



Annual Report 2017

Infrastructure

Infrastructure



Dr. Romeo Lacher and Dr. Urs Rügsegger

Dear readers

We are celebrating an important year for SIX: 2018 marks the tenth anniversary of our company. Four distinguished well-wishers feature in this Annual Report. Their contributions (starting from page 23) demonstrate how greatly SIX is appreciated in the sector, and underline the importance of our centralized financial market infrastructure to the entire Swiss economy.

When SIX was created, two themes stood out. First, the merger of three very different businesses in the Swiss financial center, and second, the conviction that this same financial center had great potential to add value through improving the cooperation between banks and infrastructure. No one could have predicted the major financial crisis that started in September 2008, posing unprecedented challenges for the entire sector.

Since then, new technologies, new providers, and constantly increasing costs and margin pressure, combined with evermore stringent regulatory requirements, have not made the challenges any easier. The environment in which SIX operates has been changing ever more rapidly over the course of the last ten years. This naturally means that the banks' needs and the demands they place on the financial market infrastructure have changed too.

In November 2017, the Board of Directors formulated a realignment for SIX in order to create added value for the clients and shareholders of SIX. You can read about the main features of this realignment in the Group report on page 10 and the interview with Romeo Lacher starting on page 32. Systematically developing the company will make SIX and the Swiss financial center more competitive over the long term.

We would like to thank our employees for all their hard work and dedication. Our thanks also go to our clients and shareholders for their trust and loyalty. ■

"I thank Urs Rügsegger for ten successful years as CEO. SIX has laid strong foundations under his leadership, and I am confident that we can build on them and continue to develop SIX successfully."

Dr. Romeo Lacher,
Chairman of the Board of Directors



Dr. Romeo Lacher
Chairman of the Board of Directors



Dr. Urs Rügsegger
Group CEO

SIX Group

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SIX is investing in the future and writing the next chapter of its success story

2017 was an eventful year for SIX. In an environment that remained challenging, operating income was up 5.8%. SIX strengthened its market position through strategic acquisitions. Its operating performance and solid balance sheet allow SIX to continue systematically developing the business and boost the long-term competitiveness of the financial center.

In the 2017 financial year, SIX posted operating income of CHF 1,944.6 million, which represents an excellent growth of 5.8% compared with the previous year. This was mainly attributable to the good level of revenues from stock exchange trading, securities custody, and rising turnover in the acquiring business.

Various special factors had an impact on the annual result. The sale of a property in 2016, for example, accounted for a year-on-year effect of CHF 26.0 million in operating income, EBIT, and Group net profit. Excluding this special effect, operating income rose by 7.3%, EBIT by 0.8%, and Group net profit by 6.2%.

Strategic investments, primarily made to strengthen the market position in payment transactions, led to a decline in operating profit by 2.3% to CHF 280.5 million. At the same time, favorable conditions on the capital markets enabled SIX to achieve a considerably higher financial result than in 2016 (+52.7%) thanks to positive valuation effects on assets. Overall, SIX can look back on a successful year in which it posted solid annual results in a challenging environment.

Performance of the business areas

The securities business benefited from brisk trading on stock markets and high index levels worldwide. At the same time SIX was once again able to profit from the expanding,

but fiercely competitive, card-based payment transactions market. Sales in the financial data business came in slightly below expectations owing to the delayed launch of important financial market regulations. They were nevertheless more or less stable compared with the previous year.

SIX Swiss Exchange regained market share in Swiss blue-chip trading, achieving 68.3% compared with its major competitors (2016: 64.6%). In addition, SIX Swiss Exchange successfully expanded its index business and completed initial public offerings for six companies.

SIX Securities Services maintained the strong operating performance of recent years. The slight fall in operating income was due to the mentioned sale of a property in 2016, the comparison year. SIX Securities Services capitalized on its own operational strength and invested in new applications and services. It began operating the only Swiss trade repository approved by FINMA, and reached a milestone in the structural transformation of the Swiss payment system: By the end of the year, virtually all Swiss banks were connected to the new ISO 20022-compatible infrastructure provided by SIX Interbank Clearing.

SIX Payment Services replenished the strong organic growth in the acquiring business with two acquisitions in 2017: SIX acquired the Frankfurt-based girocard network operations business from a subsidiary

SIX posts solid annual results in a challenging environment.

of Deutsche Postbank AG and purchased the acquiring and terminal business of the Aduno Group in Switzerland. In order to concentrate fully on expanding and developing its B2B services, SIX withdrew from its only B2C business area: the commercial issuing business (issuing of credit and prepaid cards) in Austria.

Operational strength and a solid balance sheet make long-term investment possible

Thanks to its operational strength and careful handling of the balance sheet, SIX remains able to make substantial investments and realize ambitious projects. A high level of cost discipline was once again exercised in the day-to-day business. The increase in operating expenses (+7.3%) is largely attributable to the above-mentioned acquisitions and investments in new services.

SIX is obliged to meet demanding regulatory and technical requirements and was kept particularly busy with the implementation of the new rules in the run-up to the launch of the European financial market reform MiFID II. This led to higher costs than in the previous year, especially in the → SIX Swiss Exchange business area. In order to enable all stakeholders to implement the new rules as easily as possible SIX Securities Services also invested heavily in various infrastructure projects and services. However, the extraordinary difference in EBIT in this business area was caused by the above-mentioned special effect from the property sale in 2016.

SIX Financial Information was able to reduce its costs by around 9% in the year under review, systematically pursuing the rigorous cost discipline of recent years. >

→ For more detailed information about the business areas in the year under review, see the segment reports starting on page 12.

Overview of key figures

in CHF million	2017	2016	Change in %
Figures			
Total operating income ¹	1,944.6	1,838.6	5.8
Total operating expenses	-1,664.0	-1,551.5	7.3
Operating profit	280.5	287.1	-2.3
Share of profit of associates	-23.2	-0.3	n/a
Net financial result	15.8	10.4	52.7
Earnings before interest and tax (EBIT) ¹	273.2	297.1	-8.1
Group net profit ¹	207.2	221.1	-6.2
Balance sheet total as at 31/12	10,301.5	10,279.5	0.2
Workforce as at 31/12 (full-time equivalents)	3,755	3,807.1	-1.4
Ratios (in %)			
Return on equity ²	7.9	9.0	-12.3
Equity ratio ³	80.0	76.7	4.3

¹ 2016 includes CHF 26.0m from sale of real estate. Adjusted operating income growth is +7.3%, adjusted EBIT growth +0.8%, and adjusted net profit growth +6.2%.

² Return on equity = Profit previous 12 months/average equity previous 12 months.

³ Equity ratio = Average equity previous 12 months/(average adjusted liabilities previous 12 months + average equity previous 12 months).

The adjustments of the liabilities include the positions "payables from clearing & settlement" and "negative replacement values from clearing & settlement".

In addition to the M&A activities already mentioned, which considerably strengthened the position of SIX in the payment business and therefore paved the way for the planned further development of the card processing business, the EBIT for SIX Payment Services was affected by another investment for the future: Following its successful launch in April 2017, the mobile payment app TWINT naturally had not reached the break-even point by the end of the year. Impairments were therefore recognized on the investments already made. Overall, however, SIX is very satisfied with how the TWINT app has developed since its launch. Investing in innovation is crucial for SIX. It operates in a regulated and at the same time highly technical environment that is undergoing constant, rapid development. SIX must actively participate in this development if it is to continue to be a relevant partner for its clients and shareholders. Its financial strength, which includes an equity ratio of 80 %, allows SIX to invest optimally in the future in a proactive manner.

Strategic realignment for a successful future

In November 2017, almost 10 years after SIX was founded, the Board of Directors decided to make → strategic and organizational adjustments to better take account of new or changed framework conditions and place the company in an optimal position for the future. At the same time, the Board of Directors appointed Dutch citizen Jos Dijsselhof as the new Chief Executive Officer (CEO) with effect from 1 January 2018. He succeeds Dr. Urs Rügsegger, who successfully led SIX from the time of its foundation and announced his forthcoming retirement in May 2017. On 10 January 2017, the Board of Directors confirmed Dr. Romeo Lacher's appointment as Chairman of the Board of Directors. He had already held

the chairmanship on an interim basis since October 2016.

In the strategic realignment, SIX is focusing on the needs of its shareholders and the requirements of the Swiss financial center. It will focus consistently on infrastructure services for the securities business, payment transactions, and financial information.

SIX will bundle its services for the securities business – i.e. the exchange and post-trading – in the Securities & Exchanges business unit. The services SIX provides for the Swiss payment system – interbank payments, connecting to the SEPA region, processing card-based and mobile payments for banks, operating ATMs, and e-bills and direct debits – will be brought together in the new Payments business unit. The card processing business (Cards), which includes merchant acquiring and international card processing, will be separated from the core organization and incorporated as part of a strategic partnership.

In the Financial Information business unit, SIX is aiming to expand its leading position in the data business – particularly reference data – internationally. Both the international business and business with non-shareholders will remain integral parts of the business model. SIX is also retaining its successful “user-owned, user-governed” model and existing shareholder structure. A Group-wide innovation unit is being planned as part of the strategic realignment, with the aim of further strengthening the innovative capacity of SIX.

In the newly created Innovation & Digital business unit, SIX wants to step up its innovation collaboration with the banks in the area of infrastructure. SIX will also be developing services with individual banking groups so that it can meet specific user requirements in a targeted way. In order to promote innovations in the Swiss financial center and collaborate more closely with start-ups

In collaboration with a strategic partner, SIX wants to create a leading European provider in the card business.

→ Find out more about the strategic realignment of SIX in the interview with Chairman of the Board Dr. Romeo Lacher, starting on page 32.

and fintechs, SIX is establishing a CHF 50 million venture fund.

Stability and competitiveness continue to take priority

SIX is enhancing its core business and developing it further by introducing innovative services. The reliability, security, and stability of its infrastructure continues to be the top priority for SIX. Maintaining the competitiveness of its shareholders – and consequently that of the entire Swiss financial center – in this way is, and will continue to be, the key mission of SIX. Equivalence, especially with EU legislation, is also fundamental to this mission. In 2017 SIX therefore worked very hard to implement the new requirements arising from the Swiss Financial Market Infrastructure Act (FMIA) and the new European directives MiFID II/ MiFIR. These efforts were recognized by the regulatory authorities: The Swiss Financial Market Supervisory Authority (FINMA) granted the CO:RE trading platform for repo transactions the status of multilateral trading facility (MTF). In September it recognized SIX as a central securities depository in accordance with FMIA.

Furthermore, on 21 December 2017 the EU Commission recognized the equivalence of the Swiss legal and supervisory framework for trading venues for a period of one year. SIX Swiss Exchange meets all the requirements of the EU MiFID II Directive and has gained the temporary status of “equivalent third-country trading venue.” As a result, European securities traders will be permitted to trade Swiss equities on the Swiss domestic market in the coming year as well.

Long-term commitment to innovation and the Swiss financial center

With the move to a shared location in Zurich West in spring 2017, SIX brought its four, historically separate Zurich locations under one roof.

