Annual Report 2020

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Dear readers

A very good annual result in spite of difficult social and economic conditions, the merger of SIX with BME and the progress made in establishing the digital exchange SDX: SIX had a challenging but successful business year in 2020. In this interview, our Chairman Thomas Wellauer and CEO Jos Dijsselhof explain the underlying growth strategy – and why this serves the shareholders and customers of SIX and the financial centers in Switzerland and Spain in equal measure.

Mr. Wellauer, you took over as Chairman of the Board of Directors in March 2020. How would you sum up your first year?

Dr Thomas Wellauer From the outset I felt that SIX was a highly professional organization that relies above all on its motivated and committed employees. There is a spirit of optimism and an absolute determination to seize opportunities and to actively help shape the current transformation of our sector. At the same time, there is a pronounced sense of responsibility for the stability and security of our infrastructure and towards our clients. Both have contributed to our business success in a year of absolute crisis. This gives us a very good basis for taking SIX forward successfully.

Dr Thomas Wellauer, Chairman of the Board of Directors

“We are growing in order to remain profitable and hence fit for the future.”

Jos Dijsselhof, CEO

"I would like to thank all our employees for their outstanding performance in a year that was extremely challenging for us all in both our professional and our private lives."

You had a similar impression of SIX when you took up your post just over three years ago, Mr. Dijsselhof. Has your impression been confirmed?

Jos Dijsselhof Yes, for me it has been confirmed once again how professionally and successfully our organization is able to cope with challenges on several fronts. In my first year at SIX, 2018, we realigned the company's organizational structure and strategy following the sale of the cards business to Worldline, while consistently maintaining the quality of our services. However, in 2020 the challenges were greater still. In times of considerable market uncertainty and one of the biggest crises in the last 100 years, we continued with our core business and also handled major projects such as the acquisition of BME, the establishment of SDX and the Switzerland-wide introduction of the QR-bill – and we did so with most of the staff working from home. Our annual result reflects the high level of reliability and efficiency provided by our systems – and by our employees!

Why did you not put the growth ambitions for SIX temporarily on the back burner in this difficult year of the pandemic?

Jos Dijsselhof Firstly, because we didn't have to: We were comfortably able at all times to ensure the security and stability of our infrastructure and thus the quality of provision in our core business, even in the times of greatest market uncertainty. Secondly, because we couldn't allow ourselves to do that: The radical changes in financial market infrastructures are global and fundamental, and they are proceeding at a rapid pace. In view of the huge challenges it faces, the sector is consolidating. We cannot afford to lose touch with all this if we wish to survive and further develop our position as an independent Swiss infrastructure provider in the long term.

Dr Thomas Wellauer We are growing in order to remain profitable and hence fit for the future in a business that depends on scale. The cost-effectiveness of our infrastructure can be improved significantly by additional volume. The resources this makes available can be invested in innovation or system optimization that benefits us as well as our clients and the whole of the financial center.

Dr Thomas Wellauer, Chairman

Jos Dijsselhof, CEO

Where do you see the greatest growth potential?

Dr Thomas Wellauer We seek primarily to grow organically by offering our customers innovative services at competitive prices. This growth can be accelerated through acquisitions and partnerships. We want to grow in all four businesses: trading and post-trading, financial information and banking services. In the long term we see great potential in digital assets. With the launch of our digital exchange, SDX, we have established ourselves as a pioneer in this important area for the future. The further development of the associated ecosystem will be something we can also utilize in our other areas of business.

Jos Dijsselhof In order to grow organically we need to increase the transaction volumes on our infrastructure, extend our geographical reach, improve our profitability, and continue to foster a positive and open corporate culture. The acquisition of the Spanish stock exchange operator BME, completed in 2020, will help us on all these points. SIX and BME are an outstanding match along the entire securities value chain. The merger will strengthen the competitiveness of both the Swiss and Spanish financial centers.

Let’s hazard a prediction: what will the company SIX look like five years from now?

Jos Dijsselhof We will have made best use of the available synergies with BME and thereby considerably improved our profitability. We will be one of the leading financial market infrastructures in Europe, and we will have international appeal – especially as a forward thinker and market leader in digital assets. As a company we will have become more open to the world and more agile, and we will be attracting the best talent with our culture of innovation.

Dr Thomas Wellauer Not least, we will be a strong and reliable partner for our shareholders and clients and we will be fulfilling a central function for the stable and sustainable development of the financial economy in our markets. SIX is a provider you can’t go past in Europe. ■

Dr Thomas Wellauer Jos Dijsselhof

GROUP REPORT

SIX Demonstrates Its Importance for a Stable Economy and Strengthens the Competitiveness of the Financial Center

In a globally challenging environment defined by the COVID-19 crisis, SIX demonstrated operational stability and, with the inclusion of the contribution from the newly acquired Bolsas y Mercados Españoles (BME), achieved operating income of CHF 1.4 billion (+21.8%) and EBITDA of CHF 368.9 million (+72.8%). EBIT and profit received an additional boost from the strong net financial result. The successful acquisition of BME will further enhance the profitability and competitiveness of SIX.

Thanks to its operational stability and diversified business model, SIX successfully mastered the challenging circumstances of 2020: The global spread of the COVID-19 pandemic and the associated market uncertainty engendered a high level of volatility in the financial markets and prompted record high volumes on the Swiss Stock Exchange at the end of the first quarter in particular. From mid-March, a large part of the staff at SIX worked from home or in split operations. SIX infrastructures remained available at all times, and stable, fair, and orderly stock market trading was ensured even in the midst of considerable market turbulence.

The substantial increase in operating income to CHF 1,375.9 million (+21.8% compared to the previous year) was attributable to two main drivers: Firstly, following the successful completion of the acquisition of **BME**, SIX benefited from the additional contribution from the Spanish financial market infrastructure once the transaction had closed in June (CHF 196.6 million). Secondly, the high level of trading activity on the exchanges boosted the contribution from the **Securities & Exchanges business unit** (+11.7%). Alongside the high volumes due to the pandemic the unit's results were supported by the fact that SIX enjoyed a market share of almost 100% in the trading of Swiss equities, with EU equivalence remaining suspended.

In the **Banking Services business unit**, operating income remained roughly stable (–0.9%), although Swiss payment transactions were heavily impacted by the COVID-19 pandemic as well. Cash withdrawals at ATMs and debit card payments at the point of sale decreased dramatically during the Swiss lockdown in spring. As the year progressed, debit transactions recovered. The growth in digital payment solutions, such as eBill, was even accelerated by the pandemic, while the use of cash remained at a low level. Overall, the opposing trends canceled each other out.

Operating income in the **Financial Information business unit** remained stable as well (–0.7%) despite negative foreign currency effects. As SIX has its broadest international footprint in Financial Information, it feels the effects of foreign exchange movements most keenly.

SIX successfully mastered the challenging circumstances of 2020.

The strong operating performance recorded by SIX despite more difficult market conditions was of central importance for the economy. This is the result of many years of experience and continuous investment in a stable and innovative infrastructure. Higher operating expenses compared to the previous year (+9.9%) were mainly attributable to the additional cost contribution of BME. Adjusting for BME, continuous efficiency gains led to operating expenses largely remaining at last year's level. This was achieved despite ambitious projects that SIX continued to drive forward in 2020 and extraordinary cost items, such as M&A expenses.

The substantially higher operating income in combination with the improved operational efficiency resulted in significantly higher earnings before interest, tax, depreciation, and amortization (EBITDA). Despite the high level of project expenses, EBITDA totaled CHF 368.9 million (+72.8%).

The most important projects in the year under review were the ongoing work on establishing the SIX Digital Exchange (SDX) and the acquisition of BME as well as the immediate commencement of efforts to integrate it into the organization and processes of SIX.

The BME transaction represents a milestone in the history of SIX. Measured by free float market capitalization on its exchanges in Zurich and Madrid, SIX was thus Europe's third-largest stock exchange group by the end of 2020. With the acquisition, SIX has created the basis for further scalability and profitability of its infrastructure.

In order to refinance part of the bridging finance for the BME acquisition, SIX issued a Eurobond of EUR 650 million in November through its newly established subsidiary SIX Finance (Luxembourg) Ltd. This Eurobond, 4.2 times oversubscribed, generated a great deal of interest from a geographically diverse set of institutional investors, demonstrating their belief in the strong track record, robust business model, and growth potential offered by SIX.

The acquisition of BME lays the foundation for further growth.

Overview of Key Figures

CHF million	2020	2019	Change in %
Total operating income	1,375.9	1,129.7	21.8%
Total operating expenses	–1,007.0	–916.2	9.9%
Earnings before interest, tax, depreciation and amortization (EBITDA)	**368.9**	**213.5**	**72.8%**
Depreciation, amortization and impairment	–141.8	–90.1	57.4%
Net financial result	273.8	–25.1	n/a
Share of profit or loss of associates and joint ventures	15.7	69.6	–77.5%
Earnings before interest and tax (EBIT)	**516.6**	**168.0**	**n/a**
Net interest and tax expenses	–77.1	–47.5	62.3%
Group net profit	**439.6**	**120.5**	**n/a**
Workforce as at 31/12 (full-time equivalents)	3,528.7	2,593.4	36.1%
Total assets as at 31/12	18,402.3	12,656.5	45.4%
Equity ratio (average)	76.0%	87.6%	–11.6 pp
Return on equity (average)	8.9%	2.4%	6.5 pp

Net Financial Result Added Strength to EBIT and Group Net Profit

In addition to the strong operating performance, the non-operating net financial result of SIX was also well up on the previous year at CHF 273.8 million. This was brought about, firstly, by realized valuation gains from the sale of 10.1 million Worldline shares (5.5% of Worldline's share capital), which SIX disposed of in April during an accelerated book-building procedure. Secondly, Worldline acquired payment services provider Ingenico in October, which was settled with newly issued shares and likewise had a positive effect on the SIX net financial result because of the higher valuation of the Worldline shares remaining in the possession of SIX.

Worldline remains the largest equity interest held by SIX. However, due to the transactions effected on both sides, the equity share of SIX in Worldline was reduced from 21.8% to 10.7% in comparison to 2019. In the SIX income statement, this is reflected in the item "Share of profit or loss of associates and joint ventures" (–77.5% compared to the previous year). With an equity interest of around 10.7% and a proportion of the voting rights of 18.9%, SIX nevertheless remains Worldline's largest shareholder and, through this interest, also shares in the growth of digital payments. Worldline shares rose from EUR 63.15 to EUR 79.10 (+25.3%) in the year under review.

In terms of overall profitability, the high net financial result increased earnings before interest and tax (EBIT) and Group net profit. The result was a significant increase in net income compared to the previous year: EBIT amounted to CHF 516.6 million, while Group net profit totaled CHF 439.6 million.

For 2020, the Board of Directors recommends that the Annual General Meeting approve an ordinary dividend of CHF 4.30 per share.

Operating Contribution of the Business Units

At CHF 565.6 million, the **Securities & Exchanges business unit** accounted for the largest share of operating income at SIX in 2020. Because of the high level of market volatility in the year under review, the Swiss Stock Exchange registered an increase in trading turnover of 18.6%. The number of transactions rose by 55.3% year on year. The suspension of EU equivalence since July 2019 continued to drive consolidation of trading in Swiss equities at SIX.

The SMI ended the year up 0.8% compared to 2019, at 10,703.5 points. During the course of 2020, it exceeded the 11,000-point mark for the first time. The high point and thus the all-time record (end-of-day level) was reached on 20 February (11,270.0 points); the low point of the year was recorded on 16 March at the beginning of the lockdown in Switzerland, at 7,650.2 points. High levels of volatility also affected post-trade activities. Clearing transactions rose by 19.4%. Settlement business benefited, too, with settlement transactions up 29.8% and average deposit volume up 3.2% compared to the previous year.

In the primary market, the Swiss Stock Exchange recorded two IPOs, in the shape of Ina Invest Holding and V-ZUG Holding. A further CHF 88.1 billion in capital (+13.2% compared to the previous year) was raised through numerous bond issues. In addition, the estimated value of capital increases undertaken by companies already listed amounted to just under CHF 6 billion. Taken together, these figures demonstrate the solid financing ability of the Swiss Stock Exchange, even in times of market uncertainty.

Volatility spikes drove volumes in trading and post-trading.

BME contributed CHF 196.6 million to operating income at SIX from the closing of the transaction in June until the end of December. Of BME's total annual revenue in 2020, 40% was attributable to its Equity business, 24% to Market Data and Value-Added Services, and a further 21% to Settlement and Registration.

In Spain as in Switzerland, trading on the stock exchange was characterized by a high level of volatility as a result of the pandemic. The IBEX-35 reached a high of 10,083.60 points on 19 February and a low of 6,107.20 points a month later (16 March). The number of stock market transactions rose by 50% year on year. Clearing and settlement transactions in this segment rose as well because of heightened activity in equity trading. Equity clearing transactions were up by 48.4% year-on-year, and the number of settlement orders rose by 5.8%.

In the primary market, companies raised EUR 15.7 billion through capital increases in the year under review, 17.5% more than in the previous year. Overall, financial flows to companies through IPOs, new admissions or capital increases grew by 10%. Although the share prices of many companies listed on the BME have suffered, the financing mechanisms designed to help businesses and the public sector to face the consequences of the COVID-19 crisis have worked effectively. Admission of Spanish public debt on the regulated fixed income market increased 36%. On the "BME Growth" SME equity market (the EU label for SME growth markets replaces the previous name "MAB"), BME listed nine new entrants. Growth markets fared significantly better in the year of the pandemic than the established markets: While the IBEX-35 fell by 15.4%, the IBEX Growth Market All Share and IBEX Growth Market 15 indices recorded gains of 39.7% and 54.1% respectively as at the end of December.

The indices of the IBEX family as well as trading data in real time and information on the financial instruments listed on BME are all part of the range of services offered by BME in its Market Data and Value-Added Services business. In the year under review, BME added further to the number of customers in this business. From 2021 it will be integrated into the Financial Information business unit at SIX.

The **Financial Information business unit** generated operating income of CHF 365.7 million in the year under review, 26.6% of the total operating income of SIX, and slightly below the previous year's figure owing to negative currency effects (–0.7%). Excluding the currency impact, the business unit's operating income was above the previous year's results.

Reference data and corporate actions have continued to account for the largest share of revenue in the Financial Information business. However, because of the further increase in compliance stipulations placed on business and the financial sector, it is mainly regulatory data that is generating additional growth, which SIX also seeks to foster by offering new products and services in this area. In the year under review, SIX supported its customers with newly introduced data sets for adjustments that became necessary as a result of Brexit and the regulatory changes brought about by MiFID II. The highest growth rates were once again recorded by the Sanctioned Securities Monitoring Service.

The IBEX indices now round out the index offering of SIX.

BME contributed CHF 196.6 million to operating income at SIX in 2020.

SIX won new customers in its index business. There is growing adoption of SARON – calculated by SIX – as a reference interest rate to replace LIBOR. In Switzerland, several banks started using SARON as a reference interest rate for the calculation of mortgages.

The operating income of the **Banking Services business unit** was slightly lower than in 2019 at CHF 185.9 million (–0.9%). Consumers' payment behavior changed significantly in 2020: as a result of the pandemic, cash withdrawals and payments by debit card fell for a short time during the Swiss lockdown in April by around 50% and 30% respectively. While card payments rose again as the year progressed, cash use stayed low. As a consequence of falling cash withdrawals, ATM transactions were 23% below the previous year's level at the end of the reporting period.

By contrast, electronic and digital payment solutions grew rapidly, with a boost from COVID-19. SIX recorded its strongest growth in digital bills, with eBill transactions up by 60%. The migration of bank customers from PostFinance to the eBill platform played a significant role in this development. At the beginning of the year SIX introduced new functions on the eBill platform, such as the automatic addition of new billers, which gave further impetus for growth.

Furthermore, digitally readable QR-bills were introduced across Switzerland on 30 June, with a view to progressively replacing the traditional payment slip.

A further milestone in 2020 was the successful installation of uniform multi-vendor software on almost 6,000 ATMs in Switzerland and Liechtenstein. SIX thereby successfully concluded a major project extending over several years. With the uniform software standard, SIX will bring additional transaction volumes onto its systems and has created the basis for adding further services in the future, such as the monitoring and control of ATMs. In view of the declining use of cash in particular, the operation of ATMs for banks will thereby be made simpler and more cost-effective. For 2021, SIX is planning to conduct a feasibility study looking to optimize the number of ATMs across different banks.

Investments in a Stable and Competitive Infrastructure Paid Off

SIX operates in a challenging global environment characterized by (cyclical) market volatility, consolidation, and technological progress. In the year under review, COVID-19 exacerbated the challenges for financial market infrastructures in many respects and the pandemic also accelerated trends such as digitalization. Thanks to new products and services, SIX kept pace with market developments and was able to generate further growth from these.

In the **Securities & Exchanges business unit,** SIX added to the number of products that are tradable on the Swiss Stock Exchange and, in the Exchange Traded Products (ETPs) segment, even listed the first actively managed cryptocurrency ETP on a regulated exchange.

On its repo trading platform, SIX launched a new Triparty Agent product, bringing enhanced automation to collateral and liquidity management.

With its majority stake in 12H AG, SIX also took over Europe's largest microwave network, which enables the fastest possible transmission of market data between trading venues. In a joint venture with Nasdaq, SIX set up further connections between Stockholm and London, in addition to the network taken over from 12H.

SARON – calculated by SIX – continues to establish itself as a reference interest rate.

With digital payment solutions, SIX is supporting the transformation in payment transactions.

BME launched the distribution of Latam Exchanges Data (LED). This provides benchmark information for the Latin American financial markets. BME has been operating a platform – Latibex – for the trading of Latin American securities in Euro since 1999, under the supervision of the Spanish financial market supervisor. This gives European investors efficient access to the Latin American market. For its newly launched data service, BME is collaborating with the Mexican Stock Exchange.

In the **Financial Information business unit,** SIX entered the market for data provision to front offices in asset management with a tax data service. The SIX Tax Score uses financial data on individual securities and complex financial products to calculate a tax cost indicator for the relevant investments on a daily basis. This provides a guide to the tax costs of future investments, for example, or can help in the tax optimization of an investment portfolio.

In the **Banking Services business unit,** SIX, in close collaboration with various banks, launched the latest generation of debit cards with digital and mobile services such as tokenization, the debiX app, and the security standard 3D Secure 2. In this way, SIX will continue to share in the growth of e-commerce and mobile payments.

With the open banking hub “b.Link” launched in May, SIX also created the basis for open banking in Switzerland. “b.Link” enables secure data exchange between financial institutions and third-party providers (e.g. fintech firms) in line with legal requirements. Using standardized interfaces (APIs), they can exchange data without the need for additional individual contracts, and on this basis they can develop innovative services. A European collaboration with LUXHUB agreed in September will enable new applications in open banking to be identified and tested across different markets.

Forward-looking Growth Initiatives
SIX fosters an active culture of innovation. With the establishment of SDX and as a strategic partner for start-ups and companies with innovative ideas, SIX is actively driving forward the transformation of financial markets and is securing its position in strategically important areas of growth.

Since it was established in 2018, the venture fund SIX Fintech Ventures has seen more than 1,600 start-ups go through its selection procedure. In the year under review, it invested in seven promising new fintech firms. This means that SIX is currently involved in a total of 11 start-ups in Switzerland, Belgium, the UK, and Singapore.

After opening a subsidiary in Singapore in 2019, the fintech innovation network F10, which is supported by SIX, also expanded into Spain in 2020. With centers planned in Madrid and Barcelona as well as activities in Bilbao and Valencia adding to existing operations in Zurich and Singapore, SIX will thus play a part in the fintech ecosystem in its new home market and strengthen it.

During the year under review, SIX continued to work purposefully on pushing forward with SIX Digital Exchange (SDX). By the end of 2020, the platform based on distributed ledger technology was largely ready to begin operations. It is now awaiting the formal go-ahead for operational start-up in the form of a financial market infrastructure (FMI) license to be granted by the Swiss Financial Market Supervisory Authority FINMA. SIX hopes to receive its License to

SIX aims for more volumes thanks to innovative products at competitive prices.

Operate (LOT) for SDX in the second quarter of 2021. Many of the prerequisites are already in place, such as the establishment of compliance, transaction, and risk monitoring.

With SDX, SIX has underscored its ambition and position as a key player in the innovative ecosystem of digital assets, and it further established its presence in 2020 through collaborations and partnerships as well as by investing in Switzerland's Custodigit. Along with the Bank for International Settlements (BIS) and the Swiss National Bank (SNB), SDX continued its work on the issuance and use of central bank digital currency. Both, SIX and the SNB conducted feasibility studies on two systems closely connected with actual operations: In the first, the existing payment system was successfully connected to a distributed ledger; in the second, a "central bank digital currency" for financial intermediaries ("wholesale CBDC") was issued. Further work will now be coordinated with the SNB and the BIS.

SIX has been closely collaborating with the SNB on payment transactions for many years. With their Swiss Payments Vision, the partners have set themselves the goal of developing Swiss "payment transactions of the future" in order to provide a payments experience for consumers, (retail) merchants, and firms in Switzerland that stands comparison with the best in the world. The initiative, launched in 2019, is aimed at modernizing, simplifying and improving payment transactions in Switzerland in a concerted, fundamental, and sustainable way. This will strengthen the competitiveness of the entire Swiss financial center in the long term.

SIX is assuming the role of thought leader in payments. In its series of white papers entitled "Pictures of the Future," SIX has identified relevant developments and evaluated potential future scenarios in "The Future of Billing" and "The Future of Brick-and-Mortar Commerce." The white papers are available to download free of charge at **six-group.com** for all those that are interested.

SIX also achieved advances in its data business in the year under review. In the Financial Information business unit, the focus in recent years has been on consolidation of the infrastructure, improving processes and applications, and the efficient use of resources. In this way, SIX has considerably improved the profitability of this business unit. Now the emphasis is shifting to growth and a strengthened customer focus. With a range of data, services, and solutions aligned with customer needs along the entire securities value chain, SIX aims to grow organically in the business of financial information. BME and SDX will also play a key role here, as will current sector trends such as ESG and alternative data, analytics, and cloud computing.

BME Acquisition Strengthens Competitiveness

While organic growth is the focus for SIX, partnerships and acquisitions offer the opportunity to accelerate or complement the growth strategy. Financial market infrastructures entail high fixed costs. Additional volumes enable significant economies of scale to be achieved quickly, which increases profitability and thus enhances the capacity for innovation. This augments the competitiveness of the infrastructure.

SDX is ready for the official launch in 2021.

Entirely in keeping with these objectives, the acquisition of BME will enable economies of scale to be achieved along the entire securities value chain. In addition to cross-market synergies, this acquisition enables efficient collaboration in tapping new areas of growth. With BME, SIX now also has a home market within the EU. This will give it access to an expanded customer base and it will be able to extend its range of products and services across the European capital market.

In the year under review, SIX was quick to establish a new organizational structure to bring about these synergies and economies of scale as swiftly as possible: The securities business of SIX and BME will be combined across regions and divided into separate trading ("Markets" unit) and post-trading activities ("Securities Services" unit). Indices and Value-Added Services, which are part of the financial data business at BME, will be integrated into the SIX business unit Financial Information. In the Banking Services business unit, SIX will continue with its current activities.

The new organizational structure takes effect on 1 January 2021.

Outlook

In order to hold its own in a competitive market environment, SIX will be looking at organic growth opportunities as well as potential acquisitions and partnerships in all areas of business.

The Swiss Stock Exchange remains the preferred trading venue and liquidity pool for Swiss shares. Following the decision in the UK parliament after Brexit to grant recognition of stock market equivalence, a bilateral agreement between Switzerland and the UK enable resumption of trading in Swiss shares in London. SIX welcomes the revival of competition and will strive to maintain a market share of over 70%.

SIX will drive forward with the integration of BME in 2021 in order to benefit as swiftly as possible from the expected economies of scale and synergy effects. In addition, SIX has set itself the goal of achieving a further significant reduction in its operating costs by 2023. The measures associated with this have already been taken and encompass optimizing end-to-end processes, reducing external costs, developing robotics processes, and using the constantly growing Global Business Solutions center of SIX in Warsaw.

Only through continued improvement of its profitability can SIX maintain its strong market position. This will enable SIX to continue to offer stable and high-quality infrastructure services at competitive prices and to invest in forward-looking areas of growth and innovative technologies. In this way, not only will SIX enhance shareholder value, but it will also make a significant contribution to sustainable value creation in its markets. ■

While focus is on organic growth, SIX accelerates its growth strategy with partnerships and acquisitions.

Additional information can be found at **www.six-group.com**

CORPORATE GOVERNANCE

Management Structure and Shareholders

SIX Group Ltd (SIX) is an unlisted public limited company based in Zurich.

Shareholders and Equity Structure
SIX is owned by 121 domestic and international financial institutions, which are also the main users of its services. The shares are widely distributed, i.e. no single owner or bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

The total equity of SIX amounts to CHF 19,521,905 and is divided into 19,521,905 registered shares with a par value of CHF 1.00 each. Of this amount, 607,864 (3.1%) are owned by SIX (treasury shares). The transfer of registered shares is restricted by the articles of association.

The transfer of shares must be approved by the Board of Directors. Subject to Art. 685b para. 4 of the Swiss Code of Obligations (CO), approval may be refused for significant reasons as mentioned in the articles of association. A resolution by the general meeting, backed by at least two thirds of the represented votes and an absolute majority of the par value of represented shares, is required along with a statutory quorum pursuant to Art. 704 para. 1 CO in order to:

1. ease or lift the transfer restriction on registered shares
2. convert registered shares into bearer shares
3. dissolve the corporation through liquidation
4. amend this provision. ■

Equity structure
of 31 December 2020

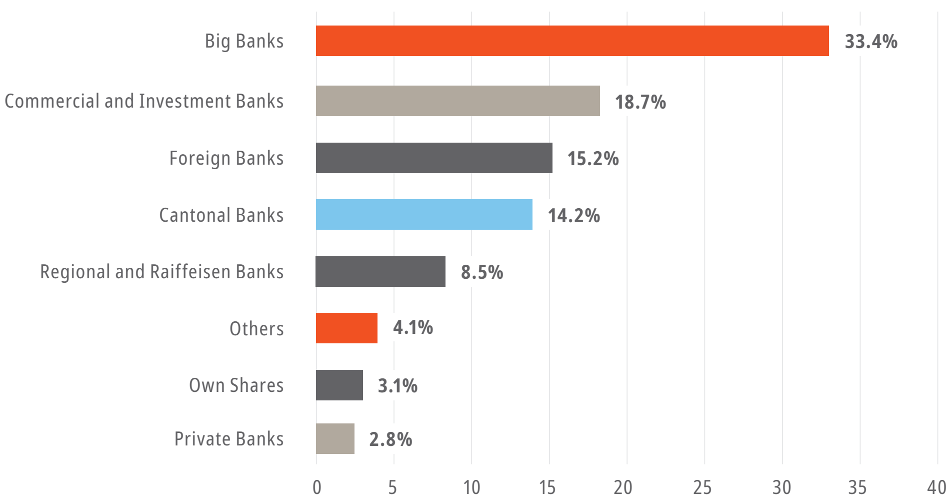
Ordinary share capital
CHF 19,521,905

Registered shares
(par value CHF 1.00)
19,521,905

Security number
3768228

More information on the corporate governance of SIX at
www.six-group.com

SIX Ownership Structure



Internal Organization and Competency Rules

As the company's highest governing body, the Board of Directors is responsible for supervising the Executive Board. The tasks and competencies of the Board of Directors and its committees and of the Executive Board as corporate bodies of SIX are defined in the articles of association, the rules of organization, and the competency rules.

The Board of Directors organizes itself into three committees to which it can delegate tasks and competencies: The Audit Committee, the Nomination & Compensation Committee, and the Risk Committee. Insofar as the committees do not have decision-making authority, they assist the Board of Directors in an advisory, monitoring, and initiating capacity, whereby their resolutions then have the character of recommendations.

The committees of the Board of Directors accept reports pertaining to their sphere of responsibility from the Executive Board and supervise the relevant operating business, in particular with regard to compliance with the articles of association, regulations, and directives. Meetings of the Board of Directors and committees generally last between two hours and a day. The Chair of the Board of Directors is invited to attend all committee meetings as a guest.

The CEO and CFO are present at all meetings of the Board of Directors. The chairs of the committees decide whether additional members of the Executive Board or other management staff are to be summoned, depending on the agenda. If deemed necessary, representatives of the external auditors participate in the Board of Directors' discussion of their reports.

The Chairman of the Board of Directors, or the chairs of the committees, set the agenda for meetings. Debates and resolutions are recorded in the minutes. The minutes of the committees are sent to all members of the Board of Directors. The committee chairs also deliver a verbal report on important events and resolutions at every Board of Directors meeting. In the year under review, the Board of Directors convened on eleven occasions, one of which was a one-day strategy seminar.

Audit Committee (AC)

The AC consists of three to four non-executive members of the Board of Directors. The activities of the AC are stipulated by the law, the applicable FINMA Circulars, the articles of association, the rules of organization (including the competency rules), and the regulations of the AC.

The AC assumes tasks relating in particular to accounting and financial reporting, the internal controlling system, the external auditors, and the Internal Audit department. AC meetings are attended by the CEO, the CFO, and representatives of the internal and external auditors. Six meetings were held in the year under review.

Nomination & Compensation Committee (NCC)

The NCC consists of three to four non-executive members of the Board of Directors. The activities of the NCC are stipulated by the law, the articles of association, the rules of organization (including the competency rules), and the regulations of the NCC.

The NCC prepares the groundwork for all decisions on important personnel and related organizational issues at the Executive Board and senior management level for submission to the Board of Directors. This includes all issues pertaining to remuneration. NCC meetings are attended by the CEO and the Head Human Resources. A total of ten meetings were held in the year under review.

Risk Committee (RC)

The RC consists of three to four non-executive members of the Board of Directors. The activities of the RC are stipulated by the law, the articles of association, the rules of organization (including the competency rules), and the regulations of the RC.

The RC assumes the duties of the Board of Directors in respect of risk management in accordance with the risk policy of SIX. RC meetings are attended by the CEO, the CFO, and the CRO. A total of six meetings were held in the year under review.

Internal Audit

Internal Audit reports directly to the Audit Committee in functional terms and the Chairman of the Board of Directors in administrative terms. It supports the Board of Directors in carrying out its legal supervisory and controlling tasks and executes the audit tasks assigned to it. It has an unrestricted right of audit within SIX and all legal entities. It has the right to inspect all business documents at any time. Internal Audit coordinates its activities with the external auditors and those responsible for compliance and risk controlling.

Information and Supervisory Tools Regarding Executive Board

SIX has a fully developed management information system (MIS) that supports the Board of Directors in performing its supervisory duties and monitoring the powers assigned to the Executive Board. A comprehensive interim statement containing budget and year-on-year comparisons is submitted to the Board of Directors each quarter.

The Chairman of the Board of Directors receives the minutes of the Executive Board meetings for inspection.

Risk Management and Compliance

The Board of Directors is informed about the risk situation on a regular basis. The Group has an internal control system (ICS) consisting of regulations, internal directives, and corresponding measures that serve to ensure that business operations are conducted properly.

