DUKASCOPY
Swiss Banking Group

ANNUAL REPORT 2019

www.dukascopy.com

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INTRODUCING DUKASCOPY GROUP

Dukascopy's history started in 1998 as a physicist project headed by Dr. Andrey Duka in Geneva, aiming at serving the financial community through innovative solutions based on novel mathematical and econophysics techniques.

The founders' vision materialised in the form of an international FinTech group headed by Dukascopy Bank, an Internet-based Swiss bank and securities house counting 138.5 employees on 31.12.2019 (counted in full time equivalent, 182.6 on 31.12.2018). On the same date, Dukascopy Group counted 209.0 employees of which 204.3 for the consolidated companies (respectively 272.8 and 262.7 employees on 31.12.2018 for the Group and consolidated entities).

The bank and securities houses of Dukascopy Group are regulated in Switzerland, Latvia and Japan. The Group offers multi-products (FX, bullion, CFD, binary options) online and mobile trading platforms together with an increasing range of other financial services including current accounts, guarantees, classical banking payments, innovative instant payments via smartphones, payment cards, its own crypto-currency, etc. to individuals and institutions.

The motto of Dukascopy Group is to offer to everyone from around the world easy-to-use financial services at affordable conditions in a friendly and modern environment. Since 2016, an account with Dukascopy can be opened within one day, fully online which allowed the Bank to open around 200'000 accounts in 2019.

Dukascopy Group is also very active in media and entertainment through its Swiss online television "Dukascopy TV" (registered with OFCOM), Dukascopy online communities, social networks where members interact via the secure messenger "Dukascopy Connect 911" (chat and video) powered by Dukascopy Bank.

The Dukascopy brand is internationally known for innovation, integrity and fun in digital financial services.

MESSAGE FROM THE BOARD OF DIRECTORS

2019 was yet another year of growth and ground-breaking development for Dukascopy Group.

The Bank focused its efforts on the first pillar of its' ongoing success – innovation. In March 2019, Dukascopy Bank became the first regulated bank in the world to launch its own cryptocurrency – the Dukascoin, positioning Dukascopy as one of the leaders of the cryptocurrency revolution.

Dukascopy, however, does not intend to rest on its laurels. The Group's dedication to the development of cutting edge reliable banking, trading and cryptocurrencies related technologies remains a strong priority, with new products scheduled to be released in 2020.

We firmly believe that innovation in the field of financial services without strong risk management and strict adherence to the regulations and best practices is vain. The true challenge is often to develop and adapt the regulations to the ever-evolving contemporary financial sector. We welcome the great attention the Swiss Financial Market Authority pays to the fast-moving trends and value every opportunity to get involved in the process of rulemaking through constructive dialogue.

The first quarter of 2020 gave rise to an unprecedented challenge – the COVID-19 pandemic and the looming economic crisis in its wake. We are prepared to face it. The procedures, technologies and software we developed since our inception were intended to do just that. Our clients may count on our services to remain up and running 24/7.

The members of the Board of Directors would like to seize this opportunity to thank our employees, customers and business partners for their trust and invaluable support.

The Board of Directors

MESSAGE FROM THE co-CEOs

The productivity gains obtained during the previous years came to fruition in 2019. We have drastically lightened, simplified and reoriented our organisation around growth opportunities, namely mobile retail banking and crypto related activities, while continuing to take care of our trading customers.

2019 marked a very important milestone: on 28th of February 2019, Dukascopy Bank became the first bank in the world to issue its own crypto-currency, the Dukascoin.

We are proud of Dukascopy Bank's agility for quickly adopting the blockchain technology and launching concrete financial applications of it. Our bank has developed its own crypto related technology from scratch and a unique offering of services to the crypto industry without compromising its strict anti-money laundering policy.

During the current troubled circumstances of the COVID-19 pandemic, Dukascopy Bank's online business model is an immense advantage and guarantee of stability for the services provided to our customers. Our internationally spread organisation proves to be resilient and adaptable.

These achievements make us confident for the future.

We address a special welcome to the more than 200'000 clients who have opened an account in 2019, a record year in terms of account openings.

We express appreciation and gratitude to all our colleagues, clients and business partners for the new accomplishments made during this year.

Veronika and Andrey Duka
co-Chief Executive Officers

REVIEW OF OPERATIONS & KEY FIGURES

DUKASCOPY BANK SA

During the last 3 years, the Bank substantially invested in diversifying its range of products. Besides its traditional core business, the trading activity, the Bank has developed issuance, custody and exchange infrastructure for crypto-currencies as well as retail mobile banking services including instant payments and card operations. All such investments amounting to approximately CHF 6 million per year, have been realized without external financing. In 2019, the period of intensive investments in fast development of new products has ended, which, coupled with a controlled decrease of IT costs, personnel and other operating expenses has resulted in a profit for the financial year 2019. The Bank's Management expects that those factors will continue to positively influence the financial results of the Bank for the next years.

The Bank starts 2020 with well diversified and sustainable operations, high liquidity, low credit risks and assurance about the successful development of the business at Bank and Group levels. The financial result of the first quarter 2020 confirms such optimistic expectations – the profit reached CHF 9.5 million, which is historically the highest quarterly profit of the Bank.

2019 has been a good year for Dukascopy Bank as illustrated by the following key figures:

(in CHF million or in %)	**2019**	**2018**	**2017**
Total operating income	28.0	27.4	29.1
Total operating expenses	24.4	27.6	30.9
Net result	2.2	-1.1	0.1
Cost / income ratio	87.2%	100.6%	104.9%
Total assets	142.6	153.0	144.0
Total client deposits	102.1	113.9	105.5
Shareholders' equity	36.6	34.4	35.4

The Bank's net profit of 2019 is CHF 2.2 million. In 2019, operating expenses were 11.6% below the previous year.

The Bank managed to become profitable again despite new conditions of a declining trading turnover. Compared to 2018, FX and CFD trading volume of Dukascopy Bank has been 23.8% lower but trading profitability (income per million traded) increased by 34.0%. For binary options, compared to 2018, the trading volume has been 17.9% lower but trading profitability increased by 8.2%.

On February 28, 2019, Dukascopy Bank has become the first regulated bank to launch its own cryptocurrency – the Dukascoin. Dukascoin allowed the Bank to cut marketing referral expenses by 75.0%. In 2019, the Bank managed to open around 200'000 new accounts.

DUKASCOPY GROUP

As can be seen in the consolidated financial statements, the Group figures do not significantly deviate from those of Dukascopy Bank because the Bank remains the prominent element of Dukascopy Group.

Dukascopy Japan closed 2019 with a loss of CHF 53 thousand which is 8 times smaller than its previous year loss. Operating expenses of Dukascopy Japan have been reduced by 23.6% on the same period.

Dukascopy Europe closed 2019 with a similar loss of CHF 54 thousand. Dukascopy Europe managed to cut operating expenses by 33.9% compared to 2018.

This subsidiary has compensated the drop in its business volume due to the new regulatory ESMA restrictions by new income coming from services provided to its mother company under outsourcing agreements and by efficiency gains. Since July 2019, Dukascopy Europe returned to profitability and we consider that the negative impact of ESMA measures has been fully adjusted. 2019 has been a year of stabilization.

SWFX – Swiss FX Marketplace SA has been consolidated for the first time in 2019. Its net profit 2019 amounts to CHF 120 thousand.

CORPORATE GOVERNANCE

The corporate governance framework is defined by the Bank's Articles of Incorporation and governance policies.

The governing bodies of the Bank are:

- the General Meeting of shareholders;
- the Board of Directors;
- the Executive Committee;
- the External Auditor.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Bank's supreme body. Its rights and liabilities are governed by the Swiss Civil Code. The shareholders elect the members of the Board and the External Auditor.

BOARD OF DIRECTORS

The board is responsible for the overall strategic direction, supervision and control of the Bank and appoints the members of the Executive Committee. In 2018, the Board of Directors has created an Audit Committee comprising two members. At the end of 2019, the Board of Directors was composed of the following five members, all independent as per the FINMA circular 2019/1.

Bogdan Prensilevich is the chairman of the Board of Directors since 2009 and is a Board member since the inception of the company. Also he has been advising the company in legal matters since its foundation, in 2004. After completing his law studies at the University of Geneva he was admitted to the Geneva Bar Association in 2002. Since then he advises clients as an independent attorney. In 2007, he co-founded the Law firm "Etude de Cerjat & Prensilevich".

Gérard, Charles William de Cerjat is a member of the Board of Directors of the Bank since 2009. He obtained a law degree at the University of Geneva and was admitted at the Geneva Bar association in 1966. Since 1972, he advises clients as an independent lawyer. In 2007, he co-founded the Law firm "Etude de Cerjat & Prensilevich".

Per Prod'hom has joined the Board of Directors and became a member of the Audit Committee in 2019. After obtaining degrees in law, business administration and EU law at the University of Geneva, he passed the bar exam and obtained the Swiss Tax Expert diploma. Among others, he has been working for 3 years at Deloitte, 17 years at Baker & McKenzie, where he co-headed the Geneva tax department, and he is currently a partner at the law firm Python, since 2014. He has also been a lecturer to the future tax experts at the Universities of Geneva and Lausanne ("LLM tax" in Geneva and "Master in International Taxation" in Lausanne).

Frank Guemara is the vice-chairman of the Board of Directors which he joined in 2009 and the chairman of the Audit Committee since 2019. He obtained a master's degree in economic sciences from the University of Geneva and is also a Swiss Certified Public Accountant. In 1993, after having started his career at Coopers & Lybrand, he joined the bank Lombard Odier where he developed a consulting activity for family companies. In 2002, he founded Triportail SA, a company engaged in the transfer of family companies.

Pierre Zäch has been elected member of the Board of Directors in 2018. He obtained a degree in business sciences at the University of Geneva and is a Swiss Certified Public Accountant. He made his career in banking audit and advisory in financial services within several audit firms and banks but mostly at KPMG, where he has been a partner for 26 years. Mr Zäch has also taught for 7 years at the University of Geneva in the field of audit of financial institutions.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for day-to-day operational management of the Bank's business and for the development and implementation of the strategy. At the end of 2019, the Executive Committee was composed of the following five members:

Veronika Duka, co-Chief Executive Officer & Chief Administrative Officer and founding shareholder. Graduated as an engineer from the Moscow State Aviation Technological University, she has been the administrative manager of scientific companies for 7 years before leading the Geneva Research Collaboration Foundation. The latter was a Not For Profit organization, active in the scientific field, supporting interdisciplinary research in natural and social sciences and developing novel economic applications in Geneva. Ms Duka has been playing her key executive role in the company since its inception.

Andrey Duka, co-Chief Executive Officer & Chief Technology Officer and founding shareholder. He has graduated with honours as an engineer from the Moscow State Aviation Technological University and obtained a PhD from the Federal Institute of Aviation Materials of Moscow. After conducting scientific research during his PhD, he worked for 7 years as a general manager in scientific companies and then joined the CERN as a Research Associate and founded the Geneva Research Collaboration Foundation which is presented above in connection with Veronika Duka. Mr Duka has been playing his key executive role in the company since its inception.

Andrejs Bagautdinovs, Chief Integration Officer, obtained a master's degree from the Riga Civil Aviation University and an MBA in Global Banking & Finance from the European University of Geneva. After working for 4 years as an engineer and a programmer and before joining the company in 2006, he has been working for 14 years in the banking field (Payment, Investment and Treasury operations) at various positions including 3 years at executive level.

Laurent Bellières, Chief Risk Officer, obtained a degree in political sciences from the University of Geneva, a master's degree in business administration at HEC Lausanne and is a Swiss Certified Public Accountant. He specialized in the banking field by working as a banking auditor for 11 years, first at Ernst & Young, KPMG, and then as the head of internal audit in a Swiss bank. He joined the company in 2008 to assist it in becoming a bank and to supervise the control functions.

Irina Kupriyanova Vedeneeva, Chief Financial Officer, obtained a certificate of business administration from HEC Lausanne and a master's degree in Public Administration from IDHEAP. Before joining the company in 2006, she has been working for 15 years in the accounting and tax fields in several companies.

FINANCIAL STATEMENTS

and proposed appropriation of retained earnings

BALANCE SHEET

as at 31 December 2019

ASSETS	31.12.2019 CHF	31.12.2018 CHF
Liquid assets	23 720 307	34 042 501
Amounts due from banks	62 254 592	76 035 014
Amounts due from customers	278 265	168 175
Positive replacement values of derivative financial instruments	1 082 744	1 118 365
Financial investments	47 138 149	30 966 930
Accrued income and prepaid expenses	3 412 107	4 239 707
Participations	3 762 327	4 580 664
Tangible fixed assets	800 178	1 235 974
Other assets	176 716	646 945
Total assets	**142 625 385**	**153 034 275**

LIABILITIES	CHF	CHF
Amounts due to banks	15 841 440	24 892 701
Amounts due in respect of customer deposits	86 218 971	88 995 594
Negative replacement values of derivative financial instruments	1 109 916	857 765
Accrued expenses and deferred income	1 989 090	2 021 739
Other liabilities	864 442	1 864 968
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
Result of the year	2 200 018	(1 061 981)
Total liabilities	**142 625 385**	**153 034 275**

OFF–BALANCE SHEET

as at 31 December 2019

Off–balance sheet commitments	31.12.2019 CHF	31.12.2018 CHF
Contingent liabilities	154 971	149 817
Irrevocable commitments	884 000	816 000

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STATEMENT OF INCOME

for the year ended 31 December 2019

Result from interest operations	31.12.2019 CHF	31.12.2018 CHF
Interest and discount income	(29 890)	25 860
Interest and dividend income from financial investments	713 807	646 267
Interest expense	(502 879)	(368 505)
Gross result from interest operations	**181 038**	**303 622**
Changes in value adjustments for default risks and losses from interest operations	–	–
Subtotal net result from interest operations	**181 038**	**303 622**
Result from commission business and services		
Commission income from other services	948 724	615 932
Commission expense	(452 367)	(353 025)
Subtotal result from commission business and services	**496 357**	**262 907**
Result from trading activities	**27 341 106**	**26 879 726**
Operating expenses		
Personnel expenses	(8 205 795)	(12 301 451)
General and administrative expenses	(16 213 674)	(15 317 955)
Subtotal operating expenses	**(24 419 469)**	**(27 619 406)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(569 091)	(609 423)
Changes to provisions and other value adjustments, and losses	(31 862)	(2 087)
Operating result	**2 998 079**	**(784 661)**
Extraordinary income	1 079	11 260
Extraordinary expenses	(170 793)	–
Taxes	(628 347)	(288 580)
Result of the year	**2 200 018**	**(1 061 981)**

DUKASCOPY
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PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

as at 31 December 2019

	Bank's capital CHF	Statutory retained earnings reserve CHF	Reserves for general banking risks CHF	Profit carried forward CHF	Result of the year CHF	TOTAL CHF
Equity at start of current period	**22 000 000**	**685 000**	–	**12 778 489**	**(1 061 981)**	**34 401 508**
Allocation of previous year result	–	–	–	–	–	–
- Allocation to statutory retained earnings reserve	–	–	–	–	–	–
- Allocation to profit carried forward	–	–	–	(1 061 981)	1 061 981	–
Result of the year	–	–	–	–	2 200 018	2 200 018
Equity at end of current period	**22 000 000**	**685 000**	**–**	**11 716 508**	**2 200 018**	**36 601 526**

THE BOARD OF DIRECTORS PROPOSES THE FOLLOWING APPROPRIATION OF AVAILABLE EARNINGS:

	2019 CHF
Result of the year	2 200 018
Profit carried forward	11 716 508
Amount at the disposal of the Shareholders' general meeting	**13 916 526**

Proposed utilisation	2019 CHF
Contribution to the statutory retained earnings reserve	111 000
To be carried forward	13 805 526
Total	**13 916 526**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

1. Name, legal status and domicile of the bank

Dukascopy Bank SA (hereinafter the "Bank") is a limited company under Swiss law, authorized and regulated by FINMA as a bank and a securities house, which renders online brokerage and online banking services from its head office in Geneva (Switzerland). The Bank has representative offices in Riga, Kiev, Moscow, Hong Kong and Kuala Lumpur. Bank owns participations (see section Financial Statements).

