



ANNUAL REPORT

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Year 2014

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DUKASCOPY BANK SA



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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.

The founders' vision materialised in an online bank, marketplace, television and community offering not only an advanced trading environment but also an interactive platform where investors access specialised information, exchange views, share know-how and entertain themselves. Dukascopy Bank will continue to massively invest in research and development and distinguish itself through innovation.

Dukascopy has become synonym of quality, integrity and innovative technology in online financial services.



Quality.  
Integrity.  
Innovation.



# MESSAGE FROM THE BOARD OF DIRECTORS

Year after year, the development of strategic priorities enables Dukascopy Bank to be confident in the challenging and rather unpredictable environment in which financial markets evolve and to guarantee our capacity to deliver reliability and quality in our products and services.

With Dukascopy's strong focus on technology and innovation, we are very well positioned to face the unprecedented technological challenges most financial institutions are confronted with: raising costs, fading margins, increasing competition and regulatory reforms.

Thanks to the efficiency of our operating model, we can concentrate our energy and stamina on the essential: to constantly rethink and adapt our business propositions, to develop new products,

to manage risks, to expand our presence abroad and to roll out our communication and marketing efforts in a unique and creative way.

The Board salutes the professionalism and commitment of Dukascopy Bank's teams which enabled us to achieve all we did, and express its sincere gratitude to them.

Going forward, we keep on investing significantly in new developments to deliver innovative solutions and extended international presence with the objective to satisfy the dynamism and expectations of both our teams and our clients.

*The Board of Directors*

# MESSAGE FROM THE co-CEOs

## **Across the turbulences, Dukascopy Group grows stronger**

2014 has been an extraordinary year for various reasons. On the positive, we successfully launched CFD and binary options trading, Dukascopy TV and Dukascopy Community reached unprecedented popularity and clients continued to flow in from around the world. On the negative, income did not meet expectations due to unfavourable market conditions. As a matter of fact, the G7 forex volatility has been hovering near 21 year lows.

In the end, such challenging year forces us to become better, to fine-tune our marketing approach and to become always more efficient. As engineers/physicists, we always placed technology and innovation at the centre of our projects. We believe that in “The New Normal” post 2008 financial crisis, automated solutions for financial services are promised to bright future. From inception, Dukascopy Bank’s business model was adap-

ted to this “New Normal”. Therefore we just need to continue doing what we always did: innovate, build smart and reliable IT systems for enhanced client experience.

Seen from the inside, Dukascopy Bank is a creative IT company giving talented individuals the opportunity to materialise visionary projects in a family and stimulating atmosphere. Our careful management of risk gives us stability. Even the 15 January 2015 left us unaffected. We like doing business our way, without prejudice or snobbism.

The growing popularity of Dukascopy brand, worldwide, is an immense source of satisfaction and motivation. We look forward to presenting new products, services and events in 2015 and take this opportunity to thank all our employees, clients and business partners for their trust and contribution.

**Veronika and Andrey Duka**  
*co-Chief Executive Officers*

# REVIEW OF OPERATIONS

## Dukascopy Bank SA

2014 has been remarkable due to 8 consecutive months of historically low volatility on the forex market. Such very exceptional market conditions negatively affected income. Consequently, while operating expenses were well maintained within the budget, income has not met expectations, deteriorating gross profit and cost / income ratio. Nevertheless, Dukascopy Bank managed to close the financial year 2014 on a profit, helped by extraordinary items including the release of unused provisions.

Carefully, despite the return to normal of market volatility and income, the Bank has cut cost with effect beginning of 2015. Cost reduction did not mean job cutting. At Group level, the number of

staff remained unchanged. The decrease in Bank's staff mostly results from transferring of employees to our fast growing subsidiary Dukascopy Europe.

The strong increase in client deposits (+21.9%) testifies the attractiveness of Dukascopy Bank's services, in particular towards institutional clients (including white label partners) which contributed for 85.9% to the clientele growth.

## Dukascopy Group

Dukascopy Europe is a fully owned and consolidated subsidiary of Dukascopy Bank. It has closed its second consecutive positive financial year. Consolidated financial statements are enclosed in the present annual report.

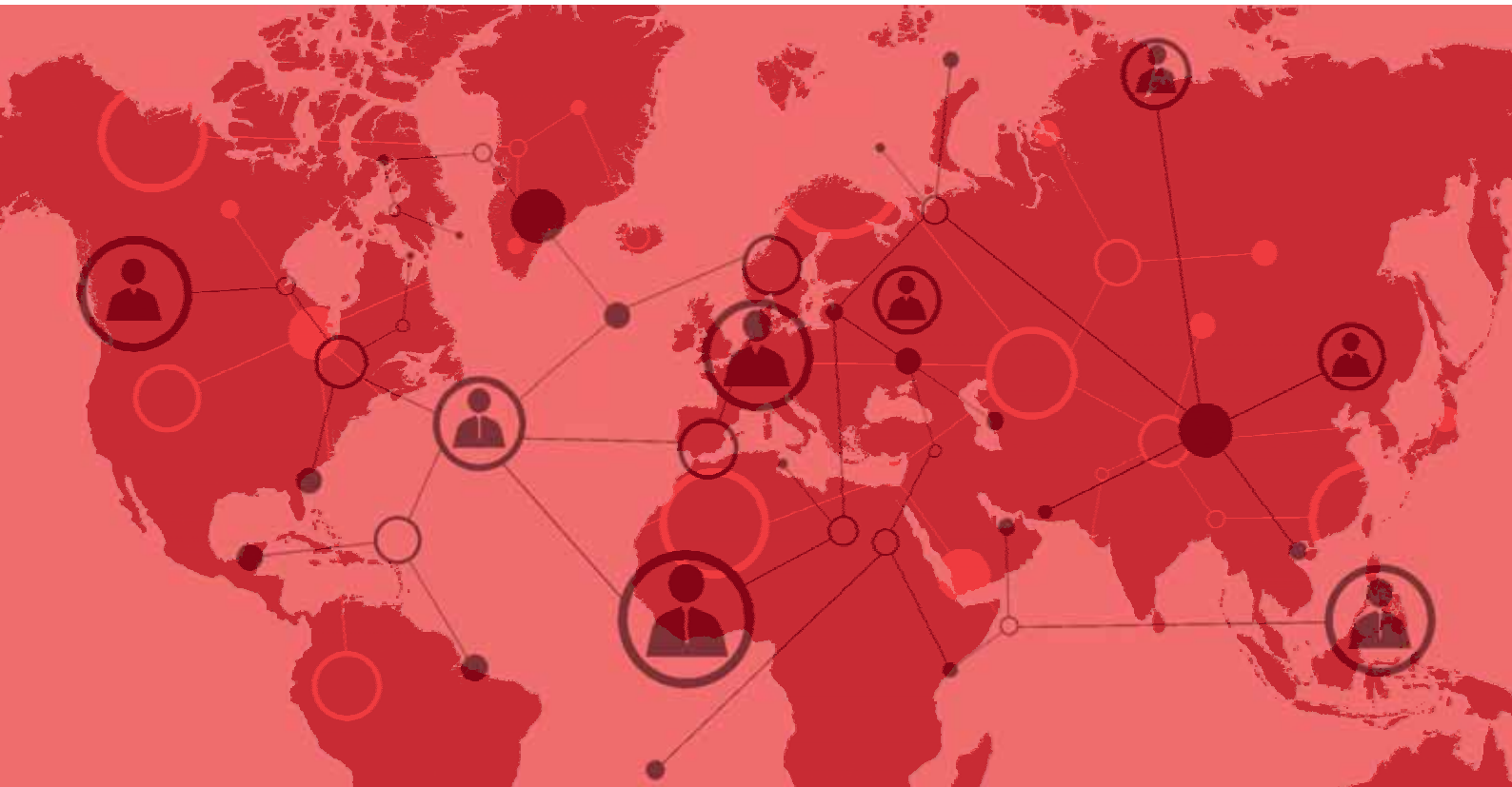
## KEY FIGURES OF DUKASCOPY BANK

	Year 2014 (in CHF million)	Year 2013 (in CHF million)	Variation (in CHF million)	Variation (in %)
Total operating income	27.1	30.1	-3.0	-10.0%
Total operating expenses	25.9	24.5	+1.4	+5.7%
Gross profit	1.3	5.6	-4.3	-76.8%
Depreciation of fixed assets	0.9	2.4	-1.5	-62.5%
Net profit	1.0	2.1	-1.1	-52.4%
Cost / income ratio	95.4%	81.5%	n/a	+13.9%
Total assets	177.8	151.5	+26.3	+17.4%
Total client deposits	143.3	117.6	+25.7	+21.9%
Shareholders' equity	29.4	28.4	+1.0	+3.5%
Solvency ratio*	20.2%	14.7%	n/a	+5.5%

