Swiss Forex Bank & Marketplace

DUKASCOPY BANK SA

ANNUAL REPORT

2012

CONTENTS

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 and 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

It's no surprise that 2012 was another year rich in events, with the European sovereign debt crisis, numerous regulatory developments, and a worsening macroeconomic environment challenging the stability and growth of the global economy and financial markets.

It is in this highly volatile environment that Dukascopy Bank ("Dukascopy" or "the Bank") successfully continued to execute its strategy designed to achieve excellence, efficiency, and sustainable growth and performance for the benefit of its clients and stakeholders.

During the year, the Board of Directors oversaw the strategic developments, investments, and the key initiatives aiming at continuously improving operations, the visibility, and the positioning of Dukascopy in a rapidly changing environment. The Bank's competences and effective operations combined with disciplined cost-monitoring resulted in the reinforcement of its equity and the progression of its net profit in 2012.

Through the opening of new representations in selective key strategic locations, the continuous investment in its cutting-edge technology, the developments of innovative solutions to interact with its community such as Dukascopy TV, new media channels, and exclusive events, Dukascopy is strengthening its position as a reference in its core businesses.

We are convinced that thanks to its clear and focused strategy and unique capacity to innovate, Dukascopy is well positioned to further develop its recognition around the world, to ensure its long term success and to remain a natural choice for new clients.

MESSAGE FROM THE CEO

2012 has been a challenging year, characterised by the European financial crisis. In such an environment, Dukascopy Bank

("Dukascopy" or "the Bank") has made the most of its opportunities and has grown its client deposits by more than 50%. The Bank has also considerably built up its business as a provider of White Label solutions for online trading. This success is the result of constant and continuous improvement of trading conditions for our clients, as well as devoted customer service.

During this year, Dukascopy became a member of the Swiss Bankers Association. We have also started different development initiatives in an effort to assure not only our future, but our position as a leading player. Among others, Dukascopy has developed a new trading platform for Contract For Differences (CFDs), added new currency pairs on its existing platforms, such as the Turkish Lira, the Polish Zloty, and the Russian Ruble. The Bank also improved its media channels and introduced a new TV Broadcasting model.

In a world always more inter-connected, the Bank has taken significant steps in 2012 to prepare its future, to be closer to its clients by starting a worldwide expansion, opening new representative offices in Kiev and Hong Kong. In 2013, Dukascopy will continue to extend its local presences in additional cities.

Dukascopy expects 2013 to be an exciting year, full of new opportunities. For their contribution and trust, for allowing Dukascopy to achieve its ambitious goals and to stay above the competition, we thank all of our employees, clients, and business partners.

REVIEW OF OPERATIONS

In 2012, Dukascopy Bank ("Dukascopy" or "the Bank") has continued to grow organically, increasing its client deposits by +51.9%, which is a remarkable testimony to the trust and interest towards our Bank. Another upside is that the Bank maintained high investments in innovative technologies leading to long term competitive advantage and success for the Dukascopy Group.

Our geographical expansion has been conducted along with a successful cost containment strategy. As a result, Dukascopy Group established a presence in fast-growing markets while maintaining stable Operating Expenses (-0.5%).

The decrease in Gross Profit (- 33.7%) directly results from weaker Operating Income in 2012. The economic and market conditions, together with the shrinking of margins, negatively impacted the trading volumes and income. However, the net profit for the year rose nicely by +64.1% compared to 2011 thanks to overall solid Operating Income, stable Operating Expenses, and lower needs in depreciation of fixed assets.

The consolidated financial statements which were established for the first time do not differ significantly from Dukascopy Bank's financial statements because Dukascopy Europe IBS AS is still of modest size compared to the Bank. However, Dukascopy Europe IBS AS is growing fast and is expected to become a major member of the Group.

The 2012 figures comfort the Management in its development strategy. In its view the Group is well positioned to continue to grow steadily and to take advantage of new business opportunities.

KEY FIGURES

	Year 2012 (in CHF million)	Year 2011 (in CHF million)	Variation (in CHF million)	Variation (in %)
Total operating income	27.2	30.0	-2.8	-9.3%
Total operating expenses	22.7	23.2	-0.5	-2.1%
Gross profit	4.5	6.8	-2.3	-33.7%
Depreciation of fixed assets	2.2	4.3	-2.1	-48.7%
Net profit	1.5	0.9	+0.6	+64.1%
Cost / income ratio	0.83	0.77	n/a	+6.1%
Total assets	139.6	100.2	+39.3	+39.2%
Total client deposits	103.9	68.4	+35.5	+51.9%
Shareholders' equity	26.3	24.9	+1.5	+5.9%
Employees at 31 December (full time)	189.2	192.9	-3.7	-1.9%
Capital adequacy ratio	188.6%	175.9%	n/a	+12.7%

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

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

Internal Auditor

PKF Certifica SA

External Auditor

KPMG SA

BALANCE SHEET

at 31 December 2012

ASSETS	31.12.2012 CHF	31.12.2011 CHF
Liquid assets	92,787,467	40,328,502
Amounts due from banks	36,476,546	51,793,468
Amounts due from customers	120,697	171,658
Participations	1,386,497	788,268
Tangible fixed assets	1,988,905	2,475,788
Intangible assets	1,550,971	2,583,836
Accrued income and prepaid expenses	326,620	165,718
Other assets	4,917,563	1,918,734
TOTAL ASSETS	**139,555,266**	**100,225,972**
Total amounts due from Group companies and qualified participants	–	–

