations	6	-	247
Tangible assets	7	7,362	-4,646
Total cash flow from investing activities		7,362	-4,398
Cash flow from banking operations (short-term)			
Amounts due from banks		252,448	32,669
Amounts due to banks		1,314,117	-1,486,130
Amounts due from securities financing transactions	1	-521,037	-127,280
Liabilities from securities financing transactions	1	-225,474	245,182
Positive replacement values of derivative financial instruments	3	8,992	5,753
Negative replacement values of derivative financial instruments	3	-9,233	-5,365
Financial investments	4	-14,891	175,547
Total cash flow from banking operations (short-term)		804,922	-1,159,623
Change in liquid assets			
Liquid assets as at 1 January		3,264,990	4,398,681
Liquid assets as at 31 December		4,156,645	3,264,990

¹ Prior-year item has been regrouped from cash flow from shareholder's equity transactions

Consolidated statement of changes in equity

CHF 1,000	Bank's capital	Revenue reserves	Currency conversion reserve	Consolidated profit	Total
1 January 2016	26,000	386,193	-4,974	43,414	450,633
Appropriation of profit		43,414		-43,414	-
Dividends		-35,000			-35,000
Currency conversion differences			-1		-1
Consolidated profit				59,654	59,654
31 December 2016	26,000	394,607	-4,974	59,654	475,286
1 January 2015	26,000	377,970	-2,428	43,223	444,765
Appropriation of profit		43,223		-43,223	-
Dividends		-35,000			-35,000
Currency conversion differences			-2,546		-2,546
Consolidated profit				43,414	43,414
31 December 2015	26,000	386,193	-4,974	43,414	450,633

Notes to the consolidated financial statements

General information

SIX Securities Services Ltd is the parent company of SIX x-clear Ltd, SIX SIS Ltd, SIX Systems Ltd, SIX SIS Nominee U.K. Ltd and Projektgesellschaft Softwareentwicklung Oktober 2011 Ltd. As a wholly-owned subsidiary of SIX, it covers the entire post-trade securities services business up to and including inter-bank payments.

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) for Switzerland, SIX SIS Ltd is a key element of the Swiss Value Chain. As a licensed bank under Swiss law, SIX SIS Ltd is supervised by the Swiss Financial Market Supervisory Authority (FINMA). Pursuant to the National Bank Act, it is also supervised by the Swiss National Bank.

In the reporting year, the European Securities and Markets Authority (ESMA) recognized SIX x-clear Ltd as a central counterparty under the European Market Infrastructure Regulation (EMIR), meaning it is officially authorized to provide cross-border clearing services in the EU and actively tap into new business areas abroad. SIX x-clear Ltd is now the preferred clearing partner for various trading venues in Europe, with

more than 90% of its transactions coming from outside Switzerland.

SIX x-clear Ltd is licensed as a bank under Swiss law and supervised by the Swiss Financial Market Supervisory Authority (FINMA). Pursuant to the National Bank Act, it is also supervised by the Swiss National Bank (SNB) with respect to systemic risks. SIX x-clear Norwegian Branch is further regulated by the Financial Supervisory Authority of Norway (Finanstilsynet).

In 2016, SIX SIS Ltd and SIX x-clear Ltd applied to be licensed as a central securities depository (SIX SIS Ltd) and central counterparty (SIX x-clear Ltd) under the Swiss Financial Market Infrastructure Act.

At year-end 2016, SIX Securities Services had 392.7 employees on a full-time equivalent basis (year-end 2015: 387.9).

SIX Securities Services has outsourced the operation and maintenance of its 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 are required to maintain banking secrecy.

Board of Directors

Dr. Urs Rügsegger
Dr. Stefan Mäder
Daniel Schmucki

Chairman
Member until 28 February 2017
Member since 1 March 2017

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Risk management

Risk governance

As a part of SIX, SIX Securities Services 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.

Overall responsibility for risk management within SIX Securities Services 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) and Compliance Officer and by the Finance and Services division.

The Group Executive Board of SIX enacts the Group's risk policies and appoints the Chief Risk Officer. The Board of Directors (BoD) of SIX Group decides on the risk appetite and the risk policy. The Risk Committee of the BoD of SIX Group is responsible for internal controls with respect to risk. The Board of Directors of SIX Securities Services defines and approves the specific risk policies and delegates appropriate risk management tasks.

A "three lines of defense" governance model forms the basis of the risk governance framework. Each line has its specific role and responsibilities. Close collaboration between all lines ensures the identification, assessment and mitigation of risks. Senior executives of SIX Securities Services, as the "first line of defense", are accountable for managing the specific risks faced by business management. They maintain effective processes and manage their risks properly, including comprehensive controls and documented procedures.

Risk control measures at SIX are executed by the Chief Risk Officer and the dedicated SIX Securities Services Risk Management Team, who are independent of the line management structure and form the "second line of defense". Independent assurance providers such as Internal Audit forms the "third line of defense", supervising the overall risk situation, internal controls and risk management. They monitor risk management and controlling to evaluate their effectiveness, including an assessment of how the first and second lines of defense meet their risk objectives.

Pursuant to the National Bank Act, SIX Securities Services is supervised by the Swiss National Bank. The legal and compliance functions within SIX are responsible for implementing the instructions and requirements issued by the legislator, the supervisor and other relevant institutions. They ensure that the business management of SIX Securities Services complies with due diligence and meets the current rules, regulations and obligations of a financial intermediary.

Risk groups

Strategic risk and business risk

Strategic risk and business risk arise both from the implementation of SIX Securities Services' strategy and from the implementation of the strategies of the individual subsidiaries. They comprise the danger of external and internal events or decisions resulting in strategic and business objectives not being attained. Strategic risk and business risk are the responsibility of the Group Executive Board and of the Executive Boards of the subsidiaries. They are reviewed semi-annually based on their risk profiles.

Reputational risk

Reputational risk involves the risk of the reputation of SIX Securities Services or one of its subsidiaries being tarnished and of negative perception impacting business relations. 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 a group and subsidiary level. Reputational risk management includes all operational and strategic management instruments of SIX Securities Services, in particular financial reporting, monitoring of key performance figures and surveys of customer and staff satisfaction. Besides a number of measures to mitigate potential reputational risk, a well-established emergency organization system ensures that in the event of a crisis, potential reputational risks are identified and handled with due care.

Credit risk (counterparty risk, default 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. This notably includes settlement risk, i.e. the risk that a counterparty does not deliver a security or its value in cash as per the trade agreement. Within SIX Securities Services, credit exposures mainly relate to short-term interim financing undertaken for the purpose of settling securities transactions. With the exception of a few counterparties, such as the Swiss National Bank or SIX group affiliates, all short-term financing for settlement purposes is fully covered by collateral in the form of cash and securities eligible for SNB repos.

