

DUKASCOPY BANK SA

ANNUAL REPORT

2011

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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.

Thirteen years later, the founders' vision materialised in an online bank, marketplace, and community offering not only a unique home-made trading environment but also an interactive platform where investors may access specialised information, exchange views, share know-how, and entertain themselves. Dukascopy will continue to heavily invest in Research & Development and distinguish itself through innovation.

During its years of presence in the internet brokerage industry, Dukascopy has made its name known as a trusted broker offering unrivalled trading technology.

MESSAGE FROM THE BOARD OF DIRECTORS

The main activity of Dukascopy Bank SA ("Dukascopy") in foreign currency trading, its advanced technology and its capacity to adapt and innovate represent valuable assets which help to navigate in a banking environment where business and operating models taken for granted are now called into question, and where banks are asked to rethink their value propositions.

During its second year as a bank in Switzerland, Dukascopy continued its strategy to develop and invest in technology, new products and services, human resources, and markets for the benefit of its clients and business partners.

In 2011, the Bank opened a new subsidiary, Dukascopy Europe IBS AS, in order to adapt to European client demand, a new representative office in Ukraine, and a television studio in Geneva for its financial media activities. In addition, Dukascopy further expanded the quality and efficiency of its operations and also developed its white-label activities in key locations.

In 2012, regulatory uncertainty and pressure are expected to persist in the industry and Dukascopy will capitalise on its unique position to pursue the deployment of its strategy, i.e. to develop new markets and products and to provide its clients with high-quality, transparent, and efficient banking services with its leading-edge technology.

MESSAGE FROM THE CEO

” In a business sector with high competition and where technology is of great importance, Dukascopy Bank SA (“Dukascopy”) has kept expanding its positioning as a high-tech bank specialised 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 regulations. Business-wise, 2011 was also effective. It returned a growth of the Bank’s income (+5.7%), further development of the clientele base, and growth of brokerage activity.

Analysing our past growth, we have determined that we have not yet fully exploited the capabilities of our bank and technology. During 2012, our clients and partners will enjoy higher quality services and innovative technologies.

In a world that is more and more e-connected, Dukascopy will increase investment in Internet Research & Development to distinguish itself through innovation. In this competitive battle, our past successes count for little. We cannot rest but have to set ambitious goals, to become better, above all.

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 2011.

Alain Broyon
Chief Executive Officer

REVIEW OF OPERATIONS

During 2011, Dukascopy Bank SA (“Dukascopy” or “the Bank”) expanded its offerings by adding precious metals (gold and silver) to its ECN trading system. In September, the Bank inaugurated its new Television studio in Geneva to build up broadcasting capabilities and launched Dukascopy Europe IBS AS. Dukascopy Europe IBS AS is a fully licensed European broker based in Latvia, 100% owned by the Bank, operating a white label of Dukascopy, in compliance with MiFID. In December 2011, the Bank opened its Representative Office in Kiev, Ukraine.

Considering the above-mentioned projects on the one hand, the tough economical environment in many economies and the raising obstacles affecting cross-border banking activities on the other hand, Dukascopy had anticipated a lower growth rate in 2011 which has been precisely confirmed by the actual figures. The trading volume continued to grow in 2011 but less than during the previous year.

Operating expenses have been kept well under control allowing gross profit and the cost/income ratio to stay close to their 2010 levels. Operating expenses still contain large amounts of Research & Development costs relating to future innovations. Depreciation reached CHF 4.3 million (2010 CHF 4.7 million), in line with the plan.

The increase in clients deposits mainly reflects the growth of the clientele basis, especially banks and brokers using Dukascopy’s white label solution. After careful year-end provisioning, the net profit appears slightly below 2010.

KEY FIGURES

	Year 2011 (in CHF million)	Year 2010 (in CHF million)	Variation (in CHF million)	Variation (in %)
Total operating income	30.0	28.4	+1.6	+5.7%
Total operating expenses	23.2	21.1	+2.1	+9.9%
Gross profit	6.8	7.3	-0.5	-6.4%
Net profit	0.9	1.1	-0.2	-17.5%
Cost / income ratio	0.77	0.74	n/a	+4.0%
Total assets	100.2	95.7	+4.5	+4.7%
Total clients deposits	68.4	63.2	+5.2	+8.2%
Shareholders’ equity	24.9	24.0	+0.9	+3.7%
Employees at 31 December (full time equivalent)	192.9	164.4	+28.5	+17.3%
BIS ratio (Basel II)	175.9%	232.6%	n/a	-24.4%