LIABILITIES	CHF	CHF
Amounts due to banks	7,370,681	3,542,648
Other amounts due to customers	96,510,469	64,843,489
Accrued expenses and deferred income	2,910,204	2,410,439
Other liabilities	5,077,313	2,643,349
Value adjustments and provisions	1,366,105	1,921,743
Share capital	22,000,000	22,000,000
General legal reserve	151,000	106,000
Profit brought forward	2,713,304	1,870,655
Profit for the year	1,456,190	887,649
TOTAL LIABILITIES	**139,555,266**	**100,225,972**
Total amounts due to Group companies and qualified participants	2,090,501	536,015

OFF-BALANCE SHEET

at 31 December 2012

Off-balance sheet commitments	31.12.2012 CHF	31.12.2011 CHF
Contingent commitments	43,884	–
Irrevocable commitments	808,000	728,000
Off-balance sheet financial instruments		
Underlying amounts	2,590,427,030	1,100,418,861
Positive replacement values	4,916,361	1,918,734
Negative replacement values	4,385,060	2,175,419

STATEMENT OF INCOME

for the year ended 31 December

	31.12.2012 CHF	31.12.2011 CHF
Interest income		
Interest income	32,006	50,147
Interest expenses	(5,698)	(7,459)
Net interest income	**26,308**	**42,688**
Income from commissions and services		
Commission income from investment activities	–	22,202
Commission income from other services	274,665	13,516
Commission expenses	(98,328)	(61,200)
Net income from commissions and services	**176,337**	**(25,482)**
Trading income	**26,994,447**	**29,957,320**
Operating expenses		
Personnel expenses	(13,846,493)	(14,248,814)
Other operating expenses	(8,830,518)	(8,911,864)
Total operating expenses	**(22,677,011)**	**(23,160,678)**
Gross profit	**4,520,081**	**6,813,848**
Depreciation	(2,220,406)	(4,329,471)
Value adjustments, provisions and losses	(133,620)	(1,090,862)
Profit before extraordinary items and taxes	**2,166,055**	**1,393,515**
Extraordinary income	21,739	–
Taxes	(731,604)	(505,866)
Profit for the year	**1,456,190**	**887,649**

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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), Kiev (Ukraine) and Hong Kong (China). 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 subsidiary has been renamed Dukascopy Europe IBS AS. Consolidated financial statements including the Bank and Dukascopy Europe IBS AS are also available in addition to the present financial statements of Dukascopy Bank SA. 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 2012 was 189.2 (192.9 at 31 December 2011).

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 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. The internal control system includes, in particular, a system of limits, the definition of authorised activities as well as competences relating to the risk taking in conformity with 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 covered by bank guarantees. The trading platform automatically monitors the credit risk relating to clients by way of margin call and margin cut functionalities which ensure that the Bank remains covered by 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 set by the Board of Directors. The respect of the risk limits is controlled on a daily basis and limits are adapted as often as deemed necessary.

Market risk

The Bank measures the currency risk on a daily basis and ensures that limits granted by the Board of Directors are complied with. The 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 2012

Operational risks

Operational risks include the legal risk and concentrate 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 the 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 to 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 bodies in charge of risk supervision: Board of Directors, General Management and specialised committees.

Compliance risks

The policy of Dukascopy Bank SA is to conduct its activities in respect of the law, banking regulation and the 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 the 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 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 the 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 recorded as "Valuation adjustments and provisions".

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 the 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 less necessary impairment losses.

d. Tangible fixed assets

They are carried on the balance sheet at the acquisition cost less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the 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 adjusts the depreciation expense over the revised 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 the intangible 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 adjusts the depreciation expense over the revised period of use. Intangible assets are depreciated on a degressive* basis over 5 years.

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.

* 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 2012

g. Employee benefit obligations

The treatment of pension commitments is based on the Swiss GAAP ARR 16 standard. Employee benefit obligations mean all commitments resulting from the pension fund to which Bank's employees are insured for retirement, death or disablement.

There is an economic benefit if, due to contribution reserves, the Bank has the ability to reduce its 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 an 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 an 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. Realised and unrealised 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. Replacement values of these instruments are recorded in "Other assets" and "Other liabilities".

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 their value date.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

I. Conversion of foreign currencies

Transactions in foreign currencies are converted at the exchange rates of the transaction date. 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:

		2012 **CHF**	2011 **CHF**
USD	1.00	0.91520	0.93905
EUR	1.00	1.20765	1.21715
GBP	1.00	1.48745	1.45970
CAD	1.00	0.92230	0.91885
JPY	1.00	0.01055	0.01221
AUD	1.00	0.95160	0.95835
NZD	1.00	0.75855	0.72975
LVL	1.00	1.71821	1.73310
NOK	1.00	0.16440	0.15715
SEK	1.00	0.14071	0.13655
SGD	1.00	0.74965	0.72432

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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	–	16,436	104,261	120,697
Total at 31 December 2012	–	**16,436**	**104,261**	**120,697**
Total at 31 December 2011	–	35,910	135,748	171,658

Off-balance sheet commitments				
Contingent commitments	–	43,884	–	43,884
Irrevocable commitments	–	–	808,000	808,000
Total at 31 December 2012	–	**43,884**	**808,000**	**851,884**
Total at 31 December 2011	–	–	728,000	728,000

Breakdown of impaired loans Total at 31 December 2012	Gross amounts CHF	Liquidation value of collateral CHF	Net amount CHF	Individual value adjustments CHF
Total at 31 December 2011	**89,475**	–	**89,475**	**89,475**
	20,882	–	20,882	20,882

B. Participations

Participations	2012 CHF	2011 CHF
Unlisted participations	1,386,497	788,268
Total participations	1,386,497	788,268

Participations 31December 2012	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	1,286,497	1,286,497	100%

Dukascopy Bank SA has subscribed to 100% of the share-capital increase made in 2012 by Dukascopy Europe IBS AS.