SIX Securities Services applies a conservative risk and credit policy. New clients of SIX Securities Services are required to meet strict regulatory standards. Clients that are not subject to adequate financial institution and money laundering regulation and supervision are not accepted.

Credit risk management is effected via limits granted to the clients by the relevant bodies within SIX pursuant to the competency rules. Every participant with a credit limit is subject to an initial credit risk assessment and rating assignment and a periodic review. No credit limits are granted without a prior risk assessment and rating assignment. Any credit limit is assessed and approved by an independent authority that is independent from the risk manager preparing the credit application. The credit limits are monitored constantly to ensure that the risk profile is always in line with the SIX Securities Services risk appetite and policy.

SIX Securities Services applies a risk-based approach for defining the periodicity of counterparty reviews. Every counterparty has been assigned to a risk group. The profundity and periodicity of the review depends on the affiliation of the counterparty to the specific risk group. Counterparties in a higher risk group (high risk equivalent, poor credit rating) are reviewed more often and monitored more closely than those in a lower risk group.

The credit risk exposures of SIX Securities Services (and hence the allocation of counterparties to risk groups) are determined by the following two dimensions:

- Creditworthiness: The credit exposure borne by SIX Securities Services is influenced in part by the credit

standing of the counterparty that gives an indication of its probability of default. The counterparty's credit standing is measured by its credit rating.

- Risk equivalent: The credit exposure borne by SIX Securities Services is also driven by the amount that is at risk in a default scenario. The amount at risk is expressed by the "risk equivalent", which is a conservative estimate of the amount of credit loss that might occur in a default scenario after considering collateral and other factors that would mitigate the amount of losses incurred.

SIX Securities Services 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 payment (DVP) offers the best guarantee of eliminating settlement risk. This system does not function for cross-border securities transactions, however. The resulting receivables from and liabilities towards banks are subject to counterparty risk and market risk. These risks, which are of extremely short duration, are fully collateralized and strictly monitored through detailed procedures for managing limits.

In addition to pre-financing for settlement purposes, counterparty risk can be a result of treasury activities, whereas credit exposures are managed on an uncollateralized basis because no or insufficient collateralized alternatives, such as reverse repo investments, are available. Uncollateralized treasury placements are in any case managed through counterparty ratings and limits.

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

Market risk

According to Basel III, market risk is defined as "the risk of loss arising from movements in market prices" and comprises 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). Market risk exposure of SIX Securities Services primarily

relates to central counterparty clearing of matched but unsettled trades (SIX x-clear Ltd) or to the pre-financing of cross-border settlements (SIX SIS Ltd).

To minimize the exposure of SIX Securities Services to market risk due to unsettled transactions, a margin model has been established. SIX Securities Services demands collateral from its clients in the form of margins. The margin requirement basically comprises an initial margin for possible future price fluctuations and a variation margin for actual changes in value. If the collateral provided falls below the collateral required (e.g. due to an increase in margin requirements), a margin call for additional contributions will be issued to cover the remaining market risk.

In addition to initial and variation margins, all clearing members have to provide collateral for default fund contributions to cover the potential market risk that is not covered by the margin model (confidence level of 99%) in the event of a member's default, notably in times of stressed market conditions.

Market risk exposure of SIX Securities Services due to cross-border settlements is managed by a settlement line. The settlement line controls the volume of cross-border settlement instructions transmitted for an individual client. With every cross-border instruction forwarded, a settlement margin of the overall transaction volume is charged against the settlement line.

Liquidity risk

Liquidity risk basically relates to the inability to meet payment obligations when they are due. Under normal market circumstances SIX Securities Services is not exposed to any significant liquidity risk. In stressed market conditions, however – e.g. in the event of a participant default – SIX Securities Services may be subject to substantial liquidity requirements. In particular, a scenario in which clearing members default and fail to meet their payment obligations may create a large liquidity demand for SIX Securities Services as the parent of SIX x-clear Ltd and therefore give rise to liquidity risk. In such cases SIX x-clear Ltd would be obliged to pre-finance receipt versus payment (RVP) transactions towards the non-defaulting counter-

parties, while at the same time no cash would be received from corresponding DVP transactions from the defaulting counterparties. The liquidity demand would remain high until the defaulted clearing portfolio is closed out and the respective DVP transactions can be settled.

The main liquidity risk for SIX SIS Ltd as a subsidiary of SIX Securities Services Ltd results from its cross-border settlement activities. In the event of the default of an SIX SIS Ltd participant, SIX SIS Ltd has an obligation to fulfil matched RVP instructions in cross-border markets from T+1 until the value date (usually until T+2) if no agreement can be reached with the counterparty regarding bilateral cancellation.

Due to the interconnectedness of SIX x-clear Ltd and SIX SIS Ltd, the liquidity risk is basically managed at the level of SIX Securities Services through the following actions:

- Monitoring the aggregated projected liquidity balances of SIX x-clear Ltd and SIX SIS Ltd, assuming (as a stress assumption) the default of the two participant groups causing the largest payment obligation.
- Providing a waterfall of available liquidity resources that could be drawn in the event of a liquidity shortage. The available liquidity resources mainly consist of cash and securities collateral provided by the participants. Securities may be turned into cash through use of the interbank repo market.

Interest rate risk

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

Foreign exchange risk

In principle, SIX Securities Services does not hold any relevant foreign currency positions for its own account. Foreign exchange risks arising from open clearing and collateral positions are covered through the margin model and the automated revaluation of collateral positions. In addition, all receivables from and liabilities towards clients and custodians are matched by cur-

rency. Therefore, foreign exchange risks are generally limited to the net amounts from interest received and paid, commissions and fees.

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 insurance. In particular, software is fully depreciated in the year of production or purchase.

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.

To ensure reliability as a key pillar of the Swiss financial center, SIX Securities Services has implemented the systematic management of operational risks. Operational risk management is regulated in a framework that defines all responsibilities and processes as well as the risk appetite and risk tolerance. The framework is based on the “Principles for the Sound Management of Operational Risk” issued by the Basel Committee on Banking Supervision and the “Principles for Financial Market Infrastructure” issued by CPMI-IOSCO. The Board of Directors of SIX Securities Services conducts an annual review of the framework which, in conjunction with the supporting directives, forms the basis for the management of operational risks.

Operational risks are assessed by determining the potential damage. The direct financial loss is calculated, then the potential future financial impact in terms of a loss of customer trust and reputational risks is also taken into account. Any risks identified and cases of

damage, along with the losses incurred, are tracked in a database and linked to the internal control system in order to systematically identify risks and support ongoing risk assessment.