A corresponding compliance program also ensures that statutory and regulatory requirements are met. The Risk Committee is informed about compliance activities on a yearly basis.

Remuneration

At the request of the Nomination & Compensation Committee, the Board of Directors defines remuneration guidelines. The Chairman and members of the Board of Directors receive a fixed salary. The members of the Executive Board receive a fixed basic salary as well as variable remuneration in the form of a cash payment. The latter is dependent on company revenue, targets met according to the Key Performance Indicators, and individual performance. In order to gear corporate governance to longer-term objectives and make it more sustainable, part of the variable remuneration of Executive Board members takes the form of a long-term incentive plan, which pays out after three years (cliff vesting), provided that the predefined quantitative and qualitative objectives have been met. This ensures that the interests of the owners and the

Executive Board are aligned over an extended period.

In the year under review, nine members of the Executive Board and 14 members of the Board of Directors were paid a total of CHF 12.4 million.
This includes those members of the Board of Directors or the Executive Board who either left or joined during the course of the financial year. Along with the basic and variable remuneration, the amount also covers payments or benefits in kind that are standard in the industry. Social benefits are not included in the amount. SIX does not grant loans of any kind to its employees or corporate bodies.

Auditors

Ernst & Young Ltd was appointed as auditor of SIX Group Ltd on 1 January 2008. The auditor in charge is Jan Marxfeld, accredited audit expert. Prof. Andreas Blumer, PhD, accredited audit expert, assumes the role of lead auditor recognized by FINMA. The Board of Directors is responsible for supervising and controlling the external auditors and Group Auditors. It also handles the internal and external auditors' reports, and is supported in this task by the Audit Committee (AC). The AC regularly receives and processes reports from representatives of the external auditors or Group Auditors.

Remuneration of the Auditors

CHF	2020
Auditing services Ernst & Young	2,303,480
Audit related services	1,062,378
Advisory services	116,965
Total	**3,482,823**

Information Policy

Up-to-date information is available at six-group.com. Calls to attend meetings and communications to the shareholders are sent by letter to the addresses recorded in the share register. Subject to legal requirements, announcements to creditors are published in the Swiss Official Gazette of Commerce. SIX publishes its business results semiannually. ■

More information and latest news at **www.six-group.com**

Board of Directors at 31 December 2020

AUDIT COMMITTEE

- Dr Jürg Bühlmann, Chair
- Lorenz von Habsburg Lothringen
- David Jiménez-Blanco Carrillo de Albornoz

NOMINATION & COMPENSATION COMMITTEE

- Dr Sabine Keller-Busse, Chair
- Belén Romana García
- Herbert J. Scheidt
- Dr Thomas Wellauer

RISK COMMITTEE

- Søren Mose, Chair
- Dr Jürg Gutzwiller
- André Helfenstein

Dr Thomas Wellauer
Chairman of the Board of Directors
Swiss citizen, member of the Board of Directors since 15 March 2020. Elected until 2023.

Dr Sabine Keller-Busse
Vice Chair of the Board of Directors
Swiss and German citizen, member of the Board since 18 June 2012, elected until 2023.

Dr Jürg Bühlmann
Swiss citizen, member of the Board since 20 May 2016, elected until 2023.

Belén Romana García
Spanish citizen, member of the Board since 1 November 2020, elected until 2023.

Dr Jürg Gutzwiller
Swiss citizen, member of the Board since 11 December 2019, elected until 2023.

David Jiménez-Blanco Carrillo de Albornoz
Spanish citizen, member of the Board since 1 November 2020, elected until 2023.

Lorenz von Habsburg Lothringen
Austrian and Belgian citizen, member of the Board since 16 May 2014, elected until 2023.

André Helfenstein
Swiss and British citizen, member of the Board since 11 May 2020, elected until 2023.

Søren Mose
Danish and Swiss citizen, member of the Board since 16 May 2014, elected until 2023.

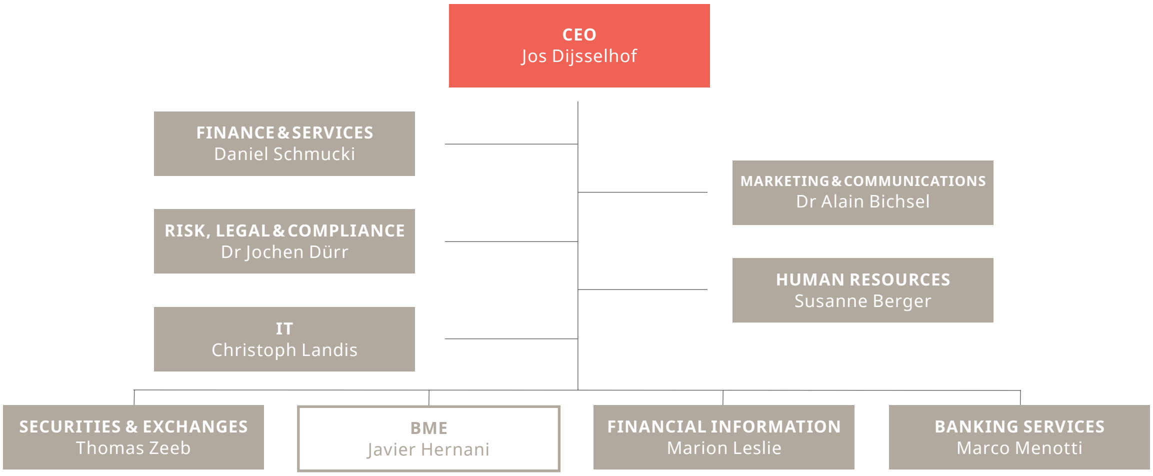
Herbert J. Scheidt
German and Swiss citizen, member of the Board since 1 January 2008, elected until 2023.

→ Belén Romana García and David Jiménez-Blanco Carrillo de Albornoz have been elected to the SIX Board of Directors as of 1 November 2020. They succeed Stefan Helfenstein and Shannon Thyme Klinger.

→ André Helfenstein was elected to the Board at the Annual General Meeting of SIX in May 2020 to replace Thomas Gottstein.

www.six-group.com/board-of-directors

Executive Board and Organizational Structure at 31 December 2020



Jos Dijsselhof
Chief Executive Officer
Dutch citizen, member of the Executive Board since 1 January 2018.

Daniel Schmucki
Chief Financial Officer
Swiss citizen, member of the Executive Board since 1 March 2017.

Dr Jochen Dürr
Chief Risk Officer
German citizen, member of the Executive Board since 1 March 2018.

Christoph Landis
Head IT
Swiss citizen, member of the Executive Board since 12 November 2015.

Thomas Zeeb
Head Securities & Exchanges
Canadian citizen, member of the Executive Board since 1 October 2008.

Javier Hernani Burzaco
Head BME
Spanish citizen, member of the Executive Board since June 2020.

Marion Leslie
Head Financial Information
British and Australian citizen, member of the Executive Board since 1 January 2020.

Marco Menotti
Head Banking Services
Swiss citizen, member of the Executive Board since 1 March 2018.

→ Since January 2021 SIX has established a new organizational structure which combines the securities business of SIX and BME across regions and divides it into trading ("Markets" unit) and post-trading activities ("Securities Services" unit). Find the new structure here: **www.six-group.com/organization**

Members of the Extended Executive Board

Susanne Berger
Chief Human Resources Officer
German and Swiss citizen, member of the Extended Executive Board since 1 November 2018.

Dr Alain Bichsel
Head Marketing & Communications
Swiss citizen, member of the Extended Executive Board since 1 April 2018.

Daniel Dahinden
Head Innovation & Digital
Swiss citizen, member of the Extended Executive Board from 1 April 2018 to 31 December 2020*.

→ *In the course of the BME integration and the subsequent restructuring of internal processes, innovation work has been decentralized and will be run within the business units in the future.

www.six-group.com/executive-board

Members of the Board of Directors


Dr Thomas Wellauer


Dr Sabine Keller-Busse


Herbert J. Scheidt


Belén Romana García


Dr Jürg Bühlmann


Lorenz von Habsburg Lothringen


David Jiménez-Blanco Carrillo de Albornoz


Søren Mose


Dr Jürg Gutzwiller


André Helfenstein

Members of the Executive Board


Jos Dijsselhof


Daniel Schmucki


Dr Jochen Dürr


Thomas Zeeb


Marco Menotti


Marion Leslie


Christoph Landis


Javier Hernani Burzaco
(since June 2020)

Extended Executive Board


Susanne Berger


Dr Alain Bichsel


Daniel Dahinden
(until December 2020)

FINANCIAL STATEMENTS

SIX Key Figures

CHF million		2020	2019	Change in %
Income statement				
Total operating income		1,375.9	1,129.7	21.8%
Total operating expenses		–1,007.0	–916.2	9.9%
Earnings before interest, tax, depreciation and amortization (EBITDA)		**368.9**	**213.5**	**72.8%**
Depreciation, amortization and impairment		–141.8	–90.1	57.4%
Net financial result		273.8	–25.1	n/a
Share of profit or loss of associates and joint ventures		15.7	69.6	–77.5%
Earnings before interest and tax (EBIT)		**516.6**	**168.0**	**n/a**
Net interest and tax expenses		–77.1	–47.5	62.3%
Group net profit		**439.6**	**120.5**	**n/a**
Cash flow statement				
Cash flow from operating activities		–159.8	–994.6	83.9%
Cash flow from investing activities		1,868.5	–205.4	n/a
Cash flow from financing activities		752.5	–439.6	n/a
Balance sheet as at 31/12				
Total assets		18,402.3	12,656.5	45.4%
Total liabilities		13,144.4	7,825.1	68.0%
Total equity		5,258.0	4,831.4	8.8%
Equity ratio (average) [1]		76.0%	87.6%	–11.6 pp
Return on equity (average) [2]		8.9%	2.4%	6.5 pp
Shareholders' key figures				
Earnings per share	CHF	23.25	6.37	n/a
Ordinary dividend paid per share	CHF	4.30	3.90	10.3%
Payout ratio (adjusted) [3]		65%	65%	0 pp
Operating key figures				
Workforce as at 31/12 (full-time equivalents)	number	3,528.7	2,593.4	36.1%
Workforce as at 31/12 (headcount)	number	3,665	2,710	35.2%
Swiss stock exchange trading turnover	CHF billion	1,752.4	1,477.0	18.6%
Market share of trading in SLI stocks (average)		99.9%	85.6%	16.7%
Deposit volume (average)	CHF billion	3,522.9	3,414.0	3.2%
Number of SIC transactions	1,000	728,330	658,262	10.6%
Number of financial instruments (business unit Financial Information)	million	34.5	29.7	16.0%

[1] Equity ratio = average equity previous 12 months / (average adjusted liabilities previous 12 months + average equity previous 12 months). The adjustments of the liabilities include the positions “payables from clearing & settlement” and “negative replacement values from clearing & settlement”.

[2] Return on equity = profit previous 12 months / average equity previous 12 months.

[3] According to the dividend policy, the dividend distribution is based on the reported Group net profit without any effects in the context of the participation in Worldline.

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SIX Consolidated Financial Statements 2020

Full-Year Report of SIX as at 31 December 2020

For a description of the 2020 results refer to pages 8 to 15.

Balance sheet as of 31 December 2020

As at 31 December 2020, total assets stood at CHF 18,398.2 million, which constitutes an increase of CHF 5,745.8 million compared to 31 December 2019. Liabilities amounted to CHF 13,144.4 million in total as at the balance sheet date, which constitutes an increase of CHF 5,319.2 million. These changes were significantly impacted by the acquisition of BME, which had a material effect on the following positions: cash and cash equivalents (CHF +3,576.6 million), current financial assets (CHF +1,111.7 million), intangible assets (CHF +2,840.8), payables from clearing & settlement (CHF +3,369.1 million), current financial liabilities (CHF +1,113.8 million) and deferred tax liabilities (CHF +290.6 million).

Aside from this, the movements in current assets (CHF +3,594.3 million) were mainly due to the ordinary movements in giro balances with the Swiss National Bank (SNB) (CHF –817.7 million), in receivables from clearing & settlement (CHF +113.1 million) and in current financial assets (CHF –380.1 million). The latter is mainly related to financial assets that were disposed of to finance the acquisition of BME. Aside from the acquisition of BME, the movements in non-current assets (CHF +2,151.5 million) are mainly related to the decrease in investments in associates and joint ventures (CHF –280,5 million) and non-current financial assets (CHF –540,7 million). These movements are primarily due to the sale of the Worldline collar shares and of additional 10.1 million shares in Worldline.

The movements in current liabilities (CHF +4,308.6 million) relate mainly to the acquisition of BME, as mentioned above, to the ordinary movements in payables from clearing & settlement (CHF –645.3 million) and to the current financial liabilities (CHF +299.9 million) which increased mainly due to the bridge facility to finance the BME transaction. Aside from the acquisition of BME, the movements in non-current liabilities (CHF +1,010.6 million) are due to the increase in non-current financial liabilities (CHF +676.4 million), which is mainly linked to the issuance of the EUR bond to finance the BME transaction.

Equity increased by CHF 426.6 million to CHF 5,258.0 million during the reporting period. This increase was mainly driven by the dividends paid (CHF –73.9 million) and by the total comprehensive income for 2020 (CHF +495.4 million).

Consolidated Income Statement

CHF million	Notes*	2020	2019
Transaction revenues		677.0	524.0
Service revenues		632.5	539.6
Net interest income from interest margin business	6	50.8	53.1
Other operating income		15.6	13.1
Total operating income	**5**	**1,375.9**	**1,129.7**
Employee benefit expenses	7, 34	–546.0	–473.0
Other operating expenses	8	–461.0	–443.2
Total operating expenses		**–1,007.0**	**–916.2**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**368.9**	**213.5**
Depreciation, amortization and impairment	19, 20	–141.8	–90.1
Operating profit		**227.1**	**123.5**
Financial income	9	367.0	233.3
Financial expenses	9	–93.2	–258.4
Share of profit or loss of associates and joint ventures	29	15.7	69.6
Earnings before interest and tax (EBIT)		**516.6**	**168.0**
Interest income	10	2.8	3.5
Interest expenses	10	–14.7	–11.1
Earnings before tax (EBT)		**504.7**	**160.3**
Income tax expenses	12	–65.2	–39.8
Group net profit		**439.6**	**120.5**
of which attributable to shareholders of SIX Group Ltd		*439.8*	*120.4*
of which attributable to non-controlling interests		*–0.2*	*0.1*
Earnings per share (CHF)			
Basic profit for the period attributable to shareholders of SIX Group Ltd	11	23.25	6.37
Diluted profit for the period attributable to shareholders of SIX Group Ltd		23.25	6.37

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

CHF million	Notes*	2020	2019
Group net profit		**439.6**	**120.5**
Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period	34	–2.8	57.5
Income taxes on changes in actuarial gains/(losses) on defined benefit plans	13	0.3	–10.7
Share of other comprehensive income of associates and joint ventures		–4.4	–3.3
Total items that will not be reclassified to income statement		**–6.9**	**43.4**
Translation adjustment of foreign operations recognized in the reporting period		17.6	–7.8
Changes in fair value of cash flow hedges recognized in the reporting period	30	42.1	–
Fair value of cash flow hedges reclassified to balance sheet	30	–42.1	–
Changes in fair value of financial instruments measured at FVtOCI		0.5	–
Income taxes on changes in fair value of financial instruments measured at FVtOCI	13	–0.1	–
Gains/(losses) on net investment hedge	17	–6.5	–
Income taxes on gains/(losses) on net investment hedge	13	–0.4	–
Translation adjustment of associates and joint ventures recognized in the reporting period		–9.1	–92.2
Accumulated translation adjustments of associates and joint ventures reclassified to income statement		66.6	23.5
Share of other comprehensive income of associates and joint ventures		–2.1	20.3
Accumulated share of other comprehensive income of associates and joint ventures reclassified to income statement		–8.9	–3.8
Total items that are or may subsequently be reclassified to income statement		**57.6**	**–60.0**
Total other comprehensive income, net of tax		**50.7**	**–16.6**
Total comprehensive income for the period		**490.3**	**103.9**
of which attributable to shareholders of SIX Group Ltd		*490.6*	*103.8*
of which attributable to non-controlling interests		*–0.3*	*0.1*

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

CHF million	Notes*	31/12/2020	31/12/2019
Assets			
Cash and cash equivalents	14	6,449.5	3,805.2
Trade and other receivables	15	173.5	141.5
Receivables from clearing & settlement	16	2,886.2	2,695.8
Financial assets	17, 26, 27	1,441.1	709.5
Current income tax receivables		63.8	24.4
Other current assets	18	70.0	113.5
Current assets		**11,084.1**	**7,489.8**
Property, plant and equipment	19	438.7	390.3
Intangible assets	20	3,013.8	133.5
Investments in associates and joint ventures	29	1,691.5	1,959.5
Financial assets	17, 26, 27	2,133.3	2,654.7
Other non-current assets	18	20.9	22.0
Deferred tax assets	13	20.0	6.8
Non-current assets		**7,318.2**	**5,166.7**
Total assets		**18,402.3**	**12,656.5**
Liabilities			
Bank overdrafts	14	152.1	0.7
Trade and other payables		13.0	24.4
Payables from clearing & settlement	16	9,841.1	7,117.3
Financial liabilities	17, 26, 27	1,489.6	75.8
Provisions	23	4.3	1.5
Contract liabilities	5	22.8	23.8
Current income tax payables		61.3	27.2
Other current liabilities	24	197.0	202.0
Current liabilities		**11,781.2**	**7,472.5**
Financial liabilities	17, 26, 27	945.0	247.4
Provisions	23	16.3	12.5
Contract liabilities	5	37.5	40.4
Other non-current liabilities	24	55.4	27.9
Deferred tax liabilities	13	308.9	24.3
Non-current liabilities		**1,363.2**	**352.6**
Total liabilities		**13,144.4**	**7,825.1**
Equity			
Share capital		19.5	19.5
Capital reserves		234.1	234.1
Other reserves		–62.2	–130.5
Retained earnings		5,065.2	4,707.3
Shareholders' equity	**22**	**5,256.6**	**4,830.4**
Non-controlling interests		1.4	1.0
Total equity		**5,258.0**	**4,831.4**
Total liabilities and equity		**18,402.3**	**12,656.5**

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

CHF million	Notes*	Share capital	Capital reserves	Other reserves
Balance at 1 January 2020		**19.5**	**234.1**	**–130.5**
Group net profit				
Total other comprehensive income				68.3
Total comprehensive income for the year				**68.3**
Dividends paid	21, 22			
Capital contribution				
Share of other changes in equity of associates	29			
Non-controlling interest arising on business combination	30			
Acquisition of non-controlling interests				
Balance at 31 December 2020		**19.5**	**234.1**	**–62.2**

CHF million	Notes*	Share capital	Capital reserves	Other reserves
Balance at 1 January 2019		**19.5**	**234.1**	**–54.0**
Group net profit				
Total other comprehensive income				–76.5
Total comprehensive income for the year				**–76.5**
Dividends paid	21, 22			
Share of other changes in equity of associates	29			
Acquisition of non-controlling interests	29			
Balance at 31 December 2019		**19.5**	**234.1**	**–130.5**

* The accompanying notes are an integral part of the consolidated financial statements.

Other reserves					
Treasury shares	Translation reserves	**Retained earnings**	**Shareholders' equity**	**Non-controlling interests**	**Total equity**
–23.3	**–107.2**	**4,707.3**	**4,830.4**	**1.0**	**4,831.4**
		439.8	**439.8**	–0.2	**439.6**
	68.3	–17.5	**50.8**	–0.1	**50.7**
	68.3	**422.3**	**490.6**	**–0.3**	**490.3**
		–73.8	**–73.8**	–0.1	**–73.9**
			–	0.0	**0.0**
		10.9	**10.9**		**10.9**
			–	2.5	**2.5**
		–1.5	**–1.5**	–1.7	**–3.2**
–23.3	**–38.9**	**5,065.2**	**5,256.6**	**1.4**	**5,258.0**

Other reserves					
Treasury shares	Translation reserves	**Retained earnings**	**Shareholders' equity**	**Non-controlling interests**	**Total equity**
–23.3	**–30.7**	**5,160.1**	**5,359.7**	**9.5**	**5,369.3**
		120.4	**120.4**	0.1	**120.5**
	–76.5	59.9	**–16.6**	–0.0	**–16.6**
	–76.5	**180.3**	**103.8**	**0.1**	**103.9**
		–404.8	**–404.8**	–1.0	**–405.8**
		–224.1	**–224.1**		**–224.1**
		–4.3	**–4.3**	–7.6	**–11.9**
–23.3	**–107.2**	**4,707.3**	**4,830.4**	**1.0**	**4,831.4**

Consolidated Statement of Cash Flows

CHF million	Notes*	2020	2019
Group net profit (incl. non-controlling interests)		439.6	120.5
Adjustments for:			
Depreciation, amortization and impairment	19, 20	141.8	90.1
Increase/(decrease) in provisions		2.0	–4.8
Increase/(decrease) in pension fund assets and liabilities		12.8	7.6
Share of profit or loss of associates and joint ventures	29	–15.7	–69.6
Net financial result		–207.1	80.9
(Gain)/loss on sale of property, plant, equipment and intangible assets		–0.2	–0.1
Income tax expense	12	65.2	39.8
Changes in:			
Trade and other receivables		12.1	–11.5
Trade and other payables		–13.6	–0.7
Receivables from clearing & settlement		–118.5	4.7
Payables from clearing & settlement		–691.5	–1,279.9
Financial assets		345.3	127.4
Financial liabilities		10.0	4.4
Other assets		66.0	–9.7
Other liabilities		–74.3	–15.2
Contract liabilities		–28.4	–14.0
Interest paid		–13.8	–10.7
Interest received		2.9	3.4
Income tax (paid)/received		–94.4	–57.1
Net cash flow from/(used in) operating activities		**–159.8**	**–994.6**
Investments in subsidiaries (net of cash acquired)	30	686.6	–172.3
Investments in associates and joint ventures		–14.5	–2.4
Disposal of subsidiaries and associates (net of cash disposed)	29	643.8	–
Purchase of property, plant, equipment and intangible assets	19, 20	–85.0	–74.0
Sale proceeds from property, plant, equipment and intangible assets		2.6	0.3
Investments in financial assets		–10.1	–6.7
Divestments of financial assets		644.3	43.3
Investments in other assets		–5.0	–
Dividends received and other financial income		5.8	6.5
Net cash flow from/(used in) investing activities		**1,868.5**	**–205.4**
Proceeds from financial liabilities	17	3,649.1	–
Payment of financial liabilities	17	–2,804.1	–9.9
Payment of lease liabilities	17	–18.6	–12.0
Acquisition of non-controlling interests	29	–	–11.9
Dividends paid to shareholders of the parent company	21	–73.8	–404.8
Dividends paid to non-controlling interests		–0.1	–1.0
Net cash flow from/(used in) financing activities		**752.5**	**–439.6**
Net impact of foreign exchange rate differences on cash		31.7	–52.7
Net change in cash and cash equivalents		**2,492.9**	**–1,692.3**
Balances of cash and cash equivalents			
Cash and cash equivalents at 1 January	14	3,804.5	5,496.9
Cash and cash equivalents at 31 December	14	6,297.4	3,804.5

* The accompanying notes are an integral part of the consolidated financial statements.

Basis of Preparation

1. General Information

The consolidated financial statements of SIX as at and for the year ended 31 December 2020 cover SIX Group Ltd (referred to as "Company" or "Parent Company") and its subsidiaries (together referred to as "Group" or "SIX"). A table of the Group subsidiaries and interests in associates is set out in note 29.

SIX Group Ltd is an unlisted public limited company domiciled in Switzerland with its registered office in Zurich, at Hardturmstrasse 201. The Company is owned by 121 national and international financial institutions.

SIX provides a comprehensive range of services in the areas of securities trading and post-trading, financial information processing and cashless payment transactions.

The Board of Directors of SIX approved the issuance of these consolidated financial statements on 10 March 2021.

2. Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements of SIX have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The reporting period covers twelve months. For all consolidated companies, the financial year corresponds to the calendar year. Unless otherwise indicated, all amounts are stated in millions of Swiss francs (CHF) and all values are rounded to the nearest hundred thousand.

The consolidated financial statements provide comparative information in respect of the previous period.

The SIX consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value, as disclosed in the accounting policies below.

2.2 Summary of significant accounting policies

2.2.1 Principles of consolidation and equity accounting

Business combinations

Business combinations are accounted for using the acquisition method at the date of acquisition, which is the date on which SIX obtains control. SIX has control over an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee.

At the time of acquisition, all identifiable assets and liabilities that satisfy the recognition criteria are recognized at their fair values. The difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed is accounted for as goodwill after taking into account any non-controlling interests. Directly attributable transaction costs are reported as other operating expenses.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date when control ceases.

All intra-Group balances, transactions, any unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Non-controlling interests arise when SIX Group Ltd directly or indirectly holds less than 100% of a subsidiary, but still controls the subsidiary. Non-controlling interests in subsidiaries are reported separately within equity. Profit or loss and other comprehensive income (OCI) are attributed to the shareholders of the parent and to the non-controlling interests.

Upon loss of control, SIX ceases to recognize the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is presented in financial income or financial expenses.

Contingent payments are initially recognized at fair value and subsequently re-measured at fair value. The interest retained is measured at fair value at the date when control has no longer effect. Subsequently, it is accounted for as an investment in associate using the equity method or as a financial asset, depending on the level of influence retained.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Associates are those entities where SIX has significant influence over the financial and operating policies but does not exercise control or joint control. Significant influence is generally assumed to exist whenever voting rights ranging between 20% and 50% are held. In case the Group holds less than 20% of voting rights, there is a strong indicator for significant influence if SIX has representation in the Board of the investee. A joint venture is an arrangement in which the Group has joint control, whereby SIX has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Under the equity method, investments in associates and joint ventures are initially recognized at cost at the date of acquisition. Cost comprises the amount of cash and cash equivalents paid or the fair value of the other consideration transferred and acquisition related costs. In subsequent accounting periods, the carrying amount of the investment is adjusted by the share of profit or loss and other comprehensive income, the share of other changes in equity less dividends received. The share of profit or loss is adjusted by effects from subsequent measurement of assets and liabilities identified in a purchase price allocation. The ownership percentage held by SIX may be reduced if SIX does not participate in a capital increase (deemed disposal). Gains or losses resulting from deemed disposals, including amounts reclassified from other comprehensive income, are recognized in the income statement within financial income or expenses.

Gains or losses resulting from the sale or contribution of a business as defined in IFRS 3 between SIX and an associate are recognized in full.

2.2.2 Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in Swiss francs, which is also the functional currency of SIX Group Ltd. Each subsidiary prepares its own financial statements in its functional currency, i.e. in the currency of the primary economic environment in which it operates. Finance subsidiaries that have no other operating activity than borrowing money on behalf of the parent have the functional currency of the parent.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities in their respective functional currencies using the exchange rates prevailing at the dates of the transactions.

Exchange rate gains and losses arising between the date of a transaction and its settlement and from the translation of monetary assets and liabilities denominated in foreign currencies at closing exchange rates are recognized in the income statement within financial income or expenses.

Non-monetary items recognized at historical cost are measured at the historical exchange rates. Foreign exchange gains and losses are recorded in the income statement within financial income or expenses.

The main exchange rates at the closing dates were the following:

Currency	31/12/2020	31/12/2019
EUR	1.0842	1.0846
GBP	1.2019	1.2693
USD	0.8819	0.9678

The main annual average exchange rates were the following:

Currency	2020	2019
EUR	1.0705	1.1128
GBP	1.2047	1.2693
USD	0.9391	0.9937

Foreign operations

The income statements of subsidiaries with a functional currency other than the Swiss franc are translated at the monthly average exchange rates. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the closing exchange rate. Foreign exchange translation differences are recognized as currency translation adjustments in other comprehensive income and presented in equity under other reserves. On the loss of control of a subsidiary, the accumulated exchange rate differences previously recognized in equity are reclassified to the income statement as part of the gain or loss on disposal.

2.2.3 Financial assets

SIX classifies its financial assets into the following categories: a) financial assets at amortized cost, b) financial assets at fair value through other comprehensive income (FVtOCI) and c) financial assets at fair value through profit or loss (FVtPL). The classification depends on the business model of SIX for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are recognized at the trade date with the exception of non-fulfilled transactions from the CCP business which are recognized at the settlement date.

Financial assets are classified as current if payment is due or expected to be settled within one year. If not, they are presented as non-current.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a current legally enforceable right to offset the recognized amounts and an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when all the risks and rewards of ownership of the financial assets are substantially transferred.

Financial assets at amortized cost

A financial asset is carried at amortized cost if both of the following criteria are met: a) the financial asset is held within a business model whose objective is to hold these assets in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method less expected impairment losses. Gains or losses are recognized in the income statement when the financial asset is derecognized, modified or impaired. This category consists of cash and cash equivalents, deposits, receivables, bonds and loans. Specific characteristics of each class of financial assets at amortized cost are provided below, if any.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal and bank accounts, giro and demand deposits at the Swiss National Bank or central banks and short-term deposits with a maximum maturity of three months from the date of initial recognition.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of bank overdrafts, if any.

Trade and other receivables

Trade and other receivables represent the Group's unconditional right of payment. The position also includes unbilled receivables, i.e. positions where the Group has fulfilled its performance obligations for services, but the customers have not been invoiced yet.

Receivables and payables from clearing & settlement

Beside the receivables and payables from clearing & settlement incurred in the banking services business, these also comprise deposits at vostro accounts of participants for securities transactions and nostro accounts of SIX Securities Services with cash correspondent banks, sub-custodians and other central securities depositories. These vostro and nostro accounts are on sight.

Securities purchased under agreements to resell (reverse repurchase transactions) are generally treated as collateralized financing transactions. In reverse repurchase transactions, the cash delivered is derecognized and a corresponding receivable is recorded in the balance sheet. Securities received in a reverse repurchase transactions are disclosed in the notes if SIX has the right to resell or repledge them.

Securities borrowing and lending transactions in the settlement business are, similarly to reverse repurchase transactions, treated like collateralized financing transactions if they are covered with cash collateral and daily margin settlements. Securities borrowing and lending transactions that are not covered with cash collateral are not recognized in the balance sheet. Cash collateral received is recognized with a corresponding obligation to return it, and cash collateral delivered is derecognized with a corresponding receivable. Both are carried at amortized cost. Securities received in a lending or borrowing transaction are disclosed in the notes if SIX has the right to resell or repledge them. Financial assets recognized in the balance sheet which have been transferred under a securities lending agreement are disclosed in the notes as financial assets not derecognized.

Impairment of financial assets at amortized cost
The Group recognizes loss allowances for expected credit losses (ECL) on the following financial assets that are measured at amortized cost:
- Cash and cash equivalents
- Trade and other receivables
- Contract assets
- Bonds
- Receivables from clearing & settlement
- Other financial assets at amortized cost (e.g. bonds and loans)

The Group measures the loss allowances at an amount equal to 12-month ECL (Stage 1), except for the following assets, for which the loss allowance is measured at an amount equal to lifetime ECL (Stage 2):
- Trade and other receivables (simplified approach according to IFRS 9)
- Financial assets at amortized cost on which credit risk has increased significantly since initial recognition

When a default event occurs, the loss allowance is measured at an amount equal to lifetime ECL and the financial asset is presented as credit-impaired (Stage 3).