Participations 31December 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%

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

C. Fixed assets

	2011			2012			
	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	788,268	–	788,268	598,229	–	–	1,386,497
Subtotal	**788,268**	–	**788,268**	**598,229**	–	–	**1,386,497**
Other fixed assets	6,450,311	(3,974,523)	2,475,788	661,570	–	(1,148,453)	1,988,905
Softwares	22,664,183	(20,080,347)	2,583,836	39,088	–	(1,071,953)	1,550,971
Total fixed assets	**29,902,762**	**(24,054,870)**	**5,847,892**	**1,298,887**	–	**(2,220,406)**	**4,926,373**

	2012 **CHF**	2011 **CHF**
Fire insurance value of other fixed assets	**4,304,877**	**4,306,048**

	2013	2014	2015	2016	2017
Future payments related to leases	**1,458,459**	**1,092,622**	**1,051,654**	**346,187**	**223,493**

D. Other assets and liabilities

Other assets	2012 **CHF**	2011 **CHF**
Positive replacement values	4,916,361	1,918,734
Others	1,202	–
Total other assets	**4,917,563**	**1,918,734**
Other liabilities		
Negative replacement values	4,385,060	2,175,419
Transfers	592,654	404,110
Indirect taxes to be paid	99,599	63,820
Total other liabilities	**5,077,313**	**2,643,349**

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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

	2012 **Pledged assets CHF**	2012 **Outstanding exposures CHF**	2011 **Pledged assets CHF**	2011 **Outstanding exposures CHF**
Deposits made with banks to cover guarantees	287,057	287,057	282,169	282,169

F. Indications relating to pension funds

A collective pension fund plan only exists for employees based in Switzerland (Caisse Inter-Entreprises-CIEPP). Therefore, information given here-in after only concerns the employees of the Head Office In Switzerland. Employees are affiliated to a defined contributions scheme. As the Bank has not contributed to any employer's contribution reserve, there is no identifiable economic benefit to be capitalised in the balance sheet (2011: nil).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2011, the coverage ratio is 100.1% (31 December 2010: 102.9%).

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

	2012 **CHF**	2011 **CHF**
Contributions paid by the Bank	503,613	586,445

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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

	Balance at 1 January 2012 CHF	Utilisation 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 2012 CHF
Value adjustments and provisions for default risk	20,882		–	(530)	68,593	–	88,945
Value adjustments and provisions for other business risks	1,439,861	(623,701)	–	–		–	816,160
Other provisions	461,000	–	–	–	–	–	461,000
Total value adjustments and provisions	**1,921,743**	**(623,701)**	–	**(530)**	**68,593**	–	**1,366,105**

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.

H. Share capital

2012

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

2011

	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 2012

I. Justification of equity

Shareholders' equity as at 1 January	2012 CHF	2011 CHF
Share capital	22,000,000	22,000,000
General legal reserve	106,000	46,000
Profit brought forward	2,758,304	1,930,655
Total shareholders' equity at 1 January	**24,864,304**	**23,976,655**
Profit brought forward allocated to general legal reserve	(45,000)	(60,000)
Contribution to the general legal reserve	45,000	60,000
Profit for the year	1,456,190	887,649
Total shareholders' equity at 31 December	**26,320,494**	**24,864,304**
Represented by:		
Share capital	22,000,000	22,000,000
General legal reserve	151,000	106,000
Profit brought forward	2,713,304	1,870,655
Profit for the year	1,456,190	887,649

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

2012

	Nominal value CHF	Number of shares CHF	Stakeholding in %	Capital participating in dividend CHF
With voting rights				
Dr. 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

2011

	Nominal value CHF	Number of shares CHF	Stakeholding in %	Capital participating in dividend CHF
With voting rights				
Dr. 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 2012

K. Presentation of the capital adequacy

	2012 **CHF ('000)**	2011 **CHF ('000)**
Tier 1 capital	24,864	23,977
./. Participations	(1,386)	(788)
Total eligible capital	**23,478**	**23,189**

2012

	Used approach	Required capital **CHF ('000)**	
Credit risks	Swiss standardised		880
Risks without counterparty	Swiss standardised		1,770
Market risks	standardised		5,524
of which on currencies	standardised	*5,040*	
of which on precious metals	standardised	*484*	
Operational risks	basic indicator		4,277
Total required capital			**12,451**
Surplus of eligible capital			**11,027**

2011

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

	2012	2011
Ratio between eligible capital and required capital as per Swiss Law	**188.6%**	**175.9%**

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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	92,787,467	–	–	–	–	–	–	92,787,467
Amounts due from banks	36,189,489	287,057	–	–	–	–	–	36,476,546
Amounts due from customers	85,029	35,668	–	–	–	–	–	120,697
Total current assets at 31 December 2012	**129,061,985**	**322,725**	–	–	–	–	–	**129,384,710**
Total current assets at 31 December 2011	91,875,710	417,918	–	–	–	–	–	92,293,628
Third-party liabilities								
Amounts due to banks	7,370,681	–	–	–	–	–	–	7,370,681
Other amounts due to customers	96,510,469	–	–	–	–	–	–	96,510,469
Total third-party liabilities at 31 December 2012	**103,881,150**	–	–	–	–	–	–	**103,881,150**
Total third-party liabilities at 31 December 2011	68,386,137	–	–	–	–	–	–	68,386,137

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

At 31 December 2012 and 2011, there were no loans granted to governing bodies and no amounts due to / from affiliated entities.

