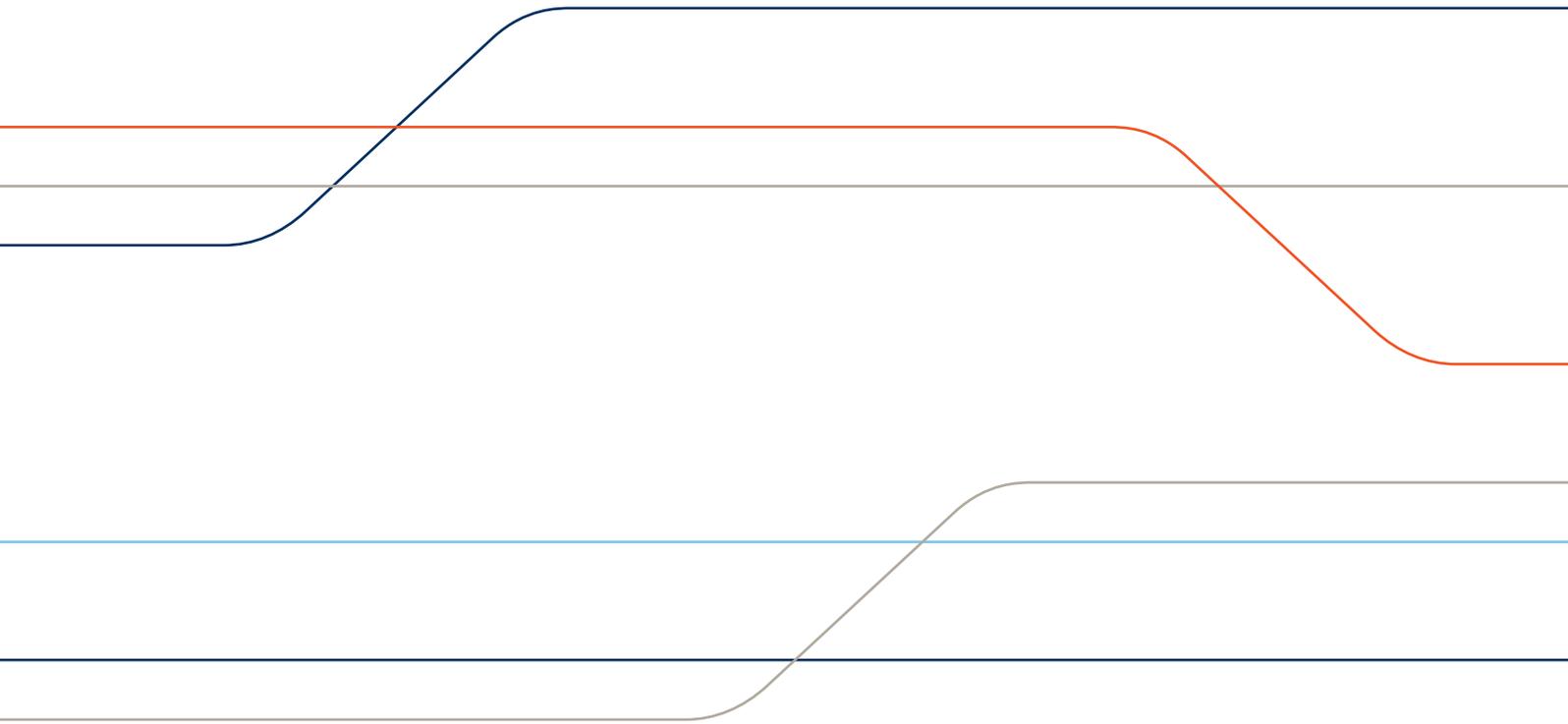




Financial Statements 2016

SIX SIS Ltd



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Balance sheet

CHF 1,000	Notes	31/12/2016	31/12/2015
Assets			
Liquid assets		4,146,645	3,264,929
Amounts due from banks		997,518	1,135,040
Amounts due from securities financing transactions	1	1,550,149	1,029,112
Amounts due from customers	2	1,756	3,717
Positive replacement values of derivative financial instruments	3	470	693
Accrued income and prepaid expenses		4,442	740
Participations		1,517	1,517
Tangible assets		27,524	35,809
Other assets	4	1,385	8,087
Total assets		6,731,406	5,479,643
Liabilities and equity			
Amounts due to banks		5,409,603	4,241,675
Liabilities from securities financing transactions	1	547,347	645,630
Amounts due to customers		442,091	256,981
Negative replacement values of derivative financial instruments	3	1,808	1,083
Accrued expenses and deferred income		21,274	32,253
Other liabilities	4	38,871	43,441
Provisions	8	33,543	46,254
Bank's capital	9	26,000	26,000
Legal reserves			
Legal reserves from capital contribution (tax-exempt)		5,000	5,000
Legal reserves from retained earnings		18,300	18,300
Free reserves			
Other free reserves		63,100	63,100
Retained earnings		54,925	35,738
Profit for the year		69,543	64,187
Total liabilities and equity		6,731,406	5,479,643
Off-balance-sheet transactions			
Irrevocable commitments	2	20	24

