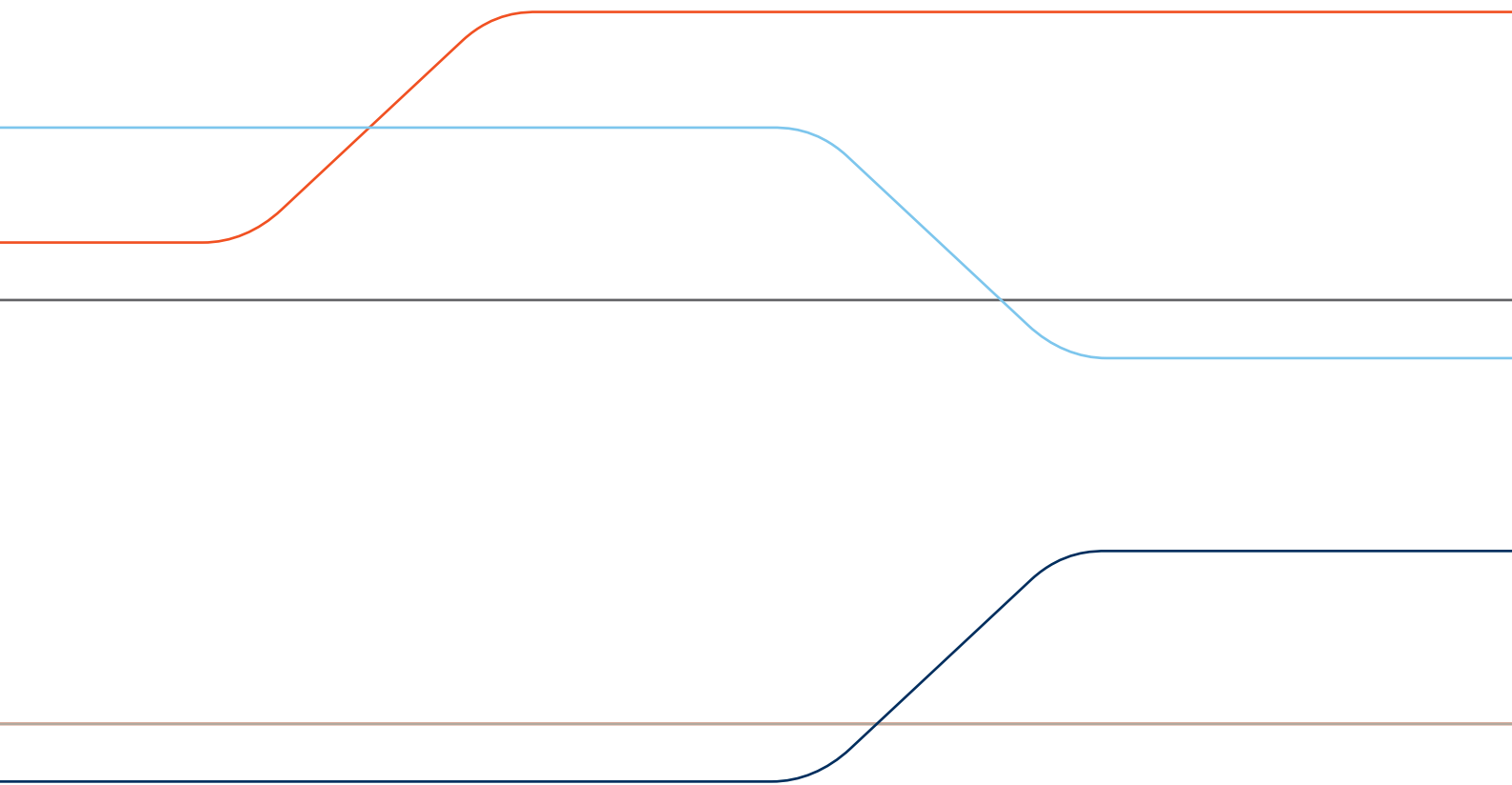




# Financial Statements 2016

SIX x-clear Ltd



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# Balance sheet

CHF 1,000	Notes	31/12/2016	31/12/2015
<b>Assets</b>			
Liquid assets		10,000	–
Amounts due from banks		994,530	719,697
Amounts due from securities financing transactions	1	366,717	237,192
Amounts due from customers	2	417	452
Positive replacement values of derivative financial instruments	3	56,774	63,613
Financial investments	4	148,229	133,338
Accrued income and prepaid expenses		175	34
Participations		40	40
Tangible assets		45	462
Other assets	5	3,327	767
<b>Total assets</b>		<b>1,580,255</b>	<b>1,155,594</b>
<b>Liabilities and equity</b>			
Amounts due to banks		1,430,865	997,089
Liabilities from securities financing transactions	1	2,334	–
Amounts due to customers		2,311	2,459
Negative replacement values of derivative financial instruments	3	56,282	64,310
Accrued expenses and deferred income		4,516	2,729
Other liabilities	5	662	4,400
Bank's capital	10	30,000	30,000
Legal reserves from retained earnings		6,360	6,360
Free reserves			
Other free reserves		78,200	78,200
Loss carried forward		–29,953	–22,245
Loss for the year		–1,323	–7,708
<b>Total liabilities and equity</b>		<b>1,580,255</b>	<b>1,155,594</b>
<b>Off-balance-sheet transactions</b>			
Irrevocable commitments	2	10	10

# Income statement

CHF 1,000	Notes	2016	2015
Interest and discount income		-5,268	-4,976
Interest and dividend income from financial investments		1,436	3,024
Interest expenses		5,457	3,028
<b>Gross result from interest operations</b>		<b>1,625</b>	<b>1,076</b>
Changes in value adjustments for default risks		-	-
<b>Result from interest operations</b>	19	<b>1,625</b>	<b>1,076</b>
Commission income from clearing & settlement		21,318	20,393
Commission expenses from clearing & settlement		-5,675	-5,703
Commission income from other services		432	284
