

**DUKASCOPY BANK SA**

**ANNUAL REPORT**

**2010**



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## **INTRODUCING THE BANK**

Dukascopy's history started in 1998 as a project of physicists headed by Dr. Andrey Duka aiming at serving the financial community with innovative solutions based on novel mathematical and econophysical techniques.

Twelve years later, Dukascopy Bank SA was born and the initial vision materialized in a unique internet marketplace and community offering not only a transparent and fair trading environment but also a platform where investors may access specialized information, exchange views, share know-how and entertain themselves in a unique home-made high tech environment.

Dukascopy Bank SA constantly develops its relations with banks and other market participants to create the world's biggest liquidity aggregator. During years of presence in the internet brokerage industry, the popularity of the company has been significantly increasing among individuals and financial institutions. We will continue to ease access to Dukascopy Bank SA's unique execution quality for investors.

## **MESSAGE FROM THE BOARD OF DIRECTORS**

With the acquisition of the status of bank in Switzerland, the year 2010 was a milestone in the history of Dukascopy. Notwithstanding a year rich in events, the effects of the financial crisis, and many legal and regulatory developments, Dukascopy Bank SA managed to further develop its activities and to strengthen its financial soundness and equity capital.

In the coming years, banks will continue to face a demanding and rapidly changing environment, including new customers' behavior and expectations.

Dukascopy Bank SA keeps on investing in human and technology resources to support and develop its competitive advantage through its leading-edge technology and its efficient platform and infrastructure.

With its headquarters in Switzerland, Dukascopy Bank SA benefits from a strong regulatory framework, combined with a stable political and economic environment. We believe that Dukascopy Bank SA is now ideally positioned to optimise its unique capacity to innovate and to bring more transparency, better quality solutions and better information; in other words, to anticipate clients' requests for a different banking experience.

## **MESSAGE FROM THE CEO**

” The past year has been productive for Dukascopy. The company acquired a banking status and emerged as a high-tech bank specialized in online Forex brokerage.

The Bank was able to adapt to a changing business climate and successfully passed through the financial crisis and a tightening of Swiss Forex brokerage regulations.

Business-wise, 2010 was also effective. It returned a solid growth of the Bank's income (+29%), further development of clientele basis and growth of brokerage activity.

The Bank has been able not only to support the growth of its business but also to massively invest in technology and human resources necessary for its development. The rise of operational expenses (+39%), represented mainly by personnel expenses, reflects those investments in creation of new products and services.

We would like to take this opportunity to thank all of our employees, clients and business partners for their support and for their contribution to our success in 2010.

**Alain Broyon**  
*Chief Executive Officer*

## REVIEW OF OPERATIONS

In spite of challenging conditions, Dukascopy Bank SA continued to grow in 2010. We refer to the impact of the financial crisis and, during the first semester 2010, to our banking authorization process in Switzerland. The scope of activities and the locations of the Bank remained unchanged during the year under review. However, projects for future development in and outside Switzerland were actively managed.

The gross profit rose by 7.4% to CHF 7.3 million (2009 CHF 6.8 million). The trading income increased by 31% or CHF 6.7 million to reach CHF 28.3 million (2009 CHF 21.6 million) due to higher brokerage volume, particularly during the last quarter, contrasting with the trend of the industry. The increase in clients deposits (+23.7%) results from the growth of our clientele basis.

Operating expenses increased by 39% or CHF 5.9 million to reach CHF 21.1 million (2009 CHF 15.2 million) due to recruitments and other investments in resources to support the development of the Bank. Depreciation on fixed and intangible assets amounted to CHF 4.7 million (2009 CHF 7.3 million) in accordance with the depreciation plan.

The net profit for the year rose to CHF 1.1 million (2009 CHF 0.1 million) in spite of a contribution of CHF 0.6 million to provisions.