In June, the Swiss Finance Museum opened at the new head office. By the end of the year it had welcomed almost 5,000 visitors. In 2017 SIX once again actively participated in successful collaborations and initiatives relating to the further development and security of the Swiss financial center. Over the past two years, it has systematically pressed ahead with the company-wide innovation organization established in 2015. This includes the F10 FinTech Incubator & Accelerator, which has been operating successfully for two years. SIX opened it up to other companies in the financial sector in 2016. Further two important institutions have joined in the meantime: Zürcher Kantonalbank and Raiffeisen.

In the year under review, SIX employees submitted a total of 108 project proposals via the internal online platform for innovative ideas launched by the Group. During the course of the year, seven projects were judged so promising that SIX is planning, or has already completed, the development of a minimum viable product (MVP). These include → blockchain-based approaches in the area of financial information (corporate actions) and for OTC trading of structured products.

In November 2017, SIX cooperated with IBM to launch trial operations at a new security center designed to protect against cyberattacks. The Security Operations Center (SOC) of SIX is the first security center in Switzerland to make use of cognitive technologies. As a first step the SOC will strengthen cybersecurity at SIX, and as a second step SIX wants to offer tailored managed security services (MSS) to other companies in the Swiss financial center. ■

SIX offers security to banks: cyber security given top priority.

→ The idea behind xChain for corporate actions is explained in more detail in the SIX Annual Report 2016. A short description of other current innovation initiatives can be found at www.six-group.com/fintech



Additional information and figures can be found at six-group.com/annual-results

SIX Swiss Exchange dominates trading in Swiss blue chips

SIX Swiss Exchange is one of Europe's key stock exchanges and is the reference market for Swiss securities. In 2017 it increased its market share in Swiss large caps and achieved 68.3% in comparison with its major competitors. Recognition of equivalence by the EU allows European securities traders access to the Swiss market in 2018 as well.

On 21 December 2017, the EU Commission recognized the equivalence of the Swiss legal and supervisory framework for → trading venues with that of the EU, for a temporary period of one year. SIX Swiss Exchange meets all the requirements of the EU MiFID II Directive and has received the temporary status of an "equivalent third-country trading venue." The decision allows European securities traders access to the Swiss market even when the new European financial market rules come into force in January 2018.

Implementing the new regulatory requirements defined by the European rules (MiFID II/MiFIR) and the Swiss Financial Market Infrastructure Act (FMIA) was given top priority in 2017. The associated costs trimmed the EBIT of the Swiss Exchange (-4.4%), which operationally benefited from brisk trading and activity on the primary market. At CHF 198.2 million, operating income exceeded the previous year's result by 5.2%.

Six IPOs and a continual supply of → liquidity

Six initial public offerings in 2017 underlined the important role played by SIX in raising capital in the Swiss financial center. With an IPO transaction volume of CHF 4.5 billion in total, SIX Swiss Exchange ranked third in Europe. The flotation of Landis + Gyr (transaction volume CHF 2.3 billion) was the biggest on the Swiss stock exchange for

11 years, and also one of the biggest in Europe in 2017.

On the secondary market, the regular investments made by SIX Swiss Exchange were reflected in the quality of the order book. For some years, SIX has used targeted measures to boost liquidity on its trading platform, thus strengthening its market share despite fierce competition from other trading platforms.

The attractiveness of the Swiss stock exchange is primarily due to the high probability of executing an order at the best price with the biggest possible volume. In October 2016, SIX launched SwissAtMid, a non-displayed order book that guarantees that an order will be executed at the mid-point price (the mid-point between the bid and ask price in the lit order book). This service is being widely used by trading participants. Since its launch, monthly trading turnover has risen continuously, and in 2017 SwissAtMid recorded 266,243 transactions amounting to CHF 4.7 billion in total.

Index business contributes to higher revenues

In 2017, the Swiss indices continued to enjoy sustained demand from customers in Switzerland and abroad. While the majority of issuers of index-based investment instruments (sell side) were from abroad, most of the investors (buy side) were from Switzerland. In the year under review a record number of structured products were issued on the SMI.

→ SIX Structured Products Exchange was merged into SIX Swiss Exchange in May 2017. SIX Swiss Exchange now operates the trading segment for structured products.

With a total IPO transaction volume of CHF 4.5 billion in 2017, the SIX Swiss Exchange trading venue ranked third in Europe.

→ The number of trades on SIX Swiss Exchange climbed by 8.0% compared with the previous year, while trading turnover rose by 5.2%. A detailed breakdown by trading segment is provided in the monthly media release "Key figures for SIX Swiss Exchange," which can be found at six-group.com/media

SIX Swiss Exchange benefits from the attractiveness of the Swiss indices and is continuing to develop this business profitably. In September 2017 it adapted the regulations governing the SMI index family, at the suggestion of the product issuers and users of index derivatives. The weighting of the largest shares in the SMI is now capped at 18%. This brings the SMI into line with the diversification limits set forth in the ESMA UCITS Directive, allowing it to be used as a reference index for the Swiss equity market in the European Union.

The adaptation of the index rules stimulated equities trading on SIX Swiss Exchange and resulted in a very high daily transaction volume on 18 September 2017, when the amendment came into force. In the second quarter of 2017, a similar effect was caused by two extraordinary adjustments to the index composition in the wake of corporate takeovers, which caused both Actelion Ltd and Syngenta AG to be removed from the SMI index.

Future-oriented services

Serving the interests of its customers and shareholders remains a top priority for SIX. In response to the need for automation on the primary market for bonds, SIX Swiss Exchange worked on a web-based tool for issuing bonds. The first version is already available. "Deal Pool" makes issuing, which for the syndicate banks used to be a largely manual process, considerably easier.

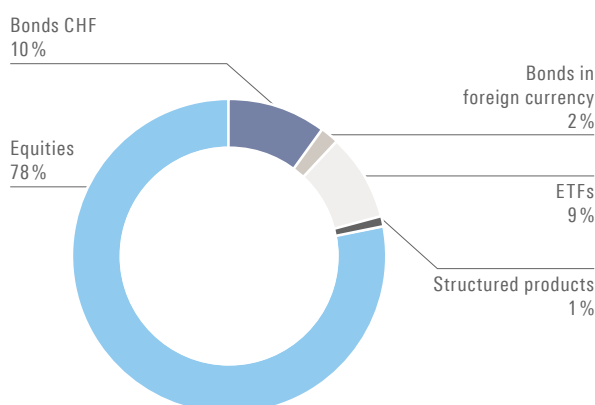
Through the SIX Corporate Bonds platform, SIX Swiss Exchange is also providing an alternative to the highly fragmented trading of bonds, most of which is conducted outside an exchange infrastructure and is therefore highly inefficient. This trading platform enables market participants to trade large corporate bond orders more efficiently. In 2017 SIX Swiss Exchange created the right conditions for a prompt start to trading on the platform and for SIX Corporate Bonds to be established as a trading venue. ■

The SPI is 30 years old: The Swiss Performance Index was published for the first time on 22 August 1987.

Key figures for the Swiss Exchange business area

	2017	2016	Change in %
Operating income (in CHF m)	198.2	188.5	5.2
Operating profit (in CHF m)	65.8	69.2	-4.9
EBIT (in CHF m)	66.2	69.3	-4.4
Workforce as at 31/12 (full-time equivalents)	171.0	163.3	4.7
Stock exchange trading volume (in CHF bn)	1,346.0	1,279.3	5.2
Number of transactions (in m)	51.4	47.6	8.0
Number of tradable products	34,639	32,188	7.6
SPI market capitalization (in CHF m)	1,352,691	1,221,256	10.8

Share of turnover of tradable products



Self-regulation of the trading platforms of SIX

Exchange Regulation is an autonomous unit within SIX that is responsible for issuer and participant regulations for the trading platforms SIX Swiss Exchange, SIX Corporate Bonds, and SIX Repo.

In accordance with the Swiss Financial Market Infrastructure Act (FMIA; in force since 1 January 2016), trading platforms are required to establish their own regulatory and supervisory organization as appropriate to their activity, under the overall supervision of the Swiss Financial Market Supervisory Authority (FINMA). The regulatory and supervisory tasks must be carried out by independent bodies. SIX ensures strict separation of regulatory functions and operational activities. As part of the self-regulation prescribed by the stock exchange laws, a clear separation is made organizationally between setting regulations, enforcing them and adjudication. Three regulatory bodies have been

set up for this purpose: the Regulatory Board, the judicial bodies – Sanction Commission, Appeals Board and Board of Arbitration – and → SIX Exchange Regulation. While the Regulatory Board sets regulations for issuers and participants and the three judicial bodies adjudicate, SIX Exchange Regulation is the Group unit responsible for enforcing the rules.

According to the trading supervisory body, trading in 2017 was conducted in accordance with the regulations and without any serious incidents. Exchange Regulation suspended one trader from trading for three months for manipulating the year-end price of a share in 2016 (“year-end price manipulation”). The results of those investigations

→ Please see [six-exchange-regulation.com](https://www.six-exchange-regulation.com) for further information.

in which careful analysis supported the suspicion of insider trading or market/price manipulation were forwarded to FINMA and to the Office of the Attorney General.

In the area of issuer regulation, bonds and derivatives were issued at a brisk pace. → Six Initial Public Offerings (IPOs) took place in the year under review: Rapid Nutrition PLC, Galenica Santé AG, Idorsia Ltd, Zur Rose Group AG, Landis + Gyr AG, and Poenina Holding AG.

The Exchange Regulation website (six-exchange-regulation.com) contains further information and documents, such as notices issued by the Disclosure Office, and notifications concerning significant shareholders and management transactions. During the course of 2017, the Disclosure Office evaluated a total of ten requests for preliminary decisions, exemptions or relief. Several requests related to the duty to report voting rights pursuant to Art. 120, para. 3 FMIA. The Disclosure Office decided, in the context of a recommendation, that no duty to report within the meaning of Art. 120, para. 3 FMIA arises if the beneficial

owner confers certain powers to exercise voting rights on a third party yet ultimately decides how to exercise the voting rights itself. The Exchange Regulation website also includes decisions relating to practice and sanctions, as well as comments and explanations, media releases and, delisting decisions.

In February 2017 the Board of Directors of SIX Group elected Sabir Sheikh as a new member of the Management Committee and Head Listing & Enforcement at SIX Exchange Regulation with effect from 1 April 2017. FINMA approved the election. ■

→ Please see the SIX Swiss Exchange Segment Report, page 12 onwards.

Listing applications 2014–2017

No. of listing applications	2014	2015	2016	2017
No. of applications for equity securities (equities and collective investment schemes)	129	194	180	233
No. of new listings for equities (IPOs and listings)	7	4	5	6
No. of new listings for collective investment schemes	140	180	210	145
No. of new listings for ETPs	–	9	–	–
No. of derivatives (prov. admission to trading)	39,293	42,697	35,615	35,885
No. of bonds (prov. admission to trading)	360	306	283	331

SIX Securities Services once again proves a strong partner in times of uncertainty

In light of the increasing challenges faced by the Swiss financial center, demand for a stable but flexible financial market infrastructure continues to grow. In this context, over the course of 2017, SIX Securities Services once again proved itself to be a reliable partner for banks and their clients. In addition to various infrastructure initiatives, it also launched three services, the first of their kind for the market.

