



Financial Statements 2019

SIX x-clear Ltd



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Balance Sheet

CHF 1,000	Notes	31/12/2019	31/12/2018
Assets			
Liquid assets		584,728	747,216
Amounts due from banks		37,428	117,620
Amounts due from securities financing transactions	1	633,704	428,860
Amounts due from customers	2	219,981	174,428
Positive replacement values of derivative financial instruments	3	51,991	111,760
Financial investments	4	63,253	269,516
Accrued income and prepaid expenses		597	3,492
Participations		24	24
Tangible fixed assets		4,838	2,500
Other assets	5	6,145	8,352
Total assets		1,602,689	1,863,768
Liabilities and equity			
Amounts due to banks		1,417,909	1,426,298
<i>thereof collaterals</i>		1,417,217	1,426,298
Liabilities from securities financing transactions	1	9,519	42,645
Amounts due to customers		27,753	179,029
Negative replacement values of derivative financial instruments	3	55,504	118,485
Accrued expenses and deferred income		1,869	1,767
Other liabilities	5	1,771	8,612
Share capital	9	30,000	30,000
Statutory retained earnings reserve		6,360	6,360
Voluntary retained earnings reserve			
Other voluntary reserves		78,200	78,200
Loss carried forward		-27,628	-31,424
Profit for the year		1,432	3,796
Total liabilities and equity		1,602,689	1,863,768

Income Statement

CHF 1,000	Notes	2019	2018
Interest and discount income		-5,151	-6,277
Interest and dividend income from financial investments		-212	155
Interest expenses		11,726	10,642
Gross result from interest operations		6,364	4,520
Changes in value adjustments for default risks		17	-27
Result from interest operations	22	6,381	4,493
Commission income from clearing & settlement		19,244	18,003
Commission income from other services		6,508	6,856
Commission expenses		-8,877	-8,196
Result from commission business and services		16,875	16,664
Result from trading activities	16	2	46
Other ordinary income		21	237
Other ordinary expenses		-87	-2
Result from other ordinary activities		-66	235
Personnel expenses	17	-3,264	-3,121
General and administrative expenses	18	-18,081	-12,731
Operating expenses		-21,345	-15,852
Changes in value adjustments on participations and depreciation of tangible fixed assets		-155	-1,605
Changes to provisions and other value adjustments, and losses	8	-68	-19
Operating result		1,624	3,962
Extraordinary income	19	-	27
Taxes	20	-192	-193
Profit for the year		1,432	3,796
Coverage of losses			
Loss carried forward from previous years		-27,628	-31,424
Profit for the year		1,432	3,796
Accumulated loss/loss carried forward		-26,196	-27,628

Statement of Changes in Equity

CHF 1,000	Share capital	Statutory ret. earnings reserve	Other voluntary reserves	Loss carried forward	Profit (Loss) for the year	Total ¹
1 January 2019	30,000	6,360	78,200	-31,424	3,796	86,932
Coverage of losses				3,796	-3,796	-
Other contributions						-
Profit for the year					1,432	1,432
31 December 2019	30,000	6,360	78,200	-27,628	1,432	88,364
1 January 2018	30,000	6,360	78,200	-31,276	-148	83,136
Loss carried forward				-148	148	-
Other contributions						-
Profit for the year					3,796	3,796
31 December 2018	30,000	6,360	78,200	-31,424	3,796	86,932

¹ 25% of the required capital (as defined by Swiss law) is designated to cover losses from defaulting clearing members. See note 21 Margin requirements and default fund.

Notes to the Financial Statements

General Information

SIX x-clear Ltd – the clearing arm of SIX Exchange Services – operates as an international central counterparty (CCP) in securities trading. SIX x-clear Ltd is the preferred clearing partner for various trading venues (e.g. Swiss Stock Exchange, London Stock Exchange) and a number of multilateral trading facilities (MTFs). More than 90% of SIX x-clear Ltd's transactions come from outside Switzerland.

SIX x-clear Ltd is recognized as a central counterparty under the European Market Infrastructure Regulation (EMIR) by the European Securities and Markets Authority (ESMA), meaning it is officially authorized to provide cross-border clearing services in the EU. SIX x-clear Ltd is licensed as a CCP under the Swiss Financial Market Infrastructure Act (FMIA) and is subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA). Pursuant to the National Bank Act, it is also supervised by the Swiss National Bank (SNB) with respect to systemic risks.

At year-end 2019, SIX x-clear Ltd had 15.6 employees on a full-time equivalent basis (year-end 2018: 15).

