



# Financial Statements 2019

SIX SIS Ltd



# Contents

<b>3</b>	<b>Balance Sheet</b>
<b>4</b>	<b>Income Statement</b>
<b>5</b>	<b>Statement of Changes in Equity</b>
<b>6</b>	<b>Notes to the Financial Statements</b>
<b>6</b>	General Information
<b>7</b>	Risk Management
<b>11</b>	Accounting and Valuation Policies
<b>13</b>	<b>Information on the Balance Sheet</b>
<b>13</b>	1. Securities Financing Transactions
<b>13</b>	2. Collateral for Loans, Receivables and Off-Balance-Sheet Transactions as well as Impaired Loans and Receivables
<b>14</b>	3. Derivative Financial Instruments
<b>15</b>	4. Other Assets and Liabilities
<b>15</b>	5. Assets Pledged or Assigned to Secure Own Commitments
<b>15</b>	6. Pension Funds
<b>16</b>	7. Value Adjustments and Provisions
<b>17</b>	8. Share Capital and Significant Shareholders
<b>18</b>	9. Amounts Due From/To Related Parties
<b>19</b>	10. Maturity Structure of Financial Instruments
<b>20</b>	11. Assets by Country/Group of Countries
<b>20</b>	12. Breakdown of Assets by Country Rating
<b>21</b>	13. Assets and Liabilities by Domestic and Foreign Origin
<b>22</b>	14. Assets and Liabilities by Most Significant Currencies
<b>23</b>	<b>Information on the Income Statement</b>
<b>23</b>	15. Result from Trading Activities
<b>23</b>	16. Personnel Expenses
<b>23</b>	17. General and Administrative Expenses
<b>23</b>	18. Losses and Extraordinary Items
<b>24</b>	19. Taxes
<b>24</b>	20. Result from Interest Operations
<b>25</b>	<b>Information on Off-Balance-Sheet Transactions</b>
<b>25</b>	21. Contingent Liabilities and Subordinated Assets and Liabilities
<b>26</b>	<b>Report of the Statutory Auditor on the Financial Statements</b>
<b>28</b>	<b>Regulatory Disclosure</b>

# Balance Sheet

CHF 1,000	Notes	31/12/2019	31/12/2018
<b>Assets</b>			
Liquid assets		2,901,065	4,189,950
Amounts due from banks		671,258	1,286,301
<i>thereof custodians</i>		454,996	744,782
Amounts due from securities financing transactions	1	1,311,382	959,979
Amounts due from customers	2	1,372	1,202
Positive replacement values of derivative financial instruments	3	412	11,342
Accrued income and prepaid expenses		10,510	6,068
Participations		1,320	1,420
Tangible fixed assets		28,666	25,810
Other assets	4	4,213	8,980
<b>Total assets</b>		<b>4,930,199</b>	<b>6,491,052</b>
<b>Liabilities and equity</b>			
Amounts due to banks		3,888,879	4,357,783
<i>thereof collaterals</i>		2,161,251	2,000,755
Liabilities from securities financing transactions	1	173,126	863,889
Amounts due to customers		558,174	972,579
Negative replacement values of derivative financial instruments	3	767	3,928
Accrued expenses and deferred income		14,991	15,679
Other liabilities	4	38,619	13,374
Provisions	7	694	11,771
Share capital	8	26,000	26,000
Statutory reserves			
Tax-exempt capital contribution reserve		5,000	5,000
Statutory retained earnings		18,300	18,300
Voluntary reserves			
Other voluntary reserves		63,100	63,100
Retained earnings		99,608	99,432
Profit for the year		42,942	40,216
<b>Total liabilities and equity</b>		<b>4,930,199</b>	<b>6,491,052</b>