SIX Securities Services continued its strong operational performance from recent years. Adjusted for the proceeds from the sale of a large property in 2016, operating income for 2017 was significantly higher than the previous year. A main driver behind this positive result was the improved market environment in line with the global economic recovery, together with continued low interest rates on the capital markets. The Swiss equities market ended the year up almost 20 % compared to 2016, which had a positive impact on asset holdings and indirectly also on the number of settlement transactions executed. The negative difference in EBIT compared with the previous year is largely attributable to the above-mentioned effect in 2016 caused by the property sale. One of the key aspects in 2017 was that SIX Securities Services invested heavily in new applications and services.

New market infrastructure paves the way for banks to tackle the future

The Swiss banking sector was once again faced with regulatory changes and new standards in 2017. To make things as straightforward as possible for all stakeholders to adopt the new guidelines, SIX Securities Services ensured the relevant financial infrastructure was put into place. In October 2017, for example, SIX Securities Services launched

the only Swiss Trade Repository to have received approval from FINMA. This was done in accordance with the Financial Market Infrastructure Act (FMIA), which requires counterparties such as banks, securities traders, and asset managers as well as companies with registered offices in Switzerland to report their derivative transactions. Despite there being EU-based alternatives, over 90 % of major financial counterparties in Switzerland reported their transactions over the SIX Securities Services' Trade Repository.

The Advanced Services announced in 2016 were successfully launched over the course of 2017. With Advanced Settlement, SIX Securities Services provides a service where it takes ownership for the processing of Bank Vontobel's securities settlement directly from the trading System and therefore for some of the bank's middle- and back-office functions. With its new end-to-end Advanced Tax Services – Reclaim solution, for example, SIX Securities Services created a service for Swiss banks and investors to manage the complex, country-specific processes involved in reclaiming withholding taxes.

Harmonizing payment transactions in Switzerland

By the end of November 2017, SIX Interbank Clearing reached a major milestone in the structural change process for payment

Advanced Settlement: SIX Securities Services helped Vontobel to reduce both its operational risks and the complexity of its securities settlement process.

transactions in Switzerland: Virtually all Swiss banks were connected to the new ISO 20022-compliant financial market infrastructure. This means they are now ready for their corporate clients to change over by the end of June 2018. ISO 20022 represents a key technical requirement for the replacement of the seven current types of payment slips. In April 2017, SIX Interbank Clearing unveiled the QR-bill with an integrated payment element which can be sent by billers to their customers starting in 2019.

From scanning a QR-bill with a smartphone, it is just a small step to the end-to-end digitized payment process represented by "eBill by SIX." eBill is the successor to the original solution, making electronic payments via e-banking even more straightforward, transparent, and fast. Banks benefit from more efficient processing, companies improve their bill collection rate and accelerate the digitization of their operations, while consumers enjoy greater convenience with a comprehensive overview of their finance. The first bank to use the new eBill platform will be Credit Suisse in 2018.

From Switzerland to Europe

In February 2017, SIX Securities Services expanded its clearing offering and now also serves stock markets in Denmark, Finland, and Sweden. In the middle of the year, it also adjusted its equities risk model in line with industry standards and realigned its inter-CCP risk exposures. Here, SIX Securities Services is working closely together with other central counterparties and supervisory authorities in order to ensure interoperability and better align the interests and risks between the markets.

With its infrastructure, SIX Securities Services guarantees international stakeholders access to the Swiss market while also offering Swiss clients access to a range of

→ international financial markets. ■

**eBill: By 2027
SIX intends to
dematerialize
80 % of all bills
sent to private
individuals
in Switzerland.**

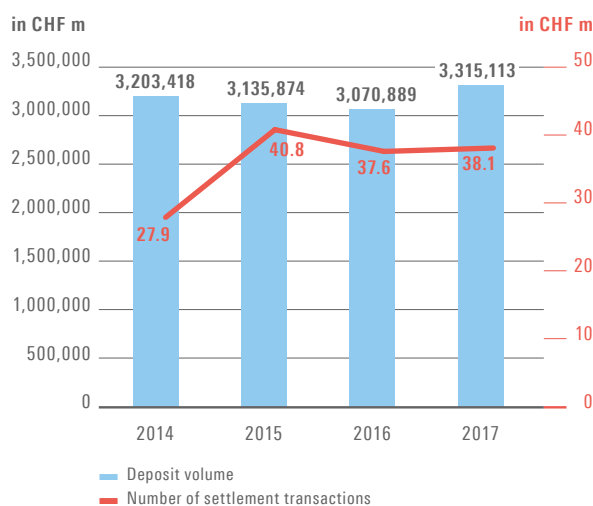
→ For the third year in a row, industry magazine Global Custodian named SIX Securities Services the best International Central Securities Depository (ICSD). In the annual Agent Banks in Major Markets survey, it received the highest rating in all categories. SIX Securities Services was also named the best provider in the custody business in Switzerland. It is the undisputed market leader, achieving the top ratings in 80 % of the survey categories.

Key figures for the Securities Services business area

	2017	2016	Change in %
Operating income (in CHF m)	375.4	377.4	-0.5
Operating profit (in CHF m)	39.9	64.9	-38.4
EBIT (in CHF m)	40.3	70.6	-42.8
Workforce as at 31/12 (full-time equivalents)	500.0	509.8	-1.9
Number of settlement transactions (in 1,000)	38,077	37,561	1.4
Deposit volume (in CHF m) ¹	3,315,113	3,070,889	8.0
Number of clearing transactions (in 1,000) ¹	324,207	423,935	-23.5
Number of payment transactions (in m)	589.0	511.7	15.1

¹ The figures from the previous year were adjusted for comparison purposes because from 2017 onwards the annual average will be stated.

Deposit and settlement transaction volumes grew steadily in 2017



SIX Financial Information eases the regulatory and compliance burden on its clients

SIX has established itself as a leading global provider of financial data by focusing on high-quality reference data and corporate actions. Its value-added services makes it easier for financial market participants to cope with complex regulatory requirements. Thanks to early and substantial investments, SIX is able to continue expanding its presence in this key dynamic market segment.

SIX Financial Information has built up a solid market position in the global reference data and corporate actions business; SIX is set to reinforce this position in the course of its strategic realignment. The business area has continuously improved its profitability in recent years. Operating profit for 2017 reflects the cost savings resulting from restructuring and centralization in France and the Nordic region, as well as the shift to a global operating model. Positive valuation effects on assets also contributed to the significant year-on-year increase in EBIT in 2017.

Rising demand for regulatory services

By providing ready-packaged tax and regulatory services supported by world-class reference data and corporate actions, SIX offers banks clear added value in the areas of tax, regulation, compliance, and risk management, making it easier for them to meet complex requirements. The need for new technical components (RegTech) and detailed tax or regulatory information will keep on rising. SIX continues to transition its business model in the data business accordingly.

In 2017 there was high demand for the service relating to compliance with section 871(m) of the United States Internal Revenue Service (IRS), for example. The same was true of

data services that efficiently identify securities that have been sanctioned, thereby enabling banks to comply seamlessly with global sanctions. The increased interest in this tax and risk data in 2017 reduced the slight decline in revenue caused, among other reasons, by the delayed launch of important financial market regulations, as MiFID II and the PRIIPs regulation did not enter → into force until 2018 – a year later than originally planned. SIX expects a continuous high demand for regulatory services in 2018.

New data services

In 2017 SIX Financial Information further expanded its data business infrastructure and delivered a range of new products and services for its clients in time for the launch of key regulations. These include tax reporting services for the Automatic Exchange of Information (AEOI) using → the Common Reporting Standard as well as for the Belgian stock exchange tax.

Another addition to the range of services is the Premium Fund Data service, through which SIX ensures that fund data is complete and up-to-date, and augments it with tax and regulatory information. This service not only enables asset managers to comply with international rules on investor protection but it also assists them to develop the best possible investment decisions for their clients

The data services of SIX won multiple awards in 2017.

→ MiFID II represents one of the most comprehensive and important financial market reforms ever seen in the European Economic Area and will further increase the demands placed on the data and technology infrastructure of financial companies. SIX was a dependable go-to partner for the banks in 2017, assisting them with the complex preparations for the new requirements.

→ SIX was a member of the working group that specified the standard for the Automatic Exchange of Information applicable in Switzerland. The directive refers explicitly to SIX as a recognized provider of financial information in accordance with CRS.

in terms of tax exposure, risk appetite, diversification, product costs, and minimum investment amount.

Once again, SIX won multiple awards for its data services in 2017. These include the prestigious title of Best Overall Data Provider in the Inside Reference and Market Data Awards.

Innovations reduce banks' operating costs

SIX is committed to contributing to its clients' efforts to reduce operational costs by, on the one hand, offering extended data services, and, on the other hand, by optimizing data processing and increasing automation. Both relieve the banks of a considerable burden, freeing them to focus on their core business. Building industry-scale services to meet the sector's need in this respect has been a key driver of innovation in 2017.

SIX launched the regulatory hub, a unique industry-wide platform that connects issuers and sellers of financial products so they can efficiently exchange data and documents for multiple current and future regulations. Banks can receive all the data they need for a compliance task,

pre-bundled and delivered through one SIX channel.

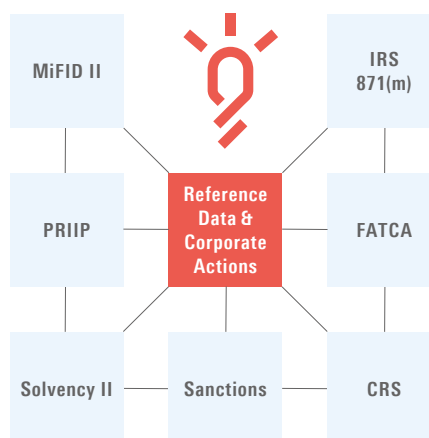
In 2018 SIX will roll out SIX Flex. Clients will be able to use this innovative data extraction method to select the specific elements they need from the huge database (over 20 million instruments) maintained by SIX, accessing them independently. By providing an online interface, SIX saves its clients from having to pay high integration costs, and enables them to order and pay for the data they actually need. This new product forms part of SIX Financial Information's efforts to achieve international harmonization and streamlining of the product range. ■

SIX is committed to taking the lead on new regulations and delivering "ready-to-use" services, available as a single source for a wide array of regulations.

Key figures for the Financial Information business area

	2017	2016	Change in %
Operating income (in CHF m)	400.1	402.6	-0.6
Operating profit (in CHF m)	57.6	25.7	123.9
EBIT (in CHF m)	64.8	26.7	142.9
Workforce as at 31/12 (full-time equivalents)	769.7	890.8	-13.6
Number of financial instruments (in m)	27.3	23.7	15.4
Number of price updates per year (in bn)	1,884.6	1,886.3	-0.1

Reliable data for compliance



SIX Payment Services looks to the future

The cashless payment business is a fiercely competitive, global growth market. In recent years, SIX has positioned itself strongly and expanded throughout Europe. In 2017 it prepared the way for the next step: detaching its card business from its core organization and establishing it as a leading European provider in collaboration with a strategic partner.