Transactions with related parties

Dukascopy Bank SA 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 vehicule from a related party. Transactions with related parties are conducted at arm's length and were recorded as follows:

	2012 CHF	2011 CHF
Amounts due to related companies at 31 December	–	97,740
Other operating expenses	688,361	1,077,667
Introducing Agent commissions paid	995	14,901

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

N. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2012 Switzerland	2012 Foreign	2012 Total	2011 Switzerland	2011 Foreign	2011 Total
Assets						
Liquid assets	88,406	4,381	92,787	37,524	2,805	40,329
Amounts due from banks	22,344	14,132	36,476	26,820	24,973	51,793
Amounts due from customers	103	18	121	136	36	172
Participations	100	1,286	1,386	100	688	788
Tangible fixed assets	1,989	–	1,989	2,476	–	2,476
Intangible assets	1,551	–	1,551	2,584	–	2,584
Accrued income and prepaid expenses	327	–	327	166	–	166
Other assets	2,092	2,826	4,918	616	1,302	1,918
Total assets	**116,912**	**22,643**	**139,555**	**70,422**	**29,804**	**100,226**
Liabilities						
Amounts due to banks	–	7,371	7,371	3,051	492	3,543
Other amounts due to customers	5,256	91,255	96,511	4,532	60,311	64,843
Accrued expenses and deferred income	2,910	–	2,910	2,410	–	2,410
Other liabilities	2,647	2,430	5,077	1,127	1,516	2,643
Value adjustments and provisions	1,366	–	1,366	1,922	–	1,922
Share capital	22,000	–	22,000	22,000	–	22,000
General legal reserve	151	–	151	106	–	106
Profit brought forward	2,713	–	2,713	1,871	–	1,871
Profit for the year	1,456	–	1,456	888	–	888
Total liabilities	**38,499**	**101,056**	**139,555**	**37,907**	**62,319**	**100,226**

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

Assets	2012 Carrying Value **CHF ('000)**	2012 Share **%**	2011 Carrying Value **CHF ('000)**	2011 Share **%**
Switzerland	116,912	84	70,422	70
Europe excluding Switzerland	15,822	11	18,328	18
United States and Canada	6,796	5	11,433	12
Others	25	–	43	–
Total assets	**139,555**	**100**	**100,226**	**100**

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

P. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Liquid assets	88,406	4,381	–	–	–	–	92,787
Amounts due from banks	12,120	2,637	18,848	2,448	8	415	36,476
Amounts due from customers	72	2	17	–	–	30	121
Participations	1,386	–	–	–	–	–	1,386
Tangible fixed assets	1,989	–	–	–	–	–	1,989
Intangible assets	1,551	–	–	–	–	–	1,551
Accrued income and prepaid expenses	202	31	6	–	–	88	327
Other assets	4,918	–	–	–	–	–	4,918
Total assets	**110,644**	**7,051**	**18,871**	**2,448**	**8**	**533**	**139,555**
Claims arising from spot and swap transactions	201,342	606,675	960,829	228,410	394,896	198,275	2,590,427
Total at 31 December 2012	311,986	613,726	979,700	230,858	394,904	198,808	2,729,982
Liabilities							
Amounts due to banks	37	3,846	2,672	32	575	209	7,371
Other amounts due to customers	8,302	29,968	46,062	6,192	286	5,701	96,511
Accrued expenses and deferred income	2,085	252	183	22	–	368	2,910
Other liabilities	4,537	116	268	153	–	3	5,077
Value adjustments and provisions	1,346	–	20	–	–	–	1,366
Share capital	22,000	–	–	–	–	–	22,000
General legal reserve	151	–	–	–	–	–	151
Profit brought forward	2,713	–	–	–	–	–	2,713
Profit for the year	1,456	–	–	–	–	–	1,456
Total liabilities	**42,627**	**34,182**	**49,205**	**6,399**	**861**	**6,281**	**139,555**
Commitments arising from spot and swap transactions	269,691	559,723	976,303	214,112	387,948	182,650	2,590,427
Total at 31 December 2012	312,318	593,905	1,025,508	220,511	388,809	188,931	2,729,982
Net position by currency	**(332)**	**19,821**	**(45,808)**	**10,347**	**6,095**	**9,877**	**–**

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

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*	2,603,566	2,730,391	838,223,391
- swaps	2,193,150	1,654,669	1,729,062,630
Total currencies	**4,796,716**	**4,385,060**	**2,567,286,021**
Precious metals:			
- forward contracts*	2,841		498,298
- swaps	116,804	–	22,642,711
Total precious metals	**119,645**	–	**23,141,009**
Total at 31 December 2012	4,916,361	4,385,060	2,590,427,030
Total at 31 December 2011	1,918,734	2,175,419	1,100,418,861

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

Dukascopy Bank SA does not perform any netting.