The Group applies the “low credit risk” simplification in order to track the increase in credit risk. A low credit risk is assumed when the credit rating of a financial asset is equivalent to the globally understood definition of “investment grade” (i.e. a Standard & Poor’s rating of BBB – or higher).

The creation and release of loss allowances are recognized in other operating expenses for cash and cash equivalents, trade and other receivables, contract assets and receivables from clearing & settlement. For bonds and other financial assets at amortized cost, the creation and release of loss allowance is presented in financial expenses.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets. Recoveries are recognized in profit and loss.

The Group writes off a financial asset when the collection activities are completed and there is no realistic prospect of recovery. This is generally the case when the Group receives evidence of insolvency (e.g. loss certificate). Financial assets that are written off can still be subject to enforcement activities even if recovery is very unlikely.

Financial assets at FVtOCI (debt instruments)
Financial assets at fair value through other comprehensive income (FVtOCI) include debt securities where the contractual cash flows are solely principal and interest and the objective of the group’s business model is achieved both by collecting contractual cash flows and selling financial assets. For further details, refer to section 2.3.4.

Financial assets at FVtPL
If the criteria for financial assets at amortized cost and financial assets at FVtOCI are not met, the financial asset is classified as measured at fair value through profit or loss (FVtPL). These financial assets are initially recognized at fair value and subsequently re-measured at fair value. Transaction costs that are directly attributable to the acquisition of the financial asset are immediately

expensed. Gains and losses arising from changes in the fair value are reported in financial income or expenses. This category consists of equity instruments, units in investment funds, derivatives, financial instruments from the settlement business and debt instruments.

Derivatives
SIX uses derivatives to mitigate its exposure to foreign exchange risks and in rare cases the market risk exposure of investments in listed companies. Derivatives are recognized initially and subsequent to initial recognition at fair value. Gains or losses relating to changes in fair value are recognized immediately in financial income or expenses.

All derivatives are included under financial assets if their fair value is positive, and under financial liabilities if their fair value is negative.

2.2.4 Non-current assets held for sale
Non-current assets are presented as held for sale if management is committed to a plan to sell an asset or disposal group, it is highly probable that the sale will be completed within one year of the date of the reclassification, and the asset or disposal group is available for immediate sale in its present condition. Such assets are measured at the lower of their carrying amount and fair value less costs to sell except for financial instruments which are measured either at amortized cost or fair value, depending on their classification. Costs to sell are the incremental costs directly attributable to the disposal, excluding finance costs and income tax expense. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

2.2.5 Property, plant and equipment
Assets included under property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure directly attributable to the acquisition of the items. Repair and maintenance costs are recognized in the income statement as incurred.

Land has an unlimited useful life and is therefore not depreciated. Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of each component.

Asset class	Estimated useful life
Land	Impairment only
Buildings (excluding land)	8–60 years
Technical infrastructure	3–30 years
Leasehold improvements	Amortized in line with the term of the property lease
IT mainframes	4 years
IT midrange	3 years
Other IT hardware	3–5 years
Office equipment and furniture	3–7 years
Other fixed assets	3–5 years

Depreciation starts when the asset is available for use.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are calculated as the difference between the net proceeds and the carrying amount and are recognized in the income statement.

2.2.6 Intangible assets
Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives include goodwill, brands and licenses.

SIX measures intangible assets with indefinite useful lives initially at cost. These assets are not subject to amortization and are tested for impairment on an annual basis and in addition when indicators for impairment exist.

Gains and losses on the disposal of an operation include the carrying amount of goodwill relating to the operation sold. In respect of investments in associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Intangible assets with finite useful lives
Intangible assets that are acquired by SIX and have a finite useful life are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset it relates to. Other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Expenditure for internally developed software is capitalized only if it satisfies the capitalization criteria. This requires in particular that SIX obtains control over the asset and the future economic benefits are probable. Amortization of internally developed assets starts when they are available for use. This is in general when the business acceptance test has successfully been completed.

Implementation costs related to Software as a Service (SaaS) arrangements are capitalized as other non-current assets and amortized over the estimated term of the arrangement.

Research costs are expensed as incurred.

Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives:

Asset class	Estimated useful life
Licenses, brands and customer relationships	5–20 years
Software	3–7 years
Other intangible assets	3–5 years

Useful lives are reassessed annually and adjusted if appropriate.

2.2.7 Impairment of non-financial assets

Intangible assets with an indefinite useful life, such as goodwill, and intangible assets not yet ready for use, are tested for impairment on an annual basis and whenever there is an indication that the asset may be impaired.

Assets classified under property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment testing, assets are tested individually or grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, CGUs). Goodwill is allocated to the CGU at which it is monitored for internal management purposes and which is not larger than an operating segment.

If the carrying amount of the assets exceeds the recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. The recoverable amount is determined based on an asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

Any impairment loss on goodwill recognized in prior periods may not be reversed in subsequent periods. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.2.8 Financial liabilities

SIX classifies its financial liabilities either as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss (FVtPL).

Financial liabilities are classified as current if payment is due within one year or less. If not, they are presented as non-current liabilities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value less directly attributable transaction cost. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method. This category consists of trade and other payables, borrowings and lease liabilities.

Financial liabilities at FVtPL

Financial liabilities at fair value through profit or loss (FVtPL) only include derivatives. Refer to derivatives.

2.2.9 Leases

Upon inception of a contract, SIX assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SIX as lessee

SIX is a lessee of premises, IT equipment and vehicles. Leases are accounted for by recognizing a right-of-use asset and a lease liability at the lease commencement date. SIX has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Upon inception or reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, SIX allocates the consideration in the contract to each lease component based on the relative stand-alone prices of the lease and non-lease components. SIX has elected not to separate non-lease components from lease components for all classes of underlying assets.

Lease liabilities are initially measured at the present value of the following lease payments that are not paid at the commencement date:

- fixed payments
- variable lease payments that depend on an index or rate using the index or rate at the commencement date
- lease payments in an optional renewal period or any penalties payable for terminating a lease, if SIX is reasonably certain to exercise an extension or termination option

Variable lease payments that do not depend on an index or rate are expensed in the period to which they relate.

Lease liabilities are discounted using the incremental borrowing rate available at the contract commencement date, as the interest rates implicit in the leases cannot be readily determined.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in an index or rate, or if there is a change in the lease term because the Group changes its assessment of whether or not it will exercise an extension or termination option. When a lease liability is remeasured for one of these reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income statement if the carrying amount has been reduced to zero. When a lease contract is modified and the scope of a lease is decreased, any gain or loss is recognized in the income statement.

Right-of-use assets are initially measured at the initial amount of the lease liability, less any lease incentives received, plus any lease payments made at or before commencement of the lease and initial direct costs incurred.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the useful life or the end of the lease term, whichever is earlier. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability.

SIX recognizes right-of-use assets within property, plant and equipment, and lease liabilities within financial liabilities.

SIX as lessor

When SIX acts as lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, SIX considers certain indicators such as whether the lease is for the major part of the economic life of the asset. SIX is a lessor of business premises. All lease agreements are classified and recorded as operating leases.

Operating lease equipment is initially carried at its acquisition cost. Leased assets are depreciated on a straight-line basis according to the depreciation policies of SIX for property, plant and equipment. Rental income from operating leases is recognized on a straight-line basis over the term of the lease agreement as part of other operating income.

2.2.10 Provisions

Provisions are recognized when SIX has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can reliably be estimated. Provisions are not recognized for future operating losses.

The amount recognized as a provision is the amount which represents the best estimate required to settle the present obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a legal or constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Asset retirement obligation

If a lease agreement requires SIX to remove any assets it has installed in the leased property (such as internal walls or partitions), the removal obligation arises immediately upon installation. In such a situation, the Group recognizes a provision for the present value of the future cost of removal at the date the assets are installed.

The costs of removal are capitalized as part of the acquisition costs of the leasehold improvements and are depreciated over their useful lives or according to the lease term, if shorter.

Contingent liabilities and assets

Contingent liabilities are not recognized, but are disclosed, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized, but are disclosed, where an inflow of economic benefits is probable. Where the realization of income is virtually certain, the related asset is recognized.

2.2.11 Equity

Ordinary shares

Ordinary shares in SIX Group Ltd are classified as share capital.

Treasury shares

Own shares held by SIX Group Ltd itself and by other entities of the Group are recognized at cost within other reserves and deducted from equity. Gains or losses on the disposal or cancellation of treasury shares are recorded in other reserves.

2.2.12 Operating revenues

When SIX acts as principal, revenue is recorded gross. However, when SIX acts only as an agent, revenue is limited to the commission or fee that it retains (net of related costs). The main indicators that SIX is a principal are responsibility for fulfilling the promise to provide services and discretion in establishing prices.

Revenue is measured at the transaction price and represents the consideration to which SIX expects to be entitled in exchange for transferring services, net of amounts collected on behalf of third parties. If contracts include two or more performance obligations, the transaction price is allocated to the performance obligations on a relative stand-alone selling price basis. Management determines the stand-alone selling price at contract inception, based on observable prices for the type of services rendered or products delivered in similar circumstances to similar customers.

Volume discounts are generally based on the total services provided within a calendar year. Therefore, no estimates are required at the end of the financial year. During the financial year, the estimated average selling price is recognized as revenue. Volume discounts are estimated based on the total expected volume for the full year and the related discount levels (i.e. the most likely method). The difference between the estimated average selling price and the payments received is recognized as a contract liability. If a discount is granted and there is more than one performance obligation, the discount is allocated to the performance obligations based on their relative stand-alone selling prices.

Transaction revenues

Transaction revenues are generated by services which are directly related to a single transaction (e.g. trading in securities, clearing & settlement transactions, payment transactions, ATM transactions, interbank clearing transactions and e-bill payments, land registry and mortgage transactions, SWIFT messages, etc.) or services which are triggered and remunerated on an incident or order basis (e.g. PIN order). The performance obligation of a service is satisfied when the transaction or order has been executed. Transaction revenues are recognized at a point in time.

Securities & Exchanges and BME recognize transaction fees for trading and clearing services on the trade date and transaction fees for settlement services on the settlement date.

Service revenues

Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided (i.e. recognition over time). This is generally determined based on the time elapsed, as most services are provided over a fixed contract period.

Securities & Exchanges and BME recognize listing fees over the estimated listing period.

Lease income is recognized over time. For further details about the accounting for leases, refer to section 2.2.9.

Net interest income from interest margin business

Interest income and expenses arise from the interest margin business of Securities & Exchanges, Banking Services and BME, which are part of the core business activities of SIX. Accordingly, net interest income from interest margin business has been separated from the Group's other interest income and expenses. Net interest income from interest margin business is recognized applying the effective interest method. Negative interest on financial assets is presented within interest expenses from interest margin business, and the related interest earned from the recharge of negative interest is presented within interest income from interest margin business.

Other operating income

Other operating income includes income earned from sale of assets and non-standard services. Most of the non-standard services are recognized over time.

Contract costs

Costs to obtain a contract

Incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover these. Costs to obtain a contract are amortized over the average contract period, which is based on past experience with services rendered in similar circumstances to similar customers.

Contract balances

Contract assets and liabilities

If services rendered by the Group exceed the payments received, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

Contract assets represent a conditional right of payment (i.e. further performance obligations are outstanding) and are presented within other current assets.

2.2.13 Employee benefits

SIX maintains a number of different pension plans based on the respective legislation in each country. The retirement benefit plans include both defined benefit and defined contribution plans.

Defined contribution plans

Contributions to defined contribution plans are recognized as an employee benefit expense in the period during which the related services are rendered by employees.

Defined benefit plans

The net liability or asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of plan assets. Actuarial assumptions used for

calculation include the discount rate, future salary and pension increases, staff turnover and life expectancy. The calculations are performed annually by qualified actuaries using the projected unit credit method. Pension plan assets are valued annually at market values. Defined benefit costs consist of three components:
– service costs, curtailments and settlements
– net interest income or expenses
– remeasurements

Service costs include current and past service costs and are presented within employee benefit expenses. The Group recognizes gains and losses on plan curtailments or settlements in the income statement when they occur.

Net interest income or expenses are calculated as the net defined benefit liability or asset at the beginning of the reporting period multiplied by the discount rate that is used to measure the defined benefit obligation. Net interest income or expenses are recognized within employee benefit expenses.

Remeasurements comprise actuarial gains and losses and the return on plan assets (excluding interest). SIX recognizes them in other comprehensive income. Remeasurements are not recycled to the income statement.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring. In case an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

Other long-term employee benefits

The Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Remeasurements are recognized in profit or loss in the period in which they arise. Other long-term employee benefits include in particular long-service awards (or "jubilees"). The liability is determined by applying the projected unit credit method. The actuarial assumptions used are reassessed annually.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed when the related service is provided.

2.2.14 Interest and dividends

Interest income and expenses

For all financial instruments measured at amortized cost, interest income and expenses are recorded using the effective interest method. Negative interest on financial assets is presented within interest expenses. Negative interest on financial liabilities is presented within interest income.

Dividend income

Dividends are recognized when the right to receive payment is established and are included in financial income.

2.2.15 Income taxes

The tax expense for the period comprises current and deferred tax. Taxes are recognized in the income statement, except to the extent that the underlying transaction is recorded either in other comprehensive income or directly in equity.

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities based on the taxable profit. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes

Deferred tax is recognized by applying the liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit or loss
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Calculation of deferred taxes is based on the country-specific tax rates expected to apply in the accounting period in which these tax assets will be realized or tax liabilities will be settled. Deferred tax assets and liabilities are offset if they relate to the same taxable entity and tax authority and if there exists an offset entitlement for current taxes.

2.3 Changes in the Group’s accounting policies

As from 1 January 2020, SIX has applied the following new accounting policies.

2.3.1 Goodwill approach

For each business combination, SIX may measure non-controlling interest either at fair value (i.e. full goodwill method) or the proportionate share in the recognized amounts of the acquiree’s identifiable net assets (i.e. partial goodwill method). SIX has applied the partial goodwill method for the business combinations that occurred in 2020 (refer to note 30).

2.3.2 Hedge accounting

SIX may designate certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. Furthermore, SIX may designate non-derivative financial liabilities as hedging instruments to hedge foreign exchange risk on a net investment in a foreign operation.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized as cash flows hedge reserve in OCI, while any ineffective portion is recognized immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the cash flow hedge reserve is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

Hedges of a net investment

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized within OCI while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

2.3.3 Call and put options related to non-controlling interests

SIX has decided to account for the initial acquisition of the controlling stake and the subsequent mandatory tender offer to the non-controlling shareholders as a single linked transaction. The acquisition of non-controlling interests is a linked transaction when it arises from the same transaction as that by which control has been gained. This will generally be the case when legal or regulatory requirements lead to the offer being extended through the creation of a shareholder put.

For put options held by non-controlling shareholders other than those accounted for as a single linked transaction, SIX has decided to apply IFRS 10.

The accounting for call and put options depends on the terms of the arrangement. The key terms of such options and the corresponding accounting treatment is described in note 30.

2.3.4 Financial assets at FVtOCI (debt instruments)

In 2020, SIX acquired a portfolio of bonds to fulfil its interoperability collateral requirements, with the objective to optimize the P&L impact. The business model objective shall be achieved by both collecting contractual cash flows and selling. Such debt instruments are classified as fair value through other comprehensive income (FVtOCI). Interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the income statement and determined in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

2.3.5 New standards, interpretations and amendments adopted by the Group

Interpretations and amendments adopted by SIX

The adoption of the following amendments has had no significant impact on the consolidated financial statements of the Group as at 31 December 2020.

- Conceptual Framework for Financial Reporting
- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- IFRS Taxonomy 2019, Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7)
- Covid-19 Related Rent Concessions (Amendment to IFRS 16)
- IFRS Taxonomy 2020, Covid-19 Related Rent Concessions (Amendment to IFRS 16)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Amendments to IFRS 17 (Issued in June 2020)

2.4 IFRS standards and interpretations that have been issued but are not yet effective

The following new and/or revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

Standard/interpretation	Effective date	Date planned for adoption by SIX
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022	1 January 2022[1]
Property, Plant and Equipment: Proceeds before Inteded Use (Amendments to IAS 16)	1 January 2022	1 January 2022[1]
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	1 January 2022[1]
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	1 January 2022[1]
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	1 January 2023[1]
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined by the IASB	To be determined by SIX[2]
Interest Rate Benchmark Reform— Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021	1 January 2021[1]
IFRS Taxonomy 2020, Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021	1 January 2021[1]

[1] The adoption of the amendment is not expected to have any significant impact on the consolidated financial statements of SIX.

[2] The impact on the consolidated financial statements of SIX has not yet been fully assessed.

3. Use of Judgments and Estimates

The application of some accounting policies requires the use of assumptions, estimates and judgments that may affect the reported assets and liabilities, income and expenses and also the disclosure of contingent assets and liabilities in the reporting period. Additionally, there is a significant risk that these estimation uncertainties could result in material adjustments to the carrying amount of assets and liabilities within the next financial year. The assumptions and estimates are continually reviewed and are based upon historical experience and other factors, including anticipated developments arising from probable future events. Actual future occurrences may differ from these assumptions and estimates.

Areas that may incorporate a greater number of uncertain assumptions, estimates and judgments are listed below.

Fair value of assets and liabilities recognized in a business combination or in an investment in associates

In the case of business combinations, assets acquired and liabilities assumed are measured at fair value at the date of acquisition. In determining the fair value of intangible assets, and property, plant and equipment acquired, as well as liabilities assumed at the date of acquisition and the useful lives of the intangible and tangible assets acquired, certain assumptions are made. The measurement is based upon projected cash flows and on information available at the date of acquisition (see note 30).

An investment in an associated company requires certain considerations of fair value measurement in accordance with IFRS 3, despite the fact that SIX has not obtained control. In contrast to a business combination, the data access of SIX may be limited for such investments. Therefore, the fair value measurement is based upon projected cash flows and publicly-available data, data prepared by SIX, and the data the associate’s management is willing and able to share (see note 29).

Fair value of level 3 instruments

The fair value of financial instruments that are not traded in an active market is determined by using several valuation techniques. SIX uses judgment to determine the valuation methods and makes assumptions to estimate the inputs into the calculations, as the parameters for the calculation of the fair values are not readily available in the markets. Significant valuations are regularly reviewed by Risk Management. The calculations are based on information available as at the reporting date. Sensitivity analysis of the key level 3 input parameters are disclosed in note 26.

Capitalization of development costs

SIX develops various software applications for internal and external use. Development costs for self-developed intangible assets are capitalized if the applicable criteria of IAS 38 are fulfilled. Initial capitalization of costs is based on management’s judgment that the feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows generated from the project, the discount rates to be applied and the expected period of benefits.

All development costs are allocated to projects. Projects are broken down into three main phases. Costs incurred in the inception and transition phase are treated as non-capitalizable, whereas costs incurred in the construction phase are treated as capitalizable. Project management is generally allocated to each single project phase and is treated as capitalizable or non-capitalizable, as applicable. Development costs that do not satisfy the requirements for capitalization are expensed as incurred.

Utilization of tax losses and recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. At each closing, the entity assesses the recoverability of deferred tax assets, including those recognized in previous periods. Further details on recognized deferred tax assets and unrecognized tax losses are disclosed in note 13.

Measurement of defined benefit obligations

Accounting for defined benefit obligations requires the application of certain actuarial assumptions (e.g. discount rate, salary trend, interest rate on retirement savings capital and life expectancy). These assumptions were used to calculate the present value of the obligation (or asset) as at 31 December 2020. Changes in actuarial assumptions can materially affect pension obligations and the expenses arising from employee benefit plans. A sensitivity analysis of the key factors is presented in note 34.

Provisions

SIX has a significant international operation and is therefore subject to various legal and regulatory regimes. Some entities of the Group are parties to legal proceedings. Provisions are raised for the expected amounts payable in respect of legal or regulatory requirements, legal claims and restructurings. The measurement of provisions and contingencies is periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. For further details on provisions, see note 23.

Performance for the Year

4. Segment Information

Determination of operating segments

The operating segments of SIX are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure as well as the internal financial reporting to the chief operating decision maker (CODM).

Since the acquisition of BME, SIX has been broken down into four reportable segments and Corporate & Others. The BME business has been fully allocated to the new reportable segment “Bolsas y Mercados Españoles”. Corporate activities that support the Group as a whole do not qualify as reportable operating segments under IFRS 8. They include the activities of IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. These corporate activities and SIX Exchange Regulation are grouped together under “Corporate & Others”. The reportable segments and Corporate & Others offer the following products and services:

Service	Service description
Securities & Exchanges	
Trading	Securities & Exchanges generates transaction revenues by providing a cash market for trading in shares, bonds, funds and exchange-traded products (ETPs) and a securitized derivatives market for structured products and warrants. Transaction revenues are invoiced on a monthly basis. The trading business also generates service revenues for the maintenance of listings.
Custody business	Operating as the central securities depository (CSD) for Switzerland and as an international custodian across various markets worldwide, Securities & Exchanges through the legal entity SIX SIS Ltd delivers comprehensive custody services for Swiss and international securities. Securities & Exchanges generates service revenues with issuer services, asset servicing, cash management, queries and reporting, and tax services. Transaction revenues are generated with settlement services, repos and Swiss fund processing. The custody business also generates interest income from interest margin business.
Data	Securities & Exchanges distributes raw market data and index products, which generates service revenues. The service fees are generally invoiced on an annual basis.
CCP clearing	Securities & Exchanges, through its clearing arm SIX x-clear Ltd, provides multi-asset clearing services and acts as a highly diversified central counterparty with access to multiple trading venues and matching platforms across Europe. Transaction revenues are generated through clearing of trades. The clearing business also generates interest income from interest margin business.
Securities finance	Securities & Exchanges provides securities finance services, including repo trading, securities lending & borrowing and collateral management. The securities finance business mainly generates transaction revenues which is invoiced on a monthly basis, but also service revenues through membership fees and services related to the Securities Financing Transactions Regulation (SFTR) which are invoiced on an annual basis.
Banking Services	
Billing and payments	Banking Services offers payment transaction processing services between financial institutions through the legal entity SIX Interbank Clearing Ltd (SIC). SIC processes on behalf of the Swiss National Bank retail and wholesale payments in Swiss Francs and additionally provides a gateway for Euro payments for the Swiss financial community (euroSIC). Banking Services is the leading infrastructure provider for digital billing in Switzerland with solutions such as eBill and direct debits. The revenues are mainly generated through transaction fees. Service revenues are generated by base fees and consultancy services.
ATM processing and services	Banking Services provides ATM transaction processing and infrastructure services as the leading provider in Switzerland. Banking Services mainly generates transaction revenues through processed transactions and service fees based on the number of ATMs. The location fee received in the ATM business is presented net in transaction income, as SIX has not obtained control over the service. The service fees are generally invoiced on an annual basis.
Debit processing and services	Banking Services provides issuing processing services for debit card issuers. The processed transactions generate transaction revenues and issuing service fees. Besides that, Banking Services also generates service revenues by providing operational support to card issuers (e.g. hotline services or fraud management). The service fees are generally invoiced on a monthly basis.

Service	Service description
Financial Information	
Reference data & pricing	Financial Information offers procurement, processing and distribution of reference data and pricing information. The business generates service revenues. The subscription fees are generally invoiced on an annual basis.
Market data & display	Financial Information offers procurement, processing and distribution of (realtime) market data and offers display products. The business generates service revenues. The subscription fees are generally invoiced on an annual basis. The royalties for financial data paid to stock exchanges are presented net in service income, as SIX has not obtained control over the service.
Tax & regulatory services	Financial Information provides complete reference data required for local and cross-border regulatory and tax compliance. The business generates service revenues. The subscription fees are generally invoiced on an annual basis.
Indices	Financial Information provides index services by calculating indices and offering licenses for SIX indices. The business generates service revenues. The subscription fees for the index services are generally invoiced quarterly for variable and annually for fixed fees.
Bolsas y Mercados Españoles	
Trading	BME generates transaction revenues by providing a cash market for trading in shares, warrants, funds, private and public debt securities as well as financial and electricity derivatives on the Spanish equity, fixed income and derivatives exchanges and multilateral trading systems. Transaction revenues are invoiced on a monthly basis. The trading business also generates service revenues for access, admission of securities to trading and ongoing listing.
Custody business	Operating as the CSD, BME generates service revenues with the maintenance of book-entry registry – covering issuer services, corporate action and tax services – next to transaction revenues with the management of securities settlement systems, encompassing asset servicing, cash management, queries and reporting. Revenues from custody business are billed monthly.
Clearing	BME acts as a central counterparty (CCP) through its legal entity BME Clearing SAU and as a consequence conducts clearing services for the Spanish equity and derivatives exchanges and others in equity instruments, financial, gas, electricity and OTC interest rates derivatives, government debt repos and the mainteance of positions in all segments. Further revenues are recognized from transfers and the management of pledges on securities and access charges for infrastructures and other facilities. Transaction revenues from clearing are billed monthly and/or quarterly. Interest income from interest margin business is generated from repo transactions.
Data	BME generates service revenues mainly from the distribution of primary data via BME Market Data. Those services are invoiced monthly and quarterly.
Corporate & Others	
Corporate services	Corporate activities include IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. Corporate & Others also includes SIX Exchange Regulation. Service revenues are mainly generated by providing IT services to associated companies.

In the first half of 2020, SIX changed the allocation of some income and expense items in internal management reports, which are reviewed regularly by the CODM. First, depreciation, amortization and impairment are now fully included in the profit contribution. Previously, only the influenceable portion of these expenses was considered in the profit contribution. Second, own work capitalized is now included in the operating expenses. Previously, own work capitalized was included in "other income" as a reconciliation item. Third, income from other business units and Corporate is also presented for Corporate & Others. Previously, this item of income was not separately disclosed. Corporate & Others continues to be measured based on the operating expenses and the reportable segments on the profit contribution. The prior year segment information has been adjusted accordingly.

								2020
CHF million	Securities & Exchanges	Banking Services	Financial Information	Bolsas y Mercados Españoles	Total business units	Corporate & Others	Elimination	Total SIX
Revenues from external customers	566.9	179.8	361.9	196.2	**1,304.8**	71.1	–	**1,375.9**
Income from other business units and Corporate	–1.3[1]	6.1	3.8	0.4	**9.0**	298.2	–307.2	**–**
Total operating income	**565.6**	**185.9**	**365.7**	**196.6**	**1,313.8**	**369.3**	**–307.2**	**1,375.9**
Total operating expenses	**–322.9**	**–149.1**	**–252.4**	**–75.7**	**–800.1**	**–514.1**	**307.2**	**–1,007.0**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**242.7**	**36.8**	**113.3**	**120.9**	**513.7**	**–144.8**	**–**	**368.9**
Depreciation, amortization and impairment	–9.7	–17.4	–9.4	–48.9	**–85.4**	–56.4	–	**–141.8**
Profit contribution	**233.0**	**19.5**	**103.8**	**72.1**	**428.3**	**–201.2**	**–**	**227.1**
Financial income								367.0
Financial expenses								–93.2
Share of profit or loss of associates and joint ventures								15.7
Earnings before interest and tax (EBIT)								**516.6**
Interest income								2.8
Interest expenses								–14.7
Earnings before tax (EBT)								**504.7**
Income tax expenses								–65.2
Profit for the period								**439.6**

[1] Includes recharge of negative interest included in "net interest income from margin business".

CHF million	Securities & Exchanges	Banking Services	Financial Infor-mation	Total business units	Corporate & Others	Elimi-nation	Total SIX
							2019
Revenues from external customers	506.6	181.8	364.5	**1,053.0**	76.7	–	**1,129.7**
Income from other business units and Corporate	–0.3[1]	5.7	3.7	**9.1**	300.5	–309.6	**–**
Total operating income	**506.3**	**187.5**	**368.2**	**1,062.1**	**377.3**	**–309.6**	**1,129.7**
Total operating expenses[2]	**–322.0**	**–140.9**	**–261.0**	**–723.8**	**–502.1**	**309.6**	**–916.2**
Earnings before interest, tax, depreciation and amortization (EBITDA)[2]	**184.4**	**46.6**	**107.2**	**338.2**	**–124.8**	**–**	**213.5**
Depreciation, amortization and impairment[2]	–13.1	–16.2	–7.1	**–36.3**	–53.7	–	**–90.1**
Profit contribution[2]	**171.3**	**30.4**	**100.1**	**301.9**	**–178.5**	**–**	**123.5**
Financial income							233.3
Financial expenses							–258.4
Share of profit or loss of associates and joint ventures							69.6
Earnings before interest and tax (EBIT)							**168.0**
Interest income							3.5
Interest expenses							–11.1
Earnings before tax (EBT)							**160.3**
Income tax expenses							–39.8
Profit for the period							**120.5**

[1] Includes recharge of negative interest included in “net interest income from margin business”.

[2] Prior-year figures have been reclassified to match the current year’s presentation. See description above.

Disclosures by geographical area

SIX operates mainly in Switzerland, Spain and in other European countries. The geographical analysis of the operating income from external customers and non-current assets is based on the location of the entity in which the transactions and assets were recorded.

Non-current assets mainly consist of property, plant and equipment, intangible assets, investments in associates and other non-current assets, and exclude financial instruments, deferred tax and post-employment benefit assets in accordance with the provisions of IFRS 8.

	Total operating income		Non-current assets	
CHF million	2020	2019	31/12/2020	31/12/2019
Switzerland	961.2	909.2	2,220.3	2,467.0
Spain	199.7	4.1	2,915.4	0.5
France	48.2	49.9	8.4	12.0
Germany	38.4	33.0	2.3	2.5
Luxembourg	18.4	19.8	1.4	1.8
United Kingdom	17.9	21.3	2.7	1.8
Italy	16.0	15.4	1.2	0.4
Denmark	12.5	12.2	0.5	0.7
Rest of Europe	27.1	27.0	4.6	5.4
North America	25.8	27.4	5.3	6.9
Asia/Pacific	9.2	8.7	2.7	2.5
North Africa	1.5	1.6	0.2	0.3
Total	**1,375.9**	**1,129.7**	**5,165.0**	**2,501.8**

Disclosures of major customers

SIX has a large number of customers. In 2020, there was no major customer whose revenues represented more than 10% of the Group’s revenue. In 2019, the revenue with one single external customer exceeded 10% of the Group’s revenue. The revenue totaled CHF 120.1 million and was generated by all business units.