2. Accounting and valuation principles

2.1. General principles

The financial statements are established in accordance with the Swiss Code of Obligations, the Act on Banks and Saving institutions, its related Ordinance and the FINMA circular 15/1. The financial statements are prepared in accordance with the reliable assessment principle as defined by the FINMA circular 15/1 and are allowed to include silent reserves. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise.

General valuation principles

The financial statements are prepared on the assumption of a going-concern. The accounting is therefore based on going-concern values.

Items are entered in the balance sheet as liabilities if they have arisen due to past events, if a cash outflow is probable and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent liability, which is commented on in the notes.

The disclosed balance sheet items are valued individually.

In principle, neither assets and liabilities nor expenses and income are offset. Accounts receivable and account payable are offset in the following cases:

- deduction of value adjustments from the corresponding asset item;
- offsetting of positive and negative replacement values of derivative financial instruments with the same counterparty, if there are recognized and legally enforceable netting agreements in place;
- offsetting of price gains and losses from trading activities.

2.2. Changes to accounting principles and valuation method

No changes in 2019.

Financial instruments

a. Liquid assets

Liquid assets are recognized at their nominal value.

b. Amounts due from banks and amounts due from customers

They are recognized at their nominal value less any necessary value adjustments. Amounts due in respect of precious metal account deposits are valued at fair value.

Doubtful receivables, i.e. obligations entered with clients for which the debtor is unlikely to meet its future obligations, are valued individually and depreciated by means of individual value adjustments. Impaired receivables 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 proceeds of the collateral, a value adjustment is made for the entire unsecured portion of the receivable.

If a receivable is classed as entirely or partially irrecoverable or a receivable is waived, the receivable is derecognized by booking it against the corresponding value adjustment.

If recovered amounts from receivables written off in earlier periods cannot be used immediately for other value adjustments of the same type, they are recognized in “Change in value adjustments for default risk and losses from interest operations” in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

c. Amounts due to banks and amounts due in respect of customer deposits

These items are recognized at their nominal value. Amounts due in respect of precious metal account deposits are valued at fair value.

d. Positive and negative replacement values of derivative financial instruments

Trading operations comprise execution of client orders and transactions of the Bank for its own account including hedging transactions.

The trading assets and liabilities related to trading operations of the Bank are exclusively recognized in the off-balance sheet due to the nature of such transactions (spot forex, spot precious metals and derivatives). Spot trading transactions executed by the Bank are accounted for according to the value date principle. This implies that between the trade date and the value date, spot transactions are disclosed as derivative instruments. Explanations below concerning derivative financial instruments traded by the Bank also apply to such spot trading operations.

Trading assets and liabilities are valued and recognized at fair value. Fair value is the price based on a price-efficient and liquid market or the price calculated using a valuation model.

The price gain or loss resulting from the valuation is recorded via the item "Result from trading activities".

Derivative financial instruments are used for trading and for hedging purposes.

Trading purposes

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding item. The fair value is based on market prices.

The realized result from trading operations and the unrealized result from valuations relating to trading operations are recorded via the item "Result from trading activities".

Hedging purposes

The Bank also uses derivative financial instruments as part of its assets and liabilities management (ALM) to hedge against market risks. Hedging operations are valued and disclosed as trading operations. Derivatives are used for economic hedging purposes and the Bank does not apply hedge accounting.

Use of swaps

The Bank uses currency swaps to rollover spot foreign exchange and precious metal transactions to the next spot settlement date until positions are closed.

Netting

The Bank offsets positive and negative replacement values with the same counterparty within the terms of the recognized and legally enforceable netting agreements.

e. Financial investments

Financial investments include the bonds and the cryptocurrencies.

Financial investments count Swiss and US government bonds acquired with the intention to hold them until maturity. The valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method).

If held-to-maturity financial investments are sold or reimbursed early, the realized gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the item "Other assets" or "Other liabilities".

Value adjustments for default risk are recorded immediately under "Changes in value adjustments for default risk and losses from interest operations".

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

f. Dukascoins

Dukascopy Bank books Dukascoins belonging to the Bank in the caption "Financial investments" valued at lower of cost or market. For such tokens issued by the Bank, the latter considers that acquisition cost is zero. As a consequence, Dukascoins belonging to the Bank will remain valued at zero as long as they stay in "Financial investments".
The Bank books Dukascoins belonging to clients in the caption "Financial investments" at fair value on the asset side and in "Amounts due in respect of customer deposits" at fair value on the liabilities side.
According to the FINMA circular 2015/1, the fair value derives either from a price efficient and liquid market or from a valuation model (mn 404-410).
According to the FINMA circular 2015/1, a representative market exists when at least three mutually independent market makers provide prices on a daily basis. According to our analysis, there is currently no efficient price and no liquid market for Dukascoins.
To our knowledge, there is no generally accepted valuation methodology for payment tokens. Due to the lack of future cash flows, intrinsic value, highly correlated base assets, which could be used as a benchmark in model, the value of such tokens depends mainly on market demand.
Considering the foregoing, the Bank considered that there is no fair value estimates for Dukascoins and therefore those coins should be valued at cost. Currently, the sole active marketplace is the Dukascoin bulletin board established by the Bank, where prices are set daily for very small volumes.
Value adjustments are recorded under “Other ordinary expenses” or “Other ordinary income”.
Certain client positions in Dukascoins are booked off balance sheet, if they meet FINMA requirements for off balance sheet recognition.

g. Participations

Participations owned by the Bank include equity securities of companies that are held for long-term purposes, irrespective of any voting rights. They are valued at historical costs minus any value adjustments, if any. Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use.
An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item “Value adjustments on participations and amortization of tangible fixed assets and intangible assets”. Realized gains from the sale of participations are recorded via the item “Extraordinary income” and realized losses are recorded via the item “Extraordinary expenses”.

h. Tangible fixed assets

Investments in tangible fixed assets are capitalized as an asset if they exceed the min. value for recognition of CHF 1’000.
Tangible fixed assets are recognized at acquisition cost minus the scheduled accumulated depreciation over the estimated operating life.
Tangible fixed assets are depreciated at a consistent rate over an estimated operating life via the item “Value adjustments on participations and depreciation of tangible fixed assets and intangible assets”. The estimated operating lives of the different categories of tangible fixed assets and the depreciation methods are as follows:

- Fixtures and fittings — 4 years, on a linear basis
- Furniture — 4 years, on a linear basis
- IT hardware — 3 years, on a linear basis
- Vehicles — 5 years, on a linear basis
- Software — 5 years, on a linear basis

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

Acquisition costs of tangible fixed assets acquired during the year are depreciated at the same rate on a prorata basis.
Objects used by the Bank as the lessee as part of a finance lease are recorded via the item "Tangible fixed assets" at cash purchase value. The leasing liabilities are disclosed, depending on the counterparty, in the items "Amount due to banks" or "Other liabilities".
In case an indication arises that the value of a tangible fixed asset is impaired, an additional amortization is recorded in the item "Value adjustments on participations and depreciation of tangible fixed assets and intangible assets".
The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item "Value adjustments on participations and depreciation of tangible fixed assets and intangible assets".
Realized gains from the sale of tangible fixed assets are recorded via the item "Extraordinary income" and realized losses are recorded via the item "Extraordinary expenses".

i. Provisions

The Bank records 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. Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision is created.
Existing provisions are reassessed at each balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Currently, provisions exclusively relate to legal risks. The variation of provisions is recorded in the statement of income via "Changes in provisions and other value adjustments, and losses".
Provisions are released via the statement of income if they are no longer needed on business grounds and cannot be used for other similar purposes except if the Bank decides to maintain them as silent reserves.

j. Reserves for general banking risks

Reserves for general banking risks are prudently created reserves to hedge against the risks in the course of business of the Bank. The creation and release of Reserves for general banking risks are recognized via the item "Changes in reserves for general banking risks" in the statement of income. The Reserves for general banking risks are subject to tax when they exceed certain criteria.

k. Taxes

Current taxes are recurring, usually annual, taxes on profits, capital and total income (Geneva professional tax). Transaction-related taxes are not included in current taxes.
Liabilities from current tax are disclosed via the item "Accrued liabilities and deferred income".
Expense due to current tax is disclosed in the statement of income via the item "Taxes".

l. Off-balance sheet transactions

Off-balance sheet disclosures are at nominal value. Provisions are created in the liabilities in the balance sheet for foreseeable risks.

m. Pension benefit obligations

The Bank's employees based in Switzerland are insured for retirement, death or disablement through a defined benefit pension scheme. The Bank bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contributions arising from the pension scheme are included in "Personnel expenses" on an accrual basis.
Employee benefit obligations mean all commitments resulting from the pension fund to which the Bank's employees are insured.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

There is an economic benefit if the Bank has the ability to reduce its future employer's contributions. On the contrary, 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.

The Bank assesses whether there is an economic benefit or economic obligation arising from pension schemes as of the balance sheet date. The assessment is based on the contracts and financial statements of the pension funds (established under Swiss GAAP FER 26 in Switzerland).

The identified economic benefit (including the employer contribution reserves without a waiver of use) are recorded in "Other assets". If an economic obligation is identified for an individual pension fund, it is recorded in "Provisions". The difference with the corresponding value of the prior period are recorded in the statement of income in "Personnel expenses".

2.3. Recording of business transactions

All business transactions, except trading operations, concluded up to the balance sheet date are recorded as of their trade date (trade date principle) and valued according to the above-mentioned principles. Any trading operations including spot foreign exchange transactions, foreign exchange forwards, swaps or any other derivative financial instrument entered into but not yet fulfilled are recorded in accordance with the settlement date accounting method. Between the trade date and the settlement date, these transactions are disclosed at replacement value via the item "Positive replacement value of derivative financial instruments" or "Negative replacement value of derivative financial instruments".

2.4. Treatment of foreign currencies

Transactions in foreign currencies are converted at the exchange rates of the transaction date. Assets and liabilities carried in foreign currencies are converted at the exchange rates of the balance sheet date. Resulting conversion gains and losses are recorded via the item "Result from trading activities".

At the balance sheet date, the main exchange rates used to convert assets and liabilities in foreign currencies were as follows:

		2019 **CHF**	**2018** **CHF**
USD	1.00	0.96748	0.98190
EUR	1.00	1.08575	1.12535
GBP	1.00	1.28351	1.25225
CAD	1.00	0.74501	0.71985
JPY	1.00	0.00891	0.00895
AUD	1.00	0.67911	0.69195
NZD	1.00	0.65119	0.65925
NOK	1.00	0.11016	0.11360
SEK	1.00	0.10330	0.11087
SGD	1.00	0.71906	0.71989

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

3. Risk Management

As an online bank mainly offering fully automated (Straight-Through-Processing) brokerage services via innovative in-house developed IT solutions, Dukascopy Bank is mostly subject to operational, market and legal risks. Since the Bank is not active in credit activities and only executes client orders based on collateral (client margin deposits and bank guarantees), its credit risk exposure is normally limited to possible default of institutional trading counterparties.
The identification, measurement, monitoring, management of risks and maintenance of the Bank's stability, is a priority for the Bank. The key elements of risk management are the following:

- a comprehensive risk policy and internal regulation defining among others the risk appetite and risk limits which are commensurate with the Bank's risk capacity;
- the permanent monitoring of risk limits and compliance with regulatory capital, risk diversification and liquidity requirements applicable to Swiss banks;
- a risk control function in charge of monitoring the Bank's risk profile and risk management capabilities;
- proper segregation of duties;
- wide application of the four-eyes principle and IT-based controls in business operations;
- three lines of defence: risk management by business units, risk control and compliance functions and internal audit;
- a comprehensive internal reporting on relevant risks.

The Board of Directors is the supreme governing body of the risk management organization. It has established an analysis of the main risks the Bank is exposed to. Based on its risk analysis, the Board of Directors has adopted a Risk Management Concept aiming at limiting and managing the main risks affecting the Bank. The Risk Management Concept defines the risk appetite, the main risk limits and features of the risk measurement and risk management. The Board of Directors monitors compliance with the limits as well as the implementation of the risk policy based on a comprehensive quarterly reporting on risks.
The executive management is responsible for the execution of the Board of Directors' policies. It ensures a suitable risk management organization is in place as well as the use of an adequate risk monitoring system. It monitors the use of limits and ensures that an adequate internal reporting is in place. The risk control function and the compliance function are independent of business operations. They monitor all risks as the second line of defence and establish most of the quarterly reporting about risks to the executive management and the Board of Directors.

Operational risks

Operational risks are defined as the risk of losses due to inadequacy or failure of internal procedures, people and systems or due to external events. This definition includes risks related to client data confidentiality and legal risks, including fines by supervisory authorities and settlements. As a bank offering highly automated services accessible through the Internet, Dukascopy Bank much relies on IT systems and Internet connections to operate. Automation brings high efficiency, eliminates human errors but at the same time means dependency on the availability and integrity of IT systems and Internet connections that the Bank protects through advanced security solutions and permanent monitoring of the system components.
The operational risks are measured by calculating the probability and extent of possible financial damages due to negative events such as an error in client order execution or the breach of a regulation (compliance risk). The Bank has documented operational risks and key controls aiming at mitigating such risks (e.g. four eyes principle, reconciliations, automated controls, internal regulation, etc.) in a systematic manner via an internal regulation which is approved annually by the Board of Directors and based on the FINMA circular 2008/21. The operational risk management framework also includes a Business Continuity Management documentation, which rules the maintenance or the resumption of business operations in case of occurrence of critical situations such as a natural disaster affecting the Bank. The effectiveness of the Business Continuity Management is tested annually.

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The Bank establishes risk indicators, mainly based on operational incidents and losses which allow the risk control function to report on operational risks in a systematic and objective way to the executive management and the Board of Directors.
The management of operational risks is one of the priorities of the Bank since it has a direct effect on its stability and attractiveness as a trusty service provider.

Market risks – trading operations
Due to the Bank's specialization in forex trading, market risks are concentrated on currency risk. Market risks related to other financial instruments offered by the Bank (precious metals, stocks, commodities, equities, etc.) are minor in comparison to currency risks.
The management of market risks deriving from trading operations is a priority risk management activity and a cornerstone of the Bank's financial stability. In particular, the volatility on the forex market may trigger significant impact on the Bank's statement of income due to the Bank's currency risk exposure via the item "Result from trading activities". For various reasons including for benefiting from bid and ask spreads, the Bank permanently keeps a certain portion of market exposure deriving from client order execution.
The Bank applies prudent market risk limits and sophisticated monitoring of market risk exposure via automated hedging logics and 24h human and automated surveillance.
The Bank automatically measures its market risk exposure on a permanent and real time basis. The IT system automatically caps such market risk exposure under the limits decided by the executive management and the Board of Directors. Those limits have been set sufficiently carefully to ensure that Swiss banking capital adequacy requirements are complied with at all times. If deemed necessary, the Bank's advanced technology allows it to fully exclude exposure deriving from trading on all or specific instruments, for instance in anticipation of exceptional market events such as the abandon of a currency peg by a Central Bank.

Market risks – other currency risks
The Bank has a limit applicable to currency risk exposure deriving from currency discrepancies between assets and liabilities. This limit is monitored on a daily basis by the Treasurer who maintains sufficient currency congruence between assets and liabilities through the assets and liabilities management (ALM).

Market risks – interest rate risks
The Bank is not active in credit or other interest generating activities. The Bank's exposure to interest rate risks mostly derives from government bonds it has bought and deposited with trading counterparties as trading collateral. Since the Bank intends to hold those bonds until maturity, the identified interest rate risks should not materialize in losses. The Bank calculates and reports on interest rate risks on a quarterly basis.

Credit risk
The Bank is not active in credit activities. However, in the frame of its core trading activities, a credit risk exists if clients are not able to honour payment obligations collected during their trading at the Bank (settlement of trading losses and payment of fees). For that reason, the Bank only accepts to trade on a covered basis. The trading platforms automatically monitor the credit risk related 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. In some circumstances, the margin call and margin cut functionalities of the Bank may not suffice to fully prevent certain client accounts to become negative. In such cases, the Bank collects unsecured receivables. Also, the Bank may grant short term unsecured loans and advances to the Bank's employees.