6. Information concerning the statement of income

A. Trading income

Trading income	2012 CHF	2011 CHF
Currency and precious metals trading income	26,994,447	29,957,320
Total trading income	**26,994,447**	**29,957,320**

B. Personnel expenses

Personnel expenses	2012 CHF	2011 CHF
Salaries	11,270,770	11,690,837
Benefits	2,510,562	2,547,793
Other personnel expenses	65,161	10,184
Total personnel expenses	**13,846,493**	**14,248,814**

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

C. Other operating expenses

Other operating expenses	2012 CHF	2011 CHF
Marketing and communication	2,731,519	3,106,126
Premises	2,285,417	2,119,893
Legal, audit and consulting	792,324	1,000,087
Post, telecommunications and data	830,799	775,340
Travels	910,696	1,044,629
Office supply	197,646	177,111
IT related expenses	937,527	418,702
Others	144,590	269,976
Total other operating expenses	**8,830,518**	**8,911,864**

D. Extraordinary income and expenses

Extraordinary income	2012 CHF	2011 CHF
Disposal of amortised fixed assets	21,739	–
Total extraordinary income	**21,739**	–

There was no extraordinary expenses in 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

E. Analysis of domestic and foreign income and expenses

	2012	
	Domestic **CHF**	Foreign **CHF**
Net interest income	26,308	–
Net income from commissions and services	176,337	–
Trading income	26,994,447	–
Personnel expenses	(9,268,974)	(4,577,519)
Other operating expenses	(5,631,819)	(3,198,699)
Gross profit	**12,296,299**	**(7,776,218)**

	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)**

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

at 31 December 2012

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

	2012
	CHF
Profit for the year	1,456,190
Profit brought forward	2,713,304
Amount at the disposal of the Shareholders' meeting	**4,169,494**

	2012
Proposed utilisation	**CHF**
Contribution to the general legal reserve	75,000
To be carried forward	4,094,494
Total	**4,169,494**

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 2012.

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 2012 comply with Swiss law and the company's articles of incorporation.

Dukascopy Bank SA, Geneva
Report of the Statutory Auditor
on the Financial Statements 2012
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, 29 April 2013

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

CONSOLIDATED BALANCE SHEET

as at 31 December 2012

ASSETS	31.12.2012 CHF
Liquid assets	92,787,467
Amounts due from banks	36,635,582
Amounts due from customers	120,698
Non-consolidated participations	100,000
Tangible fixed assets	1,988,905
Intangible assets	1,550,971
Accrued income and prepaid expenses	326,621
Other assets	4,948,193
TOTAL ASSETS	**138,458,437**
Total amounts due from non-consolidated Group companies and qualified participants	–

LIABILITIES	CHF
Amounts due to banks	5,362,892
Other amounts due to customers	97,600,023
Accrued expenses and deferred income	2,951,063
Other liabilities	5,118,837
Value adjustments and provisions	1,020,355
Reserves for general banking risks	345,750
Share capital	22,000,000
Profit reserves	2,738,779
Profit for the year	1,320,738
TOTAL LIABILITIES	**138,458,437**
Total amounts due to non-consolidated Group companies and qualified participants	84,550

CONSOLIDATED OFF-BALANCE SHEET

as at 31 December 2012

Off-balance sheet commitments	31.12.2012 CHF
Contingent commitments	43,884
Irrevocable commitments	808,000
Off-balance sheet financial instruments	
Underlying amounts	2,590,404,750
Positive replacement values	4,941,544
Negative replacement values	4,417,527

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December

	31.12.2012 **CHF**
Interest income	
Interest income	32,005
Interest expenses	(5,697)
Net interest income	**26,308**
Income from commissions and services	
Commission income from other services	274,686
Commission expenses	(99,653)
Net income from commissions and services	**175,033**
Trading income	**27,220,125**
Operating expenses	
Personnel expenses	(14,157,716)
Other operating expenses	(8,878,835)
Total operating expenses	(23,036,551)
Gross profit	**4,384,915**
Depreciation	(2,220,406)
Value adjustments, provisions and losses	(133,906)
Profit before extraordinary items and taxes	**2,030,603**
Extraordinary income	21,739
Taxes	(731,604)
Profit for the year	**1,320,738**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

1. Activity and number of employees of the Group

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva and representative offices in Riga (Latvia), Kiev (Ukraine) and Hong Kong (China). The Bank is mainly active in the dealing of foreign exchange and precious metals (hereinafter "FX") through its home built trading platform.

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 subsidiary has been renamed Dukascopy Europe IBS AS. Dukascopy Europe IBS AS offers the same trading platform to its own clients through a white label agreement signed with the Bank.

Expressed in terms of full-time jobs, the number of employees in the Group at 31 December 2012 was 206.3.

2. Risk Management

Each Group entity has a supervisory body responsible for managing risks in accordance with applicable local regulation and the Group standards set by the Bank. The Bank is responsible for exercising consolidated supervision over Dukascopy Group which includes oversight of risks affecting all Group entities. Since the Bank is the main Group entity, comments here-after focus on the Bank. The Bank's 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 in place to manage risks. Based on its risk analysis, the Bank's Board of Directors has adopted a General Risk Policy in order to limit and manage the main risks affecting the Bank. The internal control system includes, in particular, a system of limits, the definition of authorised activities as well as competences relating to the risk taking in conformity with 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 covered by bank guarantees. The trading platform automatically monitors the credit risk relating to clients by way of margin call and margin cut functionalities which ensure that the Bank remains covered by 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 set by the Bank's Board of Directors. The respect of the risk limits is controlled on a daily basis and limits are adapted as often as deemed necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

Market risk

The Bank measures the currency risk on a daily basis and ensures that limits granted by the Board of Directors are complied with. The 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.

Operational risks

Operational risks include the legal risk and concentrate 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 the 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 to 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 bodies in charge of risk supervision: Board of Directors, General Management and specialised committees.

Compliance risks

The policy of Dukascopy Bank SA is to conduct its activities in respect of the law, banking regulation and the 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 the respect of internal and external regulations by the Bank and its personnel and report compliance issues to the Board of Directors.

