DUKASCOPY
Swiss Banking Group

DUKASCOPY BANK SA

INTERIM BALANCE SHEET and STATEMENT OF INCOME

as at 30.06.2019

DUKASCOPY
Swiss Banking Group

DUKASCOPY BANK SA
INTERIM BALANCE SHEET

as at 30 June 2019

ASSETS	**30.06.2019 CHF**	**31.12.2018 CHF**
Liquid assets	30 581 312	34 042 501
Amounts due from banks	59 251 410	76 035 014
Amounts due from customers	322 968	168 175
Positive replacement values of derivative financial instruments	699 773	1 118 365
Financial investments	47 457 231	30 966 930
Accrued income and prepaid expenses	4 459 138	4 239 707
Participations	4 590 062	4 580 664
Tangible fixed assets	1 048 866	1 235 974
Other assets	403 573	646 945
TOTAL ASSETS	**148 814 333**	**153 034 275**

LIABILITIES	**CHF**	**CHF**
Amounts due to banks	21 372 589	24 892 701
Amounts due in respect of customer deposits	89 310 055	88 995 594
Negative replacement values of derivative financial instruments	656 113	857 765
Accrued expenses and deferred income	1 869 907	2 021 739
Other liabilities	479 174	1 864 968
Provisions	–	–
Bank's capital	22 000 000	22 000 000
Statutory retained earnings reserve	685 000	685 000
Profit carried forward	11 716 508	12 778 489
Six-month/Twelve-month result	724 987	(1 061 981)
TOTAL LIABILITIES	**148 814 333**	**153 034 275**

OFF-BALANCE SHEET TRANSACTIONS

as at 30 June 2019

Off–balance sheet commitments	**30.06.2019 CHF**	**31.12.2018 CHF**
Contingent liabilities	112 950	149 817
Irrevocable commitments	816 000	816 000

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Swiss Banking Group

STATEMENT OF INCOME

for the period ended 30 June 2019

Result from interest operations	30.06.2019 CHF	30.06.2018 CHF
Interest and discount income	(26 626)	10 214
Interest and dividend income from financial investments	341 558	319 147
Interest expense	**(219 266)**	**(184 553)**
Gross result from interest operations	95 666	144 808
Changes in value adjustments for default risks and losses from interest operations	–	–
Subtotal net result from interest operations	**95 666**	**144 808**

Result from commission business and services		
Commission income from other services	431 877	292 723
Commission expense	(220 637)	(160 157)
Subtotal result from commission business and services	**211 240**	**132 566**

Result from trading activities	**13 986 812**	**13 995 268**

Operating expenses		
Personnel expenses	(4 234 937)	(6 257 084)
General and administrative expenses	(8 709 611)	(7 741 067)
Subtotal operating expenses	**(12 944 548)**	**(13 998 151)**

Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(292 826)	(315 552)
Changes to provisions and other value adjustments, and losses	–	(76)
Operating result	**1 056 344**	**(41 137)**

Extraordinary income	1 079	–
Taxes	(332 436)	(145 980)
Six-month result	**724 987**	**(187 117)**

Dukascopy Swiss Banking Group

SUPPLEMENTARY REGULATORY DISCLOSURES - INTEREST RATE RISK

Dukascopy Bank (or the Bank) decided to forego the first time IRRBB disclosure as of 31 December 2018 as permitted by the FINMA circular 2016/1 “Disclosure – banks” and to publish it as of 30 June 2019. The next publications will be done yearly within the Annual Report at the year-end.

IRRBBA: Interest rate risk: measuring, managing, monitoring and controlling interest rate risks

Interest rate risk in the banking book is defined as the potential loss in the net interest income (NII) or in the economic value of equity (EVE) arising from the effect of adverse interest rate changes.

The Bank could be exposed to the interest rate risk by offering CFD trading on debt instruments. In such case, the Bank's exposure to the interest rate risk would fluctuate greatly depending on the clients trading positions. Therefore, the Bank decided to fully hedge this trading flow.

The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges nor pays interests to its clients.

The main source of interest rate risk of the Bank is in the bonds it holds as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

The Board of Directors defines the interest rate risk appetite of the Bank. The principles for managing risk are approved by the Board of Directors and are incorporated in the Bank risk management concept. The Bank risk management policies define the organisational structure, responsibilities and risk limits aligned with the Bank’s risk appetite. The Executive Management is responsible for monitoring the risk profile and recommending risk limits to the Board of Directors.