### KEY FIGURES

	Year 2010 (in CHF million)	Year 2009 (in CHF million)	Variation (in CHF million)	Variation (in %)
Total operating income	28.4	21.9	6.5	29.3%
Total operating expenses	21.1	15.2	5.9	39.0%
Gross profit	7.3	6.8	0.5	7.4%
Net profit	1.1	0.1	1.0	1'098.5%
Total assets	95.7	83.8	11.9	14.3%
Total clients deposits	62.1	50.2	11.9	23.7%
Shareholders' equity	24.0	22.9	1.1	4.7%
Employees at 31 December ( full time equivalent)	164.4	104.7	59.7	57.0%
BIS ratio (Basel II)	232.6%	216.7%	—	7.3%

## ORGANISATION OF THE BANK

### Board of Directors

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**Chairman**

Bogdan Prensilevich

**Vice-Chairman**

Pierre J-M. Bongard

**Members**

Gérard de Cerjat

Frank Guemara

Patrick Zbinden

### Internal Auditor

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PKF Certifica SA

### Executive Committee

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**Chairman**

Alain Broyon, Chief Executive Officer

**Vice-Chairman**

Dr. Andrey Duka, Chief Technology officer

**Members**

Laurent Bellières, Chief Operating Officer

Philippe Cordonier, Chief Risk Officer

Veronika Makarova, Chief Administrative Officer

### External Auditor

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KPMG SA



## BALANCE SHEET

at 31 December 2010

	31.12.2010 CHF	31.12.2009 CHF
<b>ASSETS</b>		
Liquid assets	1,030,928	28,767
Amounts due from banks	83,840,641	65,182,089
Amounts due from customers	83,215	562,955
Participations	100,000	100,000
Tangible fixed assets	1,549,006	1,317,534
Intangible assets	5,908,234	9,518,153
Accrued income and prepaid expenses	230,517	152,197
Other assets	2,969,935	6,898,324
<b>TOTAL ASSETS</b>	<b>95,712,476</b>	<b>83,760,019</b>
Total amounts due from Group companies and qualified participants	—	—

	CHF	CHF
<b>LIABILITIES</b>		
Amounts due to banks	1,149,328	-
Other amounts due to customers	62,057,961	50,161,217
Accrued expenses and deferred income	3,245,194	2,173,792
Other liabilities	3,830,096	7,621,044
Value adjustments and provisions	1,453,242	903,441
Share capital	22,000,000	22,000,000
General legal reserve	46,000	41,000
Profit brought forward	854,525	769,737
Profit for the year	1,076,130	89,788
<b>TOTAL LIABILITIES</b>	<b>95,712,476</b>	<b>83,760,019</b>
Total amounts due to Group companies and qualified participants	—	—

## OFF-BALANCE SHEET

at 31 December 2010

	31.12.2010 CHF	31.12.2009 CHF
<b>Off-balance sheet financial instruments</b>		
Underlying amounts	1,312,062,180	2,578,230,312
Positive replacement values	2,969,935	6,898,324
Negative replacement values	3,182,626	7,435,548

## STATEMENT OF INCOME

for the year ended 31 December

	2010 CHF	2009 CHF
<b>Interest income</b>		
Interest income	70,943	79,509
Interest expenses	(1,354)	(553)
Net interest income	69,589	78,956
<b>Income from commissions and services</b>		
Commission income from investment activities	65,841	279,005
Commission income from other services	-	28,153
Commission expenses	(52,882)	(37,820)
Net income from commissions and services	12,959	269,338
<b>Trading income</b>	<b>28,280,188</b>	<b>21,596,187</b>
<b>Operating expenses</b>		
Personnel expenses	(12,986,684)	(8,785,365)
Other operating expenses	(8,093,844)	(6,379,629)
Total operating expenses	(21,080,528)	(15,164,994)
Gross Profit	7,282,208	6,779,487
Depreciation	(4,667,461)	(7,274,324)
Value adjustments, provisions and losses	(1,061,823)	(112,289)
Profit before extraordinary items and taxes	1,552,924	(607,126)
Extraordinary income	5,000	876,327
Extraordinary expenses	(375)	-
Taxes	(481,419)	(179,413)
<b>Profit for the Year</b>	<b>1,076,130</b>	<b>89,788</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2010

### **1. ACTIVITY AND NUMBER OF EMPLOYEES OF THE BANK**

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva and a representation office in Riga (Latvia). The Bank is mainly active in the dealing of foreign exchange (hereinafter "FX") through its home built trading platform. The Bank also accepts management mandates based on FX trading.

Expressed in terms of full-time jobs, the number of employees at 31 December 2010 was 164.4 (104.7 at 31 December 2009).