5. Operating Income

In the following table, revenue is disaggregated by revenue type and by major service lines:

					2020
CHF million	Transaction revenues	Service revenues	Net interest income from interest margin business	Other operating income	Total
Securities & Exchanges					
Trading	182.0	20.4	–	0.2	202.5
Custody business	190.3	9.9	21.7	0.0	222.0
Data	–	34.0	–	–	34.0
CCP clearing	21.3	8.0	12.3	0.0	41.6
Securities finance	19.0	0.8	–	0.1	19.9
Other services	32.1	13.2	–	1.5	46.9
Total Securities & Exchanges	**444.7**	**86.4**	**34.0**	**1.8**	**566.9**
Banking Services					
Billing and payments	54.7	8.0	12.9	0.3	75.9
ATM processing and services	30.3	6.5	–	0.3	37.1
Debit processing and services	46.7	14.6	–	–	61.3
Other services	–	5.5	–	–	5.5
Total Banking Services	**131.8**	**34.6**	**12.9**	**0.6**	**179.8**
Financial Information					
Reference data & pricing	–	222.3	–	0.0	222.3
Market data & display	–	73.4	–	–	73.4
Tax & regulatory services	–	34.9	–	–	34.9
Indices	–	18.9	–	–	18.9
Other services	–	12.4	–	0.0	12.4
Total Financial Information	**–**	**361.9**	**–**	**0.0**	**361.9**
Bolsas y Mercados Españoles					
Trading	68.8	23.1	–	–	92.0
Custody business	16.1	26.9	–	–	42.9
Data	–	22.5	–	–	22.5
Clearing	12.3	1.2	3.8	–	17.3
Other services	3.3	17.3	–	0.9	21.5
Total Bolsas y Mercados Españoles	**100.5**	**91.0**	**3.8**	**0.9**	**196.2**
Corporate & Others					
Other services	–	58.7	–	12.4	71.1
Total Corporate & Others	**–**	**58.7**	**–**	**12.4**	**71.1**
Total operating income	**677.0**	**632.5**	**50.8**	**15.6**	**1,375.9**

CHF million	Transaction revenues	Service revenues	Net interest income from interest margin business	Other operating income	Total
					2019
Securities & Exchanges					
Trading	145.1	15.4	–	0.1	160.6
Custody business	179.6	8.9	33.8	–	222.2
Data	–	32.0	–	–	32.0
CCP clearing	19.2	6.4	8.6	0.0	34.2
Securities finance	10.0	0.8	–	0.1	10.9
Other services	32.0	13.7	–	0.8	46.6
Total Securities & Exchanges	**385.9**	**77.2**	**42.4**	**1.1**	**506.6**
Banking Services					
Billing and payments	56.2	7.5	10.7	0.2	74.5
ATM processing and services	33.5	5.8	–	0.3	39.6
Debit processing and services	48.4	14.2	–	–	62.6
Other services	–	5.2	–	0.0	5.2
Total Banking Services	**138.0**	**32.6**	**10.7**	**0.5**	**181.8**
Financial Information					
Reference data & pricing	–	223.5	–	–	223.5
Market data & display	–	77.8	–	–	77.8
Tax & regulatory services	–	30.9	–	–	30.9
Indices	–	16.8	–	–	16.8
Other services	–	15.5	–	0.0	15.5
Total Financial Information	**–**	**364.5**	**–**	**0.0**	**364.5**
Corporate & Others					
Other services	–	65.3	–	11.5	76.7
Total Corporate & Others	**–**	**65.3**	**–**	**11.5**	**76.7**
Total operating income	**524.0**	**539.6**	**53.1**	**13.1**	**1,129.7**

Transaction price allocated to the remaining performance obligations

The following table includes operating income expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at year-end. Not included are customer contracts with an initial term of 12 months or less and customer contracts when SIX has a right to invoice the amount that corresponds directly to the value of the performance completed to date (i.e. transaction based revenues).

CHF million	31/12/2020	31/12/2019
Within one year	75.1	71.7
Within two years	60.0	61.5
Within three years	53.2	56.7
Thereafter	209.7	254.4
Total	**397.9**	**444.2**

Contract liabilities

The following table provides an overview of significant changes in the balances of contract liabilities:

CHF million	2020	2019
Carrying amount at 1 January	**64.2**	**79.4**
Revenue recognized that was included in contract liabilities at 1 January	–24.8	–32.1
Increases due to cash received, excluding amounts recognized as revenue during the period	13.0	16.9[2]
Additions due to changes in the scope of consolidation	7.9[1]	–
Carrying amount at 31 December	**60.3**	**64.2**
of which current	*22.8*	*23.8*
of which non-current	*37.5*	*40.4*

[1] Net change of contract liabilities during 2020 related to acquisition of subsidiaries in 2020 (see note 30).

[2] 2019 figures were adjusted.

6. Net Interest Income from Interest Margin Business

CHF million	2020	2019
Interest income from interest margin business	90.7	86.4
Interest expenses from interest margin business	–39.9	–33.3
Net interest income from interest margin business	**50.8**	**53.1**

In 2020, interest expenses from interest margin business included interest arising from negative interest rates on financial assets in the amount of CHF 37.6 million (2019: CHF 32.2 million), of which CHF 0.9 million (2019: nil) relate to financial instruments at FVtOCI.

7. Employee Benefit Expenses

CHF million	2020	2019
Salaries and wages	–415.6	–355.8
Social security expenses	–103.2	–86.5
Others	–27.3	–30.7
Total employee benefit expenses	**–546.0**	**–473.0**

Expenses recognized for defined contribution plans are included in social security expenses and amount to CHF 2.9 million (2019: CHF 2.8 million).

8. Other Operating Expenses

CHF million	2020	2019
Contractor costs	–192.2	–185.4
Sales-related costs	–119.1	–109.6
Expenses for IT infrastructure	–85.2	–74.0
Expenses for data procurement & operation	–42.6	–44.9
VAT & tax expenses	–18.6	–14.7
Expenses for building infrastructure	–14.2	–12.0
Marketing and advertising expenses	–9.7	–11.5
Legal and audit fees	–15.8	–13.2
Travel expenses	–2.6	–8.9
Others	–20.2	–13.4
Own work capitalized	59.0	44.4
Total other operating expenses	**–461.0**	**–443.2**

Own work capitalized includes costs incurred for the development and implementation of software and Software as a Service arrangements.

CHF million	2020	2019
Total expenses for software development	123.0	107.6
of which capitalized	*59.0*	*44.4*

In 2020, 48.0% of the project costs incurred for development and implementation were capitalized (2019: 41.3%). The capitalization ratio mainly depends on the nature of the costs incurred.

9. Financial Income and Expenses

CHF million	2020	2019
Income from financial instruments at fair value	44.5	47.8
Foreign exchange rate gains	9.5	0.9
Other financial income	313.0	184.6
Total financial income	**367.0**	**233.3**
Expenses from financial instruments at fair value	–47.8	–226.1
Expenses from financial instruments at amortized cost	–0.7	–1.7
Foreign exchange rate losses	–22.0	–3.5
Other financial expenses	–22.6	–27.2
Total financial expenses	**–93.2**	**–258.4**

In 2020, income from financial instruments at fair value included dividend income in the amount of CHF 5.0 million (2019: CHF 6.5 million).

In 2020, the net expenses from financial instruments at fair value and the net foreign exchange rate losses mainly included the net gain resulting from the sale of the Worldline collar shares amounting to CHF 16.5 million and the net loss from the termination of the equity collar amounting to CHF 32.4 million (for further details, see note 17).

Other financial income included in particular the net gain from the disposal of the additional stake in Worldline SA of CHF 141.7 million (for further details, see note 29) and the net gain from the deemed disposal of the investment in Worldline SA of CHF 168.9 million (for further details, see note 29).

Other financial expenses included CHF 17.1 million in banking fees in connection with financing and hedging transactions.

In 2019, other financial income included the net remeasurement gain of CHF 166.3 million on the Worldline collar shares (for further details, see note 29) and the gain from bargain purchase of CHF 18.0 million which was recognized at the acquisition of SECB (for further details, see note 29).

Expenses from financial instruments at fair value included the expenses of CHF 127.1 million related to the contingent consideration associated with the sale of the cards business and fair value losses of CHF 98.5 million of the equity collar hedge on the Worldline shares.

Other financial expenses included CHF 12.1 million in banking fees in connection with financing and hedging transactions.

Foreign exchange rate gains and losses comprise gains and losses from financial instruments at amortized cost and financial instruments at fair value. The latter also includes the fair value changes of foreign currency derivatives.

In 2020, the net foreign exchange rate gains from financial instruments at amortized cost was CHF 6.3 million (2019: net loss of CHF 0.6 million), which was partially compensated by natural hedges of financial instruments at fair value.

10. Interest Income and Expenses

CHF million	2020	2019
Debt instruments	2.0	3.1
Cash and cash equivalents	0.1	0.2
Others	0.7	0.2
Total interest income	**2.8**	**3.5**
Debt instruments	–1.0	–0.4
Cash and cash equivalents	–9.9	–7.8
Borrowings	–0.9	–
Interest expenses on lease liabilities	–2.9	–2.9
Others	–0.1	–0.1
Total interest expenses	**–14.7**	**–11.1**

In 2020, interest income mainly consisted of income from interest received or accrued on investments in debt instruments in the amount of CHF 2.0 million (2019: CHF 3.1 million). Interest expenses from the amortization of premiums on debt instruments totaled CHF 1.0 million (2019: CHF 0.4 million).

In 2020, total interest expenses included interest charges arising from negative interest rates on financial assets in the amount of CHF 9.2 million (2019: CHF 7.8 million).

11. Earnings per Share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders of SIX by the weighted average number of shares outstanding during the year.

	Notes	2020	2019
Net profit attributable to shareholders of SIX Group Ltd (in CHF million)		439.8	120.4
Weighted average number of shares outstanding	22	18,914,041	18,914,041
Basic earnings per share (in CHF)		**23.25**	**6.37**

There was no dilution of earnings per share in 2020 or 2019.

Income Taxes

12. Income Taxes

Income tax expenses

The major components of income tax expenses for the years ending 31 December 2020 and 31 December 2019 were:

CHF million	2020	2019
Current tax		
Current tax on profits for the year	–81.6	–54.5
Adjustments in respect of prior years	0.0	–2.7
Total current tax expenses	**–81.5**	**–57.2**
Deferred tax		
Origination and reversal of temporary differences	18.1	20.5
Deferred tax on tax losses	–1.8	–1.7
Other changes in deferred tax	0.1	–1.4
Total deferred tax expenses	**16.4**	**17.4**
Total income tax expenses	**–65.2**	**–39.8**

The tax reform 2019 in Switzerland abolished the cantonal tax regimes, such as the holding regime, per 31 December 2019, which affected the legal entities SIX Group Ltd and SIX Securities Services Ltd. The tax reform also results in a general reduction of the statutory corporate income tax rates for the Swiss entities of SIX in 2021 from around 21.2% to slightly under 20%. Further, it allowed SIX to recognize a deferred tax asset on the brand "SIX".

Tax reconciliation

The following breakdown shows the reconciliation of the income tax expenses reflected in the financial statements and the amount calculated at the weighted average tax rate:

CHF million		2020		2019
Income from operating activities, gross of tax expenses		504.7		160.3
Group's weighted average applicable tax rate/ Group's expected tax expenses	**21.2%**	**–106.8**	**21.1%**	**–33.8**
Impact of differences in tax rates and tax bases	0.0%	–0.1	0.6%	–0.9
Utilization of previously unrecognized tax losses	–0.2%	1.1	–0.2%	0.4
Deferred tax recognized for tax losses of prior years	–0.2%	1.2	–0.3%	0.5
Deferred tax not recognized for tax losses of the year	2.4%	–12.2	5.1%	–8.2
Impact of permanent differences	–11.9%	60.2	5.1%	–8.2
Adjustments for income tax of previous years	0.8%	–4.0	–2.3%	3.7
Impact of other items	0.4%	–2.1	–3.7%	5.9
Intercompany effects	0.5%	–2.5	–0.5%	0.8
Group's effective tax rate/tax expenses	**12.9%**	**–65.2**	**24.8%**	**–39.8**

The expected tax expenses at the weighted average applicable tax rate are the result of applying the domestic statutory tax rates to earnings before tax of each entity in the country in which it operates and by reversing intercompany effects. For the Group, the change in the applicable weighted average tax rate is mainly due to the variation in profitability by country and entity.

Permanent differences include tax-exempt income, non-deductible expenses and the impact of specific tax regulations and participation exemptions. In 2020, permanent differences included additionally the net gain from the sale of the Worldline collar shares, the net gain from the disposal of the additional stake in Worldline and the net gain from the deemed disposal of the investment in Worldline (for further details, see note 9). In 2019, permanent differences included in particular the non-tax-effective change in value of the Worldline collar shares.

In 2019, the impact of other items is the effect from the recognition of a deferred tax asset on the brand “SIX” and in 2020, it results from an update in the assessment of the deferred tax on the brand “SIX”.

Income tax receivables and payables

The estimated amounts of current income tax receivable and payable, including any amounts related to uncertain tax positions, are based on currently known facts and circumstances. SIX believes that its income tax receivable and payable are adequate for all open tax years based on the assessments made.

13. Deferred Tax Assets and Liabilities

Deferred taxes relating to items in the balance sheet

Deferred tax assets and liabilities relate to the following items:

			31/12/2020			31/12/2019
CHF million	**Assets**	**Liabilities**	**Net amount**	**Assets**	**Liabilities**	**Net amount**
Trade and other receivables	0.0	0.8	–0.8	0.0	0.9	–0.8
Financial assets	0.0	8.5	–8.5	0.0	36.5	–36.5
Other assets	0.1	1.0	–0.9	0.0	1.0	–1.0
Property, plant and equipment	0.1	11.5	–11.5	0.0	8.6	–8.5
Intangible assets	4.1	296.6	–292.5	6.6	11.4	–4.8
Investments in subsidiaries, associates and joint ventures	0.0	0.3	–0.3	3.3	–	3.3
Assets from pension fund benefits	–	–	–	–	0.7	–0.7
Provisions	1.1	–	1.1	0.4	–	0.4
Other liabilities	6.4	0.0	6.4	2.4	–	2.4
Financial liabilities	8.9	0.0	8.9	23.7	–	23.7
Pension fund liabilities	6.8	–0.0	6.8	1.8	–	1.8
Tax loss carryforwards	2.3	–	2.3	3.3	–	3.3
Total deferred tax assets/liabilities	**29.7**	**318.7**	**–289.0**	**41.5**	**59.0**	**–17.5**
Offsetting	–9.8	–9.8		–34.7	–34.7	
Deferred tax assets/liabilities on the balance sheet	**20.0**	**308.9**		**6.8**	**24.3**	

Net deferred tax assets and liabilities changed as follows:

CHF million	Notes	2020	2019
Carrying amount at 1 January		**–17.5**	**–11.6**
Business combinations	30	–286.0	–12.9
Changes affecting the income statement		16.4	17.4
Changes affecting OCI		0.3	–10.7
Translation adjustments		–2.1	0.3
Carrying amount at 31 December		**–289.0**	**–17.5**
of which deferred tax assets		*20.0*	*6.8*
of which deferred tax liabilities		*–308.9*	*–24.3*

Expiry dates of recognized and unrecognized unused tax loss carryforwards

The gross values of recognized and unrecognized unused tax loss carryforwards, with their expiry dates, are as follows:

	31/12/2020			31/12/2019		
CHF million	Not recognized	Recognized	Total	Not recognized	Recognized	Total
One year	12.7	2.7	15.3	0.0	0.0	0.0
Two years	13.6	0.7	14.3	21.9	1.6	23.5
Three years	15.2	1.0	16.1	13.6	2.8	16.3
Four years	15.9	0.2	16.1	15.1	1.1	16.2
Five years	7.9	–	7.9	15.9	0.2	16.1
Six years	44.1	–	44.1	13.1	–	13.1
More than six years	72.8	5.7	78.5	44.8	7.8	52.6
Total	**182.1**	**10.2**	**192.3**	**124.4**	**13.4**	**137.7**
Potential tax saving	36.8		36.8	25.0		25.0

No deferred tax assets have been recognized for tax loss carryforwards of CHF 182.1 million (31 December 2019: CHF 124.4 million), as it is uncertain whether the losses will be utilized in the future. As at 31 December 2020, the potential tax saving from the unrecognized tax loss carryforwards was CHF 36.8 million (31 December 2019: CHF 25.0 million).

As at 31 December 2020, based on the abovementioned estimates, tax loss carryforwards of CHF 10.2 million (31 December 2019: CHF 13.4 million) were recognized, resulting in deferred tax assets of CHF 2.3 million (31 December 2019: CHF 3.3 million).

Assets, Equity and Liabilities

14. Cash and Cash Equivalents

CHF million	31/12/2020	31/12/2019
Cash at central banks	5,794.7	3,242.6
Cash at other banks and on hand	629.4	542.7
Short-term bank deposits	25.4	20.0
Cash and cash equivalents	**6,449.5**	**3,805.2**

Cash and cash equivalents include the following items for the purposes of the statement of cash flows:

CHF million	31/12/2020	31/12/2019
Cash and cash equivalents	6,449.5	3,805.2
Bank overdrafts	–152.1	–0.7
Cash and cash equivalents in the statement of cash flows	**6,297.4**	**3,804.5**

15. Trade and Other Receivables

CHF million	31/12/2020	31/12/2019
Trade receivables	133.0	116.3
Unbilled receivables	31.5	19.2
Other receivables	9.0	6.0
Total trade and other receivables	**173.5**	**141.5**

The exposure of SIX in relation to credit risk and details about expected credit losses on trade and other receivables are disclosed in note 25. The maximum exposure to credit risk at the reporting date corresponds to the carrying amount.

Trade and other receivables due from related parties are disclosed in note 35.

16. Receivables and Payables from Clearing & Settlement

CHF million	31/12/2020	31/12/2019
Receivables from clearing & settlement	972.8	623.1
Receivables from reverse repurchase transactions	1,714.0	1,859.4
Total receivables from clearing & settlement – Securities & Exchanges and BME	**2,686.8**	**2,482.5**
Receivables from ATM and debit processing	198.5	208.6
Receivables from euro clearing business	0.9	4.8
Total receivables from clearing & settlement – Banking Services	**199.4**	**213.3**
Total receivables from clearing & settlement	**2,886.2**	**2,695.8**
Payables from clearing & settlement	1,556.0	1,656.3
Cash collateral received	6,598.8	3,478.3
Payables from settled suspense	209.8	87.4
Total payables from clearing & settlement – Securities & Exchanges and BME	**8,364.6**	**5,222.1**
Payables from ATM and debit processing	225.2	304.2
Payables from euro clearing business	1,251.3	1,591.0
Total payables from clearing & settlement – Banking Services	**1,476.5**	**1,895.2**
Total payables from clearing & settlement	**9,841.1**	**7,117.3**

Receivables and payables from clearing & settlement – Securities & Exchanges and BME

Receivables and payables from clearing & settlement in the post-trading area – included in Securities & Exchanges respectively BME – derive from SIX acting as a central counterparty (CCP) or central securities depository (CSD) for securities trading. The CCP steps into the contracts as intermediary and represents the buyer to each seller and the seller to each buyer. To fulfill the contract, SIX must settle cash and securities from one trading party to another.

Receivables from clearing & settlements mainly include deposits at correspondence banks for cross-border settlements.

The reverse repurchase and repurchase transactions are conducted under the usual terms and conditions applying to such agreements. The fair value of securities received as collateral from third parties under reverse repurchase transactions with unconditional right to sell on or repledge totaled CHF 1,727.5 million (31 December 2019: CHF 1,867.4 million). As at 31 December 2020, SIX has repledged securities received as collateral under reverse repurchase transactions of CHF 113.9 million (31 December 2019: CHF 247.6 million).

Participants hold deposits at SIX which are presented as payables from clearing & settlement. To guarantee the compliance of the participants with all obligations, a portion of the deposits is blocked as collateral. As at 31 December 2020, cash collateral received totaled CHF 6,598.8 million (31 December 2019: CHF 3,478.3 million). For further information about the collateral received, see note 25.

Payables from settled suspense relate to cross-border transactions where a seller is short of securities. In such an event, SIX SIS Ltd borrows the securities required and recognizes a corresponding liability.

Receivables and payables from clearing & settlement – Banking Services

Receivables from clearing & settlement include receivables due from issuers of debit cards and receivables from the euro clearing business. Payables from clearing

& settlement include payables due to ATM providers, card schemes and acquirers. In the euro clearing business, where SIX acts as a correspondent bank through its subsidiary SECB, payables from clearing & settlement mainly relate to deposits received by participants of the euro clearing system. The funds received from the participants are held at Deutsche Bundesbank or invested in bonds (see note 17).

17. Financial Assets and Liabilities (Current and Non-current)

CHF million	31/12/2020	31/12/2019
Current and non-current financial assets		
Bonds	2,063.0	2,182.4
Other debt instruments	84.1	51.6
Equity instruments at FVtPL	27.4	650.4
Units in investment funds at FVtPL	2.0	413.4
Financial instruments from settlement business	15.4	14.3
Derivatives	1,161.7	52.1
Financial instruments at FVtOCI	220.6	–
Total	**3,574.4**	**3,364.2**
of which current	*1,441.1*	*709.5*
of which non-current	*2,133.3*	*2,654.7*
Current and non-current financial liabilities		
Lease liabilities	173.7	158.8
Borrowings	1,017.8	10.2
Derivatives	1,161.8	154.2
Other financial liabilities	81.2	–
Total	**2,434.6**	**323.2**
of which current	*1,489.6*	*75.8*
of which non-current	*945.0*	*247.4*
Carrying amount of financial assets not derecognized		
Securities lending agreements	69.5	707.3

Bonds
In 2020, CHF 345.0 million of bonds matured or were disposed of (2019: CHF 293.1 million). CHF 146.9 million thereof were sold to finance the acquisition of BME. On derecognition, a net gain of CHF 0.6 million (2019: net loss of CHF 1.6 million) was recognized as financial income.

Other debt instruments
Other debt instruments include loans, fixed deposits and funds received for sanctioned persons. In 2020, fixed deposits decreased by CHF 43.4 million whereas funds received for sanctioned persons increased by CHF 75.8 million. In 2019, fixed deposits increased by CHF 43.4 million.

Equity instruments at FVtPL
Equity instruments at FVtPL comprise listed and unlisted shares held by SIX. In 2019, SIX entered into an equity collar transaction with 9.16 million underlying Worldline SA shares (hereafter referred to as Worldline collar shares). The fair value of the Worldline collar shares as of 31 December 2019 amounted to CHF 627.5 million. In 2020, the Worldline collar shares were disposed of for CHF 644.0 million. The net gain of CHF 16.5 million has been included in financial income (refer to note 9).

Units in investment funds at FVtPL
In 2020, SIX disposed of nearly all funds to finance the acquisition of BME.

Financial instruments from settlement business
These financial instruments represent quoted financial instruments that SIX acquires in its role as CCP. Usually, this occurs when the securities of a trade are only partially delivered on the intended settlement date. In such cases, the delivered securities are acquired by SIX. Upon the delivery of the remaining securities, the trade is completely settled and the securities are derecognized.

Derivatives (positive and negative replacement values)
Besides forward contracts from the clearing and settlement business of Securities & Exchanges and BME, this category includes foreign currency forwards, swaps and an equity collar.

SIX recognizes forward contracts from clearing and settlement activities in its capacity as a CCP in the course of fulfilling its task of matching buy and sell orders. As such, SIX recognizes positive and negative fair values of outstanding forward contracts. In 2020, the forward contracts from clearing and settlement increased by CHF 1’107.7 million which results from the acquisition of BME. In 2019, the forward contracts from clearing and settlement decreased by CHF 58.9 million.

In 2019, SIX entered into an equity collar with 9.16 million underlying Worldline SA shares, whereby SIX bought put options on Worldline SA shares with a strike price of EUR 47.20 and simultaneously sold the same number of call options with a strike price of EUR 56.00. The call and put options mature simultaneously in eight tranches from January 2022 to October 2023. Credit Suisse, the accompanying bank and counterparty, sold 7.9 million shares during an accelerated book building (ABB), which was initiated by ATOS SE, a key shareholder of Worldline SA. For this purpose, Credit Suisse borrowed 7.92 million shares from SIX. The remaining 1.24 million shares were pledged (refer to note 31). The negative fair value of the Worldline equity collar as of 31 December 2019 amounted to CHF 98.5 million. In 2020, upon the disposal of the Worldline collar shares, SIX also terminated the equity collar. At termination, the negative fair value of the equity collar totaled CHF 130.9 million. The negative change in fair value of CHF 32.4 million (2019: CHF 98.5 million) has been recognized as financial expenses (refer to note 9).

Financial instruments at FVtOCI
Financial instruments at FVtOCI include a portfolio of government bonds which is held to fulfill the interoperability collateral requirements of SIX x-clear Ltd against other central counterparties. The objective of the business model is achieved both by collecting contractual cash flows and selling bonds. The portfolio was acquired in 2020.

Lease liabilities
In 2020, the lease liabilities increased mainly because the additions due to the acquisition of BME exceeded the lease payments by CHF 9.9 million. In 2019, the lease liabilities decreased mainly due to the lease payments of CHF 12.0 million.

Borrowings
At the acquisition of BME, the amount drawn under the bridge facility totaled CHF 2,765.0 million. Subsequently, the bridge facility has been partially repaid. As at 31 December 2020, the amount used under the bridge facility amounted to CHF 308.4 million. The initial term of the bridge facility expired in November 2020, with two possible extensions of six months each. Currently, the bridge facility has been extended until April 2021. The interest payable on the bridge facility increases over time up to EURIBOR + 90bp.

In 2020, SIX Finance (Luxembourg) SA also issued a senior bond of EUR 650 million to reduce the bridge facility. The bond matures on 2 December 2025 and bears no interest. The bond is guaranteed by SIX Group Ltd and listed on the Spanish AIAF Fixed Income Securities Market (ISIN ES0305523005).

In 2020, the foreign currency risk on the bridge facility was partially hedged through foreign currency swaps with no application of hedge accounting. The remaining portion of the bridge facility, which increased from EUR 564 million in June 2020 to EUR 745 million in December 2020, was designated as hedging instrument to hedge the foreign exchange risk on the equivalent amount of the investment in BME. The net investment hedge using the bridge facility was terminated in December 2020. Instead, in December 2020, the EUR senior bond was designated as hedging instrument to hedge the foreign exchange risk on the equivalent amount of the investment in BME. The net investment hedge will be maintained until the senior bond expires in 2025. SIX established a hedge ratio of 100%. There is an economic relationship between the investment in BME and the hedging instruments, as they are all denominated in Euros. There is no imbalance in the net investment hedge that would create ineffectiveness. As at 31 December 2020, losses of CHF 5.1 million were recognized in OCI as net investment hedge reserve.

Other financial liabilities

Other financial liabilities include liabilities due to non-controlling interests of 12H Ltd (see note 30) and the liabilities to pass-on the funds received for sanctioned persons (see 'other debt instruments' above). The NCI liability resulting from the acquisition of BME was also designated as hedging instrument to hedge the foreign exchange risk on the equivalent amount of the investment in BME. SIX established a hedge ratio of 100%. Until the settlement of the NCI liability, losses of CHF 1.4 million were recognized in OCI as net investment hedge reserve.

Changes in liabilities arising from financing activities

The following table provides a reconciliation of the liabilities arising from financing activities.

				2020
CHF million	**Lease liabilities**	**Borrowings**	**Other**	**Total**
Carrying amount at 1 January	**158.8**	**10.2**	**98.5**	**267.5**
Cash received	–	3,649.1	–	3,649.1
Cash paid	–18.6	–2,673.1	–130.9	–2,822.7
Additions due to changes in scope of consolidation	28.5	0.0	–	28.5
Changes through P&L	0.2	10.0	35.0	45.3
Other	5.0	–	–	5.0
Translation adjustments	–0.2	21.7	–2.6	18.9
Carrying amount at 31 December	**173.7**	**1,017.8**	**–**	**1,191.5**
of which current	*15.2*	*312.6*	*–*	*327.7*
of which non-current	*158.5*	*705.2*	*–*	*863.8*

				2019
CHF million	**Lease liabilities**	**Borrowings**	**Other**	**Total**
Carrying amount at 1 January	**167.6**	**–**	**–**	**167.6**
Cash paid	–12.0	–9.9	–	–21.9
Additions due to changes in scope of consolidation	1.0	–	–	1.0
Changes through P&L	–	4.5	98.5	103.0
Other	2.9	15.7	–	18.6
Translation adjustments	–0.8	–	–	–0.8
Carrying amount at 31 December	**158.8**	**10.2**	**98.5**	**267.5**
of which current	*13.8*	*6.3*	*–*	*20.1*
of which non-current	*145.0*	*3.9*	*98.5*	*247.4*

18. Other Assets (Current and Non-current)

CHF million	Notes	31/12/2020	31/12/2019
Accrued revenues and prepaid expenses		34.0	31.6
Accrued interest		12.1	9.2
Receivables from other taxes		23.9	72.6
Total other current assets		**70.0**	**113.5**
Assets from pension fund benefits	34	–	3.5
Costs to obtain a contract		6.4	6.8
Implemenation costs for service arrangements		4.6	1.3
Other long-term assets		9.9	10.3
Total other non-current assets		**20.9**	**22.0**

Receivables from other taxes primarily relate to receivables from withholding taxes.

19. Property, Plant and Equipment

CHF million	Notes	Land, buildings and leasehold improvements	Technical installations	IT hardware	Other tangible assets	Total
						2020
Historical cost at 1 January		**622.9**	**203.1**	**137.8**	**29.3**	**993.2**
Additions		8.4	5.9	14.8	3.3	32.4
Disposals		–7.6	–0.1	–29.1	–0.2	–37.0
Business combinations	30	56.3	6.6	11.0	0.8	74.7
Reclassifications		–0.0	–	–	0.0	–
Translation adjustments		–0.7	–0.0	–0.1	–0.1	–1.0
Historical cost at 31 December		**679.3**	**215.5**	**134.4**	**33.2**	**1,062.4**
Accumulated depreciation at 1 January		**–321.5**	**–152.7**	**–108.6**	**–20.1**	**–602.9**
Annual depreciation on assets owned		–7.5	–7.1	–18.4	–3.2	–36.1
Annual depreciation on right-of-use assets		–16.4	–	–0.1	–0.2	–16.7
Impairments, net		–0.5	–0.1	–	–0.0	–0.5
Disposals		2.5	0.1	28.8	0.2	31.6
Translation adjustments		0.6	0.1	0.2	0.1	1.0
Accumulated depreciation at 31 December		**–342.6**	**–159.8**	**–98.0**	**–23.2**	**–623.6**
Net carrying amount at 31 December		**336.7**	**55.7**	**36.4**	**9.9**	**438.7**
of which assets owned, used by SIX		*143.0*	*40.7*	*34.4*	*9.5*	*227.6*
of which assets owned, subject to an operating lease		*33.0*	*15.0*	*0.1*	*0.0*	*48.0*
of which right-of-use assets		*160.8*	*–*	*1.9*	*0.4*	*163.1*

CHF million	Notes	Land, buildings and leasehold improvements	Technical installations	IT hardware	Other tangible assets	Total
						2019
Historical cost at 1 January		**618.0**	**200.5**	**150.6**	**29.7**	**998.8**
Additions		9.3	3.2	18.5	1.9	32.9
Disposals		–3.4	–0.5	–30.3	–3.2	–37.4
Business combinations	30	1.1	–	–	0.2	1.3
Reclassifications		–0.7	–0.1	–	0.8	–
Translation adjustments		–1.4	–0.0	–0.9	–0.1	–2.4
Historical cost at 31 December		**622.9**	**203.1**	**137.8**	**29.3**	**993.2**
Adjusted accumulated depreciation at 1 January		**–301.3**	**–147.0**	**–122.8**	**–20.2**	**–591.2**
Annual depreciation on assets owned		–7.1	–6.3	–16.9	–2.7	–33.0
Annual depreciation on right-of-use assets		–15.1	–	–0.0	–0.2	–15.4
Disposals		1.4	0.4	30.3	3.0	35.1
Translation adjustments		0.7	0.0	0.9	0.1	1.6
Accumulated depreciation at 31 December		**–321.5**	**–152.7**	**–108.6**	**–20.1**	**–602.9**
Net carrying amount at 31 December		**301.5**	**50.3**	**29.2**	**9.3**	**390.3**
of which assets owned, used by SIX		*114.8*	*33.7*	*29.0*	*8.8*	*186.3*
of which assets owned, subject to an operating lease		*34.7*	*16.6*	*0.1*	*0.0*	*51.5*
of which right-of-use assets		*152.0*	–	*0.1*	*0.4*	*152.5*

Additions

During 2020, SIX acquired items of property, plant and equipment at a cost of CHF 32.4 million (2019: CHF 32.9 million). Investments in property, plant and equipment primarily relate to buildings under lease, midrange and mainframe servers and the expansion of technical installations. The total of property, plant and equipment under construction as at 31 December 2020 was CHF 0.9 million (31 December 2019: CHF 0.2 million). The additions in right-of-use assets totaled CHF 10.2 million in 2020 (2019: CHF 5.1 million). For further details on the leases, see note 33.