ORGANISATION OF THE BANK

Board of Directors

Chairman

Bogdan Prensilevich

Vice-Chairman

Pierre J-M. Bongard

Members

Gérard de Cerjat

Frank Guemara

Pierre-Alain Guillaume

Internal Auditor

PKF Certifica SA

Executive Committee

Chairman

Alain Broyon, Chief Executive Officer

Vice-Chairman

Dr. Andrey Duka, Chief Technology officer

Members

Laurent Bellières, Chief Financial & Risk Officer

Veronika Makarova, Chief Administrative Officer

External Auditor

KPMG SA

BALANCE SHEET

at 31 December 2011

	31.12.2011 CHF	31.12.2010 CHF
ASSETS		
Liquid assets	40,328,502	1,030,928
Amounts due from banks	51,793,468	83,840,641
Amounts due from customers	171,658	83,215
Participations	788,268	100,000
Tangible fixed assets	2,475,788	1,549,006
Intangible assets	2,583,836	5,908,234
Accrued income and prepaid expenses	165,718	230,517
Other assets	1,918,734	2,969,935
TOTAL ASSETS	100,225,972	95,712,476
Total amounts due from Group companies and qualified participants	—	—
LIABILITIES		
Amounts due to banks	3,542,648	1,149,328
Other amounts due to customers	64,843,489	62,057,961
Accrued expenses and deferred income	2,410,439	3,245,194
Other liabilities	2,643,349	3,830,096
Value adjustments and provisions	1,921,743	1,453,242
Share capital	22,000,000	22,000,000
General legal reserve	106,000	46,000
Profit brought forward	1,870,655	854,525
Profit for the year	887,649	1,076,130
TOTAL LIABILITIES	100,225,972	95,712,476
Total amounts due to Group companies and qualified participants	536,015	—

OFF-BALANCE SHEET

at 31 December 2011

	31.12.2011 CHF	31.12.2010 CHF
Irrevocable commitments	728,000	—
Off-balance sheet financial instruments		
Underlying amounts	1,100,418,861	1,312,062,180
Positive replacement values	1,918,734	2,969,935
Negative replacement values	2,175,419	3,182,626

STATEMENT OF INCOME

for the year ended 31 December

	31.12.2011 CHF	31.12.2010 CHF
Interest income		
Interest income	50,147	70,943
Interest expenses	(7,459)	(1,354)
Net interest income	42,688	69,589
Income from commissions and services		
Commission income from investment activities	22,202	65,841
Commission income from other services	13,516	—
Commission expenses	(61,200)	(52,882)
Net income from commissions and services	(25,482)	12,959
Trading income	29,957,320	28,280,188
Operating expenses		
Personnel expenses	(14,248,814)	(12,986,684)
Other operating expenses	(8,911,864)	(8,093,844)
Total operating expenses	(23,160,678)	(21,080,528)
Gross Profit	6,813,848	7,282,208
Depreciation	(4,329,471)	(4,667,461)
Value adjustments, provisions and losses	(1,090,862)	(1,061,823)
Profit before extraordinary items and taxes	1,393,515	1,552,924
Extraordinary income	—	5,000
Extraordinary expenses	—	(375)
Taxes	(505,866)	(481,419)
Profit for the year	887,649	1,076,130

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

1. ACTIVITY AND NUMBER OF EMPLOYEES OF THE BANK

Dukascopy Bank SA (hereinafter "the Bank") has its head office in Geneva and representative offices in Riga (Latvia) and Kiev (Ukraine). In 2011, the Bank acquired from AS Rietumu Banka, Latvia, 100% of AS RB Securities IBS, a European regulated broker based in Riga, Latvia. This new subsidiary has been renamed Dukascopy Europe IBS AS. The Bank is mainly active in the dealing of foreign exchange and precious metals (hereinafter "FX") through its home built trading platform. Expressed in terms of full-time jobs, the number of employees at 31 December 2011 was 192.9 (164.4 at 31 December 2010).