3. Accounting principles of the consolidated financial statements

3.1. Principles ruling the establishment of the consolidated financial statements

Consolidated financial statements have been prepared for the first time at 31.12.2012. The consolidated annual accounts are established 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 the financial statements establishment issued by the Swiss Financial Market Supervisory Authority (FINMA-Circ. 08/2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

3.2. Consolidation scope

All companies active in the financial sector in which Dukascopy Bank SA directly or indirectly holds a controlling interest are fully consolidated in the financial statements. Control is the power to govern, directly or indirectly, the financial and operating policies of the entity so as to obtain benefits from its activities. To determine the existence of control, potential voting rights that are currently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are incorporated in the consolidated financial statements from the date on which control is obtained until the date on which control ceases.

Associates having a financial activity in which the Bank has a significant but not controlling influence on the financial and operating policies are accounted for using the equity method. Significant influence is presumed when Dukascopy Bank SA directly or indirectly holds over 20% of the equity voting rights in these companies. The consolidated financial statements include the Group's share in the net assets and the profit or loss of associates. Goodwill identified on associates is included in the carrying amount of the investment and is tested yearly for impairment as a share of the investment.

Participations below 20%, dormant companies, affiliates which are not active in the financial sector and temporary participations are excluded from the consolidation scope and are carried at cost less necessary impairments reflecting the permanent decrease in value of such participations.

3.3. Elimination of intercompany transactions

When preparing the consolidated financial statements, significant balances, transactions and unrealised gains and losses between Group companies are eliminated. Unrealised gains and losses on transactions with associates and jointly controlled companies are eliminated to the extent of the Group's interest in these entities.

3.4. True and fair view principle

The consolidated financial statements of the Group reflect the true and fair view of the assets, the liabilities, the financial situation and financial results of the Group.

3.5. Closing date of the consolidated financial statements

The closing date of the consolidated financial statements is the 31 December.

3.6. Recording of transactions

For all Group entities, 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 their value date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

3.7. Conversion of foreign currencies

The consolidated financial statements are presented in Swiss francs (CHF). Foreign currency transactions are translated into the functional currency of each entity of the Group using the exchange rate prevailing on the transaction date.

Assets and liabilities of the Bank carried in foreign currencies are converted at the exchange rates of the consolidated financial statements' closing date. Conversion gains and losses are entered in the Bank's statement of income as "Trading income".

At 31 December, the exchange rates used to convert the main foreign currencies were as follows:

		2012 **CHF**	2011 **CHF**
USD	1.00	0.91520	0.93905
EUR	1.00	1.20765	1.21715
GBP	1.00	1.48745	1.45970
CAD	1.00	0.92230	0.91885
JPY	1.00	0.01055	0.01221
AUD	1.00	0.95160	0.95835
NZD	1.00	0.75855	0.72975
LVL	1.00	1.71821	1.73310
NOK	1.00	0.16440	0.15715
SEK	1.00	0.14071	0.13655
SGD	1.00	0.74965	0.72432

The conversion into CHF of the financial statements of foreign Group entities for the needs of the consolidation are made at the exchange rates listed above for all consolidated balance sheet, off-balance sheet and statement of income captions, except equity which is converted at historical rates. Conversion differences arising from the conversion of the financial statements of foreign Group entities are included in the "Profit reserves" of the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

3.8. Amounts due from and Amounts due to banks

They are accounted for in the consolidated balance sheet at their face value. When deemed necessary, individual value adjustments are recorded as "Valuation adjustments and provisions".

3.9. 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 the 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.

3.10. Tangible fixed assets

They are carried on the consolidated balance sheet at the acquisition cost less any depreciation and accumulated impairment losses required. Depreciation is accounted for on the basis of the estimated period of use of the 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 Group entities record impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the revised period of use. In the Group, 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

3.11. 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 the intangible assets. The appropriateness of the book-value is reviewed each year (impairment test).

* 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 CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

If this review brings to light a decrease in value or a change in the period of use, the Group entities account for impairment losses by debiting the caption "Depreciation on fixed assets" or adjust the depreciation expense over the revised period of use. In the Group, intangible assets are depreciated on a degressive* basis over 5 years.
The goodwill (positive consolidation difference), if any, is presented in the consolidated balance sheet and depreciated over the estimated period of use. There was no such goodwill at the closing date of the consolidated financial statements.

3.12. Value adjustments and provisions

The Group entities record value adjustments and provisions based on their 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. This caption also includes provisions for deferred tax.

3.13. Employee benefit obligations

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

3.14. Reserves for general banking risks

The Bank may constitute such reserves in order to cover risks relating to the banking activity which are not covered by specific provisions. This caption also consists in hidden reserves in individual financial statements of Group entities which must be reclassified in application of the true and fair view principle. The reserves for general banking risks form an integral part of the equity.

* 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 CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

3.15. Share capital

The share capital is made of Dukascopy Bank SA's share capital.

3.16. Profit reserves

The profit reserves consist in equity accumulated by the Group. They include the differences resulting from the elimination of the participations, the retained profits and losses and the differences arising from the conversion of the financial statements of foreign Group entities.

3.17. Taxes

The Group entities record liabilities for income and capital taxes on an accrual basis. This caption also includes deferred tax expenses resulting from value adjustments in accordance with the true and fair view principle which are recognised in the income statement. Deferred tax assets on tax losses carried forward are not capitalised; they are set out under note 4.O.

3.18. Trading operations

Trading operations are made up of spot foreign exchange and precious metals transactions which are marked-to-market. Realised and unrealised results from trading operations are recorded in the consolidated "Trading income".