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Counterparty risk in interbank business
The Bank deposits its liquidity and trades (mainly to hedge client transactions) with more than 20 different banks and other institutional trading counterparties external to its ECN marketplace such as brokers and other marketplaces. Counterparty and default risks relating to banks and other trading counterparties are 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.
In principle, the Bank works only with first-class counterparties. Before entering into a business relationship with a counterparty in interbank business, the Bank performs an assessment of the counterparty risk and sets a risk exposure limit accordingly. The limit depends significantly on the rating, if any, and on the capital adequacy of the counterparty which are reassessed on an annual basis or more frequently if deemed necessary. The Bank is attentive to financial news and public information circulating about its counterparties. In case of negative information concerning the stability of a counterparty, its creditworthiness is verified by the Bank. If deemed necessary, risk limits and credit risk exposures are adjusted or suppressed by the executive management and the risk control function. The Treasurer monitors compliance with the limits on a daily basis.

Liquidity
Due to the nature of its business activities, the Bank has abundant liquidities and no long term monetary commitment. The Bank is exclusively financed by its own capital, client deposits and therefore does not need to raise funds on the money market. As a result, the liquidity risk of the Bank is low and requires limited monitoring. The liquidity risk management strategy of the Bank and an emergency liquidity plan have been approved by the Board of Directors. They identify reserves of liquidity, liquidity risk indicators and steps necessary to maintain sufficient liquidity, including in case of liquidity stress situation. The Treasurer ensures that the limits are complied with. The liquidity situation and concentration risks are monitored by the risk control function and reported quarterly to the executive management and to the Board of Directors.

4. Methods used for identifying default risks and determining the need for value adjustments

4.1. Amounts due from customers
With regard to receivables covered by bank guarantees, the credit risk mostly relates to banks having issued such guarantees and the default risk is determined as explained in section 4.2. below. If a bank guarantee issuer defaults, the receivable becomes unsecured and default risks are assessed like for unsecured loans or advances to Bank's employees.
The Bank considers that a risk of default exists on unsecured receivables if a payment of interests or a reimbursement of the principal is not honoured in due date or if the debtor disputes such payment obligations or indicates that he/she will not be able to honour them. In such cases, the Bank enquires about the debtor's intentions and financial situation and evaluates the chances of recovering the receivable. A value adjustment is recorded for the portion of receivable whose recovery is considered uncertain.

4.2. Amounts due from banks
In principle, the Bank only takes credit risk exposure towards counterparties having sound creditworthiness. The Bank considers that a counterparty is defaulting in case the latter refuses to honour a payment order in due time, or is declared bankrupted or placed under special administration due to insolvency/going-concern issues. In such cases, the counterparty's situation is evaluated by the Bank. A value adjustment is recorded for the portion of receivable whose recovery is considered uncertain.

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4.3. Process for determining value adjustments and provisions

Value adjustments and provisions are reassessed at each balance sheet date. Changes in value adjustments and provisions are approved by the executive management unless they simply result from a use of provision in conformity with its purpose or the recovery of an impaired receivable.

5. Valuation of collateral

Collateral provided by clients is normally made of cash deposited with Dukascopy Bank, in any currency accepted in deposit by the Bank. Collateral also may comprise up to 80% of bank guarantees issued by Swiss or European banks having a Baa or superior Long-Term senior debt Moody's rating. With the joint approval of the risk control function and executive management, the Bank may accept bank guarantees derogating the above criteria. Bank guarantees must be denominated in the same currency as the client account reference currency. Collateral is valued at nominal value of the cash or bank guarantees. The Bank applies no haircut to collateral and grants a leverage for the trading of certain instruments.

6. Business policy regarding the use of derivative financial instruments and hedge accounting

Trading of OTC financial instruments with clients, including trading of certain financial derivatives (CFD and binary options), is the core business of the Bank. As per Swiss legislation, the main instrument offered by the Bank, namely leveraged margin trading on currencies and precious metals without delivery, does not qualify as a derivative financial instrument, while it is often regarded as a CFD instrument in other jurisdictions. Therefore, depending on the qualification of leveraged margin trading, the Bank may be seen as a pure provider of financial derivative instruments. The Bank does not trade credit derivatives.

The Bank executes all trading operations in full STP (Straight-through-Processing) mode and always acts as a principal in trades, including on its ECN (Electronic Communication Network) trading environment.

The Bank also uses derivative financial instruments for risk management purposes, mainly to hedge against market risks (including currency risk) mostly deriving from clients trading operations. Hedging operations are executed by the Bank either with external institutional counterparties or with clients. The Bank does not use hedge accounting.

7. Significant subsequent event after the balance sheet date

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates. For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities. Moreover, based on the volatility observable in the market, we expect an impact on our 2020 income to be insignificant. Regarding our activities, we are fully operational working remotely and all our services are ensured for our clients and we will continue to follow the situation very closely.

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Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Loans (before netting with value adjustments)	**Secured by mortgages, CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Amounts due from customers	–	43 529	234 736	278 265
Total at 31 December 2019 (before netting with value adjustments)	**–**	**43 529**	**234 736**	**278 265**
Total at 31 December 2018 (before netting with value adjustments)	–	35 254	132 921	168 175
Total at 31 December 2019 (after netting with value adjustments)	**–**	**43 529**	**234 736**	**278 265**
Total at 31 December 2018 (after netting with value adjustments)	–	35 254	132 921	168 175

Off-balance sheet commitments	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Contingent liabilities*	–	154 971	–	154 971
Irrevocable commitments	–	–	884 000	884 000
Total at 31 December 2019	**–**	**154 971**	**884 000**	**1 038 971**
Total at 31 December 2018	–	149 817	816 000	965 817

*Contingent liabilities are bank guarantees issued by the Bank on behalf of clients, fully secured by client cash deposits.

Breakdown of impaired loans/ receivables	**Gross debt amount CHF**	**Estimated liquidation proceeds of collateral CHF**	**Net debt amount CHF**	**Individual value adjustments CHF**
Total at 31 December 2019	**–**	**–**	**–**	**–**
Total at 31 December 2018	–	–	–	–

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Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments, in CHF		
OTC transactions	**Positive replacement values**	**Negative replacement values**	**Contract volumes**
Interest instruments:			
- CFD	344	–	180 901
Total interest instruments	**344**	–	**180 901**
Currencies:			
- forward contracts*	1 550 055	1 391 631	889 525 223
- swaps	718 558	866 670	1 086 788 773
Total currencies	**2 268 613**	**2 258 301**	**1 976 313 996**
Precious metals:			
- forward contracts*	45 989	44 874	38 387 477
- swaps	27 544	21 371	62 655 625
Total precious metals	**73 533**	**66 245**	**101 043 102**
Equity securities and indices:			
- CFD	65 274	141 836	51 895 833
Total equity securities and indices	**65 274**	**141 836**	**51 895 833**
Others:			
- CFD	43 057	11 611	19 947 191
Total others	**43 057**	**11 611**	**19 947 191**
Total at 31 December 2019 before impact of netting contracts	**2 450 821**	**2 477 993**	**2 149 381 023**
of which determined using a valuation model	–	–	–
Total at 31 December 2018 before impact of netting contracts	2 594 389	2 333 789	2 109 417 989
of which determined using a valuation model	–	–	–
Total at 31 December 2019 after impact of netting contracts	**1 082 744**	**1 109 916**	
Total at 31 December 2018 after impact of netting contracts	1 118 365	857 765	

* Represent the spot trading transactions which are accounted for according to the value date principle.

Breakdown by counterparty

	Central clearing houses	**Banks & securities dealers**	**Others customers**	**Total**
Positive replacement values after impact of netting contacts Total at 31 December 2019	–	**680 353**	**402 391**	**1 082 744**
Positive replacement values after impact of netting contacts Total at 31 December 2018	–	1 035 239	83 126	1 118 365

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Breakdown of financial investments

	Book value		Fair value	
	2019 CHF	2018 CHF	2019 CHF	2018 CHF
Debt securities held to maturity	47 082 732	30 966 930	47 997 885	31 092 445
Cryptocurrencies	55 417	–	55 417	–
Total	**47 138 149**	**30 966 930**	**48 053 302**	**31 092 445**
*including securities eligible for repo transactions in accordance with liquidity regulations**	*35 552 443*	*19 291 589*	*36 215 400*	*19 473 500*

* USA Treasury Notes aren't eligible for repo transactions in accordance with liquidity regulations. Comparative figures for 2018 have been adapted.

Breakdown of contreparties by Scope ratings

2019, CHF	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	Without rating
Debt securities: Book value of bonds held to maturity	**47 082 732**	**–**	**–**	**–**	**–**	**–**
2018, CHF						
Debt securities: Book value of bonds held to maturity	30 966 930	–	–	–	–	–

We use rating Scope (European credit rating agency).

Presentation of participations

	2018			2019			
Participations	Cost value CHF	Value adjustment CHF	Book value at end of year, CHF	Additions CHF	Disposals Reimbursement CHF	Value adjustment CHF	Book value at end of year, CHF
Without listed value	4 580 664	–	4 580 664	–	(818 337)*	–	3 762 327
Total participations	**4 580 664**	–	**4 580 664**	–	(818 337)*	–	**3 762 327**

* This amount relates to the dissolution of Dukascopy Ltd, to the reimbursment of Dukascopy Payments AS's capital and to the adjustement of the decrease of Dukascopy International Ltd capital.

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Disclosure of companies in which the Bank holds a permanent direct or indirect significant participation

Participations	Activity	Share capital CHF	Head office	Share capital in %	Share vote in %	Held directly
2019						
SWFX-Swiss FX Marketplace SA	IP service	100 000	Geneva	100	100	100
Dukascopy Europe IBS AS	brokerage	1 933 921	Riga	100	100	100
Dukascopy Community SA	social media	100 000	Geneva	100	100	100
Dukascopy Payments AS	in liquidation	0	Riga	100	100	100
Dukascopy Japan K.K.	brokerage	6 021 839	Tokyo	100	100	100
Dukascopy International Ltd.	dormant	10 983	Limassol	100	100	100

Participations	Activity	Share capital CHF	Head office	Share capital in %	Share vote in %	Held directly
2018						
SWFX-Swiss FX Marketplace SA	dormant	1 00 000	Geneva	100	100	100
Dukascopy Europe IBS AS	brokerage	1 933 921	Riga	100	100	100
Dukascopy Community SA	social media	100 000	Geneva	100	100	100
Dukascopy Payments AS	e-money	827 735	Riga	100	100	100
Dukascopy Japan K.K.	brokerage	6 021 839	Tokyo	100	100	100
Dukascopy International Ltd.	dormant	10 983	Limassol	100	100	100
Dukascopy Ltd.	in liquidation	985	Belize	100	100	100

Presentation of tangible fixed assets

	2018			2019			
	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
Softwares	23 172 540	(22 851 880)	320 660	54 492	–	(86 808)	288 344
Other tangible fixed assets	9 700 114	(8 784 800)	915 314	94 264	(15 461)	(482 283)	511 834
Total fixed assets	**32 872 654**	**(31 636 680)**	**1 235 974**	**148 756**	**(15 461)**	**(569 091)**	**800 178**

Leasing

	2020 CHF	2021 CHF	2022 CHF	2023 CHF	2024 CHF	2025 CHF
Future leasing installments arising from operating leases	**1 746 081**	**1 021 243**	**913 736**	**763 512**	**597 678**	**558 353**
of which, may be terminated within one year	*230 947*	–	–	–	–	–

They are rental costs.

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Breakdown of other assets and liabilities

Other assets	2019 CHF	2018 CHF
Wire transfers	176 716	646 945
Total other assets	**176 716**	**646 945**

Other liabilities		
Wire transfers	552 611	1 483 946
Indirect taxes to be paid	311 831	381 022
Total other liabilities	**864 442**	**1 864 968**

Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

	2019		2018	
	Book value of pledged assets & assets assigned as collateral, CHF	Effective commitments CHF	Book value of pledged assets & assets assigned as collateral, CHF	Effective commitments CHF
Swiss and US government bonds	21 562 320	2 097 186	29 911 679	3 931 660
Margin accounts assigned as collateral*	12 066 829	810 950	16 590 289	1 291 642
Deposits made with banks to secure guarantees	219 529	219 528	219 528	219 528
Total	**33 848 678**	**3 127 664**	**46 721 496**	**5 442 830**

* Margin accounts assigned as collateral are gross. Comparative figures for 2018 have been adapted.

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 benefit scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2018: nil). The pension fund unaudited accounts as of 31 December 2019 present a coverage ratio of 118%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2018, the coverage ratio was 110.2%.
There is no pension fund for the other foreign representation offices of the Bank.

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Presentation of economic benefit / obligation and the pension expenses

	Over or underfunding 31.12.19	Economic interest of the Bank 2019	Economic interest of the Bank 2018	Change in economic interest versus prior year	Contributions paid for 2019	Pension expenses in personnel expenses 2019	Pension expenses in personnel expenses 2018
Pension plans with overfunding	–	–	–	–	297 167	297 167	313 429

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	Balance at 31 Dec. 2018 CHF	Use in conformity with designated purpose CHF	Reclassifi-cations CHF	Currency differences CHF	Recoveries, past due interest CHF	New creations charged to income CHF	Releases to income CHF	Balance at 31 Dec. 2019 CHF
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	–	–	–	–	–	–	–	–
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default risks and country risks – *of which, value adjustments for default risks in respect of impaired loans/receivables*	–	–	–	–	–	–	–	–

Provisions are valued according to the best estimate principle.

Presentation of the Bank's capital

	2019			2018		
	Total par value CHF	Number of shares	Capital eligible for dividend CHF	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22 000 000	21 712 000	22 000 000	22 000 000	21 712 000	22 000 000
Registered shares	22 000 000	21 712 000	22 000 000	22 000 000	21 712 000	22 000 000
of which, paid up	*22 000 000*	*21 712 000*	*22 000 000*	*22 000 000*	*21 712 000*	*22 000 000*
Total Bank's capital	**22 000 000**	**21 712 000**	**22 000 000**	**22 000 000**	**21 712 000**	**22 000 000**

The share capital consists of 21 680 000 shares with a nominal value of CHF 1 and of 32 000 shares with a nominal value of CHF 10.

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Disclosure of amounts due from/to related parties

	2019		2018	
	Amounts due from CHF	**Amounts due to CHF**	**Amounts due from CHF**	**Amounts due to CHF**
Holders of qualified participations	–	19 011	–	41
Group companies	7 415	4 614 533	25 991	5 530 745
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	34 940	–	30 916
Other related parties	–	5 429	–	719

Dukascopy Bank SA engaged into transactions with related parties in the normal course of its business. These transactions mainly include rent, marketing services and copyright agreements. Besides, all subsidiaries of the Bank hedge their trading operations with Dukascopy Bank.
Transactions with related parties are conducted at arm's length.

Disclosure of holders of significant participations

	2019			
With voting rights	**Nominal CHF**	**Number of shares**	**% of equity in %**	**Capital eligible for dividend, CHF**
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

	2018			
With voting rights	**Nominal CHF**	**Number of shares**	**% of equity in %**	**Capital eligible for dividend, CHF**
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

The share capital consists of 21 680 000 shares with a nominal value of CHF 1 and of 32 000 shares with a nominal value of CHF 10.