Income statement

CHF 1,000	Notes	2016	2015
Interest and discount income		-1,437	-8,047
Interest expenses		16,404	18,638
Gross result from interest operations		14,967	10,591
Changes in value adjustments for default risks		-	-
Result from interest operations	16	14,967	10,591
Commission income from clearing & settlement		224,676	226,948
Commission expenses from clearing & settlement		-62,210	-63,621
Commission income from other services		15,301	16,536
Commission expenses from other services		-	-1
Result from commission business and services		177,766	179,862
Result from trading activities	11	121	351
Other ordinary income		11,866	12,979
Other ordinary expenses		-	-13
Result from other ordinary activities		11,865	12,966
Personnel expenses	12	-47,989	-46,930
General and administrative expenses	13	-104,916	-102,224
Operating expenses		-152,905	-149,154
Changes in value adjustments on participations and depreciation of tangible assets		-939	-1,728
Changes to provisions and other value adjustments, and losses	8	1,032	11,054
Operating result		51,907	63,943
Extraordinary income	14	36,324	17,745
Taxes	15	-18,688	-17,501
Profit for the year		69,543	64,187
Appropriation of profit			
Profit carried forward from the previous year		54,924	35,738
Distributable profit		124,467	99,924
Dividend		-30,000	-45,000
Profit carried forward		94,467	54,924

Statement of changes in equity

CHF 1,000	Bank's capital	Legal reserves		Free reserves		Profit for the year	Total
		From capital contributions	From retained earnings	Other free reserves	Retained earnings		
1 January 2016	26,000	5,000	18,300	63,100	35,738	64,187	212,324
Appropriation of profit					64,187	-64,187	-
Dividends					-45,000		-45,000
Profit for the year						69,543	69,543
31 December 2016	26,000	5,000	18,300	63,100	54,925	69,543	236,868
1 January 2015	26,000	5,000	18,300	63,100	19,544	45,194	177,138
Appropriation of profit					45,194	-45,194	-
Dividends					-29,000		-29,000
Profit for the year						64,187	64,187
31 December 2015	26,000	5,000	18,300	63,100	35,738	64,187	212,324

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 tailor-made global custody services for clients around the world.

To facilitate the settlement of securities transactions, particularly cross-border, national and international 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 2016, SIX SIS Ltd had 319 employees on a full-time equivalent basis (year-end 2015: 319).

SIX SIS Ltd is licensed as a bank under Swiss law 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 with respect to systemic risks. Furthermore, SIX SIS Ltd has applied to be licensed as a central securities depository as required by the new Financial Market Infrastructure Act.

The risk management for all of SIX Securities Services, which itself is a division of SIX, is performed by SIX Securities Services Ltd, with the operational settlement of credit limits in SECOM being carried out by SIX SIS Ltd. SIX SIS Ltd outsources the operation and maintenance of the data center to SIX Group Services Ltd. This outsourcing arrangement is governed by service level agreements in compliance with FINMA regulations. Staff members of SIX Group Services Ltd are required to maintain banking secrecy.

Key figures

	2016	2015
Number of settlement transactions (in 1,000) ¹	37,561	40,762
Deposit volume (in CHF million)	3,149,542	3,135,874

¹ Figure for 2015 has been restated for comparison reasons as the calculation method was adjusted in 2016

Board of Directors

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

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www.six-sis.com	
office@sisclear.com	

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.

Overall responsibility for risk management at SIX SIS Ltd lies with the members of the Group Executive Board of SIX, which is supported at group level by the specialized units Corporate Development (for strategic risks), Corporate Security Officer (for security risks) and Compliance Officer and by the Finance and Services division.

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

A "three lines of defense" governance model forms the basis of the risk governance framework. Each line has its specific role and responsibilities. Close collaboration between all lines ensures the identification, assessment and mitigation of risks. Senior executives of SIX 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.