### **2. RISK MANAGEMENT**

The Board of Directors has established an analysis of the main risks the Bank is exposed to. This analysis relies on data and means implemented by the Bank in matter of Risk Management, as described hereinafter as well as on a prospective estimate of the risks affecting the Bank. In its analysis, the Board of Directors has considered the internal control system put in place to manage risks. Based on its risk analysis, the Board of Directors has adopted a General Risk Policy in order to limit and manage the main risks affecting the Bank. Internal control system includes, in particular, a system of limits, the definition of authorized activities as well as authorities relating to the risk taking in conformity with the applicable prudential regulation. All significant risks are measured and controlled by an independent body.

#### **Credit risk**

FX trading is based on margin accounts which are mainly funded in cash deposited with the Bank or pledged by banks' guarantees. The trading platform automatically monitors the credit risk relating to clients by way of margin call and margin cut functionalities that ensure the Bank remains covered with sufficient collateral at any time. The credit risk relating to banks and other FX counterparties is mitigated by the fixation of limits within the competences decided by the Board of Directors. The respect of risk limits is controlled on a daily basis and limits are adapted as often as deemed necessary.

#### **Market risk**

The Bank measures currency risk on a daily basis and ensures that limits granted by the Board of Directors are complied with. Balance sheet and off-balance sheet are converted at closing spot rates. When necessary, the Bank executes FX trade transactions to reduce FX exposure and to comply with its risk limits. The Bank has no investment in securities and is marginally exposed to interest rate risk. The Bank calculates interest rate risk on a quarterly basis and optimises asset and liabilities management as often as deemed necessary.

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2010

### **Operational risks**

Operational risks includes legal risk and concentrates mainly on execution of FX trades on the Bank's trading platform. The latter presents a high level of automation that reduces errors due to human factor. The Bank has implemented and monitors, on a regular basis, an internal control system which mitigates the operational risks relating to Information Technology and any other processes involving operational risks. The internal control system includes segregations of duties, internal regulation, control activities such as reconciliations and reporting of relevant information to the corporate bodies in charge of risk supervision: Board of Directors, General Management and specialized committees.

### **Compliance risks**

The policy of Dukascopy is to conduct its activities in respect of the law, banking regulation and interests of its clients. Compliance Officers follow the legal and regulatory developments and adjust the internal regulation accordingly. Compliance Officers, Internal and External Auditors enquire about respect of internal and external regulations by the Bank and its personnel and report compliance issues to the Board of Directors.

### **3. ACCOUNTING AND VALUATION PRINCIPLES**

The accounting and valuation principles applied for the annual accounts at 31 December 2010 are in conformity with the regulations in force in Switzerland and more particularly with the Swiss Code of Obligations, the Federal Law on Banks and Saving institutions and with its Implementing Ordinance and the Guidelines governing financial statements establishment issued by the Swiss Financial Market Supervisory Authority (FINMA-Circ.08/2).

#### **a) Amounts due from and Amounts due to banks**

They are accounted for in the balance sheet at their face value. When deemed necessary, individual value adjustments are deducted from the doubtful amounts due from banks.

#### **b) Loans and advances to customers**

They are carried at their nominal value. Impaired loans are loans for which it is doubtful that debtors will be able to meet their commitments. Impaired loans and any collateral obtained are valued at their liquidation value, and any adjustments in value are made in light of the debtors' creditworthiness. If repayment of a loan depends exclusively on the sale of the collateral, a value adjustment is made for the entire unsecured portion of the loan.

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2010

### **c) Participations**

They are recorded at their acquisition cost. Value adjustments are recorded, if necessary, for permanent impairments in value.

### **d) Tangible fixed assets**

They are carried on the balance sheet at acquisition cost less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of fixed assets. The appropriateness of the book-value is reviewed each year (impairment test). If this review brings to light a decrease in value or a change in the period of use, the Bank records impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the adjusted period of use. Fixed assets are depreciated over the following estimated periods of use:

- Fixtures and fittings	4 years, on a straight-line basis
- Furniture	4 years, on a straight-line basis
- IT hardware	3 years, on a degressive* basis
- Vehicles	5 years, on a degressive* basis

### **e) Intangible assets**

They consist in softwares acquired either by purchase or by contribution by the shareholders. Contribution values were based on independent valuations. Softwares are carried at acquisition cost or at contribution value less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of fixed assets. The appropriateness of the book-value is reviewed each year (impairment test). If this review brings to light a decrease in value or a change in the period of use, the Bank accounts for impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the adjusted period of use. Intangible assets are depreciated on a degressive\* basis over 5 years.