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Presentation of the maturity structure of financial instruments

Assets	At sight CHF	Cancell-able CHF	Due: Within 3 months CHF	Due: Within 3 to 12 months CHF	Due: Within 1 to 5 years CHF	Due: Over 5 years CHF	No maturity CHF	Total CHF
Liquid assets	23 720 307	–	–	–	–	–	–	23 720 307
Amounts due from banks	62 035 063	219 529	–	–	–	–	–	62 254 592
Amounts due from customers	193 903	84 362	–	–	–	–	–	278 265
Positive replacement values of derivative financial instruments	1 082 744	–	–	–	–	–	–	1 082 744
Financial investments	55 417	–	–	–	11 530 289	35 552 443	–	47 138 149
Total current assets at 31 December 2019	**87 087 434**	**303 891**	–	–	**11 530 289**	**35 552 443**	–	**134 474 057**
Total current assets at 31 December 2018	111 052 854	311 201	–	12 127 567	11 675 341	7 164 022	–	142 330 985
Third-party liabilities								
Amounts due to banks	15 841 440	–	–	–	–	–	–	15 841 440
Amounts due in respect of customer deposits	86 218 971	–	–	–	–	–	–	86 218 971
Negative replacement values of derivative financial instruments	1 109 916	–	–	–	–	–	–	1 109 916
Total third-party liabilities at 31 December 2019	**103 170 327**	–	–	–	–	–	–	**103 170 327**
Total third-party liabilities at 31 December 2018	114 746 060	–	–	–	–	–	–	114 746 060

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Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	2019			2018		
ASSETS in CHF (000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	23 720	–	23 720	28 490	5 552	34 042
Amounts due from banks	29 656	32 598	62 254	59 674	16 361	76 035
Amounts due from customers	65	214	279	55	113	168
Positive replacement values of derivative financial instruments	78	1 005	1 083	236	882	1 118
Financial investments	35 552	11 586	47 138	19 292	11 675	30 967
Accrued income and prepaid expenses	2 384	1 028	3 412	2 945	1 295	4 240
Participations	200	3 562	3 762	200	4 381	4 581
Tangible fixed assets	525	275	800	741	495	1 236
Other assets	177	–	177	647	–	647
Total assets	**92 357**	**50 268**	**142 625**	**112 280**	**40 754**	**153 034**
LIABILITIES in CHF (000)						
Amounts due to banks	–	15 841	15 841	–	24 892	24 892
Amounts due in respect of customer deposits	6 952	79 267	86 219	7 450	81 546	88 996
Negative replacement values of derivative financial instruments	293	817	1 110	71	787	858
Accrued expenses and deferred income	1 738	250	1 988	1 731	291	2 022
Other liabilities	865	–	865	1 865	–	1 865
Provisions	–	–	–	–	–	–
Bank's capital	22 000	–	22 000	22 000	–	22 000
Statutory retained earnings reserve	685	–	685	685	–	685
Profit carried forward	11 717	–	11 717	12 778	–	12 778
Result of the year	2 200	–	2 200	(1 062)	–	(1 062)
Total liabilities	**46 450**	**96 175**	**142 625**	**45 518**	**107 516**	**153 034**

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Breakdown of total assets by country or group of countries (domicile principle)

	2019		2018	
ASSETS	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
Switzerland	92 357	64.7	112 280	73.4
Europe excluding Switzerland	34 074	23.9	23 942	15.6
USA and Canada	12 556	8.8	13 053	8.5
Others	3 638	2.6	3 759	2.5
Total	**142 625**	**100.0**	**153 034**	**100.0**

Breakdown of total assets by credit rating of country groups (risk domicile view)

	2019		2018	
SERV Rating	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
1	48 055	95.7	37 748	92.8
2	6	0.0	52	0.1
3	367	0.7	343	0.8
4	22	0.0	263	0.6
5	1 356	2.7	93	0.2
6	197	0.4	2 009	4.9
7	174	0.3	246	0.6
without rating	91	0.2	–	–
Total	**50 268**	**100.0**	**40 754**	**100.0**

The Bank does not use an internal rating system for country risk management. SERV is the rating issued by OECD. Net exposure excluding Switzerland.

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NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of assets and liabilities broken down by the most significant currencies of the Bank

ASSETS in CHF ('000)	CHF	EUR	USD	GBP	JPY	Others	Total
Liquid assets	23 720	–	–	–	–	–	23 720
Amounts due from banks	4 344	25 728	22 547	3 970	580	5 085	62 254
Amounts due from customers	22	118	102	1	–	36	279
Positive replacement values of derivative financial instruments	1 083	–	–	–	–	–	1 083
Financial investments	35 552	–	11 531	–	–	55	47 138
Accrued income and prepaid expenses	2 252	310	704	43	–	103	3 412
Participations	3 762	–	–	–	–	–	3 762
Tangible fixed assets	800	–	–	–	–	–	800
Other assets	45	74	11	39	–	8	177
Total assets	**71 580**	**26 230**	**34 895**	**4 053**	**580**	**5 287**	**142 625**
Claims arising from spot exchange and swap transactions	116 462	474 405	871 011	293 972	122 256	199 233	2 077 339
Total at 31 December 2019	**188 042**	**500 635**	**905 906**	**298 025**	**122 836**	**204 520**	**2 219 964**

LIABILITIES	CHF	EUR	USD	GBP	JPY	Others	Total
Amounts due to banks	212	13 076	1 917	152	136	348	15 841
Amounts due in respect of customer deposits	8 398	19 403	46 728	3 841	330	7 519	86 219
Negative replacement values of derivative financial instruments	1 110	–	–	–	–	–	1 110
Accrued expenses and deferred income	1 089	665	203	4	4	23	1 988
Other liabilities	505	80	274	1	–	4	864
Bank's capital	22 000	–	–	–	–	–	22 000
Statutory retained earnings reserve	685	–	–	–	–	–	685
Profit carried forward	11 717	–	–	–	–	–	11 717
Result of the year	2 200	–	–	–	–	–	2 200
Total liabilities	**47 917**	**33 224**	**49 122**	**3 998**	**470**	**7 894**	**142 625**
Delivery obligations arising from spot exchange and swap transactions	114 944	407 115	965 919	280 658	128 408	180 295	2 077 339
Total at 31 December 2019	**162 861**	**440 339**	**1 015 041**	**284 656**	**128 878**	**188 189**	**2 219 964**
Net position by currency	**25 181**	**60 296**	**(109 135)**	**13 369**	**(6 042)**	**16 331**	–

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown of contingent assets and contingent liabilities

Contingent assets	2019 CHF	2018 CHF
Other contingent assets	–	–
Total contingent assets	–	–

Contingent liabilities		
Other contingent liabilities	154 971	149 817
Total contingent liabilities	**154 971**	**149 817**

Breakdown of the result from trading activities

Trading income	2019 CHF	2018 CHF
Leveraged margin trading	26 682 471	26 137 131
Binary options	658 635	742 595
Total	**27 341 106**	**26 879 726**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown by underlying risk

Result from trading activities from:	2019 CHF	2018 CHF
Equity securities	4 831 188	2 135 353
Foreign currency	17 239 012	17 675 805
Commodities / precious metals	5 270 906	7 068 568
Total	**27 341 106**	**26 879 726**

Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

Negative interest	2019 CHF	2018 CHF
Negative interest on credit operations	203 397	112 410

Negative interest on credit operations is disclosed as a reduction in Interest and discount income.

Breakdown of personnel expenses

Personnel expenses	2019 CHF	2018 CHF
Salaries	6 565 252	9 909 977
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 560 221	2 277 708
Other personnel expenses	80 322	113 766
Total personnel expenses	**8 205 795**	**12 301 451**

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Swiss Banking Group

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019

Breakdown of general and administrative expenses

General and administrative expenses	**2019 CHF**	**2018 CHF**
Premises	2 355 200	2 469 349
IT related expenses	2 600 858	2 768 071
Copyright agreement	3 599 297	–
Legal and consulting	1 046 896	1 050 295
RM, Compliance and Back Office Outsourcing	884 463	411 138
Post, telecommunications and data	822 173	715 843
Expenses for vehicles	60 870	48 186
Office supply	187 994	210 983
Audit fees	254 325	287 820
of which for financial and regulatory audits	*254 325*	*287 820*
of which for other services	–	–
Marketing and communication	3 125 439	5 673 089
Travels	932 981	1 218 265
Others	343 178	464 916
Total general and administrative expenses	**16 213 674**	**15 317 955**

Explanations regarding extraordinary income and expenses

Extraordinary income	**2019 CHF**	**2018 CHF**
Profit realised on the disposal of participation	1 079	–
Disposal of fully depreciated fixed assets	–	11 260
Total extraordinary income	**1 079**	**11 260**

Extraordinary expenses		
Loss realised on the disposal of participation	(170 793)	–
Total extraordinary expenses	**(170 793)**	–

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

	2019		2018	
	Domestic CHF	**Foreign CHF**	**Domestic CHF**	**Foreign CHF**
Subtotal net result for interest operations	181 038	–	303 622	–
Subtotal result from commission business & services	496 357	–	262 907	–
Result from trading activities	27 341 106	–	26 879 726	–
Personnel expenses	(6 005 506)	(2 200 289)	(6 406 320)	(5 895 131)
General and administrative expenses	(4 700 245)	(11 513 429)	(6 418 814)	(8 899 141)
Subtotal operating expenses	**(10 705 751)**	**(13 713 718)**	**(12 825 134)**	**(14 794 272)**
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	(333 797)	(235 294)	(347 449)	(261 974)
Changes to provisions and other value adjustments, and losses	(31 862)	–	(2 087)	–
Operating result	**16 947 091**	**(13 949 012)**	**14 271 585**	**(15 056 246)**

Presentation of current taxes, deferred taxes and disclosure of tax rate

	2019 CHF	**2018 CHF**
Current tax expenses	(628 347)	(288 580)
Total taxes	**(628 347)**	**(288 580)**

	2019	**2018**
Average tax rate	**21.0%**	**n/a**

Taxes consist of tax on profit and capital, as well as professional tax.
In 2018 we have a loss at the operating level.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS of Dukascopy Bank SA, Geneva

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Dukascopy Bank SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 12 to 39 of this report) for the year ended 31 December 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

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	Romain Tranchant
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Geneva, 28 April 2020

Enclosure:
- Financial statements (balance sheet, statement of income, statement of changes in equity and notes);
- Proposed appropriation of available earnings.

DUKASCOPY
Swiss Banking Group

KEY METRICS FOR DISCLOSURE TO THE FINANCIAL STATEMENTS

as at 31 December 2019

KM1 : Key regulatory figures

	Available capital (amounts) 000 CHF	**2019**	**2019Q3**	**2019Q2**	**2019Q1**	**2018**
1	Common Equity Tier 1 (CET1)	34 402				29 821
1a	Fully loaded ECL accounting model CET1	–				–
2	Tier 1	34 402				29 821
2a	Fully loaded ECL accounting model Tier 1	–				–
3	Total capital	34 402				29 821
3a	Fully loaded ECL accounting model Total capital	–				–
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	261 713				235 963
4a	Minimum capital requirements (000 CHF)	20 937				18 877
	Risk-based capital ratios (as a percentage % of RWA)					
5	CET1 ratio	13,14%				12,64%
5a	Fully loaded ECL accounting model Common Equity Tier 1	–				–
6	T1 ratio	13,14%				12,64%
6a	Fully loaded ECL accounting model Tier 1 ratio	–				–
7	Total capital ratio	13,14%				12,64%
7a	Fully loaded ECL accounting model total capital ratio	–				–
	Additional CET1 requirements (buffers) as a percentage of RWA					
8	Capital conservation buffer requirement according to Basel min. requirements	2,50%				1,88%
9	Countercyclical buffer requirement according to Basel min. requirements	0,00%				0,00%
10	Bank G-SIB and/or D-SIB additional requirements	0,00%				0,00%
11	Total of bank CET1 specific buffer requirements according to Basel min. requirements	2,50%				1,88%
12	CET1 available after meeting the bank's minimum capital requirements	5,14%				9,14%
	Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
12a	Capital conservation buffer according to CAO, Annex 8	2,50%				2,50%
12b	Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a	0,00%				0,00%
12c	CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7,00%				7,00%
12d	T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	8,50%				8,50%
12e	Total capital target according to CAO, Annex 8 + contercyclical buffer according to CAO, Art. 44 and 44a	10,50%				10,50%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure (000 CHF)	160 787				154 165
14	Basel IIII Leverage Ratio	21,40%				19,34%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	0,00%				0,00%
	Medium short-term liquidity coverage ratio LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	46 211	45 151	46 877	50 204	36 860
16	LCR Denumerator: total cash outflow (000 CHF)	6 657	7 229	8 913	9 237	9 083
17	Liquidity coverage ratio (%)	694%	625%	526%	544%	406%

* According to CAO, Art. 44 and 44a

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2019

OV1: Overwiew of risk-weighted assets

in 000 CHF		RWA 2019	RWA 2018	Min. capital requirements 2019
1	Credit risk	47 363	25 400	3 789
20	Market risk	160 688	146 750	12 855
24	Operational risk	52 837	56 088	4 227
24a	Risks without counterparty	800	7 725	64
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	25	–	2
27	**Total (1 + 20 + 24 + 25)**	**261 713**	**235 963**	**20 937**

To determinate minimum capital requirement we use:
- credit risk: standard approach;
- market risk: standard approach;
- operational risk: basic indicator approach;
- others: cryptocurrencies.

LIQA : Liquidity risk management

Dukascopy Bank and its Group have abundant liquidity which comes exclusively from client deposits and accumulated profits. Moreover, over 90% of all assets are very liquid (cash at sight and investment grade government bonds) which are deposited in countries where transferability of assets is highly probable, mostly in Switzerland, Germany, UK and in the USA. The Treasurer monitors the evolution of client withdrawals as an early warning indicator. The Risk Committee, of which the Treasurer is a member, monitors liquidity indicators quarterly, annually updates a liquidity contingency plan and performs a stress test which consistently confirms the very comfortable liquidity situation of the Bank (and its Group) and its compliance with the very low liquidity risk appetite of the Bank. The Risk Committee quarterly informs the Board of Directors and the Executive Committee on the Bank's liquidity situation. The treasurer maintains reserves of immediately usable liquidity in the main currencies so as to allow the Bank to honour its short term payment obligations.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2019

CR1 : Credit risk - credit quality of assets

in 000 CHF		Gross carrying values of		Value adjustments/ impairments	Net values
		Defaulted exposures	Non-Defaulted exposures		
1	Loans (excluding debt securities)	–	90 925	–	90 925
2	Debt securities	–	47 083	–	47 083
3	Off-balance sheet exposures	–	1 039	–	1 039
24	**Total**	–	**139 047**	–	**139 047**

A situation of "default" is recognised when the debtor has failed to pay interests or to reimburse the loan at the contractually agreed maturity date.

CR 3: Credit risk - overview of credit risk mitigation techniques

in 000 CHF	Unsecured exposures / carrying values	Exposures secured by collateral / carrying values	Exposures secured by financial guarantees or credit derivatives / the amounts effectively covered
Loans (Debt securities included)	137 964	–	44
Off-balance sheet exposures	884	155	–
Total	**138 848**	**155**	**44**
of which defaulted	–	–	–

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2019

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

Definition of interest rate risk in the banking book. 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 considerably fluctuate depending on the clients trading positions. Therefore, the Bank fully hedges 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 or pay interests to its clients. The main source of interest rate risk of the Bank 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 policies. The Bank risk management policies define the organisational structure, responsibilities, limits and maximum acceptable risk with the objective to optimise the net interest income on a long term horizon. The Executive Management is responsible for supervising and implementing 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 Committee and the Board of Directors that includes the interest rate risk situation. This Risk Report presents inter alia the results of the stress tests with significant shifts in interest rate curves, the level of use of the risk limits and the distribution of relevant positions per currency and per maturity.

The Bank does not pay interest on customers' accounts. Nevertheless, it can review that policy at any time if considered it 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 does not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

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

The Finance Department 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 own base scenario (100 basis point change in interests) and the six-standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 “Interest rate risk – banks). For each standardised 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 and long term rates up)	From -97 basis point up to +90 basis points depending on maturity bucket
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points depending on maturity bucket
Rise in short term interest rates	From +150 basis points down to 0 basis points depending on maturity bucket
Fall in short term interest rates	From -150 basis points down to 0 basis points depending on maturity bucket

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

Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and 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)

Change in 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 optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

KEY METRICS DISCLOSURES FOR THE FINANCIAL STATEMENTS

as at 31 December 2019

IRRBBA1: Interest-rate risk - quantitative information on the structure of positions and maturity repricing as of 31 December 2019

	Volume (in CHF millions)			**Average interest rate reset period** (in years)	
Positions with an defined interest rate reset date	Total	of which CHF	of which other significant currencies*	Total	of which CHF
Financial investments	43	30	13	7.90	10.20
Positions with an undefined interest rate reset date					
Amounts due from banks	62	4	48	0.04	0.04
Amounts due from customers	0	0	0	0.62	0.62
Sight liabilities in personal and current accounts	(86)	(8)	(66)	0.04	0.04
Other liabilities	(16)	0	(15)	0.04	0.04
TOTAL	**3**	**26**	**(20)**	–	–

*Significant currencies are those that make more than 10% of assets or liabilities of total assets (ie USD and EUR)

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

in CHF millions	**Δ EVE** (change in the net present value)		**Δ NII** (change in the discounted earning value)	
Period	31.12.2019	30.06.2019	31.12.2019	30.06.2019
Parallel upward shift	(4.8)	(5.1)	0	0
Parallel downward shift	5.7	6.0	0	0
Steepener shock	(2.1)	(2.3)	–	–
Flattener shock	1.2	1.3	–	–
Upward short-term interest rate shock	(0.9)	(0.9)	–	–
Downward short-term interest rate shock	0.9	0.9	–	–
Maximum	5.7	6.0	0	0
Total eligible capital	**34.4**	**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 or pay 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 does not issue loans to customers, all due from banks have 1 month and due from customers have 9 months 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 considerably fluctuate depending on the clients trading positions. Therefore, the Bank fully hedges this trading flow. The main source of interest rate risk of the Bank is 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.