# Income Statement

CHF 1,000	Notes	2019	2018
Interest and discount income		8,084	6,453
Interest expenses		24,116	23,550
<b>Gross result from interest operations</b>		<b>32,200</b>	<b>30,003</b>
Changes in value adjustments for default risks		–	–
<b>Result from interest operations</b>	20	<b>32,200</b>	<b>30,003</b>
Commission income from clearing & settlement		219,687	226,076
Commission income from other services		12,651	12,685
Commission expenses		–61,223	–61,282
<b>Result from commission business and services</b>		<b>171,115</b>	<b>177,479</b>
<b>Result from trading activities</b>	15	<b>557</b>	<b>–220</b>
Other ordinary income		8,822	7,498
Other ordinary expenses		–	–11
<b>Result from other ordinary activities</b>		<b>8,822</b>	<b>7,487</b>
Personnel expenses	16	–42,066	–51,558
General and administrative expenses	17	–126,350	–123,015
<b>Operating expenses</b>		<b>–168,415</b>	<b>–174,573</b>
Changes in value adjustments on participations and depreciation of tangible fixed assets		–763	–2,470
Changes to provisions and other value adjustments, and losses	7	150	1,636
<b>Operating result</b>		<b>43,665</b>	<b>39,342</b>
Extraordinary income	18	10,000	10,091
Taxes	19	–10,723	–9,217
<b>Profit for the year</b>		<b>42,942</b>	<b>40,216</b>
<b>Appropriation of profit</b>			
Profit carried forward from the previous year		99,648	99,432
Merger		–40	–
<b>Distributable profit</b>		<b>142,549</b>	<b>139,648</b>
Dividend		–30,000	–40,000
<b>Profit carried forward</b>		<b>112,549</b>	<b>99,648</b>

# Statement of Changes in Equity

CHF 1,000	Share capital	Statutory reserves		Voluntary reserves		Profit for the year	Total
		From capital contributions	From retained earnings	Other voluntary reserves	Retained earnings		
<b>1 January 2019</b>	<b>26,000</b>	<b>5,000</b>	<b>18,300</b>	<b>63,100</b>	<b>99,432</b>	<b>40,216</b>	<b>252,048</b>
Appropriation of profit					40,216	-40,216	-
Dividends					-40,000		-40,000
Merger <sup>1</sup>					-40		-40
Profit for the year						42,942	42,942
<b>31 December 2019</b>	<b>26,000</b>	<b>5,000</b>	<b>18,300</b>	<b>63,100</b>	<b>99,608</b>	<b>42,942</b>	<b>254,949</b>
<b>1 January 2018</b>	<b>26,000</b>	<b>5,000</b>	<b>18,300</b>	<b>63,100</b>	<b>94,468</b>	<b>49,964</b>	<b>256,832</b>
Appropriation of profit					49,964	-49,964	-
Dividends					-45,000		-45,000
Profit for the year						40,216	40,216
<b>31 December 2018</b>	<b>26,000</b>	<b>5,000</b>	<b>18,300</b>	<b>63,100</b>	<b>99,432</b>	<b>40,216</b>	<b>252,048</b>

<sup>1</sup> As of 1<sup>st</sup> January 2019 SIX SIS Nominee U.K. Ltd was merged into SIX SIS Ltd

# Notes to the Financial Statements

## General Information

SIX SIS Ltd's core business is the settlement of securities transactions and the safe custody and administration of securities both in Switzerland and abroad. As the national central securities depository (CSD) for Switzerland, the company is a key element of the Swiss Value Chain. It provides securities settlement on a simultaneous, final and irrevocable delivery versus payment basis. By playing the role of an international central securities depository (ICSD), SIX SIS Ltd also offers a wide range of customized global custody services for financial institutions around the world.

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

At year-end 2019, SIX SIS Ltd had 288.9 employees on a full-time equivalent basis (year-end 2018: 313.3).

Since the end of September 2017 SIX SIS Ltd has been licensed as a CSD 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.

Risk management for SIX SIS Ltd is performed by dedicated risk management teams in the centralized Chief Risk Officer (CRO) unit of SIX Group Services Ltd. However, the operational monitoring of credit limits is carried out by SIX SIS Ltd. SIX SIS Ltd has outsourced the operation and maintenance of its data center to SIX Group Services Ltd. The outsourcing arrangements with SIX Group Services Ltd are governed by service level agreements in compliance with FINMA regulations and their staff members are required to maintain banking secrecy.

## Key figures

	2019	2018
Number of settlement transactions (in 1,000)	40,983	37,895
Deposit volume (in CHF million)	3,413,999	3,243,242

## Board of Directors

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

## Addresses

<b>SIX SIS Ltd</b>	<b>SIX SIS Ltd</b>
Baslerstrasse 100	Pfingstweidstrasse 110
P.O. Box	P.O. Box
CH-4601 Olten	CH-8021 Zurich
T +41 58 399 3111	T +41 58 399 3111
<a href="http://www.six-group.com/securities-services">www.six-group.com/securities-services</a>	
<a href="mailto:office@sisclear.com">office@sisclear.com</a>	

## Risk Management

### **Risk Governance**

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

The Board of Directors (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 SIS Ltd acknowledges and supervises the risk governance, organization and management of SIX SIS 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 SIS 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 SIS 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 and the Swiss Financial Market Infrastructure Act, SIX SIS Ltd is supervised by the Swiss Financial Market Supervisory Authority and 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 SIS 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 SIS 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 SIS 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 SIS Ltd, 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. Within SIX SIS Ltd, credit exposures mainly relate to short-term interim financing undertaken for the purpose of settling securities transactions. With the exception of a few counterparties, such as the Swiss National Bank or SIX affiliates, all short-term financing for settlement purposes is fully covered by collateral in the form of cash and securities eligible for SNB repos.