20. Intangible Assets and Goodwill

Reconciliation of carrying amount

2020

CHF million	Notes	Goodwill (Indefinite useful life)	Trademarks & licences (Indefinite useful life)	Customer relation-ships (Finite useful life)	Acquired software (Finite useful life)	Internally generated software (Finite useful life)	Other intangible assets (Finite useful life)	Total
Historical cost at 1 January		**13.8**	**–**	**–**	**93.2**	**577.1**	**14.4**	**698.6**
Additions		–	–	–	8.6	53.1	1.1	62.7
Disposals		–	–	–	–1.8	–2.2	–0.1	–4.2
Business combinations	30	1,697.0	304.8	606.8	1.9	274.9	1.6	2,887.0
Translation adjustments		12.7	2.2	4.5	0.0	2.1	0.0	21.6
Historical cost at 31 December		**1,723.6**	**307.0**	**611.3**	**101.9**	**904.9**	**17.1**	**3,665.9**
Accumulated amortization at 1 January		**–7.2**	**–**	**–**	**–72.4**	**–474.6**	**–10.9**	**–565.1**
Annual amortization		–	–	–22.7	–8.8	–47.2	–0.4	–79.0
Impairments, net		–	–	–	–1.6	–7.8	–	–9.4
Disposals		–	–	–	1.8	0.1	0.1	2.0
Translation adjustments		–	–	–0.2	–0.1	–0.2	–0.0	–0.5
Accumulated amortization at 31 December		**–7.2**	**–**	**–22.9**	**–81.0**	**–529.7**	**–11.2**	**–652.0**
Net carrying amount at 31 December		**1,716.4**	**307.0**	**588.4**	**20.9**	**375.2**	**5.9**	**3,013.8**

2019

CHF million	Notes	Goodwill (Indefinite useful life)	Trademarks & licences (Indefinite useful life)	Customer relation-ships (Finite useful life)	Acquired software (Finite useful life)	Internally generated software (Finite useful life)	Other intangible assets (Finite useful life)	Total
Historical cost at 1 January		**15.7**	**–**	**–**	**99.2**	**537.9**	**12.0**	**664.8**
Additions		–	–	–	14.1	42.3	2.5	58.8
Disposals		–1.9	–	–	–20.0	–2.3	–	–24.1
Business combinations	30	–	–	–	0.3	–	–	0.3
Translation adjustments		0.0	–	–	–0.4	–0.7	–0.0	–1.2
Historical cost at 31 December		**13.8**	**–**	**–**	**93.2**	**577.1**	**14.4**	**698.6**
Accumulated amortization at 1 January		**–9.1**	**–**	**–**	**–84.6**	**–444.5**	**–10.6**	**–548.7**
Annual amortization		–	–	–	–7.7	–33.1	–0.3	–41.1
Impairments, net		–	–	–	–0.5	–0.1	–0.0	–0.5
Disposals		1.9	–	–	20.0	2.3	–	24.1
Translation adjustments		–0.0	–	–	0.4	0.7	0.0	1.1
Accumulated amortization at 31 December		**–7.2**	**–**	**–**	**–72.4**	**–474.6**	**–10.9**	**–565.1**
Net carrying amount at 31 December		**6.6**	**–**	**–**	**20.8**	**102.6**	**3.5**	**133.5**

Software and other intangible assets
Additions
Expenses for certain development projects have been capitalized because they satisfy the recognition criteria. Intangible assets under construction as at 31 December 2020 amounted to CHF 72.8 million (31 December 2019: CHF 41.8 million).

Goodwill and other intangible assets with indefinite useful life
Besides goodwill, SIX owns trademarks and licenses which have an indefinite useful life. The intangible assets were acquired in 2020 in the course of the BME acquisition (see note 30). The trademarks have existed for a long time and SIX intends to keep them whereas the licenses are needed to maintain the trading and post trading business of BME. Therefore, the useful life is indefinite.

The following table provides a breakdown of goodwill and other intangible assets with indefinite useful life per cash generating unit.

CHF million	31/12/2020	31/12/2019
Bolsas y Mercados Españoles	1,691.5	–
12H Ltd	18.3	–
Others	6.6	6.6
Goodwill, net	**1,716.4**	**6.6**
Bolsas y Mercados Españoles	307.0	–
Intangible assets with indefinite useful life	**307.0**	**–**

Impairment test for CGUs containing goodwill or other intangible assets with indefinite useful life
The goodwill items and other intangible assets with indefinite useful life are subject to an annual impairment test conducted in the fourth quarter of each year. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the carrying amount of the relevant organizational unit exceeds its recoverable amount.

For the purpose of impairment testing, goodwill and other intangible assets with indefinite useful life have been allocated to the CGUs as follows:

CHF million					31/12/2020
Cash-generating unit	Carrying amount	Projection period	Long-term growth rate	Discount rate	Method
Bolsas y Mercados Españoles	1,998.5	3 years	1.5%	6.1%	Value in use
12H Ltd	18.3	3 years	0.0%	8.4%	Value in use
Total	**2,016.8**[1]				

[1] Other goodwill is not material compared to the total goodwill in 2020 and therefore not disclosed anymore.

The recoverable amounts for the CGU have been determined based on a value in use calculation using the discounted cash flow method (DCF). These calculations use post-tax cash flow projections based on financial projections approved by management (the SIX medium-term planning). The impairment testing of goodwill and other intangible assets with indefinite useful life in 2020 resulted in value in use that exceed the carrying amounts of the CGU.

Key assumptions

The calculation of value in use is most sensitive to the following assumptions:

Discount rate

The discount rate calculation is based on the specific circumstances of SIX and its operating segments. It is derived from the capital asset pricing model and considers the risk-free interest rate based on long-term government bond yields and market risk premiums. The discount rate used also takes into consideration the specific risks relating to the cash-generating unit.

Perpetual growth rate

The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of any cash-generating unit to exceed its recoverable amount.

21. Capital Management

SIX capital management ensures adequate equity to maintain shareholder and market confidence, as well as sufficient capital to drive the future development of the business, while complying with regulatory capital requirements.

In June 2020, Standard & Poor’s Global Ratings (S&P) lowered its long- and short-term issuer credit ratings on SIX Group Ltd to A/A-1 from A+/A-1+. At the same time, S&P affirmed the long-term A+ ratings and lowered the short-term ratings on operating companies SIX x-clear Ltd and SIX SIS Ltd to A-1. The outlooks are stable.

SIX employs the equity ratio to monitor the capital and the return on equity to monitor the return on capital. The equity ratio equates to consolidated equity as a percentage of total adjusted liabilities and equity. Return on equity is defined as Group net profit as a percentage of average equity. These ratios are reported to the Executive Board and the Board of Directors regularly by internal financial reporting.

The ratios are shown in the following table:

CHF million	2020	2019
Return on equity		
Group net profit for the year	439.6	120.5
Total equity (average previous 12 months)	4,950.6	5,087.1
Return on equity	**8.9%**	**2.4%**
Equity ratio		
Total liabilities (average previous 12 months)	12,487.3	8,632.3
– Payables from clearing & settlement (average previous 12 months)	9,533.8	7,783.7
– Negative replacement values from clearing & settlement (average previous 12 months)	1,387.0	126.9
Total adjusted liabilities (average previous 12 months)	**1,566.5**	**721.7**
Total equity (average previous 12 months)	**4,950.6**	**5,087.1**
Equity ratio	**76.0%**	**87.6%**

The dividend policy of SIX takes into account the local requirements of each subsidiary regarding the ability to make dividend payments.

On 11 May 2020, the Annual General Meeting approved the distribution of a dividend of CHF 3.90 (2019: an ordinary dividend of CHF 4.10 and an extraordinary dividend of CHF 17.30) per registered share. The total amount distributed to holders of outstanding shares was CHF 73.8 million (2019: CHF 404.8 million). The dividend was recorded against retained earnings as in the previous year.

For the year ending 31 December 2020, the Board of Directors has proposed an ordinary dividend of CHF 4.30, corresponding to a total of CHF 83.9 million for 2020. No dividend will be paid on treasury shares held directly by SIX Group Ltd. There are no tax consequences. The dividend proposal will be submitted for approval by the Annual General Meeting to be held in May 2021.

The Group was not subject to regulatory capital requirements until the financial year 2020. However, regulatory capital adequacy requirements apply to SIX SIS Ltd, SIX x-clear Ltd, MEFF Sociedad Rectora del Mercado de Productos Derivados SA, BME Clearing SAU, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SAU and SECB.

The CSD SIX SIS Ltd and the CCP SIX x-clear Ltd are obliged to fulfill requirements arising from the Financial Market Infrastructure Act and Ordinance (FMIA/FMIO). Eligible capital must be available to support business activities, in accordance with both the company's internal assessment and the requirements of our regulators, in particular our lead regulators, FINMA and the SNB. These capital requirements contain all elements of the Basel III framework pertaining to credit, non-counterparty, market and operational risks as well as additional FMI-specific capital requirements for wind-down, intraday credit risks and potential defaults of participants. To calculate the capital requirements for credit risks, market risks and operational risks, FMIs can choose from a number of different approaches under Basel III. SIX SIS Ltd and SIX x-clear Ltd use the international Basel III standard approach (SA-BIZ) for credit risks, the standard approach for market risks and the basic indicator approach for operational risks.

BME is supervised by National Securities Market Commission (CNMV) and Banco de España. The capital requirements of BME are based on Spanish law and European Parliament Regulations related to the trading, CSD and CCP business. The EU regulations for CSDs and CCPs require that the capital covers the risks stemming from the activities of the CSD/CCP and shall be at all times sufficient to ensure adequate protection against credit, counterparty, market, operational, legal, custody, investment and business risks so that the CSD/CCP can continue to provide services and if required, ensure an orderly winding-down or restructuring. BME has a model based on the most advanced standards (Basel, BIS) which calculates, for each of BME's main activities and sources of counterparty risk, estimated contingent losses in extreme but realistic worst-case scenarios in the event of adverse changes in exposures to various risks.

SECB has a banking license and is regulated by the Federal Financial Supervisory Authority (BaFin). The bank is obliged to fulfil the capital requirements according to the European Union Capital Requirements Regulation (CRR). To calculate the capital requirements, SECB uses the standard approach according to CRR for credit risk and the basic indicator approach for operational risk.

22. Capital and Reserves

Share capital

As at 31 December 2020, the total number of shares issued remained unchanged from the prior year at 19,521,905 and corresponds to the number of authorized shares. All shares issued have a par value of CHF 1.00 and are fully paid up.

Number of shares	31/12/2020	31/12/2019
Shares issued	19,521,905	19,521,905
Treasury shares	−607,864	−607,864
Shares outstanding	**18,914,041**	**18,914,041**

The shares rank equally with regard to the company's residual assets.

The holders of the shares are entitled to receive a proportionate share of distributed dividends as declared and are entitled to one vote per share at the shareholders' meeting of SIX Group Ltd. The proposed dividend per share for financial year 2020, together with the 2019 figure for comparison purposes, is disclosed in note 21.

Treasury shares

The reserve for own shares comprises the cost of the shares held by SIX. At 31 December 2020, SIX held 607,864 shares directly or indirectly via its subsidiaries. There was no change in the number of treasury shares compared with 31 December 2019.

Translation reserve

Reserves arising from foreign currency translation adjustments comprise the differences arising from the foreign currency translation of the financial statements of subsidiaries and associated companies from their respective functional currencies into Swiss francs.

Retained earnings

The total amount of dividends distributed to holders of outstanding shares was CHF 73.8 million (2019: CHF 404.8 million), and this has been recorded against retained earnings as in the prior year.

23. Provisions (Current and Non-current)

Provisions are classified as follows:

		2020					2019
CHF million	Notes	Provisions for legal claims	Provisions for restructuring	Provisions for asset retirement obligations	Other provisions	Total	Total
Carrying amount at 1 January		**3.2**	**2.7**	**4.6**	**3.5**	**14.0**	**19.0**
Increase in provisions		–	–	0.0	4.3	4.3	0.8
Business combinations	30	1.2	–	0.8	2.7	4.7	–
Dissolution		–	–	−0.0	−0.2	−0.2	−0.8
Usage		–	−1.3	−0.0	−0.8	−2.0	−4.7
Translation adjustments		0.0	−0.0	−0.0	0.0	−0.0	−0.2
Carrying amount at 31 December		**4.4**	**1.4**	**5.3**	**9.5**	**20.6**	**14.0**
of which current		*–*	*1.2*	*0.2*	*2.8*	*4.3*	*1.5*
of which non-current		*4.4*	*0.1*	*5.1*	*6.7*	*16.3*	*12.5*

Provisions for legal claims

SIX is involved in legal and judicial proceedings and claims in the ordinary course of business operations. Provisions and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists.

Restructuring provisions

The provision relates to restructuring of the Financial Information business in France in previous years.

Provisions for asset retirement obligations

The provisions for asset retirement obligations mainly relate to cost estimates for the decommissioning of premises in Switzerland, France, Spain and the UK.

Other provisions

Other provisions mainly concern risks relating to the financial information and BME businesses.

24. Other Liabilities (Current and Non-current)

CHF million	Notes	31/12/2020	31/12/2019
Accruals for staff-related costs		93.0	74.5
Accrued expenses		46.4	43.2
Liabilities from other taxes		44.2	13.5
Other short-term liabilities		13.4	70.8
Total other current liabilities		**197.0**	**202.0**
Pension fund liabilities	34	32.0	6.5
Other employee benefit liabilities		23.4	21.4
Other long-term liabilities		0.0	–
Total other non-current liabilities		**55.4**	**27.9**

Accruals for staff-related expenses are for vacation leave, overtime, jubilees and bonuses. The long-term portion of liabilities for jubilees and bonuses is included in other employee benefit liabilities. The methods used to measure pension fund liabilities are explained in note 34.

Other short-term liabilities in 2019 included open positions related to the closing of the transaction with Worldline.

Financial Instruments

25. Financial Risk Management

Risk governance

The Board of Directors (BoD) of SIX Group Ltd bears the ultimate responsibility for the supervision of the overall risk situation, approves the overall risk policy and decides on risk appetite limits.

The Risk Committee of the BoD acts as a representative of the BoD and approves risk governance, organization and methodologies, as well as reviews their implementation, adequacy and effectiveness.

Also delegated by the BoD, responsibility for accounting, financial reporting and the internal controlling systems resides with the Audit Committee of the BoD. External and internal auditors report to the Audit Committee of the BoD. Internal auditors are responsible for monitoring risk management and control, in particular the risks related to business processes.

The Executive Board of SIX Group Ltd (ExB) has the ultimate operational decision-making authority concerning risk matters. As a member of the ExB, the Chief Risk Officer is responsible for the independent oversight of the overall risk situation. He has managerial responsibility for "second line of defense" functions Risk Management, Security and Compliance.

Head Risk Management has oversight of the risks described below and reports the risk situation to the ExB, the Risk Committee and the BoD on a quarterly basis.

Supported by the risk management organization, the management committees of the different business units are responsible for risk management performance. At SIX SIS Ltd, SIX x-clear Ltd and BME Clearing Ltd in particular and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SAU where applicable, management of counterparty limits, margin requirements and risk model parameterization are performed by the risk management organization. SIX-wide balance sheet risks and liquidity are managed by Treasury and supervised by the Chief Financial Officer.

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 form the "first line of defense" and are accountable for managing the specific risks faced by business management. They maintain effective processes and manage their risks with care, including comprehensive controls and documented procedures.

Within the "second line of defense", risk control measures are defined by Head Risk Management and dedicated Risk Management Teams. Head Risk Management reports to the Chief Risk Officer and is not part of the line management structure of business units.

Independent assurance providers such as Internal and External 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 and the Financial Market Infrastructure Act, Financial Market Infrastructures within business unit Securities & Exchanges are supervised by the FINMA and the SNB. 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 complies with due diligence and meets the current rules, regulations and obligations of a financial intermediary.

In June 2020, SIX successfully acquired BME (see note 30) which now represents a separate business unit. BME is exposed to similar financial risks at its CCP, BME Clearing. The risks are managed by dedicated risk managers on BME level and reported to the respective SIX committees. BME is subject to the supervision of the National Securities Market Commission (CNMV) and the Banco de España.

The financial risk management of SECB, which is part of the business unit Banking Services, has been integrated into SIX risk management framework. The bank is at the same time supervised by the German Federal Financial Supervisory Authority (BaFin) and pursues a financial risk policy in line with local requirements. The main counterparty as well as market and interest rate risk arise from the part of the EUR cash balances which are invested in a high-quality and repo-eligible bond portfolio.

Credit risk

General

Counterparty credit risk is defined as the risk of a loss caused by a counterparty not fulfilling its contractual obligations or commitments. Given the nature of its core business activities, SIX monitors the counterparty default risk for all its major risk-related activities, which relate in particular to the following financial positions:

- cash at banks and short-term deposits
- trade and other receivables
- receivables from clearing & settlement
- derivatives
- bonds
- other debt instruments

Within the post trading area of business units Securities & Exchange and BME, credit exposures mainly relate to short-term interim financing undertaken for the purpose of settling securities transactions. With the exception of the Swiss National Bank and SIX affiliates, all short-term financing for settlement purposes is fully covered by collateral in the form of cash and repo-eligible securities. For further details, also see collateral management section below.

The exposure related to open clearing & settlement transactions is reflected in the forwards from the clearing & settlement business. As SIX acts as a CCP, positive replacement values generally equal the negative replacement values.

Business units Securities & Exchange and BME apply a strict risk and credit policy. Credit risk management is effected via limits granted to the customers by the relevant bodies within SIX, pursuant to the competency rules. Each participant with a credit limit is subject to an initial credit risk assessment and rating assignment as well as a periodic review. No credit limits are granted without prior risk assessment and rating assignment. Credit limits are monitored constantly to ensure that the risk profile is always in line with the risk appetite and the credit risk policy. Based on the amount of risk-equivalent limits and the creditworthiness, each counterparty is assigned to a risk group which defines the depth and frequency of the review. Counterparties in higher risk groups (high “risk equivalent limits”, low credit rating) are reviewed more often and monitored more closely than those in lower risk groups.

In businesses other than post trading, counterparty credit risk arises in particular from investments of operating liquidity of SIX, which to a large extent takes the form of cash deposits with banks or fixed income investments. As in the post trading business area, such credit exposures are limited by investment limits that vary in size, depending on the credit ratings of internationally recognized rating agencies. Risk Management, working together with Treasury, monitors exposures against investment limits and warning indicators on a daily basis.

The bond portfolio of SECB amounts to CHF 1,920.7 million as of 31 December 2020 (31 December 2019: CHF 1,912.5 million) and is mainly composed of highly liquid bonds with a duration of 3.1 years. New portfolio investments undergo different layers of approval based on the counterparty rating and security type.

In the context of strategic investments, SIX guards against the risk of default by means of a treasury investment policy that imposes minimum credit ratings for direct and indirect investments in debt instruments. Treasury regularly monitors strict compliance with this policy.

With regard to trade and other receivables, SIX has a large number of debtors, which are internationally dispersed; as such concentration of credit risks in this regard is considered insignificant. As credit ratings are unavailable for some non-financial customers, their credit quality is assessed by either the operating business unit or the local finance departments, taking into account the customer’s financial strength as well as past experience and other factors. Acting as the first line and overseen by the second line of defense, each business unit has primary responsibility for managing and monitoring its credit risks.

Aggregated credit risk exposures are closely monitored against SIX risk appetite thresholds and regularly reported to the ExB and the BoD.

The gross carrying amounts of financial assets measured at amortized costs and the related credit ratings of the counterparties are summarized in the following table. The net carrying amounts (net of loss allowances) represent the maximum exposure to credit risk.

						31/12/2020
CHF million	**Investment grade**	**Non-investment grade**	**Not rated**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Exposure for which loss allowance equals 12-month ECL (Stage 1)						
Cash at bank and short-term deposits [1]	6,448.6	0.1	0.0	6,448.7	–0.0	6,448.7
Receivables from clearing & settlement	2,822.9	0.5	62.8	2,886.2	–0.0	2,886.2
Bonds	2,065.0	–	–	2,065.0	–1.9	2,063.0
Financial instruments at FVtOCI	220.7	–	–	220.7	–0.0	220.6
Others	76.4	–	2.7	79.1	–	79.1
Total	**11,633.5**	**0.7**	**65.6**	**11,699.7**	**–2.0**	**11,697.7**

[1] The balances exclude cash on hand.

						31/12/2019
CHF million	**Investment grade**	**Non-investment grade**	**Not rated**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Exposure for which loss allowance equals 12-month ECL (Stage 1)						
Cash at bank and short-term deposits [1]	3,804.3	0.1	0.0	3,804.4	–0.0	3,804.3
Receivables from clearing & settlement	2,665.9	4.6	25.3	2,695.8	–0.0	2,695.8
Bonds	2,184.5	–	–	2,184.5	–2.1	2,182.4
Others	44.0	–	2.1	46.1	–0.0	46.1
Total	**8,698.7**	**4.7**	**27.4**	**8,730.8**	**–2.2**	**8,728.6**

[1] The balances exclude cash on hand.

The following table shows the gross carrying amounts of trade and other receivables and the related past due status. The net carrying amounts (net of loss allowances) represent the maximum exposure to credit risk.

						31/12/2020
		Lifetime ECL (Stage 2)	Lifetime ECL credit impaired (Stage 3)			
CHF million	Not past due	Within 6 months	From 6 to 12 months	More than 12 months	Receivables with objective evidence of impairment	Total
Trade and other receivables	148.8	22.4	2.7	6.1	0.7	180.7
Contract assets [1]	0.1	–	–	–	–	0.1
Gross carrying amount	**148.8**	**22.4**	**2.7**	**6.1**	**0.7**	**180.7**
Loss allowance	–0.0	–0.0	–0.8	–5.6	–0.7	–7.1
Net carrying amount	**148.8**	**22.4**	**1.9**	**0.5**	**0.0**	**173.6**

[1] Contract assets are presented within other current assets.

						31/12/2019
		Lifetime ECL (Stage 2)	Lifetime ECL credit impaired (Stage 3)			
CHF million	Not past due	Within 6 months	From 6 to 12 months	More than 12 months	Receivables with objective evidence of impairment	Total
Trade and other receivables	114.7	24.0	3.9	0.7	–	143.2
Contract assets [1]	1.9	–	–	–	–	1.9
Gross carrying amount	**116.6**	**24.0**	**3.9**	**0.7**	**–**	**145.1**
Loss allowance	–0.0	–0.0	–1.1	–0.7	–	–1.8
Net carrying amount	**116.5**	**24.0**	**2.8**	**0.0**	**–**	**143.3**

[1] Contract assets are presented within other current assets.

Collateral management

As part of short-term interim financing for the purpose of settling securities transactions, SIX SIS Ltd provides intraday credit lines and securities lending and borrowing services (SLB) to its counterparties to increase settlement efficiency and reduce settlement failures. Intraday credit and lending services to counterparties are set up on a fully collateralized basis, and collateral is provided by SIX SIS Ltd participants in the form of cash or highly liquid repo-eligible securities.

In order to protect SIX x-clear Ltd and BME Clearing SAU, which act as central counterparties, against the risk of default by a clearing member before it has settled its outstanding transactions, clearing members are required under the applicable version of the clearing terms to provide collateral in the form of cash or highly liquid repo-eligible securities under a full-title transfer regime. The margin requirement basically comprises an initial margin for possible future price fluctuations, a variation margin for actual changes in value and certain add-ons that are called in times of higher market volatility according to the clearing terms. In addition, all counterparties have to provide default fund contributions to cover the potential risk that is not covered by the margin model (confidence level of at least 99%) in the event of a member's default. The margin model is regularly calibrated and back-tested.

The following table shows the collateral received:

CHF million	Notes	31/12/2020	31/12/2019
Cash collateral	16	6,598.8	3,478.3
of which are related to securities lending		*67.3*	*56.0*
Fair value of securities received with a right to repledge or sell		3,698.5	3,975.4
of which are related to securities lending		*16.1*	*14.3*
of which are related to reverse repurchase transactions		*1,727.5*	*1,867.4*
Total fair value of collateral received		**10,297.3**	**7,453.7**

Due to the collateral received and the potential to pass on losses to market participants in the CSD business, the Group has not recognized expected credit losses on receivables from clearing and settlement of Securities & Exchange and BME business units.

Expected credit losses measurement

Significant increase in credit risk

In order to assess a significant increase in credit risk, the Group applies a low credit risk threshold equivalent to "investment grade" and past due status information. When the credit risk increases significantly, the loss allowance is measured at an amount equal to lifetime ECL (i.e. stage 2).

Definition of default

SIX considers a financial asset to be in default when a counterparty is unable or likely to be unable to fully meet its financial obligation when due.

In assessing if a counterparty is in default, the following information is considered:

- qualitative, e.g. the counterparty has been declared to be in default; and/or
- quantitative, i.e. overdue status

The assessment as to whether a financial asset is in default may vary by instrument type. The following reasons give rise to a default event for the respective financial assets:

- Trade and other receivables: A default situation occurs when receivables are more than 180 days past due. The Group performs an analysis that shows that 90 days past due is not an appropriate default definition for trade and other receivables and rebuts the 90 days past due presumption. This rebuttal is reviewed on an annual basis.
- Debt instruments: A default situation occurs when (re-)payments of interests and/or notional amounts are not received in full on time.

Management's view is that the above events best depict the default situations of the respective financial assets. A default event results in a transfer to the credit impaired financial asset category (i.e. stage 3).

Measuring expected credit losses

The measurement of expected credit losses for financial assets at amortized costs – except for trade and other receivables and contract assets – is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD):

- The PD represents the likelihood of a counterparty defaulting on its financial obligation either over 12 months or over the remaining lifetime of the

obligation. The PDs are generally derived from internally developed statistical models and are updated at least annually. The Group has established global PDs per rating classes which are applied to the exposures based on the counterparty rating (i.e. exposures are grouped by counterparty-rating). PDs are based on credit default swaps (CDS) spreads observed in the market. These CDS spreads include market expectation of default (i.e. forward-looking information). The 12-month PDs are adjusted when the contractual period is less than 12 months (i.e. on demand deposits have a contractual period of 1 day). If no rating is available for the counterparty, the PD level is assumed to be in the sub-investment grade area.
- EAD is based on the amounts outstanding at the time of the default. SIX assumes that the EAD is equal to the gross carrying amount.
- LGD represents the expectation of SIX regarding the extend of loss on a defaulted exposure. LGD considers the availability of collaterals received and the potential to pass on losses to market participants in the CSD business.

The expected credit losses for trade and other receivables and contract assets are based on historical loss rate data adjusted by current conditions and future expectation. The historical loss rate is applied to the gross carrying amount of these assets. Generally, trade and other receivables more than 180 days past due are considered as C-rating equivalent and the corresponding PD is applied to those exposures in order to calculate the impairment amount. Exposures which are more than 360 days past due are generally considered as D-rating equivalent. D-rated assets are fully credit impaired. The policy described above may be adapted by entities for specific conditions on local markets.

The expected credit losses as at 31 December 2020 and 31 December 2019 are presented in the General section above.

Liquidity risk

General

Liquidity risk is the risk that SIX will encounter difficulty in meeting current and future obligations associated with its financial liabilities. Specific to the post trading business area of SIX, liquidity risk exists mainly as a result of everyday operational flows, such as repayments of cash collateral to clearing members and provision of liquidity to facilitate settlement.

Liquidity management is governed by the treasury policy of SIX. Its main purpose is to provide subsidiaries with financial resources at any time so that they are able to meet their payment obligations. The continuous monitoring of liquidity at Group level and the allocation of resources allow Treasury to maintain a sound level of liquidity at all times. The liquidity status is reported on a monthly or quarterly basis to various committees. SIX maintains credit lines with a limited number of financial institutions to cover exceptional liquidity requirements. The total amount of unused credit lines as 31 December 2020 was CHF 440.3 million (31 December 2019: CHF 334.7 million). Additionally, SIX SIS Ltd has foreign currency settlement limits in connection with the cross border business in the amount of CHF 3,063.1 million (31 December 2019: CHF 3,063.4 million). As at 31 December 2020, these credit facilities had not been utilized (31 December 2019: nil). Additionally, several banks provided SIX with a bridge facility for the short-term financing of the BME acquisition (see note 17). Liquidity is managed for various currencies. The main currencies are the Swiss franc, euro, US dollar and pound sterling.

The Group's operational liquidity on 31 December 2020 was CHF 6,449.5 million (31 December 2019: CHF 3,805.2 million). The year-over-year increase of this amount is to be attributed to the BME acquisition. The operational liquidity is deposited with appropriate investment limits at commercial banks, the Swiss National Bank (SNB) and European central banks. Operational liquidity of the Swiss and various foreign subsidiaries, with the exception of SIX SIS Ltd, SIX x-clear Ltd, the BME entities and SECB, is held and managed centrally at SIX as part of a cash pool. Treasury is responsible for the management of the cash pool. The liquidity in excess of operational liquidity required by the subsidiaries is provided by Treasury to cover any short to medium-term structural liquidity requirements.

On a day-to-day basis, the Collateral and Liquidity Management team is tasked with ensuring that the Group can meet its financing needs at all times, in particular to ensure the business continues to operate smoothly in the event of default by a clearing member.

The liquidity managed by Securities & Exchange and BME entities as at 31 December 2020 amounted to CHF 6,053.5 million (31 December 2019: CHF 3,246.2 million). Liquidity management is one of the main operating activities in the settlement business. Liquidity risk in the post trading business area is managed by ensuring that the expected inflows match the expected outflows in the respective currency.

SECB reported a bank overdraft of CHF 152.1 million as at 31 December 2020 (31 December 2019: nil). The liquidity risk (also during the day) is observed to the extent that current accounts of customers should generally be held with credit balances. In the event of an unexpected liquidity bottleneck, the securities portfolio held by SECB can be used at any time to obtain liquidity from the Deutsche Bundesbank as part of lombard transactions.

Once a year, the liquidity strategy is reviewed by the Chief Financial Officer and approved by the Board of Directors. Treasury monitors the implementation and execution of the liquidity strategy.