SIX Payment Services recorded a very pleasing increase in operating income in the year under review. Thanks to higher transaction volumes, operating income rose by 12.3% to CHF 993.9 million. Revenue climbed by as much as 17.6% in acquiring (merchant) business.

The pressure on margins and market share in the cashless payment business remains high; in this context, consolidation will continue internationally. The payment business depends on scale: It is imperative to achieve rapid growth and standardize the infrastructure to remain profitable as a provider and prevail against powerful rivals and new technologies in this fiercely competitive market. → In November 2017, SIX therefore announced that as part of its strategic development it wants to work with a strong strategic partner on the further development of the acquiring business (payment processing at point of sale and in e-commerce) and international debit and credit card processing. The aim is to create the necessary conditions for further growth and enable major investment in technological developments.

Acquisitions in 2017 reinforce the market position

During the year under review, SIX strengthened its position in the DACH region (Germany, Austria, Switzerland) through strategic acquisitions in Germany and Switzerland.

In Germany it acquired the Frankfurt-based girocard network

operations business from VÖB-ZVD Processing GmbH, which means it is now able to provide a complete range of services to the German market. Thanks to this acquisition, SIX can process transactions using all major payment cards in Germany, including girocard, which is the most frequently used card in that country.

Furthermore, in August 2017 SIX took over the acquiring and terminal business of the Aduno Group, thus reinforcing its position in the Swiss domestic market. This merger enables SIX to achieve significant economies of scale in card acceptance and processing. As part of the integration of Aduno S.A., SIX is to close the branches in Bedano (canton of Ticino) and Zurich Oerlikon, and cut up to 74 jobs in Switzerland. A social compensation plan has been negotiated for the affected employees. Some of the jobs lost can be compensated by natural staff turnover and redeployments within SIX.

A lean organization and continued cost discipline

In order to concentrate fully on expanding and developing its B2B services and avoid conflicts with existing and new customers, in 2017 SIX withdrew from its only B2C business area, the issuing of credit and prepaid cards in Austria. Commercial issuing and the associated issuing support for Austrian banks were taken over by easybank.

During the reporting year, SIX further expanded its service center

SIX will create a leading European provider in the card business by entering into a strong strategic partnership.

→ Jürg Weber stepped down from his role as Division CEO Payment Services with effect from the end of November 2017. The business area developed considerably under his leadership, such as by expanding the e-commerce and omni-channel services on offer. Marc Schluep, formerly Head Organizational Development at SIX Payment Services, has taken over from Jürg Weber as CEO.

in Warsaw. Standardized back-office processes are being centralized there, thus reducing operating costs. At the end of December, SIX had about 90 employees in Warsaw. They carry out services such as activating new customers, providing customer support, handling the billing process, and ordering payment terminals.

Investing in further development and innovative services

The participation of SIX in TWINT AG generated additional costs in the year under review. The start-up costs for the TWINT mobile payment app, as well as the costs associated with the acquisitions, were major reasons why SIX Payment Services recorded a drop in EBIT, despite achieving growth in revenue. Although TWINT was launched successfully in April 2017 and had 627,000 registered users by the end of December 2017, it had not yet reached the break-even point. Impairments were therefore recognized on the capitalized investments.

As a key technology partner for its shareholders, the banks, SIX will continue to push ahead actively with the development of modern payment services. To ensure that the Swiss financial center remains relevant in the rapidly changing payment

services environment, SIX needs to be proactive and invest in innovations that will not pay off for some time to come.

A project team worked intensively on the revised European Payment Services Directive (PSD2) that entered into force at the beginning of 2018. It also conducted a joint analysis with Swiss banks of the opportunities and risks arising from the → directive. SIX is to step up its innovation collaboration with the banks in order to develop new services that will help the banks optimize and maintain the interface with their customer base over the long term. ■

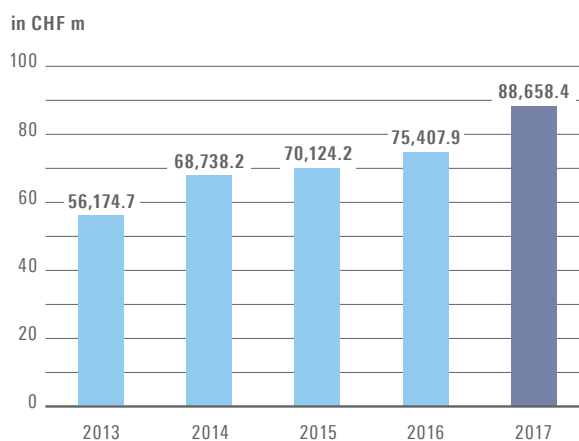
SIX invests in innovations and new services – and therefore in a successful long-term future.

→ PSD2 requires banks operating in the EU to allow third-party providers access to customer account information, free of charge, provided that the customer agrees. This creates the possibility of new roles and business models in the payment business and will lead to increased competition.

Key figures for the Payment Services business areas

	2017	2016	Change in %
Operating income (in CHF m)	993.8	885.0	12.3
Operating profit (in CHF m)	86.4	92.9	-7.0
EBIT (in CHF m)	57.7	91.8	-37.1
Workforce as at 31/12 (full-time equivalents)	948.6	905.4	4.8
Acquiring turnover (in CHF m)	88,658.4	75,407.9	17.6
Number of card transactions processed (in m)	3,997.9	3,661.2	9.2
Number of payment cards (in m)	24.6	27.2	-9.6

Acquiring turnover: continuous increase



How important to the Swiss financial center is the infrastructure provided by SIX?

Today, business is conducted globally. Our **international network** depends on infrastructures. From transport and energy supplies to the financial system, our prosperity is preserved and enhanced by stable, secure infrastructures. At the same time, **new technologies** offer new opportunities: They improve the way we work together, increase our **efficiency**, and make our everyday lives easier. Yet digitalization also presents us with new challenges. Infrastructures must remain capable of **innovation** if they are to perform their core function and fulfill their **economic responsibility**. SIX is constantly developing its infrastructure for the Swiss financial center. It ensures **security and stability** – including when faced with complex situations and new threats. SIX keeps the financial flows moving in our global economy, day after day – a core function and an important task, as all participants in the **Swiss financial center** agree.



*Federal Councillor
Ueli Maurer supports
open markets and a
competitive financial
center.*

Ueli Maurer, member of the Swiss Federal Council and head of the Federal Department of Finance

“The capacity for innovation is of core importance to the financial center.”

The Swiss financial center is attractive, broadly diversified, and has an excellent international network. In order to remain successful over the long term, it requires effective and efficient regulation, open markets, and the courage to foster innovative approaches.

The Swiss financial center is one of the best in the world. It is attractive, broadly diversified, and has an excellent international network. Stable, powerful, and internationally linked financial market infrastructures are a key feature of its attractiveness. The services provided by SIX make a vital contribution to a core area of the Swiss financial center, and to its success.

An attractive financial center needs optimal general conditions. These include efficient and effective regulation, which we aim to improve continuously as part of an active dialogue between Swiss market participants and authorities. Switzerland's attractiveness as a global financial center is also closely

intertwined with the international environment. It is for this reason that the Swiss authorities actively support open markets, the ongoing improvement of market access, and progress in the equivalence processes that are important to Switzerland (such as the equivalence of Swiss exchange regulation with EU requirements). Another general condition for an attractive financial center – and one which should not be underestimated in this fiercely competitive area – is the tax environment, which we want to successfully enhance further through the Tax Proposal 17.

Innovation the key to success

The capacity for innovation, which is of central importance to a competitive, agile financial center, is also something I value highly. A financial center cannot retain its international position unless the national general conditions permit and encourage innovation. The vital role of innovation is clearly demonstrated when we review the developments made by our financial center in recent years. Given the diverse challenges presented by digitalization, fintech, and regtech, the capacity for innovation is set to become

even more important. We have therefore acted promptly by taking the first steps towards dismantling unwarranted regulatory barriers to market entry. Against this backdrop, it is no surprise that innovation is also at the heart of the realignment of SIX.

Courage and a vision are needed

Innovation was, is, and will remain a crucial factor in the competition between financial centers. It is up to all of us to create general conditions that permit and encourage innovation. We must take a broader view and have the courage to adopt innovative approaches if we are to lay the foundations for a continued sustainably successful Swiss financial center. ■

Ueli Maurer, 67

has been a member of the Swiss federal government since 2009. He has been head of the Federal Department of Finance (FDF) since 2016. In that capacity, he deals in particular with the state budget as well as with national and international financial, monetary, and tax matters. He was previously head of the Department of Defense, Civil Protection, and Sport (DDPS).



*Appreciates the efficiency
of the Swiss financial market
infrastructure and is well
aware of its importance:
Thomas Jordan, Chairman
of the SNB.*

Prof. Thomas J. Jordan, Ph.D., Chairman of the Swiss National Bank (SNB)

“The Swiss Value Chain is efficient, stable, and secure.”

A robust and up-to-date financial market infrastructure is of key importance for financial stability. The Swiss National Bank will play its part in helping SIX to support a thriving Swiss economy and a prosperous Switzerland, now and in the future.

We pay for our shopping with a Maestro card, settle the bill in a restaurant with a credit card, or make transfers via e-banking. Many Swiss consumers hardly realize how often they use services provided by SIX in their everyday lives. In this country, nobody has to worry whether the “card machine” will actually work at the checkout. Here in Switzerland, we tend to take it for granted that the payment system will work correctly and smoothly, in the same way that we expect our watches to be accurate.

Guaranteed liquidity for Swiss banks

In fact, the “clockwork” at SIX is much more complex than is generally evident. Take the Swiss Value Chain, for example – the central

national financial market infrastructure provided by SIX. For over 20 years, it has linked the Swiss Interbank Clearing (SIC) payment system to stock exchange trading and securities settlement, thus providing an essential service for our financial center. Over the years, the links in the Swiss Value Chain have constantly been adapted in response to changing market requirements and technological transformation. One example is the complete overhaul of SIC in 2016. This created the necessary technical conditions for the comprehensive digitalization of the payment process.

The Swiss National Bank (SNB) believes that a robust, efficient, forward-looking financial market infrastructure is vitally important. The Swiss Value Chain ensures that banks have direct access to the financial market infrastructure, which increases financial stability.

One of the SNB’s tasks is to facilitate and safeguard the smooth functioning of cashless payment systems. SIX has operated SIC on behalf of the SNB for more than 30 years. The SNB oversees the payment system and ensures there is sufficient liquidity. This division of responsibilities has enabled the Swiss Value Chain to be developed and expanded cost-effectively. Another important prerequisite was the strong emphasis placed on finding shared solutions –

a distinguishing feature of our financial sector.