SIX SIS Ltd applies a conservative risk and credit policy. New clients of SIX SIS 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.

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

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

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

- Creditworthiness: The credit exposure borne by SIX SIS Ltd is influenced in part by the credit standing of the counterparty that gives an indication of its probability of default. The counterparty's credit standing is measured by its credit rating.
- Risk equivalent: The credit exposure borne by SIX SIS Ltd is also driven by the amount that is at risk in a default

scenario. The amount at risk is expressed by the "risk equivalent", which is a conservative estimate of the amount of credit loss that might occur in a default scenario after considering collateral and other factors that would mitigate the amount of losses incurred.

SIX SIS Ltd is linked online and in real time with SIX Swiss Exchange and with the SIC/euroSIC systems. The system of real-time settlement of irreversible transactions on the basis of simultaneous delivery versus payment (DVP) offers the best guarantee of eliminating settlement risk. This system does not function for cross-border securities transactions, however. The resulting receivables from and liabilities towards banks are subject to counterparty risk and market risk. These risks, which are of extremely short duration, are fully collateralized and strictly monitored through detailed procedures for managing limits.

In addition to pre-financing for settlement purposes, counterparty risk can be a result of treasury activities, whereas credit exposures are managed on an uncollateralized basis because no or insufficient collateralized alternatives, such as reverse repo investments, are available. Uncollateralized treasury placements or 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 SIS Ltd primarily relates to the pre-financing of cross-border settlements and to treasury investments such as bond purchases.

Market risk exposure may arise from cross-border settlements if a participant of SIX SIS Ltd were to default. This type of risk is managed by a settlement line. The settlement line controls the volume of cross-border settlement instructions transmitted for an individual client. With every cross-border instruction forwarded, a settlement margin of the overall transaction volume is charged against the settlement line.



**Liquidity Risk**

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

Another source of liquidity risk for SIX SIS Ltd results from cross-border settlements of its own participants. In the event of the default of a SIX SIS Ltd participant, SIX SIS Ltd has an obligation to fulfill matched receipt versus payment (RVP) instructions in cross-border markets from T+1 until the value date (usually until T+2) if no agreement can be reached with the counterparty regarding bilateral cancellation.

Under normal conditions, the liquidity of SIX SIS Ltd is managed by Cash Management and Treasury as part of their daily operation.

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 SIS 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 SIS Ltd does not hold any relevant foreign currency positions for its own account. 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 SIS 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 SIS 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 SIS 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 SIS 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 SIS 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.

#### **Financial Crime Risk**

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

## 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 SIS 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. ARB FINMA is applied pursuant to an individual FINMA ruling. The financial statement reporting date is 31 December. In general, business transactions are recorded using the trade date accounting principle. Detail positions reported under a specific balance sheet item are valued item-by-item.

	EUR	USD	GBP	JPY	NOK	CAD
Unit	1	1	1	100	100	1
Exchange rate as at current year-end	1.08	0.97	1.27	0.89	10.98	0.74
Exchange rate as at previous year-end	1.13	0.99	1.25	0.89	11.33	0.72

### 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 arise mainly from settlement activities with banks and financial organizations in Switzerland and abroad. SIX SIS Ltd holds accounts with custodians for settlement purposes. The total amount due from custodians is disclosed in the balance sheet as “thereof custodians” in the line item “Amounts due from banks”. The remaining accounts mainly consist of regular bank accounts and vostro money accounts of central counterparties (CCP) and participants. Those accounts are primarily used for settlement activities.

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.

In order to reduce risks in connection with open or late settlement, SLB or repo transactions, parts of the liabilities towards banks are pledged in favor of SIX SIS Ltd. The cash collateral delivered by participants 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 SIS Ltd lends and borrows securities for its own account and risk (principal status). The receivables and liabilities arising from the lending or borrowing of non-monetary instruments are valued at market value. Lending transactions in securities or money market papers are treated like repurchase agreements, provided they are covered by cash collateral and subject to daily margining. Lending transactions in securities or money market papers that are not covered by cash collateral are not included in the balance sheet, but disclosed in the notes. If the borrowed securities are resold, a non-monetary liability is recognized. 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 SIS Ltd does not engage in trading activities for its own account. Replacement values arise from the market valuation of liabilities from borrowed securities and from foreign currency forwards to mitigate SIX SIS Ltd's exposure to foreign exchange risk arising from operational activities.