\* Annual depreciation amounts to 40% of the accounting value at the beginning of the year. Acquisition cost of fixed assets acquired during the year are depreciated at the same rate on a prorata basis.

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2010

### **f) Value adjustments and provisions**

The Bank records value adjustments and provisions based on its assessment of the risks of loss and probable liabilities, based on past events, of which the amount and due date are uncertain but assessable. Value adjustments and provisions which are no longer necessary are released and entered in the profit and loss account or allocated to cover other risks or maintained in the form of hidden reserves.

### **g) Employee benefit obligations**

The treatment of pension commitments is based on the Swiss GAAP ARR 16 standard. Employee benefit obligations are taken to mean all commitments resulting from the pension fund to which Bank's employees are ensured for retirement, death or disablement. There is an economic benefit if, due to contribution reserves, the Bank has the ability to reduce future employer's contributions. A contrario, there is a liability if, owing to a shortfall in the pension fund the Bank wants or has to participate in the financing of the pension fund. Each time the annual accounts are closed, the Bank determines whether there is economic benefit or commitment on the basis of the annual accounts of the pension fund prepared in accordance with the ARR 26 rules. An economic commitment is recorded as "Valuation adjustments and provisions" whereas economic benefit is accounted for under "Other assets".

### **h) Taxes**

The Bank records liabilities for income and capital taxes on an accrual basis.

### **l) Trading operations**

Trading operations are made up of spot foreign exchange transactions which are marked-to-market. Realized and unrealized results from trading operations are recorded in the "Trading income".

### **j) Use of swaps**

The Bank uses currency swaps to rollover spot foreign exchange transactions to the next spot settlement date until positions are closed by its clients or by itself. Replacement values of these instruments are recorded in "Other assets" and "Other liabilities".

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### k) Recording of transactions

All transactions are recorded in accordance with the trade date principle with the exception of currency swaps and spot foreign exchange transactions which are carried in the off -balance sheet until value date.

### l) Conversion of foreign currencies

Transactions in foreign currencies are converted at the exchange rates of the date of transactions. Current assets and liabilities carried in foreign currencies are converted at the exchange rates of the closing date of the financial statements. Conversion gains and losses are entered in the statement of income as "Trading income". At 31 December, the exchange rates used to convert the main foreign currencies were as follows:

		2010 CHF	2009 CHF
USD	1.00	0.934500	1.032000
EUR	1.00	1.250500	1.483250
GBP	1.00	1.458900	1.674550
CAD	1.00	0.936450	0.979592
JPY	1.00	0.011517	0.011133
AUD	1.00	0.956150	0.926272
NZD	1.00	0.729000	0.745930
LVL	1.00	1.776199	2.118644
NOK	1.00	0.160485	0.178072
SEK	1.00	0.139220	0.144081
SGD	1.00	0.727776	0.712500

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### 4. Information concerning the balance sheet

#### A. Collateral for loans and off-balance-sheet commitments

Loans	Secured by mortgages CHF	Other collateral CHF	Unsecured CHF	Total CHF
Amounts due from customers				
Total at 31 December 2010		74,769	8,446	83,215
<b>Total at 31 December 2009</b>		548,811	14,144	562,955

Breakdown of impaired loans	Gross amounts CHF	Liquidation value of collateral CHF	Net amount CHF	Individual value adjustments CHF
Total at 31 December 2010	3,441	-	3,441	3,441
<b>Total at 31 December 2009</b>	3,441	-	3,441	3,441

#### B. Participations

Participations			2010 CHF	2009 CHF
Unlisted participations			100,000	100,000
<b>Total participations</b>			100,000	100,000

Participations	Activity	Head office	Share capital CHF	Net book value CHF	2010 Ownership and Voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%

Participations	Activity	Head office	Share capital CHF	Net book value CHF	2009 Ownership and Voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%



## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### C. Fixed assets

	Acquisition cost CHF	Accumulated depreciation CHF	2009 Net book value at end of year CHF	Additions CHF	Disposals CHF	Depreciation CHF	2010 Net book value at end of year CHF
<b>Participations</b>							
Majority stake	100,000	-	100,000	-	-	-	100,000
<b>Subtotal</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
Other fixed assets	3,517,677	-2,200,143	1,317,534	1,086,054	-	-854,582	1,549,006
Softwares	22,375,946	-12,857,793	9,518,153	202,960	-	-3,812,879	5,908,234
<b>Total fixed assets</b>	<b>25,893,623</b>	<b>-15,057,936</b>	<b>10,835,687</b>	<b>1,289,015</b>	<b>-</b>	<b>-4,667,461</b>	<b>7,557,240</b>

	2010 CHF	2009 CHF
<b>Fire insurance value of other fixed assets</b>	<b>711,172</b>	<b>540,021</b>

### D. Other assets and liabilities

	2010 CHF	2009 CHF
<b>Other assets</b>		
Positive replacement values	2,969,935	6,898,324
<b>Total other assets</b>	<b>2,969,935</b>	<b>6,898,324</b>
<b>Other liabilities</b>		
Negative replacement values	3,182,626	7,435,547
Other liabilities	647,470	185,497
<b>Total other liabilities</b>	<b>3,830,096</b>	<b>7,621,044</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### E. Assets pledged as collateral or assigned to guarantee own commitments, as well as assets under reservation of ownership

	2010 Pledged assets CHF	2010 Outstanding exposures CHF	2009 Pledged assets CHF	2019 Outstanding exposures CHF
Deposits made with banks to cover guarantees	282,977	282,977	250,409	250,409

### F. Indications relating to pension funds

In Switzerland, Bank's employees are affiliated to one collective pension fund plan (Caisse Inter-Entre-Prises - CIEPP) which is considered as defined contributions scheme.

As the Bank has not contributed to any employer's contribution reserve, there is no identifiable economic benefit to be capitalized in the balance sheet.

Based on the last audited financial statement as at 31 December 2009, the coverage ratio is 102.3%.

The employees working at the representation office in Riga are affiliated to the pension funds of their choice which are defined as defined contribution schemes. There is no identifiable economic benefits or liabilities to report in relation with the Latvian pension schemes.

Pension expenses included in "Personnel expenses" at 31 December were as follows:

	2010 CHF	2009 CHF
Contributions paid by the Bank	470,372	383,690

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### G. Value adjustments, provisions and reserves for general banking risks

	Balance at 1 January 2010 CHF	Utilization in conformity with designated purpose CHF	Change in allocation CHF	Recoveries, doubtful interest, forex rate differences CHF	New provisions charged to income statement CHF	Released to earnings CHF	Balance at 31 December 2010 CHF
Value adjustments and provisions for default risk	3,441	-	-	-	-	-	3,441
Value adjustments and provisions for other business risks	900,000	(50,199)	-	-	600,000	-	1,449,801
<b>Total value adjustments</b>	<b>903,441</b>	<b>(50,199)</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>-</b>	<b>1,453,242</b>

	Balance at 1 January 2009 CHF	Utilization in conformity with designated purpose CHF	Change in allocation CHF	Recoveries, doubtful interest, forex rate differences CHF	New provisions charged to income statement CHF	Released to earnings CHF	Balance at 31 December 2009 CHF
Value adjustments and provisions for default risk	5,831	(2,390)	-	-	5,061	(5,061)	3,441
Value adjustments and provisions for other business risks	1,600,000	-	-	-	-	(700,000)	900,000
<b>Total value adjustments</b>	<b>1,605,831</b>	<b>(2,390)</b>	<b>-</b>	<b>-</b>	<b>5,061</b>	<b>(705,061)</b>	<b>903,441</b>

Value adjustments and provisions for other risks include provisions for legal fees and litigations arising out of the normal conduct of our activities. These provisions are valued according to the best estimate principle.