SIX fulfills a key function for the Swiss economy

A stable, modern financial market infrastructure is also an important precondition for the fulfillment of another SNB responsibility. The Swiss National Bank supplies the domestic money market with liquidity as part of its implementation of monetary policy. The efficient distribution of liquidity to banks then takes place on the interbank money market. CO:RE, the trading platform for money market transactions operated by SIX, hosts both the SNB repo market and the interbank market, which makes it attractive to both domestic and foreign participants.

The Swiss Value Chain is efficient, stable, and secure. SIC handles more than seven million transactions on its busiest days, and its system availability rate is over 99%. This is very important for the Swiss economy. Companies and employees can rely on invoices, loans, salary payments, and foreign exchange transactions being settled in a timely and accurate manner. I am confident that the partners will continue to develop this joint endeavor successfully. The Swiss National Bank is ready to play its part in helping SIX to support a thriving Swiss economy and a prosperous Switzerland, now and in the future. ■

Thomas Jordan, 55 joined the SNB in 1997 and has served as Chairman since 2012. The Bern- and Harvard-educated economist has published numerous articles on monetary theory and monetary policy. Thomas Jordan is a member of the Board of Directors of the Bank for International Settlements (BIS) and the Steering Committee of the Financial Stability Board (FSB). In addition, he is Governor of the International Monetary Fund (IMF) for Switzerland.



*Eveline Saupper is
Vice President of the Board
of Directors of Zurich Airport
(Flughafen Zürich AG).*

Dr. Eveline Saupper, lawyer and professional board director
(Zurich Airport, Clariant, Georg Fischer)

“We need innovation and international networking.”

The economic success of Switzerland and its companies is based on innovation and excellent international networking. Powerful infrastructures are therefore essential.

Today's economy is a global one. Infrastructure operators are responsible for creating and maintaining the right conditions for the companies that operate in this globalized economy. Zurich Airport is estimated to generate approximately CHF 6 billion of economic benefit each year. This illustrates the fact that a large number of jobs – and a significant part of our prosperity – depend on international networking.

Innovation is key

In the competitive international environment, the biggest challenge for Swiss companies is keeping up-to-date with trends. This means identifying trends at an early stage and reacting to them as rapidly as possible. I do not simply mean trends in the economy or new technologies, but also social trends:

how certain developments influence our lives and actions. Companies must be quick to recognize the opportunities constantly being presented in the globalized environment. Switzerland's high price levels mean innovation is vital if this country is to hold its ground against the international competition. Many Swiss companies are already very successful in this respect. Switzerland's small size, the pressure of competition, and our determination to make our mark are all factors that help keep many companies in good shape. Nonetheless, it would be wonderful if people in Switzerland were less quick to say why something won't work. We must focus our energies on making things happen. Also, we must change our attitude toward bold projects and be willing to take a chance, even at the risk of failure.

technologies also bring opportunities: For decades, remote areas have been battling with the exodus of skilled people. New technologies enable us to work in ways that are much less dependent on location. One great example of this is a small start-up in the Bernese Oberland that makes sophisticated software solutions and applications for avalanche protection. This start-up recently won the Prix Montagne, awarded by the Swiss Mountain Aid (Schweizer Berghilfe) and the Swiss Working Group for Mountain Regions (SAB). ■

Eveline Saupper, 59

is a professional board director of Georg Fischer, Clariant, and Zurich Airport, all of which are listed on SIX Swiss Exchange. She is a doctor of law whose particular interests include campaigning for an economic environment that will attract new companies and additional investment to Switzerland, especially in peripheral areas.

Infrastructures are essential for innovation

We need to create suitable framework conditions for innovation. Infrastructures must support the needs of the economy in ways ranging from appropriate taxation of our start-ups through to work permits for qualified employees and support for modern working methods, such as decentralized locations or virtual project teams. The latest



*Lino Guzzella in the
historic Semper Aula
at ETH in Zurich.*

Prof. Lino Guzzella, Ph.D., President of ETH Zurich

“Technology is not an end in itself.”

Digitalization has arrived in the financial industry. However, the algorithms used are only as good as the experts who develop them. For financial services providers, it therefore makes sense to cooperate more closely with the academic community.

I regard SIX as an innovative company that is aware of the great significance of new technologies and is open to partnerships. Today, financial services providers cannot avoid coming to grips with topics such as blockchain, cryptocurrencies, and cybersecurity, as well as data science and learning systems. It therefore makes sense to cooperate more closely with the academic community. Since the end of 2016, SIX has been in partnership with the Zurich Information Security and Privacy Center (ZISC) at ETH Zurich.

Lino Guzzella, 60

has been president of ETH Zurich, one of the world's most prestigious technical universities, since January 2015. He himself studied at ETH, where he earned his doctorate and has taught as a full professor of thermotronics since 1999. He was rector from mid 2012 to the end of 2014. Lino Guzzella has also worked as a mechanical engineer in industry, having been employed in the group research department of Sulzer in Winterthur and in the mechatronics development department of Hilti in Schaan.

Security is a key issue

At ZISC we are working jointly on a wide range of topics. The core concept is always that ETH researchers should investigate questions and problems from real life. For instance, we are currently testing a new Internet architecture, “SCION,” making use of the computer and network infrastructure of SIX, among other systems. New methods of authentication are another example. SIX is working on this with the ETH spin-off Futurae, which is developing a technology for two-factor authentication via smartphone. Futurae is evaluating whether this type of more secure, user-friendly authentication could have benefits for SIX employees. A third working group at ZISC has set itself the goal of detecting sophisticated network attacks at an early stage.

Providing security is vital in a digitalized, networked economy in order for customers to continue to trust Swiss financial services. Although security is one of the Swiss financial industry's major strengths, it can often be a problem for fintech. Thanks to its special role, SIX can bring together different perspectives and boost techno-

logical developments in the financial sector.

Human beings play a key role

However, technology is not an end in itself. Human beings still have a key role to play in designing and monitoring automation processes. A knowledge of information technology is necessary in order to understand the language that is steadily being introduced in banks and insurance companies. But in addition to digital skills, university graduates need the ability to think critically and creatively. A corporate culture that fosters innovation must demand and encourage critical scrutiny and creative solutions, and allow room for experiments that will not necessarily succeed. ■

“We want to satisfy the needs of our clients in full.”

In Dr. Romeo Lacher, SIX has an exceptionally experienced Chairman of the Board who has for many years been committed to delivering a strong financial market infrastructure in Switzerland. As SIX celebrates its tenth anniversary, he faces what is perhaps his greatest challenge: successfully leading SIX into a new decade in a totally changed competitive environment.

Interview: Franziska Garbe and Matthias Bill

SIX has been synonymous with stable and efficient infrastructure for the Swiss financial center since 2008. However, the company's origins date back to 1930. Read the whole story at six-group.com/history

Dr. Lacher, you've been Chairman of the Board of Directors of SIX since January 2017. However, you've served on the Board ever since the company was founded in 2008. You've therefore been with SIX right from the start. What do you regard as the highs and lows of the last ten years?

That's hard to sum up in a few words! Much has happened since SIX was founded in 2008. I could mention the major financial crisis that started in September 2008, posing unprecedented challenges for the entire sector. Or the market

turmoil sparked by the removal of the EUR/CHF floor. Between 2010 and 2016, revenue in the Western European financial sector increased by just 1.5%. Despite this exceptionally difficult environment, we've succeeded in more than doubling the profit of SIX in the last ten years. We've continually increased our turnover and dividend payments. We've expanded internationally and established ourselves as a European player. We've launched innovations such as Terravis, TWINT, and the repo trading platform, and we've started up a successful fintech incubator. In addition, we've constantly supported a strong Swiss financial center through our participation in numerous committees, partnerships and initiatives. Our task now is to reinforce the successful development of SIX over the long term.

At the end of November 2017, the Board of Directors decided on a strategic and organizational realignment for SIX. Why is this necessary, and why now?

Our industry has changed radically in the past ten years. New technologies, evermore stringent regulatory





“Our infrastructure, geared to the long term, will continue to play a key role for the Swiss financial center. All the participants agree on that.”

requirements, strong international competition, and the constantly increasing pressure on costs and margins necessitate new strategies and measures to ensure long-term success. Our clients' business models are also being put to the test, which in turn affects what they expect from us. We want to satisfy the needs of our clients in full, while working with the banks to develop potential new business areas. I'm firmly convinced that the realignment will enable us to continue building on the SIX success story.

What questions did the members of the Board of Directors address in this regard?

We wanted answers to three main questions. First, which services should SIX provide in the future?

And do we want to do this alone or with partners? Second, which services do the banks – our clients and shareholders – want to receive? And which ones do they want to participate in? This wasn't a matter of simply thinking up new services, but also of questioning the existing ones. The answers to the first two questions led on to a third: Are changes to the shareholder base and governance needed so that we can continue to act in a targeted manner?

And what were the answers?

I'd like to start with the last question: The shareholder base will continue to exist in its present form, but could be opened up to new shareholders. We're in talks with PostFinance*, for example. We stand by the “user-owned, user-governed” model. >

The shareholders of SIX comprise around 130 national and international financial institutions. They are also the main users of the services provided by SIX. Find out more about the Group structure and shareholder base on page 40.

A successful, shared infrastructure geared to the long term will continue to play a key role for the Swiss financial center. All the participants agree on that.

And what about the services that SIX will provide in the future?

Over the past few years, we've grown and established ourselves on a firm footing. Our realignment has a focus on securities business, payment transactions, and financial information, so we're concentrating more intensely on our core business once again. We aim to increase efficiency, quality, and innovation in these areas, right across the banks' value chain. Furthermore, we want to develop new and innovative infrastructure services, working with and for the banks.

Are we talking only of the Swiss banks here?

Our core business is to provide infrastructure services for the Swiss financial center. However, in our globalized world it's unthinkable for a service provider in the financial sector to restrict its activities to Switzerland alone. We are of course continuing our international operations and our business with non-shareholders, in order to take advantage of synergies.

So what does the reorganized SIX look like?

We're breaking up the old divisions, abolishing their names and organizing ourselves into lean, focused business units. These are Securities & Exchanges, Payments, Financial Information, and Innovation & Digital. We're thus optimizing our internal processes and serving our clients in ways more suited to their needs. We can pass on economies of scale to our shareholders. In areas where our shareholders are unable to participate directly as clients – such as in the card processing business – we make use of strategic partnerships. And we're strengthening the SIX brand.

Social media have been particularly excited about the announcement of a venture fund for innovation, to which CHF 50 million has been allocated.

Can you say more about this?

In the first instance, our commitment to more innovation is being demonstrated organizationally: in a new business unit called "Innovation & Digital." We'll be collaborating even more closely with the banks in our work on innovation. We'll be developing services with individual banking groups in order to meet their specific user requirements in a more targeted way. Internationally active banks have a different business model and different requirements from, say, regional banks, which focus on the domestic market and are active in retail business only. As well as strengthening our innovative capacity organizationally, we're launching the venture fund you mention, in order to promote innovations in the Swiss financial center and seize the opportunity to participate in promising start-ups.