\* 10.5% minimum is required



# ORGANISATION OF THE BANK



## Board of Directors

- **Chairman**  
Bogdan Prensilevich
- **Vice-Chairman**  
Pierre Bongard
- **Members**  
Gérard de Cerjat  
Frank Guemara  
Pierre-Alain Guillaume

## Internal Auditor

PKF Certifica SA

## Executive Committee

- **Chairman**  
Dr. Andrey Duka,  
co-Chief Executive Officer & Chief Technology officer  
Veronika Duka,  
co-Chief Executive Officer & Chief Administrative Officer
- **Members**  
Laurent Bellières,  
Chief Financial & Chief Risk Officer  
Dmitrijs Kukels,  
Chief Brokerage Officer

## External Auditor

KPMG SA



# FINANCIAL STATEMENTS

and proposed appropriation of retained earnings

## BALANCE SHEET

as at 31 December 2014

<b>ASSETS</b>	31.12.2014 <b>CHF</b>	31.12.2013 <b>CHF</b>
Liquid assets	95 024 810	82 630 033
Amounts due from banks	47 209 985	47 793 285
Amounts due from customers	89 369	78 459
Financial investments	28 934 315	15 961 977
Participations	2 094 582	1 486 497
Tangible fixed assets	1 364 904	1 690 401
Intangible assets	79 475	97 033
Accrued income and prepaid expenses	1 646 457	654 761
Other assets	1 359 500	1 106 004
<b>TOTAL ASSETS</b>	<b>177 803 397</b>	<b>151 498 450</b>
Total amounts due from Group companies and qualified participants	15 446	1 362
<b>LIABILITIES</b>	<b>CHF</b>	<b>CHF</b>
Amounts due to banks	40 002 092	17 957 916
Other amounts due to customers	103 268 514	99 662 228
Accrued expenses and deferred income	1 908 112	3 056 781
Other liabilities	2 938 681	1 425 232
Value adjustments and provisions	243 124	959 885
Share capital	22 000 000	22 000 000
General legal reserve	332 000	226 000
Profit brought forward	6 104 408	4 094 494
Profit for the year	1 006 466	2 115 914
<b>TOTAL LIABILITIES</b>	<b>177 803 397</b>	<b>151 498 450</b>
Total amounts due to Group companies and qualified participants	4 939 848	4 247 744

## OFF-BALANCE SHEET

as at 31 December 2014

<b>Off-balance sheet commitments</b>	31.12.2014 <b>CHF</b>	31.12.2013 <b>CHF</b>
Contingent commitments	125 381	82 499
Irrevocable commitments	822 000	804 000
<b>Off-balance sheet financial instruments</b>		
Underlying amounts	1 960 157 264	2 557 160 717
Positive replacement values	2 621 084	2 951 326
Negative replacement values	1 902 854	2 879 174

## STATEMENT OF INCOME

for the year ended 31 December

	31.12.2014 CHF	31.12.2013 CHF
<b>Interest income</b>		
Interest income	683 676	266 413
Interest expenses	(633 777)	(257 291)
<b>Net interest income</b>	<b>49 899</b>	<b>9 122</b>
<b>Income from commissions and services</b>		
Commission income from other services	551 761	345 116
Commission expenses	(220 388)	(169 539)
<b>Net income from commissions and services</b>	<b>331 373</b>	<b>175 577</b>
<b>Trading income</b>	<b>26 768 709</b>	<b>29 933 335</b>
<b>Operating expenses</b>		
Personnel expenses	(13 830 772)	(14 078 266)
Other operating expenses	(12 058 193)	(10 463 994)
<b>Total operating expenses</b>	<b>(25 888 965)</b>	<b>(24 542 260)</b>
Gross profit	1 261 016	5 575 774
Depreciation	(945 373)	(2 433 964)
Value adjustments, provisions and losses	(247 651)	(90 145)
<b>Profit before extraordinary items and taxes</b>	<b>67 992</b>	<b>3 051 665</b>
Extraordinary income	1 537 459	13 006
Taxes	(598 985)	(948 757)
<b>Profit for the year</b>	<b>1 006 466</b>	<b>2 115 914</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### **1. Activity and number of employees of the Bank**

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva (Switzerland) and representative offices in Riga (Latvia), Kiev (Ukraine), Hong Kong (China), Kuala Lumpur (Malaysia) and Moscow (Russia).

In 2011, the Bank acquired from AS Rietumu Banka, Latvia, 100% of AS RB Securities IBS, a European regulated broker based in Riga. 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, precious metals and derivatives such as Contract For Difference and binary options (together referred to as the "Instruments") through its home built trading platforms. Expressed in terms of full-time jobs, the number of employees at 31 December 2014 was 172.1 (213.8 at 31 December 2013).

### **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 risk taking in conformity with applicable prudential regulation. All significant risks are measured and controlled by an independent body.

#### ***Credit risk***

Trading of Instruments is based on margin accounts which are mainly funded in cash deposited with the Bank or covered by bank guarantees. The trading platforms automatically monitor the credit risk relating to clients by way of margin call and margin cut functionalities which shall ensure that the Bank remains covered by sufficient collateral at any time. Credit risk relating to banks and other trading counterparties is mitigated by the fixation of exposure 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 IT system of the Bank measures market risk exposure on an ongoing basis and automatically ensures that exposure limits set by the competent bodies are complied with at any time. If necessary, the Bank may also reduce its market risk exposure manually by entering into hedging transactions with trading counterparties. Swiss government bonds owned by the Bank are aimed to be held until maturity and serve as long term collateral deposited with trading counterparties. As a result, interest rate risk they generate is unlikely to materialise. The Bank calculates interest rate risk on a quarterly basis and optimises assets and liabilities management as often as deemed necessary.

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### **Operational risks**

Operational risks include the legal risk and concentrate mainly on execution of transactions on Instruments through the Bank's trading platforms. Dukascopy Bank platforms ensure a fully automated execution of transactions which 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 business processes involving operational risks. Internal control system includes segregations of duties, written internal regulation, control activities such as reconciliations and reporting of relevant information to 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 laws, 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 transitory rules of 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).

#### **Changes to accounting principles**

There was no change to such principles in 2014.

#### **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**

The Bank is not active in credit activities. However, loans and advances on salaries may be granted to employees of the Bank and amounts receivable from clients may appear in the normal course of the Bank's core activities. Loans and advances 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

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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.

### **c. Financial investments**

This caption only comprises Swiss government bonds acquired with the intention to hold them until maturity. Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortised over the term of the securities using the accrual method. Gains and losses which would arise in case of their sale or early redemption would be recorded proportionally up to the initial maturity date of the securities.

### **d. Participations**

They are recorded at their acquisition cost less necessary impairment losses.

### **e. 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

### **f. Intangible assets**

They consist in software acquired either by purchase or by contribution from shareholders. Contribution values were based on independent valuations. Software is 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.

\* 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

as at 31 December 2014

### ***g. 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 statement of income or allocated to cover other risks or maintained in the form of silent reserves.

### ***h. Employee benefit obligations***

The treatment of pension commitments is based on the Swiss GAAP FER 16 rules. 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 established, 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 Swiss GAAP FER 26 rules. An economic commitment is recorded as "Valuation adjustments and provisions" whereas an economic benefit is accounted for under "Other assets".

### ***i. Taxes***

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

### ***j. Trading operations***

Trading operations are made up of spot transactions on Instruments which are marked-to-market. Realised and unrealised results from trading operations are recorded in the "Trading income".

### ***k. Use of swaps***

The Bank uses currency swaps to rollover spot foreign exchange and precious metals transactions to the next spot settlement date until positions are closed. Replacement values of open Instruments at 31 December are recorded in "Other assets" and "Other liabilities".



## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### ***l. Recording of transactions***

All transactions are recorded in accordance with the trade date principle with the exception of trades of Instruments which are carried in the off-balance sheet until their value date.

### ***m. 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 as at 31 December. Resulting 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:

		2014 CHF	2013 CHF
USD	1.00	0.99435	0.89310
EUR	1.00	1.20295	1.22745
GBP	1.00	1.54890	1.47855
CAD	1.00	0.85540	0.84060
JPY	1.00	0.00831	0.00848
AUD	1.00	0.81215	0.79580
NZD	1.00	0.77520	0.73445
NOK	1.00	0.13339	0.14710
SEK	1.00	0.12762	0.13872
SGD	1.00	0.75027	0.70684

### ***4. Events after the balance sheet date***

The Swiss National Bank decision to abandon the 1.20 peg on the EUR/CHF exchange rate has been followed by a large and sudden shift of the EUR/CHF. Effective risk management measures implemented by our Bank have successfully limited the impact of this event on the Bank itself and its clients. Although Dukascopy Bank decided to compensate negative balances which appeared on some client accounts, Dukascopy Bank did not suffer any relevant loss in relation to this exceptional event.