### H. Share capital

2010

	Total nominal value CHF	Number of shares	Capital participating in dividend CHF
Share capital	22,000,000	21,712,000	22,000,000

2009

	Total nominal value CHF	Number of shares	Capital participating in dividend CHF
Share capital	22,000,000	22,000	22,000,000

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### I. Justification of equity

	2010 CHF	2009 CHF
<b>Shareholders' equity as at 1 January</b>		
Share capital	22,000,000	22,000,000
General legal reserve	41,000	7,000
Profit brought forward	859,525	803,737
<b>Total shareholders' equity at 1 January</b>	<b>22,900,525</b>	<b>22,810,737</b>
Share capital increase	0	0
Profit for the year	1,076,130	89,788
<b>Total shareholders' equity at 31 December</b>	<b>23,976,655</b>	<b>22,900,525</b>
Represented by:		
Share capital	22,000,000	22,000,000
General legal reserve	46,000	41,000
Profit brought forward	854,525	769,737
Profit for the year	1,076,130	89,788

### J. Large shareholders and groups of shareholders bounds by voting agreements (exceeding 5%)

2010

	Total nominal value CHF	Number of shares	Stakeholding in %	Capital participating in dividend CHF
With voting rights				
Andrey Duka	10,890,000	10,746,000	49.5%	10,890,000
Veronika Makarova	10,890,000	10,746,000	49.5%	10,890,000

2009

	Total nominal value CHF	Number of shares	Stakeholding in %	Capital participating in dividend CHF
With voting rights				
Andrey Duka	10,890,000	10,890	49.5%	10,890,000
Veronika Makarova	10,890,000	10,890	49.5%	10,890,000

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### K. Presentation of the capital adequacy

	2010 CHF 000	2009 CHF 000
Tier 1 capital	22,901	22,811
./. Participation in SWFX-Swiss FX Marketplace SA	-100	-100
<b>Total eligible capital</b>	<b>22,801</b>	<b>22,711</b>

	2010 Used approach	2010 Required capital CHF 000	
Credit risks	Swiss standardized		1,762
Risks without counterparty	Swiss standardized		3,729
Market risks	standardized		660
<i>of which on currencies</i>	standardized	660	
Operational risks	basic indicator		3,652
<b>Total required capital</b>			<b>9,803</b>
Surplus of eligible capital			12,998

	2009 Used approach	2009 Required capital CHF 000	
Credit risks	Swiss standardized		1,500
Risks without counterparty	Swiss standardized		5,418
Market risks	standardized		846
<i>of which on currencies</i>	standardized	846	
Operational risks	basic indicator		2,715
<b>Total required capital</b>			<b>10,479</b>
Surplus of eligible capital			12,232

	2010	2009
Ratio between eligible capital and required capital as per Swiss Law	232.6%	216.7%

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### L. Maturity structure

Assets	At sight CHF	Cancellable CHF	Within 3 Months CHF	Within 3 to 12 months CHF	Within 1 to 5 years CHF	Over 5 years CHF	Fixed CHF	Total CHF
Liquid assets	1,030,928	-	-	-	-	-	-	1,030,928
Amounts due from banks	80,879,141	2,961,500	-	-	-	-	-	83,840,641
Amounts due from customers	83,215	-	-	-	-	-	-	83,215
<b>Total current assets at 31 December 2010</b>	<b>81,993,284</b>	<b>2,961,500</b>	-	-	-	-	-	<b>84,954,784</b>
Total current assets at 31 December 2009	63,484,185	2,289,625	-	-	-	-	-	65,773,810
Third-party liabilities								
Amounts due to banks	1,149,328	-	-	-	-	-	-	1,149,328
Other amounts due to customers	62,057,961	-	-	-	-	-	-	62,057,961
<b>Total third-party liabilities at 31 December 2010</b>	<b>63,207,289</b>	-	-	-	-	-	-	<b>63,207,289</b>
Total third-party liabilities at 31 December 2009	50,161,217	-	-	-	-	-	-	50,161,217

### M. Amounts due to/from affiliated companies and loans to governing bodies

At 31 December 2010 and 2009, there were no amounts due to/from affiliated companies and no loans granted to Bank's governing bodies.

The Bank engages in transactions with related parties in normal course of its business. These transactions include mainly marketing services and software development support.