You've also restructured the Group Executive Board of SIX as part of the organizational realignment. SIX is entering the next decade with Jos Dijsselhof as its new CEO.

Yes, I'm delighted that in Jos Dijsselhof we've found an experienced manager for SIX with strong leadership qualities and an outstanding track record. At the same time, I'd like to thank Urs Rügsegger for his achievements and dedication as CEO of SIX over the past ten years. SIX has laid strong foundations under his leadership, and I'm confident that Jos Dijsselhof will be able to build on these and take SIX forward into a successful future. ■

SIX fosters innovation and talent – both within the company and throughout the entire Swiss financial center. Find out more in the article by Professor Lino Guzzella on the partnership between SIX and ETH Zurich: page 31.

*Editor's note: The addition of PostFinance to the shareholder base of SIX was announced in a media release on 8 March 2018.

Corporate responsibility: the stability of the financial center has top priority for SIX

When measuring the long-term success of the company, SIX takes economic, ecological, and social considerations into account. The company's sustainability principles are based on its mandate to guarantee the security and stability of the Swiss financial center for its clients and owners, particularly when faced with new challenges such as cybercrime.

As a central infrastructure provider, SIX ensures the flow of information and money between banks, merchants, investors, and service providers throughout the world. If SIX stops, the financial center stops. Some of the services rendered by SIX are systemically critical. They are therefore monitored by the Swiss National Bank (SNB) and the Swiss Financial Market Supervisory Authority (FINMA).

Clients, owners, and society as a whole expect SIX to guarantee the security and stability of the financial center. SIX consequently prioritizes its sustainability principles as follows:

1. Ensuring stability
2. Being a responsible employer
3. Working for the good of society and protecting the environment

SIX implemented these principles in 2015 under the heading "Enabling a sustainable future." In 2018 it will review whether the principles should continue in the same form. The aim is to underpin them with concrete objectives and thus make the commitment shown by SIX even more binding.

Binding standards for suppliers

SIX guarantees to uphold the highest standards in its business activities.

It expects its suppliers to do the same. In 2017, SIX introduced a Code for Suppliers that set out binding guidelines for its suppliers. The "Code for Suppliers" applies to all suppliers of SIX and their sub-contractors throughout the world. They must systematically regulate their behavior in accordance with the "Code for Suppliers," and ensure that the code is communicated, integrated, and applied internally.

Using artificial intelligence to fight cybercrime

Every time the network of SIX is accessed, a potential security risk arises that could disrupt the stability of the financial center. In order to protect it properly, SIX operates a security center that constantly records and logs every single access. In 2017, this security center was developed into Switzerland's first → Security Operations Center (SOC). From 2018 onwards, the SOC will also be available to clients in the financial sector, especially smaller, and medium-sized banks that could not afford the high cost of defensive systems. The SOC will thus increase the security of the entire financial center.

Maintaining attractive framework conditions

On 21 December 2017, the EU Commission recognized the equiva-

Thanks to a long-standing partnership with ETH Zurich, information security at SIX benefits from the latest research findings.

→ Further information on the SOC may be found on page 39.

lence of the Swiss legal and supervisory framework for trading venues with that of the EU, for a period of one year. SIX Swiss Exchange meets all the requirements of the EU MiFID II Directive and has received the temporary status of an “equivalent third-country trading venue.” The decision allows European securities traders access to the Swiss market even when the new European financial market rules come into force in January 2018. Earlier in 2017 FINMA had already granted the CO:RE trading platform for repo transactions the status of multilateral trading facility and recognised SIX as a central securities depository in accordance with Financial Market Infrastructure Act (FMIA). In addition, the SIX Trade Repository is the only Swiss Trade Repository to have received approval from FINMA.

Blockchain innovations in the spotlight

In 2017, SIX explored blockchain and distributed ledger technology intensively through its participation in a number of innovation partnerships. In February, for example, SIX and Digital Asset presented a

bond-issuing prototype. The xChain platform based on distributed ledger technology also went into operation. The aim of xChain is to improve data quality in the corporate action process, thereby minimizing the risks involved. SIX also wants to use distributed ledger technology to process OTC transactions more efficiently on the bilateral trading platform XBTR. Professional market participants in the interbank business use XBTR to trade in structured products that are not listed on an exchange. Previously, the processing of such OTC transactions had been partly manual, and therefore time-consuming and prone to error. XBTR automates and simplifies this process.

Three colonies of bees on the roof of Hard Turm Park

Since summer 2017, there have been three beehives on the roof of the SIX building in Zurich West. They are each home to a colony of the endangered dark bee. SIX auctioned 30 pots of Urban Honey among its employees. It donated the proceeds, which came to almost CHF 1,400, to the Swiss Friends of Mellifera Bees Society. ■

SIX Social Days, throughout Europe: around 100 employees in London, Luxembourg, and Zurich volunteered for charitable and environmental causes.



More information available in the Corporate Responsibility Report 2017, which will be available in summer 2018 at six-group.com/responsibility

SIX Corporate Responsibility: key steps



Risk and security management at SIX: strengthened for new challenges

The risk and security organization of SIX helps employees to identify internal and external threats, evaluate them correctly and react to them appropriately. The aim is to ensure the long-term stability and security of the company and of the Swiss financial center, and to continue to provide the usual efficient, high-quality services.

Risk and security management is a key element of corporate management at SIX. A lean and efficient risk and security organization under the leadership of the Chief Risk Officer has reported directly to the CEO since July 2017. Risk and security management is constantly being developed by SIX to ensure it fully complies with the business model of SIX and the requirements of the business environment. In 2017, SIX therefore embedded its risk management organization even deeper within the company, expanding the security functions and employing more staff.

Risk and security organization of SIX

The risk and security organization of SIX continues to build on the internationally recognized “three lines of defense” model already implemented at SIX:

The first line of defense (1st LoD) continuously identifies and manages the risks faced by SIX in its daily business. This line of defense is usually assigned to the line organization.

The risk and security organization of SIX constitutes the second line of defense (2nd LoD). It assists and supports the first line with the monitoring and control of critical topics. The third line of defense (3rd LoD) is formed by the internal and external auditors and the Board of Directors. They are responsible for independently monitoring the risk and security organization and management.

The following functions were added to the second line of defense in 2017 when the security organization was embedded in the risk organization:

- “Business Continuity Management & Physical Security” is responsible for the continuity and restoration of critical business processes in an emergency – this includes the recovery capabilities of the IT infrastructure. It also includes the protection of employees, premises, and business-critical information.
- “Security Business Partner” ensures information security during IT projects and throughout the IT life cycle. Any risks identified are evaluated and handed over to the business

Risk and security management at SIX is based on the internationally recognized “three lines of defense” model.

and IT with a recommendation for action. This function also ensures that the security aspects of statutory, regulatory, and contractual provisions are being observed and implemented. It assists with external audits and provides appropriate employee training on security matters.

- “Security Governance” introduces standard methods of handling IT and security risks as well as topics.
- “Cyber Defense” ensures the digital security of SIX and protects SIX from cyberthreats.

Cybersecurity has priority

In view of the growing threats, SIX gives top priority to protection against cyberattacks and to its own → cybersecurity, because any disruption of its infrastructure could cause huge damage not only to the company, but also to the entire Swiss economy in a very short time. The task of the newly created “Cyber Defense” team is to identify potential threats at an early stage and ward off hacker attacks, thus reducing the vulnerability of critical systems to the minimum. In order to achieve this, in 2017 SIX began setting up a next-generation “Security Operations Center” (SOC). This is the first security centre in Switzerland to make use of cognitive technology to identify cyber attacks. At the end of the year it launched trial operations. The state-of-the-art SOC will enable SIX to react to cyberattacks faster and more efficiently in the future. In a first step, the SOC will strengthen cybersecurity at SIX; in a second

step SIX will also offer tailored managed security services (MSS) to Swiss financial services providers via the SOC.

Risk management supports innovation and transformation at SIX

Risk management at SIX promotes and supports the responsible use of innovative technologies and the development of innovations SIX. In addition to setting up the SOC, the risk management team thoroughly evaluated and actively gave support to the topic of blockchain and blockchain-based solutions in the year under review.

The strategic and organizational realignment of SIX will also actively support the risk and security organization. This will guarantee that the services provided by SIX meet the usual standards of quality and efficiency at all times, including during the transformation phase. ■

→ A special report on cybersecurity can be found at six-group.com/media

Management structure and shareholders

SIX Group Ltd (SIX) is an unlisted public limited company based in Zurich. SIX operates in four business areas via six divisions.

Shareholders and

→ equity structure

All former owners of the merger partners are represented among the shareholders. The shares are widely distributed, i.e. no single owner or bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

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

The transfer of shares must be approved by the Board of Directors.

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

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

→ Equity structure of 31 December 2017:

Ordinary share capital

CHF 19,521,905

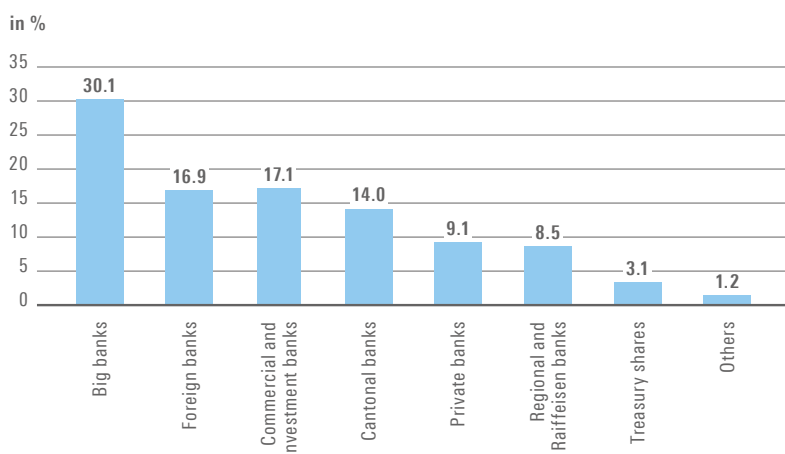
Registered shares
(par value CHF 1.00)

19,521,905

Security number

3768228

Ownership structure of SIX



Internal organization and competency rules

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

Tasks of the Board of Directors are generally carried out by the committee responsible. The → Board of Directors has three committees: the Audit Committee, the Nomination & Compensation Committee, and the Risk Committee. Insofar as the committees are assigned discretionary powers by the competency rules, the duties of the Board of Directors are limited to supervision of the committees.

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

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

The chair of the Board of Directors, or the chairs of the committees, set the agenda for meetings. Debates and resolutions are recorded in the

minutes. The minutes of the committees are sent to all members of the Board of Directors. The committee chairs also deliver a verbal report on important events and resolutions at every Board of Directors meeting. In the year under review, the Board of Directors convened on nine occasions, one of which was a one-day strategy seminar.

Audit Committee (AC)

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

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

→ Members of the Board of Directors from page 44 onward.