Maturity analysis for financial liabilities

The following table shows the contractual maturities of the financial liabilities held by SIX at the reporting date and in the previous year. Non-financial liabilities are not included in this analysis.

						31/12/2020
CHF million	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount
Liabilities						
Bank overdrafts	152.1	–	–	–	152.1	152.1
Trade and other payables	12.2	0.8	–	–	13.0	13.0
Payables from clearing & settlement	9,841.1	–	–	–	9,841.1	9,841.1
Borrowings	–	312.6	706.7	–	1,019.3	1,017.8
Lease liabilities	2.9	14.9	63.7	116.3	197.8	173.7
Other financial liabilities	–	1.1	4.3	75.8[2]	81.2	81.2
Non-derivative financial liabilities	**10,008.3**	**329.4**	**774.6**	**192.1**	**11,304.5**	**11,278.9**
Derivative financial instruments, net[1]	0.1	–	–	–	0.1	0.1
Derivative financial liabilities	**0.1**	**–**	**–**	**–**	**0.1**	**0.1**
Total financial liabilities	**10,008.4**	**329.4**	**774.6**	**192.1**	**11,304.6**	**11,279.0**

[1] Derivative financial instruments from clearing & settlement business are considered on a net basis. The net amount is only included if it is a liability.

[2] Includes funds received for sanctioned persons, which cannot be accessed until the sanctions are lifted.

CHF million	Within 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount 31/12/2019
Liabilities						
Bank overdrafts	0.7	–	–	–	0.7	0.7
Trade and other payables	24.1	0.3	–	–	24.4	24.4
Payables from clearing & settlement	7,117.3	–	–	–	7,117.3	7,117.3
Borrowings	–	6.3	3.9	–	10.2	10.2
Lease liabilities	4.4	12.5	53.9	111.4	182.3	158.8
Non-derivative financial liabilities	**7,146.5**	**19.2**	**57.9**	**111.4**	**7,334.8**	**7,311.3**
Derivative financial instruments, net [1]	3.6	–	98.5	–	102.1	102.1
Derivative financial liabilities	**3.6**	**–**	**98.5**	**–**	**102.1**	**102.1**
Total financial liabilities	**7,150.1**	**19.2**	**156.4**	**111.4**	**7,437.0**	**7,413.4**

[1] Derivative financial instruments from clearing & settlement business are considered on a net basis. The net amount is only included if it is a liability.

The fair value of the derivative financial instruments best represents the cash flows that would have to be paid if these positions had to be settled or closed.

Market risk

General

Market risk is the risk of losses on financial assets arising from movements in market prices. With regard to SIX, market prices carry four types of risk: foreign currency risk, interest rate risk, index price risk and equity risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated financial statements are published in Swiss francs. The foreign currency risks arise primarily from fluctuation of currencies against the Swiss franc, mainly euro, US dollar and pound sterling. Consequently, SIX uses spot, forward and swap contracts to hedge its exposure to those currencies.

In Switzerland, SIX entities are exposed to foreign currency risk through their operating activities (when revenue or expense is not denominated in Swiss francs) and their financial investments in foreign currencies. Treasury controls the exposure to foreign currency risk by using forwards and monitoring the hedging level of the portfolio managed by the asset manager. SIX SIS Ltd hedges its exposure in foreign currencies directly with local banks. SIX entities enter into foreign exchange rate contracts with Treasury. Treasury, for its part, is responsible for hedging net positions in foreign currencies with external counterparties. SIX entities in other countries are generally not exposed to significant foreign currency risks.

Through the acquisition of BME, a large part of the Group's earnings occurs in EUR, which exposes SIX to foreign currency risk, as the income statements of subsidiaries with a functional currency other than Swiss franc are translated at the monthly average exchange rates into Swiss franc. The BoD of SIX has defined the maximum foreign currency risk appetite SIX is willing to take. The foreign currency exposures are monitored to ensure they don't exceed the defined thresholds.

The table below illustrates a hypothetical sensitivity of earnings before tax to increases and decreases in foreign exchange rates at year-end due to revaluation of balance sheet items, assuming all other variables remain unchanged. The changes in exchange rates used for 2020 and 2019 are based on historical volatility. Positive figures represent an increase in earnings before tax.

	2020			2019		
	Change in exchange rate	Effect on earnings before tax		Change in exchange rate	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
CHF/EUR	3.4%	0.5	–0.5	6.2%	–33.5	33.5
CHF/USD	5.7%	–0.2	0.2	3.6%	–0.7	0.7
CHF/GBP	9.0%	–0.0	0.0	13.8%	–0.5	0.5
Total		**0.2**	**–0.2**		**–34.7**	**34.7**

At 31 December 2020, if Swiss franc had strengthened by 3.4% against euro, 5.7% against US dollar and 9.0% against pound sterling with all other variables unchanged, earnings before tax would have been CHF 0.2 million higher. If Swiss franc had weakened by the above rates, the effect on earnings would have been the opposite. The exposure in euro, US dollar and pound sterling of the Group mainly relates to financial investments which are not hedged based on treasury policy. The main exposure in euro relate to movements in the banking services business between the last hedging date and the balance sheet date.

Interest rate risk

SIX is exposed to interest rate risk because of the volatility of market interest rates. Interest rate risk is the risk of market price movements of interest-bearing assets and liabilities due to changes in interest rates.

In interest margin business, interest rate changes could have a major impact on earnings. However, SIX is subject to low interest rate risk, as the cash received from business partners is invested primarily in overnight interest-bearing accounts, short-term financial instruments or secured reverse repos with a term to maturity of less than one year. From the interest earned or negative interest paid, SIX may pay or charge interest less or plus a margin to its business partners for the deposits on their ordinary cash vostro accounts.

The interest rate risk arises primarily from exposures in Swiss francs, euros, US dollars and pounds sterling. The exposures relate to cash and cash equivalents, receivables and payables from clearing & settlement (Business units Securities & Exchange and BME), bonds, bank overdrafts and borrowings. For the purpose of the sensitivity analysis, non-current investments and liabilities at amortized cost with fixed interest rates have been excluded, as fair value fluctuations, which would reflect a change in market interest rates, are not recognized in the income statement for these instruments. For current investments and liabilities, it is assumed that the contracts must be renewed in the near future. Therefore, the exposures have been considered in the sensitivity analysis. The table below illustrates a hypothetical sensitivity of earnings before tax to a reasonably possible change of a +/–50 basis points parallel shift in yield curves. Positive figures represent an increase in earnings before tax. The effect on other comprehensive income related to bonds measured at FVtOCI is described below the table.

	2020			2019[1]		
	Change in interest rate	Effect on earnings before tax		Change in interest rate	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
Cash and cash equivalents	50 bps	32.2	–32.2	50 bps	19.0	–19.0
Receivables from clearing & settlement	50 bps	13.4	–13.4	50 bps	12.4	–12.4
Financial assets	50 bps	1.3	–1.3	50 bps	1.1	–1.1
Bank overdrafts	50 bps	–0.8	0.8	50 bps	–0.0	0.0
Payables from clearing & settlement	50 bps	–48.1	48.1	50 bps	–34.1	34.1
Financial liabilities	50 bps	–1.5	1.5	50 bps	–	–
Total		**–3.4**	**3.4**		**–1.6**	**1.6**

[1] Prior year figures were adjusted according to current year's approach for the sensitivity analysis.

According to the simulation, with a 50 bps rise in interest rates in each currency, earnings before tax would have been CHF 3.4 million lower (31 December 2019: CHF 1.6 million lower). With a 50 bps drop in interest rates, the effect on earnings would have been the opposite. Additionally, a 50 bps rise would result in a decrease of CHF 3.7 million (31 December 2019: nil) in other comprehensive income (before tax) and a 50 bps drop would result in an increase of CHF 3.8 million (31 December 2019: nil) in other comprehensive income (before tax). With 50 bps rise, the total effect on equity would have been a decrease of CHF 7.1 million (31 December 2019: decrease of CHF 1.6 million), and with a 50bps drop, the equity would have been CHF 7.2 million higher (31 December 2019: CHF 1.6 million higher).

Index price risk

Index price risk at SIX is the risk of loss resulting from declining equity and bonds indices or fair values of individual instruments, i.e. the risk relates to listed financial instruments (level 1 instruments of the fair value hierarchy).

SIX had held equity instruments (e.g. direct investments in listed shares and units in investment funds) and bond funds for liquidity reasons. The portfolio was liquidated during 2020 in the course of the acquisition of BME. These instruments were measured at fair value through profit or loss. Therefore, fluctuations in individual prices or indices had a direct impact on earnings before tax.

The investment policy of SIX establishes limits on the level of risk in the invested portfolio. Investment limits helped the professional external asset managers to ensure that the investment portfolio was sufficiently diversified and that it remained exposed to an acceptable level of risk. The performance of the portfolio was compared with the defined benchmarks.

Debt instruments classified as measured at amortized cost are not included in the sensitivity analysis, as fluctuations in prices have no direct impact on earnings before tax. Also not included are financial instruments from settlement business as the market risk is borne by the market participants.

The table below illustrates a hypothetical sensitivity of earnings before tax to increases and decreases in the respective indices, assuming all other variables remain unchanged. The sensitivity rate is based on historical volatility using the yearly standard deviation. The effect on other comprehensive income related to bonds measured at FVtOCI is described below the table.

Amounts in CHF million	2020 Change in index +/–	2020 Effect on earnings before tax +	2020 Effect on earnings before tax –	2019 Change in index +/–	2019 Effect on earnings before tax +	2019 Effect on earnings before tax –
Index						
SPI®	24.1%	3.6	–3.6	7.9%	12.3	–13.1
SBI®	5.7%	0.1	–0.1	4.2%	11.4	–11.4
SXI®	18.3%	–	–	5.5%	3.7	–3.7
Total		**3.7**	**–3.7**		**27.4**	**–28.2**

If the increases in the three indices had been reflected in a change in the financial instruments classified as FVtPL held as at 31 December 2020, earnings before tax would have been CHF 3.7 million higher (31 December 2019: CHF 27.4 million higher). If the indices had fallen, earnings before tax would have been CHF 3.7 million lower (31 December 2019: CHF 28.2 million lower). The effect in 2020 is significantly lower compared to 2019, as the strategic portfolio of equity investments and investment funds (including real estate funds) was liquidated in 2020 in the course of the acquisition of BME. The SPI® effect in 2019 included an increase in earnings before taxes of CHF 5.9 million (if the index had increased) and a decrease in earnings of CHF 6.7 million (if the index had fallen) related to the Worldline equity collar. The change in SBI® would also have an effect on the fair value of bonds classified at FVtOCI. An increase in SBI® of 5.7% would result in higher other comprehensive income (before tax) of CHF 12.5 million (31 December 2019: nil). With a decrease in the index, the effect on other comprehensive income would have been the opposite. The total effect on equity would have been an increase of CHF 16.2 million (31 December 2019: CHF 27.4 million increase) if the indices had increased. If the indices had fallen the effect on equity would have been the opposite (31 December 2019: CHF 28.2 million decrease).

Equity risk

Equity risk is the financial risk associated with the holding of unlisted equity investments. SIX invests in minority shareholdings for strategic and financial reasons. For this purpose, SIX established a corporate investment management framework in addition to the group’s competency rules.

Depending on the size and type of minority investment, the investment decisions are taken by the SIX Fintech Venture Fund Investment Committee (i.e. mainly unlisted start-up companies), the SIX ExB, the SIX Chairman or the SIX Board of Directors. The ultimate responsibility for the execution of corporate investment management framework lies with the SIX CFO. It includes the involvement of particular specialist functions in order to maintain the right level of investment oversight, collection of relevant financials, adherence to disclosure requirements and maintenance of relevant documents by SIX. For each investment, responsibility is assigned to one ExB member.

The investments in scope of the corporate investment management framework are regularly reviewed by the ExB and BoD/AC. The SIX Finance team, in coordination with a relevant business unit, is responsible for tracking the financial and operational performance. In case of material performance deviations, the situation is escalated in the first place to the relevant ExB member who shall decide whether to bring it to the attention of the ExB and/or BoD. Ultimately, the BoD may decide to introduce additional governance measures including, but not limited to additional Management and/or BoD oversight of the particular investment.

No sensitivity analysis is presented, because the fair value of these equity investments tend to be dominated by factors specific to the company invested in.

26. Fair Value of Financial Instruments

Classification of financial instruments

The table below shows the classification for each class of financial instruments and, if applicable, the fair value level.

							31/12/2020
					At fair value		
CHF million	**Notes**	Level 1	Level 2	Level 3	**Total**	**At amortized cost**	**Total**
Assets							
Cash and cash equivalents	14				–	6,449.5	6,449.5
Trade and other receivables	15				–	173.5	173.5
Receivables from clearing & settlement	16				–	2,886.2	2,886.2
Current and non-current financial assets	17	252.9	1,161.7	17.6	1,432.2	2,142.2	3,574.4
Bonds					*–*	*2,063.0*	*2,063.0*
Other debt instruments		*–*	*–*	*5.0*	*5.0*	*79.2*	*84.1*
Equity instruments at FVtPL		*14.8*	*–*	*12.6*	*27.4*	*–*	*27.4*
Units in investment funds at FVtPL		*2.0*	*–*	*–*	*2.0*	*–*	*2.0*
Financial instruments from settlement business		*15.4*	*–*	*–*	*15.4*	*–*	*15.4*
Derivatives		*–*	*1,161.7*	*–*	*1,161.7*	*–*	*1,161.7*
Financial instruments at FVtOCI		*220.6*	*–*	*–*	*220.6*	*–*	*220.6*
Total carrying amounts [1]		**252.9**	**1,161.7**	**17.6**	**1,432.2**	**11,651.4**	**13,083.6**
Bonds		1,987.3	104.6	–	2,092.0		
Fair values for financial assets measured at amortized cost		**1,987.3**	**104.6**	**–**	**2,092.0**		
Liabilities							
Bank overdrafts	14				–	152.1	152.1
Trade and other payables					–	13.0	13.0
Payables from clearing & settlement	16				–	9,841.1	9,841.1
Current and non-current financial liabilities	17	–	1,161.8	2.2	1,164.0	1,270.6	2,434.6
Lease liabilities					*–*	*173.7*	*173.7*
Borrowings					*–*	*1,017.8*	*1,017.8*
Derivatives		*–*	*1,161.8*	*–*	*1,161.8*	*–*	*1,161.8*
Other financial liabilities		*–*	*–*	*2.2*	*2.2*	*79.1*	*81.2*
Total carrying amounts		**–**	**1,161.8**	**2.2**	**1,164.0**	**11,276.7**	**12,440.7**
Borrowings		711.6	308.4	–	1,020.0		
Fair values for financial liabilities measured at amortized cost		**711.6**	**308.4**	**–**	**1,020.0**		

[1] Accrued interests are presented within other assets, see note 18.

							31/12/2019
		At fair value					
CHF million	Notes	Level 1	Level 2	Level 3	Total	At amortized cost	Total
Assets							
Cash and cash equivalents	14				–	3,805.2	3,805.2
Trade and other receivables	15				–	141.5	141.5
Receivables from clearing & settlement	16				–	2,695.8	2,695.8
Current and non-current financial assets	17	1,063.4	53.9	18.4	1,135.7	2,228.5	3,364.2
Bonds					*–*	*2,182.4*	*2,182.4*
Debt instruments at FVtPL		*–*	*–*	*5.5*	*5.5*	*46.1*	*51.6*
Equity instruments at FVtPL		*645.4*	*–*	*5.0*	*650.4*	*–*	*650.4*
Units in investment funds at FVtPL		*403.7*	*9.7*	*–*	*413.4*	*–*	*413.4*
Financial instruments from settlement business		*14.3*	*–*	*–*	*14.3*	*–*	*14.3*
Derivatives		*–*	*44.2*	*7.9*	*52.1*	*–*	*52.1*
Total carrying amounts [1]		**1,063.4**	**53.9**	**18.4**	**1,135.7**	**8,870.9**	**10,006.6**
Bonds		2,060.2	143.3	–	2,203.5		
Fair values for financial assets measured at amortized cost		**2,060.2**	**143.3**	**–**	**2,203.5**		
Liabilities							
Bank overdrafts	14				–	0.7	0.7
Trade and other payables					–	24.4	24.4
Payables from clearing & settlement	16				–	7,117.3	7,117.3
Current and non-current financial liabilities	17	–	47.8	106.5	154.2	169.0	323.2
Lease liabilities					*–*	*158.8*	*158.8*
Borrowings					*–*	*10.2*	*10.2*
Derivatives		*–*	*47.8*	*106.5*	*154.2*	*–*	*154.2*
Total carrying amounts		**–**	**47.8**	**106.5**	**154.2**	**7,311.3**	**7,465.6**

[1] Accrued interests are presented within other assets, see note 18.

SIX assumes that the carrying amount approximates the fair value for all financial assets and liabilities measured at amortized cost except for bonds and borrowings.

Fair value valuation methods for financial assets and liabilities

Recurring fair value measurements for financial assets and liabilities are described below. The fair value measurements are assigned to the different levels of the fair value hierarchy. The fair value levels are defined as follows:

- Level 1: The fair value of listed financial instruments with a price established in an active market is determined on the basis of current quoted market prices.
- Level 2: Valuation methods are used to determine the fair value of financial instruments if no direct market prices are available. The underlying assumptions are based on observable market data, either directly or indirectly, as at the reporting date.
- Level 3: If neither current market prices nor valuation methods based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods are based on unobservable market data. Those inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The following methods and assumptions were used to estimate the fair values:

Level 1 instruments

- The fair value of listed equity instruments, units in investment funds, bonds (including financial instruments at FVtOCI) and borrowings is determined by reference to published price quotations at the reporting date. The valuation of financial instruments from settlement business is performed with reference to quoted prices from the markets to which they relate. These financial assets and liabilities fall under level 1 of the fair value hierarchy.

Level 2 instruments

- The fair value of unlisted bonds such as promissory notes is determined by discounting the expected future payments at a risk and maturity-adjusted discount rate. As the input factors are readily available in the market, these instruments are assigned to level 2 of the fair value hierarchy.
- Units of investment funds with lower frequency of price quotations are not considered to be traded on an active market and therefore are assigned to level 2 of the fair value hierarchy.
- Foreign exchange swaps and forwards (derivatives at FVtPL) are not traded publicly. The inputs into the calculation include foreign exchange spot rates and interest rates. In general, these inputs are readily observable in the markets or provided by consensus data providers. Thus, foreign exchange swaps, forwards and other foreign exchange derivatives are categorized as level 2 instruments.
- For forward contracts from the clearing and settlement business as CCP (derivatives at FVtPL), the fair value is determined as the difference between the fair value of the underlying instrument at the trade date and its fair value at the reporting date. Except for forward contracts from the clearing and settlement of options that consider historical volatility for the fair value determination, all other forward contracts from clearing and settlement are assigned to level 2 of the fair value hierarchy, as the inputs used are readily available in the market. For forwards from the clearing and settlement of futures and European options, the fair value is determined based on the Black-Scholes model. For forwards from the clearing and settlement of American options, the fair value is determined based on the Binomial Option Pricing model. The inputs into the calculation of both models include share price, implied volatility, strike price, risk-free interest rate and expected dividends.

Level 3 instruments

- The fair value of unlisted shares – which may be classified as equity instruments at FVtPL or debt instruments at FVtPL depending on the rights attached to the instrument – is derived from the proportionate net asset value of the entity. Such investments are categorized within level 3 of the fair value hierarchy. If the net asset value were to increase, the price per share would increase proportionately.
- For other debt instruments at FVtPL such as convertible loans, the fair value is determined by discounting the expected future payments at a risk-adjusted discount rate. As the input factors are not readily available in the market, these instruments are assigned to level 3 of the fair value hierarchy. An increase or decrease of 10% in the estimated cash flows would lead to an increase or decrease of approximately 10% in the fair value. The estimated fair value would increase if the risk-adjusted discount rate were lower.
- Forward contracts from clearing and settlement of options (derivatives at FVtPL) that consider historical volatility for the fair value determination based on the Black-Scholes model are assigned to level 3 of the fair value hierarchy. Historical volatility represents a level 3 input, as it does not reflect market participants' expectations. The inputs into the calculation – in addition to historical volatility – include share price, strike price and risk-free interest rate. With the exception of historical volatility, the inputs are readily observable in the market. Positive fair values of forward contracts from clearing and settlement of options equal the negative fair values, as SIX is acting as a CCP. Accordingly, changes in the fair value of level 3 forward contracts from the clearing and settlement of options impact neither profit or loss nor total comprehensive income.
- For call and put options related to listed equity instruments (derivatives at FVtPL, e.g. Worldline equity collar), the fair value is determined based on the Black-Scholes model. The inputs into the calculation include the share price of underlying

shares, strike price, risk-free interest rate and historical volatility. As historical volatility represents a level 3 input, call and put options related to listed equity instruments are assigned to level 3 of the fair value hierarchy.

Transfers between levels

SIX recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. In 2020 and 2019, there were no transfers between level 1 and level 2 or between level 2 and level 3.

Movements in level 3 financial assets and liabilities

	31/12/2020		31/12/2019	
CHF million	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Carrying amount at the beginning of the year	**18.4**	**–106.5**	**167.8**	**–30.7**
Additions	6.1	–4.3	1.4	–
Disposals	–	133.1	–0.9	–
Reclassification to associates	–2.7	–	–	–
Business combinations	4.2	–	0.3	–
Change in forward contracts from clearing & settlement	–7.9	7.9	–22.8	22.8
Losses recognized in the income statement	–2.0	–35.0	–127.7	–98.5
Gains recognized in the income statement	1.4	–	0.7	–
Translation adjustments	0.2	2.5	–0.4	–
Carrying amount at closing	**17.6**	**–2.2**	**18.4**	**–106.5**
Income/expenses on holdings at closing				
Unrealized losses recognized in the income statement	–0.2	–0.1	–0.5	–98.5
Unrealized gains recognized in the income statement	1.4	–	0.7	–

In 2020, the level 3 forward contracts from clearing and settlement decreased to zero, as SIX does not provide clearing and settlement services for such options anymore. As at 31 December 2019, SIX had CHF 7.9 million of outstanding level 3 forward contracts from clearing and settlement of options. Accordingly, the positive and negative forward contracts from clearing and settlement decreased by CHF 7.9 million in 2020.

SIX invests in fintech companies for strategic and financial purposes. The investments are classified as financial instruments at fair value (equity or debt instruments) or as associates. During 2020, SIX invested in fintech companies in the amount of CHF 6.1 million, which was classified as level 3 instruments. Investments in the amount of CHF 2.7 million were reclassified to associates as these investments newly fulfilled the requirements for associates.

In 2020 and 2019, the movements in financial liabilities mainly related to the Worldline equity collar which was terminated in 2020. The losses recognized in the income statement amounted to CHF 32.4 million and CHF 98.5 million in 2020 and 2019, respectively.

In 2019, losses of financial assets recognized in income statement included losses of CHF 127.1 million related to the write-off of the contingent consideration in connection with the sale of the cards business.

27. Derivative Financial Instruments

	31/12/2020		31/12/2019	
CHF million	Positive replacement values	Negative replacement values	Positive replacement values	Negative replacement values
Trading derivatives				
Foreign currency of forward contracts and swaps	2.4	0.2	0.6	0.3
Equity collar	–	–	–	98.5
Clearing & settlement business	1,159.3	1,161.6	51.6	55.5
Equities and fixed income	*100.9*	*103.2*	*43.7*	*47.6*
Options	*959.8*	*959.8*	*7.9*	*7.9*
Other derivatives	*98.6*	*98.6*	*–*	*–*
Total trading derivatives	**1,161.7**	**1,161.8**	**52.1**	**154.2**
Total derivative financial instruments	**1,161.7**	**1,161.8**	**52.1**	**154.2**

Trading derivatives

SIX holds foreign currency forwards and swaps for the purpose of hedging foreign exchange effects as part of its risk strategy, with no application of hedge accounting. Derivative financial instruments also include the forward contracts from the clearing and settlement business of SIX as CCP. The increase in the clearing and settlement business results from the BME acquisition. See note 30.

In 2019, SIX entered into an equity collar transaction related to a stake of the investment in Worldline. For further information about the equity collar transaction, see note 17.

The positive replacement values represent the estimated amount that SIX would receive if the derivative contracts were settled in full on the reporting date. The negative replacement values, on the other hand, represent the estimated amount that SIX would need to pay if the derivative instruments were settled in full on the reporting date.

Hedging derivatives

In 2020, SIX also used foreign currency forward contracts and foreign currency swaps as hedging instruments to hedge its exposure to foreign currency risk related to the purchase price for BME. These hedges were accounted for as cash flow hedges of a highly probable forecast transaction. The hedge relationship was terminated on 16 July 2020, the day of the BME acquisition. For further details on the hedge accounting, refer to note 30.

28. Offsetting

The following tables show the effects of offsetting on the balance sheet and the related amounts not offset for financial assets and financial liabilities that are subject to enforceable netting arrangements:

31/12/2020

	Assets subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
CHF million	Gross assets before balance sheet netting	Balance sheet netting with gross liabilities	**Net assets reported on the balance sheet**[1]	Financial liabilities	Collateral received[2]	**Assets after consideration of netting potential**	**Assets not subject to enforceable netting arrangements**[1]	**Balance sheet total**[1]
Receivables from C&S	2,686.8	–	2,686.8	–74.0	–2,610.3	2.5	199.4	2,886.2
Reverse repurchase transactions	*1,714.0*	–	*1,714.0*	–	*–1,713.8*	*0.2*	–	*1,714.0*
Other receivables from C&S	*972.8*	–	*972.8*	*–74.0*	*–896.4*	*2.3*	*199.4*	*1,172.2*
Financial assets (current and non-current)	1,968.1	–440.2	1,527.9	–825.3	–425.3	277.4	2,046.5	3,574.4
Derivatives	*1,599.5*	*–440.2*	*1,159.3*	*–825.3*	*–334.0*	–	*2.4*	*1,161.7*
Other financial assets (current)	*72.2*	–	*72.2*	–	*–15.4*	*56.7*	*207.2*	*279.4*
Other financial assets (non-current)	*296.4*	–	*296.4*	–	*–75.8*	*220.6*	*1,836.8*	*2,133.3*
Total assets	**4,654.9**	**–440.2**	**4,214.7**	**–899.3**	**–3,035.5**	**279.9**	**2,245.9**	**6,460.6**

31/12/2019[3]

	Assets subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
CHF million	Gross assets before balance sheet netting	Balance sheet netting with gross liabilities	**Net assets reported on the balance sheet**[1]	Financial liabilities	Collateral received[2]	**Assets after consideration of netting potential**	**Assets not subject to enforceable netting arrangements**[1]	**Balance sheet total**[1]
Receivables from C&S	2,482.5	–	2,482.5	–46.4	–2,434.2	1.9	213.3	2,695.8
Reverse repurchase transactions	1,859.4	–	*1,859.4*	–	*–1,859.4*	–	–	*1,859.4*
Other receivables from C&S	*623.1*	–	*623.1*	*–46.4*	*–574.8*	*1.9*	*213.3*	*836.4*
Financial assets (current and non-current)	128.8	–13.9	114.9	–41.4	–24.6	48.9	3,249.2	3,364.2
Derivatives	*65.6*	*–13.9*	*51.7*	*–41.4*	*–10.3*	–	*0.4*	*52.1*
Other financial assets (current)	*63.3*	–	*63.3*	–	*–14.3*	*48.9*	*594.1*	*657.4*
Other financial assets (non-current)	–	–	–	–	–	–	*2,654.7*	*2,654.7*
Total assets	**2,611.3**	**–13.9**	**2,597.4**	**–87.8**	**–2,458.8**	**50.8**	**3,462.6**	**6,060.0**

1 The balance sheet total is the sum of "net assets/liabilities reported on the balance sheet" that are subject to enforceable netting arrangements and "assets/liabilities not subject to enforceable netting arrangements".

2 Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralization.

3 Prior year figures were adjusted according to current year's approach.

31/12/2020

CHF million	Liabilities subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
	Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	**Net liabilities reported on the balance sheet**[1]	Financial assets	Collateral pledged[2]	**Liabilities after consideration of netting potential**	**Liabilities not subject to enforceable netting arrangements**[1]	**Balance sheet total**[1]
Payables from C&S	8,364.6	–	8,364.6	–74.0	–	8,290.6	1,476.5	9,841.1
Payables from C&S	8,364.6	–	8,364.6	*–74.0*	–	8,290.6	*1,476.5*	*9,841.1*
Financial liabilities (current and non-current)	1,677.6	–440.2	1,237.4	–825.3	–412.2	–	1,197.2	2,434.6
Derivatives	*1,601.8*	*–440.2*	*1,161.6*	*–825.3*	*–336.4*	–	*0.2*	*1,161.8*
Other financial liabilities (current)	–	–	–	–	–	–	*327.7*	*327.7*
Other financial liabilities (non-current)	*75.8*	–	*75.8*	–	*–75.8*	–	*869.2*	*945.0*
Total liabilities	**10,042.2**	**–440.2**	**9,602.0**	**–899.2**	**–412.2**	**8,290.6**	**2,673.6**	**12,275.7**

31/12/2019[3]

CHF million	Liabilities subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
	Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	**Net liabilities reported on the balance sheet**[1]	Financial assets	Collateral pledged[2]	**Liabilities after consideration of netting potential**	**Liabilities not subject to enforceable netting arrangements**[1]	**Balance sheet total**[1]
Payables from C&S	5,222.1	–	5,222.1	–46.4	–	5,175.7	1,895.2	7,117.3
Payables from C&S	*5,222.1*	–	*5,222.1*	*–46.4*	–	*5,175.7*	*1,895.2*	*7,117.3*
Financial liabilities (current and non-current)	205.8	–51.8	154.0	–41.4	–14.1	–	169.2	323.2
Derivatives	*205.8*	*–51.8*	*154.0*	*–41.4*	*–14.1*	–	*0.2*	*154.2*
Other financial liabilities (current)	–	–	–	–	–	–	*20.1*	*20.1*
Other financial liabilities (non-current)	–	–	–	–	–	–	*148.9*	*148.9*
Total liabilities	**5,427.9**	**–51.8**	**5,376.1**	**–87.7**	**–14.1**	**5,175.7**	**2,064.4**	**7,440.5**

[1] The balance sheet total is the sum of "net assets/liabilities reported on the balance sheet" that could be subject to enforceable netting arrangements and "assets/ liabilities not subject to enforceable netting arrangements".

[2] Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralization.

[3] Prior year figures were adjusted according to current year's approach.

Enforceable netting arrangements

In the post trading business, enforceable netting arrangements are in place. SIX x-clear Ltd and BME Clearing SAU operate as central counterparties. A CCP is an entity that interposes itself between trading partners to become a buyer to every seller and a seller to every buyer, thereby ensuring settlement even if one of the original trading partners fails to meet its obligations. In order to protect the CCPs against the potential losses in case of a participant’s default, SIX requires the participants to provide collateral and to make contributions to a collective default fund. The transactions are subject to netting arrangements which are part of the clearing rules of SIX x-clear Ltd and BME Clearing SAU. SIX SIS Ltd and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SAU are acting as CSDs. The CSDs may provide short-term credits to its clients and hold cash placements at custodians. These assets are covered through credit balances of clients and collaterals which are subject to netting arrangements (i.e. member agreements). Additionally, receivables and payables related to reverse repurchase transactions are subject to enforceable netting agreements, such as the Swiss Master Agreement for Repo Trades and/or Global Master Repurchase Agreement.