SIX x-clear Ltd has outsourced securities settlement to another entity in the group by assigning the settlement of CCP transactions to SIX SIS Ltd. SIX SIS Ltd is licensed as a central securities depository (CSD) under the Swiss FMIA and is subject to the supervision of FINMA and the SNB. Conceptual and methodological aspects of risk management for SIX x-clear Ltd are carried out by dedicated risk management teams in the centralized Chief Risk Officer (CRO) unit of SIX Group Services Ltd. Daily operations are run by SIX x-clear Ltd.

SIX x-clear Ltd has outsourced the operation and maintenance of its data center to SIX Group Services Ltd. This outsourcing arrangement is governed by service level agreements in compliance with FINMA regulations. Staff members of SIX Group Services Ltd are required to maintain banking secrecy.

Board of Directors

Thomas Zeeb	Chairman
Christoph Landis	Member
Josef Landolt	Member
Daniel Schmucki	Member
Andreas Wolf	Member

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Risk Management

Risk Governance

As a part of SIX, SIX x-clear Ltd is an important pillar of the Swiss financial center, laying great emphasis on reliability and security, and creating the trust that is essential for the financial center's smooth functioning.

The Board of Directors (BoD) of SIX 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 of SIX acts as a representative of the BoD; it approves the risk governance, organization and methodologies, and reviews their implementation, adequacy and effectiveness. The Executive Board (ExB) of SIX has the ultimate operational decision-making authority concerning risk matters. As a member of the ExB, the Chief Risk Officer bears the ultimate responsibility for the independent oversight of the overall risk situation. He is in charge of the "second line of defense" functions for Risk Management, Security and Compliance.

The Board of Directors of SIX x-clear Ltd acknowledges and supervises the risk governance, organization and management of SIX x-clear Ltd, and approves the adequacy and effectiveness of the internal control system.

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

Within the second line of defense, risk control measures are executed by the Head Risk Management and dedicated risk management teams. The Head Risk Management reports to the Chief Risk Officer and is not part of the line management structure of SIX x-clear Ltd. Independent assurance providers such as Internal Audit form the "third line of defense", supervising the overall risk situation, internal controls and risk management. They monitor risk management and controlling to evaluate their effectiveness, including an assessment of how the first and second lines of defense meet their risk objectives.

Pursuant to the National Bank Act, SIX x-clear Ltd is supervised by the Swiss National Bank. The legal and

compliance functions within SIX are responsible for implementing the instructions and requirements issued by the legislator, the supervisor and other relevant institutions. They ensure that the business management of SIX x-clear Ltd complies with due diligence and meets the current rules, regulations and obligations of a financial intermediary.

Risk Groups

Strategic Risk and Business Risk

Strategic risk and business risk arise both from the implementation of SIX x-clear Ltd's strategy and from the implementation of the strategies of the individual subsidiaries. They comprise the danger of external and internal events or decisions resulting in strategic and business objectives not being attained. Strategic risk and business risk are the responsibility of the ExB of SIX and of the Management Committees of the subsidiaries. They are reviewed semi-annually based on their risk profiles.

Reputational Risk

Reputational risk involves the risk of the reputation of SIX x-clear Ltd being tarnished and of negative perception impacting business relations. As reputational risk is largely inherent in business activities, reputational risk management mainly consists of ensuring competency, integrity, responsibility and compliance in business activities at a group and subsidiary level. Reputational risk management includes all operational and strategic management instruments of SIX x-clear, in particular financial reporting, monitoring of key performance figures and surveys of client and staff satisfaction. Besides a number of measures to mitigate potential reputational risk, a well-established emergency organization system ensures that in the event of a crisis, potential reputational risks are identified and handled with due care.

Credit Risk (Counterparty Risk, Default Risk)

Credit risk, counterparty risk or default risk is defined as the danger of a loss caused by a counterparty not fulfilling its contractual obligations. This notably includes settlement risk, i.e. the risk that a counterparty does not deliver a security or its value in cash as per the trade agreement.

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

SIX x-clear Ltd is linked online and in real time with SIX Swiss Exchange and with the SIC/euroSIC systems. The system of real-time settlement of irreversible transactions on the basis of simultaneous delivery versus payment (DVP) offers the best guarantee of eliminating settlement risk.

Counterparty risk can occur in treasury activities, when credit exposures are managed on an uncollateralized basis because no or insufficient collateralized alternatives, such as reverse repo investments, are available. Uncollateralized treasury placements and FX transactions are in any case managed through counterparty ratings and limits.

Market Risk

According to Basel III, market risk is defined as “the risk of loss arising from movements in market prices” and comprises the risk of a loss due to value fluctuations of a position triggered by a change in the underlying factors (e.g. equity or commodity prices, exchange rates and interest rates and their respective volatilities). Market risk exposure of SIX x-clear Ltd primarily relates to central counterparty clearing of matched but unsettled trades.