Commission expenses from other services		-	-
<b>Result from commission business and services</b>		<b>16,075</b>	<b>14,974</b>
<b>Result from trading activities</b>	12	<b>-5</b>	<b>-440</b>
Other ordinary income		181	472
Other ordinary expenses		-	-
<b>Result from other ordinary activities</b>		<b>181</b>	<b>472</b>
Personnel expenses	13	-3,524	-2,812
General and administrative expenses	14	-14,954	-16,957
<b>Operating expenses</b>		<b>-18,478</b>	<b>-19,769</b>
Changes in value adjustments on participations and depreciation of tangible assets		-417	-3,984
Changes to provisions and other value adjustments, and losses	9	-	-
<b>Operating result</b>		<b>-1,019</b>	<b>-7,670</b>
Taxes	16	-304	-39
<b>Loss for the year</b>		<b>-1,323</b>	<b>-7,708</b>
<b>Coverage of losses</b>			
Loss carried forward from previous years		-29,953	-22,245
Loss for the year		-1,323	-7,708
<b>Accumulated loss/loss carried forward</b>		<b>-31,276</b>	<b>-29,953</b>

## Statement of changes in equity

CHF 1,000	Bank's capital	Legal reserves from ret. earnings	Other free reserves	Loss carried forward	Loss for the year	Total <sup>1</sup>
<b>1 January 2016</b>	<b>30,000</b>	<b>6,360</b>	<b>78,200</b>	<b>-22,245</b>	<b>-7,708</b>	<b>84,607</b>
Coverage of losses				-7,708	7,708	-
Other contributions						-
Loss for the year					-1,323	-1,323
<b>31 December 2016</b>	<b>30,000</b>	<b>6,360</b>	<b>78,200</b>	<b>-29,953</b>	<b>-1,323</b>	<b>83,284</b>
<b>1 January 2015</b>	<b>30,000</b>	<b>6,360</b>	<b>78,200</b>	<b>-4,525</b>	<b>-17,720</b>	<b>92,315</b>
Coverage of losses				-17,720	17,720	-
Other contributions						-
Loss for the year					-7,708	-7,708
<b>31 December 2015</b>	<b>30,000</b>	<b>6,360</b>	<b>78,200</b>	<b>-22,245</b>	<b>-7,708</b>	<b>84,607</b>

<sup>1</sup> 25% of the required capital (as defined by Swiss law) is designated to cover losses from defaulting clearing members. See note 18 Margin requirements and default fund.