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 2011

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 2011 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 2011

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 2011

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.

i. Trading operations

Trading operations are made up of spot foreign exchange and precious metals 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 / precious metals 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 2011

k. Recording of transactions

All transactions are recorded in accordance with the trade date principle with the exception of currency / precious metals swaps and spot foreign exchange / precious metals 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:

		2011 CHF	2010 CHF
USD	1.00	0.939050	0.934500
EUR	1.00	1.217150	1.250500
GBP	1.00	1.459700	1.458900
CAD	1.00	0.918850	0.936450
JPY	1.00	0.012210	0.011517
AUD	1.00	0.958350	0.956150
NZD	1.00	0.729750	0.729000
LVL	1.00	1.733100	1.776199
NOK	1.00	0.157150	0.160485
SEK	1.00	0.136550	0.139220
SGD	1.00	0.724320	0.727776

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

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 2011	—	35,910	135,748	171,658
Total at 31 December 2010	—	74,769	8,446	83,215

Irrevocable commitments				
Total at 31 December 2011	—	—	728,000	728,000
Total at 31 December 2010	—	—	—	—

Breakdown of impaired loans	Gross amounts CHF	Liquidation value of collateral CHF	Net amount CHF	Individual value adjustments CHF
Total at 31 December 2011	20,882	—	20,882	20,882
Total at 31 December 2010	3,441	—	3,441	3,441

B. Participations

Participations	2011 CHF	2010 CHF
Unlisted participations	788,268	100,000
Total participations	788,268	100,000

Participations 31 December 2011	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and Voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%
Dukascopy Europe IBS AS	brokerage	Riga	688,267	688,267	100%
Dukascopy Asia Pte. Ltd.	dormant	Singapore	1	1	100%

Participations 31 December 2010	Activity	Head office	Share capital CHF	Net book value CHF	Ownership and Voting rights
SWFX-Swiss FX Marketplace SA	dormant	Geneva	100,000	100,000	100%

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

C. Fixed assets

	2010			2011			
	Acquisition cost CHF	Accumulated depreciation CHF	Net book value at end of year CHF	Additions CHF	Disposals CHF	Depreciation CHF	Net book value at end of year CHF
Participations							
Majority stake	100,000	—	100,000.00	688,268	—	—	788,268
Subtotal	100,000	—	100,000.00	688,268	—	—	788,268
Other fixed assets	4,603,732	(3,054,726)	1,549,006	1,846,579	—	(919,797)	2,475,788
Softwares	22,578,906	(16,670,672)	5,908,234	85,277	—	(3,409,675)	2,583,836
Total fixed assets	27,282,638	(19,725,398)	7,557,240	2,620,124	—	(4,329,472)	5,847,892

	2011 CHF	2010 CHF
Fire insurance value of other fixed assets	4,306,048	711,172

	2012	2013	2014	2015	2016
Future payments related to leases	1,538,849	1,070,469	799,245	750,892	11,905

D. Other assets and liabilities

	2011 CHF	2010 CHF
Other assets		
Positive replacement values	1,918,734	2,969,935
Total other assets	1,918,734	2,969,935
Other liabilities		
Negative replacement values	2,175,419	3,182,626
Other liabilities	467,930	647,470
Total other liabilities	2,643,349	3,830,096

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

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

	2011 Pledged assets CHF	2011 Outstanding exposures CHF	2010 Pledged assets CHF	2010 Outstanding exposures CHF
Deposits made with banks to cover guarantees	282,169	282,169	282,977	282,977

F. Indications relating to pension funds

In Switzerland, Bank's employees are affiliated to one collective pension fund plan (Caisse Inter-Entreprises - 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 2010, the coverage ratio is 102.9% (31 December 2009: 102.3%).

The employees working at the representative 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:

	2011 CHF	2010 CHF
Contributions paid by the Bank	586,445	470,372

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

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

	Balance at 1 January 2011 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 2011 CHF
Value adjustments and provisions for default risk	3,441	(3,441)	—	—	20,882	—	20,882
Value adjustments and provisions for other business risks	1,449,801	(170,164)	*	—	160,224	—	1,439,861
Other provisions	—	—	—	—	461,000	—	461,000
Total value adjustments	1,453,242	(173,605)	—	—	642,106	—	1,921,743

Value adjustments and provisions for other business risks include provisions for legal fees and litigations arising out of the normal conduct of Dukascopy Bank SA's activities. Provisions are valued according to the best estimate principle.

* In 2011, CHF 378'776 of provisions economically no longer necessary have been reallocated to another purpose and used.

H. Share capital

2011

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

2010

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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

I. Justification of equity

	2011 CHF	2010 CHF
Shareholders' equity as at 1 January		
Share capital	22,000,000	22,000,000
General legal reserve	46,000	41,000
Profit brought forward	1,930,655	859,525
Total shareholders' equity at 1 January	23,976,655	22,900,525
Profit for the year	887,649	1,076,130
Total shareholders' equity at 31 December	24,864,304	23,976,655
Represented by:		
Share capital	22,000,000	22,000,000
General legal reserve	106,000	46,000
Profit brought forward	1,870,655	854,525
Profit for the year	887,649	1,076,130