To minimize the exposure of SIX x-clear Ltd to price fluctuations and market risk due to unsettled transactions, a margin model has been established. SIX x-clear Ltd demands collateral from its clients in the form of margins as an irregular pledge under Swiss law. The margin collateral required from members is calculated based on an initial margin for possible future price fluctuations and a variation margin for actual changes in value. If the collateral provided falls below the collateral required (e.g. due to an increase in margin requirements) and the margin provided is insufficient, a margin call for additional contributions will be issued to cover the remaining market risk.

In addition to initial and variation margins, all clearing members have to provide collateral for default fund contributions as an irregular pledge under Swiss law. The default fund is designed to cover the potential market risk that is not covered by the margin model (confidence level of 997% for Zurich and 99.0% for Oslo) in the event of a member’s default, notably in times of stressed market conditions.

Liquidity Risk

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

requirements. In particular, a scenario in which clearing members default and fail to meet their payment obligations may create a large liquidity demand for SIX x-clear Ltd and therefore give rise to liquidity risk. In such cases SIX x-clear Ltd would be obliged to pre-finance receipt versus payment (RVP) transactions towards the non-defaulting counterparties, while at the same time no cash would be received from corresponding DVP transactions from the defaulting counterparties. The liquidity demand would remain high until the defaulted clearing portfolio is closed out and the respective DVP transactions can be settled.

Under normal conditions, the liquidity of SIX x-clear Ltd is managed by Cash Management and Treasury as part of their daily operations.

Due to the interconnectedness of SIX x-clear Ltd and SIX SIS Ltd, in a stress scenario the contingent liquidity risk is basically managed at the aggregated level of SIX Securities Services by:

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

Interest Rate Risk

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

Foreign Exchange Risk

In principle, SIX x-clear Ltd does not hold any relevant foreign currency positions for its own account. Foreign exchange risks arising from open clearing and collateral positions are covered through the margin model and the automated revaluation of collateral positions. In addition, all receivables from and liabilities towards clients and custodians are matched by currency. Therefore, foreign exchange risks are generally limited to the net amounts from interest received and paid, commissions and fees.

Non-Counterparty-Related Risk

Non-counterparty-related risk is defined as the danger of a loss due to value changes or liquidation of assets that are not related to a specific counterparty. This category includes positions that concern the actual infrastructure

for business activities. In particular, it includes office buildings, sundry tangible fixed assets, software and other assets subject to depreciation.

Non-counterparty-related risks are accounted for through adequate depreciation and insurance.

Operational Risk

According to Basel III, operational risk is defined as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. The definition also covers all legal risks, including fines from supervisory bodies and settlements. However, strategic risks and reputational risks are excluded.

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

Operational risks are assessed by determining the potential damage. The direct financial loss is calculated, then the potential future financial impact in terms of a loss of client trust and reputational risks is also taken into account. Any risks identified and cases of damage, along with the losses incurred, are tracked in a database and linked to the internal control system in order to systematically identify risks and support ongoing risk assessment.

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

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

The risk inherent in relying on information technology is addressed by SIX x-clear Ltd’s business continuity planning, which is in line with customary industry practice and includes measures aimed at reducing the probability of such failures occurring, such as by maintaining an IT back-up center. Corresponding measures on the part of our outsourcing partners are subject to contractual agreements. Business contingency management is tested annually to ensure its effectiveness. The results of this testing are reported to the Board of Directors and the management of SIX x-clear Ltd. Improvement measures are also summarily approved by the Board of Directors and the management.

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

Accounting and Valuation Policies

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

General Principles

The accounting, reporting and valuation principles for SIX x-clear Ltd comply with the provisions of the Swiss Code of Obligations (CO), the accounting rules of the Swiss banking ordinance and the accounting rules for banks of the Swiss Financial Market Supervisory Authority (ARB FINMA) for statutory single-entity financial statements with reliable assessment. The financial statement reporting date is 31 December. In general, business transactions are recorded using the trade date accounting principle. Non-fulfilled transactions from clearing and settlement business are an exception to this and are recorded using the settlement date accounting principle. Detail positions

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

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

Foreign Currency Translation

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

	EUR	USD	GBP	JPY	NOK	SEK
Unit	1	1	1	100	100	1
Exchange rate as at current year-end	1.08	0.97	1.27	0.89	10.98	10.35
Exchange rate as at previous year-end	1.13	0.99	1.25	0.89	11.33	10.98

Liquid Assets

Liquid assets are measured at their nominal value.

Amounts Due to and from Banks and Customers

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

Receivables from and liabilities towards banks and customers arise mainly from clearing activities as CCP. The amounts due from customers, mainly SIX SIS Ltd, and banks are primarily used for clearing activities. Liabilities towards banks are mainly cash collateral received from clearing members. The full amount of cash collateral received is disclosed in the balance sheet as "thereof collaterals" in the line item "Amounts due to banks".