# Notes to the financial statements

## General information

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

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. Furthermore, SIX x-clear Ltd has applied to be licensed as a central counterparty as required by the new Financial Market Infrastructure Act. SIX x-clear Norwegian Branch is

further regulated by the Financial Supervisory Authority of Norway (Finanstilsynet).

At year-end 2016, SIX x-clear Ltd had 20.3 employees on a full-time equivalent basis (year-end 2015: 22.4).

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

Conceptual and methodological aspects of risk management for SIX x-clear Ltd are carried out by SIX Securities Services Ltd. Daily operations are run by SIX x-clear Ltd.

SIX x-clear Ltd has outsourced 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.

### Board of Directors

Dr. Urs Rügsegger	Chairman
Dr. Stefan Mäder	Member until 28 February 2017
Daniel Schmucki	Member since 1 March 2017
Robert Bornträger	Member
Josef Landolt	Member
Andreas Wolf	Member

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[office@sisclear.com](mailto:office@sisclear.com)

## Risk management

### Risk governance

As a part of SIX, SIX x-clear 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.

Overall responsibility for risk management at SIX x-clear Ltd 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 x-clear Ltd 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 x-clear Ltd, 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 at SIX x-clear Ltd and form the "second line of defense". Independent assurance providers such as Internal Audit form 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 x-clear Ltd 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 x-clear Ltd 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.

SIX x-clear Ltd applies a conservative risk and credit policy. New clients of SIX x-clear Ltd 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.

SIX x-clear 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 payment (DVP) offers the best guarantee of eliminating settlement risk.

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 x-clear Ltd 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 x-clear Ltd primarily relates to central counterparty clearing of matched but unsettled trades.

To minimize the exposure of SIX x-clear Ltd to price fluctuations and market risk due to unsettled transactions, a margin model has been established. SIX x-clear Ltd demands collateral from its clients in the form of margins as an irregular pledge under Swiss

law. The margin collateral required from members is calculated based on 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) and the margin provided is insufficient, 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 as an irregular pledge under Swiss law. The default fund is designed 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.

### **Liquidity risk**

Liquidity risk basically relates to the inability to meet payment obligations when they are due. Under normal market circumstances SIX x-clear Ltd is not exposed to any significant liquidity risk. In stressed market conditions, however – e.g. in the event of a participant default – SIX x-clear Ltd 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 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 counterparties, 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.

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 x-clear Ltd 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 x-clear Ltd 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 currency. 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 x-clear Ltd 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 x-clear Ltd 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 x-clear Ltd. Business process risks are also systematically assessed by Internal Audit department and adequate measures are implemented.

The risk inherent in relying on information technology is addressed by SIX x-clear 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. 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 x-clear Ltd. 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.

## Regulatory disclosure

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

### Capital adequacy

As SIX x-clear Ltd does not offer common credit services, some of the disclosure requirements are redundant and therefore obsolete.

CHF 1,000	31/12/2016	31/12/2015
<b>Eligible capital (CET1 only)</b>	<b>83,239</b>	<b>84,145</b>
<b>Required capital</b>	<b>23,069</b>	<b>17,610</b>
thereof for credit risks	20,395	15,604
thereof for non-counterparty-related risks	–	–
thereof for market risks	289	59
thereof for operational risks	2,385	1,947
<b>Capital ratio (CET1 ratio)</b>	<b>28.9%</b>	<b>38.2%</b>

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
Tier 1 capital	83,239	84,145
Total exposure	1,212,865	917,945
Leverage ratio	6.9%	9.2%

## 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 SIX x-clear Ltd 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) for statutory single-entity financial statements with reliable assessment. The financial statement reporting date is 31 December. 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.

In line with margin notes 327-340 of the ARB FINMA, certain information is disclosed in the consolidated financial statements of SIX Securities Services Ltd only.

### 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.

	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

### 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 collective value adjustments calculated on the basis of clearly defined rates. Receivables from and liabilities towards banks arise mainly from clearing activities as CCP.

### 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 x-clear Ltd lends and borrows non-monetary instruments such as money market papers and securities for its own account and risk (principal status). It generally only engages in trading book transactions, whereby receivables and liabilities arising from the lending or borrowing of non-monetary instruments are valued at market 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 x-clear Ltd 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.

**Participations**

Participations are valued according to their acquisition cost. All participations are regularly assessed with respect to a possible impairment of their value.