Other than in the post trading business, SIX may enter into netting arrangements in the course of hedging transactions (e.g. Worldline equity collar). The Worldline equity collar agreement was concluded in accordance with the International Swaps and Derivatives Association (ISDA) master netting agreement which allows for payment netting and netting in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Balance sheet netting

Unsettled positions from clearing and settlement (i.e. forwards from clearing and settlement) are offset to the extent that netting is permitted, which requires that the amounts relate to the same clearing representative, the same instrument and the same maturity date.

At settlement of the Worldline collar transaction, a net amount was payable by one party to the other, i.e. it is intended to settle on a net basis. The equity collar was terminated in 2020.

Related amounts not offset

Reverse repurchase transactions

The agreements stipulate that all outstanding transactions with the same counterparty can be offset, and close-out netting applies across all outstanding transactions covered by the agreements if a default event or other predetermined event occurs. The arrangements, however, do not provide a legally enforceable right in the normal course of business. Financial collateral typically comprises highly liquid securities and can be liquidated in the event of counterparty default.

Other receivables/payables from clearing & settlement

Other receivables from clearing and settlement include in particular short-term credits and funds placed with other CSDs as part of the cross border settlement business. Financial liabilities against these counterparties are generally not offset in the normal course of business. The remaining amount of the assets is covered through credit balances of clients and collaterals which can be realized in a default event or if another predetermined event occurs.

Positive/negative replacement values of derivatives

The netting agreements for clearing transactions stipulate that close-out netting applies across all outstanding transactions with the same clearing member and currency if a default event or other predetermined event occurs. Such arrangements, however, do not provide a legally enforceable right in the normal course of business. The collateral can be realized in a default event or if another predetermined event occurs.

Group Composition

29. Interests in Other Entities

Subsidiaries

The list below shows SIX Group Ltd and its subsidiaries. The share capital of all subsidiaries consists solely of ordinary shares and the ownership interest held by SIX equals the share of voting rights. All subsidiaries are consolidated in the Group's financial statements.

Name of entity	Principal place of business	Principal activities		Share capital in 1,000	31/12/2020 Equity interest in %	31/12/2019 Equity interest in %
SIX Group Ltd	Zurich	Holding company	CHF	19,522	–	–
12H Ltd	Zurich	Provider of low-latency solutions	CHF	100	90.0	–[2]
BME Clearing SAU[1]	Madrid	Clearing	EUR	18,030	100.0	–
BME LATAM SAS[1]	Bogota	Consulting services	COP	150,000	100.0	–
BME Post Trade Services SAU[1]	Madrid	Services for Group companies and third parties	EUR	60	100.0	–
BME Regulatory Services SAU[1]	Madrid	Regulatory compliance services	EUR	60	100.0	–
BME Servicios Corporativos SA[1]	Madrid	Services for Group companies	EUR	25,000	100.0	–
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros SA[1]	Madrid	Holding company	EUR	250,847	100.0	–
Bolsas y Mercados Españoles Inntech SAU[1]	Madrid	IT and Consulting services	EUR	331	100.0	–
Bolsas y Mercados Españoles Market Data SA[1]	Madrid	Financial information services	EUR	4,165	100.0	–
Bolsas y Mercados Españoles Renta Fija SAU[1]	Madrid	Fixed Income exchange	EUR	3,005	100.0	–
Bolsas y Mercados Españoles Sistemas de Negociación SA[1]	Madrid	Stock exchange and stock exchange services	EUR	60	100.0	–
Finaccess SIX Financial Information SA	Casablanca	Financial information services	MAD	8,548	55.0	55.0
Instituto Bolsas y Mercados Españoles SLU[1]	Madrid	Financial training	EUR	10	100.0	–
LATAM Exchanges Data Inc.[1]	Miami	Financial information services	USD	3,070	51.0	–
MEFF Sociedad Rectora del Mercado de Productos Derivados SAU[1]	Madrid	Derivatives exchange	EUR	6,650	100.0	–
MEFF Tecnología y Servicios SAU[1]	Barcelona	Electricity market CCP	EUR	60	100.0	–
Open Finance SL[1]	Valencia	Consultancy services to financial entities	EUR	4	100.0	–
SDX Trading Ltd	Zurich	Digital exchange services	CHF	100	100.0	100.0
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a. M.	Clearing services	EUR	30,000	100.0	100.0
SIX BBS Ltd	Zurich	Banking services	CHF	100	100.0	100.0
SIX Digital Exchange Ltd	Zurich	Digital exchange services	CHF	5,500	100.0	100.0
SIX Exchange Regulation Ltd	Zurich	Exchange regulation	CHF	100	100.0	100.0
SIX Exfeed Ltd	Zurich	Distribution of financial information	CHF	1,100	100.0	100.0
SIX Finance (Luxembourg) SA	Leudelange	Financing services	EUR	31	100.0	–
SIX Financial Information Belgium SA	Brussels	Financial information services	EUR	505	100.0	100.0
SIX Financial Information Denmark A/S	Copenhagen	Financial information services	DKK	1,600	100.0	100.0
SIX Financial Information Deutschland GmbH	Frankfurt a. M.	Financial information services	EUR	512	100.0	100.0
SIX Financial Information España SA	Madrid	Financial information services	EUR	424	100.0	100.0

[1] Entity of the acquired Bolsas y Mercados Españoles Group in June 2020

[2] As at 31 December 2019, 12H Ltd was accounted for at equity method. See below.

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		Equity interest in % 31/12/2020	Equity interest in % 31/12/2019
SIX Financial Information France SAS	Paris	Financial information services	EUR	44,900	100.0	100.0
SIX Financial Information Hong Kong Limited	Hong Kong	Inactive	HKD	4,000	100.0	100.0
SIX Financial Information Italia Srl	Milan	Financial information services	EUR	100	100.0	100.0
SIX Financial Information Japan Ltd	Tokyo	Financial information services	JPY	40,000	100.0	100.0
SIX Financial Information Ltd	Zurich	Financial information services	CHF	5,400	100.0	100.0
SIX Financial Information Luxembourg SA	Leudelange	Financial information services	EUR	31	100.0	100.0
SIX Financial Information Monaco SAM	Monaco	Financial information services	EUR	150	100.0	100.0
SIX Financial Information Nederland BV	Amsterdam	Financial information services	EUR	250	100.0	100.0
SIX Financial Information Nordic AB	Stockholm	Financial information services	SEK	100	100.0	100.0
SIX Financial Information Singapore Pte Ltd	Singapore	Financial information services	SGD	25	100.0	100.0
SIX Financial Information UK Ltd	London	Financial information services	GBP	500	100.0	100.0
SIX Financial Information USA Inc.	Stamford USA	Financial information services	USD	0	100.0	100.0
SIX Global Services Ltd	Zurich	Services for Group companies and third parties	CHF	100	100.0	100.0
SIX Group Services Ltd	Zurich	IT and management services	CHF	11,550	100.0	100.0
SIX Interbank Clearing Ltd	Zurich	Interbank payment services	CHF	1,000	100.0	100.0
SIX NCS Ltd	Zurich	Banking services	CHF	100	100.0	–
SIX Paynet Ltd	Zurich	E-billing and direct debit services	CHF	100	100.0	100.0
SIX Repo Ltd	Zurich	Swiss money market trading platform	CHF	1,000	100.0	100.0
SIX Securities Services Ltd	Zurich	Holding company	CHF	26,000	100.0	100.0
SIX SIS Ltd	Olten	Settlement and custody	CHF	26,000	100.0	100.0
SIX Swiss Exchange Ltd	Zurich	Stock exchange and stock exchange services	CHF	10,000	100.0	100.0
SIX Terravis Ltd	Zurich	Real estate information portal	CHF	4,100	100.0	100.0
SIX Trade Repository Ltd	Zurich	Trade repository	CHF	500	100.0	100.0
SIX x-clear Ltd	Zurich	Clearing	CHF	30,000	100.0	100.0
Sociedad de Bolsas SA [1]	Madrid	Stock exchange and stock exchange services	EUR	8,414	100.0	–
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SAU [1]	Madrid	Settlement and custody	EUR	114,380	100.0	–
Sociedad Rectora de la Bolsa de Valores de Barcelona SAU [1]	Barcelona	Stock exchange and stock exchange services	EUR	8,564	100.0	–
Sociedad Rectora de la Bolsa de Valores de Bilbao SAU [1]	Bilbao	Stock exchange and stock exchange services	EUR	2,957	100.0	–
Sociedad Rectora de la Bolsa de Valores de Madrid SAU [1]	Madrid	Stock exchange and stock exchange services	EUR	21,348	100.0	–
Sociedad Rectora de la Bolsa de Valores de Valencia SAU [1]	Valencia	Stock exchange and stock exchange services	EUR	4,111	100.0	–
SWISSTRADINGBOX Ltd	Zurich	IT services	CHF	100	50.1	50.1

[1] Entity of the acquired Bolsas y Mercados Españoles Group in June 2020

Changes in the composition of the Group during 2020

12H Ltd

In February 2020, SIX obtained control of 12H Ltd by acquiring an additional stake of 40.1%. Since then, SIX owns 90.0% of the capital and voting rights. Previously, SIX had held an interest of 49.9% and accounted for the investment by applying the equity method. For further details, see note 30.

SIX BBS Ltd

In March 2020, Swisskey Ltd was renamed SIX BBS Ltd.

SIX NCS Ltd

In April 2020, SIX NCS Ltd was founded with fully paid-up share capital of CHF 0.1 million.

Bolsas y Mercados Españoles Group

In June 2020, SIX acquired 93.16% of the shares in Bolsas y Mercados Españoles Group, Spain (BME). During the mandatory extension period of the voluntary tender offer and the squeeze-out, SIX also acquired the remaining shares. For further details, see note 30.

SWISSTRADINGBOX Ltd

In June 2020, SWISSTRADINGBOX Ltd realized a capital reduction of CHF 0.7 million.

SIX Finance (Luxembourg) SA

In August 2020, SIX Finance (Luxembourg) SA was founded with fully paid-up share capital of EUR 0.0 million.

Changes in the composition of the Group during 2019

SECB Swiss Euro Clearing Bank GmbH

In January 2019, SIX obtained control of SECB by acquiring the remaining 75% of the shares and voting interests in the company. For further details, see note 30.

SIX Interbank Clearing Ltd

In March 2019, SIX acquired the remaining 25% of the shares in SIX Interbank Clearing Ltd, increasing its ownership from 75% to 100%. The cash consideration paid was CHF 11.9 million. SIX recognized a decrease in non-controlling interests of CHF 7.6 million and a decrease in retained earnings of CHF 4.3 million.

SIX Corporate Bonds Ltd

In May 2019, SIX Corporate Bonds Ltd was merged with SIX Swiss Exchange Ltd. The merger had no impact on the Group’s consolidated figures as at 31 December 2019.

SIX Management Ltd

In May 2019, SIX Management Ltd was merged with SIX Group Services Ltd. The merger had no impact on the Group’s consolidated figures as at 31 December 2019.

SIX SIS Nominee U.K. Ltd

In June 2019, SIX SIS Nominee U.K. Ltd was merged with SIX SIS Ltd. The merger had no impact on the Group’s consolidated figures as at 31 December 2019.

SDX Trading Ltd

In August 2019, SDX Trading Ltd was founded with fully paid-up share capital of CHF 0.1 million.

SIX Digital Exchange Ltd

In December 2019, SIX Digital Exchange Ltd realized a capital increase of CHF 5.4 million.

Significant associates and joint ventures

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		31/12/2020 Equity interest in %	31/12/2019 Equity interest in %
12H Ltd	Zurich	Provider of low-latency solutions	CHF	100	–[2]	49.9
Regis-TR SA[1]	Luxembourg	Trade repository	EUR	3,600	50.0	–
SwissSign Group Ltd	Glattbrugg	Identity and certificate services	CHF	12,500	13.5	13.5
TWINT Ltd	Zurich	Mobile payment solutions	CHF	12,750	26.7	26.7
Worldline SA	Bezons	Electronic payment and transactional services	EUR	189,804	10.7[3]	21.8[3]

[1] Entity of the acquired Bolsas y Mercados Españoles Group in June 2020

[2] As at 31 December 2020, 12H Ltd is fully consolidated. See above.

[3] Voting rights as at 31 December 2020: 18.9% (31 December 2019: 19.6%)

Changes during 2020

Worldline SA

In April 2020, SIX disposed of 10.1 million shares in Worldline SA. The disposal resulted in a gain of CHF 172.5 million and a loss of CHF 30.8 million from the recycling of other comprehensive income. The net remeasurement gain of CHF 141.7 million has been included in other financial income (see note 9). In October 2020, Worldline SA acquired Ingenico SA. As the purchase price was partially paid through the issuance of additional Worldline shares, the ownership interest of SIX has been reduced to 10.7%. Such a dilution of the ownership interest is commonly referred to ‘deemed disposal’. The remeasurement of the investment due to the deemed disposal resulted in a gain of CHF 195.4 million and a loss of CHF 26.5 million from the recycling of other comprehensive income. The net gain of CHF 168.9 million has been recognized in other financial income (see note 9). SIX still has significant influence over Worldline SA as SIX holds 18.9% of the voting rights and has three representatives in the Board of Directors of Worldline SA.

Changes during 2019

Worldline SA

In September 2019, Worldline SA acquired the minority stake of 36.4% in equensWorldline for EUR 1,070 million and recognized EUR 846.8 million in retained earnings. Accordingly, SIX recognized its share of the transaction of CHF 228.7 million by reducing the investment in Worldline SA against retained earnings.

In the fourth quarter of 2019, upon the commitment of SIX to dispose 9.2 million shares of Worldline SA (i.e. the collar shares) in the near future, the corresponding stake of the investment has been reclassified to equity instruments measured at FVtPL. The reclassification resulted in a remeasurement gain of CHF 183.9 million and a loss of CHF 17.5 million from the recycling of other comprehensive income. The net remeasurement gain of CHF 166.3 million has been included in other financial income (see note 9). As a result of the reclassification, the share of SIX decreased to 21.8%.

The following table presents the carrying amount and share of other comprehensive income of the individually material associates, and in aggregate for the individually non-material associates and joint ventures:

			31/12/2020			31/12/2019
CHF million	Worldline	Others	Total	Worldline	Others	Total
Carrying amount	**1,666.5**	**25.0**	**1,691.5**	**1,932.2**	**27.3**	**1,959.5**
Share of profit	25.6	–9.9	15.7	70.1	–0.4	69.6
Share of other comprehensive income incl. currency translation adjustments	–15.4	–0.2	–15.6	–75.6	0.4	–75.2
Share of total comprehensive income	**10.2**	**–10.1**	**0.1**	**–5.5**	**–0.1**	**–5.6**
Share of other changes in equity of associates	**10.9**	**–**	**10.9**	**–224.1**	**–**	**–224.1**

As at 31 December 2020, the unrecognized share of losses of associates for 2020 and cumulatively totaled CHF 4.7 million and CHF 21.9 million, respectively, when SIX had stopped recognizing its share of losses for associates by applying the equity method. As at 31 December 2019, the unrecognized share of losses for the year and cumulatively totaled CHF 6.2 million and CHF 17.2 million, respectively.

The following table summarizes financial information for material associates.

CHF million	31/12/2020 Worldline SA	31/12/2019 Worldline SA
Current assets	4,993.7	2,468.5
Non-current assets	16,330.2	6,289.7
Current liabilities	–4,903.7	–2,237.8
Non-current liabilities	–5,161.1	–2,107.7
Non-controlling interests	–980.7	–
Net assets attributable to shareholders	**10,278.4**	**4,412.7**
SIX share of associates' net assets	1,099.3	963.7
Goodwill and other adjustments	567.2	968.6
Total carrying amount	**1,666.5**	**1,932.2**
Revenues	**2,941.5**	**2,650.3**
Net profit	**176.7**	**376.1**
of which attributable to shareholders of Worldline SA	*175.2*	*346.3*
Other comprehensive income	–56.8	62.4
Total comprehensive income	**119.9**	**438.6**
of which attributable to shareholders of Worldline SA	*118.5*	*408.7*
Fair value of investment	2,560.1	2,733.2

30. Acquisitions of Subsidiaries

Acquisitions in 2020

12H Ltd

On 28 February 2020, SIX obtained control of 12H Ltd by acquiring an additional stake of 40.1%. Since then, SIX owns 90.0% of the capital and voting rights. Previously, SIX had held an interest of 49.9% and accounted for the investment by applying the equity method. The fair value of the interest previously held was CHF 20.3 million. The remeasurement gain recognized in financial income was CHF 0.3 million.

The purpose of 12H business is to provide low-latency access to Swiss securities trading via radio-frequency technology.

The primary reason for the business combination is to provide trading participants from around the world with equal access to SIX Swiss Exchange, enabling them all to obtain the same benefits. Additionally, the combination helps SIX to create the best possible trading conditions in order to attract liquidity in Swiss securities and strengthen its position as their reference market.

At closing, SIX transferred a cash consideration of CHF 8.0 million. The purchase agreement also includes three milestone payments totaling CHF 4.3 million that are contingent on the finalization of an additional radio-frequency link.

Both SIX and the minority shareholder have an option to either buy or sell the remaining stake in 12H Ltd two years after the closing. The minority shareholder may sell the remaining stake for CHF 3.2 million. As of the closing, SIX decided to firstly recognize the non-controlling interests of CHF 1.6 million by applying the partial goodwill method. Secondly, the non-controlling interests have been derecognized by recognizing a financial liability of CHF 3.2 million and by reducing retained earnings by CHF 1.5 million. Dividends relating to the remaining stake in 12H Ltd are recognized as an expense in the income statement. If the put option is exercised, the payment will be recognized against the financial liability. If the put option expires unexercised, the financial liability will be derecognized and the non-controlling interests will be reinstated. Any difference between the liability and the non-controlling interest will be recognized in equity. SIX may acquire the remaining stake for CHF 4.3 million. The call option is classified as equity instrument and does not provide SIX present access to returns. Should the option be exercised, the non-controlling interest will be derecognized and the difference to the payment will be recognized in equity. If the option elapses unexercised, there will be no impact on the financial statements.

From the date of acquisition, the business has contributed CHF 4.5 million of Group revenues and negatively impacted Group earnings before tax by CHF 0.5 million in 2020. Assuming that the acquisition had taken place on 1 January 2020, the management estimates that Group revenues and Group earnings before tax would have been CHF 1.1 million higher and CHF 0.1 million lower, respectively.

Identifiable assets acquired and liabilities assumed

The following table summarizes assets acquired and liabilities assumed on the acquisition date.

CHF million	Fair value recognized on acquisition
Cash and cash equivalents	5.4
Other current assets	1.1
Current assets	**6.5**
Property, plant and equipment	10.4
Intangible assets	5.4
Non-current assets	**15.8**
Total assets	**22.3**
Other current liabilities	0.6
Current liabilities	**0.6**
Financial liabilities	4.4
Deferred tax liabilities	1.1
Non-current liabilities	**5.4**
Total liabilities	**6.1**
Net assets acquired	**16.2**
Goodwill	17.9
Fair value of pre-existing interest	–20.3
Non-controlling interests	–1.6
Total purchase price for the additional stake	**12.2**
of which contingent considerations	*4.3*[1]
of which cash considerations	*8.0*

[1] Initial milestone payment of CHF 2.2 million was made in October 2020 and is presented within investing activities in the cash flow statement.

Trade and other receivables

Trade and other receivables comprised gross contractual amounts of CHF 0.6 million, none of which were expected at the date of acquisition to be uncollectible.

Customer relationships

The multi-period excess earnings method (MEEM) was applied to assess the fair value of customer relationships. The aggregate fair value of customer relationships constitutes the total of CHF 5.4 million.

Goodwill

SIX decided to apply the partial goodwill method. The recognized goodwill of CHF 17.9 million comprises the value of expected synergies arising from the acquisition. The goodwill is allocated entirely to the trading business area. None of the goodwill recognized is expected to be deductible for income tax purposes.

Bolsas y Mercados Españoles

In November 2019, SIX made an all-cash voluntary tender offer for 100% of the share capital of Bolsas y Mercados Españoles, Spain (BME). Until 16 June 2020, 77.9 million shares had been tendered, resulting in ownership interest of 93.16%. Due to legal requirements, the initial offer was extended until 5 September 2020. The mandatory extension of the offer has been accounted for as a single linked transaction. As of the closing, SIX recognized a liability of CHF 202.9 million for the purchase price of the remaining stake of 6.84%. After the expiry of the extension period, SIX exercised the squeeze-out right for the remaining shares. Since September 2020, SIX has owned 100% of the shares in BME. Due to the acquisition by SIX, the BME shares have been delisted from the Spanish markets in September 2020.

BME is the operator of all stock markets and financial systems in Spain. It trades shares, ETFs, warrants, certificates and many other instruments and is one of the four major European stock exchange and market operators.

The primary reason for the business combination is to strengthen the Swiss and Spanish ecosystems by bringing new capabilities and offering attractive and cross-border services to the entire value chain. SIX and BME have created the third largest financial market infrastructure group in Europe.

SIX paid EUR 32.98 per BME share, including those acquired during the mandatory extension and the squeeze-out, which resulted in a total consideration of CHF 2,967.9 million.

SIX used foreign currency forward contracts, foreign currency swaps and the foreign currency component of reverse repurchase transactions as hedging instruments to hedge the foreign currency risk of the purchase price. The payment of the consideration was considered to be a highly probable transaction when the regulatory approvals for the business combination were obtained. At this point in time, SIX started to apply hedge accounting. SIX established a hedge ratio of 100%. There was an economic relationship between the highly probable transaction and the hedging instruments, as they were all denominated in Euros. There was no imbalance in the hedges that created ineffectiveness. As of the closing of the business combination, the accumulated gain of CHF 42.1 million recognized in OCI as cash flow hedge reserve was removed from equity and included in the initial cost of the investment in BME (i.e. reduction of initial costs).

Initially, SIX financed the acquisition through a bridge facility. For further details about the bridge facility and the financing of the transaction, refer to note 17.

From the date of acquisition, the business has contributed CHF 196.6 million of Group revenues and positively impacted Group earnings before tax by CHF 71.6 million in 2020. Assuming that the acquisition had taken place on 1 January 2020, the management estimates that Group revenues and Group earnings before tax would have been CHF 138.8 million and CHF 26.0 million higher, respectively.

The transaction costs of the acquisition amounted to CHF 50.8 million, CHF 31.5 million of which are included in other operating expenses and personnel expenses in 2020.

Identifiable assets acquired and liabilities assumed
The following table summarizes assets acquired and liabilities assumed on the acquisition date.

CHF million	Fair value recognized on acquisition
Cash and cash equivalents	3,659.3
Trade and other receivables	44.1
Receivables from clearing & settlement	71.0
Financial assets	2,133.3
Current income tax receivables	48.8
Other current assets	5.8
Current assets	**5,962.3**
Property, plant and equipment	64.3
Intangible assets	1,184.6
Investments in associates and joint ventures	10.8
Financial assets	16.8
Deferred tax assets	12.3
Non-current assets	**1,288.8**
Total assets	**7,251.2**
Trade and other payables	1.9
Payables from clearing & settlement	3,394.2
Financial liabilities	2,135.2
Contract liabilities	19.5
Current income tax payables	56.2
Other current liabilities	50.1
Current liabilities	**5,657.2**
Financial liabilities	22.2
Provisions	4.7
Contract liabilities	4.9
Other non-current liabilities	17.5
Deferred tax liabilities	297.2
Non-current liabilities	**346.5**
Total liabilities	**6,003.6**
Net assets acquired	**1,247.5**
Goodwill	1,679.2
Non-controlling interests of BME	−0.9
Total purchase price	**2,925.8**
of which payable to non-controlling shareholders	*202.9*[1]
of which cash considerations	*2,765.0*
of which cash flow hedges reserve reclassified to the investment	*−42.1*

[1] The NCI liability was fully settled in cash and is presented within investing activities in the cash flow statement.

Fair values measured on a provisional basis
The fair value of BME's investments in associates and joint ventures have been measured provisionally, pending completion of a final valuation.

The accounting of the acquisition will be revised if new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition.

Trade and other receivables
The fair value of acquired trade and other receivables is CHF 44.1 million. The gross contractual amount for trade and other receivables due is CHF 47.6 million, CHF 3.5 million of which is expected to be uncollectible.

Customer relationships
The multi-period excess earnings method (MEEM) was applied to assess the fair value of customer relationships. The provisional aggregate fair value of customer relationships constitutes the total of CHF 601.5 million.

Other intangible assets
The relief from royalty method was applied to assess the fair value of brands and software. The aggregate fair value of brands amounts to CHF 218.8 million and the fair value of software totals CHF 273.6 million. The cost approach was applied to the fair value of licenses. The aggregate fair value of licenses amounts to CHF 87.6 million.

Goodwill
The recognized goodwill of CHF 1,679.2 million comprises the value of expected synergies arising from the acquisition. The goodwill is allocated entirely to the BME business unit. CHF 36.5 million of the goodwill is expected to be deductible for tax purposes.

Acquisitions in 2019

SECB Swiss Euro Clearing Bank GmbH
On 31 January 2019, SIX obtained control of SECB by acquiring the remaining 75% of the shares and voting interests in the company. Previously, SIX had held a 25% stake in SECB and accounted for the investment as an associate by applying the equity method. The other shareholders were the Swiss banks UBS, Credit Suisse and PostFinance, with a 25% holding each. The cash consideration paid for the 75% stake totaled EUR 71.3 million (CHF 81.4 million). The fair value of the 25% stake previously held was CHF 27.1 million.

The purpose of SECB's business is to support the Swiss euroSIC system and to provide access to TARGET2 and SEPA, primarily for banks and financial institutions in Switzerland and Liechtenstein. SECB is part of the Banking Services business unit.

The acquisition is part of a strategy of SIX to underpin its role as a competence center for operations in, the development of and innovation in the Swiss payment system. The transaction lays the foundations for providing new services and strengthening the role of the Banking Services business unit as an infrastructure provider.

From the date of acquisition, the business contributed CHF 21.7 million of Group revenues and positively impacted Group earnings before tax by CHF 6.9 million in 2019. Assuming that the acquisition had taken place on 1 January 2019, management estimates that Group revenues and Group earnings before tax would have been CHF 1.9 million and CHF 0.8 million higher, respectively.

The transaction costs of the acquisition, which totaled CHF 0.7 million, were mainly recognized in other operating expenses and personnel expenses in 2018.

Identifiable assets acquired and liabilities assumed

The following table summarizes assets acquired and liabilities assumed on the acquisition date.

CHF million	Fair value recognized on acquisition
Cash and cash equivalents	521.7
Trade and other receivables	0.6
Receivables from clearing & settlement	1.0
Financial assets	97.3
Current income tax receivables	2.0
Other current assets	8.4
Current assets	**631.0**
Property, plant and equipment	1.3
Intangible assets	0.3
Financial assets	1,892.1
Non-current assets	**1,893.7**
Total assets	**2,524.7**
Payables from clearing & settlement	2,381.5
Financial liabilities	0.2
Current income tax payables	0.9
Other current liabilities	1.8
Current liabilities	**2,384.4**
Financial liabilities	0.9
Deferred tax liabilities	12.9
Non-current liabilities	**13.8**
Total liabilities	**2,398.2**
Net assets acquired	**126.6**
Fair value of pre-existing interest	27.1
Cash consideration	81.4
Gain from bargain purchase	**18.0**

Trade and other receivables

Trade and other receivables comprised gross contractual amounts of CHF 0.6 million, none of which were expected to be uncollectible at the date of acquisition.

No assets and liabilities were identified in the context of the purchase price allocation (PPA). The acquisition resulted in a gain from bargain purchase of CHF 18.0 million, included in financial income, as the fair value of the assets acquired and liabilities assumed exceeded the sum of the fair value of the consideration paid and the pre-existing equity interest. The economic transfer of the remaining 75% of the shares and voting interests to SIX took effect on 1 January 2018 which is the main reason for the gain from bargain purchase.

Additional Information

31. Assets Pledged or Assigned to Secure Own Liabilities

The following table presents the carrying amount of assets pledged or restricted in use:

CHF million	31/12/2020	31/12/2019
Cash and cash equivalents	5.4	–
Financial assets at amortized cost	134.4	39.3
Financial assets at FVtOCI	220.6	–
Financial assets at FVtPL	–	84.7
Total	**360.5**	**124.0**

SIX has pledged assets and provided cash deposits as security for operating lease agreements. These amounts are restricted in use.

As at 31 December 2020, SIX x-clear Ltd has pledged debt instruments of CHF 277.4 million for the interoperability and the intraday credit facility used in connection with the Norwegian equities settlement (31 December 2019: CHF 38.0 million).

SIX holds funds at correspondent banks which originate from corporate actions and are linked to securities of sanctioned persons. The funds cannot be accessed until the sanctions are lifted. As of 31 December 2020, the sanctioned accounts amounted to CHF 75.8 million.

As at 31 December 2019, 1.2 million Worldline shares were pledged in connection with the equity collar transaction. Additionally, ATOS and SIX agreed a lock-up period for Worldline shares until the end of February 2020. The lock-up applies to all Worldline shares except the delta shares of the collar transaction. For further details on the equity collar transaction, see note 17.

32. Contingent Liabilities

As at 31 December 2020, SIX had no significant contingent liabilities (2019: none).

33. Leases

SIX as lessee

SIX leases in particular office space, vehicles and IT equipment.

Leases of office space are negotiated on an individual basis and contain a wide range of different terms and conditions. Typically, they run for periods up to 13 years and may include an option to renew the lease for an additional period and/or to terminate the lease early. Some leases include variable lease payments that depend on local price indices. SIX subleases some of the leased office space.

The leases of vehicles and IT equipment typically run for periods of three to five years.

SIX also leases IT printers and other office equipment with contract terms of up to five years. These are usually leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

Right-of-use assets

For the quantitative disclosures on the right-of-use assets, see note 19.

Lease liabilities

The maturity analysis of the contractual undiscounted cash flows is set out in note 25.

Extension and termination options

Some leases of office space contain extension or termination options only exercisable by SIX. The termination options are subject to a termination fee of up to 15 monthly rentals. SIX assesses at lease commencement whether it is reasonably certain to exercise the extension option or not to exercise a termination option and performs a reassessment if there is a significant event or significant change in the circumstances within its control.

CHF million	Notes	31/12/2020	31/12/2019
Amounts recognized in the income statement			
Income from subleasing of right-of-use assets		1.0	1.4
Interest expenses on lease liabilities	10	–2.9	–2.9
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		–0.5	–0.5
Amounts recognized in the statement of cash flows			
Total cash outflow for leases		19.2	12.5
Lease commitments and undiscounted potential future lease payments not included in the lease liabilities			
Future lease payments related to leases not yet commenced to which SIX is committed		1.7	0.9
Extension options not reasonably certain		3.0	3.4
Termination options not reasonably certain not to be exercised		–	1.6

SIX as lessor

SIX partially leases out some office buildings owned and subleases some office space. These leases are classified as operating leases, because they do not transfer substantially all the risk and rewards incidental to ownership of the assets.