Amounts Due from and Liabilities from Securities Financing Transactions

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

Securities Lending and Borrowing

SIX x-clear Ltd borrows securities for its own account and risk (principal status). It generally only engages in securities borrowing transactions in cases where a participant (seller) is not able to deliver the securities. As SIX x-clear Ltd resells the borrowed securities to a counterparty (buyer), a non-monetary liability is recognized. The receivables and liabilities arising from the borrowing of non-monetary instruments are valued at market value. Fees paid and received are shown under commission income.

Repurchase and Reverse Repurchase Agreements

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

Positive and Negative Replacement Values of Derivative Financial Instruments

SIX x-clear Ltd does not engage in trading activities for its own account. The replacement values represent the market value of all open positions of all clearing members on the balance sheet date (after end-of-day netting) and are therefore measured at fair value. From an accounting perspective, the open positions are to be classified as “trading instruments” because of SIX x-clear Ltd’s principal status. Although further netting would be possible, this position is voluntarily presented gross in the balance sheet for transparency reasons. The unrecognized netting potential is disclosed in note 3.

Participations

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

Financial Investments

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

Tangible Fixed Assets

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

The following depreciation rates are applied:

Asset class	Estimated lifetime	Depreciation rate
Furnishings and equipment	5	20%
Hardware	5	20%
Software	3–5	20–33%

Leases

Since 1 January 2019 Leasing is treated according to IFRS 16 Leases. Buildings under lease are recognized as a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments. Lease payments are divided into interest payments and amortization of the lease obligation. Depreciation of the right-of-use asset is calculated using the straight-line method over the contractual lifetime. Short-term leases and leases of low value items are not recognized in accordance with the recognition exemptions of IFRS 16 Leases.

Pension Benefit Obligations

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

Other Assets and Liabilities

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

Off-Balance-Sheet Transactions

Off-balance-sheet transactions requiring disclosure concern irrevocable commitments.

Taxes

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

Changes in Accounting and Valuation Policies

SIX decided to apply IFRS 16 Leases as per 1 January 2019 for financial statements prepared according to provisions of the Swiss Code of Obligations (CO).

There have been no further changes in accounting and valuation policies.

Subsequent Events

The developments in 2020 regarding the COVID-19 indicate that a negative impact on the global economic growth can be expected in the first half of 2020 due to the spread of the disease and the resulting interruption of business activities. The current COVID-19 pandemic and its effect on the global economy could affect the achievement of the company’s financial goals. The financial impact of the corona virus cannot be reliably estimated yet for the 2020 financial year, but it depends largely on the type and duration of the pandemic’s future development. From an operational point of view, the company’s business can continue without significant restrictions.

Information on the Balance Sheet

1. Securities Financing Transactions

CHF 1,000	31/12/2019	31/12/2018
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions ¹	633,704	428,860
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions ¹	–	36,027
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	–	36,010
<i>with unrestricted right to resell or pledge</i>	–	–
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	646,896	435,789
<i>of which repledged securities</i>	247,612	320,942
<i>of which resold securities</i>	9,519	6,617

¹ Before netting agreements

Breakdown of Book Value by Transaction Type

CHF 1,000	31/12/2019	31/12/2018
Reverse repurchase agreements	633,704	428,860
Total amounts due from securities financing transactions	633,704	428,860
Repurchase agreements	–	36,027
Obligation to return resold securities received in connection with securities borrowing transactions	9,519	6,617
Total liabilities from securities financing transactions	9,519	42,645

2. Collateral for Loans, Receivables and Off-Balance-Sheet Transactions as well as Impaired Loans and Receivables

CHF 1,000	31/12/2019	31/12/2018
Amounts due from customers		
Amounts due from customers (unsecured, before netting with value adjustments)	220,072	174,450
<i>of which impaired</i>	91	22
Total before offsetting with value adjustments	220,072	174,450
Total after offsetting with value adjustments	219,981	174,428

SIX x-clear Ltd does not offer common credit services. Therefore, all amounts due from customers are uncovered.

3. Derivative Financial Instruments

CHF 1,000	31/12/2019 Trading instruments		
	Positive replacement values	Negative replacement values	Contract volumes
Foreign exchange products			
Forward contracts	–	–	16,365
Equity securities and indices			
Forward contracts	58,021	61,534	8,053,318
Futures	–	–	204,679
Options (exchange-traded)	7,887	7,887	477,495
Total before netting agreements	65,908	69,421	8,751,858
<i>Previous year</i>	<i>129,707</i>	<i>136,431</i>	<i>13,741,286</i>
Recognized netting agreements	–13,918	–13,918	–
Total after recognized netting agreements	51,991	55,504	8,751,858
<i>Previous year</i>	<i>111,760</i>	<i>118,485</i>	<i>13,741,286</i>
Unrecognized netting agreements	–41,384	–41,384	–
Total after netting agreements	10,607	14,120	8,751,858
<i>Previous year</i>	<i>31,936</i>	<i>38,661</i>	<i>13,741,286</i>

The derivative financial instruments shown are unsettled spot transactions arising from clearing business with bonds, equities and options that are recognized according to the settlement date accounting principle. No derivative transactions were carried out for own purpose except foreign currency swaps for liquidity management. No internal model was used to calculate the fair values of the derivative financial instruments.