Operational risk management is a task assumed at all management levels. Operational risks are limited by means of internal regulations and directives on organization and control. These allow operational risks to be tracked and reduced through systematic risk controls. These risk controls include a mechanism that enables the risk management team to identify and eliminate risks before they actually occur. As a second line of defense, the risk management team also considers instruments to reduce the effective risks. In an annual assessment, all departments evaluate the appropriateness and operational effectiveness of the internal control system and adapt it where necessary.

Business processes are reviewed continuously by the risk management team to identify and assess potential risks. The team also defines measures to further decrease operational risks. The risks identified and measures defined to minimize the risks are regularly reported to the Board of Directors and the management of SIX Securities Services. Business process risks are also systematically assessed by Internal Audit and adequate measures are implemented.

The risk inherent in relying on information technology is addressed by SIX Securities Services’ 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. Business contingency management is tested annually to ensure its efficiency. The results of this testing are reported to the Board of Directors and the management of SIX Securities Services. Improvement measures are also summarily approved by the Board of Directors and the management.

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

Financial crime risk

The securities industry is exposed to financial crime risk. SIX Securities Services proactively identifies, monitors, manages, mitigates and reports potential legal and compliance risks, which includes but is not limited to detecting and preventing of money laundering, enforcing terrorist financing regulation and implementing controls in respect of international sanctions regimes. A risk-based program including optimized controls, detection and monitoring systems and procedures designed to reduce vulnerabilities associated with financial crime risk was implemented in 2016.

Regulatory disclosure

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

Capital adequacy

As SIX Securities Services does not offer common credit services, some of the disclosure requirements are redundant and therefore obsolete (e.g. capital ratios for non-CET1 capital).

CHF 1,000	31/12/2016	31/12/2015
Eligible capital (CET1 only)	415,587	406,860
Required capital	54,550	61,672
thereof for credit risks	16,488	24,666
thereof for non-counterparty-related risks	5,505	7,179
thereof for market risks	1,110	324
thereof for operational risks	31,447	29,503
Capital ratio (CET1 ratio)	60.9%	52.8%

The required capital shown above is calculated as 8% of risk-weighted assets. The regulatory minimum capital requirement is 10.5% of risk-weighted assets.

Leverage ratio

CHF 1,000	31/12/2016	31/12/2015
Eligible capital	415,587	406,860
Total exposure	5,428,398	4,777,554
Leverage ratio	7.7%	8.5%

Liquidity coverage ratio (LCR)

Only SIX SIS Ltd is required to fulfill the LCR. Therefore, the figures below show SIX SIS Ltd's LCR. The values presented are quarterly averages.

CHF 1,000/in %	High-quality liquid assets	Net outflow	LCR
Quarter ended 31 December 2015	2,637,817	1,982,276	133%
Quarter ended 31 March 2016	2,788,887	2,132,286	131%
Quarter ended 30 June 2016	3,890,510	2,511,768	155%
Quarter ended 30 September 2016	4,381,832	1,841,161	238%
Quarter ended 31 December 2016	4,324,967	1,905,513	227%

Accounting and valuation policies

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 rules of the Swiss banking ordinance and the accounting rules for banks of the Swiss Financial Market Supervisory Authority (ARB 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 applies the true and fair view principle in the consolidated financial statements. In general, business transactions are recorded using the trade date accounting principle. Non-fulfilled transactions from the clearing and settlement business are an exception to this and are accounted for using the settlement date accounting principle.

Detail positions reported under a specific balance sheet item are valued item-by-item.

	EUR	USD	GBP	JPY	NOK	CAD
Unit	1	1	1	100	100	1
Exchange rate as at current year-end	1.07	1.02	1.25	0.87	11.82	0.76
Exchange rate as at prior year-end	1.08	0.99	1.47	0.82	11.26	0.71

Liquid assets

These balance sheet items are shown at their nominal value.

Amounts due to and from banks and customers

Receivables and liabilities in Swiss francs are recorded at their nominal values. Risks arising in respect of customer claims are taken into account by offsetting a value adjustment against the respective asset. Predictable risks of loss are accounted for through individual value adjustments and latent risks through

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). Consolidation is carried out in accordance with the purchase method. In principle, participations of between 20% and 50% are recognized in line with the equity method. Participations 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.

Foreign currency conversion

Transactions in foreign currencies are posted at the current exchange rates. Balance sheet items in foreign currencies are converted into Swiss francs at the exchange rates applicable on the balance sheet date if no historical valuation is applicable (i.e. participations). Exchange rate gains or losses are credited or debited to the income statement. Financial statements in foreign currencies are converted at the exchange rates applicable on the balance sheet date.

collective value adjustments calculated on the basis of clearly defined rates. Receivables from and liabilities towards banks arise mainly from clearing and settlement activities by SIX x-clear Ltd and SIX SIS Ltd with banks and financial organizations in Switzerland and abroad.

Amounts due from and liabilities from securities financing transactions

In accordance with the accounting guidelines, the substance over form principle applies for securities lending and repurchase

transactions. Thus non-monetary values are shown in the balance sheet of the party delivering these values.

Securities lending and borrowing

SIX Securities Services 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 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.

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. Interest paid and received is shown in the result from interest operations.

Positive and negative replacement values of derivative financial instruments

SIX Securities Services does not engage in trading activities for its own account. The replacement values represent the market value of all open positions of all clearing members on the balance sheet date (after end-of-day netting) and are therefore measured at fair value. From an accounting perspective, the open positions are to be classified as "trading instruments" because of

SIX x-clear Ltd's principal status. Although further netting would be possible, this position is voluntarily presented gross on the balance sheet for transparency reasons. The unrecognized netting potential is disclosed in note 3.

In addition to forward contracts from clearing and settlement business, this category also includes in particular foreign currency forwards to mitigate SIX Securities Services' exposure to foreign exchange risks arising from operational activities.

Non-consolidated participations

Participations that are not fully consolidated are valued according to the principles set out in the section "Scope and method of consolidation". Non-consolidated participations are valued according to their acquisition cost.

Financial investments

Financial investments are stated at the lower of cost or market value. Bonds pledged as collateral (see note 9) are valued on the basis of the accrual principle, with the premium arising on purchase being amortized over the term to maturity. In the case of premature sales, realized gains and losses are deferred according to the original maturity of the instruments. Value adjustments resulting from changes in the issuer's credit standing are immediately recognized by offsetting against the respective asset.

Tangible assets

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

Asset class	Estimated lifetime	Depreciation rate
Installations	7	14%
Furnishings and equipment	5	20%
Vehicles	5	20%
Hardware	5	20%
Buildings and building installations	35	3%
Real estate	not depreciated	0%

SIX Securities Services does not report any intangible assets. In accordance with the ARB, software is included in the balance sheet item "Tangible assets" but disclosed separately in note 7.

Provisions

Flat-rate provisions are created to cover latent defaults in the area of short-term financing used to guarantee settlement of securities transactions. These provisions depend on the balances as at the balance sheet date.