**Financial investments**

Financial investments are stated at the lower of cost or market value. Bonds pledged as collateral (see note 6) are valued on the basis of the accrual principle, with the premium arising on purchase being amortized over the term to maturity. Value adjustments resulting from changes in the bond issuer's credit standing are immediately recognized.

**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.

The following depreciation rates are applied:

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%

Real estate and buildings are to be reported separately. Real estate is not depreciated. Tangible assets are reported on a net basis, i.e. after deduction of accumulated depreciation.

**Pension benefit obligations**

Pension benefit obligations are treated according to Swiss GAAP FER 16. SIX x-clear Ltd offers defined contribution plans.

**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.

**Taxes**

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

**Changes in accounting and valuation policies**

None.

**Subsequent events**

No subsequent events requiring disclosure occurred.

# Information on the 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 <sup>1</sup>	366,717	237,192
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions <sup>1</sup>	–	–
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	–	–
<i>with unrestricted right to resell or pledge</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	368,185	242,331
<i>of which repledged securities</i>	365,851	237,266
<i>of which resold securities</i>	2,334	5,065

<sup>1</sup> Before netting agreements

### Breakdown of book value by transaction type

CHF 1,000	31/12/2016	31/12/2015
Reverse repurchase agreements	366,717	237,192
<b>Total amounts due from securities financing transactions</b>	<b>366,717</b>	<b>237,192</b>
Obligation to return resold securities received in connection with securities borrowing transactions	2,334	–
<b>Total liabilities from securities financing transactions</b>	<b>2,334</b>	<b>–</b>

## 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
<b>Amounts due from customers</b>		
Amounts due from customers (unsecured, before netting with value adjustments)	417	452
<i>of which impaired</i>	–	–
<b>Total before offsetting with value adjustments</b>	<b>417</b>	<b>452</b>
<b>Total after offsetting with value adjustments</b>	<b>417</b>	<b>452</b>
<b>Off-balance-sheet transactions</b>		
Irrevocable commitments (unsecured)	10	10

SIX x-clear Ltd 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
<b>Interest rate-related instruments</b>			
Forward contracts	2,144	2,144	387,018
<b>Equity securities and indices</b>			
Forward contracts	52,076	51,585	8,082,303
Futures	–	–	379,011
Options (OTC)	–	–	–
Options (exchange-traded)	18,715	18,715	1,716,212
<b>Total before netting agreements</b>	<b>72,936</b>	<b>72,445</b>	<b>10,564,544</b>
<i>Previous year (restated)<sup>1</sup></i>	<i>81,288</i>	<i>81,985</i>	<i>8,203,055</i>
Recognized netting agreements	–16,162	–16,162	–
<b>Total after recognized netting agreements</b>	<b>56,774</b>	<b>56,282</b>	<b>10,564,544</b>
<i>Previous year</i>	<i>63,613</i>	<i>64,310</i>	<i>8,203,055</i>
Unrecognized netting agreements	–47,863	–47,863	–
<b>Total after netting agreements</b>	<b>8,911</b>	<b>8,419</b>	<b>10,564,544</b>
<i>Previous year (restated)<sup>1</sup></i>	<i>13,404</i>	<i>14,101</i>	<i>8,203,055</i>

<sup>1</sup> 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.

The derivative instruments shown are unsettled spot transactions arising from clearing business with bonds and equities that are recognized according to the settlement date accounting principle. No derivative transactions were carried out for own purposes (i.e. hedging). 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	8,647	8,911

## 4. Financial investments

CHF 1,000	31/12/2016		31/12/2015	
	Book value	Fair value	Book value	Fair value
<b>Debt securities</b>	<b>47,183</b>	<b>47,184</b>	<b>62,829</b>	<b>62,867</b>
<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>
<b>Breakdown by counterparty rating</b>				
AAA to AA-	47,183	47,184	62,829	62,867
<b>Equity securities</b>	<b>101,046</b>	<b>101,046</b>	<b>70,509</b>	<b>70,509</b>
<i>of which qualified participations</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
<b>Total financial investments</b>	<b>148,229</b>	<b>148,231</b>	<b>133,338</b>	<b>133,376</b>
<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. Other assets and liabilities

CHF 1,000	Other assets		Other liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Indirect taxes	9	45	109	150
Compensation account	–	–	491	–
Sundry assets and liabilities	3,318	722	61	4,250
<b>Total</b>	<b>3,327</b>	<b>767</b>	<b>662</b>	<b>4,400</b>

## 6. Assets pledged or assigned to secure own commitments

CHF 1,000	31/12/2016		31/12/2015	
	Book value	Eff. committed	Book value	Eff. committed
Amounts due from banks	890,953	117,838	653,970	63,986
Financial investments	148,229	36,572	133,338	133,338

All assets held at SIX SIS Ltd are pledged according to the pledge agreement and the supplementary contract for the broker line facility. All other assets pledged cover inter-CCP risks.