Breakdown by Counterparty

CHF 1,000	Central clearing houses	Banks	Others	Total
Positive replacement values (after netting agreements)	–	10,100	507	10,607

4. Financial Investments

CHF 1,000	31/12/2019		31/12/2018	
	Book value	Fair value	Book value	Fair value
Debt securities	48,942	48,644	75,294	75,316
<i>of which intended to be held to maturity</i>	48,942	48,644	75,294	75,316
Breakdown by counterparty rating				
AAA to AA-	48,942	48,644	75,294	75,316
Equity securities	14,312	14,312	194,222	194,222
<i>of which qualified participations</i>	-	-	-	-
Total financial investments	63,253	62,956	269,516	269,538
<i>of which eligible for repurchase transactions in accordance with liquidity requirements</i>	48,942	48,644	64,002	64,027

5. Other Assets and Liabilities

CHF 1,000	Other assets		Other liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Indirect taxes	474	218	49	59
Compensation account	3,513	6,725	-	-
Sundry assets and liabilities	2,157	1,410	1,722	8,553
Total	6,145	8,352	1,771	8,612

6. Assets Pledged or Assigned to Secure Own Commitments¹

CHF 1,000	31/12/2019		31/12/2018	
	Book value	Eff. committed	Book value	Eff. committed
Amounts due from banks	-	-	-	-
Amounts due from customers	219,145	219,145	173,693	173,693
Financial investments	63,253	14,648	269,516	51,089

¹ Excluding securities financing transactions (see corresponding separate breakdown of securities financing transactions in note 1).

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

7. Pension Funds

Employer Contribution Reserves

CHF 1,000	Notes	31/12/2019	31/12/2018
Nominal value as at previous year-end		310	314
- utilization		-	-4
Nominal value as at current year-end		310	310
<i>of which with waiver of use</i>		310	310
Value adjustments offset	8	310	310
Net value as at current year-end		-	-

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

Economic Benefit from Surplus Cover and Pension Fund Expenses

SIX x-clear Ltd is connected to the pension fund of SIX Group. The coverage ratio of the Occupational Benefits Foundation of SIX was 110.8% as at the last audited financial statements (2018). SIX x-clear Ltd does not gain any economic benefits in the event of surplus cover. SIX x-clear Ltd offers defined contribution plans.

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

Pension fund expenses amounted to CHF 156 thousand in the current year (previous year: CHF 163 thousand).

8. Value Adjustments and Provisions

CHF 1,000	Balance at previous year-end	Use in conf. with designated purpose	Recoveries	Foreign exchange translation differences	New creations charged to income	Releases to income	Balance at current year-end
Total provisions	-	-	-	-	332	-332	-
Value adjustments offset	333	-	-	-	91	-23	401

Value adjustments are created for defaulting debtors (CHF 90.7 thousand, see note 2), for expected credit losses on bank accounts (CHF 0.6 thousand), and for employer contribution reserves with waiver of use (CHF 310.0 thousand, see note 7).

9. Share Capital and Significant Shareholders

1,000 units/CHF 1,000	Number of shares	Total nominal value	Capital eligible for dividend
Share capital at previous year-end	30	30,000	30,000
Share capital at current year-end	30	30,000	30,000

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

SIX Securities Services Ltd is wholly owned by SIX Group Ltd. 126 national and international financial institutions hold shares in SIX Group Ltd, but no owner holds more than 20% of SIX Group Ltd's total equity. The shares are distributed such that no owner or type of bank has an

absolute majority. All shareholders are bound by a shareholders' agreement.

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

The statutory reserves below 50% of the nominal share capital are not freely distributable and may only be used to cover losses.