Operational risks are covered by appropriate provisions. The calculation is made on the basis of the effective operational risks. Further provisions are created on the basis of the expected resource outflow. Changes since the previous year are recognized in the income statement.

Pension benefit obligations

Pension benefit obligations are treated according to Swiss GAAP FER 16.

Other assets and liabilities

Other assets and other liabilities are shown at their nominal value.

Off-balance-sheet transactions

Off-balance-sheet transactions requiring disclosure concern irrevocable commitments and fiduciary bank accounts.

Taxes

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

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 provisions for deferred taxes.

Changes in provisions for deferred taxes are included in tax expenses, but disclosed separately in note 22.

Subsequent events

No subsequent events requiring disclosure occurred.

Information on the consolidated balance sheet

1. Securities financing transactions

CHF 1,000	31/12/2016	31/12/2015
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions ¹	1,550,149	1,029,112
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions ¹	–	238,062
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	4,656	38,442
<i>with unrestricted right to resell or pledge</i>	<i>4,656</i>	<i>38,442</i>
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,739,572	1,240,094
<i>of which repledged securities</i>	<i>365,851</i>	<i>237,266</i>
<i>of which resold securities</i>	<i>182,964</i>	<i>175,441</i>

¹ Before netting agreements

Breakdown of book value by transaction type

CHF 1,000	31/12/2016	31/12/2015
Reverse repurchase agreements	1,550,149	1,029,112
Total amounts due from securities financing transactions	1,550,149	1,029,112
Repurchase agreements	–	238,062
Obligation to return resold securities received in connection with securities borrowing transactions	182,964	170,376
Total liabilities from securities financing transactions	182,964	408,438

2. Collateral for loans, receivables and off-balance-sheet transactions as well as impaired loans and receivables

CHF 1,000	31/12/2016	31/12/2015
Amounts due from customers		
Amounts due from customers (unsecured, before netting with value adjustments)	21,097	25,951
<i>of which impaired</i>	4	244
Total before offsetting with value adjustments	21,097	25,951
Total after offsetting with value adjustments	21,093	25,707
Off-balance-sheet transactions		
Irrevocable commitments (unsecured)	30	34

SIX Securities Services does not offer common credit services. Therefore, all amounts due from customers are uncovered. The irrevocable commitments are towards the depositor protection scheme under the Swiss Banking Act.

3. Derivative financial instruments

CHF 1,000	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volumes
Interest rate-related instruments			
Forward contracts	2,160	2,279	397,442
Foreign exchange products			
Forward contracts	20	10	5,815
Equity securities and indices			
Forward contracts	50,580	51,319	7,925,005
Futures	–	–	379,011
Options (OTC)	–	–	–
Options (exchange-traded)	18,715	18,715	1,716,212
Total before netting agreements	71,476	72,323	10,423,485
<i>Previous year (restated)¹</i>	<i>81,980</i>	<i>83,068</i>	<i>8,373,822</i>
Recognized netting agreements	–16,162	–16,162	–
Total after recognized netting agreements	55,314	56,161	10,423,485
<i>Previous year</i>	<i>64,306</i>	<i>65,393</i>	<i>8,373,822</i>
Unrecognized netting agreements	–47,863	–47,863	–
Total after netting agreements	7,451	8,298	10,423,485
<i>Previous year (restated)¹</i>	<i>14,096</i>	<i>15,184</i>	<i>8,373,822</i>

¹ The previous year's figures were restated for comparison purposes due to additional unrecognized netting agreements that were not considered in the previous year. In addition, the recognized netting on forward transactions (long/short per instrument and counterparty) is also shown gross for the previous year.

SIX Securities Services does not engage in trading activities for its own account. The derivative instruments shown are unsettled spot transactions arising from clearing and settlement business with bonds, equities and options that are recognized according to the settlement date accounting principle and from foreign

currency forwards to mitigate SIX Securities Services' exposure to foreign exchange risk arising from operational activities.

No internal model was used to calculate the fair values of the derivative financial instruments.

Breakdown by counterparty

CHF 1,000	Central clearing houses	Banks	Total
Positive replacement values (after netting agreements)	263	7,187	7,451

4. Financial investments

CHF 1,000	31/12/2016		31/12/2015	
	Book value	Fair value	Book value	Fair value
Debt securities	47,183	47,184	62,829	62,867
<i>of which intended to be held to maturity</i>	<i>47,183</i>	<i>47,184</i>	<i>62,829</i>	<i>62,867</i>
Breakdown by counterparty rating				
<i>AAA to AA-</i>	<i>47,183</i>	<i>47,184</i>	<i>62,829</i>	<i>62,867</i>
Equity securities	102,117	102,117	71,580	71,580
<i>of which qualified participations</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Total financial investments	149,300	149,302	134,408	134,447
<i>of which eligible for repurchase transactions in accordance with liquidity requirements</i>	<i>47,183</i>	<i>47,184</i>	<i>62,829</i>	<i>62,867</i>

The rating categories presented above are based on Standard & Poor's rating scale.

5. Fully consolidated participations

in CHF million	Business activity	Company capital	Share of capital	Share of vote	Ownership type
SIX x-clear Ltd, Zurich	Clearing	CHF 30	100%	100%	direct
SIX SIS Ltd, Olten	Settlement/custody	CHF 26	100%	100%	direct
SIX Systems Ltd, Olten	Inactive	CHF 2.5	100%	100%	direct
SIX SIS Nominee U.K. Ltd, Olten	Inactive	CHF 0.1	100%	100%	indirect
Proj. Softwareentw. Oktober 2011 AG, Frankfurt	Inactive	EUR 0.05	100%	100%	direct

In 2015, SIX took the decision to sell its share register management and annual general meetings business (SIX SAG Ltd), and entered into negotiations with Computershare Ltd. In December 2016, SIX sold its shares to Computershare Ltd in a single transaction.

SIX Systems Ltd, Olten, will be merged into SIX Securities Services Ltd in 2017.

6. Non-consolidated participations

CHF 1,000	31/12/2016	31/12/2015
Acquisition cost	1,457	1,704
Accumulated value adjustments	–	–
Book value as at previous year-end	1,457	1,704
Additions	–	36
Disposals	–	–283
Book value as at current year-end	1,457	1,457

The non-consolidated participations are insignificant shares. These investments have no market value, and the shares are not listed.