Transactions with related parties are conducted at arm's length and are recorded as follows:

	2010 CHF	2009 CHF
Transactions with governing bodies		
Operating expenses	1,062,528	-

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### N. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2010 Switzerland	2010 Foreign	2010 Total	2009 Switzerland	2009 Foreign	2009 Total
<b>Assets</b>						
Liquid assets	1,031	-	1,031	29	-	29
Amounts due from banks	59,054	24,787	83,841	46,119	19,063	65,182
Amounts due from customers	12	71	83	513	50	563
Participations	100	-	100	100	-	100
Tangible fixed assets	1,549	-	1,549	1,318	-	1,318
Intangible assets	5,908	-	5,908	9,518	-	9,518
Accrued income and prepaid expenses	230	-	230	152	-	152
Other assets	1,073	1,897	2,970	1,007	5,891	6,898
<b>Total assets</b>	<b>68,957</b>	<b>26,755</b>	<b>95,712</b>	<b>58,756</b>	<b>25,004</b>	<b>83,760</b>
<b>Liabilities</b>						
Amounts due to banks	1	1,148	1,149	-	-	-
Other amounts due to customers	4,961	57,097	62,058	1,357	48,804	50,161
Accrued expenses and deferred income	3,245	-	3,245	2,174	-	2,174
Other liabilities	1,964	1,866	3,830	1,278	6,343	7,621
Value adjustments and provisions	1,453	-	1,453	903	-	903
Share capital	22,000	-	22,000	22,000	-	22,000
General legal reserve	46	-	46	41	-	41
Profit brought forward	855	-	855	770	-	770
Profit for the year	1,076	-	1,076	90	-	90
<b>Total liabilities</b>	<b>35,601</b>	<b>60,111</b>	<b>95,712</b>	<b>28,613</b>	<b>55,147</b>	<b>83,760</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### O. Analysis of total assets by country / group of countries

Assets	2010 Carrying Value CHF 000	2010 Share %	2009 Carrying Value CHF 000	2009 Share %
Switzerland	71,761	75	58,757	70
Europe excluding Switzerland	13,302	14	15,133	18
United States and Canada	10,604	11	9,770	12
Others	45	0	100	0
<b>Total</b>	<b>95,712</b>	<b>100</b>	<b>83,760</b>	<b>100</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### P. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Liquid assets	1,031	-	-	-	-	-	1,031
Amounts due from banks	7,321	23,585	47,051	3,402	408	2,074	83,841
Amounts due from customers	12	38	33	-	-	-	83
Participations	100	-	-	-	-	-	100
Tangible fixed assets	1,549	-	-	-	-	-	1,549
Intangible assets	5,908	-	-	-	-	-	5,908
Accrued income and prepaid expenses	201	21	6	-	-	2	230
Other assets	2,970	-	-	-	-	-	2,970
<b>Total assets</b>	<b>19,092</b>	<b>23,644</b>	<b>47,090</b>	<b>3,402</b>	<b>408</b>	<b>2,076</b>	<b>95,712</b>
Claims arising from spot and swap transactions	100,255	327,325	553,516	108,271	103,279	119,417	1,312,063
Total at 31 December 2010	119,347	350,969	600,606	111,673	103,687	121,493	1,407,775
<b>Liabilities</b>							
Amounts due to banks	1	-	1,148	-	-	-	1,149
Other amounts due to customers	7,999	18,399	28,295	3,710	1,847	1,808	62,058
Accrued expenses and deferred income	2,604	239	281	18	1	102	3,245
Other liabilities	3,419	152	136	120	-	3	3,830
Value adjustments and provisions	1,453	-	-	-	-	-	1,453
Share capital	22,000	-	-	-	-	-	22,000
General legal reserve	46	-	-	-	-	-	46
Profit brought forward	855	-	-	-	-	-	855
Profit for the year	1,076	-	-	-	-	-	1,076
<b>Total liabilities</b>	<b>39,453</b>	<b>18,790</b>	<b>29,860</b>	<b>3,848</b>	<b>1,848</b>	<b>1,913</b>	<b>95,712</b>
Commitments arising from spot and swap transactions	82,480	330,340	567,551	109,807	101,581	120,516	1,312,275
Total at 31 December 2010	121,933	349,130	597,411	113,655	103,429	122,429	1,407,987
Net position by currency	(2,586)	1,839	3,195	(1,982)	258	(936)	(212)



## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### 5. Information concerning the off-balance sheet transactions

#### A. Open financial derivatives

Trading transactions (OTC)	Positive replacement values CHF	Negative replacement values CHF	Underlying amounts CHF
Currencies:			
- forward contracts*	1,327,566	1,131,157	527,723,850
- swaps	1,642,369	2,051,469	784,338,330
<b>Total before impact of netting agreements at 31 December 2010</b>	<b>2,969,935</b>	<b>3,182,626</b>	<b>1,312,062,180</b>
Total before impact of netting agreements at 31 December 2009	6,898,324	7,435,548	2,578,230,312

\* Represent the spot foreign exchange transactions which are accounted for according to the value date principle.