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### 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	–	18 017	71 352	89 369
<b>Total at 31 December 2014</b>	–	<b>18 017</b>	<b>71 352</b>	<b>89 369</b>
Total at 31 December 2013	–	–	78 459	78 459

Off-balance sheet commitments				
Contingent commitments	–	125 381	–	125 381
Irrevocable commitments	–	–	822 000	822 000
<b>Total at 31 December 2014</b>	–	<b>125 381</b>	<b>822 000</b>	<b>947 381</b>
Total at 31 December 2013	–	82 499	804 000	886 499

Breakdown of impaired loans/receivables	Gross debt amount CHF	Estimated liquidation proceeds of collateral* CHF	Net debt amount CHF	Individual value adjustments CHF
<b>Total at 31 December 2014</b>	<b>30 304</b>	–	<b>30 304</b>	<b>17 331</b>
Total at 31 December 2013	10 818	–	10 818	10 818

\* Credit or liquidation value per customer: the lower value is applied

#### B. Financial investments

Debt securities	Book value		Fair value	
	2014 CHF	2013 CHF	2014 CHF	2013 CHF
<i>of which bonds held to maturity</i>	28 934 315	15 961 977	29 207 260	16 312 080
<b>Total</b>	<b>28 934 315</b>	<b>15 961 977</b>	<b>29 207 260</b>	<b>16 312 080</b>
<i>incl. securities eligible for repo transactions in accordance with liquidity regulations</i>	28 934 315	15 961 977	29 207 260	16 312 080

#### C. Participations

Participations	2014 CHF	2013 CHF
Without listed value	2 094 582	1 486 497
<b>Total participations</b>	<b>2 094 582</b>	<b>1 486 497</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

Participations	2014				
	Activity	Head office	Share capital CHF	Net book value CHF	Ownership & voting rights
SWFX–Swiss FX Marketplace SA	dormant	Geneva	100 000	100 000	100%
Dukascope Europe IBS AS	brokerage	Riga	1 286 497	1 286 497	100%
Dukascope Community SA	social media	Geneva	100 000	100 000	100%
Dukascope Payments AS	dormant	Riga	608 085	608 085	100%

Participations	2013				
SWFX–Swiss FX Marketplace SA	dormant	Geneva	100 000	100 000	100%
Dukascope Europe IBS AS	brokerage	Riga	1 286 497	1 286 497	100%
Dukascope Community SA	social media	Geneva	100 000	100 000	100%

### D. Fixed assets

	2013			2014			
	Cost value CHF	Accumulated depreciation CHF	Book value at end of year CHF	Additions CHF	Disposals CHF	Depreciation CHF	Book value at end of year CHF
<b>Participations</b>							
–Majority participations	1 486 497	–	1 486 497	608 085	–	–	2 094 582
<b>Total participations</b>	<b>1 486 497</b>	<b>–</b>	<b>1 486 497</b>	<b>608 085</b>	<b>–</b>	<b>–</b>	<b>2 094 582</b>
Tangible fixed assets	7 637 514	(5 947 113)	1 690 401	575 663	(3 883)	(897 277)	1 364 904
Intangible assets (softwares)	22 715 997	(22 618 964)	97 033	30 538	–	(48 096)	79 475
<b>Total fixed assets</b>	<b>30 353 511</b>	<b>(28 566 077)</b>	<b>1 787 434</b>	<b>606 201</b>	<b>(3 883)</b>	<b>(945 373)</b>	<b>1 444 379</b>

	2014 CHF	2013 CHF
Fire insurance value of tangible fixed assets	4 203 497	4 202 446

Future leasing installments arising from operating leases	2015 CHF	2016 CHF	2017 CHF	2018 CHF	2019 CHF	2020 CHF
	1 685 483	981 828	837 823	608 401	608 401	571 376

### E. Other assets and liabilities

	2014 CHF	2013 CHF
<b>Other assets</b>		
Positive replacement values	1 356 813	1 106 004
Others	2 687	–
<b>Total other assets</b>	<b>1 359 500</b>	<b>1 106 004</b>
<b>Other liabilities</b>		
Negative replacement values	638 584	1 033 852
Wire transfers	2 033 676	246 397
Indirect taxes to be paid	266 421	144 983
<b>Total other liabilities</b>	<b>2 938 681</b>	<b>1 425 232</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

	2014		2013	
	Book value of pledged assets & assets assigned as collateral CHF	Effective obligations CHF	Book value of pledged assets & assets assigned as collateral CHF	Effective obligations CHF
Swiss government bonds	19 907 237	1 700 623	15 961 977	4 164 142
Deposits made with banks to cover guarantees	237 219	237 219	244 530	244 530
<b>Total</b>	<b>20 144 456</b>	<b>1 937 842</b>	<b>16 206 507</b>	<b>4 408 672</b>

### G. Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP).

This fund is 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 (2013: nil).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2013, the coverage ratio is 112.6% (31 December 2012: 107.5%).

The employees based in Russia are affiliated to a defined contributions scheme pension fund of the Russian state.

This fund does not allow any employer's contribution reserve. There is no pension fund for the other foreign offices of the Bank.

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

	2014 CHF	2013 CHF
Contributions paid by the Bank in Switzerland	428 332	450 967
Contributions paid by the Bank in Russia	651	984
<b>Total</b>	<b>428 983</b>	<b>451 951</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

	Balance at 31 December 2013 CHF	Utilisation in conformity with designated purpose CHF	Recoveries, past due interest, currency translation differences CHF	New provisions charged to income CHF	Releases to income CHF	Balance at 31 December 2014 CHF
Value adjustments and provisions for default risks (collection and country risks)	10 818	(1 378)	(122)	12 650	(4 637)	17 331
Value adjustments and provisions for other business risks	488 067	(12 274)	–	120 000	(370 000)	225 793
Other provisions	461 000	–	–	–	(461 000)	–
<b>Total value adjustments and provisions</b>	<b>959 885</b>	<b>(13 652)</b>	<b>(122)</b>	<b>132 650</b>	<b>(835 637)</b>	<b>243 124</b>

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.

### I. Share capital

#### 2014

	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22 000 000	22 000 000	22 000 000

#### 2013

	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22 000 000	21 712 000	22 000 000

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### J. Justification of equity

	2014 CHF	2013 CHF
<b>Shareholders' equity as at 1st January</b>		
Share capital	22 000 000	22 000 000
General legal reserve	226 000	151 000
Profit brought forward	6 210 408	4 169 494
<b>Total shareholders' equity at 1st January</b>	<b>28 436 408</b>	<b>26 320 494</b>
Profit brought forward allocated to the general legal reserve	(106 000)	(75 000)
Contribution to the general legal reserve	106 000	75 000
Profit for the year	1 006 466	2 115 914
<b>Total shareholders' equity at 31 December</b>	<b>29 442 874</b>	<b>28 436 408</b>
Represented by:		
Share capital	22 000 000	22 000 000
General legal reserve	332 000	226 000
Profit brought forward	6 104 408	4 094 494
Profit for the year	1 006 466	2 115 914

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

2014				
	Nominal CHF	Number of shares CHF	% of equity in %	Capital eligible for dividend CHF
With voting rights				
Dr. Andrey Duka	10 890 000	10 890 000	49,5%	10 890 000
Veronika Duka	10 890 000	10 890 000	49,5%	10 890 000
2013				
	Nominal CHF	Number of shares CHF	% of equity in %	Capital eligible for dividend CHF
With voting rights				
Dr. Andrey Duka	10 890 000	10 746 000	49,5%	10 890 000
Veronika Duka	10 890 000	10 746 000	49,5%	10 890 000

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### L. Presentation of the capital adequacy

	2014 CHF ('000)	2013 CHF ('000)
Share capital	22 000	22 000
General legal reserve	332	226
Profit brought forward	6 104	6 103
./. Participations	(1 994)	(1 386)
<b>Total eligible capital (CET1)</b>	<b>26 442</b>	<b>26 943</b>

#### 2014

	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		1 352
Risks without counterparty	Swiss standardised		722
Market risks	standardised		4 164
<i>of which on currencies</i>	<i>standardised</i>	3 540	
<i>of which on gold and commodities</i>	<i>standardised</i>	624	
Operational risks	basic indicator		4 223
<b>Total required capital</b>			<b>10 461</b>
Surplus of eligible capital			15 981

\* The Bank uses the transitory rules allowed by the capital adequacy ordinance and is therefore not fully applying the Basel III regulation yet.