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

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

Reputational risk

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

Credit risk (counterparty risk, default risk)

Credit risk, counterparty risk or default risk is defined as the danger of a loss caused by a counterparty not fulfilling its contractual obligations. This notably includes settlement risk, i.e. the risk that a counterparty does not deliver a security or its value in cash as per the trade agreement. Within SIX 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 group affiliates, all short-term financing for settlement purposes is fully covered by collateral in the form of cash and securities eligible for SNB repos.

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

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

The credit risk exposures of SIX 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 are in any case managed through counterparty ratings and limits.

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

Market risk

According to Basel III, market risk is defined as "the risk of loss arising from movements in market prices" and comprises the risk of a loss due to value fluctuations of a position triggered by a change in the underlying factors (e.g. equity or commodity prices, exchange rates and interest rates and their respective volatilities). Market risk exposure of SIX SIS Ltd primarily relates to the pre-financing of cross-border settlements.

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

Liquidity risk

Liquidity risk basically relates to the inability to meet payment obligations when they are due. Under normal market circumstances SIX 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.

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

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

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

Interest rate risk

SIX 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 assets, software and other assets subject to depreciation.

Non-counterparty-related risks are accounted for through adequate depreciation and insurance. In particular, software is fully depreciated in the year of production or purchase.

Operational risk

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

To ensure reliability as a key pillar of the Swiss financial center, SIX 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 customer trust and reputational risks is also taken into account. Any risks identified and cases of damage, along with the losses incurred, are tracked in a database and linked to the internal control system in order to systematically identify risks and support ongoing risk assessment.

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

Business processes are reviewed continuously by the risk management team to identify and assess potential risks. The team also defines measures to further decrease operational risks. The risks identified and measures defined to minimize the risks are regularly

reported to the Board of Directors and the management of SIX 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 measures aimed at reducing the probability of such failures occurring, such as by maintaining an IT back-up center. Corresponding measures on the part of our outsourcing partners are subject to contractual agreements. Business contingency management is tested annually to ensure its efficiency. The results of this testing are reported to the Board of Directors and the management of SIX 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 was implemented in 2016.

Regulatory disclosure

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

Capital adequacy

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

CHF 1,000	31/12/2016	31/12/2015
Tier 1 capital	167,325	148,138
Tier 2 capital	23,550	31,400
Eligible capital	190,875	179,538
Required capital	46,078	54,681
thereof for credit risks	12,056	21,015
thereof for non-counterparty-related risks	5,505	7,163
thereof for market risks	820	281
thereof for operational risks	27,697	26,224
Tier 1 ratio	29.1%	21.7%
Capital ratio	33.1%	26.3%

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

Leverage ratio

CHF 1,000	31/12/2016	31/12/2015
Tier 1 capital	167,325	148,138
Total exposure	5,181,269	4,450,542
Leverage ratio ¹	3.2%	3.3%

¹ Due to the core business of SIX SIS Ltd resulting in high balance sheet positions (i.e. cash at the Swiss National Bank) and therefore a low percentage of Tier 1 capital, the leverage ratio is not comparable to common retail banks.

Liquidity coverage ratio (LCR)

SIX SIS Ltd is required to fulfill the short-term LCR. The values presented are quarterly averages.

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

Accounting and valuation policies

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

General principles

The accounting, reporting and valuation principles for 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.

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.

In line with margin notes 327–340 of the accounting rules for banks (ARB), certain information is disclosed in the consolidated financial statements of SIX Securities Services only.

Foreign currency conversion

Transactions in foreign currencies are posted at the current exchange rates. Balance sheet items in foreign currencies are converted into Swiss francs at the exchange rates applicable on the balance sheet date, income statement items are converted on the basis of daily rates. Exchange rate gains or losses are credited or debited to the income statement.

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

Liquid assets

Liquid assets are measured at their nominal value.

Amounts due to and from banks and customers

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

Amounts due from and liabilities from securities financing transactions

In accordance with the accounting guidelines, the substance over form principle applies for securities lending and repurchase transactions. Thus non-monetary values are shown in the balance sheet of the party delivering these values.

Securities lending and borrowing

SIX SIS Ltd lends and borrows non-monetary instruments such as money market papers and securities for its own account and risk (principal status). It generally only engages in trading book transactions, whereby receivables and liabilities arising from the lending or borrowing of non-monetary instruments are valued at market value. Lending transactions in securities or money market papers are treated like repurchase agreements, provided they are covered by cash collateral and subject to daily margining. Lending transactions in securities or money market papers that

are not covered by cash collateral are not included in the balance sheet, but disclosed in the notes. Fees paid and received are shown under commission income.