→ The organizational chart for SIX can be found online at six-group.com/organization

Nomination & Compensation Committee (NCC)

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

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

Risk Committee (RC)

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

The RC assumes the duties of the Board of Directors in respect of risk management in accordance with the risk policy of SIX. In addition, the RC has responsibilities related to the Securities Services business area. RC meetings are attended by the Group CEO, the Group CFO, and the Group CRO. Six meetings were held in the year under review.

Internal Audit

Internal Audit reports directly to the Audit Committee in functional terms and the Chairman of the Board of Directors in administrative terms. It supports the Board of Directors in carrying out its legal supervisory and controlling tasks and executes the audit tasks assigned to it. It has an unrestricted right of audit within

SIX and all legal entities. It has the right to inspect all business documents at any time. Internal Audit coordinates its activities with the external auditors and those responsible for compliance and risk controlling.

Information and supervisory tools regarding Group Executive Board

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

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

Risk management and compliance

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

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

Remuneration

At the request of the Nomination & Compensation Committee, the Board of Directors defines remuneration guidelines. The Chairman and members of the Board of Directors receive a fixed salary. The members of the Group Executive Board receive a fixed basic salary as well as a variable

→ Further information on risk- and security management at SIX from page 38 onward.

remuneration in the form of a cash payment. The latter is dependent on company revenue, targets met according to the Balanced Scorecard, and individual performance. In order to gear corporate governance to longer-term objectives and make it more sustainable, part of the variable remuneration of Group Executive Board members takes the form of a long-term incentive plan, which pays out after three years (cliff vesting), provided that the predefined quantitative and qualitative objectives have been met. This ensures that the interests of the owners and the Group Executive Board are aligned over an extended period.

In the year under review, nine members of the Group Executive Board and ten members of the Board of Directors were paid a total of CHF 16.56 million. This includes those members of the Board of Directors or the Group Executive Board who either left or joined during the course of the financial year. Along with the basic and variable remuneration, the amount also covers payments or benefits in kind that are standard in the industry. Social benefits are not included in the amount. SIX does not grant loans of any kind to its employees or corporate bodies.

Auditors

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

tatives of the external auditors or Group Auditors.

Remuneration of the auditors

in CHF	2017
Auditing services	2,432,317
Audit-related services	293,081
Advisory services	929,624

Information policy

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



The Annual Report is available in German and English, and can be ordered online at six-group.com/annual-report

The financial report is also published in English online at six-group.com/annual-report

Board of Directors

Dr. Romeo Lacher (1960) **Chairman**

A Swiss citizen and member of the Board of Directors since 1 January 2008, elected until 2020. He took over the chairmanship of the Board at the beginning of 2017, having already chaired the Board on an interim basis since 1 October 2016. After receiving his graduate degree and PhD from the University of St. Gallen, he completed the Advanced Management Program at Harvard Business School in Boston. Since 1990 he has held various management roles at Credit Suisse, and was member of the Private Banking Management Committee from 2004 to 2015. He was Global Head of Private Banking Operations from 2004 to 2011; Head Private Banking Western Europe from 2012 to 2014; Head Private Banking EMEA from 2014 to 2015, and Chief Operating Officer of the International Wealth Management Division and member of the IWM Management Committee from 2016. At the end of February 2017 Romeo Lacher stepped down from all his roles and resigned from Credit Suisse.

Dr. Sabine Keller-Busse (1965) **Vice Chairman**

A German and Swiss citizen, member of the Board since 18 June 2012, elected until 2020. She was appointed to the Group Executive Board of UBS Group AG and UBS AG in January 2016, and has been Chief Operating Officer of UBS and President of the Executive Board of UBS Business Solutions AG since January 2018. From 2014 to 2017 she was Group Head Human Resources, following four years as Chief Operating Officer UBS Switzerland. Before joining UBS in 2010, she was Head Private Clients Region Zurich at Credit Suisse for two years. From 1995 to 2008

she worked for McKinsey & Company, where she was a partner for the last seven years. Sabine Keller-Busse holds a master's degree and a doctorate in business administration from the University of St. Gallen.

Urs Beeler (1959)

A Swiss citizen and member of the Board since 19 May 2017, elected until 2020. He has a strong background in banking and finance and many years' experience in trading and asset and liability management. He has worked for Credit Suisse AG in Zurich since 1997, and was appointed Head of Fixed Income Trading Switzerland in 2008. He became Head Trading Switzerland in 2015. At present he is Head International Trading Solutions Switzerland and a member of the Executive Board of Credit Suisse (Switzerland) AG. From 2013 until his appointment to the Board of Directors of SIX, Urs Beeler was also a member of the Regulatory Board of SIX Exchange Regulation.

Dr. Jürg Bühlmann (1967)

A Swiss citizen and member of the Board since 20 May 2016, elected until 2020. After receiving his graduate degree in Business Administration and his PhD at the University of Zurich, he completed the Executive Program of the Graduate School of Business at Stanford University, and the Senior Executive Programme of the London Business School. He has worked for Zürcher Kantonalbank since 1994. He held various executive positions in Controlling in the Executive Board unit and was a Member of Management from 1998 onward. In 2002, he took charge of Logistics IT as Head of Application Engineering. From 2004, he assumed responsibility for project management, IT projects, and their develop-

→ At the Annual General Meeting on 19 May 2017, the shareholders elected Urs Beeler to the Board of Directors.

ment (Change the Bank). In 2011, he became Head of Real Estate, and since 2012 he has been Head of Logistics and a member of the Executive Board.

Dr. Patrik Gisel (1962)

A Swiss citizen and member of the Board of Directors since 16 May 2014, elected until 2020. He completed both his graduate degree in Business Management and his PhD at the University of St.Gallen. After stints at Swiss Bank Corporation (1987–1993), Boston Consulting Group (1993–1994) and Union Bank of Switzerland/UBS AG (1994–1999), in 2000 he became Head of the Corporate Development, Finance, and IT Department of Raiffeisen Switzerland Cooperative, St.Gallen. From 2002 to 2015 he was Vice Chairman of the Executive Board and from 2005 to 2015 Market Department Head. Patrik Gisel took the helm as CEO of Raiffeisen Switzerland in October 2015.

Lorenz von Habsburg Lothringen (1955)

A Belgian and Austrian citizen and member of the Board of Directors since 16 May 2014, elected until 2020. Lorenz von Habsburg Lothringen studied Business Management at the University of St.Gallen and the University of Innsbruck (Austria). He has been a Director of E. Gutzwiller & Cie Banquiers, Basel, since 1987 and a General Partner with unlimited liability since 1990.

Stefan Helfenstein (1966)

A Swiss citizen and member of the Board since 20 May 2016, elected until 2020. He has a graduate degree in Business Management from the University of St.Gallen and completed the Programme for Executive

Development at the International Institute for Management Development (IMD) in Lausanne. Following various positions in audit and controlling in the food industry, in 2003 Stefan Helfenstein moved to Nestlé Taiwan as Finance Controller of Shanghai Fuller Foods Co, China. From 2005 he spent another three years at Nestlé China before becoming Head of Finance and Control (CFO) of Nestlé Greater China Region in 2008. He has been Head of Group Accounting and Reporting at Nestlé Group.

Søren Mose (1964)

A Danish and Swiss citizen and member of the Board since 19 May 2014, elected until 2020. He holds an MBA from Henley Management College (England) and an H.D. from Aarhus Business University (Denmark). At Jyske Bank, Denmark, Søren Mose first worked as a trader and investment advisor, before rising to become director of the HNWI (High-Net-Worth Individuals) department in 1988. From 1992 to 2002 he was Head of Private Banking, Deputy CEO, and member of the Board of Directors of Jyske Bank (Gibraltar) Ltd., and then from 2002 CEO of Jyske Bank (Switzerland) AG in Zurich for five years. Søren Mose was CEO of Saxo Bank (Switzerland) AG, Zollikon, from 2007 to November 2014.

Herbert J. Scheidt (1951)

A German and Swiss citizen and member of the Board since 1 January 2008, elected until 2020. He studied Economics at the University of Sussex and holds an MBA from the University of New York. He held a range of management positions at Deutsche Bank in Frankfurt, Essen, New York, and Milan. In 1996 he moved to Deutsche Bank (Suisse) in Geneva: as Head of Private Banking Europe >

→ In November 2017, the Board of Directors decided on a strategic and organizational realignment for SIX. Find out more on page 49.

and Middle East he served as Deputy CEO; he later headed up International Private Banking in Geneva, became a member of the Group Executive Committee, Wealth Management, in Frankfurt, and in 2001 was appointed CEO in Geneva. He moved to Vontobel Group as CEO in 2002. Since May 2011 Herbert J. Scheidt has been Chairman of the Board of Directors of Bank Vontobel AG and Vontobel Holding AG, Zurich.

Shannon Thyme Klinger (1971)

A US citizen and member of the Board since 20 May 2016, elected until 2020. After completing a B.A. in Psychology at the University of Notre Dame (USA), she obtained a Juris Doctor (J. D.) at the University of North Carolina at Chapel Hill. In 1996 she joined Alston & Bird LLP as an associate, and later as a partner. In 2005 she changed sectors, becoming Vice President, Marketing Compliance, and Associate Counsel at Barr Laboratories/Duramed Pharmaceuticals; Senior Vice President, General Counsel NAFTA at Solvay Pharmaceuticals and General Counsel North America at Sandoz Inc. She moved to Germany in 2012 as Global Legal Head and General Counsel for Sandoz International GmbH. Since 1 May 2016 she has been Chief Ethics and Compliance Officer and Head of Litigation at Novartis International AG in Basel. ■



Further activities and mandates of the members of the Board of Directors and details of the composition of the committees can be found at six-group.com/board-of-directors

Group Executive Board in the year under review

Dr. Urs Rügsegger (1962)

Group CEO

Urs Rügsegger, a Swiss citizen, was Group CEO from the beginning of 2008 to the end of 2017. Prior to this he was of Head of the Executive Committee of St.Galler Kantonalbank. He joined the bank in 1993 as Head of Controlling, Accounting and Risk Management and was appointed to the Executive Committee in 1997. In 2000 he took charge of the IPO, which was successfully launched in 2001. As Head of the Executive Committee he also held various positions with the Association of Swiss Cantonal Banks beginning in 2001. After completing a degree in business studies at the University of St.Gallen, Urs Rügsegger started his career at Swiss Re in the IT department. He was deeply involved in the development of commercial applications and the restructuring of Swiss Re's service branch, and most recently assumed financial responsibility for Audatex, its international subsidiary group.

Daniel Schmucki (1968)

Group CFO

Daniel Schmucki, a Swiss citizen, took up his role as Group CFO on 1 March 2017. He joined SIX from Flughafen Zürich AG, where he had been Chief Financial Officer and Deputy CEO since 2008. In addition to all traditional finance functions, he was also responsible for fee management, information and communication technology, risk and compliance management, central procurement as well as M&A, incl. the operation of all the company's global commitments. He joined Flughafen Zürich AG as Head Controlling at the end of 1999. In 2002 he also took over responsibility for the Treasury and Investor Relations

departments as well as the expansion of the international airport activities. Before joining Flughafen Zürich AG, he held various management positions in the field of finance within the German Bosch Group, such as Head Division Controlling at Scintilla AG and Chief Financial Officer of Robert Bosch Internationale Beteiligungen AG. He has a Federal Diploma as an expert in Accounting and Controlling. In 2013 Daniel Schmucki was named "Switzerland's CFO of the year."