7. Tangible assets

CHF 1,000	Acquisition cost	Accumulated depreciation	Book value 31/12/2015	2016				Total as at 31/12/2016
				Change in group of consolidation	Additions	Disposals	Depreciation	
Bank buildings	117,041	–81,233	35,808	–	–	–7,346	–938	27,524
Installations and furnishings	3,767	–3,733	34	–68	51	–	–17	–
Software	1,147	–685	462	–	–	–	–417	45
Other assets	9	–9	–	–	–	–	–	–
Total tangible assets	121,964	–85,660	36,304	–68	51	–7,346	–1,372	27,570

CHF 1,000	31/12/2016	31/12/2015
Operating leases		
Due within 12 months	113	–
Due between 12 months and 5 years	–	–
Due after more than 5 years	–	–
Total leasing commitments not shown in the balance sheet	113	–
<i>of which callable within 1 year</i>	<i>113</i>	<i>–</i>

8. Other assets and liabilities

CHF 1,000	Other assets		Other liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
SECOM settlement accounts	636	7,243	10,834	12,521
Indirect taxes	16,657	1,331	25,664	28,700
Compensation account	–	697	491	–
Sundry assets and liabilities	7,664	101	2,712	6,860
Total	24,958	9,372	39,701	48,081

9. Assets pledged or assigned to secure own commitments

CHF 1,000	31/12/2016		31/12/2015 ¹	
	Book value	Eff. committed	Book value	Eff. committed
Financial investments	47,183	36,572	62,829	48,067

¹ Restated

The assets were pledged by SIX x-clear Ltd to cover inter-CCP risks. The balance sheet item “Amounts due from securities financing transactions” contains reverse repurchase agreements (see section “Amounts due from and liabilities from securities financing transactions”

in the accounting and valuation policies). Some securities received through these transactions were repledged, but are excluded from the above table. Details are disclosed in note 1.

10. Pension funds

Employer contribution reserves

CHF 1,000	Notes	31/12/2016	31/12/2015
Nominal value as at previous year-end		11,299	11,173
– creation		–	126
– transfer to/from other group entities		–	–
– withdrawal		–	–
– utilization		–5,667	–
Nominal value as at current year-end		5,632	11,299
<i>of which with waiver of use</i>		<i>5,632</i>	<i>11,299</i>
Value adjustments offset	11	–5,632	–11,299
Net value as at current year-end		–	–

The influence of employer contribution reserves on personnel expenses was CHF 0 (previous year: CHF 0).

Economic benefit from surplus cover and pension fund expenses

SIX Securities Services is connected to the pension fund of SIX Group. The coverage ratio of the Occupational Benefits Foundation of SIX was 115.9% as at the last audited financial statements (2015). SIX Securities Services does not gain any economic benefits in the

event of surplus cover. SIX Securities Services offers defined contribution plans. As at the balance sheet date, SIX Securities Services had no liabilities in excess of the regulatory contributions. The Occupational Benefits Foundation of SIX does not hold any equity instruments of SIX Securities Services.

Pension fund expenses amounted to CHF 6,165 thousand in the current year (previous year: CHF 4,948 thousand).

11. Value adjustments and provisions

CHF 1,000	Balance at 31/12/2015	Change in group of consolidation	Use in conf. with designated purpose	Foreign exchange conversion differences	New creations charged to income	Releases to income	Balance at 31/12/2016
Provisions for default risks	2,783	–	–	–	–	–521	2,261
Provisions for operational risks	178	–	–178	–1	139	–	138
Provisions for deferred taxes ¹	8,600	–	–	–	–	–2,116	6,484
Provisions for legal risks	2,000	–	–1,500	–	–	–500	–
Other provisions	1,294	–	–	–	–	–150	1,144
Total provisions	14,854	–	–1,678	–1	139	–3,287	10,027
Value adjustments offset	11,543	–255	–5,680	–	28	–	5,636

¹ New creations and releases are charged to tax expenses

Provisions for default risks depend on the balances as at the balance sheet date according to the following rates:

Account type	31/12/2016	31/12/2015
Nostro accounts	0.25%	0.25%
Placements (investments/receivables from third-party banks)	0.15%	0.15%
Short-term interim financing granted to clients on an unsecured basis	1.00%	1.00%
Short-term interim financing granted to clients on a secured basis	0.20%	0.20%

Provisions for operational risks are calculated on the basis of actual operational risks.

Value adjustments are created for defaulting debtors (see note 2) and employer contribution reserves with waiver of use (see note 10).

12. Bank's capital and significant shareholders

1,000 units/CHF 1,000	Number of shares	Total nominal value	Capital eligible for dividend
Bank's capital at previous year-end	260	26,000	26,000
Bank's capital at current year-end	260	26,000	26,000

All registered shares, and therefore all voting rights (1 share = 1 vote) of SIX Securities Services Ltd are held by its parent company, SIX Group Ltd. The share capital is fully paid in. As there is no capital increase planned, no authorized or conditional capital exists.

130 national and international financial institutions hold shares in SIX Group Ltd, but no owner holds more than 20% of SIX Group Ltd's total equity. The shares are distributed such that no owner or type of bank has an absolute majority. All shareholders are bound by a shareholders' agreement.

Therefore, no securities are held by executives, directors or employees. Furthermore, no employee participation scheme is in place.

The legal reserves below 50% of the nominal share capital are not freely distributable and may only be used to cover losses. The single-entity financial statements of SIX Securities Services Ltd according to commercial law can be found at the end of this document.

Shareholders with more than 5% of all voting rights in SIX Group Ltd

CHF 1,000/in %	31/12/2016		31/12/2015	
	Nominal value	% of equity	Nominal value	% of equity
UBS AG consolidated	3,380	17.3	3,380	17.3
Credit Suisse Group consolidated	2,500	12.8	2,500	12.8
Raiffeisen Group consolidated	1,344	6.9	1,344	6.9

13. Transactions with related parties

All transactions with related parties and other entities of SIX Group are conducted at prices in line with the market ("at arm's length").

CHF 1,000	Assets		Liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
SIX Group Ltd	18,643	13,304	382,045	294,237
Other entities of SIX Group	1,736	1,926	20,528	18,057
Qualified indirect shareholders	29,411	116,273	1,448,561	1,275,781

Shareholders of SIX Group Ltd with more than 10% of all voting rights are considered as qualified indirect shareholders. There were no transactions with members of governing bodies.