Repurchase and reverse repurchase agreements

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

Positive and negative replacement values of derivative financial instruments

SIX 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 assets

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

The following depreciation rates are applied:

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

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

Provisions

Flat-rate provisions are created to cover latent defaults in the area of short-term financing used to guarantee settlement of securities transactions, operational risks and custody risks. Further provisions are created 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 valuation policies

None.

Subsequent events

No subsequent events requiring disclosure occurred.

Information on the balance sheet

1. Securities financing transactions

CHF 1,000	31/12/2016	31/12/2015
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions ¹	1,550,149	1,029,112
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions ¹	366,717	475,254
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	373,707	513,696
<i>with unrestricted right to resell or pledge</i>	373,707	513,696
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	1,739,572	1,240,094
<i>of which repledged securities</i>	365,851	237,266
<i>of which resold securities</i>	180,630	175,888

¹ Before netting agreements

Breakdown of book value by transaction type

CHF 1,000	31/12/2016	31/12/2015
Reverse repurchase agreements	1,550,149	1,029,112
Total amounts due from securities financing transactions	1,550,149	1,029,112
Repurchase agreements	366,717	475,254
Obligation to return resold securities received in connection with securities borrowing transactions	180,630	170,376
Total liabilities from securities financing transactions	547,347	645,630

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

CHF 1,000	31/12/2016	31/12/2015
Amounts due from customers		
Amounts due from customers (unsecured, before netting with value adjustments)	1,756	3,717
<i>of which impaired</i>	–	–
Total before offsetting with value adjustments	1,756	3,717
Total after offsetting with value adjustments	1,756	3,717
Off-balance-sheet transactions		
Irrevocable commitments (unsecured)	20	24

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

3. Derivative financial instruments

CHF 1,000	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volumes
Interest rate-related instruments			
Forward contracts	16	134	10,423
Foreign exchange products			
Forward contracts	20	10	5,815
Equity securities and indices			
Forward contracts	434	1,665	169,462
Total before netting agreements	470	1,808	185,701
<i>Previous year</i>	<i>693</i>	<i>1,083</i>	<i>170,767</i>
Recognized netting agreements	–	–	–
Total after recognized netting agreements	470	1,808	185,701
<i>Previous year</i>	<i>693</i>	<i>1,083</i>	<i>170,767</i>
Unrecognized netting agreements	–	–	–
Total after netting agreements	470	1,808	185,701
<i>Previous year</i>	<i>693</i>	<i>1,083</i>	<i>170,767</i>

SIX SIS Ltd does not engage in trading activities for its own account. The derivative instruments shown are unsettled spot transactions arising from settlement business with bonds and equities 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)	321	149	470

4. Other assets and liabilities

CHF 1,000	Other assets		Other liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
SECOM settlement accounts	636	7,243	10,834	12,521
Indirect taxes	738	843	25,465	28,323
Compensation account	–	–	–	–
Sundry assets and liabilities	11	1	2,572	2,598
Total	1,385	8,087	38,871	43,441

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. Breakdown of assets by country rating

Country rating	31/12/2016		31/12/2015	
	in CHF 1,000	in %	in CHF 1,000	in %
AAA–AA	6,714,709	99.8	5,467,725	99.8
A	7,895	0.1	2,138	0.0
BBB	8,645	0.1	7,696	0.1
BB	157	0.0	2,073	0.0
B and lower	–	0.0	10	0.0
Total assets	6,731,406	100.0	5,479,643	100.0

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

7. Pension funds

Employer contribution reserves

CHF 1,000	Notes	31/12/2016	31/12/2015
Nominal value as at previous year-end		10,862	10,771
– creation		–	–
– transfer to/from other group entities		–	91
– withdrawal		–	–
– utilization		–5,550	–
Nominal value as at current year-end		5,312	10,862
<i>of which with waiver of use</i>		<i>5,312</i>	<i>10,862</i>
Value adjustments offset	8	–5,312	–10,862
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 SIS Ltd is connected to the pension fund of SIX Group. The coverage ratio of the Occupational Benefits Foundation of SIX was 115.9% as at the last audited financial statements (2015). SIX 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 4,002 thousand in the current year (previous year: CHF 3,930 thousand).

8. Value adjustments and provisions

CHF 1,000	Balance at previous year-end	Use in conf. with designated purpose	Foreign exchange conversion differences	New creations charged to income	Releases to income	Balance at current year-end
Provisions for default risks	2,783	–	–	–	–521	2,261
Provisions for operational risks	178	–178	–1	139	–	138
Provisions for custody ¹	40,000	–	–	–	–10,000	30,000
Provisions for legal risks	2,000	–1,500	–	–	–500	–
Other provisions	1,294	–	–	–	–150	1,144
Total provisions	46,254	–1,678	–1	139	–11,171	33,543
Value adjustments offset	10,862	–5,550	–	–	–	5,312

¹ See note 14 "Losses and extraordinary items"

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

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

Provisions for operational risks are calculated on the basis of actual operational risks. Provisions for custody are created up to a maximum of 30 million (previous year: 40 million). Changes since the previous year are recognized in the income statement.