Operating lease income also include fees earned for the renting of conference rooms and the income from recharges of ancillary costs. In 2020, operating lease income totaled CHF 11.9 million (2019: CHF 12.8 million).

The table below sets out a maturity analysis of the future undiscounted lease payments:

CHF million	31/12/2020	31/12/2019
Within one year	8.0	8.2
Between one and five years	22.8	25.8
More than five years	16.6	22.0
Total	**47.4**	**56.0**

The breakdown of property, plant and equipment in assets used by SIX and assets leased to third parties is provided in note 19.

34. Defined Benefit Plans

SIX has established its own pension plan in Switzerland. Outside of Switzerland, SIX uses different, generally legally independent, pension providers. Defined benefit plans are in place for Switzerland, Spain and France. Independent actuarial valuations for the plans are performed as required for the defined benefit plans. The defined benefit plan for Switzerland represents more than 98% of the total present value of the defined benefit obligation. For this reason, SIX does not present the defined benefit plans in Spain and France separately.

Swiss pension plan

The Swiss pension plan covers all SIX employees in Switzerland and exceeds the minimum benefit requirements under Swiss law (BVG). The benefits covered include retirement, disability and death benefits. Pension plan contributions are paid by the employees and the employer and are calculated as a percentage of the covered salary. The rate of contribution depends on the age of the employee. All entities are responsible for the timely payment of contributions for each employee.

The Swiss plan provides employees with a choice between three saving plans: the budget plan, the standard plan and the maximum plan. The three plans differ only in the amount of employee contributions. At retirement, the employees' individual savings capital is multiplied by the conversion rate, which is defined by the pension fund regulations, and can be paid out as either a lifetime annuity or a lump-sum payment. In the event of disability, the pension plan pays a disability pension until ordinary retirement age. In the event of death, the surviving spouse or registered partner or life partner is entitled to receive a pension.

Although the Swiss pension plan is a defined contribution plan under Swiss pension law, it qualifies and is therefore accounted for as a defined benefit plan under IAS 19 *Employee Benefits*. According to the relevant affiliation agreements, there is no provision for SIX to be liable to the plan for other affiliated companies' obligations. Any deficit or surplus of the pension plan will be allocated between the affiliated companies according to the relevant defined benefit obligation.

The employer contributions expected to be made to the Swiss pension plan in 2021 are CHF 38.6 million.

Plan assets and defined benefit obligation

The overall investment policy and strategy for the Swiss defined benefit plans are guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plan. SIX is responsible for determining the mix of asset types and target allocations. Actual asset allocation is determined by a variety of current and expected economic and market conditions and in consideration of specific asset class risks, the risk profile and the maturity pattern of the plan.

The plan assets comprise:

CHF million	31/12/2020	31/12/2019
Listed equity instruments	497.7	456.3
Listed debt instruments	664.9	642.7
Listed real estate	304.5	312.4
Cash and cash equivalents	16.5	24.8
Unlisted other financial investments	119.9	91.2
Total plan assets	**1,603.6**	**1,527.5**

All equity and debt instruments have quoted prices in active markets. All government bonds excluding emerging markets have investment grade ratings.

An asset-liability matching (ALM) study is performed periodically by an external investment advisor, in which the consequences of the strategic investment policies are analyzed. The strategic investment policy of the pension fund for 2020 can be summarized as follows:

- The strategic asset allocation comprises 23.0% to 37.0% (neutral: 30.0%) equity instruments; 33.0% to 58.0% (neutral: 44.0%) debt instruments and cash; and 18.0% to 32.0% (neutral: 26.0%) other investments (e.g. real estate and alternative investments).
- Interest rate risk is not managed actively, but the pension plan is strongly underweighted in duration.
- The foreign currency risk of the main currencies is managed by a currency overlay program and/or foreign currency hedge directly in the funds.

The following table summarizes the changes in the present value of the defined benefit obligation:

CHF million	2020	2019
Present value of obligation at 1 January	**–1,530.4**	**–1,404.9**
Effect of business combinations and disposals	–22.8	–
Interest expenses on defined benefit obligation	–4.9	–11.5
Current service costs (employer)	–51.5	–44.5
Employee contributions	–29.3	–28.2
Benefits paid	30.5	20.4
Actuarial gains or (losses)	–26.2	–61.3
Administration costs	–0.8	–0.7
Translation adjustments	–0.2	0.2
Present value of obligation at 31 December	**–1,635.5**	**–1,530.4**

Changes in the fair value of plan assets were as follows:

CHF million	2020	2019
Fair value of plan assets at 1 January	**1,527.5**	**1,351.8**
Effect of business combinations and disposals	9.2	–
Employer contributions	40.0	38.1
Employee contributions	29.3	28.2
Interest income on assets	4.7	11.0
Return on plan assets (excl. contributions in interest income)	23.4	118.7
Benefits paid	–30.5	–20.3
Translation adjustments	0.1	–
Present value of plan assets at 31 December	**1,603.6**	**1,527.5**

Amounts recognized in the balance sheet:

CHF million	31/12/2020	31/12/2019
Present value of defined benefit obligation	–1,635.5	–1,530.4
Fair value of plan assets	1,603.6	1,527.5
Recognized pension assets/(liabilities)	**–32.0**	**–3.0**
of which presented as pension assets	*–*	*3.5*
of which presented as other liabilities	*–32.0*	*–6.5*

All benefits were vested at the end of the reporting period. The weighted average duration of the defined benefit obligation at the reporting date was 16 years (31 December 2019: 16 years).

The following table provides information on pension costs for defined benefit plans:

CHF million	2020	2019
Current service costs	–51.5	–44.5
Net interest expenses	–0.1	–0.5
Administration costs	–0.8	–0.7
Total pension expense for the period	**–52.4**	**–45.7**

Remeasurements recognized in other comprehensive income:

CHF million	2020	2019
Actuarial gains/(losses)	–26.2	–61.3
Return on plan assets excl. interest income	23.4	118.7
Total income/(expense) recognized in OCI	**–2.8**	**57.5**

The actuarial gains/(losses) arising from changes in financial assumptions totaled CHF 41.1 million (2019: CHF –73.0 million).

Assumptions used to determine the defined benefit obligation

The following were the principal actuarial assumptions at the reporting date:

	31/12/2020	31/12/2019
Discount rate	0.15%	0.30%
Salary trend	0.70%	0.70%
Interest rate on retirement savings capital	0.30%	0.30%
Mortality tables	BVG 2015 GT	BVG 2015 GT

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes the positive or negative impact on the defined benefit obligation at the reporting date as a result of a change in the principal actuarial assumptions.

CHF million	Present value of defined benefit obligation 31/12/2020	31/12/2019
Defined benefit obligation based on current actuarial assumptions	–1,635.5	–1,530.4
Discount rate		
Change in actuarial assumption – decrease of 50 bps	–1,777.2	–1,664.1
Change in actuarial assumption – increase of 50 bps	–1,512.5	–1,414.8
Salary trend		
Change in actuarial assumption – decrease of 25 bps	–1,628.1	–1,523.5
Change in actuarial assumption – increase of 25 bps	–1,643.1	–1,537.5
Interest rate on retirement savings capital		
Change in actuarial assumption – decrease of 50 bps	–1,616.6	–1,512.3
Change in actuarial assumption – increase of 50 bps	–1,668.4	–1,561.8
Life expectancy		
Change in actuarial assumption – decrease of 1 year	–1,595.5	–1,493.7
Change in actuarial assumption – increase of 1 year	–1,675.2	–1,566.9

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation in 2020 and are applied to adjust the defined benefit obligation at the reporting date based on the assumptions concerned. While the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity to the assumptions shown.

35. Related Party Disclosures

SIX defines related parties as:
- shareholders that have significant influence by delegating a member into the Board of Directors of SIX
- associated companies that are significantly influenced by SIX
- post-employment benefit plans for the benefit of SIX employees
- key management personnel
- entities that are directly or indirectly controlled or jointly controlled by key management personnel

121 banks hold shares in SIX, but no bank holds more than 20% of the Group's shares issued. The shares are widely distributed, i.e. no bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

Transactions with related parties and companies are made at terms equivalent to those that prevail in arm's length transactions. The price schedules for transactions with third parties also apply to transactions with related parties.

Receivables from clearing & settlement due from related parties of CHF 40.9 million are collateralized (31 December 2019: CHF 26.5 million). No provisions for doubtful debts (i.e. lifetime expected credit losses according to stage 3 of the impairment model) relating to amounts owed by related parties were recorded as at 31 December 2020 or 31 December 2019.

As at 31 December 2019, qualifying shareholders of SIX had provided guarantees to the CNMV of EUR 2.8 billion in connection with the bridge facility for the planned acquisition of BME. For further details on the bridge facility, see note 17.

Transactions and outstanding balances with related parties of SIX are summarized in the tables below.

				2020
CHF million	**Qualifying shareholders**	**Associates and joint ventures**	**Post-employment benefit plans**	**Total**
Income statement				
Operating income	324.1	56.4	–	380.5
Other operating expenses	–11.5	–37.7	–	–49.2
Net interest income	–2.1	–	–	–2.1
Contributions	–	–	–39.3	–39.3

CHF million	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	Total
				31/12/2020
Balance sheet				
Cash and cash equivalents	261.1	–	–	261.1
Trade and other receivables	24.4	11.8	–	36.3
Receivables from clearing & settlement	60.3	–	–	60.3
Financial assets	71.0	0.5	–	71.5
Trade and other payables	0.1	0.4	0.1	0.7
Payables from clearing & settlement	1,505.0	136.1	–	1,641.1
Financial liabilities current	381.6	–	–	381.6
Financial liabilities non-current	–	–	–	–
Other liabilities	1.0	3.1	–	4.0

CHF million	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	Total
				2019
Income statement				
Operating income	324.3	62.3	–	386.6
Other operating expenses	–4.4	–44.7	–	–49.1
Net interest income	–1.0	–	–	–1.0
Contributions	–	–	–38.1	–38.1

CHF million	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	Total
				31/12/2019
Balance sheet				
Cash and cash equivalents	341.5	–	–	341.5
Trade and other receivables	24.1	13.0	–	37.0
Receivables from clearing & settlement	33.3	–	–	33.3
Financial assets [1]	14.5	627.5	–	642.0
Trade and other payables	2.3	0.8	0.1	3.1
Payables from clearing & settlement	1,794.0	113.2	–	1,907.2
Financial liabilities current [1]	8.2	–	–	8.2
Financial liabilities non-current	98.5	–	–	98.5
Other liabilities	–	59.1	–	59.1

[1] Figures as of 31 December 2019 were adjusted.

Compensation paid to key management personnel

Key management personnel are defined as members of the Board of Directors and the Executive Board. This definition is based on the requirements of IAS 24 *Related Party Disclosures*.

The members of the Board of Directors and the Executive Board and their immediate relatives do not have any ownership interest in the Group's companies.

Apart from the compensation paid and the regular contributions to the pension fund institutions, no transactions with key management personnel took place. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period.

CHF million	2020	2019
Salaries and other short-term employee benefits	–14.3	–11.4
Other long-term benefits	–2.9	–2.9
Total compensation to key management	**–17.2**	**–14.3**

36. Events after the Balance Sheet Date

As at 10 March 2021, the date of approval for issue of the financial statements by the Board of Directors, the Group had undergone no subsequent events warranting a modification of the value of the assets and liabilities or an additional disclosure.

Statutory Auditor's Report on the Audit of the Consolidated Financial Statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 11 March 2021

Opinion

We have audited the consolidated financial statements of SIX Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 31 to 122) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the 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)	Slaven Cosic Licensed audit expert

SIX Group Ltd
Financial Statements 2020

1. Balance Sheet

CHF million	Notes	31/12/2020	31/12/2019
Assets			
Cash and cash equivalents	3.2.2	182.5	319.0
Financial assets with quoted market price	3.2.3	–	427.5
Current financial assets	3.2.6	15.3	35.0
Trade receivables	3.2.4	8.2	6.2
Other receivables	3.2.5	473.8	577.5
Positive replacement values of derivatives		2.5	0.5
Accrued income and prepaid expenses		12.8	3.9
Current assets		**695.2**	**1,369.6**
Non-current financial assets	3.2.6	142.5	316.4
Investments in subsidiaries and associated entities	3.2.7	6,226.6	4,126.9
Non-current assets		**6,369.0**	**4,443.4**
Total assets		**7,064.2**	**5,812.9**
Liabilities			
Trade payables	3.2.8	4.3	14.7
Current interest-bearing liabilities	3.2.9	297.3	377.9
Other current liabilities	3.2.10	324.8	59.0
Negative replacement values of derivatives		0.3	0.2
Accrued expenses and deferred income		13.4	17.6
Current liabilities		**640.1**	**469.5**
Non-current interest-bearing liabilities	3.2.11	734.0	–
Other non-current liabilities	3.2.12	17.2	26.1
Non-current provisions		3.2	3.2
Non-current liabilities		**754.3**	**29.3**
Total liabilities		**1,394.4**	**498.8**
Equity			
Share capital		19.5	19.5
Legal capital reserves			
Reserves from capital contributions		230.2	230.2
Legal retained earnings			
Reserves for indirectly held treasury shares		23.3	23.3
Free reserves			
Profit carried forward		4,964.9	4,900.2
Profit for the year		431.8	140.8
Treasury shares	3.2.16	–0.0	–0.0
Total equity		**5,669.8**	**5,314.1**
Total liabilities and equity		**7,064.2**	**5,812.9**

2. Income Statement

CHF million	Notes	2020	2019
Dividend income from investments		354.6	143.3
Service revenues		15.0	14.4
Other trade revenues		9.0	9.7
Total operating income		**378.6**	**167.4**
Service-related expenses		–	–5.5
Consulting and other professional fees		–50.9	–40.6
Marketing and advertising expenses		–0.0	–
Depreciation and amortization	3.2.18	–42.5	5.4
Valuation adjustments and losses		–0.0	0.0
Other operating expenses		–6.7	–0.5
Total operating expenses		**–100.1**	**–41.2**
Operating profit before interest and tax		**278.5**	**126.1**
Financial income	3.2.19	302.7	54.6
Financial expenses	3.2.19	–158.7	–48.2
Earnings before tax and extraordinary items		**422.6**	**132.6**
Extraordinary income	3.2.21	13.6	18.9
Extraordinary expenses	3.2.21	–4.3	–7.2
Earnings before tax		**431.9**	**144.3**
Taxes		–0.1	–3.4
Profit for the year		**431.8**	**140.8**

3. Notes to the Financial Statements

3.1 Principles of the financial statements

3.1.1 General principles

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. The financial statements may be influenced by the creation and release of hidden reserves.

3.1.2 Foreign currency translation

Transactions in foreign currencies are recorded at the current exchange rates. Monetary items are translated using the closing rates. Non-monetary items are translated using historical exchange rates. Exchange rate gains and losses are credited or debited to the income statement.

Foreign currency positions were translated into CHF using the following closing rates:

Foreign currency	31/12/2020	31/12/2019
EUR	1.0842	1.0846
GBP	1.2019	1.2693
SEK	10.7430	10.3466
USD	0.8819	0.9678

3.1.3 Investments in subsidiaries and associated entities

Investments in subsidiaries and associated entities are carried at cost less accumulated impairment losses.

3.1.4 Financial assets

Bonds are measured at the lower of amortized cost or market value. Financial assets which are due within one year are presented within current assets. Loans are carried at nominal value less accumulated impairment losses.

3.1.5 Derivative financial instruments

Derivatives are recognized initially at cost. Subsequent to initial recognition derivatives are measured at market value.

3.1.6 Treasury shares

At initial recognition treasury shares are recognized at cost as a negative position within equity. Gains or losses that occur upon a subsequent sale are recognized as financial income or expense.

3.1.7 Revenue recognition

Revenues for services are recognized when they are invoiced. This occurs when they have been provided.

3.1.8 Hedge accounting

SIX Group Ltd may apply hedge accounting in case a hedging transaction (i.e. derivative) was concluded to hedge a market risk of a balance sheet item, the hedging transaction is embedded in the company's internal risk system and the hedge relationship is effective. When applying hedge accounting to balance sheet items which are measured at costs, any gain in the market value of the balance sheet item and the effective portion of the loss on hedging transaction are offset, i.e. market value changes are not recognized. If the loss on the hedging instrument exceeds the gain on the balance sheet item, the net loss is recognized in the income statement. A net gain is not recognized. In case the market value of the balance sheet item decreases below its carrying amount, the loss on the balance sheet item and the effective portion of the positive replacement value of the hedge are recognized. If the gain on the hedging instrument exceeds the loss on the balance sheet item, the net gain is not recognized.

3.2 Disclosure on balance sheet and income statement items and other information

3.2.1 Number of full-time equivalents

The annual average number of full-time equivalents in the reporting year was nil (2019: nil).

3.2.2 Cash and cash equivalents

CHF million	31/12/2020	31/12/2019
Due from third parties	12.7	–
Due from shareholders	169.8	319.0
Cash and cash equivalents	**182.5**	**319.0**

3.2.3 Financial assets with quoted market price

CHF million	31/12/2020	31/12/2019
Money market funds	–	86.2
Equities	–	16.2
Funds	–	325.1
Financial assets with quoted market price	**–**	**427.5**

3.2.4 Trade receivables

CHF million	31/12/2020	31/12/2019
Due from third parties	0.1	0.0
Due from Group and associated entities	8.2	6.2
Trade receivables	**8.2**	**6.2**

3.2.5 Other receivables

CHF million	31/12/2020	31/12/2019
Due from third parties	17.1	49.5
Due from Group and associated entities	456.7	527.9
Other receivables	**473.8**	**577.5**

3.2.6 Financial assets

CHF million	31/12/2020	31/12/2019
Loans due from third parties	0.3	1.1
Loans due from Group and associated entities	89.5	150.0
Bonds	60.7	195.3
Other current financal assets	0.8	1.0
Other financial assets	6.6	4.1
Financial assets	**157.8**	**351.5**
of which current	*15.3*	*35.0*
of which non-current	*142.5*	*316.4*

3.2.7 Investments in subsidiaries and associated entities

Fully consolidated participations

			31/12/2020		31/12/2019	
Name	Place	Currency	Share capital in 1,000	Share in %[2]	Share capital in 1,000	Share in %[2]
12H Ltd	Zurich	CHF	100	90.0	–	–
BME Clearing SAU[1]	Madrid	EUR	18,030	100.0	–	–
BME LATAM SAS[1]	Bogota	COP	150,000	100.0	–	–
BME Post Trade Services SAU[1]	Madrid	EUR	60	100.0	–	–
BME Regulatory Services SAU[1]	Madrid	EUR	60	100.0	–	–
BME Servicios Corporativos SA[1]	Madrid	EUR	25,000	100.0	–	–
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros SA	Madrid	EUR	250,847	100.0	–	–
Bolsas y Mercados Españoles Inntech SAU[1]	Madrid	EUR	331	100.0	–	–
Bolsas y Mercados Españoles Market Data SA[1]	Madrid	EUR	4,165	100.0	–	–
Bolsas y Mercados Españoles Renta Fija SAU[1]	Madrid	EUR	3,005	100.0	–	–
Bolsas y Mercados Españoles Sistemas de Negociación SA[1]	Madrid	EUR	60	100.0	–	–
Finaccess SIX Financial Information SA[1]	Casablanca	MAD	8,548	55.0	8,548	55.0
Instituto Bolsas y Mercados Españoles SLU[1]	Madrid	EUR	10	100.0	–	–
LATAM Exchanges Data Inc.[1]	Miami	USD	3,070	51.0	–	–
MEFF Sociedad Rectora del Mercado de Productos Derivados SAU[1]	Madrid	EUR	6,650	100.0	–	–
MEFF Tecnología y Servicios SAU[1]	Barcelona	EUR	60	100.0	–	–
Open Finance SL[1]	Valencia	EUR	4	100.0	–	–
SDX Trading Ltd[1]	Zurich	CHF	100	100.0	100	100.0
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a.M.	EUR	30,000	100.0	30,000	100.0
SIX BBS Ltd[3]	Zurich	CHF	100	100.0	100	100.0

[1] Investments held indirectly

[2] Equity interest and voting rights

[3] Renamed from Swisskey Ltd to SIX BBS Ltd

Fully consolidated participations (continued)

Name	Place	Currency	31/12/2020 Share capital in 1,000	31/12/2020 Share in %[2]	31/12/2019 Share capital in 1,000	31/12/2019 Share in %[2]
SIX Digital Exchange Ltd	Zurich	CHF	5,500	100.0	5,500	100.0
SIX Exchange Regulation Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Exfeed Ltd	Zurich	CHF	1,100	100.0	1,100	100.0
SIX Finance (Luxembourg) SA	Leudelange	EUR	31	100.0	–	–
SIX Financial Information Belgium SA[1]	Brussels	EUR	505	100.0	505	100.0
SIX Financial Information Denmark A/S[1]	Copenhagen	DKK	1,600	100.0	1,600	100.0
SIX Financial Information Deutschland GmbH	Frankfurt a.M.	EUR	512	100.0	512	100.0
SIX Financial Information España SA[1]	Madrid	EUR	424	100.0	424	100.0
SIX Financial Information France SAS	Paris	EUR	44,900	100.0	44,900	100.0
SIX Financial Information Hong Kong Limited	Hong Kong	HKD	4,000	100.0	4,000	100.0
SIX Financial Information Italia Srl	Milan	EUR	100	100.0	100	100.0
SIX Financial Information Japan Ltd	Tokyo	JPY	40,000	100.0	40,000	100.0
SIX Financial Information Ltd	Zurich	CHF	5,400	100.0	5,400	100.0
SIX Financial Information Luxembourg SA	Leudelange	EUR	31	100.0	31	100.0
SIX Financial Information Monaco SAM[1]	Monaco	EUR	150	100.0	150	100.0
SIX Financial Information Nederland BV	Amsterdam	EUR	250	100.0	250	100.0
SIX Financial Information Nordic AB	Stockholm	SEK	100	100.0	100	100.0
SIX Financial Information Singapore Pte Ltd	Singapore	SGD	25	100.0	25	100.0
SIX Financial Information UK Ltd	London	GBP	500	100.0	500	100.0
SIX Financial Information USA Inc.	Stamford USA	USD	0	100.0	0	100.0
SIX Global Services Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Group Services Ltd	Zurich	CHF	11,550	100.0	11,550	100.0
SIX Interbank Clearing Ltd	Zurich	CHF	1,000	100.0	1,000	75.0
SIX NCS Ltd	Zurich	CHF	100	100.0	–	–
SIX Paynet Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Repo Ltd	Zurich	CHF	1,000	100.0	1,000	100.0
SIX Securities Services Ltd	Zurich	CHF	26,000	100.0	26,000	100.0
SIX SIS Ltd[1]	Olten	CHF	26,000	100.0	26,000	100.0
SIX Swiss Exchange Ltd	Zurich	CHF	10,000	100.0	10,000	100.0
SIX Terravis Ltd	Zurich	CHF	4,100	100.0	4,100	100.0
SIX Trade Repository Ltd	Zurich	CHF	500	100.0	500	100.0
SIX x-clear Ltd[1]	Zurich	CHF	30,000	100.0	30,000	100.0
Sociedad de Bolsas SA[1]	Madrid	EUR	8,414	100.0	–	–
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores SAU[1]	Madrid	EUR	114,380	100.0	–	–
Sociedad Rectora de la Bolsa de Valores de Barcelona SAU[1]	Barcelona	EUR	8,564	100.0	–	–
Sociedad Rectora de la Bolsa de Valores de Bilbao SAU[1]	Bilbao	EUR	2,957	100.0	–	–
Sociedad Rectora de la Bolsa de Valores de Madrid SAU[1]	Madrid	EUR	21,348	100.0	–	–
Sociedad Rectora de la Bolsa de Valores de Valencia SAU[1]	Valencia	EUR	4,111	100.0	–	–
SWISSTRADINGBOX Ltd[1]	Zurich	CHF	100	50.1	800	50.1

[1] Investments held indirectly

[2] Equity interest and voting rights

Significant associated companies

			31/12/2020		31/12/2019	
Name	Place	Currency	Share capital in 1,000	Share in %[2]	Share capital in 1,000	Share in %[2]
12H Ltd	Zurich	CHF	–	–	100	49.9
Regis-TR SA[1]	Luxembourg	EUR	3,600	50.0	–	–
SwissSign Group Ltd	Glattbrugg	CHF	12,500	13.5	12,500	13.5
TWINT Ltd[1]	Zurich	CHF	12,750	26.7	12,750	26.7
Worldline SA	Bezons	EUR	189,804	10.7[3]	124,137	26.9[3]

[1] Investments held indirectly
[2] Equity interest and voting rights
[3] Voting rights as at 31 December 2020: 18.9% (31 December 2019: 19.6%)

3.2.8 Trade payables

CHF million	31/12/2020	31/12/2019
Due to third parties	0.0	0.0
Due to Group and associated entities	4.3	14.7
Trade payables	**4.3**	**14.7**

3.2.9 Current interest-bearing liabilities

CHF million	31/12/2020	31/12/2019
Due to third parties	0.1	0.1
Due to Group and associated entities	297.2	377.8
Current interest-bearing liabilities	**297.3**	**377.9**

3.2.10 Other current liabilities

CHF million	31/12/2020	31/12/2019
Due to third parties	0.1	–
Due to Group and associated entities	16.3	59.0
Due to shareholders	308.4	–
Other current liabilities	**324.8**	**59.0**

3.2.11 Non-current interest-bearing liabilities

CHF million	31/12/2020	31/12/2019
Due to third parties	2.2	–
Due to Group and associated entities *	731.8	–
Non-current interest-bearing liabilities	**734.0**	**–**

* Related to the issue of EUR Senior Bond by SIX Finance (Luxembourg) SA, see note 3.23

3.2.12 Other non-current liabilities

CHF million	31/12/2020	31/12/2019
Due to Group and associated entities	17.2	26.1
Other non-current liabilities	**17.2**	**26.1**

3.2.13 Hedge accounting – additional information

CHF million			31/12/2020	31/12/2019
Hedged item (balance sheet position)	**Hedged risk**	**Type of hedging instrument (derivative)**	**Negative replacement values of not recognized derivatives due to hedge accounting**	
Investment in subsidiaries and associated entities	Market risk of listed company	Equity options (collar)	–	–98.5

In 2019, SIX entered into an equity collar whereby SIX bought put options on 9.2 million underlying Worldline SA shares and simultaneously sold the same number of call options. Additionally, the counterparty borrowed 7.9 million shares from SIX. The remaining 1.2 million shares have been pledged. In 2020, the equity collar was early terminated and the underlying Worldline SA shares were sold. At settlement, the negative replacement value of the collar options amounted to CHF 130.9 million. The gain on sale of the Worldline SA shares including the settlement of the equity collar amounted to CHF 198.2 million and is included in financial income.

3.2.14 Liabilities due to pension fund

CHF million	31/12/2020	31/12/2019
Liabilities due to pension fund	0.1	0.1

3.2.15 Contingent liabilities

CHF million	31/12/2020	31/12/2019
Total amount of guarantees and warranty obligations		
Group and associated obligors	876.7	159.1
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

Group and associated obligors include:
- CHF 47.0 million (2019: CHF 47.0 million) guarantee in the event of insolvency of a cash pooling member
- CHF 8.3 million (2019: CHF 5.6 million) contingent liability related to credit facilities granted to Group entities
- CHF 103.0 million (2019: CHF 103.0 million) guarantee related to an intraday facility
- CHF 13.6 million (2019: CHF 3.5 million) guarantee related to the VISA license for SIX BBS Ltd
- CHF 704.7 million (2019: nil) guarantee related to the issue of EUR Senior Bond by SIX Finance (Luxembourg) SA

3.2.16 Treasury shares including treasury shares held by Group entities

	31/12/2020		31/12/2019	
Values in CHF million	Number	Value	Number	Value
Held by SIX Group Ltd	10	0.0	10	0.0
Held by subsidiaries	607,854	23.3	607,854	23.3

There were no transactions with treasury shares in the reporting and in the previous year.

3.2.17 Securities in favor of third parties

CHF million	31/12/2020	31/12/2019
Assets pledged as collateral	0.5	66.2

Assets pledged relate to a facility to hedge transactions in foreign currencies under which cash deposited at a bank was pledged.

3.2.18 Impairment of non-current financial assets

CHF million	2020	2019
Financial assets	–42.5	5.4
Impairment of non-current financial assets	**–42.5**	**5.4**

In the reporting year, loans due from Group entities in the amount of CHF 42.5 million were impaired (2019: allowances in the amount of CHF 5.4 million were released).

3.2.19 Financial result

CHF million	2020	2019
Foreign exchange gains	91.0	13.7
Gain on disposal of financial assets	203.6	–
Other income	8.1	40.9
Financial income	**302.7**	**54.6**
Foreign exchange losses	–54.3	–15.3
Loss on disposal of financial assets	–83.0	–
Other expenses	–21.4	–32.9
Financial expenses	**–158.7**	**–48.2**

3.2.20 Hidden reserves released

No hidden reserves have been released in the reporting year (2019: CHF 0.0 million).

3.2.21 Explanations of extraordinary positions in the income statement

In the reporting year, investments in subsidiaries were valued individually. As a result, a reversal of impairment of CHF 13.6 million was recognized in extraordinary income (2019: CHF 18.9 million). An impairment of investments of CHF 4.3 million was recognized in extraordinary expenses (2019: CHF 7.2 million).

4. Statement of Changes in Equity

CHF million	Share capital	Legal capital reserves: Reserves from capital contributions	Legal retained earnings: Reserves for treasury shares	Free reserves: Profit carried forward	Treasury shares	Total equity
Balance at 1 January 2019	**19.5**	**230.2**	**23.3**	**5,318.0**	**–0.0**	**5,591.0**
Dividends paid	–	–	–	–80.0	–	–80.0
Extraordinary dividends paid	–	–	–	–337.7	–	–337.7
Profit for the year	–	–	–	140.8	–	140.8
Balance at 31 December 2019	**19.5**	**230.2**	**23.3**	**5,041.0**	**–0.0**	**5,314.1**
Dividends paid	–	–	–	–76.1	–	–76.1
Profit for the year	–	–	–	431.8	–	431.8
Balance at 31 December 2020	**19.5**	**230.2**	**23.3**	**5,396.7**	**–0.0**	**5,669.8**

The share capital consists of 19,521,905 registered shares with a par value of CHF 1.00 each.

An ordinary dividend of CHF 3.90 per registered share was paid during the reporting period.

5. Appropriation of Profit

CHF million	2020	2019
Profit carried forward from previous year	**4,964.9**	**4,900.2**
Profit for the year	431.8	140.8
Available profit carried forward	**5,396.7**	**5,041.0**
Dividend of CHF 4.30 per registered share of CHF 1.00 nominal value (previous year: CHF 3.90)	83.9	76.1
Profit carried forward to the following year	**5,312.8**	**4,964.9**

The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table above.

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 11 March 2021

As statutory auditor, we have audited the accompanying financial statements of SIX Group Ltd, which comprise the balance sheet, income statement, notes and statement of changes in equity (pages 126 to 136), for the year ended 31 December 2020.

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 2020 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

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