On a quarterly basis, the Chief Risk Officer issues a Risk Report to the Audit & Risk Committee and to the Board of Directors which includes the interest rate risk situation. This Risk Report inter alia presents the results of the stress tests with significant shifts in interest rate curves and the level of the risk limits.

Repricing maturities for all due to customers match with repricing maturities of interest rate sensitive assets. Since the Bank keeps its cash deposits at sight and does not have a credit business, all due from banks have 1 month and due from customers have less then twelve month repricing maturities.

Risk measurement mechanisms regarding the interest rate risk modelling are aligned with the business model of the Bank.

The Finance Service performs quarter-end stress tests to monitor the net interest income (NII) and the economic value of equity (EVE). These stress tests are measured for each currency using the internal base scenario (100 basis point change in interests) and the six prescribed interest rate shock scenarios imposed by FINMA (Circular 2019/2 Interest rate risk – banks). For each prescribed scenario, FINMA defines the amount in basis points of interest rate shock per currency (CHF, USD, EUR) and per maturity bucket (from overnight up to more than 20 years).

FINMA prescribed scenarios

The six standard scenarios prescribed by FINMA can be summarised and illustrated as follows:

Standard scenario	Amount of interest rate shock for CHF currency (illustrative)
Parallel shift up	+150 basis points
Parallel shift down	- 150 basis points
Steepener shock (short term rates down & long term rates up)	From -97 up to +90 basis points (depending on maturity bucket)
Flattener shock (short term rates up & long term rates down)	From +120 down to -60 basis points (depending on maturity bucket)
Rise in short term interest rates	From +150 down to 0 basis points (depending on maturity bucket)
Fall in short term interest rates	From -150 down to 0 basis points (depending on maturity bucket)

To measure its ability to withstand extreme changes in interest rates, the Bank may also conduct ad hoc stress tests in response to changes in market conditions. The details of the standard scenarios are provided in the circular.

Change in economic value of equity (EVE)

The change in the economic value of equity is computed with the assumptions of a run off balance sheet, where the existing banking book positions are not replaced by any new business. Floating rate instruments are only impacted for the period until the next interest rate reset date whereas for the fixed rate instruments the entire maturity is impacted.

Change in net interest income (NII)

The change in the net interest income is computed assuming a constant balance sheet, where maturing and repricing cash flows are replaced by new cash flows with identical features. The stress test is based on all cash flows from fixed and floating rate instruments as well as assets and liabilities at sight. The impact is measured for one-year period. Floating rate instruments are impacted after interest rate reset date while fixed interest rate instruments are impacted for the remaining time after the expiration up to one year. At sight assets and liabilities are impacted for the duration of one year. The assumptions reflect the expected behaviour of counterparties to modify or to cap the interest rate conditions (asset side) as well as the Bank's options to update its commercial policy with respect to negative interests charged to customers (liability side) without substantially affecting other revenue categories. Parallel shift up scenario may differ as well according to commercial policy and competition.

SUPPLEMENTARY REGULATORY DISCLOSURES

as at 30 June 2019

IRRBBA1: Interest rate risk - quantitative information on the structure of positions and maturity repricing

Positions with an defined interest rate reset date	**Volume** (in CHF millions)			**Average interest rate reset period** (in years)	
	Total	of which CHF	of which other significant currencies*	Total	of which CHF
Financial investments	43	30	13	8.18	10.20
Positions with an undefined interest rate reset date					
Amounts due from banks	59	3	45	0.04	0.04
Amounts due from customers	–	–	–	0.62	0.62
Sight liabilities in personal and current accounts	(95)	(9)	(76)	–	–
Other liabilities	(15)	0	(15)	–	–
TOTAL	**(8)**	**24**	**(33)**		

*Significant currencies are those which represent more than 10% of assets or liabilities (ie USD and EUR)

IRRBB1: Information on the economic value of equity and net interest income

In CHF millions 30.06.2019 (first time disclosure)	**Δ EVE** (change in the net present value)	**Δ NII** (change in the discounted earning value)
Parallel upward shift	(5.1)	–
Parallel downward shift	6.0	–
Steepener shock	(2.3)	–
Flattener shock	1.3	–
Upward short-term interest rate shock	(0.9)	–
Downward short-term interest rate shock	0.9	–
Maximum	6.0	–
Total eligible capital	34.4	

The Bank is required to disclose the measured change in economic value of equity (EVE) and changes in net interest income (NII) under the standard interest rate scenarios prescribed by FINMA. The change in net interest income (pre-tax) is disclosed as the difference in future interest income over a rolling 12-month period.