Value adjustments are created for defaulting debtors (see note 2) and employer contribution reserves with waiver of use (see note 7).

9. Bank's capital and significant shareholders

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

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

SIX Securities Services Ltd is wholly owned by SIX Group Ltd. 130 national and international financial institutions hold shares in SIX Group Ltd, but no owner holds more than 20% of SIX Group Ltd's total equity. The shares are distributed such that no owner or type

of bank has an absolute majority. All shareholders are bound by a shareholders' agreement.

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

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

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

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

10. Transactions with related parties

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

CHF 1,000	Assets		Liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
SIX Securities Services Ltd	–	93	95,861	3,307
SIX x-clear Ltd	117,838	63,986	1,259,334	891,162
Other entities of SIX Group	1,668	3,241	17,245	14,572
Indirect shareholder SIX Group Ltd	–	–	320,916	234,226
Other qualified indirect shareholders (>10% of equity)	27,963	37,686	1,332,726	1,212,263

Intragroup income and expenses

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

CHF 1,000/in %	2016		2015	
	CHF	% of item	CHF	% of item
Result from interest operations	6,559	43.8	5,615	53.0
Result from commission business and services	687	0.3	697	0.3
Result from trading activities	–	0.0	–8	–2.2
Result from other ordinary activities	3,352	28.2	5,295	40.8
Operating expenses	–15,755	15.0	–14,972	14.6
Net intragroup income and expenses	–5,158		–3,373	

Information on the income statement

11. Result from trading activities

CHF 1,000	2016	2015
Net valuation result from the conversion of foreign exchange positions	121	351
Total result from trading activities	121	351

12. Personnel expenses

CHF 1,000	2016	2015
Salaries (incl. bonuses)	-38,188	-37,542
Social insurance benefits	-6,982	-7,167
Other personnel expenses	-2,819	-2,220
Total personnel expenses	-47,989	-46,930

13. General and administrative expenses

CHF 1,000	2016	2015
SECOM expenses, cost of equipment	-58,638	-57,129
Consultancy and other services	-32,190	-30,652
Fees of audit firm	-466	-263
<i>of which for financial and regulatory audits</i>	<i>-389</i>	<i>-165</i>
<i>of which for other services</i>	<i>-77</i>	<i>-98</i>
Cost of premises	-3,712	-4,309
Advertising and marketing expenses	-5,370	-3,622
Indirect taxes and other fees	-1,738	-784
Other operating expenses	-2,802	-5,466
Total general and administrative expenses	-104,916	-102,224

14. Losses and extraordinary items

In the reporting year, a bank building was sold resulting in extraordinary income of CHF 26.3 million.

Furthermore, extraordinary income includes a release of hidden reserves (provisions) of CHF 10 million (prior year 17.7 million).

15. Taxes

CHF 1,000	2016	2015
Income (expenses) from taxes in previous years	12	228
Expenses for current taxes	-18,700	-17,729
Decrease (increase) of provisions for deferred taxes	-	-
Total taxes	-18,688	-17,501
Weighted average tax rate on operating result before tax (including extraordinary items)	21.2%	21.7%

16. 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 19,488 thousand (prior year: CHF 15,382 thousand), while negative interest received amounted to CHF 23,477

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

CHF 1,000	2016		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	-1,437	42,965	41,528
Interest expenses	16,404	-42,965	-26,561
Gross result from interest operations	14,967	-	14,967
Changes in value adjustments for default risks	-	-	-
Result from interest operations	14,967	-	14,967

CHF 1,000	2015		
	Income statement	Adjustment neg. interest	Adj. income statement
Interest and discount income	-8,047	36,086	28,039
Interest expenses	18,638	-36,086	-17,448
Gross result from interest operations	10,591	-	10,591
Changes in value adjustments for default risks	-	-	-
Result from interest operations	10,591	-	10,591

Information on off-balance-sheet transactions

17. Contingent liabilities and subordinated assets and liabilities

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



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To the General Meeting of
SIX SIS Ltd, Olten

Zurich, 5 April 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of SIX SIS 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 2016.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jan Marxfeld
Licensed audit expert
(Auditor in charge)

Samuel Rast
Licensed audit expert

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