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

CHF 1,000/in %	31/12/2019		31/12/2018	
	Nominal value	% of equity	Nominal value	% of equity
UBS AG consolidated	3,380	17.3	3,380	17.3
Credit Suisse Group consolidated	2,919	15.0	2,697	13.8
Raiffeisen Group consolidated	1,074	5.5	1,074	5.5

10. Amounts Due From/To Related parties

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

CHF 1,000	Assets		Liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
SIX Securities Services Ltd	–	11	173	238
SIX SIS Ltd	305,333	176,802	26,590	221,233
Other entities of SIX Group	–	1,849	898	3,293
Indirect shareholder SIX Group Ltd	923	–	124	225
Other qualified indirect shareholders (>10% of equity)	298	325	80,220	136,702

Intragroup Income and Expenses

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

CHF 1,000/in %	2019		2018	
	CHF	% of item	CHF	% of item
Result from interest operations	–2,248	–35.2	–2,731	–60.8
Result from commission business and services	–455	–2.7	–582	–3.5
Result from other ordinary activities	13	–19.9	203	86.4
Operating expenses	–5,300	24.8	–4,007	25.3
Net intragroup income and expenses	–7,989		–7,118	

11. Maturity Structure of Financial Instruments

CHF 1,000	At sight	Cancellable	Due < 3 months	Due 3–12 months	Due 12–60 months	Total
Financial assets						
Liquid assets	584,728	–	–	–	–	584,728
Amounts due from banks	37,428	–	–	–	–	37,428
Amounts due from securities financing transactions	–	–	633,704	–	–	633,704
Amounts due from customers	219,981	–	–	–	–	219,981
Positive replacement values of derivative financial instruments	51,991	–	–	–	–	51,991
Financial investments	14,312	–	38,025	10,917	–	63,253
Participations	24	–	–	–	–	24
Total financial assets	908,463	–	671,729	10,917	–	1,591,108
<i>Previous year</i>	<i>1,345,270</i>	<i>–</i>	<i>458,654</i>	<i>34,557</i>	<i>10,943</i>	<i>1,849,424</i>
Financial liabilities						
Amounts due to banks	1,417,909	–	–	–	–	1,417,909
<i>thereof collaterals</i>	<i>1,417,217</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>1,417,217</i>
Liabilities from securities financing transactions	–	–	9,519	–	–	9,519
Amounts due to customers	27,753	–	–	–	–	27,753
Negative replacement values of derivative financial instruments	55,504	–	–	–	–	55,504
Total financial liabilities	1,501,166	–	9,519	–	–	1,510,685
<i>Previous year</i>	<i>1,723,812</i>	<i>–</i>	<i>42,645</i>	<i>–</i>	<i>–</i>	<i>1,766,457</i>

12. Assets by Country/Group of Countries

	Rating	31/12/2019		31/12/2018	
		CHF 1,000	Share in %	CHF 1,000	Share in %
Europe		1,596,766	99.6	1,857,796	99.7
Switzerland	AAA	1,387,542	86.6	1,503,311	80.7
Great Britain	AA	88,009	5.5	1,076	0.1
Norway	AAA	65,189	4.1	153,999	8.3
Denmark	AAA	56,027	3.5	146,078	7.8
Other countries ¹	n/a	5,922	0.4	59,304	3.2
Total assets		1,602,689	100.0	1,863,768	100.0

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

As SIX x-clear Ltd does not offer common credit services, but needs to reliably satisfy clearing counterparties, the distribution of the assets by country originates from a liquidity point of view. The risk domicile does not deviate from the assets' domicile shown above.

13. Breakdown of Assets by Country Rating

Country rating	31/12/2019		31/12/2018	
	in CHF 1,000	in %	in CHF 1,000	in %
AAA-AA	1,597,672	99.7	1,863,768	100.0
lower	5,017	0.3	–	0.0
Total	1,602,689	100.0	1,863,768	100.0

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

14. Assets and Liabilities by Domestic and Foreign Origin

CHF 1,000	31/12/2019			31/12/2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Assets						
Liquid assets	583,478	1,250	584,728	747,216	–	747,216
Amounts due from banks	1,059	36,369	37,428	3,689	113,932	117,620
Amounts due from securities financing transactions	507,894	125,810	633,704	266,457	162,402	428,860
Amounts due from customers	219,166	816	219,981	173,831	597	174,428
Positive replacement values of derivative financial instruments	39,506	12,485	51,991	72,082	39,678	111,760
Financial investments	24,960	38,294	63,253	225,695	43,821	269,516
Accrued income and prepaid expenses	597	–	597	3,492	–	3,492
Participations	–	24	24	–	24	24
Tangible fixed assets	4,739	99	4,838	2,500	–	2,500
Other assets	6,145	–	6,145	8,350	2	8,352
Total assets	1,387,542	215,147	1,602,689	1,503,311	360,456	1,863,768
Liabilities and equity						
Amounts due to banks	1,117,780	300,129	1,417,909	1,262,770	163,528	1,426,298
<i>thereof collaterals</i>	<i>1,117,780</i>	<i>299,437</i>	<i>1,417,217</i>	<i>1,262,770</i>	<i>163,528</i>	<i>1,426,298</i>
Liabilities from securities financing transactions	9,519	–	9,519	42,645	–	42,645
Amounts due to customers	27,753	–	27,753	179,029	–	179,029
Negative replacement values of derivative financial instruments	42,937	12,566	55,504	79,408	39,076	118,485
Accrued expenses and deferred income	1,682	187	1,869	1,767	–	1,767
Other liabilities	1,617	155	1,771	8,612	–	8,612
Share capital	30,000	–	30,000	30,000	–	30,000
Statutory retained earnings reserve	6,360	–	6,360	6,360	–	6,360
Voluntary retained earnings reserve						
Other voluntary reserves	78,200	–	78,200	78,200	–	78,200
Loss carried forward	–27,628	–	–27,628	–31,424	–	–31,424
Profit for the year	1,432	–	1,432	3,796	–	3,796
Total liabilities and equity	1,289,651	313,037	1,602,689	1,661,163	202,604	1,863,768