Christoph Landis (1959)

Division CEO Swiss Exchange

Christoph Landis, a Swiss citizen, became Division CEO Swiss Exchange on 12 November 2015. He had previously managed the business area on an interim basis since May 2015. Christoph Landis has been at SIX Swiss Exchange since 1992. He was Deputy Director of Information Technology from 1999, with a major focus on developmental and external IT projects. He was appointed to the Management Committee of Swiss Exchange as CIO in 2003. He has been responsible for Operations since 2010, in the capacity of Deputy Division CEO since 2012. After graduating with a Type B Matura in Zurich in 1978, he continued his studies in the fields of human medicine, information technology, and economics.

Thomas Zeeb (1964)

Division CEO Securities Services

Thomas Zeeb, a Canadian citizen, became Division CEO Securities Services in 2008. He previously worked at Clearstream Banking in London and Luxembourg. As Executive Director of Client Relations, he was part of the company's Executive Management and a member of the Board of Directors of Clearstream

→ Jos Dijsselhof succeeds Dr. Urs Rügsegger as CEO of SIX on 1 January 2018. Urs Rügsegger had successfully led SIX since its foundation in 2008; in May 2017 he announced his forthcoming retirement.

→ Thomas Zeeb, Division CEO Securities Services, assumes responsibility for the new "Securities & Exchanges" business unit on 1 April 2018. Christoph Landis, Division CEO Swiss Exchange, is the new Head IT. Find out more on page 49.

Banking Frankfurt. In charge of sales, relationship management, and client services, Thomas Zeeb was responsible for the development of the European and US business. He previously held positions in companies such as Bank of New York in London, Sim & Fed SpA in Florence, and Deutsche Bank AG in Frankfurt. Over the course of his career, Thomas Zeeb has gained a wealth of experience in the post-trading sector.

Robert Jeanbart (1956)

Division CEO Financial Information

Robert Jeanbart, a Swiss citizen, became Division CEO Financial Information in May 2014. He has many years of international management experience and proven expertise in various areas of the financial information business. Most recently he was Global Head of Market Data and Information Services at SunGard. He was formerly CEO of Infotec S.A. and worked for 15 years in a number of managerial positions at Reuters Ltd., most recently as Managing Director for UK & Ireland. He studied electrical engineering at EPFL Lausanne and holds a Master of Sciences degree.

Jürg Weber (1961)

Division CEO Payment Services

Jürg Weber, a Swiss citizen, was Division CEO Payment Services from September 2015 to 30 November 2017. Founder and owner of Golden Horn Management Ltd. in Istanbul and Kiev, where he worked from 2000 to 2005. Prior to that, he was CEO of Benkar A.Ş. within Boyner Holding, based in Turkey, from 1997 to 2001 and Consultant and Partner at McKinsey & Co from 1992 to 1997, where he was responsible for establishing a McKinsey office in Turkey. In his former roles as CEO,

he successfully launched new credit cards, set up innovative credit card programs and established an efficient organizational structure for credit cards within a bank. He holds an MBA, with a major in finance and strategic management, from the Wharton School, University of Pennsylvania (USA).

Robert Bornträger (1960)

Division CEO Global IT

Robert Bornträger, a Swiss citizen, was Division CEO Global IT from April 2014 to 28 February 2018. He was responsible for the development and operation of the entire IT infrastructure from 2008 onwards. From 2005 until the end of 2007, he was CEO of Telekurs Services Ltd. and a member of the Management Committee of Telekurs Group. Prior to this, he was Managing Director of Integralis Schweiz AG for a brief period and subsequently Chief Information Officer at Swiss International Air Lines. From 1998 to 2001 he was a member of the Management Committee of Swisscargo AG and Cargologic AG, before which he was based in Sweden and Hungary as Managing Director of Swissair AG from 1993 to 1998. While studying for his Masters of Science in IT and business administration at the University of Zurich, Robert Bornträger worked as a programmer and analyst at Eldag Informatik AG. In 1986 he transferred to Swissair's IT unit, where he worked as a consultant, instructor, and software engineer. ■

→ Jürg Weber and Robert Bornträger left the Group Executive Board with effect from 30 November 2017 and 28 February 2018 respectively. The new composition of the Group Executive Board, as of the second quarter of 2018, is shown on the right on page 49.



Further activities and mandates at
[six-group.com/
group-executive-board](http://six-group.com/group-executive-board)

Strategic and organizational realignment of SIX

In November 2017 the Board of Directors decided to make strategic and organizational adjustments to take account of an altered business environment and place the company in an optimal position for the future.

The realignment is adopting a systematic focus on infrastructure services for shareholders and the financial center in the areas of securities, payment services, and financial information. These areas represent the future core business of SIX. Furthermore, all innovation activities of SIX will be consolidated in a new innovation unit and substantially more funding placed at its disposal. In future, the company will operate on the market exclusively under the "SIX" brand.

The new Executive Board of SIX will comprise the following members and areas of responsibility under the management of CEO Jos Dijsselhof as of 1 April:

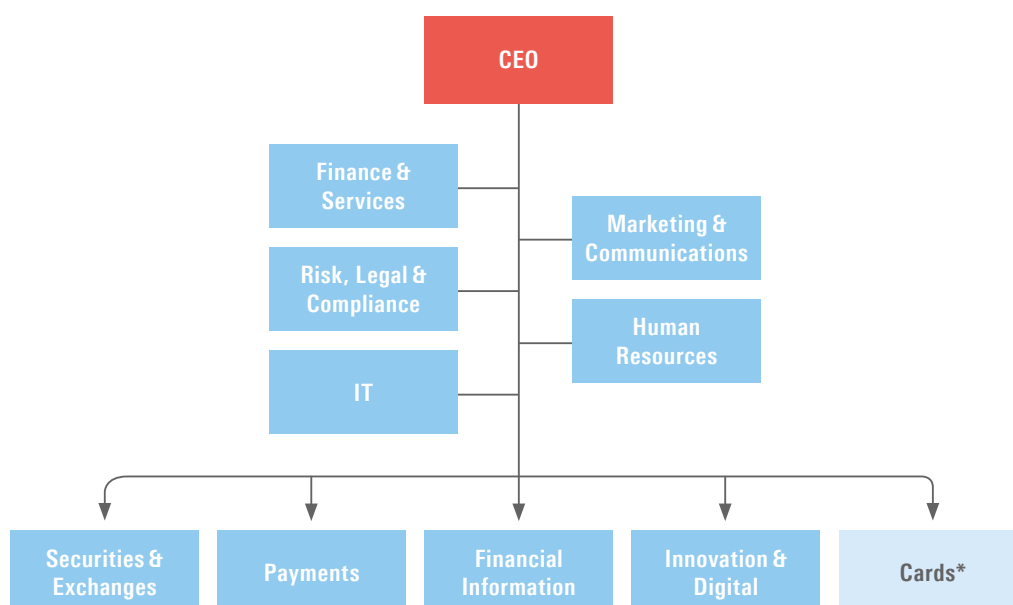
- Daniel Schmucki, Chief Financial Officer (CFO)
- Dr. Jochen Dürr, Chief Risk Officer (CRO)
- Thomas Zeeb, Head Securities & Exchanges
- Marco Menotti, Head Payments
- Robert Jeanbart, Head Financial Information
- Christoph Landis, Head IT
- Marc Schluep, Head Cards

→ Find out more about the strategic realignment of SIX in the interview with Chairman of the Board Dr. Romeo Lacher, starting on page 32.



Biographical information about the new Group Executive Board members, together with downloadable portrait photos, may be found from 1 April 2018 at six-group.com/group-executive-board

New organizational structure



* In participation with a strategic partner

Consolidated balance sheet

in CHF million	31/12/2017	31/12/2016
Assets		
Cash and cash equivalents	4,462.6	4,921.2
Trade and other receivables	263.4	213.6
Receivables from clearing & settlement	3,566.9	3,326.4
Financial assets	754.8	688.2
Inventories	17.4	12.0
Current income tax receivables	23.6	13.4
Other current assets	218.1	112.8
Disposal groups and assets held for sale	–	317.9
Current assets	9,306.8	9,605.4
Property, plant, and equipment	277.6	255.2
Intangible assets	393.4	167.3
Investments in associates	23.5	40.8
Financial assets	260.1	184.7
Other non-current assets	28.0	9.3
Deferred tax assets	12.1	16.9
Non-current assets	994.7	674.1
Total assets	10,301.5	10,279.5
Liabilities		
Bank overdrafts	1.0	0.1
Trade and other payables	262.1	190.4
Payables from clearing & settlement	6,861.5	6,986.0
Financial liabilities	68.9	56.7
Provisions	33.6	29.5
Current income tax payables	23.1	31.2
Other current liabilities	247.1	217.0
Liabilities directly associated with disposal groups held for sale	–	83.6
Current liabilities	7,497.3	7,594.6
Provisions	28.4	38.5
Other non-current liabilities	40.6	52.1
Deferred tax liabilities	59.3	39.8
Non-current liabilities	128.3	130.4
Total liabilities	7,625.6	7,725.1
Equity		
Share capital	19.5	19.5
Capital reserves	234.1	234.1
Other reserves	–36.6	–51.7
Retained earnings	2,449.0	2,342.8
Shareholders' equity	2,666.0	2,544.8
Non-controlling interests	9.9	9.7
Total equity	2,675.9	2,554.4
Total liabilities and equity	10,301.5	10,279.5

Consolidated income statement

in CHF million	2017	2016
Commission revenues	777.1	694.3
Transaction revenues	405.6	394.1
Service revenues	641.3	627.7
Net interest income from banking business	25.3	15.1
Other operating income	95.3	107.4
Total operating income	1,944.6	1,838.6
Personnel expenses	-626.1	-628.4
Other operating expenses	-952.3	-838.8
Depreciation, amortization, and impairment	-85.6	-84.3
Total operating expenses	-1,664.0	-1,551.5
Operating profit	280.5	287.1
Share of profit of associates	-23.2	-0.3
Financial income	42.8	23.9
Financial expenses	-27.0	-13.6
Earnings before interest and tax (EBIT)	273.2	297.1
Interest income	4.0	5.1
Interest expenses	-6.3	-7.5
Earnings before tax (EBT)	270.9	294.7
Income tax expenses	-63.7	-73.6
Group net profit	207.2	221.1
of which attributable to shareholders of SIX Group Ltd	206.4	220.5
of which attributable to non-controlling interests	0.9	0.5
Earnings per share (CHF)		
Basic profit for the year attributable to shareholders of SIX Group Ltd	10.91	11.66
Diluted profit for the year attributable to shareholders of SIX Group Ltd	10.91	11.66

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