During the reporting period the following transactions were conducted with SIX Group and its group companies:

CHF 1,000/in %	2016		2015	
	CHF 1,000	% of item	CHF 1,000	% of item
Result from interest operations	1,974	12.2	945	7.7
Result from commission business and services	172	0.1	-120	-0.1
Result from other ordinary activities	6,239	68.5	7,645	80.7
Operating expenses	-96,474	53.4	-92,535	51.9
Total income from and expenses to SIX Group	-88,088		-84,065	

14. Maturity structure of financial instruments

CHF 1,000	At sight	Cancellable	Due < 3 months	Due 3–12 months	Due 12–60 months	Total
Financial assets						
Liquid assets	4,156,645	–	–	–	–	4,156,645
Amounts due from banks	865,361	–	122,424	–	–	987,785
Amounts due from securities financing transactions	–	–	1,494,038	56,111	–	1,550,149
Amounts due from customers	21,093	–	–	–	–	21,093
Positive repl. values of derivative financial instruments	55,314	–	–	–	–	55,314
Financial investments	102,117	–	17,717	29,465	–	149,300
Non-consolidated participations	1,457	–	–	–	–	1,457
Total financial assets	5,201,986	–	1,634,179	85,576	–	6,921,742
<i>Previous year</i>	<i>4,420,758</i>	<i>–</i>	<i>1,287,838</i>	<i>51,616</i>	<i>–</i>	<i>5,760,212</i>
Financial liabilities						
Amounts due to banks	5,834,919	–	–	–	–	5,834,919
Liabilities from securities financing transactions	–	–	182,964	–	–	182,964
Amounts due to customers	351,422	–	–	–	–	351,422
Negative repl. values of derivative financial instruments	56,161	–	–	–	–	56,161
Total financial liabilities	6,242,501	–	182,964	–	–	6,425,465
<i>Previous year</i>	<i>4,847,546</i>	<i>–</i>	<i>408,438</i>	<i>–</i>	<i>–</i>	<i>5,255,985</i>

15. Assets and liabilities by domestic and foreign origin

CHF 1,000	31/12/2016			31/12/2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Assets						
Liquid assets	3,571,460	585,185	4,156,645	2,721,322	543,668	3,264,990
Amounts due from banks	39,567	948,218	987,785	274,491	965,742	1,240,233
Amounts due from securities financing transactions	1,075,756	474,393	1,550,149	791,917	237,195	1,029,112
Amounts due from customers	20,573	520	21,093	25,369	338	25,707
Positive repl. values of derivative financial instruments	34,120	21,193	55,314	38,939	25,366	64,306
Financial investments	102,117	47,183	149,300	71,541	62,867	134,408
Accrued income and prepaid expenses	2,595	–	2,595	980	–	980
Non-consolidated participations	–	1,457	1,457	–	1,457	1,457
Tangible assets	27,524	45	27,570	35,841	462	36,304
Other assets	24,958	–	24,958	9,372	–	9,372
Total assets	4,898,670	2,078,194	6,976,865	3,969,772	1,837,095	5,806,868
Liabilities and equity						
Amounts due to banks	4,007,116	1,827,803	5,834,919	2,904,341	1,616,461	4,520,802
Liabilities from securities financing transactions	182,964	–	182,964	192,018	216,420	408,438
Amounts due to customers	351,408	14	351,422	261,350	1	261,351
Negative repl. values of derivative financial instruments	34,973	21,188	56,161	40,012	25,382	65,393
Accrued expenses and deferred income	26,256	129	26,385	37,315	–	37,315
Other liabilities	17,734	21,967	39,701	23,472	24,609	48,081
Provisions	10,027	–	10,027	14,854	–	14,854
Bank's capital	26,000	–	26,000	26,000	–	26,000
Revenue reserves	394,607	–	394,607	386,193	–	386,193
Currency conversion reserve	–4,974	–	–4,974	–4,974	–	–4,974
Consolidated profit for the year	59,654	–	59,654	43,414	–	43,414
Total liabilities and equity	5,105,763	1,871,101	6,976,865	3,923,995	1,882,873	5,806,868

16. Assets by country/group of countries

	Rating	31/12/2016		31/12/2015	
		CHF 1,000	Share in %	CHF 1,000	Share in %
Europe		6,556,451	94.0	5,089,618	87.6
Switzerland	AAA	4,898,670	70.2	3,969,775	68.4
Germany	AAA	588,180	8.4	562,744	9.7
France	AAA	5,281	0.1	16,159	0.3
United Kingdom	AAA	150,822	2.2	83,718	1.4
Denmark	AAA	138,762	2.0	255,363	4.4
Finland	AAA	363,156	5.2	60	0.0
Luxembourg	AAA	242,960	3.5	77,244	1.3
Norway	AAA	168,620	2.4	124,555	2.1
North America		46,260	0.7	388,721	6.7
United States	AAA	1,217	0.0	233,765	4.0
Canada	AAA	45,043	0.6	154,956	2.7
Australia	AAA	182,682	2.6	145,080	2.5
Asia		64,472	0.9	39,627	0.7
Japan	AAA	64,472	0.9	39,627	0.7
Other countries ¹	n/a	126,999	1.8	143,821	2.5
Total assets		6,976,865	100.0	5,806,868	100.0

¹ None of the countries included in this category has a share of more than 1%.

Because SIX Securities Services does not offer common credit services, but needs to reliably satisfy settlement counterparties, the distribution of the assets by country

originates from a liquidity point of view. The risk domicile does not deviate from the assets' domicile shown above.

Assets by country rating

	31/12/2016		31/12/2015	
	CHF 1,000	Share in %	CHF 1,000	Share in %
AAA – AA	6,960,168	99.8	5,794,947	99.8
A	7,895	0.1	2,138	0.0
BBB	8,645	0.1	7,699	0.1
BB – B	157	0.0	2,079	0.0
below B	–	0.0	5	0.0
Total assets	6,976,865	100.0	5,806,868	100.0

The rating categories presented above are based on the rating scale of Swiss Export Risk Insurance (SERV).

17. Assets and liabilities by most significant currencies

CHF 1,000	CHF	EUR	USD	GBP	NOK	JPY	Other ¹	Total
Assets								
Liquid assets	3,571,460	585,185	–	–	–	–	–	4,156,645
Amounts due from banks	58,899	146,964	221,249	148,867	107,984	73,552	230,270	987,785
Amounts due from securities financing transactions	280,000	–	1,270,149	–	–	–	–	1,550,149
Amounts due from customers	20,852	–	3	3	234	–	1	21,093
Positive repl. values of derivative financial instruments	34,120	–	–	–	21,193	–	–	55,314
Financial investments	1,071	95,469	764	1,092	48,845	–	2,059	149,300
Accrued income and prepaid expenses	1,968	–	468	–	159	–	–	2,595
Non-consolidated participations	–	1,457	–	–	–	–	–	1,457
Tangible assets	27,524	–	–	–	45	–	–	27,570
Other assets	21,216	617	–	3,123	–	–	2	24,958
Total assets	4,017,110	829,692	1,492,633	153,085	178,461	73,552	232,332	6,976,865
Liabilities and equity								
Amounts due to banks	3,113,842	665,579	1,452,383	149,846	152,689	73,463	227,115	5,834,919
Liabilities from securities financing transactions	942	157,547	11,909	3,719	3,838	77	4,931	182,964
Amounts due to customers	349,238	1,559	242	146	197	–	39	351,422
Neg. repl. values of derivative financial instruments	34,973	–	–	–	21,188	–	–	56,161
Accrued expenses and deferred income	25,529	529	90	31	206	–	–	26,385
Other liabilities	8,230	3,815	27,497	4	97	–	59	39,701
Provisions	9,889	–	–	138	–	–	–	10,027
Bank's capital	26,000	–	–	–	–	–	–	26,000
Revenue reserves	394,607	–	–	–	–	–	–	394,607
Currency conversion reserve	–4,974	–	–	–	–	–	–	–4,974
Consolidated profit for the year	59,654	–	–	–	–	–	–	59,654
Total liabilities and equity	4,017,930	829,029	1,492,120	153,885	178,215	73,541	232,145	6,976,865
Net position per currency	–821	663	513	–800	245	12	187	0
Previous year	6,565	8,058	–336	–3,746	–10,714	8	165	0

¹ None of the currencies included in the category "Other" has a share of more than 1% of the assets.