15. Assets and Liabilities by Most Significant Currencies

CHF 1,000	CHF	EUR	USD	GBP	NOK	SEK	Other ¹	Total
Assets								
Liquid assets	583,478	–	–	–	1,250	–	–	584,728
Amounts due from banks	17,494	5,146	29	–	14,759	–	–	37,428
Amounts due from securities financing transactions	200,000	85,681	174,199	140,888	32,936	–	–	633,704
Amounts due from customers	58,689	92,154	56,966	8,851	–	3,117	205	219,981
Positive replacement values of derivative financial instruments	39,632	94	–	–	9,392	2,608	265	51,991
Financial investments	10,640	6,634	1,408	150	38,310	5,723	388	63,253
Accrued income and prepaid expenses	265	–	246	69	17	–	–	597
Participations	–	24	–	–	–	–	–	24
Tangible fixed assets	4,838	–	–	–	–	–	–	4,838
Other assets	5,885	–	9	155	–	96	0	6,145
Total assets	920,921	189,733	232,856	150,113	96,663	11,543	859	1,602,689
Delivery entitlements from spot exchange, forward forex and forex options transactions	16,468	–	–	–	–	–	–	16,468
Total assets	937,389	189,733	232,856	150,113	96,663	11,543	859	1,619,157
Liabilities and equity								
Amounts due to banks	792,856	181,523	232,541	146,257	64,733	–	–	1,417,909
<i>thereof collaterals</i>	792,856	181,523	232,541	146,257	64,041	–	–	1,417,217
Liabilities from securities financing transactions	9,508	–	–	–	–	–	11	9,519
Amounts due to customers	1,732	6,927	24	3,853	5,583	8,888	747	27,753
Negative replacement values of derivative financial instruments	43,228	83	–	–	9,243	2,703	247	55,504
Accrued expenses and deferred income	1,629	–	–	–	240	–	–	1,869
Other liabilities	43	1,399	–	–	329	–	–	1,771
Share capital	30,000	–	–	–	–	–	–	30,000
Statutory retained earnings reserve	6,360	–	–	–	–	–	–	6,360
Voluntary retained earnings reserve								
Other voluntary reserves	78,200	–	–	–	–	–	–	78,200
Loss carried forward	–27,628	–	–	–	–	–	–	–27,628
Profit for the year	1,432	–	–	–	–	–	–	1,432
Total liabilities and equity	937,360	189,932	232,565	150,110	80,127	11,592	1,004	1,602,689
Delivery obligations from spot exchange, forward forex and forex options transactions	–	–	–	–	16,468	–	–	16,468
Total liabilities and equity	937,360	189,932	232,565	150,110	96,596	11,592	1,004	1,619,157
Net position per currency	30	–199	291	3	68	–48	–145	0
Previous year	6,703	106	403	–429	–6,900	226	–63	47

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

Information on the Income Statement

16. Result from Trading Activities

CHF 1,000	2019	2018
Net valuation result from the translation of foreign exchange positions	2	46
Total result from trading activities	2	46

17. Personnel Expenses

CHF 1,000	2019	2018
Salaries (incl. bonuses)	-2,376	-2,415
Social insurance benefits	-580	-476
Other personnel expenses	-308	-229
Total personnel expenses	-3,264	-3,121

18. General and Administrative Expenses

CHF 1,000	2019	2018
SECOM expenses, cost of equipment	-5,525	-5,975
Consultancy and other services	-10,250	-4,037
Fees of audit firm	-235	-296
<i>of which for financial and regulatory audits</i>	-235	-296
<i>of which for other services</i>	-	-0
Cost of premises	-137	-273
Advertising and marketing expenses	-545	-531
Indirect taxes and other fees	-633	-972
Other operating expenses	-756	-646
Total general and administrative expenses	-18,081	-12,731

19. Losses and Extraordinary Items

There have not been any extraordinary items in the reporting year. The prior year extraordinary income of CHF 0.03 million was attributable to the reduction of holdings in participations.