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

2011				
	Nominal value CHF	Number of shares CHF	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

2010				
	Nominal value CHF	Number of shares CHF	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

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

K. Presentation of the capital adequacy

	2011 CHF ('000)	2010 CHF ('000)
Tier 1 capital	23,977	22,901
./. Participations	(788)	(100)
Total eligible capital	23,189	22,801

2011

	Used approach	Required capital CHF ('000)	
Credit risks	Swiss standardized		1,109
Risks without counterparty	Swiss standardized		2,530
Market risks	standardized		5,531
<i>of which on currencies</i>	standardized	5,160	
<i>of which on precious metals</i>	standardized	371	
Operational risks	basic indicator		4,014
Total required capital			13,184
Surplus of eligible capital			10,005

2010

	Used approach	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
Total required capital			9,803
Surplus of eligible capital			12,998

	2011	2010
Ratio between eligible capital and required capital as per Swiss Law	175.9%	232.6%

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

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	40,328,502	—	—	—	—	—	—	40,328,502
Amounts due from banks	51,511,299	282,169	—	—	—	—	—	51,793,468
Amounts due from customers	35,909	135,749	—	—	—	—	—	171,658
Total current assets at 31 December 2011	91,875,710	417,918	—	—	—	—	—	92,293,628
Total current assets at 31 December 2010	81,993,284	2,961,500	—	—	—	—	—	84,954,784
Third-party liabilities								
Amounts due to banks	3,542,648	—	—	—	—	—	—	3,542,648
Other amounts due to customers	64,843,489	—	—	—	—	—	—	64,843,489
Total third-party liabilities at 31 December 2011	68,386,137	—	—	—	—	—	—	68,386,137
Total third-party liabilities at 31 December 2010	62,924,312	282,977	—	—	—	—	—	63,207,289

M. Amounts due to / from related parties and loans to governing bodies

At 31 December 2011 and 2010, there were no loans granted to the Bank's governing bodies.

Transactions with related parties

The Bank engages into transactions with related parties in the normal course of its business. These transactions mainly include marketing services and software development support. In 2011, Dukascopy Bank SA also acquired a vehicle from a related party. Transactions with related parties are conducted at arm's length and were recorded as follows:

	2011 CHF	2010 CHF
Amounts due to related companies at 31 December	97,740	—
Other operating expenses	1,077,667	1,062,528
Introducing Agent commissions paid	14,901	12,768

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

N. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2011			2010		
	Switzerland	Foreign	Total	Switzerland	Foreign	Total
Assets						
Liquid assets	37,524	2,805	40,329	1,031	—	1,031
Amounts due from banks	26,820	24,973	51,793	59,054	24,787	83,841
Amounts due from customers	136	36	172	12	71	83
Participations	100	688	788	100	—	100
Tangible fixed assets	2,476	—	2,476	1,549	—	1,549
Intangible assets	2,584	—	2,584	5,908	—	5,908
Accrued income and prepaid expenses	166	—	166	230	—	230
Other assets	616	1,302	1,918	1,073	1,897	2,970
Total assets	70,422	29,804	100,226	68,957	26,755	95,712

Liabilities

Amounts due to banks	3,051	492	3,543	1	1,148	1,149
Other amounts due to customers	4,532	60,311	64,843	4,961	57,097	62,058
Accrued expenses and deferred income	2,410	—	2,410	3,245	—	3,245
Other liabilities	1,127	1,516	2,643	1,964	1,866	3,830
Value adjustments and provisions	1,922	—	1,922	1,453	—	1,453
Share capital	22,000	—	22,000	22,000	—	22,000
General legal reserve	106	—	106	46	—	46
Profit brought forward	1,871	—	1,871	855	—	855
Profit for the year	888	—	888	1,076	—	1,076
Total liabilities	37,907	62,319	100,226	35,601	60,111	95,712

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

Assets	2011		2010	
	Carrying Value CHF ('000)	Share %	Carrying Value CHF ('000)	Share %
Switzerland	70,422	70	71,761	75
Europe excluding Switzerland	18,328	18	13,302	14
United States and Canada	11,433	12	10,604	11
Others	43	—	45	—
Total	100,226	100	95,712	100