**Participations**

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

**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
Installations	7	14%
Furnishings and equipment	5	20%
Hardware	5	20%
Buildings and building installations	35	3%
Land	not depreciated	0%
Software	3–5	20–33%

**Provisions**

Provisions are created for operational risks on the basis of the expected resource outflow.

**Pension Benefit Obligations**

Pension benefit obligations are treated according to Swiss GAAP FER 16. SIX SIS 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 Leases 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). SIX SIS had no leases in 2019 and therefore this change had no impact. 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 <sup>1</sup>	1,311,382	959,979
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions <sup>1</sup>	85,681	-
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	163,271	93,447
<i>with unrestricted right to resell or pledge</i>	77,559	93,447
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,492,715	1,947,739
<i>of which repledged securities</i>	-	-
<i>of which resold securities</i>	87,445	863,889

<sup>1</sup> Before netting agreements

### Breakdown of Book Value by Transaction Type

CHF 1,000	31/12/2019	31/12/2018
Reverse repurchase agreements	1,311,382	959,979
<b>Total amounts due from securities financing transactions</b>	<b>1,311,382</b>	<b>959,979</b>
Repurchase agreements	85,681	-
Obligation to return resold securities received in connection with securities borrowing transactions	87,445	863,889
<b>Total liabilities from securities financing transactions</b>	<b>173,126</b>	<b>863,889</b>

## 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
<b>Amounts due from customers</b>		
Amounts due from customers (unsecured, before netting with value adjustments)	1,373	1,202
<i>of which impaired</i>	-0	-
<b>Total before offsetting with value adjustments</b>	<b>1,373</b>	<b>1,202</b>
<b>Total after offsetting with value adjustments</b>	<b>1,372</b>	<b>1,202</b>

### 3. Derivative Financial Instruments

CHF 1,000	31/12/2019 Trading instruments		
	Positive replacement values	Negative replacement values	Contract volumes
<b>Interest rate instruments</b>			
Forward contracts	38	96	6,877
<b>Foreign exchange products</b>			
Forward contracts	104	63	27,259
<b>Equity securities and indices</b>			
Forward contracts	270	608	80,568
<b>Total before netting agreements</b>	<b>412</b>	<b>767</b>	<b>114,704</b>
<i>Previous year</i>	<i>11,342</i>	<i>3,928</i>	<i>930,910</i>
Recognized netting agreements	–	–	–
<b>Total after recognized netting agreements</b>	<b>412</b>	<b>767</b>	<b>114,704</b>
<i>Previous year</i>	<i>11,342</i>	<i>3,928</i>	<i>930,910</i>
Unrecognized netting agreements	–	–	–
<b>Total after netting agreements</b>	<b>412</b>	<b>767</b>	<b>114,704</b>
<i>Previous year</i>	<i>11,342</i>	<i>3,928</i>	<i>930,910</i>

SIX SIS Ltd does not engage in trading activities for its own account. The derivative financial instruments arise from liabilities from borrowed securities and from foreign currency forwards to mitigate SIX SIS Ltd's exposure to foreign exchange risk arising from operational activities.

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

#### Breakdown by Counterparty

CHF 1,000	Central clearing houses	Banks	Total
Positive replacement values (after netting agreements)	234	177	412

## 4. Other Assets and Liabilities

CHF 1,000	Other assets		Other liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
SECOM settlement accounts	1,863	8,530	28,278	1,228
Indirect taxes	2,019	217	9,331	11,097
Compensation account	-	-	-	-
Sundry assets and liabilities	332	232	1,009	1,049
<b>Total</b>	<b>4,213</b>	<b>8,980</b>	<b>38,619</b>	<b>13,374</b>

## 5. Assets Pledged or Assigned to Secure Own Commitments

As at the balance sheet date, no assets were pledged or assigned to secure own commitments.