KEY METRICS DISCLOSURES
FOR THE FINANCIAL STATEMENTS

as at 31 December 2019

ORA: Operational risks

Operational risks include IT, cyber, confidentiality, fraud, compliance and legal risks. The Bank is particularly exposed to IT and cyber risks due to its reliance on technological solutions connected to the Internet. The identification, measurement, management, monitoring and reporting of the Bank's risks are organised in a comprehensive Risk Management Concept complemented by specific concepts on cyber-security, data confidentiality and operational risk management and by other internal regulation. Compliance risks are specifically subject to a Compliance Risk Analysis and Action Plan. All this documentation is reviewed annually by the relevant specialised committees of the Bank: the Risk Committee, the Compliance Committee and the IT Steering Committee. The Bank makes sure that each identified operational risk remains within the limits of its appetite and keeps under scrutiny the internal controls which allow to keep those risks at an acceptable level. Quarterly, the Board of Directors and the Executive Committee are informed of the evolutions in the Bank and Group's risk profile, receives operational risk indicators allowing them to monitor the situation of risks and their compliance with the Bank's objectives.

For determining capital requirements applicable to operational risks the Bank uses the basic indicator method.

Swiss Banking Group

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December 2019

ASSETS	31.12.2019 CHF	31.12.2018 CHF
Liquid assets	23 720 307	34 042 501
Amounts due from banks	69 142 972	83 725 422
Amounts due from customers	348 388	398 924
Positive replacement values of derivative financial instruments	1 096 498	1 129 562
Financial investments	47 138 149	30 966 930
Accrued income and prepaid expenses	3 445 496	4 419 432
Non-consolidated participations	110 983	1 029 320
Tangible fixed assets	810 522	1 245 283
Other assets	210 143	808 442
Total assets	**146 023 458**	**157 765 816**

LIABILITIES	CHF	CHF
Amounts due to banks	12 085 187	20 415 841
Amounts due in respect of customer deposits	94 861 033	99 681 661
Negative replacement values of derivative financial instruments	1 124 708	875 367
Accrued expenses and deferred income	2 160 568	2 261 436
Other liabilities	1 018 923	1 929 308
Bank's capital	22 000 000	22 000 000
Retained earnings reserve	10 280 237	12 179 002
Currency translation reserve	276 980	303 012
Consolidated result of the year	2 215 822	(1 879 811)
Total liabilities	**146 023 458**	**157 765 816**

CONSOLIDATED OFF-BALANCE SHEET TRANSACTIONS

as at 31 December 2019

Off–balance sheet commitments	31.12.2019 CHF	31.12.2018 CHF
Contingent liabilities	154 971	149 817
Irrevocable commitments	884 000	816 000

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2019

Result from interest operations	31.12.2019 CHF	31.12.2018 CHF
Interest and discount income	(29 890)	25 860
Interest and dividend income from financial investments	713 807	646 267
Interest expense	(503 350)	(368 505)
Gross result from interest operations	**180 567**	**303 622**
Changes in value adjustments for default risks & losses from interest operations	–	–
Subtotal net result from interest operations	**180 567**	**303 622**
Result from commission business and services		
Commission income from other services	1 011 162	700 357
Commission expense	(548 218)	(420 543)
Subtotal result from commission business and services	**462 944**	**279 814**
Result from trading activities	**28 387 801**	**28 520 424**
Operating expenses		
Personnel expenses	(9 555 605)	(14 082 265)
General and administrative expenses	(15 771 895)	(15 967 069)
Subtotal operating expenses	**(25 327 500)**	**(30 049 334)**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	(578 724)	(620 283)
Changes to provisions and other value adjustments, and losses	(32 416)	(3 335)
Operating result	**3 092 672**	**(1 569 092)**
Extraordinary income	1 079	11 260
Extraordinary expenses	(170 793)	–
Taxes	(707 136)	(321 979)
Consolidated result of the year	**2 215 822**	**(1 879 811)**

DUKASCOPY
Swiss Banking Group

PRESENTATION OF THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2019

	Bank's capital CHF	Reserves for general banking risks, CHF	Currency translation reserve CHF	Retained earning reserve CHF	Consolidated profit for the year CHF	TOTAL CHF
Equity at start of current period	**22 000 000**	–	**303 012**	**12 179 002**	**(1 879 811)**	**32 602 203**
Allocation of previous year result	–	–	–	–	–	–
Change of scope of consolidation				(18 954)		(18 954)
- Allocation to Retained earnings reserve	–	–	–	(1 879 811)	1 879 811	–
Currency translation differences	–	–	(26 032)	–	–	(26 032)
Profit of the year	–		–	–	2 215 822	2 215 822
Equity at end of current period	**22 000 000**	–	**276 980**	**10 280 237**	**2 215 822**	**34 773 039**

CONSOLIDATED CASH FLOW STATEMENT

as at 31 December 2019

	2019		2018	
Cash flow from operating activities (internal financing)	**Cash in-flow 000 CHF**	**Cash out-flow 000 CHF**	**Cash in-flow 000 CHF**	**Cash out-flow 000 CHF**
Result of the year	2 215	–	–	1 880
Value adjustement on participations, depreciation and amortisation of tangible fixed assets and intangible assets	579	–	620	–
Provisions and other value adjustments	–	–	–	30
Accrued income and prepaid expenses	974	–	–	557
Accrued expenses and differed income	–	100	219	–
Other items	–	312	676	–
Subtotal	**3 768**	**412**	**1 515**	**2 467**
Cash flow from shareholder's equity transactions				
Recognised in reserves	–	26	6	–
Change of scope of consolidation	–	19	–	–
Subtotal	–	**45**	**6**	–
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	918	–	329	–
Other tangible fixed assets	–	144	–	342
Subtotal	**918**	**144**	**329**	**342**
Cash flow from banking operations				
Medium and long-term business (> 1 year)				
Financial instruments	–	28 244	12 496	11 675
Amounts due from customers	–	–	63	–
Short-term business				
Amounts due to banks	–	8 331	9 800	–
Amounts due in respect of customer deposits	–	4 820	–	1 402
Negative replacement values of derivative financial instuments	249	–	161	–
Amounts due from banks	14 583	–	7 249	–
Amounts due from customers	50	–	353	–
Positive replacement values of derivative financial instuments	33	–	–	389
Financial instruments	12 128	55	11 696	12 128
Liquidity				
Liquid assets	10 322	–	–	15 265
Subtotal	**37 365**	**41 450**	**41 818**	**40 859**
TOTAL	**42 051**	**42 051**	**43 668**	**43 668**

Dukascopy
Swiss Banking Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

1. Name and legal status of the Group

Dukascopy Group (hereinafter the "Group") is headed by Dukascopy Bank SA (hereinafter the "Bank"), a limited company under Swiss law which renders online brokerage and online banking services from its head office in Geneva (Switzerland). The Bank fully owns two subsidiaries offering similar online brokerage services as the Bank, namely, Dukascopy Europe IBS AS, a European regulated broker based in Riga and Dukascopy Japan K.K., a Type-1 licensed brokerage company located in Tokyo. These two subsidiaries are included in the consolidated financial statements of the Group. SWFX – Swiss FX Marketplace SA offers intellectual property services and is consolidated as at 31 December 2019 as well.

The Group's scope of consolidation comprises all companies owned and controlled, either directly or indirectly, over 50% of the capital or voting rights by the Bank, at the exception of Group companies which are insignificant with regard to the size of the Group. Dukascopy Community SA, Dukascopy Payments AS, Dukascopy International Ltd and their subsidiaries, if any, are not consolidated in the Group's consolidated financial statements because they are of very small size.

2. Accounting and valuation principles

2.1. General principles

The Group's consolidated financial statements are established in accordance with the Swiss Code of Obligations, the Act on Banks and Saving institutions, its related Ordinance and the FINMA circular 15/1. In the notes, certain figures are rounded for publication but the calculations are based on the non-rounded figures, thus small rounding differences can arise. The consolidated financial statements have been compiled to present a true and fair view of the Group's assets, financial position and results.

Consolidation method

Entities either directly or indirectly controlled by the Bank or over which the Bank exercises a dominant influence are consolidated according to the full consolidation method. This means assets, liabilities, off-balance sheet transactions, income and expenses of fully consolidated companies are included in the Group's consolidated financial statements. All material business relations between consolidated companies are eliminated from assets, liabilities, income and expenses. Net assets of Group companies are consolidated according to the purchase method. In the case of combined entities, the combination is an amalgamation of the accounts, performed in compliance with the same rules as described above. If a significant influence is exercised over a company, the equity method is used for consolidation purposes. If the year-end closing date for consolidated companies' accounts is not 31 December, interim financial statements are compiled.

Entities are consolidated as from the date effective control over them passed to the Group; they are removed from the scope of consolidation as from the date such control ceases.

General valuation principles

The consolidated financial statements are prepared on the assumption of a going-concern. The accounting is therefore based on going-concern values.

Items are entered in the consolidated balance sheet as liabilities if they have arisen due to past events, if a cash outflow is probable and their value can be reliably estimated. If a reliable estimate is not possible, then it is a contingent liability, which is commented on in the notes. The disclosed consolidated balance sheet items are valued individually.

In principle, neither assets and liabilities nor expenses and income are offset. Accounts receivable and accounts payable are offset in the following cases:

- deduction of value adjustments from the corresponding asset item;
- offsetting of positive and negative replacement values of derivative financial instruments with the same counterparty, if there are recognized and legally enforceable netting agreements in place;
- offsetting of price gains and losses from trading activities.

2.2. Changes to accounting principles and valuation method

No changes in 2019.

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Financial instruments

a. Liquid assets

Liquid assets are recognized at their nominal value.

b. Amounts due from banks and amounts due from customers

They are recognized at their nominal value less any necessary value adjustments. Amounts due in respect of precious metal account deposits are valued at fair value.

Doubtful receivables, i.e. obligations entered with clients for which the debtor is unlikely to meet its future obligations, are valued individually and depreciated by means of individual value adjustments. Impaired receivables 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 proceeds of the collateral, a value adjustment is made for the entire unsecured portion of the receivable. If a receivable is classed as entirely or partially irrecoverable or a receivable is waived, the receivable is derecognized by booking it against the corresponding value adjustment.

Recovered amounts from receivables written off in earlier periods are recognized in “Change in value adjustments for default risk and losses from interest operations” in the consolidated statement of income.

c. Amounts due to banks and amounts due in respect of customer deposits

These items are recognized at their nominal value. Amounts due in respect of precious metal account deposits are valued at fair value.

d. Positive and negative replacement values of derivative financial instruments

Trading operations comprise execution of client orders and transactions of the Bank for its own account including hedging transactions.

The trading portfolio and liabilities related to trading operations of the Group are exclusively recognized in the consolidated off-balance sheet due to the nature of such transactions (spot forex, spot precious metals and derivatives).

Spot trading transactions executed by the Group are accounted for according to the value date principle. This implies that between the trade date and the value date, spot transactions are disclosed as derivative instruments. Explanations below concerning derivative financial instruments traded by the Group also apply to such spot trading operations.

Trading assets and liabilities are valued and recognized at fair value. Fair value is the price based on a price-efficient and liquid market or the price calculated using a valuation model.

The price gain or loss resulting from the valuation is recorded via the item “Result from trading operations”.

Derivative financial instruments are used for trading and for hedging purposes.

Trading purposes

The valuation of derivative financial instruments for trading purposes is done according to the fair value and the positive or negative replacement value is recorded in the corresponding item. The fair value is based on market prices or option pricing models.

The realized result from trading operations and the unrealized result from valuations relating to trading operations are recorded via the item “Result from trading operations”.

Hedging purposes

The Group also uses derivative financial instruments as part of its assets and liabilities management (ALM) to hedge against market risks. The Bank’s subsidiaries active in brokerage activities have the obligation to hedge all their trading operations with the Bank. Hedging operations are valued and disclosed as trading operations.

Use of swaps

The Group uses currency swaps to rollover spot foreign exchange and precious metal transactions to the next spot settlement date until positions are closed.

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Netting

The Group offsets positive and negative replacement values with the same counterparty within the terms of the recognized and legally enforceable netting agreements.

e. Financial investments

Financial investments include the bonds and the cryptocurrencies.

Financial investments count Swiss and US government bonds acquired with the intention to hold them until maturity. The valuation is based on the acquisition cost principle with the agio/disagio (premium/discount) accrued/deferred over the residual term to maturity (accrual method).

If held-to-maturity financial investments are sold or reimbursed early, the realized gains and losses, which correspond to the interest component, are accrued/deferred over the residual term to maturity of the transaction via the item “Other assets” or “Other liabilities”. Value adjustments for default risk are recorded immediately under “Changes in value adjustments for default risk and losses from interest operations”.

f. Dukascoins

Dukascopy Bank books Dukascoins belonging to the Bank in the caption "Financial investments" valued at lower of cost or market. For such tokens issued by the Bank, the latter considers that acquisition cost is zero. As a consequence, Dukascoins belonging to the Bank will remain valued at zero as long as they stay in "Financial investments".

The Bank books Dukascoins belonging to clients in the caption "Financial investments" at fair value on the asset side and in "Amounts due in respect of customer deposits" at fair value on the liabilities side.

According to the FINMA circular 2015/1, the fair value derives either from a price efficient and liquid market or from a valuation model (mn 404-410).

According to the FINMA circular 2015/1, a representative market exists when at least three mutually independent market makers provide prices on a daily basis. According to our analysis, there is currently no efficient price and no liquid market for Dukascoins.

To our knowledge, there is no generally accepted valuation methodology for payment tokens. Due to the lack of future cash flows, intrinsic value, highly correlated base assets, which could be used as a benchmark in model, the value of such tokens depends mainly on market demand.

Considering the foregoing, the Bank considered that there is no fair value estimates for Dukascoins and therefore those coins should be valued at cost. Currently, the sole active marketplace is the Dukascoin bulletin board established by the Bank, where prices are set daily for very small volumes.

Value adjustments are recorded under “Other ordinary expenses” or “Other ordinary income”.

Certain client positions in Dukascoins are booked off balance sheet, if they meet FINMA requirements for off balance sheet recognition.

g. Non-consolidated participations

Participations owned by the Bank which are not consolidated include equity securities of companies that are held for long-term purposes, irrespective of any voting rights. They are valued at historical costs minus any value adjustments, if any.

Each non-consolidated participation is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of individual assets. If any such indictors exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset. The recoverable amount is the higher amount of the net selling price and the value in use.

An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item “Value adjustments on participations and depreciation of tangible fixed assets and intangible assets”.

Realized gains from the sale of non-consolidated participations are recorded via the item “Extraordinary income” and realized losses are recorded via the item “Extraordinary expenses”.

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h. Tangible fixed assets

Investments in tangible fixed assets are capitalized as an asset if they exceed the min. value for recognition of CHF 1'000. Tangible fixed assets are recognized at acquisition cost minus the scheduled accumulated depreciation over the estimated operating life. Tangible fixed assets are depreciated at a consistent rate over an estimated operating life via the item "Value adjustments on participations and depreciation of tangible fixed assets and intangible assets". The estimated operating lives of the different categories of tangible fixed assets and the depreciation methods are as follows:

- Fixtures and fittings 4 years, on a linear basis
- Furniture 4 years, on a linear basis
- IT hardware 3 years, on a linear basis
- Vehicles 5 years, on a linear basis
- Software 5 years, on a linear basis

Acquisition costs of tangible fixed assets acquired during the year are depreciated at the same rate on a prorata basis.