3.19. Use of swaps

Group entities use currency swaps to rollover spot foreign exchange / precious metals transactions to the next spot settlement date until positions are closed. Replacement values of these instruments are recorded in "Other assets" and "Other liabilities".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

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	–	16,436	104,262	120,698
Total at 31 December 2012	–	**16,436**	**104,262**	**120,698**

Off-balance sheet commitments				
Contingent commitments	–	43,884	–	43,884
Irrevocable commitments	–	–	808,000	808,000
Total at 31 December 2012	–	**43,884**	**808,000**	**851,884**

Breakdown of impaired loans	Gross amounts CHF	Liquidation value of collateral CHF	Net amount CHF	Individual value adjustments CHF
Total at 31 December 2012	**89,475**	–	**89,475**	**89,475**

B. Non-consolidated participations

Non-consolidated participations	2012 CHF
Unlisted participations	100,000
Total non-consolidated participations	**100,000**

Non-consolidated participations	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 CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

C. Fixed assets

	2011			2012			
	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
Non-consolidated participations							
Majority stake	100,000	–	100,000	–	–	–	100,000
Total non-consolidated participations	**100,000**	–	**100,000**	–	–	–	**100,000**
Other fixed assets	6,450,311	(3,974,523)	2,475,788	661,570	–	(1,148,453)	1,988,905
Total tangible fixed assets	**6,450,311**	**(3,974,523)**	**2,475,788**	**661,570**	–	**(1,148,453)**	**1,988,905**
Softwares	22,664,183	(20,080,347)	2,583,836	39,088	–	(1,071,953)	1,550,971
Total intangible assets	**22,664,183**	**(20,080,347)**	**2,583,836**	**39,088**	–	**(1,071,953)**	**1,550,971**

	2012 CHF
Fire insurance value of other fixed assets	**4,304,877**

	2013	2014	2015	2016	2017
Future payments related to leases	**1,458,459**	**1,092,622**	**1,051,654**	**346,187**	**223,493**

D. Other assets and liabilities

Other assets	2012 CHF
Positive replacement values	4,941,544
Others	6,649
Total other assets	**4,948,193**
Other liabilities	
Negative replacement values	4,417,527
Transfers	592,654
Indirect taxes to be paid	99,599
Other	9,057
Total other liabilities	**5,118,837**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

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

	2012 **Pledged assets CHF**	2012 **Outstanding exposures CHF**
Deposits made with banks to cover guarantees	287,057	287,057

F. Indications relating to pension funds

A collective pension fund plan only exists for employees of Dukascopy Bank SA based in Switzerland (Caisse Inter-Entreprises-CIEPP). Therefore, information given here-in after only concerns the employees of the Head Office in Switzerland. Employees are affiliated to a defined contributions scheme. As the Bank has not contributed to any employer's contribution reserve, there is no identifiable economic benefit to be capitalised in the balance sheet.

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2011, the coverage ratio is 100.1%.

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

	2012 **CHF**
Contributions paid by the Bank	503,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

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

	Balance at 1 January 2012 CHF	Utilisation 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 2012 CHF
Provisions for deferred taxes	115,250	–	–	–	–	–	115,250
Value adjustments and provisions for default risk	20,882	–	–	(530)	68,593	–	88,945
Value adjustments and provisions for other business risks	1,439,861	(623,701)	–	–	–	–	816,160
Total value adjustments and provisions	**1,575,993**	**(623,701)**	–	**(530)**	**(68,593)**	–	**1,020,355**
Reserves for general banking risks	345,750	–	–	–	–	–	345,750

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

H. Share capital

Shareholders' equity as at 1 January	2012 CHF
Share capital	22,000,000
Profit reserves	2,738,779
Reserves for general banking risks	345,750
Total shareholders' equity at 1 January	**25,084,529**
Profit for the year	1,320,738
Total shareholders' equity at 31 December	**26,405,267**
Represented by:	
Share capital	22,000,000
Profit reserves	4,059,517
Reserves for general banking risks	345,750

I. Presentation of the capital adequacy

	2012 CHF ('000)
Tier 1 capital	24,972
./. Participations	(100)
Total eligible capital	**24,872**

	2012		
	Used approach	Required capital CHF ('000)	
Credit risks	Swiss standardised		876
Risks without counterparty	Swiss standardised		1,770
Market risks	standardised		5,626
of which on currencies	standardised	*5,142*	
of which on precious metals	standardised	*484*	
Operational risks	basic indicator		4,288
Total required capital			**12,560**
Surplus of eligible capital			**12,312**

	2012
Ratio between eligible capital and required capital as per Swiss Law	198.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

J. 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	92,787,467	–	–	–	–	–	–	92,787,467
Amounts due from banks	36,348,525	287,057	–	–	–	–	–	36,635,582
Amounts due from customers	85,030	35,668	–	–	–	–	–	120,698
Total current assets at 31 December 2012	**129,221,022**	**322,725**	–	–	–	–	–	**129,543,747**
Third-party liabilities								
Amounts due to banks	5,362,892	–	–	–	–	–	–	5,362,892
Other amounts due to customers	97,600,023	–						97,600,023
Total third-party liabilities at 31 December 2012	**102,962,915**	–	–	–	–	–	–	**102,962,915**

K. Amounts due to / from affiliated entities and loans to governing bodies

At 31 December 2012, there were no loans granted to the Group's governing bodies and no amounts due to / from affiliated entities.