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

P. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Liquid assets	37,522	2,806	—	—	—	—	40,328
Amounts due from banks	14,071	7,176	25,688	2,818	673	1,367	51,793
Amounts due from customers	136	—	36	—	—	—	172
Participations	788	—	—	—	—	—	788
Tangible fixed assets	2,476	—	—	—	—	—	2,476
Intangible assets	2,584	—	—	—	—	—	2,584
Accrued income and prepaid expenses	138	10	18	—	—	—	166
Other assets	1,919	—	—	—	—	—	1,919
Total assets	59,634	9,992	25,742	2,818	673	1,367	100,226
Claims arising from spot and swap transactions	97,417	230,437	440,325	122,833	76,069	133,338	1,100,419
Total at 31 December 2011	157,051	240,429	466,067	125,651	76,742	134,705	1,200,645
Liabilities							
Amounts due to banks	8	1,518	697	11	1,164	145	3,543
Other amounts due to customers	6,738	20,731	29,201	6,187	307	1,679	64,843
Accrued expenses and deferred income	1,724	227	144	13	1	301	2,410
Other liabilities	2,275	88	58	220	—	2	2,643
Value adjustments and provisions	1,901	—	21	—	—	—	1,922
Share capital	22,000	—	—	—	—	—	22,000
General legal reserve	106	—	—	—	—	—	106
Profit brought forward	1,871	—	—	—	—	—	1,871
Profit for the year	888	—	—	—	—	—	888
Total liabilities	37,511	22,564	30,121	6,431	1,472	2,127	100,226
Commitments arising from spot and swap transactions	103,783	232,338	472,601	111,129	54,454	126,114	1,100,419
Total at 31 December 2011	141,294	254,902	502,722	117,560	55,926	128,241	1,200,645
Net position by currency	15,757	(14,473)	(36,655)	8,091	20,816	6,464	—

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

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*	663,395	773,063	395,100,151
- swaps	1,225,958	1,400,946	699,410,435
Total currencies	1,889,353	2,174,009	1,094,510,586
Precious metals:			
- forward contracts*	5,020	1,410	886,931
- swaps	24,361	—	5,021,344
Total precious metals	29,381	1,410	5,908,275
Total at 31 December 2011	1,918,734	2,175,419	1,100,418,861
Total at 31 December 2010	2,969,935	3,182,626	1,312,062,180

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

6. Information concerning the statement of income

A. Trading income

	2011	2010
Trading income	CHF	CHF
Currency and precious metals trading income	29,957,320	28,280,188
Total	29,957,320	28,280,188

B. Personnel expenses

	2011	2010
Personnel expenses	CHF	CHF
Salaries	11,690,837	10,774,201
Benefits	2,547,793	2,147,875
Other personnel expenses	10,184	64,608
Total personnel expenses	14,248,814	12,986,684

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

C. Other operating expenses

	2011	2010
	CHF	CHF
Other operating expenses		
Marketing and communication	3,106,126	2,833,527
Premises	2,119,893	1,771,646
Legal, audit and consulting	1,000,087	853,011
Post, telecommunications and data	775,340	902,694
Travels	1,044,629	997,047
Office supply	177,111	161,430
EDP	418,702	347,969
Others	269,976	226,520
Total other operating expenses	8,911,864	8,093,844

D. Extraordinary income and expenses

	2011	2010
	CHF	CHF
Extraordinary income		
Disposal of amortized fixed assets	—	5,000
Total extraordinary income	—	5,000
Extraordinary expenses		
Reimbursement of fees charged in previous year	—	375
Total extraordinary expenses	—	375

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2011

E. Analysis of domestic and foreign income and expenses

	2011	
	Domestic CHF	Foreign CHF
Net interest income	42,688	—
Net income from commissions and services	(25,482)	—
Trading income	29,957,320	—
Personnel expenses	(10,283,978)	(3,964,836)
Other operating expenses	(6,406,500)	(2,505,364)
Gross profit	13,284,048	(6,470,200)

	2010	
	Domestic CHF	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)
Gross profit	12,764,738	(5,482,530)

PROPOSED APPROPRIATION OF RETAINED EARNINGS

at 31 December 2011

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

	2011
	CHF
Profit for the year	887,649
Profit brought forward	1,870,655
Amount at the disposal of the Shareholders' meeting	2,758,304

	2011
	CHF
Proposed utilisation	
Contribution to the general legal reserve	45,000
To be carried forward	2,713,304
Total	2,758,304

Report of the Statutory Auditor on the Financial Statements to the General Meeting of shareholders of Dukascopy Bank SA, Geneva

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 2011.

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 2011 comply with Swiss law and the company's articles of incorporation.

Dukascope Bank SA, Geneva
*Report of the Statutory Auditor
on the Financial Statements 2011
to the General Meeting of Shareholders*

Report on Other Legal Requirements

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

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

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

KPMG SA



Philippe Ruedin
*Licensed Audit Expert
Auditor in Charge*



Nicolas Moser
Licensed Audit Expert

Geneva, 23 April 2012

Enclosure:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

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