The Bank's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Bank neither charges nor pays interests to its clients. Nevertheless, it can review that policy at any time if considered necessary. Therefore, repricing maturities for all due to customers match with repricing maturities of interest rates sensitive assets. Since the bank does not place deposits on term with banks and do not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

The Bank could be exposed to the interest rate risk by offering CFD trading on debt instruments. In such case, the Bank's exposure to the interest rate risk would fluctuate greatly depending on the clients trading positions. Therefore, the Bank would need to fully hedge this trading flow. The main source of interest rate risk of the Bank is in the bonds it holds as collateral for trading counterparties. However, since these bonds are aimed to be held until maturity, the risk is not expected to materialize into losses.

DUKASCOPY GROUP
INTERIM CONSOLIDATED BALANCE SHEET

as at 30 June 2019

ASSETS	30.06.2019 CHF	31.12.2018 CHF
Liquid assets	30 581 312	34 042 501
Amounts due from banks	68 663 840	83 725 422
Amounts due from customers	555 088	398 924
Positive replacement values of derivative financial instruments	711 402	1 129 562
Financial investments	47 457 231	30 966 930
Accrued income and prepaid expenses	4 537 187	4 419 432
Non-consolidated participations	1 038 718	1 029 320
Tangible fixed assets	1 053 344	1 245 283
Other assets	428 082	808 442
TOTAL ASSETS	**155 026 204**	**157 765 816**

LIABILITIES	CHF	CHF
Amounts due to banks	17 479 976	20 415 841
Amounts due in respect of customer deposits	101 161 747	99 681 661
Negative replacement values of derivative financial instruments	660 670	875 367
Accrued expenses and deferred income	2 014 732	2 261 436
Other liabilities	545 081	1 929 308
Provisions	–	–
Bank's capital	22 000 000	22 000 000
Retained earnings reserve	10 303 793	12 179 002
Currency translation reserve	315 397	303 012
Consolidated Six-month/Twelve-month result	544 808	(1 879 811)
TOTAL LIABILITIES	**155 026 204**	**157 765 816**

CONSOLIDATED OFF-BALANCE SHEET TRANSACTIONS

as at 30 June 2019

Off–balance sheet commitments	30.06.2019 CHF	31.12.2018 CHF
Contingent liabilities	112 950	149 817
Irrevocable commitments	816 000	816 000

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CONSOLIDATED STATEMENT OF INCOME

for the period ended 30 June 2019

Result from interest operations	30.06.2019 CHF	30.06.2018 CHF
Interest and discount income	(26 626)	10 214
Interest and dividend income from financial investments	341 558	319 147
Interest expense	(219 266)	(184 553)
Gross result from interest operations	**95 666**	**144 808**
Changes in value adjustments for default risks and losses from interest operations	–	–
Subtotal net result from interest operations	**95 666**	**144 808**
Result from commission business and services		
Commission income from other services	465 369	336 536
Commission expense	(262 626)	(190 390)
Subtotal result from commission business and services	**202 743**	**146 146**
Result from trading activities	**14 602 828**	**15 085 351**
Operating expenses		
Personnel expenses	(5 034 090)	(7 182 385)
General and administrative expenses	(8 670 388)	(8 209 817)
Subtotal operating expenses	**(13 704 478)**	**(15 392 202)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(297 774)	(321 074)
Changes to provisions and other value adjustments, and losses	(23)	(146)
Operating result	**898 962**	**(337 117)**
Extraordinary income	1 079	–
Taxes	(355 233)	(161 866)
Consolidated six-month result	**544 808**	**(498 983)**

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On a quarterly basis, the Chief Risk Officer issues a Risk Report to the Audit & Risk Committee and to the Board of Directors that includes the interest rate risk situation. This Risk Report inter alia presents the results of the stress tests with significant shifts in interest rate curves and the level of use of the risk limits.

Repricing maturities for all due to customers match with repricing maturities of interest rate sensitive assets. Since the Bank keeps its cash deposits at sight and does not have a credit business, all due from banks have 1 month and due from customers have less then twelve month repricing maturities.

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Change in net interest income (NII)

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Amounts due from customers	1	–	–	0.62	0.62
Sight liabilities in personal and current accounts	(104)	(9)	(76)	–	–
Other liabilities	(15)	–	(15)	–	–
TOTAL	**(6)**	**24**	**(33)**		

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