## 6. Pension Funds

### Employer Contribution Reserves

CHF 1,000	Notes	31/12/2019	31/12/2018
<b>Nominal value as at previous year-end</b>		<b>5,634</b>	<b>5,312</b>
- creation		-	322
<b>Nominal value as at current year-end</b>		<b>5,634</b>	<b>5,634</b>
<i>of which with waiver of use</i>		<i>5,634</i>	<i>5,634</i>
Value adjustments offset	7	-5,634	-5,634
<b>Net value as at current year-end</b>		<b>-</b>	<b>-</b>

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

### **Economic Benefit from Surplus Cover and Pension Fund Expenses**

SIX SIS 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 SIS Ltd does not gain any economic benefits in the event of surplus cover. SIX SIS Ltd offers

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

Pension fund expenses amounted to CHF 3,460 thousand in the current year (previous year: CHF 4,015 thousand).

## 7. 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
Provisions for operational risks	927	-728	-	-	300	-499	-
Provisions for custody <sup>1</sup>	10,000	-	-	-	-	-10,000	-
Other provisions	844	-	-	-	-	-150	694
<b>Total provisions</b>	<b>11,771</b>	<b>-728</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-10,649</b>	<b>694</b>
<b>Value adjustments offset</b>	<b>5,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5,640</b>

<sup>1</sup> See note 18 "Losses and extraordinary items"

Provisions for operational risks are calculated on the basis of actual operational risks. Provisions for custody were fully released to the income statement in 2019.

Value adjustments are created for defaulting debtors (CHF 0.3 thousand, see note 2), for expected credit losses on bank accounts (CHF 5.7 thousand) and for employer contribution reserves with waiver of use (CHF 5,634.4 thousand, see note 6).



## 8. 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	260	26,000	26,000
Share capital at current year-end	260	26,000	26,000

All registered shares and therefore all voting rights (1 share = 1 vote) of SIX SIS 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

## 9. Amounts Due From/To Related Parties

All transactions with related parties and other entities of SIX Group Ltd 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	–	103	51,777	58,581
SIX x-clear Ltd	26,590	208,424	305,333	163,993
Other entities of SIX Group	280,227	1,447	11,279	23,013
Indirect shareholder SIX Group Ltd	–	–	484,499	881,656
Other qualified indirect shareholders (>10% of equity)	37,668	44,625	1,277,647	1,346,799

### 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	2,665	8.3	3,117	10.4
Result from commission business and services	455	0.3	582	0.3
Result from other ordinary activities	4,240	48.1	3,304	44.1
Operating expenses	–9,206	5.5	–13,072	7.5
<b>Net intragroup income and expenses</b>	<b>–1,846</b>		<b>–6,069</b>	

## 10. Maturity Structure of Financial Instruments

CHF 1,000	At sight	Cancelable	Due < 3 months	Due 3–12 months	Due 12–60 months	Total
<b>Financial assets</b>						
Liquid assets	2,901,065	–	–	–	–	2,901,065
Amounts due from banks	671,258	–	–	–	–	671,258
<i>thereof custodians</i>	454,996	–	–	–	–	454,996
Amounts due from securities financing transactions	–	–	1,305,576	5,807	–	1,311,382
Amounts due from customers	1,372	–	–	–	–	1,372
Positive replacement values of derivative financial instruments	412	–	–	–	–	412
Participations	1,320	–	–	–	–	1,320
<b>Total financial assets</b>	<b>3,575,427</b>	<b>–</b>	<b>1,305,576</b>	<b>5,807</b>	<b>–</b>	<b>4,886,810</b>
<i>Previous year</i>	<i>5,490,215</i>	<i>–</i>	<i>954,067</i>	<i>5,912</i>	<i>–</i>	<i>6,450,194</i>
<b>Financial liabilities</b>						
Amounts due to banks	3,888,879	–	–	–	–	3,888,879
<i>thereof collaterals</i>	2,161,251	–	–	–	–	2,161,251
Liabilities from securities financing transactions	–	–	173,126	–	–	173,126
Amounts due to customers	558,174	–	–	–	–	558,174
Negative replacement values of derivative financial instruments	767	–	–	–	–	767
<b>Total financial liabilities</b>	<b>6,609,071</b>	<b>–</b>	<b>173,126</b>	<b>–</b>	<b>–</b>	<b>4,620,946</b>
<i>Previous year</i>	<i>7,335,046</i>	<i>–</i>	<i>863,889</i>	<i>–</i>	<i>–</i>	<i>6,198,180</i>