Objects used by the Group as the lessees as part of a finance lease are recorded via the item "Tangible fixed assets" at cash purchase value. The leasing liabilities are disclosed, depending on the counterparty, in the items "Amounts due to banks" or "Other liabilities".

Each tangible fixed asset is tested for impairment as of the consolidated balance sheet date. This test is based on indicators reflecting a possible impairment of the individual assets impaired. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is calculated for each individual asset.

The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable amount and the impairment is charged via the item "Value adjustments on participations and depreciation of tangible fixed assets and intangible assets".

Realized gains from the sale of tangible fixed assets are recorded via the item "Extraordinary income" and realized losses are recorded via the item "Extraordinary expenses".

i. Provisions

The Group records 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. Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision is created.

Existing provisions are reassessed at each consolidated balance sheet date. Based on this reassessment, the provisions are increased, left unchanged or released. Currently, provisions exclusively relate to legal risks and deferred tax. The variation of provisions is recorded in the consolidated statement of income via "Changes in provisions and other value adjustments, and losses".

Provisions are released via the consolidated statement of income if they are no longer needed on business grounds.

j. Reserves for general banking risks

Reserves for general banking risks are prudently created reserves to hedge against the risks in the course of business of the Group. The creation and release of Reserves for general banking risks are recognized via the item "Changes in reserves for general banking risks" in the consolidated statement of income. The Reserves for general banking risks are subject to tax when they exceed certain criteria. The portion of Reserves for general banking risks which is not subject to current tax triggers the recording of deferred tax in the item "Provisions" in the consolidated balance sheet via the item "Taxes" in the consolidated statement of income.

k. Taxes

Current taxes are recurring, usually annual, taxes on profits, capital and total income (Geneva professional tax). Transaction-related taxes are not included in current taxes.

Liabilities from current tax are disclosed via the item "Accrued liabilities and deferred income".

Deferred taxes, stemming from temporary timing differences between the taxable and accounting values of assets and liabilities, are booked as deferred taxes in the item "Provisions" on the liabilities side of the consolidated balance

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sheet. Deferred taxes are calculated based on the tax rate applied to the Bank. Expenses due to current and deferred taxes are disclosed in the consolidated statement of income via the item "Taxes".

l. Off-balance sheet transactions
Off-balance sheet disclosures are at nominal value. Provisions are created in the liabilities in the consolidated balance sheet for foreseeable risks.

m. Pension benefit obligations
The Group's employees based in Switzerland are insured for retirement, death or disablement through a defined benefit pension scheme. The Group bears the costs of the occupational benefit plan for employees and survivors as per the legal requirements. The employer contributions arising from the pension scheme are included in "Personnel expenses" on an accrual basis.
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 the Group's employees are insured.
There is an economic benefit if, due to contribution reserves, the Group has the ability to reduce its future employer's contributions. On the contrary, there is a liability if, owing to a shortfall in the pension fund, the Group wants or has to participate in the financing of the pension fund.
The Group assesses whether there is an economic benefit or economic obligation arising from pension schemes as of the consolidated balance sheet date. The assessment is based on the contracts and financial statements of the pension funds (established under Swiss GAAP FER 26 in Switzerland).

The identified economic benefits (including the employer contribution reserves without a waiver of use) are recorded in "Other assets". If an economic obligation is identified for an individual pension fund, it is recorded in "Provisions". The differences with the corresponding value of the prior period are recorded in the consolidated statement of income in "Personnel expenses".

2.3. Recording of business transactions
All business transactions concluded up to the consolidated balance sheet date are recorded as of their trade date (trade date principle) and valued according to the above-mentioned principles. Any foreign exchange spot transactions, foreign exchange forwards, swaps or any other derivative financial instrument entered into but not yet fulfilled are recorded in accordance with the settlement date accounting method. Between the trade date and the settlement date, these transactions are disclosed at replacement value via the item "Positive replacement value of derivative financial instruments" or "Negative replacement value of derivative financial instruments".

2.4. Treatment of foreign currencies
For each Group company, income and expenses denominated in foreign currencies are converted, in the individual company accounts, at the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are converted at the exchange rate applicable on the period-closing date. Currency gains and losses resulting from currency translation are included in the respective statement of income of individual companies.
On consolidation, assets and liabilities of Group companies are converted into Swiss francs at the exchange rate of the consolidated balance sheet date at the exception of the shareholders' equity which is converted at historical rate. Income and expenses of Group companies are converted at the exchange rate averaged over the reporting period. Exchange differences resulting from conversion into Swiss francs of individual financial statements are recognized in the consolidated balance sheet in the item "Currency translation reserve".

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At the consolidated balance sheet date, the main exchange rates used to convert assets and liabilities in foreign currencies were as follows:

		2019 CHF	2018 CHF
USD	1.00	0.96748	0.98190
EUR	1.00	1.08575	1.12535
GBP	1.00	1.28351	1.25225
CAD	1.00	0.74501	0.71985
JPY	1.00	0.00891	0.00895
AUD	1.00	0.67911	0.69195
NZD	1.00	0.65119	0.65925
NOK	1.00	0.11016	0.11360
SEK	1.00	0.10330	0.11087
SGD	1.00	0.71906	0.71989

The average exchange rates over the reporting period for the conversion of income and expenses of Group companies were as follows:

		2019 CHF	2018 CHF
EUR	1.00	1.11123	1.15484
JPY	1.00	0.00912	0.00886

3. Risk Management

Due to its core business consisting in offering fully automated (Straight-Through-Processing) brokerage services via innovative in-house developed IT solutions, the Group is mostly subject to operational, market and legal risks. The Bank provides IT and trading technology to all Group companies under white labelling agreements. Besides, the Bank is the sole Group company which is allowed to take market risks. As a consequence, operational and market risks of the Group are concentrated at the Bank.

Since the Group is not active in credit activities and only executes client orders based on collateral (client margin deposits and bank guarantees), its credit risk exposure is normally limited to possible default of institutional trading counterparties. The identification, measurement, monitoring, management of risks and maintenance of the Group's stability, is a priority for the Bank. The key elements of risk management and Group consolidated supervision are the following:

- a comprehensive risk policy and internal regulation defining among others the risk appetite and risk limits which are commensurate with the Bank's risk capacity;
- the permanent monitoring of risk limits and compliance with applicable regulatory capital, risk diversification and liquidity requirements at local and Group levels;
- a risk control function and a risk officer in charge of monitoring the Bank's and Group's risk profile and risk management capabilities;
- proper segregation of duties;
- wide application of the four-eyes principle and IT-based controls in business operations;
- three lines of defence: risk management by business units, risk control and compliance functions and internal audit at local and Group levels;
- a comprehensive internal reporting on relevant risks.

The Bank's Board of Directors is the supreme governing body of the risk management organization of the Group. It has established an analysis of the main risks the Bank and the Group are exposed to. Based on its risk analysis, the Board of Directors has adopted a Risk Management Concept aiming at limiting and managing the main risks affecting the Bank where most of the Group's risks are concentrated. In addition, the Board of Directors has adopted Group risk limits and an internal regulation governing the consolidated supervision of the Group by the Bank. The Risk Management Concept defines the risk appetite, the main risk limits and features of the risk measurement and risk management of the Bank. The Board of Directors monitors compliance with the limits as well as the implementation

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of the risk policy based on a comprehensive quarterly reporting on risks and Group consolidated supervision.
The executive management of each Group company is responsible for the execution of the Group and local policies. It ensures a suitable risk management organization is in place as well as the use of an adequate risk monitoring system. It monitors the use of limits and ensures that an adequate internal reporting is in place, including to the attention of the Bank's officers in charge of the Group consolidated supervision. The Group and local risk control and compliance functions are independent of business operations. They monitor all risks as the second line of defence and establish most of the quarterly reporting about risks to the local and Bank's executive management and the Board of Directors.

Operational risks

Operational risks are defined as the risk of losses due to inadequacy or failure of internal procedures, people and systems or due to external events. This definition includes risks related to client data confidentiality and legal risks, including fines by supervisory authorities and settlements. As a Group offering highly automated services accessible through the Internet, the Group much relies on IT systems and Internet connections to operate. Automation brings high efficiency, eliminates human errors but at the same time means dependency on the availability and integrity of IT systems and Internet connections that the Group protects through advanced security solutions and permanent monitoring of the system components.
The operational risks are measured by calculating the probability and extent of possible financial damages due to negative events such as an error in client order execution or the breach of a regulation (compliance risk). The Bank has documented operational risks and key controls aiming at mitigating such risks (e.g. four eyes principle, reconciliations, automated controls, internal regulation, etc.) in a systematic manner via an internal regulation which is approved annually by the Board of Directors and based on the FINMA circular 2008/21. The operational risk management framework also includes a Business Continuity Management (BCM) documentation, which rules the maintenance or the resumption of business operations in case of occurrence of critical situations such as a natural disaster affecting the Bank or Group companies. The effectiveness of the Business Continuity Management of the Bank is tested annually. In other Group entities, the BCM documentation is adapted to local operations and applicable regulation.
The Bank establishes risk indicators, mainly based on operational incidents and losses which allow the Bank's risk control function to report on operational risks in a systematic and objective way to the Bank's executive management and the Board of Directors.
The management of operational risks is one of the priorities of the Group since it has a direct effect on its stability and attractiveness as a trusty service provider.

Market risks – trading operations

Due to the Group's specialization in forex trading, market risks are concentrated on currency risk. Market risks related to other financial instruments offered by the Group (precious metals, stocks, commodities, equities, etc.) are minor in comparison to currency risks. As mentioned above, the Bank is the sole Group company which accepts and manages market risks on trading activities.
The management of market risks deriving from trading operations is a priority risk management activity and a cornerstone of the Group's financial stability. In particular, the volatility on the forex market may trigger significant impact on the Group's financial situation due to the Bank's currency risk exposure via the item "Result from trading activities". For various reasons including for benefiting from bid and ask spreads, the Bank permanently keeps a certain portion of market exposure deriving from client order execution.
The Bank applies prudent market risk limits and sophisticated monitoring of market risk exposure via automated hedging logics and 24h human and automated surveillance.
The Bank automatically measures its market risk exposure on a permanent and real time basis. The IT system automatically caps such market risk exposure under the limits decided by the executive management and the Board of Directors. Those limits have been set sufficiently carefully to ensure that Swiss banking capital adequacy requirements are complied with at all times. If deemed necessary, the Bank's advanced technology allows it to fully exclude exposure deriving from trading on all or specific instruments, for instance in anticipation of exceptional market events such as the abandon of a currency peg by a Central Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Market risks – other currency risks

The Group entities have limits applicable to currency risk exposure deriving from currency discrepancies between assets and liabilities. These limits are monitored on a regular basis and sufficient currency congruence is maintained between assets and liabilities through the assets and liabilities management (ALM).

Market risks – interest rate risks

The Group is not active in credit or other interest generating activities. The Group's exposure to interest rate risks mostly derives from government bonds bought and deposited by the Bank with trading counterparties as trading collateral. Only the Bank is exposed to interest rate risks. Since the Bank intends to hold those bonds until maturity, the identified interest rate risks should not materialize in losses. The Bank calculates and reports on interest rate risks on a quarterly basis.

Credit risk

The trading platforms automatically monitor the credit risk related to clients by way of margin call and margin cut functionalities which shall ensure that the Group remains covered by sufficient collateral at any time. Unsecured loans are short term exceptions such as rent deposits, amounts due from tax authorities and loans granted to the Bank's employees.

Counterparty risk in interbank business

The Group deposits its liquidity and trades (mainly to hedge client transactions) with more than 20 different banks and other institutional trading counterparties external to the Bank's ECN marketplace such as brokers and other marketplaces. Counterparty and default risks relating to banks and other trading counterparties are mitigated by the fixation of exposure limits approved by the competent officers including the Bank's Board of Directors. The respect of the risk limits is controlled on a daily basis and limits are adapted as often as deemed necessary.

In principle, the Group works only with first-class counterparties. Before entering into a business relationship with counterparty in interbank business, the Group performs an assessment of the counterparty risk and sets a risk exposure limit accordingly. The limit depends significantly on the rating, if any and on the capital adequacy of the counterparty which are reassessed on an annual basis or more frequently if deemed necessary. In case of extreme market events or negative events affecting certain counterparties, the Bank's executive management and risk control function urgently examine Group exposures and reconsider risk limits.

Liquidity

Due to the nature of its business activities, the Group has abundant liquidities and no long term monetary commitment. The Group is exclusively financed by its own capital, client deposits and therefore does not need to raise funds on the money market. Bank's subsidiaries deposit most of their liquidity with Dukascopy Bank. As a result the liquidity risk of the Group is low and requires limited monitoring. The liquidity risk management strategy of the Bank and an emergency liquidity plan has been approved by the Board of Directors. The latter identify reserves of liquidity, liquidity risk indicators and steps necessary to maintain sufficient liquidity for the Bank and the Group, including in case of liquidity stress situation.

The Bank's Treasurer monitors the liquidity situation of the Group. He/she ensures that the Group limits are complied with. The Group liquidity situation and concentration risks are monitored by the Bank's risk control function and reported quarterly to the executive management and to the Board of Directors.

4. Methods used for identifying default risks and determining the need for value adjustments

4.1. Amounts due from customers

The Bank is the sole Group company that accepts bank guarantees as collateral. With regard to receivables covered by bank guarantees, the credit risk mostly relates to banks having issued such guarantees and the default risk is determined as explained in section 4.2. below. If the bank having issued the bank guarantee defaults, the receivable becomes unsecured and default risks are assessed as described below, like for all other unsecured receivables.

The Group considers that a risk of default exists on unsecured receivables if a payment of interests or a reimbursement of the principal is not honoured in due date or if the debtor disputes such payment obligations or indicates that he/she will not be able to honour them. In such cases, the Group enquires about the debtor's intentions and financial situation and evaluates the chances of recovering the receivable. A value adjustment is recorded for the portion of receivable whose recovery is considered uncertain.

4.2. Amounts due from banks
In principle, the Group only takes credit risk exposure towards counterparties having sound creditworthiness. The Group considers that a counterparty is defaulting in case the latter refuses to honour a payment order in due time, or is declared bankrupted or placed under special administration due to insolvency/going-concern issues. In such cases, the counterparty's situation is evaluated. A value adjustment is recorded for the portion of receivable whose recovery is considered uncertain.

4.3. Process for determining value adjustments and provisions
Value adjustments and provisions are reassessed at each balance sheet date. Changes in value adjustments and provisions are approved by the executive management unless they simply result from a use of provision in conformity with its purpose or the recovery of an impaired receivable.

5. Valuation of collateral
Collateral provided by clients is normally made of cash, in any currency accepted in deposit by the Group. As far as the Bank is concerned, collateral also may comprise up to 80% of bank guarantees issued by Swiss or European banks having a Baa or superior Long-Term senior debt Moody's rating. With the joint approval of the Bank's risk control function and executive management, the Bank may accept bank guarantees derogating the above criteria. Bank guarantees must be denominated in the same currency as the client account reference currency. Collateral is valued at nominal value of the cash or bank guarantees. The Bank applies no haircut to collateral and grants a leverage for the trading of certain instruments.

6. Business policy regarding the use of derivative financial instruments and hedge accounting
Trading of OTC financial instruments with clients, including trading of certain financial derivatives (CFD and binary options), is the core business of the Group. As per Swiss legislation, the main instrument offered by the Group, namely leveraged margin trading on currencies and precious metals without delivery, does not qualify as a derivative financial instrument, while it is often regarded as a CFD instrument in other jurisdictions. Therefore, depending on the qualification of leveraged margin trading, the Group may be seen as a pure provider of financial derivative instruments. The Group does not trade credit derivatives.
Dukascopy Group executes all trading operations in full STP (Straight-through-Processing). The Group also uses derivative financial instruments for risk management purposes, mainly to hedge against market risks (including currency risk) mostly deriving from clients trading operations. By policy, the brokerage subsidiaries of the Bank must hedge all their trading operations with Dukascopy Bank, which is their unique trading venue. In its trading activity, including when dealing with its subsidiaries, the Bank always acts as a principal. The Bank hedges its own market risks by entering into hedging trades with external institutional counterparties or with clients. The Bank does not use hedge accounting.