Net hidden reserves of CHF 0.6 million were released in the reporting year.

20. Taxes

CHF 1,000	2019	2018
Expenses from taxes in previous years	-2	-9
Expenses for current taxes ¹	-190	-184
Decrease (increase) of provisions for deferred taxes	-	-
Total taxes	-192	-193
Weighted average tax rate on operating result before tax	21.2%	21.9%

¹ Expenses for current taxes relate to foreign permanent establishments and Swiss capital taxes. No Swiss income tax expenses were booked in 2019 and 2018 due to offsetting with the tax loss carry forward resulting from operating losses in Switzerland in previous years. Therefore, only income from foreign permanent establishments are taken into account for the calculation of the weighted average tax rate.

21. Margin Requirements and Default Fund

As at 31 December 2019, the margin requirements of SIX x-clear Ltd's members amounted to CHF 324 million (previous year: CHF 483 million). To meet this requirement, collateral with a market value of CHF 1,402 million (previous year: CHF 1,482 million) was deposited.

SIX x-clear Ltd's default fund for cash products amounts to CHF 220 million (previous year: CHF 220 million), while

its default fund for derivative products amounts to CHF 37.2 million (previous year: CHF 35 million). The required contributions are split between the clearing members.

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

22. Result from Interest Operations

According to the accounting rules for banks (ARB FINMA), negative interest paid is to be offset against interest income while negative interest received is to be offset against interest expenses. In the reporting year, negative interest paid amounted to CHF 9.5 million (previous year: CHF 9.5 million), while negative interest received amounted

to CHF 13.9 million (previous year: CHF 11.6 million). The following table shows the result from interest operations as if negative interest paid was included in the position "Interest expenses" and interest received was included in the positions "Interest and discount income" and "Interest and dividend income from financial investments".

CHF 1,000	2019		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	-5,151	23,151	18,001
Interest and dividend income from financial investments	-212	212	-
Interest expenses	11,726	-23,363	-11,637
Gross result from interest operations	6,364	-	6,364
Changes in value adjustments for default risks	17	-	17
Result from interest operations	6,381	-	6,381

CHF 1,000	2018		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	-6,277	20,875	14,597
Interest and dividend income from financial investments	155	223	378
Interest expenses	10,642	-21,098	-10,456
Gross result from interest operations	4,520	-	4,520
Changes in value adjustments for default risks	-27	-	-27
Result from interest operations	4,493	-	4,493

Information on Off-Balance-Sheet Transactions

23. Contingent Liabilities and Subordinated Assets and Liabilities

	2019	2018
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

In the course of its business activities, different legal interpretations may arise between SIX x-clear Ltd and third parties (contracting parties, authorities, etc.) which may give rise to legal disputes. SIX x-clear Ltd assesses the corresponding risks and recognizes provisions if it considers the likelihood of occurrence to be probable. No provisions are recognized for risks whose probability of occurrence SIX x-clear Ltd currently considers to be less than probable or highly unlikely. However, it cannot be ruled out that risks will be assessed differently in the future due to new findings and that cash outflows will occur. This is in particular because the assessment of legal uncertainties contains a latitude of judgment, and also because legal developments can lead to different assessments in the future.



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To the General Meeting of
SIX x-clear Ltd, Zurich

Zurich, 9 April 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of SIX x-clear Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 3 to 23), for the year ended 31 December 2019.



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 2019 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Ernst & Young Ltd



Jan Marxfeld
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Samuel Rast
(Qualified
Signature)

Licensed audit expert

Regulatory Disclosure

Capital Adequacy

SIX x-clear Ltd is obliged to comply with the capital adequacy regulations set out in the Swiss Financial Market Infrastructure Act. The Basel III capital adequacy framework is integrated into the FMI-specific regulations, and additional FMI-specific requirements must also be fulfilled. SIX x-clear Ltd must have a minimum of 110% of the required capital at all times.

CHF 1,000	31/12/2019	31/12/2018
Tier 1 capital	82,193	80,636
Dedicated own capital ¹	-10,526	-2,617
Eligible capital	71,666	78,019
Required capital	20,120	16,178
of which for credit risks	5,559	7,445
of which for non-counterparty-related risks	8	-
of which for market risks	47	97
of which for operational risks	3,204	2,926
of which for wind-down risks ¹	11,302	5,710
Capital fulfilment ratio	356.2%	482.3%
p.m. CET1 ratio	74.6%	61.6%
p.m. Basel III capital ratio	74.6%	61.6%

¹ This requirement is FMI-specific (non-Basel III) and therefore regulated in the Swiss Financial Market Infrastructure Ordinance (Art. 48 FMIO).

SIX x-clear Ltd

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