The balance sheet item "Securities financing transactions" contains reverse repurchase agreements (see section "Amounts due from and liabilities from securities

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

## 7. Breakdown of assets by country rating

Country rating	31/12/2016		31/12/2015	
	in CHF 1,000	in %	in CHF 1,000	in %
AAA-AA	1,580,255	100.0	1,155,594	100.0
lower	–	0.0	–	0.0
<b>Total</b>	<b>1,580,255</b>	<b>100.0</b>	<b>1,155,594</b>	<b>100.0</b>

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

## 8. Pension funds

### Employer contribution reserves

CHF 1,000	Notes	31/12/2016	31/12/2015
<b>Nominal value as at previous year-end</b>		<b>397</b>	<b>393</b>
– creation		–	–
– transfer to/from other group entities		–	4
– withdrawal		–	–
– utilization		–83	–
<b>Nominal value as at current year-end</b>		<b>314</b>	<b>397</b>
<i>of which with waiver of use</i>		<i>314</i>	<i>397</i>
Value adjustment offset	9	–314	–397
<b>Net value as at current year-end</b>		<b>–</b>	<b>–</b>

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 x-clear Ltd 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 x-clear Ltd does not gain any economic benefits in the event of surplus cover. SIX x-clear Ltd offers defined contribution plans.

As at the balance sheet date, SIX x-clear Ltd had no liabilities in excess of the regulatory contributions. The Occupational Benefits Foundation of SIX does not hold any equity instruments of SIX x-clear Ltd.

Pension fund expenses amounted to CHF 182 thousand in the current year (previous year: CHF 155 thousand).

## 9. Value adjustments and provisions

SIX x-clear Ltd does not offer common credit services. As in the previous year, no value adjustments needed to be recognized for amounts due from banks or customers. Furthermore, no provisions existed in the previous year or were created during the current year.

A waiver of use is in place for employer contribution reserves. The corresponding asset is therefore fully adjusted and the value adjustment is offset against the asset. At the beginning of the current year, this value adjustment amounted to CHF 397 thousand and decreased by CHF 83 thousand to CHF 314 thousand.

## 10. 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	30	30,000	30,000
Bank's capital at current year-end	30	30,000	30,000

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

SIX Securities Services Ltd is wholly owned by SIX Group Ltd. 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.

## 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

## 11. Transactions with related parties

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

CHF 1,000	Assets		Liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
SIX Securities Services Ltd	4	41	330	375
SIX SIS Ltd	1,259,334	891,162	117,838	63,986
Other entities of SIX Group	8	235	1,663	1,419
Indirect shareholder SIX Group Ltd	–	–	135	151
Other qualified indirect shareholders (>10% of equity)	617	1,263	115,835	63,517

### Intragroup income and expenses

The following figures show income from and expenses paid to other entities of SIX Securities Services.

CHF 1,000/in %	2016		2015	
	CHF	% of item	CHF	% of item
Result from interest operations	–6,035	–371.4	–5,622	–522.3
Result from commission business and services	–223	–1.4	–188	–1.3
Result from trading activities	–	0.0	–2	0.4
Result from other ordinary activities	10	5.6	114	24.1
Operating expenses	–3,932	21.3	–5,349	27.1
<b>Net intragroup income and expenses</b>	<b>–10,180</b>		<b>–11,047</b>	

## Information on the income statement

### 12. Result from trading activities

CHF 1,000	2016	2015
Net valuation result from the conversion of foreign exchange positions	-5	-440
<b>Total result from trading activities</b>	<b>-5</b>	<b>-440</b>