7. Significant subsequent event after the balance sheet date
On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates. For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities. Moreover, based on the volatility observable in the market, we expect an impact on our 2020 income to be insignificant. Regarding our activities, we are fully operational working remotely and all our services are ensured for our clients and we will continue to follow the situation very closely.

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Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Loans (before netting with value adjustments)	**Secured by mortgages, CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Amounts due from customers	–	43 529	304 859	348 388
Total at 31 December 2019 (before netting with value adjustments)	–	**43 529**	**304 859**	**348 388**
Total at 31 December 2018 (before netting with value adjustments)	–	35 254	363 670	398 924
Total at 31 December 2019 (after netting with value adjustments)	–	**43 529**	**304 859**	**348 388**
Total at 31 December 2018 (after netting with value adjustments)	–	35 254	363 670	398 924

Off-balance sheet commitments	**Secured by mortgages CHF**	**Other collateral CHF**	**Unsecured CHF**	**Total CHF**
Contingent liabilities*	–	154 971	–	154 971
Irrevocable commitments	–	–	884 000	884 000
Total at 31 December 2019	–	**154 971**	**884 000**	**1 038 971**
Total at 31 December 2018	–	149 817	816 000	965 817

*Contingent liabilities are bank guarantees issued by the Bank on behalf of clients, fully secured by client cash deposits.

Breakdown of impaired loans/ receivables	**Gross debt amount CHF**	**Estimated liquidation proceeds of collateral CHF**	**Net debt amount CHF**	**Individual value adjustments CHF**
Total at 31 December 2019	–	–	–	–
Total at 31 December 2018	–	–	–	–

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Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments, in CHF		
OTC transactions	**Positive replacement values**	**Negative replacement values**	**Contract volumes**
Interest instruments:			
- CFD	344	–	180 901
Total interest instruments	**344**	–	**180 901**
Currencies:			
- forward contracts*	1 550 055	1 391 631	889 525 223
- swaps	730 662	880 424	1 086 772 019
Total currencies	**2 280 717**	**2 272 055**	**1 976 297 242**
Precious metals:			
- forward contracts*	45 989	44 874	38 387 477
- swaps	28 305	21 990	62 655 683
Total precious metals	**74 294**	**66 864**	**101 043 160**
Equity securities and indices:			
- CFD	65 914	142 021	51 895 625
Total equity securities and indices	**65 914**	**142 021**	**51 895 625**
Others:			
- CFD	43 306	11 845	19 946 948
Total others	**43 306**	**11 845**	**19 946 948**
Total at 31 December 2019 before impact of netting contracts	**2 464 575**	**2 492 785**	**2 149 363 876**
of which determined using a valuation model	–	–	–
Total at 31 December 2018 before impact of netting contracts	2 605 587	2 351 391	2 109 321 049
of which determined using a valuation model	–	–	–
Total at 31 December 2019 after impact of netting contracts	**1 096 498**	**1 124 708**	
Total at 31 December 2018 after impact of netting contracts	1 129 562	875 367	

* Represent the spot trading transactions which are accounted for according to the value date principle.

Breakdown by counterparty

	Central clearing houses	**Banks & securities dealers**	**Others customers**	**Total**
Positive replacement values after impact of netting contacts				
Total at 31 December 2019	–	**672 939**	**423 559**	**1 096 498**
Positive replacement values after impact of netting contacts				
Total at 31 December 2018	–	1 030 497	99 065	1 129 562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown of financial investments

	Book value		Fair value	
	2019 CHF	**2018 CHF**	**2019 CHF**	**2018 CHF**
Debt securities held to maturity	47 082 732	30 966 930	47 997 885	31 092 445
Cryptocurrencies	55 417	–	55 417	–
Total	**47 138 149**	**30 966 930**	**48 053 302**	**31 092 445**
*including securities eligible for repo transactions in accordance with liquidity regulations**	*35 552 443*	*19 291 589*	*36 215 400*	*19 473 500*

* USA Treasury Notes aren't eligible for repo transactions in accordance with liquidity regulations. Comparative figures for 2018 have been adapted.

Breakdown of contreparties by Scope ratings

2019, CHF	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Lower than B-	Without rating
Debt securities: Book value of bonds held to maturity	**47 082 732**	**–**	**–**	**–**	**–**	**–**
2018, CHF						
Debt securities: Book value of bonds held to maturity	30 966 930	–	–	–	–	–

We use rating Scope (European credit rating agency).

Presentation of non-consolidated participations

	2018			2019			
Non-consolidated participations	**Cost value CHF**	**Value adjustment CHF**	**Book value at end of year, CHF**	**Additions CHF**	**Disposals Reimbursement CHF**	**Value adjustment CHF**	**Book value at end of year, CHF**
Without listed value	1 029 320	–	1 029 320	–	(918 337)*	–	110 983
Total non-consolidated participations	**1 029 320**	–	**1 029 320**	–	**(918 337)***	–	**110 983**

* This amount relates to the dissolution of Dukascopy Ltd, to the reimbursment of Dukascopy Payments AS's capital, to the adjustement of the decrease of Dukascopy International Ltd capital and consolidation of SWFX-Swiss FX Marketplace SA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Disclosure of companies in which the Bank holds a permanent direct or indirect significant participation

	2019					
Consolidated participations	**Activity**	**Share capital, CHF**	**Head office**	**Share capital in %**	**Share vote in %**	**Held directly**
Dukascopy Europe IBS AS	brokerage	1 933 921	Riga	100	100	100
Dukascopy Japan K.K.	brokerage	6 021 839	Tokyo	100	100	100
SWFX-Swiss FX Marketplace SA	IP service	100 000	Geneva	100	100	100
Non-consolidated participations						
Dukascopy Community SA	social media	100 000	Geneva	100	100	100
Dukascopy Payments AS	in liquidation	0	Riga	100	100	100
Dukascopy International Ltd	dormant	10 983	Limassol	100	100	100

Consolidated participations			**2018**			
Dukascopy Europe IBS AS	brokerage	1 933 921	Riga	100	100	100
Dukascopy Japan K.K.	brokerage	6 021 839	Tokyo	100	100	100
Non-consolidated participations						
Dukascopy Community SA	social media	100 000	Geneva	100	100	100
Dukascopy Payments AS	e-money	827 735	Riga	100	100	100
SWFX-Swiss FX Marketplace SA	dormant	100 000	Geneva	100	100	100
Dukascopy International Ltd	dormant	10 983	Limassol	100	100	100
Dukascopy Ltd	in liquidation	985	Belize	100	100	100

The Group's scope of consolidation comprises all companies owned, either directly or indirectly, over 50% of the capital or voting rights by the Bank or which are under dominant influence of the Bank by another manner, at the exception of Group companies whose integration would not have any significantly influence on the consolidated financial statements as Dukascopy Community SA (total balance sheet CHF 352 114, net loss CHF 110 099) and Dukascopy International Ltd (total balance sheet CHF 221, net loss CHF 716). Dukascopy Europe IBS AS, Dukascopy Japan K.K. and SWFX-Swiss FX Marketplace SA are fully integrated in consolidated financial statements of the Group. Dukascopy Payments AS has been liquidated in January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of tangible fixed assets

	2018			2019			
	Cost value CHF	Accumulated depreciation CHF	Book value at end of year CHF	Additions CHF	Disposals (difference of change incl.) CHF	Depreciation CHF	Book value at end of year CHF
Softwares	23 217 209	(22 896 305)	320 904	54 492	(1)	(87 051)	288 344
Other tangible fixed assets	9 744 245	(8 819 866)	924 379	104 763	(15 291)	(491 673)	522 178
Total fixed assets	**32 961 454**	**(31 716 171)**	**1 245 283**	**159 255**	**(15 292)**	**(578 724)**	**810 522**

Leasing

	2020 CHF	2021 CHF	2022 CHF	2023 CHF	2024 CHF	2025 CHF
Future leasing installments arising from operating leases	**1 895 174**	**1 073 513**	**915 352**	**764 010**	**597 678**	**558 353**
of which, may be terminated within one year	*230 947*	–	–	–	–	–

They are rental costs.

Breakdown of other assets and other liabilities

Other assets	2019 CHF	2018 CHF
Wire transfers	210 136	808 434
Others	7	8
Total other assets	**210 143**	**808 442**

Other liabilities		
Wire transfers	557 703	1 496 080
Indirect taxes to be paid	430 090	385 011
Others	31 130	48 217
Total other liabilities	**1 018 923**	**1 929 308**

DUKASCOPY Swiss Banking Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

	2019		2018	
	Book value of pledged assets & assets assigned as collateral, CHF	Effective commitments CHF	Book value of pledged assets & assets assigned as collateral, CHF	Effective commitments CHF
Swiss and US government bonds	21 562 320	2 097 186	29 911 679	3 931 660
Margin accounts assigned as collateral*	12 034 600	810 950	16 540 898	1 291 642
Deposits made with banks to secure guarantees	219 529	219 528	219 528	219 528
Total	**33 816 449**	**3 127 664**	**46 672 105**	**5 442 830**

* Margin accounts assigned as collateral are gross. Comparative figures for 2018 have been adapted.

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 benefit scheme. There is no employer contribution reserve and there is no identifiable economic benefit to be capitalised in the balance sheet (2018: nil). The pension fund unaudited accounts as of 31 December 2019 present a coverage ratio of 118%. Based on the last audited financial statements of the Caisse Inter-Entreprises-CIEPP as at 31 December 2018, the coverage ratio was 110.2%.
The employees based in Japan are affilated to a defined contributions scheme pension fund of the Japan state. This fund does not allow any employer's contribution reserve.
There is no pension funds for the other consolidated entities of the Group.

Presentation of economic benefit / obligation and the pension expenses

	Over or under-funding 31.12.19	Economic interest of the Bank		Change in economic interest versus prior year	Contributions paid in 2019	Pension expenses in personnel expenses	
		2019	2018			2019	2018
Pension plans with overfunding	–	–	–	–	326 141	326 141	356 795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	Balance at 31 Dec. 2018 CHF	Use in conformity with designated purpose CHF	Reclassifi-cations CHF	Currency differences CHF	Recoveries, past due interest CHF	New creations charged to income CHF	Releases to income CHF	Balance at 31 Dec. 2019 CHF
Provisions for other business risks	–	–	–	–	–	–	–	–
Total provisions	–	–	–	–	–	–	–	–
Reserves for general banking risks	–	–	–	–	–	–	–	–
Value adjustments for default risks and country risks – *of which, value adjustments for default risks in respect of impaired loans/receivables*	–	–	–	–	–	–	–	–

Provisions are valued according to the best estimate principle.

Presentation of the Bank's capital

	2019			2018		
	Total par value CHF	Number of shares	Capital eligible for dividend CHF	Total par value CHF	Number of shares	Capital eligible for dividend CHF
Share capital	22 000 000	21 712 000	22 000 000	22 000 000	21 712 000	22 000 000
Registered shares	22 000 000	21 712 000	22 000 000	22 000 000	21 712 000	22 000 000
of which, paid up	*22 000 000*	*21 712 000*	*22 000 000*	*22 000 000*	*21 712 000*	*22 000 000*
Total Bank's capital	**22 000 000**	**21 712 000**	**22 000 000**	**22 000 000**	**21 712 000**	**22 000 000**

The share capital consists of 21 680 000 shares with a nominal value of CHF 1 and of 32 000 shares with a nominal value of CHF 10.

Disclosure of amounts due from/to related parties

	2019		2018	
	Amounts due from, CHF	Amounts due to, CHF	Amounts due from, CHF	Amounts due to, CHF
Holders of qualified participations	–	19 011	–	41
Group companies	–	178 594	21 250	979 094
Linked companies	–	–	–	–
Transactions with members of governing bodies	–	34 940	–	30 916
Other related parties	–	5 429	–	719

Dukascopy Bank engaged 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Disclosure of holders of significant participations

	2019			
With voting rights	Nominal CHF	Number of shares	% of equity in %	Capital eligible for dividend, CHF
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

	2018			
With voting rights	Nominal CHF	Number of shares	% of equity in %	Capital eligible for dividend, CHF
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

The share capital consists of 21 680 000 shares with a nominal value of CHF 1 and of 32 000 shares with a nominal value of CHF 10.

Presentation of the maturity structure of financial instruments

			Due					
Assets	At sight CHF	Cancell-able 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	23 720 307	–	–	–	–	–	–	23 720 307
Amounts due from banks	68 923 443	219 529	–	–	–	–	–	69 142 972
Amounts due from customers	193 928	154 460	–	–	–	–	–	348 388
Positive replacement values of derivative financial instruments	1 096 498	–	–	–	–	–	–	1 096 498
Financial investments	55 417	–	–	–	11 530 289	35 552 443	–	47 138 149
Total current assets at 31 December 2019	**93 989 593**	**373 989**	–	–	**11 530 289**	**35 552 443**	–	**141 446 314**
Total current assets at 31 December 2018	118 755 041	541 368	–	12 127 567	11 675 341	7 164 022	–	150 263 339
Third-party liabilities								
Amounts due to banks	12 085 187	–	–	–	–	–	–	12 085 187
Amounts due in respect of customer deposits	94 861 033	–	–	–	–	–	–	94 861 033
Negative replacement values of derivative financial instruments	1 124 708	–	–	–	–	–	–	1 124 708
Total third-party liabilities at 31 December 2019	**108 070 928**	–	–	–	–	–	–	**108 070 928**
Total third-party liabilities at 31 December 2018	120 972 869	–	–	–	–	–	–	120 972 869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

	2019			2018		
ASSETS in CHF ('000)	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Liquid assets	23 720	–	23 720	28 490	5 552	34 042
Amounts due from banks	29 656	39 486	69 142	59 674	24 052	83 726
Amounts due from customers	65	284	349	55	344	399
Positive replacement values of derivative financial instruments	78	1 018	1 096	237	893	1 130
Financial investments	35 552	11 586	47 138	19 292	11 675	30 967
Accrued income and prepaid expenses	2 417	1 028	3 445	2 988	1 432	4 420
Non-consolidated participations	100	11	111	200	829	1 029
Tangible fixed assets	525	286	811	741	504	1 245
Other assets	211	–	211	808	–	808
Total assets	**92 324**	**53 699**	**146 023**	**112 485**	**45 281**	**157 766**
LIABILITIES						
Amounts due to banks	–	12 085	12 085	–	20 416	20 416
Amounts due in respect of customer deposits	6 750	88 111	94 861	7 511	92 170	99 681
Negative replacement values of derivative financial instruments	294	831	1 125	73	803	876
Accrued expenses and deferred income	1 925	235	2 160	1 992	270	2 262
Other liabilities	1 019	–	1 019	1 929	–	1 929
Provisions	–	–	–	–	–	–
Reserves for general banking risks	–	–	–	–	–	–
Bank's capital	22 000	–	22 000	22 000	–	22 000
Retained earnings reserve	10 280	–	10 280	12 179	–	12 179
Currency translation reserve	277	–	277	303	–	303
Consolidated result of the year	2 323	(107)	2 216	(1 062)	(818)	(1 880)
Total liabilities	**44 868**	**101 155**	**146 023**	**44 925**	**112 841**	**157 766**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown of total assets by country or group of countries (domicile principle)

	2019		2018	
ASSETS	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
Switzerland	92 325	63.3	112 485	71.3
Europe excluding Switzerland	33 854	23.1	23 752	15.0
USA and Canada	12 557	8.6	13 054	8.3
Others	7 287	5.0	8 475	5.4
Total	**146 023**	**100.0**	**157 766**	**100 .0**

Breakdown of total assets by credit rating of country groups (risk domicile view)

	2019		2018	
SERV Rating	**Absolute CHF (000)**	**Share %**	**Absolute CHF (000)**	**Share %**
1	51 836	96.5	42 610	94.1
2	6	0.0	10	0.0
3	368	0.7	394	0.9
4	22	0.0	76	0.2
5	1 002	1.9	1 806	4.0
6	197	0.4	107	0.2
7	174	0.3	224	0.5
without rating	94	0.2	54	0.1
Total	**53 699**	**100.0**	**45 281**	**100.0**

The Bank does not use an internal rating system for country risk management.
SERV is the rating issued by OECD. Net exposure excluding Switzerland.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of assets and liabilities broken down by the most significant currencies of the Bank