#### 2013

	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		1 424
Risks without counterparty	Swiss standardised		894
Market risks	standardised		7 957
<i>of which on currencies</i>	<i>standardised</i>	7 443	
<i>of which on gold and commodities</i>	<i>standardised</i>	514	
Operational risks	basic indicator		4 364
<b>Total required capital</b>			<b>14 639</b>
Surplus of eligible capital			12 304

\* The Bank uses the transitory rules allowed by the capital adequacy ordinance and is therefore not fully applying the Basel III regulation yet.

	2014	2013
Ratio between eligible capital and required capital <sup>1</sup>	252,8%	184,0%
Solvency ratios <sup>1,2</sup>	20,2%	14,7%

1. before coverage of large exposures excess

2. 10.5% minimum is required

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### M. 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	No maturity CHF	Total CHF
Liquid assets	95 024 810	–	–	–	–	–	–	95 024 810
Amounts due from banks	46 972 766	237 219	–	–	–	–	–	47 209 985
Amounts due from customers	46 789	42 580	–	–	–	–	–	89 369
Financial investments	–	–	–	–	28 934 315	–	–	28 934 315
<b>Total current assets at 31 December 2014</b>	<b>142 044 365</b>	<b>279 799</b>	<b>–</b>	<b>–</b>	<b>28 934 315</b>	<b>–</b>	<b>–</b>	<b>171 258 479</b>
Total current assets at 31 December 2013	130 190 618	311 159	–	–	15 961 977	–	–	146 463 754
<b>Third-party liabilities</b>								
Amounts due to banks	40 002 092	–	–	–	–	–	–	40 002 092
Other amounts due to customers	103 268 514	–	–	–	–	–	–	103 268 514
<b>Total third-party liabilities at 31 December 2014</b>	<b>143 270 606</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>143 270 606</b>
Total third-party liabilities at 31 December 2013	117 620 144	–	–	–	–	–	–	117 620 144

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

At 31 December 2014 and 2013, 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 rent, marketing services and software development support. Transactions with related parties are conducted at arm's length and were recorded as follows.

	2014 CHF	2013 CHF
Amounts due to related parties at 31 December	679	84
Other operating expenses	571 401	699 647
Introducing agent commissions paid	11 278	3 880
Rent	42 672	–



## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

in CHF ('000)	2014			2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Assets</b>						
Liquid assets	80 806	14 219	95 025	82 016	614	82 630
Amounts due from banks	15 518	31 692	47 210	23 030	24 763	47 793
Amounts due from customers	21	68	89	72	6	78
Financial investments	28 934	–	28 934	15 962	–	15 962
Participations	200	1 895	2 095	200	1 286	1 486
Tangible fixed assets	772	593	1 365	860	831	1 691
Intangible assets	71	8	79	82	15	97
Accrued income and prepaid expenses	1 128	518	1 646	612	43	655
Other assets	579	781	1 360	492	614	1 106
<b>Total assets</b>	<b>128 029</b>	<b>49 774</b>	<b>177 803</b>	<b>123 326</b>	<b>28 172</b>	<b>151 498</b>
<b>Liabilities</b>						
Amounts due to banks	16 806	23 196	40 002	–	17 958	17 958
Other amounts due to customers	8 246	95 023	103 269	6 070	93 592	99 662
Accrued expenses and deferred income	1 844	64	1 908	3 057	–	3 057
Other liabilities	2 407	532	2 939	986	439	1 425
Value adjustments and provisions	243	–	243	960	–	960
Share capital	22 000	–	22 000	22 000	–	22 000
General legal reserve	332	–	332	226	–	226
Profit brought forward	6 104	–	6 104	4 094	–	4 094
Profit for the year	1 006	–	1 006	2 116	–	2 116
<b>Total liabilities</b>	<b>58 988</b>	<b>118 815</b>	<b>177 803</b>	<b>39 509</b>	<b>111 989</b>	<b>151 498</b>

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

Assets	2014		2013	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	128 028	72	123 326	82
Europe excluding Switzerland	40 008	23	19 929	13
United States and Canada	9 431	5	8 196	5
Others	336	–	47	–
<b>Total assets</b>	<b>177 803</b>	<b>100</b>	<b>151 498</b>	<b>100</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Liquid assets	80 806	14 219	–	–	–	–	95 025
Amounts due from banks	3 157	3 037	31 331	7 434	360	1 891	47 210
Amounts due from customers	5	39	27	–	–	18	89
Financial investments	28 934	–	–	–	–	–	28 934
Participations	2 095	–	–	–	–	–	2 095
Tangible fixed assets	1 365	–	–	–	–	–	1 365
Intangible assets	79	–	–	–	–	–	79
Accrued income and prepaid expenses	1 045	161	368	6	–	66	1 646
Other assets	1 357	3	–	–	–	–	1 360
<b>Total assets</b>	<b>118 843</b>	<b>17 459</b>	<b>31 726</b>	<b>7 440</b>	<b>360</b>	<b>1 975</b>	<b>177 803</b>
Claims arising from spot exchange and swap transactions	138 853	406 566	862 208	150 311	146 789	255 430	1 960 157
<b>Total at 31 December 2014</b>	<b>257 696</b>	<b>424 025</b>	<b>893 934</b>	<b>157 751</b>	<b>147 149</b>	<b>257 405</b>	<b>2 137 960</b>
<b>Liabilities</b>							
Amounts due to banks	2 774	13 816	20 070	2 264	587	491	40 002
Other amounts due to customers	9 158	30 234	52 969	5 806	693	4 409	103 269
Accrued expenses and deferred income	1 087	532	226	16	1	46	1 908
Other liabilities	1 206	11	1 720	–	–	2	2 939
Value adjustments and provisions	239	–	4	–	–	–	243
Share capital	22 000	–	–	–	–	–	22 000
General statutory reserve	332	–	–	–	–	–	332
Profit brought forward	6 104	–	–	–	–	–	6 104
Profit for the year	1 006	–	–	–	–	–	1 006
<b>Total liabilities</b>	<b>43 906</b>	<b>44 593</b>	<b>74 989</b>	<b>8 086</b>	<b>1 281</b>	<b>4 948</b>	<b>177 803</b>
Delivery obligations arising from spot exchange and swap transactions	211 545	390 436	789 761	158 944	151 619	257 852	1 960 157
<b>Total at 31 December 2014</b>	<b>255 451</b>	<b>435 029</b>	<b>864 750</b>	<b>167 030</b>	<b>152 900</b>	<b>262 800</b>	<b>2 137 960</b>
Net position by currency	2 245	(11 004)	29 184	(9 279)	(5 751)	(5 395)	–

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

#### A. Open financial derivatives

	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
<b>OTC transactions</b>			
Currencies:			
– forward contracts*	462 060	439 206	212 304 296
– swaps	2 157 008	1 348 213	1 724 306 029
<b>Total currencies</b>	<b>2 619 068</b>	<b>1 787 419</b>	<b>1 936 610 325</b>
Precious metals:			
– forward contracts*	–	31 392	2 749 450
– swaps	1	83 231	16 806 020
<b>Total precious metals</b>	<b>1</b>	<b>114 623</b>	<b>19 555 470</b>
Indices:			
– forward contracts*	–	–	–
– swaps	1 302	682	3 342 175
<b>Total indices</b>	<b>1 302</b>	<b>682</b>	<b>3 342 175</b>
Others:			
– forward contracts*	–	–	–
– swaps	713	130	649 294
<b>Total others</b>	<b>713</b>	<b>130</b>	<b>649 294</b>
<b>Total at 31 December 2014 before impact of netting contracts</b>	<b>2 621 084</b>	<b>1 902 854</b>	<b>1 960 157 264</b>
Total at 31 December 2013 before impact of netting contracts	2 951 326	2 879 174	2 557 160 717
<b>Total at 31 December 2014 after impact of netting contracts</b>	<b>1 356 813</b>	<b>638 584</b>	
Total at 31 December 2013 after impact of netting contracts	1 106 004	1 033 852	

\* 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

	2014	2013
	CHF	CHF
<b>Trading income</b>		
Currency and precious metals trading income	26 625 770	29 933 335
Binary options	142 939	–
<b>Total</b>	<b>26 768 709</b>	<b>29 933 335</b>

#### B. Personnel expenses

	2014	2013
	CHF	CHF
<b>Personnel expenses</b>		
Salaries	11 159 225	11 192 849
Benefits	2 563 549	2 794 921
Other personnel expenses	107 998	90 496
<b>Total personnel expenses</b>	<b>13 830 772</b>	<b>14 078 266</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

### C. Other operating expenses

	2014 CHF	2013 CHF
<b>Other operating expenses</b>		
Marketing and communication	4 148 532	3 178 847
Premises	2 182 586	2 321 330
Legal, audit and consulting	1 466 829	1 083 103
Post, telecommunications and data	733 784	770 055
Travels	1 037 553	985 476
Office supply	242 308	237 502
IT related expenses	1 937 772	1 701 672
Others	308 829	186 009
<b>Total other operating expenses</b>	<b>12 058 193</b>	<b>10 463 994</b>

### D. Extraordinary income and expenses

	2014 CHF	2013 CHF
<b>Extraordinary income</b>		
Release of provision on doubtful debtors	4 637	13 006
Release of other provisions*	461 000	–
Release of provision for litigations	370 000	–
Reversal of accrued liabilities recorded in previous years	692 850	–
Reimbursement from a broker	8 972	–
<b>Total extraordinary income</b>	<b>1 537 459</b>	<b>13 006</b>

\*Silent reserve as per Swiss banking regulation.