Transactions with related parties

The Group engages into transactions with related parties in the normal course of its business. These transactions mainly include marketing services and software development support. Transactions with related parties are conducted at arm's length and were recorded as follows:

	2012 **CHF**
Amounts due to related companies at 31 December	–
Other operating expenses	688,361
Introducing Agent commissions paid	995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

L. Analysis of domestic and foreign assets and liabilities

in CHF ('000)	2012 Switzerland	2012 Foreign	2012 Total
Assets			
Liquid assets	88,406	4,381	92,787
Amounts due from banks	22,344	14,291	36,635
Amounts due from customers	103	18	121
Participations	100	–	100
Tangible fixed assets	1,989	–	1,989
Intangible assets	1,551	–	1,551
Accrued income and prepaid expenses	327		327
Other assets	2,092	2,856	4,948
Total assets	**116,912**	**21,546**	**138,458**
Liabilities			
Amounts due to banks	–	5,363	5,363
Other amounts due to customers	5,263	92,336	97,599
Accrued expenses and deferred income	2,951	–	2,951
Other liabilities	2,656	2,463	5,119
Value adjustments and provisions	1,020	–	1,020
Reserves for general banking risks	346	–	346
Share capital	22,000	–	22,000
Profit reserves	2,739	–	2,739
Profit for the year	1,321	–	1,321
Total liabilities	**38,296**	**100,162**	**138,458**

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

Assets	2012 Carrying Value **CHF ('000)**	2012 Share **%**
Switzerland	116,912	84
Europe excluding Switzerland	14,721	11
United States and Canada	6,797	5
Others	28	–
Total assets	**138,458**	**100**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

N. Analysis of the balance sheet per currency

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Assets							
Liquid assets	88,406	4,381	–	–	–	–	92,787
Amounts due from banks	12,128	2,648	18,883	2,470	8	498	36,635
Amounts due from customers	72	2	17	–	–	30	121
Participations	100	–	–	–	–	–	100
Tangible fixed assets	1,989	–	–	–	–	–	1,989
Intangible assets	1,551	–	–	–	–	–	1,551
Accrued income and prepaid expenses	202	31	6	–	–	88	327
Other assets	4,943	1	–		–	4	4,948
Total assets	**109,391**	**7,063**	**18,906**	**2,470**	**8**	**620**	**138,458**
Claims arising from spot and swap transactions	201,342	606,675	960,818	228,406	394,902	198,263	2,590,406
Total at 31 December 2012	310,733	613,738	979,724	230,876	394,910	198,883	2,728,864
Liabilities							
Amounts due to banks	6	2,317	2,312	–	575	153	5,363
Other amounts due to customers	8,342	30,468	46,453	6,246	286	5,804	97,599
Accrued expenses and deferred income	2,085	260	186	22	–	398	2,951
Other liabilities	4,570	116	268	153	–	12	5,119
Value adjustments and provisions	1,000	–	20	–	–	–	1,020
Reserves for general banking risks	346	–	–	–	–	–	346
Share capital	22,000	–	–	–	–	–	22,000
Profit reserves	2,739	–	–	–	–	–	2,739
Profit for the year	1,321	–	–	–	–	–	1,321
Total liabilities	**42,409**	**33,161**	**49,239**	**6,421**	**861**	**6,367**	**138,458**
Commitments arising from spot and swap transactions	269,685	559,723	976,291	214,108	387,962	182,637	2,590,406
Total at 31 December 2012	312,094	592,884	1,025,530	220,529	388,823	189,004	2,728,864
Net position by currency	**(1,361)**	**20,854**	**(45,806)**	**10,347**	**6,087**	**9,879**	–

O. Deferred tax assets

	2012 **CHF**
Amount of non-capitalised deferred tax asset	186,610

This amount relates to Dukascopy Europe IBS AS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

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*	2,603,566	2,730,390	838,223,391
- swaps	2,218,333	1,686,413	1,729,041,422
Total currencies	**4,821,899**	**4,416,803**	**2,567,264,813**
Precious metals:			
- forward contracts*	2,841		498,298
- swaps	116,804	724	22,641,639
Total precious metals	**119,645**	**724**	**23,139,937**
Total at 31 December 2012	4,941,544	4,417,527	2,590,404,750

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

The Group does not perform any netting.

6. Information concerning the statement of income

A. Trading income

	2012
Trading income	CHF
Currency and precious metals trading income	27,220,125
Total trading income	**27,220,125**

B. Personnel expenses

	2012
Personnel expenses	CHF
Salaries	11,440,096
Benefits	2,652,459
Other personnel expenses	65,161
Total personnel expenses	**14,157,716**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

C. Other operating expenses

Other operating expenses	2012 CHF
Marketing and communication	2,748,392
Premises	2,285,417
Legal, audit and consulting	815,021
Post, telecommunications and data	830,937
Travels	910,696
Office supply	197,734
IT related expenses	938,558
Others	152,080
Total other operating expenses	**8,878,835**

D. Extraordinary income and expenses

Extraordinary income	2012 CHF
Disposal of amortised fixed assets	21,739
Total extraordinary income	**21,739**

There was no extraordinary expenses in 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2012

E. Analysis of domestic and foreign income and expenses

	2012	
	Domestic **CHF**	Foreign **CHF**
Net interest income	26,308	–
Net income from commissions and services	176,337	(1,304)
Trading income	26,994,446	225,679
Personnel expenses	(9,268,973)	(4,888,743)
Other operating expenses	(5,631,819)	(3,247,016)
Gross profit	**12,296,299**	**(7,911,384)**

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

As statutory auditor, we have audited the accompanying consolidated financial statements of Dukascopy Bank SA, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012. The prior year's comparative figures are not presented in the first consolidated financial statements.

Board of Directors ' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions governing the preparation of financial statements for Banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position and the results of operations in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.

Dukascopy Bank SA, Geneva
Report of the Statutory Auditor
on the 2012 Consolidated
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 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Philippe Ruedin
Licensed Audit Expert
Auditor in Charge

Nicolas Moser
Licensed Audit Expert

Geneva, 29 April 2013

Enclosure:
- Consolidated financial statements (balance sheet, income statement and notes)

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