ASSETS in CHF ('000)	**CHF**	**EUR**	**USD**	**GBP**	**JPY**	**Others**	**Total**
Liquid assets	23 720	–	–	–	–	–	23 720
Amounts due from banks	4 344	25 743	22 550	3 973	7 260	5 272	69 142
Amounts due from customers	22	137	102	1	51	36	349
Positive replacement values of derivative financial instruments	1 096	–	–	–	–	–	1 096
Financial investments	35 553	–	11 530	–	–	55	47 138
Accrued income and prepaid expenses	2 252	322	704	43	22	102	3 445
Non-consolidated participations	111	–	–	–	–	–	111
Tangible fixed assets	800	–	–	–	11	–	811
Other assets	48	80	31	43	–	9	211
Total assets	**67 946**	**26 282**	**34 917**	**4 060**	**7 344**	**5 474**	**146 023**
Claims arising from spot exchange and swap transactions	116 464	474 404	871 008	293 958	122 256	199 234	2 077 324
Total at 31 December 2019	**184 410**	**500 686**	**905 925**	**298 018**	**129 600**	**204 708**	**2 223 347**

LIABILITIES							
Amounts due to banks	3	10 825	959	71	69	157	12 085
Amounts due in respect of customer deposits	8 279	20 895	47 709	3 927	6 159	7 892	94 861
Negative replacement values of derivative financial instruments	1 125	–	–	–	–	–	1 125
Accrued expenses and deferred income	1 128	655	229	7	116	24	2 160
Other liabilities	623	113	273	1	–	9	1 019
Bank's capital	22 000	–	–	–	–	–	22 000
Retained earnings reserve	10 280	–	–	–	–	–	10 280
Currency translation reserve	277	–	–	–	–	–	277
Consolidated profit of the year	2 216	–	–	–	–	–	2 216
Total liabilities	**45 931**	**32 488**	**49 171**	**4 007**	**6 344**	**8 082**	**146 023**
Delivery obligations arising from spot exchange and swap transactions	114 944	407 115	965 915	280 649	128 408	180 293	2 077 324
Total at 31 December 2019	**160 875**	**439 603**	**1 015 086**	**284 656**	**134 752**	**188 375**	**2 223 347**
Net position by currency	23 535	61 083	(109 161)	13 362	(5 152)	16 333	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown of contingent assets and contingent liabilities

Contingent assets	2019 CHF	2018 CHF
Other contingent assets	–	–
Total contingent assets	**–**	**–**

Contingent liabilities		
Other contingent liabilities	154 971	149 817
Total contingent liabilities	**154 971**	**149 817**

Breakdown of the result from trading activities

Trading income	2019 CHF	2018 CHF
Leveraged margin trading	27 729 166	27 737 529
Binary options	658 635	782 895
Total	**28 387 801**	**28 520 424**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown by underlying risk

Result from trading activities from:	2019 CHF	2018 CHF
Equity securities	4 863 299	2 222 635
Foreign currency	18 224 459	19 187 947
Commodities / precious metals	5 300 043	7 109 843
Total	**28 387 801**	**28 520 424**

Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

Negative interest	2019 CHF	2018 CHF
Negative interest on credit operations	203 397	112 410

Negative interest on credit operations are disclosed as a reduction in Interest and discount income.

Breakdown of personnel expenses

Personnel expenses	2019 CHF	2018 CHF
Salaries	7 541 755	11 183 894
of which, expenses relating to share-based compensation and alternative forms of variable compensation	–	–
Benefits	1 887 467	2 730 127
Other personnel expenses	126 383	168 244
Total personnel expenses	**9 555 605**	**14 082 265**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Breakdown of general and administrative expenses

General and administrative expenses	2019 CHF	2018 CHF
Premises	2 679 093	2 987 215
IT related expenses	2 622 902	2 783 504
Copyright agreement	3 370 245	–
Legal and consulting	1 151 114	1 157 675
Post, telecommunications and data	870 443	765 948
Expenses for vehicles	60 870	48 186
Office supply	199 433	219 133
Audit fees	266 637	303 611
of which for financial and regulatory audits	*266 637*	*303 611*
of which for other services	–	–
Marketing and communication	3 211 289	5 911 778
Travels	933 814	1 219 425
Others	406 055	570 594
Total general and administrative expenses	**15 771 895**	**15 967 069**

Explanations regarding extraordinary income and expenses

Extraordinary income	2019 CHF	2018 CHF
Profit realised on the disposal of participation	1 079	–
Disposal of fully depreciated fixed assets	–	11 260
Total extraordinary income	**1 079**	**11 260**

Extraordinary expenses		
Loss realised on the disposal of participation	(170 793)	–
Total extraordinary expenses	**(170 793)**	–

DUKASCOPY Swiss Banking Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

Presentation of operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

	2019		2018	
	Domestic CHF	Foreign CHF	Domestic CHF	Foreign CHF
Subtotal net result for interest operations	180 567	–	303 622	–
Subtotal result from commission business & services	462 944	4 892	262 907	16 907
Result from trading activities	28 387 801	13 647	26 879 726	1 640 698
Personnel expenses	(6 045 392)	(3 510 213)	(6 414 025)	(7 668 240)
General and administrative expenses	(4 700 395)	(11 071 350)	(6 418 819)	(9 548 250)
Subtotal operating expenses	**(10 745 787)**	**(14 581 563)**	**(12 832 844)**	**(17 216 490)**
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	(333 797)	(244 926)	(347 449)	(272 834)
Changes to provisions and other value adjustments, and losses	(31 862)	(554)	(2 087)	(1 248)
Operating result	**17 919 866**	**(14 808 504)**	**14 263 875**	**(15 832 967)**

Presentation of current taxes, deferred taxes and disclosure of tax rate

	2019 CHF	2018 CHF
Current tax expenses	(707 136)	(321 979)
Total taxes	**(707 136)**	**(321 979)**

	2019	2018
Average tax rate	22.9%	n/a

Taxes consist of tax on profit and capital, as well as professional tax.
In 2018 we have a loss at the operating level.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS of Dukascopy Bank SA, Geneva

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Dukascopy Bank SA, which comprise the balance sheet, statement of income, statement of changes in equity, cash flow statement and notes (pages 49 to 77 of this report) for the year ended 31 December 2019.

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 financial groups 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 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for financial groups 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

Romain Tranchant
Licensed Audit Expert

Geneva, 28 April 2020

Enclosure:
- Consolidated Financial statements (balance sheet, statement of income, statement of changes in equity, cash flow statement and notes).

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Swiss Banking Group

KEY METRICS DISCLOSURES
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2019

KM1: Key regulatory figures

	Available capital (amounts) 000 CHF	2019	2019Q3	2019Q2	2019Q1	2018
1	Common Equity Tier 1 (CET1)	32 557				31 573
1a	Fully loaded ECL accounting model CET1	–				–
2	Tier 1	32 557				31 573
2a	Fully loaded ECL accounting model Tier 1	–				–
3	Total capital	32 557				31 573
3a	Fully loaded ECL accounting model Total capital	–				–
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	231 863				242 300
4a	Minimum capital requirements (000 CHF)	22 123				19 384
	Risk-based capital ratios (as a percentage % of RWA)					
5	CET1 ratio (%)	14,04%				13,03%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	–				–
6	T1 ratio (%)	14,04%				13,03%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	–				–
7	Total capital ratio (%)	14,04%				13,03%
7a	Fully loaded ECL accounting model total capital ratio (%)	–				–
	Additional CET1 requirements (buffers) as a percentage of RWA					
8	Capital conservation buffer requirement according to Basel min. requirements	2,50%				1,88%
9	Countercyclical buffer requirement according to Basel min. requirements	0,00%				0,00%
10	Bank G-SIB and/or D-SIB additional requirements	0,00%				0,00%
11	Total of bank CET1 specific buffer requirements according to Basel min. requirements	2,50%				1,88%
12	CET1 available after meeting the bank's minimum capital requirements	6,04%				9,53%
	Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (CAO) (% of RWA)					
12a	Capital conservation buffer according to CAO, Annex 8 (%)	2,50%				2,50%
12b	Countercyclical capital buffer according to CAO, Art. 44 and Art. 44a (%)	0,00%				0,00%
12c	CET1 capital target (%) according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	7,00%				7,00%
12d	T1 capital target according to CAO, Annex 8 + countercyclical buffer according to CAO, Art. 44 and 44a	8,50%				8,50%
12e	Total capital target according to CAO, Annex 8 + contercyclical buffer according to CAO, Art. 44 and 44a	10,50%				10,50%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio exposure measure (000 CHF)	164 184				159 943
14	Basel IIII Leverage Ratio	19,83%				19,74%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	19,83%				19,74%
	Medium short-term liquidity coverage ratio LCR					
15	LCR Numerator: total stock of high quality liquid assets (000 CHF)	50 183	45 151	46 800	50 278	36 860
16	LCR Denumerator: total cash outflow (000 CHF)	5 941	6 571	8 129	8 443	8 197
17	Liquidity coverage ratio (%)	845%	687%	576%	595%	450%

* According to CAO, Art. 44 and 44a

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OV1: Overwiew of risk-weighted assets

in 000 CHF		RWA 2019	RWA 2018	Min. capital requirements 2019
1	Credit risk	34 763	27 625	2 781
20	Market risk	140 163	146 838	11 213
24	Operational risk	56 099	60 049	4 488
24a	Risks without counterparty	813	7 788	65
25	Amounts below the thereshold 3 (subject to 250% risk weight)	–	–	–
26	Others	25	–	2
27	**Total (1 + 20 + 24 + 25)**	**231 863**	**242 300**	**18 549**

To determinate minimum capital requirement we use:
- credit risk: standard approach;
- market risk: standard approach;
- operational risk: basic indicator approach;
- others: cryptocurrencies.

LIQA : Liquidity risk management

Dukascopy Bank and its Group have abundant liquidity which comes exclusively from client deposits and accumulated profits. Moreover, over 90% of all assets are very liquid (cash at sight and investment grade government bonds) which are deposited in countries where transferability of assets is highly probable, mostly in Switzerland, Germany, UK and in the USA. The Treasurer monitors the evolution of client withdrawals as an early warning indicator. The Risk Committee, of which the Treasurer is a member, monitors liquidity indicators quarterly, annually updates a liquidity contingency plan and performs a stress test which consistently confirms the very comfortable liquidity situation of the Bank (and its Group) and its compliance with the very low liquidity risk appetite of the Bank. The Risk Committee quarterly informs the Board of Directors and the Executive Committee on the Bank's liquidity situation. The treasurer maintains reserves of immediately usable liquidity in the main currencies so as to allow the Bank to honour its short term payment obligations.

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CR1 : Credit risk - credit quality of assets

in 000 CHF		Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-Defaulted exposures	Value adjustments/ impairments	Net values
1	Loans (excluding debt securities)	–	97 964	–	97 964
2	Debt securities	–	47 083	–	47 083
3	Off-balance sheet exposures	–	1 039	–	1 039
24	**Total**	–	**146 086**	–	**146 086**

A situation of "default" is recognised when the debtor has failed to pay interests or to reimburse the loan at the contractually agreed maturity date.

CR 3: Credit risk - overview of credit risk mitigation techniques

in 000 CHF	Unsecured exposures / carrying values	Exposures secured by collateral / carrying values	Exposures secured by financial guarantees or credit derivatives / the amounts effectively covered
Loans (Debt securities included)	145 003	–	44
Off-balance sheet exposures	884	155	–
Total	145 887	**155**	**44**
of which defaulted	–	–	–

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

Definition of interest rate risk in the banking book. 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 Group could be exposed to the interest rate risk by offering CFD trading on debt instruments. In such case, the Group's exposure to the interest rate risk would considerably fluctuate depending on the clients trading positions. Therefore, the Group fully hedges this trading flow.

The Group business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Group neither charges or pay interests to its clients. The main source of interest rate risk of the Group 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 policies. The Bank risk management policies define the organisational structure, responsibilities, limits and maximum acceptable risk with the objective to optimise the net interest income on a long term horizon. The Executive Management is responsible for supervising and implementing 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 Committee and the Board of Directors that includes the interest rate risk situation. This Risk Report presents inter alia the results of the stress tests with significant shifts in interest rate curves, the level of use of the risk limits and the distribution of relevant positions per currency and per maturity.

The Bank does not pay interest on customers' accounts. Nevertheless, it can review that policy at any time if considered it 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 does not issue loans to customers, all due from banks have 1 month and due from customers have 9 month repricing maturities.

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

The Finance Department 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 own base scenario (100 basis point change in interests) and the six-standardised interest rate shock scenarios prescribed by the FINMA (Circular 2019/2 "Interest rate risk – banks). For each standardised 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 and long term rates up)	From -97 basis point up to +90 basis points depending on maturity bucket
Flattener shock (short term rates up and long term rates down)	From +120 basis points down to -60 basis points depending on maturity bucket
Rise in short term interest rates	From +150 basis points down to 0 basis points depending on maturity bucket
Fall in short term interest rates	From -150 basis points down to 0 basis points depending on maturity bucket

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

Change in economic value of equity (EVE)

Change in economic value of equity has been computed with the assumptions of a run off balance sheet, where existing banking book positions amortise and 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)

Change in 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 Group's optionalities to update its commercial policy with respect to negative interests charged to customers (liability side) without affecting substantially other revenue categories. Parallel shift up scenario may as well differ according to commercial policy and competition.

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

	Volume (in CHF millions)			**Average interest rate reset period** (in years)	
Positions with an defined interest rate reset date	Total	of which CHF	of which other significant currencies*	Total	of which CHF
Financial investments	43	30	13	7.90	10.20
Positions with an undefined interest rate reset date					
Amounts due from banks	65	4	48	0.04	0.04
Amounts due from customers	0	0	0	0.62	0.62
Sight liabilities in personal and current accounts	(95)	(8)	(69)	0.04	0.04
Other liabilities	(12)	0	(12)	0.04	0.04
TOTAL	**1**	**26**	**(20)**	–	–

*Significant currencies are those that make more than 10% of assets or liabilities of total assets (ie USD and EUR)

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

in CHF millions	**Δ EVE** (change in the net present value)		**Δ NII** (change in the discounted earning value)	
Period	31.12.2019	30.06.2019	31.12.2019	30.06.2019
Parallel upward shift	(4.8)	(5.1)	0	0
Parallel downward shift	5.7	6.0	0	0
Steepener shock	(2.1)	(2.3)	–	–
Flattener shock	1.2	1.3	–	–
Upward short-term interest rate shock	(0.8)	(0.9)	–	–
Downward short-term interest rate shock	0.9	0.9	–	–
Maximum	5.7	6.0	0	0
Total eligible capital	**32.6**	**32.6**	–	–

The Group 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 Group's business activities hardly expose it to the interest rate risk because it basically has no interest based business: the Group neither charges or pay 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 does not issue loans to customers, all due from banks have 1 month and due from customers have 9 months repricing maturities.

The Group could be exposed to the interest rate risk by offering CFD trading on debt instruments. In such case, the Group's exposure to the interest rate risk would considerably fluctuate depending on the clients trading positions. Therefore, the Group fully hedges this trading flow. The main source of interest rate risk of the Group is 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.

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ORA: Operational risks

Operational risks include IT, cyber, confidentiality, fraud, compliance and legal risks. The Bank is particularly exposed to IT and cyber risks due to its reliance on technological solutions connected to the Internet. The identification, measurement, management, monitoring and reporting of the Bank's risks are organised in a comprehensive Risk Management Concept complemented by specific concepts on cyber-security, data confidentiality and operational risk management and by other internal regulation. Compliance risks are specifically subject to a Compliance Risk Analysis and Action Plan. All this documentation is reviewed annually by the relevant specialised committees of the Bank: the Risk Committee, the Compliance Committee and the IT Steering Committee. The Bank makes sure that each identified operational risk remains within the limits of its appetite and keeps under scrutiny the internal controls which allow to keep those risks at an acceptable level. Quarterly, the Board of Directors and the Executive Committee are informed of the evolutions in the Bank and Group's risk profile, receives operational risk indicators allowing them to monitor the situation of risks and their compliance with the Group's objectives.

For determining capital requirements applicable to operational risks the Group uses the basic indicator method.

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