There were no material forex transactions for own purposes as at the balance sheet date (same as previous year).

Information on the consolidated income statement

18. Result from trading activities

CHF 1,000	2016	2015
Net valuation result from the conversion of foreign exchange positions	107	-111
Total result from trading activities	107	-111

19. Personnel expenses

CHF 1,000	2016	2015
Salaries (incl. bonuses)	-50,220	-48,470
Social insurance benefits	-10,053	-9,229
Other personnel expenses	-4,589	-3,367
Total personnel expenses	-64,862	-61,066

20. General and administrative expenses

CHF 1,000	2016	2015
SECOM expenses, cost of equipment	-54,583	-53,649
Consultancy and other services	-41,300	-44,057
Fees of audit firm	-1,391	-692
<i>of which for financial and regulatory audits</i>	<i>-964</i>	<i>-462</i>
<i>of which for other services</i>	<i>-426</i>	<i>-230</i>
Cost of premises	-4,586	-5,140
Advertising and marketing expenses	-6,020	-3,994
Indirect taxes and other fees	-2,517	-1,820
Other operating expenses	-5,328	-7,753
Total general and administrative expenses	-115,725	-117,106

21. Losses and extraordinary items

In the reporting year, a bank building was sold resulting in extraordinary income of CHF 26.3 million, while the sale of the fully consolidated participation SIX SAG Ltd resulted in extraordinary income of CHF 3.7 million.

22. Taxes

CHF 1,000	2016	2015
Income (expenses) from taxes in previous years	-121	571
Expenses for current taxes	-19,021	-18,036
Decrease (increase) of provisions for deferred taxes	2,116	3,495
Total taxes	-17,026	-13,970
Weighted average tax rate on operating result before tax (including extraordinary items) ¹	21.2%	21.8%

¹ Restated

The decrease in provisions for deferred taxes is due to a substantial release of hidden reserves (provisions) by SIX SIS Ltd.

Some entities have operating losses in Switzerland. The Swiss losses are not taken into account for the calculation of the weighted average tax rate.

23. Negative interest

According to the accounting rules for banks (ARB FINMA), negative interest paid is to be offset against interest income, while negative interest received is to be offset against interest expenses. In the reporting year, negative interest paid amounted to CHF 19,801 thousand (prior year: CHF 15,382 thousand), while

negative interest received amounted to CHF 22,326 thousand (prior year: CHF 20,704 thousand). The following table shows the result from interest operations as if negative interest paid was included in the position "Interest expenses" and interest received was included in the position "Interest and discount income".

CHF 1,000	2016		
	Income statement	Adj. neg. interest	Adj. income statement
Interest and discount income	-655	42,127	41,472
Interest and dividend income from financial investments	1,802	-	1,802
Interest expenses	14,986	-42,127	-27,141
Gross result from interest operations	16,133	-	16,133
Changes in value adjustments for default risks	-	-	-
Result from interest operations	16,133	-	16,133

CHF 1,000	2015		
	Income statement	Adj. neg. interest	Adj. income statement
Interest and discount income	-17,983	36,086	18,103
Interest and dividend income from financial investments	3,223	-	3,223
Interest expenses	25,830	-36,086	-10,256
Gross result from interest operations	11,070	-	11,070
Changes in value adjustments for default risks	-89	-	-89
Result from interest operations	10,981	-	10,981

Information on off-balance-sheet transactions

24. Contingent assets and liabilities, credit commitments and subordinated assets and liabilities

As in previous years, there were no material contingent assets and liabilities or unfulfilled credit commitments as at the balance sheet date. Furthermore, there were no subordinated assets or liabilities in the consolidated entities.

There is a (pro memoriam) joint liability together with other SIX Group members arising from the consolidated value-added tax filing status.

25. Fiduciary transactions

CHF 1,000	31/12/2016	31/12/2015
Fiduciarily managed accounts at SIX SAG Ltd	–	579
Total fiduciary transactions	–	579

SIX SAG Ltd was sold in the reporting year.



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To the General Meeting of
SIX Securities Services Ltd, Zurich

Zurich, 5 April 2017

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of SIX Securities Services Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (page 7 to 38), for the year ended 31 December 2016.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. 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 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules for banks and comply with Swiss law and the consolidation and valuation principles as set out in the notes.



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 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

Jan Marxfeld
Licensed audit expert
(Auditor in charge)

Samuel Rast
Licensed audit expert

Financial Statements 2016

Balance sheet

CHF 1,000	Notes	31/12/2016	31/12/2015
Assets			
Cash and cash equivalents	7	1,452	101,693
Trade receivables	8	96,268	4,037
Other receivables	9	33,517	13,722
Accrued income and prepaid expenses		54	47
Assets held for sale	12	–	100
Current assets		131,292	119,598
Financial assets	10	1,071	1,071
Investments in subsidiaries and other investments	11	66,061	66,061
Non-current assets		67,132	67,132
Total assets		198,424	186,730
Liabilities			
Trade payables	13	3,326	2,611
Current interest-bearing liabilities	15	1,639	–
Other payables	14	195	87
Accrued expenses and deferred income		1,804	1,768
Current liabilities		6,962	4,466
Other long-term liabilities	16	1,564	511
Non-current liabilities		1,564	511
Total liabilities		8,526	4,977
Share capital		26,000	26,000
General legal retained earnings		10,000	10,000
Free reserves			
Other free reserves		89,271	89,271
Profit carried forward		21,482	18,647
Profit for the year		43,145	37,835
Equity		189,898	181,753
Total liabilities and equity		198,424	186,730