There was no extraordinary expense in 2014 and 2013.

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2014

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

	2014	
	Domestic CHF	Foreign CHF
Net interest income	49 899	–
Net income from commissions and services	331 373	–
Trading income	26 768 709	–
Personnel expenses	(8 372 453)	(5 458 319)
Other operating expenses	(6 079 068)	(5 979 125)
<b>Gross profit</b>	<b>12 698 460</b>	<b>(11 437 444)</b>

	2013	
	Domestic CHF	Foreign CHF
Net interest income	9 122	–
Net income from commissions and services	175 577	–
Trading income	29 933 335	–
Personnel expenses	(8 552 352)	(5 525 914)
Other operating expenses	(5 223 816)	(5 240 178)
<b>Gross profit</b>	<b>16 341 866</b>	<b>(10 766 092)</b>

## PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

as at 31 December 2014

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

	2014
	CHF
Profit for the year	1 006 466
Profit brought forward	6 104 408
<b>Amount at the disposal of the Shareholders' meeting</b>	<b>7 110 874</b>
<b>Proposed utilisation</b>	
Contribution to the general legal reserve	51 000
To be carried forward	7 059 874
<b>Total</b>	<b>7 110 874</b>

# REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

to the General Meeting 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 2014.

## *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 2014 comply with Swiss law and the company's articles of incorporation.

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

# REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 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, 27 April 2015

Enclosure:

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



# CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED BALANCE SHEET

as at 31 December 2014

<b>ASSETS</b>	31.12.2014 <b>CHF</b>	31.12.2013 <b>CHF</b>
Liquid assets	95 024 810	82 630 033
Amounts due from banks	47 665 989	48 105 078
Amounts due from customers	100 751	78 459
Financial investments	28 934 315	15 961 977
Non-consolidated participations	808 085	200 000
Tangible fixed assets	1 365 743	1 690 401
Intangible assets	81 864	97 033
Accrued income and prepaid expenses	1 773 999	656 959
Other assets	1 412 403	1 308 544
<b>TOTAL ASSETS</b>	<b>177 167 959</b>	<b>150 728 484</b>
Total amounts due from non-consolidated Group companies and qualified participants	13 000	1 362
<b>LIABILITIES</b>	<b>CHF</b>	<b>CHF</b>
Amounts due to banks	35 151 126	13 875 581
Other amounts due to customers	106 597 797	102 337 076
Accrued expenses and deferred income	2 032 111	3 091 453
Other liabilities	3 071 518	1 643 473
Value adjustments and provisions	243 124	614 135
Reserves for general banking risks	-	345 750
Share capital	22 000 000	22 000 000
Profit reserves	6 780 072	4 091 990
Profit for the year	1 292 211	2 729 026
<b>TOTAL LIABILITIES</b>	<b>177 167 959</b>	<b>150 728 484</b>
Total amounts due to non-consolidated Group companies and qualified participants	84 170	164 128

## CONSOLIDATED OFF-BALANCE SHEET

as at 31 December 2014

<b>Off-balance sheet commitments</b>	31.12.2014 <b>CHF</b>	31.12.2013 <b>CHF</b>
Contingent commitments	125 381	82 499
Irrevocable commitments	822 000	804 000
<b>Off-balance sheet financial instruments</b>		
Underlying amounts	1 960 157 264	2 557 231 828
Positive replacement values	2 658 141	3 127 018
Negative replacement values	1 939 477	3 072 004

## CONSOLIDATED STATEMENT OF INCOME

for the year 2014

	31.12.2014 CHF	31.12.2013 CHF
<b>Interest income</b>		
Interest income	683 676	266 413
Interest expenses	(633 777)	(257 291)
<b>Net interest income</b>	<b>49 899</b>	<b>9 122</b>
<b>Income from commissions and services</b>		
Commission income from other services	551 707	345 116
Commission expenses	(223 751)	(174 136)
<b>Net income from commissions and services</b>	<b>327 956</b>	<b>170 980</b>
<b>Trading income</b>	<b>27 908 009</b>	<b>30 962 064</b>
<b>Operating expenses</b>		
Personnel expenses	(14 432 576)	(14 415 031)
Other operating expenses	(12 305 727)	(10 538 100)
<b>Total operating expenses</b>	<b>(26 738 303)</b>	<b>(24 953 131)</b>
Gross profit	1 547 561	6 189 035
Depreciation	(946 121)	(2 433 964)
Value adjustments, provisions and losses	(247 703)	(137 200)
<b>Profit before extraordinary items and taxes</b>	<b>353 737</b>	<b>3 617 871</b>
Extraordinary income	1 422 209	59 913
Taxes	(483 735)	(948 758)
<b>Profit for the year</b>	<b>1 292 211</b>	<b>2 729 026</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**1. Activity and number of employees of the Group**

Dukascopy Bank SA (hereinafter the "Bank") has its head office in Geneva (Switzerland) and representative offices in Riga (Latvia), Kiev (Ukraine), Hong Kong (China), Kuala Lumpur (Malaysia) and Moscow (Russia). The Bank is mainly active in the dealing of foreign exchange, precious metals and derivatives such as Contract For Difference and binary options (together referred to as the "Instruments") through its home built trading platforms.

In 2011, the Bank acquired from AS Rietumu Banka, Latvia, 100% of AS RB Securities IBS, a European regulated broker based in Riga. This subsidiary has been renamed Dukascopy Europe IBS AS. Dukascopy Europe IBS AS offers the same Instruments to its own clients through a white label agreement with the Bank.

Expressed in terms of full-time jobs, the number of employees in the Group at 31 December 2014 was 233.9 (232.8 at 31 December 2013).

**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 entity of the Group and provides various services to Dukascopy Europe IBS AS including trading infrastructure, comments here-after focus on the Bank. The Bank's Board of Directors has established an analysis of the main risks the Bank and its subsidiaries are 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 Dukascopy Group. In its analysis, the Board of Directors has considered the internal control system in place to manage risks on a Group perspective. 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 and Dukascopy Group policies. Internal control system includes, in particular, a system of limits, the definition of authorised activities as well as competences relating to risk taking in conformity with applicable prudential regulation. All significant risks are measured and controlled by an independent body.

**Credit risk**

Trading of Instruments is based on margin accounts which are mainly funded in cash deposited with the Group or covered by bank guarantees. The trading platforms automatically monitor the credit risk relating to clients by way of margin call and margin cut functionalities which shall ensure that the Group entities remain covered by sufficient collateral at any time.

Credit risk relating to banks and other trading counterparties is mitigated by the fixation of exposure limits within the competences set by the Top Management. 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

as at 31 December 2014

## **Market risk**

The IT system of the Bank measures market risk exposure on an ongoing basis and automatically ensures that exposure limits set by the Bank's Board of Directors are complied with at any time. If necessary, the Bank may also reduce its market risk exposure manually by entering into hedging transactions with trading counterparties. So far, Dukascopy Europe IBS AS was not exposed to market risk as a result of its trading activities.

Swiss government bonds owned by the Bank are aimed to be held until maturity and serve as long term collateral deposited with trading counterparties. As a result, interest rate risk they generate is unlikely to materialise. The Bank calculates interest rate risk on a quarterly basis and optimises assets and liabilities management as often as deemed necessary.

## **Operational risks**

Operational risks include the legal risk and concentrate mainly on execution of transactions on Instruments through the Bank's trading platforms. Dukascopy Bank platforms ensure a fully automated execution of transactions which 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 business processes involving operational risks. Internal control system includes segregations of duties, written internal regulation, control activities such as reconciliations and reporting of relevant information to bodies in charge of risk supervision: Top Management and specialised committees.

## **Compliance risks**

The policy of Dukascopy Group is to conduct its activities in respect of the laws, regulatory provisions 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 and report compliance issues to competent bodies in charge of the high level management and supervision.