## 11. Assets by Country/Group of Countries

	Rating	31/12/2019		31/12/2018	
		CHF 1,000	Share in %	CHF 1,000	Share in %
<b>Europe</b>		<b>4,656,879</b>	<b>94.5</b>	<b>6,224,564</b>	<b>95.9</b>
Switzerland	AAA	3,618,088	73.4	4,441,571	68.4
Germany	AAA	280,159	5.7	853,056	13.1
Finland	AA	193,543	3.9	129,897	2.0
United Kingdom	AA	135,003	2.7	165,602	2.6
France	AA	118,107	2.4	221,762	3.4
Liechtenstein	AAA	109,369	2.2	23,935	0.4
Denmark	AAA	102,821	2.1	103,951	1.6
Luxembourg	AAA	99,790	2.0	168,985	2.6
<b>Australia</b>	<b>AAA</b>	<b>22,041</b>	<b>0.4</b>	<b>32,148</b>	<b>0.5</b>
<b>North America</b>		<b>88,302</b>	<b>1.8</b>	<b>35,852</b>	<b>0.6</b>
United States	AA	56,686	1.1	13,020	0.2
Canada	AAA	31,617	0.6	22,832	0.4
<b>Asia</b>		<b>52,921</b>	<b>1.1</b>	<b>29,289</b>	<b>0.5</b>
Japan	A	52,921	1.1	29,289	0.5
Other countries <sup>1</sup>	n/a	110,055	2.2	169,199	2.6
<b>Total assets</b>		<b>4,930,199</b>	<b>100.0</b>	<b>6,491,052</b>	<b>100.0</b>

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

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

## 12. 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	4,855,626	98.5	6,470,008	99.7
A	58,675	1.2	5,805	0.1
BBB	9,751	0.2	14,803	0.2
BB	6,116	0.1	414	0.0
B and lower	31	0.0	23	0.0
<b>Total assets</b>	<b>4,930,199</b>	<b>100.0</b>	<b>6,491,052</b>	<b>100.0</b>

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

### 13. Assets and Liabilities by Domestic and Foreign Origin

CHF 1,000	31/12/2019			31/12/2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Assets</b>						
Liquid assets	2,621,496	279,569	2,901,065	3,339,965	849,985	4,189,950
Amounts due from banks	155,270	515,988	671,258	316,707	969,594	1,286,301
<i>thereof custodians</i>	–	454,996	454,996	–	744,782	744,782
Amounts due from securities financing transactions	796,462	514,920	1,311,382	731,670	228,309	959,979
Amounts due from customers	1,059	313	1,373	928	274	1,202
Positive replacement values of derivative financial instruments	412	–	412	11,342	–	11,342
Accrued income and prepaid expenses	10,510	–	10,510	6,068	–	6,068
Participations	–	1,320	1,320	100	1,320	1,420
Tangible fixed assets	28,666	–	28,666	25,810	–	25,810
Other assets	4,213	–	4,213	8,980	–	8,980
<b>Total assets</b>	<b>3,618,088</b>	<b>1,312,111</b>	<b>4,930,199</b>	<b>4,441,571</b>	<b>2,049,481</b>	<b>6,491,052</b>
<b>Liabilities and equity</b>						
Amounts due to banks	2,978,801	910,078	3,888,879	3,172,640	1,185,144	4,357,784
<i>thereof collaterals</i>	1,816,296	344,955	2,161,251	1,661,547	339,207	2,000,755
Liabilities from securities financing transactions	173,126	–	173,126	863,889	–	863,889
Amounts due to customers	558,156	18	558,174	972,547	32	972,579
Negative replacement values of derivative financial instruments	767	–	767	3,928	–	3,928
Accrued expenses and deferred income	14,991	–	14,991	15,679	–	15,679
Other liabilities	38,619	–	38,619	13,374	–	13,374
Provisions	694	–	694	11,771	–	11,771
Share capital	26,000	–	26,000	26,000	–	26,000
Statutory reserves						
Tax-exempt capital contribution reserve	5,000	–	5,000	5,000	–	5,000
Statutory retained earnings	18,300	–	18,300	18,300	–	18,300
Voluntary reserves						
Other voluntary reserves	63,100	–	63,100	63,100	–	63,100
Retained earnings	99,608	–	99,608	99,432	–	99,432
Profit for the year	42,942	–	42,942	40,216	–	40,216
<b>Total liabilities and equity</b>	<b>4,020,103</b>	<b>910,096</b>	<b>4,930,199</b>	<b>5,305,876</b>	<b>1,185,176</b>	<b>6,491,052</b>