### 6. Information concerning the statement of income

#### A. Trading income

	2010 CHF	2009 CHF
Trading income		
Currency trading income	28,280,188	21,596,187
<b>Total</b>	<b>28,280,188</b>	<b>21,596,187</b>

#### B. Personnel expenses

	2010 CHF	2009 CHF
Personnel expenses		
Salaries	10,774,201	7,526,952
Benefits	2,147,875	1,149,106
Other personnel expenses	64,608	109,307
<b>Total personnel expenses</b>	<b>12,986,684</b>	<b>8,785,365</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### C. Other operating expenses

	2010	2009
	CHF	CHF
Other operating expenses		
Marketing and communication	2,833,527	1,873,008
Premises	1,771,646	1,567,422
Legal, audit and consulting	853,011	918,475
Post, telecommunications and data	902,694	724,514
Travels	997,047	709,808
Office supply	161,430	334,234
EDP	347,969	245,478
Others	226,520	6,690
<b>Total other operating expenses</b>	<b>8,093,844</b>	<b>6,379,629</b>

### D. Extraordinary income and expenses

	2010	2009
	CHF	CHF
Extraordinary income		
Disposal of amortized fixed assets	5,000	
Reimbursement of commissions paid in previous year		171,266
Release of provisions which are no longer necessary		705,061
<b>Total extraordinary income</b>	<b>5,000</b>	<b>876,327</b>
Extraordinary expenses		
Reimbursement of fees charged in previous year	375	-
<b>Total extraordinary expenses</b>	<b>375</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### E. Analysis of domestic and foreign income and expenses

	2010 Domestic CHF	2010 Foreign CHF
Net interest income	69,589	-
Net income from commissions and services	12,959	-
Trading income	28,280,188	-
Personnel expenses	(9,648,644)	(3,338,040)
Other operating expenses	(5,949,354)	(2,144,490)
<b>Gross profit</b>	<b>12,764,738</b>	<b>(5,482,530)</b>

	2009 Domestic CHF	2009 Foreign CHF
Net interest income	78,956	-
Net income from commissions and services	269,338	-
Trading income	21,596,187	-
Personnel expenses	(6,500,324)	(2,285,041)
Other operating expenses	(5,713,646)	(665,983)
<b>Gross profit</b>	<b>9,730,511</b>	<b>(2,951,024)</b>

## **PROPOSED APPROPRIATION OF RETAINED EARNINGS**

at 31 December 2010

The Board of Directors proposes the following appropriation of available earnings:

	2010 <b>CHF</b>	2009 <b>CHF</b>
Profit for the year	1,076,130	89,788
Profit brought forward	854,525	769,737
<b>Amount at the disposal of the Shareholders' meeting</b>	<b>1,930,655</b>	<b>859,525</b>

	2010 <b>CHF</b>	2009 <b>CHF</b>
Proposed utilization		
Contribution to the general legal reserve	60,000	5,000
To be carried forward	1,870,655	854,525
<b>Total</b>	<b>1,930,655</b>	<b>859,525</b>

## **Report of the statutory auditor on the financial statements to the general meeting**

As statutory auditor, we have audited the accompanying financial statements of Dukascopy Bank SA, which comprise the balance sheet, income statement and notes for the year ended 31 December 2010.

### *Board of Directors' Responsibility*

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

### *Auditor's Responsibility*

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

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

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

## **Report of the statutory auditor on the financial statements to the general meeting**

### **Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 1 I AOA) and that there are no circumstances incompatible with our independence.

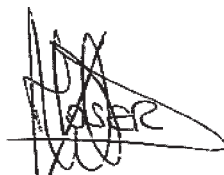
In accordance with article 728a paragraph I item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

KPMG SA



Philippe Ruedin  
*Licensed Audit Expert  
Auditor in Charge*



Nicolas Moser  
*Licensed Audit Expert*

Geneva, 20 April 2011





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