## **3. Accounting and valuation principles of the consolidated financial statements**

### **3.1. Principles ruling the establishment of the consolidated financial statements**

The consolidated annual accounts at 31 December are in conformity with the regulations in force in Switzerland and more particularly with the transitory rules of 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

as at 31 December 2014

**3.2. Changes to accounting and valuation principles**

There was no change to such principles in 2014.

**3.3. 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 present consolidated 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.

Companies 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 affiliates. Goodwill identified on affiliates 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.

**3.4. 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 affiliates and jointly controlled companies are eliminated to the extent of the Group's interest in these entities.

**3.5. True and fair view principle**

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

**3.6. Closing date of the consolidated financial statements**

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

**3.7. Recording of transactions**

For all consolidated Group entities, transactions are recorded in accordance with the trade date principle with the exception of trades of Instruments which are carried in the off-balance sheet until their value date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

### 3.8. Conversion of foreign currencies

The consolidated financial statements are presented in Swiss francs (CHF). Transactions in foreign currency are converted into the functional currency of each Group entity using the exchange rate prevailing on the transaction date. Conversion gains and losses are recorded as "Trading income".

The balance sheet, off-balance sheet and statement of income of consolidated Group entities are converted into CHF at closing spot rates. Conversion differences arising from the consolidation of Group entities are included in "Profit reserves" in the consolidated balance sheet.

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

		2014 CHF	2013 CHF
USD	1.00	0.99435	0.89310
EUR	1.00	1.20295	1.22745
GBP	1.00	1.54890	1.47855
CAD	1.00	0.85540	0.84060
JPY	1.00	0.00831	0.00848
AUD	1.00	0.81215	0.79580
NZD	1.00	0.77520	0.73445
NOK	1.00	0.13339	0.14710
SEK	1.00	0.12762	0.13872
SGD	1.00	0.75027	0.70684

### 3.9. 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".

### 3.10. Loans and advances

The Group is not active in credit activities. However, loans and advances on salaries may be granted to employees of the Bank and amounts receivable from clients may appear in the normal course of the Bank's core activities. Loans and advances 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 CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

### **3.11. Financial investments**

This caption only comprises Swiss government bonds acquired with the intention to hold them until maturity. Held-to-maturity interest-bearing securities are carried at cost, with premiums or discounts (yield components) amortised over the term of the securities using the accrual method. Gains and losses which would arise in case of their sale or early redemption would be recorded proportionally up to the initial maturity date of the securities.

### **3.12. Non-consolidated participations**

They are recorded at their acquisition cost less necessary impairment losses.

### **3.13. 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

### **3.14. Intangible assets**

They consist in software acquired either by purchase or by contribution from shareholders. Contribution values were based on independent valuations. Software is 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 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.

\* 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

as at 31 December 2014

### **3.15. 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 consolidated statement of income or allocated to cover other risks. This caption also includes provisions for deferred tax.

### **3.16. Employee benefit obligations**

The treatment of pension commitments is based on the Swiss GAAP FER 16 rules. 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, 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, Group entities want or have to participate in the financing of the pension funds.

Each time the annual accounts are established, concerned 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 Swiss GAAP FER 26 rules. An economic commitment is recorded as "Valuation adjustments and provisions" whereas an economic benefit is accounted for under "Other assets".

### **3.17. 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 silent reserves in financial statements of Group entities which must be reclassified in the consolidated balance sheet in application of the true and fair view principle. The reserves for general banking risks form an integral part of eligible capital.

### **3.18. Share capital**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**3.19. Profit reserves**

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

**3.20. 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 consolidated statement of income. Deferred tax assets on tax losses carried forward are not capitalised; they are set out under note 4.P.

**3.21. Trading operations**

Trading operations are made up of spot transactions on Instruments which are marked-to-market. Realised and unrealised results from trading operations are recorded in the "Trading income".

**3.22. Use of swaps**

Group entities use currency swaps to rollover spot foreign exchange and precious metals transactions to the next spot settlement date until positions are closed. Replacement values of open Instruments at 31 December are recorded in "Other assets" and "Other liabilities".

**4. Events after the consolidated balance sheet date**

The Swiss National Bank decision to abandon the 1.20 peg on the EUR/CHF exchange rate has been followed by a large and sudden shift of the EUR/CHF. Effective risk management measures implemented by the Bank have successfully limited the impact of this event on the Bank itself and the Group clients. Although the Group decided to compensate negative balances which appeared on some client accounts, the Group did not suffer any relevant loss in relation to this exceptional event.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

### 4. Information concerning the consolidated 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	–	18 017	82 734	100 751
<b>Total at 31 December 2014</b>	–	<b>18 017</b>	<b>82 734</b>	<b>100 751</b>
Total at 31 December 2013	–	–	78 459	78 459

Off-balance sheet commitments				
Contingent commitments	–	125 381	–	125 381
Irrevocable commitments	–	–	822 000	822 000
<b>Total at 31 December 2014</b>	–	<b>125 381</b>	<b>822 000</b>	<b>947 381</b>
Total at 31 December 2013	–	82 499	804 000	886 499

Breakdown of impaired loans/receivables	Gross debt amount CHF	Estimated liquidation proceeds of collateral* CHF	Net debt amount CHF	Individual value adjustments CHF
<b>Total at 31 December 2014</b>	<b>41 686</b>	–	<b>41 686</b>	<b>17 331</b>
Total at 31 December 2013	10 818	–	10 818	10 818

\* Credit or liquidation value per customer: the lower value is applied

#### B. Financial investments

	Book value		Fair value	
	2014 CHF	2013 CHF	2014 CHF	2013 CHF
<b>Debt securities</b>				
<i>of which bonds held to maturity</i>	28 934 315	15 961 977	29 207 260	16 312 080
<b>Total</b>	<b>28 934 315</b>	<b>15 961 977</b>	<b>29 207 260</b>	<b>16 312 080</b>
<i>incl. securities eligible for repo transactions in accordance with liquidity regulations</i>	28 934 315	15 961 977	29 207 260	16 312 080

#### C. Non-consolidated participations

	2014 CHF	2013 CHF
<b>Non-consolidated participations</b>		
Without listed value	808 085	200 000
<b>Total non-consolidated participations</b>	<b>808 085</b>	<b>200 000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

Non-consolidated participations	2014				
	Activity	Head office	Share capital CHF	Net book value CHF	Ownership & voting rights
SWFX–Swiss FX Marketplace SA	dormant	Geneva	100 000	100 000	100%
Dukascopy Community SA	social media	Geneva	100 000	100 000	100%
Dukascopy Payments AS	dormant	Riga	608 085	608 085	100%

Non-consolidated participations	2013				
SWFX–Swiss FX Marketplace SA	dormant	Geneva	100 000	100 000	100%
Dukascopy Community SA	social media	Geneva	100 000	100 000	100%

**D. Fixed assets**

	Cost value CHF	Accumulated depreciation CHF	2013 Book value at end of year CHF	Additions CHF	Disposals CHF	Depreciation CHF	2014 Book value at end of year CHF
<b>Participations</b>							
–Majority participations	200 000	–	200 000	608 085	–	–	808 085
<b>Total participations</b>	<b>200 000</b>	<b>–</b>	<b>200 000</b>	<b>608 085</b>	<b>–</b>	<b>–</b>	<b>808 085</b>
Tangible fixed assets	7 637 514	(5 947 113)	1 690 401	576 707	(3 883)	(897 482)	1 365 743
Intangible assets (softwares)	22 715 997	(22 618 964)	97 033	33 470	–	(48 639)	81 864
<b>Total fixed assets</b>	<b>30 353 511</b>	<b>(28 566 077)</b>	<b>1 787 434</b>	<b>610 177</b>	<b>(3 883)</b>	<b>(946 121)</b>	<b>1 447 607</b>

	2014 CHF	2013 CHF
Fire insurance value of tangible fixed assets	4 203 497	4 202 446

	2015 CHF	2016 CHF	2017 CHF	2018 CHF	2019 CHF	2020 CHF
<b>Future leasing installments arising from operating leases</b>	<b>1 839 239</b>	<b>981 828</b>	<b>837 823</b>	<b>608 401</b>	<b>608 401</b>	<b>571 376</b>

**E. Other assets and liabilities**

	2014 CHF	2013 CHF
<b>Other assets</b>		
Positive replacement values	1 393 870	1 281 688
Others	18 533	26 856
<b>Total other assets</b>	<b>1 412 403</b>	<b>1 308 544</b>
<b>Other liabilities</b>		
Negative replacement values	675 206	1 226 749
Wire transfers	2 088 435	246 437
Indirect taxes to be paid	271 746	144 983
Others	36 131	25 304
<b>Total other liabilities</b>	<b>3 071 518</b>	<b>1 643 473</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

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

	2014		2013	
	Book value of pledged assets & assets assigned as collateral CHF	Effective obligations CHF	Book value of pledged assets & assets assigned as collateral CHF	Effective obligations CHF
Swiss government bonds	19 907 237	1 700 623	15 961 977	4 164 142
Deposits made with banks to cover guarantees	237 219	237 219	244 530	244 530
<b>Total</b>	<b>20 144 456</b>	<b>1 937 842</b>	<b>16 206 507</b>	<b>4 408 672</b>

### G. Indications relating to pension funds

A collective pension fund plan exists for the employees based in Switzerland (Caisse Inter-Entreprises-CIEPP).