## 14. Assets and Liabilities by Most Significant Currencies

CHF 1,000	CHF	EUR	USD	GBP	SEK	JPY	Other <sup>1</sup>	Total
<b>Assets</b>								
Liquid assets	2,621,496	279,569	–	–	–	–	–	2,901,065
Amounts due from banks	43,491	49,222	240,277	109,631	15,326	65,332	147,979	671,258
<i>thereof custodians</i>	7,592	42,203	141,887	103,612	1,969	56,460	101,273	454,996
Amounts due from securities financing transactions	–	325,371	954,221	–	–	–	31,790	1,311,382
Amounts due from customers	1,373	–	–	–	–	–	–	1,373
Positive replacement values of derivative financial instruments	412	–	–	–	–	–	–	412
Accrued income and prepaid expenses	10,510	–	–	–	–	–	–	10,510
Participations	–	1,320	–	–	–	–	–	1,320
Tangible fixed assets	28,666	–	–	–	–	–	–	28,666
Other assets	2,350	1,656	0	0	–	–	206	4,213
<b>Total assets</b>	<b>2,708,298</b>	<b>657,138</b>	<b>1,194,499</b>	<b>109,631</b>	<b>15,326</b>	<b>65,332</b>	<b>179,975</b>	<b>4,930,199</b>
<b>Delivery entitlements from spot exchange, forward forex and forex options transactions</b>	<b>9,921</b>	<b>228</b>	<b>130</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,980</b>	<b>27,259</b>
<b>Total assets</b>	<b>2,718,218</b>	<b>657,366</b>	<b>1,194,629</b>	<b>109,631</b>	<b>15,326</b>	<b>65,332</b>	<b>196,955</b>	<b>4,957,458</b>
<b>Liabilities and equity</b>								
Amounts due to banks	1,875,320	498,940	1,145,526	107,819	13,402	64,839	183,034	3,888,879
<i>thereof collaterals</i>	1,575,315	186,976	383,490	15,437	14	5	14	2,161,251
Liabilities from securities financing transactions	–396	153,430	13,973	821	1,730	173	3,395	173,126
Amounts due to customers	548,330	3,170	4,218	1,247	621	319	269	558,174
Negative replacement values of derivative financial instruments	767	–	–	–	–	–	–	767
Accrued expenses and deferred income	14,991	–	–	–	–	–	–	14,991
Other liabilities	4,331	1,651	32,550	29	–	0	58	38,619
Provisions	694	–	–	–	–	–	–	694
Share capital	26,000	–	–	–	–	–	–	26,000
Statutory reserves								
Tax-exempt capital contribution reserve	5,000	–	–	–	–	–	–	5,000
Statutory retained earnings	18,300	–	–	–	–	–	–	18,300
Voluntary reserves								
Other voluntary reserves	63,100	–	–	–	–	–	–	63,100
Retained earnings	99,608	–	–	–	–	–	–	99,608
Profit for the year	42,942	–	–	–	–	–	–	42,942
<b>Total liabilities and equity</b>	<b>2,698,986</b>	<b>657,190</b>	<b>1,196,267</b>	<b>109,917</b>	<b>15,753</b>	<b>65,331</b>	<b>186,755</b>	<b>4,930,199</b>
<b>Delivery obligations from spot exchange, forward forex and forex options transactions</b>	<b>16,612</b>	<b>98</b>	<b>512</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,996</b>	<b>27,218</b>
<b>Total liabilities and equity</b>	<b>2,715,598</b>	<b>657,288</b>	<b>1,196,779</b>	<b>109,917</b>	<b>15,753</b>	<b>65,331</b>	<b>196,752</b>	<b>4,957,417</b>
<b>Net position per currency</b>	<b>2,620</b>	<b>78</b>	<b>–2,150</b>	<b>–286</b>	<b>–426</b>	<b>1</b>	<b>203</b>	<b>41</b>
Previous year	835	807	–1,182	53	–218	–30	–265	–

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

# Information on the Income Statement

## 15. Result from Trading Activities

CHF 1,000	2019	2018
Net valuation result from the translation of foreign exchange positions	557	-220
<b>Total result from trading activities</b>	<b>557</b>	<b>-220</b>

## 16. Personnel Expenses

CHF 1,000	2019	2018
Salaries (incl. bonuses)	-33,370	-41,858
Social insurance benefits	-6,927	-7,068
Other personnel expenses	-1,768	-2,633
<b>Total personnel expenses</b>	<b>-42,066</b>	<b>-51,558</b>