### 13. Personnel expenses

CHF 1,000	2016	2015
Salaries (incl. bonuses)	-2,889	-2,185
Social insurance benefits	-455	-427
Other personnel expenses	-180	-200
<b>Total personnel expenses</b>	<b>-3,524</b>	<b>-2,812</b>

### 14. General and administrative expenses

CHF 1,000	2016	2015
SECOM expenses, cost of equipment	-9,767	-10,230
Consultancy and other services	-2,508	-4,249
Fees of audit firm	-244	-231
<i>of which for financial and regulatory audits</i>	-244	-231
<i>of which for other services</i>	-	-
Cost of premises	-253	-215
Advertising and marketing expenses	-393	-267
Indirect taxes and other fees	-570	-799
Other operating expenses	-1,220	-966
<b>Total general and administrative expenses</b>	<b>-14,954</b>	<b>-16,957</b>

### 15. Losses and extraordinary items

None.

## 16. Taxes

CHF 1,000	2016	2015
Income (expenses) from taxes in previous years <sup>1</sup>	-67	183
Expenses for current taxes <sup>2</sup>	-237	-222
Decrease (increase) of provisions for deferred taxes	-	-
<b>Total taxes</b>	<b>-304</b>	<b>-39</b>
Weighted average tax rate on operating result before tax <sup>3</sup>	23.7%	26.5%

<sup>1</sup> In 2015, the Norwegian government refunded taxes totaling CHF 183 thousand in connection with Oslo Clearing ASA. This tax refund has been excluded from the calculation of the tax rate for 2015.

<sup>2</sup> Expenses for current taxes relate to foreign permanent establishments. Due to operating losses in Switzerland in 2016 and 2015, SIX x-clear Ltd has no income tax expenses in Switzerland. The Swiss losses are not taken into account for the calculation of the weighted average tax rate.

<sup>3</sup> Restated

## 17. Foreign branch

SIX x-clear Ltd fully acquired Oslo Clearing ASA, Oslo, in 2014. In 2015, all operational assets and liabilities were transferred to SIX x-clear Ltd's newly formed

Norwegian branch and the legal entity Oslo Clearing ASA was liquidated.

## 18. Margin requirements and default fund

As at 31 December 2016, the margin requirements of SIX x-clear Ltd's members amounted to CHF 289 million (previous year: CHF 216 million). To meet this requirement, collateral with a market value of CHF 1,302 million (previous year: CHF 1,160 million) was deposited.

SIX x-clear Ltd's default fund for cash products amounts to CHF 300 million (previous year: CHF 299.6 million), while its default fund for derivative products amounts

to CHF 28 million (previous year: CHF 29.5 million). The required contributions are split between the clearing members.

Furthermore, 25% of SIX x-clear Ltd's required capital (as defined by Swiss law) is designated to cover losses arising from defaulting clearing members.

## 19. Result from interest operations

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 6,884 thousand (prior year: CHF 5,615 thousand), while negative interest

received amounted to CHF 5,975 thousand (prior year: CHF 5,615 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	Adjustment neg. interest	Adj. income statement
Interest and discount income	-5,268	12,859	7,591
Interest and dividend income from financial investments	1,436		1,436
Interest expenses	5,457	-12,859	-7,402
<b>Gross result from interest operations</b>	<b>1,625</b>	<b>-</b>	<b>1,625</b>
Changes in value adjustments for default risks	-	-	-
<b>Result from interest operations</b>	<b>1,625</b>	<b>-</b>	<b>1,625</b>

CHF 1,000	2015		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	-4,976	11,230	6,254
Interest and dividend income from financial investments	3,024		3,024
Interest expenses	3,028	-11,230	-8,202
<b>Gross result from interest operations</b>	<b>1,076</b>	<b>-</b>	<b>1,076</b>
Changes in value adjustments for default risks	-	-	-
<b>Result from interest operations</b>	<b>1,076</b>	<b>-</b>	<b>1,076</b>

## Information on off-balance-sheet transactions

### 20. Contingent liabilities and subordinated assets and liabilities

	2016	2015
Joint liability from consolidated value-added tax filing status	p.m.	p.m.
Subordinated assets and liabilities	-	-



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To the General Meeting of  
SIX x-clear 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 x-clear Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 3 to 21), 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 article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Ernst & Young Ltd

Jan Marxfeld  
Licensed audit expert  
(Auditor in charge)

Samuel Rast  
Licensed audit expert

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