This fund is 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 (2013: nil).

Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2013, the coverage ratio is 112.6% (31 December 2012: 107.5%).

The employees based in Russia are affiliated to a defined contributions scheme pension fund of the Russian state.

This fund does not allow any employer's contribution reserve. There is no pension funds for the consolidated entity of the Group.

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

	2014 CHF	2013 CHF
Contributions paid by the Bank in Switzerland	428 332	450 967
Contributions paid by the Bank in Russia	651	984
<b>Total</b>	<b>428 983</b>	<b>451 951</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**H. Value adjustments, provisions and reserves for general banking risks**

	Balance at 31 December 2013 CHF	Utilisation in conformity with designated purpose CHF	Recoveries, past due interest, currency translation differences CHF	New provisions charged to income CHF	Releases to income CHF	Balance at 31 December 2014 CHF
Provisions for deferred taxes	115 250	–	–	–	(115 250)	–
Value adjustments and provisions for default risks (collection and country risks)	10 818	(1 378)	(122)	12 650	(4 637)	17 331
Value adjustments and provisions for other business risks	488 067	(12 274)	–	120 000	(370 000)	225 793
<b>Total value adjustments and provisions</b>	<b>614 135</b>	<b>(13 652)</b>	<b>(122)</b>	<b>132 650</b>	<b>(489 887)</b>	<b>243 124</b>
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.

**i. Justification of equity**

	2014 CHF	2013 CHF
<b>Shareholders' equity as at 1st January</b>		
Share capital	22 000 000	22 000 000
Profit reserves	6 821 016	4 091 990
Reserves for general banking risks	345 750	345 750
<b>Total shareholders' equity at 1st January</b>	<b>29 166 766</b>	<b>26 437 740</b>
Release of Reserves for general banking risks	(345 750)	–
Net changes of Profit reserves	(40 944)	–
Profit for the year	1 292 211	2 729 026
<b>Total shareholders' equity at 31 December</b>	<b>30 072 283</b>	<b>29 166 766</b>
Represented by:		
Share capital	22 000 000	22 000 000
Profit reserves	8 113 228	6 821 016
Reserves for general banking risks	–	345 750

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

### J. Presentation of the capital adequacy

	2014 CHF ('000)	2013 CHF ('000)
Share capital	22 000	22 000
Profit reserves	6 780	6 100
Reserves for general banking risks	–	346
./. Participations	(808)	(100)
<b>Total eligible capital (CET1)</b>	<b>27 972</b>	<b>28 364</b>

#### 2014

	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		1 367
Risks without counterparty	Swiss standardised		724
Market risks	standardised		4 171
<i>of which on currencies</i>	<i>standardised</i>	3 547	
<i>of which on gold and commodities</i>	<i>standardised</i>	624	
Operational risks	basic indicator		4 342
<b>Total required capital</b>			<b>10 604</b>
Surplus of eligible capital			17 368

\* The Group uses the transitory rules allowed by the capital adequacy ordinance and is therefore not fully applying the Basel III regulation yet.

#### 2013

	Used approach*	Required capital CHF ('000)	
Credit risks	Swiss standardised		1 395
Risks without counterparty	Swiss standardised		894
Market risks	standardised		8 017
<i>of which on currencies</i>	<i>standardised</i>	7 502	
<i>of which on gold and commodities</i>	<i>standardised</i>	515	
Operational risks	basic indicator		4 427
<b>Total required capital</b>			<b>14 733</b>
Surplus of eligible capital			13 613

\* The Group uses the transitory rules allowed by the capital adequacy ordinance and is therefore not fully applying the Basel III regulation yet.

	2014	2013
Ratio between eligible capital and required capital <sup>1</sup>	263,8%	192,4%
Solvency ratios <sup>1,2</sup>	21,1%	15,4%

1. before coverage of large exposures excess

2. 10.5% minimum is required

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**K. 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	No maturity CHF	Total CHF
Liquid assets	95 024 810	–	–	–	–	–	–	95 024 810
Amounts due from banks	47 428 770	237 219	–	–	–	–	–	47 665 989
Amounts due from customers	58 170	42 581	–	–	–	–	–	100 751
Financial investments	–	–	–	–	28 934 315	–	–	28 934 315
<b>Total current assets at 31 December 2014</b>	<b>142 511 750</b>	<b>279 800</b>	<b>–</b>	<b>–</b>	<b>28 934 315</b>	<b>–</b>	<b>–</b>	<b>171 725 865</b>
Total current assets at 31 December 2013	130 502 411	311 159	–	–	15 961 977	–	–	146 775 547
Third-party liabilities								
Amounts due to banks	35 151 126	–	–	–	–	–	–	35 151 126
Other amounts due to customers	106 597 797	–	–	–	–	–	–	106 597 797
<b>Total third-party liabilities at 31 December 2014</b>	<b>141 748 923</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>141 748 923</b>
Total third-party liabilities at 31 December 2013	116 212 657	–	–	–	–	–	–	116 212 657

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

At 31 December 2014 and 2013, 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 rent, marketing services and software development support. Transactions with related parties are conducted at arm's length and were recorded as follows:

	2014 CHF	2013 CHF
Amounts due to related parties at 31 December	679	84
Other operating expenses	571 401	699 647
Introducing agent commissions paid	11 278	3 880

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

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

in CHF ('000)	2014			2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
<b>Assets</b>						
Liquid assets	80 806	14 219	95 025	82 016	614	82 630
Amounts due from banks	15 518	32 148	47 666	23 030	25 074	48 104
Amounts due from customers	21	80	101	72	6	78
Financial investments	28 934	–	28 934	15 962	–	15 962
Participations	200	608	808	200	–	200
Tangible fixed assets	772	594	1 366	860	831	1 691
Intangible assets	71	11	82	82	15	97
Accrued income and prepaid expenses	1 146	628	1 774	612	45	657
Other assets	576	836	1 412	501	808	1 309
<b>Total assets</b>	<b>128 044</b>	<b>49 124</b>	<b>177 168</b>	<b>123 335</b>	<b>27 393</b>	<b>150 728</b>
<b>Liabilities</b>						
Amounts due to banks	16 806	18 345	35 151	–	13 876	13 876
Other amounts due to customers	8 246	98 352	106 598	6 102	96 235	102 337
Accrued expenses and deferred income	1 844	188	2 032	3 091	–	3 091
Other liabilities	2 402	670	3 072	1 012	631	1 643
Value adjustments and provisions	243	–	243	607	7	614
Reserves for general banking risks	–	–	–	346	–	346
Share capital	22 000	–	22 000	22 000	–	22 000
Profit reserves	6 780	–	6 780	4 092	–	4 092
Profit for the year	1 292	–	1 292	2 729	–	2 729
<b>Total liabilities</b>	<b>59 613</b>	<b>117 555</b>	<b>177 168</b>	<b>39 979</b>	<b>110 749</b>	<b>150 728</b>

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

Assets	2014		2013	
	Absolute CHF ('000)	Share %	Absolute CHF ('000)	Share %
Switzerland	128 045	72	123 335	82
Europe excluding Switzerland	39 324	22	19 036	13
United States and Canada	9 433	6	8 201	5
Others	366	–	156	–
<b>Total assets</b>	<b>177 168</b>	<b>100</b>	<b>150 728</b>	<b>100</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**O. Analysis of the consolidated balance sheet per currency**

in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Liquid assets	80 806	14 219	–	–	–	–	95 025
Amounts due from banks	3 196	3 185	31 366	7 514	363	2 042	47 666
Amounts due from customers	6	41	35	–	–	19	101
Financial investments	28 934	–	–	–	–	–	28 934
Participations	808	–	–	–	–	–	808
Tangible fixed assets	1 365	1	–	–	–	–	1 366
Intangible assets	79	3	–	–	–	–	82
Accrued income and prepaid expenses	1 045	205	433	8	–	83	1 774
Other assets	1 394	2	15	1	–	–	1 412
<b>Total assets</b>	<b>117 633</b>	<b>17 656</b>	<b>31 849</b>	<b>7 523</b>	<b>363</b>	<b>2 144</b>	<b>177 168</b>
Claims arising from spot exchange and swap transactions	138 914	406 566	862 164	150 304	146 783	255 426	1 960 157
<b>Total at 31 December 2014</b>	<b>256 547</b>	<b>424 222</b>	<b>894 013</b>	<b>157 827</b>	<b>147 146</b>	<b>257 570</b>	<b>2 137 325</b>