Income statement

CHF 1,000	Notes	2016	2015
Dividend income from investments		45,366	39,766
Service revenues		355	998
Other operating income		17,917	17,501
Total operating income		63,639	58,265
Commission and transaction expenses		-6	-157
Service expenses		-1,937	-2,117
Personnel expenses		-10,031	-7,988
Cost of premises		-284	-285
IT infrastructure costs		-374	-335
Consulting and other professional fees		-6,970	-8,004
Advertising and marketing expenses		-134	-
Value adjustments and losses		-4	-
Other operating expenses		-905	-713
Total operating expenses		-20,644	-19,599
Operating profit before interest and taxes		42,995	38,665
Financial income		20	11
Financial expenses		-858	-967
Net income before taxes and extraordinary items		42,157	37,709
Extraordinary income	20	2,147	-
Extraordinary expenses	20	-1,100	-
Net income before taxes		43,204	37,709
Taxes		-59	126
Profit for the year		43,145	37,835

Statement of changes in equity

CHF 1,000	Share capital	General legal ret. earnings	Free reserves		Total
			Other free reserves	Free reserves	
1 January 2016	26,000	10,000	56,482	89,271	181,753
Dividends	–	–	–35,000	–	–35,000
Net income	–	–	43,145	–	43,145
31 December 2016	26,000	10,000	64,627	89,271	189,898
1 January 2015	26,000	10,000	53,647	89,271	178,918
Dividends	–	–	–35,000	–	–35,000
Net income	–	–	37,835	–	37,835
31 December 2015	26,000	10,000	56,482	89,271	181,753

The share capital comprises 260,000 registered shares of CHF 100 nominal value.

Appropriation of profit

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of profit:

CHF 1,000	31/12/2016	31/12/2015
Profit carried forward from previous year	21,482	18,647
Profit for the year	43,145	37,835
Available profit carried forward	64,627	56,482
Dividend payment	-40,000	-35,000
Profit carried forward to the following year	24,627	21,482
Free reserves carried forward from previous year	89,271	89,271
Dividend payment	-40,000	-
Free reserves carried forward to the following year	49,271	89,271

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared according to Swiss Generally Accepted Accounting Principles set out under Title 32 of the Swiss Code of Obligations. Any policies not explicitly defined in Swiss

law are set out below. In this regard, it should be considered that hidden reserves can be accrued or released to secure sustainable growth.

2. Foreign currency conversion

Transactions in foreign currencies are posted at the current exchange rates. Monetary balance sheet items are converted into Swiss francs at the exchange rates applicable on the balance sheet date. Non-monetary

balance sheet items are converted at historical exchange rates. Exchange rate gains or losses are credited or debited to the income statement.

The following exchange rates were applied to convert items in foreign currency to CHF:

Currency	31/12/2016	31/12/2015
EUR	1.07	1.08
GBP	1.25	1.47
USD	1.02	0.99

3. Assets held for sale

Assets held for sale are valued at the lower of cost or market value.

4. Investments in subsidiaries and other investments

Investments in subsidiaries and other investments are stated at cost less necessary depreciation.

5. Revenue recognition

The revenues for services provided are recognized on invoicing. Invoices are issued after the service was effectively rendered.

6. Number of employees

The yearly average number of employees on a full-time equivalent basis was 29.3 (previous year: 23.0).

7. Cash and cash equivalents

CHF 1,000	31/12/2016	31/12/2015
Due from third parties	1,452	101,693
Cash and cash equivalents	1,452	101,693

8. Trade receivables

CHF 1,000	31/12/2016	31/12/2015
Due from third parties	81	1
Due from group entities	96,192	4,036
Collective impairment	-4	-
Trade receivables	96,268	4,037

9. Other receivables

CHF 1,000	31/12/2016	31/12/2015
Due from third parties	20,214	418
Due from shareholders	13,304	13,304
Other receivables	33,517	13,722

10. Financial assets

CHF 1,000	31/12/2016	31/12/2015
Shares SIX Group Ltd	1,071	1,071
Financial assets	1,071	1,071
<i>whereof current</i>	-	-
<i>whereof non-current</i>	1,071	1,071

11. Investments in subsidiaries and other investments

	31/12/2016		31/12/2015	
	Capital (nom.)	Share ¹	Capital (nom.)	Share ¹
SIX x-clear Ltd, Zurich	CHF 30,000,000	100%	CHF 30,000,000	100%
SIX SIS Ltd, Olten	CHF 26,000,000	100%	CHF 26,000,000	100%
SIX Systems Ltd, Olten	CHF 2,500,000	100%	CHF 2,500,000	100%
SIX SAG Ltd, Olten	–	0%	CHF 100,000	100%
SIX SIS Nominee U.K. Ltd, Olten (indirect participation)	CHF 100,000	100%	CHF 100,000	100%
Projektgesellschaft Softwareentwicklung, Oktober 2011 Ltd, Frankfurt	EUR 50,000	100%	EUR 50,000	100%

¹ Capital and voting rights

12. Assets held for sale or participations in liquidation

In 2015, SIX took the decision to sell its share register management and annual general meetings business (SIX SAG Ltd), and entered into negotiations with

Computershare Ltd. In December 2016, SIX sold its shares to Computershare Ltd in a single transaction (refer to note 20).

13. Trade payables

CHF 1,000	31/12/2016	31/12/2015
Due to third parties	480	984
Due to group entities	1,550	1,467
Due to shareholders	1,295	160
Trade payables	3,326	2,611

14. Other payables

CHF 1,000	31/12/2016	31/12/2015
Due to third parties	195	87
Other payables	195	87

15. Current interest-bearing liabilities

CHF 1,000	31/12/2016	31/12/2015
Due to third parties	12	–
Due to group entities	1,627	–
Current interest-bearing liabilities	1,639	–

16. Other long-term liabilities

CHF 1,000	31/12/2016	31/12/2015
Due to third parties	1,564	511
Other long-term liabilities	1,564	511

17. Contingent liabilities

	31/12/2016	31/12/2015
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

18. Liabilities from leasing contracts with maturity > 1 year

CHF 1,000	31/12/2016	31/12/2015
Maturity from 1 to 5 years	–	54
Liabilities from leasing contracts with maturity > 1 year	–	54

19. Net release of hidden reserves

No net hidden reserves were released to the income statement in the reporting year (previous year: 0).

20. Explanations of extraordinary items in the income statement

In the reporting year, the sale of the investment in SIX SAG Ltd resulted in extraordinary income of CHF 2,147 thousand. The extraordinary expenses of CHF 1,100 thousand in the reporting year resulted from a contribution to the pension fund into the individual retirement savings to maintain the previous level of pension payments following a change in the pension fund regulations.

21. Significant events after the balance sheet date

SIX Systems Ltd will be merged into SIX Securities Services Ltd as of 1 January 2017.



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To the General Meeting of
SIX Securities Services Ltd, Zurich

Zurich, 5 April 2017

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, statement of changes in equity and notes (page 42 to 50), for the year ended 31 December 2016.



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 2016 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

Jan Marxfeld
Licensed audit expert
(Auditor in charge)

Samuel Rast
Licensed audit expert

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