## 17. General and Administrative Expenses

CHF 1,000	2019	2018
SECOM expenses, cost of equipment	-44,125	-51,606
Consultancy and other services	-68,150	-55,656
Fees of audit firm	-505	-314
<i>of which for financial and regulatory audits</i>	<i>-281</i>	<i>-264</i>
<i>of which for other services</i>	<i>-224</i>	<i>-50</i>
Cost of premises	-4,380	-4,604
Advertising and marketing expenses	-4,974	-5,156
Indirect taxes and other fees	-2,374	-2,609
Other operating expenses	-1,843	-3,069
<b>Total general and administrative expenses</b>	<b>-126,350</b>	<b>-123,015</b>

## 18. Losses and Extraordinary Items

Extraordinary income consists of released provisions of CHF 10 million (previous year: CHF 10 million) in the reporting year. In the previous year, the sale of assets (participation) resulted in extraordinary income of CHF 0.1 million.

Net hidden reserves of CHF 15.4 million were released in the reporting year.

## 19. Taxes

CHF 1,000	2019	2018
Expenses (income) from taxes in previous years	868	1,776
Expenses for current taxes	-11,591	-10,993
Decrease (increase) of provisions for deferred taxes	-	-
<b>Total taxes</b>	<b>-10,723</b>	<b>-9,217</b>
Weighted average tax rate on operating result before tax (including extraordinary items)	21.3%	21.5%

## 20. 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 25.2 million (previous year: CHF 23.2 million), while negative interest received

amounted to CHF 30.8 million (previous year: CHF 28.4 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 position "Interest and discount income".

CHF 1,000	2019		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	8,084	55,910	63,993
Interest expenses	24,116	-55,910	-31,794
<b>Gross result from interest operations</b>	<b>32,200</b>	<b>-</b>	<b>32,200</b>
Changes in value adjustments for default risks	-	-	-
<b>Result from interest operations</b>	<b>32,200</b>	<b>-</b>	<b>32,200</b>

CHF 1,000	2018		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	6,453	51,585	58,038
Interest expenses	23,550	-51,585	-28,035
<b>Gross result from interest operations</b>	<b>30,003</b>	<b>-</b>	<b>30,003</b>
Changes in value adjustments for default risks	-	-	-
<b>Result from interest operations</b>	<b>30,003</b>	<b>-</b>	<b>30,003</b>



# Information on Off-Balance-Sheet Transactions

## 21. 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 SIS Ltd and third parties (contracting parties, authorities, etc.) which may give rise to legal disputes. SIX SIS 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 SIS 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.



Ernst & Young Ltd  
Maagplatz 1  
P.O. Box  
CH-8010 Zurich

Phone +41 58 286 31 11  
Fax +41 58 286 30 04  
www.ey.com/ch

To the General Meeting of  
SIX SIS Ltd, Olten

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 SIS Ltd, which comprise the balance sheet, income statement, statement of changes in equity and notes (page 3 to 25), 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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Jan Marxfeld  
(Qualified  
Signature)

Licensed audit expert  
(Auditor in charge)



Samuel Rast  
(Qualified  
Signature)

Licensed audit expert

## Regulatory Disclosure

### Capital Adequacy

SIX SIS 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 SIS Ltd must have a minimum of 110% of the required capital at all times.

CHF 1,000	31/12/2019	31/12/2018 <sup>1</sup>
Tier 1 capital	208,388	211,832
Tier 2 capital	–	7,850
<b>Eligible capital</b>	<b>208,388</b>	<b>219,682</b>
<b>Required capital</b>	<b>132,703</b>	<b>144,408</b>
of which for credit risk	16,740	18,979
of which for non-counterparty-related risks	2,004	2,065
of which for market risks	357	212
of which for operational risks	31,187	30,636
of which for wind-down risks <sup>1</sup>	82,385	92,427
of which for intraday credit risk <sup>2</sup>	30	88
<b>Capital fulfilment ratio</b>	<b>157.0%</b>	<b>152.1%</b>
p.m. CET1 ratio	33.2%	32.7%
p.m. Basel III capital ratio	33.2%	33.9%

<sup>1</sup> Because of a change in the calculation method of the required capital for wind-down risks, the Capital Adequacy calculation as of 31 December 2018 had to be restated after publication of the annual report 2018. This requirement is FMI-specific (non-Basel III) and therefore regulated in the Swiss Financial Market Infrastructure Ordinance (Art. 56 FMIO).

<sup>2</sup> Based on Capital Adequacy Ordinance (Art. 45 CAO) FINMA requires additional capital for intraday credit risks.







**SIX SIS Ltd**  
Baslerstrasse 100  
P.O. Box  
CH-4601 Olten

[www.six-group.com/securities-services](http://www.six-group.com/securities-services)