**Liabilities**

Amounts due to banks	2 647	10 647	18 921	2 117	566	253	35 151
Other amounts due to customers	9 324	31 598	54 169	6 034	703	4 770	106 598
Accrued expenses and deferred income	1 088	635	245	17	1	46	2 032
Other liabilities	1 243	105	1 721	–	–	3	3 072
Value adjustments and provisions	239	–	4	–	–	–	243
Share capital	22 000	–	–	–	–	–	22 000
Profit reserves	6 780	–	–	–	–	–	6 780
Profit for the year	1 006	286	–	–	–	–	1 292
<b>Total liabilities</b>	<b>44 327</b>	<b>43 271</b>	<b>75 060</b>	<b>8 168</b>	<b>1 270</b>	<b>5 072</b>	<b>177 168</b>
Delivery obligations arising from spot exchange and swap transactions	211 605	390 436	789 718	158 935	151 615	257 848	1 960 157
<b>Total at 31 December 2014</b>	<b>255 932</b>	<b>433 707</b>	<b>864 778</b>	<b>167 103</b>	<b>152 885</b>	<b>262 920</b>	<b>2 137 325</b>
Net position by currency	615	(9 485)	29 235	(9 276)	(5 739)	(5 350)	–

**P. Deferred tax assets**

	2014 CHF	2013 CHF
Amount of non-capitalised deferred tax asset	27 066	168 664

This amount relates to losses carried forward by Dukascopy Europe IBS AS.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

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

#### A. Open financial derivatives

	Trading instruments		
	Positive replacement values CHF	Negative replacement values CHF	Contract volumes CHF
<b>OTC transactions</b>			
Currencies:			
– forward contracts*	462 060	439 206	212 304 296
– swaps	2 192 580	1 384 836	1 724 306 051
<b>Total currencies</b>	<b>2 654 640</b>	<b>1 824 042</b>	<b>1 936 610 347</b>
Precious metals:			
– forward contracts*	–	31 392	2 749 450
– swaps	1 486	83 231	16 805 997
<b>Total precious metals</b>	<b>1 486</b>	<b>114 623</b>	<b>19 555 447</b>
Indices:			
– forward contracts*	–	–	–
– swaps	1 302	682	3 342 176
<b>Total indices</b>	<b>1 302</b>	<b>682</b>	<b>3 342 176</b>
Others:			
– forward contracts*	–	–	–
– swaps	713	130	649 294
<b>Total others</b>	<b>713</b>	<b>130</b>	<b>649 294</b>
<b>Total at 31 December 2014 before impact of netting contracts</b>	<b>2 658 141</b>	<b>1 939 477</b>	<b>1 960 157 264</b>
Total at 31 December 2013 before impact of netting contracts	3 127 018	3 072 004	2 557 231 828
<b>Total at 31 December 2014 after impact of netting contracts</b>	<b>1 393 870</b>	<b>675 206</b>	
Total at 31 December 2013 after impact of netting contracts	1 281 688	1 226 749	

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

### 6. Information concerning the consolidated statement of income

#### A. Trading income

	2014	2013
	CHF	CHF
<b>Trading income</b>		
Currency and precious metals trading income	27 765 070	30 962 064
Binary options	142 939	–
<b>Total</b>	<b>27 908 009</b>	<b>30 962 064</b>

#### B. Personnel expenses

	2014	2013
	CHF	CHF
<b>Personnel expenses</b>		
Salaries	11 550 733	11 407 153
Benefits	2 773 845	2 914 151
Other personnel expenses	107 998	93 727
<b>Total personnel expenses</b>	<b>14 432 576</b>	<b>14 415 031</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

**C. Other operating expenses**

	2014 CHF	2013 CHF
<b>Other operating expenses</b>		
Marketing and communication	4 227 361	3 206 567
Premises	2 262 029	2 321 330
Legal, audit and consulting	1 507 372	1 117 079
Post, telecommunications and data	737 850	770 192
Travels	1 037 553	985 476
Office supply	245 627	237 560
IT related expenses	1 940 090	1 702 718
Others	347 845	197 178
<b>Total other operating expenses</b>	<b>12 305 727</b>	<b>10 538 100</b>

**D. Extraordinary income and expenses**

	2014 CHF	2013 CHF
<b>Extraordinary income</b>		
Release of provision on doubtful debtors	4 637	59 913
Release of Reserves for general banking risks	345 750	–
Release of provision for litigations	370 000	–
Reversal of accrued liabilities recorded in previous years	692 850	–
Reimbursement from a broker	8 972	–
<b>Total extraordinary income</b>	<b>1 422 209</b>	<b>59 913</b>

There was no extraordinary expense in 2014 and 2013.

**E. Taxes**

	2014 CHF	2013 CHF
Regular income and capital taxes	598 985	(948 758)
Change in deferred tax provision*	(115 250)	–
<b>Total taxes</b>	<b>483 735</b>	<b>(948 758)</b>

\* Such changes are debited or credited to the "Taxes" caption

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2014

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

	2014	
	Domestic CHF	Foreign CHF
Net interest income	49 899	–
Net income from commissions and services	331 374	(3 418)
Trading income	26 768 708	1 139 301
Personnel expenses	(8 372 453)	(6 060 123)
Other operating expenses	(6 079 068)	(6 226 659)
<b>Gross profit</b>	<b>12 698 460</b>	<b>(11 150 899)</b>

	2013	
	Domestic CHF	Foreign CHF
Net interest income	9 122	–
Net income from commissions and services	175 577	(4 597)
Trading income	29 933 335	1 028 729
Personnel expenses	(8 552 352)	(5 862 679)
Other operating expenses	(5 223 816)	(5 314 284)
<b>Gross profit</b>	<b>16 341 866</b>	<b>(10 152 831)</b>

# 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 2014.

## *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation 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 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 2014 give a true and fair view of the financial position and result of operations in accordance with the provisions governing the preparation of financial statements for Banks and comply with Swiss law.

# 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.

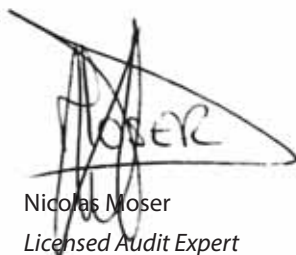
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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, 27 April 2015

Enclosure:

– Consolidated financial statements (balance sheet, income statement and notes)

**Head Office**

## GENEVA

ICC, Route de Pre-Bois 20,  
CH-1215 Geneva 15, Switzerland  
Tel: +41 (22) 799 4888  
Fax: +41 (22) 799 4880  
info@dukascopy.com

**Representative Office**

## KIEV

204119,  
Degtiarivska str. 27-T,  
4th floor, Kyiv, Ukraine  
Tel.: +380 4449 52092  
kiev@dukascopy.com

**Agency**

## ZURICH

Bahnhofstrasse 52, OBC,  
CH-8001 Zürich,  
Switzerland  
Tel: +41 (44) 214 6186  
info@dukascopy.com

**Representative Office**

## MOSCOW

109012, Moscow,  
2 M. Cherkaskiy per.  
Tel: +7 (495) 642 81 21  
Tel: +7 (499) 394 29 55  
moscow@dukascopy.com

**Consolidated Subsidiary**

## DUKASCOPY EUROPE IBS AS

Lacplesa iela 20a-1,  
Riga, LV-1011, Latvia  
Phone: +371 67 399 000  
Fax: +371 67 399 025  
info@dukascopy.eu

**Representative Office**

## RIGA

Lacplesa iela 20A,  
LV-1011, Riga, Latvia  
Tel: +37 16 721 87 25  
Fax: +37 16 721 87 30  
info@dukascopy.com

**Representative Office**

## KUALA LUMPUR

Level 8, Menara CIMB, No.1,  
Jalan Stesen Sentral 2,  
Kuala Lumpur Sentral, 50470  
Kuala Lumpur, MALAYSIA  
Tel.: +60 (3) 2298 83 13  
Fax: +60 (3) 2298 82 01  
kl@dukascopy.com

**Representative Office**

## HONG KONG

701, 7/F, Tower 2, Silvercord,  
30 Canton Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong  
Tel +852 5804 93 75  
Fax: +852 5804 93 75  
hongkong@dukascopy.com



[www.dukascopy.com](http://www.dukascopy.com)